

Kentucky Power Company
KPSC Case No. 2017-00472
Commission Staff's Post Hearing Data Requests
Dated September 21, 2018

DATA REQUEST

KPSC_PHDR_1_1 Kentucky Power's Tariff Non-Utility Generator (Tariff N.U.G.), including the remote self-supply provision, was originally submitted and approved in September 2001. Identify those Kentucky Power affiliates, if any, that implemented tariffs that are similar Kentucky Power's Tariff N.U.G. during that time period.

RESPONSE

Public Service Company of Oklahoma implemented a similar tariff in approximately the 2001 time period. The tariff was suspended in 2007. No other affiliate of Kentucky Power implemented a tariff containing conditions similar to those contained in the Company's Tariff N.U.G.

Witness: Ranie K. Wohnhas

Kentucky Power Company
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DATA REQUEST

KPSC_PHDR_1_2 Identify those Kentucky Power affiliates, if any, that currently have a tariff schedule that is similar to Kentucky Power's Tariff N.U.G. Provide a copy of those tariffs.

RESPONSE

Please see Kentucky Power's response to KPSC PHDR-1.

Non-utility generators are served, or would be served, under the generally applicable commercial and industrial tariffs of Kentucky Power's affiliates.

Witness: Ranie K. Wohnhas

Kentucky Power Company
KPSC Case No. 2017-00472
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DATA REQUEST

KPSC_PHDR_1_3 Provide a citation to the legal authorities that Kentucky Power relies upon to establish non-utility generator self-supply requirements that are different than those required under the PJM Interconnection, LLC Open Access Transmission Tariff.

RESPONSE

Kentucky Power Company relies upon both state and federal legal authority recognizing this Commission's exclusive jurisdiction over the retail sales of electric energy for consumption in the Commonwealth, including the terms and conditions of such sales. Without limitation, and reserving the right to supplement and expand upon the authority cited below in its briefs to be filed herein, Kentucky Power provides the following legal authority to establish and maintain "non-utility generator self-supply requirements different than those established under the PJM Interconnection, LLC Open Access Transmission Tariff:"

A. **Statutes:**

1. KRS 278.040(2) – granting the Commission “exclusive jurisdiction over the regulation of rates and service of utilities....”
2. KRS 278.010(7) – defining “retail electric service” to mean “electric service furnished to a consumer for ultimate consumption, but does not include wholesale energy furnished by an electric supplier to another electric supplier for resale.”
3. KRS 278.018(1) – granting retail electric suppliers such as Kentucky Power Company “the exclusive right to furnish retail electric service to all electric-consuming facilities located within its certified territory....”
4. 16 U.S.C. § 824(b)(1) providing that the States retain jurisdiction over the sale of electric energy other than: (a) the “the transmission of electric energy in interstate commerce” and (b) the “sale of energy at wholesale in interstate commerce.” The same provision reserves to the States jurisdiction “over facilities used in local distribution or only for the transmission of electric energy in intrastate commerce, or over facilities for the transmission of electric energy consumed wholly by the transmitter.”

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B. Federal Decisional Authority:

1. *So. California Edison Co. v. FERC*, 603 F.3d 996 (D.C. Cir. 2010) – this was a challenge by Southern California Edison to a FERC order approving a tariff filed by California Independent System Operator (“CAISO”) establishing a monthly netting period for generators’ use of station power and generation of energy. The question as framed by the court was:

That raises the question of how to calculate properly the charges utilities can impose on generators for their use of station power. In other words, what is the appropriate netting period by which it should be determined how much power a generator took for its own station power needs.

Id. at 997-998. Southern California Edison argued that FERC exceeded its jurisdiction by approving the CAISO tariff providing for monthly netting. *Id.* at 999.

The D.C. Circuit agreed with Southern California Edison that FERC’s approval of the tariff exceeded the agency’s jurisdiction over interstate transmission. *Id.* at 1000-1001. It similarly rejected FERC’s argument that state commission authority over the netting period was preempted because of the need to maintain the competitive position of “independent generators *vis-à-vis* those utilities who still maintain their own generation.”

But FERC has yet to explain why that general concern can be grounds to preempt the state’s authority to set the netting period for station power – i.e., the pricing mechanism – in the retail market or to allow utilities to impose consumption charges.

Id. at 1002 (emphasis). The court vacated FERC’s order approving the tariff and remanded the matter for further proceedings. *Id.*

2. *Calpine Corp. v. FERC*, 702 F.3d 41 (D.C. Cir. 2012) – was an appeal by a group of California generators challenging FERC’s order on remand from *So. California Edison*. On remand FERC concluded that “it lacked a jurisdictional basis to determine when the provision of station power constitutes a retail sale and indicating that the netting internal in the CAISO tariff could govern Commission-jurisdictional transmission charges, ***not retail charges.***” *Id.* at 45 (emphasis supplied).

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The D.C. Circuit on appeal affirmed. The court first explained that “[p]etitioners make no real further attempt to connect FERC’s jurisdiction over transmission to state netting rules (understandably in light of our prior [*So. California Edison*] opinion.” *Id.* at 47. The court then held that FERC had not acted arbitrarily and capriciously in concluding that its jurisdiction over wholesale power transactions failed to provide an adequate jurisdictional basis for FERC “to regulate truly local charges” such as the netting period for station power sales. *Id.* at 50. In so holding, the D.C. Circuit explained:

As our analysis thus far should make clear, the tariff’s netting interval does not “allocate power” between energy consumed as station power and energy available at wholesale; it simply determines under what conditions generators will be assessed transmission and retail charges for their use of station power. This question is one of *cost*, not allocation of power. While the regulation of transmission charges is undoubtedly within FERC’s, retail charges are not.

Id. (emphasis in original).

3. *In the Matter of New PJM Companies and PJM Interconnection, LLC*, Order, Docket ER03-262009, 107 FERC Paragraph 61,272 (FERC June 17, 2004) – approving without modification a stipulation among the parties to the Commission proceeding approving the transfer of functional control of Kentucky Power’s transmission assets to PJM in connection with Kentucky Power joining PJM. Among the stipulation provisions approved were:

(a) Paragraph 5 which provided “that nothing in the Kentucky Stipulation shall be construed to alter the jurisdictional authority of the [Federal Energy Regulatory] Commission or the Kentucky Commission.... Finally, Paragraph 5 affirms the Kentucky Commission’s jurisdiction over AEP-Kentucky’s retail rates.” *Id.* at 4.

(b) Paragraph 7 which provided “that nothing in the Kentucky Stipulation alters Kentucky laws, rules, or policies that service to retail customers be provided through the provision of bundled retail electric service.” *Id.*

C. **State Decisional Authority:**

1. *In the Matter of: Application Of East Kentucky Power Cooperative, Inc. For A Declaratory Order Confirming The Effect Of Kentucky Law And Commission Precedent On Retail Electric Customers’ Participation In Wholesale Electric Markets*, Case No. 2017-00129 (Ky. P.S.C. June 6, 2017). In its order the Commission held that “[n]o retail electric customer is authorized to participate directly or indirectly in any PJM wholesale market,

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including but not limited to DR programs and EER programs, except under a tariff or special contract on file with the Commission.” *Id.* at 21. The Commission further held that “[e]very retail electric supplier has the authority under 807 KAR 5:006, Section 15, to terminate electric service to a retail electric customer when the customer is not in compliance with KRS Chapter 278, the regulations promulgated under 807 KAR 5, or the retail electric suppliers’ tariffed rules.” *Id.* at 21-22. The Commission’s order was premised upon its conclusions and findings that:

(a) “[A]ll of the Commission Orders approving transfers of functional control of transmission facilities to PJM contained multiple, explicit statements that absent a tariff or contract filed with or approved by the Commission, Kentucky retail customers are prohibited from participating in PJM markets.” *Id.* at 18.

(b) “Kentucky has not restructured its electric markets; Kentucky retail electric suppliers have an exclusive right to sell electricity in their respective service areas; Kentucky retail electric customers have no right to participate directly or indirectly in wholesale electric market absent authorization under a tariff or contract on file with the Commission....” *Id.* at 19-20.

(c) “Any Kentucky retail customer that participates directly or indirectly in any wholesale electric market in absence of authorization under a tariff or contract on file with the Commission is in violation of Kentucky statutes and Commission Orders and is subject to termination of service by its retail electric supplier under 807 KAR 5:006, Section 15.” *Id.* at 20.

(d) “PJM was a party to the three transfer of control cases involving Kentucky Power, Duke Kentucky, and EKPC, respectively. PJM made unconditional commitments and acknowledged that the transfer of control to PJM would not diminish the Commission’s jurisdiction and that Kentucky retail customers would not participate directly or indirectly in PJM’s DR programs absent a tariff or special contract on file with the Commission.” *Id.*

Witness: Counsel

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DATA REQUEST

KPSC_PHDR_1_4 State whether the Zelda and Foothills sites are interconnected to Kentucky Power's system pursuant to a single interconnection agreement or separate interconnection agreements. Provide a copy of the agreement(s).

RESPONSE

The Zelda and Foothills portions of the facility were constructed at different times. Consequently, separate Interconnection Agreements were entered into for each portion of the facility. Please see KPCO_R_KPSC_PHDR_1_4_Attachment 1.pdf and KPCO_R_KPSC_PHDR_1_4_Attachment 2.pdf for the requested information.

Witness: Ranie K. Wohnhas

INTERCONNECTION AND OPERATION AGREEMENT

Between

Kentucky Power Company

And

Riverside Generating Company, L.L.C.,
as construction agent for the
Lawrence County Riverside Trust 2000

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INTERCONNECTION AGREEMENT

THIS AGREEMENT, made this _____ day of November, 2000, by and between Kentucky Power Company (hereinafter "Company"), a wholly-owned subsidiary of American Electric Power Company, Inc. (AEP), and Riverside Generating Company, L.L.C., as construction agent for the Lawrence County Riverside Trust 2000 (hereinafter "Generating Company").

WITNESSETH:

WHEREAS, Kentucky Power Company, owns and operates electric facilities and is engaged, among other things, in the transmission of electric power and energy in the Commonwealth of Kentucky, and as a part of AEP, offers open access transmission service over the integrated AEP transmission system; and

WHEREAS, Generating Company will own and operate the Riverside Generating Facility located near Company's Baker 345 kV Station in Lawrence County, Kentucky, for the generation of electric power; and

WHEREAS, Generating Company has requested an interconnection agreement with Company to accomplish the interconnection of the Facility to the Company System at 345 kilovolts; and

WHEREAS, Company owns transmission facilities in Kentucky, some of which are located near the Facility Site, and Company is willing to interconnect the Company System with the Facility under the terms and conditions contained herein.

NOW, THEREFORE, for and in consideration of the promises and mutual covenants herein set forth the Parties hereto agree as follows:

ARTICLE 1. DEFINITIONS

Whenever used in this Agreement, the following terms shall have the following meanings:

1.1 "Affiliate" shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

1.2 "Agreement" shall mean this Interconnection and Operation Agreement between Company and Generating Company, including all Attachments and any amendments thereto.

1.3 "Applicable Laws and Regulations" shall mean all applicable federal, state and local laws, ordinances, rules and regulations, and all duly promulgated orders and other duly authorized actions of any Governmental Authority having jurisdiction over the Parties and/or their respective facilities; provided, however, the Parties shall be entitled to treat all orders and actions of any Governmental Authority as duly promulgated or duly authorized, as applicable, until same have been declared to have not been duly promulgated or duly authorized, as applicable, by a court of competent jurisdiction.

1.4 "April 17 Letter Agreement" shall mean that certain letter agreement dated April 17, 2000 between American Electric Power Service Corporation, as agent for Kentucky Power Company, d/b/a American Electric Power, a wholly-owned subsidiary of American Electric Power Company, Inc. and Riverside Generating Company, L.L.C., as construction agent for the Lawrence County Riverside Trust 2000

1.5 "Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in Kentucky, are authorized or required by law to be closed.

1.6 "Commercial Operation Date" shall mean the date that the Interconnection Facilities have been permanently energized and commercial operation of the Facility has commenced through the sale of non-test Energy.

1.7 "Company's Baker 345 kV Station" shall mean Company's 345 kV electric switching substation located on the Big Sandy River in Lawrence County, Kentucky.

1.8 "Company's Interconnection Facilities" shall mean all equipment and other facilities which are part of the Interconnection Facilities and which Company owns, operates and maintains, as such are so designated and described in Appendix A.

1.9 "Company System" shall mean the integrated system of electrical generation, transmission and distribution facilities, and all equipment and facilities ancillary thereto, owned and/or operated by Company as a part of the AEP transmission system.

1.10 "Company System Control Center" shall mean the AEP System Control Center located in Columbus, Ohio, or its successor in function.

1.11 "Control Area" shall mean an electric system capable of regulating its generation in order to maintain and control its electric energy interchange schedule with other electric systems, contribute its frequency bias obligation to the interconnected system, and meet the generation operating reserve requirements set forth by ECAR, or any successor.

1.12 "Direct Assignment Facilities" shall mean: (a) the facilities necessary to physically and electrically interconnect the generating facility to the Company System and (b) the minimum necessary local and network upgrades that would not have been required but for an Interconnection Request, including (i) System Upgrades necessary to remove overloads and (ii) System Upgrades necessary to remedy short-circuit or stability problems resulting from the connection of the generating facility to the network.

1.13 "ECAR" shall mean the East Central Area Reliability Council or any successor thereto.

1.14 "ECAR Criteria" shall mean those written policies and/or standards promulgated by ECAR, as in effect from time to time, relating to practices to be followed in the planning and operation of the interconnected systems of the member utilities of ECAR.

1.15 "Emergency" shall mean any circumstance or combination of circumstances or any condition of the Facility, the Interconnection Facilities, the Company System or the transmission system of other utilities directly or indirectly connected to the Company System which in the reasonable judgment of Company is likely to result in imminent disruption of service to consumers or is likely to endanger life or property necessitating immediate action to avert serious injury to persons or property, or material impairment or degradation of transmission system reliability; provided, however, the lack of sufficient generation capacity to serve all loads being served over the Company System shall not constitute an Emergency.

1.16 "Energy" shall mean electric energy generated by the Facility, expressed in megawatt-hours.

1.17 "Environmental Laws" shall mean all federal, state, and local laws (including common laws), regulations, rules, ordinances, codes, decrees, judgements, binding directives, or judicial or administrative orders relating to the protection, preservation or restoration of human health, the environment, or natural resources, including, without limitation, laws relating to the releases or threatened releases of Hazardous Substances into any media (including without limitation, ambient air, surface water, groundwater, land, surface and subsurface strata) or otherwise relating to the manufacture, processing, distribution, use treatment, storage, release, transport, and handling of Hazardous Substances.

1.18 "Event of Default" has the meaning set forth in Section 6.1.

1.19 "Facility" shall mean the planned generation facilities rated at approximately 500 MW summer, and 500 MW winter, to be constructed by Generating Company on the Facility Site, and which are planned for commercial operation on or about June 1, 2001.

1.20 "Facility Site" shall mean the tract of land upon which the Facility is to be constructed, and which is more fully described in Appendix B.

1.21 "FERC" shall mean the Federal Energy Regulatory Commission, or any successor thereto.

1.22 "Force Majeure" shall mean any unforeseeable cause beyond the reasonable control of and without the fault or negligence of the Party claiming Force Majeure, including but not limited to acts of God, strike (including that by vendor personnel), flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance, sabotage, change in law or applicable regulation subsequent to the date hereof and action or inaction by any federal, state or local legislative, executive, administrative judicial agency or body which, in any of the foregoing cases, by exercise of due foresight such Party could not reasonably have been expected to avoid, and which, by the exercise of due diligence, it is unable to overcome.

1.23 "Generating Company's Interconnection Facilities" shall mean all equipment and other facilities which are part of the Interconnection Facilities and which Generating Company owns, operates and maintains, as such are so designated and described in Appendix A.

1.24 "Good Utility Practice(s)" shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the electric utility industry.

1.25 "Governmental Authority" shall mean any federal, state, local or municipal governmental body; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power; or any court or governmental tribunal.

1.26 "Hazardous Substances" shall mean:

(a) any petro-chemical or petroleum products, oil or coal ash, radioactive materials, radon gas, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid which may contain levels of polychlorinated biphenyls;

(b) any chemicals, materials, or substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "restricted hazardous materials", "extremely hazardous substances", "toxic substances", "contaminants", or "pollutants", or words of similar meaning and regulatory effect; or

(c) any other chemical, material, or substance, exposure to which is prohibited, limited or regulated by applicable Environmental Laws.

1.27 "Interconnection Facilities" shall mean all equipment and facilities that are necessary under Good Utility Practice solely to interconnect the Facility to the Company System economically, reliably and safely, including all connection, switching, metering, safety, engineering, communication and Protective Equipment, which equipment and facilities are more particularly described in Appendix A as Company's Interconnection Facilities and Generating Company's Interconnection Facilities.

1.28 "Interconnection Point" shall mean the point where Generating Company's Interconnection Facilities connect to Company's Interconnection Facilities at Company's Baker 345 kV Station, as more particularly shown in Appendix A.

1.29 "Interconnection Request" shall mean an Interconnection Customer requesting interconnection to the AEP Transmission system of a generating project using Attachment Q "Notification of Intent to Install and Operate Generation with AEP Transmission System" of amended AEP Open Access Transmission Tariff.

1.30 "Interest Rate" shall mean the GE Capital Commercial Paper Rate as published in the Money and Investing section of the Wall Street Journal, or, if no longer so published, in any mutually agreeable publication.

1.31 "March 2 Letter Agreement" shall mean that certain letter agreement dated March 2, 2000 between American Electric Power Service Corporation, as agent for Kentucky Power Company, d/b/a American Electric Power, a wholly-owned subsidiary of American Electric Power Company, Inc. and Riverside Generating Company, L.L.C.

1.32 "Metering Equipment" shall mean those facilities specified in Appendix C.

1.33 "NERC" shall mean the North American Electric Reliability Council, including any successor thereto.

1.34 "Open Access Transmission Tariff" or "OATT" shall mean the Open Access Transmission Tariff under which Company offers non-discriminatory open access transmission service, as filed with FERC, and as amended or supplemented from time to time, or any successor tariff.

1.35 "Operating Authority" shall mean the AEP System Control Center, the RTO, and any successor organizations.

1.36 "Party" shall mean a party to this Agreement named in the preamble, above, or any successors or permitted assignees. "Parties" shall mean each and every Party, collectively.

1.37 "Payment Schedule" shall have the meaning set forth in Subsection 5.2(a).

1.38 "Person" shall mean any individual, Governmental Authority, corporation, limited liability company, partnership, limited partnership, trust, association or other entity.

1.39 "Project Financing" shall mean (a) one or more leases, loans and/or debt issues, together with all modifications, renewals, supplements, substitutions and replacements thereof, the proceeds of which are used to finance or refinance the costs of the Facility, any alteration, expansion or improvement to the Facility, the purchase and sale of the Facility or the operations at the Facility and (b) a power purchase agreement pursuant to which Generating Company's obligations are secured by a mortgage or other lien on the Facility.

1.40 "Project Finance Holder" shall mean (a) any holder, trustee or agent for holders, of any component of the Project Financing and (b) any purchaser of power from the Facility to which Generating Company has granted a mortgage or other lien as security for some or all of Generating Company's obligations under the corresponding power purchase agreement.

1.41 "Protective Equipment" shall mean such protective relay systems, locks and seals, breakers, automatic synchronizers, associated communication equipment and other control schemes and protective apparatus as is reasonably necessary under Good Utility Practice, as reviewed by Company, for the operation of the Facility in parallel with the Company System and to permit Company's facilities to operate economically, reliably and safely in their normal manner.

1.42 "RTO" shall mean the Alliance Regional Transmission Organization, or any successor or other regional transmission organization to which Company may transfer operational control of the Company System, or a portion thereof.

1.43 "System Impact and Facility Studies" shall mean any studies conducted by the Company to investigate the impact of the Facility addition on the Company System and neighboring utilities and also to determine the design, specifications, and cost estimate for the Company Interconnection Facilities necessary solely to interconnect the Facility to the Company System and the System Upgrades.

1.44 "System Upgrades" shall mean the minimum necessary local and network upgrades that would not have been required but for the Interconnection of the Facility to the Company System, including (i) System Upgrades necessary to remove overloads and (ii) System Upgrades necessary to remedy short-circuit or stability problems resulting from the connection of the generating facility to the network, as such facilities are so designated and described in Appendix A.

ARTICLE 2. TERM AND TERMINATION OF AGREEMENT

2.1 Term

This Agreement shall become effective as of the date first above written or such other date as shall be specified by the FERC. This Agreement shall continue in force and effect for a period of forty years from the date this Agreement is made effective or until retirement of the Facility, whichever is shorter. Notwithstanding the above, this Agreement may be terminated earlier if earlier termination is permitted under this Agreement or mutually agreed to by the Parties. Any termination hereunder shall not take effect until the FERC either authorizes any request by a Party seeking termination of this Agreement in accordance with its terms or accepts a written notice of termination.

2.2 Termination

(a) If the Facility is cancelled or abandoned by Generating Company prior to completion of the Company's Interconnection Facilities, either Party may terminate this Agreement upon notification to the other Party. In such event, Generating Company shall be responsible for all reasonable and necessary costs which Company (i) has incurred prior to the termination and (ii) incurs in winding up such work, including without limitation, the costs to ensure the safety of persons and property, the integrity of the Company System and the cancellation of material and labor contracts. Company will invoice Generating Company for such costs pursuant to Subsection 5.1(e). Any non-returnable equipment or materials that have not already been installed by Company shall be transferred to and become the property of Generating Company "as is" and with all faults upon payment of Company's unrecovered costs as set forth in this Subsection 2.2(a).

(b) This Agreement may be terminated upon compliance with the requirements for such termination set forth in the following provisions of this Agreement, if applicable:

- (i) Subsection 3.7(e); and
- (ii) Subsection 6.1(b).

(c) Under any other circumstances, this Agreement may be terminated only by mutual agreement of the Parties.

2.3 Regulatory Approvals or Filings

(a) Generating Company agrees that it shall use its best efforts to obtain in a timely manner any federal, state, or other regulatory consents, approvals, certifications, filings or orders that may be required for Generating Company's execution, delivery or performance of this Agreement and any amendments hereto. Company agrees to use its best efforts to assist Generating Company in obtaining such approvals or making such filings as promptly as practicable.

(b) Company agrees that it shall use its best efforts to obtain in a timely manner any federal, state, or other regulatory consents, approvals, certifications, filings or orders that may be required for Company's execution, delivery or performance of this Agreement and any amendments hereto. Company shall promptly file this Agreement with the FERC, and any other authority, to the extent required by any Applicable Laws and Regulations. Generating Company agrees to use its best efforts to assist Company in obtaining such approvals or making such filings as promptly as practicable.

(c) Promptly upon execution of any amendment to this Agreement by the Parties, the Company shall file such amendment with the FERC. Each Party shall support the amendment before the FERC and any other regulatory agency having jurisdiction, and shall not protest or contest the amendment or any part of it before any such agency.

ARTICLE 3. FACILITY INTERCONNECTION

3.1 Establishment of Interconnection

The Facility to be constructed by the Generating Company shall be interconnected to the Company System at Company's Baker 345 kV Station, such interconnection being further described in Appendix A, and herein referred to as the "Riverside Interconnection". Appendix A may be revised subject to mutual written agreement of the Parties. Pursuant to this Agreement, the Parties shall, during the term of this Agreement, continue in service the existing transmission lines and essential terminal equipment, to the extent required to establish and maintain a reliable Riverside Interconnection.

3.2 Conditions of Interconnection

(a) Generating Company agrees that it will not interconnect or operate any part of its system connected to Company System in synchronization with any other electric system, whether such other electric system is supplied with electricity by Generating Company, a third party, or from another point of connection with Company System, unless the parties to be interconnected have the opportunity to fully evaluate and address any necessary changes. Any additional System Upgrades required as a result of such dual interconnection will be the responsibility of Generating Company. This Agreement provides only for interconnection of Generating Company's Facilities with the Company System. Nothing in this Agreement shall be read as a request by Generating Company or a commitment by Company to install any facilities other than those necessary to interconnect Facility with Company System.

(b) Generating Company acknowledges and agrees that from time to time during the term of this Agreement other Persons may develop, construct and operate or acquire and operate generation facilities in Company's service territory, and construction or acquisition and operation of any such other facilities, and reservations by any such other Persons of transmission service under the OATT may affect the availability of transmission service for the Facility's net electric output and that the Company makes no guarantees with respect to transmission service that is available under the OATT.. Generating Company acknowledges and agrees that Company has no

obligation to disclose to Generating Company any information with respect to, including the identity or existence of any such Person or other facilities except (i) as provided for in the OATT and Applicable Laws and Regulations, and (ii) in the event such facilities would reasonably be expected to have an effect on Generating Company's Interconnection Facilities or their operation, provided that, in such case, Company shall disclose only such information as is necessary to address any such effect on Generating Company.

(c) This Agreement does not obligate either Party to provide, or entitle either Party to receive, any transmission or other service not expressly provided for herein. Each Party is responsible for making the arrangements necessary for it to receive any other service that it may desire from the other Party or any third party. Any transmission or ancillary service obtained from the Company necessary to transmit power or Energy from the Facility shall be governed by the provisions of the OATT or other applicable tariff.

(d) Generating Company shall install the necessary equipment, such as power system stabilizers on its generators, to provide satisfactory stability performance under all credible system conditions as may be necessary in accordance with Good Utility Practice. Company agrees that the requirements of this Section 3.2(d) shall be satisfied upon Generating Company's installation of Cutler Hammer WTA 2000 voltage regulators with power stabilizer modules, pending completion of transient stability studies by Company based on the data for such power system stabilizer supplied by the Generating Company.

(e) Company shall have no obligation under this Agreement to provide construction, backup or start-up power for the Facility Site. This Agreement does not provide for the sale or purchase of Energy from Generating Company's Facility. Generating Company shall have the right, when permitted under state or federal law, to purchase construction, backup, maintenance or startup power from third-party supplier(s).

3.3 Interconnection Design, Operation and Maintenance

(a) The Parties agree to cause their respective Interconnection Facilities to be constructed in accordance with specifications at least equal to those provided by the National Electric Safety Code and approved by the American National Standards Institute. The Parties agree to comply with applicable service quality, reliability and power quality standards included in IEEE Standard 519 and other generally accepted electric utility industry standards addressing such issues.

(b) Each Party shall operate, maintain, repair, and inspect its Interconnection Facilities which it now or hereafter may own or control unless otherwise specified in this Agreement. Maintenance of its Interconnection Facilities by either Party that will cause a deviation from normal power and Energy flow at the Interconnection Point will be scheduled at a mutually agreed time. No changes will be made in the normal operation of the Interconnection Point without the mutual agreement of the Parties except as otherwise provided herein or in the OATT.

(c) A list of Company Protective Equipment and Generating Company Protective Equipment to be installed by Company and Generating Company, respectively, shall be included in Appendix D, and the cost of such Company equipment shall be included in Appendix E. The Parties will coordinate the construction, operation and maintenance of their respective Protective Equipment. If at any time the initial protective relay scheme can not provide adequate protection to the Company System from faults caused by or occurring with respect to Generating Company's generating units or Generating Company's Interconnection Facilities, Generating Company shall furnish and install at its expense the protective relay devices necessary to provide adequate protection to the Company System from same.

3.4 Facility and Generating Company's Interconnection Facilities

Unless otherwise agreed, Generating Company shall be responsible for the design, construction, installation, ownership, operation and maintenance of the Facility and Generating Company's Interconnection Facilities described in Appendix A. Generating Company's Interconnection Facilities located in Company's station must be designed, engineered, constructed, installed, tested and commissioned in accordance with Good Utility Practice, applicable NERC Planning and Operating Standards, ECAR Criteria and Company's usual specifications for such facilities.

3.5 Company's Interconnection Facilities and System Upgrades.

Company shall be responsible for the design, procurement, construction, installation, ownership, operation and maintenance of the Company's Interconnection Facilities and System Upgrades described in Appendix A. Company's Interconnection Facilities and System Upgrades must be designed, engineered, constructed, installed, tested and commissioned in accordance with Good Utility Practice, applicable NERC Planning and Operating Standards, ECAR Criteria and Company's usual specifications for such facilities.

3.6 Installation of Generating Company Interconnection Facilities

The Generating Company's Interconnection Facilities will be constructed by Generating Company or, at Generating Company's option, a third-party contractor to be selected by Generating Company. Notwithstanding the foregoing, Generating Company understands and agrees that Company shall complete the connection of the Company's Interconnection Facilities and the Generating Company's Interconnection Facilities and will be responsible for and manage all construction work on the Company System.

3.7 Installation of Company Interconnection Facilities and System Upgrades

(a) Company shall design, construct, own, operate, maintain and repair or replace Company Interconnection Facilities. Generating Company shall pay Company a contribution to capital covering the full cost of installing Company Interconnection Facilities, including tax consequences, if any, as provided in Section 5.5, resulting from the contribution to capital, required as a result of the connection of Generating Company's Facility to Company System. After installation, Company will maintain and repair/replace Company's Interconnection

Facilities and charge Generating Company for such maintenance and repair/replacement under the FERC-approved formula, shown in Appendix G. Company estimates that normal maintenance charges for Company's Interconnection Facilities will be approximately One Thousand Two Hundred Dollars (\$1200) on an annual average basis.

(b) Company shall design, construct, own, operate, maintain and repair or replace System Upgrades. Generating Company shall pay Company a contribution to capital covering the full cost of design and construction of any System Upgrades, including tax consequences, if any, as provided in Section 5.5, resulting from the contribution to capital, required as a result of the connection of Generating Company's Facility to Company System. After installation, Company will maintain and repair/replace System Upgrades at its own expense.

(c) The Company Interconnection Facilities and the System Upgrades must be designed, constructed, and installed in accordance with applicable System Impact and Facility Studies and Good Utility Practice, and must be sufficient, as built and designed, to deliver the full energy output of the Facility to the Company System and to enable the Facility to receive energy necessary to satisfy its operational requirements.

(d) As soon as practicable after receiving from Generating Company a form of security pursuant to subsection 5.1(a), below, which security requirements shall be deemed satisfied to the extent that Generating Company has made payments to Company pursuant to the March 2 Letter Agreement or the April 17 Letter Agreement, and after execution of this Agreement or its filing with FERC in an unexecuted form, Company will commence construction of the Company Interconnection Facilities and System Upgrades.

(e) Generating Company reserves the right, upon written notice to Company, to suspend at any time all work by Company associated with the construction and installation of Company's Interconnection Facilities or System Upgrades, or both. In such event, Generating Company shall be responsible for all reasonable and necessary costs which Company (i) has incurred prior to the suspension and (ii) incurs in winding up such work, including without limitation, the costs to ensure the safety of persons and property, the integrity of the Company System and the cancellation of material and labor contracts. Company will invoice Generating Company for such costs pursuant to subsection 5.1(f). Generating Company may, in its sole discretion, at anytime thereafter terminate this Agreement. In the event Generating Company has suspended the work by Company required under this Agreement and has not requested Company to recommence the work required hereunder on or before the 120th day after such suspension, the Parties shall deem that this Agreement has been canceled. Any non-returnable equipment or materials that has not already been installed by Company shall be transferred to and become the property of Generating Company "as is" and with all faults upon payment of Company's unrecovered costs as set forth in this Subsection 3.7(e).

(f) Pursuant to an OATT amendment proposed by Company in FERC Docket No. ER00-2413-000, Generating Company will be entitled to a credit, equal to the total amount paid to Company for the System Upgrades set forth in Appendix A, and not refunded to Generating Company pursuant to Section 5.4, against the cost of transmission service subsequently reserved under the OATT for delivery of Electricity from the Facility. If the crediting procedure

contained in the OATT amendment is modified by the FERC, the Parties will conform this Agreement to the modified provision. In connection with the filing of this Agreement at the FERC, Company shall include sufficient information for the FERC to determine 1) the reasonableness of any costs associated with the Agreement, 2) that any direct assignment of costs is appropriate, and 3) the basis for assigning or not assigning any transmission credits for any System Upgrades to be constructed.

3.8 Safety

(a) Subject to Section 8.2, the Parties agree to be solely responsible for and assume all liability for the safety and supervision of their own employees, agents, representatives, and subcontractors.

(b) The Parties agree that all work performed by either Party which could be expected to affect the operations of the other Party will be performed in accordance with all applicable laws, rules and regulations pertaining to the safety of persons or property, including without limitation, compliance with the safety regulations and standards adopted under the Occupational and Safety Health Act (OSHA) of 1970, as amended from time to time, the National Electrical Safety Code, as amended from time to time, and Good Utility Practice.

3.9 Subcontractors

(a) Nothing in this Agreement will prevent either Party from utilizing the services of subcontractors as it deems appropriate; provided, however, that all such subcontractors shall comply with the terms and conditions of this Agreement.

(b) The creation of any subcontract relationship shall not relieve the retaining Party of any of its obligations under this Agreement. Each Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor it hires as if no subcontract had been made. Any obligation imposed by this Agreement upon a Party shall be equally binding upon and construed as having application to any subcontractor retained by that Party.

(c) Each Party will be liable for, and defend, indemnify, and hold harmless the other Party, its parents, subsidiaries and affiliates, and their officers, directors, employees, agents, contractors, representatives, and assigns from and against, any and all claims, demands, or actions from or by its subcontractors; and will be responsible for all costs, expenses, and legal fees associated therewith and all judgments, decrees, and awards rendered with respect thereto.

(d) No subcontractor is intended to be or will be deemed a third party beneficiary of this Agreement.

(e) The obligations under this Section 3.9 are not limited in any way by any limitation on or of any subcontractor's insurance, including a lack thereof.

3.10 Company Review and Inspection of Generating Company's Interconnection Facilities

(a) Company reserves the right to review, inspect and/or require testing of all aspects of the design and construction of Generating Company's Facility and Generating Company's Interconnection Facilities which could have a direct effect on Company's service to Company's other customers or the safety of Company personnel. Such review may include Generating Company's specifications for Generating Company's Protective Equipment and Generating Company's Interconnection Facilities, including without limitation, any material improvements, additions, modifications, replacements or other material changes to equipment, electrical drawings and one-line diagrams. Generating Company may be required to provide Company with as-built drawings which will be of good engineering quality and which may include: (i) One line diagram showing the connections between the Facility's generator(s) and the Company System; (ii) Three line diagrams showing current and potential circuits for protective relays; (iii) Relay tripping and control schematic diagrams; and (iv) Instruction books for Generating Company's Protective Equipment.

(b) Company reserves the right to review the proposed settings for relays specified by Generating Company. If requested by Generating Company, Company will provide system data needed to determine the relay settings and assist Generating Company in coordinating such relay settings with the Company System. Company's design review of Generating Company's proposed settings is limited to the purpose of ensuring the protection and control of the Company System and shall not be construed as confirming or endorsing the design of Generating Company's Protective Equipment, Generating Company's Interconnection Facilities or the Facility, or as a warranty of any type, including safety, durability or reliability thereof. Generating Company is solely responsible for coordinating relays and associated settings of their protective equipment.

3.11 Right of Access

Each Party agrees to furnish, at no cost to the other Party, the rights-of-way upon, over, under, and across its property necessary for the other Party to construct and maintain its own Interconnection Facilities. At either Party's request, a satisfactory site selected by mutual agreement of the Parties and located on the other Party's property shall be provided for such facilities.

3.12 Access to Interconnection Facilities

(a) Upon request, and with as much advance notice as is appropriate in the circumstances, each Party agrees to grant to the other Party and its agents and subcontractors such access to its property and facilities as is necessary or appropriate for the other Party to construct, install, test, operate and maintain its Interconnection Facilities and the Facility in accordance with the terms and provisions of this Agreement and to exercise any other of its rights and carry out any other of its obligations under this Agreement; provided, however, that such access will not unreasonably disrupt or interfere with the normal operations of the business of the Party providing access and that the Party provided access adheres to the safety rules and

procedures established by the Party providing access. Each Party will execute such documents as the other Party may require to enable it to establish record evidence of such access rights. Such access rights will remain in effect for so long as this Agreement is in effect, and for a reasonable period of time thereafter to allow the owning Party to remove its facilities from the other Party's property.

(b) Any Party or its subcontractors performing construction, repair, maintenance or other work on the property of the other Party shall be responsible for proper housekeeping during the period the work is being performed and proper clean-up of the property in a timely fashion after the work is completed.

3.13 System Impact and Facility Studies

System Impact and Facility Studies were completed by Company prior to the execution of this Agreement. These studies have determined what Company Protective Equipment, Generating Company Protective Equipment and other Interconnection Facilities and System Upgrades are necessary to connect the Company System with the Generating Company's Facility, what improvements to the Company System in the form of System Upgrades are necessary to accept power into the Company System at the Interconnection Point and have determined estimates of the costs and construction schedules associated therewith.

3.14 Testing of Facilities

(a) Prior to the interconnection of the Facility with the Company System, and the operation of the Interconnection Facilities, the Interconnection Facilities must be tested to ensure their safe and reliable operation in accordance with Good Utility Practice, any applicable RTO, NERC and ECAR criteria and requirements, manufacturer's criteria and requirements and other mutually agreed criteria and requirements for such facilities, and any applicable federal, state, and local laws, regulations, and requirements ("Pre-Commercial Testing"). The cost of all such initial testing shall be borne by Generating Company. Similar testing may be required after initial operation as required by the above organizations. The cost of all such subsequent testing shall be borne by the Party whose Interconnection Facilities are being tested.

(b) Based upon the Pre-Commercial Testing, Generating Company is responsible for making any modifications necessary to ensure the Generating Company Interconnection Facilities' safe and reliable operation in accordance with Good Utility Practice, any applicable RTO and ECAR criteria and requirements, and any applicable federal, state, and local laws, regulations, and requirements. Company is responsible for making any modifications necessary to ensure the safe and reliable operation of the Company Interconnection Facilities and System Upgrades in accordance with Good Utility Practice and all applicable RTO, NERC and ECAR criteria and requirements, Company's usual criteria and requirements for such facilities, and all applicable federal, state, and local laws, regulations, and requirements. Prior to the Commercial Operation Date, the costs of all such modifications are to be borne by Generating Company, except to the extent the modifications are required as a result of Company's negligence or willful misconduct.

(c) After the Interconnection has been permanently energized and commercial operation of the Facility has commenced, each Party shall test its facilities, at its own expense, in accordance with Good Utility Practice, including all applicable RTO, NERC and ECAR criteria and requirements and manufacturer's criteria and requirements and other mutually agreed criteria and requirements for such facilities. Each Party shall have the right, upon advance written notice, to require additional special testing of the other Party's facilities, if it reasonably believes that the other Party's facilities are adversely impacting the operation of the Company System or the Facility, or as may be otherwise prudent in accordance with Good Utility Practice with respect to the implementation of this Agreement, and shall have the right to be present and witness such tests. Such tests shall be at the requesting Party's expense unless necessitated by lack of data and/or inaccuracy in data previously provided by the other Party, normal degradation and site condition variations excepted.

3.15 Timely Completion

(a) Generating Company agrees to use its best efforts to procure, construct, install, and test the Generating Company Interconnection Facilities in accordance with the schedule set forth in Appendix F, which schedule may be revised from time to time by mutual agreement of the Parties.

(b) Company agrees to use its best efforts to procure, construct, install, and test the Company's Interconnection Facilities and System Upgrades in accordance with the schedule set forth in Appendix F, which schedule may be revised from time to time by mutual agreement of the Parties. If any event occurs that will materially affect the time for Company's completion of the Company's Interconnection Facilities or System Upgrades, or the ability to complete them, the Company shall promptly notify Generating Company. In such circumstances, Company shall, within ten (10) Business Days of notifying the Generating Company of such delays, convene a technical meeting with the Generating Company to evaluate the alternatives available to achieve completion of the Company's Interconnection Facilities and/or System Upgrades, as applicable, as originally scheduled. Company also shall make available to the Generating Company all studies and work papers related to the delay, including all information that is in the possession of the Company or of which Company has a right of possession.

(c) In the event that the System Upgrades are not totally completed by the date upon which Generating Company wishes to synchronize the Facility with the Company System, Company shall allow Generating Company to synchronize the Facility and deliver Energy to the Company System, but only to the extent, as determined by Company in its reasonable judgment and consistent with Good Utility Practice, that the Company System can accept such Energy; provided, however, that Generating Company or its purchasers has made appropriate arrangements for the delivery of such Energy pursuant to the OATT.

3.16 Generator Modeling Data and Verification

(a) Generating Company shall provide Company a minimum of five (5) days notice of when the commissioning tests of the Generating Company's Interconnection Facilities, including Generating Company Protective Equipment and Metering, by the Generating Company

are scheduled. Company personnel needed to verify relevant portions of the commissioning tests may elect to be present at such tests, at Generating Company's expense. If such commissioning tests are delayed by less than five (5) days from the date upon which they were originally scheduled, Generating Company shall give Company prompt notice of such rescheduled date, but Generating Company shall not be required to postpone such tests until Company can be given (5) days notice of same.

(b) Generating Company shall provide Company with the final modeling data of the Facility and Interconnection Facilities that reflect the final generating unit data and settings of the generation protection and control equipment, including but not limited to (i) the turbine speed/load controls including the governor; (ii) the excitation system including the automatic voltage regulator, power system stabilizer, over excitation controls and limits, and other controls and limits derived through the Facility commissioning tests.

(c) Company shall, if required in Company's reasonable judgment, conduct a follow-up stability study with the final modeling data if there is any material deviation from the modeling data previously supplied, normal degradation and site condition variations excepted, at Generating Company's expense, to verify satisfactory stability performance.

3.17 Environmental Compliance and Procedures.

The Parties agree to comply with (i) all applicable Environmental Laws; and (ii) all local notification and response procedures required for all applicable environmental and safety matters.

ARTICLE 4. SYSTEM OPERATION

4.1 Requirements For Operation

(a) Each Party shall operate its facilities in accordance with NERC Standards, ECAR Criteria and any applicable directives of NERC and ECAR. To help ensure the protection and safety of Parties' personnel and property, each Party shall operate in accordance with OSHA's transmission and distribution switching procedures for personnel protection as established in a OSHA's Standard 29 CFR part 1910. Neither Party shall energize a de-energized circuit owned by the other Party except in accordance with all safety and operational protocols of the owning Party, as in effect from time to time.

(b) In accordance with Good Utility Practice, each Party agrees to maintain and operate their respective Interconnection Facilities so as to reasonably minimize the likelihood that a disturbance originating in its system would affect or impair the Company System or the Facility.

(c) Generating Company is responsible for making any modifications necessary to ensure the Generating Company Interconnection Facilities' safe and reliable operation in accordance with Good Utility Practice, all applicable RTO, NERC and ECAR criteria and

requirements, and all applicable federal, state, and local laws, regulations, and requirements. Company is responsible for making any modifications necessary to ensure the Company Interconnection Facilities' safe and reliable operation in accordance with Good Utility Practice and all applicable RTO, NERC and ECAR criteria and requirements, Company's usual criteria and requirements for such facilities, and all applicable federal, state, and local laws, regulations, and requirements. The costs of all such modifications are to be borne by the Party owning the facilities to be modified, except to the extent the modifications are required as a result of the other Party's actions or inactions.

4.2 Synchronization

The Generating Company shall assume all responsibility for properly synchronizing their generation for operation with the Company System. Synchronizing of generation to the Company System may, at Company's discretion, be coordinated with the Company System Control Center.

4.3 Net Demonstrated Real and Reactive Capabilities

To the extent needed by the Company to comply with ECAR requirements, the net demonstrated real and reactive capability of the Facility's generating units shall be periodically demonstrated in accordance with ECAR Document No. 4 and NERC Planning Standards. Such documentation shall be provided to Company. Company reserves the right to witness these tests.

4.4 Voltage Schedule /Reactive Power

As noted in Section 4.12 below, Company does not presently anticipate the need to require Generating Company to provide significant amounts of interconnected operation services. As a general matter, however, Company requires that Generating Company operate its Facility in accordance with Good Utility Practices, which requires that Generating Company cooperate with Company to maintain adequate system voltage. Compensation to Generating Company for voltage support will be pursuant to Section 4.12(c).

(a) Company shall provide Generating Company with a voltage schedule to be maintained by Generating Company at the Interconnection Point during any period that one or more of the Facility's generating units are synchronized with the Company System and Generating Company is delivering Energy to Company at the Interconnection Point ("Voltage Schedule") as follows:

- (i) Except (a) in an Emergency, or (b) with the prior consent of both Company and Generating Company, the Voltage Schedule shall be in effect for a period of not less than the following ninety (90) day period;
- (ii) The Voltage Schedule shall be provided to Generating Company not less than five (5) days prior to the start of such ninety (90) day or greater period;

- (iii) The Voltage Schedule shall be coordinated with the voltage schedules prescribed by the Company for other generators that are similarly situated and located in an area with similar voltage conditions (including, but not limited to, Company's generators) on the Company System; and
- (iv) Consistent with this requirement and ECAR Document No. 10, Generating Company shall install, operate and maintain an automatic voltage regulator to maintain the Voltage Schedule.

A steady-state deviation from the Voltage Schedule of between +0.5% to -0.5% of the assigned scheduled voltage will be permissible.

(b) If Company determines that it is necessary to coordinate maintenance of proper voltage on the Company System, Company may require Generating Company to adhere to a specified power factor or reactive power output schedule rather than a Voltage Schedule. Such specified power factor or reactive power output schedule shall subject to the requirements set forth in Section 4.4(a)(i) through (iii) above. A steady-state deviation from such specified power factor or reactive power output of between +2.0% to -2.0% as measured at the Interconnection Point will be permissible.

(c) In the event that the Voltage Schedule is not being maintained as a result of Generating Company's actions, Generating Company shall take those actions necessary to correct such situation. In the event that the Voltage Schedule is not being maintained as a result of actions not of Generating Company, but of others, such that Generating Company is unable to maintain the Voltage Schedule while operating within the Power Factor Requirements specified in Section 4.4(e), Generating Company shall promptly notify the Company, and Company shall take those actions necessary to correct such situation and insure that the Voltage Schedule is maintained and, in addition to the compensation set forth in Subsection 4.11.(c) below, Company shall compensate Generating Company so as to keep Generating Company whole for providing such additional reactive support. In addition, as soon as practicable, but in any event within five (5) days of such notice by Generating Company, Company will specify a power factor or reactive power output schedule, pursuant to Section 4.4(b), that Generating Company shall implement as soon as practicable, but in any event within five (5) days. If Company determines that it would benefit the Company System for the Generating Company to operate the Facility's generating units at a power factor or reactive power output outside the Power Factor Requirements specified in 4.4(e), and the Parties mutually agree on the terms and conditions, including compensation, of the service to be performed by Generating Company, then Generating Company shall operate at the agreed power factor or reactive power output.

(d) During an Emergency on the Company System, in order to maintain system security, Generating Company shall, at the Company's request, redispatch the MVar output of the Facility's generating units (which may include the redispatch of the MW output of the Facility's generating units in order to increase or decrease the MVar output of the Facility's generating units) then synchronized with the Company System during the period that Generating Company has scheduled deliveries of Energy to Company at the Point of Interconnection from such generating units, provided, however, all such requests for redispatch shall be requested on a

non-discriminatory basis with all other generators connected to the Company System whose actions could reasonably be expected to assist Company in overcoming such Emergency. So long as honoring such request will not threaten imminent harm to persons, property, the Facility or Generating Company's Interconnection Facilities, the Facility operator will honor such request within the design limitations of the Facility's generating units then synchronized with the Company System. Company shall restore conditions on the Company System to normal as quickly as possible to alleviate any such Emergency and eliminate any such redispatch. Records of all requests made by Company for deviation from the prescribed voltage schedule to all generators, and records indicating actual responses to these requests, will be maintained by Company and subject to audit by Generating Company at Generating Company's request and expense. Any such request for an audit will be presented to Company by Generating Company no later than twelve (12) months following a request by Company that the Facility change its reactive power output.

(e) The Facility's generating units shall be capable of normal operation at a power factor between 0.95 leading (underexcited) and 0.90 lagging (overexcited) at the generator terminals at the generating unit's rated MW output ("Power Factor Requirements"). Except as set forth in Subsection 4.4(d), under no circumstances shall Generating Company be required to operate any of the Facility's generating units outside the Power Factor Requirements set forth in this Subsection 4.4(e).

4.5 Voltage Range

The Facility's generating units when in operation, must be capable of maintaining synchronism with the Company System so long as system voltage measured at the Interconnection Point is within a steady-state voltage range of 95% to 105% of the nominal transmission voltage of 345kV on the Company System. During Emergency and/or transient system conditions of no greater than 100 milliseconds (6 cycles), in which Company System voltage may temporarily be outside the 95% to 105% range, all reasonable measures should be taken to avoid tripping of the Facility's generating units due to high or low voltage during such periods.

4.6 Frequency Range

The Facility generating units must be capable of normal operation in the frequency range of 59.5 to 60.5 Hz. The Facility is also expected to operate for a limited time outside of this frequency range so long as such operation is in accordance with manufacturer's specifications and warranties.

4.7 Other Applicable Operating Requirements

(a) In order to assure the continued reliability of the Company System, the Generating Company may be requested to adhere to other operating requirements and/or encouraged to adopt common operating practices. These include the coordination of maintenance scheduling, operating procedures during Emergencies, participation in control area operating reserves, provisions for backup fuel supply or storage, and provisions for Emergency

availability, including must-run operation. Generating Company and Company shall agree on the terms and conditions, including compensation to Generating Company, under which Generating Company will comply with such requests; provided, however, Generating Company shall have no obligation to comply with such requests until such agreement has been reached.

(b) Generating Company shall become an associate member of ECAR and shall comply with all data and information reporting requirements of ECAR and/or NERC, as applicable. To the extent that the information available to a Party from ECAR and/or NERC, as applicable, regarding the other Party's facilities does not permit the Party to comply with such NERC or ECAR data and information reporting requirements, the Parties hereby agree that each Party shall provide to the other Party all such data and information as may reasonably be required for the other Party to comply with such NERC or ECAR data and information reporting requirements.

(c) Prior to operation of the Facility the Parties shall establish communication protocols to promote coordinated and reliable operation of the Parties' facilities. These protocols shall include, but not be limited to, names and phone numbers of responsible personnel for normal operations and names and phone numbers of responsible personnel for emergency operating conditions. As part of routine communications, the Parties shall timely communicate any unusual or unscheduled status of equipment or operation that may impact the safe and reliable operation of the other Party's facilities.

4.8 Make-Before-Break Transfer

Make-before-break transfer is only permitted between two live sources which are in, or close to, synchronization. A transfer switch designed for automatic make-before-break transition shall be equipped with logic to prevent a transfer if the specifications for either the Generating Company or the Company System source fall outside of the synchronizing requirements recommended by the manufacturer for the generating units at the Facility. Switch transfers made when the synchronizing requirements cannot be met shall be of the break-before-make type of transfer. The time that the Generating Company's generation is permitted to operate in parallel with the Company System during a make-before-break transfer shall be no greater than 100 milliseconds (6 cycles).

4.9 Continuity of Service

(a) Company may require Generating Company in accordance with Good Utility Practice to curtail, interrupt or reduce deliveries of Energy from the Facility (i) if such delivery of Energy adversely affects Company's ability to construct, install, maintain, repair, replace, remove, investigate, inspect, or operate any of Company's Interconnection Facilities or any part of the Company System, but Company shall use best efforts to first notify the ECAR/MET Security Coordinator, and to cause such curtailment, interruption, or reduction to be made only during non-peak load periods, or (ii) if Company reasonably determines that curtailment, interruption or reduction is necessary because of an Emergency for which output from the Facility is contributing to such Emergency; provided, however, unless such Emergency is actually caused by the Facility, such curtailment, interruption or reduction shall be subject to the

provisions of Section 4.14 below. In the event Company requires Generating Company to curtail, interrupt, or reduce deliveries pursuant to this Subsection 4.9(a), Company shall (i) use its best efforts to mitigate the extent and duration of the disconnection, curtailment, interruption or reduction and (ii) provide any information reasonably requested by Generating Company to analyze the event.

(b) Except in case of an Emergency, in order not to interfere unreasonably with the other Party's operations, the curtailing, interrupting or reducing Party shall give the other Party reasonable prior notice of any curtailment, interruption or reduction, the reason for its occurrence and its probable duration. In the case of an Emergency, the curtailing, interrupting or reducing Party shall provide such information as soon as reasonably possible.

4.10 Energy Imbalance Service

(a) Energy Imbalance Service is provided when a difference occurs between the scheduled and the actual delivery of Energy from the Facility to the Company System. Generating Company must either purchase this service from Company or make alternative comparable arrangements to satisfy its Energy Imbalance Service obligation. Except as set forth below, charges for Energy Imbalance Service are calculated pursuant to Company's OATT. Except when such Emergency or failure to maintain the Voltage Schedule results from Generating Company's own actions, during (i) Emergencies, and (ii) any period that Generating Company is required to alter the MW output of any of the Facility's generating units in order to maintain the Voltage Schedule or specified power factor or reactive power output schedule, Energy Imbalance Service shall not apply. In the event that the Facility operates in a separate Control Area or the Facility output is dynamically scheduled out of the Company Control Area to another Control Area and the equipment and related telemetry necessary to accomplish such dynamic scheduling is operational, then Energy Imbalance Service shall not apply.

(b) In calculating charges for Energy Imbalance Service pursuant to Company's OATT, Generating Company's scheduled deliveries of Energy at the Interconnection Point shall be adjusted to recognize NERC standard ramping, when such schedules are compared to the integrated values for the hours affected by such ramping.

(c) In calculating charges for Energy Imbalance Service pursuant to Company's OATT, Generating Company shall be deemed to be a "Delivering Party" for purposes of the definition of "Total Load" (as such term is defined in Section 2.7 of Schedule 4 of Company's OATT) and for purposes of the definition of "Total Supply" (as such term is defined in Section 2.8 of Schedule 4 of Company's OATT).

4.11 Compliance with NERC and ECAR Standards

The Parties agree that the implementation of this Agreement shall comply with all material requirements of the manuals, standards, criteria and guidelines of NERC and ECAR, or any successor agency assuming or charged with similar responsibilities related to the operation and reliability of the North American electric interconnected transmission grid, and to operate, or cause to be operated, their respective facilities in accordance with such manuals, standards,

criteria or guidelines. To the extent that this Agreement does not specifically address or provide the mechanisms necessary to comply with such NERC or ECAR manuals, standards, criteria or guidelines, the Parties hereby agree that each Parties shall provide to the other Party all such information as may reasonably be required for the other Party to comply with such manuals, standards, criteria or guidelines.

4.12 Interconnected Operation Services

(a) Company has developed the Company System to be capable of providing the interconnected operation services required in the AEP Control Area under reasonably anticipated operating conditions, including the capability to provide the Ancillary Services that Company, as a "Transmission Provider," is required to provide under its OATT.

(b) Without limiting the rights and obligations set forth in this Article 4, Generating Company shall maintain all rights to sell generation from the Facility as "Ancillary Services", as that term is defined by FERC Order 888, and similar orders. Company or its affiliates may purchase such Ancillary Services from Generating Company, to the extent allowed, but Company shall have no rights absent Generating Company's agreement to utilize Generating Company's Facility for meeting Company's, or its Affiliates, Ancillary Services obligations.

(c) Company agrees to compensate Generating Company for providing reactive support pursuant to Section 4.4 above as follows:

- (i) In the event that the FERC, or any other applicable regulatory authority, issues an order or approves a tariff establishing specific compensation to be paid to Generating Company for reactive support service, Company shall pay Generating Company pursuant to such order or tariff; or
- (ii) In the absence of such an order or tariff, and subject to any applicable rules and regulations of FERC, Company shall pay Generating Company for the reactive power absorbed by the Facility and the reactive power produced by the Facility on a per MVar-hr basis for the total MVar-hrs for the month at a rate of \$0.50 per MVar-hr measured at the Interconnection Point. The total MVar-hrs for a given month shall be equal to the sum of the absolute value of the reactive power absorbed or reactive power produced, as the case may be, by the Facility in each hour of the month measured at the Interconnection Point.

4.13 Voltage Level and Location of Interconnection

All Energy delivered by the Facility to the Company System shall be delivered at the Interconnection Point specified in Appendix A, at a nominal voltage of 345 kilovolts.

4.14 Metering

(a) Electric power and Energy supplied and delivered at the Interconnection Point

under this Agreement shall be measured by suitable metering equipment provided, owned, operated and maintained by Company at the Interconnection Point as set forth in Appendix C. Unless otherwise agreed to by the Parties, the accuracy of such metering equipment shall be 0.3 percent (0.003) or better.

(b) Suitable metering and telemetering equipment at the metering point, as provided under Subsection 4.14(a) above, shall include potential and current sources, electric meters, and such other equipment as may be needed to provide in the agreed upon engineering units, for each direction of flow, the following records:

- (i) a continuous, accumulating record of watthours and varhours shall be provided by means of the registers on the meters:
- (ii) a continuous telemetered signal of analog watts and vars; and
- (iii) a telemetered accumulating record of the watthours for each clock hour.

(c) All metering and telemetry shall be subject to the following requirements:

- (i) All metered values provided to the Parties shall originate from common metering equipment. The watthour pulse value shall be sufficient to resolve full generator output and minimum in-flows of auxiliary power.
- (ii) An hourly digital telemetry freeze pulse shall be provided by Company. The timing of the digital telemetry freeze pulse, and of the calendar-clock in the data recorder where used, shall be synchronized to within 1/2 second of Universal Coordinated Time.
- (iii) Metering at locations different from the Interconnection Point shall be compensated for losses to the Interconnection Point if requested by either party.
- (iv) For the purpose of checking the performance of the metering equipment installed by either Party, the other Party may, at its sole expense, install check metering equipment. Check metering equipment shall be owned and maintained by the Party installing the check metering equipment.
- (v) Upon termination of this Agreement, the Party owning metering equipment located on the other Party's property shall remove, within one year, the metering equipment from the premises of the other Party.
- (vi) Each Party shall specify communications protocols for its own metering.

(d) All metering equipment shall be tested at least once every two (2) years by the owner thereof, unless it is agreed to test more often. Either Party may request a special test of meters, but such party shall bear the cost of such testing unless an inaccuracy shall be disclosed

exceeding two percent (2%) in which case Company shall be responsible for the costs of special testing. Authorized representatives of the other Party shall be offered the opportunity to be present at all routine or special tests and whenever any readings for purposes of settlements are taken from the meters. All metering equipment shall be subject to the following procedures:

- (i) The meters, test switches and wiring termination equipment shall be sealed, and the seals shall be broken only when the meters are to be tested or adjusted.
 - (ii) If, at any test of metering equipment, an inaccuracy shall be disclosed exceeding two percent (2%), the account between the Parties for service theretofore delivered shall be adjusted to correct for the inaccuracy disclosed: (1) for the period that such inaccuracy may be determined to have existed, or, (2) if such a determination is not possible, for one half (1/2) of the period since the last test. Should the metering equipment, as provided for under (b) above, at any time fail to register, the Electricity delivered shall be determined from the best available data including check metering.
 - (iii) Should the metering equipment, as provided for under Subsection 4.14(a) above, at any time fail to register, the electric power and Energy delivered shall be determined from the best available data including check metering.
- (e) Generating Company will electronically provide the real time status of station equipment (i.e. circuit breakers, motor operated air break switches, etc.) and real time analog measurements of electrical parameters including individual generator watt and var output, bus voltages and line/transformer watt and var flows to Company's Control Center or its successor in function. Company shall specify communications protocol.

4.15 Redispatch

(a) Emergency Redispatch. If one or more generating units of the Facility are synchronized to the Company System during an Emergency, Company may orally, or in writing, notify Generating Company's operator and, if so requested by Company, Generating Company's operator shall, during the period that Generating Company has scheduled deliveries of Energy to Company at the Interconnection Point, place the levels of Energy capable of being generated by such units within the exclusive control of Company for the duration of such Emergency; and Company may require Generating Company's operator to raise or lower production of energy generated by such units to maintain safe and reliable load levels and voltages on the Company System during such Emergency. Notwithstanding the foregoing, any changes in the level of Energy being generated by such units shall be implemented in a manner consistent with safe operating procedures and within the design limitations of the unit(s) and all applicable laws and regulations, including the Facility's air emissions permit. In the event that Company assumes control over the levels of Energy generated by the Facility pursuant to this Subsection 4.15(a), Company shall compensate Generating Company according to FERC approved rates applicable for such Emergency redispatch; provided, however, that the failure to have any such rates shall not be a basis for Generating Company to refuse or deny such control to Company during an Emergency.

(b) Non-Emergency Redispatch. Company agrees that, except as expressly provided in Subsection 4.15(a) above, Company shall not redispatch Generating Company's Facility unless Generating Company and Company have mutually agreed to the terms and conditions of the specific redispatch event, including compensation, prior to such redispatch by Company; provided, however, that such prior agreement shall not be required in circumstances in which the operator of the Company System reasonably believes that immediate redispatch of one or more of the generating units of Generating Company's Facility is necessary to avert an Emergency. In such case, agreement on the term and conditions of such redispatch, including compensation, shall occur as soon thereafter is practicable, but in no event will the compensation due Generating Company for such redispatch be less than that to which Generating Company would have been entitled had the circumstances leading to such redispatch actually constituted an Emergency. Notwithstanding Subsection 8.2(c) below, in the event of a breach of this Subsection 4.15(b) by Company, Company shall be liable for all damages suffered by Generating Company regardless of type or amount thereof.

4.16 Voltage and Current Unbalance

All three-phase generation by Generating Company's Facility shall produce balanced 60 Hz voltages. Voltage unbalance attributable to the Generating Company's Facility shall not exceed 1.0% measured at the Interconnection Point. Voltage unbalance is defined as the maximum phase deviation from average as specified in ANSI C84.1, "American National Standard for Electric Power Systems and Equipment – Voltage Ratings, 60 Hertz." Similarly, phase current unbalance attributable to the Generating Company's Facility shall not exceed that which would exist with balanced equipment in service, measured at the Interconnection Point.

ARTICLE 5. INTERCONNECTION COSTS, BILLING, PAYMENT AND CREDITS

5.1 Interconnection Construction Cost

(a) Generating Company agrees to pay to Company the actual, documented, reasonable and necessary costs incurred by Company in designing, engineering, procuring, constructing and installing the Company's Interconnection Facilities and System Upgrades. Such costs shall (i) not include interest or AFUDC of any kind whatsoever, (ii) be net of any rebates, discounts or other consideration received by Company with respect to the design, engineering, procurement, construction and installation of the Company's Interconnection Facilities and System Upgrades, and (iii) be determined separately for Company's Interconnection Facilities and System Upgrades.

(b) At the time Generating Company executes and returns this Agreement to Company, Generating Company shall also provide Company with a letter of credit from a bank acceptable to Company, or a guaranty of payment from Generating Company's parent, Dynegy Power Corp., in form and substance acceptable to Company, that guarantees payment to Company of the actual, documented, reasonable and necessary costs incurred by Company in

designing, engineering, procuring, constructing and installing the Company's Interconnection Facilities and System Upgrades for which Generating Company is responsible pursuant to this Agreement.

(c) Notwithstanding the attachment of Appendix E hereto, such estimate shall not be binding on Company. Generating Company will, however, retain the right to approve any significant deviation in the scope of the work shown in Appendix A or total cost shown in Appendix E or future agreed to cost under this Agreement if such deviation would result in an estimated increase of more than Two Hundred Fifty Thousand Dollars (\$250,000) over the cost shown in Appendix E. The actual cost of the Company's Interconnection Facilities and System Upgrades shall be incurred in accordance with Good Utility Practice.

(d) Company shall provide Generating Company (i) monthly progress reports and (ii) copies of all documentation concerning Company's performance with respect to the design, engineering, procurement, construction and installation of the Company's Interconnection Facilities and System Upgrades.

(e) Within a timely manner after completion of the construction of the Company Interconnection Facilities and System Upgrades, Company shall provide an invoice of the final cost of the Company Interconnection Facilities and System Upgrades and the net amount due from Generating Company allowing for the construction deposit made by Generating Company pursuant to Section 3.7(d) and the monthly payments made by Generating Company pursuant to Section 5.2(b). Within twenty (20) days after receipt of such invoice, Generating Company shall reimburse Company for the amount of such invoice. To the extent that the estimated costs already paid by Generating Company, plus accrued interest thereon, exceed the final, actual costs that Generating Company is obligated to pay hereunder, the Company shall refund to Generating Company an amount equal to the difference within thirty (20) days of the issuance of the invoice of the final cost.

(f) If Generating Company requests Company to suspend the performance of the work pursuant to Subsection 3.7(e), Generating Company agrees to pay Company carrying charges at the Interest Rate on all expenditures committed to or made by Company related to the performance of the work pursuant to this Agreement and not covered by Generating Company's previous payments to Company up to the time the suspension was requested, if such expenditures must be funded by Company as a result of Generating Company not making timely or complete scheduled payments, or any insufficiency of Generating Company's Letter of Credit.

(g) Generating Company shall be responsible for any costs incurred by Company for switching of equipment, to establish the interconnection, to test the Facility and Interconnection Facilities, and to maintain the Interconnection Facilities, which are beyond the routine switching performed for the mutual benefit of the Parties. Such costs may be incurred by Company personnel or by affected third parties.

(j) The Parties agree that Generating Company's Interconnection Facilities were not jointly planned with the Company System and that Generating Company's Interconnection

Facilities are not integrated into the planning or operations of the Company System to serve Company's customers or those customers of any other AEP Operating Company.

5.2 Invoices and Payments

(a) Payments for the cost of the Company's Interconnection Facilities and System Upgrades shall be made by Generating Company in accordance with the payment schedule set forth in Appendix E ("Payment Schedule"). Payments by Generating Company pursuant to the Payment Schedule shall accrue interest at the Interest Rate, from the date received by Company until the date expended by Company in compliance with this Agreement.

(b) Company shall render to Generating Company each month a statement ("Invoice"), by means conforming to the provisions of Article 7, setting forth all costs expended by Company during the period covered thereby for the design, engineering, procurement, construction and installation of the Company's Interconnection Facilities and System Upgrades. In the event that Generating Company's payments, including accrued interest, pursuant to Subsection 5.2(a) do not cover all of the costs expended by Company during the period reflected on the Invoice, Generating Company shall make payment of the amount shown to be due to Company by wire transfer to an account specified by Company not later than the twentieth (20th) day after receipt of the Invoice, unless such day is not a Business Day, in which case Generating Company shall make payment on the next Business Day. All such payments shall be deemed to be made when said wire transfer is received by Company.

(c) In the event of a dispute between the Company and the Generating Company regarding costs set forth on an Invoice, the Company will proceed to perform its responsibilities under this Agreement as long as the Generating Company (i) continues to make all payments not in dispute, and (ii) pays into an independent escrow account the portion of the Invoice in dispute, pending resolution of such dispute.

5.3 Adjustments

In the event any adjustment or correction to an Invoice is required as a result of errors in computation or billing, Company shall promptly recompute amounts due hereunder and otherwise correct any errors in such Invoice. If the total amount, as recomputed, due from Generating Company is less than the total amount due as previously computed, and payment of the previously computed amount has been made, the difference shall be paid to Generating Company within twenty (20) days after correction of the erroneous invoice(s), together with interest calculated at the Interest Rate; provided, however, that no adjustment for any Invoice or payment will be made unless objection to the accuracy thereof was made prior to the lapse of one year from the rendition thereof or payment, as applicable; and provided further that this Section 5.3 will survive any termination of the Agreement for a period of one (1) year from the date of such termination for the purpose of such Invoice and payment objections. If the total amount, as recomputed, due from Generating Company is more than the total amount due as previously computed, and payment of the previously computed amount has been made, the difference shall be invoiced to Customer according to the terms of Section 5.2.

5.4 Credit for Costs of System Upgrades

(a) Generating Company shall be entitled to a credit equal to the amount paid by Generating Company for System Upgrades necessary to remove overloads, which credit will subsequently be applied by Company against the cost of transmission service reserved under the OATT for delivery of Energy from the Facility. The credit is not available for amounts paid for the minimum facilities needed to establish the direct electrical connection between the Facility and Company System or to remedy short-circuit or stability problems resulting from the connection of the Facility to the Company System. Company agrees that all costs for the System Upgrades set forth in Appendix A to this Agreement shall be entitled to the credit set forth in this Section 5.4.

(b) To the extent Generating Company's marketing agent or Generating Company's power purchaser(s) purchases transmission service from Company at the rates established pursuant to the Company's then current OATT in order to transmit Energy from the Facility over the AEP transmission system, Generating Company shall be entitled to the credit set forth in Subsection 5.4(a) above as if such purchases had been made by Generating Company.

(c) Any credit applicable pursuant to this Section 5.4 shall be separately identified by Company on its invoices and applied monthly.

5.5 Generating Company Reimbursement for Taxes

(a) The Parties intend that all costs paid by Generating Company pursuant to Section 3.7 (a) and (b) hereof ("Company Construction Costs") shall be non-taxable contributions to capital under Section 118(a) of the Internal Revenue Code of 1986 as amended (the "Code") and the principles of Revenue Procedure 88-129, and shall not be taxable as contributions in aid of construction under Section 118(b) of the Code.

(b) Notwithstanding Section 5.2(a), in the event Federal or state income taxes are imposed upon Company with respect to any Company Construction Costs, Generating Company agrees to reimburse Company for the effect of such taxes, including any appropriate gross up for income tax, and any penalty, computed in accordance with the method set forth in Ozark Gas Transmission Corp., 56 FERC ¶ 61,349 (1991), using a discount rate equal to 9.33%, plus any interest charged to Company by the IRS or a state, as a result of the treatment of the costs paid by Generating Company as specified in Section 5.2(a).

(c) Generating Company shall have the right to seek, at its own expense and on behalf of Company, a Private Letter Ruling (including, if applicable, a Technical Advice Memorandum) from the Internal Revenue Service as to whether any of the sums paid by the Generating Company to Company under the terms of this Agreement are subject to federal income taxation. To the extent any such Private Letter Ruling concludes that such sums are not taxable to Company, Company shall immediately refund to Generating Company all amounts which Generating Company may have previously advanced to Company for such taxes, penalties, and interest under this Section 5.2.

(d) Generating Company has the right to require Company, at Generating Company's expense, to contest, appeal, or seek abatement of any taxes asserted or assessed against Company for which Generating Company may be required to reimburse Company under this Agreement. Company will promptly notify Generating Company, in writing, of any assertion of or proposal to assess such taxes. No payment shall be payable by Generating Company to Company for such taxes until such taxes are assessed by a final, non-appealable order by a court or agency of competent jurisdiction, unless such payment is a prerequisite to an appeal or abatement.

ARTICLE 6. DEFAULTS AND REMEDIES

6.1 Events of Default and Termination

(a) It shall be an "Event of Default" under this Agreement in respect of a Party, if the Party shall fail in any material respect to comply with, observe or perform, or default in the performance of, any covenant or obligation under this Agreement, or if any representation or warranty made herein by the Party shall fail to be true and correct, in all material respects, and after receipt of written notice (including written notice to Project Finance Holder, in the event of a Generating Company failure or default), such failure shall continue for a period of thirty (30) days, provided, however, if such failure is not capable of cure within 30 days, the Party in default shall commence such cure within 30 days after notice and continuously and diligently complete such cure within 90 days of receipt of such notice. The Project Finance Holder will have the right, but not the obligation, to cure any failure or default by Generating Company subject to the terms and conditions of any agreement between Company and the Project Finance Holders pursuant to Subsection 13.11(f) of this Agreement.

(b) If an Event of Default shall occur and continue for more than 90 days from the date the notice of default is received, the non-defaulting Party may, by notice, terminate this Agreement as of the date such notice is received or if the non-defaulting Party is Company, Company may at its election terminate Generating Company's interconnection with the Company System. In addition to the rights and remedies described in this Agreement, the non-defaulting Party may exercise, at its election, any right or remedy it may have at law or in equity, including but not limited to compensation for monetary damages, injunctive relief and specific performance.

ARTICLE 7. NOTICES AND REPRESENTATIVES OF THE PARTIES

7.1 Notices

Any notice, Invoice, demand or request required or authorized by this Agreement to be given by one Party to the other Party shall be in writing. It shall be delivered by (i) personal delivery, (ii) transmittal by telecopy or facsimile equipment (with receipt verbally and electronically confirmed and copy delivered by other method set forth in this Section 7.1), (iii) overnight or other courier with all delivery charges paid, or (iv) United States mail, postage prepaid, to the other Party at the address designated in this Article 7. Any such notice, Invoice,

demand or request so delivered shall be deemed to be given when received by the Party to whom sent.

7.2 Addresses of the Parties

(a) Notices and other communications by Generating Company to Company shall be addressed to:

Vice President, Transmission Asset Management
American Electric Power Service Corporation
825 Tech Center Drive
Gahanna, OH 43230

and,

Director, Transmission & Interconnection Services
American Electric Power Service Corporation
1 Riverside Plaza
Columbus, OH 43215

(b) Notices and other communications by Company to Generating Company shall be addressed to:

Riverside Generating Company, L.L.C.
c/o Dynegy Power Corp.
1000 Louisiana, Suite 5800
Houston, TX 77002-5050
Attention: Vice President, Commercial Power Asset Management

with copy to:

Riverside Generating Company, L.L.C.
c/o Dynegy Power Corp.
1000 Louisiana, Suite 5800
Houston, TX 77002-5050
Attention: General Counsel

(c) Either Party may change its address by written notice to the other in accordance with this Article 7.

(d) Upon written request by Generating Company, Company shall provide to Generating Company's designated Project Finance Holders, in the same manner provided by Company to Generating Company under Section 7.1, copies of any and all written notices, Invoices, demands or requests required or authorized by this Agreement to be given by Company to Generating Company; provided, however, notices and other communications regarding

defaults by Generating Company under this Agreement and/or termination of this Agreement by Company shall be provided to the following without further request:

Lawrence County Riverside Trust 2000
c/o Wilmington Trust Company, not in its individual capacity, but solely as trustee
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration

and to:

Credit Lyonnais New York Branch
1301 Avenue of the Americas
New York, New York 10019-6022
Attention: Mr. Conrad A. Meyer.

ARTICLE 8. INSURANCE, LIABILITY, INDEMNIFICATION, AND RELATIONSHIP OF PARTIES

8.1 Insurance

(a) During the term of this Agreement, Company and Generating Company shall each procure, pay premiums for and maintain in full force and effect, with the procuring Party as named insured and, solely to the extent of the procuring Party's indemnity obligations under Section 8.2, the other Party and its employees, agents and Affiliates as additional insureds, comprehensive commercial liability insurance, including coverage for (1) products and completed operations, (2) broad form contractual liability, and (3) explosion, collapse and underground damage exclusion deleted, all with limits of not less than \$1 million each occurrence and \$1 million aggregate, for bodily injury and property damage.

(b) Each insurance policy required pursuant to Subsection 8.1(a) above shall include the following:

- (i) At least thirty (30) days prior written notice of cancellation or material change to the non-procuring Party, except for non-payment of premium which shall be ten (10) days advanced written notice; and
- (ii) A waiver of subrogation in favor of the non-procuring Party, its Affiliates and their officers, directors, agents, subcontractors and employees.

(c) Evidence of insurance for all coverages specified herein shall be provided by the procuring Party to the non-procuring Party prior to the commencement of construction of any Interconnection Facilities or System Upgrades. During the term of the Agreement, upon the non-

procuring Party's reasonable request, the procuring Party shall furnish Company with certificates of the insurances required under this Section 8.1. All insurance coverage required under this Agreement shall be provided by insurance companies reasonably acceptable to the non-procuring Party and having ratings of A- or better in the Best's Key Rating Insurance Guide (latest edition in effect as of the date of the Certificate of Insurance referred to herein or other insurers reasonably acceptable to the non-procuring Party, where such approval shall not be unreasonably withheld, conditioned or delayed).

(d) The insurance coverages required above shall be primary to any coverage available to the non-procuring Party and shall not be deemed to limit the non-procuring Party's liability under this Agreement.

(e) Either Party may provide adequate self-insurance in lieu of the requirements set forth in this Section 8.1.

8.2 Indemnification

(a) Generating Company hereby agrees to defend, indemnify and hold harmless Company and its Affiliates, and its and their directors, officers, agents, representatives, and employees, against and from any and all claims, demands, causes of action, losses and liabilities (including any cost and expense of litigation and reasonable attorneys' fees incurred by Company in defending any action, suit or proceeding); provided that Company afforded Generating Company a reasonable opportunity in such action, suit or proceeding to conduct such defense) for or on account of injury, bodily or otherwise, to, or the death of, persons, or for damage to, or destruction of, property belonging to Company or others, to the extent that such injury or harm is caused by or arises from negligent acts or omissions, or willful misconduct, of Generating Company associated with (i) facilities, property and equipment owned or controlled by Generating Company, or Generating Company's operation and maintenance thereof; (ii) the transmission and delivery of electricity to the Interconnection Point by Generating Company or by any entity to whom Generating Company sells Energy; or (iii) the use or presence of electricity on Generating Company's side of the Interconnection Point or outside the Company System (insofar as such claims, demands, causes of action, losses and liabilities result directly or indirectly from electricity generated by Generating Company's Facility); except to the extent that such claims, demands, causes of action, losses and liabilities are attributable to the negligence or fault of Company or its Affiliates or its or their directors, officers, employees, agents, or representatives.

(b) Company hereby agrees to defend, indemnify and hold harmless Generating Company and its Affiliates and partners in Generating Company, and its and their officers, directors, and their affiliates, agents, representatives, and employees, against and from any and all claims, demands, causes of action, losses and liabilities (including any cost and expense of litigation and reasonable attorneys fees incurred by Generating Company in defending any action, suit or proceeding); provided that Generating Company afforded Company a reasonable opportunity in such action, suit or proceeding to conduct Generating Company's defense) for or on account of injury, bodily or otherwise, to, or the death of, persons, or for damage to, or destruction of, property belonging to Generating Company or others, to the extent that such

injury or harm is caused by or arises from negligent acts or omissions, or willful misconduct, of Company associated with (i) facilities, property and equipment owned or controlled by Company, or Company's operation and maintenance thereof; or (ii) the transmission and delivery of electricity from the Interconnection Point by Generating Company or by any RTO; or (iii) the use or presence of electricity on Company's side of the Interconnection Point or outside the Company System, except to the extent that such claims, demands, causes of action, losses and liabilities are attributable to the negligence or fault of Generating Company or its Affiliates or its or their directors, officers, employees, agents, or representatives.

(c) Promptly after receipt by any indemnified Person of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation as to which the indemnity provided for in Subsection 8.2(a) or Subsection 8.2(b), as applicable, may apply, such indemnified Person shall notify the indemnifying Party of such fact. The indemnifying Party shall have the right to assume the defense thereof with counsel designated by such indemnifying Party and reasonably satisfactory to the indemnified Person; provided, however, that if the defendants in any such action include one or more Persons indemnified pursuant to Subsection 8.2(a) or Subsection 8.2(b), as applicable, and the indemnifying Party and the indemnified Person reasonably conclude that there may be legal defenses available to the indemnified Person which are different from or additional to those available to the indemnifying Party, the indemnified Person shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified Person; provided, further, that the indemnifying Party shall only be required to pay the fees and expenses of one additional law firm to represent those indemnified Persons having such differing or additional legal defenses. The indemnified Person shall be entitled, at its expense, to participate in any action, suit or proceeding, the defense of which has been assumed by the indemnifying Party. Notwithstanding the foregoing, the indemnifying Party (i) shall not be entitled to assume and control the defense of any such action, suit or proceedings if and to the extent that, in the opinion of the indemnified Person and its counsel, such action, suit or proceeding involves the potential imposition of criminal liability on the indemnified Person or there exists a conflict or adversity of interest between the indemnified Person and the indemnifying Party, and in such event the indemnifying Party shall pay the reasonable expenses of the indemnified Person in such defense, and (ii) shall not settle or consent to the entry of any judgment in any action, suit or proceeding without the consent of the indemnified Party, Person, which consent shall not be unreasonably withheld or delayed; provided, however, if the indemnified Party, Person does not consent to such settlement or consent to such entry of judgment in any action, suit or proceeding, the indemnified Party, Person, as applicable, shall take over control of the defense of such action, suit or proceeding at its own expense and the liability of the indemnifying Party shall be limited to the amount for which it would have settled or the amount of the judgment to which it would have consented.

(d) Except to the extent required by Subsections 4.15(b), 8.2(a) or 8.2(b) of this Agreement, in no event shall either Party, its parent corporation, subsidiaries or Affiliates, or partners in Generating Company, or its or their employees, officers, directors, agents, or representatives, with respect to any claim arising out of this Agreement, whether based on contract, tort (including the negligence of such Person, whether sole or joint and concurrent with

the negligence of the other Party or others), strict liability, or otherwise, be liable for any indirect, special, incidental, punitive, exemplary, or consequential damages.

8.3 Independent Contractor Status: Third Parties

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. Nothing in this Agreement or any action taken hereunder shall be construed to create any duty, liability, or standard of care to any Person not a party to this Agreement.

ARTICLE 9. FORCE MAJEURE

9.1 Effect of Force Majeure

(a) Except for the obligation to make any payments under this Agreement, the Parties shall be excused from performing their respective obligations under this Agreement and shall not be liable in damages or otherwise if and to the extent that they are unable to so perform or are prevented from performing by Force Majeure, provided that (i) the Party claiming Force Majeure, as promptly as practicable after the occurrence of the Force Majeure, but in no event later than fourteen (14) days thereafter, gives the other Party written notice describing the particulars of the occurrence; (ii) the suspension of performance of the Party claiming Force Majeure shall be of no greater scope and of no longer duration than is reasonably required by the Force Majeure; (iii) the Party claiming Force Majeure uses all reasonable efforts to remedy its inability to perform; (iv) as soon as the Party claiming Force Majeure is able to resume performance of its obligations excused as a result of the occurrence, it gives prompt written notification thereof to the other Party; and (v) neither Party shall be required to settle any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute, are contrary to its interest, it being understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the Party having such dispute.

(b) In no event will any condition of Force Majeure extend this Agreement beyond its stated term.

ARTICLE 10. COMPLIANCE WITH LAW; PERMITS; APPROVALS

10.1 Applicable Laws and Regulations

This Agreement and all rights, obligations, and performances of the Parties hereunder, are subject to Applicable Laws and Regulations. Notwithstanding the foregoing, each Party shall have the right at its sole expense to contest the application of any Applicable Laws and Regulations to such Party before the appropriate authorities.

10.2 Approvals, Permits, Etc.

Each Party shall be responsible for all required notices, all necessary governmental approvals, permits, licenses and inspections necessary for its performance of this Agreement, and shall pay all charges and fees in connection therewith. Except as expressly provided in this Agreement, (i) Company shall have no responsibility for any permits or licensing required in connection with the construction or operation of Generating Company's Interconnection Facilities or the Facility, and (ii) Generating Company shall have no responsibility for any permits or licensing required in connection with the construction or operation of Company's Interconnection Facilities, System Upgrades or the Company System.

ARTICLE 11. DISPUTE RESOLUTION

11.1 Internal Dispute Resolution Procedures

Each Party shall appoint a representative who shall be responsible for administering this Agreement on behalf of such Party and for representing the Party's interests in disagreements. Any dispute that is not resolved between the Parties' representatives within ten (10) working days of when the disagreement is first raised by written notice by either Party to the other Party shall be referred by the Parties' representatives in writing to the senior management of the Parties for resolution. In the event the senior management are unable to resolve the dispute within ten (10) working days (or such other period as the Parties may agree upon), each Party may pursue resolution of the dispute through other legal means consistent with the terms of this Agreement.

11.2 Continued Performance

The Parties shall continue to perform their respective obligations under this Agreement during the pendency of any dispute including a dispute regarding the effectiveness or the purported termination of this Agreement.

ARTICLE 12. REPRESENTATIONS AND WARRANTIES

12.1 Generating Company's Representations and Warranties

Generating Company makes the following representations and warranties to Company:

(a) Generating Company is duly organized and validly existing under the laws of the State of Delaware, is in good standing under its limited liability company and the laws of the State of Delaware, has the requisite power and authority to own its properties, to carry on its business as now being conducted, and to enter into this Agreement and the transactions contemplated herein and perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Agreement, and is duly authorized to execute and deliver this Agreement and consummate the transactions contemplated herein.

(b) Generating Company is not prohibited from entering into this Agreement or discharging and performing all covenants and obligations on its part to be performed under and pursuant to this Agreement. The execution and delivery of this Agreement, the consummation of the transactions contemplated herein and the fulfillment of and compliance with the provisions of this Agreement will not conflict with or constitute a breach of or a default under, or require any consent, license or approval that has not been obtained pursuant to, any of the terms, conditions or provisions of any Applicable Laws and Regulations, any order, judgment, writ, injunction, decree, determination, award or other instrument or legal requirement of any Governmental Authority, the certificate of limited partnership of Generating Company or any contractual limitation, restriction or outstanding trust indenture, deed of trust, mortgage, loan agreement, lease, other evidence of indebtedness or any other agreement or instrument to which Generating Company is a party or by which it or any of its property is bound.

(c) Generating Company has taken all such actions as may be necessary or advisable and proper to authorize this Agreement, the execution and delivery hereof, and the consummation of transactions contemplated hereby.

(d) This Agreement is a legal, valid and binding obligation of Generating Company enforceable in accordance with its terms, except as limited by laws of general applicability limiting the enforcement of creditor's rights or by the exercise of judicial discretion in accordance with general principles of equity.

12.2 Company's Representations and Warranties

Company makes the following representation and warranties to Generating Company:

(a) Company is a corporation duly organized, validly existing under the laws of the State of Kentucky, is in good standing under its certificate of incorporation and the laws of the State of Kentucky, has the requisite power and authority to own its properties, to carry on its business as now being conducted, and to enter into this Agreement and the transactions contemplated herein and perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Agreement, and is duly authorized to execute and deliver this Agreement and consummate the transactions contemplated herein.

(b) Company is not prohibited from entering into this Agreement or discharging and performing all covenants and obligations on its part to be performed under and pursuant to this Agreement. The execution and delivery of this Agreement, the consummation of the transactions contemplated herein and the fulfillment of and compliance with the provisions of this Agreement will not conflict with or constitute a breach of or a default under, or, except as set forth in Section 2.2 above, require any consent, license or approval that has not been obtained pursuant, to any of the terms, conditions or provisions of any Applicable Laws and Regulations, any order, judgment, writ, injunction, decree, determination, award or other instrument or legal requirement of any Governmental Authority, the certificate of incorporation and by-laws of Company or any contractual limitation, corporate restriction or outstanding trust indenture, deed of trust, mortgage, loan agreement, lease, other evidence of indebtedness or any other agreement or instrument to which Company is a party or by which it or any of its property is bound.

(c) Company has taken all such corporate actions as may be necessary or advisable and proper to authorize this Agreement, the execution and delivery hereof, and the consummation of transactions contemplated hereby.

(d) This Agreement is a legal, valid and binding obligation of Company enforceable in accordance with its terms, except as limited by laws of general applicability limiting the enforcement of creditor's rights or by the exercise of judicial discretion in accordance with general principles of equity.

ARTICLE 13. MISCELLANEOUS PROVISIONS

13.1 Severability

If any provision or provisions of this Agreement shall be held invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

13.2 Waivers; Modifications

(a) No 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. 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 waiver of any such provision or the relinquishment of any such right, but the same shall continue and remain in full force and effect.

(b) This Agreement may be amended 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 (i) to furnish upon request to each other such further information, (ii) to execute and deliver to each other such other documents, and (iii) 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 in the exercise of its reasonable discretion.

13.6 No Third-Party Beneficiaries

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 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; provided, however, to the extent possible, Company shall provide Generating Company with the text of any such public announcement prior to its dissemination for Generating Company's review and comment, and in the event that prior disclosure of such public announcement is not possible, Company or its Affiliate shall promptly thereafter furnish same to Generating Company.

13.8 Confidentiality

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 automatically extend to all information of a commercial nature or which concerns the cost, design or operation of the Facility, including, but not limited to, Facility availability, Facility dispatch schedules, Facility maintenance schedules and availability and maintenance schedules of Interconnection Facilities,

whether exchanged orally or in written or electronic form, 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 disclosing 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); provided, however, that Generating Company may also disclose such information to 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 nonconfidential basis from a source other than the other Party if such source was not subject to any prohibition against disclosing or 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 ECAR, NERC and any Governmental 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/or the seeking of an injunction or protective order, to prohibit or limit 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.

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 hereto and the documents referenced herein are hereby incorporated by reference into and shall be deemed a part of this Agreement. All indices, titles, subject headings, Article, Section and Subsection 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. In the event of any inconsistency or conflict between the provisions in the body of this Agreement and the provisions in the Appendices to this Agreement or other documents referenced in this

Agreement, the provisions in the body of this Agreement shall control and supercede the provisions in the Appendices to this Agreement or other documents referenced in this Agreement and the provisions in the Appendices to this Agreement or other documents referenced in this Agreement shall not alter, expand, limit or otherwise modify the Parties' rights and obligations as set forth in the body of this Agreement.

13.10 Submission to Jurisdiction; Waiver of Objections

Subject to the provisions of Article 12, 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 State of Kentucky, the courts of the United States, 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;; and

(c) agrees that nothing herein shall affect the right to effect service of process in any 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) Assignment by Company

Company intends to transfer operational control of its transmission facilities to a 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 Subsection 13.11(b) shall relieve Company of its obligations under this Agreement and no such assignment shall be to AEP'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 System that includes the Company's Interconnection Facilities and System Upgrades; provided, however, that the FERC must approve such assignment or transfer;
- (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's 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) Assignment by Generating Company

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 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 Subsection 13.11(c)(i) 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 Finance Holder as security for amounts payable under any Project Financing.

(d) Restrictions on Assignment

Except as specifically provided for in Subsections 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) Release of Obligations

Upon assignment of this Agreement pursuant to Subsections 13.11(b)(ii), (b)(iii), or (c)(ii), as applicable, 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) Lender Security

Company agrees, if requested by Generating Company, to enter into an agreement (in a form reasonably acceptable to Company) with the Project Finance 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 Finance 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 Finance 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 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 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 Non-Liability of Trustee

It is expressly understood and agreed that (a) each of the undertakings and agreements herein made on the part of Lawrence County Riverside Trust 2000 is made and undertaken not as personal undertakings and agreements by Lawrence County Riverside Trust 2000's trustee, Wilmington Trust Company ("Wilmington"), but is made and intended for the purpose of binding only Lawrence County Riverside Trust 2000, (b) nothing herein contained shall be construed as creating any liability on Wilmington, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the Parties hereto or by any person claiming by, through or under the Parties hereto and (c) under no circumstances shall Wilmington, be personally liable for the payment of any indebtedness or expenses of Lawrence County Riverside Trust 2000 or be liable for the breach or failure of any obligation made or covenant made or undertaken by Lawrence County Riverside Trust 2000 under this Agreement.

The Parties have caused their duly authorized representatives to execute this Agreement on their behalf as of the date first above written.

KENTUCKY POWER COMPANY

By: _____

Name: _____

Title: _____

Date: _____

RIVERSIDE GENERATING COMPANY, L.L.C.,
as construction agent for the
LAWRENCE COUNTY RIVERSIDE TRUST 2000

By: _____

Name: _____

Title: _____

Date: _____

APPENDIX A

FACILITY, INTERCONNECTION FACILITIES AND SYSTEM UPGRADES

1. **Name:** **Riverside**
2. **Location:** The Interconnection Point is located at the point where Generating Company's 345 kV Circuit connects to Company's Baker 345 kV Station.
3. **Nominal Delivery Voltage:** 345 kV
4. **Metering Voltage:** 345 kV
5. **Normal Operation of Interconnection (check one):** Open Closed
6. **Control Area Interchange Point (check one):** Yes No
7. **One-Line Diagram Attached (check one):** Yes No
8. **Description of Facilities to be installed and owned by Generating Company:**
 - a. **Generating Company Facility**
 - Riverside Generating Facility consisting of three (3) 167 MW generating units, step-up transformers, and associated equipment
 - b. **Generating Company Interconnection Facilities**
 - i. At Riverside 345 kV Station:
 - Riverside 345 kV Switchyard
 - ii. Riverside - Baker 345 kV Station Circuit:
 - Construct approximately 1.0 mile 345 kV single circuit transmission line from Generating Company's Facility Site to Company's Baker 345 kV Station.

9. Description of Facilities to be installed and owned by Company:

a. Company Interconnection Facilities

i. Baker 345 kV Station:

- Install one 345 kV bay and extend 345 kV buses #1 and #2.
- Install two 345 kV circuit breakers and associated disconnect switches.
- Make appropriate changes to 345 kV station to accommodate termination of Riverside's 345 kV Circuit.
- Install metering system to measure bi-directional power and energy flows on Riverside 345 kV circuit including:
 - Current and voltage transformers
 - KW, KWh, KVar, PF meters
 - Data recorders
- Dual Fiber Optic Feeds
- Install One Remote Terminal Unit for remote monitoring of Riverside 345 kV Circuit switching devices.

b. System Upgrades

i. Tristate 345/138 kV Station:

- Extend 345 kV and 138 kV switchyards including cutting, grading, gravel, grounding and fence work.
- Install one 345 kV bay with associated bus work.
- Install one 345/138 kV, 450 MVA transformer with associated switching devices, terminal equipment and relaying.
- Install one 138 kV 3000 Amp, 50 kA circuit breaker with associate disconnect switches, terminal equipment and relaying.

ii. Big Sandy - West Huntington and Tristate - East Lynn 138 kV Circuits:

- At the crossing of the Big Sandy - West Huntington and Tristate - East Lynn 138 kV Circuits near Tristate Station, rearrange conductors to form a Big Sandy - Tristate 138 kV Circuit and a West Huntington - East Lynn 138 kV circuit.
- Install additional relaying and remove carrier equipment.

iii. Chadwick Station:

- Replace 795 MCM ACSR AL risers with 1590 MCM ACSR conductor.

iv. Tristate - West Huntington 138 kV Circuit:

- Replace approximately 2.34 miles of 397 MCM ACSR conductor with 795 MCM ACSR conductor.
- Install additional relaying and carrier equipment.

v. Tristate - Bellefonte and Tristate - West Huntington 138 kV Circuits:

- Conduct Sag Study for Tristate - Bellefonte and Tristate - West Huntington 138 kV Circuits to identify and remove limitations to utilize the circuits to the conductor thermal capability.

10. Cost Responsibilities of Each Party:

Generating Company shall install and own the facilities described in Item 8 above, at generating Company cost.

Company shall install and own the Interconnection Facilities and System upgrades described in Item 9 above. Generating Company shall reimburse Company for these facilities as provided for in Subsections 3.7 (a) and (b).

11. AEP Standard Practices 345 kV Interconnection Facilities at Baker Station

System Parameters

1. Fault levels - $3\phi = 27.12\text{kA}$, $X/R=53.6$ & $L-G=31.31\text{kA}$, $X/R=47$ (Riverside generation included)

Transmission Line

1. Insulation level - 1345kV CFO for 15 porcelain bell insulators on tangent structures; and 1585kV CFO for 18 porcelain bell insulators on dead-ends
2. Maximum operating voltage -362kV
3. Shielding protection - 30° shield angle
4. Shield wire - OPGW sized based on I²T (I: kA rms symmetrical fault current, T: 15~)
5. Tower footing resistance - 10Ω
6. Clearance to 345kV bus - NESC plus 4 ft (bus height = 35 ft)

Station Dead-End Structure

1. Phase wire take-off height - 80 ft
2. Shield wire take-off height - 110 ft
3. Phase spacing - 24 ft
4. Maximum phase wire tension - 10,000 lb NESC HL per phase @ 15° angle, OLF not included
5. Maximum shield wire tension - 5,000 lb NESC HL @ 15° angle, OLF not included
6. Phasing arrangement - 3, 2, 1, from left to right facing West

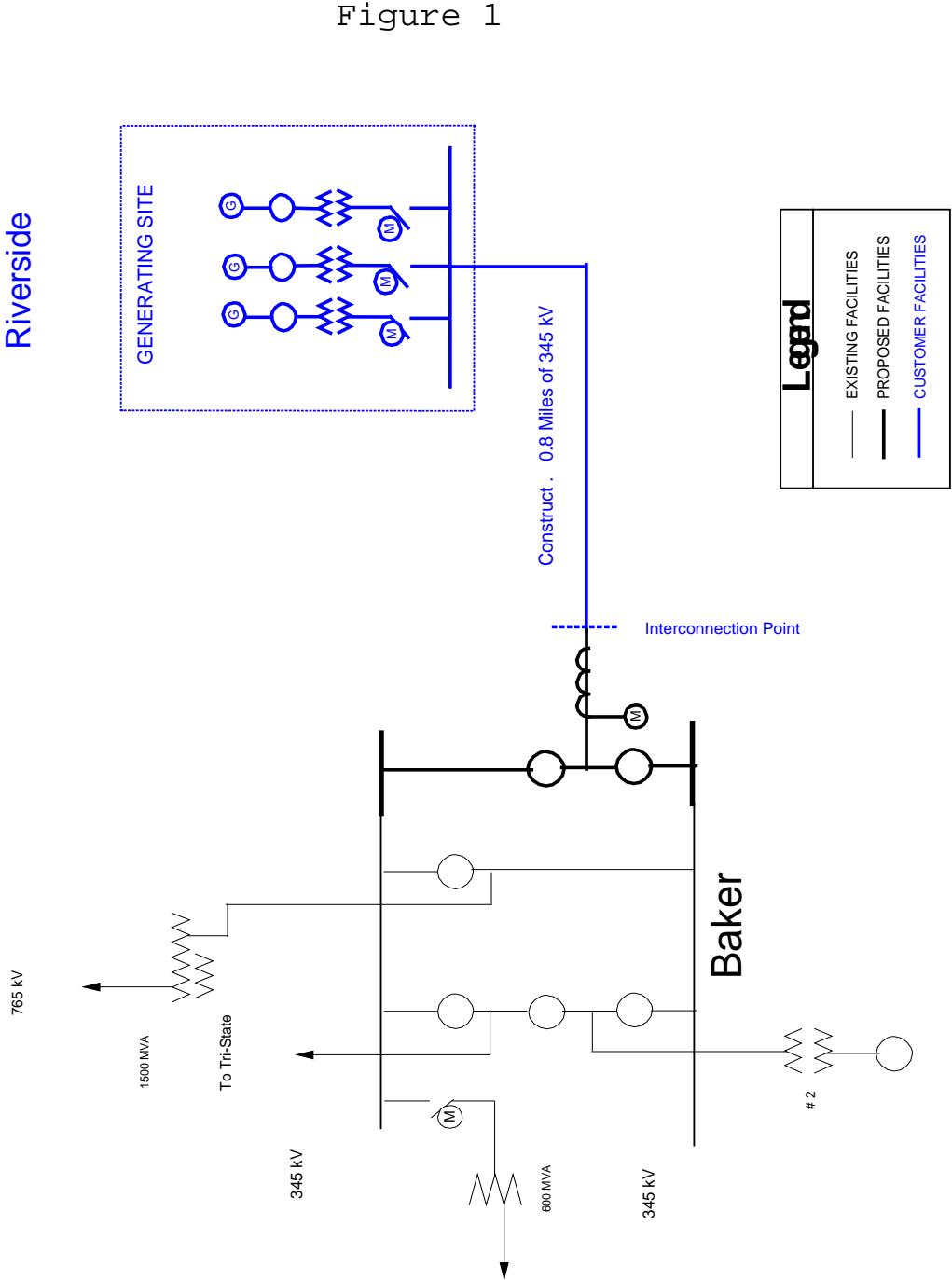
Protective Relays

1. Primary system - single primary protection using dual RFL 9300 current differential
2. Backup system - GE impedance relay for step distance for phase, and instantaneous & TOC for ground

Telemetry

1. Metering instrument transformers - optical CTs and VTs
2. RTU - GE Harris with three communication ports

CONCEPTUAL INTEGRATION OF CTs AT Baker 345 kV STATION



Proposed Configuration Tristate Station N.O. Transformer

Figure 2

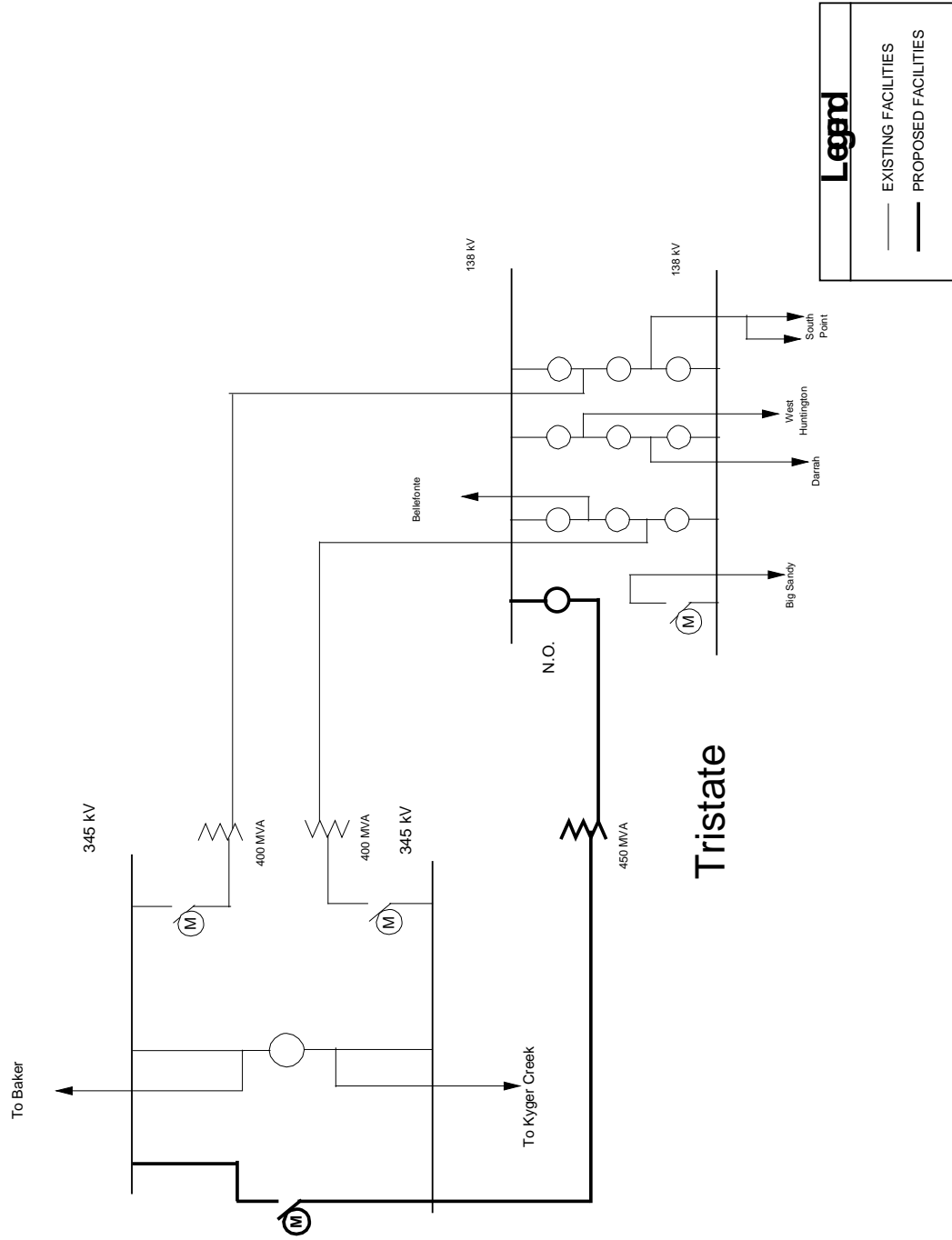
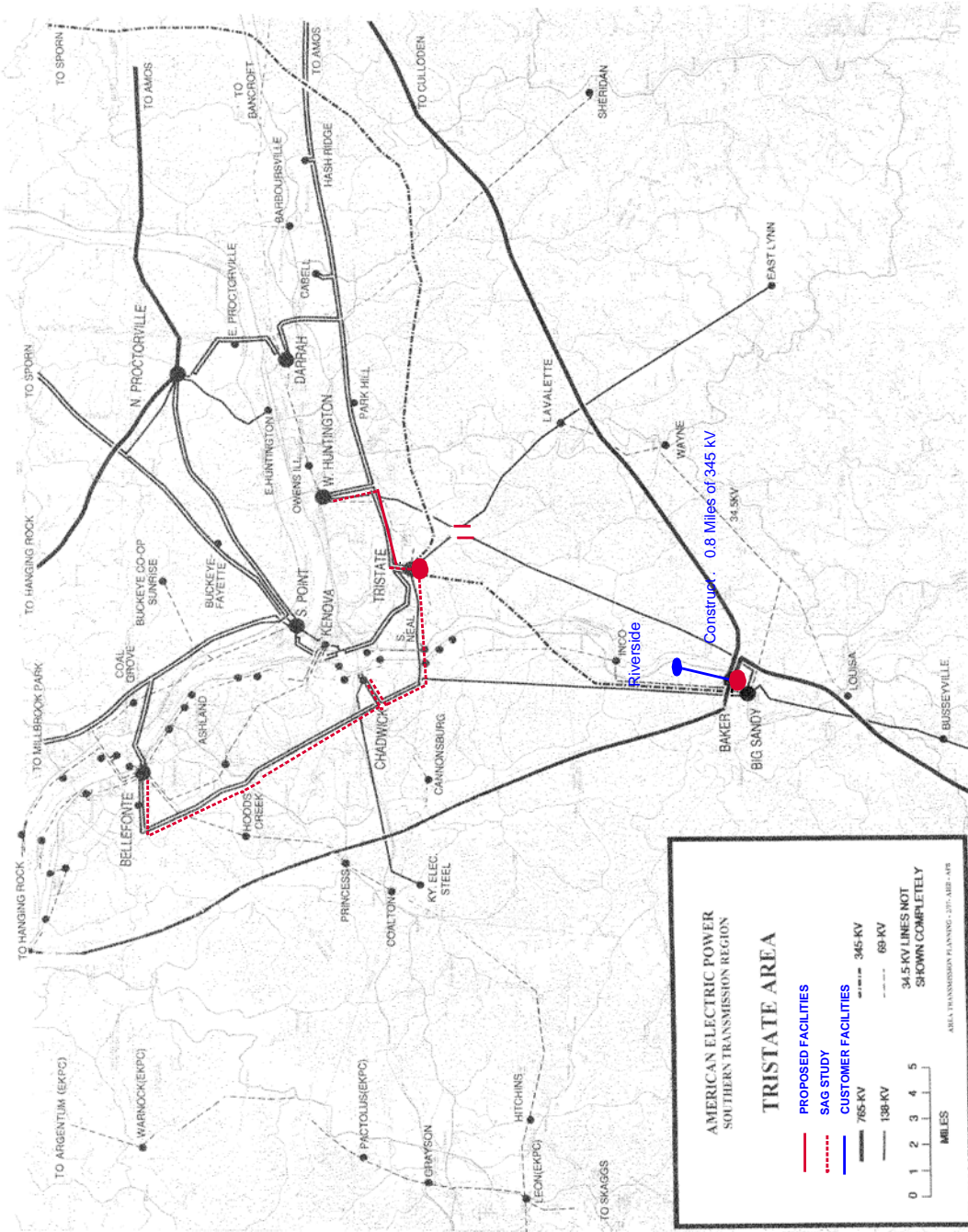


Figure 3



APPENDIX B

DESCRIPTION OF THE FACILITY SITE

1. Facility Site Description:

Generating Company's Riverside Generating Facility will be constructed on a site in Lawrence County, Kentucky approximately 0.8 miles from Company's Baker 765/345 kV Station.

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 Generating Company's Riverside 345 kV Circuit in Company's Baker 345 kV Station. Metering shall be at 345 kV, and will be designed and installed in compliance with the provisions specified in Section 4.14 of this Agreement.

2. Equipment to be Installed:

- Current and voltage transformers
- KW, KWh, KVar and PF meters
- Data recorders
- One Remote Terminal Unit (RTU) for remote monitoring and control of Riverside 345 kV circuit breakers at Baker Station, monitoring of 345 kV switching devices at Riverside Station and monitoring of real and reactive power flows on the Riverside 345 kV Circuit at Baker Station

APPENDIX D

LIST OF PROTECTIVE EQUIPMENT

1. Protective Equipment and Schemes:

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

2. Equipment to be Installed:

- Primary System - single primary protection using dual RFL 9300 differential current
- Backup System - GE impedance relay for step distance for phase protection, and instantaneous & TOC for ground protection

APPENDIX E

PROJECT COST PROJECTIONS AND PAYMENT SCHEDULE

1. Project Cost Projections of Company Owned Facilities (In 2001 Dollars)

a. Company Interconnection Facilities

| | |
|----------------------|-------------|
| Baker 345 kV Station | \$2,136,000 |
|----------------------|-------------|

b. System Upgrades

| | |
|--------------------------------|-------------|
| i. Tristate 345/138 kV Station | \$4,350,000 |
|--------------------------------|-------------|

| | |
|--|-------------|
| ii. Big Sandy – West Huntington Tristate – East Lynn 138 kV Circuits Rearrangement | \$1,105,000 |
|--|-------------|

| | |
|------------------------------|------------|
| Big Sandy Station Relay Work | \$ 144,000 |
|------------------------------|------------|

| | |
|-----------------------|----------|
| iii. Chadwick Station | \$ 8,000 |
|-----------------------|----------|

| | |
|--|------------|
| iv. Tristate – West Huntington 138 kV Circuit | \$ 532,000 |
|--|------------|

| | |
|------------------------------------|-----------|
| West Huntington Station Relay Work | \$ 89,000 |
|------------------------------------|-----------|

| | |
|--|------------|
| v. Tristate – Bellefonte and Tristate – West Huntington 138 kV Sag Study and Remediation | \$ 956,000 |
|--|------------|

| | |
|-------------------------------------|--------------------|
| Total Projected System Upgrade Cost | <u>\$7,184,000</u> |
|-------------------------------------|--------------------|

| | |
|------------------------------|-------------|
| Total Projected Project Cost | \$9,320,000 |
|------------------------------|-------------|

2. Monthly Payment Schedule

| Month | Amount of Payment | Description |
|--------------|--------------------|---|
| Mar 2000 | \$50,000* | Engineering, Design and Bid Evaluation |
| Apr 2000 | \$284,000 | Engineering, Design and Procurement (1 - 345/138/13.8 kV XF) |
| May 2000 | \$997,800 | Engineering, Design and Procurement (2 – 345 kV CBs, 4 - Optical CTs, 1 - 138 kV CB, 3 - 345 kV CCVTs f/relaying, 2 - 138 kV disc. sw.s, 1 - 345 kV MOAB, 3 – 345 kV CCVTs, 4 - 345 kV disc.sw.s, RTU equip.) |
| Jun 2000 | \$1,283,000 | Engineering, Design and Procurement (relays, steel) |
| Jul 2000 | \$918,700 | Engineering, Design and Procurement (relays, misc. station material) |
| Aug 2000 | \$667,500 | Engineering, Design and Construction (steel) |
| Sep 2000 | \$923,500 | Engineering, Design and Construction (misc. station material) |
| Oct 2000 | \$1,070,000 | Engineering, Design and Construction |
| Nov 2000 | \$423,500 | Construction and Project Management |
| Dec 2000 | \$391,500 | Construction and Project Management |
| Jan 2001 | \$1,076,000 | Construction and Project Management |
| Feb 2001 | \$137,500 | Construction and Project Management |
| Mar 2001** | \$119,500 | Construction and Project Management |
| Apr 2001 | \$863,000 | Construction and Project Management |
| May 2001*** | \$114,500 | Construction and Project Management |
| Total | \$9,320,000 | |

* Already paid by Generating Company pursuant to March 2 Letter Agreement

** Interconnection energization to occur on or before March 15, 2001

*** All facilities to be in service on or before June 1, 2001

APPENDIX F

PROJECT MILESTONES

1. Company's Interconnection Facilities Project Schedule Milestones:

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

| <u>Task</u> | <u>Date Completed</u> |
|---------------------------------|-----------------------|
| Construction Starts | 09/06/00 |
| Site Development | 09/20/00 |
| Install below Grade | 10/25/00 |
| Install Above Grade | 11/22/00 |
| Panel Fabrication / Wiring | 12/19/00 |
| Equipment Set / Assemble / Test | 01/04/01 |
| Electrical Control Wiring | 01/04/01 |
| Breaker Inst. Prep | 01/10/01 |
| Equipment Testing | 01/24/01 |
| Stoning | 02/14/01 |
| P&C Test & Checkout | 02/28/01 |
| Construction Complete | 02/28/01 |

2. System Upgrades Project Schedule Milestones:

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

a. Tristate 345/138 kV Station

| <u>Task</u> | <u>Date Completed</u> |
|-----------------------|-----------------------|
| Construction Starts | 09/01/00 |
| Construction Complete | 05/15/01 |
| Place in Service | 05/16/01 |

b. Big Sandy – West Huntington and Tristate – East Lynn 138 kV Circuits Rearrangement

| <u>Task</u> | Big Sandy –Tristate <u>Date Completed</u> | East Lynn-West Huntington <u>Date Completed</u> |
|-----------------------|--|--|
| Construction Starts | 01/30/01 | 01/30/01 |
| Construction Complete | 04/02/01 | 04/02/01 |
| Place in Service | 04/06/01 | 04/06/01 |

Big Sandy Station Relay Work

| <u>Task</u> | <u>Date Completed</u> |
|-----------------------|-----------------------|
| Construction Starts | 01/23/01 |
| Construction Complete | 05/24/01 |

c. Chadwick Station Riser Replacement

| <u>Task</u> | <u>Date Completed</u> |
|-----------------------|-----------------------|
| Construction Starts | 03/16/01 |
| Construction Complete | 03/16/01 |

d. Tri State – West Huntington 138 kV Circuit

| <u>Task</u> | <u>Date Completed</u> |
|-----------------------|-----------------------|
| Construction Starts | 11/01/00 |
| Construction Complete | 02/14/01 |

e. West Huntington Station Relay Work

| <u>Task</u> | <u>Date Completed</u> |
|-----------------------|-----------------------|
| Construction Starts | 04/26/01 |
| Construction Complete | 05/14/01 |

**f. Tristate – Bellefonte and Tristate – West Huntington
138 kV Sag Study and Remediation**

| <u>Task</u> | Tristate – Bellefonte Huntington <u>Date Completed</u> | Tristate – West <u>Date Completed</u> |
|-----------------------|--|--|
| Sag Studies | 05/17/00 | 05/17/00 |
| Construct Solutions | 11/02/00 | 11/02/00 |
| Construction Complete | 06/01/01 | 06/01/01 |

APPENDIX G

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

General

The formula rate contained in this document applies when 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 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 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
- 568 - Maintenance Supervision and Engineering
- 570 - Maintenance of Station Equipment

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)

¹ Appalachian 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.

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 which 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:

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

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., $DL = (\text{whr}) \times (\text{hrp})$. 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:

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

3. Equipment

Equipment (E), primarily vehicles, used in the performance of maintenance are 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:

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

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

6. Taxes

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

$$\text{i.e.: } T = RT + OT$$

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.

Kentucky Power Company FERC FORM 1 12/31/95 < Page 218 >.

General Description of Construction overhead Procedure:

1A. 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 means 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.

1B. 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.

1C. 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

INTERCONNECTION AND OPERATION AGREEMENT

Between

Kentucky Power Company

And

Foothills Generating, L.L.C.,
as agent for the
Lawrence County Colped Trust

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INTERCONNECTION AGREEMENT

THIS AGREEMENT, made this _____ day of August, 2001, by and between Kentucky Power Company (hereinafter "Company"), a wholly-owned subsidiary of American Electric Power Company, Inc. ("AEP"), and Foothills Generating, L.L.C., as agent for the Lawrence County Colped Trust (hereinafter "Generating Company"). Company and Generating Company are collectively referred to as "Parties" or singularly as a "Party".

WITNESSETH:

WHEREAS, Kentucky Power Company, owns and operates electric facilities and is engaged, among other things, in the transmission of electric power and energy in the Commonwealth of Kentucky, and as a part of AEP, offers open access transmission service over the integrated AEP transmission system; and

WHEREAS, Generating Company will own and operate the Foothills Generating Facility located near Company's Baker 345 kV Station in Lawrence County, Kentucky, for the generation of electric power; and

WHEREAS, Generating Company has requested an interconnection agreement with Company to accomplish the interconnection of the Facility to the Company System at 345 kilovolts; and

WHEREAS, Company owns transmission facilities in Kentucky, some of which are located near the Facility Site, and Company is willing to interconnect the Company System with the Facility under the terms and conditions contained herein.

NOW, THEREFORE, for and in consideration of the promises and mutual covenants herein set forth the Parties hereto agree as follows:

ARTICLE 1. DEFINITIONS

Whenever used in this Agreement, the following terms shall have the following meanings:

1.1 "Affiliate" shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

1.2 "Agreement" shall mean this Interconnection and Operation Agreement between Company and Generating Company, including all Attachments and any amendments thereto.

1.3 "Applicable Laws and Regulations" shall mean all applicable federal, state and local laws, ordinances, rules and regulations, and all duly promulgated orders and other duly authorized actions of any Governmental Authority having jurisdiction over the Parties and/or their respective facilities; provided, however, the Parties shall be entitled to treat all orders and actions of any Governmental Authority as duly promulgated or duly authorized, as applicable, until same have been declared to have not been duly promulgated or duly authorized, as applicable, by a court of competent jurisdiction.

1.4 "Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in Kentucky, are authorized or required by law to be closed.

1.5 "Commercial Operation Date" shall mean the date that the Interconnection Facilities have been permanently energized and commercial operation of the Facility has commenced through the sale of non-test Energy.

1.6 "Company's Baker 345 kV Station" shall mean Company's 345 kV electric switching substation located on the Big Sandy River in Lawrence County, Kentucky.

1.7 "Company's Interconnection Facilities" shall mean all equipment and other facilities which are part of the Interconnection Facilities and which Company owns, operates and maintains, as such are so designated and described in Appendix A.

1.8 "Company System" shall mean the integrated system of electrical generation, transmission and distribution facilities, and all equipment and facilities ancillary thereto, owned and/or operated by Company as a part of the AEP transmission system.

1.9 "Company System Control Center" shall mean the AEP System Control Center located in Columbus, Ohio, or its successor in function.

1.10 "Control Area" shall mean an electric system capable of regulating its generation in order to maintain and control its electric energy interchange schedule with other electric systems, contribute its frequency bias obligation to the interconnected system, and meet the generation operating reserve requirements set forth by ECAR, or any successor.

1.11 "Direct Assignment Facilities" shall mean: (a) the facilities necessary to physically and electrically interconnect the generating facility to the Company System and (b) the minimum necessary local and network upgrades that would not have been required but for an Interconnection Request, including (i) System Upgrades necessary to remove overloads and (ii) System Upgrades necessary to remedy short-circuit or stability problems resulting from the connection of the generating facility to the network.

1.12 "ECAR" shall mean the East Central Area Reliability Council or any successor thereto.

1.13 "ECAR Criteria" shall mean those written policies and/or standards promulgated by ECAR, as in effect from time to time, relating to practices to be followed in the planning and operation of the interconnected systems of the member utilities of ECAR.

1.14 "Emergency" shall mean any circumstance or combination of circumstances or any condition of the Facility, the Interconnection Facilities, the Company System or the transmission system of other utilities directly or indirectly connected to the Company System which in the reasonable judgment of Company is likely to result in imminent disruption of service to consumers or is likely to endanger life or property necessitating immediate action to avert serious injury to persons or property, or material impairment or degradation of transmission system reliability; provided, however, the lack of sufficient generation capacity to serve all loads being served over the Company System shall not constitute an Emergency.

1.15 "Energy" shall mean electric energy generated by the Facility, expressed in megawatt-hours.

1.16 "Environmental Laws" shall mean all federal, state, and local laws (including common laws), regulations, rules, ordinances, codes, decrees, judgements, binding directives, or judicial or administrative orders relating to the protection, preservation or restoration of human health, the environment, or natural resources, including, without limitation, laws relating to the releases or threatened releases of Hazardous Substances into any media (including without limitation, ambient air, surface water, groundwater, land, surface and subsurface strata) or otherwise relating to the manufacture, processing, distribution, use treatment, storage, release, transport, and handling of Hazardous Substances.

1.17 "Event of Default" has the meaning set forth in Section 6.1.

1.18 "Facility" shall mean the planned generation facilities rated at approximately 335 MW summer, and 370 MW winter, to be constructed by Generating Company on the Facility Site, and which are planned for commercial operation on or about June 1, 2002.

1.19 "Facility Site" shall mean the tract of land upon which the Facility is to be constructed, and which is more fully described in Appendix B.

1.20 "FERC" shall mean the Federal Energy Regulatory Commission, or any successor thereto.

1.21 "Force Majeure" shall mean any unforeseeable cause beyond the reasonable control of and without the fault or negligence of the Party claiming Force Majeure, including but not limited to acts of God, strike (including that by vendor personnel), flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance, sabotage, change in law or applicable regulation subsequent to the date hereof and action or inaction by any federal, state or local legislative, executive, administrative judicial agency or body which, in any of the foregoing cases, by exercise of due foresight such Party could not reasonably have been expected to avoid, and which, by the exercise of due diligence, it is unable to overcome.

1.22 "Generating Company's Interconnection Facilities" shall mean all equipment and other facilities which are part of the Interconnection Facilities and which Generating Company owns, operates and maintains, as such are so designated and described in Appendix A.

1.23 "Good Utility Practice(s)" shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the electric utility industry.

1.24 "Governmental Authority" shall mean any federal, state, local or municipal governmental body; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power; or any court or governmental tribunal.

1.25 "Hazardous Substances" shall mean:

(a) any petro-chemical or petroleum products, oil or coal ash, radioactive materials, radon gas, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid which may contain levels of polychlorinated biphenyls;

(b) any chemicals, materials, or substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "restricted hazardous materials", "extremely hazardous substances", "toxic substances", "contaminants", or "pollutants", or words of similar meaning and regulatory effect; or

(c) any other chemical, material, or substance, exposure to which is prohibited, limited or regulated by applicable Environmental Laws.

1.26 "Interconnection Facilities" shall mean all equipment and facilities that are necessary under Good Utility Practice solely to interconnect the Facility to the Company System economically, reliably and safely, including all connection, switching, metering, safety, engineering, communication and Protective Equipment, which equipment and facilities are more particularly described in Appendix A as Company's Interconnection Facilities and Generating Company's Interconnection Facilities.

1.27 "Interconnection Point" shall mean the point where Generating Company's Interconnection Facilities connect to Company's Interconnection Facilities at Company's Baker 345 kV Station, as more particularly shown in Appendix A.

1.28 "Interconnection Request" shall mean an Interconnection Customer requesting interconnection to the AEP Transmission system of a generating project using Attachment Q "Notification of Intent to Install and Operate Generation with AEP Transmission System" of amended AEP Open Access Transmission Tariff.

1.29 "Interest Rate" shall mean the GE Capital Commercial Paper Rate as published in the Money and Investing section of the Wall Street Journal, or, if no longer so published, in any mutually agreeable publication.

1.30 "June 20 Letter Agreement" shall mean that certain letter agreement dated June 20, 2001 between Kentucky Power Company, d/b/a American Electric Power, a wholly-owned subsidiary of American Electric Power Company, Inc. and Foothills Generating, L.L.C., as agent for the Lawrence County Colped Trust.

1.31 "May 29 Letter Agreement" shall mean that certain letter agreement dated May 29, 2001 Kentucky Power Company, d/b/a American Electric Power, a wholly-owned subsidiary of American Electric Power Company, Inc. and Foothills Generating, L.L.C., as agent for the Lawrence County Colped Trust.

1.32 "Metering Equipment" shall mean those facilities specified in Appendix C.

1.33 "NERC" shall mean the North American Electric Reliability Council, including any successor thereto.

1.34 "Open Access Transmission Tariff" or "OATT" shall mean the Open Access Transmission Tariff under which Company offers non-discriminatory open access transmission service, as filed with FERC, and as amended or supplemented from time to time, or any successor tariff.

1.35 "Operating Authority" shall mean the AEP System Control Center, the RTO, and any successor organizations.

1.36 "Party" shall mean a party to this Agreement named in the preamble, above, or any successors or permitted assignees. "Parties" shall mean each and every Party, collectively.

1.37 "Payment Schedule" shall have the meaning set forth in Subsection 5.2(a).

1.38 "Person" shall mean any individual, Governmental Authority, corporation, limited liability company, partnership, limited partnership, trust, association or other entity.

1.39 "Project Financing" shall mean (a) one or more leases, loans and/or debt issues, together with all modifications, renewals, supplements, substitutions and replacements thereof, the proceeds of which are used to finance or refinance the costs of the Facility, any alteration, expansion or improvement to the Facility, the purchase and sale of the Facility or the operations at the Facility and (b) a power purchase agreement pursuant to which Generating Company's obligations are secured by a mortgage or other lien on the Facility.

1.40 "Project Finance Holder" shall mean (a) any holder, trustee or agent for holders, of any component of the Project Financing and (b) any purchaser of power from the Facility to which Generating Company has granted a mortgage or other lien as security for some or all of Generating Company's obligations under the corresponding power purchase agreement.

1.41 "Protective Equipment" shall mean such protective relay systems, locks and seals, breakers, automatic synchronizers, associated communication equipment and other control schemes and protective apparatus as is reasonably necessary under Good Utility Practice, as reviewed by Company, for the operation of the Facility in parallel with the Company System and to permit Company's facilities to operate economically, reliably and safely in their normal manner.

1.42 "RTO" shall mean the Alliance Regional Transmission Organization, or any successor or other regional transmission organization to which Company may transfer operational control of the Company System, or a portion thereof.

1.43 "System Impact and Facilities Studies" shall mean any studies conducted by the Company to investigate the impact of the Facility addition on the Company System and neighboring utilities and also to determine the design, specifications, and cost estimate for the Company Interconnection Facilities necessary solely to interconnect the Facility to the Company System and the System Upgrades.

1.44 "System Upgrades" shall mean the minimum necessary local and network upgrades that would not have been required but for the Interconnection of the Facility to the Company System, including (i) System Upgrades necessary to remove overloads and (ii) System Upgrades necessary to remedy short-circuit or stability problems resulting from the connection of the generating facility to the network, as such facilities are so designated and described in Appendix A.

ARTICLE 2. TERM AND TERMINATION OF AGREEMENT

2.1 Term

This Agreement shall become effective as of the date first above written or such other date as shall be specified by the FERC. This Agreement shall continue in force and effect for a period of forty years from the date this Agreement is made effective or until retirement of the Facility, whichever is shorter. Notwithstanding the above, this Agreement may be terminated earlier if earlier termination is permitted under this Agreement or mutually agreed to by the Parties. Any termination hereunder shall not take effect until the FERC either authorizes any request by a Party seeking termination of this Agreement in accordance with its terms or accepts a written notice of termination.

2.2 Termination

(a) If the Facility is cancelled or abandoned by Generating Company prior to completion of the Company's Interconnection Facilities, either Party may terminate this Agreement upon notification to the other Party. In such event, Generating Company shall be responsible for all reasonable and necessary costs which Company (i) has incurred prior to the termination and (ii) incurs in winding up such work, including without limitation, the costs to ensure the safety of persons and property, the integrity of the Company System and the cancellation of material and labor contracts. Company will invoice Generating Company for such costs pursuant to Subsection 5.1(e). Any non-returnable equipment or materials that have not already been installed by Company shall be transferred to and become the property of Generating Company "as is" and with all faults upon payment of Company's unrecovered costs as set forth in this Subsection 2.2(a).

(b) This Agreement may be terminated upon compliance with the requirements for such termination set forth in the following provisions of this Agreement, if applicable:

- (i) Subsection 3.7(e); and
- (ii) Subsection 6.1(b).

(c) Under any other circumstances, this Agreement may be terminated only by mutual agreement of the Parties.

2.3 Regulatory Approvals or Filings

(a) Generating Company agrees that it shall use its best efforts to obtain in a timely manner any federal, state, or other regulatory consents, approvals, certifications, filings or orders that may be required for Generating Company's execution, delivery or performance of this Agreement and any amendments hereto. Company agrees to use its best efforts to assist Generating Company in obtaining such approvals or making such filings as promptly as practicable.

(b) Company agrees that it shall use its best efforts to obtain in a timely manner any federal, state, or other regulatory consents, approvals, certifications, filings or orders that may be

required for Company's execution, delivery or performance of this Agreement and any amendments hereto. Company shall promptly file this Agreement with the FERC, and any other authority, to the extent required by any Applicable Laws and Regulations. Generating Company agrees to use its best efforts to assist Company in obtaining such approvals or making such filings as promptly as practicable.

(c) Promptly upon execution of any amendment to this Agreement by the Parties, the Company shall file such amendment with the FERC. Each Party shall support the amendment before the FERC and any other regulatory agency having jurisdiction, and shall not protest or contest the amendment or any part of it before any such agency.

ARTICLE 3. FACILITY INTERCONNECTION

3.1 Establishment of Interconnection

The Facility to be constructed by the Generating Company shall be interconnected to the Company System at Company's Baker 345 kV Station, such interconnection being further described in Appendix A, and herein referred to as the "Foothills Interconnection". Appendix A may be revised subject to mutual written agreement of the Parties. Pursuant to this Agreement, the Parties shall, during the term of this Agreement, continue in service the existing transmission lines and essential terminal equipment, to the extent required to establish and maintain a reliable Foothills Interconnection.

3.2 Conditions of Interconnection

(a) Generating Company agrees that it will not interconnect or operate any part of its system connected to Company System in synchronization with any other electric system, whether such other electric system is supplied with electricity by Generating Company, a third party, or from another point of connection with Company System, unless the parties to be interconnected have the opportunity to fully evaluate and address any necessary changes. Any additional System Upgrades required as a result of such dual interconnection will be the responsibility of Generating Company. This Agreement provides only for interconnection of Generating Company's Facilities with the Company System. Nothing in this Agreement shall be read as a request by Generating Company or a commitment by Company to install any facilities other than those necessary to interconnect Facility with Company System.

(b) Generating Company acknowledges and agrees that from time to time during the term of this Agreement other Persons may develop, construct and operate or acquire and operate generation facilities in Company's service territory, and construction or acquisition and operation of any such other facilities, and reservations by any such other Persons of transmission service under the OATT may affect the availability of transmission service for the Facility's net electric output and that the Company makes no guarantees with respect to transmission service that is available under the OATT.. Generating Company acknowledges and agrees that Company has no obligation to disclose to Generating Company any information with respect to, including the identity or existence of any such Person or other facilities except (i) as provided for in the OATT

and Applicable Laws and Regulations, and (ii) in the event such facilities would reasonably be expected to have an effect on Generating Company's Interconnection Facilities or their operation, provided that, in such case, Company shall disclose only such information as is necessary to address any such effect on Generating Company.

(c) This Agreement does not obligate either Party to provide, or entitle either Party to receive, any transmission or other service not expressly provided for herein. Each Party is responsible for making the arrangements necessary for it to receive any other service that it may desire from the other Party or any third party. Any transmission or ancillary service obtained from the Company necessary to transmit power or Energy from the Facility shall be governed by the provisions of the OATT or other applicable tariff.

(d) Generating Company shall install the necessary equipment, such as power system stabilizers on its generators, to provide satisfactory stability performance under all credible system conditions as may be necessary in accordance with Good Utility Practice. Company agrees that the requirements of this Section 3.2(d) shall be satisfied upon Generating Company's installation of Cutler Hammer ESC 2100 voltage regulators with power stabilizer modules, pending completion of transient stability studies by Company based on the data for such power system stabilizer supplied by the Generating Company.

(e) Company shall have no obligation under this Agreement to provide construction, backup or start-up power for the Facility Site. This Agreement does not provide for the sale or purchase of Energy from Generating Company's Facility. Generating Company shall have the right, when permitted under state or federal law, to purchase construction, backup, maintenance or startup power from third-party supplier(s).

3.3 Interconnection Design, Operation and Maintenance

(a) The Parties agree to cause their respective Interconnection Facilities to be constructed in accordance with specifications at least equal to those provided by the National Electric Safety Code and approved by the American National Standards Institute. The Parties agree to comply with applicable service quality, reliability and power quality standards included in IEEE Standard 519 and other generally accepted electric utility industry standards addressing such issues.

(b) Each Party shall operate, maintain, repair, and inspect its Interconnection Facilities which it now or hereafter may own or control unless otherwise specified in this Agreement. Maintenance of its Interconnection Facilities by either Party that will cause a deviation from normal power and Energy flow at the Interconnection Point will be scheduled at a mutually agreed time. No changes will be made in the normal operation of the Interconnection Point without the mutual agreement of the Parties except as otherwise provided herein or in the OATT.

(c) A list of Company Protective Equipment and Generating Company Protective Equipment to be installed by Company and Generating Company, respectively, shall be included in Appendix D, and the cost of such Company equipment shall be included in Appendix E. The

Parties will coordinate the construction, operation and maintenance of their respective Protective Equipment. If at any time the initial protective relay scheme can not provide adequate protection to the Company System from faults caused by or occurring with respect to Generating Company's generating units or Generating Company's Interconnection Facilities, Generating Company shall furnish and install at its expense the protective relay devices necessary to provide adequate protection to the Company System from same.

3.4 Facility and Generating Company's Interconnection Facilities

Unless otherwise agreed, Generating Company shall be responsible for the design, construction, installation, ownership, operation and maintenance of the Facility and Generating Company's Interconnection Facilities described in Appendix A. Generating Company's Interconnection Facilities located in Company's station must be designed, engineered, constructed, installed, tested and commissioned in accordance with Good Utility Practice, applicable NERC Planning and Operating Standards, ECAR Criteria and Company's usual specifications for such facilities.

3.5 Company's Interconnection Facilities and System Upgrades.

Company shall be responsible for the design, procurement, construction, installation, ownership, operation and maintenance of the Company's Interconnection Facilities and System Upgrades described in Appendix A. Company's Interconnection Facilities and System Upgrades must be designed, engineered, constructed, installed, tested and commissioned in accordance with Good Utility Practice, applicable NERC Planning and Operating Standards, ECAR Criteria and Company's usual specifications for such facilities.

3.6 Installation of Generating Company Interconnection Facilities

The Generating Company's Interconnection Facilities will be constructed by Generating Company or, at Generating Company's option, a third-party contractor to be selected by Generating Company. Notwithstanding the foregoing, Generating Company understands and agrees that Company shall complete the connection of the Company's Interconnection Facilities and the Generating Company's Interconnection Facilities and will be responsible for and manage all construction work on the Company System.

3.7 Installation of Company Interconnection Facilities and System Upgrades

(a) Company shall design, construct, own, operate, maintain and repair or replace Company Interconnection Facilities. Generating Company shall pay Company a contribution to capital covering the full cost of installing Company Interconnection Facilities, including tax consequences, if any, as provided in Section 5.5, resulting from the contribution to capital, required as a result of the connection of Generating Company's Facility to Company System. After installation, Company will maintain and repair/replace Company's Interconnection Facilities and charge Generating Company for such maintenance and repair/replacement under the FERC-approved formula, shown in Appendix G. Company estimates that normal maintenance charges for Company's Interconnection Facilities will be approximately Two

Thousand Dollars (\$2000) on an annual average basis (in 2001 Dollars).

(b) Company shall design, construct, own, operate, maintain and repair or replace System Upgrades. Generating Company shall pay Company a contribution to capital covering the full cost of design and construction of any System Upgrades, including tax consequences, if any, as provided in Section 5.5, resulting from the contribution to capital, required as a result of the connection of Generating Company's Facility to Company System. After installation, Company will maintain and repair/replace System Upgrades at its own expense.

(c) The Company Interconnection Facilities and the System Upgrades must be designed, constructed, and installed in accordance with applicable System Impact and Facilities Studies and Good Utility Practice, and must be sufficient, as built and designed, to deliver the full energy output of the Facility to the Company System and to enable the Facility to receive energy necessary to satisfy its operational requirements.

(d) As soon as practicable after receiving from Generating Company a form of security pursuant to subsection 5.1(a), below, which security requirements shall be deemed satisfied to the extent that Generating Company has made payments to Company pursuant to the May 29 Letter Agreement or the June 20 Letter Agreement, and after execution of this Agreement or its filing with FERC in an unexecuted form, Company will commence construction of the Company Interconnection Facilities and System Upgrades.

(e) Generating Company reserves the right, upon written notice to Company, to suspend at any time all work by Company associated with the construction and installation of Company's Interconnection Facilities or System Upgrades, or both. In such event, Generating Company shall be responsible for all reasonable and necessary costs which Company (i) has incurred prior to the suspension and (ii) incurs in winding up such work, including without limitation, the costs to ensure the safety of persons and property, the integrity of the Company System and the cancellation of material and labor contracts. Company will invoice Generating Company for such costs pursuant to subsection 5.1(f). Generating Company may, in its sole discretion, at anytime thereafter terminate this Agreement. In the event Generating Company has suspended the work by Company required under this Agreement and has not requested Company to recommence the work required hereunder on or before the 120th day after such suspension, the Parties shall deem that this Agreement has been canceled. Any non-returnable equipment or materials that has not already been installed by Company shall be transferred to and become the property of Generating Company "as is" and with all faults upon payment of Company's unrecovered costs as set forth in this Subsection 3.7(e).

(f) Pursuant to an OATT amendment proposed by Company in FERC Docket No. ER00-2413-000, Generating Company will be entitled to a credit, equal to the total amount paid to Company for the System Upgrades set forth in Appendix A, and not refunded to Generating Company pursuant to Section 5.4, against the cost of transmission service subsequently reserved under the OATT for delivery of Electricity from the Facility. If the crediting procedure contained in the OATT amendment is modified by the FERC, the Parties will conform this Agreement to the modified provision. In connection with the filing of this Agreement at the FERC, Company shall include sufficient information for the FERC to determine 1) the

reasonableness of any costs associated with the Agreement, 2) that any direct assignment of costs is appropriate, and 3) the basis for assigning or not assigning any transmission credits for any System Upgrades to be constructed.

3.8 Safety

(a) Subject to Section 8.2, the Parties agree to be solely responsible for and assume all liability for the safety and supervision of their own employees, agents, representatives, and subcontractors.

(b) The Parties agree that all work performed by either Party which could be expected to affect the operations of the other Party will be performed in accordance with all applicable laws, rules and regulations pertaining to the safety of persons or property, including without limitation, compliance with the safety regulations and standards adopted under the Occupational and Safety Health Act (OSHA) of 1970, as amended from time to time, the National Electrical Safety Code, as amended from time to time, and Good Utility Practice.

3.9 Subcontractors

(a) Nothing in this Agreement will prevent either Party from utilizing the services of subcontractors as it deems appropriate; provided, however, that all such subcontractors shall comply with the terms and conditions of this Agreement.

(b) The creation of any subcontract relationship shall not relieve the retaining Party of any of its obligations under this Agreement. Each Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor it hires as if no subcontract had been made. Any obligation imposed by this Agreement upon a Party shall be equally binding upon and construed as having application to any subcontractor retained by that Party.

(c) Each Party will be liable for, and defend, indemnify, and hold harmless the other Party, its parents, subsidiaries and affiliates, and their officers, directors, employees, agents, contractors, representatives, and assigns from and against, any and all claims, demands, or actions from or by its subcontractors; and will be responsible for all costs, expenses, and legal fees associated therewith and all judgments, decrees, and awards rendered with respect thereto.

(d) No subcontractor is intended to be or will be deemed a third party beneficiary of this Agreement.

(e) The obligations under this Section 3.9 are not limited in any way by any limitation on or of any subcontractor's insurance, including a lack thereof.

3.10 Company Review and Inspection of Generating Company's Interconnection Facilities

(a) Company reserves the right to review, inspect and/or require testing of all aspects of the design and construction of Generating Company's Facility and Generating Company's

Interconnection Facilities which could have a direct effect on Company's service to Company's other customers or the safety of Company personnel. Such review may include Generating Company's specifications for Generating Company's Protective Equipment and Generating Company's Interconnection Facilities, including without limitation, any material improvements, additions, modifications, replacements or other material changes to equipment, electrical drawings and one-line diagrams. Generating Company may be required to provide Company with as-built drawings which will be of good engineering quality and which may include: (i) One line diagram showing the connections between the Facility's generator(s) and the Company System; (ii) Three line diagrams showing current and potential circuits for protective relays; (iii) Relay tripping and control schematic diagrams; and (iv) Instruction books for Generating Company's Protective Equipment.

(b) Company reserves the right to review the proposed settings for relays specified by Generating Company. If requested by Generating Company, Company will provide system data needed to determine the relay settings and assist Generating Company in coordinating such relay settings with the Company System. Company's design review of Generating Company's proposed settings is limited to the purpose of ensuring the protection and control of the Company System and shall not be construed as confirming or endorsing the design of Generating Company's Protective Equipment, Generating Company's Interconnection Facilities or the Facility, or as a warranty of any type, including safety, durability or reliability thereof. Generating Company is solely responsible for coordinating relays and associated settings of their protective equipment.

3.11 Right of Access

Each Party agrees to furnish, at no cost to the other Party, the rights-of-way upon, over, under, and across its property necessary for the other Party to construct, install, test, operate and maintain its own Interconnection Facilities. At either Party's request, a satisfactory site selected by mutual agreement of the Parties and located on the other Party's property shall be provided for such facilities.

3.12 Access to Interconnection Facilities

(a) Upon request, and with as much advance notice as is appropriate in the circumstances, each Party agrees to grant to the other Party and its agents and subcontractors such access to its property and facilities as is necessary or appropriate for the other Party to construct, install, test, operate and maintain its Interconnection Facilities and the Facility in accordance with the terms and provisions of this Agreement and to exercise any other of its rights and carry out any other of its obligations under this Agreement; provided, however, that such access will not unreasonably disrupt or interfere with the normal operations of the business of the Party providing access and that the Party provided access adheres to the safety rules and procedures established by the Party providing access. Each Party will execute such documents as the other Party may require to enable it to establish record evidence of such access rights. Such access rights will remain in effect for so long as this Agreement is in effect, and for a reasonable period of time thereafter to allow the owning Party to remove its facilities from the other Party's property.

(b) Any Party or its subcontractors performing construction, repair, maintenance or other work on the property of the other Party shall be responsible for proper housekeeping during the period the work is being performed and proper clean-up of the property in a timely fashion after the work is completed.

(c) Notwithstanding Subsection 3.12(a) above, in situations of emergency threatening injury, bodily or otherwise, to, or the death of, persons, or damage to, or destruction of, property, either Party shall have immediate access to the Interconnection Facilities of the other Party to take emergency actions to remove, remedy or mitigate such emergency situation.

3.13 System Impact and Facilities Studies

System Impact and Facilities Studies were completed by Company prior to the execution of this Agreement. These studies have determined what Company Protective Equipment, Generating Company Protective Equipment and other Interconnection Facilities and System Upgrades are necessary to connect the Company System with the Generating Company's Facility, what improvements to the Company System in the form of System Upgrades are necessary to accept power into the Company System at the Interconnection Point and have determined estimates of the costs and construction schedules associated therewith.

3.14 Testing of Facilities

(a) Prior to the interconnection of the Facility with the Company System, and the operation of the Interconnection Facilities, the Interconnection Facilities must be tested to ensure their safe and reliable operation in accordance with Good Utility Practice, any applicable RTO, NERC and ECAR criteria and requirements, manufacturer's criteria and requirements and other mutually agreed criteria and requirements for such facilities, and any applicable federal, state, and local laws, regulations, and requirements ("Pre-Commercial Testing"). The cost of all such initial testing shall be borne by Generating Company. Similar testing may be required after initial operation as required by the above organizations. The cost of all such subsequent testing shall be borne by the Party whose Interconnection Facilities are being tested.

(b) Based upon the Pre-Commercial Testing, Generating Company is responsible for making any modifications necessary to ensure the Generating Company Interconnection Facilities' safe and reliable operation in accordance with Good Utility Practice, any applicable RTO and ECAR criteria and requirements, and any applicable federal, state, and local laws, regulations, and requirements. Company is responsible for making any modifications necessary to ensure the safe and reliable operation of the Company Interconnection Facilities and System Upgrades in accordance with Good Utility Practice and all applicable RTO, NERC and ECAR criteria and requirements, Company's usual criteria and requirements for such facilities, and all applicable federal, state, and local laws, regulations, and requirements. Prior to the Commercial Operation Date, the costs of all such modifications are to be borne by Generating Company, except to the extent the modifications are required as a result of Company's negligence or willful misconduct.

(c) After the Interconnection has been permanently energized and commercial operation of the Facility has commenced, each Party shall test its facilities, at its own expense, in accordance with Good Utility Practice, including all applicable RTO, NERC and ECAR criteria and requirements and manufacturer's criteria and requirements and other mutually agreed criteria and requirements for such facilities. Each Party shall have the right, upon advance written notice, to require additional special testing of the other Party's facilities, if it reasonably believes that the other Party's facilities are adversely impacting the operation of the Company System or the Facility, or as may be otherwise prudent in accordance with Good Utility Practice with respect to the implementation of this Agreement, and shall have the right to be present and witness such tests. Such tests shall be at the requesting Party's expense unless necessitated by lack of data and/or inaccuracy in data previously provided by the other Party, normal degradation and site condition variations excepted.

3.15 Timely Completion

(a) Generating Company agrees to use its best efforts to procure, construct, install, and test the Generating Company Interconnection Facilities in accordance with the schedule set forth in Appendix F, which schedule may be revised from time to time by mutual agreement of the Parties.

(b) Company agrees to use its best efforts to procure, construct, install, and test the Company's Interconnection Facilities and System Upgrades in accordance with the schedule set forth in Appendix F, which schedule may be revised from time to time by mutual agreement of the Parties. If any event occurs that will materially affect the time for Company's completion of the Company's Interconnection Facilities or System Upgrades, or the ability to complete them, the Company shall promptly notify Generating Company. In such circumstances, Company shall, within ten (10) Business Days of notifying the Generating Company of such delays, convene a technical meeting with the Generating Company to evaluate the alternatives available to achieve completion of the Company's Interconnection Facilities and/or System Upgrades, as applicable, as originally scheduled. Company also shall make available to the Generating Company all studies and work papers related to the delay, including all information that is in the possession of the Company or of which Company has a right of possession.

(c) In the event that the System Upgrades are not totally completed by the date upon which Generating Company wishes to synchronize the Facility with the Company System, Company shall allow Generating Company to synchronize the Facility and deliver Energy to the Company System, but only to the extent, as determined by Company in its reasonable judgment and consistent with Good Utility Practice, that the Company System can accept such Energy; provided, however, that Generating Company or its purchasers has made appropriate arrangements for the delivery of such Energy pursuant to the OATT.

3.16 Generator Modeling Data and Verification

(a) Generating Company shall provide Company a minimum of five (5) days notice of when the commissioning tests of the Generating Company's Interconnection Facilities, including Generating Company Protective Equipment and Metering, by the Generating Company

are scheduled. Company personnel needed to verify relevant portions of the commissioning tests may elect to be present at such tests, at Generating Company's expense. If such commissioning tests are delayed by less than five (5) days from the date upon which they were originally scheduled, Generating Company shall give Company prompt notice of such rescheduled date, but Generating Company shall not be required to postpone such tests until Company can be given (5) days notice of same.

(b) Generating Company shall provide Company with the final modeling data of the Facility and Interconnection Facilities that reflect the final generating unit data and settings of the generation protection and control equipment, including but not limited to (i) the turbine speed/load controls including the governor; (ii) the excitation system including the automatic voltage regulator, power system stabilizer, over excitation controls and limits, and other controls and limits derived through the Facility commissioning tests.

(c) Company shall, if required in Company's reasonable judgment, conduct a follow-up stability study with the final modeling data if there is any material deviation from the modeling data previously supplied, normal degradation and site condition variations excepted, at Generating Company's expense, to verify satisfactory stability performance.

3.17 Environmental Compliance and Procedures.

The Parties agree to comply with (i) all applicable Environmental Laws; and (ii) all local notification and response procedures required for all applicable environmental and safety matters.

ARTICLE 4. SYSTEM OPERATION

4.1 Requirements For Operation

(a) Each Party shall operate its facilities in accordance with NERC Standards, ECAR Criteria and any applicable directives of NERC and ECAR. To help ensure the protection and safety of Parties' personnel and property, each Party shall operate in accordance with OSHA's transmission and distribution switching procedures for personnel protection as established in a OSHA's Standard 29 CFR part 1910. Neither Party shall energize a de-energized circuit owned by the other Party except in accordance with all safety and operational protocols of the owning Party, as in effect from time to time.

(b) In accordance with Good Utility Practice, each Party agrees to maintain and operate their respective Interconnection Facilities so as to reasonably minimize the likelihood that a disturbance originating in its system would affect or impair the Company System or the Facility.

(c) Generating Company is responsible for making any modifications necessary to ensure the Generating Company Interconnection Facilities' safe and reliable operation in accordance with Good Utility Practice, all applicable RTO, NERC and ECAR criteria and

requirements, and all applicable federal, state, and local laws, regulations, and requirements. Company is responsible for making any modifications necessary to ensure the Company Interconnection Facilities' safe and reliable operation in accordance with Good Utility Practice and all applicable RTO, NERC and ECAR criteria and requirements, Company's usual criteria and requirements for such facilities, and all applicable federal, state, and local laws, regulations, and requirements. The costs of all such modifications are to be borne by the Party owning the facilities to be modified, except to the extent the modifications are required as a result of the other Party's actions or inactions.

4.2 Synchronization

The Generating Company shall assume all responsibility for properly synchronizing their generation for operation with the Company System. Synchronizing of generation to the Company System may, at Company's discretion, be coordinated with the Company System Control Center.

4.3 Net Demonstrated Real and Reactive Capabilities

To the extent needed by the Company to comply with ECAR requirements, the net demonstrated real and reactive capability of the Facility's generating units shall be periodically demonstrated in accordance with ECAR Document No. 4 and NERC Planning Standards. Such documentation shall be provided to Company. Company reserves the right to witness these tests.

4.4 Voltage Schedule /Reactive Power

As noted in Section 4.12 below, Company does not presently anticipate the need to require Generating Company to provide significant amounts of interconnected operation services. As a general matter, however, Company requires that Generating Company operate its Facility in accordance with Good Utility Practices, which requires that Generating Company cooperate with Company to maintain adequate system voltage. Compensation to Generating Company for voltage support will be pursuant to Section 4.12(c).

(a) Company shall provide Generating Company with a voltage schedule to be maintained by Generating Company at the Interconnection Point during any period that one or more of the Facility's generating units are synchronized with the Company System and Generating Company is delivering Energy to Company at the Interconnection Point ("Voltage Schedule") as follows:

- (i) Except (a) in an Emergency, or (b) with the prior consent of both Company and Generating Company, the Voltage Schedule shall be in effect for a period of not less than the following ninety (90) day period;
- (ii) The Voltage Schedule shall be provided to Generating Company not less than five (5) days prior to the start of such ninety (90) day or greater period;

- (iii) The Voltage Schedule shall be coordinated with the voltage schedules prescribed by the Company for other generators that are similarly situated and located in an area with similar voltage conditions (including, but not limited to, Company's generators) on the Company System; and
- (iv) Consistent with this requirement and ECAR Document No. 10, Generating Company shall install, operate and maintain an automatic voltage regulator to maintain the Voltage Schedule.

A steady-state deviation from the Voltage Schedule of between +0.5% to -0.5% of the assigned scheduled voltage will be permissible.

(b) If Company determines that it is necessary to coordinate maintenance of proper voltage on the Company System, Company may require Generating Company to adhere to a specified power factor or reactive power output schedule rather than a Voltage Schedule. Such specified power factor or reactive power output schedule shall subject to the requirements set forth in Section 4.4(a)(i) through (iii) above. A steady-state deviation from such specified power factor or reactive power output of between +2.0% to -2.0% as measured at the Interconnection Point will be permissible.

(c) In the event that the Voltage Schedule is not being maintained as a result of Generating Company's actions, Generating Company shall take those actions necessary to correct such situation. In the event that the Voltage Schedule is not being maintained as a result of actions not of Generating Company, but of others, such that Generating Company is unable to maintain the Voltage Schedule while operating within the Power Factor Requirements specified in Section 4.4(e), Generating Company shall promptly notify the Company, and Company shall take those actions necessary to correct such situation and insure that the Voltage Schedule is maintained and, in addition to the compensation set forth in Subsection 4.11.(c) below, Company shall compensate Generating Company so as to keep Generating Company whole for providing such additional reactive support. In addition, as soon as practicable, but in any event within five (5) days of such notice by Generating Company, Company will specify a power factor or reactive power output schedule, pursuant to Section 4.4(b), that Generating Company shall implement as soon as practicable, but in any event within five (5) days. If Company determines that it would benefit the Company System for the Generating Company to operate the Facility's generating units at a power factor or reactive power output outside the Power Factor Requirements specified in 4.4(e), and the Parties mutually agree on the terms and conditions, including compensation, of the service to be performed by Generating Company, then Generating Company shall operate at the agreed power factor or reactive power output.

(d) During an Emergency on the Company System, in order to maintain system security, Generating Company shall, at the Company's request, redispatch the MVar output of the Facility's generating units (which may include the redispatch of the MW output of the Facility's generating units in order to increase or decrease the MVar output of the Facility's generating units) then synchronized with the Company System during the period that Generating Company has scheduled deliveries of Energy to Company at the Point of Interconnection from such generating units, provided, however, all such requests for redispatch shall be requested on a

non-discriminatory basis with all other generators connected to the Company System whose actions could reasonably be expected to assist Company in overcoming such Emergency. So long as honoring such request will not threaten imminent harm to persons, property, the Facility or Generating Company's Interconnection Facilities, the Facility operator will honor such request within the design limitations of the Facility's generating units then synchronized with the Company System. Company shall restore conditions on the Company System to normal as quickly as possible to alleviate any such Emergency and eliminate any such redispatch. Records of all requests made by Company for deviation from the prescribed voltage schedule to all generators, and records indicating actual responses to these requests, will be maintained by Company and subject to audit by Generating Company at Generating Company's request and expense. Any such request for an audit will be presented to Company by Generating Company no later than twelve (12) months following a request by Company that the Facility change its reactive power output.

(e) The Facility's generating units shall be capable of normal operation at a power factor between 0.95 leading (underexcited) and 0.90 lagging (overexcited) at the generator terminals at the generating unit's rated MW output ("Power Factor Requirements"). Except as set forth in Subsection 4.4(d), under no circumstances shall Generating Company be required to operate any of the Facility's generating units outside the Power Factor Requirements set forth in this Subsection 4.4(e).

4.5 Voltage Range

The Facility's generating units when in operation, must be capable of maintaining synchronism with the Company System so long as system voltage measured at the Interconnection Point is within a steady-state voltage range of 95% to 105% of the nominal transmission voltage of 345kV on the Company System. During Emergency and/or transient system conditions of no greater than 100 milliseconds (6 cycles), in which Company System voltage may temporarily be outside the 95% to 105% range, all reasonable measures should be taken to avoid tripping of the Facility's generating units due to high or low voltage during such periods.

4.6 Frequency Range

The Facility generating units must be capable of normal operation in the frequency range of 59.5 to 60.5 Hz. The Facility is also expected to operate for a limited time outside of this frequency range so long as such operation is in accordance with manufacturer's specifications and warranties.

4.7 Other Applicable Operating Requirements

(a) In order to assure the continued reliability of the Company System, the Generating Company may be requested to adhere to other operating requirements and/or encouraged to adopt common operating practices. These include the coordination of maintenance scheduling, operating procedures during Emergencies, participation in control area operating reserves, provisions for backup fuel supply or storage, and provisions for Emergency

availability, including must-run operation. Generating Company and Company shall agree on the terms and conditions, including compensation to Generating Company, under which Generating Company will comply with such requests; provided, however, Generating Company shall have no obligation to comply with such requests until such agreement has been reached.

(b) Generating Company shall become an associate member of ECAR and shall comply with all data and information reporting requirements of ECAR and/or NERC, as applicable. To the extent that the information available to a Party from ECAR and/or NERC, as applicable, regarding the other Party's facilities does not permit the Party to comply with such NERC or ECAR data and information reporting requirements, the Parties hereby agree that each Party shall provide to the other Party all such data and information as may reasonably be required for the other Party to comply with such NERC or ECAR data and information reporting requirements.

(c) Prior to operation of the Facility the Parties shall establish communication protocols to promote coordinated and reliable operation of the Parties' facilities. These protocols shall include, but not be limited to, names and phone numbers of responsible personnel for normal operations and names and phone numbers of responsible personnel for emergency operating conditions. As part of routine communications, the Parties shall timely communicate any unusual or unscheduled status of equipment or operation that may impact the safe and reliable operation of the other Party's facilities.

4.8 Make-Before-Break Transfer

Make-before-break transfer is only permitted between two live sources which are in, or close to, synchronization. A transfer switch designed for automatic make-before-break transition shall be equipped with logic to prevent a transfer if the specifications for either the Generating Company or the Company System source fall outside of the synchronizing requirements recommended by the manufacturer for the generating units at the Facility. Switch transfers made when the synchronizing requirements cannot be met shall be of the break-before-make type of transfer. The time that the Generating Company's generation is permitted to operate in parallel with the Company System during a make-before-break transfer shall be no greater than 100 milliseconds (6 cycles).

4.9 Continuity of Service

(a) Company may require Generating Company in accordance with Good Utility Practice to curtail, interrupt or reduce deliveries of Energy from the Facility (i) if such delivery of Energy adversely affects Company's ability to construct, install, maintain, repair, replace, remove, investigate, inspect, or operate any of Company's Interconnection Facilities or any part of the Company System, but Company shall use best efforts to first notify the ECAR/MET Security Coordinator, and to cause such curtailment, interruption, or reduction to be made only during non-peak load periods, or (ii) if Company reasonably determines that curtailment, interruption or reduction is necessary because of an Emergency for which output from the Facility is contributing to such Emergency; provided, however, unless such Emergency is actually caused by the Facility, such curtailment, interruption or reduction shall be subject to the

provisions of Section 4.14 below. In the event Company requires Generating Company to curtail, interrupt, or reduce deliveries pursuant to this Subsection 4.9(a), Company shall (i) use its best efforts to mitigate the extent and duration of the disconnection, curtailment, interruption or reduction and (ii) provide any information reasonably requested by Generating Company to analyze the event.

(b) Except in case of an Emergency, in order not to interfere unreasonably with the other Party's operations, the curtailing, interrupting or reducing Party shall give the other Party reasonable prior notice of any curtailment, interruption or reduction, the reason for its occurrence and its probable duration. In the case of an Emergency, the curtailing, interrupting or reducing Party shall provide such information as soon as reasonably possible.

4.10 Energy Imbalance Service

(a) Energy Imbalance Service is provided when a difference occurs between the scheduled and the actual delivery of Energy from the Facility to the Company System. Generating Company must either purchase this service from Company or make alternative comparable arrangements to satisfy its Energy Imbalance Service obligation. Except as set forth below, charges for Energy Imbalance Service are calculated pursuant to Company's OATT. Except when such Emergency or failure to maintain the Voltage Schedule results from Generating Company's own actions, during (i) Emergencies, and (ii) any period that Generating Company is required to alter the MW output of any of the Facility's generating units in order to maintain the Voltage Schedule or specified power factor or reactive power output schedule, Energy Imbalance Service shall not apply. In the event that the Facility operates in a separate Control Area or the Facility output is dynamically scheduled out of the Company Control Area to another Control Area and the equipment and related telemetry necessary to accomplish such dynamic scheduling is operational, then Energy Imbalance Service shall not apply.

(b) In calculating charges for Energy Imbalance Service pursuant to Company's OATT, Generating Company's scheduled deliveries of Energy at the Interconnection Point shall be adjusted to recognize NERC standard ramping, when such schedules are compared to the integrated values for the hours affected by such ramping.

(c) In calculating charges for Energy Imbalance Service pursuant to Company's OATT, Generating Company shall be deemed to be a "Delivering Party" for purposes of the definition of "Total Load" (as such term is defined in Section 2.7 of Schedule 4 of Company's OATT) and for purposes of the definition of "Total Supply" (as such term is defined in Section 2.8 of Schedule 4 of Company's OATT).

4.11 Compliance with NERC and ECAR Standards

The Parties agree that the implementation of this Agreement shall comply with all material requirements of the manuals, standards, criteria and guidelines of NERC and ECAR, or any successor agency assuming or charged with similar responsibilities related to the operation and reliability of the North American electric interconnected transmission grid, and to operate, or cause to be operated, their respective facilities in accordance with such manuals, standards,

criteria or guidelines. To the extent that this Agreement does not specifically address or provide the mechanisms necessary to comply with such NERC or ECAR manuals, standards, criteria or guidelines, the Parties hereby agree that each Parties shall provide to the other Party all such information as may reasonably be required for the other Party to comply with such manuals, standards, criteria or guidelines.

4.12 Interconnected Operation Services

(a) Company has developed the Company System to be capable of providing the interconnected operation services required in the AEP Control Area under reasonably anticipated operating conditions, including the capability to provide the Ancillary Services that Company, as a "Transmission Provider," is required to provide under its OATT.

(b) Without limiting the rights and obligations set forth in this Article 4, Generating Company shall maintain all rights to sell generation from the Facility as "Ancillary Services", as that term is defined by FERC Order 888, and similar orders. Company or its affiliates may purchase such Ancillary Services from Generating Company, to the extent allowed, but Company shall have no rights absent Generating Company's agreement to utilize Generating Company's Facility for meeting Company's, or its Affiliates, Ancillary Services obligations.

(c) Company agrees to compensate Generating Company for providing reactive support pursuant to Section 4.4 above as follows:

- (i) In the event that the FERC, or any other applicable regulatory authority, issues an order or approves a tariff establishing specific compensation to be paid to Generating Company for reactive support service, Company shall pay Generating Company pursuant to such order or tariff; or
- (ii) In the absence of such an order or tariff, and subject to any applicable rules and regulations of FERC, Company shall pay Generating Company for the reactive power absorbed by the Facility and the reactive power produced by the Facility on a per MVar-hr basis for the total MVar-hrs for the month at a rate of \$0.50 per MVar-hr measured at the Interconnection Point. The total MVar-hrs for a given month shall be equal to the sum of the absolute value of the reactive power absorbed or reactive power produced, as the case may be, by the Facility in each hour of the month measured at the Interconnection Point.

4.13 Voltage Level and Location of Interconnection

All Energy delivered by the Facility to the Company System shall be delivered at the Interconnection Point specified in Appendix A, at a nominal voltage of 345 kilovolts.

4.14 Metering

(a) Electric power and Energy supplied and delivered at the Interconnection Point under this Agreement shall be measured by suitable metering equipment provided, owned, operated and maintained by Company at the Interconnection Point as set forth in Appendix C. Unless otherwise agreed to by the Parties, the accuracy of such metering equipment shall be 0.3 percent (0.003) or better.

(b) Suitable metering and telemetering equipment at the metering point, as provided

under Subsection 4.14(a) above, shall include potential and current sources, electric meters, and such other equipment as may be needed to provide in the agreed upon engineering units, for each direction of flow, the following records:

- (i) a continuous, accumulating record of watthours and varhours shall be provided by means of the registers on the meters:
 - (ii) a continuous telemetered signal of analog watts and vars; and
 - (iii) a telemetered accumulating record of the watthours for each clock hour.
- (c) All metering and telemetry shall be subject to the following requirements:
- (i) All metered values provided to the Parties shall originate from common metering equipment. The watthour pulse value shall be sufficient to resolve full generator output and minimum in-flows of auxiliary power.
 - (ii) An hourly digital telemetry freeze pulse shall be provided by Company. The timing of the digital telemetry freeze pulse, and of the calendar-clock in the data recorder where used, shall be synchronized to within 1/2 second of Universal Coordinated Time.
 - (iii) Metering at locations different from the Interconnection Point shall be compensated for losses to the Interconnection Point if requested by either party.
 - (iv) For the purpose of checking the performance of the metering equipment installed by either Party, the other Party may, at its sole expense, install check metering equipment. Check metering equipment shall be owned and maintained by the Party installing the check metering equipment.
 - (v) Upon termination of this Agreement, the Party owning metering equipment located on the other Party's property shall remove, within one year, the metering equipment from the premises of the other Party.
 - (vi) Each Party shall specify communications protocols for its own metering.
- (d) All metering equipment shall be tested at least once every two (2) years by the owner thereof, unless it is agreed to test more often. Either Party may request a special test of meters, but such party shall bear the cost of such testing unless an inaccuracy shall be disclosed exceeding two percent (2%) in which case Company shall be responsible for the costs of special testing. Authorized representatives of the other Party shall be offered the opportunity to be present at all routine or special tests and whenever any readings for purposes of settlements are taken from the meters. All metering equipment shall be subject to the following procedures:
- (i) The meters, test switches and wiring termination equipment shall be sealed, and

the seals shall be broken only when the meters are to be tested or adjusted.

- (ii) If, at any test of metering equipment, an inaccuracy shall be disclosed exceeding two percent (2%), the account between the Parties for service theretofore delivered shall be adjusted to correct for the inaccuracy disclosed: (1) for the period that such inaccuracy may be determined to have existed, or, (2) if such a determination is not possible, for one half (1/2) of the period since the last test. Should the metering equipment, as provided for under (b) above, at any time fail to register, the Electricity delivered shall be determined from the best available data including check metering.
- (iii) Should the metering equipment, as provided for under Subsection 4.14(a) above, at any time fail to register, the electric power and Energy delivered shall be determined from the best available data including check metering.
- (e) Generating Company will electronically provide the real time status of station equipment (i.e. circuit breakers, motor operated air break switches, etc.) and real time analog measurements of electrical parameters including individual generator watt and var output, bus voltages and line/transformer watt and var flows to Company's Control Center or its successor in function. Company shall specify communications protocol.

4.15 Redispatch

(a) Emergency Redispatch. If one or more generating units of the Facility are synchronized to the Company System during an Emergency, Company may orally, or in writing, notify Generating Company's operator and, if so requested by Company, Generating Company's operator shall, during the period that Generating Company has scheduled deliveries of Energy to Company at the Interconnection Point, place the levels of Energy capable of being generated by such units within the exclusive control of Company for the duration of such Emergency; and Company may require Generating Company's operator to raise or lower production of energy generated by such units to maintain safe and reliable load levels and voltages on the Company System during such Emergency. Notwithstanding the foregoing, any changes in the level of Energy being generated by such units shall be implemented in a manner consistent with safe operating procedures and within the design limitations of the unit(s) and all applicable laws and regulations, including the Facility's air emissions permit. In the event that Company assumes control over the levels of Energy generated by the Facility pursuant to this Subsection 4.15(a), Company shall compensate Generating Company according to FERC approved rates applicable for such Emergency redispatch; provided, however, that the failure to have any such rates shall not be a basis for Generating Company to refuse or deny such control to Company during an Emergency.

(b) Non-Emergency Redispatch. Company agrees that, except as expressly provided in Subsection 4.15(a) above, Company shall not redispatch Generating Company's Facility unless Generating Company and Company have mutually agreed to the terms and conditions of the specific redispatch event, including compensation, prior to such redispatch by Company; provided, however, that such prior agreement shall not be required in circumstances in which the

operator of the Company System reasonably believes that immediate redispach of one or more of the generating units of Generating Company's Facility is necessary to avert an Emergency. In such case, agreement on the term and conditions of such redispach, including compensation, shall occur as soon thereafter is practicable, but in no event will the compensation due Generating Company for such redispach be less than that to which Generating Company would have been entitled had the circumstances leading to such redispach actually constituted an Emergency. Notwithstanding Subsection 8.2(c) below, in the event of a breach of this Subsection 4.15(b) by Company, Company shall be liable for all damages suffered by Generating Company regardless of type or amount thereof.

4.16 Voltage and Current Unbalance

All three-phase generation by Generating Company's Facility shall produce balanced 60 Hz voltages. Voltage unbalance attributable to the Generating Company's Facility shall not exceed 1.0% measured at the Interconnection Point. Voltage unbalance is defined as the maximum phase deviation from average as specified in ANSI C84.1, "American National Standard for Electric Power Systems and Equipment – Voltage Ratings, 60 Hertz." Similarly, phase current unbalance attributable to the Generating Company's Facility shall not exceed that which would exist with balanced equipment in service, measured at the Interconnection Point.

ARTICLE 5. INTERCONNECTION COSTS, BILLING, PAYMENT AND CREDITS

5.1 Interconnection Construction Cost

(a) Generating Company agrees to pay to Company the actual, documented, reasonable and necessary costs incurred by Company in designing, engineering, procuring, constructing and installing the Company's Interconnection Facilities and System Upgrades. Such costs shall (i) not include interest or AFUDC of any kind whatsoever, (ii) be net of any rebates, discounts or other consideration received by Company with respect to the design, engineering, procurement, construction and installation of the Company's Interconnection Facilities and System Upgrades, and (iii) be determined separately for Company's Interconnection Facilities and System Upgrades.

(b) At the time Generating Company executes and returns this Agreement to Company, Generating Company shall also provide Company with a letter of credit from a bank acceptable to Company, or a guaranty of payment from Generating Company's parent, in form and substance acceptable to Company, that guarantees payment to Company of the actual, documented, reasonable and necessary costs incurred by Company in designing, engineering, procuring, constructing and installing the Company's Interconnection Facilities and System Upgrades for which Generating Company is responsible pursuant to this Agreement.

(c) Notwithstanding the attachment of Appendix E hereto, such estimate shall not be binding on Company. Generating Company will, however, retain the right to approve any significant deviation in the scope of the work shown in Appendix A or total cost shown in

Appendix E or future agreed to cost under this Agreement if such deviation would result in an estimated increase of more than Two Hundred Fifty Thousand Dollars (\$250,000) over the cost shown in Appendix E. The actual cost of the Company's Interconnection Facilities and System Upgrades shall be incurred in accordance with Good Utility Practice.

(d) Company shall provide Generating Company (i) monthly progress reports and (ii) copies of all documentation concerning Company's performance with respect to the design, engineering, procurement, construction and installation of the Company's Interconnection Facilities and System Upgrades.

(e) Within a timely manner after completion of the construction of the Company Interconnection Facilities and System Upgrades, Company shall provide an invoice of the final cost of the Company Interconnection Facilities and System Upgrades and the net amount due from Generating Company allowing for the construction deposit made by Generating Company pursuant to Section 3.7(d) and the monthly payments made by Generating Company pursuant to Section 5.2(b). Within twenty (20) days after receipt of such invoice, Generating Company shall reimburse Company for the amount of such invoice. To the extent that the estimated costs already paid by Generating Company, plus accrued interest thereon, exceed the final, actual costs that Generating Company is obligated to pay hereunder, the Company shall refund to Generating Company an amount equal to the difference within thirty (20) days of the issuance of the invoice of the final cost.

(f) If Generating Company requests Company to suspend the performance of the work pursuant to Subsection 3.7(e), Generating Company agrees to pay Company carrying charges at the Interest Rate on all expenditures committed to or made by Company related to the performance of the work pursuant to this Agreement and not covered by Generating Company's previous payments to Company up to the time the suspension was requested, if such expenditures must be funded by Company as a result of Generating Company not making timely or complete scheduled payments, or any insufficiency of Generating Company's Letter of Credit.

(g) Generating Company shall be responsible for any costs incurred by Company for switching of equipment, to establish the interconnection, to test the Facility and Interconnection Facilities, and to maintain the Interconnection Facilities, which are beyond the routine switching performed for the mutual benefit of the Parties. Such costs may be incurred by Company personnel or by affected third parties.

(j) The Parties agree that Generating Company's Interconnection Facilities were not jointly planned with the Company System and that Generating Company's Interconnection Facilities are not integrated into the planning or operations of the Company System to serve Company's customers or those customers of any other AEP Operating Company.

5.2 Invoices and Payments

(a) Payments for the cost of the Company's Interconnection Facilities and System Upgrades shall be made by Generating Company in accordance with the payment schedule set

forth in Appendix E ("Payment Schedule"). Payments by Generating Company pursuant to the Payment Schedule shall accrue interest at the Interest Rate, from the date received by Company until the date expended by Company in compliance with this Agreement.

(b) Company shall render to Generating Company each month a statement ("Invoice"), by means conforming to the provisions of Article 7, setting forth all costs expended by Company during the period covered thereby for the design, engineering, procurement, construction and installation of the Company's Interconnection Facilities and System Upgrades. In the event that Generating Company's payments, including accrued interest, pursuant to Subsection 5.2(a) do not cover all of the costs expended by Company during the period reflected on the Invoice, Generating Company shall make payment of the amount shown to be due to Company by wire transfer to an account specified by Company not later than the twentieth (20th) day after receipt of the Invoice, unless such day is not a Business Day, in which case Generating Company shall make payment on the next Business Day. All such payments shall be deemed to be made when said wire transfer is received by Company.

(c) In the event of a dispute between the Company and the Generating Company regarding costs set forth on an Invoice, the Company will proceed to perform its responsibilities under this Agreement as long as the Generating Company (i) continues to make all payments not in dispute, and (ii) pays into an independent escrow account the portion of the Invoice in dispute, pending resolution of such dispute.

5.3 Adjustments

In the event any adjustment or correction to an Invoice is required as a result of errors in computation or billing, Company shall promptly recompute amounts due hereunder and otherwise correct any errors in such Invoice. If the total amount, as recomputed, due from Generating Company is less than the total amount due as previously computed, and payment of the previously computed amount has been made, the difference shall be paid to Generating Company within twenty (20) days after correction of the erroneous invoice(s), together with interest calculated at the Interest Rate; provided, however, that no adjustment for any Invoice or payment will be made unless objection to the accuracy thereof was made prior to the lapse of one year from the rendition thereof or payment, as applicable; and provided further that this Section 5.3 will survive any termination of the Agreement for a period of one (1) year from the date of such termination for the purpose of such Invoice and payment objections. If the total amount, as recomputed, due from Generating Company is more than the total amount due as previously computed, and payment of the previously computed amount has been made, the difference shall be invoiced to Customer according to the terms of Section 5.2.

5.4 Credit for Costs of System Upgrades

(a) Generating Company shall be entitled to a credit equal to the amount paid by Generating Company for System Upgrades as described in Appendices A and E, which credit will subsequently be applied by Company against the cost of transmission service reserved under the OATT for delivery of Energy from the Facility. The credit is not available for amounts paid for the minimum facilities needed to establish the direct electrical connection between the

Facility and Company System. Company agrees that all costs for the System Upgrades set forth in Appendix A to this Agreement shall be entitled to the credit set forth in this Section 5.4.

(b) To the extent Generating Company's marketing agent or Generating Company's power purchaser(s) purchases transmission service from Company at the rates established pursuant to the Company's then current OATT in order to transmit Energy from the Facility over the AEP transmission system, Generating Company shall be entitled to the credit set forth in Subsection 5.4(a) above as if such purchases had been made by Generating Company.

(c) Any credit applicable pursuant to this Section 5.4 shall be separately identified by Company on its invoices and applied monthly.

5.5 Generating Company Reimbursement for Taxes

(a) The Parties intend that all costs paid by Generating Company pursuant to Section 3.7 (a) and (b) hereof ("Company Construction Costs") shall be non-taxable contributions to capital under Section 118(a) of the Internal Revenue Code of 1986 as amended (the "Code") and the principles of Revenue Procedure 88-129, and shall not be taxable as contributions in aid of construction under Section 118(b) of the Code.

(b) Notwithstanding Section 5.2(a), in the event Federal or state income taxes are imposed upon Company with respect to any Company Construction Costs, Generating Company agrees to reimburse Company for the effect of such taxes, including any appropriate gross up for income tax, and any penalty, computed in accordance with the method set forth in Ozark Gas Transmission Corp., 56 FERC ¶ 61,349 (1991), using a discount rate equal to 9.33%, plus any interest charged to Company by the IRS or a state, as a result of the treatment of the costs paid by Generating Company as specified in Section 5.2(a).

(c) Generating Company shall have the right to seek, at its own expense and on behalf of Company, a Private Letter Ruling (including, if applicable, a Technical Advice Memorandum) from the Internal Revenue Service as to whether any of the sums paid by the Generating Company to Company under the terms of this Agreement are subject to federal income taxation. To the extent any such Private Letter Ruling concludes that such sums are not taxable to Company, Company shall immediately refund to Generating Company all amounts which Generating Company may have previously advanced to Company for such taxes, penalties, and interest under this Section 5.5.

(d) Generating Company has the right to require Company, at Generating Company's expense, to contest, appeal, or seek abatement of any taxes asserted or assessed against Company for which Generating Company may be required to reimburse Company under this Agreement. Company will promptly notify Generating Company, in writing, of any assertion of or proposal to assess such taxes. No payment shall be payable by Generating Company to Company for such taxes until such taxes are assessed by a final, non-appealable order by a court or agency of competent jurisdiction, unless such payment is a prerequisite to an appeal or abatement.

ARTICLE 6. DEFAULTS AND REMEDIES

6.1 Events of Default and Termination

(a) It shall be an "Event of Default" under this Agreement in respect of a Party, if the Party shall fail in any material respect to comply with, observe or perform, or default in the performance of, any covenant or obligation under this Agreement, or if any representation or warranty made herein by the Party shall fail to be true and correct, in all material respects, and after receipt of written notice (including written notice to Project Finance Holder, in the event of a Generating Company failure or default), such failure shall continue for a period of thirty (30) days, provided, however, if such failure is not capable of cure within 30 days, the Party in default shall commence such cure within 30 days after notice and continuously and diligently complete such cure within 90 days of receipt of such notice. The Project Finance Holder will have the right, but not the obligation, to cure any failure or default by Generating Company subject to the terms and conditions of any agreement between Company and the Project Finance Holders pursuant to Subsection 13.11(f) of this Agreement.

(b) If an Event of Default shall occur and continue for more than 90 days from the date the notice of default is received, the non-defaulting Party may, by notice, terminate this Agreement as of the date such notice is received or if the non-defaulting Party is Company, Company may at its election terminate Generating Company's interconnection with the Company System. In addition to the rights and remedies described in this Agreement, the non-defaulting Party may exercise, at its election, any right or remedy it may have at law or in equity, including but not limited to compensation for monetary damages, injunctive relief and specific performance.

ARTICLE 7. NOTICES AND REPRESENTATIVES OF THE PARTIES

7.1 Notices

Any notice, Invoice, demand or request required or authorized by this Agreement to be given by one Party to the other Party shall be in writing. It shall be delivered by (i) personal delivery, (ii) transmittal by telecopy or facsimile equipment (with receipt verbally and electronically confirmed and copy delivered by other method set forth in this Section 7.1), (iii) overnight or other courier with all delivery charges paid, or (iv) United States mail, postage prepaid, to the other Party at the address designated in this Article 7. Any such notice, Invoice, demand or request so delivered shall be deemed to be given when received by the Party to whom sent.

7.2 Addresses of the Parties

(a) Notices and other communications by Generating Company to Company shall be addressed to:

Vice President, Transmission Asset Management
American Electric Power Service Corporation
825 Tech Center Drive
Gahanna, OH 43230

and,

Director, Transmission & Interconnection Services
American Electric Power Service Corporation
1 Riverside Plaza
Columbus, OH 43215

(b) Notices and other communications by Company to Generating Company shall be addressed to:

Foothills Generating, L.L.C.
c/o Dynege Power Corp.
1000 Louisiana, Suite 5800
Houston, TX 77002-5050
Attention: Vice President, Commercial Power Asset Management

with copy to:

Foothills Generating, L.L.C.
c/o Dynege Power Corp.
1000 Louisiana, Suite 5800
Houston, TX 77002-5050
Attention: General Counsel

(c) Either Party may change its address by written notice to the other in accordance with this Article 7.

(d) Upon written request by Generating Company, Company shall provide to Generating Company's designated Project Finance Holders, in the same manner provided by Company to Generating Company under Section 7.1, copies of any and all written notices, Invoices, demands or requests required or authorized by this Agreement to be given by Company to Generating Company; provided, however, notices and other communications regarding defaults by Generating Company under this Agreement and/or termination of this Agreement by Company shall be provided to the following without further request:

Lawrence County Colped Trust
c/o First Union Trust Company, not in its individual capacity, but solely as trustee
One Rodney Square
920 King Street, Suite 102
Wilmington, Delaware 19801
Attention: Corporate Trust Administration

and to:

Westdeutsche Landesbank Girozentrale, New York Branch
1211 Avenue of the Americas
New York, New York 10036
Attention: Ben Wagner.

ARTICLE 8. INSURANCE, LIABILITY, INDEMNIFICATION, AND RELATIONSHIP OF PARTIES

8.1 Insurance

(a) During the term of this Agreement, Company and Generating Company shall each procure, pay premiums for and maintain in full force and effect, with the procuring Party as named insured and, solely to the extent of the procuring Party's indemnity obligations under Section 8.2, the other Party and its employees, agents and Affiliates as additional insureds, comprehensive commercial liability insurance, including coverage for (1) products and completed operations, (2) broad form contractual liability, and (3) explosion, collapse and underground damage exclusion deleted, all with limits of not less than \$1 million each occurrence and \$1 million aggregate, for bodily injury and property damage.

(b) Each insurance policy required pursuant to Subsection 8.1(a) above shall include the following:

- (i) At least thirty (30) days prior written notice of cancellation or material change to the non-procuring Party, except for non-payment of premium which shall be ten (10) days advanced written notice; and
- (ii) A waiver of subrogation in favor of the non-procuring Party, its Affiliates and their officers, directors, agents, subcontractors and employees.

(c) Evidence of insurance for all coverages specified herein shall be provided by the procuring Party to the non-procuring Party prior to the commencement of construction of any Interconnection Facilities or System Upgrades. During the term of the Agreement, upon the non-procuring Party's reasonable request, the procuring Party shall furnish Company with certificates of the insurances required under this Section 8.1. All insurance coverage required under this Agreement shall be provided by insurance companies reasonably acceptable to the non-procuring Party and having ratings of A- or better in the Best's Key Rating Insurance Guide (latest edition

in effect as of the date of the Certificate of Insurance referred to herein or other insurers reasonably acceptable to the non-procuring Party, where such approval shall not be unreasonably withheld, conditioned or delayed).

(d) The insurance coverages required above shall be primary to any coverage available to the non-procuring Party and shall not be deemed to limit the non-procuring Party's liability under this Agreement.

(e) Either Party may provide adequate self-insurance in lieu of the requirements set forth in this Section 8.1.

8.2 Indemnification

(a) Generating Company hereby agrees to defend, indemnify and hold harmless Company and its Affiliates, and its and their directors, officers, agents, representatives, and employees, against and from any and all claims, demands, causes of action, losses and liabilities (including any cost and expense of litigation and reasonable attorneys' fees incurred by Company in defending any action, suit or proceeding); provided that Company afforded Generating Company a reasonable opportunity in such action, suit or proceeding to conduct such defense) for or on account of injury, bodily or otherwise, to, or the death of, persons, or for damage to, or destruction of, property belonging to Company or others, to the extent that such injury or harm is caused by or arises from negligent acts or omissions, or willful misconduct, of Generating Company associated with (i) facilities, property and equipment owned or controlled by Generating Company, or Generating Company's operation and maintenance thereof; (ii) the transmission and delivery of electricity to the Interconnection Point by Generating Company or by any entity to whom Generating Company sells Energy; or (iii) the use or presence of electricity on Generating Company's side of the Interconnection Point or outside the Company System (insofar as such claims, demands, causes of action, losses and liabilities result directly or indirectly from electricity generated by Generating Company's Facility); except to the extent that such claims, demands, causes of action, losses and liabilities are attributable to the negligence or fault of Company or its Affiliates or its or their directors, officers, employees, agents, or representatives.

(b) Company hereby agrees to defend, indemnify and hold harmless Generating Company and its Affiliates and partners in Generating Company, and its and their officers, directors, and their affiliates, agents, representatives, and employees, against and from any and all claims, demands, causes of action, losses and liabilities (including any cost and expense of litigation and reasonable attorneys fees incurred by Generating Company in defending any action, suit or proceeding); provided that Generating Company afforded Company a reasonable opportunity in such action, suit or proceeding to conduct Generating Company's defense) for or on account of injury, bodily or otherwise, to, or the death of, persons, or for damage to, or destruction of, property belonging to Generating Company or others, to the extent that such injury or harm is caused by or arises from negligent acts or omissions, or willful misconduct, of Company associated with (i) facilities, property and equipment owned or controlled by Company, or Company's operation and maintenance thereof; or (ii) the transmission and delivery of electricity from the Interconnection Point by Generating Company or by any RTO; or (iii) the

use or presence of electricity on Company's side of the Interconnection Point or outside the Company System, except to the extent that such claims, demands, causes of action, losses and liabilities are attributable to the negligence or fault of Generating Company or its Affiliates or its or their directors, officers, employees, agents, or representatives.

(c) Promptly after receipt by any indemnified Person of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation as to which the indemnity provided for in Subsection 8.2(a) or Subsection 8.2(b), as applicable, may apply, such indemnified Person shall notify the indemnifying Party of such fact. The indemnifying Party shall have the right to assume the defense thereof with counsel designated by such indemnifying Party and reasonably satisfactory to the indemnified Person; provided, however, that if the defendants in any such action include one or more Persons indemnified pursuant to Subsection 8.2(a) or Subsection 8.2(b), as applicable, and the indemnifying Party and the indemnified Person reasonably conclude that there may be legal defenses available to the indemnified Person which are different from or additional to those available to the indemnifying Party, the indemnified Person shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified Person; provided, further, that the indemnifying Party shall only be required to pay the fees and expenses of one additional law firm to represent those indemnified Persons having such differing or additional legal defenses. The indemnified Person shall be entitled, at its expense, to participate in any action, suit or proceeding, the defense of which has been assumed by the indemnifying Party. Notwithstanding the foregoing, the indemnifying Party (i) shall not be entitled to assume and control the defense of any such action, suit or proceedings if and to the extent that, in the opinion of the indemnified Person and its counsel, such action, suit or proceeding involves the potential imposition of criminal liability on the indemnified Person or there exists a conflict or adversity of interest between the indemnified Person and the indemnifying Party, and in such event the indemnifying Party shall pay the reasonable expenses of the indemnified Person in such defense, and (ii) shall not settle or consent to the entry of any judgment in any action, suit or proceeding without the consent of the indemnified Party, Person, which consent shall not be unreasonably withheld or delayed; provided, however, if the indemnified Party, Person does not consent to such settlement or consent to such entry of judgment in any action, suit or proceeding, the indemnified Party, Person, as applicable, shall take over control of the defense of such action, suit or proceeding at its own expense and the liability of the indemnifying Party shall be limited to the amount for which it would have settled or the amount of the judgment to which it would have consented.

(d) Except to the extent required by Subsection 4.15(b) of this Agreement, in no event shall either Party, its parent corporation, subsidiaries or Affiliates, or partners in Generating Company, or its or their employees, officers, directors, agents, or representatives, with respect to any claim arising out of this Agreement, whether based on contract, tort (including the negligence of such Person, whether sole or joint and concurrent with the negligence of the other Party or others), strict liability, or otherwise, be liable for any indirect, special, incidental, punitive, exemplary, or consequential damages.

8.3 Independent Contractor Status: Third Parties

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. Nothing in this Agreement or any action taken hereunder shall be construed to create any duty, liability, or standard of care to any Person not a party to this Agreement.

ARTICLE 9. FORCE MAJEURE

9.1 Effect of Force Majeure

(a) Except for the obligation to make any payments under this Agreement, the Parties shall be excused from performing their respective obligations under this Agreement and shall not be liable in damages or otherwise if and to the extent that they are unable to so perform or are prevented from performing by Force Majeure, provided that (i) the Party claiming Force Majeure, as promptly as practicable after the occurrence of the Force Majeure, but in no event later than fourteen (14) days thereafter, gives the other Party written notice describing the particulars of the occurrence; (ii) the suspension of performance of the Party claiming Force Majeure shall be of no greater scope and of no longer duration than is reasonably required by the Force Majeure; (iii) the Party claiming Force Majeure uses all reasonable efforts to remedy its inability to perform; (iv) as soon as the Party claiming Force Majeure is able to resume performance of its obligations excused as a result of the occurrence, it gives prompt written notification thereof to the other Party; and (v) neither Party shall be required to settle any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute, are contrary to its interest, it being understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the Party having such dispute.

(b) In no event will any condition of Force Majeure extend this Agreement beyond its stated term.

ARTICLE 10. COMPLIANCE WITH LAW; PERMITS; APPROVALS

10.1 Applicable Laws and Regulations

This Agreement and all rights, obligations, and performances of the Parties hereunder, are subject to Applicable Laws and Regulations. Notwithstanding the foregoing, each Party shall have the right at its sole expense to contest the application of any Applicable Laws and Regulations to such Party before the appropriate authorities.

10.2 Approvals, Permits, Etc.

Each Party shall be responsible for all required notices, all necessary governmental approvals, permits, licenses and inspections necessary for its performance of this Agreement, and shall pay all charges and fees in connection therewith. Except as expressly provided in this Agreement, (i) Company shall have no responsibility for any permits or licensing required in connection with the construction or operation of Generating Company's Interconnection Facilities or the Facility, and (ii) Generating Company shall have no responsibility for any permits or licensing required in connection with the construction or operation of Company's Interconnection Facilities, System Upgrades or the Company System.

ARTICLE 11. DISPUTE RESOLUTION

11.1 Internal Dispute Resolution Procedures

Each Party shall appoint a representative who shall be responsible for administering this Agreement on behalf of such Party and for representing the Party's interests in disagreements. Any dispute that is not resolved between the Parties' representatives within ten (10) Business Days of when the disagreement is first raised by written notice by either Party to the other Party shall be referred by the Parties' representatives in writing to the senior management of the Parties for resolution. In the event the senior management are unable to resolve the dispute within ten (10) Business Days (or such other period as the Parties may agree upon), each Party may pursue resolution of the dispute through other legal means consistent with the terms of this Agreement.

11.2 Continued Performance

The Parties shall continue to perform their respective obligations under this Agreement during the pendency of any dispute including a dispute regarding the effectiveness or the purported termination of this Agreement.

ARTICLE 12. REPRESENTATIONS AND WARRANTIES

12.1 Generating Company's Representations and Warranties

Generating Company makes the following representations and warranties to Company:

(a) Generating Company is duly organized and validly existing under the laws of the State of Delaware, is in good standing under its limited liability company and the laws of the State of Delaware, has the requisite power and authority to own its properties, to carry on its business as now being conducted, and to enter into this Agreement and the transactions contemplated herein and perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Agreement, and is duly authorized to execute and deliver this Agreement and consummate the transactions contemplated herein.

(b) Generating Company is not prohibited from entering into this Agreement or discharging and performing all covenants and obligations on its part to be performed under and pursuant to this Agreement. The execution and delivery of this Agreement, the consummation of the transactions contemplated herein and the fulfillment of and compliance with the provisions of this Agreement will not conflict with or constitute a breach of or a default under, or require any consent, license or approval that has not been obtained pursuant to, any of the terms, conditions or provisions of any Applicable Laws and Regulations, any order, judgment, writ, injunction, decree, determination, award or other instrument or legal requirement of any Governmental Authority, the certificate of limited partnership of Generating Company or any contractual limitation, restriction or outstanding trust indenture, deed of trust, mortgage, loan agreement, lease, other evidence of indebtedness or any other agreement or instrument to which Generating Company is a party or by which it or any of its property is bound.

(c) Generating Company has taken all such actions as may be necessary or advisable and proper to authorize this Agreement, the execution and delivery hereof, and the consummation of transactions contemplated hereby.

(d) This Agreement is a legal, valid and binding obligation of Generating Company enforceable in accordance with its terms, except as limited by laws of general applicability limiting the enforcement of creditor's rights or by the exercise of judicial discretion in accordance with general principles of equity.

12.2 Company's Representations and Warranties

Company makes the following representation and warranties to Generating Company:

(a) Company is a corporation duly organized, validly existing under the laws of the State of Kentucky, is in good standing under its certificate of incorporation and the laws of the State of Kentucky, has the requisite power and authority to own its properties, to carry on its business as now being conducted, and to enter into this Agreement and the transactions contemplated herein and perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Agreement, and is duly authorized to execute and deliver this Agreement and consummate the transactions contemplated herein.

(b) Company is not prohibited from entering into this Agreement or discharging and performing all covenants and obligations on its part to be performed under and pursuant to this Agreement. The execution and delivery of this Agreement, the consummation of the transactions contemplated herein and the fulfillment of and compliance with the provisions of this Agreement will not conflict with or constitute a breach of or a default under, or, except as set forth in Section 2.2 above, require any consent, license or approval that has not been obtained pursuant, to any of the terms, conditions or provisions of any Applicable Laws and Regulations, any order, judgment, writ, injunction, decree, determination, award or other instrument or legal requirement of any Governmental Authority, the certificate of incorporation and by-laws of Company or any contractual limitation, corporate restriction or outstanding trust indenture, deed of trust, mortgage, loan agreement, lease, other evidence of indebtedness or any other agreement or instrument to which Company is a party or by which it or any of its property is bound.

(c) Company has taken all such corporate actions as may be necessary or advisable and proper to authorize this Agreement, the execution and delivery hereof, and the consummation of transactions contemplated hereby.

(d) This Agreement is a legal, valid and binding obligation of Company enforceable in accordance with its terms, except as limited by laws of general applicability limiting the enforcement of creditor's rights or by the exercise of judicial discretion in accordance with general principles of equity.

ARTICLE 13. MISCELLANEOUS PROVISIONS

13.1 Severability

If any provision or provisions of this Agreement shall be held invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

13.2 Waivers; Modifications

(a) No 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. 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 waiver of any such provision or the relinquishment of any such right, but the same shall continue and remain in full force and effect.

(b) This Agreement may be amended only by a written instrument duly executed by each of the Parties hereto.

13.3 Prior Agreements 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 (i) to furnish upon request to each other such further information, (ii) to execute and deliver to each other such other documents, and (iii) 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 in the exercise of its reasonable discretion.

13.6 No Third-Party Beneficiaries

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 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; provided, however, to the extent possible, Company shall provide Generating Company with the text of any such public announcement prior to its dissemination for Generating Company's review and comment, and in the event that prior disclosure of such public announcement is not possible, Company or its Affiliate shall promptly thereafter furnish same to Generating Company.

13.8 Confidentiality

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 automatically extend to all information of a commercial nature or which concerns the cost, design or operation of the Facility, including, but not limited to, Facility availability, Facility dispatch schedules, Facility maintenance schedules and availability and maintenance schedules of Interconnection Facilities,

whether exchanged orally or in written or electronic form, 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 disclosing 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); provided, however, that Generating Company may also disclose such information to 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 nonconfidential basis from a source other than the other Party if such source was not subject to any prohibition against disclosing or 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 ECAR, NERC and any Governmental 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/or the seeking of an injunction or protective order, to prohibit or limit 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.

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 hereto and the documents referenced herein are hereby incorporated by reference into and shall be deemed a part of this Agreement. All indices, titles, subject headings, Article, Section and Subsection 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. In the event of any inconsistency or conflict between the provisions in the body of this Agreement and the provisions in the Appendices to this Agreement or other documents referenced in this

Agreement, the provisions in the body of this Agreement shall control and supercede the provisions in the Appendices to this Agreement or other documents referenced in this Agreement and the provisions in the Appendices to this Agreement or other documents referenced in this Agreement shall not alter, expand, limit or otherwise modify the Parties' rights and obligations as set forth in the body of this Agreement.

13.10 Submission to Jurisdiction; Waiver of Objections

Subject to the provisions of Article 12, 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 State of Kentucky, the courts of the United States, 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;; and

(c) agrees that nothing herein shall affect the right to effect service of process in any 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) Assignment by Company

Company intends to transfer operational control of its transmission facilities to a 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 Subsection 13.11(b) shall relieve Company of its obligations under this Agreement and no such assignment shall be to AEP'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 System that includes the Company's Interconnection Facilities and System Upgrades; provided, however, that the FERC must approve such assignment or transfer;
- (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's 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) Assignment by Generating Company

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 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 Subsection 13.11(c)(i) 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 the ownership of or beneficial interest in Generating Company; or
- (iii) to any Project Finance Holder as security for amounts payable under any Project Financing.

(d) Restrictions on Assignment

Except as specifically provided for in Subsections 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) Release of Obligations

Upon assignment of this Agreement pursuant to Subsections 13.11(b)(ii), (b)(iii), or (c)(ii), as applicable, 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) Lender Security

Company agrees, if requested by Generating Company, to enter into an agreement (in a form reasonably acceptable to Company) with the Project Finance 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 Finance 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 Finance 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 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.

13.13 Cooperation

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

13.14 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.

13.15 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.

13.16 Non-Liability of Trustee

It is expressly understood and agreed that (a) each of the undertakings and agreements herein made on the part of Lawrence County Colped Trust is made and undertaken not as personal undertakings and agreements by Lawrence County Colped Trust's trustee, First Union Trust Company ("First Union"), but is made and intended for the purpose of binding only Lawrence County Colped Trust, (b) nothing herein contained shall be construed as creating any liability on First Union, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the Parties hereto or by any person claiming by, through or under the Parties hereto and (c) under no circumstances shall First Union, be personally liable for the payment of any indebtedness or expenses of Lawrence County Colped Trust or be liable for the breach or failure of any obligation made or covenant made or undertaken by Lawrence County Colped Trust under this Agreement.

[Remainder of Page Intentionally Left Blank – Next Page is Signature Page]

The Parties have caused their duly authorized representatives to execute this Agreement on their behalf as of the date first above written.

KENTUCKY POWER COMPANY

By: _____

Name: _____

Title: _____

Date: _____

FOOTHILLS GENERATING, L.L.C.,
as agent for the
LAWRENCE COUNTY COLPED TRUST

By: _____

Name: _____

Title: _____

Date: _____

APPENDIX A

FACILITY, INTERCONNECTION FACILITIES AND SYSTEM UPGRADES

1. **Name:** **Foothills**
2. **Location:** The Interconnection Point is located at the point where Generating Company's 345 kV Circuit connects to Company's Baker 345 kV Station.
3. **Nominal Delivery Voltage:** 345 kV
4. **Metering Voltage:** 345 kV
5. **Normal Operation of Interconnection (check one):** Open ___ Closed x
6. **Control Area Interchange Point (check one):** Yes ___ No x
7. **One-Line Diagram Attached (check one):** Yes x No ___
8. **Description of Facilities to be installed and owned by Generating Company:**
 - a. **Generating Company Facility**
 - Foothills Generating Facility consisting of two (2) 167 MW generating units, step-up transformers, and associated equipment
 - b. **Generating Company Interconnection Facilities**
 - i. **At Foothills 345 kV Station:**
 - Foothills 345 kV Switchyard
 - ii. **Foothills - Baker 345 kV Station Circuit:**
 - Construct approximately 1.0 mile 345 kV single circuit transmission line from Generating Company's Facility Site to Company's Baker 345 kV Station.

9. Description of Facilities to be installed and owned by Company:

a. Company Interconnection Facilities

Baker 345 kV Station:

- Install one 345 kV bay and extend 345 kV buses #1 and #2.
- Install one 345 kV circuit breaker and associated disconnect switches.
- Make appropriate changes to 345 kV station to accommodate termination of Foothills' 345 kV Circuit.
- Install metering system to measure bi-directional power and energy flows on Foothills 345 kV circuit including:
 - Current and voltage transformers
 - KW, KWh, KVar
 - Data recorders
- Utilize Generating Company's existing OPGW between Riverside Generation station and Baker station
- Use spare port on existing D.20 Remote Terminal Unit (RTU) for monitoring data from DCS of the Foothills IPP

b. System Upgrades

i. Baker Station

- Replace the 345kV, 2500A line traps on phases #1 and #3 of the Tri-State 345kV Line with 3000A traps.

ii. Tristate Station

- Replace the 345kV, 2500A line traps on phases #1 and #3 of the Baker 345kV Line with 3000A traps.

10. Cost Responsibilities of Each Party:

Generating Company shall install and own the facilities described in Item 8 above, at generating Company cost.

Company shall install and own the Interconnection Facilities and System upgrades described in Item 9 above. Generating Company shall reimburse Company for these facilities as provided for in Subsections 3.7 (a) and (b).

11. AEP Standard Practices 345 kV Interconnection Facilities at Baker Station

System Parameters

1. Fault levels - $3\phi = 32.1$ kA, X/R=49.6 & L-G=35.9 kA, X/R=38 (Foothills generation included)

Transmission Line

1. Insulation level - 1345kV CFO for 15 porcelain bell insulators on tangent structures; and 1585kV CFO for 18 porcelain bell insulators on dead-ends
2. Maximum operating voltage -362kV
3. Shielding protection - 30° shield angle
4. Shield wire - OPGW sized based on I^2T (I: kA rms symmetrical fault current, T: 15~)
5. Tower footing resistance - 10 Ω
6. Clearance to 345kV bus - NESC plus 4 ft (bus height = 35 ft)

Station Dead-End Structure

1. Phase wire take-off height - 84 ft
2. Shield wire take-off height - 142 ft
3. Phase spacing - 24 ft
4. Maximum phase wire tension - 10,000 lb NESC HL per phase @ 15° angle, OLF not included
5. Maximum shield wire tension - 5,000 lb NESC HL @ 15° angle, OLF not included
6. Phasing arrangement - 3, 2, 1, from left to right facing West

Protective Relays

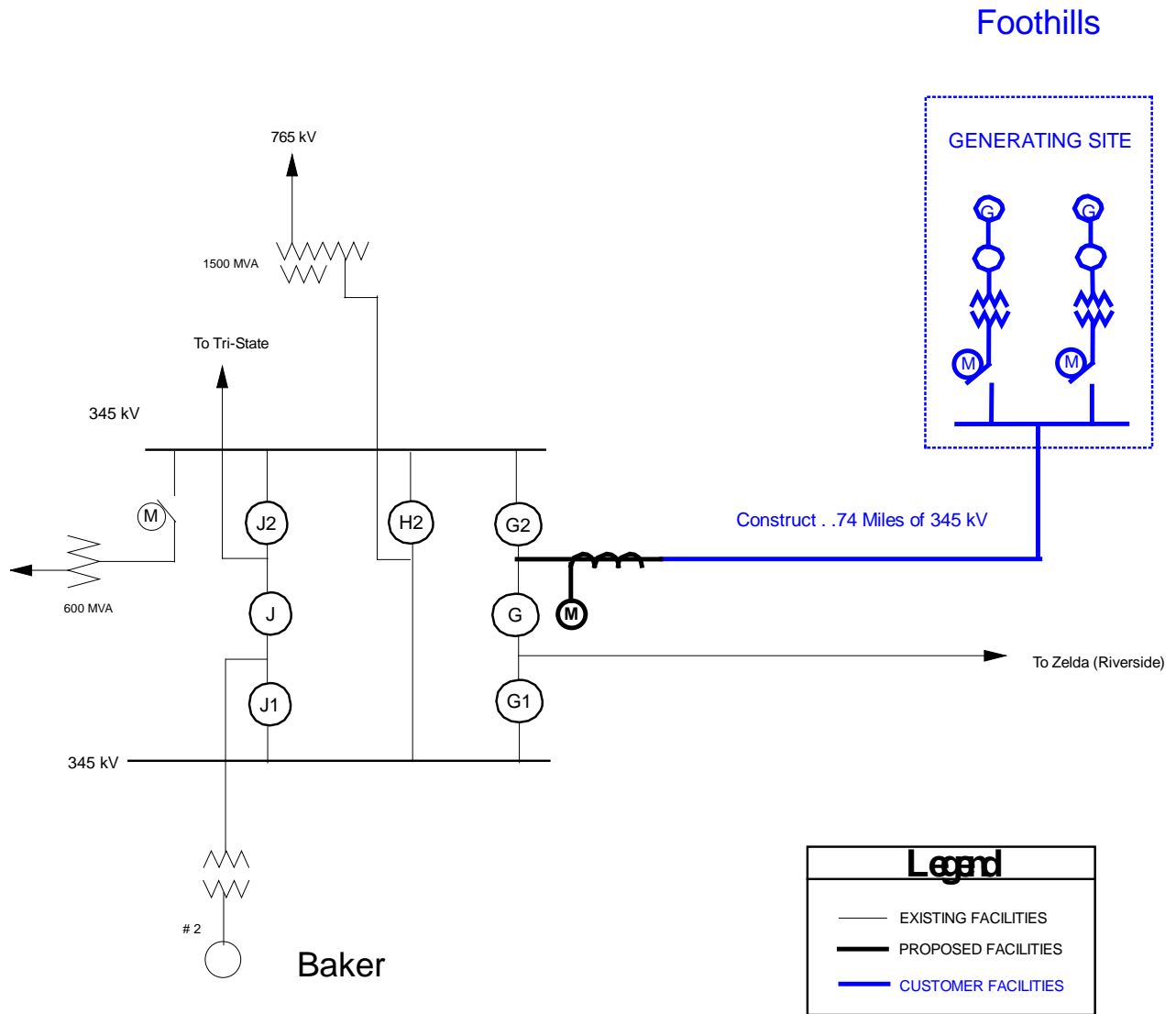
1. Primary system - single primary protection using dual RFL 9300 current differential
2. Backup system - Phase step distance and ground overcurrent using Schweitzer Type SEL321 and GE Type IBCG51M relays.

Telemetry

1. Metering instrument transformers - extended accuracy range CT/VT combo units.
2. Provide com port off of the existing D.20 RTU for Foothills Fiber/RS-232 Converters (one at Foothills Generation Station, one at Baker 345kV Station's D.20 RTU) using existing fiber pair between Riverside Generation Station and Baker 345kV Station.

Figure 1

CONCEPTUAL INTEGRATION OF CTs AT Baker 345 kV STATION



APPENDIX B

DESCRIPTION OF THE FACILITY SITE

1. Facility Site Description:

Generating Company's Foothills Generating Facility will be constructed on a site in Lawrence County, Kentucky approximately 0.8 miles from Company's Baker 765/345 kV Station.

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 Generating Company's Foothills 345 kV Circuit in Company's Baker 345 kV Station. Metering shall be at 345 kV, and will be designed and installed in compliance with the provisions specified in Section 4.14 of this Agreement.

2. Equipment to be Installed:

- Current and voltage transformers
- KW, KWh, KVar meters
- Data recorders
- Provide com port off of the existing D.20 RTU for Foothills Fiber/RS-232 Converters (one at Foothills Generation Station, one at Baker 345kV Station's D.20 RTU) using existing fiber pair between Riverside Generation Station and Baker 345kV Station for remote monitoring and control of Foothills 345 kV circuit breakers at Baker Station, monitoring of 345 kV switching devices at Foothills Station and monitoring of real and reactive power flows on the Foothills 345 kV Circuit at Baker Station

APPENDIX D

LIST OF PROTECTIVE EQUIPMENT

1. Protective Equipment and Schemes:

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

2. Equipment to be Installed:

- Primary System - single primary protection using dual RFL 9300 differential current
- Backup System - Phase step distance and ground overcurrent using Schweitzer Type SEL321 and GE Type IBCG51M relays.

APPENDIX E

PROJECT COST PROJECTIONS AND PAYMENT SCHEDULE

1. Project Cost Projections of Company Owned Facilities (In 2001 Dollars)

a. Company Interconnection Facilities

| | |
|----------------------|-------------|
| Baker 345 kV Station | \$2,711,000 |
|----------------------|-------------|

b. System Upgrades

| | |
|----------------------|----------|
| Baker 345 kV Station | \$77,000 |
|----------------------|----------|

| | |
|-----------------------------|----------|
| Tristate 345/138 kV Station | \$77,000 |
|-----------------------------|----------|

| | |
|-------------------------------------|------------------|
| Total Projected System Upgrade Cost | <u>\$154,000</u> |
|-------------------------------------|------------------|

| | |
|-------------------------------------|--------------------|
| Total Projected Project Cost | \$2,865,000 |
|-------------------------------------|--------------------|

| | |
|--|------------------|
| Total Estimated System Upgrades Cost Eligible for Transmission Credit | \$154,000 |
|--|------------------|

2. Monthly Payment Schedule

| Month | Amount of Payment |
|-----------------------------|---------------------------|
| August 2001 | \$274,000 |
| September 2001 | \$274,000 |
| October 2001 | \$274,000 |
| November 2001 | \$274,000 |
| December 2001 | \$274,000 |
| January 2002 | \$274,000 |
| February 2002 | \$271,000 |
| Total | \$1,915,000 |
| Previous Deposits | <u>\$950,000*</u> |
| Total Estimated Cost | <u>\$2,865,000</u> |

* Already paid by Generating Company under Letter Agreements dated May 29, 2001 and June 20, 2001.

APPENDIX F

PROJECT MILESTONES

1. Company's Interconnection Facilities Project Schedule Milestones:

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

Baker 345 kV Station – Install one 345 kV circuit breaker and associated switches and equipment

| <u>Task</u> | <u>Date Completed</u> |
|---------------------------------|-----------------------|
| Construction Starts | 08/28/01 |
| Install below Grade | 10/11/01 |
| Install Above Grade | 11/16/01 |
| Panel Fabrication / Wiring | 10/26/01 |
| Equipment Set / Assemble / Test | 12/28/01 |
| Breaker Inst. Prep | 12/14/01 |
| Electrical Control Wiring | 12/21/01 |
| Equipment Testing | 01/04/02 |
| P&C Test & Checkout | 01/31/02 |
| Construction Complete | 01/31/02 |

2. System Upgrades Project Schedule Milestones:

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

a. Baker 345 kV Station

Install two 345 kV 3000A line traps to replace existing 2500A traps

| <u>Task</u> | <u>Date Completed</u> |
|-----------------------|-----------------------|
| Construction Starts | 11/05/01 |
| Construction Complete | 11/09/01 |
| Place in Service | 11/09/01 |

b. **TriState 345kV Station**

Install two 345 kV 3000A line traps to replace existing 2500A traps

| <u>Task</u> | <u>Date Completed</u> |
|-----------------------|-----------------------|
| Construction Starts | 11/12/01 |
| Construction Complete | 11/16/01 |
| Place in Service | 11/16/01 |

APPENDIX G

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

General

The formula rate contained in this document applies when 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 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 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
- 568 - Maintenance Supervision and Engineering
- 570 - Maintenance of Station Equipment

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)

¹ Appalachian 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.

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 which 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:

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

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., $DL = (\text{whr}) \times (\text{hrp})$. 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:

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

3. Equipment

Equipment (E), primarily vehicles, used in the performance of maintenance are 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:

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

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

6. Taxes

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

$$\text{i.e.: } T = RT + OT$$

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.

Kentucky Power Company FERC FORM 1 12/31/95 < Page 218 >.

General Description of Construction overhead Procedure:

1A. 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 means 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.

1B. 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.

1C. 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

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