

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_001 Provide a copy of all cash working capital (“CWC”) studies using the lead/lag approach performed by or on behalf of the Company since 2017, including all supporting calculations of lead/lag days for each revenue and expense line item in the study.

RESPONSE

The Company has no documents responsive to this request.

Witness: Brian K. West

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_002 Confirm that the Company has the expertise to calculate CWC using the lead/lag approach and has the data to calculate the revenue and expense lead/lag days necessary for that purpose. If denied, then explain how the other AEP operating utilities have such expertise and the necessary data to calculate CWC using the lead/lag approach in other jurisdictions.

RESPONSE

The Company objects to this request as compound. Further, the Company is unclear on what is meant by the "lead/lag approach" as there are different methodologies for performing a lead/lag study. Subject to and without waiving the foregoing objection, the Company states as follows: Kentucky Power cannot provide the requested confirmation. AEP operating companies in other jurisdictions typically contract with an outside consultant to perform a lead/lag study for those jurisdictions that require one be performed. The Company confirms that it does have the data needed to perform a lead/lag study. Moreover, a typical lead/lag study can take approximately 3 to 4 months to prepare. No such study has been completed for Kentucky Power in a base rate case since at least 2005.

Witness: Brian K. West

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_003 Confirm that the Company is the only party in this proceeding that has the data necessary to calculate CWC using the lead/lag approach and that the AG, KIUC, and Staff do not have any source for such data, except from the Company.

RESPONSE

Confirmed.

Witness: Brian K. West

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_004 Confirm that the Company's CWC would be negative if it calculated CWC using the lead/lag approach. If denied, provide all support for your response.

RESPONSE

The Company objects to this request because it states a hypothetical and calls for speculation. Subject to and without waiving the foregoing objections, the Company states: The Company can neither confirm nor deny the above request because the Company has not performed a lead/lag analysis for cash working capital in this case and has no basis upon which to speculate regarding what the results of such a study would be.

Witness: Alex E. Vaughan

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_005 Confirm that the Company is aware that the Commission set Duke Energy Kentucky's CWC to \$0 after the Company refused to perform or provide a CWC study using the lead/lag approach in response to AG discovery in Case No. 2019-00271.

RESPONSE

The Company objects to this request because it seeks information that is not relevant to this action and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, the Company states that it cannot confirm that statement.

Witness: Alex E. Vaughan

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_006 Confirm that the Company sells its receivables to an AEP affiliate, which reduces the revenue lag days compared to the revenue lag days if it did not sell its receivables.

RESPONSE

Kentucky Power confirms that it sells certain of its customer accounts receivables to AEP Credit, which reduces the revenue lag days compared to the revenue lag days if it did not sell its receivables.

Witness: Franz D. Messner

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_007 Identify all other AEP operating utilities that calculate CWC using the lead/lag approach in their respective jurisdictions.

RESPONSE

The Company objects to this request as not relevant to this case as a lead/lag study is not required and was not performed. Further, the Company is unclear on what is meant by the "lead/lag approach" as there could be different methodologies for performing a lead/lag study. Subject to and without waiving the foregoing objection, the Company states as follows: AEP operating companies do not perform lead/lag studies as a standard business practice. Lead/lag studies have been included in general rate cases filed by AEP Ohio, AEP Texas, Appalachian Power Company, Southwestern Electric Power Company, Public Service Company of Oklahoma and Electric Transmission Texas. An outside expert is hired to perform the study.

Witness: Brian K. West

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_008 Confirm that the CWC using the lead/lag approach is less than the amount using the one-eighth formula approach for all other AEP operating utilities that calculate CWC using the lead/lag approach in their respective jurisdictions.

RESPONSE

The Company objects to this request because it seeks information that is not relevant to this action and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, the Company states that it has not performed the referenced analysis and as such cannot confirm the statement.

Witness: Alex E. Vaughan

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_009 Provide all empirical support for the relative accuracy of the CWC using the one-eight formula approach compared to the lead/lag approach. If none, then so state.

RESPONSE

The Company objects to this request as overly broad and because it is vague and ambiguous as to the meaning of the term "empirical support." Subject to and without waiving the foregoing objections, the Company states: There are various reasonable ways to determine the amount of cash working capital to include in the return on calculation when rate base is being used, the 1/8th O&M approach is one of those. Lead/Lag studies are another, as is the balance sheet approach used in Michigan.

Witness: Alex E. Vaughan

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_010 Confirm that the Company considers rate base an accurate and appropriate basis for calculating the “return on” component of the base revenue requirement.

RESPONSE

Confirmed, rate base when properly calculated is an appropriate basis for computing the Company's return on component of a base rate revenue requirement. The Company also considers capitalization an accurate and appropriate basis for calculating the "return on" component of the base revenue requirement and as such has proposed the use of capitalization in this proceeding.

Witness: Alex E. Vaughan

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_011 Confirm that the Company's riders all use rate base instead of capitalization to calculate the "return on" component of the revenue requirement, to the extent there is such a component in each specific rider.

RESPONSE

The Company cannot confirm this statement. Furthermore, capitalization and rate base when both are properly calculated should come to materially the same answer.

Witness: Alex E. Vaughan

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_012 Confirm that the Company is aware that the Commission adopted rate base instead of capitalization to calculate the “return on” component of the electric base revenue requirement for Duke Energy Kentucky in Case No. 2019-00271.

RESPONSE

Yes. The Company is also aware that Duke Energy Kentucky proposed to use return on rate base in that proceeding. The Company did not rely upon the Duke Energy Kentucky's 2019 rate case filing when developing this base rate case filing. The Company has proposed to use capitalization in this case.

Witness: Alex E. Vaughan

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_013 Confirm that the Company agrees that a “return on rate base approach provides a transparent and effective way to establish base rates” and that it “is logical, reasonable, and administratively more efficient” than a “return on capitalization” approach, consistent with the direct testimony of Amy Spiller, the CEO of Duke Energy Kentucky, in support of Duke’s request to use rate base instead of capitalization in Case No. 2019-002711 and consistent with the Commission’s decision to approve the use of rate base instead of capitalization in that case. If denied, then provide all reasons why the Company believes that a return on capitalization approach is superior to a return on rate base approach.

RESPONSE

The Company cannot confirm the statement. The Company does not deny that that is the testimony of Duke Energy Kentucky. See also the Company's response to AG/KIUC 2-10 and 2-11.

Witness: Alex E. Vaughan

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_014 Confirm that the Company agrees that the “use of rate base is a more precise method for measuring the Company’s actual investment in facilities and equipment to provide utility service” and that “the rate base methodology is an easier and more conventional way to represent investment in utility plant that is not only accepted by this Commission, but throughout the country,” consistent with the direct testimony of William Don Wathen, Jr., Director of Rates and Regulatory Strategy for Ohio and Kentucky, in support of Duke’s request to use rate base instead of capitalization in Case No. 2019-00271.2 If denied, then provide all reasons why the Company believes that a return on capitalization approach is “more precise” than a return on rate base approach and superior to a return on rate base approach.

RESPONSE

The Company cannot confirm the statement. The Company does not deny that that is the testimony of Duke Energy Kentucky. See also the Company's response to AG/KIUC 2-10 and 2-11.

Witness: Alex E. Vaughan

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_015 Provide the per books ADIT by FERC account/subaccount related to the prepaid pension asset and prepaid pension contra-asset. Confirm that the ADIT related to the prepaid pension asset is a liability amount, that the ADIT related to the prepaid pension contra-asset is an asset amount, and that the liability ADIT and asset ADIT amounts net to zero, just as the prepaid pension asset and prepaid pension contra-asset net to zero.

RESPONSE

Please see the table below for the per books ADIT related to the prepaid pension liability amount and the prepaid pension contra-asset amount. The Company confirms that the ADIT related to the prepaid pension asset is a liability amount and ADIT related to the prepaid pension contra-asset is an asset amount. The ADIT amounts do not net to zero because the prepaid pension ADIT amounts reflected in Account 1901001 in the table below include account 1650010 balances as well as capitalization.

Account	ADFIT Per Books
1901001 - Accrued BK Pension Expense	-\$8,856,471.00
2831001 - Accrued Book Pension Ex - SFAS 158	\$11,515,191.00

Witness: Allyson L. Keaton

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_016 Refer to the Company's response to Staff 2-11, which provides a detailed reconciliation between rate base and capitalization. Confirm that the Company excluded the prepaid pension contra-asset (account 1650014) and the prepaid OPEB contra-asset (account 1650037) from the rate base amounts shown in the column entitled "Section V Exhibit 1 Schedule 4 Rate Base." Confirm and provide all evidence that the Company also excluded the related asset ADIT amounts from the rate base amounts in that same column. If it did not exclude the related asset ADIT amounts from the rate base amounts in that same column, confirm that the Company agrees that if the Commission allows the two prepaid assets in rate base with no offset for the two related contra-assets, then the asset ADIT related to the two contra-assets also should be excluded from rate base. If denied, then explain why the Commission should exclude the two contra-assets from rate base, which would reduce rate base if included, but should include the related asset ADIT amounts, which increase rate base if not excluded.

RESPONSE

The Company has excluded the prepaid pension contract-asset (account 1650014) and the OPEB contra-asset (account 1650037) from the rate base amounts shown in the column "Section V Exhibit 1 Schedule 4 Rate Base." The ADIT related to the net prepaid pension and OPEB contra-assets of \$1,686,711 is included in rate base; therefore, if the Commission allows the two prepaid assets to be included in rate base with no offset for the two related contra-assets, then the asset ADIT related to the two contra-assets also should be excluded from rate base.

Witness: Allyson L. Keaton

Witness: Jaclyn N. Cost

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 1 of 2

DATA REQUEST

AG_KIUC_2_017 Refer to the prepaid pension asset and prepaid OPEB asset table that Appalachian Power Company provided in the rebuttal testimony of A. Wayne Allen at 20 in Virginia SCC Case No. PUR-2020-00015.

- a. Provide a table in similar format and level of detail for the Company at December 31, 2019.
- b. Provide a table in similar format and level of detail for the Company at March 31, 2019.
- c. Confirm that the Company did not include the amounts in accounts/subaccounts 1290000, 1290001, 2283016, 1823165, 1823166, 1900010, 1900011, 2190006, and 2190007 in its calculation of rate base in this proceeding. If confirmed, provide a detailed explanation as to why each account should not be included in rate base. If denied, then provide a schedule that demonstrates the amounts in the referenced accounts/subaccounts were included in the calculation of rate base in this proceeding.
- d. Confirm that the Company agrees that any amounts in account 1823165 and 1823166 should not be included in rate base because these regulatory assets were not financed; the amounts simply balance the pension/OPEB funding position and the pension/OPEB amounts in accumulated other comprehensive income. If this is not correct, then provide a corrected statement and provide all authoritative support for your corrected statement, including all support for the proposition that the amounts in these accounts were financed specifically with equity and debt, not some other combination of assets and liabilities, such as those shown on the tables provided in response to parts (a) and (b) of this question.

RESPONSE

a. and b. Please refer to KPCO_R_KIUC_AG_2_17_Attachment1 for the requested information.

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 2 of 2

c. and d. The Company is unable to provide the confirmation as requested for these subparts. The prepaid assets related to pension and OPEB are recorded on the Company's books under FASB ASC 715, Compensation - Retirement Benefits. The Company has recorded the cash prepaid pension balance in Account 1650010 and cash prepaid OPEB balance in Account 1650035. The balances in Account 1650010 and 1650035 reflect the Companies' cumulative cash contributions in excess of cumulative pension and OPEB cost. There are also non-cash ASC 715 accrual adjustment balances recorded in Accounts 1290000, 1290001, 1290002, 1290003, 1650014, 1650037, 1823165, 1823166, 2190006, 2190007, 1900010, 1900011, 2283006 and 2283016 that result from entries required by ASC 715 to separate the calculated prepayment into two separate components. The first component is the funded status and second component is other comprehensive income (or a regulatory asset) for gains and losses that have not yet been recognized as components of net periodic benefit cost.

As can be seen in the tables within KPCo_R_KIUC_AG_2_17_Attachment1, the ASC 715 entries zero out leaving the cash prepayment that is the Company's cumulative contributions in excess of cumulative pension and OPEB cost, which is included in the Company's calculation of rate base in this proceeding. The non-cash ASC 715 accounting entries are made for financial reporting purposes and do not impact the cost of service.

Witness: Alex E. Vaughan

Witness: Heather M. Whitney

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_018 Refer to the Company's response to AG-KIUC 1-26.

- a. Provide the expense related to the Restricted Stock Units (RSU) for Kentucky Power employees included in the test year by FERC account.
- b. Refer to Attachment 1. Add another column and provide the amounts in each account that were charged to the co-owner of Mitchell. Add yet another column and provide the net AEPSC amounts charged to the Company net of the amounts charged to the co-owner of Mitchell.

RESPONSE

- a. See KPCO-R-KIUC_AG_2_18_Attachment 1 for requested information.
- b. See KPCO-R-KIUC_AG_2_18_Attachment 2 for requested information.

Witness: Heather M. Whitney

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
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DATA REQUEST

AG_KIUC_2_019 Provide a copy of the Rockport Plant Unit 2 sale/leaseback agreement and all amendments between AEGCo/I&M and the lessor, Wilmington Trust Company.

RESPONSE

Please refer to KPCO_R_AG_KIUC_2_19_Attachments 1 and 2 for the requested documents. Please note that there are in total 6 leases between each I&M and AEGCo and the individual trusts. All of the documents are identical. Provided in response to this question is one of those identical lease agreements.

Witness: Alex E. Vaughan

LEASE AGREEMENT (AEGCO Trust 1)

dated as of December 1, 1989

between

**WILMINGTON TRUST COMPANY,
not in its individual capacity
but solely as Owner Trustee
under the Amended and Restated Trust Agreement
(AEGCO Trust 1)
dated as of December 1, 1989 with
Philip Morris Credit Corporation,
as Lessor**

and

**AEP GENERATING COMPANY,
as Lessee**

**Sale and Leaseback of an Undivided Interest in
Rockport Generating Station Unit 2
and Sublease of Unit 2 Site Interest**

CERTAIN RIGHTS OF THE LESSOR UNDER THIS LEASE AGREEMENT HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, THE CONNECTICUT NATIONAL BANK, INDENTURE TRUSTEE, UNDER THE TRUST INDENTURE, MORTGAGE AND SECURITY AGREEMENT (AEGCO TRUST 1) DATED AS OF DECEMBER 1, 1989, BETWEEN THE LESSOR AND THE CONNECTICUT NATIONAL BANK, AS INDENTURE TRUSTEE, AS SUCH INDENTURE MAY BE AMENDED, MODIFIED OR SUPPLEMENTED FROM TIME TO TIME IN ACCORDANCE WITH THE PROVISIONS THEREOF. THIS LEASE AGREEMENT HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. TO THE EXTENT, IF ANY, THAT THIS LEASE AGREEMENT CONSTITUTES CHATTEL PAPER (AS SUCH TERM IS DEFINED IN THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN ANY APPLICABLE JURISDICTION), NO SECURITY INTEREST IN THIS LEASE AGREEMENT MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART HEREOF OTHER THAN THE "ORIGINAL EXECUTED COUNTERPART", WHICH SHALL BE IDENTIFIED AS THE COUNTERPART CONTAINING THE RECEIPT THEREFOR EXECUTED BY THE INDENTURE TRUSTEE ON OR FOLLOWING THE SIGNATURE PAGE THEREOF. SEE SECTION 21 FOR FURTHER INFORMATION CONCERNING THE RESPECTIVE RIGHTS OF THE SEVERAL HOLDERS OF COUNTERPARTS HEREOF.

THIS COUNTERPART IS NOT THE ORIGINAL EXECUTED COUNTERPART.

TABLE OF CONTENTS

	<u>Page</u>
SECTION 1. Definitions	1
SECTION 2. Lease of Undivided Interest and Sublease of Unit 2 Site Interest; Term; Personal Property	1
SECTION 3. Rent; Adjustments to Rent	1
(a) Basic Rent	1
(b) Supplemental Rent	2
(c) Method of Payment	2
(d) Adjustments to Rent	3
(e) Computation of Adjustments	3
(f) Sufficiency of Basic Rent and Supplemental Rent	4
(g) Rent for Unit 2 Site Interest	4
SECTION 4. Net Lease	4
SECTION 5. Relinquishment of Possession and Use of the Undivided Interest	5
SECTION 6. Warranty of the Lessor	5
(a) Quiet Enjoyment	5
(b) Disclaimer of Other Warranties	6
(c) Enforcement of Certain Warranties	6
SECTION 7. Liens	7
SECTION 8. Operation and Maintenance; Modifications; Identification	7
(a) Operation and Maintenance	6
(b) Inspection	7
(c) Modifications	8
(d) Title to Modifications	8
(e) Funding of the Costs of Modifications	8
(f) Removal of Property	9
(g) Reports	10
(h) Contest of Requirements of Law	10
SECTION 9. Event of Loss; Deemed Loss Event	10
(a) Damage or Loss	10
(b) Repair	10
(c) Event of Loss; Payment of Stipulated Loss Value	11
(d) Deemed Loss Event; Payment of Termination Value	11
(e) Requisition of Use	11
(f) Termination of Lease Term	11
(g) Application of Payments on an Event of Loss	11
(h) Application of Payments Not Relating to an Event of Loss	12
(i) Application During Event of Default	12
SECTION 10. Insurance	13
(a) Required Insurance	13
(b) Other Insurance	13
SECTION 11. Rights to Assign or Sublease	14
(a) Assignment or Sublease by the Lessee	14
(b) Assignment by Lessor as Security for Lessor's Obligations	14

	<u>Page</u>
SECTION 12. Lease Renewal	14
(a) Fixed Rate Renewal Option	14
(b) Fair Market Renewal Options	14
SECTION 13. Notices for Renewal; Determination of Fair Market Value	15
(a) Expiration of Basic Lease Term	15
(b) Expiration of Renewal Terms	15
(c) Elections Irrevocable	15
(d) Determination of Fair Market Value	15
(e) Assistance with Disposition	15
SECTION 14. Obsolescence Termination	15
(a) Termination Notices	15
(b) Events on Termination Date	16
SECTION 15. Events of Default	16
SECTION 16. Remedies	17
(a) Remedies	17
(b) No Release	19
(c) Remedies Cumulative	18
(d) Allocation of Basic Rent	19
SECTION 17. Notices	19
SECTION 18. Successors and Assigns	19
SECTION 19. Right to Perform for Lessee	19
SECTION 20. Additional Covenants	20
SECTION 21. Amendments and Miscellaneous	20
(a) Amendments in Writing	20
(b) Survival	20
(c) Severability of Provisions	20
(d) True Lease	20
(e) Original Lease	21
(f) GOVERNING LAW	21
(g) Headings	21
(h) Concerning the Owner Trustee	21
(i) Lien of the Indenture	21
(j) Counterpart Execution	21
(k) Waiver of Valuation and Appraisement Laws	21
Schedule 1	Basic Rent Percentages
Schedule 2	Stipulated Loss Value Percentages
Schedule 3	Termination Value Percentages
Appendix A	Definitions
Exhibit A	Description of the Undivided Interest
Exhibit B	Description of the Unit 2 Site Interest

1

4

LEASE AGREEMENT

LEASE AGREEMENT (AEGCO Trust 1) dated as of December 1, 1989, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity but solely as Owner Trustee under the Amended and Restated Trust Agreement (AEGCO Trust 1) dated as of December 1, 1989 with PHILIP MORRIS CREDIT CORPORATION, as Lessor, and AEP GENERATING COMPANY, an Ohio corporation, as Lessee.

WHEREAS, the Lessor owns the Undivided Interest and is the lessee of the Unit 2 Site Interest;

WHEREAS, the Lessee desires to lease from the Lessor the Undivided Interest and to sublease from the Lessor the Unit 2 Site Interest, in each case upon the terms and subject to the conditions set forth herein;

WHEREAS, the Lessor is willing to lease the Undivided Interest and sublease the Unit 2 Site Interest to the Lessee upon the terms and subject to the conditions set forth herein; and

WHEREAS, the following documents were recorded in the Office of the Recorder of Spencer County, Indiana, on the _____ day of December, 1989: (i) Trust Agreement, as Instrument No. _____, in Record No. _____, Page _____; (ii) Bill of Sale, as Instrument No. _____, in Record No. _____, Page _____; and (iii) Ground Lease, as Instrument No. _____, in Record No. _____, Page _____;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions. For purposes of this Lease, capitalized terms used herein shall have the meanings assigned to them in Appendix A (such definitions to be equally applicable to both the singular and plural forms of the terms defined). Any term defined by reference to an agreement, instrument or other document shall have the meaning so assigned to it whether or not such document is in effect. Unless otherwise indicated, references in this Lease to sections, paragraphs, clauses, appendices, schedules and exhibits are to the same contained in or attached to this Lease.

SECTION 2. Lease of Undivided Interest and Sublease of Unit 2 Site Interest; Term; Personal Property. (a) Upon the terms and subject to the conditions of this Lease, the Lessor hereby leases to the Lessee, and the Lessee hereby leases from the Lessor, the Undivided Interest, and the Lessor hereby subleases to the Lessee, and the Lessee hereby subleases from the Lessor, the Unit 2 Site Interest.

(b) The term of this Lease shall begin on the Closing Date and shall end on the last day of the Lease Term.

(c) It is the intention of the Lessor and the Lessee that Unit 2 (including the Undivided Interest), each Modification and every portion thereof is severed, and shall be and remain severed, to the maximum extent permitted by Applicable Law, from the real estate constituting the Rockport Plant Site and even if physically attached thereto, shall retain the character of personal property, shall be treated as personal property with respect to the rights of all Persons whomsoever, shall be removable (subject to the provisions of the Transaction Documents) and shall not be or become fixtures or part of the real estate constituting the Rockport Plant Site.

(d) The Undivided Interest is described in Exhibit A, and the Unit 2 Site Interest is described in Exhibit B.

SECTION 3. Rent; Adjustments to Rent.

(a) *Basic Rent.* The Lessee shall pay to the Lessor, as basic rent (herein referred to as "*Basic Rent*") for the Undivided Interest, the following amounts:

(i) on each date occurring during the Basic Lease Term upon which interest is due and payable on any of the Notes then Outstanding, an amount equal to the aggregate amount of all such interest due and payable on such Notes; and

(ii) on each Basic Rent Payment Date occurring during the Basic Lease Term, an amount equal to the percentage of Lessor's Cost set forth opposite such Basic Rent Payment Date on Schedule 1; and

(iii) on each Basic Rent Payment Date occurring during the Fixed Rate Renewal Term, if any, an amount equal to the Fixed Rate Renewal Basic Rent; and

(iv) on each Basic Rent Payment Date occurring during a Fair Market Renewal Term, if any, an amount determined as provided in Section 12(b).

(b) *Supplemental Rent.* The Lessee shall pay to the Lessor, or to whomever shall be entitled thereto, as supplemental rent (herein referred to as "*Supplemental Rent*"), the following amounts:

(i) when due, any amount payable hereunder as Stipulated Loss Value or Termination Value; and

(ii) when due, any amount payable by the Owner Trustee to the Original Loan Participants, the Agents or the Administrative Agent as fees, additional interest, increased costs, losses or expenses under the Participation Agreement Supplement, including, without limitation, pursuant to Section 3.03, 3.07, 3.09, 3.10, 3.13 or 3.15 of the Participation Agreement Supplement; and

(iii) when due, any amounts payable by the Owner Trustee in respect of premiums and any other amounts (other than principal and interest) payable on the Notes except to the extent such amounts are payable as a result of an Indenture Event of Default that is not an Event of Default; and

(iv) when due, or when no due date is specified, on demand, any amount (other than Basic Rent, Stipulated Loss Value or Termination Value) that the Lessee is required to pay to, or for the account of, the Lessor, the Owner Participant, the Indenture Trustee, the Collateral Trust Trustee, the Agents, the Administrative Agent or any Indemnitee under this Lease, any other Transaction Document or the Collateral Trust Indenture; and

(v) on demand and, in any event, not later than the Basic Rent Date next succeeding the date such amounts shall be due and payable hereunder, to the extent permitted by Applicable Law, interest (computed on the same basis as interest on the Notes is computed) on any Rent not paid when due at a rate per annum equal to (A) the Overdue Interest Rate, on that portion of the Payment of Basic Rent or Supplemental Rent distributable pursuant to clause "*first*" of Section 5.01 of the Indenture or clause "*second*" of Section 5.03 of the Indenture (determined prior to the computation of interest on overdue payments referred to in such clauses), and (B) the Penalty Rate, on the balance of any such payment of Rent (including, without limitation, to the extent permitted by Applicable Law, interest payable pursuant to this clause (iii) not paid when due (without regard to any period of grace) for any period for which the same shall be overdue).

(c) *Method of Payment.* Subject to Section 11(b), each payment of Rent shall be made in immediately available funds no later than 12:00 noon, local time at the place of receipt, on the date such payment shall be due and payable hereunder, and shall be paid either (i) in the case of payments other than Excepted Payments and payments of Supplemental Rent pursuant to Section 3(b)(ii), to the Lessor at its address determined in accordance with Section 17, or at such other address as the Lessor may specify by notice in writing to the Lessee, or (ii) in the case of Excepted Payments and payments of Supplemental Rent pursuant to Section 3(b)(ii), to such Person as shall be entitled to receive such payment at such address as such Person may specify by notice to the Lessee. If the date on which any payment of Rent is due hereunder is not a Business Day, such payment shall be made as aforesaid on the next succeeding Business Day, with the same force and effect as if made on the nominal due date provided for in this Lease (together with an amount equal to the interest, if any, accrued on the principal of any of the Notes as a result of such extension); *provided, however*, that, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances evidenced by any Initial Series A Note to be made in the next succeeding calendar month, such payment shall be made on the next preceding Business Day.

(d) *Adjustments to Rent.* The percentages for Basic Rent, Stipulated Loss Value and Termination Value set forth, respectively, in Schedules 1, 2 and 3, have been calculated in part on the basis of the Pricing Assumptions. If (x) any such Pricing Assumption proves to have been incorrect, or (y) there is any Change in Tax Law on or prior to the Closing Date (including, for the purposes of this Section 3(d), any amendment to the Code that is passed by Congress on or prior to the Closing Date and enacted into law after the Closing Date), or (z) any Refunding Notes are issued, then, and in each such case, such percentages for Basic Rent, Stipulated Loss Value and Termination Value shall be adjusted (upward or downward) so as to preserve the Owner Participant's Initial Theoretical Return. Any adjustments pursuant to this Section 3(d) shall (A) satisfy the provisions of Revenue Procedure 75-28 and any other applicable statutes, regulations, revenue procedures, revenue rulings or technical information releases relating to the subject matter of such revenue procedures, (B) be made in a manner designed to avoid application of Section 467(b)(2) of the Code and any regulations thereunder or any other similar provision of Federal income tax law and not otherwise cause any adverse effect under any Federal income tax law in effect at the time of such adjustment, (C) not cause the transaction effected pursuant to this Lease to be classified by the Owner Participant as other than a leveraged lease as defined under then current generally accepted accounting principles for leveraged leases, (D) not cause the transactions effected pursuant to the Participation Agreement and this Lease to be classified by the Lessee as other than a "sale-leaseback transaction" and an "operating lease", as such terms are defined under then current generally accepted accounting principles for leveraged leases, (E) to the extent possible and not inconsistent with the foregoing, minimize the net present value cost of the Basic Rent to the Lessee to the extent the foregoing criteria are met (subject to the requirements of Section 3(e) hereof), and (F) in the case of adjustments predicated upon the issuance of any Refunding Notes, take into account any adverse income tax consequences to the Owner Participant that would not have occurred had such Refunding Notes not been issued (other than the consequences of a determination that this Lease is not a "true lease" for Federal income tax purposes).

The percentages for Basic Rent, Stipulated Loss Value and Termination Value also shall be subject to adjustment pursuant to Section 8(e), and pursuant to Section 5(a) of the Tax Indemnification Agreement.

(e) *Computation of Adjustments.* (i) Upon the occurrence of an event requiring adjustments to the percentages for Basic Rent, Stipulated Loss Value and Termination Value pursuant to Section 3(d) or 8(e) or pursuant to Section 5(a) of the Tax Indemnification Agreement, the Owner Participant shall make the necessary computations on a basis consistent with that used by the Owner Participant in the computation of the percentages for Basic Rent, Stipulated Loss Value and Termination Value in connection with the execution and delivery of the Participation Agreement, taking into account only the event giving rise to the adjustments. Subject to paragraph (ii) of this Section 3(e), such adjustments shall be effective from and including the date the Owner Participant shall have furnished to the Lessee a certificate signed on behalf of the Owner Participant by a Responsible Officer confirming that such adjustments have been properly computed in accordance with the provisions of this Lease, and shall remain effective until changed in consequence of any inaccuracy discovered in the course of any verification procedure conducted pursuant to paragraph (ii) of this Section 3(e) or in consequence of any event occurring thereafter requiring further adjustment pursuant to Section 3(d) or 8(e) or pursuant to the Tax Indemnification Agreement.

(ii) Within 30 days after the Owner Participant shall have provided the Lessee with a certificate pursuant to paragraph (i) of this Section 3(e), the Lessee may request that the Owner Participant furnish all information necessary to permit the confirmation of the accuracy of the Owner Participant's computation of the adjustments described in such certificate to Goldman Sachs or to such other investment banking firm reasonably acceptable to the Owner Participant as the Lessee may specify. Within 30 days after its receipt of such information, Goldman Sachs or such other investment banking firm, as the case may be, either shall confirm the accuracy of such computation or shall notify the Owner Participant that such computation, and the resulting adjustments proposed by the Owner Participant, are inaccurate. In the latter event, the Owner Participant shall consult with the Lessee and Goldman Sachs or such other investment banking firm as to the proper computation of the adjustments, whereupon the Owner Participant shall recompute the adjustments in such a manner

as shall enable Goldman Sachs or such other investment banking firm to confirm their accuracy. If Goldman Sachs or such other investment banking firm is unable to confirm the accuracy of such adjustments, neither the Owner Participant nor the Lessee shall be bound thereby, *provided*, that if the Owner Participant and the Lessee then agree to submit the matter to a second independent investment banking firm or other independent Person acceptable to them, the conclusion of such firm or other Person as to the proper adjustments shall be conclusive and binding on the Lessee, the Owner Participant and the Lessor. All expenses incurred by the Owner Participant and the Lessee in connection with the verification procedures described in this paragraph (ii) (including the fees and expenses of Goldman Sachs or such other investment banking firm) shall be paid by the Lessee, unless the adjustments of the percentages for Basic Rent proposed by the Owner Participant shall exceed the actual adjustments of such percentages, properly computed and confirmed, by more than 5%, in which case all such expenses shall be paid by the Owner Participant. Each adjustment of the percentages for Basic Rent, Stipulated Loss Value and Termination Value may, but need not (unless requested by the Lessee, the Lessor or the Owner Participant), be evidenced by the execution and delivery of a supplement to this Lease in form and substance satisfactory to the Lessee and the Owner Participant, and shall be effective as provided herein without regard to the date on which such supplement to this Lease is so executed and delivered.

(f) *Sufficiency of Basic Rent and Supplemental Rent.* Notwithstanding any other provision of this Lease, any other Transaction Document or any Financing Document, (i) the amount of the installment of Basic Rent payable on each Basic Rent Payment Date or on such other date as any installment of Basic Rent may be due and payable shall be at least equal to the aggregate amount of principal (other than principal due by reason of prepayment or acceleration) and accrued interest due and payable on such Basic Rent Payment Date or such other date in respect of all Notes then Outstanding and (ii) each payment of Stipulated Loss Value or Termination Value (when added to all other amounts required to be paid by the Lessee under this Lease in respect of any Event of Loss or Deemed Loss Event or termination of this Lease) shall be at least equal to an amount sufficient, as of the date of payment, to pay in full the principal of and premium, if any, and interest on all Notes Outstanding on and as of such date of payment.

(g) *Rent for Unit 2 Site Interest.* During the term of this Lease, the Lessee shall pay to the Lessor, as rent for the sublease by the Lessor to the Lessee of the Unit 2 Site Interest pursuant to Section 2(a), an amount equal to the amount payable by the Lessor to the Lessee as rent under subsection 6.1(a) of the Ground Lease. The amount payable by the Lessee under this Section 3(h) shall be due on each date on which rent is due from the Lessor under subsection 6.1(a) of the Ground Lease, and shall automatically be offset against the amount due under said subsection 6.1(a) on each date on which such amount is due.

SECTION 4. Net Lease. This Lease is a net lease and the Lessee hereby acknowledges and agrees that the Lessee's obligation to pay all Rent hereunder, and the rights of the Lessor in and to such Rent, shall be absolute, unconditional and irrevocable and shall not be affected by any circumstance of any character, including, without limitation: (i) any set-off, abatement, counterclaim, suspension, recoupment, reduction, rescission, defense or other right or claim that the Lessee may have against the Lessor, the Owner Participant, the Indenture Trustee, the Collateral Trust Trustee, any Holder of a Note, the Operator, AEP or any of its subsidiaries, any vendor or manufacturer of any equipment or assets included in Unit 2, any Modification, the Common Facilities or the Rockport Plant or any part of any thereof, or any other Person for any reason whatsoever; (ii) any defect in or failure of the title, merchantability, condition, design, compliance with specifications, operation or fitness for use of all or any part of the Undivided Interest, Unit 2, any Modification, the Unit 2 Site Interest, the Unit 2 Site, the Easements, the Common Facilities, the Rockport Plant Site or the Rockport Plant; (iii) any damage to, or removal, abandonment, dismantling, decommissioning, shutdown, salvage, scrapping, requisition, taking, condemnation, loss, theft or destruction of all or any part of Unit 2, any Modification, the Unit 2 Site, the Common Facilities, the Rockport Plant Site or the Rockport Plant or any interference, interruption or cessation in the use or possession of the Undivided Interest, the Unit 2 Site Interest or the Easements by the Lessee or by any other Person for any reason whatsoever or of whatever duration; (iv) any restriction, prevention or curtailment

of or interference with any use of all or any part of the Undivided Interest, Unit 2, any Modification, the Unit 2 Site Interest, the Unit 2 Site, the Easements, the Common Facilities, the Rockport Plant Site or the Rockport Plant; (v) any insolvency, bankruptcy, reorganization or similar proceeding by or against the Lessee, the Lessor, the Owner Participant, the Indenture Trustee, the Collateral Trust Trustee, any Holder of a Note, AEP or any of its subsidiaries or any other Person; (vi) the invalidity, illegality or unenforceability of this Lease, any other Transaction Document, any Financing Document, any Rockport Plant Agreement or any other instrument referred to herein or therein or any other infirmity herein or therein or any lack of right, power or authority of the Lessor, the Lessee, the Owner Participant, the Indenture Trustee, the Collateral Trust Trustee, any Holder of a Note, AEP or any of its subsidiaries or any other Person to enter into this Lease, any other Transaction Document, any Financing Document or any Rockport Plant Agreement or to perform the obligations hereunder or thereunder or consummate the transactions contemplated hereby or thereby or any doctrine of force majeure, impossibility, frustration or failure of consideration; (vii) the breach or failure of any warranty or representation made in this Lease, any other Transaction Document, any Financing Document or any Rockport Plant Agreement by the Lessee, the Lessor, the Owner Participant, the Indenture Trustee, the Collateral Trust Trustee, any Holder of a Note, AEP or any of its subsidiaries or any other Person; or (viii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing. The Lessee hereby waives, to the extent permitted by Applicable Law, any and all rights that it may now have or that at any time hereafter may be conferred upon it, by statute or otherwise, to modify, terminate, cancel, quit or surrender this Lease or to effect or claim any diminution or reduction of Rent payable by the Lessee hereunder, except in accordance with the express terms hereof. The Lessee agrees that, if for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, then, except as provided herein, the Lessee shall pay, to the maximum extent permitted by Applicable Law, to the Lessor or any other Person entitled thereto, an amount equal to each installment of Basic Rent and all Supplemental Rent at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part. Each payment of Rent made by the Lessee hereunder shall be final and the Lessee shall not seek or have any right to recover all or any part of such payment from the Lessor or any Person for any reason whatsoever. All covenants, agreements and undertakings of the Lessee herein shall be performed at its cost, expense and risk unless expressly otherwise stated. Nothing in this Section 4 or elsewhere shall be construed as a guaranty by the Lessee of any residual value in the Undivided Interest or as a guaranty of the Notes or any Bonds.

SECTION 5. Relinquishment of Possession and Use of the Undivided Interest. Unless the Lessee has theretofore acquired the Undivided Interest as provided herein, on the Lease Termination Date the Lessee shall (i) surrender possession of the Undivided Interest and the Unit 2 Site Interest to the Lessor (or to a Person specified by the Lessor to the Lessee in writing not less than 30 days prior to the Lease Termination Date) and (ii) cause the Lessor or such other Person to have full rights as a "Participant" under, and as defined in, the Unit 2 Operating Agreement. At the time of such surrender, the Lessee shall pay or have paid all amounts due and payable, or to become due and payable, by it under the Operating Agreement allocable or chargeable (whether or not payable during or after the Lease Term) to the Undivided Interest and the Unit 2 Site Interest in respect of any period or periods ending on or prior to the Lease Termination Date (including, without limitation, all amounts payable with respect to any and all Modifications approved or authorized (without the consent of the Lessor) prior to the Lease Termination Date, whether or not implementation thereof has been completed on or prior to such date), and the Undivided Interest, the Unit 2 Site Interest and the Easements shall be free and clear of all Liens (other than Liens described in clauses (i), (iii), (iv) (to the extent such Taxes are not due and payable), (vi), (vii) (to the extent such Liens are bonded), (viii) through (xiv) and (xvii) of the definition of "Permitted Liens") and in the condition and state of repair required by Section 8(a).

SECTION 6. Warranty of the Lessor.

(a) *Quiet Enjoyment.* The Lessor warrants that, unless an Event of Default shall have occurred and be continuing and (except in the case of an Event of Default specified in Section 15(e)) this Lease

shall have been declared to be in default pursuant to Section 16(a), the Lessee's use and possession of Unit 2, the Unit 2 Site and the Common Facilities (including the Undivided Interest, the Unit 2 Site Interest and the Easements) shall not be interrupted by the Lessor or any Person acting by, through or under the Lessor, or their respective successors and assigns.

(b) *Disclaimer of Other Warranties.* The warranty set forth in Section 6(a) is in lieu of all other warranties of the Lessor, whether written, oral or implied, with respect to this Lease, the Undivided Interest, Unit 2, any Modification, the Unit 2 Site Interest, the Unit 2 Site, the Easements, the Common Facilities, the Rockport Plant Site or the Rockport Plant. As among the Owner Participant, the Holders of the Notes, the Indenture Trustee, the Collateral Trust Trustee, the Lessor and the Lessee, execution by the Lessee of this Lease shall be conclusive proof of the compliance of the Undivided Interest, Unit 2, any Modification, the Unit 2 Site Interest, the Unit 2 Site, the Easements and the Common Facilities with all requirements of this Lease, and the Lessee acknowledges and agrees that (i) NEITHER THE LESSOR NOR THE OWNER PARTICIPANT IS A MANUFACTURER OF OR A DEALER IN PROPERTY OF SUCH KIND, (ii) THE LESSOR LEASES AND THE LESSEE TAKES THE UNDIVIDED INTEREST, AND SHALL TAKE EACH MODIFICATION AND ANY PART THEREOF, AS IS AND WHERE IS, WITH ALL FAULTS, AND (iii) THE LESSOR SUBLEASES AND THE LESSEE TAKES THE UNIT 2 SITE INTEREST AND THE EASEMENTS AS IS AND WHERE IS, WITH ALL FAULTS, and neither the Lessor nor the Owner Participant makes or shall be deemed to have made, and THE LESSOR AND THE OWNER PARTICIPANT EACH HEREBY DISCLAIMS, ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN OR CONDITION OF UNIT 2, ANY MODIFICATION, THE UNIT 2 SITE, THE COMMON FACILITIES, THE ROCKPORT PLANT SITE OR THE ROCKPORT PLANT OR ANY PART THEREOF, THE MERCHANTABILITY THEREOF OR THE FITNESS THEREOF FOR ANY PARTICULAR PURPOSE, TITLE TO THE UNDIVIDED INTEREST, UNIT 2, ANY MODIFICATION, THE UNIT 2 SITE INTEREST, THE UNIT 2 SITE, THE EASEMENTS, THE COMMON FACILITIES, THE ROCKPORT PLANT SITE OR THE ROCKPORT PLANT, OR ANY PART THEREOF, THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREOF OR CONFORMITY THEREOF TO SPECIFICATIONS, FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT OR THE ABSENCE OF ANY LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, NOR SHALL THE LESSOR OR THE OWNER PARTICIPANT BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING LIABILITY IN TORT, STRICT OR OTHERWISE), it being agreed that all such risks, as among the Owner Participant, the Holders of Notes, the Indenture Trustee, the Collateral Trust Trustee, the Lessor and the Lessee, are to be borne by the Lessee. The provisions of this Section 6(b) have been negotiated, and, except to the extent otherwise expressly provided in Section 6(a) and in Sections 5.02, 5.03, 5.04 and 5.05 of the Participation Agreement, the foregoing provisions are intended to be a complete exclusion and negation of any representations or warranties by the Lessor, the Owner Participant, the Holders of Notes, the Indenture Trustee and the Collateral Trust Trustee, express or implied, with respect to the Undivided Interest, Unit 2, any Modification, the Unit 2 Site Interest, the Unit 2 Site, the Easements, the Common Facilities, the Rockport Plant Site or the Rockport Plant that may arise pursuant to the Uniform Commercial Code or any other law now or hereafter in effect, or otherwise.

(c) *Enforcement of Certain Warranties.* The Lessor authorizes the Lessee (directly or through agents, including the Operator), at the Lessee's expense, to assert for the Lessor's account, during the Lease Term, all of the Lessor's rights (if any) under any applicable warranty and any other claim (under this Lease or any Purchase Document) that the Lessee or the Lessor may have against any vendor or manufacturer with respect to the Undivided Interest, Unit 2 or any Modification, and the Lessor agrees to cooperate, at the Lessee's expense, with the Lessee and its agents in asserting such rights. Any amount recovered by the Lessee under any such warranty or other claim against any vendor or manufacturer (or, if such warranty or claim relates to the Undivided Interest and the Retained Assets, the portion of such received amount appropriately allocable to the Undivided Interest) shall be applied in accordance with Sections 9(g), (h) and (i).

SECTION 7. Liens. The Lessee shall not directly or indirectly create, incur or suffer to exist any Lien on or with respect to the Undivided Interest or the Unit 2 Site Interest, the Lessor's title thereto or interest therein, as the case may be, or any title or interest of the Lessee therein, except Permitted Liens, and the Lessee, at its own expense, shall take such action as may be necessary duly to discharge any such Lien that may arise.

SECTION 8. Operation and Maintenance; Modifications; Identification.

(a) *Operation and Maintenance.* The Lessee shall cause the Operator to: (i) maintain Unit 2 and the Common Facilities in such condition that Unit 2 will have the capacity and functional ability to perform, on a continuing basis (ordinary wear and tear excepted), in normal commercial operation, the functions for which it was designed; (ii) operate, service, maintain and repair Unit 2 and the Common Facilities and replace all necessary or useful parts and components thereof so that the condition and operating efficiency of Unit 2 will be maintained and preserved, ordinary wear and tear excepted, in all material respects in accordance with (A) Prudent Utility Practice and the standards observed by AEP and its Affiliates for items of similar size and nature, (B) such operating standards as shall be required to take advantage of and enforce all available warranties and (C) the terms and conditions of all insurance policies required to be maintained pursuant to Section 10; (iii) use, possess, operate and maintain Unit 2 and the Common Facilities in compliance with all material applicable Governmental Actions affecting the Rockport Plant or Unit 2 or the Common Facilities or the use, possession, operation and maintenance thereof; and (iv) otherwise act in accordance with the Operating Agreement. Subject to Section 8(h), the Lessee shall comply, and shall cause the Operator to comply, with all the Lessee's obligations under Applicable Law affecting Unit 2, the Undivided Interest, the Unit 2 Site, the Unit 2 Site Interest, the Common Facilities, the Easements, the Rockport Plant Site and the Rockport Plant. The Lessee agrees to act as an "Owner" or a "Participant", as the case may be, under the Operating Agreement until the Lease Termination Date, whereupon, unless there is a Transfer pursuant to Section 9(c), 9(d) or 14, as the case may be, the Lessor (or its transferee) will be substituted therefor. So long as the Lessee remains an "Owner" or a "Participant", as the case may be, under the Operating Agreement: (x) the Lessee shall comply with all its obligations under the Operating Agreement, including, without limitation, its obligation to pay its share of the costs of the operation and maintenance of Unit 2 and the Common Facilities, except where the failure to do so would not have a materially adverse effect on the Undivided Interest; (y) the Lessee shall not permit the percentages of "Total Net Capability of Unit 2" and "Total Net Generation of Unit 2" (as such terms are defined in the Operating Agreement) to which the Lessee is (and, after the Lease Termination Date, the Lessor or its transferee will be) entitled under the Operating Agreement to be less than the Undivided Interest Percentage; and (z) the Lessee shall not permit the Operating Agreement to be amended, modified or supplemented in a manner that would have a material adverse effect on the Undivided Interest or the Lessee's ability to comply with the provisions of this Section 8(a).

(b) *Inspection.* Upon not less than five Business Days' notice to the Lessee, the Lessor, the Owner Participant, the Indenture Trustee and the Collateral Trust Trustee and their authorized representatives shall have the right to inspect Unit 2 and the Common Facilities (subject, in each event, to the Operating Agreement, Applicable Law, applicable confidentiality undertakings and procedures established by the Operator) at their expense. Upon not less than five Business Days' notice to the Lessee, the Lessor and the Owner Participant and their respective authorized representatives shall have the right (subject as aforesaid), at their expense, to inspect the books and records of the Lessee relating to Unit 2 and the Common Facilities and to make copies of and extracts therefrom (other than copies of and extracts from engineering or other proprietary data and information), and may, at their expense, discuss the Lessee's affairs, finances and accounts with its executive officers, all at such times and as often as may be reasonably requested. None of the Lessor, the Owner Participant, the Indenture Trustee and the Collateral Trust Trustee shall have any duty whatsoever to make any inspection or inquiry referred to in this Section 8(b) or shall incur any liability or obligation by reason of not making any such inspection or inquiry.

(c) *Modifications.* The Lessee, at its expense (except as provided in Section 8(e)), shall participate in the making of any Modification required by the Operating Agreement or, subject to Section 8(h), by any Applicable Law or Governmental Action. In addition, the Lessee, at its expense (except as provided in Section 8(e)), from time to time may participate in the making of any Modification that the Lessee may deem desirable in the conduct of its business; *provided, however*, that the Lessee shall not have the right to participate in the making of any such optional Modification that will materially diminish the value or utility of Unit 2 or materially reduce its remaining useful life.

(d) *Title to Modifications.* Title to an undivided interest, equal to the Undivided Interest Percentage, in each Modification shall vest as follows:

(i) in the case of each Nonseverable Modification, whether or not the Lessor shall have financed or arranged financing (in whole or in part) of the cost of such undivided interest in such Modification by an Additional Equity Investment or a Supplemental Financing, or both, the Lessor shall, without further act, effective on the date such Modification shall have been incorporated into Unit 2, acquire title to such undivided interest in such Modification;

(ii) in the case of each Severable Modification, if the Lessor shall have financed or arranged financing (in whole) of the Undivided Interest Percentage of the cost of such Modification (by an Additional Equity Investment or a Supplemental Financing, or both), the Lessor shall, without further act, effective on the date such Modification shall have been installed in Unit 2, acquire title to such undivided interest in such Modification; and

(iii) in the case of each Severable Modification, if the Lessor shall not have financed or arranged financing (in whole) of the Undivided Interest Percentage of the cost of such Modification (by an Additional Equity Investment or a Supplemental Financing, or both), the Lessee shall retain title to such undivided interest in such Modification; *provided, however*, that, if such Modification is required by the Operating Agreement or by Applicable Law or Governmental Action, the Lessor shall have the option, exercisable by irrevocable notice to the Lessee given not less than 90 days prior to the Lease Termination Date, to purchase such undivided interest in such Modification on the Lease Termination Date for cash at a price equal to the Fair Market Sales Value thereof, free and clear of all Liens (other than Liens described in clauses (i), (iii), (iv) (to the extent such Taxes are not due and payable), (vi), (vii) (to the extent such Liens are bonded), (viii) through (xiv) and (xvii) of the definition of "Permitted Liens").

Immediately upon title to such undivided interest in any Modification vesting in the Lessor pursuant to subparagraph (i) or subparagraph (ii) of this Section 8(d), such undivided interest in such Modification shall, without further act, become subject to this Lease and be deemed part of the Undivided Interest and of Unit 2 for all purposes hereof.

(e) *Funding of the Costs of Modifications.* The Lessee may request the Owner Participant to finance through the Lessor the Undivided Interest Percentage of the cost of any Nonseverable Modification and of any Severable Modification required by Applicable Law or Governmental Action, including or not including the making of an investment by the Owner Participant (an "*Additional Equity Investment*") and the issuance of one or more Additional Notes, all on terms acceptable to the Lessee and the Owner Participant. The Owner Participant shall consider any such request in good faith but shall not be under any obligation to comply therewith. If the Owner Participant does not, pursuant to the first sentence of this Section 8(e), finance the Undivided Interest Percentage of the cost of such Modification, the Lessee may request the Lessor to issue, and upon such request the Lessor shall execute such documents and instruments, in form and substance satisfactory to the Lessor, as shall have been provided to it by the Lessee, in order to effect the issuance, to one or more Persons (other than the Lessee or any Person affiliated with the Lessee within the meaning of Section 318 of the Code or any agent thereof), of one or more Additional Notes, and shall use the proceeds thereof to pay the Undivided Interest Percentage of the cost of such Modification, subject to fulfillment of the following conditions:

(i) there shall be no more than one Supplemental Financing in any calendar year;

(ii) the Lessee may include in any request for a Supplemental Financing only Modifications not previously financed in any Supplemental Financing;

(iii) the Additional Notes shall have a final maturity date no later than the date on which the Basic Lease Term is scheduled to expire;

(iv) in the opinion of Independent Tax Counsel, such Supplemental Financing shall not affect the status of this Lease as a "true lease" for Federal income tax purposes or cause any other material adverse Federal income tax consequences to the Owner Participant (other than consequences for which the Owner Participant would be indemnified by the Lessee pursuant to the terms of the Tax Indemnification Agreement or of another written undertaking by the Lessee to indemnify the Owner Participant);

(v) appropriate adjustments, if any, to the percentages for Basic Rent, Stipulated Loss Value and Termination Value shall have been agreed to by the Owner Participant and the Lessee in accordance with the adjustment provisions of Sections 3(d) and 3(e) to support the amortization of the Additional Notes issued in respect of such Supplemental Financing and to preserve the Owner Participant's Initial Theoretical Return;

(vi) the Lessee shall have paid to the Lessor an amount equal to all out-of-pocket costs and expenses reasonably incurred by the Lessor and the Owner Participant not financed as a part of such Supplemental Financing or reflected in adjustments to the percentages for Basic Rent;

(vii) the Lessee shall have entered into such agreements and shall have made or delivered such representations, warranties, covenants, provisions and other documents as the Owner Participant shall reasonably request;

(viii) such Supplemental Financing is permitted by the Indenture;

(ix) no Event of Default shall have occurred and be continuing;

(x) such Supplemental Financing is for an amount not less than the Undivided Interest Percentage of \$25,000,000;

(xi) the Additional Notes shall be of Investment Grade Quality;

(xii) the Additional Notes shall not constitute recourse indebtedness to the Owner Participant as defined under then current generally accepted accounting principles for leveraged leases; and

(xiii) such Supplemental Financing shall not require the transaction effected pursuant to this Lease to be classified by the Owner Participant as other than a leveraged lease as defined under then current generally accepted accounting principles for leveraged leases if such classification would have a material adverse effect on the Owner Participant.

If the recording or filing of a supplement to the Indenture shall be required to subject to the lien and security interest of the Indenture any Severable Modification the Undivided Interest Percentage of the cost of which was financed in whole or in part with Additional Notes, then, within 30 days of the installation of such Severable Modification in Unit 2, the Lessee shall prepare and, after the execution and delivery thereof by the Lessor and the Indenture Trustee, record or file such supplement to the Indenture and such other instruments as may be necessary to confirm that title to an undivided interest equal to the Undivided Interest Percentage in such Severable Modification has become subject to the lien and security interest of the Indenture.

(f) *Removal of Property.* Subject to compliance with Applicable Law and so long as no Event of Default shall have occurred and be continuing, the Lessee may remove any Severable Modification and any other property to which the Lessee shall have title as provided in Section 8(d), *provided that*, as soon as practicable after the removal of any Severable Modification referred to in clause (ii) of the definition of such term, the Lessee, at its expense, shall repair any material damage to Unit 2 caused by such removal, and shall restore any material diminishment in the value, utility or useful life of Unit 2 caused by such removal. In addition, if at any time during the Lease Term the Lessee shall conclude that any property included in Unit 2 in respect of which the Lessor shall have title to an undivided interest is unnecessary and can be removed without material diminishment of the value

or utility of Unit 2 or the Undivided Interest or material reduction of the useful life of Unit 2, the Lessee may remove such property and, upon such removal, without further act, title to the Lessor's undivided interest therein shall vest in the Lessee or in such Person as shall be designated by Lessee, free of the lien and security interest of the Indenture. If any Part is removed from Unit 2 for the purpose of replacement thereof with another Part, title to an undivided interest equal to the Undivided Interest Percentage in such removed Part shall remain the property of the Lessor, no matter where such removed Part is located, until such time as the Part constituting a replacement thereof shall have been incorporated into Unit 2, at which time, without further act, title to the Lessor's undivided interest in such removed Part shall vest in the Lessee or in such Person as shall be designated by the Lessee, free of the lien and security interest of the Indenture. Each such replacement Part shall be free and clear of all Liens (except Permitted Liens) and shall be in as good operating condition as, and shall have a value, utility and useful life at least equal to, that of the Part removed, it being assumed for purposes of this sentence that such removed Part was in the condition and state of repair required by Section 8(a).

(g) *Reports.* To the extent permissible under Applicable Law, the Lessee shall prepare (or cause to be prepared) and file in a timely fashion, or, if the Lessor shall be required to file, the Lessee shall prepare or cause to be prepared and deliver to the Lessor within a reasonable time prior to the date for filing, all reports with respect to the Undivided Interest, Unit 2 or the Common Facilities, or the condition or operation thereof, that shall be required to be filed with any Governmental Authority. On or before March 1 of each year (commencing March 1, 1991) and on the Lease Termination Date, the Lessee shall furnish to the Lessor a report stating the total cost of all Modifications and describing separately and in reasonable detail each Modification (or related group of Modifications) made during the period from the date hereof to December 31, 1990, in the case of the first such report, and during the period from the end of the period covered by the last previous report to the December 31 immediately preceding such report, in the case of subsequent reports.

(h) *Contest of Requirements of Law.* If, with respect to any requirement of Applicable Law or any Governmental Action relating to the use, operation or maintenance of Unit 2, the Unit 2 Site or the Common Facilities, (i) the Lessee is contesting diligently and in good faith by appropriate proceedings such requirement or Governmental Action, or (ii) compliance with such requirement or Governmental Action shall have been excused or exempted by a valid nonconforming use permit, waiver, extension or forbearance exempting the Lessee from such requirement or Governmental Action or (iii) the Lessee shall be making a good faith effort and shall be diligently taking appropriate steps to comply with such requirement or Governmental Action, then the failure by the Lessee to comply with such requirement or Governmental Action shall not constitute a Default hereunder provided that such contest or noncompliance does not involve (A) any danger of (1) foreclosure, forfeiture or loss of the Undivided Interest or (2) criminal liability being imposed on the Lessor, the Trust, the Owner Participant, the Indenture Trustee, the Collateral Trust Trustee or any Holder of a Note or (B) any substantial danger of (1) the sale of, or the creation of any Lien (other than a Permitted Lien) on, the Undivided Interest, (2) material civil liability being imposed on the Lessor, the Trust, the Owner Participant, the Indenture Trustee, the Collateral Trust Trustee or any Holder of a Note or (3) the extension of the ultimate imposition of such Applicable Law beyond the last day of the Lease Term. The Lessee shall provide the Lessor with notice of any contest of the type described in clause (i) above in detail sufficient to enable the Lessor to ascertain whether such contest may have any material adverse effect of the type described in the above proviso.

SECTION 9. Event of Loss; Deemed Loss Event.

(a) *Damage or Loss.* If an Event of Loss shall occur, or if any substantial part of Unit 2 shall suffer damage, loss, condemnation, confiscation, theft or seizure that does not constitute an Event of Loss, the Lessee shall promptly, and in any case within 10 days after such event, so notify the Lessor.

(b) *Repair.* If Unit 2 or any part thereof shall suffer damage that does not constitute an Event of Loss, the Lessee shall cause the Operator to make such repairs as are necessary to ensure that Unit 2 is maintained in the condition and state of repair required under Section 8(a).

(c) *Event of Loss; Payment of Stipulated Loss Value.* If an Event of Loss shall occur, the Lessee shall pay to the Lessor the Stipulated Loss Value determined as of the Basic Rent Payment Date next succeeding the occurrence of such Event of Loss (or, if the Event of Loss occurred on a Basic Rent Payment Date, determined as of such date). From the date of the Event of Loss to and including the date of payment of such Stipulated Loss Value, all Rent shall continue to be paid when due. Such Stipulated Loss Value shall be paid on the Basic Rent Payment Date next succeeding the occurrence of the Event of Loss, unless the Event of Loss shall have occurred less than 90 days prior to such Basic Rent Payment Date, in which case such Stipulated Loss Value, together with (1) an amount equal to all accrued and unpaid interest on the Outstanding Notes plus (2) interest at the rate of 1% above the Prime Rate on that portion of such Stipulated Loss Value which exceeds the principal amount of the Notes Outstanding at the date of payment, in each case for a period from and including such Basic Rent Payment Date to but excluding the date of payment, shall be paid not later than the ninetieth day after the date of such occurrence. The Lessee shall pay, simultaneously with such payment of such Stipulated Loss Value and such interest (if any), any and all Rent due through and including the date of such payment, whereupon (a) the Lease Term shall end and the obligations of the Lessee hereunder (other than any obligation expressed herein as surviving termination of this Lease) shall cease as of the date of such payment and (b) the Lessor shall effect a Transfer to the Lessee or as the Lessee shall direct.

(d) *Deemed Loss Event; Payment of Termination Value.* If events giving rise to a Deemed Loss Event shall occur, the party hereto having knowledge thereof shall promptly so notify the other party. Following the occurrence of a Deemed Loss Event, the Lessor may demand, by notice to the Lessee, that the Lessee pay, and, on the date specified in such notice (which date shall be no earlier than the thirtieth day following such notice), the Lessee shall pay to the Lessor the Termination Value determined as of the Basic Rent Payment Date next succeeding the date specified for such payment (or, if the date specified for payment is a Basic Rent Payment Date, determined as of such date). From the date of the Lessor's notice to and including the date of payment of such Termination Value, all Rent shall continue to be paid when due. The Lessee shall pay, simultaneously with such payment of such Termination Value, any and all Rent due through and including the date of such payment, together with an amount equal to the premium, if any, payable with respect to the prepayment of the Notes Outstanding, whereupon (a) the Lease Term shall end and the obligations of Lessee hereunder (other than any obligation expressed herein as surviving termination of this Lease) shall cease as of the date of such payment and (b) Lessor shall effect a Transfer to the Lessee or as the Lessee shall direct.

(e) *Requisition of Use.* In the case of a Requisition of Use not constituting an Event of Loss, this Lease shall continue, and each and every obligation of the Lessee hereunder and under each Transaction Document shall remain, in full force and effect. The Lessee shall be entitled to all sums received by reason of any such Requisition of Use for the period ending on the Lease Termination Date, and the Lessor shall be entitled to all sums received by reason of any such Requisition of Use in respect of the Undivided Interest for the period after the Lease Termination Date.

(f) *Termination of Lease Term.* Upon a Transfer by the Lessor to the Lessee pursuant to Section 9(c) or 9(d) and the payment of the amounts specified in the Indenture, the Notes and this Lease, the Lease Term shall end without further act on the part of the Lessor or the Lessee and all the Lessee's obligations hereunder (other than any obligation expressed herein as surviving termination of this Lease) shall cease. In all other cases set forth in this Section 9, the Lease Term shall continue and this Lease shall remain in full force and effect.

(g) *Application of Payments on an Event of Loss.* Payments received by the Lessor (other than proceeds of insurance carried by the Lessor or the Owner Participant pursuant to Section 10(b)) or the Lessee (other than proceeds of insurance carried by or on behalf of the Lessee pursuant to Section 10(b)) from any Governmental Authority, insurer or other Person as a result of an Event of Loss shall be applied as follows:

(i) all such payments shall be promptly paid to the Lessor for application pursuant to the following provisions of this Section 9(g), except that the Lessee may retain any amounts that

at the time would be payable to the Lessee as reimbursement under the provisions of clause (ii) below;

(ii) so much of such payments (applying any payments from Persons other than Governmental Authorities before any payments from Governmental Authorities) as shall not exceed the amount required to be paid by the Lessee pursuant to Section 9(c) shall be applied in reduction of the Lessee's obligation to pay such amount if the same has not already been paid by the Lessee or, if the same has already been paid by the Lessee, shall be applied to reimburse the Lessee for its payment of such amount;

(iii) the balance, if any, of such payments (other than payments from Governmental Authorities as a result of a Requisition of Use or Requisition of Title) shall be paid over to, or retained by, the Lessee; and

(iv) the balance, if any, of such payments from Governmental Authorities as a result of a Requisition of Use or Requisition of Title shall be paid as follows: (A) to the Lessee, an amount equal to such balance multiplied by a fraction, the numerator of which shall be the number of days remaining in the Basic Lease Term or the then effective Renewal Term as of the date of the occurrence of the Event of Loss and the denominator of which shall be the number of days remaining in the Ground Lease Term as of such date, and (B) to the Lessor, an amount equal to the remainder of such balance.

(h) *Application of Payments Not Relating to an Event of Loss.* Payments received by the Lessor (other than proceeds of insurance carried by the Lessor or the Owner Participant pursuant to Section 10(b)) or by the Lessee (other than proceeds of insurance carried by or on behalf of the Lessee pursuant to Section 10(b)) from any Governmental Authority, insurer or other Person with respect to any event giving rise to payment of an amount referred to in the second sentence of Section 6(c), or with respect to any destruction, damage, loss, condemnation, confiscation, theft, seizure of or requisition of title to Unit 2, the Undivided Interest or any part thereof, in each case not constituting an Event of Loss, shall be applied as follows:

(i) so much of such payments (applying any payments from Persons other than Governmental Authorities before any payments from Governmental Authorities) as shall be necessary to reimburse the Lessee for all amounts expended by it pursuant to Section 9(b) shall be paid over to, or retained by, the Lessee;

(ii) the balance, if any, of such payments (other than payments from Governmental Authorities as a result of a condemnation, seizure or requisition of title to Unit 2, the Undivided Interest or any part thereof) shall be paid over to, or retained by, the Lessee; and

(iii) the balance, if any, of such payments from Governmental Authorities as a result of a condemnation, seizure or requisition of title to Unit 2, the Undivided Interest or any part thereof shall be paid to the Lessor and the Lessee in proportion to the loss suffered by each.

(i) *Application During Event of Default.* Notwithstanding the foregoing provisions of this Section 9, if an Event of Default shall have occurred and be continuing, any amount that would otherwise be payable to or for the account of, or that would otherwise be retained by, the Lessee pursuant to Section 10 or this Section 9 shall be paid to the Lessor as security for the obligations of the Lessee under this Lease and, at such time thereafter as either no Event of Default shall be continuing or (except in the case of an Event of Default specified in Section 15(a), 15(b) or 15(e)) such amount shall have been so retained for a period of 180 days, such amount shall be paid promptly to the Lessee unless the Lessor shall then be precluded by law or court order from pursuing remedies under Section 16, in which event, subject to compliance with Applicable Law, such amount shall be disposed of in accordance with the provisions of this Lease, the Indenture and the Trust Agreement.

1

16

SECTION 10. Insurance.

(a) *Required Insurance.* (i) The Lessee shall carry and maintain, or cause to be carried and maintained, at least the following insurance coverage, in each case with insurers of recognized responsibility:

(A) "all risk" property insurance covering physical loss with respect to Unit 2 in such amounts and with such other terms as are in accordance with general insurance standards prevalent in the utility industry and are comparable to the "all risk" property insurance covering physical loss that is carried with respect to Unit 1 and the other 1300-megawatt coal-fired electric generating units owned and operated by subsidiaries of AEP, endorsed to provide that (1) losses shall be adjusted as provided in Section 10(a)(iii), (2) the Lessor and the Owner Participant (the "*Additional Insureds*") are included as additional insureds, as their interests may appear, but shall not be liable for the payment of premiums, (3) any payment thereunder for loss or damage shall be made to the Indenture Trustee so long as the Indenture is in effect, and otherwise to the Lessor, except that payments of less than \$10,000,000 made in respect of any single casualty or other occurrence with respect to Unit 2 shall be paid solely to the Lessee, (4) the insurer thereunder waives all rights to subrogation against the Additional Insureds with respect to their respective interests in Unit 2, and (5) such insurance shall be primary without right of contribution of any other insurance carried by or on behalf of any Additional Insured with respect to its interest in Unit 2; and

(B) bodily injury and property damage liability insurance (including product liability, completed operations and personal injury insurance) covering claims arising out of the ownership, operation, maintenance, condition or use of Unit 2, the Common Facilities or the Rockport Plant Site in such amounts and with such other terms as are in accordance with Prudent Utility Practice and are comparable to the bodily injury and property damage liability insurance which is carried with respect to Unit 1 and the other 1300-megawatt coal-fired electric generating units owned and operated by subsidiaries of AEP (but the Lessee shall not be obligated to maintain such insurance in an amount greater than \$20,000,000 "single-limit" coverage), endorsed as provided in clauses (2), (3) and (4) of Section 10(a)(i)(A), except that the term "Additional Insureds" wherever it appears shall be deemed to include the Lessor, the Owner Participant and all Indemnitees.

(ii) On or prior to September 1 of each year commencing September 1, 1991, the Lessee shall furnish the Lessor: (A) a report signed by the Operator that includes a copy of the certificate of insurance signed by the insurer (which certificate shall indicate that all endorsements required under Section 10(a) are applicable), describing in detail the insurance then maintained pursuant to this Section 10 and stating that no premiums are then delinquent; and (B) a certificate signed by a Responsible Officer of the Lessee stating that such insurance is in accordance with this Section 10.

(iii) All losses shall be adjusted with the insurance companies and all insurance proceeds shall be collected, including by the filing of appropriate proceedings, by or on behalf of the Lessee, and all insurance proceeds paid in respect of insurance maintained pursuant to Section 10(a) shall be applied as provided in Section 9(g), (h) or (i), as the case may be, *subject, however*, to any priority allocations of such proceeds as set forth in the insurance policies or as required under Applicable Law.

(iv) Provided that such endorsements are reasonably available in the commercial insurance market, the Lessee shall obtain endorsements to the insurance policies carried pursuant to Section 10(a)(i) providing that (x) the respective interests of the Additional Insureds shall not be invalidated by any act or neglect by any Rockport Plant Company, including breach of any warranty contained in such policies, (y) no lapse, cancellation or material change with respect to such policies shall be effective as to an Additional Insured until at least 30 days after receipt by such Additional Insured of written notice thereof and (z) the coverage afforded by such policies shall not be affected by the performance of any work in or about any Modification.

(b) *Other Insurance.* Nothing in this Section 10 shall prohibit the Lessee from maintaining at its expense insurance on or with respect to Unit 2, the Common Facilities or the Rockport Plant Site or with respect to the cost of purchasing replacement power, naming the Lessee as insured and/or

loss payee, unless such insurance would conflict with or otherwise limit the availability of insurance required to be maintained under Section 10(a). Nothing in this Section 10 shall prohibit the Lessor or the Owner Participant from maintaining at its expense other insurance on or with respect to the Undivided Interest, Unit 2, the Unit 2 Site or the operation of Unit 2, naming the Lessor or the Owner Participant as insured and/or loss payee, unless such insurance would conflict with or otherwise limit the insurance required to be maintained under Section 10(a).

SECTION 11. Rights to Assign or Sublease.

(a) *Assignment or Sublease by the Lessee.* Upon 15 days' prior written notice to the Lessor, the Lessee may assign its right, title and interest in and to this Lease or sublease the Undivided Interest and the Unit 2 Site Interest to any Person, *provided* that such assignment or sublease shall be expressly subject and subordinate to this Lease and shall not release AEP Generating Company from any of its obligations as the Lessee hereunder or from any of its obligations under any of the other Transaction Documents.

(b) *Assignment by Lessor as Security for Lessor's Obligations.* To secure the indebtedness evidenced by the Notes, the Lessor will assign to the Indenture Trustee (i) its right, title and interest (excluding any Excepted Rights) in and to this Lease, including the right to receive certain payments of Rent (excluding any Excepted Payments), to the extent provided in the Indenture, and (ii) its right, title and interest in and to the Undivided Interest and the Unit 2 Site Interest. The Lessee hereby (w) consents to such assignment and to the terms of the Indenture, (x) agrees to pay directly to the Indenture Trustee at the Indenture Trustee's Office (until the lien and security interest of the Indenture shall have been discharged) all amounts of Rent (other than Excepted Payments) due or to become due to the Lessor, (y) agrees that the right of the Indenture Trustee to any such payments shall be absolute and unconditional and shall not be affected by any circumstances whatsoever, including, without limitation, those circumstances set forth in Section 4 and (z) agrees that, to the extent provided in the Indenture (until the lien and security interest of the Indenture shall have been discharged), the Indenture Trustee shall have all the rights of the Lessor hereunder (other than Excepted Rights and the right to receive Excepted Payments) and shall be subject to all the obligations of the Lessor hereunder (including, without limitation, the obligations of the Lessor set forth in Section 6(a)) as if the Indenture Trustee had originally been named herein as the Lessor. Following any transfer to, or purchase by, the Lessee of the Undivided Interest, the Undivided Interest shall (unless the Notes shall have been paid in full) remain subject to the lien and security interest of the Indenture and such lien and security interest shall not be impaired in consequence thereof.

SECTION 12. Lease Renewal.

(a) *Fixed Rate Renewal Option.* Subject to the notice requirement set forth in Section 13(a) and to the provisions of Section 13(c), the Lessee shall have the option to renew the term of this Lease at the end of the Basic Lease Term for one period of at least one year as determined by the Lessee and specified in its notice of renewal (the "*Fixed Rate Renewal Term*"), *provided* that (i) the Lessee, at the time of the exercise of this renewal option, shall have furnished an appraisal of an independent appraiser selected by the Lessee and reasonably acceptable to the Owner Participant as to the useful life of Unit 2, which appraisal shall indicate that, at the end of the proposed Fixed Rate Renewal Term, the residual value of the Undivided Interest will be equal to at least 20% of the Lessor's Cost for the Undivided Interest (without taking into account inflation or deflation that has occurred or will have occurred from the Closing Date to the end of the proposed Fixed Rate Renewal Term), and (ii) the proposed Fixed Rate Renewal Term does not extend the Lease Term beyond 80% of the economic useful life of Unit 2 as established by such appraisal. During the Fixed Rate Renewal Term, the Lessee shall pay to the Lessor the Fixed Rate Renewal Basic Rent in semiannual installments in arrears on each Basic Rent Payment Date during such Renewal Term.

(b) *Fair Market Renewal Options.* Subject to the notice requirement set forth in Section 13(a) or 13(b), as the case may be, and to the provisions of Section 13(c), the Lessee shall have the option to renew the term of this Lease at the end of the Basic Lease Term or any Renewal Term, as the

case may be, for a period of three or more years as determined by the Lessee and specified in its notice of renewal (each such period being herein called a "*Fair Market Renewal Term*"), provided that the aggregate of all Fair Market Renewal Terms shall not result in the Lease Term extending beyond the term of the Ground Lease. During each Fair Market Renewal Term, the Lessee shall pay to the Lessor the Fair Market Rental Value of the Undivided Interest in semiannual installments in arrears on each Basic Rent Payment Date during such Renewal Term.

SECTION 13. Notices for Renewal; Determination of Fair Market Value.

(a) *Expiration of Basic Lease Term.* Not later than 18 months prior to the expiration date of the Basic Lease Term, the Lessee shall give to the Lessor notice of its election (i) to return the Undivided Interest to the Lessor pursuant to Section 5 or (ii) to exercise an option to renew this Lease for a Fair Market Renewal Term pursuant to Section 12(b) or (iii) to exercise the option to renew this Lease for the Fixed Rate Renewal Term pursuant to Section 12(a) (in which case such notice shall not be given earlier than 60 months prior to the expiration date of the Basic Lease Term).

(b) *Expiration of Renewal Terms.* Not later than 18 months prior to the expiration date of any Renewal Term, the Lessee shall give to the Lessor notice of its election (i) to return the Undivided Interest to the Lessor pursuant to Section 5 or (ii) to exercise an option to renew this Lease for a Fair Market Renewal Term pursuant to Section 12(b).

(c) *Elections Irrevocable.* Any election made by the Lessee pursuant to Section 13(a) or 13(b) shall be irrevocable by the Lessee, and such election shall be binding on the Lessor unless, on the effective date thereof, an Event of Default shall have occurred and be continuing.

(d) *Determination of Fair Market Value.* If the Lessee shall give to the Lessor notice of its election to renew this Lease pursuant to Section 12(b), then, not later than six months prior to the expiration date of the Basic Lease Term or of the then current Renewal Term, as the case may be, the Lessee and the Lessor shall agree on the Fair Market Rental Value and the Fair Market Sales Value of the Undivided Interest during such Renewal Term. If the Lessee and the Lessor are unable to agree upon such Fair Market Rental Value or Fair Market Sales Value, such Value shall be determined by the Appraisal Procedure.

(e) *Assistance with Disposition.* If the Lessee shall have elected not to renew the term of this Lease at the expiration of the Basic Lease Term or any Renewal Term, then, upon the request and at the expense of the Lessor, the Lessee shall provide reasonable assistance to and cooperate with the Lessor in arranging for the use, lease or other disposition of the Undivided Interest and the Unit 2 Site Interest, and shall cooperate with the Lessor in its efforts to obtain any necessary Governmental Action or consent of any other Person.

SECTION 14. Obsolescence Termination.

(a) *Termination Notices.* If the Lessee shall have determined that Unit 2 is economically obsolete (including, without limitation, by reason of the amount of expenditures required to comply with Section 8) or surplus to the needs of the Lessee, the Lessee shall have the option to terminate this Lease on any Basic Rent Payment Date occurring on or after the tenth anniversary of the Closing Date that is specified by the Lessee (a "*Termination Date*") in a notice to the Lessor (a "*Termination Notice*") given not later than six months prior to the proposed Termination Date and accompanied by a certified resolution of the Board of Directors of the Lessee evidencing such determination, provided that no Event of Default under Section 15(a) or 15(e) shall have occurred and be continuing on the date that the Lessee gives such Termination Notice. If the Lessee shall have given the Lessor a Termination Notice, the Lessee, as agent for the Lessor, shall use its best efforts to obtain cash bids for the purchase of the Undivided Interest. The Lessor also shall have the right to obtain or make such cash bids, either directly or through agents other than the Lessee. The Lessee shall certify to the Lessor the amount and terms of each bid received by the Lessee and the name and address of the Person (who shall not be the Lessee or any Tax Affiliate of the Lessee) that submitted such bid.

(b) *Events on Termination Date.* On the Termination Date the Lessor shall (but only upon receipt of the sale price and all additional payments specified in the next sentence) effect a Transfer for cash to the Person that submitted the highest bid prior to such date. The Sale Proceeds shall be retained by the Lessor (subject, however, to the provisions of the Indenture, including the requirement that on such Termination Date there shall have been paid to the Indenture Trustee an amount sufficient to pay in full the unpaid principal amount of all Notes Outstanding on the Obsolescence Redemption Date and all premium, if any, and interest accrued and unpaid on such Outstanding Notes as of such Termination Date and to accrue on the Outstanding Notes from such date to the Obsolescence Redemption Date) and, in addition, on such Termination Date the Lessee shall pay to the Lessor (or, in the case of Supplemental Rent, to the Person or Persons entitled thereto) (i) an amount equal to the excess, if any, of the Termination Value, determined as of such Termination Date, over the Sale Proceeds, (ii) any Basic Rent due on such Termination Date, (iii) an amount equal to any premium payable on the Outstanding Notes as of the Obsolescence Redemption Date and any interest to accrue on the Outstanding Notes from and including such Termination Date to the Obsolescence Redemption Date, and (iv) all Supplemental Rent (other than Termination Value). If for any reason (other than default by the Lessee) no sale of the Undivided Interest shall occur on or as of the Termination Date, then on such date the Lessee may, but shall not be obligated to, pay to the Lessor the Termination Value as of such date and make the payments referred to in clauses (ii), (iii) and (iv) of the next preceding sentence (whereupon the Lessor shall effect a Transfer to the Lessee), and if the Lessee does not make such payments this Lease shall continue in full force and effect in accordance with its terms (including the terms of this Section 14). Upon payment by the Lessee of all amounts payable by it under this Section 14(b), the Lease Term shall end and all the Lessee's obligations hereunder (other than any obligation expressed herein as surviving termination of this Lease) shall cease. The Lessee hereby represents, warrants and covenants that, if the Lease Term shall end pursuant to the provisions of this Section 14, neither the Lessee nor any then current Tax Affiliate of the Lessee shall thereafter use or operate Unit 2 or any part thereof. The Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action in connection with any such proposed termination of the Lease other than to effect a Transfer to the Person named in the highest bid certified by the Lessee to the Lessor or obtained by the Lessor (or to the Lessee if no sale shall have occurred on or as of the Termination Date but the Lessee shall have made the payments referred to in the third preceding sentence) against receipt of the payments provided for herein.

SECTION 15. Events of Default.

The term "Event of Default", wherever used herein, shall mean any of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary, or come about or be effected by operation of law, or be pursuant to or in compliance with any Applicable Law or Governmental Action), and any such event shall continue to be an Event of Default if and for so long as it shall not have been remedied:

(a) the Lessee shall fail to make, or cause to be made, (i) any payment of Basic Rent, Stipulated Loss Value or Termination Value within seven Business Days after the same shall become due or (ii) any payment of Supplemental Rent (other than Stipulated Loss Value or Termination Value) within 30 days after the same shall become due; or

(b) (i) the Lessee shall fail to perform its agreements set forth in Section 5; or (ii) the Lessee shall fail to carry or maintain any insurance required under Section 10(a)(i), and such failure shall continue until the fifth day before the end of the period during which, under the terms of the applicable policy, the lapse or cancellation of such policy is not effective as to the Lessor and the Owner Participant; or

(c) the Lessee shall fail to perform or observe any covenant or agreement (other than those referred to in clauses (a) and (b) above) to be performed or observed by it under this Lease or any other Transaction Document to which it is a party, and such failure shall continue, after the Lessee shall have been given a notice specifying such failure and requiring it to be remedied, for a period of 30 days (or such longer period, not to exceed 365 days or to extend beyond the

last day of the Lease Term, as may be necessary to remedy any such failure that cannot be remedied within such 30-day period, so long as the Lessee is diligently proceeding to remedy such failure); or

(d) any representation or warranty made by the Lessee in this Lease or in any other Transaction Document (other than the Tax Indemnification Agreement) shall prove to have been incorrect in any material respect when such representation or warranty was made and shall remain material and materially incorrect at the time in question, unless either (i) the incorrectness of such representation or warranty does not materially adversely affect the Lessor, the Owner Participant, the Indenture Trustee, the Collateral Trust Trustee or the Holders of the Notes, or (ii) the fact, circumstance or condition that is the subject of such representation or warranty is made true within 30 days after notice thereof shall have been given by Lessor to Lessee; or

(e) the Lessee or AEP shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking of possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall take any corporate action to authorize any of the foregoing; or an involuntary case or other proceeding shall be commenced against the Lessee or AEP seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed or unstayed for a period of 60 consecutive days; or

(f) the Ground Lease shall not be, or shall cease to be, the legal, valid and binding obligation of the Ground Lessor thereunder; or

(g) the Capital Funds Agreement shall not be, or shall cease to be, in whole or in part, the legal, valid and binding obligation of AEP; or AEP shall fail to supply or to cause to be supplied to the Lessee any amount of capital which AEP shall be obligated to supply to the Lessee pursuant to Section 1.4 of the Capital Funds Agreement.

SECTION 16. Remedies.

(a) *Remedies.* Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing the Lessor at its option may, by notice to the Lessee, declare this Lease to be in default; and at any time thereafter (unless all Events of Default shall have been remedied) the Lessor may, to the extent permitted by Applicable Law, exercise one or more of the following remedies, except as hereinbelow expressly otherwise set forth, as the Lessor in its sole discretion shall elect:

(i) the Lessor may (x) demand that the Lessee, and thereupon the Lessee shall, at the Lessee's expense, return possession of the Undivided Interest promptly to the Lessor in the manner and condition required by, and otherwise in accordance with the provisions of, Section 5, and (y) take all action required to enable the Lessor to, and thereafter, enter upon the Rockport Plant Site and take possession (to the exclusion of the Lessee) of the Undivided Interest, all without liability to the Lessee for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise;

(ii) the Lessor may sell the Undivided Interest or any part thereof, together with any interest of the Lessor under the Bill of Sale, the Ground Lease and the Unit 2 Operating Agreement, at public or private sale, as the Lessor may determine, free and clear of any rights of the Lessee therein and without any duty to account to the Lessee with respect to such sale or for the proceeds thereof (except to the extent required by clause (iv) or (v) below if the Lessor shall elect to exercise its rights thereunder), in which event the Lessee's obligation to pay Basic Rent with respect to

the Undivided Interest or the part thereof that has been sold, as the case may be, for periods commencing after the date of such sale shall terminate (except to the extent that Basic Rent is to be included in computations under clause (iv) or (v) below if the Lessor shall elect to exercise its rights thereunder);

(iii) the Lessor may hold, keep idle or lease to others the Undivided Interest or any part thereof, as the Lessor in its discretion may determine, free and clear of any rights of the Lessee therein and without any duty to account to the Lessee with respect to such action or inaction or any proceeds with respect thereto, except that the Lessee's obligation to pay Basic Rent for periods commencing after the Lessee shall have been deprived of use of the Undivided Interest pursuant to this clause (iii) shall be reduced by an amount equal to the net proceeds, if any, received by the Lessor from leasing the Undivided Interest to any Person other than the Lessee for the same periods or any portion thereof;

(iv) the Lessor may, whether or not the Lessor shall have exercised or shall thereafter at any time exercise its rights under clause (i), (ii) or (iii) above, by notice to the Lessee specifying a payment date (which shall be a Basic Rent Payment Date not earlier than 30 days nor later than 180 days after the date of such notice), demand that the Lessee pay to the Lessor, and the Lessee shall pay to the Lessor, on the Basic Rent Payment Date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent due after the Basic Rent Payment Date specified in such notice), any unpaid Rent due as of the Basic Rent Payment Date specified in such notice plus whichever of the following amounts the Lessor, in its sole discretion, shall specify in such notice (together with interest on such amount at the interest rate specified in Section 3(b)(iii) from the Basic Rent Payment Date specified in such notice to the date of actual payment):

(A) an amount equal to the excess, if any, of (1) Stipulated Loss Value, computed as of the Basic Rent Payment Date specified in such notice, over (2) the Fair Market Rental Value of the Undivided Interest (determined on the basis of the then actual condition of Unit 2) for the remainder of the Lease Term after discounting such Fair Market Rental Value semiannually to present value as of the Basic Rent Payment Date specified in such notice at the Discount Rate; or

(B) an amount equal to the excess, if any, of (1) such Stipulated Loss Value over (2) the Fair Market Sales Value of the Undivided Interest (determined on the basis of the then actual condition of Unit 2) as of the Basic Rent Payment Date specified in such notice; or

(C) an amount equal to the excess, if any, of (1) the present value as of the Basic Rent Payment Date specified in such notice of all installments of Basic Rent until the end of the Basic Lease Term or the then current Renewal Term, as the case may be, discounted semiannually at the Discount Rate, over (2) the present value as of such Basic Rent Payment Date of the Fair Market Rental Value of the Undivided Interest (determined on the basis of the then actual condition of Unit 2) until the end of the Basic Lease Term or such Renewal Term, as the case may be, discounted semiannually at the Discount Rate; or

(D) an amount equal to the higher of such Stipulated Loss Value or the Fair Market Sales Value of the Undivided Interest as of the Basic Rent Payment Date specified in such notice and, in this event, upon payment by the Lessee of all amounts payable by it hereunder and under the other Transaction Documents, the Lessor shall effect a Transfer to the Lessee and the Lease Term shall end and all the Lessee's obligations hereunder shall cease;

(v) if the Lessor shall have sold all the Undivided Interest pursuant to clause (ii) above, the Lessor, if it shall so elect in lieu of exercising its rights under clause (iv) above with respect to the Undivided Interest, by notice to the Lessee may demand that the Lessee pay to the Lessor, and the Lessee shall pay to the Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty (in lieu of Basic Rent due for periods commencing after the next Basic Rent Payment Date following the date of such sale), any unpaid Rent due as of the next Basic Rent Payment Date following the date of such sale, plus the amount of any deficiency

between the Sale Proceeds and Stipulated Loss Value, computed as of such Basic Rent Payment Date, together with interest at the interest rate specified in Section 3(b)(iii) on the amount of such Rent and such deficiency from the date of such sale until the date of actual payment; or

(vi) the Lessor may rescind or terminate this Lease or may exercise any other right or remedy that may be available to it under Applicable Law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof.

(b) *No Release.* Except as provided in Section 16(a), no rescission or termination of this Lease, in whole or in part, or repossession of the Undivided Interest or exercise of any remedy under Section 16(a) shall relieve the Lessee of any of its obligations under this Lease. In addition, except as aforesaid, the Lessee shall be liable for any and all unpaid Rent due hereunder before, after or during the exercise of any of the foregoing remedies, including all reasonable legal fees and other costs and expenses incurred by the Lessor by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto. At any sale of the Undivided Interest or any part thereof pursuant to this Section 16, the Owner Participant, the Lessor or the Indenture Trustee may bid for and purchase such property.

(c) *Remedies Cumulative.* Except as expressly set forth therein, no remedy under Section 16(a) is intended to be exclusive, but each shall be cumulative and in addition to any other remedy provided thereunder or otherwise available to the Lessor at law or in equity. No express or implied waiver by the Lessor of any Default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent Default or Event of Default. The failure or delay of the Lessor in exercising any right granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingency or similar contingencies and any single or partial exercise of any particular right by the Lessor shall not exhaust the same or constitute a waiver of any other right provided herein. To the extent permitted by Applicable Law, the Lessee hereby waives any rights now or hereafter conferred by statute or otherwise that may require the Lessor to sell, lease or otherwise use the Undivided Interest in mitigation of the Lessor's damages as set forth in paragraph (a) of this Section 16 or that may otherwise limit or modify any of the Lessor's rights and remedies provided in this Section 16.

(d) *Allocation of Basic Rent.* If for the purpose of Section 16(a)(ii) it shall become necessary to allocate a portion of the Basic Rent payable hereunder to any part of the Undivided Interest, such allocation shall be in the same proportion as the original cost of such part bears to Lessor's Cost.

SECTION 17. Notices. All communications, declarations, demands and notices provided for in this Lease shall be in writing and shall be given in person or by means of telex, telecopy, or other wire transmission, or mailed by registered or certified mail, or sent by courier, addressed as provided in the Participation Agreement. All such communications, declarations, demands and notices given in such manner shall be effective on the date of receipt.

SECTION 18. Successors and Assigns. This Lease, including all agreements, covenants, indemnities, representations and warranties contained herein, shall be binding upon and inure to the benefit of the Lessor and the Lessee and their respective successors and permitted assigns.

SECTION 19. Right to Perform for Lessee. If an Event of Default shall have occurred and be continuing, the Owner Participant or the Lessor may, but shall not be obligated to, to the extent not prohibited by Applicable Law, itself make any such payment or perform or comply with any such agreement as the Lessee shall be obligated to pay, perform or comply with under this Lease, and the amount of such payment and the amount of the reasonable expenses of the Owner Participant or the Lessor incurred in connection with such payment or the performance or compliance with such agreement, as the case may be, together with interest thereon at the Penalty Rate, shall be deemed

Supplemental Rent, payable by the Lessee upon demand. The Owner Participant or the Lessor shall give the Lessee at least 10 Business Days' notice before taking any action in accordance with the preceding sentence, provided that the failure to give such notice shall have no effect upon any of the rights of the Owner Participant or the Lessor thereunder.

SECTION 20. Additional Covenants. The Lessee agrees to pay as Supplemental Rent all amounts payable by it under the provisions of Article VII of the Participation Agreement and under the provisions of the Tax Indemnification Agreement, which provisions are incorporated herein by this reference as fully as if set forth in full at this place. The Lessee agrees to comply with its covenants and agreements set forth in Section 6.01 of the Participation Agreement and Section 7 of the Ground Lease, which covenants and agreements are incorporated herein by this reference as fully as if set forth in full at this place. The Lessee further agrees, during the Lease Term, to perform all covenants and obligations imposed by the Ground Lease upon the Ground Lessee directly for the benefit of the Lessor.

SECTION 21. Amendments and Miscellaneous.

(a) *Amendments in Writing.* The provisions of this Lease may not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Lessor and the Lessee. It is understood and agreed by the parties hereto that any waiver, alteration, modification, amendment, supplement or termination of this Lease that requires the consent of the Indenture Trustee or the Holders of all the Notes (in each case as provided in Section 10.02 of the Indenture) shall not be effective unless and until such consent shall have been obtained as provided in accordance with the provisions of said Section 10.02.

(b) *Survival.* (i) All indemnities, representations and warranties contained or incorporated by reference in this Lease shall survive, and shall continue in effect following, the execution and delivery of this Lease and the expiration or termination of this Lease.

(ii) The obligations of the Lessee to pay Supplemental Rent and the obligations of the Lessee under Sections 5, 13(e), 16, 19 and 20 shall survive the expiration or termination of this Lease; *provided, however,* that, after the expiration or termination of this Lease, the Lessor shall not have any right or be entitled to any remedy in respect of the Lessee's failure to perform its obligations under Section 13(e), 19 or 20 except the right to institute an action seeking specific performance and/or recovery of actual damages. The extension of any applicable statute of limitations by the Lessor, the Indenture Trustee, the Lessee, the Owner Participant, any Holder of a Note or any Indemnitee shall not affect such survival. The obligations of the Lessee under Section 20 are expressly made for the benefit of, and shall be enforceable by, the Indemnitees, separately or together, without declaring this Lease to be in default and notwithstanding any assignment by the Lessor of this Lease or any of its rights thereunder or any disposition of all or any part of any interest in the Undivided Interest or any other property referred to in this Lease or any other Transaction Document or Financing Document. All payments required to be made pursuant to Section 20 shall be made directly to, or as otherwise requested by, the Indemnitee entitled thereto upon written demand by such Indemnitee.

(iii) The obligations of the Lessor under Sections 6(a), 9 and 13(e) shall survive the expiration of this Lease.

(c) *Severability of Provisions.* Any provision of this Lease that may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by Applicable Law, the Lessee hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

(d) *True Lease.* This Lease is intended as, and shall constitute, an agreement of lease, and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Undivided Interest except as a lessee.

(e) *Original Lease.* The single executed original of this Lease marked "THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART" on the front cover and containing the receipt of the Indenture Trustee therefor on or following the signature page thereof shall be the "Original Executed Counterpart" of this Lease. To the extent that this Lease constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Lease may be created through the transfer or possession of any counterpart other than the "Original Executed Counterpart".

(f) *GOVERNING LAW.* THIS LEASE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, EXCEPT AS TO MATTERS RELATING TO THE CREATION OF THE LEASEHOLD AND SUBLEASEHOLD ESTATES HEREUNDER AND THE EXERCISE OF RIGHTS AND REMEDIES WITH RESPECT TO SUCH LEASEHOLD AND SUBLEASEHOLD ESTATES, WHICH SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF INDIANA.

(g) *Headings.* The division of this Lease into sections, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Lease.

(h) *Concerning the Owner Trustee.* Wilmington Trust Company is entering into this Lease solely as Owner Trustee under the Trust Agreement and not in its individual capacity. Accordingly, each of the representations, warranties, undertakings and agreements herein made on the part of the Owner Trustee as Lessor is made and intended not as a personal representation, warranty, undertaking or agreement by or for the purpose or with the intention of binding Wilmington Trust Company personally, but is made and intended for the purpose of binding only the Trust Estate; this Lease is executed and delivered by the Owner Trustee solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or responsibility is assumed hereunder by or shall at any time be enforceable against Wilmington Trust Company or any successor in trust on account of any action taken or omitted to be taken or any representation, warranty, undertaking or agreement hereunder of the Owner Trustee, either expressed or implied, all such personal liability, if any, being expressly waived by the Lessee, except that the Lessee or any Person acting by, through or under it, making a claim hereunder, may look to the Trust Estate for satisfaction of the same and Wilmington Trust Company or its successor in trust, as applicable, shall be personally liable for its own gross negligence or willful misconduct in the performance of its duties as Owner Trustee or otherwise. If a successor owner trustee is appointed in accordance with the terms of the Trust Agreement, such successor owner trustee, without any further act, shall succeed to all the rights, duties, immunities and obligations of the Owner Trustee hereunder and the predecessor owner trustee shall be released from all further duties and obligations hereunder.

(i) *Lien of the Indenture.* The Lessee hereby agrees that, except as provided in Section 8(f), any property subject to the lien and security interest of the Indenture that is to be transferred hereunder shall be transferred subject to such lien and security interest, as more fully described in Section 11(b).

(j) *Counterpart Execution.* This Lease may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument. Although this Lease is dated as of the date first above written for convenience, the actual date of execution hereof by the parties hereto is the Closing Date, and this Lease shall be effective on, and shall not be binding on any party hereto until, the Closing Date.

(k) *Waiver of Valuation and Appraisal Laws.* All amounts now or hereafter owed under this Lease shall be payable without relief from valuation and appraisal laws.


1

25

IN WITNESS WHEREOF, each of the parties hereto has caused this Lease to be duly executed in New York, New York, by an officer thereunto duly authorized as of the date and year first above written.

WILMINGTON TRUST COMPANY, not in its individual capacity but solely as Owner Trustee, as Lessor


[CORPORATE SEAL]

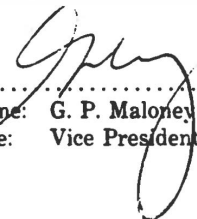
Attest: 
Name: Jeffrey D. Cross
Title: Vice President

By: 
Name: James P. Lawler
Title: Financial Services Officer

AEP GENERATING COMPANY, as Lessee

[CORPORATE SEAL]

Attest: 
Name: Jeffrey D. Cross
Title: Assistant Secretary

By: 
Name: G. P. Maloney
Title: Vice President

The address of the within named Lessor is:

Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19890
Attn: Corporate Trust Administration

The address of the within named Lessee is:

AEP Generating Company
c/o American Electric Power Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215
Attn: Chief Financial Officer

26

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On this, the 5th day of December, 1989, before me, a Notary Public in and for said County and State, personally appeared *James P. Lawler* and *Norma P. Closs*, the *Fin. Svcs. Officer* and *V.P.* of WILMINGTON TRUST COMPANY, who acknowledged themselves to be duly authorized officers of WILMINGTON TRUST COMPANY, and that, as such officers, being authorized to do so, they executed the foregoing instrument for the purposes therein contained by signing and attesting the name of WILMINGTON TRUST COMPANY.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above-mentioned.

CAROL MOSER
NOTARY PUBLIC, State of New York
No. 31-4954131
Qualified in New York County
Certificate Filed in New York County
Commission Expires August 7, 1991

..... *Carol Moser*
Name:
Notary Public
My Commission Expires: *8/7/91*
Residing in *NY* County,

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On this, the 5th day of December, 1989, before me, a Notary Public in and for said County and State, personally appeared G. P. Maloney and Jeffrey D. Cross, the Vice President and Assistant Secretary of AEP GENERATING COMPANY, who acknowledged themselves to be duly authorized officers of AEP GENERATING COMPANY, and that, as such officers, being authorized to do so, they executed the foregoing instrument for the purposes therein contained by signing and attesting the name of AEP GENERATING COMPANY.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above-mentioned.

CAROL MOSER
NOTARY PUBLIC, State of New York
No. 31-4954131
Qualified in New York County
Certificate Filed in New York County
Commission Expires August 7, 1991

..... *Carol Moser*
Name:
Notary Public
My Commission Expires: *8/7/91*
Residing in *NY* County,

27

This Instrument was prepared by Jeffrey D. Cross, American Electric Power Service Corporation, 1 Riverside Plaza, Columbus, Ohio 43215.

**Schedule 1 to
 Lease [PMCC]**

BASIC RENT PERCENTAGES

<u>Basic Rent Payment Date Occurring In</u>	<u>Basic Rent Percentage</u>	<u>Basic Rent Payment Date Occurring In</u>	<u>Basic Rent Percentage</u>
June 1990	4.3944717%	December 2006	4.3944717%
December 1990	4.3944717	June 2007	4.3944717
June 1991	4.3944717	December 2007	4.3944717
December 1991	4.3944717	June 2008	4.3944717
June 1992	4.3944717	December 2008	4.3944717
December 1992	4.3944717	June 2009	4.3944717
June 1993	4.3944717	December 2009	4.3944717
December 1993	4.3944717	June 2010	4.3944717
June 1994	4.3944717	December 2010	4.3944717
December 1994	4.3944717	June 2011	4.3944717
June 1995	4.3944717	December 2011	4.3944717
December 1995	4.3944717	June 2012	4.3944717
June 1996	4.3944717	December 2012	4.3944717
December 1996	4.3944717	June 2013	4.3944717
June 1997	4.3944717	December 2013	4.3944717
December 1997	4.3944717	June 2014	4.3944717
June 1998	4.3944717	December 2014	4.3944717
December 1998	4.3944717	June 2015	4.3944717
June 1999	4.3944717	December 2015	4.3944717
December 1999	4.3944717	June 2016	4.3944717
June 2000	4.3944717	December 2016	4.3944717
December 2000	4.3944717	June 2017	4.3944717
June 2001	4.3944717	December 2017	4.3944717
December 2001	4.3944717	June 2018	4.3944717
June 2002	4.3944717	December 2018	4.3944717
December 2002	4.3944717	June 2019	4.3944717
June 2003	4.3944717	December 2019	4.3944717
December 2003	4.3944717	June 2020	4.3944717
June 2004	4.3944717	December 2020	4.3944717
December 2004	4.3944717	June 2021	4.3944717
June 2005	4.3944717	December 2021	4.3944717
December 2005	4.3944717	June 2022	4.3944717
June 2006	4.3944717	December 2022	4.3944717

**Schedule 2 to
 Lease [PMCC]**

STIPULATED LOSS VALUE PERCENTAGES

<u>Basic Rent Payment Date Occurring In</u>	<u>Stipulated Loss Value Percentage</u>	<u>Basic Rent Payment Date Occurring In</u>	<u>Stipulated Loss Value Percentage</u>
June 1990	102.93888101%	December 2006	93.61873028%
December 1990	103.66722351	June 2007	92.34917536
June 1991	104.32895998	December 2007	91.01105324
December 1991	104.92149319	June 2008	89.61485606
June 1992	105.45201801	December 2008	88.17668990
December 1992	105.91912126	June 2009	86.69561244
June 1993	106.32929824	December 2009	85.16626207
December 1993	106.68235090	June 2010	83.58774582
June 1994	106.98180746	December 2010	81.95775608
December 1994	107.22010014	June 2011	80.27533836
June 1995	107.39036188	December 2011	78.53809553
December 1995	107.51022165	June 2012	76.74501359
June 1996	107.57752980	December 2012	74.89353775
December 1996	107.58589642	June 2013	72.98259066
June 1997	107.53778865	December 2013	71.00944960
December 1997	107.42681815	June 2014	68.97297280
June 1998	107.25519565	December 2014	66.87026309
December 1998	107.01654002	June 2015	64.70482029
June 1999	106.71278610	December 2015	62.48998083
December 1999	106.33756661	June 2016	60.21392595
June 2000	105.89271753	December 2016	57.88211276
December 2000	105.37264033	June 2017	55.48748503
June 2001	104.77860930	December 2017	53.03626036
December 2001	104.10442410	June 2018	50.52085936
June 2002	103.35102630	December 2018	47.94835494
December 2002	102.51226035	June 2019	45.31060851
June 2003	101.58870234	December 2019	42.61565423
December 2003	100.57515652	June 2020	39.85475607
June 2004	99.50977714	December 2020	37.03702783
December 2004	98.39298750	June 2021	34.15304238
June 2005	97.24307194	December 2021	31.21292493
December 2005	96.06524814	June 2022	28.17222028
June 2006	94.85615234	December 2022	25.00000000

**Schedule 3 to
 Lease [PMCC]**

TERMINATION VALUE PERCENTAGES

<u>Basic Rent Payment Date Occurring In</u>	<u>Termination Value Percentage</u>	<u>Basic Rent Payment Date Occurring In</u>	<u>Termination Value Percentage</u>
June 1990	102.93888101%	December 2006	93.61873028%
December 1990	103.66722351	June 2007	92.34917536
June 1991	104.32895998	December 2007	91.01105324
December 1991	104.92149319	June 2008	89.61485606
June 1992	105.45201801	December 2008	88.17668990
December 1992	105.91912126	June 2009	86.69561244
June 1993	106.32929824	December 2009	85.16626207
December 1993	106.68235090	June 2010	83.58774582
June 1994	106.98180746	December 2010	81.95775608
December 1994	107.22010014	June 2011	80.27533836
June 1995	107.39036188	December 2011	78.53809553
December 1995	107.51022165	June 2012	76.74501359
June 1996	107.57752980	December 2012	74.89353775
December 1996	107.58589642	June 2013	72.98259066
June 1997	107.53778865	December 2013	71.00944960
December 1997	107.42681815	June 2014	68.97297280
June 1998	107.25519565	December 2014	66.87026309
December 1998	107.01654002	June 2015	64.70482029
June 1999	106.71278610	December 2015	62.48998083
December 1999	106.33756661	June 2016	60.21392595
June 2000	105.89271753	December 2016	57.88211276
December 2000	105.37264033	June 2017	55.48748503
June 2001	104.77860930	December 2017	53.03626036
December 2001	104.10442410	June 2018	50.52085936
June 2002	103.35102630	December 2018	47.94835494
December 2002	102.51226035	June 2019	45.31060851
June 2003	101.58870234	December 2019	42.61565423
December 2003	100.57515652	June 2020	39.85475607
June 2004	99.50977714	December 2020	37.03702783
December 2004	98.39298750	June 2021	34.15304238
June 2005	97.24307194	December 2021	31.21292493
December 2005	96.06524814	June 2022	28.17222028
June 2006	94.85615234	December 2022	25.00000000

**Appendix A
[PMCC/AEGCO]**

DEFINITIONS

"Additional Bonds" shall mean Bonds in addition to the initial series of Bonds.

"Additional Equity Investment" shall have the meaning specified in Section 8(e) of the Lease.

"Additional Insureds" shall mean the Lessor and the Owner Participant and, where applicable, the Indemnitees.

"Additional Notes" shall have the meaning set forth in the recitations in the Indenture, which Additional Notes shall be issued, if at all, pursuant to Section 3.05 of the Indenture.

"Adjoining Premises" shall have the meaning set forth in the Ground Lease.

"Adjusted Theoretical Return" shall mean Initial Theoretical Return, increased or decreased to reflect changes in applicable Federal income tax rates not taken into account in an adjustment to Basic Rent made pursuant to Section 3(d) of the Lease; *provided, however*, that in determining the amount of any increase or decrease required to preserve the Owner Participant's Adjusted Theoretical Return, it is intended that the Owner Participant's net after-tax yield and net after-tax cash flow (preserving its originally expected aggregate book earnings over the five-year period next succeeding the date of determination) shall each be maintained (or, where one such component must be enhanced in order to preserve the other component, enhanced).

"Administrative Agent" shall have the meaning specified in the Participation Agreement Supplement.

"AEGCO" shall mean AEP Generating Company, an Ohio corporation, and its successors and assigns.

"AEP" shall mean American Electric Power Company, Inc., a New York corporation, and its successors and assigns.

"Affiliate", with respect to any Person, shall mean any other Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"After-Tax Basis" shall mean (i) with respect to any payment to be received by any Indemnitee, the amount of such payment supplemented by a further payment or payments so that, after deducting from such payments the amount of all Taxes (net of any current credits or deductions or other Tax benefits arising therefrom) imposed by any Governmental Authority with respect to such payments (whether or not such Taxes are payable or such Tax benefits are received in the year of receipt or accrual), the sum of such payments shall be equal to the original payment to be received, and (ii) with respect to any payment to be made by any Indemnitee, the amount of such payment supplemented by a further payment or payments so that, after increasing such payment by the amount of any credits or other Tax benefits realized under the laws of any Governmental Authority (whether or not such credits or benefits are received in the year of payment) resulting from the making of such payment, the sum of such payments (net of such credits or benefits) shall be equal to the original payment to be made. In the case of the Owner Participant, for the purposes of the preceding sentence, it shall be assumed that Federal income taxes and state and local income taxes are payable by the Owner Participant at the highest marginal rates applicable to corporations in effect from time to time and,

in the case of the Owner Participant's state and local income taxes, such taxes will be computed on the basis that all items of income, gain, loss and deduction are apportioned 85% to New York, 15% to Virginia and 0% to all other states.

"Agent" shall have the meaning specified in the Participation Agreement Supplement.

"Applicable Law" shall mean all applicable laws, statutes, treaties, rules, codes, ordinances, regulations, permits, certificates, orders, interpretations, licenses and permits of any Governmental Authority and judgments, decrees, injunctions, writs, orders or like action of any court, arbitrator or other administrative, judicial or quasi-judicial tribunal or agency of competent jurisdiction (including those pertaining to health, safety or the environment).

"Appraisal" shall mean the written appraisal delivered by the Appraiser pursuant to Section 3.01(dd) of the Participation Agreement.

"Appraisal Procedure" shall mean a procedure whereby two independent appraisers, one appointed by the Lessor and one by the Lessee, shall agree upon the value, period, amount or determination then the subject of an appraisal. If either the Lessor or the Lessee shall determine that a value, period, amount or determination to be determined under the Lease or any other Transaction Document cannot timely be established by agreement, such party shall appoint its appraiser and give notice thereof to the other party, which shall appoint its appraiser within 30 days thereafter. If such other party does not appoint its appraiser within such thirty-day period, the determination of the first appraiser made within 60 days thereafter shall be conclusive and binding on the Lessor and the Lessee. If within 60 days after appointment of the second of the two appraisers, such appraisers are unable to agree upon the value, period, amount or determination in question, they jointly shall appoint a third appraiser within 10 days thereafter, or, if they do not do so, either the Lessor or the Lessee may request the American Arbitration Association, or any organization successor thereto, to appoint the third appraiser from a panel of arbitrators knowledgeable on the subject of coal-fired electric generating plants and the equipment used or operated in connection therewith. The decision of the third appraiser shall be given within 60 days after his appointment. If three appraisers shall be so appointed, the average of all three determinations shall be conclusive and binding on the Lessor and the Lessee unless the determination of one appraiser is disparate from the middle determination by more than twice the amount by which the third determination is disparate from the middle determination, in which case the determination of the most disparate appraiser shall be excluded and the average of the remaining two determinations shall be conclusive and binding on the Lessor and the Lessee. The obligation to pay the fees and expenses of appraisers incurred in connection with any Appraisal Procedure relating to any transaction contemplated by any provision of the Lease or any other Transaction Document shall be divided equally between the Lessor and the Lessee (except the obligation to pay such fees and expenses in connection with an Appraisal Procedure pursuant to Section 16 of the Lease, which shall be solely that of the Lessee, and except the obligation to pay such fees and expenses in connection with an Appraisal Procedure pursuant to subsection 2.3(a) of the Ground Lease, which shall be solely that of the Ground Lessee).

For purposes of the Ground Lease, the foregoing definition shall be modified by substituting "Ground Lessee" for "Lessor" and "Ground Lessor" for "Lessee".

"Appraiser" shall mean R.W. Beck and Associates.

"Assigned Payments" shall have the meaning specified in clause (2) of the first sentence of Section 2.01 of the Indenture.

"Assumptions" shall mean the Pricing Assumptions and the Tax Assumptions.

"Authorized Officer" shall mean, with respect to the Indenture Trustee, any officer in the Corporate Trust Administration Department of the Indenture Trustee who shall be duly authorized

by appropriate corporate action to authenticate a Note or to execute any Transaction Document, and shall mean, with respect to the Owner Trustee, any officer of the Owner Trustee who shall be duly authorized by appropriate corporate action to execute any Transaction Document.

"Bankruptcy Code" shall mean the Bankruptcy Reform Act of 1978, as amended and as the same may be further amended, and any other Applicable Law with respect to bankruptcy, insolvency or reorganization that is successor thereto.

"Basic Lease Term" shall mean the period commencing on the Closing Date and ending on the date which is the 33rd anniversary of the Closing Date (or such shorter period as may result from earlier termination of the Lease as provided therein).

"Basic Rent" shall have the meaning set forth in Section 3(a) of the Lease.

"Basic Rent Payment Dates" shall mean and include the date which is six months and the date which is twelve months after the Closing Date and each anniversary of each such date during the Lease Term.

"Bill of Sale" shall mean the Bill of Sale, Warranty Deed, Instrument of Transfer and Severance Agreement (AEGCO Trust 1) dated the Closing Date, between the Lessee and the Owner Trustee, substantially in the form of Exhibit G to the Participation Agreement.

"Bonds" shall mean all bonds, notes and other evidences of indebtedness from time to time issued and outstanding under the Collateral Trust Indenture.

"Business Day" shall mean any day other than a Saturday or Sunday or other day on which banks in New York, New York, Columbus, Ohio, or the city in which the Indenture Trustee's Office is located are authorized or required to be closed.

"Capital Funds Agreement" shall mean the Capital Funds Agreement dated as of December 30, 1988, between AEP and AEGCO, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of the Participation Agreement.

"Change in Tax Law" shall mean any amendment to the Code that shall be enacted into law and become effective (including any technical correction to any such effective amendment that subsequently shall be enacted into law) or any change in the Income Tax Regulations (including any proposed or temporary Regulations) or any other administrative interpretation of the Code that shall be adopted or promulgated, as the case may be, subsequent to the Contract Date and on or prior to the Closing Date, that causes the Owner Participant to experience tax consequences more or less favorable than those assumed in Section 2 of the Tax Indemnification Agreement.

"Chief Financial Officer" shall mean the chief financial officer of the Lessee.

"Closing" shall mean the proceedings that occur on the Closing Date, as contemplated by the Participation Agreement.

"Closing Date" shall mean the date, not later than December 31, 1989, set forth in the Notice of Closing.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, or any comparable successor Federal statute.

"Collateral Trust Indenture" shall mean the Collateral Trust Indenture dated as of December 1, 1989, between Funding Corporation and the Collateral Trust Trustee, substantially in the form of Exhibit I to the Participation Agreement, as supplemented by the First Supplemental Indenture to the Collateral Trust Indenture dated as of December 1, 1989, substantially in the form of Exhibit J

to the Participation Agreement, and as the same may be amended, modified or further supplemented from time to time in accordance with the provisions thereof and of the other Transaction Documents.

"Collateral Trust Indenture Supplement" shall mean a supplement to the Collateral Trust Indenture.

"Collateral Trust Trustee" shall mean The Connecticut National Bank as trustee under the Collateral Trust Indenture, and each successor trustee thereunder.

"Collateral Trust Trustee's Counsel" shall mean Shipman & Goodwin, or such other counsel as shall be selected by the Collateral Trust Trustee.

"Common Facilities" shall have the meaning set forth in the Ground Lease.

"Contract Date" shall mean the date on which the Participation Agreement is executed and delivered by the parties thereto.

"Deemed Loss Event" shall mean the following event (unless and until waived in writing by the Owner Participant): If, at any time from and including the Closing Date and before the Lease Termination Date, the Lessor or the Owner Participant, solely by reason of the acquisition or ownership of the Undivided Interest or any part thereof by the Lessor (or the beneficial interest therein by the Owner Participant) or the lease of the Undivided Interest to the Lessee or any of the other transactions contemplated by the Transaction Documents, shall be deemed by any Governmental Authority having jurisdiction to be, or shall become subject to regulation (other than Nonburdensome Regulation) as, an electric utility, a public utility or a holding company of an electric utility or public utility under any Applicable Law (other than the Holding Company Act so long as by virtue of Rule 7D the Lessor or the Owner Participant is not deemed to be a utility thereunder), or as a consequence of any Governmental Action, and the effect thereof on the Lessor or the Owner Participant or any Affiliate which controls the Lessor or the Owner Participant would be, in the sole judgment of the Owner Participant, acting on the advice of counsel, adverse; *provided, however*, that, if the Lessee is contesting diligently and in good faith any Governmental Action that would otherwise constitute a Deemed Loss Event, such Deemed Loss Event shall be deemed not to have occurred so long as (i) such contest does not involve any danger of the foreclosure, forfeiture or loss, or the creation of any Lien (other than a Permitted Lien) on, the Undivided Interest or any part thereof or interest therein or any substantial danger of the sale of the Undivided Interest or any part thereof or interest therein, (ii) the Lessee shall have furnished to the Owner Participant an opinion of independent counsel satisfactory to the Owner Participant to the effect that (a) there exists a reasonable basis for contesting such determination or (b) in the case of any action arising from or related to the Lessor or the Owner Participant under the Holding Company Act, it is more likely than not that the Lessee will contest such determination successfully, without the need for any appeal, (iii) such determination shall be effectively stayed or withdrawn during such contest (and shall not be subject to retroactive application at the conclusion of such contest) in a manner satisfactory to the Owner Participant, and the Owner Participant shall have determined in its sole judgment that such contest and the Lessor's continued ownership of the Undivided Interest during the pendency of such contest will not adversely affect its business or the business of any of its Affiliates, and (iv) the Lessee shall have indemnified the Lessor and the Owner Participant in a manner satisfactory to the Owner Participant for any liability or loss that they may incur as a result of such determination and contest.

"Default" shall mean an event or condition that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

"Directive" shall mean an instrument in writing executed in accordance with the terms and provisions of the Indenture by the Holders, or their duly authorized agents or attorneys-in-fact, representing a Majority in Interest of Holders of Notes, directing the Indenture Trustee to take or refrain from taking the action specified in such instrument or otherwise advising the Indenture Trustee; *provided, however*, that each Holder of Notes then Outstanding, or its duly authorized agent or attorney-in-fact, shall be entitled to direct the Indenture Trustee only with respect to the aggregate unpaid principal amount of Notes (or portion thereof) issued and Outstanding that are registered in

the name of such Holder and that are certified by such Holder or its duly authorized agent or attorney-in-fact to be (i) held by it for its own account and not pledged as collateral for any of its obligations or (ii) pledged as collateral for one or more of its obligations, or obligations with respect to which it is acting as trustee under a related indenture, but in respect of which it has received a directive, satisfactory in form and substance to the Indenture Trustee, given by the holder or holders of a proportionate interest in the obligations secured by such Notes in accordance with the instrument governing such obligations. More than one directive can be given by a registered Holder of Notes or its duly authorized agent or attorney-in-fact pursuant to clause (ii) of the preceding sentence, and such directives may be contradictory or inconsistent, so long as each directive to take or refrain from taking the action specified therein or otherwise advising the Indenture Trustee meets the requirements of said clause (ii).

"Discount Rate" shall mean 10.63%.

"DOM" shall have the meaning set forth in Section 5.01(h) of the Participation Agreement.

"Easements" shall have the meaning set forth in the Ground Lease.

"Entitlement" shall have the meaning set forth in the Unit 2 Operating Agreement.

"EOM" shall have the meaning set forth in Section 5.01(h) of the Participation Agreement.

"Equity Portion of Rent" shall mean: (i) in the case of any payment of Basic Rent, the amount of Basic Rent payable under the Lease reduced by the principal and interest then due and payable on the Outstanding Notes; (ii) in the case of any payment of Stipulated Loss Value or Termination Value, the amount thereof reduced by the principal amount of, and accrued interest on, the Outstanding Notes; or (iii) in the case of any other payment of Supplemental Rent, the amount thereof payable to the Owner Participant or the Owner Trustee.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended and as the same may be further amended, or any comparable successor Federal statute.

"Eurodollar Rate Advances" shall have the meaning specified in the Participation Agreement Supplement.

"Event of Default" shall have the meaning set forth in Section 15 of the Lease.

"Event of Loss" shall mean any of the following events: (i) a Final Shutdown; (ii) a Requisition of Title; or (iii) a Requisition of Use that would significantly interfere with the use of Unit 2 for a Period that will exceed five years or end after the expiration of the Lease Term (including any Renewal Term in respect of which the Lessee then has exercised an option pursuant to Section 12 of the Lease).

"Excepted Payments" shall mean: (i) all indemnity payments (including, without limitation, payments under the Tax Indemnification Agreement whether made by adjustment to Basic Rent or otherwise) to which the Owner Trustee, the Owner Participant or any of their respective Affiliates (or the respective successors, assigns, agents, officers, directors or employees of the Owner Trustee or the Owner Participant), is entitled; (ii) any amounts payable under any Transaction Document to reimburse the Owner Trustee, the Owner Participant or any of their respective Affiliates (including the reasonable expenses of the Owner Trustee and the Owner Participant incurred in connection with any such payment), for performing or complying with any of the obligations of the Lessee under and as permitted by any Transaction Document; (iii) any amount payable to the Owner Participant by any Transferee as the purchase price of the Owner Participant's interest in the Trust Estate; (iv) any insurance proceeds or other payments received from any Governmental Authority, insurer or other Person (except the Lessee) with respect to an Event of Loss in excess of amounts then due and owing to reimburse the Indenture Trustee for any Trustee's Expenses and to pay the reasonable remuneration of the Indenture Trustee plus amounts then due and owing in respect of the principal of, and premium, if any, and interest on, all Notes Outstanding; (v) any insurance proceeds (or payments with respect to risks self-insured) under liability policies; (vi) any insurance proceeds under policies maintained by the Owner Trustee or the Owner Participant and not required to be maintained by the Lessee under the Lease; and (vii) any payments in respect of interest to the extent attributable to payments referred to in clauses (i) through (vi) above.

"Excepted Rights" shall mean (i) all rights with respect to Excepted Payments of the Person entitled thereto and (ii) all rights and privileges expressly reserved to the Owner Trustee or the Owner Participant exclusively or jointly with the Indenture Trustee pursuant to the Indenture for the periods specified in the Indenture.

"Excess Amount" shall have the meaning set forth in Section 11.11 of the Participation Agreement.

"Existing Mortgage" shall mean the Mortgage and Deed of Trust, dated as of June 1, 1939, between Indiana Michigan Power Company (formerly known as Indiana & Michigan Electric Company) and Irving Trust Company, as trustee, as supplemented.

"Expenses" shall mean liabilities, obligations, losses (excluding loss of anticipated profits), damages, claims, actions, suits, judgments, out-of-pocket costs, expenses and disbursements (including legal fees and expenses) of any kind and nature whatsoever.

"Fair Market Renewal Term" shall have the meaning set forth in Section 12(b) of the Lease.

"Fair Market Rental Value" shall mean, with respect to the Undivided Interest, the value, which shall not in any event be less than zero, that would be obtained in an arm's-length transaction for cash between an informed and willing lessee and an informed and willing lessor, neither of whom is under any compulsion to lease, for the use of the Undivided Interest on the Unit 2 Site for a given period, taking into account the rights and obligations of the Lessor as ground lessee under the Ground Lease and the rights of the Lessor as buyer under the Bill of Sale. Except pursuant to Section 16 of the Lease, Fair Market Rental Value of the Undivided Interest shall be determined on the assumption that: (i) Unit 2 is in the condition and state of repair required under Section 8(a) of the Lease; (ii) the Lessee is in compliance with the requirements of the Transaction Documents; (iii) such lessee will have the same rights and obligations as a "Participant" under the Unit 2 Operating Agreement; and (iv) during such lease period, Basic Rent will be payable in equal semiannual installments in arrears. With respect to any other property, including, without limitation, an undivided interest in any Severable Modification, *"Fair Market Rental Value"* shall mean the value, which shall not in any event be less than zero, that would be obtained in an arm's-length transaction for cash between an informed and willing lessee and an informed and willing lessor, neither of whom is under any compulsion to lease, for the use of such property.

"Fair Market Sales Value" shall mean, with respect to the Undivided Interest, the value, which shall not in any event be less than zero, that would be obtained in an arm's-length transaction for cash between an informed and willing purchaser and an informed and willing seller, neither of whom is under any compulsion to purchase or sell, respectively, for the ownership of the Undivided Interest on the Unit 2 Site, taking into account the rights and obligations of the Lessor as ground lessee under the Ground Lease and the rights of the Lessor as buyer under the Bill of Sale. Except pursuant to Section 16 of the Lease, Fair Market Sales Value of the Undivided Interest shall be determined on the assumption that: (i) Unit 2 is in the condition and state of repair required under Section 8 of the Lease; (ii) the Lessee is in compliance with the requirements of the Transaction Documents; and (iii) an owner of the Undivided Interest will have the same rights and obligations as a "Participant" under the Unit 2 Operating Agreement. With respect to any other property, including, without limitation, an undivided interest in any Severable Modification, *"Fair Market Sales Value"* shall mean the value, which shall not in any event be less than zero, that would be obtained in an arm's-length transaction for cash between an informed and willing purchaser and an informed and willing seller, neither of whom is under any compulsion to purchase or sell, respectively, for the ownership of such property.

"Federal Power Act" shall mean the Federal Power Act, as amended from time to time, or any comparable successor Federal statute.

"FERC" shall mean the Federal Energy Regulatory Commission of the United States of America or any successor agency.

"Final Determination", with respect to a Loss, shall mean (i) a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order

has become final (i.e., when all allowable appeals have been exhausted by all parties to the action) or, in any case where judicial review shall at the time be unavailable because the proposed adjustment involves a decrease in a net operating loss carryforward or a business credit carryforward, a decision, judgment, decree or other order of an administrative official or agency of competent jurisdiction, which decision, judgment, decree or other order has become final (i.e., when all administrative appeals have been exhausted by all parties thereto), (ii) a closing agreement entered into under Section 7121 of the Code or any other settlement agreement entered into in connection with any administrative or judicial proceeding (including any settlement of a proposed adjustment entered into by the Owner Participant in accordance with Section 7(a) of the Tax Indemnification Agreement) or (iii) the expiration of the time for instituting a claim for refund, or if such a claim was filed, the expiration of the time for instituting suit with respect thereto.

"Final Shutdown" shall mean the occurrence of any of the following events: (i) the destruction of Unit 2; (ii) damage to Unit 2 and the failure of the Lessee to complete the repair, restoration or reconstruction of Unit 2 by the date that is five years after such damage, or, if earlier, by the expiration of the Lease Term (including any Renewal Term in respect of which the Lessee then has exercised an option pursuant to Section 12 of the Lease); or (iii) the cessation of operation of Unit 2 as a result of damage to Unit 2 for a Period that will exceed five years or end after the expiration of the Lease Term (including any Renewal Term in respect of which the Lessee then has exercised an option pursuant to Section 12 of the Lease).

"Financing Documents" shall mean the Collateral Trust Indenture and the Underwriting Agreement.

"Fixed Rate Renewal Basic Rent" shall mean, for each six-month period during the Fixed Rate Renewal Term, if any, an amount of rent equal to 100% of the average of the installments of Basic Rent paid by the Lessee during the Basic Lease Term.

"Fixed Rate Renewal Term" shall have the meaning set forth in Section 12(a) of the Lease.

"Form U-7D" shall mean the certificate to be filed pursuant to Rule 7(d) of the Holding Company Act.

"Funding Corporation" shall mean RGS (AEGCO) Funding Corporation (formerly known as RGS Funding Corporation), a Delaware corporation, and its successors and assigns.

"Funding Corporation's Initial Series B Percentage" shall mean the percentage specified as such in the Notice of Closing.

"Funding Corporation's Initial Series C Percentage" shall mean the percentage specified as such in the Notice of Closing.

"Funding Corporation's Initial Series D Percentage" shall mean the percentage specified as such in the Notice of Closing.

"Funding Corporation's Special Counsel" shall mean such counsel as shall be selected by Funding Corporation.

"Goldman Sachs" shall mean Goldman, Sachs & Co.

"Governmental Action" shall mean all permits, authorizations, registrations, consents, approvals, waivers, exceptions, variances, orders, judgments and decrees, licenses, exemptions, publications, filings, notices to and declarations of or with any Governmental Authority (other than routine reporting requirements the failure to comply with which will not affect the validity or enforceability of any of the Transaction Documents or have a material adverse effect on the transactions contemplated by any Transaction Document or any Financing Document or any other action in respect of any Governmental Authority) and shall include, without limitation, all sitings, environmental and operating permits and licenses that are required for the use and operation of Unit 2 and the Common Facilities.

"Governmental Authority" shall mean any Federal, state, county, municipal, foreign, international, regional or other governmental authority, agency, board, body, instrumentality or court.

"Granting Clause Documents" shall have the meaning specified in clause (2) of the first sentence of Section 2.01 of the Indenture.

"*Ground Lease*" shall mean the Ground Lease and Easement Agreement (AEGCO Trust 1) dated as of December 1, 1989, between the Ground Lessor and the Ground Lessee and consented to by I&M, substantially in the form of Exhibit D to the Participation Agreement, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"*Ground Leasehold*" shall have the meaning set forth in the Ground Lease.

"*Ground Lease Property*" shall have the meaning set forth in the Ground Lease.

"*Ground Lease Term*" shall have the meaning set forth in the Ground Lease.

"*Ground Lessee*" shall mean the Owner Trustee, as lessee under the Ground Lease, and, to the extent permitted under the Trust Agreement and the other Transaction Documents, its successors and assigns as lessee under the Ground Lease.

"*Ground Lessor*" shall mean AEGCO, as lessor under the Ground Lease, and its successors and assigns.

"*Holder*s" shall mean the registered owners of the Notes Outstanding.

"*Holding Company Act*" shall mean the Public Utility Holding Company Act of 1935, as amended.

"*I&M*" shall mean Indiana Michigan Power Company, an Indiana corporation, and its successors and assigns.

"*Indemnitees*" shall mean the Owner Participant, Wilmington Trust Company (in its individual capacity and as Owner Trustee under the Trust Agreement), Funding Corporation, the stockholders of Funding Corporation, The Connecticut National Bank (in its individual capacity and as Indenture Trustee under the Indenture), each Holder of a Note from time to time Outstanding, the Collateral Trust Trustee in its individual capacity and as Trustee under the Collateral Trust Indenture, the Trust, the Trust Estate, the Lease Indenture Estate, the indenture estate under the Collateral Trust Indenture, any Affiliate of any of the foregoing and the respective successors, assigns, agents, officers, directors or employees of the foregoing, excluding, however, any "Participant" under the Unit 2 Operating Agreement other than the Owner Trustee or the Owner Participant, to the extent either or both of them should become such a "Participant".

"*Indenture*" shall mean the Trust Indenture, Mortgage and Security Agreement (AEGCO Trust 1) dated as of December 1, 1989, between the Owner Trustee and the Indenture Trustee, substantially in the form of Exhibit C to the Participation Agreement, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"*Indenture Default*" shall mean an event which, after giving of notice or lapse of time, or both, would become an Indenture Event of Default.

"*Indenture Event of Default*" shall mean any of the events specified in Section 6.02 of the Indenture.

"*Indenture Supplement*" shall mean a supplement to the Indenture.

"*Indenture Trustee*" shall mean The Connecticut National Bank, not in its individual capacity except as otherwise expressly provided in the Participation Agreement, but solely as Indenture Trustee under the Indenture, and each successor trustee and co-trustee thereunder.

"*Indenture Trustee's Counsel*" shall mean Shipman & Goodwin, or such other counsel as shall be selected by the Indenture Trustee.

"*Indenture Trustee's Liens*" shall mean Liens against the Lease Indenture Estate that result from acts of, or any failure to act by, or as a result of claims against, The Connecticut National Bank, unrelated to the transactions contemplated by the Transaction Documents.

"*Indenture Trustee's Office*" shall mean the office of the Indenture Trustee located at 777 Main Street, Hartford, Connecticut 06115, or such other office as may be designated by the Indenture Trustee to the Owner Trustee, the Lessee and each Holder of a Note Outstanding under the Indenture.

"Independent Tax Counsel" shall mean independent tax counsel selected by the Owner Participant and reasonably acceptable to the Lessee.

"Initial Series A Notes" shall mean the nonrecourse promissory notes, substantially in the form of Schedule 1 to the Indenture, to be issued to the Original Loan Participants pursuant to Article III of the Indenture by the Owner Trustee and authenticated by the Indenture Trustee on the Closing Date to finance a portion of the Purchase Price of the Undivided Interest.

"Initial Series B Notes" shall mean the nonrecourse promissory notes, substantially in the form of Schedule 2 to the Indenture, to be issued to Funding Corporation pursuant to Article III of the Indenture by the Owner Trustee and authenticated by the Indenture Trustee on the Closing Date to finance a portion of the Purchase Price of the Undivided Interest.

"Initial Series C Notes" shall mean the nonrecourse promissory notes, substantially in the form of Schedule 3 to the Indenture, to be issued to Funding Corporation pursuant to Article III of the Indenture by the Owner Trustee and authenticated by the Indenture Trustee on the Closing Date to finance a portion of the Purchase Price of the Undivided Interest.

"Initial Series D Notes" shall mean the nonrecourse promissory notes, substantially in the form of Schedule 4 to the Indenture, to be issued to Funding Corporation pursuant to Article III of the Indenture by the Owner Trustee and authenticated by the Indenture Trustee on the Closing Date to finance a portion of the Purchase Price of the Undivided Interest.

"Initial Series Notes" shall mean the Initial Series A Notes, the Initial Series B Notes, the Initial Series C Notes and the Initial Series D Notes.

"Initial Theoretical Return" shall mean the Owner Participant's expected net after-tax yield and net after-tax cash flow (preserving its originally expected aggregate book earnings over the five-year period next succeeding the date of determination) on its Investment resulting from the transactions described in and contemplated by the Transaction Documents, based on an amount of Basic Rent during the Basic Lease Term equal to the percentages of Lessor's Cost originally set forth on Schedule 1 to the Lease and based on the Pricing Assumptions and of the assumptions set forth in Section 2 of the Tax Indemnification Agreement; *provided, however*, that in determining the amount of any increase or decrease required to preserve the Owner Participant's Initial Theoretical Return, it is intended that the Owner Participant's net after-tax yield and net after-tax cash flow (preserving its originally expected aggregate book earnings over the five-year period next succeeding the date of determination) shall each be maintained (or, where one such component must be enhanced in order to preserve the other component, enhanced). Initial Theoretical Return shall not mean or include the Owner Participant's return on equity or return on assets.

"Investment" shall have the meaning set forth in Section 2.01 of the Participation Agreement.

"Investment Amount" shall have the meaning set forth in Section 2.01 of the Participation Agreement.

"Investment Company Act" shall mean the Investment Company Act of 1940, as amended.

"Investment Grade Quality", when used with respect to any Notes, shall mean (i) if such Notes are rated by Moody's or Standard & Poor's, the rating is at least "Baa" (or such other rating which at the time is the equivalent thereof) by Moody's or "BBB" (or such other rating which at the time is the equivalent thereof) by Standard & Poor's, or (ii) if such Notes are not rated by Moody's or Standard & Poor's, they are of a credit quality equivalent to the ratings specified in clause (i) above.

"IRS" shall mean the Internal Revenue Service of the United States Department of the Treasury or any successor agency.

"Irving Trust Company" shall mean Irving Trust Company, a New York banking corporation, and its successors and assigns.

"IURC" shall mean the Indiana Utility Regulatory Commission or any successor agency.

"KEPCO" shall mean Kentucky Power Company, a Kentucky corporation, and its successors and assigns.

"Late Payment Rate", with respect to the Notes of any series, shall have the meaning set forth in the Notes of such series.

"Lease" shall mean the Lease Agreement (AEGCO Trust 1) dated as of December 1, 1989, between the Lessor and the Lessee, substantially in the form of Exhibit A to the Participation Agreement, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

"Lease Indenture Estate" shall have the meaning set forth in Section 2.01 of the Indenture.

"Lease Term" shall mean the Basic Lease Term and, if the lease of the Undivided Interest is renewed pursuant to Section 12 of the Lease, each Renewal Term.

"Lease Termination Date" shall mean the last day of the Lease Term (whether occurring by reason of a termination or expiration of the Lease Term).

"Lessee" shall mean AEGCO, as lessee under the Lease, and its successors and assigns as lessee under the Lease.

"Lessee's Counsel" shall mean the general counsel or an associate general counsel of American Electric Power Service Corporation.

"Lessee's Special Counsel" shall mean Simpson Thacher & Bartlett, or such other counsel as shall be selected by the Lessee.

"Lessee's Special Indiana Counsel" shall mean Baker & Daniels and Miller, Carson & Boxberger, or such other counsel as shall be selected by the Lessee.

"Lessor" shall mean the Owner Trustee, as lessor under the Lease, and, to the extent permitted under the Trust Agreement and the other Transaction Documents, its successors and assigns as lessor under the Lease.

"Lessor's Cost" shall mean the Purchase Price plus the sum of (i) all Supplemental Financing Amounts and (ii) all Additional Equity Investment amounts.

"Lessor's Liens" or **"Owner Trustee's Liens"** shall mean Liens against the Trust Estate or the Lease Indenture Estate that result from acts of, or any failure to act by, or as a result of claims against, Wilmington Trust Company, unrelated to the ownership of the Undivided Interest, its status as Lessor under the Lease, its interest in the Ground Lease Property, the administration of the Trust Estate or the transactions contemplated by the Transaction Documents.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien, easement, servitude or charge of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof or the filing of, or agreement to execute as "debtor", any financing statement under the Uniform Commercial Code of any jurisdiction.

"Loan Participants" shall mean the Original Loan Participants, so long as the Initial Series A Notes are Outstanding, and each other Holder of a Note from time to time.

"Loans" shall mean the loans made to finance a portion of the Purchase Price for the Undivided Interest by the Original Loan Participants pursuant to Section 2.03(a) and by Funding Corporation pursuant to Section 2.03(b).

"Loss" shall have the meaning set forth in Section 5(a) of the Tax Indemnification Agreement.

"Majority in Interest of Holders of Notes" shall mean Holders of a majority in principal amount of all Notes Outstanding under the Indenture at the time of any such determination.

"Modification" shall mean (a) any addition, alteration, improvement or modification to Unit 2, other than original, substitute or replacement parts incorporated into Unit 2, and (b) the addition, betterment or enlargement of any property constituting part of Unit 2 or the replacement of any such property with other property, irrespective of whether (i) such replacement property constitutes an enlargement or betterment of the property that it replaces, (ii) the cost of such addition, betterment,

enlargement or replacement is or may be capitalized, or charged or not charged to maintenance or repairs, in accordance with the Uniform System of Accounts or (iii) such addition, betterment or enlargement is or is not included or reflected in the plans and specifications for Unit 2, as built; *provided, however*, that, where the context so requires, reference to a Modification shall mean the Lessor's Undivided Interest Percentage in such Modification.

"*Moody's*" shall mean Moody's Investors Service, Inc., and any successor that issues nationally accepted securities ratings.

"*Nonburdensome Regulation*" shall mean (i) ministerial regulatory requirements that do not impose limitations or regulatory requirements on the business or activities of the Owner Participant (or any Affiliate thereof) and that are deemed, in the reasonable discretion of the Owner Participant, not to be burdensome, (ii) assuming redelivery of the Undivided Interest in accordance with Section 5 of the Lease, regulation resulting from any possession of the Undivided Interest (or right thereto) on or after the Lease Termination Date or (iii) regulation of the Owner Trustee that would be terminated by the appointment of a successor Owner Trustee or a co-Owner Trustee pursuant to the terms of the Trust Agreement.

"*Nonseverable Modification*" shall mean any Modification that is not a Severable Modification.

"*Noteholder*" shall mean any Holder from time to time of a Note Outstanding under the Indenture.

"*Notes*" shall mean the Initial Series Notes and any Additional Notes.

"*Notice of Closing*" shall mean a notice from the Lessee, substantially in the form of Schedule 2 to the Participation Agreement, setting forth, among other things, the Closing Date, the Purchase Price of the Undivided Interest, payment instructions with respect to the disposition of the proceeds of the Purchase Price, and the respective amounts of the Owner Participant's Investment and of each Original Loan Participant's Loan to be made on the Closing Date.

"*Obsolescence Redemption Date*" shall mean (i) if any Bonds are outstanding on the related Termination Date, the date that is 40 days after such Termination Date, or if such date is not a Business Day, the next Business Day thereafter, or (ii) if no Bonds are outstanding, such Termination Date.

"*Officers' Certificate*" shall mean (i) in the case of Wilmington Trust Company and The Connecticut National Bank, a certificate signed by any Authorized Officer of such Person and (ii) in the case of any other Person, a certificate signed by the President or any Vice President and by the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of such Person.

"*Operating Agreement*" shall mean (i) until the Operation Commencement Date, the Rockport Plant Operating Agreement, and (ii) from and after the Operation Commencement Date, the Unit 2 Operating Agreement.

"*Operation Commencement Date*" shall have the meaning set forth in the Unit 2 Operating Agreement.

"*Operator*" shall mean I&M in its capacity as the operator under the Operating Agreement, and any successor and any assign as operator under the Operating Agreement.

"*Original Loan Participants*" shall mean the banks which become parties to the Participation Agreement pursuant to Section 2.02 thereof by entering in to the Participation Agreement Supplement, excluding any such bank in its capacity as Agent or Administrative Agent.

"*Original Loan Participant's Commitment*" shall have the meaning set forth in Section 2.03 of the Participation Agreement.

"*Original Loan Participant's Percentage*", with respect to any Original Loan Participant, shall mean the percentage set forth opposite such Original Loan Participant's name in the Participation Agreement Supplement.

"*Original Loan Participants' Special Counsel*" shall mean such counsel, acceptable to the Lessee, as shall be selected by the Original Loan Participants.

"Original Loan Participants' Special Indiana Counsel" shall mean such Indiana counsel, acceptable to the Lessee, as shall be selected by the Original Loan Participants.

"Original of the Lease" shall mean the fully executed counterpart of the Lease marked "THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART" pursuant to Section 21(e) of the Lease and containing the receipt of the Indenture Trustee.

"Outstanding", when used with respect to Notes, shall mean, as of the date of determination, all such Notes theretofore issued, authenticated and delivered under the Indenture, except (a) Notes theretofore cancelled by the Indenture Trustee or delivered to the Indenture Trustee for cancellation, (b) Notes or portions thereof for the payment of which the Indenture Trustee holds (and has notified the Holders thereof that it holds) in trust for that purpose an amount sufficient to make full payment thereof when due and (c) Notes in exchange for, or in lieu of, which other Notes have been issued, authenticated and delivered pursuant to the Indenture; *provided, however*, that any Note owned by the Lessee, the Owner Participant or the Owner Trustee or any Affiliate of any thereof shall be disregarded and deemed not to be Outstanding for the purpose of any Directive.

"Overdue Interest Rate" shall mean the weighted average rate per annum of interest payable with respect to overdue payments of principal on the Notes Outstanding, computed as set forth in such Notes.

"Owner Participant" shall mean Philip Morris Credit Corporation, a Delaware corporation, and, to the extent permitted by the Trust Agreement and the Participation Agreement, each successor or assign of such Person.

"Owner Participant's Liens" shall mean Liens against the Trust Estate or the Lease Indenture Estate that result from acts of, or any failure to act by, or as a result of claims against, the Owner Participant, unrelated to the transactions contemplated by the Transaction Documents.

"Owner Participant's Percentage" shall mean the percentage set forth in the Pricing Assumptions opposite the term "Owner Participant's Percentage".

"Owner Participant's Special Counsel" shall mean Hunton & Williams, or such other counsel as shall be selected by the Owner Participant.

"Owner Participant's Special Indiana Counsel" shall mean Bose McKinney & Evans, or such other counsel as shall be selected by the Owner Participant.

"Owners' Agreement" shall mean the Owners' Agreement dated as of March 31, 1982, among I&M, AEGCO and KEPCO, as amended by the First Amendment Agreement, dated as of November 22, 1983, and the Second Amendment Agreement, dated as of July 23, 1984, and as the same may be further amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Owner Trustee" shall mean Wilmington Trust Company, not in its individual capacity except as otherwise expressly provided in the Participation Agreement and any other Transaction Document, but solely as Owner Trustee under the Trust Agreement, and each successor as trustee and each separate trustee and co-trustee thereunder.

"Owner Trustee's Counsel" shall mean Richards, Layton & Finger, or such other counsel as shall be selected by the Owner Trustee.

"Participants" shall mean the Owner Participant and the Original Loan Participants.

"Participation Agreement" shall mean the Participation Agreement (AEGCO Trust 1) dated as of March 15, 1989, among the Lessee, the Owner Participant, Funding Corporation, the Owner Trustee, the Indenture Trustee and the Original Loan Participants, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Participation Agreement Supplement" shall mean the Participation Agreement Supplement (AEGCO Trust 1) dated as of October 1, 1989, among the parties to the Participation Agreement, the Agents and the Administrative Agent, pursuant to which certain banks became parties to the Participation Agreement as Original Loan Participants.

"Parts" shall mean appliances, parts, instruments, appurtenances, accessories and equipment of whatever nature, whether or not constituting Modifications.

"Penalty Rate" shall mean the higher of (i) 1% per annum in excess of the Prime Rate and (ii) the Overdue Interest Rate.

"Period" shall mean the length of time for which an action or event is stated or otherwise known at its inception to be in existence (determined by the terms of such action or event or the surrounding circumstances), or is expected at its inception to be in existence as determined by an independent engineering consultant or firm having expertise on the subject of coal-fired electric generating plants jointly designated by the Lessor and the Lessee within 10 days after either of them shall request such designation (which the Lessor or the Lessee may do at any time after such action or event occurs) or, if the Lessor and the Lessee are unable to agree on such consultant or firm within such 10-day period, designated by the American Arbitration Association, or any organization successor thereto, within seven days after either the Lessor or the Lessee shall request such organization to do so (which the Lessor or the Lessee may do at any time after the expiration of such 10-day period). Such consultant or firm shall render its determination within 14 days after its designation, which determination shall be conclusive and binding on the Lessor and the Lessee. The obligation to pay the fees and expenses of any such consultant or firm shall be shared equally by the Lessor and the Lessee.

"Permitted Liens" shall mean: (i) the respective rights and interests of the parties to the Transaction Documents, as provided in the Transaction Documents; (ii) the rights of any sublessee or assignee under a sublease or an assignment permitted by the terms of the Lease; (iii) Lessor's Liens, Owner Participant's Liens and Indenture Trustee's Liens; (iv) Liens for Taxes that either are not yet due or are being contested in good faith and by appropriate proceedings diligently conducted, so long as such proceedings do not (a) involve any danger of the foreclosure, forfeiture or loss of the Undivided Interest, the Unit 2 Site Interest or the Easements or any part thereof or interest therein or any substantial danger of the sale of the Undivided Interest or any part thereof or interest therein, (b) interfere with the use, possession or disposition of the Undivided Interest, the Unit 2 Site Interest or the Easements or any part thereof or interest therein or (c) interfere with the payment of Rent; (v) materialmen's, mechanics', workmen's, repairmen's, employees', carriers', warehousemen's and other like Liens relating to the construction of Unit 2 or the Common Facilities or in connection with any Modification or arising in the ordinary course of business for amounts that either are not more than 30 days past due or are being contested in good faith by appropriate proceedings, so long as such proceedings satisfy the conditions for the continuation of proceedings to contest Taxes set forth in clause (iv) above; (vi) Liens of any of the types referred to in clause (v) above that have been bonded for the full amount in dispute (or as to which other security arrangements satisfactory to the Lessor have been made); (vii) Liens arising out of judgments or awards with respect to which appeals or other proceedings for review are being prosecuted in good faith and for the payment of which adequate reserves have been provided as required by generally accepted accounting principles or other appropriate provisions have been made, so long as such proceedings have the effect of staying the execution of such judgments or awards and satisfy the conditions for the continuation of proceedings to contest Taxes set forth in clause (iv) above; (viii) the rights and interests of the Lessee under the Ground Lease and the Rockport Plant Agreements; (ix) the rights of the Rockport Plant Companies (other than the Lessee) under the Rockport Plant Agreements; (x) rights reserved to or vested in any Governmental Authority to condemn or appropriate the Undivided Interest, Unit 2, any Modification, the Unit 2 Site, the Unit 2 Site Interest, the Common Facilities, the Easements, the Rockport Plant Site or the Rockport Plant, or to control or regulate any of the foregoing or the use thereof in any manner; (xi) all restrictions, defects, encumbrances and irregularities in the title to the Undivided Interest, Unit 2, the Unit 2 Site, the Unit 2 Site Interest, the Common Facilities, the Easements, the Rockport Plant Site or the Rockport Plant and other Liens that are specified in the title report delivered to the Participants on the Closing Date pursuant to Section 3.01(gg) of the Participation Agreement; (xii) Liens on the undivided interests in Unit 2 and the Unit 2 Site owned by the Rockport Plant Companies and other Persons (other than the Lessee); (xiii) Liens on Unit 1 and the Unit 1 Site; (xiv) Liens on the Common Facilities, the Easements, the Adjoining Premises and Severable Modifications title to the undivided interest in which is retained by the Lessee as provided in Section 8(d) of the

Lease that (a) have been approved by the Owner Participant and a Majority in Interest of Holders of Notes or (b) do not materially impair the use and operation of the Undivided Interest, Unit 2, the Unit 2 Site, the Unit 2 Site Interest, the Common Facilities, the Easements, the Rockport Plant Site or the Rockport Plant, or materially and adversely affect the value thereof; (xv) Liens on any replacement Part the cost of which does not exceed \$25,000,000 for a period not exceeding 90 days from the date such Part is incorporated into Unit 2; (xvi) Liens on any replacement Part the cost of which exceeds \$25,000,000 but is less than \$35,000,000 for a period not exceeding 30 days from the date such Part is incorporated into Unit 2; and (xvii) other Liens that, in the aggregate, do not materially impair the use of the Undivided Interest, Unit 2, the Unit 2 Site, the Unit 2 Site Interest, the Common Facilities, the Easements, the Rockport Plant Site or the Rockport Plant, or materially and adversely affect the value thereof.

"Person" shall mean any individual, partnership, corporation, trust, unincorporated association or joint venture, a government or any department or agency thereof, or any other entity.

"Pricing Assumptions" shall mean the assumptions set forth in Schedule 3 to the Participation Agreement.

"Prime Rate" shall mean the rate of interest publicly announced from time to time by Citibank, N.A., at its principal office in New York, New York, as its prime or base lending rate. Any change in the Prime Rate shall be effective on the date such change in the Prime Rate is announced.

"Prudent Utility Practice" shall mean, at a given time, any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior to such time or any of the practices, methods and acts that, 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 the lowest reasonable cost consistent with good business practices, reliability, safety and expedition. *"Prudent Utility Practice"* is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to a spectrum of possible practices, methods or acts having due regard for, among other things, manufacturers' warranties and the requirements of Governmental Authorities and the requirements of the Transaction Documents.

"Purchase Documents" shall mean the Bill of Sale and such other documents as the Owner Participant, the Owner Trustee and the Indenture Trustee shall deem desirable to convey good and marketable title to the Undivided Interest to the Owner Trustee.

"Purchase Price" shall mean an amount equal to the Undivided Interest Percentage of \$1,700,000,000.

"Reasonable Basis" for a position shall exist if tax counsel may properly advise reporting such position on a tax return in accordance with Formal Opinion 85-352 issued by the Standing Committee on Ethics and Professional Responsibility of the American Bar Association.

"Refunding Bonds" shall mean any series of bonds of Funding Corporation issued, authenticated and delivered under the Collateral Trust Indenture, as supplemented, if necessary, by a Refunding Supplemental Indenture, the proceeds of which will be used to refund the Initial Series Notes or any Additional Notes.

"Refunding Date" shall mean any date on which Refunding Notes are issued.

"Refunding Loans" shall mean nonrecourse loans made at any time or from time to time to the Owner Trustee to refund Initial Series A Notes pursuant to Section 2.06(a) of the Participation Agreement or to refund Initial Series B Notes, Initial Series C Notes, Initial Series D Notes or Additional Notes pursuant to Section 2.06(b) of the Participation Agreement.

"Refunding Notes" shall mean any nonrecourse promissory notes that are issued by the Owner Trustee pursuant to the Indenture on any Refunding Date to refund Notes Outstanding in whole or in part.

"Refunding Supplemental Indenture" shall mean any Collateral Trust Indenture Supplement between Funding Corporation and the Collateral Trust Trustee, supplementing the Collateral Trust Indenture and providing, among other things, for the issuance of Bonds or Refunding Bonds.

"Registration Statement" shall mean a registration statement, including all exhibits and all documents incorporated in such registration statement by reference, filed with the SEC under the Securities Act in connection with the offer, issue and sale of any Refunding Bonds.

"Regulations" shall mean the income tax regulations issued, published or promulgated from time to time under the Code, or under the Internal Revenue Code of 1954, as amended.

"Renewal Option" shall mean an option to renew the Lease for a Renewal Term.

"Renewal Term" shall mean the Fixed Rate Renewal Term, if any, and any and all Fair Market Renewal Terms.

"Rent" shall mean Basic Rent and Supplemental Rent.

"Requisition of Title" shall mean any circumstance or event in consequence of which Unit 2 or the Undivided Interest, or any portion of the Common Facilities or the Rockport Plant Site the loss of which would significantly interfere with the use of Unit 2, shall be condemned or seized or title thereto shall be requisitioned or taken by any Governmental Authority under power of eminent domain or otherwise.

"Requisition of Use" shall mean any circumstance or event other than a Requisition of Title in consequence of which the use of Unit 2 or the Undivided Interest or any portion of the Common Facilities or the Rockport Plant Site shall be requisitioned or taken by any Governmental Authority under power of eminent domain or otherwise.

"Responsible Officer" shall mean, with respect to the subject matter of any representation, warranty, covenant, agreement or obligation of any party contained in any Transaction Document, the President, or any Vice President, Assistant Vice President, Treasurer, Assistant Treasurer or other officer who in the normal performance of his operational responsibility would have knowledge of such matter and the requirements with respect thereto.

"Retained Assets" shall mean (i) the Lessee's undivided ownership interest in the Rockport Plant other than the Undivided Interest, (ii) the Lessee's undivided ownership interest in the Rockport Plant Site, (iii) the Lessee's undivided ownership interest in the Common Facilities and (iv) Severable Modifications title to the undivided interest in which was not acquired by the Lessor but was retained by the Lessee as provided in Section 8(d) of the Lease.

"Rockport Plant" shall mean the two 1300-megawatt coal-fired electric generating units located on the Ohio River in Spencer County, Indiana, approximately three miles north of the City of Rockport on US Highway 231.

"Rockport Plant Agreements" shall mean the Rockport Plant Operating Agreement, the Unit 2 Operating Agreement, the Owners' Agreement and the Unit Power Agreement.

"Rockport Plant Companies" shall mean AEGCO, I&M and KEPCO.

"Rockport Plant Operating Agreement" shall mean the Operating Agreement for Rockport Steam Electric Generating Units Nos. 1 and 2 dated August 1, 1984, among I&M, AEGCO and KEPCO, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of the Participation Agreement.

"Rockport Plant Site" shall mean the approximately 3,293 acres of land on which the Rockport Plant is located, consisting of the Unit 2 Site, the Unit 1 Site and the Adjoining Premises.

"Rule 7D" shall mean Rule 7D (or any comparable successor thereto) of the General Rules and Regulations adopted under the Holding Company Act by the SEC.

"Sale Proceeds" shall mean, with respect to any sale of the Undivided Interest or any part thereof by the Lessor to any Person, the gross proceeds of such sale paid in cash, less all costs and expenses incurred by the Lessor and the Owner Participant in connection therewith.

"SEC" shall mean the Securities and Exchange Commission of the United States of America or any successor agency.

"Section 6(c) Application" shall mean Funding Corporation's Application for an Order under Section 6(c) of the Investment Company Act of 1940 exempting Funding Corporation from all provisions of such Act, as filed with the SEC and as the same may be amended, modified and supplemented from time to time.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Securities Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Severable Modification" shall mean any Modification that either (i) can be removed from Unit 2 without materially damaging Unit 2 or materially diminishing the value or utility of Unit 2, or (ii) constitutes a flue gas desulfurization system or other pollution-control equipment of comparable expense that is required by Applicable Law, whether or not such system or other equipment can be removed from Unit 2 without materially damaging Unit 2 or materially diminishing the value, utility or useful life of Unit 2.

"Special Severable Modifications" shall have the meaning set forth in the Ground Lease.

"Standard & Poor's" shall mean Standard & Poor's Corporation and any successor that issues nationally accepted securities ratings.

"Stipulated Loss Value", as of any Basic Rent Payment Date during the Basic Lease Term, shall mean the percentage of Lessor's Cost set forth opposite such date in Schedule 2 to the Lease. Anything contained in the Participation Agreement or the Lease to the contrary notwithstanding, Stipulated Loss Value, when added to all other amounts that the Lessee is required to pay under Section 9(c) of the Lease or under any other provision requiring the payment of Stipulated Loss Value, under any circumstances and in any event, shall be in an amount at least sufficient to pay in full, as of the date of payment, the aggregate unpaid principal amount of and premium, if any, payable on all Notes Outstanding at the close of business on such date, together with accrued and unpaid interest on such Notes. Stipulated Loss Value as of any Basic Rent Payment Date during any Renewal Term shall mean an amount equal to the lesser of (a) 25% of Lessor's Cost and (b) the Fair Market Sales Value of the Undivided Interest as of the first day of such Renewal Term, after deducting from such amount depreciation to such Basic Rent Payment Date calculated on a straight-line basis from the first day of such Renewal Term to the end of the estimated useful life of Unit 2.

"Supplemental Financing" shall mean a financing of the Supplemental Financing Amount of Modifications effected pursuant to Section 8(e) of the Lease.

"Supplemental Financing Amount" shall mean that portion of the Undivided Interest Percentage of the cost of a Modification financed by the Owner Participant through the Lessor pursuant to Section 8(e) of the Lease which exceeds the amount of the related Additional Equity Investment of the Lessor, if any.

"Supplemental Rent" shall have the meaning set forth in Section 3(b) of the Lease.

"Surviving Lessee" shall have the meaning specified in Section 6.01(d)(ii)(A) of the Participation Agreement.

"Tax" or "Taxes" shall mean any and all fees (including, without limitation, documentation, recording, license and registration fees), taxes (including, without limitation, net income, franchise, value added, ad valorem, gross income, gross receipts, sales, use, property (personal and real, tangible and intangible) and stamp taxes), levies, imposts, duties, charges, assessments or withholdings of any nature whatsoever, general or special, ordinary or extraordinary, together with any and all penalties, fines, additions to tax and interest thereon.

"Tax Affiliate" shall mean any Affiliate of or any shareholder of any Person, or any Person related to another Person within the meaning of Section 318 of the Code.

"Tax Assumptions" shall mean the assumptions set forth in Section 2 of the Tax Indemnification Agreement with respect to the Federal and state income tax consequences of the transactions contemplated by the Transaction Documents.

"Tax Indemnification Agreement" shall mean the Tax Indemnification Agreement (AEGCO Trust 1) dated as of March 15, 1989, between the Lessee and the Owner Participant, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Termination Date" shall have the meaning set forth in Section 14(a) of the Lease.

"Termination Event" shall mean any early termination of the Lease in accordance with Section 14 thereof.

"Termination Notice" shall have the meaning set forth in Section 14(a) of the Lease.

"Termination Value", as of any Basic Rent Payment Date during the Basic Lease Term, shall mean the percentage of Lessor's Cost set forth opposite such date in Schedule 3 to the Lease. Anything contained in the Participation Agreement or the Lease to the contrary notwithstanding, Termination Value, when added to all other amounts which the Lessee is required to pay under Section 9(d) of the Lease or under any other provisions of the Lease that require the payment of Termination Value, under any circumstances and in any event, shall be in an amount at least sufficient to pay in full, as of the date of payment, the aggregate unpaid principal amount of and premium, if any, payable on all Notes Outstanding at the close of business on such date, together with accrued and unpaid interest on such Notes. Termination Value as of any Basic Rent Payment Date during any Renewal Term shall mean an amount equal to the lesser of (a) 25% of Lessor's Cost and (b) the Fair Market Sales Value of the Undivided Interest as of the first day of such Renewal Term, after deducting from such amount depreciation to such Basic Rent Payment Date calculated on a straight-line basis from the first day of such Renewal Term to the end of the estimated useful life of Unit 2.

"The Connecticut National Bank" shall mean The Connecticut National Bank, a national banking association, in its individual capacity, and its successors and assigns.

"Transaction Documents" shall mean the Participation Agreement, the Lease, the Ground Lease, the Trust Agreement, the Indenture, the Tax Indemnification Agreement, each Purchase Document and the Notes.

"Transaction Expenses" shall have the meaning set forth in Section 9.01 of the Participation Agreement.

"Transfer" shall mean the transfer, by bill of sale or otherwise, by the Lessor of all the Lessor's right, title and interest in and to the Undivided Interest, the Unit 2 Site Interest and the Easements and under the Bill of Sale, the Ground Lease and the Unit 2 Operating Agreement on an "as is, where is with all faults" basis, free and clear of all Lessor's Liens and Owner Participant's Liens (but subject to the Lien of the Indenture if and to the extent it attaches) and free and clear of the Owner Participant's beneficial interest therein but otherwise without recourse, representation or warranty, together with the due assumption by the transferee of, and the due release of the Lessor from, all the Lessor's obligations under the Ground Lease and the Unit 2 Operating Agreement by an instrument or instrument satisfactory in form and substance to the Lessor and the Owner Participant.

"Transferee" shall have the meaning set forth in Article VIII of the Participation Agreement.

"Transmission Facilities" shall have the meaning set forth in the Ground Lease.

"Trust" shall mean the trust created by the Trust Agreement.

"Trust Agreement" shall mean the Amended and Restated Trust Agreement (AEGCO Trust 1) dated as of December 1, 1989, between the Owner Participant and Wilmington Trust Company, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of the Indenture and the Participation Agreement.

"Trust Estate" shall have the meaning set forth in Section 2.02 of the Trust Agreement.

"Trust Indenture Act" shall mean the Trust Indenture Act of 1939, as amended and as the same may be further amended, or any comparable successor Applicable Law.

"Trustee's Expenses" shall mean any and all liabilities, obligations, costs, compensation, fees, expenses and disbursements (including, without limitation, reasonable legal fees and expenses) of any kind and nature whatsoever (other than such amounts as are included in Transaction Expenses) which may be imposed on, incurred by or asserted against the Indenture Trustee or any of its agents, servants or personal representatives, in any way relating to or arising out of the Indenture, the Lease Indenture Estate, the Participation Agreement or the Lease, or any document contemplated thereby, or the performance or enforcement of any of the terms thereof, or in any way relating to or arising out of the administration of the Lease Indenture Estate or the action or inaction of the Indenture Trustee under the Indenture; *provided, however*, that such amounts shall not include any Taxes or any amount expressly excluded from the Lessee's indemnity obligation pursuant to Section 7.01 of the Participation Agreement.

"UCC" or *"Uniform Commercial Code"* shall mean the Uniform Commercial Code as in effect in any applicable jurisdiction.

"Underwriting Agreement" shall mean an agreement among Funding Corporation, the Lessee and the underwriter or underwriters for any Refunding Bonds, relating to the purchase, sale and delivery of such Refunding Bonds.

"Undivided Interest" shall mean an undivided ownership interest in Unit 2, the percentage of which equals the Undivided Interest Percentage; the owner of the Undivided Interest shall be a tenant-in-common with the owners (including the Lessee, if it should be such an owner) of all other undivided interests in Unit 2. Where the context so requires, Undivided Interest includes an appropriate portion of "Total Net Capability of Unit 2" and "Total Net Generation of Unit 2" under, and as defined in, the Operating Agreement.

"Undivided Interest Percentage" shall mean 25.0000%.

"Uniform System of Accounts" shall mean the Uniform System of Accounts prescribed for Public Utilities and Licensees subject to the provisions of the Federal Power Act (Class A and Class B), 18 C.F.R. 101, as in effect on the Contract Date, as the same may be amended from time to time after such date.

"Unit 1" shall have the meaning set forth in the Ground Lease.

"Unit 1 Permitted Encroachments" shall have the meaning set forth in the Ground Lease.

"Unit 1 Shared Facilities" shall have the meaning set forth in the Ground Lease.

"Unit Power Agreement" shall mean the Unit Power Agreement dated as of March 31, 1982, between I&M and AEGCO, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of the Participation Agreement.

"Unit 2" shall mean the 1300-megawatt coal-fired electric generating unit constituting part of the Rockport Plant which is commonly known as Unit 2, consisting of (a) all structures, systems, facilities, improvements and related equipment located on, under or above the Unit 2 Site, including the Unit 2 Shared Facilities but excluding Common Facilities, Transmission Facilities and Unit 1 Permitted Encroachments, (b) all Unit 2 Permitted Encroachments and (c) all Modifications except those to which the Lessee retains title as provided in Section 8(d) of the Lease, regardless of when such property is or was acquired, constructed or installed. Unit 2 is more particularly described in Exhibit A to the Lease.

"Unit 2 Operating Agreement" shall mean the Unit 2 Operating Agreement dated as of December 1, 1989, among the Operator, the Lessee, the Owner Trustee and the other parties named therein, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of the Participation Agreement.

"Unit 2 Permitted Encroachments" shall have the meaning set forth in the Ground Lease.

"Unit 2 Site" shall have the meaning set forth in the Ground Lease.

"Unit 2 Site Interest" shall mean the undivided interest in the Unit 2 Site leased to the Lessor pursuant to the Ground Lease.

"Unit 2 Shared Facilities" shall have the meaning set forth in the Ground Lease.

"Wilmington Trust Company" shall mean Wilmington Trust Company, a Delaware banking corporation, in its individual capacity, and its successors and assigns.

**Exhibit A to
Lease**

DESCRIPTION OF THE UNDIVIDED INTEREST

An undivided ownership interest, the percentage of which equals the Undivided Interest Percentage, in Unit 2 of the Rockport Generating Station, located on the Ohio River in Spencer County, Indiana, approximately three miles north of the City of Rockport on U.S. Highway 231, which Unit 2 is more particularly described below.

- A. *Description.* The 1300-megawatt coal-fired electric generating unit constituting part of the Rockport Plant which is commonly known as Unit 2, together with all Modifications except those to which Lessee retains title as provided in Section 8(d) of the Lease, consisting of all structures, systems, facilities, improvements, fixtures, equipment and other tangible property located on, under or above the Unit 2 Site, including, but not limited to:
1. Unit 2 Steam Generator, consisting of one Babcock & Wilcox super critical, single reheat, steam generator with a secondary superheater sliding pressure modification, together with associated pulverizers, coal silos, ductwork, fans and subsystems;
 2. Unit 2 Turbine-Generator, consisting of one Brown Boveri Corporation single reheat, 1300-megawatt, cross compound turbine generator together with associated isolated phase bus, condensers and subsystems;
 3. Unit 2 Electrostatic Precipitators, consisting of four Wheelabrator-Frye, Inc. electrostatic precipitators located on, under and above the Unit 2 Site together with associated fly ash removal equipment, control room, transformers, ductwork, fly ash silos and vacuum pump houses;
 4. Unit 2 Cooling Tower System, consisting of one natural draft, counter flow, hyperbolic cooling tower approximately 394 feet in diameter at the base and approximately 533 feet in height, including a closed cycle circulating water system, located on, under or above the Unit 2 Site;
 5. Unit 2 Boiler Room and Turbine Room, consisting of all foundations and structures, including walls and/or structural members, located on, under and above the Unit 2 Site;
 6. Unit 2 Boiler Feed Pump and Drive, including feedwater heaters, deaerator and associated equipment;
 7. Unit 2 controls, auxiliary systems and equipment, including (a) all systems and equipment associated with Items 1 and 2 above located in the Unit 2 Boiler Room and Turbine Room or elsewhere on the Unit 2 Site, (b) all systems and equipment associated with Items 3 and 4 located on the Unit 2 Site, and (c) in the case of systems or equipment a portion of which is located on, under or above the Unit 2 Site and a portion of which is not located on, under or above the Unit 2 Site, that portion of such systems or equipment located on, under or above the Unit 2 Site; and
 8. Unit 2 Permitted Encroachments.
- B. *Exclusions.* Notwithstanding the foregoing, Unit 2 does not, and shall not be deemed to, include any element or unit of:
1. Spare parts;
 2. Transmission Facilities;
 3. Unit 2 Site, Unit 1 Site, Adjoining Premises or any other real estate;
 4. Common Facilities;
 5. Coal, fuel oil and other supplies;
 6. Property not located on, under or above the Unit 2 Site, except the Unit 2 Permitted Encroachments;
 7. Unit 1 Permitted Encroachments;
 8. Mobile vehicles; or
 9. Office furniture and other office equipment.

**Exhibit B to
Lease**

DESCRIPTION OF THE UNIT 2 SITE

A part of Sections 11 and 12, all in Township 7 South, Range 6 West, Spencer County, Indiana, described as follows:

Commencing at an existing railroad spike in the center of Section 1, Township 7 South, Range 6 West; thence South 00 degrees 00 minutes 00 Seconds West 4537.51 feet (bearing system based upon horizontal control of the U.S. Coast and Geodetic Survey monuments "PORT" and "HONEY"); thence North 90 degrees 00 minutes 00 seconds West 2891.44 feet to a ½-inch iron pin set and the point of beginning of this description (said point of beginning being modified to surface Indiana-West coordinate North 154,946.87 and East 513,329.10—said point of beginning also being 43.62 feet West and 60.52 feet south of the center of the "Stack" of the Rockport Generating Plant); thence North 90 degrees 00 minutes 00 seconds East 132.75 feet to the southwest corner of a transformer pad near the west wall of Vacuum Pump House No. 2-1; thence North 00 degrees 00 minutes 00 seconds East 60.52 feet to a ½-inch iron pin set on the East-West Axis of the Rockport Generating Plant; thence North 90 degrees 00 minutes 00 seconds East 559.50 feet to a ½-inch iron pin set; thence South 00 degrees 00 minutes 00 seconds West 48.82 feet to the north face of the outside metal wall of the Rockport Unit 2 Boiler Room building (said point being 3.66 feet East and 1.18 feet North of the centerline of column line number R-1); thence North 90 degrees 00 minutes 00 seconds East 144.14 feet along the north outside face of said metal building and parallel to building column line number "1" of Rockport Unit 2; thence North 00 degrees 00 minutes 00 seconds East 0.80 feet to the north side of a concrete block wall; thence North 90 degrees 00 minutes 00 seconds East 79.47 feet and parallel to building column line number "1" of Rockport Unit 2 along the north side of said concrete block wall to the west side of a north-south concrete block wall which is parallel to building column line "G" of Rockport Unit 2; thence North 00 degrees 00 minutes 00 seconds East 14.42 feet along the west side of said concrete block wall and parallel to building column line "G" of Rockport Unit 2; thence North 90 degrees 00 minutes 00 seconds East 27.52 feet along the south side of the north concrete block wall (and projection thereof) of the switch gear room running parallel to building column line "14" of Rockport Unit 1 to a north-south concrete block wall which wall is parallel to building column line "G" of Rockport Unit 2; thence South 00 degrees 00 minutes 00 seconds West 16.68 feet along the west side of said concrete block wall running parallel to building column line "G" of Rockport Unit 2 to the south side of an east-west concrete block wall which is the south wall of the machine shop for the Rockport Generating Station, and which wall runs parallel to building column line number "1" of Rockport Unit 2; thence North 90 degrees 00 minutes 00 seconds East 54.78 feet along the South side of said concrete block wall running parallel to building column line number "1" of Rockport Unit 2 to the west side of a north-south concrete block wall which is near building column line "DC" of Rockport Unit 2; thence South 00 degrees 00 minutes 00 seconds West 0.85 feet along the west side of said concrete block wall to the south side of an east-west concrete block wall; thence North 90 degrees 00 minutes 00 seconds East 23.57 feet along the south side of said concrete block wall running parallel to building column line number "1" of Rockport Unit 2 to the east side of a north-south concrete block wall; thence North 00 degrees 00 minutes 00 seconds East 1.90 feet to the south side of an east-west concrete block wall which runs parallel to building column line number "1" of Rockport Unit 2; thence North 90 degrees 00 minutes 00 seconds East 53.18 feet along the south side of said concrete block wall running parallel to building column line number "1" of Rockport Unit 2 to the east outside metal wall of the Rockport Unit 2 Turbine Room building; thence North 00 degrees 00 minutes 00 seconds East 24.61 feet along the east outside face of the metal wall of the Rockport Unit 2 Turbine Room building; thence leaving said metal building and running North 90 degrees 00 minutes 00 seconds East 328.47 feet parallel to building column line "13" (extended eastwardly) of Rockport Unit 1

to a ½-inch iron pin set; thence South 00 degrees 01 minute 41 seconds East 1016.09 feet to a ½-inch iron pin set; thence South 44 degrees 58 minutes 36 seconds West 226.30 feet to a ½-inch iron pin set; thence South 89 degrees 59 minutes 15 seconds West 1243.83 feet to a ½-inch iron pin set; thence North 00 degrees 00 minutes 18 seconds West 1140.54 feet to the point of beginning and containing 37.611 Acres, more or less, as shown on a plat of survey dated December 1, 1989 titled "Survey of Rockport Plant prepared for Indiana Michigan Power Company and AEP Generating Company" prepared by Mehling Engineering & Surveying, Inc., and recorded in Miscellaneous Record book 55, page 646, in the Office of the Recorder of Spencer County, Indiana.

Being all or part of the lands conveyed to Indiana & Michigan Electric Company (now Indiana Michigan Power Company—hereafter "I&M") or AEP Generating Company (hereafter "AEPGCo") by the following deeds of record in the Office of the Recorder of Spencer County, Indiana:

<u>Grantor</u>	<u>Grantee</u>	<u>Deed Date</u>	<u>Inst. No.</u>	<u>Book/Page</u>
1. Indiana Franklin Realty, Inc.	I&M	08/22/75	75-2317	131/644
2. I&M	Kentucky Power Company	12/27/83	83-4106	149/390
3. I&M	AEPGCo	12/27/83	83-4107	149/408
4. Kentucky Power Company	AEPGCo	10/08/84	84-3246	150/734
5. I&M	AEPGCo	10/08/84	84-3247	150/749

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LEASE SUPPLEMENT NO. 1

LEASE SUPPLEMENT NO. 1 (AEGCO Trust 1) dated as of October 15, 1990, to Lease Agreement (AEGCO Trust 1) dated as of December 1, 1989 (the "Original Lease"), between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity but solely as Owner Trustee under the Amended and Restated Trust Agreement (AEGCO Trust 1) dated as of December 1, 1989 with Philip Morris Capital Corporation (formerly known as Philip Morris Credit Corporation), a Delaware corporation, as Lessor, and AEP GENERATING COMPANY, an Ohio corporation, as Lessee.

WHEREAS, the Original Lease was recorded in the Office of the Recorder of Spencer County, Indiana, on the 7th day of December, 1989, as Instrument No. 89-4195 in Book No. 57, Page No. 436;

WHEREAS, the Original Lease provides that in the event any of the Pricing Assumptions proves to have been incorrect or any Refunding Notes are issued, then in such cases (a) the percentages for Basic Rent, Stipulated Loss Value and Termination Value set forth, respectively, in Schedules 1, 2 and 3 to the Original Lease shall be adjusted so as to preserve the Owner Participant's Initial Theoretical Return, and (b) the Lessor and the Lessee shall execute a supplement to the Original Lease amending Schedules 1, 2 and 3 thereof to set forth such recalculated percentages for Basic Rent, Stipulated Loss Value and Termination Value, respectively; and

WHEREAS, Transaction Expenses paid by the Owner Trustee with funds provided by the Owner Participant are other than as set forth in the original Pricing Assumptions, and Refunding Notes were issued on February 8, 1990, and on June 20, 1990, to refund the Initial Series A Notes;

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereby agree as follows:

1. Capitalized terms used in this Lease Supplement and not defined herein shall have the respective meanings assigned to them in the Original Lease.
2. The percentages for Basic Rent set forth in Schedule 1 hereto, the Stipulated Loss Value percentages set forth in Schedule 2 hereto and the Termination Value percentages set forth in Schedule 3 hereto shall replace any prior Schedules 1, 2 and 3 of the Original Lease, respectively, for all purposes.
3. This Lease Supplement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

4. THIS LEASE SUPPLEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK EXCEPT AS TO MATTERS RELATING TO THE CREATION OF LEASEHOLD AND SUBLEASEHOLD ESTATES HEREUNDER AND THE EXERCISE OF RIGHTS AND REMEDIES WITH RESPECT TO SUCH LEASEHOLD AND SUBLEASEHOLD ESTATES, WHICH SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF INDIANA.

5. The Owner Participant hereby authorizes and directs the Owner Trustee, pursuant to Section 5.02 of the Trust Agreement, to execute and deliver this Lease Supplement, perform the terms of the Original Lease, as amended by this Lease Supplement, and to execute and deliver Amendment No. 1 to Form U-7D which is in a form approved by the Owner Participant.

6. This Lease Supplement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument.

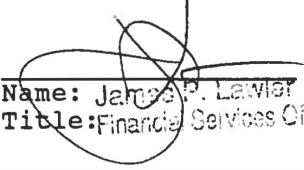
IN WITNESS WHEREOF, the Lessor and Lessee have caused this Lease Supplement to be duly executed as of the date and year set forth in the opening paragraph hereof.

Lessor

WILMINGTON TRUST COMPANY
not in its individual capacity
but solely as Owner Trustee

[CORPORATE SEAL]

Attest:


Name: James P. Lawler
Title: Financial Services Officer

By:


Name: Carolyn C. Daniels
Title: Financial Services Officer

Lessee

AEP GENERATING COMPANY

[CORPORATE SEAL]

Attest:

Name: Jeffrey D. Cross
Title: Asst. Secretary

By:

Name: G.P. Maloney
Title: Vice President

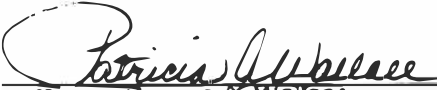
Consented and agreed to
PHILIP MORRIS CAPITAL CORPORATION

By: _____

Name:
Title:

STATE OF Delaware)
COUNTY OF New Castle) SS.:

On this, the ____ day of October, 1990, before me, a Notary Public in and for said County and State, personally appeared Carolyn C. Daniels and James P. Lawler, ~~Financial Services Officer and Financial Services Officer~~ of WILMINGTON TRUST COMPANY, who acknowledged themselves to be duly authorized officers of WILMINGTON TRUST COMPANY, and that, as such officers, being authorized to do so, they executed the foregoing instrument for the purposes therein contained by signing and attesting the name of WILMINGTON TRUST COMPANY.


Name: Patricia A. Wallace
Notary Public
My Commission Expires: 4/20/91
Residing in _____ County
New Castle

4. THIS LEASE SUPPLEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK EXCEPT AS TO MATTERS RELATING TO THE CREATION OF LEASEHOLD AND SUBLEASEHOLD ESTATES HEREUNDER AND THE EXERCISE OF RIGHTS AND REMEDIES WITH RESPECT TO SUCH LEASEHOLD AND SUBLEASEHOLD ESTATES, WHICH SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF INDIANA.

5. The Owner Participant hereby authorizes and directs the Owner Trustee, pursuant to Section 5.02 of the Trust Agreement, to execute and deliver this Lease Supplement, perform the terms of the Original Lease, as amended by this Lease Supplement, and to execute and deliver Amendment No. 1 to Form U-7D which is in a form approved by the Owner Participant.

6. This Lease Supplement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument.

IN WITNESS WHEREOF, the Lessor and Lessee have caused this Lease Supplement to be duly executed as of the date and year set forth in the opening paragraph hereof.

Lessor

WILMINGTON TRUST COMPANY
not in its individual capacity
but solely as Owner Trustee

[CORPORATE SEAL]

Attest: _____
Name:
Title:

By: _____
Name:
Title:

Lessee

AEP GENERATING COMPANY

[CORPORATE SEAL]

Attest: 
Name: Jeffrey D. Cross
Title: Asst. Secretary

By: 
Name: G.P. Maloney
Title: Vice President

Consented and agreed to
PHILIP MORRIS CAPITAL CORPORATION

By: _____
Name:
Title:

STATE OF OHIO)
COUNTY OF FRANKLIN) SS.:

On this, the 26th day of October, 1990, before me, a Notary Public in and for said County and State, personally appeared G.P. Maloney and Jeffrey D. Cross, the Vice President and Assistant Secretary of AEP GENERATING COMPANY, who acknowledged themselves to be duly authorized officers of AEP GENERATING COMPANY, and that, as such officers, being authorized to do so, they executed the foregoing instrument for the purposes therein contained by signing and attesting the name of AEP GENERATING COMPANY.

Mary M. Soltesz

Name: MARY M. SOLTESZ
Notary Public
My Commission Expires: 7-13-94
Residing in Franklin County

4. THIS LEASE SUPPLEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK EXCEPT AS TO MATTERS RELATING TO THE CREATION OF LEASEHOLD AND SUBLEASEHOLD ESTATES HEREUNDER AND THE EXERCISE OF RIGHTS AND REMEDIES WITH RESPECT TO SUCH LEASEHOLD AND SUBLEASEHOLD ESTATES, WHICH SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF INDIANA.

5. The Owner Participant hereby authorizes and directs the Owner Trustee, pursuant to Section 5.02 of the Trust Agreement, to execute and deliver this Lease Supplement, perform the terms of the Original Lease, as amended by this Lease Supplement, and to execute and deliver Amendment No. 1 to Form U-7D which is in a form approved by the Owner Participant.

6. This Lease Supplement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument.

IN WITNESS WHEREOF, the Lessor and Lessee have caused this Lease Supplement to be duly executed as of the date and year set forth in the opening paragraph hereof.

Lessor

WILMINGTON TRUST COMPANY
not in its individual capacity
but solely as Owner Trustee

[CORPORATE SEAL]

Attest: _____
Name:
Title:

By: _____
Name:
Title:

Lessee

AEP GENERATING COMPANY

[CORPORATE SEAL]

Attest: _____
Name: Jeffrey D. Cross
Title: Asst. Secretary

By: _____
Name: G.P. Maloney
Title: Vice President


Consented and agreed to
PHILIP MORRIS CAPITAL CORPORATION

By: John J. Mulligan
Name: John J. Mulligan
Title: Director Lease Financing

STATE OF NY)
COUNTY OF NY) SS.:

On this, the 30th day of October, 1990, before me, a Notary Public in and for said County and State, personally appeared John J. Mulligan, the Director Lease Financing of PHILIP MORRIS CAPITAL CORPORATION, who acknowledged himself to be a duly authorized officer of PHILIP MORRIS CAPITAL CORPORATION, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained by signing the name of PHILIP MORRIS CAPITAL CORPORATION.

ACQUILLIA A. DOBBS
Notary Public, State of New York
No 24-4827512
Qualified in Kings County
Certificate Filed in New York County
Commission Expires 1/31/91


Name Acquilla A. Dobbs
Notary Public
My Commission Expires: 1/31/91
Residing in Queens County

This instrument was prepared by James M. Cotter, 425 Lexington Avenue, New York, New York 10017-3939.

**PMCC
 (AEGCO Trust 1)**

BASIC RENT PERCENTAGES

<u>Basic Rent Payment Date</u>	<u>Basic Rent Percentage</u>	<u>Basic Rent Payment Date</u>	<u>Basic Rent Percentage</u>
December 7, 1990	4.34768910%	December 7, 2006	4.34768910%
June 7, 1991	4.34768910%	June 7, 2007	4.34768910%
December 7, 1991	4.34768910%	December 7, 2007	4.34768910%
June 7, 1992	4.34768910%	June 7, 2008	4.34768910%
December 7, 1992	4.34768910%	December 7, 2008	4.34768910%
June 7, 1993	4.34768910%	June 7, 2009	4.34768910%
December 7, 1993	4.34768910%	December 7, 2009	4.34768910%
June 7, 1994	4.34768910%	June 7, 2010	4.34768910%
December 7, 1994	4.34768910%	December 7, 2010	4.34768910%
June 7, 1995	4.34768910%	June 7, 2011	4.34768910%
December 7, 1995	4.34768910%	December 7, 2011	4.34768910%
June 7, 1996	4.34768910%	June 7, 2012	4.34768910%
December 7, 1996	4.34768910%	December 7, 2012	4.34768910%
June 7, 1997	4.34768910%	June 7, 2013	4.34768910%
December 7, 1997	4.34768910%	December 7, 2013	4.34768910%
June 7, 1998	4.34768910%	June 7, 2014	4.34768910%
December 7, 1998	4.34768910%	December 7, 2014	4.34768910%
June 7, 1999	4.34768910%	June 7, 2015	4.34768910%
December 7, 1999	4.34768910%	December 7, 2015	4.34768910%
June 7, 2000	4.34768910%	June 7, 2016	4.34768910%
December 7, 2000	4.34768910%	December 7, 2016	4.34768910%
June 7, 2001	4.34768910%	June 7, 2017	4.34768910%
December 7, 2001	4.34768910%	December 7, 2017	4.34768910%
June 7, 2002	4.34768910%	June 7, 2018	4.34768910%
December 7, 2002	4.34768910%	December 7, 2018	4.34768910%
June 7, 2003	4.34768910%	June 7, 2019	4.34768910%
December 7, 2003	4.34768910%	December 7, 2019	4.34768910%
June 7, 2004	4.34768910%	June 7, 2020	4.34768910%
December 7, 2004	4.34768910%	December 7, 2020	4.34768910%
June 7, 2005	4.34768910%	June 7, 2021	4.34768910%
December 7, 2005	4.34768910%	December 7, 2021	4.34768910%
June 7, 2006	4.34768910%	June 7, 2022	4.34768910%
		December 7, 2022	4.34768910%

**PMCC
 (AEGCO Trust 1)**

TERMINATION VALUE PERCENTAGES

<u>Basic Rent Payment Date</u>	<u>Termination Value Percentage</u>	<u>Basic Rent Payment Date</u>	<u>Termination Value Percentage</u>
December 7, 1990	103.62303237%	December 7, 2006	93.44828628%
June 7, 1991	104.28046135%	June 7, 2007	92.16934563%
December 7, 1991	104.86919671%	December 7, 2007	90.82143655%
June 7, 1992	105.39602711%	June 7, 2008	89.41502126%
December 7, 1992	105.85958009%	December 7, 2008	87.96741495%
June 7, 1993	106.26632062%	June 7, 2009	86.47613449%
December 7, 1993	106.61609179%	December 7, 2009	84.93623996%
June 7, 1994	106.91239198%	June 7, 2010	83.34682968%
December 7, 1994	107.14769501%	December 7, 2010	81.70649781%
June 7, 1995	107.31510447%	June 7, 2011	80.01446113%
December 7, 1995	107.43229145%	December 7, 2011	78.26825444%
June 7, 1996	107.49707746%	June 7, 2012	76.46704679%
December 7, 1996	107.50311530%	December 7, 2012	74.60821280%
June 7, 1997	107.45284386%	June 7, 2013	72.69087160%
December 7, 1997	107.33991809%	December 7, 2013	70.71222835%
June 7, 1998	107.16652111%	June 7, 2014	68.67135144%
December 7, 1998	106.92631574%	December 7, 2014	66.56527055%
June 7, 1999	106.62120990%	June 7, 2015	64.39680855%
December 7, 1999	106.24488095%	December 7, 2015	62.18141220%
June 7, 2000	105.79894081%	June 7, 2016	59.90701788%
December 7, 2000	105.27708927%	December 7, 2016	57.57921332%
June 7, 2001	104.68061986%	June 7, 2017	55.19116542%
December 7, 2001	104.00326400%	December 7, 2017	52.74922503%
June 7, 2002	103.24597383%	June 7, 2018	50.24607276%
December 7, 2002	102.40268839%	December 7, 2018	47.68891618%
June 7, 2003	101.47393430%	June 7, 2019	45.06991829%
December 7, 2003	100.45355335%	December 7, 2019	42.39724789%
June 7, 2004	99.38050261%	June 7, 2020	39.66246591%
December 7, 2004	98.25629838%	December 7, 2020	36.87468604%
June 7, 2005	97.09847520%	June 7, 2021	34.02486926%
December 7, 2005	95.91240511%	December 7, 2021	31.12326980%
June 7, 2006	94.69469428%	June 7, 2022	28.12677629%
		December 7, 2022	25.00000000%

**PMCC
 (AEGCO Trust 1)**

STIPULATED LOSS VALUE PERCENTAGES

<u>Basic Rent Payment Date</u>	<u>Stipulated Loss Value Percentage</u>	<u>Basic Rent Payment Date</u>	<u>Stipulated Loss Value Percentage</u>
December 7, 1990	103.62303237%	December 7, 2006	93.44828628%
June 7, 1991	104.28046135%	June 7, 2007	92.16934563%
December 7, 1991	104.86919671%	December 7, 2007	90.82143655%
June 7, 1992	105.39602711%	June 7, 2008	89.41502126%
December 7, 1992	105.85958009%	December 7, 2008	87.96741495%
June 7, 1993	106.26632062%	June 7, 2009	86.47613449%
December 7, 1993	106.61609179%	December 7, 2009	84.93623996%
June 7, 1994	106.91239198%	June 7, 2010	83.34682968%
December 7, 1994	107.14769501%	December 7, 2010	81.70649781%
June 7, 1995	107.31510447%	June 7, 2011	80.01446113%
December 7, 1995	107.43229145%	December 7, 2011	78.26825444%
June 7, 1996	107.49707746%	June 7, 2012	76.46704679%
December 7, 1996	107.50311530%	December 7, 2012	74.60821280%
June 7, 1997	107.45284386%	June 7, 2013	72.69087160%
December 7, 1997	107.33991809%	December 7, 2013	70.71222835%
June 7, 1998	107.16652111%	June 7, 2014	68.67135144%
December 7, 1998	106.92631574%	December 7, 2014	66.56527055%
June 7, 1999	106.62120990%	June 7, 2015	64.39680855%
December 7, 1999	106.24488095%	December 7, 2015	62.18141220%
June 7, 2000	105.79894081%	June 7, 2016	59.90701788%
December 7, 2000	105.27708927%	December 7, 2016	57.57921332%
June 7, 2001	104.68061986%	June 7, 2017	55.19116542%
December 7, 2001	104.00326400%	December 7, 2017	52.74922503%
June 7, 2002	103.24597383%	June 7, 2018	50.24607276%
December 7, 2002	102.40268839%	December 7, 2018	47.68891618%
June 7, 2003	101.47393430%	June 7, 2019	45.06991829%
December 7, 2003	100.45355335%	December 7, 2019	42.39724789%
June 7, 2004	99.38050261%	June 7, 2020	39.66246591%
December 7, 2004	98.25629838%	December 7, 2020	36.87468604%
June 7, 2005	97.09847520%	June 7, 2021	34.02486926%
December 7, 2005	95.91240511%	December 7, 2021	31.12326980%
June 7, 2006	94.69469428%	June 7, 2022	28.12677629%
		December 7, 2022	25.00000000%

INSTRUMENT # 90-3711 Recorded this
15 day of Nov 1990 at
1:30 p M. in Record No. 60
 Page 51

Louise Jallott
 W.S.C.

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 1 of 2

DATA REQUEST

AG_KIUC_2_020 Refer to the AEGCo 2019 Form 1 at 123.44 wherein AEGCo states: “In the first quarter of 2019, in accordance with ASU 2016-02, AEGCo’s \$21.9 million unamortized gain associated with the sale-and-leaseback of the Plant was recognized as an adjustment to equity. The adjustment to equity was then reclassified to regulatory liabilities in accordance with accounting guidance for “Regulated Operations” as AEGCo and I&M will continue to provide the benefit of the unamortized gain to customers in future periods.”

a. Describe the gain and the related accounting since the origination of the gain upon the sale to the lessor.

b. Describe the ratemaking treatment of the gain in Kentucky retail rates since the sale to the lessor.

c. Provide a schedule by month since the sale to the lessor that shows by FERC account and subaccount the total AEGCo and the Kentucky Power Company share of the gain upon the sale to the lessor, per books amortization of the gain, month end unamortized gain, accounting adjustments (including a detailed description of each such accounting adjustment), and the amount included in the rate base (net of ADIT) used to calculate the return on rate based

RESPONSE

a. AEGCo Rockport Unit 2 was accounted for as a qualifying sale-leaseback in accordance with the provisions of FAS 13 in 1989. Pursuant to that accounting guidance, the gain on the sale of the asset to the lessor is deferred and amortized over the lease term as a credit to AEGCo Account 507/Rent Expense. Pursuant to ASU 2016-02, in Q1 2019 AEGCo (1) recognized the remaining unamortized deferred gain as an adjustment to equity and (2) simultaneously recognized a regulatory liability in account 254 for an amount equal to the remaining unamortized gain on sale. The net effect of AEGCo's adoption of ASU 2016-2 was a reclassification of the unamortized deferred gain from Account 253/Other Deferred Credits to Account 254/Other Regulatory Liabilities on the balance sheet of AEGCo. The deferred gain associated with the sale was unchanged by the adoption of ASU 2016-2 and continues to be amortized and recognized in AEGCo's net income over the term of the lease agreement.

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 2 of 2

b. Ratemaking treatment of the gain associated with the sale-and-leaseback of Rockport Unit 2 was not impacted by the adoption of ASU 2016-2. Kentucky Power's proportional share of gain amortization is recorded as a credit to Kentucky Power Account 555/Purchased Power within monthly AEGCo Rockport Unit 2 power bills and is credited to Kentucky Power customers through base rates.

c. The Company objects to this subpart of the request on that basis that the request requires the creation of information in a form that it does not currently exist, and as imposing an obligation that is unduly burdensome and not reasonably calculated to lead to the discovery of admissible evidence. In support of this objection, the Company states that it did not include the unamortized deferred gain (net of ADIT) in the calculated return on rate base within monthly AEGCo Rockport Unit 2 power bills. Further, the request seeks information that is outside of the test year period, dating back to 1989, which is not readily available to be provided by the Company. Subject to and without waiving this objection, the Company is providing the requested information beginning in March 2017 (activity subsequent to Kentucky Power's last base case proceeding in Docket No. 2017-00179).

Please refer to KPCO_R_AG_KIUC_2_20_Attachment1 for a schedule by month for the period March 2017 - August 2020 that shows by FERC account and subaccount the total AEGCo and the Kentucky Power Company share of amortization of the deferred gain upon sale to the lessor and the month end unamortized deferred gain balance recorded on AEGCo's balance sheet. Other than the balance sheet reclassification resulting from adoption of ASU 2016-2 discussed in the response to subpart (a) above, there were no accounting adjustments to the AEGCo deferred gain during the period March 2017 - August 2020. The unamortized deferred gain (net of ADIT) recorded on AEGCo's balance sheet is not included in the calculated return on rate base within monthly AEGCo Rockport Unit 2 power bills.

Witness: Heather M. Whitney

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 1 of 2

DATA REQUEST

AG_KIUC_2_021 Refer to the AEGCo 2019 Form 1 at page 123.51 which describes its Asset Retirement Obligations (“ARO”) and related expense. Refer also to the monthly Rockport invoice copies billed by AEGCo to KPCo provided in response to AG/KIUC 1-7.

- a. Provide the breakdown of ARO’s for AEGCo separately for Rockport Unit 1 and Unit 2 by legal obligation at December 31, 2019 and March 31, 2020, including, but not limited to, asbestos remediation and ash pond remediation.
- b. Provide the breakdown of ARO costs billed by AEGCo to KPCo separately for Rockport Unit 1 and Unit 2 during 2019 and for the first three months of 2020. Provide the subaccount number and worksheet tab citations for all separate amounts billed in the December 2019 Rockport invoices to KPCo as an example.
- c. Provide copies of all studies and workpapers that support the balances of ARO’s for Rockport Unit 1 and Unit 2 by legal obligation at December 31, 2019.

RESPONSE

- a.) Please see KPCO_R_KIUC_AG_2_21_Attachment1 for the AEGCo ARO liability balances by type at December 31, 2019 and March 31, 2020.
- b.) Please see KPCO_R_KIUC_AG_2_21_Attachment2 for a breakdown of the ARO depreciation and accretion expense billed to the Kentucky Power Company by AEGCo.
- c.) The Company objects to this subpart of the request on the basis that it is over broadly and unduly burdensome to the extent that it seeks "all studies and workpapers". Subject to and without waiving this objection, please see KPCO_R_KIUC_AG_2_21_Attachment3 for a report generated from the Company's property record system (PowerPlant) which provides the AEGCo ARO liability activity from March 2017 (Kentucky Power Company's last base case proceeding in Docket No. 2017-00179 was based on test year ended February 28, 2017) to December 31, 2019. Please see KPCO_R_KIUC_AG_2_21_Attachment4 for a PowerPlant report of the estimated cash flows recorded on the latest AEGCo Rockport ARO layers as of December 31, 2019. The uninflated and undiscounted estimated cash flows which tie to

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 2 of 2

the supporting studies are found in column N (direct_cost), for the years specified in column K (month_yr). Please see KPCo_R_KIUC_AG_2_21_Attachment5, KPCo_R_KIUC_AG_2_21_Attachment6, and KPCo_R_KIUC_AG_2_21_Attachment7 for the studies that support these estimated cash flows. The AEGCo ARO cash flows in the PowerPlant report reflect 50% of the total plant costs in the studies. The AEGCo ARO liabilities recorded on the balance sheet are present values of the estimated future cash flows, which are calculated within PowerPlant.

Please note that separate asbestos asset retirement obligations were initially recorded for Rockport U1, U2 and common. Due to the minimal estimated cost of asbestos abatement for U1 and U2, in April 2019, AEGCo consolidated the U1 and U2 asset retirement obligations with the common asbestos ARO. Having one asbestos ARO for the plant simplifies the tracking of settlements and the assessment of whether a revision is needed.

Witness: Heather M. Whitney

ARO Liability Balances and Activity

Period Beginning: 3/1/2017
 Period Ending: 12/1/2019

American Electric Power

Company GL Account	Beginning Liability	Liabilities Incurred	Liabilities Settled	Accretion	Revisions	Gain/Loss	Accretion and Liab. Adjust	Ending Liability
AEG - Rockport								
2300001 Asset Retirement Obligation								
ARO Rockport Asbestos	\$18,762.72	\$0.00	\$0.00	\$2,139.70	\$2,643.16	(\$23,545.58)	\$0.00	\$0.00
ARO Rockport U2 Asbestos AEG	\$0.00	\$21,871.35	(\$21,274.81)	\$611.51	\$0.00	(\$1,208.05)	\$0.00	\$0.00
ASH2 Rockport Ash Pond - AEG	\$1,516,169.58	\$0.00	\$0.00	\$927,916.19	\$8,802,823.65	\$0.00	\$0.00	\$11,246,909.42
ASH Rockport Landfill - AEG	\$6,964,564.28	\$0.00	(\$25,236.00)	\$1,247,767.52	\$124,916.93	\$0.00	\$0.00	\$8,312,012.73
ARO Rockport U0 Asbestos - AEG	\$128,533.95	\$0.00	(\$5,730.75)	\$22,999.64	\$51,949.59	\$0.00	\$0.00	\$197,752.43
GL Account Total:	\$8,628,030.53	\$21,871.35	(\$52,241.56)	\$2,201,434.56	\$8,982,333.33	(\$24,753.63)	\$0.00	\$19,756,674.58
Company Total:	\$8,628,030.53	\$21,871.35	(\$52,241.56)	\$2,201,434.56	\$8,982,333.33	(\$24,753.63)	\$0.00	\$19,756,674.58
Grand Total:	\$8,628,030.53	\$21,871.35	(\$52,241.56)	\$2,201,434.56	\$8,982,333.33	-24753.63	\$0.00	\$19,756,674.58

ARO Estimate Review Checklist - 2019	
Plant Name:	Rockport
ARO Name:	Bottom Ash Ponds
Document:	GEE-18-003
ASSUMPTIONS AND ITEMS TO BE CHECKED DURING 2019 REVIEW	
1.	Is there any change to the expected Closure Method?
2.	Has any new area been constructed and considered In-Service?
3.	Confirm the current area to be Closed.
4.	Is the current cap system in the estimate compliant with CCR and State regulations?
5.	Have there been any Regulatory changes that would impact the estimate (confirm with Environmental)?
6.	Are the assumptions and statements in the narrative of this document consistent with the line items and values in the detailed cost estimate sheet?
7.	Are there any significant changes to the timing of expenditures as a result of new planning documents? (e.g. Cash flow over next 10 years)
8.	Have there been any refined design changes resulting in changes to the quantity and/or unit costs?
9.	Is the contingency percentage still valid and appropriate for the current design level?
10.	POST CLOSURE CARE ESTIMATE
11.	Have the number of monitoring wells been significantly increased/decreased?
12.	Any change in plans for water treatment?
13.	
14.	
15.	
Final Conclusion: All data within the reviewed Document are still valid. No change to the ARO Estimate is required.	

[Handwritten initials and marks in the right margin of the checklist table]

J. T. MASSEY-NORTON
 Checked by
 (Print name legibly)

[Signature]
 Checked by
 (Signature)

6/28/2019
 Date

[Signature]
 Reviewer: Gary F. Zych

Geotechnical Engineering
 Department

6/28/2019
 Date

**CLOSURE/POST CLOSURE COSTS
Bottom Ash Ponds**

**Rockport Plant
Indiana Michigan Power Company
Rockport, Indiana**

December 26, 2018

Prepared for: Indiana Michigan Power Company – Rockport Plant
2791 North U.S. Hwy 231
Rockport, IN, 47635

Prepared by: American Electric Power Service Corporation
1 Riverside Plaza
Columbus, OH 43215



Document ID: GEE-18-003

BASIS for ESTIMATE
ARO CLOSURE/POST CLOSURE COSTS

UNIT: Primary Bottom Ash Pond
ARO NAME: ASH#2
PLANT: Rockport Power Plant
OPERATION CO: Indiana Michigan Power Company
LOCATION: Rockport, Indiana

Document Number: GEE-18-004

PREPARED BY J. Massey-Norton DATE 12/21/2018
J. Massey-Norton

REVIEWED BY Adam Winebrenner DATE 12/21/2018
Adam Winebrenner

APPROVED BY Gary F. Zych DATE 12/21/2018
Gary F. Zych, P.E.
Manager –Geotechnical Engineering Section
AEP Service Corporation

1.0 INTRODUCTION

The purpose of this document is to determine and document the basis for cost estimating closure and/or post closure costs for Asset Retirement Obligations (ARO). This document shall define the basic physical parameters, regulatory requirements/criteria, method for cost estimates and assumptions.

2.0 ARO CRITERIA

- Cost based on the existing area that has been constructed to date.
- Cap design based on the minimum requirements of the CCR Rule. If no approval exists, the cap shall be based on the more stringent requirements of either the State or Federal criteria.

3.0 UNIT AND PHYSICAL PARAMETERS

Plant	Rockport
ARO Unit Description	Primary Bottom Ash Pond
ARO Name	ASH#2
Date of Estimate being reviewed	2009
Date of Review	December 21, 2018
Closure Method	<i>in-place/removal (respectively)</i>
Area to be Closed (acres)	107
CLOSURE COST ESTIMATE	\$26,500,000
POST CLOSURE CARE ANNUAL COSTS	\$107,000

Jm

4.0 CAP SYSTEM AND OTHER ASSUMPTIONS

At this time, there is no approved cap system for the CCR unit. The CCR Rule states that the cap system shall be no less permeable than the base liner. There is no CCR compliant base liner for each bottom ash pond. Therefore, the cap will be selected by AEP, which will consist of a geomembrane, geocomposite and 24 inches of soil layer to sustain vegetative growth. It is also assumed that the bottom ash will remain in place and regraded to provide positive drainage.

Jm

The wastewater ponds, reclaim pond and clear water ponds will be dewatered, stripped a minimum of 6 inches with subsequent placement of clean fill to provide positive drainage. These ponds comprise 45 acres of the 107 acre pond complex (reference drawing 12-30013 "Unit No. 1 & 2 Wastewater & Bottom Ash Pond Area Grading & Drainage").

5.0 COST ESTIMATE ASSUMPTIONS

Geotechnical Engineering has prepared the cost estimate for the closure as part of a confidential project. Closure will be performed after retirement of the plant. The current assumptions for closure are that bottom ash and underlying sediments will be left in place. An estimate from Sargent & Lundy was prepared for the clear water pond and extrapolated to the reclaim and wastewater ponds for general regrading and fill quantities.

Geotechnical Engineering has discussed the cost of long term maintenance and monitoring of the ash ponds with plant personnel and Environmental Services. The cap will be mowed twice (2) a year during the post

closure period. The monitoring wells will be sampled and tested twice (2) as part of normal detection monitoring.

Historically, AEP has not experienced any type of erosion or other damage to a cap system across the generation fleet. However, an annual allowance of \$12,000 (24 hours at a total crew rate of \$500/hr) will be included in the post closure care estimate.

Similarly, AEP has not typically replaced or performed any major repairs to monitoring wells so no specific allowance will be listed.

As of May 2018, there are 28 monitoring wells associated with the bottom ash ponds that are part of the State/CCR approved monitoring network. ✓

The level of project design for closure of the ash ponds is in the range of 15-30 % complete at this stage. Therefore, a contingency of 30% based on the attached EPRI guidelines is appropriate for the closure cost estimate. ✓

6.0 SUMMARY OF ANNUAL REVIEW/REVISIONS

There is a cost revision for the Closure Cost for the Bottom Ash Pond complex. This change is based on the cost estimate prepared in the Spring 2018 for a confidential project and from recently bid projects in 2018 for select line items.

Annual Post Closure Care Costs for the Primary Bottom Ash Pond have been estimated and the care period is 30 years in duration.

7.0 CASH FLOWS

Currently, closure of the bottom ash ponds is scheduled after the retirement of the plant (assumed 2040). The duration of the construction is expected to be 2 years.

To	Be	To	Be
determined		determined	
\$13,250,000		\$13,250,000	

J.T. Massy-Norton prepared the 2018 revision and clarifications.

Adam Winebrenner reviewed the 2018 revision/clarifications and the corresponding details of the cost estimate.

Attachment D to ISO-New England Planning Procedure 4

transmission lines). Handy Whitman is a custom tailored index for the utility industry which updates are released twice a year. This index follows the Uniform System of Accounts as defined by the Electric Code of Federal Regulations (Title 18) and is used by the utility companies for tax preparation and depreciation purposes. Despite its historical basis it does provide accurate trends that may be used to anticipate inflation rates. Estimates should clearly specify how inflation is considered in the estimate and clearly state that the estimate is expressed in year-of-expenditure dollars. Multiple sources may be used for determining the inflation rate, including other nationwide and local references.

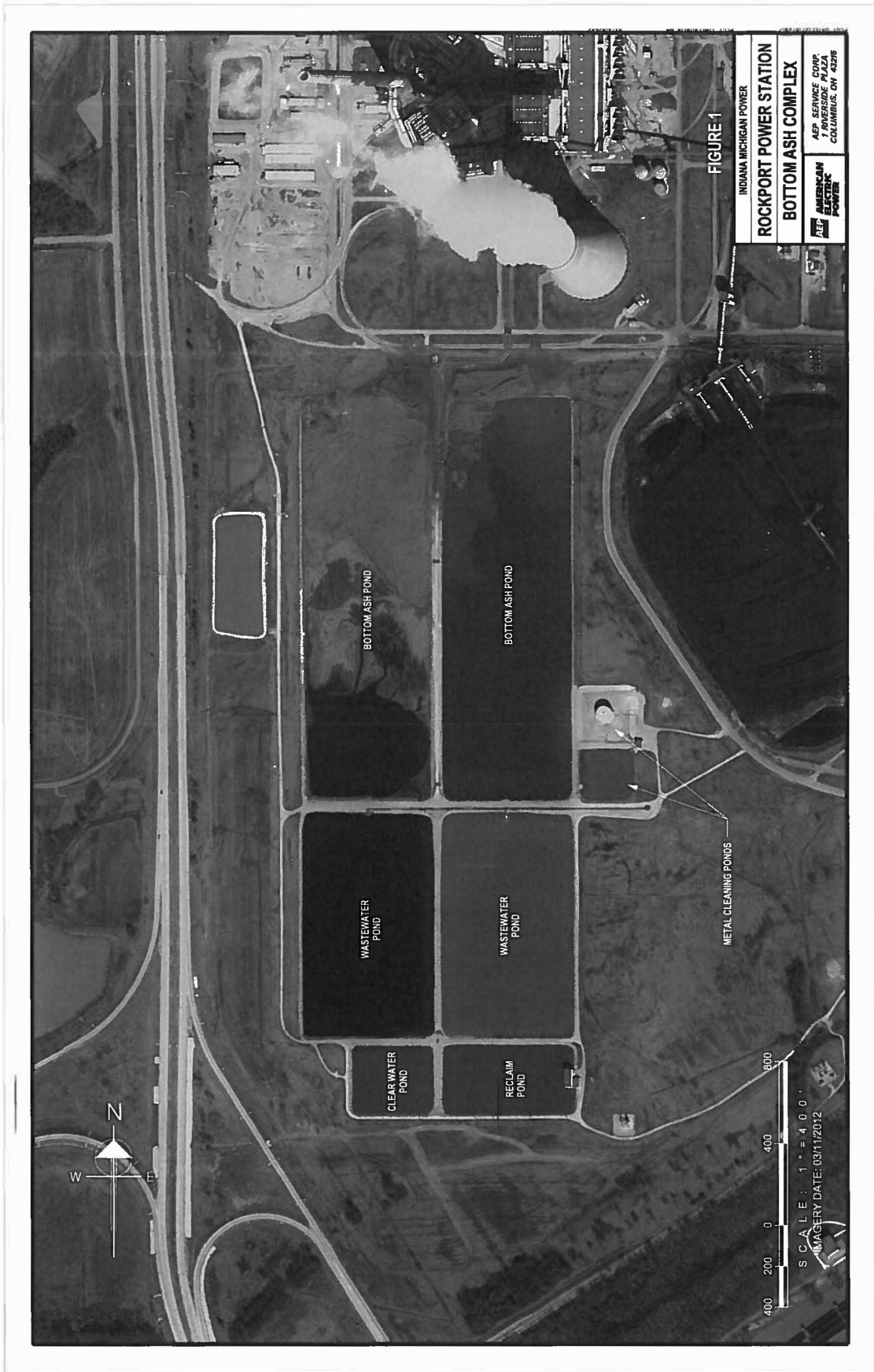
Contingency

Reasonable contingencies should be developed and evaluated for each project cost estimate. Contingency captures uncertainties and cost risks within an estimate. The contingency should adhere to the definition as provided in Section 1 of this document and is dependent on the level of project definition. Some general guidelines for contingency have been developed based on AACE definitions by EPRI and the Department of Energy and are as follow:

Estimate Class	Descriptive (AACE / EPRI)	From AACE		From EPRI
		LEVEL OF PROJECT DEFINITION Expressed as % of complete definition	EXPECTED ACCURACY RANGE Typical variation in low and high ranges	Suggested Contingency
A	Study / Simplified Estimate	1% to 15%	L: -15% to -60% H: +30% to +120%	30-50 %
B	Budget, Authorization or Control / Preliminary Estimate	10% to 40%	L: -10% to -30% H: +20% to +60%	15-30%
C	Control or Bid / Detailed Estimate	30% to 70%	L: -5% to -15% H: +10% to +30%	10-20%
D	Check Estimate or Bid / Finalized Estimated	50% to 100%	L: -5% to -5% H: +10% to +10%	5-10%

Table 2: Cost Estimate types and relevance based on level of project definition

Major and more complex projects may include higher contingency levels based on increased project risks and challenges. Typically, as the project is refined, the contingency should reflect



Plant Rockport
 Facility Bottom Ash Ponds

Area to closed [acres]

Bottom Ash Ponds 62

Wastewater, reclaim & clear water ponds 45
 24

Construction duration [months]

Note: Unit Prices are updated from a competitively bid (four contractors) project for the Amos FGD landfill in 2018 and a consultant's closure estimate.

Note: The Rockport bottom ash pond complex is comprised of 2 ponds for a total acreage of 62 acres with each pond constructed to different depths. This estimate includes the closure costs that would be associated with the remaining wastewater ponds, reclaim pond and clearwater pond complex.

ITEM NO.	DESCRIPTION	UNIT	QUANTITY	Labor Price	Material Price	Total Unit	Total Price
1.0	GENERAL						
1.1	General Conditions	L.S. Month	24			\$25,000.00	\$600,000
1.2	Monthly Pump Rental	L.S. Month	0			\$5,000.00	\$0
1.3	Mobilization / Demobilization	L.S.	1			\$100,000.00	\$100,000
2.0	CLEARING & GRUBBING, DEMOLITION						
2.1	Remove and Dispose of 10 Discharge/Decant Structures	EA	10			\$1,000.00	\$10,000
	Grade out contact water and leachate ponds	sy	0			\$5.00	\$0
4.0	EXCAVATION						
4.1	Stripping 6 inches of soil from wastewater, reclaim and clear water ponds	C.Y.	34,848			\$5.48	\$190,967
4.2							
4.3							
6.0	FILL						
6.1	Place Final Cover Soil (24 inches) Bottom Ash Ponds	C.Y.	300,080			\$5.47	\$1,641,438
6.2	General grading and subgrade preparation Bottom Ash Ponds	acre	62			\$50,000.00	\$3,100,000
6.2	General grading and subgrade preparation Remaining Ponds	acre	45			\$205,000.00	\$9,225,000
7.0	EROSION & SEDIMENT CONTROL						
7.1	Seeding, Fertilizing and Mulching	S.Y.	517,880			\$1.25	\$647,350
7.2	Gravel Construction Entrance	Each	2			\$3,500.00	\$7,000
7.3	Furnish and Install Riprap	Ton	30			\$30.00	\$900
7.5							
7.6	silt fencing	ft	4,000			\$3.50	\$14,000
8.0	SURFACE DRAINAGE SYSTEMS						
8.1	Diversion Berm	ft	1,000			\$60.00	\$60,000
8.2	Outlet Structure [new]	Each	0				\$0
8.3	Outlet Structure Piping	L.F.	0			\$60.00	\$0
9.0	ROADS & PARKING AREAS						
	Road fill	cy	7,750			\$25.00	\$193,750
9.1	Gravel Drive	Tons	1,722			\$25.00	\$43,056
13.0	COVER CAP GEOTEXTILES & GEOMEMBRANE						
13.1	8 Oz. Non Woven Geotextile	S.Y.	300,080			\$2.61	\$783,209
13.2	Standard cap geomembrane 50 mil HDPE	SY	300,080			\$10.57	\$3,171,846
27.0	CONSTRUCTION COSTS						
	Subtotal construction costs						\$19,788,515
	Contingency		30%				\$5,936,554
13.5							\$25,725,069
27.0	THIRD PARTY SERVICES						
27.1	QA/QC consultant	month	24			\$20,000.00	\$480,000
	Engineering & design	L.S.	1			\$200,000.00	\$200,000
27.2	Surveying Services	L.S.	1			\$50,000.00	\$50,000
	subtotal Third Party Services						\$730,000
	Total						\$26,455,069
	Gross cost per acre						\$426,694.66

[Handwritten signatures]

- 4.8. AEP Company will maintain ownership of all real estate
- 5. Asbestos
 - 5.1. This conceptual estimate does not include the cost for the removal or disposal of asbestos containing materials.
- 6. Landfill
 - 6.1. This conceptual cost estimate does not include the cost for the closure or capping of any landfill(s), if present.
- 7. Clearwater Pond
 - 7.1. This conceptual estimate includes backfilling the Clearwater pond on the south side of the west wastewater pond from EL. 375' up to surrounding grade elevation with berm material currently surrounding there existing pond as well as crushed concrete material from the demolition efforts.
- 8. Ash Pond / Fly Ash Pond
 - 8.1. This conceptual cost estimate does not include the cost for any water filtering, discharge, or capping of any pond(s), if present.
- 9. Resale Equipment Value
 - 9.1. Brandenburg does not believe that any equipment holds a resale value greater than the anticipated scrap value of said equipment; therefore, no resale of equipment has been included.
- 10. Pricing

Description	Cost
General Conditions	\$184,500.00
Environmental	\$450,000.00
Unit 1 and 2 Demolition	\$7,090,775.00
Stack	\$475,000.00
Cooling Towers	\$1,200,000.00
River Cells	\$5,300,000.00
Flowable Fill	\$990,000.00
Clearwater Pond	\$717,000.00
Total	\$16,407,275.00

Total Cost = \$38,717,775.00

Scrap Revenue = (\$22,310,500.00)

Clearwater pond is 3.5 ac
 Cost per ac = \$717K/3.5
 = \$205,000/ac
 The \$717K cost implies a cost of \$8-9/cy for fill which is reasonable for the assumptions stated.
 Use \$205,000/ac to estimate close of the East and West wastewater ponds and the reclaim pond.

Rockport Plant BOTTOM ASH PONDS POSTCLOSURE CARE ESTIMATE - ANNUAL MONITORING & MAINTENANCE		Revised GEB 10/10/2019			
Post Closure Care Period:		107			
Post Closure Care Duration: 30 years					
Area: acreage					
East pond cap will be maintained for 30 years					
		Value	Unit	Unit Price	Cost
1.0 Ground Water Monitoring:					
1.1	Total Number of Monitoring Wells	28	Each		
1.2	Total Number of Samples per Year	frequency of sampling	56	EA/YR	
1.3	Cost of Sampling			\$475	\$26,600
1.4	Laboratory testing of samples			\$350	\$19,600
Total Costs for Ground Water Monitoring				\$	\$44,200
2.0 Leachate Monitoring:					
2.1	Total Number of Samples per year	quarterly sampling	0	EA/YR	
2.2	Unit Cost per Sample	not required		\$/EA	\$1,000
Total Costs for Leachate Monitoring				\$	\$0
3.0 Surface Water Monitoring:					
3.1	Total Number of Samples per year	collected with Leachate monitoring	0	EA/YR	
3.2	Unit Cost per Sample			\$/EA	\$1,000
3.3	Total Monitoring Costs			\$	\$0
4.0 O&M of Leachate Collection and Treatment System:					
4.1	Inspection & Flushing of Collection and Conveyance Pipes	annual flushing crew \$2000/day	0	LS	\$2,000
4.2	Inspection & Cleaning of Sumps/Manholes	annual visual inspection	0	LS	\$0
4.3	Repair/Replacement of Sump and Conveyance Piping			LS	
4.4	Amount of Leachate Generated from HELP Model			Gallons/YR	
4.5	Leachate Disposal Cost	assume no disposal cost		\$/Gallon	
4.6	Total Annual Leachate Disposal Cost			\$	
4.7	Annual Pump Electricity Costs			\$/YR/pump	
Total Costs for O&M Leachate System				\$	\$0 only every other year
5.0 O&M Ground Water Monitoring Wells:					
5.1	Inspection & Maintenance:	part of sample collection time	2	Each	\$1,000
5.2	Repair of Monitoring Wells		0	Each	\$2,500
Total Costs for Ground Water Monitoring Wells					\$0
					\$2,000
6.0 Maintenance of Cover System:					
6.1	Mowing Frequency per Year		2	Each	
6.2	Unit Cost per mowing			\$/ac	\$115
6.3	Total Mowing Costs:			\$	\$24,610
6.4	Area to be Reseeded:	1% of seeded cap area	5179	SF	
6.5	Reseeding Unit Costs:			\$/SF	\$0.50
6.6	Total Reseeding Costs:			\$	\$2,589
6.7	Cap Repair per Year	24 hrs/yr @ \$500/hr	24	HR	
6.8	Cap Repair Unit Costs:			\$/SF	\$500.00
6.9	Total Cap Repair Costs:			\$	\$12,000
Total Costs for Maintenance of Cover System:		other maintenance in 4.0		\$	\$38,199
7.0 O&M of Surface Water Management System:					
7.1	Inspection & Routine Maintenance	Included in 5.0 above	4	Each	\$0
7.2	Conveyance Ditch/Piping Clearing & Repair	part of maintenance above	0	LS	\$15,000
7.3	Outlet Clearing & Repair		0	LS	\$1,000
Total Costs for O&M of Surface Water Management System				\$	\$0
					\$0
8.0 O&M of Access Control Structures:					
8.1	Inspection & Routine Maintenance	Included in 5.0 above	4	Each	\$0
8.2	Fence, Gate & Sign Repair	no fencing around ponds	0	LS	\$1,000
8.3	Roadway Maintenance	part of maintenance above	0	LS	\$2,000
Total Costs for O&M of Access Control Structures				\$	\$0
					\$0
9.0 Vector and Rodent Control:					
9.1	Vector and Rodent Control	part of maintenance above	1	LS/Year	\$0
					\$0
10.0 Inspections:					
10.1	Annual Engineering Inspections	based on current contracts	1	Each/YR	\$20,000
10.2	Benchmark Inspection	included in 10.1 above	1	Each/YR	\$0
10.3	Security Inspections	included in 10.1 above	4	Each/YR	\$0
Total Costs for Inspections					\$20,000
		part of sampling and maintenance.			\$107,399
11.0 Final Closure:					
11.1	Mobilization/Demobilization		0	LS	\$0
11.2	Engineering Fees & Reports		0	LS	\$10,000
11.3	Survey & Deed Notation		0	LS	\$10,000
11.4	Closure Certification		0	LS	\$10,000
Total Costs for Final Closure					\$0
					\$0
TOTAL ANNUAL POST CLOSURE CARE COSTS:					\$107,399
Non-annual Post Closure Care Costs:					
Replacement of Groundwater Monitoring Wells		1	Each	\$15,000	\$15,000
Closure and abandonment of ground water monitoring wells		33	Each	\$2,500	\$82,500
Total Costs for Non-annual Post Closure Care Costs:					\$97,500
TOTAL POST CLOSURE CARE DIRECT COSTS: (30 years)					\$3,319,482
TOTAL POST CLOSURE CARE O&M, MONITORING & MAINTENANCE COSTS:					\$3,319,482

ARO Estimate Review Checklist - 2019

Plant Name: Rockport

ARO Name: Landfill

Document: GEE-18-004

ASSUMPTIONS AND ITEMS TO BE CHECKED DURING 2019 REVIEW

- 1. Is there any change to the expected Closure Method?
- 2. Has any new area been constructed and considered In-Service?
- 3. Confirm the current area to be Closed.
- 4. Is the current cap system in the estimate compliant with CCR and State regulations?
- 5. Have there been any Regulatory changes that would impact the estimate (confirm with Environmental)
- 6. Are the assumptions and statements in the narrative of this document consistent with the line items and values in the detailed cost estimate sheet?
- 7. Are there any significant changes to the timing of expenditures as a result of new planning documents? (e.g. Cash flow over next 10 years)
- 8. Have there been any refined design changes resulting in changes to the quantitie and/or unit costs?
- 9. Is the contingency percentage still valid and appropriate for the current design level?

Handwritten initials in a vertical column next to the checklist items, including "JMN" and "GZY".

POST CLOSURE CARE ESTIMATE

- 10.
- 11. Have the number of monitoring wells been significantly increased/decreased?
- 12. Any change is plans for water treatment?
- 13.
- 14.
- 15.

Final Conclusion: All data within the reviewed Document are still valid. No change to the ARO Estimate is required.

J.T. MASSEY-NORTON
Checked by
(Print name legibly)

J.T. Massey-Norton
Checked by
(Signature)

6/28/2019
Date

Mary F. Zych
Reviewer: Gary F. Zych

Geotechnical Engineering
Department

6/28/2019
Date

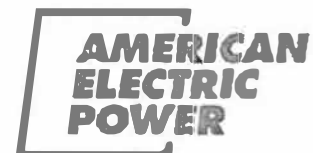
**CLOSURE/POST CLOSURE COSTS
Fly Ash Landfill**

**Rockport Plant
Indiana Michigan Power Company
Rockport, Indiana**

November 15, 2018

**Prepared for: Indiana Michigan Power Company – Rockport Plant
2791 North U.S. Hwy 231
Rockport, IN, 47635**

**Prepared by: American Electric Power Service Corporation
1 Riverside Plaza
Columbus, OH 43215**



Document ID: GEE-18-004

**BASIS for ESTIMATE
ARO CLOSURE/POST CLOSURE COSTS**

UNIT: CCR Landfill

ARO NAME: ASH#1

PLANT: Rockport Power Plant

OPERATION CO: Indiana Michigan Power Company

LOCATION: Rockport, Indiana

Document Number: GEE-18-004

PREPARED BY *J. T. Massey-Notton* DATE *12/21/2018*
J. T. Massey-Notton, P.G.

REVIEWED BY *Adam Winebrenner* DATE *12/21/2018*
Adam Winebrenner

APPROVED BY *Gary F. Zych* DATE *12/21/2018*
Gary F. Zych, P.E.
Manager –Geotechnical Engineering Section
AEP Service Corporation

Revision June 2019:includes revising the text to match the 15 % contingency within the spreadsheet for closure costs.

1.0 INTRODUCTION

The purpose of this document is to determine and document the basis for cost estimating closure and/or post closure costs for Asset Retirement Obligations (ARO). This document shall define the basic physical parameters, regulatory requirements/criteria, method for cost estimates and assumptions.

2.0 ARO CRITERIA

- Cost based on the existing area that has been constructed to date.
- Cap design based on existing, approved permits. If no approval exists, the cap shall be based on the more stringent requirements of either the State or Federal criteria.

3.0 UNIT AND PHYSICAL PARAMETERS

Plant	Rockport
ARO Unit Description	CCR landfill
ARO Name	ASH#1
Date of Estimate	2009
Date of Review	December 7, 2018
Closure Method	<i>in-place</i>
Total Constructed Area (areas)	179
Area to be Closed (acres)	129
CLOSURE COST ESTIMATE	\$16,000,000
POST CLOSURE CARE ANNUAL COSTS	\$149,000

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4.0 CAP SYSTEM AND OTHER ASSUMPTIONS

The landfill has been designed and operating under Indiana Department of Environmental Management (IDEM) Permit. Portions of the landfill have been constructed with an IDEM approved soil cap prior to the CCR Rule and a basal composite liner system since the CCR Rule for Phases 1 and 2. Phases 3 and 4 have received Type 2 fly ash and are lined with a five foot thick soil liner composed of in-situ soil/recompacted soil.

The proposed cap which is compliant with both the CCR Rule and IDEM requirements consist of:

- 6-inches top soil
- 18-inches of protective cover soil
- Geotextile
- Geomembrane

[Handwritten signature]

5.0 COST ESTIMATE ASSUMPTIONS

AEP recently constructed the cover cap liner system in 2018 and the costs from that construction contract are the general basis for the pricing used in this estimate review. Additionally, the permit application includes the engineer's estimate for closure and annual post closure costs. This information was also reviewed and used appropriately during this estimate review.

In addition to the construction costs of the cap system, this estimate includes costs for storm water diversion berms, the access road and close out of the contact water and leachate ponds. These features are shown on the approved permit drawings.

The design capacity of the landfill is 12.5 million tons for phases one to five providing a design life to the year 2040. It is also assumed that both units will be retrofitted with scrubbers in 2025. Additional phases shall be designed in the remaining permitted acreage to provide adequate storage capacity until the plant retires by 2040. AEP typically constructs final cap on a periodic basis or places temporary cover.

The leachate collection ponds that were constructed in 2015 are still in place and active, and will be necessary during the construction activities related to the closure.

Geotechnical Engineering has discussed the cost of long term maintenance and monitoring of the landfill with plant personnel and Environmental Services. The landfill will be mowed twice (2) a year during the post closure period. The monitoring wells will be sampled and tested twice (2) as part of normal detection monitoring.

Historically, AEP has not experienced any type of erosion or other damage to a cap system across the generation fleet. Therefore, an annual allowance of \$12,000 (24 hours at a total crew rate of \$500/hr) will be included in the post closure care estimate. Similarly, AEP has not typically replaced or performed any major repairs to monitoring wells so no specific allowance will be listed.

As of October 2018, there are 39 monitoring wells associated with the landfill that are part of the State/CCR approved monitoring network (Wood Consultant's Fig 6). *JMN*

The level of project design for closure of the landfill is in the range of 10 - 40% complete at this stage, excluding erosion/sediment controls. Therefore, a contingency of 15% based on the attached EPRI guidelines is appropriate for the closure cost estimate. *JMN*

6.0 SUMMARY OF ANNUAL REVIEW/REVISIONS

The final cover cap is compliant with US EPA CCR Rule and Indiana DEM requirements. The closure cost estimate has been increased based on recent construction contracts. The projected closure costs reflect the expansion of the landfill into Phase 2 (2019) with incremental closure (CCR cover cap) under normal operations.

Annual Post Closure Care Costs for the landfill has been estimated and the care period is 30 years in duration.

2021	2022	2023	2024	2025	2040
\$1,600,000	\$1,600,000	\$1,600,000	\$1,600,000	\$1,600,000	\$8,000,000

JMN

J.T. Massey-Norton prepared the 2018 revision and clarifications.

Adam Winebrenner reviewed the 2018 revision/clarifications and the corresponding details of the cost estimate.

Attachment D to ISO-New England Planning Procedure 4

transmission lines). Handy Whitman is a custom tailored index for the utility industry which updates are released twice a year. This index follows the Uniform System of Accounts as defined by the Electric Code of Federal Regulations (Title 18) and is used by the utility companies for tax preparation and depreciation purposes. Despite its historical basis it does provide accurate trends that may be used to anticipate inflation rates. Estimates should clearly specify how inflation is considered in the estimate and clearly state that the estimate is expressed in year-of-expenditure dollars. Multiple sources may be used for determining the inflation rate, including other nationwide and local references.

Contingency

Reasonable contingencies should be developed and evaluated for each project cost estimate. Contingency captures uncertainties and cost risks within an estimate. The contingency should adhere to the definition as provided in Section 1 of this document and is dependent on the level of project definition. Some general guidelines for contingency have been developed based on AACE definitions by EPRI and the Department of Energy and are as follow:

Estimate Class	Descriptive (AACE / EPRI)	From AAGE		From EPRI
		LEVEL OF PROJECT DEFINITION Expressed as % of complete definition	EXPECTED ACCURACY RANGE Typical variation in low and high ranges	Suggested Contingency
A	Study / Simplified Estimate	1% to 15%	L: -15% to -60% H: +30% to +120%	30-50 %
B	Budget, Authorization or Control / Preliminary Estimate	10% to 40%	L: -10% to -30% H: +20% to +60%	15-30%
C	Control or Bid / Detailed Estimate	30% to 70%	L: -5% to -15% H: +10% to +30%	10-20%
D	Check Estimate or Bid / Finalized Estimated	50% to 100%	L: -5% to -5% H: +10% to +10%	5-10%

Table 2: Cost Estimate types and relevance based on level of project definition

Major and more complex projects may include higher contingency levels based on increased project risks and challenges. Typically, as the project is refined, the contingency should reflect

Plant Rockport
 Facility LANDFILL

Area to closed [acres]

Construction duration [months]

129
 24
Jan

Note: Unit Prices are updated from a competitively bid (four contractors) project for the Amos FGD landfill in 2018.
 Note: The Rockport fly ash landfill is comprised of 4 phases for a total acreage of 129 acres. Phase 5 overlies the first four phases as the final capping sequence.

ITEM NO.	DESCRIPTION	UNIT	QUANTITY	Labor Price	Material Price	Total Unit	Total Price
1.0	GENERAL						
1.1	General Conditions	L.S. Month	24			\$25,000.00	\$600,000
1.2	Monthly Pump Rental	L.S. Month	0			\$5,000.00	\$0
1.3	Mobilization / Demobilization	L.S.	1			\$100,000.00	\$100,000
2.0	CLEARING & GRUBBING, DEMOLITION						
2.1	Remove and Dispose of Miscellaneous Debris	L.S.	1			\$5,000.00	\$5,000
	Grade out contact water and leachate ponds	sy	10500			\$5.00	\$52,500
4.0	EXCAVATION						
4.1	Stripping 6 inches of tempary soil cover from Phases 2, 3 & 4	C.Y.	99,898			\$5.48	\$547,439
4.2							
4.3							
6.0	FILL						
6.1	Place Final Cover Soil (24 inches)	C.Y.	412,078			\$5.47	\$2,254,064
7.0	EROSION & SEDIMENT CONTROL						
7.1	Seeding, Fertilizing and Mulching	S.Y.	624,360			\$1.25	\$780,450
7.2	Gravel Construction Entrance	Each	2			\$3,500.00	\$7,000
7.3	Furnish and Install Riprap	Ton	0			\$30.00	\$0
7.4	Water Management system during construction	Each					\$0
7.5	Haul leachate to Temporary water treatment system	ton	60,000			\$4.11	\$246,600
7.6	silt fencing	ft	4,000			\$3.50	\$14,000
8.0	SURFACE DRAINAGE SYSTEMS						
	Diversion Berm	ft	1,000			\$60.00	\$60,000
	Concrete Enhanced Synthetic Turf (CEST) Lined Channel	S.Y.	830			\$136.69	\$113,453
							\$0
8.1	Outlet Structure [new]	Each	0				\$0
8.2	Outlet Structure Piping	L.F.	0			\$60.00	\$0
8.3	Remove existing structure	Each					\$0
9.0	ROADS & PARKING AREAS						
	Road fill	cy	7,750			\$25.00	\$193,750
9.1	Gravel Drive	Tons	1,722			\$25.00	\$43,056
13.0	COVER CAP GEOTEXTILES & GEOMEMBRANE						
13.1	8 Oz. Non Woven Geotextile	S.Y.	624,360			\$2.61	\$1,629,580
13.2	Standard cap geomembrane 50 mil HDPE	SY	624,360			\$10.57	\$6,599,485

27.0	CONSTRUCTION COSTS						
	Subtotal construction costs						\$13,246,376
	Contingency		15%				\$1,986,956
13.5							\$15,233,333
27.0	THIRD PARTY SERVICES						
27.1	QA/QC consultant	month	24			\$20,000.00	\$480,000
	Engineering & design	L.S.	1			\$200,000.00	\$200,000
27.2	Surveying Services	L.S.	1			\$50,000.00	\$50,000
	subtotal Third Party Services						\$730,000
	Total						\$15,963,333

Gross cost per acre

\$123,746.77

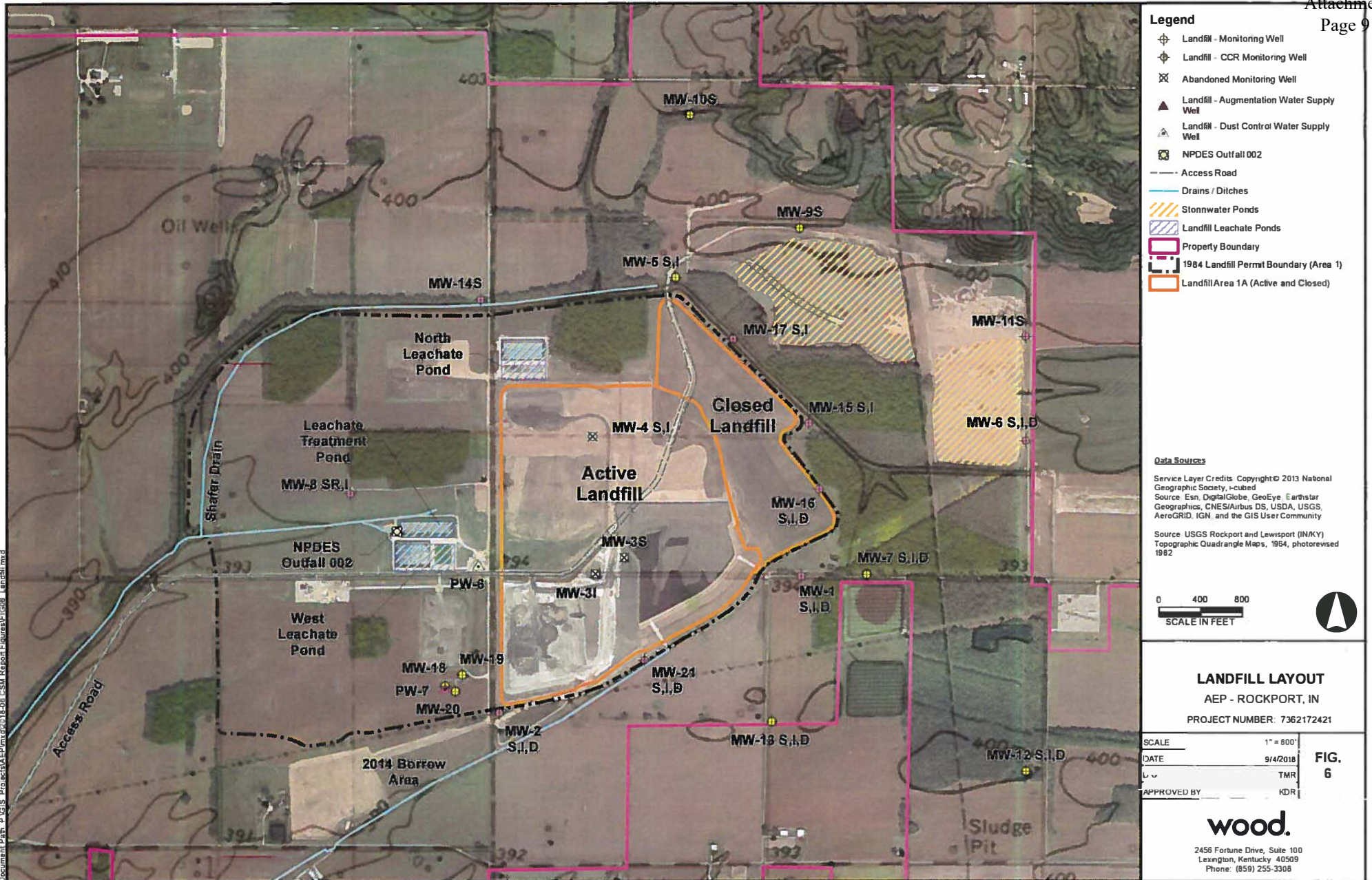
Jan

Rockport Landfill
 POST CLOSURE CARE ESTIMATE - ANNUAL MONITORING & MAINTENANCE
 Post Closure Care Period

Revised GES 7/3/2018
 30 years

Landfill Area constructed = 129
 Cap Type

		Value	Unit	Unit Price	Cost
1.0 Ground Water Monitoring:					
1.1 Total Number of Monitoring Wells		39	Each		
1.2 Total Number of Samples per Year	frequency of sampling	78	EA/YR		
1.3 Cost of Sampling			\$	\$475	\$37,050
1.4 Laboratory testing of samples				\$550	\$27,300
Total Costs for Ground Water Monitoring					\$64,350
2.0 Leachate Monitoring					
2.1 Total Number of Samples per year	quarterly sampling	4	EA/YR		
2.2 Unit Cost per Sample				\$1,000	
Total Costs for Leachate Monitoring	not required				\$4,000
3.0 Surface Water Monitoring					
3.1 Total Number of Samples per year	collected with Leachate monitoring	4	EA/YR		
3.2 Unit Cost per Sample				\$1,000	
3.3 Total Monitoring Costs					\$4,000
4.0 O&M of Leachate Collection and Treatment System					
4.1 Inspection & Flushing of Collection and Conveyance Pipes	annual flushing crew \$2000/day	5	days	\$2,000	\$10,000
4.2 Inspection & Cleaning of Sumps/Manholes	annual visual inspection	0	LS		
4.3 Repair/Replacement of Sump and Conveyance Piping			LS		
4.4 Amount of Leachate Generated from HELP Model			Gallons/YR		
4.5 Leachate Disposal Cost	assume no disposal cost		\$/Gallon		
4.6 Total Annual Leachate Disposal Cost			\$		
4.7 Annual Pump Electricity Costs			\$/YR/pump		
Total Costs for O&M Leachate System					\$10,000 only every other year
5.0 O&M Ground Water Monitoring Wells					
5.1 Inspection & Maintenance	part of sample collection time	1	Each	\$1,000	\$2,000
5.2 Repair of Monitoring Wells		0	Each	\$2,500	\$0
Total Costs for Ground Water Monitoring Wells					\$2,000
6.0 Maintenance of Cover System:					
6.1 Mowing Frequency per Year		1	Each		
6.2 Unit Cost per mowing			\$/ac	\$115	
6.3 Total Mowing Costs					\$29,670
6.4 Area to be Reseeded	1% of seeded cap area	6244	SY		
6.5 Reseeding Unit Costs			\$/SY	\$050	
6.6 Total Reseeding Costs					\$3,122
6.7 Cap Repairs per Year	24 hrs/yr @ \$500/hr	24	HR		
6.8 Cap Repair Unit Costs			\$/SY	\$50000	
6.9 Total Cap Repair Costs					\$12,000
Total Costs for Maintenance of Cover System:	other maintenance in 4.0				\$44,792
7.0 O&M of Surface Water Management System					
7.1 Inspection & Routine Maintenance	Included in 5.0 above	4	Each	\$0	\$0
7.2 Conveyance Ditch/Piping Cleaning & Repair	part of maintenance above	0	LS	\$15,000	\$0
7.3 Outlet Cleaning & Repair		0	LS	\$1,000	\$0
Total Costs for O&M of Surface Water System					\$0
8.0 O&M of Access Control Structures:					
8.1 Inspection & Routine Maintenance	Included in 5.0 above	4	Each	\$0	\$0
8.2 Fence, Gate & Sign Repair	no fencing at project	0	LS	\$1,000	\$0
8.3 Roadway Maintenance	part of maintenance above	0	LS	\$2,000	\$0
Total Costs for O&M of Access Control Structures					\$0
9.0 Vector and Rodent Control:					
9.1 Vector and Rodent Control	part of maintenance above	1	LS/year	\$0	\$0
10.0 Inspections:					
10.1 Annual engineering inspections	based on current contracts	1	Each/YR	\$20,000	\$20,000
10.2 Benchmark inspection	Included in 10.1 above	1	Each/YR	\$0	\$0
10.3 Security Inspections	Included in 10.1 above	4	Each/YR	\$0	\$0
Total Costs for Inspections					\$20,000
11.0 Final Closure:					
11.1 Mobilization/Demobilization		1	LS	\$0	\$0
11.2 Engineering Fees & Reports		1	LS	\$0	\$0
11.3 Survey & Deed Notation		1	LS	\$0	\$0
11.4 Closure Certification		1	LS	\$0	\$0
Total Costs for Final Closure					\$0
TOTAL ANNUAL POST CLOSURE CARE COSTS:					\$149,142
TOTAL POST CLOSURE CARE DIRECT COSTS: (30 years)					\$4,476,254



Document Path: P:\GIS Projects\AEP\mxd\018_001_esi\Report Figures\Fig09_Landfill.mxd

- Legend**
- ⊕ Landfill - Monitoring Well
 - ⊕ Landfill - CCR Monitoring Well
 - ⊗ Abandoned Monitoring Well
 - ▲ Landfill - Augmentation Water Supply Well
 - ▲ Landfill - Dust Control Water Supply Well
 - ⊠ NPDES Outfall 002
 - Access Road
 - Drains / Ditches
 - ▨ Stonnwater Ponds
 - ▨ Landfill Leachate Ponds
 - Property Boundary
 - ⬜ 1984 Landfill Permit Boundary (Area 1)
 - ▭ Landfill Area 1A (Active and Closed)

Data Sources

Service Layer Credits: Copyright© 2013 National Geographic Society, i-cubed
 Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

Source: USGS Rockport and Lewisport (IN/KY)
 Topographic Quadrangle Maps, 1964, photorevised 1982



LANDFILL LAYOUT
 AEP - ROCKPORT, IN
 PROJECT NUMBER: 7362172421

SCALE	1" = 800'	FIG. 6
DATE	9/4/2018	
APPROVED BY	TMR	
	KDR	

wood.

2456 Fortune Drive, Suite 100
 Lexington, Kentucky 40509
 Phone: (859) 255-3308

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 1 of 2

DATA REQUEST

AG_KIUC_2_022 Refer to the monthly Rockport invoice copies billed by AEGCo to KPCo provided in response to AG/KIUC 1-7. The invoices reference ARO depreciation expense in account 403.1 and ARO accretion expense in account 411.10 for Rockport Unit 1 and Unit 2. Describe for each unit the costs included separately in each account and define the ARO costs to which these expense amounts relate. Provide the calculations of each of these amounts by month, including the calculation of the ARO amortization period (startpoint and endpoint), in live Excel spreadsheet format with all formulas intact. In addition, provide a forecast by month through the termination of the Rockport UPA of the ARO depreciation expense in account 403.1 and the ARO accretion expense in account 411.11 by unit, including the calculations of these amounts in live Excel spreadsheet format with all formulas intact.

RESPONSE

Please refer to KPCO_R_KIUC_AG_2_21_Attachment2 for a breakdown of the ARO depreciation and accretion expense billed to Kentucky Power Company by AEGCo.

Please refer to KPCO_R_KIUC_AG_2_21_Attachment1 for the AEGCo ARO liability balances by type to which the ARO depreciation and accretion expenses in KPCO_R_KIUC_AG_2_21_Attachment2 relate.

ARO assets are depreciated on a straight-line basis over the remaining life of the applicable unit or plant. ARO depreciation and accretion expense are calculated by PowerPlan software and as such are not available in Excel spreadsheet format. The underlying AEGCo ARO liability balances were based on the studies provided in the response to KIUC_AG_2_21 subpart c.

AEGCo expects to incur \$106,580/month for depreciation expense related to the ARO asset until December 2022 (Kentucky Power Company's Rockport UPA with AEGCo ends December 2022). Please refer to KPCO_R_KIUC_AG_2_22_Attachment1 for the AEGCo August 2020 (most recent monthly amount available) depreciation calculated for Rockport. Please refer to KPCO_R_KIUC_AG_2_22_Attachment2 for a schedule showing the forecasted accretion expense from September 2020 to December 2022. The depreciation and accretion expense may change as estimates are updated and additional layers are added to the AROs.

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 2 of 2

Please note that separate asbestos asset retirement obligations were initially recorded for Rockport U1, U2 and common. Due to the minimal estimated cost of asbestos abatement for U1 and U2, in April 2019 AEGCo consolidated the U1 and U2 asset retirement obligations with the common asbestos ARO. Having one asbestos ARO for the plant simplifies the tracking of settlements and the assessment of whether a revision is needed.

Witness: Heather M. Whitney

Depreciation Expense Summary

American Electric Power

AEG - Rockport

SEC

Month: Aug/2020

Depreciation Group	Ending Plant Balance	Depreciation Base	Depreciation Rate	Calculated Expense	Depreciation Adjustment	Other Reserve Transaction	COR Activity	End Reserve
Fossil Generation								
Rockport Plant								
AEGCo 101/6 317 ARO Rockport Asbe	\$123,042.02	(\$106,707.75)	0.0000%	(\$1,056.51)	\$0.00	\$0.00	\$0.00	\$228,693.26
AEGCo 101/6 317 ASH Rockport Ash f	\$5,145,737.86	\$2,877,614.41	0.0000%	\$28,491.23	\$0.00	\$0.00	\$0.00	\$2,296,614.68
AEGCo 101/6 317 ASH2 Rockport	\$9,548,568.87	\$7,693,319.34	0.0000%	\$76,171.48	\$0.00	\$0.00	\$0.00	\$1,931,421.01
Rockport Plant Total	14,817,348.75	\$10,464,226.00		103,606.20	\$0.00	\$0.00	0.00	4,456,728.95
Fossil Generation Total	14,817,348.75	\$10,464,226.00		\$103,606.20	\$0.00	\$0.00	0.00	4,456,728.95
Company/Set of Books Total:	\$14,817,348.75	\$10,464,226.00		\$103,606.20	\$0.00	\$0.00	0.00	\$4,456,728.95

Unit	Period	Year	Account	Dept	Amount	Project	PC Bus Unit	W/O	Cost Com	ABM Act	Journal ID	Date	Line Descr
153	8	2,020	4031001	99990	2,974.11	GLNANDA	NONBU	G0000153	999	974	OAAAROAEG	2020-08-31	Amort deferred ARO Deprec
153	8	2,020	4111005	12981	4,849.97	GLNANDA	NONBU	G0000153	999	974	OAAAROAEG	2020-08-31	Amort deferred ARO Accretion
153	8	2,020	1823099	99990	-7,824.08						OAAAROAEG	2020-08-31	Amort deferred ARO Exp

1032 Report 103,606.20
 OAAAROAEG 2,974.11
106,580.31 Monthly Depreciation Expense

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 1 of 2

DATA REQUEST

- AG_KIUC_2_023** Refer to the Rockport EDIT amortization expense for the twelve months ended March 31, 2020 for AEGCo and the amount allocated to KPCo as reflected in the attachment response to AG/KIUC 1-16.
- a. Provide the protected and unprotected EDIT balances by temporary difference separately for Rockport Unit 1 and Unit 2 as of March 31, 2020 as recorded on the books of AEGCo.
 - b. Describe the protected and unprotected EDIT amounts on the books of AEGCo in each of the accounts 281, 282, and 283. If the amounts are distinguished between Rockport Unit 1 and Unit 2, please so state and describe.
 - c. Provide the monthly protected and unprotected EDIT amortization in the same format for AEGCo and KPCo for each month in the test year and for each subsequent month starting April 2020 for which information is available.
 - d. Indicate whether AEGCo was allocated or credited with any EDIT amortization benefits by the lessor on Rockport Unit 2. If so, describe the process whereby AEGCo was allocated such amounts, provide a schedule of such amounts by month (total EDIT by temporary difference beginning and end of month and monthly amortization) starting January 2018 and continuing through the most recent month for which actual information is available and forecast through the termination of the lease agreement, and provide a schedule of amounts used to reduce rate base and to amortize the EDIT to AEGCo and allocate such amounts to the Company.

RESPONSE

- a. On January 1, 2018, the Company remeasured the timing differences from 35% to 21% to reflect the change in federal corporate income tax rates effective on that date, and recorded the timing differences in FERC accounts with protected and unprotected designation depending on the character of the timing differences. After the individual timing differences were remeasured, the details of the individual timing differences no

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 2 of 2

longer existed. The excess was recorded in total for AEGCo and then allocated to Unit 1 and Unit 2 by 50/50 split. Please see KPCO_R_AG_KIUC_2_23_Attachment1 for protected and unprotected EDIT balances for Rockport Unit 1 and Unit 2 as of March 31, 2020.

b. Excess ADIT that is "protected" (i.e., method-life related) should be amortized using the Average Rate Assumption Method (ARAM). Excess ADIT that is "unprotected" (i.e., not method-life related) is amortized based on orders from federal electric regulatory commissions in AEGCo.

c. Please see KPCO_R_AG_KIUC_2_23_Attachment1 for monthly protected and unprotected EDIT amortization.

d. AEGCo was not allocated or credited with any EDIT amortization benefits resulting from the 2017 Tax Cuts and Jobs Act by the lessor on Rockport Unit 2. Section 3 of the Rockport Plant Unit 2 sale/leaseback agreement provided in the Company's response to AG_KIUC_2_019 provides for fixed rental payments.

Witness: Allyson L. Keaton

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_024 Refer to the AEGCo 2019 Form 1 at page 278 showing a balance of \$34,817,144 in account 254 at the end of 2019 for “SFAS-109 Deferred FIT.” Describe the amounts that are included in this account and indicate whether any amounts relate to Rockport Unit 1 and Unit 2 EDIT.

RESPONSE

Please see KPCO_R__AG_KIUC_2_024_Attachment1 for the calculation of account 254 - SFAS 109 DFIT. Account 254 includes AEGCo's accumulative excess amortization balances and then applies the gross up factor. Kentucky Power would still receive 30% ownership and then apply the 50/50 split for Units 1 and 2.

Witness: Allyson L. Keaton

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 1 of 3

DATA REQUEST

- AG_KIUC_2_025** Please provide a copy of the Fifth Modification to the December 2007 Consent Decree with EPA, Sierra Club, et. al. regarding the Rockport Plant approved by the Federal District Court for the Southern District of Ohio on July 18, 2019. With respect to the Fifth Modification please provide the following:
- a. Confirm that AEP (I&M and AEP Generating Company) will install enhanced dry sorbent injection (DSI) technology on both Rockport Units that will reduce SO₂ emissions by at least 58%.
 - b. Confirm the both Rockport Units will have a combined SO₂ emissions cap starting in 2021 of 10,000 tons.
 - c. Provide all studies, memos or other documents that estimate the cost impact of the Fifth Modification on Kentucky Power.
 - d. Confirm that over the three year period 2017-2019, the Rockport Units emitted an average of 37,577,284 tons of SO₂ per year.
 - e. Provide the estimated capital cost of the DSI system.
 - f. Provide the period of time over which the DSI system is proposed to be depreciated for ratemaking purposes in Kentucky.
 - g. Provide the estimated variable cost per MWh of the DSI system.
 - h. For the estimated variable cost per MWh, break out this cost into variable O&M costs for reagent, variable O&M costs for waste disposal and variable O&M costs for auxiliary power.
 - i. With the new DSI system in operation, what is the expected energy cost for Rockport generation (by unit) in 2021 and 2022?
 - j. If Kentucky Power can purchase energy from the PJM market cheaper than from Rockport Unit 1 or 2, confirm that Kentucky Power has the ability to back down Rockport Unit 1 or 2 generation to purchase from PJM.
 - k. Will the economic dispatch protocol for Rockport change as a result of the DSI investment?

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 2 of 3

RESPONSE

25. Please see KPCO_R_KIUC_AG_2_025_Attachment1.

a. Confirmed. The 58% reduction is the expected reduction in SO₂ rate (lbs./mmbtu) comparing the existing DSI system to the Enhanced DSI system. Actual emissions are a function of unit utilization and vary year to year. The Enhanced DSI system will have a 12-month rolling limit of 0.15 lbs./mmbtu.

b. Confirmed. The Rockport plant-wide SO₂ cap for calendar years 2021- 2028 will be 10,000 tons SO₂. In 2029 and each calendar year after, the plant-wide SO₂ cap is 5,000 tons SO₂.

c. Kentucky Power has not prepared any studies, memos, or other documents that estimate the cost impact of the Fifth Modification on Kentucky Power. In IURC Cause No. 45235, Kentucky Power affiliate Indiana Michigan Power Company (“I&M”) filed a workpaper, which sets forth the cost impact of the Enhanced DSI on I&M. The remaining 30% of the AEG Purchase Power Bill is allocated to Kentucky Power. Please see KPCO_R_KIUC_AG_2_025_Attachment2 for Workpaper WP-AJW-5.

d. This number is not accurate. For calendar years 2017 thru 2019, Rockport units emitted an average of 18,788 tons of SO₂ per year. This information is publicly available from the EPA’s Air Market Program Data website.

e. As set forth in KPCO_R_KIUC_AG_2_025_Attachment2, the estimated capital cost of the Enhanced DSI is approximately \$13.315M for I&M 50% portion of the project.

f. Unit 1 assets are being depreciated through 2028 and Unit 2 assets are being depreciated through 2022. Because the Company does not intend to extend the Rockport Unit Power Agreement beyond December 7, 2022, Kentucky Power will cease to incur costs related to the Enhanced DSI project after December 7, 2022.

g. Kentucky Power had not performed the requested analysis prior to this discovery request. Kentucky Power is relying on Workpaper WP-AJW-5 provided by I&M in IURC Cause No. 45235. On a nominal basis, the Enhanced DSI system will increase the consumable expense by \$7,955,332 and O&M expense by \$125,000 per year for I&M 50% portion of the project.

h. Kentucky Power has not performed the requested analysis.

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 3 of 3

- i. Kentucky Power disagrees with the characterization that the Enhanced DSI project is a new DSI system. It is an enhancement of the existing Rockport DSI equipment by injecting sodium bicarbonate into the flue gas stream upstream of its current location, allowing the Rockport Plant to remove additional SO₂. Previously, sodium bicarbonate was injected after the air pre-heater and before the electrostatic precipitators. The Enhanced DSI will relocate the sodium bicarbonate injection points upstream of the SCR. This relocation of the DSI system coupled with an increase in the sodium bicarbonate injection rate will enable the Rockport Plant to remove additional SO₂. Kentucky Power has not performed the requested analysis.

- j. AEPSC Commercial Operations follows the PJM economic dispatch based off of real time price signals. While the Company's generation bids its available generation into and buys its load from the Day Ahead market, sales and purchases are made in real time and any deviations are settled in the Real Time market.

- k. The economics of the Rockport units will reflect the additional incremental costs associated with the operation of DSI when those assets are placed into service.

Witness: Debra L. Osborne

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 1 of 38 PAGEID #: 14855

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION**

UNITED STATES OF AMERICA)	
)	
Plaintiff,)	
)	
and)	
	)	Consolidated Cases:
STATE OF NEW YORK, ET AL.,	)	Civil Action No. C2-99-1182
	)	Civil Action No. C2-99-1250
Plaintiff-Intervenors,	)	JUDGE EDMUND A. SARGUS, JR.
	)	Magistrate Judge Kimberly A. Jolson
v.)	
)	
AMERICAN ELECTRIC POWER)	
SERVICE CORP., ET AL.,)	
)	
Defendants.)	
)	
OHIO CITIZEN ACTION, ET AL.,	)	Civil Action No. C2-04-1098
	)	JUDGE EDMUND A. SARGUS, JR.
Plaintiffs,	)	Magistrate Judge Kimberly A. Jolson
)	
v.)	
)	
AMERICAN ELECTRIC POWER)	
SERVICE CORP., ET AL.,)	
)	
Defendants.)	
)	
UNITED STATES OF AMERICA	)	Civil Action No. C2-05-360
	)	JUDGE EDMUND A. SARGUS, JR.
Plaintiff,	)	Magistrate Judge Kimberly A. Jolson
)	
v.)	
)	
AMERICAN ELECTRIC POWER)	
SERVICE CORP., ET AL.,)	
)	
Defendants.)	
)	

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 2 of 38 PAGEID #: 14855

ORDER

This matter came before the Court on the Parties' Joint Motion to Enter the Fifth Joint Modification of Consent Decree (ECF No.). Having reviewed the submissions of all Parties and being fully advised of the positions therein, the Court hereby **GRANTS** the Joint Motion and **ORDERS** that the following Paragraphs of the Consent Decree entered in this case are modified as set forth herein.

IT IS SO ORDERED.

7-17-2019
DATE



EDMUND A. SARGUS, JR.
CHIEF UNITED STATES DISTRICT JUDGE

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 3 of 38 PAGEID #: 14855

**FIFTH JOINT MODIFICATION TO
CONSENT DECREE WITH ORDER MODIFYING CONSENT DECREE**

WHEREAS, On December 10, 2007, this Court entered a Consent Decree in the above-captioned matters (Case No. 99-1250, Docket # 363; Case No. 99-1182, Docket # 508).

WHEREAS, Paragraph 199 of the Consent Decree provides that the terms of the Consent Decree may be modified only by a subsequent written agreement signed by the Plaintiffs and Defendants. Material modifications shall be effective only upon written approval by the Court.

WHEREAS, pursuant to Paragraph 87 of the Consent Decree (Case No. 99-1250, Docket # 363), as modified by a Joint Modification to Consent Decree With Order Modifying Consent Decree filed on April 5, 2010 (Case No. 99-1250, Docket # 371), as modified by a Second Joint Modification to Consent Decree with Order Modifying Consent Decree filed on December 28, 2010 (Case No. 99-1250, Docket # 372), as modified by a Third Joint Modification With Order Modifying Consent Decree filed on May 14, 2013 (Case No. 99-1182, Docket # 548), and as modified by an Agreed Entry Approving Fourth Joint Modification to Consent Decree filed on January 23, 2017 (Case No. 99-1182, Docket # 553), no later than December 31, 2025, the American Electric Power (AEP) Defendants are required, *inter alia*, to install and continuously operate a Flue Gas Desulfurization (FGD) system on, or Retire, Refuel, or Re-Power one Unit at the Rockport Plant, and no later than December 31, 2028, the AEP Defendants are required to install and continuously operate a FGD system on, or Retire, Refuel, or Re-Power the second Unit at the Rockport Plant.

WHEREAS, the AEP Defendants filed a Motion for Fifth Modification of Consent Decree in Case No. 99-1182 on July 21, 2017 (Case No. 99-1182, Docket # 555) and in the related cases seeking to further modify the provisions of Paragraph 87 and make other changes.

WHEREAS, the United States, the States, and Citizen Plaintiffs filed memoranda in

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 4 of 38 PAGEID #: 14855

opposition to the motion by the AEP Defendants (Case No. 99-1182, Docket # 571 and 572, and Case No. 99-1250, Docket # 405) on September 1, 2017.

WHEREAS, the Parties made additional supplemental filings and engaged in settlement discussions and have reached agreement on a modification to the Consent Decree as set forth herein.

WHEREAS, the Parties have agreed, and this Court by entering this Fifth Joint Modification finds, that this Fifth Joint Modification has been negotiated in good faith and at arm's length; that this settlement is fair, reasonable, and in the public interest, and consistent with the goals of the Clean Air Act, 42 U.S.C. §7401, *et seq.*; and that entry of this Fifth Joint Modification without further litigation is the most appropriate means of resolving this matter.

WHEREAS, the Parties agree and acknowledge that final approval of the United States and entry of this Fifth Joint Modification is subject to the procedures set forth in 28 CFR § 50.7, which provides for notice of this Fifth Joint Modification in the *Federal Register*, an opportunity for public comment, and the right of the United States to withdraw or withhold consent if the comments disclose facts or considerations which indicate that the Fifth Joint Modification is inappropriate, improper, or inadequate. No Party will oppose entry of this Fifth Joint Modification by this Court or challenge any provision of this Fifth Joint Modification unless the United States has notified the Parties, in writing, that the United States no longer supports entry of the Fifth Joint Modification.

NOW THEREFORE, for good cause shown, without admission of any issue of fact or law raised in the Motion or the underlying litigation, the Parties hereby seek to modify the Consent Decree in this matter, and upon the filing of a Motion to Enter by the United States, move that the Court sign and enter the following Order:

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 5 of 38 PAGEID #: 14855

Modify the provisions of the Consent Decree, as amended by the first four modifications, as follows:

Add a new Paragraph 5A that states:

5A. A “30-Day Rolling Average Emission Rate” for Rockport means, and shall be expressed as, lb/mmBTU and calculated in accordance with the following procedure: first, sum the total pounds of the pollutant in question emitted from the combined Rockport stack during a Day which is an Operating Day for either or both Rockport Units, and the previous twenty-nine (29) such Days; second, sum the total heat input to both Rockport Units in mmBTU during the Day which was an Operating Day for either or both Rockport Units, and the previous twenty-nine (29) such Days; and third, divide the total number of pounds of the pollutant emitted during the thirty (30) Days which were Operating Days for either or both Rockport Units by the total heat input during the thirty such Days. A new 30-Day Rolling Average Emission Rate shall be calculated for each new Day which is an Operating Day for either or both Rockport Units. Each 30-Day Rolling Average Emission Rate shall include all emissions that occur during all periods of startup, shutdown, and Malfunction within an Operating Day, except as follows:

- a. Emissions and BTU inputs from both Rockport Units that occur during a period of Malfunction at either Rockport Unit shall be excluded from the calculation of the 30-Day Rolling Average Emission Rate if Defendants provide notice of the Malfunction to EPA in accordance with Paragraph 159 in Section XIV (Force Majeure) of this Consent Decree;
- b. Emissions of NOx and BTU inputs from both Rockport Units that occur during the fifth and subsequent Cold Start Up Period(s) that occur at a single Rockport Unit during any 30-Day period shall be excluded from the calculation of the 30-Day Rolling Average Emission Rate if inclusion of such emissions would result in a

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 6 of 38 PAGEID #: 14855

- violation of any applicable 30-Day Rolling Average Emission Rate and Defendants have installed, operated, and maintained the SCR at the Unit in question in accordance with manufacturers' specifications and good engineering practices. A "Cold Start Up Period" occurs whenever there has been no fire in the boiler of a Unit (no combustion of any Fossil Fuel) for a period of six (6) hours or more. The NOx emissions to be excluded during the fifth and subsequent Cold Start Up Period(s) at a single unit shall be the lesser of (i) those NOx emissions emitted during the eight (8) hour period commencing when the Unit is synchronized with a utility electric distribution system and concluding eight (8) hours later, or (ii) those NOx emissions emitted prior to the time that the flue gas has achieved the minimum SCR operational temperature specified by the catalyst manufacturer; and
- c. For SO₂, shall include all emissions and BTUs commencing from the time a single Rockport Unit is synchronized with a utility electric distribution system through the time that both Rockport Units cease to combust fossil fuel and the fire is out in both boilers.

Paragraph 14 is replaced in its entirety and now reads as follows:

14. "Continuously Operate" or "Continuous Operation" means that when an SCR, FGD, DSI, Enhanced DSI, ESP or other NOx Pollution Controls are used at a Unit, except during a Malfunction, they shall be operated at all times such Unit is in operation, consistent with the technological limitations, manufacturers' specifications, and good engineering and maintenance practices for such equipment and the Unit so as to minimize emissions to the greatest extent practicable.

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 7 of 38 PAGEID #: 14855

Add a new Paragraph 20A that states:

20A. “Enhanced Dry Sorbent Injection” or “Enhanced DSI” means a pollution control system in which a dry sorbent is injected into the flue gas prior to the NO_x and particulate matter controls in order to provide additional mixing and improved SO₂ removal as compared to Dry Sorbent Injection.

Paragraph 67 is replaced in its entirety and now reads as follows:

67. Notwithstanding any other provisions of this Consent Decree, except Section XIV (Force Majeure), during each calendar year specified in the table below, all Units in the AEP Eastern System, collectively, shall not emit NO_x in excess of the following Eastern System-Wide Annual Tonnage Limitations:

Calendar Year	Eastern System-Wide Annual Tonnage Limitations for NO _x
2009	96,000 tons
2010	92,500 tons
2011	92,500 tons
2012	85,000 tons
2013	85,000 tons
2014	85,000 tons
2015	75,000 tons
2016-2017	72,000 tons per year
2018-2020	62,000 tons per year
2021-2028	52,000 tons per year
2029 and each year thereafter	44,000 tons per year

Paragraph 68 is replaced in its entirety and now reads as follows:

68. No later than the dates set forth in the table below, Defendants shall install and

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 8 of 38 PAGEID #: 14855

Continuously Operate SCR on each Unit identified therein, or, if indicated in the table, Retire, Retrofit, or Re-Power such Unit:

Unit	NO _x Pollution Control	Date
Amos Unit 1	SCR	January 1, 2008
Amos Unit 2	SCR	January 1, 2009
Amos Unit 3	SCR	January 1, 2008
Big Sandy Unit 2	SCR	January 1, 2009
Cardinal Unit 1	SCR	January 1, 2009
Cardinal Unit 2	SCR	January 1, 2009
Cardinal Unit 3	SCR	January 1, 2009
Conesville Unit 1	Retire, Retrofit, or Re-Power	Date of Entry of this Consent Decree
Conesville Unit 2	Retire, Retrofit, or Re-Power	Date of Entry of this Consent Decree
Conesville Unit 3	Retire, Retrofit, or Re-Power	December 31, 2012
Conesville Unit 4	SCR	December 31, 2010
Gavin Unit 1	SCR	January 1, 2009
Gavin Unit 2	SCR	January 1, 2009
Mitchell Unit 1	SCR	January 1, 2009
Mitchell Unit 2	SCR	January 1, 2009
Mountaineer Unit 1	SCR	January 1, 2008
Muskingum River Units 1-4	Retire, Retrofit, or Re-Power	December 31, 2015
Muskingum River Unit 5	SCR	January 1, 2008
Rockport Unit 1	SCR	December 31, 2017
Rockport Unit 2	SCR	June 1, 2020
Sporn Unit 5	Retire, Retrofit, or Re-Power	December 31, 2013
A total of at least 600 MW from the following list of Units: Sporn Units 1-4, Clinch River units 1-3, Tanners Creek Units 1-3 and/or Kammer Units 1-3	Retire, Retrofit, or Re-Power	December 31, 2018

Add a new Paragraph 68A that reads as follows:

68A. 30-Day Rolling Average NO_x Emission Rate at Rockport. Beginning on the thirtieth Day which is an Operating Day for either one or both Rockport Units in calendar year 2021, average

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 9 of 38 PAGEID #: 14855

NOx emissions from the Rockport Units shall be limited to 0.090 lb/mmBTU on a 30-day Rolling Average Basis at the combined stack for the Rockport Units. Emissions shall be calculated in accordance with the provisions of Paragraph 5A and reported in accordance with the requirements of Paragraph J in Appendix B.

Add a new Paragraph 68B that reads as follows:

68B. Informational NOx Monitoring. During the ozone seasons (May 1 – September 30) in each of calendar years 2019 and 2020, prior to the effective date of the 30-Day Rolling Average NOx Rate at the Rockport Units in Paragraph 68A, the AEP Defendants shall provide an estimate of the 30-day rolling average NOx emissions from Rockport Unit 1, based on NOx concentrations and percent CO₂ measured at an uncertified NOx monitor in the duct from Unit 1 before the flue gases from Rockport Units 1 and 2 combine at the common stack. Hourly NOx rates shall be calculated for each hour for which valid data is available, using the following equation:

$$\text{NOx lb/mmBtu} = [(1.194 \times 10^{-7}) \times \text{NOx ppm} \times 1840 \text{ scf CO}_2 \text{ per mmBtu} \times 100] / \% \text{ CO}_2$$

The monitor shall be calibrated daily and maintained in accordance with good engineering and maintenance practices. If valid NOx or CO₂ data is not available for any hour, that hour shall not be used in the calculation of the informational data provided to Plaintiffs, including periods of monitor downtime, calibrations, and maintenance. For informational purposes only, NOx emission rate data for Rockport Unit 1 on a 30-Day Rolling Average Basis for May – June shall be reported to Plaintiffs by July 30, and NOx emission rate data for Rockport Unit 1 on a 30-Day Rolling Average Basis for July – September shall be reported to Plaintiffs by October 30. Nothing in this Paragraph shall be construed to establish a Unit-specific NOx Emission Rate for Rockport Unit 1, and these interim reporting obligations are not required to be incorporated into the Title V permit for the Rockport Plant.

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 10 of 38 PAGEID #: 14855

Paragraph 86 is replaced in its entirety and now reads as follows:

86. Notwithstanding any other provisions of this Consent Decree, except Section XIV (Force Majeure), during each calendar year specified in the table below, all Units in the AEP Eastern System, collectively, shall not emit SO₂ in excess of the following Eastern System-Wide Annual Tonnage Limitations:

Calendar Year	Eastern System-Wide Annual Tonnage Limitations for SO ₂
2010	450,000 tons
2011	450,000 tons
2012	420,000 tons
2013	350,000 tons
2014	340,000 tons
2015	275,000 tons
2016	145,000 tons
2017	145,000 tons
2018	145,000 tons
2019-2020	113,000 tons per year
2021-2028	94,000 tons per year
2029, and each year thereafter	89,000 tons per year

Paragraph 87 is replaced in its entirety and now reads as follows:

87. No later than the dates set forth in the table below, Defendants shall install and Continuously Operate an FGD, Dry Sorbent Injection, or Enhanced Dry Sorbent Injection system on each Unit identified therein, or, if indicated in the table, Cease Burning Coal, Retire,

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 11 of 38 PAGEID #: 14855

Retrofit, Re-power, or Refuel such Unit:

Unit	SO₂ Pollution Control	Date
Amos Unit 1	FGD	February 15, 2011
Amos Unit 2	FGD	April 2, 2010
Amos Unit 3	FGD	December 31, 2009
Big Sandy Unit 2	Retrofit, Retire, Re-Power or Refuel	December 31, 2015
Cardinal Units 1 and 2	FGD	December 31, 2008
Cardinal Unit 3	FGD	December 31, 2012
Conesville Units 1 and 2	Retire, Retrofit, or Re-power	Date of Entry
Conesville Unit 3	Retire, Retrofit, or Re-power	December 31, 2012
Conesville Unit 4	FGD	December 31, 2010
Conesville Unit 5	Upgrade existing FGD and meet a 95% 30-day Rolling Average Removal Efficiency	December 31, 2009
Conesville Unit 6	Upgrade existing FGD and meet a 95% 30-day Rolling Average Removal Efficiency	December 31, 2009
Gavin Units 1 and 2	FGD	Date of Entry
Mitchell Units 1 and 2	FGD	December 31, 2007
Mountaineer Unit 1	FGD	December 31, 2007
Muskingum River Units 1-4	Retire, Retrofit, or Re-power	December 31, 2015
Muskingum River Unit 5	Cease Burning Coal and Retire Or Cease Burning Coal and Refuel	December 15, 2015 December 31, 2015, unless the Refueling project is not completed in which case the Unit

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 12 of 38 PAGEID #: 14855

Unit	SO ₂ Pollution Control	Date
		will be taken out of service no later than December 31, 2015, and will not restart until the Refueling project is completed. The refueling project must be completed by June 30, 2017.
Rockport Unit 1	Dry Sorbent Injection and Enhanced DSI, and beginning in calendar year 2021 meet an Emission Rate of 0.15 lb/mmBTU of SO ₂ on a 30-Day Rolling Average Basis at the Rockport combined stack And Retrofit, Refuel, or Re-Power, but must satisfy the provisions of Paragraphs 133 and 140	April 16, 2015 December 31, 2020 December 31, 2028
Rockport Unit 2	Dry Sorbent Injection and Enhanced DSI, and beginning in calendar year 2021 meet an Emission Rate of 0.15 lb/mmBTU of SO ₂ on a 30-Day Rolling Average Basis at the Rockport combined stack	April 16, 2015 June 1, 2020
Sporn Unit 5	Retire, Retrofit, or Re-power	December 31, 2013
A total of at least 600 MW from the following list of Units: Sporn Units 1-4, Clinch River Units 1-3,	Retire, Retrofit, or Re-power	December 31, 2018

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 13 of 38 PAGEID #: 14855

Unit	SO ₂ Pollution Control	Date
Tanners Creek Units 1-3, and/or Kammer Units 1-3		

Paragraph 89A is replaced in its entirety and now reads as follows:

89A. Plant-Wide Annual Tonnage Limitation and 30-Day Rolling Average Emission Rate for SO₂ at Rockport. For each of the calendar years set forth in the table below, AEP Defendants shall limit their total annual SO₂ emissions from Rockport Units 1 and 2 to the Plant-Wide Annual Tonnage Limitation for SO₂ as follows:

Calendar Years	Plant-Wide Annual Tonnage Limitation for SO ₂
2016-2017	28,000 tons per year
2018-2019	26,000 tons per year
2020	22,000 tons per year
2021-2028	10,000 tons per year
2029, and each year thereafter	5,000 tons per year

In addition to the Plant-Wide Annual Tonnage Limitation for SO₂ at Rockport, beginning on the thirtieth Day which is an Operating Day for either or both Rockport Units in calendar year 2021, SO₂ emissions from the Rockport Units shall be limited to 0.15 lb/mmBTU on a 30-Day Rolling Average Basis at the Rockport combined stack (30-Day Rolling Average Emission Rate for SO₂ at Rockport). Emissions shall be calculated in accordance with the provisions of Paragraph 5A and reported in accordance with the requirements of Paragraph J in Appendix B. Nothing in this Consent Decree shall be construed to prohibit the AEP Defendants from further optimizing the Enhanced DSI system, utilizing alternative sorbents, or upgrading the SO₂ removal technology at

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 14 of 38 PAGEID #: 14855

the Rockport Units so long as the Units maintain compliance with the 30-day Rolling Average Emission Rate for SO₂ at Rockport and the 30-day Rolling Average Emission Rate for NO_x at Rockport.

Paragraph 127 is replaced in its entirety and now reads as follows:

127. The States, by and through their respective Attorneys General, shall jointly submit to Defendants Projects within the categories identified in this Subsection B for funding in amounts not to exceed \$4.8 million per calendar year for no less than five (5) years following the Date of Entry of this Consent Decree beginning as early as calendar year 2008, and for an additional amount not to exceed \$6.0 million in 2013. The funds for these Projects will be apportioned by and among the States, and Defendants shall not have approval rights for the Projects or the apportionment. Defendants shall pay proceeds as designated by the States in accordance with the Projects submitted for funding each year within seventy-five (75) days after being notified by the States in writing. Notwithstanding the maximum annual funding limitations above, if the total costs of the projects submitted in any one or more years is less than the maximum annual amount, the difference between the amount requested and the maximum annual amount for that year will be available for funding by the Defendants of new and previously submitted projects in the following years, except that all amounts not requested by and paid to the States within eleven (11) years after the Date of Entry of this Consent Decree shall expire.

Pursuant to the Fifth Joint Modification Indiana Michigan Power Company ("I&M") will provide as restitution or as funds to come into compliance with the law \$4 million in additional funding for the States to support projects identified in Section VIII, Subsection B during the period from 2019 through 2021. I&M shall provide the funding within seventy-five (75) days of receipt of a written request for payment and in accordance with instructions from counsel for the States.

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 15 of 38 PAGEID #: 14855

Paragraph 128B is replaced in its entirety and now reads as follows:

128B. Citizen Plaintiffs' Mitigation Projects. I&M will provide \$2.5 million in mitigation funding as directed by the Citizen Plaintiffs for projects in Indiana that include diesel retrofits, health and safety home repairs, solar water heaters, outdoor wood boilers, land acquisition projects, and small renewable energy projects (less than 0.5 MW) located on customer premises that are eligible for net metering or similar interconnection arrangements on or before December 31, 2014. I&M shall make payments to fund such Projects within seventy-five (75) days after being notified by the Citizen Plaintiffs in writing of the nature of the Project, the amount of funding requested, the identity and mailing address of the recipient of the funds, payment instructions, including taxpayer identification numbers and routing instructions for electronic payments, and any other information necessary to process the requested payments. Defendants shall not have approval rights for the Projects or the amount of funding requested, but in no event shall the cumulative amount of funding provided pursuant to this Paragraph 128B exceed \$2.5 million.

In addition to the \$2.5 million provided in 2014, pursuant to the Fifth Joint Modification I&M will provide as restitution or as funds to come into compliance with the law \$3.5 million in funding for Citizen Plaintiffs to support projects that will promote energy efficiency, distributed generation, and pollution reduction measures for nonprofits, governmental entities, low income residents and/or other entities selected by Citizen Plaintiffs. I&M shall provide the \$3.5 million in funding within seventy-five (75) days of the Date of Entry of the Fifth Joint Modification of the Consent Decree by the Court in accordance with instructions from counsel for Citizen Plaintiffs.

Paragraph 133 is replaced in its entirety and now reads as follows:

133. Claims Based on Modifications after the Date of Lodging of This Consent Decree. Entry of this Consent Decree shall resolve all civil claims of the United States against Defendants that

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 16 of 38 PAGEID #: 14855

arise based on a modification commenced before December 31, 2018, or, solely for Rockport Unit 1, before December 31, 2028, or, solely for Rockport Unit 2, before June 1, 2020, for all pollutants, except Particulate Matter, regulated under Parts C or D of Subchapter I of the Clean Air Act, and under regulations promulgated thereunder, as of the Date of Lodging of this Consent Decree, and:

- a. where such modification is commenced at any AEP Eastern System Unit after the Date of Lodging of the original Consent Decree; or
- b. where such modification is one this Consent Decree expressly directs Defendants to undertake.

With respect to Rockport Unit 1, the United States agrees that the AEP Defendants' obligation to Retrofit, Re-Power, or Refuel Rockport Unit 1 would be satisfied if, by no later than December 31, 2028, the AEP Defendants Retrofit Rockport Unit 1 by installing and commencing continuous operation of FGD technology consistent with the definition in Paragraph 56 of the Third Joint Modification of the Consent Decree, Re-Power the Unit consistent with the definition in Paragraph 54 of the Consent Decree, or Refuel the Unit consistent with the provisions of Paragraph 53A of the Third Joint Modification of the Consent Decree. If the AEP Defendants elect to Retire Rockport Unit 1 by December 31, 2028, that would also satisfy the requirements of this Paragraph and fulfill the AEP Defendants' obligations with regard to Rockport Unit 1 under this Consent Decree. The term "modification" as used in this paragraph shall have the meaning that term is given under the Clean Air Act and under the regulations in effect as of the Date of Lodging of this Consent Decree, as alleged in the complaints in *AEP I* and *AEP II*.

Paragraph 140 is replaced in its entirety and now reads as follows:

140. With respect to the States and Citizen Plaintiffs, except as specifically set forth in this Paragraph, the States and Citizen Plaintiffs expressly do not join in giving the Defendants the

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 17 of 38 PAGEID #: 14855

covenant provided by the United States in Paragraph 133 of this Consent Decree, do not release any claims under the Clean Air Act and its implementing regulations arising after the Date of Lodging of the original Consent Decree, and reserve their rights, if any, to bring any actions against Defendants pursuant to 42 U.S.C. §7604 for any claims arising after the Date of the Lodging of the original Consent Decree. AEP, the States, and Citizen Plaintiffs also recognize that I&M informed state regulators in its most recent base rate proceedings that the most realistic date through which Rockport Unit 1 can be expected to be in operation with any reasonable degree of certainty is December 2028, and the Indiana Utility Regulatory Commission and the Michigan Public Service Commission have approved depreciation rates for I&M's share of Rockport Unit 1 to be consistent with the retirement of Unit 1 in December 2028. Notwithstanding the existence of any other compliance options in Paragraphs 87 and 133, AEP Defendants must Retire Rockport Unit 1 by no later than December 31, 2028. AEP Defendants and the States and Citizen Plaintiffs agree that Paragraph 140 prevails in any conflict between it and Paragraphs 87 and/or 133.

a. On or before March 31, 2025, AEP Defendants shall submit to PJM Interconnection, LLC, or any other regional transmission organization with jurisdiction over the Rockport Units, notification of the planned retirement of Rockport Unit 1 by no later than December 31, 2028, and a request for such regional transmission organization to evaluate and identify any reliability concerns associated with such retirement.

Paragraph 180 is replaced in its entirety and now reads as follows:

180. Within one (1) year from commencement of operation of each pollution control device to be installed, upgraded, and/or operated under this Consent Decree, Defendants shall apply to include the requirements and limitations enumerated in this Consent Decree into federally-enforceable non-Title V permits and/or site-specific amendments to the applicable state

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 18 of 38 PAGEID #: 14855

implementation plans to reflect all new requirements applicable to each Unit in the AEP Eastern System, the Plant-Wide Annual Rolling Average Tonnage Limitation for SO₂ at Clinch River, the Plant-Wide Annual Tonnage Limitation for SO₂ at Kammer, and the Plant-Wide Annual Tonnage Limitation for SO₂ at Rockport.

Paragraph 182 is replaced in its entirety and now reads as follows:

182. Prior to termination of this Consent Decree, Defendants shall obtain enforceable provisions in their Title V permits for the AEP Eastern System that incorporate (a) any Unit-specific requirements and limitations of this Consent Decree, such as performance, operational, maintenance, and control technology requirements, (b) the Plant-Wide Annual Rolling Average Tonnage Limitation for SO₂ at Clinch River, the Plant-Wide Annual Tonnage Limitation for SO₂ at Kammer, and the Plant-Wide Annual Tonnage Limitation for SO₂ at Rockport, and (c) the Eastern System-Wide Annual Tonnage Limitations for SO₂ and NO_x. If Defendants do not obtain enforceable provisions for the Eastern System-Wide Annual Tonnage Limitations for SO₂ and NO_x in such Title V permits, then the requirements in Paragraphs 86 and 67 shall remain enforceable under this Consent Decree and shall not be subject to termination.

Paragraph 188 is modified as follows to update the information required in order to provide required notices under the Consent Decree:

188.

As to the United States:

Case Management Unit
Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
P.O. Box 7611, Ben Franklin Station
Washington, DC 20044-7611
DJ# 90-5-2-1-06893
eesdcopy.enrd@usdoj.gov

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 19 of 38 PAGEID #: 14855

Phillip Brooks
Director, Air Enforcement Division
Office of Enforcement and Compliance Assurance
U.S. Environmental Protection Agency
Ariel Rios Building [Mail Code 2242A]
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460
Brooks.phillip@epa.gov

Sara Breneman
Air Enforcement & Compliance Assurance Branch
U.S. EPA Region 5
77 W. Jackson Blvd.
Mail Code AE-18J
Chicago, IL 60604
Breneman.sara@epa.gov

and

Carol Amend, Branch Chief
Air, RCRA & Toxics Branch (3ED20)
Enforcement & Compliance Assurance Division
U.S. EPA, Region 3
1650 Arch Street
Philadelphia, PA 19103-2029
Amend.carol@epa.gov

For all notices to EPA, Defendants shall register for the CDX electronic system and upload such notices at <https://cdx.gov/epa-home.asp>.

As to the State of Connecticut:

Lori D. DiBella
Office of the Attorney General
Environment Department
55 Elm Street
P.O. Box 120
Hartford, CT 06141-0120
Lori.dibella@ct.gov

As to the State of Maryland:

Frank Courtright
Program Manager
Air Quality Compliance Program

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 20 of 38 PAGEID #: 14855

Maryland Department of the Environment
1800 Washington Blvd.
Baltimore, Maryland 21230
fcourtright@mde.state.md.us

and

Matthew Zimmerman
Assistant Attorney General
Office of the Attorney General
1800 Washington Boulevard
Baltimore, MD 21230
mzimmerman@mde.state.md.us

As to the Commonwealth of Massachusetts:

Christophe Courchesne, Assistant Attorney General
Office of the Attorney General
1 Ashburton Place, 18th floor
Boston, Massachusetts 02108
Christophe.courchesne@state.ma.us

As to the State of New Hampshire:

Director, Air Resources Division
New Hampshire Department of Environmental Services
29 Hazen Drive
Concord, New Hampshire 03302-0095

and

K. Allen Brooks
Senior Assistant Attorney General
Office of the Attorney General
33 Capitol Street
Concord, New Hampshire 03301
Allen.brooks@doj.nh.gov

As to the State of New Jersey:

Section Chief
Environmental Enforcement
Dept. of Law & Public Safety
Division of Law
R.J. Hughes Justice Complex
25 Market Street

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 21 of 38 PAGEID #: 14855

P.O. Box 093
Trenton, New Jersey 08625-0093
Lisa.morelli@dol.lps.state.nj.us

As to the State of New York:

Michael J. Myers
Senior Counsel
Environmental Protection Bureau
New York State Attorney General
The Capitol
Albany, New York 12224
Michael.Myers@ag.ny.gov

As to the State of Rhode Island:

Gregory S. Schultz
Special Assistant Attorney General
150 South Main Street
Providence, RI 02903
gschultz@riag.ri.gov

As to the State of Vermont:

Nicholas F. Persampieri
Assistant Attorney General
Office of the Attorney General
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Montpelier, Vermont 05609-1001
Nick.persampieri@vemont.gov

As to the Citizen Plaintiffs:

Nancy S. Marks
Natural Resources Defense Council, Inc.
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New York, New York 10011
nmarks@nrdc.org

Kristin Henry
Sierra Club
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Oakland, CA 94612
kristin.henry@sierraclub.org

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 22 of 38 PAGEID #: 14855

Margrethe Kearney
Environmental Law and Policy Center
35 East Wacker Dr. Suite 1600
Chicago, Illinois 60601-2110
MKearney@elpc.org

and

Shannon Fisk
Earthjustice
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Philadelphia, PA 19103
sfisk@earthjustice.org

As to AEP:

John McManus
Vice President, Environmental Services
American Electric Power Service Corporation
1 Riverside Plaza
Columbus, OH 43215
jmmcmanus@aep.com

David Feinberg
General Counsel
American Electric Power
1 Riverside Plaza
Columbus, OH 43215
dmfeinberg@aep.com

and

Janet Henry
Deputy General Counsel
American Electric Power Service Corporation
1 Riverside Plaza
Columbus, OH 43215
jjhenry@aep.com

As to Gavin Buyer:

Nicholas Tipple
Plant Manager
Gavin Power, LLC
7397 N. St Rt #7
Cheshire, OH 45620
Nicholas.tipple@lightstone.com

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 23 of 38 PAGEID #: 14855

Karl A. Karg
Latham & Watkins LLP
330 North Wabash Avenue, Suite 2800
Chicago, IL 60611
karl.karg@lw.com

and

Alexandra Farmer
Kirkland & Ellis LLP
1301 Pennsylvania Avenue, N.W.
Washington, DC 20004
alexandra.farmer@kirkland.com

Add a new Paragraph 205A that reads as follows:

205A. 26 U.S.C. Section 162(f)(2)(A)(ii) Identification. For purposes of the identification requirement of Section 162(f)(2)(A)(ii) of the Internal Revenue Code, 26 U.S.C. § 162(f)(2)(A)(ii), with respect to obligations incurred under this Fifth Joint Modification, performance of Section II (Applicability), Paragraph 3; Section IV (NO_x Emission Reductions and Controls), Paragraphs 67, 68, 68A, and 68B; Section V (SO₂ Emission Reductions and Controls), Paragraphs 86, 87, and 89A; Section VII (Prohibition on Netting Credits or Offsets from Required Controls), Paragraph 117; Section XI (Periodic Reporting), Paragraphs 143 – 147; Section XII (Review and Approval of Submittals), Paragraphs 148 and 149 (except with respect to dispute resolution); Section XVI (Permits), Paragraphs 175, 177, 179, and 180 – 183; Section XVII (Information Collection and Retention), Paragraphs 184 and 185; Section XXIII (General Provisions), Paragraph 207; and Appendix B; is restitution or required to come into compliance with law.

Modify Appendix B (Reporting Requirements) as follows:

Section I Paragraph O is replaced in its entirety and now reads as follows:

- O. Plant-Wide Annual Tonnage Limitation and Emission Rate for SO₂ at Rockport.

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 24 of 38 PAGEID #: 14855

Beginning March 31, 2017, and continuing annually thereafter, Defendants shall report: (a) the actual tons of SO₂ emitted from Units 1 and 2 at the Rockport Plant for the prior calendar year; (b) the Plant-Wide Annual Tonnage Limitation for SO₂ at the Rockport Plant for the prior calendar year as set forth in Paragraph 89A of the Consent Decree; and (c) for the annual reports for calendar years 2015 - 2020, Defendants shall report the daily sorbent deliveries to the Rockport Plant by weight. Beginning in calendar year 2021, the annual reports shall report the 30-day rolling average SO₂ Emissions Rate at the Rockport stack as required under Section I, Paragraph J of Appendix B, and reporting of daily sorbent deliveries will no longer be required.

Section I Paragraph S. is replaced in its entirety and now reads as follows:

S. Notification of Retirement of Rockport Unit 1.

AEP Defendants shall provide to the Plaintiffs a copy of the notification submitted to PJM Interconnection, LLC, or any other regional transmission organization pursuant to Paragraph 140.a, and a copy of any response received from PJM Interconnection, LLC, or any other the regional transmission organization.

Delete Paragraphs T and U from Section I of Appendix B.

Except as specifically provided in this Order, all other terms and conditions of the Consent Decree remain unchanged and in full effect.

SO ORDERED, THIS 17th DAY OF July, 2019.


HONORABLE EDMUND A. SARGUS, JR.
UNITED STATES DISTRICT JUDGE

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 25 of 38 PAGEID #: 14855

**SIGNATURE PAGE FOR THE
FIFTH JOINT MODIFICATION OF THE CONSENT DECREE**

in

United States v. American Electric Power Service Corp., et al.
Civil Action No. 99-CV-1182 and consolidated cases

FOR THE UNITED STATES



Myles E. Flint, II
Senior Counsel
Environmental Enforcement Section
Environment and Natural Resources Division
United States Department of Justice
P.O. Box 7611
Washington, D.C. 20530
(202) 307-1859

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 26 of 38 PAGEID #: 14855

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in

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Civil Action No. 99-CV-1182 and consolidated cases

FOR THE UNITED STATES



Rosemarie A. Kelley
Director
Office of Civil Enforcement
United States Environmental Protection Agency



Phillip A. Brooks
Director, Air Enforcement Division
Office of Civil Enforcement
United States Environmental Protection Agency



Sabrina Argentieri
Attorney-Advisor
Office of Civil Enforcement
Civil Enforcement Division
United States Environmental Protection Agency

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 27 of 38 PAGEID #: 14855


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in

United States v. American Electric Power Service Corp., et al.
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FOR THE STATE OF CONNECTICUT

WILLIAM TONG
ATTORNEY GENERAL

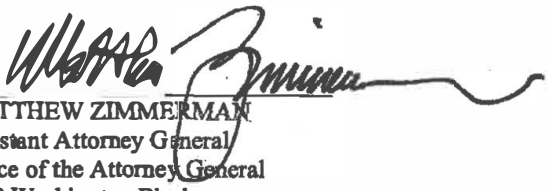
By: 

Lori D. DiBella
Assistant Attorney General
Office of the Attorney General
55 Elm Street
P.O. Box 120
Hartford, CT 06141-0120

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 28 of 38 PAGEID #: 14855

FOR THE STATE OF MARYLAND:

BRIAN E. FROSH
Attorney General

By: 
MATTHEW ZIMMERMAN
Assistant Attorney General
Office of the Attorney General
1800 Washington Blvd.
Baltimore, Maryland 21230

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 29 of 38 PAGEID #: 14855

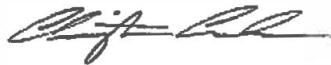
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United States v. American Electric Power Service Corp., et al.
Civil Action No. 99-CV-1182 and consolidated cases

FOR THE COMMONWEALTH OF
MASSACHUSETTS

MAURA HEALEY
ATTORNEY GENERAL



Christophe Courchesne
Assistant Attorney General
Office of the Attorney General
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Boston, MA 02108

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 30 of 38 PAGEID #: 14855

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Civil Action No. 99-CV-1182 and consolidated cases

FOR THE STATE OF NEW HAMPSHIRE

GORDON J. MACDONALD
ATTORNEY GENERAL



K. Allen Brooks
Senior Assistant Attorney General
Office of the Attorney General
33 Capitol Street
Concord, New Hampshire 03301

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 31 of 38 PAGEID #: 14855

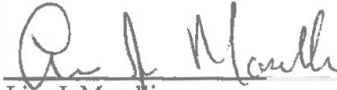
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in

United States v. American Electric Power Service Corp., et al.
Civil Action No. 99-CV-1182 and consolidated cases

FOR THE STATE OF NEW JERSEY

GURBIR S. GREWAL
ATTORNEY GENERAL



Lisa J. Morelli
Deputy Attorney General
Dept. of Law & Public Safety
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R.J. Hughes Justice Complex
25 Market Street
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Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 32 of 38 PAGEID #: 14855

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United States v. American Electric Power Service Corp., et al.
Civil Action No. 99-CV-1182 and consolidated cases

FOR THE STATE OF NEW YORK

LETITIA JAMES
ATTORNEY GENERAL



Michael J. Myers

Senior Counsel
Environmental Protection Bureau
New York State Attorney General
The Capitol
Albany, NY 12224

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 33 of 38 PAGEID #: 14855

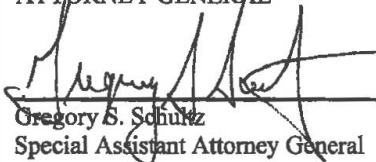
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in

United States v. American Electric Power Service Corp., et al.
Civil Action No. 99-CV-1182 and consolidated cases

FOR THE STATE OF RHODE ISLAND

PETER F. NERONHA
ATTORNEY GENERAL



Gregory S. Schultz
Special Assistant Attorney General
150 South Main Street
Providence, RI 02903

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 34 of 38 PAGEID #: 14855

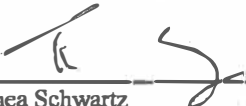
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in

United States v. American Electric Power Service Corp., et al.
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FOR THE STATE OF VERMONT

THOMAS J. DONOVAN, JR.
ATTORNEY GENERAL



Thea Schwartz
Assistant Attorney General
Office of the Attorney General
109 State Street
Montpelier, VT 05609-1001

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 35 of 38 PAGEID #: 14855

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United States v. American Electric Power Service Corp., et al.
Civil Action No. 99-CV-1182 and consolidated cases

FOR NATURAL RESOURCES DEFENSE
COUNCIL, INC.

Nancy S Marks

Nancy S. Marks
Natural Resources Defense Council, Inc.
40 West 20th Street
New York, NY 10011

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 36 of 38 PAGEID #: 14855

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in

United States v. American Electric Power Service Corp., et al.
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FOR SIERRA CLUB



Kristin Henry
Sierra Club
2101 Webster Street, Suite 1300
Oakland, CA 94612

Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 37 of 38 PAGEID #: 14855

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United States v. American Electric Power Service Corp., et al.
Civil Action No. 99-CV-1182 and consolidated cases

FOR OHIO CITIZEN ACTION, CITIZENS ACTION
COALITION OF INDIANA, HOOSIER
ENVIRONMENTAL COUNCIL, OHIO VALLEY
ENVIRONMENTAL COALITION, WEST VIRGINIA
ENVIRONMENTAL COUNCIL, CLEAN AIR
COUNCIL, IZAAK WALTON LEAGUE OF
AMERICA, ENVIRONMENT AMERICA,
NATIONAL WILDLIFE FEDERATION, INDIANA
WILDLIFE FEDERATION, AND LEAGUE OF OHIO
SPORTSMEN



Margrethe Kearney
Environmental Law and Policy Center
35 East Wacker Drive, Suite 1600
Chicago, IL 60601-2110

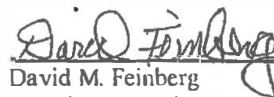
Case: 2:99-cv-01182-EAS-KAJ Doc #: 606 Filed: 07/17/19 Page: 38 of 38 PAGEID #: 14855

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in

United States v. American Electric Power Service Corp., et al.
Civil Action No. 99-CV-1182 and consolidated cases

FOR THE AEP COMPANIES



David M. Feinberg
American Electric Power
1 Riverside Plaza
Columbus, OH 43215

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

- AG_KIUC_2_026** Confirm that AEP and its relevant affiliates are currently involved in litigation with the owners of Rockport Unit 2. If so confirmed, provide the style of that litigation including the court and all applicable docket numbers.
- a. Explain whether in such litigation, AEP will agree to extend the lease of Rockport Unit 2.
 - b. Explain whether any potential extension of the Rockport Unit 2 lease could affect KPCo, and if so, how.
 - c. If AEP does extend the lease with Rockport Unit 2, confirm that KPCo ratepayers will pay less depreciation on new environmental investments.

RESPONSE

Confirmed. The litigation is pending before the U.S. District Court for the Southern District of Ohio and is styled Wilmington Trust Company, et al. v. AEP Generating Company, et al., S.D. Ohio Case No. 1:13-cv-01213-EAS-CMV. Kentucky Power is not a party to that action or a party to the Rockport Unit 2 lease.

- a. Kentucky Power does not know whether the parties to the Rockport Unit 2 lease will agree to its extension in the above-referenced litigation.
- b. Kentucky Power does not expect any potential extension of the Rockport Unit 2 lease to affect it.
- c. The Rockport Unit 2 lease's extension or non-extension has no impact on Kentucky Power's depreciation expense for new environmental investments after December 7, 2022.

Witness: Brian K. West

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

- AG_KIUC_2_027** Refer to the copy of the Rockport Unit Power Agreement (“UPA”) and all amendments provided in response to AG/KIUC 1-6.
- a. Provide a copy of the “Owners' Agreement”, dated March 31, 1982, as Amended (referenced at page 2 of 34).
 - b. Provide a copy of the “operating Agreement” entered into by IMECO, AEGCO and KEPCO in accordance with the “Owners' Agreement” to operate the Rockport Plant (referenced at page 2 of 34).
 - c. Provide a copy of the IMECO-AEGCO Unit Power Agreement designated AEGCO FERC Rate Schedule No. 1 (referenced at page 6 of 34).

RESPONSE

- a. Please refer to KPCO_R_AG_KIUC_2_27_Attachment1.
- b. Please refer to KPCO_R_AG_KIUC_2_27_Attachment2.
- c. Please refer to KPCO_R_AG_KIUC_2_27_Attachment3.

Witness: Alex E. Vaughan

10/11/01 10:00 PM FAX 218 420 2303

I&M REG AFFAIRS

OWNERS' AGREEMENT
FOR
ROCKPORT STEAM ELECTRIC GENERATING
STATION UNITS NO. 1 AND 2

THIS AGREEMENT made as of the 31st day of March, 1982, by and among INDIANA & MICHIGAN ELECTRIC COMPANY (IMECO), AEP GENERATING COMPANY (AEGCO) and KENTUCKY POWER COMPANY (KEPCO) (IMECO, AEGCO and KEPCO are referred to herein individually as a Participant and collectively as the Participants).

W I T N E S S E T H A T

WHEREAS IMECO has commenced the construction of a coal-fired steam electric generating station at a site along the Ohio River near the Town of Rockport, in Spencer County, Indiana (the Rockport Plant), and has entered into numerous contracts and arrangements in connection with the design and construction of the Rockport Plant which, when completed, is to consist of two coal-fired steam electric generating units having a combined net dependable capability of 2,600,000 kilowatts (the first of such generating units is herein called Unit No. 1, the second Unit No. 2, and such units are herein collectively referred to as the Initial Units); and

WHEREAS each of the Participants is a subsidiary company of American Electric Power Company, Inc. (AEP) and is or is to be a member of the interconnected, integrated

10/11/01 THU 09:56 FAX 219 425 2303 I&M REG AFFAIRS

2

electric system known as the American Electric Power System (the AEP System); and

WHEREAS each of the Participants anticipates that, by participating, as tenants in common without the right of partition, in the ownership of the Rockport Plant, and in the operation thereof in such manner as affords each of the Participants the opportunity to utilize and resell its respective entitlement to such capacity (and the energy related thereto) as shall be available from time to time at the Rockport Plant, economies of scale and coordinated operations can be achieved for the individual benefit of each Participant and the overall benefit of the AEP System;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein set forth, the Participants hereby mutually agree with each other as follows:

ARTICLE ONE

Definitions

1.1 The following terms, when used herein, except as otherwise expressly provided or unless the context otherwise requires, shall have the following respective meanings:

"Affiliate" of any specified corporation means any other corporation directly or indirectly controlling or controlled by or under direct or indirect common control with such specified corporation. For the purposes of this

10/11/01 THU 09:58 FAX 219 425 2303

I&M REG AFFAIRS

3

definition, "control" when used with respect to any specified corporation means the power to direct the management and policies of such corporation, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"AEGCO Participation" means the ownership interest of AEGCO, as tenant in common without the right of partition, in the Rockport Plant including the facilities described in Appendix A hereto, and the land therein described, and its entitlement, at any time in question, to any capacity, and the energy related thereto, which shall be available at the Rockport Plant. The AEGCO Participation at the date hereof shall be zero, but such percentage shall be increased progressively hereafter, if the transactions contemplated hereby are effected in accordance with the plans of the Participants, to a percentage which ultimately will be established at 35% (AEGCO's Nominal Percentage) and continued in that amount thereafter for the balance of the term of this Agreement, AEGCO's Participation at any particular time in question to be a percentage (i) equal to the remainder resulting from subtracting from 100% the sum of any IMECO Participation and any KEPCO Participation then in effect, and also (ii) equal to the percentage of the Total Rockport Plant Capacity Costs at such time represented by

10/11/01 THU 09:56 FAX 219 425 2303

I&N REG AFFAIRS

4

costs of construction of the Rockport Plant paid or incurred by AEGCO.

"Construction Account" means the joint account described in Section 2.7 of this Agreement.

"Costs of construction" and "construction costs" mean all costs attributable to the planning and construction of the Project and of making it ready for operation, all as determined in accordance with the Uniform System of Accounts.

"Date of Commercial Operation" means the date, to be designated by IMECO, when IMECO shall have completed successfully the performance tests of Unit No. 1 or Unit No. 2, as the case may be, and placed such unit in commercial operation.

"Effective Date" means the date, to be designated by IMECO, as the effective date of this Agreement when, after this Agreement shall have been executed and delivered by the parties hereto, IMECO shall determine that IMECO and at least one of the other two Participants shall have secured, in the opinion of IMECO, all regulatory authorization necessary or sufficient to enable the Participant or Participants which are involved to proceed to perform its or their respective obligations under this Agreement.

10/11/01 THU 09:57 FAX 219 425 2303

I&M REG AFFAIRS

5

"Full Scale Operation" means the date, to be designated by IMECO, when the Project as a whole is placed in commercial operation.

"IMECO Participation" means the ownership interest of IMECO, as tenant in common, without right of partition, in the Rockport Plant including the facilities described in Appendix A hereto, and the land therein described, and its entitlement, at any time in question, to any capacity, and the energy related thereto, which shall be available in the Rockport Plant. The IMECO Participation at the date hereof shall be 100%, but such percentage shall be reduced progressively hereafter, if the transactions contemplated hereby are effected in accordance with the plans of the Participants, to a percentage which ultimately will be established at 50% (IMECO's Nominal Percentage) and continued in that amount thereafter for the balance of the term of this Agreement, IMECO's Participation at any particular time in question to be a percentage (i) equal to the remainder resulting from subtracting from 100% the sum of any AEGCO Participation and any KEPCO Participation then in effect, and also (ii) equal to the percentage of the Total Rockport Plant Capacity Costs at such time represented by costs of construction of the Rockport Plant paid or incurred by IMECO.

10/11/01 THU 09:57 FAX 219 425 2303

I&M REG AFFAIRS

6

"Initial Turbine Roll Date" means the date during the construction period when steam is generated in the boiler and fed to the turbine of Unit No. 1 for the purpose of testing, during an experimental period, the readiness of Unit No. 1 for commercial operation.

"KEPCO Participation" means the ownership interest of KEPCO, as tenant in common, without right of partition, in the Rockport Plant including the facilities described in Appendix A hereto, and the land therein described, and its entitlement, at any time in question, to any capacity, and the energy related thereto, which shall be available at the Rockport Plant. The KEPCO Participation at the date hereof shall be zero, but such percentage shall be increased progressively hereafter, if the transactions contemplated hereby are effected in accordance with the plans of the Participants, to a percentage which ultimately will be established at 15% (KEPCO's Nominal Percentage) and continued in that amount thereafter for the balance of the term of this Agreement, KEPCO's Participation at any particular time in question to be a percentage (i) equal to the remainder resulting from subtracting from 100% the sum of any IMECO Participation and any AEGCO Participation then in effect, and also (ii) equal to the percentage of the Total Rockport Plant Capacity Costs at such time represented by costs of

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7

construction of the Rockport Plant paid or incurred by
KEPCO.

"Participation" means the respective ownership interest of a Participant as from time to time in effect under this Agreement.

"Permitted Encumbrances" means any (i) mechanics' or materialmen's liens in respect of obligations not overdue or which are being contested in good faith by appropriate proceedings, (ii) any liens arising by reason of pledges or deposits to secure payment of workmen's compensation or other insurance, (iii) deposits in connection with bids, tenders, contracts or leases, (iv) deposits to secure public or statutory obligations, deposits to obtain the release of any liens referred to in (i) above, deposits to secure or in lieu of surety, stay or appeal bonds and deposits as security for the payment of taxes and assessments or other similar governmental charges, (v) liens in respect of any tax or assessment or other similar governmental charge so long as such tax, assessment or charge is not then due and payable or is being contested in good faith by appropriate proceedings, (vi) judgment liens, so long as such judgment is being contested in good faith and execution thereon is stayed within 60 days after the date of entry of such judgment, (vii) defects in title, encumbrances, easements, servitudes, conditions or restrictions (in each case other

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8

than those to secure the payment of money) which can be eliminated by condemnation; provided that any such liens, deposits, defects in title, encumbrances, easements, servitudes, conditions or restrictions do not materially interfere with the proper construction, operation or development of the Project, and (viii) in the case of the Participation of a Participant, the lien of any mortgage and deed of trust or indenture of such Participant, or an Affiliate of such Participant, under which such Participant or Affiliate shall have issued, or proposes to issue, debt securities from time to time to finance its construction expenditures and for other corporate purposes and any excepted encumbrances permitted under the provisions of any such mortgage and deed of trust or indenture.

"Rockport Plant" means the steam electric generating station (herein sometimes also referred to as the Project) being constructed by IMECO along the Ohio River near the Town of Rockport, in Spencer County in the State of Indiana, as in existence at the date of this Agreement and as later modified or changed from time to time as contemplated hereby or otherwise.

"Site" means the land described in Appendix A hereto upon which the Initial Units, and appurtenant facilities, are constructed.

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9

"Total Rockport Plant Capacity Costs" means, at any time in question, the aggregate of the respective amounts recorded by each of the Participants pursuant to the Uniform System of Accounts with respect to the Rockport Plant as a cost of utility plant, including amounts properly recordable as components of construction costs of electric plant in service and construction work in progress pursuant to the Uniform System of Accounts including an allowance for funds used during construction (AFUDC); provided, however, that if and to the extent that at any time in question any Participant shall have been precluded (as a result of the inclusion in rate base in a rate proceeding of its investment in the construction work in progress represented by the Rockport Plant or otherwise) by regulatory authority from making effective provision for AFUDC in its accounts, the Total Rockport Plant Capacity Costs, as calculated for the purposes of this Agreement, shall nevertheless include provision for AFUDC, to the extent so excluded, for the purpose of allocating among the Participants the respective amounts for which each Participant shall be responsible with respect to the Total Rockport Plant Capacity Costs.

"Uniform System of Accounts" means the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) for public utilities and licensees subject to the provisions of the Federal Power Act as

10/11/01 THU 09:58 FAX 219 425 2303

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10

in effect at the date of this Agreement and, to the extent mutually agreed to by all of the Participants participating, at any time in question, in the Project, as from time to time amended or modified.

ARTICLE TWO

Responsibility for Costs of Construction of Rockport Plant

2.1 If at the time of the Effective Date each of the Participants, including IMECO, shall have received regulatory authorization necessary to permit the performance by such Participants of their respective obligations and duties under this Agreement, AEGCO and KEPCO shall become responsible for all additional costs of construction of the Rockport Plant comprising a part of the Total Rockport Plant Capacity Costs, in proportion to their respective Nominal Percentages, until the earlier of (i) the date when the respective components of construction costs incurred by AEGCO and KEPCO comprising a part of the Total Rockport Plant Capacity Costs shall in each case equal the respective Nominal Percentage of such Participant, and (ii) the Initial Turbine Roll Date; provided, however, that if in such case at any time prior to the Initial Turbine Roll Date, the Participation of AEGCO or KEPCO shall equal the Nominal Percentage of such Participant, but the Participation of such other Participant shall not, at such time, equal the

10/11/01 THU 09:59 FAX 219 425 2303

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11

Nominal Percentage of such other Participant, then such other Participant shall thereupon become responsible for all additional costs of construction of the Rockport Plant comprising a part of the Total Rockport Plant Capacity Costs until the respective components of construction costs incurred by AEGCO, IMECO and KEPCO comprising a part of the Total Rockport Plant Capacity Costs shall in each case equal the respective Nominal Percentage of each Participant. If in the case contemplated by this Section 2.1 the AEGCO Participation and the KEPCO Participation at the Initial Turbine Roll Date in the components of the construction costs comprising the Total Rockport Plant Capacity Costs at such date shall fail to equal their respective Nominal Percentages, AEGCO and KEPCO shall reimburse IMECO for construction costs previously paid or incurred by IMECO, and effect among themselves adjustments in amounts previously paid or incurred, with respect to the Total Rockport Plant Capacity Costs in such manner that as of the Initial Turbine Roll Date the respective components of construction costs paid or incurred by IMECO, AEGCO and/or KEPCO, as the case may be, with respect to the Total Rockport Plant Capacity Costs shall in each case equal the respective Nominal Percentages of such Participants, such Nominal Percentages representing the respective Participations, the respective percentage ownership interests of the Participants in the

10/11/01 THU 09:59 FAX 219 425 2303

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12

Rockport Plant at the Initial Turbine Roll Date and the respective entitlements of the Participants to any capacity (and the energy related thereto) which shall be available thereafter from one or both of the Initial Units at the Rockport Plant subsequent to (a) the Initial Turbine Roll Date and (b) Full Scale Operation of the Project.

2.2 If, at the time of the Effective Date, IMECO and one Participant (Participant A), but not the other Participant (Participant B), shall have received regulatory authorization necessary to permit the performance by such Participant of its respective obligations and duties under this Agreement, Participant A shall become responsible for all additional costs of construction of the Rockport Plant comprising a part of the Total Rockport Plant Capacity Costs until the earlier of (a) the date, if prior to the Initial Turbine Roll Date, when Participant B shall receive regulatory authorization necessary to permit it to perform its respective obligations and duties under this Agreement, and (b) the Initial Turbine Roll Date; provided, however, that if at any time prior to the Initial Turbine Roll Date the Participation of Participant A shall come to equal its Nominal Percentage, but Participant B shall not then have received regulatory authorization necessary to permit it to perform its respective obligations and duties under this Agreement, then in such case Participant A shall become

10/11/01 THU 09:59 FAX 219 425 2303

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13

responsible for its Nominal Percentage and IMECO for the remainder of the additional costs of construction comprising a part of the Total Rockport Plant Capacity Costs until the earlier of (x) the date when Participant B shall receive regulatory authorization necessary to permit it to perform its respective obligations and duties under this Agreement, and (y) the Initial Turbine Roll Date. If, in such case, Participant B shall receive, prior to the Initial Turbine Roll Date, regulatory authorization necessary to permit it to perform its respective obligations and duties under this Agreement, and the Participation of Participant A shall not have come to equal its Nominal Percentage, then (1) Participants A and B shall, thereafter during the remainder of the period until the Initial Turbine Roll Date shall occur, be responsible for all additional components of construction costs comprising a part of the Total Rockport Plant Capacity Costs to the same extent and with the same effect as if the Effective Date had occurred upon receipt by Participant B of such subsequent regulatory authorization, and (2) Participants A and B shall, as of the Initial Turbine Roll Date, reimburse IMECO for construction costs previously paid or incurred by IMECO, and effect among themselves adjustments in amounts previously paid or incurred, with respect to the Total Rockport Plant Capacity Costs in such manner that as of the Initial Turbine Roll Date the

10/11/01 THU 10:00 FAX 219 425 2303

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14

respective components of construction costs paid or incurred by IMECO, AEGCO and KEPCO with respect to the Total Rockport Plant Capacity Costs shall, as provided in Section 2.1 of this Agreement, in each case equal the respective Nominal Percentages of the Participants.

2.3 If, at the time of the Effective Date, (i) IMECO and one Participant (Participant A) but not the other Participant shall have received regulatory authorization necessary to permit the performance by Participant A of its respective obligations and duties under this Agreement, and (ii) Participant B shall not have received on or prior to the Initial Turbine Roll Date regulatory authorization necessary to permit it to perform its respective obligations and duties under this Agreement, then IMECO shall be entitled, at its election, to terminate the provisions of this Agreement applicable to Participant B, in which case (a) Participant B's Participation shall remain at zero and it shall have no further right to acquire any ownership interest in the Project or any entitlement under this Agreement to any capacity (or any energy related thereto) which may be available from time to time at the Rockport Plant, and (b) the IMECO Participation shall be increased to equal the sum of the Nominal Percentages of IMECO and Participant B. If the Effective Date shall not occur prior to the Initial Turbine Roll Date, then IMECO shall be

10/11/01 THU 10:00 FAX 219 425 2303

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15

entitled, at its election, to terminate the provisions of this Agreement applicable to both of the other Participants, in which case neither of such Participants shall have any right thereafter to acquire any ownership interest in the Project or any entitlement under this Agreement to any capacity (or any energy related thereto) which may be available from time to time at the Rockport Plant.

2.4 In the event that the Effective Date of this Agreement shall occur and thereafter any Participant shall fail, after the Initial Turbine Roll Date, to provide funds for which it is responsible as a component of construction cost of the Project hereunder, and such failure shall occur because it is unable to do so, such of the other Participant(s) as are responsible for some of the construction costs shall be entitled to provide such funds and, in such event, the Nominal Percentage(s) of the Participant(s) providing such funds shall be adjusted so that the respective Participation(s) of such Participant(s) in the Project shall be equal to the proportionate share(s) of such Participant(s) of the total of the investments thereafter comprising from time to time the Total Rockport Plant Capacity Costs.

2.5 IMECO shall, from time to time as required to reflect correctly the ownership interests of IMECO, AEGCO and KEPCO in the Rockport Plant and all rights appertaining

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16

thereto, execute and deliver such further instruments and do such further acts, including the execution and delivery of instruments in substantially the form annexed as Exhibit B hereto with such change or changes therein as shall be agreed upon by the parties hereto and as counsel for IMECO shall advise, as shall be necessary to effect the purposes of this Agreement, including (i) the confirmation to the Participants other than IMECO of their acquisition of title to the undivided interests as tenants in common, without right of partition, subject only to Permitted Encumbrances, equal to the proportions to which such Participants other than IMECO are entitled, and (ii) the surrender by IMECO pursuant to Section 58(3) of the Mortgage and Deed of Trust of IMECO to Irving Trust Company and Frederick G. Herbst (D.W. May, successor Individual Trustee), as Trustees, dated as of June 1, 1939, as amended and supplemented (the IMECO Mortgage), of such right as it previously had to a greater ownership interest in the Project when and to the extent that AEGCO and/or KEPCO perform their respective obligations under this Agreement. Each of the Participants other than IMECO shall, to the extent necessary to effect the purposes of this Agreement, take like action from time to time as required.

2.6 Each Participant shall, under the conditions and to the extent provided in this Agreement, be responsible

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for its ownership share of all costs and obligations incurred by IMECO in constructing the Rockport Plant pursuant to this Agreement, including all direct and properly allocated indirect costs of construction, including costs of replacements of units of property. With respect to each Participant's ownership interest in the Project, all Federal, State and local net or gross income or gross receipt, real estate, personal property, business, occupation, sales and excise taxes, and all other like taxes shall be borne directly by such Participant, if applicable to such Participant, and in proportion to the Participant's ownership interest in the Project, if applicable to the Project; and, in addition, in the event that IMECO shall become obligated to pay any additional gross income tax, adjusted gross income tax or supplemental corporate net income tax imposed by the State of Indiana upon IMECO as a result of the completion of the transactions contemplated by this Agreement, and the acquisition by AEGCO and KEPCO of undivided ownership interests as tenants in common without right of partition, AEGCO and KEPCO shall be obligated to reimburse IMECO, in proportion to their respective Participations as of the Initial Turbine Roll Date for such additional amount of any such tax paid by IMECO; and provided, further, that AEGCO and KEPCO shall reimburse IMECO in like proportion for the full amount of any transfer

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18

taxes, recordation fees or other expenses incurred by IMECO in connection with the preparation and recordation of the instruments which it is contemplated will be executed and delivered by the parties to this Agreement pursuant to the terms and provisions hereof. The Participants shall not permit any liens or encumbrances to remain unsatisfied against their respective ownerships interests in the Project, other than Permitted Encumbrances.

2.7 The Participants shall, on or before the Effective Date, establish and maintain a separate joint account (the Construction Account) in a bank located in the State of Indiana. All cash expenditures for construction of the Project shall be paid from the Construction Account in accordance with sound accounting and disbursement procedures out of the Construction Account by check or checks in such form as shall be agreed upon by the Participants. All funds in the Construction Account shall be used only for the payment of cash expenditures or construction of the Project in accordance with the following procedures:

(a) As promptly as practicable before the beginning of each calendar month, IMECO shall send to the other Participants a statement in reasonable detail of all estimated cash expenditures for construction of the Project for such month, the date on which each such expenditure will be due and the amount which IMECO estimates will properly reflect the Participation of each Participant in each such category of expenditures. Commencing with the calendar month following the Effective Date and monthly thereafter each of the Participants shall deposit in the Construction Account the respective

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19

amounts specified in a budget prepared by IMECO and distributed to the other Participants. The deposit of funds in the Construction Account shall be made in such manner as is commercially feasible and mutually agreed to by the Participants.

(b) The deposits made by the Participants in the Construction Account shall be adjusted from time to time in accordance with generally accepted utility accounting principles as actual costs, or other data indicating the need for such adjustments, become known. After the nature and amount of such adjustments are determined, they shall be reflected, to the extent it is practicable to do so, in the next regular deposit and to the extent not practicable so to do, such adjustments shall be promptly effected by cash settlements among the Participants in accordance with their respective responsibilities under this Agreement.

(c) At or before the time any statement or estimate is provided by IMECO to the other Participants, IMECO shall also furnish the other Participants with an accounting showing in reasonable detail the basis for the computation of the respective amounts shown therein and, to the extent that it is reasonably practicable to do so, IMECO shall also furnish the other Participants monthly reports covering such statements, estimates and payments furnished during the preceding month and indicating the proper accounting therefor under the Uniform System of Accounts.

(d) IMECO shall keep separate, complete and accurate accounts of any deposits made by the Participants into and all withdrawals from the Construction Account and, promptly after the end of each month, shall supply the other Participants with an itemized account of all deposits and withdrawals from the Construction Account during the previous month, together with adequate details of the purposes thereof.

(e) IMECO shall take such action as is necessary to afford the other Participants the right, at any reasonable time and from time to time, at their own expense, to examine or to cause independent certified public accountants to examine, separate books of account relating to the Project which shall be kept by IMECO in accordance with the

10/11/01 THU 10:03 FAX 219 425 2303

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20

Uniform System of Accounts and the right to make such audits and reports thereof as such other Participants shall deem necessary or desirable. IMECO shall keep its books of account relating to the Project in a form satisfactory for the auditing requirements of any independent certified public accounting firm of national reputation selected by either or both of the other Participants for the purpose of examining the records and accounts of such Participants.

2.8 IMECO will, in connection with the construction of the Project, use its best efforts to have AEGCO and KEPCO included (under such circumstances as shall not be prejudicial to AEGCO or KEPCO, or either of them, or to cause either of them undue expense) as a co-permittee under such consents and approvals as governmental regulatory authorities shall have previously heretofore granted to IMECO to own, construct and operate, the Rockport Plant, or, if AEGCO or KEPCO shall so request, continue the construction of, and operate, the Rockport Plant in its own name as sole permittee, for the respective accounts of the Participants which shall be entitled to ownership interests in the Project.

2.9 IMECO shall, after consultation with such of the other Participants as have ownership interests in the Project, determine and announce the Date of Commercial Operation of Unit No. 1 and the date of Full Scale Operation.

2.10 IMECO shall be entitled, at its own expense, to install and operate on the Site, before or after the date

10/11/01 THU 10:03 FAX 219 425 2303

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21

of Full Scale Operation, additional generating units, together with necessary appurtenances thereto, and any such equipment shall be so installed and operated, as IMECO's solely-owned equipment, so as not to interfere with or burden the facilities comprising the Project. IMECO shall also have the right to use any facilities installed as a part of the Project, and at its own expense to modify such facilities for use in connection with the installation and operation of IMECO's additional solely-owned facilities, provided that such use or modification does not interfere with or burden the operation of Unit No. 1 and/or Unit No. 2 and provided further that, if such use or modification shall increase the costs of operation of Unit No. 1 and/or Unit No. 2, IMECO shall bear such increase in costs for its own account.

2.11 The obligations and duties of the Participants with respect to the construction of the Project are intended to be several and not joint or collective, and nothing herein contained shall be construed to create an association, trust or partnership or impose a trust or partnership duty or obligation of or with regard to the Participants.

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ARTICLE THREE

Construction of the Project

3.1 Each of the Participants hereby acknowledges that the construction of the Project will be a consultative and collaborative process and that each Participant has an obligation to use its best efforts to reconcile and compromise such differences as may arise during the construction of the Project. AEGCO and KEPCO agree that IMECO has performed the design, engineering and construction of the Project to the date of this Agreement in an acceptable manner and that IMECO's current Project management organization is acceptable. In order to provide unified management of the Project AEGCO and KEPCO hereby acknowledge that IMECO shall be responsible for the further design, construction and completion of the Project subject to the terms of this Agreement and IMECO hereby accepts such responsibility.

3.2 AEGCO and KEPCO acknowledge that IMECO is not being specially compensated for assuming any ownership risks with respect to the other Participants' ownership interests in the Project and, accordingly, agree that any liability, loss, payment, cost, damage, expense or obligation arising from any claim of liability (after application thereto of any insurance coverage maintained for the account of all of the Participants) by a third party or parties against any or all of the Participants hereto and relating to the

10/11/01 THU 10:04 FAX 219 425 2303

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engineering, design, procurement, construction, installation, replacement, modification, renewal, retirement or salvaging of the Project or any part thereof or any other similar action or failure to act with respect to the Project shall be shared with IMECO by such Participants in accordance with their respective ownership interests. IMECO shall maintain insurance with respect to the Project of such types, in such amounts and with such named insureds and loss payees as the Participants shall mutually agree upon, but nothing herein contained shall prevent any of the other Participants from maintaining such additional insurance as such Participant deems desirable. IMECO shall have the sole authority in decisions regarding retirements from service of units of property and costs of removal and salvaging credits, if any, shall be shared by the Participants in proportion to their respective ownership interests.

3.3 The Participants, for themselves and successors and assigns, waive, for the entire term of this Agreement, the right to seek partition of the Project or the Site and each of the Participants agrees that it will not resort to any action at law or in equity to partition such portion of the Project and to that extent waives the benefits of all laws that may now or hereafter authorize such partition. In the event any such right of partition shall hereafter accrue, each Participant shall, from time to time,

upon the written request of any other Participant, execute and deliver such further instruments as may be necessary or desirable to confirm the foregoing waiver and release of its right to partition, but failure to request such instruments shall not impair the effectiveness of such waiver and release.

3.4 IMECO hereby agrees to surrender pursuant to Section 58(3) of the IMECO Mortgage, for the benefit of AEGCO and KEPCO, to the extent necessary to permit AEGCO to acquire its AEGCO Participation and KEPCO to acquire its KEPCO Participation, as tenants in common without right of partition in the Rockport Plant on the terms and subject to the provisions of this Agreement, any right which IMECO may hold, or under which it may be operating, as an owner of all or any part of the Rockport Plant, including the Site; provided, however, that IMECO does not intend, by such surrender, to retire, or to relinquish to AEGCO and KEPCO, or either of them, any portion of the investments which IMECO has heretofore made in the Project, it being, rather, the intention of each of the parties to this Agreement to provide an appropriate mechanism for such of the Participants as shall receive requisite regulatory authorization, to enable such Participants to acquire undivided ownership interests as tenants in common in the Project and to share the construction costs thereof on the terms and

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25

subject to the conditions set forth in this Agreement. The parties hereby agree that this Agreement shall, forthwith upon the execution and delivery hereof by the parties hereto, be lodged together with the Officers' Certificate, dated March 31, 1982, executed by a Vice President and the Treasurer of IMECO, attached hereto as Exhibit B and the Corporate Trustee's Certificate and Acknowledgment, dated March 31, 1982, attached hereto as Exhibit C, for record with the Recorder of Spencer County, Indiana, and that appropriate action be taken to effect an entry on the margin of the lien record in Spencer County, Indiana, and in other proper places of record; and acknowledge that it is the intent of the parties to this Agreement that, upon the execution, delivery and recordation of this Agreement and the execution, delivery and recordation thereafter from time to time of a Certificate of Reduction of Ownership Interest under the circumstances contemplated by Section 2.5 of this Agreement, the lien of the IMECO Mortgage, as the same may be amended and supplemented in the future, will not attach to the respective undivided ownership interests of AEGCO, and KEPCO, as tenants in common without right of partition, or either such interest, in the Site, or any other part of the Rockport Plant.

3.5 The Participants agree that, prior to the Date of Commercial Operation of Unit No. 1, they will enter into

an operating agreement, mutually acceptable to all Participants, in which they will agree to share, in the same percentages as their respective ownership participations in the Rockport Plant, all items of expense (and items of income, if any) associated with the operation of the Rockport Plant. It is understood that IMECO will be the operator of the Rockport Plant on behalf of all the Participants.

3.6 The provisions of this Agreement shall be binding upon and inure to the benefit of each of the Participants, their respective successors and assigns, including mortgagees, custodians, receivers, liquidators, assignees, trustees, sequestrators or other representatives and their respective successors and assigns; shall be incorporated in an appropriate instrument so as to run with the land; and shall survive the execution and delivery of this Agreement.

ARTICLE FOUR

Miscellaneous

4.1 IMECO agrees that it will, prior to the time it determines that the Effective Date has occurred, supply to AEGCO and to KEPCO an opinion of a firm of nationally recognized bond counsel to the effect that the consummation of the transactions contemplated by this Agreement will not

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27

adversely affect the tax exempt status of the pollution control revenue bonds (Series A) issued by the City of Rockport, Indiana, under the Indenture of Trust, dated as of June 1, 1980, with respect to certain of the facilities comprising the Project.

4.2 In addition to all other limitations on liability contained in this Agreement, the parties hereto shall be excused from any delay in the performance of, or inability to perform, any duties or obligations required by this Agreement when such delay in performance or inability to perform results from Force Majeure, except that the obligation to pay money in a timely manner is absolute and shall not be subject to any Force Majeure excuse. As used herein, Force Majeure means, without limitation, the following: Acts of God; strikes, lockouts or other catastrophic industrial disturbances; acts of public enemies; orders, or absence of necessary orders and permits of any kind which have been properly applied for, from the Government of the United States or from any State or territory, or any of their departments, agencies or officials, or from any civil or military authority; extraordinary delay in transportation; unforeseen geological conditions; shortages of equipment, material, supplies, labor or machinery; epidemics; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; floods; washouts; drought; war; civil

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disturbances; explosions; breakage or accident to equipment, machinery, transmission lines, pipes or canals; partial or entire failure of utilities; breach of contract by any supplier, contractor, subcontractor, laborer or materialman, other than any party hereto or any Affiliate of such party; sabotage; injunction; blight; famine; blockage; quarantine; or any other similar cause or event not reasonably within the control of any party hereto.

4.3 Any party hereto suffering an occurrence of Force Majeure shall remedy with all reasonable dispatch the cause or causes preventing such party from carrying out its duties or obligations; provided, however, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of such party, and it shall not be required to make settlement of strikes, lockouts or other industrial disturbances by acceding to the demands of the opposing party or parties when such course is unfavorable in the judgment of such party.

4.4 If the Project or any portion thereof should be damaged or destroyed, then, IMECO shall cause such repairs or reconstruction to be made so that the Project or such portion thereof shall be restored to substantially the same general condition, character and use as existed prior to such damage or destruction, provided that IMECO shall not be obligated to make any expenditures for such repairs or

10/11/01 THU 10:08 FAX 219 425 2303

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29

reconstruction in excess of the aggregate amount of the proceeds of insurance coverage (including any deductible) unless the other Participants agree to pay their respective share, in proportion to their ownership interests, of such expenditures or other arrangements reasonably satisfactory to IMECO are made. If IMECO begins such repair or reconstruction in accordance with this Section 4.4, the others shall pay to IMECO, upon IMECO's request, the insurance proceeds paid for such damage or destruction as required to complete such repair or reconstruction.

4.5 If there shall occur during the term of this Agreement a loss of title to, or of ownership or use or possession of, the Project or any portion thereof, as the result of or in lieu of or in anticipation of the exercise of the right of condemnation or eminent domain pursuant to any law, general or special, the Participant so affected will promptly give notice thereof to the other Participants, generally describing the nature and extent of the proceedings or negotiations relating to such condemnation or eminent domain proceeding. The other Participants shall have the right to participate fully in any such proceedings or negotiations and each shall share, in proportion to their ownership interests, all reasonable costs, fees and expenses incurred in connection with any condemnation proceedings or negotiations. All awards and payments received on account

of any condemnation (less the actual costs, fees and expenses incurred in the collection thereof) shall be distributed to the Participants proportionately.

4.6 In no event shall any Participant hereto be liable to any other Participant with respect to any claim, whether based upon contract, tort (including negligence), patent, trademark or service mark, or otherwise, for any indirect, incidental or consequential damages, including, but not limited to, the loss of profits or revenues, loss of use of the Project or any portion thereof, cost of capital, cost of purchased or replacement power, or claims for service interruptions.

4.7 Unless otherwise specifically provided by other provisions of this Agreement, any notice or consent required under this Agreement shall be in writing and addressed to or given by such officer, agent, representative or employee of each party as such party may, from time to time, designate in writing.

4.8 This Agreement, as well as all the transactions contemplated herein, is subject to the receipt and continued effectiveness of all necessary approvals and consents from the Securities and Exchange Commission, and all other regulatory agencies having jurisdiction over the transactions contemplated herein or over the parties to this Agreement.

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31

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4.9 In the event that any provision of this Agreement, or the application of any such provision to any person or circumstance, shall be held invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby.

4.10 Except as otherwise provided herein, none of the Participants shall be entitled to dispose of its undivided ownership interest in the Project, or any portion thereof, to any person, firm or corporation without the written consent of each of the other Participants, which consent shall not be unreasonably withheld. Such prohibition against transferability shall not be applicable to, and the parties hereto hereby consent to:

(a) any transfer, subject to the provisions of this Agreement, by a Participant to an Affiliate or Affiliates of such Participant under circumstances where such Participant shall not be relieved of its duties and obligations except through performance of such duties and obligations by such Affiliate or Affiliates;

(b) the merger of a Participant into, or consolidation of a Participant with, another Participant;

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34

(c) the sale or other disposition from time to time of all or part of its entitlement to available capacity (and the energy associated therewith) at the Project; and

(d) the transfer, assignment, pledge, hypothecation, mortgage or grant (by indenture of mortgage, deed of trust or otherwise) by a Participant or an Affiliate of a Participant, respectively, of its undivided interest in the Project, subject to the provisions of this Agreement, for the purpose of securing bonds or other obligations for borrowed money issued or to be issued by it, including the effect of any after-acquired property clause of any such indenture of mortgage, deed of trust or other instrument now existing or hereafter created by such Participant or such Affiliate respectively, or the realization on or enforcement of such security or the exercise by the trustees or the beneficiaries of such security of any of the rights, powers or privileges provided for with respect thereto, except that, in any event, the trustee and the beneficiaries shall be bound by the restrictions of Section 3.2 of this Agreement. Each Participant shall be entitled at any time and from time to time to take such action

10/11/01 THU 10:08 FAX 219 425 2303

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33

017

in regard to the Project as may be necessary to comply with the provisions of its indenture of mortgage, deed of trust or such other security instrument, including, without limitation, provisions relating to standards of maintenance, absence of liens, payment of taxes and governmental charges, compliance with governmental regulations and the carrying of insurance.

4.11 This Agreement shall be subject to termination to the extent that performance by any Participant of its duties and obligations under this Agreement may conflict with any rule, regulation or order of the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 adopted before or after the making of this Agreement; provided, however, that no such termination shall in any case reduce the amount of the Participation of any Participant in effect immediately prior to such termination or the obligations of the parties to reflect such Participation in instruments of conveyance pursuant to Section 2.5 of this Agreement.

4.12 This Agreement shall expire, terminate and become null and void on the earlier of the following two dates: (i) the date which shall be 36 months subsequent to the date after the Date of Commercial Operation of Unit No. 1 when IMECO shall determine, after consultation with

10/11/01 THU 10:08 FAX 219 425 2303

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018


34

AEGCO and KEPCO, that the Rockport Plant shall no longer be used for the purpose of generating electric power and energy, and (ii) the date which shall be the 21st anniversary of the death of the last survivor of all of the now living children and grandchildren of Rose Kennedy, mother of the late President John F. Kennedy, a list of such children and grandchildren being attached as Exhibit A hereto.

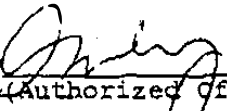
4.13 Any waiver at any time, by any party hereto, of any of its rights with respect to any other party, or with respect to any default or other matter arising in connection with this Agreement, shall not be considered a waiver of any other rights or with respect to any subsequent default or matter.

IN WITNESS WHEREOF, the parties to this Agreement have duly caused this Agreement to be executed by the duly authorized officers of such parties.

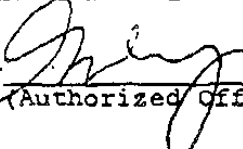
INDIANA & MICHIGAN ELECTRIC
COMPANY

By 
(Authorized Officer)

AEP GENERATING COMPANY

By 
(Authorized Officer)

KENTUCKY POWER COMPANY

By 
(Authorized Officer)

OPERATING AGREEMENT
For
ROCKPORT STEAM ELECTRIC GENERATING STATION
Units No. 1 and 2

INDIANA & MICHIGAN ELECTRIC COMPANY
KENTUCKY POWER COMPANY
AEP GENERATING COMPANY

DATE: August 1, 1984

THIS AGREEMENT dated August 1, 1984, between INDIANA & MICHIGAN ELECTRIC COMPANY ("IMECO"), an Indiana corporation, KENTUCKY POWER COMPANY ("KEPCO"), a Kentucky corporation qualified to do business in Indiana, and AEP GENERATING COMPANY ("AEGCO"), an Ohio corporation qualified to do business in Indiana, such parties being hereinafter sometimes referred to as the Owners.

WITNESSETH:

WHEREAS, IMECO, KEPCO and AEGCO are parties to an Owners' Agreement, dated as of March 31, 1982, as amended, pursuant to which said companies intend to acquire undivided ownership interests in and to complete construction of Units No. 1 and 2 of the Rockport Steam Electric Generating Station (the "Plant"), located near Rockport, Indiana, on the Ohio River; and

WHEREAS, the Owners desire that IMECO shall operate and maintain Units No. 1 and 2 of the Plant in accordance with the provisions set forth herein.

NOW THEREFORE, in consideration of the premises and for the purposes hereinabove recited, and in consideration of the mutual covenants hereinafter contained, the parties hereto agree as follows:

ARTICLE ONE

FUNCTIONS OF INDIANA & MICHIGAN ELECTRIC COMPANY

1.1 IMECO shall act in all matters associated with the operation and maintenance of the Plant as provided in this Agreement, with no profit to IMECO.

- 1.2 IMECO shall operate and maintain the Plant in accordance with good commercial practice consistent with procedures employed by IMECO and KEPCO at their other generating stations, and in conformity with the terms and conditions of this Agreement.
- 1.3 IMECO shall keep all necessary books of record, books of account and memoranda of all transactions involving the Plant, and shall make computations and allocations on behalf of the Owners, as required under this Agreement. The books of record, books of account and memoranda shall be kept by IMECO in such manner as to conform, where so required, to the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission for Public Utilities and Licensees (Uniform System of Accounts), and to the rules and regulations of other regulatory bodies having jurisdiction as they may from time to time be in effect.
- 1.4 The Owners shall establish such joint bank accounts as may from time to time be required or appropriate.
- 1.5 As soon as practicable after the end of each month, IMECO shall furnish to KEPCO and AEGCO a statement setting forth the dollar amounts associated with the operation and maintenance of the Plant as allocated hereunder to IMECO, KEPCO and AEGCO for such month.

The Owners shall, on a timely basis, deposit sufficient dollar amounts in the appropriate bank accounts to cover the current cash requirements of their respective allocations of such costs.

- 1.6 IMECO shall obtain such materials, labor and other services as it considers necessary in connection with the performance of the functions to be performed by it hereunder from such sources or through such persons as it may designate.

ARTICLE TWO

APPORTIONMENT OF CAPACITY AND ENERGY

- 2.1 The Total Net Capability of Units No. 1 and 2 of the Plant, after taking into account auxiliary load demand, shall initially be 1,300,000 kilowatts each. The Owners may from time to time modify the Total Net Capability of Units No. 1 and 2 as they may mutually agree.
- 2.2 The Total Net Generation of Units No. 1 and 2 during a given period, as determined by the system requirements of IMECO, KEPCO and AEGCO and other affiliated companies, shall mean the electrical output of the Units No. 1 and 2 generators during such period, measured at the low voltage busses in kilowatt-hours by suitable instruments, reduced by the energy used by auxiliaries for the units and other plant use during such period.

2.3 In any hour, IMECO, KEPCO and AEGCO shall share the Total Net Capability of Units No. 1 and 2 in respective amounts proportionate to their ownership interests in Units No. 1 and 2 at such time.

In any hour, the Total Net Generation of Units No. 1 and 2 shall be allocated separately by unit to each of the Owners in accordance with the following:

- (a) the Net Generation of Unit No. 1 and/or Unit No. 2 assigned to meet a direct unit power commitment with a non-affiliated party (i.e., non-system sale) shall first be allocated to the Owner(s) which are party to such direct Unit Power Agreement;
- (b) the Net Generation of Units No. 1 and 2 not so assigned shall be shared by the Owners in respective amounts proportionate to their ownership interests in Units No. 1 and 2 at such time until the Net Generation allocated to any Owner in accordance with 2.3(a) and 2.3(b) equals that Owner's share of the unit's Net Capability;
- (c) the Net Generation of Units No. 1 and 2 not allocated in accordance with Sections 2.3(a) and 2.3(b) shall be allocated to the remaining Owner(s) in relative amounts proportionate to their ownership interests such that no Owner shall be allocated amounts in any hour that exceed that Owner's share of that unit's Net Capability.

- 2.4 In any hour during which either Unit No. 1 or Unit No. 2 is out of service, the energy used by Unit No. 1 or Unit No. 2 auxiliaries during such hour shall be provided by IMECO, KEPCO and AEGCO in respective amounts proportionate to their ownership interests in Units No. 1 and 2 at such time.
- 2.5 IMECO shall at all times accept the proportionate shares of Units No. 1 and 2 Total Net Generation to which KEPCO and AEGCO may be entitled into its transmission system at the low-voltage busses of Units No. 1 and 2, and shall deliver the share of energy that KEPCO and AEGCO are obligated to provide for use of Units No. 1 and 2 auxiliaries when either of such units is out of service, as part of the energy interchange between IMECO, KEPCO and AEGCO.

ARTICLE THREE

REPLACEMENTS, ADDITIONS, AND RETIREMENTS

- 3.1 IMECO shall from time to time after the initial construction of the plant, make or cause to be made any necessary additions to, replacements of, and retirements of capitalizable facilities associated with the Plant as may be mutually agreed upon by the Owners.
- 3.2 The dollar amounts associated with any additions to, replacements of, or retirements of capitalizable facilities associated with the Plant shall be allocated to

IMECO, KEPCO and AEGCO in respective amounts proportionate to their ownership interests in the Plant at the time such additions, replacements, or retirements are made.

ARTICLE FOUR

WORKING CAPITAL REQUIREMENTS

- 4.1 IMECO, KEPCO and AEGCO shall periodically mutually determine the amount of funds required for use as working capital in meeting payrolls and other expenses incurred in the operation and maintenance of the Plant, and in buying materials and supplies (exclusive of fuel) for the Plant.
- 4.2 IMECO, KEPCO and AEGCO shall from time to time provide their share of working capital requirements in respective amounts proportionate to their ownership interests at such time in the Plant.

ARTICLE FIVE

INVESTMENT IN FUEL

- 5.1 IMECO shall establish and maintain reserves of coal in stock for the Plant of such quality and in such quantity as IMECO shall determine to be required to provide adequate fuel reserves against interruptions of normal fuel supply. Each of the Owners shall be responsible for the cost of maintaining its respective ownership share of such fuel reserves in terms of tons.
- 5.2 Fuel oil reserves and fuel oil charged to operation for Units No. 1 and 2 shall be owned and accounted for between the Owners in the same manner as coal.

ARTICLE SIX

APPORTIONMENT OF GENERATING STATION COSTS

- 6.1 For each calendar month, IMECO will, to the extent practicable, determine all Rockport Plant operation and maintenance expenses, as accounted for under the FERC Uniform System of Accounts, that are directly attributable separately to Rockport Unit No. 1 and Rockport Unit No. 2. In each calendar month, the portion allocable to Rockport Unit No. 1 of such expenses not directly attributable to Unit No. 1 or Unit No. 2 shall equal the product of (a) the total of such Rockport Plant expenses in each calendar month, and (b) the ratio of (i) the Total Net Capability of Rockport Unit No. 1 for such month and (ii) the Total Net Capability of the Rockport Plant for such month. The portion of such expenses not allocated to Unit No. 1 shall be allocated to Unit No. 2.
- 6.2 In each calendar month, the operation and maintenance expenses other than fuel associated with Units No. 1 and 2 shall be apportioned to IMECO, KEPCO and AEGCO in accordance with their respective ownership interests in Units No. 1 and 2 in such month.
- 6.3 Each Owner shall bear the cost of all taxes directly attributable to its respective ownership interest in Units No. 1 and 2. Any taxes not directly assigned

shall be apportioned to the Owners in accordance with their respective ownership interests in Units No. 1 and 2 in such month.

ARTICLE SEVEN

EFFECTIVE DATE AND TERM

- 7.1 The effective date of this Agreement shall be the date on which IMECO declares Unit No. 1 to be in commercial operation.
- 7.2 This Agreement shall remain in force until such time as IMECO, KEPCO and AEGCO have each entirely divested themselves of any ownership interest in Units No. 1 and 2.

ARTICLE EIGHT

GENERAL

- 8.1 This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, but this Agreement may not be assigned by any party without the written consent of the other parties, which consent shall not be unreasonably withheld.
- 8.2 This Agreement is subject to the regulatory authority of any state or federal agency having jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused
this Agreement to be executed by their officers thereunto
duly authorized as of the date first above written.

INDIANA & MICHIGAN ELECTRIC COMPANY

By: Frank N. Owen
Vice President

KENTUCKY POWER COMPANY

By: _____
President

AEP GENERATING COMPANY

By: [Signature]
Vice President

**AEP Generating Company
FERC Rate Schedule No. 1
Unit Power Service
to
Indiana Michigan Power Company**

Tariff Submitter: AEP Generating Company
FERC Tariff Program Name: FPA Electric
Tariff Title: RS and SA
Tariff Record Proposed Effective Date: January 1, 2019
Tariff Record Title: Indiana Michigan Power Company Unit Power Agreement
Option Code: A

UNIT POWER AGREEMENT

THIS AGREEMENT dated as of March 31, 1982 by and between INDIANA & MICHIGAN ELECTRIC COMPANY ("IMECO") and AEP GENERATING COMPANY ("AEGCO"),

WITNESSETH:

WHEREAS, IMECO, a subsidiary company of American Electric Power Company, Inc. ("AEP") under the Public Utility Holding Company Act of 1935 (the "1935 Act"), is presently constructing the Rockport Steam Electric Generating Plant at a site along the Ohio River near the Town of Rockport, Indiana, which will consist of two 1,300,000-kilowatt fossil-fired steam electric generating units and associated equipment and facilities (the "Rockport Plant"), the first unit ("Unit No. 1") of which is presently expected to be placed in commercial operation in 1984 and the second unit ("Unit No. 2") of which is presently expected to be placed in commercial operation in 1986; and

WHEREAS, AEGCO proposes to enter into an Owners' Agreement, dated as of March 31, 1982 (the "Owners' Agreement"), with IMECO and Kentucky Power Company ("KEPCO"), another subsidiary company of AEP under the 1935 Act, pursuant to which AEGCO and KEPCO plan to acquire undivided ownership interests, as tenants in common without right of partition, in the Rockport Plant which, upon completion of the construction of Unit No. 1, is thereafter to be operated as a part of the interconnected, integrated electric system comprising the American Electric Power System (the "AEP System"); and

WHEREAS, AEGCO proposes, upon completion of the construction of Unit No. 1 and the completion thereafter of the construction of Unit No. 2, to make available to IMECO, pursuant to this agreement, all of the available power (and the energy associated therewith) to which AEGCO shall from time to time be entitled at the Rockport Plant; and

WHEREAS, IMECO proposes to complete the construction of, the Rockport Plant pursuant to the provisions of the Owners' Agreement, and, upon completion of such construction, to operate the Rockport Plant pursuant to an operating agreement to be entered into by IMECO, AEGCO and KEPCO in accordance with the Owners' Agreement;

NOW, THEREFORE, in consideration of the terms and of the agreements hereinafter set forth, the parties hereto agree with each other as follows:

1.1 IMECO and AEGCO shall, subject to the provisions and upon compliance with the then applicable requirements of Section 2.1 and Section 2.2 of this agreement, use their respective best efforts to complete and to make effective the arrangements described and specified in Section 1.1 and in Section 1.2 of the Capital Funds Agreement, dated as of March 31, 1982, between AEP and AEGCO.

1.2 AEGCO shall, subject to the provisions and upon compliance with the then applicable requirements of Section 2.1 of this agreement, make available, or cause to be made available, to IMECO all of the power (and the energy associated therewith) which shall be available to AEGCO at the Rockport Plant, including test power produced during the course of the construction of generating units installed as a part of the Rockport Plant.

1.3 IMECO shall, subject to the provisions and upon compliance with the then applicable requirements of Section 2.2 of this agreement, be entitled to receive all power (and the energy associated therewith) which shall be available to AEGCO at the Rockport Plant, and IMECO agrees to pay to AEGCO in consideration for the right to receive all such power (and the energy associated therewith) available to AEGCO at the Rockport Plant, as a demand charge for the right to receive such power (and as an energy charge for any associated energy taken by IMECO), such amounts from time to time as, when added to amounts received by AEGCO from any other sources, will be at least sufficient to enable AEGCO to pay, when due, all of its operating and other expenses, including provision for the depreciation and/or amortization of the cost of AEGCO's facilities and also including for the purposes of this agreement (i) any amount which AEGCO may be required to pay on account of any interest and/or any commitment fee on all indebtedness for borrowed money issued or assumed by AEGCO (or by any corporation or other entity with which AEGCO shall have merged or consolidated or to which it shall have sold or otherwise disposed of all or substantially all of its assets) and outstanding at the time and (ii) such additional amounts as are necessary after any required provision for taxes on, or measured by, income to enable AEGCO to pay required dividends on any preferred stock which it may issue and such amount as will represent a return on the common equity of AEGCO equal to the return most recently found in the period of the 24 calendar months immediately preceding the time when payments are to commence under this Section 1.3 to be

fair, and authorized, by the Federal Energy Regulatory Commission ("FERC", such term also including any successor Federal regulatory agency) as an appropriate return on the common equity of IMECO in a wholesale electric proceeding before FERC under the Federal Power Act, or any legislation enacted in substitution for, or to replace, the Federal Power Act or, if within such period of 24 calendar months immediately preceding the date when payments are to begin under this Section 1.3 no such action by FERC shall have become final and not subject to further proceedings before FERC or a court, the return most recently found to be fair and authorized by the Public Service Commission of Indiana as an appropriate return on the common equity of IMECO in a retail electric proceeding before that Commission. IMECO shall commence the payment of such amounts to AEGCO on the earlier of the following dates: (i) June 30, 1985 and, (ii) the date on which power, including any test power, and any energy associated therewith, shall become available to AEGCO at the Rockport Plant.

2.1 The performance of the obligations of AEGCO hereunder shall be subject to the receipt and continued effectiveness of all authorizations of governmental regulatory authorities at the time necessary to permit AEGCO to perform its duties and obligations hereunder, including the receipt and continued effectiveness of all authorizations by governmental regulatory authorities at the time necessary to permit the completion by IMECO of the construction of the Rockport Plant, the operation of the Rockport Plant, and for AEGCO to make available to IMECO all of the power (and the energy associated therewith) available to AEGCO at the Rockport Plant. AEGCO shall use its best efforts to secure and maintain all such authorizations by governmental regulatory authorities.

2.2 The performance of the obligations of IMECO hereunder shall be subject to the receipt and continued effectiveness of all authorizations of governmental regulatory authorities necessary at the time to permit IMECO to perform its duties and obligations hereunder, including the receipt and continued effectiveness of all authorizations by governmental regulatory authorities necessary at the time to permit IMECO to pay to AEGCO in consideration for the right to receive all of the power (and the energy associated therewith) available to AEGCO at the Rockport Plant the charges provided for in Section 1.3 of this agreement. IMECO shall use its best efforts to secure and maintain all such authorizations by governmental regulatory authorities. IMECO shall, to the extent permitted by law, be obligated to perform its duties and obligations hereunder, subject to then applicable provisions of this Section 2.2, (a)

whether or not AEGCO shall have received all authorizations of governmental regulatory authorities necessary to permit AEGCO to perform its duties and obligations hereunder, (b) whether or not such authorizations, or any such authorization, shall at any time in question be in effect, and (c) so long as AEGCO and IMECO shall continue to be subsidiary companies of AEP (as said term is defined in Section 2(a)(8) of the 1935 Act) or a successor thereto, whether or not, at any time in question, IMECO shall have performed its duties and obligations under this agreement. In the event that either AEGCO or IMECO shall cease to be such a subsidiary company, then and thereafter IMECO shall not be relieved of its obligation to make payments pursuant to Section 1.3 of this agreement by reason of the failure of AEGCO to perform its duties and obligations hereunder occasioned by Act of God, fire, flood, explosion, strike, civil or military authority, insurrection, riot, act of the elements, failure of equipment, or for any other cause beyond the control of AEGCO; provided that, in any such event, AEGCO shall use its best efforts to put itself in a position where it can perform its duties and obligations hereunder as soon as is reasonably practicable.

3. To the extent that it may legally do so, IMECO and AEGCO each hereby irrevocably waives any defense based on the adequacy of a remedy at law which may be asserted as a bar to the remedy of specific performance in any action brought against it for specific performance of this agreement by IMECO, by AEGCO, or by a trustee under any mortgage or other debt instrument which IMECO or AEGCO may, subject to requisite regulatory authority, enter into, or by any receiver or trustee appointed for IMECO or AEGCO under the bankruptcy or insolvency laws of any jurisdiction to which IMECO or AEGCO is or may be subject; provided, however, that nothing herein contained shall be deemed to constitute a representation or warranty by IMECO or AEGCO that the respective obligations of IMECO or AEGCO under this agreement are, as a matter of law, subject to the equitable remedy of specific performance.

4. IMECO shall not be entitled to set off against any payment required to be made by IMECO under this agreement (i) any amounts owed by AEGCO to IMECO or (ii) the amount of any claim by IMECO against AEGCO. The foregoing, however, shall not affect in any other way the rights and remedies of IMECO with respect to any such amounts owed to IMECO by AEGCO or any such claim by IMECO against AEGCO.

5. The invalidity and unenforceability of any provision of this agreement shall not affect the remaining provisions hereof.

6. This agreement shall become effective forthwith and shall continue until all of the Notes issued by AEGCO under the Revolving Credit Agreement, dated as of March 31, 1982, of AEGCO shall have been paid in full, together with all accrued interest thereon; provided, however, that in the event that AEGCO shall, prior to such payment, create a Mortgage and Deed of Trust secured by a lien on all, or certain of its fixed physical properties, and shall issue bonds thereunder, this agreement shall continue until said Mortgage and Deed of Trust shall have been satisfied and discharged or said Notes have been paid in full, whichever event shall be the later.

7. This agreement shall be binding upon the parties hereto and their successors and assigns, but no assignment hereof, or of any right to any funds due or to become due under this agreement, shall in any event relieve either IMECO or AEGCO of any of their respective obligations hereunder, or, in the case of IMECO, reduce to any extent its entitlement to receive all of the power (and the energy associated therewith) available to AEGCO from time to time at the Rockport Plant.

8. The agreements herein set forth have been made for the benefit of IMECO and AEGCO and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this agreement.

9. IMECO and AEGCO may, subject to the provisions of this agreement, enter into a further agreement or agreements between IMECO and AEGCO setting forth detailed terms and provisions relating to the performance by IMECO and AEGCO of their respective obligations under this agreement. No agreement entered into under this Section 9 shall, however, alter to any substantive degree the obligations of either party to this agreement in any manner inconsistent with any of the foregoing sections of this agreement.

10. IMECO shall, at any time and from time to time, be entitled to assign all of its right, title and interest in and to all of the power (and the energy associated therewith) to which IMECO shall be entitled under this agreement, but IMECO shall not, by such assignment, be relieved of any of its obligations and duties under this agreement except through the payment to AEGCO, by or on behalf of IMECO, of the amount or amounts which IMECO shall be obligated to pay pursuant to the terms of this agreement.

IN WITNESS WHEREOF, the parties hereto have caused
this agreement to be duly executed as of the day and year
first above written.

INDIANA & MICHIGAN ELECTRIC
COMPANY

By G. P. Maloney
Vice President

AEP GENERATING COMPANY

By G. P. Maloney
Vice President

Docket No.: *EL19-470-000*
Company: *AEP*
FERC El. Rate Sch. No.: /
Supp. No.: *6*
Filing Date: *5-30-89*
Effective Date: *105*
116

AMENDMENT NO. 1
TO UNIT POWER AGREEMENT

This Amendment No. 1 dated as of May 8, 1989 by and between Indiana Michigan Power Company ("I&M" or "IMECO", formerly known as Indiana & Michigan Electric Company) and AEP Generating Company ("AEGCO") to the Unit Power Agreement dated as of March 31, 1982 by and between I&M and AEGCO ("Unit Power Agreement"),

WITNESSETH:

WHEREAS, I&M and AEGCO have entered into the Unit Power Agreement whereby, subject to regulatory approvals and certain other conditions, AEGCO agreed to make available, or cause to be made available, to I&M all of the power (and the energy associated therewith) which is available to AEGCO at the Rockport Plant and I&M agreed to pay AEGCO certain amounts;

WHEREAS, AEGCO has entered into six Participation Agreements, dated as of March 15, 1989, whereby it has agreed, subject to regulatory approvals and certain other conditions, to sell its 50% undivided interest in Unit 2 of the Rockport Plant and pursuant to six separate leases (the "Leases"), to leaseback a 50% undivided interest in the unit; and

WHEREAS, Section 3.01 of the Participation Agreements specify that as a condition to closing AEGCO and I&M shall have entered into, and shall have filed with the Federal Energy Regulatory Commission ("FERC") for its approval, an amendment to the Unit Power Agreement which shall, among other things, (i)

specifically confirm that basic rent payable under the Leases is an item of operating and other expenses of AEGCO referred to in Section 1.3 thereof, and (ii) specifically provide that the Unit Power Agreement shall continue in full force and effect until the lease term shall have expired or been terminated and all basic rent payable under the Leases shall have been paid in full;

NOW, THEREFORE, in consideration of the terms and agreements hereinafter set forth, the parties hereto agree as follows:

1. Section 1.3 of the Unit Power Agreement is hereby amended to read as follows:

"1.3 IMECO shall, subject to the provisions and upon compliance with the then applicable requirements of Section 2.2 of this agreement, be entitled to receive all power (and the energy associated therewith) which shall be available to AEGCO at the Rockport Plant, and IMECO agrees to pay to AEGCO in consideration for the right to receive all such power (and the energy associated therewith) available to AEGCO at the Rockport Plant, as a demand charge for the right to receive such power (and as an energy charge for any associated energy taken by IMECO), such amounts from time to time as, when added to amounts received by AEGCO from any other sources, will be at least sufficient to enable AEGCO to pay, when due, all of its operating and other expenses, including provision for the depreciation and/or amortization of the cost of AEGCO's facilities, and lease rental payments, including any amount of Basic Rent (as such term is defined in Section 3(a) of the forms of Lease attached as Exhibit A to the Participation Agreements) which AEGCO may be required to pay pursuant to the Leases, and also including for the purposes of this agreement (i) any amount which AEGCO may be required to pay on account of any interest and/or any commitment fee on all indebtedness for borrowed money issued or assumed by AEGCO (or by any corporation or other entity with which AEGCO shall have merged or consolidated or to which it shall have sold or otherwise disposed of all or substantially all of its assets) and outstanding at the time, and (ii) such additional amounts as are necessary after any required provision for taxes on, or measured by, income to enable AEGCO to pay required dividends on any preferred stock which it may issue and such amount as will represent a return on the common equity of AEGCO equal to the return most recently found in the period of the 24 calendar months immediately preceding the time when payments

are to commence under this Section 1.3 to be fair, and authorized, by the FERC, including any successor Federal regulatory agency as an appropriate return on the common equity of IMECO in a wholesale electric proceeding before FERC under the Federal Power Act, or any legislation enacted in substitution for, or to replace, the Federal Power Act or, if within such period of 24 calendar months immediately preceding the date when payments are to begin under this Section 1.3 no such action by FERC shall have become final and not subject to further proceedings before FERC or a court, the return most recently found to be fair and authorized by the Indiana Utility Regulatory Commission as an appropriate return on the common equity of IMECO in a retail electric proceeding before that Commission. IMECO shall commence the payment of such amounts to AEGCO on the earlier of the following dates: (i) June 30, 1985 and, (ii) the date on which power, including any test power, and any energy associated therewith, shall become available to AEGCO at the Rockport Plant."

2. Section 6 of the Unit Power Agreement is hereby amended to read as follows:

"6. This agreement shall become effective forthwith and shall continue in full force and effect until the latter of the date that: (1) all of the Notes issued by AEGCO under the Revolving Credit Agreement, dated as of March 31, 1982, of AEGCO shall have been paid in full, together with all accrued interest thereon; or (ii) the last of the Lease Terms (as that term is defined in the Participation Agreements) shall have expired or been terminated and all Basic Rent payable under all of the Leases shall have been paid in full; provided, however, that in the event that AEGCO shall, prior to such payment, create a Mortgage and Deed of Trust secured by a lien on all, or certain of its fixed physical properties, and shall issue bonds thereunder, this agreement shall continue until said Mortgage and Deed of Trust shall have been satisfied and discharged."

3. This Amendment No. 1 shall become effective on the date on which the last of the following events shall have occurred: (i) this Amendment No. 1 shall have been filed with and accepted for filing without condition or change by the FERC under the Federal Power Act (FPA) as a rate schedule under circumstances where the FERC (a) shall have issued an order under the FPA that

this Amendment No. 1 shall become effective in its entirety as such rate schedule under the FPA, as proposed by the parties in their filings with the FERC, and (b) shall not have, in such order or any separate order, instituted an investigation or proceeding under the provisions of the FPA with respect to the justness and reasonableness of the provisions of this Amendment No. 1; (ii) the order or orders of the FERC, referred to in (i) above, shall have become final and not subject to review under Section 313 of the FPA; or (iii) the Closings (as defined in the Participation Agreements).

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed as of the date and year first above written.

INDIANA MICHIGAN POWER COMPANY

By: /s/ R. E. DISBROW
Vice President

AEP GENERATING COMPANY

By: /s/ G. P. MALONEY
Vice President

RATE DESIGN

The total revenue requirement of AEGCO calculated pursuant to the IMECO-AEGCO Unit Power Agreement designated AEGCO FERC Rate Schedule No. 1 is designed to recover for AEGCO its total cost of providing power (and the energy associated therewith) available to AEGCO at the Rockport Plant.

DETERMINATION OF POWER BILL

In accordance with Section 1.3 of the Unit Power Agreement, I&M agrees to pay AEGCO in consideration for the right to receive all power (and the energy associated therewith) available to AEGCO at the Rockport Plant, as a demand charge for the right to receive such power (and as an energy charge for any associated energy taken by I&M), such amounts, less any amounts recovered by AEGCO from other sources, as shall be determined monthly as described below. Such amounts shall be calculated separately for Unit No. 1 (including Common Facilities) and for Unit No. 2. I&M shall then commence the payment of such amounts (power bill) on the earlier of the following dates: (i) June 30, 1985 and (ii) the date on which power including any test power, and any energy associated therewith, shall become available to AEGCO at the Rockport Plant.

The power bill for Unit No. 1 (including Common Facilities) shall be calculated each month and shall reflect recovery only of those costs related to the plant in service. It shall consist of the sum of (a) a return on common equity, (b) a return on other capital, (c) recovery of operating expenses and (d) provision for federal income taxes as described below and as illustrated in the example attached.

(a) Return on Common Equity, which shall be equal to the product of (i) the amount of common equity outstanding at the end of the previous month, but not more than 40% of the capitalization of AEGCO at the end of the previous month; (ii) 1.0133 (12.16% annual rate) as described in Note 1 below; (iii) the Operating Ratio, as defined in Note 2 below; and (iv) the Unit No. 1 Net In-Service Investment Ratio, as defined in Note 3 below, plus the product of (v) the amount of common equity in excess of 40% of the capitalization of AEGCO at the end of the previous month, if any such excess shall be determined; (vi) the weighted cost of debt outstanding at the end of the previous month; (vii) the Operating Ratio, as defined in Note 2 below; and (viii) the Unit No. 1 Net In-Service Investment Ratio, as defined in Note 3 below.

For the purposes of these calculations, the amount of common equity shall be equal to the sum of the Common Stock (Accounts 201-203, 209, 210, 212, 214 and 217), Other Paid-In Capital (Accounts 207, 208, 211 and 213), and Retained Earnings (Accounts 215-216) outstanding at the end of the previous month. Total capitalization shall be equal to the sum of Long-term Debt (Accounts 221-226 including current maturities and unamortized debt premium and discounts), Short-Term Debt (Accounts 231 and 233), Preferred Stock (Accounts 204-206), and Common Equity less any Temporary Cash Investments, Special

Deposits and Working Funds (Accounts 132-134, 136, and 145) outstanding at the end of the previous month.

(b) Return on Other Capital, which shall be equal to the product of (i) the amount equal to the net interest expense associated with Long-Term and Short-Term Debt, net of any Temporary Cash Investments, Special Deposits and Working Funds, plus the preferred stock dividend requirement associated with the Preferred Stock outstanding at the end of the previous month; (ii) the Operating Ratio, as defined in Note 2 below; and (iii) the Unit No. 1 Net In-Service Investment Ratio, as defined in Note 3 below.

For the purposes of these calculations, net interest expense shall be equal to the sum of (i) the amount of Long-Term Debt outstanding at the end of the previous month multiplied by the weighted cost of such Long-Term Debt and (ii) the amount of Short-Term Debt outstanding at the end of the previous month multiplied by the weighted cost of such Short-Term Debt, less (iii) the amount of Temporary Cash Investments, Special Deposits and Working Funds outstanding at the end of the previous month multiplied by the weighted cost of Long Term and Short-Term Debt combined determined pursuant to (i) and (ii) above.

(c) Recovery of Operating Expenses, excluding federal income taxes, which shall consist of provision for depreciation and amortization (Accounts 403-407, 411), including Asset Retirement Obligation (ARO) depreciation and accretion expenses (Accounts 403.1 and 411.10), taxes other than federal income taxes (Accounts 408-411) and operating and maintenance expenses associated with Unit No. 1 (including Common Facilities) offset by other operating revenues as recorded on the Company's books during the month in accordance with the FERC Uniform System of Accounts for Major Electric Utilities (See Note 6). Recovery of expenses for test energy shall be limited to recovery of actual fuel expense as recorded on the Company's books during the month in accordance with the FERC Uniform System of Accounts for Major Electric Utilities. Operating and maintenance expenses shall include, and reflect the recovery of, Steam Power Generation Expenses (Accounts 500-515 including lease rental payments recorded in Account 507), Other Power Supply Expenses (Accounts 555-557), Transmission Expenses (Accounts 560-574), Distribution Expenses (Accounts 580-598), Customer Accounts Expenses (Accounts 901-905), Customer Service and Informational Expenses (Accounts 906-910), Sales Expenses (Accounts 911-917) and Administrative and General Expenses (Accounts 920-933 and 935). Recovery of 501 fuel expenses shall be adjusted to reflect the deferral and/or feedback of unrecovered levelized fuel expenses as may be recorded on the Company's books or as is currently recorded on the books of I&M.

(d) Provision for Unit No. 1's (including Common Facilities) allocated share of net current and deferred federal income tax expense and investment tax credit included in operating income as determined by the Company in accordance with federal income tax law, SEC approved consolidated current tax allocation procedures, and FERC rules and regulations.

For purposes of computing federal income taxes, the interest expense deduction shall be equal to the sum of the net interest expense computed in accordance with paragraph (b)

above plus the imputed interest expense associated with common equity that is in excess of 40% of AEGCO's net capitalization.

The power bill for Unit No. 2 shall be calculated in the same manner as described for Unit No. 1 above except that it shall reflect the Unit No. 2 Net In-Service Investment Ratio and those expenses associated with Unit No. 2.

Notes:

1. Return on Equity

The return on common equity allowance shall be based upon a rate of return of 12.16% as set forth in sub-paragraph (a) above.

In October of 1988, and every October thereafter for the effective duration of AEGCO's formula rate, any purchaser under AEGCO's two unit power agreements, any state regulatory commission having jurisdiction over the retail rates of purchasers under these agreements, or any other entity representing customers' interest, may file a complaint with the Commission with respect to the specified rate of return on common equity. If the Commission, in response to such a complaint, or on its own motion, institutes an investigation into the reasonableness of the specified return on common equity, such investigation shall be pursued under the special procedures set forth as follows:

- A. The only issue to be addressed under these special procedures shall be the continued collection of the return on equity as incorporated in the formula rate; and
- B. Refund will be due, should the return on equity, specified in the formula be found not just and reasonable, dating from the first day of January immediately following the date the complaint is filed or an investigation is instituted by the Commission on its own motion, calculated on the resulting difference in rates due to the application of the return found to be just and reasonable and the return stated in the formula. The first such effective date for the calculation of refunds shall be January 1, 1989.

Any other complaint which challenges the justness and reasonableness of any other component of the filed formula rate or any other complaint filed at any other time which challenges the justness and reasonableness of the specified rate of return on common equity and which is set for investigation by the Commission shall be pursued under Section 206 of the Federal Power Act.

2. Operating Ratio

The Operating Ratio shall be computed each month commencing with the month in which Unit No. 1 at the Plant is placed in commercial operation. It shall be based on the balances, as recorded on the Company's books in accordance with the FERC Uniform

System of Accounts for Major Electric Utilities, outstanding at the end of the previous month and shall be derived by dividing (a) the amount of Electric Plant In Service (Account 101 including amounts associated with leasehold improvements but excluding amounts associated with capitalized leased assets and excluding amounts associated with Asset Retirement Obligations); less Accumulated Provision for Depreciation and Amortization (Accounts 108 and 111 but excluding amounts associated with Asset Retirement Obligations); plus Plant Held for Future Use (Account 105 pursuant to the provisions of Note 4.D. below); Materials and Supplies (Accounts 151-156 and 163 as adjusted pursuant to the provisions of Note 4.C. below); Other Deferred Debits (Account 186 pursuant to the provisions of Note 4.D. below); Prepayments (Account 165); Deferred Ash pond cost (Account 182.3); other working capital (Accounts 128, 131, 135, 143, 146, 171 and 174 less Accounts 232-234, 236, 237, 238, 241 and 242); and Unamortized Debt Expense (Account 181), less Other Deferred Credits (Account 253 including the unamortized gain on the sale of Rockport Unit No. 2); less Asset Retirement Obligation (Account 230); less Accumulated Deferred Federal Income Taxes (Accounts 190 and 281-283) and Accumulated Deferred Investment Tax Credit (Account 255) related to the plant in service by (b) the sum of (i) the amount determined pursuant to (a) plus (ii) the amount of Construction Work In Progress (Account 707) plus Materials and Supplies (Accounts 151-156 and 163), less Accumulated Deferred Federal Income Taxes related to the construction work in progress plus (iii) Plant Held for Future Use (Account 105), Other Deferred Debits (Account 186) and the amount of fuel inventory over the allowed level (Account 151.10) not otherwise included in (a) above.

3. Net In-Service Investment Ratio

The Unit No. 1 Net In-Service Investment Ratio shall be equal to 1.0 during the period commencing with the month in which Unit No. 1 at the Plant is placed in commercial operation and shall remain at 1.0 up to, but not including, the month in which Unit No. 2 at the Plant is placed in commercial operation. Thereafter, the Net In-Service Investment Ratio shall be computed each month, based on the balances, as recorded on the Company's books in accordance with the FERC Uniform System of Accounts for Major Electric Utilities, outstanding at the end of the previous month and shall be derived as follows:

- A. Unit No. 1 Net In-Service Investment Ratio shall be derived by dividing (a) the Net In-Service Investment associated with Unit No. 1 and Common Facilities by (b) the sum of the Net In-Service Investment associated with Unit No. 1 and Common Facilities plus the Net In-Service Investment associated with Unit No. 2.
- B. Unit No. 2 Net In-Service Investment Ratio shall be derived by dividing (a) the Net In-Service Investment associated with Unit No. 2 by (b) the sum of the Net In-Service Investment associated with the Unit No. 1 and Common Facilities plus the Net In-Service Investment associated with Unit No. 2.

4. Net In-Service Investment

The Net In-Service Investment shall be computed each month commencing with the month in which Unit No. 2 at the Plant is placed in commercial operation. It shall be based on the balances, as recorded on the Company's books in accordance with the FERC Uniform System of Accounts for Major Electric Utilities, outstanding at the end of the previous month and shall consist of the following:

- A. Unit No. 1 Net In-Service Investment shall consist of the sum of Electric Plant in Service (Account 101 including amounts associated with leasehold improvements but excluding amounts associated with capitalized leased assets and excluding amounts associated with Asset Retirement Obligations), Plant Held for Future Use (Account 105 pursuant to the provisions of Note 4.D. below), Materials and Supplies (Accounts 151-156 and 163 pursuant to the provisions of Note 4.C. below), and Prepayments (Account 165), Deferred Ash pond cost (Account 182.3), Other Deferred Debits (Account 186 pursuant to the provisions of Note 4.D. below), other working capital (Accounts 128, 131, 135, 143, 146, 171 and 174 less Accounts 232-234, 236, 237, 238, 241 and 242), and Unamortized Debt Expense (Account 181), less Other Deferred Credits (Account 253), less Asset Retirement Obligation (Account 230), less Accumulated Provision for Depreciation and Amortization (Accounts 108 and 111), Accumulated Deferred Federal Income Taxes (Accounts 190 and 281-283) and Accumulated Deferred Investment Tax Credit (Account 255) related to such Unit No. 1 and Common Facilities in-service investment.

- B. Unit No. 2 Net In-Service Investment shall consist of the sum of Electric Plant in Service (Account 101 including amounts associated with leasehold improvements but excluding amounts associated with capitalized leased assets and excluding amounts associated with Asset Retirement Obligations), Plant Held for Future Use (Account 105 pursuant to the provisions of Note 4.D. below), Materials and Supplies (Accounts 151-156 and 163 pursuant to the provisions of Note 4.C. below), Prepayments (Account 165), Deferred Ash pond cost (Account 182.3), Other Deferred Debits (Account 186 pursuant to the provisions of Note 4.D. below), other working capital (Accounts 128, 131, 135, 143, 146, 171 and 174 less Accounts 232-234, 236, 237, 238, 241 and 242), and Unamortized Debt Expense (Account 181), less Other Deferred Credits (Account 253 including the unamortized gain on the sale of Rockport Unit No.2), less Asset Retirement Obligation (Account 230), less Accumulated Provision for Depreciation and Amortization (Accounts 108 and 111), Accumulated Deferred Federal Income Taxes (Accounts 190 and 281-283) and Accumulated Deferred Investment Tax Credit (Account 255) related to the Unit No. 2 in-service investment.

C. AEGCO shall be permitted to earn a return on its fuel inventory, recorded in Account 151.10, not in excess of a 68-day coal supply as defined herein. To the extent AEGCO's actual fuel inventory exceeds the allowable 68-day level, the return on such excess shall be recorded in a memo account. When AEGCO's actual fuel inventory is less than the allowable 68-day level, AEGCO shall be permitted to recover the return previously unrecovered, but in no event shall the power bill reflect a return on fuel inventory in excess of 68-day supply.

A 68-day coal inventory level shall be determined for each unit annually, and shall be based upon the actual experienced daily burn during the preceding calendar year. The actual experienced daily burn shall be defined to exclude the effect of forced and scheduled outages as well as curtailments as follows:

For each unit:

$$\text{Actual experienced daily burn} = 24 \text{ hours} \times \frac{(\text{Tons burned per year})}{\text{Operating hours}}$$

Where:

Operating hours = Hours in year minus forced and scheduled outage hours
 minus curtailment equivalent outage hours

and

Curtailment equivalent outage hours = The product for each curtailment of:

$$\frac{\text{kW of curtailed capacity}}{\text{kW of rated capacity}} \times \text{Curtailment hours}$$

The value of the allowable 68-day coal supply used to determine each month's power bill shall be equal to the number of tons determined above multiplied by the cost per ton of coal in inventory at the end of the previous month.

For 1990, a 68-day coal supply for AEGCO's share of Rockport Unit No. 2 shall be based on 12 months ending December 1990 data. For 1990 billing purposes, however, a 68-day coal supply for AEGCO's share of Rockport Unit No.2 shall initially be assumed to be equal to the 68-day coal supply for AEGCO's share of Rockport Unit No. 1, adjusted to reflect the Btu content and the unit cost of the coal for Rockport Unit No. 2.

AEGCO shall maintain a cumulative record of the unrecovered return as well as the subsequent recovery of that return as follows:

- i) To the extent that AEGCO's actual fuel inventory exceeds the allowable 68-day coal supply, AEGCO shall record each month an amount equal to the sum of the unrecovered return on fuel inventory and the return on previously unrecovered amounts. The unrecovered return on fuel inventory shall be calculated each month by deriving the difference between the power bill that would result if full recovery were provided and the power bill that results with the 68-day limitation imposed. The return on previously unrecovered amounts shall be calculated by multiplying the cumulative return unrecovered at the end of the previous month by the capital costs used to derive the power bill, adjusted for federal income taxes.
 - ii) To the extent that AEGCO's fuel inventory is less than the allowable 68-day coal supply, AEGCO shall record each month an amount equal to the return on previously unrecovered amounts less the recovered return in excess of actual inventory levels. The return on previously unrecovered amounts shall be calculated as described in (i) above. The recovered return in excess of actual inventory levels shall be calculated by deriving the difference between the power bill that would result if actual inventory balances were used and the power bill that results with an imputed inventory level. In no event will the cumulative value of the unrecovered return be allowed to fall below zero.
- D. AEGCO shall be permitted to include as part of its Net In-Service Investment Numerator amounts subsequently recorded in Accounts 105 and 186 subject to the conditions set forth in the Offer of Settlement in FERC Docket No. ER84-579-000, et al.
- E. Other Special Funds (Account 128), Other Current and Accrued Assets (Accounts 131, 135, 143, 146, 171 and 174), Other Deferred Debits (Account 181), Other Current and Accrued Liabilities (Accounts 232-234, 236, 237, 238, 241 and 242), and Other Deferred Credits (Account 253) shall be directly assigned to unit No. 1 (including Common Facilities) or Unit No. 2 whenever possible. Whenever such direct assignment is not practical, such balances shall be allocated between the units in proportion to the net dependable capability of each of the units.
- F. To recognize that the lease rental expense will be collected monthly but that the lease payment will be paid semiannually, the lease rental payable balance will be reflected as a rate base reduction in calculating the operating ratio and the Unit 2 net-in-service investment ratio as a means to credit the Unit 2 customers for the time value of money.

5. Investment Balances

For the purpose of calculating the Operating Ratio and Net In-Service Investment Ratio, amounts shall reflect the balances, as recorded on the Company's book in accordance with the FERC Uniform System of Accounts for Major Electric Utilities, outstanding at the end of the previous month, except that when plant greater than or equal to 1% of the prior month ending plant value is transferred into service during the current month, such prior month balances shall be adjusted to reflect such transfers to service. Such adjustment shall be pro-rated for the number of days during the month that such plant addition was in-service.

6. Allocation of Expenses

Operating expenses shall be directly assigned to Unit No. 1 (including Common Facilities) or Unit No. 2 whenever possible. Whenever such direct assignment is not practical, such expenses shall be allocated between the units in accordance with the basis that gave rise to such expense.

AEGCO's operating and maintenance expenses shall include, and AEGCO shall be allowed recovery of, administrative and general expenses, related payroll taxes and other cost, allocated to AEGCO by I&M as operator of the Rockport Plant or incurred directly by AEGCO.

I&M shall allocate to AEGCO, a portion of I&M's administrative and general expenses charged to Accounts 920, 921, 922, 923, 924, 925, 926, 931 and 935; related payroll taxes charge to Account 408; and a portion of the expenses of the Rockport Information Center charged to Accounts 506, 511 and 514 that generally relate to Rockport Plant operations. Such charges shall be allocated to AEGCO on the basis of the ratio of AEGCO's share of the Rockport Plant operation and maintenance wages and salaries, divided by the sum of total Rockport Plant operations and maintenance wages and salaries, plus all other I&M operation and maintenance wages and salaries, less I&M's administrative and general wages and salaries. For the period beginning December 10, 1984 and ending December 31, 1985 this ratio will be developed based on actual 1985 amounts. In subsequent calendar years, this ratio will be adjusted annually based on the prior calendar year's amounts.

AEGCO's operation and maintenance expenses shall also include, and AEGCO shall be allowed recovery of, other administrative and general expenses directly incurred by AEGCO and included in the appropriate administrative and general expense accounts.

BILLINGS AND PAYMENTS

All bills for amounts owing hereunder shall be due and payable on the fifteenth day of the month next following the month or other period to which such bills are applicable, or on the tenth day following receipt of the bill, whichever date is later. Interest on unpaid amounts shall accrue daily at the prime interest rate per annum in effect on the due date at the

Citibank, plus 2% per annum, from the due date until the date upon which payment is made. Unless otherwise agreed upon, the calendar month shall be the standard period for the purpose of settlements under this Agreement. If bills cannot be accurately determined at any time, they shall be rendered on an estimated basis and subsequently adjusted to conform to the terms of the unit power agreements.

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
 SUMMARY OF MONTHLY POWER BILL**

Pg 1 of 18

<u>Line No.</u>		<u>Amount</u>
1	Return on Common Equity	
2	Return on Other Capital	
3	Total Return	-----
4	+ Fuel	
5	+ Purchased Power	
6	- Other Operating Revenues	
7	+ Other Operation and Maintenance Exp	
8	- Depreciation, Amortization and Accretion Expenses	
9	+ Taxes Other Than Federal Income Tax	
10	+ Federal and State Income Tax	
11	= Total Unit 1 Monthly Power Bill	----- =====
12	<u>Determination of Federal Income Tax :</u>	
13	Total Return (Line 3)	
14	+ Unit 1 Schedule M Adjustments	
15	+ Unit 1 Deferred Federal Income Taxes	
16	- Unit 1 Interest Expense Deduction *	
17	= Subtotal	-----
18	x Gross-Up (FIT Rate / 1-FIT Rate)	
19	= Unit 1 Current Federal Income Tax	
20	+ Unit 1 Def Fed & State Income Taxes	
21	= Total Unit 1 Fed&State Income Taxes	----- =====
22	<u>Proof of Federal Income Tax :</u>	
23	Total Unit 1 Monthly Power Bill	
24	- Operation and Maintenance Expenses	
25	- Depreciation, Amortization and Accretion Expenses	
26	- Taxes Other Than Federal Income Tax	
27	- Unit 1 Interest Expense Deduction *	
28	+ Other Operating Revenues	
29	= Pre-Tax Book Income	-----
30	+ Unit 1 Schedule M Adjustments	
31	= Unit 1 Taxable Income	-----
32	x Current Federal Income Tax Rate	
33	= Unit 1 Current Federal Income Tax	
34	+ Unit 1 Def Fed & State Income Taxes	
35	= Total Unit 1 Fed&State Income Taxes	----- =====

* From Page 4 of 18 : Line 21 + (Line 28 x Line 31 x Line 32)

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
OPERATING RATIO**

<u>Line No.</u>		<u>Amount</u>
1	<u>Operating Ratio:</u>	
2	<u>Net In-Service Investment:</u>	
3	Electric Plant In-Service	
4	- Accumulated Depreciation	
5	+ Materials & Supplies	
6	+ Prepayments	
7	+ Plant Held For Future Use (A/C 105) *	
8	+ Other Deferred Debits (A/C 186) *	
9	+ Other Working Capital ***	
10	+ Unamortized Debt Expense (A/C 181)	
11	+ Deferred ASH pond cost (A/C 182.3)	
12	- Asset Retirement Obligation (A/C 230)	
13	- Other Deferred Credits (A/C 253)	
14	- Accumulated Deferred FIT	
15	- Accumulated Deferred ITC	
16	Total Net In-Service Investment	-----
17	<u>Non-In-Service Investment - CWIP :</u>	
18	Construction Work In Progress	
19	+ Materials & Supplies	
20	- Accumulated Deferred FIT	
21	Total Non-In-Service Investment - CWIP	-----
22	<u>Non-In-Service Investment - Other :</u>	
23	Plant Held for Future Use (A/C 105) **	
24	+ Other Deferred Debits (A/C 186) **	
25	+ Fuel Inventory Over Allowed Level ****	
26	Total Non-In-Service Investment - Other	-----
27	Total Investment (Lines 16+21+26)	=====
28	Operating Ratio (Line 16/Line 27)	
29	Non-In-Service Investment-CWIP Ratio (Line 21/Line 27)	
30	Non-In-Service Investment-Other Ratio (Line 26/Line 27)	
31	Total Investment	-----
*	As Permitted By FERC	=====
**	Excluding Amounts on Lines 7 and 8	
***	Accounts 128, 131, 135, 143, 146, 171 and 174, Less Accounts 232-234, 236, 237, 238, 241 and 242	
****	Includes Rockport 1 and 2	

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
NET IN-SERVICE INVESTMENT RATIO**

<u>Line No.</u>		<u>Amount</u>
1	<u>Net In-Service Investment Ratio:</u>	
2	Unit 1 Net In-Service Investment:	
3	Electric Plant In-Service	
4	- Accumulated Depreciation	
5	+ Materials & Supplies	
6	+ Prepayments	
7	+ Plant Held For Future Use (A/C 105) *	
8	+ Other Deferred Debits (A/C 186) *	
9	+ Other Working Capital **	
10	+ Unamortized Debt Expense (A/C 181)	
11	+ Deferred ASH pond cost (A/C 182.3)	
12	- Asset Retirement Obligation (A/C 230)	
13	- Other Deferred Credits (A/C 253)	
14	- Accumulated Deferred FIT	
15	- Accumulated Deferred ITC	
16	Total Unit 1 Net In-Service Investment	-----
17	Unit 2 Net In-Service Investment:	
18	Electric Plant In-Service	
19	- Accumulated Depreciation	
20	+ Materials & Supplies	
21	+ Prepayments	
22	+ Plant Held For Future Use (A/C 105) *	
23	+ Other Deferred Debits (A/C 186) *	
24	+ Other Working Capital **	
25	+ Unamortized Debt Expense (A/C 181)	
26	+ Deferred ASH pond cost (A/C 182.3)	
27	- Asset Retirement Obligation (A/C 230)	
28	- Other Deferred Credits (A/C 253)	
29	- Accumulated Deferred FIT	
30	- Accumulated Deferred ITC	
31	Total Unit 2 Net In-Service Investment	-----
32	Total Net In-Service Investment	----- =====
33	<u>Net In-Service Investment Ratio:</u>	
34	Unit 1 (Line 16 / Line 32)	
35	Unit 2 (Line 31 / Line 32)	-----
	* As Permitted By FERC	=====
	** Accounts 128, 131, 135, 143, 146, 171 and 174, Less Accounts 232-234, 236, 237, 238, 241 and 242	

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
 CALCULATION OF RETURNS ON
COMMON EQUITY & OTHER CAPITAL**

Pg 4 of 18

<u>Line No.</u>		<u>Amount</u>
1	<u>Net Capitalization:</u>	
2	Long-Term Debt	
3	+ Short-Term Debt	
4	+ Preferred Stock	
5	+ Common Equity	
6	- Temporary Cash Investments	

7	Net Capitalization	=====
8	40% of Net Capitalization	
9	<u>Return on Common Equity:</u>	
10	Lesser of Line 5 or Line 8	
11	x Equity Return (Monthly Rate)	
12	= Equity Return	
13	x Operating Ratio	
14	x Net In-Service Investment Ratio	
15	= Subtotal	
16	Excess of Line 5 Over Line 8	
17	x Weighted Cost of Debt (Monthly Rate)	
18	= Return on Equity over 40% of Capitalization	
19	x Operating Ratio	
20	x Net In-Service Investment Ratio	
21	= Subtotal	

22	Unit 1 Return on Equity (Line 15 + Line 21)	=====
23	<u>Return on Other Capital:</u>	
24	Long-Term Debt Interest Expense (A/C 427-429)	
25	+ Short-Term Debt Interest Expense (A/C 430)	
26	+ Other Interest Expense (A/C 431)	
27	- Temporary Cash Investment Income *	

28	= Net Interest Expense	
29	+ Preferred Stock Dividends (a/c 437)	

30	= Net Cost of Other Capital	
31	x Operating Ratio	
32	x Net In-Service Investment Ratio	
33	= Unit 1 Return on Other Capital	
		=====

* Line 6 x Line 19 from Pg 5 of 18

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
DETERMINATION OF WEIGHTED COST OF DEBT**

<u>Line No.</u>		<u>Amount</u>
1	<u>Debt Balances (Prior Month Ending) :</u>	
2	Long-Term Debt	
3	+ Short-Term Debt	
4	+ Other Debt	
5	Total Debt Balances (Prior Month Ending)	----- =====
6	<u>Weighting of Debt Balances :</u>	
7	Long-Term Debt	
8	+ Short-Term Debt	
9	+ Other Debt	
10	Total Debt Balances	----- =====
11	<u>Debt Cost Rates :</u>	
12	Long-Term Debt	
13	Short-Term Debt	
14	Other Debt	
15	<u>Weighted Cost of Debt :</u>	
16	Long-Term Debt	
17	+ Short-Term Debt	
18	+ Other Debt	
19	Total Weighted Cost of Debt	----- =====

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
 DETERMINATION OF UNIT 1 MATERIALS AND SUPPLIES**

<u>Line No.</u>		<u>Amount</u>
1	<u>Unit 1 Materials and Supplies:</u>	
2	Fuel Stock - Coal (per Line 23)	
3	Fuel Stock Expenses - Undistributed (152)	
4	Fuel Stock - Oil (151)	
5	Plant Materials & Operating Supplies	
6	Merchandise	
7	Undistributed Stores Expense	

8	Total Materials & Supplies	=====
9	<u>Support of Coal Inventory Value:</u>	
10	Actual Coal Inventory (A/C 151.10)	
11	+ Equivalent Inventory re: Deferred Return	

12	= Imputed Coal Inventory	-----
13	Coal Inventory W/68 Day Supply Cap	
14	Tons Consumed	
15	/ Hours Available *	
16	= Tons Consumed per Hour	
17	x 24 Hours per Day	
18	= Tons Consumed Per Day	
19	x 68 days	
20	= 68 day Supply (Tons)	
21	x Coal Cost per Ton (per A/C 151.10 at End of Prior Month)	

22	= 68 day Coal Inventory	-----
23	Lesser of Imputed or Capped Coal Inventory	-----
24	Imputed Inventory Minus Line 23	=====
25	<u>Accumulated Deferred Inventory Return - Unit 1 (Memo Item):</u>	
26	Beginning Balance	
27	+ Current Month Return on Beginning Balance	
28	+ Current Month Deferral	
29	- Current Month Recovery	

30	= Ending Balance **	=====

* Excludes Forced Outages, Scheduled Outages, and Curtailments
 ** May Not Be Less Than Zero

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
DETAIL OF OTHER OPERATING REVENUES**

Pg 7 of 18

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
1	450	Forfeited Discounts	
2	451	Miscellaneous Service Revenues	
3	453	Sales of Water and Water Power	
4	454	Rent From Electric Property - Associated Companies	
5	454.20	Rent From Electric Property - Non-Associated Companies	
6	455	Interdepartmental Rents	
7	456	Other Electric Revenues	
8	411.8	Proceeds/Gains From Sale of Emission Allowances	
9		Total Other Operating Revenues	=====

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
DETAIL OF OPERATION & MAINTENANCE EXPENSES**

Pg 8 of 18

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
1	500, 502-508	Steam Power Generation - Operation	
2	501	Fuel - Operation	
3	510-515	Steam Power Generating - Maintenance	
4		Total Steam Power Generation Expenses	-----
5	555-557	Other Power Supply Expenses	-----
6	560-567.1	Transmission Expenses - Operation	
7	568-574	Transmission Expenses - Maintenance	
8		Total Transmission Expenses	-----
9	580-589	Distribution Expenses - Operation	
10	590-598	Distribution Expenses - Maintenance	
11		Total Distribution Expenses	-----
12	901-905	Customer Accounts Expenses - Operation	-----
13	906-910	Customer Service and Informational Expenses - Operation	-----
14	911-917	Sales Expenses - Operation	-----
15	920-933	Administrative and General Expenses - Operation	
16	935	Administrative and General Expenses - Maintenance	
17		Total Administrative & General Exp.	-----
18		Total Operation & Maintenance Expenses	=====

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
 DETAIL OF DEPRECIATION,
 AMORTIZATION AND ACCRETION EXPENSES**

Pg 9 of 18

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
1	403	Depreciation Expense	
1a	403.1	ARO Depreciation Expense	
2	404	Amortization of Limited-Term Electric Plant	
3	405	Amortization of Other Electric Plant	
4	406	Amortization of Electric Plant Acquisition Adjustments	
5	407	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs	_____
6		Total Depreciation Exp. & Amortization	
7	411.10	ARO Accretion Expense	_____
8		Total Depreciation, Amortization & Accretion Expenses	=====

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
DETAIL OF TAXES OTHER THAN FEDERAL INCOME TAXES**

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
BS1			
1	408.1	Taxes Other Than Federal Income Taxes, Utility Operating Income	
2	409.1	State Income Taxes	
3		Total Taxes Other than FIT	----- =====

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
 DETAIL OF UNIT 1 SCHEDULE `M' ADJUSTMENTS
 AND DEFERRED FEDERAL AND STATE INCOME TAX**

Pg 11 of 18

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
1		<u>Unit 1 Schedule `M' Adjustments</u>	
2	N/A	Excess ACRS Over Normalization Base Depreciation	
3	N/A	Excess Normalization Base Over Book Depreciation	
4	N/A	Other Unit 1 Schedule `M' Adjustments	
5		Total Unit 1 Schedule `M' Adjustments *	----- =====
6		<u>Unit 1 Deferred Federal Income Tax</u>	
7	410.1	Excess ACRS Over Norm. Base Depr. (Line 2 x FIT Rate * -1)	
8	410.1, 411.1	Other Unit 1 Schedule `M' Adjustments -	
9	411.1	Feedback of Accumulated DFIT re: ABFUDC - Unit 1 Negative Amount Denotes Reduction.	
10	411.1	Feedback of Accumulated DFIT re: Overheads Capitalized - Unit 1	
11	411.1	Feedback of Accumulated DFIT re: Other Schedule `M' Adj.-Utility	----- =====
12		Total Unit 1 Deferred Federal and State Income Tax *	

* Positive Amount Denotes Increase In Taxable Income,
 Negative Amount Denotes Reduction.

**AEP GENERATING COMPANY
SAMPLE POWER BILL
DETAIL OF NET IN-SERVICE INVESTMENT UNIT 1**

Pg 12 of 18

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
1		<u>ELECTRIC PLANT IN SERVICE</u>	
2	101	Electric Plant In Service	
3	102	Electric Plant Purchased	
4	103	Experimental Elec. Plant Unclassified	
5	103.1	Electric Plant In Process of Reclassification	
6	104	Electric Plant Leased to Others	
7	106	Completed Construction Not Classified	
8	114	Electric Plant Acquisition Adjustments	
9	116	Other Electric Plant Adjustments	
10	118	Other Utility Plant	
11		Total Electric Plant In Service	-----
12	105	Plant Held For Future Use	-----
13		<u>ACCUMULATED DEPRECIATION</u>	
14	108	Accumulated Provision for Depreciation of Electric Utility Plant	
15	110	Accumulated Provision for Depreciation and Amort. of Elec. Utility Plant	
16	111	Accumulated Provision for Amortization of Electric Utility Plant	
17	115	Accumulated Provision for Amortization of Electric Plant Acquisition Adjustments	
18	119	Accumulated Provision for Depreciation and Amortization of Other Utility Plant	
19		Total Accumulated Depreciation	-----
20		<u>MATERIAL AND SUPPLIES</u>	
21	151	Fuel Stock	
22	152	Fuel Stock Expenses - Undistributed	
23	153	Residuals	
24	154	Plant Materials and Operating Supplies	
25	155	Merchandise	
26	156	Other Materials and Supplies	
27	163	Stores Expense Undistributed	
28		Total Materials and Supplies (In-Service Portion)	-----
29	165	Prepayments	-----
30	186	Other Deferred Debits	-----

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
 OTHER WORKING CAPITAL, UNAMORTIZED DEBT EXPENSE,
 AND OTHER DEFERRED CREDITS**

Pg 13 of 18

<u>Line</u> <u>No.</u>	<u>Account</u> <u>No.</u>	<u>Description *</u>	<u>Amount</u>
1	128	Other Special Funds	
2	131	Cash	
3	135	Other Intra Company Adjustments	
4	143	Accounts Receivable-Miscellaneous	
5	146	Accounts Receivable-Associated Company	
6	171	Interest and Dividends Receivable	
7	174	Miscellaneous Current and Accrued Assets	
8	232	Accounts Payable-General	
9	234	Accounts Payable-Associated Company	
10	236	Taxes Accrued	
11	237	Interest Accrued	
12	238	Dividends Declared	
13	241	Tax Collections Payable	
14	242	Misc Current and Accrued Liabilities	-----
15		Total Other Working Capital	=====
16	181	Unamortized Debt Expense	-----
17	253	Other Deferred Credits	-----

* debit <credit>

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
DETAIL OF NET IN-SERVICE INVESTMENT UNIT 1**

Pg 14 of 18

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
31		<u>ACCUMULATED DEFERRED INCOME TAXES</u>	
32	190	-Accumulated Deferred Income Taxes	
33	281	+Accumulated Deferred Income Taxes - Accelerated Amortization Property	
34	282	+Accumulated Deferred Income Taxes - Other Property	
35	283	+Accumulated Deferred Income Taxes - Other	
36		Total Accumulated Deferred Income Taxes (In-Service Portion)	----- -----
37	255	+Accumulated Deferred Investment Tax Credits	
38	186.50	-Accumulated Deferred Investment Tax Credit	
39		Total Accumulated Deferred Investment Tax Credits	-----
40		Total Net In-Service Investment - Unit 1	----- =====

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
 DETAIL OF NON-IN-SERVICE INVESTMENT - CWIP AND OTHER**

Pg 15 of 18

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
		<u>Non-In-Service Investment - CWIP</u>	
1	107	Construction Work In Process	
2		MATERIAL AND SUPPLIES	
3	151	Fuel Stock	
4	152	Fuel Stock Expenses - Undistributed	
5	153	Residuals	
6	154	Plant Materials and Operating Supplies	
7	155	Merchandise	
8	156	Other Material and Supplies	
9	163	Stores Expense Undistributed	
10		Total Material and Supplies (CWIP Portion)	-----
11		<u>ACCUMULATED DEFERRED INCOME TAXES</u>	-----
12	190	-Accumulated Deferred Income Taxes	
13	281	+Accumulated Deferred Income Taxes - Accelerated Amortization Property	
14	282	+Accumulated Deferred Income Taxes - Other Property	
15	283	+Accumulated Deferred Income Taxes - Other	
16		Total Accumulated Deferred Income Taxes (CWIP Portion)	-----
17		TOTAL NON-IN-SERVICE INVESTMENT - CWIP	-----
		<u>Non-In-Service Investment - Other</u>	=====
18	105	Plant Held for Future Use	
19	186	Other Deferred Debits	
20	151.10	Fuel Inventory Over Allowed Level*	
21		Total Non-In-Service Investment - Other	-----
			=====
		* INCLUDES ROCKPORT 1 AND 2 UNIT 1 UNIT 2	
		TOTAL	-----
			=====

**AEP GENERATING COMPANY
SAMPLE POWER BILL
DETAIL OF NET CAPITALIZATION**

Pg 16 of 18

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
1		<u>COMMON CAPITAL STOCK</u>	
2	201	Common Stock Issued	
3	202	Common Stock Subscribed	
4	203	Common Stock Liability for Conversion	
5	209	Reduction In Par or Stated Value of Capital Stock	
6	210	Gain on Resale or Cancellation of Reacquired Capital Stock	
7	212	Installments Received on Capital Stock	
8	214	Capital Stock Expense	
9	217	Reacquired Capital Stock	
10		Total Common Capital Stock	-----
11		<u>OTHER PAID-IN CAPITAL</u>	
12	207	Premium on Capital Stock	
13	208	Donations Received from Stockholders	
14	211	Miscellaneous Paid-In Capital	
15	213	Discount on Capital Stock	
16		Total Other Paid-In Capital	-----
17		<u>RETAINED EARNINGS</u>	
18	215	Appropriated Retained Earnings	
19	215.1	Appropriated Retained Earnings- Amortization Reserve, Federal	
20	216	Unappropriated Retained Earnings	
21		Total Retained Earnings	-----
22		Total Common Equity	-----
23		<u>PREFERED CAPITAL STOCK</u>	
24	204	Preferred Stock Issued	
25	205	Preferred Stock Subscribed	
26	206	Preferred Stock Liability for Conversion	
27		Total Preferred Capital Stock	-----

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
DETAIL OF NET CAPITALIZATION (Cont'd)**

Pg 17 of 18

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
28		<u>LONG-TERM DEBT</u>	
29	221	Bonds	
30	222	Reacquired Bonds	
31	223	Advances from Associated Companies	
32	224	Other Long-Term Debt	
33	225	Unamortized Premium on Long-Term Debt-Credit	
34	226	Unamortized Discount on Long-Term Debt-Debit	
35		Total Long-Term Debt	-----

		<u>SHORT-TERM DEBT</u>	
36a	231.02	Notes Payable (Short-Term Debt)	
36b	231.03	Unamortized Discount	
37	233.00	Notes Payable, Assoc Co (Money Pool)	
38		Total Short-Term Debt	-----

39		<u>TEMPORARY CASH INVESTMENTS</u>	
40	132	Interest Special Deposits	
41	133	Dividend Special Deposits	
42	134	Other Special Deposits	
43	136, 145	Temporary Cash Investments	
44		Total Temporary Cash Investments	-----

45		NET CAPITALIZATION	=====

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
DETERMINATION OF RATE OF RETURN (Net & Pre-Tax)**

<u>Line No.</u>		<u>Amount</u>
1	<u>Capitalization Balances (Prior Month Ending) :</u>	
2	Long-Term Debt	
3	+ Short-Term Debt	
4	+ Preferred Stock	
5	+ Common Equity	
6	- Capitalization Offsets	

7	Total Capitalization Balances	=====
8	<u>Weighting of Capitalization Balances :</u>	
9	Long-Term Debt	
10	+ Short-Term Debt	
11	+ Preferred Stock	
12	+ Common Equity	
13	- Capitalization Offsets	

14	Total Capitalization	=====
15	<u>Capitalization Cost Rates :</u>	
16	Long-Term Debt	
17	Short-Term Debt	
18	Preferred Stock	
19	Common Equity	
20	Capitalization Offsets	
21	<u>Rate of Return (Net of Tax) :</u>	
22	Long-Term Debt	
23	+ Short-Term Debt	
24	+ Preferred Stock	
25	+ Common Equity	
26	- Capitalization Offsets	

27	Total Rate of Return (Net of Tax)	=====
28	Weighted Net Cost of Debt	
29	+ Pre-Tax Common Equity (Line 25 / .21)	

30	= Rate of Return (Pre-Tax)	=====

**AEP GENERATING COMPANY (AEGCO) - ROCKPORT PLANT
SCHEDULE I - DEPRECIATION RATE CALCULATION - UNIT 1
USING BEGINNING BALANCES AT DECEMBER 31, 2017**

Current Depreciation Rate through December 2018 = 3.52%

**Depreciation Rate from January 2019 through
December 2028 = 2.95%**

<u>YEAR</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Unit Balance</u>	<u>Average Unit Balance</u>	<u>Depreciation Accrual (1)</u>	<u>Terminal Demolition Amount</u>	<u>Ending Reserve Balance</u>	<u>Original Cost less Reserve</u>
2017			893,534,848				606,844,929	286,689,919
2018	0	0	893,534,848	893,534,848	31,452,427	0	638,297,356	255,237,492
2019	0	0	893,534,848	893,534,848	26,353,885	0	664,651,241	228,883,607
2020 (2)	4,180,000	0	897,714,848	895,624,848	26,415,527	0	691,066,768	206,648,080
2021	0	0	897,714,848	897,714,848	26,477,169	0	717,543,937	180,170,911
2022	0	0	897,714,848	897,714,848	26,477,169	0	744,021,106	153,693,742
2023	0	0	897,714,848	897,714,848	26,477,169	0	770,498,275	127,216,573
2024	0	0	897,714,848	897,714,848	26,477,169	0	796,975,444	100,739,404
2025	0	0	897,714,848	897,714,848	26,477,169	0	823,452,613	74,262,235
2026	0	0	897,714,848	897,714,848	26,477,169	0	849,929,782	47,785,066
2027	0	0	897,714,848	897,714,848	26,477,169	0	876,406,951	21,307,897
2028 (3)	0	0	897,714,848	897,714,848	<u>26,477,169</u>	<u>5,169,287</u>	897,714,833	15
TOTALS	4,180,000	0			296,039,191			

Rockport Unit 1 Net Plant at December 2017	286,689,919
Additions to Plant 2019-2028	4,180,000
Unit 1's Share of Terminal Demolition Cost Estimate	<u>5,169,287</u>
Total Amount Remaining to Depreciate	296,039,206

(1) Assuming current depreciation rates continue through December 2018 and change on January 2019 . The calculation includes an estimated addition for a CCR (2020) project .

(2) 2020 - a forecast addition to original cost of Rockport Plant totaling \$4,180,000 for the ash pond relining (CCR).

(3) 2028 - AEG's share of Rockport Unit 1's terminal demolition cost (\$10,338,573/2 = \$5,169,287) that will be charged to accumulated depreciation.

**AEP GENERATING COMPANY (AEGCO) - ROCKPORT PLANT
SCHEDULE I - DEPRECIATION RATE CALCULATION - UNIT 2
USING BEGINNING BALANCES AT DECEMBER 31, 2017**

Current Depreciation Rate through December 2018 = 3.52%

**Depreciation Rate from January 2019 through
December 2022 = 28.48%**

<u>YEAR</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Plant Balance</u>	<u>Average Plant Balance</u>	<u>Depreciation Accrual (1)</u>	<u>Terminal Demolition Amount</u>	<u>Ending Reserve Balance</u>	<u>Original Cost less Reserve</u>
2017			82,884,421				29,705,841	53,178,580
2018		0	82,884,421	82,884,421	2,917,532	0	32,623,373	50,261,048
2019		0	82,884,421	82,884,421	23,604,967	0	56,228,340	26,656,081
2020 (2)	135,373,000	0	218,257,421	150,570,921	42,881,660	0	99,110,000	119,147,421
2021		0	218,257,421	218,257,421	62,158,354	0	161,268,354	56,989,067
2022 (3)		0	218,257,421	218,257,421	<u>62,158,354</u>	5,169,286	218,257,422	(1)
TOTALS	135,373,000	0			193,720,867			

Rockport Unit 2 Net Plant at December 2017	53,178,580
Additions to Plant 2019-2022	135,373,000
Unit 2's Share of Terminal Demolition Cost Estimate	<u>5,169,286</u>
Total Amount Remaining to Depreciate	193,720,866

(1) Assuming current depreciation rates continue through December 2018 and change on January 2019 . The calculation includes a forecasted addition of \$135,373,000 for the U2 SCR (2020) project.

(2) 2020 - Forecast additions to original cost of Rockport Unit 2 totaling \$135,373,000 for the Unit 2 SCR.

(3) 2022 - Unit 2's share of the terminal demolition cost (\$10,338,573/2 = \$5,169,286) to be charged to accumulated depreciation.

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_028 Provide the net plant on the books of AEGCO separately for Rockport Units 1 and 2 at December 31, 2019 and for each month thereafter with available information and projected for each month through December 31, 2020.

RESPONSE

Please refer to KPCO_R_KIUC_AG_2_28_Attachment1 for AEGCo's net book value of the Rockport Plant for each of the months December 2019 to August 2020 (Rockport Units 1 and 2 provided separately).

Please refer to KPCO_R_KIUC_AG_2_28_Attachment2 for AEGCo's projected net book value of the Rockport Plant for September 2020 to December 2020.

Witness: Heather M. Whitney

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 1 of 2

DATA REQUEST

- AG_KIUC_2_029** Please refer to the Transmission Agreement by and among Appalachian Power, Columbus Southern, I&M, Kentucky Power, Kingsport Power, Ohio Power and Wheeling Power (the “Members” collectively or “Member” individually) issued on August 4, 2010 in FERC Docket ER09-1279-000. Paragraph 1.1 States that “The Transmission System covered by this Agreement shall include all transmission facilities, from time to time, owned by the Members that are included in the costs of service used to determine rates for transmission service under the PJM OATT, or successor open access transmission tariff.”
- a. Explain the legal basis for including the costs of transmission not “owned by the Members” but instead owned by AEP Kentucky Transmission Company, AEP Ohio Transmission Company, AEP Appalachian Transmission Company, AEP Indiana Michigan Transmission Company and AEP West Virginia Transmission Company (“State Transcos”) in Appendix 1 to the Transmission Agreement (Allocation of Transmission Related Costs and Revenues).
 - b. Was the Transmission Agreement amended to include the State Transcos? If yes, provide the FERC Order approving the amendment.
 - c. If the Transmission Agreement was not amended to include the State Transcos, what is the authority for allocating State Transco costs to the Members pursuant to the Transmission Agreement?
 - d. Does Kentucky Power agree that the Transmission Agreement is a FERC filed rate that must be followed? Please see Paragraph 9.1 of the Transmission Agreement.
 - e. Provide all documents in the possession of Kentucky Power which address the legality of Kentucky Power paying for State Transco costs, other than for AEP Kentucky Transmission Company.

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 2 of 2

RESPONSE

The Company objects to this request on the grounds that it requests a legal opinion and legal analysis, which are not the appropriate subject of discovery. The Company further objects to this request to the extent it is not reasonably calculated to lead to the discovery of admissible evidence and is overly broad, in that it concerns FERC-jurisdictional transmission rates, formula rate protocols, and their inputs. The Company will not provide documents in response to subsection e, on the grounds that any relevant non-privileged responsive documents concerning the amounts incurred by Kentucky Power as a load serving entity under FERC-approved transmission rates, to the extent they may exist and would be required to be identified and produced, are publicly available filings with the FERC to which the requester have access, and are not maintained or identified by the Company in the manner requested. Subject to, and without waiving, these objections the Company states as follows:

a. d. & e. The Company incorporates the objections set forth above as if fully rewritten herein.

b. & c. The Transmission Agreement was not amended to include the referenced transmission-only entities because those entities provide transmission service but are not load serving entities, and therefore are not charged PJM transmission charges only applicable to load serving entities. Kentucky Power is required to pay transmission charges billed by PJM for the transmission service Kentucky Power receives as a load serving entity. Please note that the Transmission Agreement is not the basis upon which the referenced transmission-only entities recover their actual transmission revenue requirements under FERC-approved rates. The referenced transmission-only entities recover their actual transmission revenue requirements under FERC-approved rates pursuant to their respective FERC-approved formula rate protocols.

Witness: Kelly D. Pearce

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_030 Please provide a breakdown, as follows, of the AEP East Zone CP demands (the NSPL) for the years 2017, 2018, 2019 and 2020 as used in the development of the NITS formula rate revenue requirement per MW (for example, in the 2020 formula rate the NSPL was 22,499.7 MW):

a. by AEP East Transmission Agreement Operating Company (i.e., KPCo, APCo, I&M, OPCo, WPCo, KNG)

b. by other non-AEP Operating Company loads. Provide this information by state. Also provide a list identifying the name of the utility or LSE associated with each such load, the MW load included in the zonal CP demand, the state in which the LSE is located.

RESPONSE

The Company objects to this request on the grounds that it is not reasonably calculated to lead to the discovery of admissible evidence and is overly broad, in that it concerns FERC-jurisdictional transmission rates, formula rate protocols, and their inputs. The Company further objects to the extent the request seeks information about entities other than Kentucky Power because these other entities are not subject to the jurisdiction of the Commission and are subject to regulatory and legal requirements under state and federal law other than those of the Commonwealth of Kentucky. Subject to these objections, and without waiving them, the Company states as follows:

Please refer to KPCO_R_KIUC_AG_2_30_Attachment1. Because there were changes that began on June 1, 2020, the attachment contains two columns of data for the 2020 calendar year.

It should be noted that the NSPL of 22,499.7 MW listed in the question is incorrect. The correct NSPL figure is 22,497.9 MW,

Witness: Kelly D. Pearce

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_031 For each of the AEP East Operating Companies and each of the non-AEP Operating Company loads that are included in the AEP East Zone NSPL CP demand, please provide the NSPL CP demands for the years 2017, 2018 and 2019.

RESPONSE

The Company objects to this request on the grounds that it is not reasonably calculated to lead to the discovery of admissible evidence and is overly broad, to the extent that it concerns FERC-jurisdictional transmission rates, formula rate protocols, and their inputs. The Company further objects to the extent the request seeks information about entities other than Kentucky Power because these other entities are not subject to the jurisdiction of the Commission and are subject to regulatory and legal requirements under state and federal law other than those of the Commonwealth of Kentucky. Subject to these objections, and without waiving them, the Company states as follows:

Please refer to AG-KIUC 2-30.

Witness: Kelly D. Pearce

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_032 With regard to the Company's response to AG-KIUC 1-45 Attachment 1, please confirm that the following entry ("5650016 PJM NITS Expense – Affiliated/Inc. Transco") represents the portion of the allocated NITS expenses associated with AEP State Transco's. If not, please provide a detailed explanation of this charge.

RESPONSE

By serving load within the AEP Zone in PJM, Kentucky Power incurs Network Integrated Transmission charges. This account represents the portion of those expenses that are incurred by Kentucky Power related to transmission assets the cost of which are allocated to the AEP Zone, including assets that AEP Kentucky Transmission Company and other Kentucky Power affiliates own in PJM.

Witness: Kelly D. Pearce

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_033 For each of the NITS expenses shown in the response to AG-KIUC Attachment 1, please provide the total AEP East amount and a calculation showing the AEP East 1 CP billing determinant and the NITS rate/MW.

RESPONSE

Please refer to KPCO_R_AG_KIUC_2_33_Attachment1 for the requested information.

Witness: Kelly D. Pearce

DATA REQUEST

AG_KIUC_2_034 Please provide a schedule showing the allocation of the AEP East State Transco NITS charges for 2020 to KPCo. Include the following information in the schedule:

- a. The individual NITS revenue requirements for each State Transco.
- b. The billing determinant used to unitize the total revenue requirement (i.e., 1 CP demand, if the revenue requirement is recovered through a unit rate/kW).
- c. The allocation of the total State Transco revenue requirement to the AEP East Operating Companies, including the allocation factor used.
- d. The allocation of the total State Transco revenue requirement to non-AEP Operating Companies, including a list of each such non-AEP Operating Company LSE receiving an allocation of the State Transco revenue requirements.
- e. The allocation of the AEP East Operating Company share of the State Transco revenue requirement to each Operating Company, including KPCo and the corresponding allocation factor used to allocate these costs.
- f. The legal basis for the allocation of the AEP East Operating Company share of the State Transco revenue requirement to each AEP East Operating Company. Please provide a copy of any relevant tariffs, AEP East Operating Company transmission agreements or FERC orders that address the allocation of these costs.

RESPONSE

The Company objects to this request on the grounds that it is not reasonably calculated to lead to the discovery of admissible evidence and is overly broad, to the extent that it concerns FERC-jurisdictional transmission rates, formula rate protocols, and their inputs. The Company further objects to the extent the request seeks information about entities

Kentucky Power Company
 KPSC Case No. 2020-00174
 AG-KIUC Second Set of Data Requests
 Dated September 16, 2020
 Page 2 of 3

other than Kentucky Power because these other entities are not subject to the jurisdiction of the Commission and are subject to regulatory and legal requirements under state and federal law other than those of the Commonwealth of Kentucky. The terms “allocation” and “revenue requirements” are not defined and lack a clear meaning within the context of the question. Subject to these objections, and without waiving them, the Company states as follows: The Company construes the term “allocation” to refer to the allocation among load serving entities party to the Transmission Agreement of the charges billed by PJM to the AEP Zone. The Company construes the term “revenue requirements” to refer to the transmission owner actual transmission revenue requirements determined under FERC-approved transmission formula rate protocols, which are not recovered by those transmission owners pursuant to the Transmission Agreement.

a. Please refer to line 12 of the attachment, [KPCO_R_AG_KIUC_2_34_Attachment1](#) for the requested information. This information is also available publicly on www.aep.com/requiredpostings/oatt.

b. Please refer to line 13 of the attachment, [KPCO_R_AG_KIUC_2_34_Attachment1](#) for the requested information. This information is also available publicly on www.aep.com/requiredpostings/oatt.

c. Transmission Owners collect revenue requirements based on the transmission assets they own in the zone. State Transco revenue requirements do not get individually allocated to the AEP East Operating Companies. The NITS revenue requirement of all of the transmission owners, including the State Transcos and other transmission owners, including Kentucky Power and other AEP operating companies, is aggregated and charged to loads based on the NITS rate. The East Operating Companies are charged this cost for transmission service based on their contribution to the prior year 1CP load. In the AEP zone, approximately 85% of prior year 1CP load is affiliate and therefore, approximately 85% of costs are billed as an expense to AEP LSE. According to the Transmission Agreement, each operating company pays their portion of the AEP LSE expense based on their 12 CP share.

For 2020 that share is:

	APCo	KPCo	I&M	OPCo	KgPCT	WPCT	AEP EAST
12CP	29.569%	5.736%	16.990%	42.618%	1.879%	3.208%	100.000%

d. Non-AEP operating company LSEs are not directly allocated any State Transco revenue requirement. Please refer to the Company’s response to part c. Non-affiliate customers are charged for transmission service based on their contribution to the prior

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 3 of 3

year 1CP load for the zone. All loads in the zone paid some portion of the revenue requirement. Please refer to AG_KIUC_2_030 for the requested information.

e. Please refer to KPCO_R_KPSC_AG_KIUC_2_33_Attachment 1 for the requested information.

f. The East Operating Companies do not get directly allocated a share of the revenue requirement from the State Transcos. AEP East Operating Company costs get allocated based on the FERC-approved Transmission Agreement.

Witness: Kelly D. Pearce

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_035 Please provide for each of the AEP East Operating Companies, the 12 CP demands and the 1 CP demands coincident with the AEP East transmission zonal peak (i.e., the Operating Company demands coincident with the AEP East Network Service Peak Load), for 2017, 2018, and 2019.

RESPONSE

See KPCO_R_KIUC_AG_2_35_Attachment1.

Witness: Kelly D. Pearce

DATA REQUEST

AG_KIUC_2_036

Reference the Commission’s final order dated Jan. 18, 2018 in Case No. 2017-00179. p. 54, wherein the Commission stated: “Regarding proposed transmission projects at PJM, the Commission expects Kentucky Power to work through the PJM stakeholder process to protect its customer interests.”³ Explain in detail the measures KPCo has taken to work through the PJM stakeholder process to protect its customers’ interests pertaining to PJM transmission projects. Include in your response any instances in which any KPCo action taken to protect its customers’ interests differed from actions that any of KPCo’s affiliates and/or parent entities may have taken regarding each such action.

a. Confirm that the adjusted test year Kentucky retail jurisdictional total of net PJM LSE OATT charges and credits included in base rates is \$96,896,495, which is an increase of \$22.519 million over the amount included in Case No. 2017-00179.

b. Of the \$22.519 million increase, identify what portion pertains to PJM supplemental transmission projects,⁴ and provide a description of each supplemental project.

RESPONSE

Kentucky Power, through the AEP transmission organization, began implementing changes in late 2018 to comply with M-3 Process revisions approved by FERC in February 2018. As both a transmission owner and a load serving entity in the context of the referenced PJM stakeholder process, Kentucky Power actively participates in that process, and regularly proposes projects required to continue to provide service to its customers safely and reliably, and to protect its customers' interests.

Illustrative of this participation is the proposal of the Middle Creek project. The project would considerably reduce the cost of addressing pressing transmission needs at a significantly reduced cost compared to other possible alternatives. The Middle Creek project, which was proposed and considered within the PJM stakeholder process, and included in PJM's RTEP under supplemental project identification s2200.1-.3, is now the subject of a FERC proceeding under FERC docket EL20-58 to confirm its costs

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 2 of 2

assignment as a transmission asset. The project includes the deployment of a 14.4 MWh-rated battery energy storage system (“BESS”) at KPCo’s Middle Creek Substation near Floyd, Kentucky, as a transmission asset designed to reduce outages on KPCo’s 46 kV Falcon-to-Prestonsburg transmission line.

In addition, Kentucky Power conducts meetings outside of the PJM stakeholder process that provide connected customers with additional opportunities to provide input. As an example, the Company hosts an Annual Stakeholder Summit with customers to discuss transmission needs. KPCo also includes stakeholders directly impacted by a given transmission project during the project’s development and prior to its submission as a solution to PJM stakeholders to ensure that those direct impacts are considered in identifying and evaluating potential Solutions.

a. Confirmed.

b. The Company does not have a breakdown of the portion of the increase that is associated with PJM supplemental projects since there is no business reason to keep such information.

Witness: Kelly D. Pearce

Witness: Alex E. Vaughan

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_037 Reference the Vaughan testimony, p. 32, wherein he references the settlement in FERC docket number EL05-121 regarding the cost allocation methodology historically used by PJM to allocate the costs of transmission enhancement projects to the LSEs in PJM's footprint. Provide the total amount of credits KPCo customers have received as a result of the settlement in this FERC docket.

RESPONSE

Please refer to KPCO_R_AG_KIUC_2_37_Attachment1 for the requested information.

Witness: Alex E. Vaughan

DATA REQUEST

AG_KIUC_2_038 Reference FERC docket EL20-58,5 wherein American Electric Power Service Corp. (AEPSC) on behalf of KPCo, seeks FERC approval for deployment of a 14.4 MWh-rated battery energy storage system (“BESS”) at KPCo’s Middle Creek Substation near Floyd, Kentucky, as a transmission asset designed to reduce outages on KPCo’s 46 kV Falcon-to-Prestonsburg transmission line.

- a. Explain whether KPCo seeks to recover costs for all, or any portion of this project in rates, and whether it proposes to recover any portion thereof in the current rate case. If so, identify precisely where in the application the project is identified. If not so confirmed, explain when KPCo will seek to recover those costs.
- b. Explain whether the FERC has designated the Middle Creek Substation BESS as a transmission facility.
- c. Confirm that project costs will be booked to the appropriate accounts in AEP’s wholesale formula rate template, and that accordingly, KPCo’s retail customers will become responsible for a portion of the project’s costs.
- d. Provide a description of the project’s different phases, together with estimated in-service dates for all phases.
- e. Confirm that KPCo will file applications for certificates of public convenience and necessity with the Kentucky Public Service Commission for approval to construct Phases 1 and 2 of the Middle Creek Project.
- f. Confirm that the Middle Creek Project is designated as a Supplemental Project (Project ID S2200.1-.3) under PJM’s Attachment M-3 process.
- g. Confirm that multiple parties have filed protests in FERC docket EL20-58.
- h. Confirm that in the May 4, 2020 PJM Planning Committee meeting, PJM stakeholders adopted the “Storage As a Transmission

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 2 of 4

Asset (“SATA”) Issue Charge”⁶ and that PJM is currently facilitating a stakeholder process that is evaluating whether existing PJM planning rules provide sufficient clarity regarding if and how storage as a transmission asset should be evaluated and incorporated into the PJM RTEP process.⁷

(i) If so confirmed, confirm further that this stakeholder process may result in: (1) the development of processes that could be used in evaluating storage as a transmission asset to address elements in the RTEP; and (2) enhanced clarity in PJM’s evaluation process of storage as a transmission asset to provide more transparency for stakeholders.

(ii) Confirm that AEP/KPCo is moving forward with this project despite the fact this stakeholder process has not been completed.

i. Explain whether the Middle Creek BESS, if built as proposed, would result in a constraint that does not exist today.

RESPONSE

The Company objects to this data request on the grounds that it is not reasonably calculated to lead to the discovery of admissible evidence and is overly broad, to the extent that it seeks information about FERC-approved formula rates and their input, and about related FERC proceedings.

To clarify, in FERC Docket No. EL20-58-000, AEP submitted a Petition for Declaratory Order seeking confirmation that the Middle Creek project, a project that has been recognized and undergone full review through the PJM stakeholder process as transmission, is eligible for cost-of-service recovery through the Company's transmission formula rate.

a. The Middle Creek project referenced is proposed to address transmission need and is included in PJM's Regional Transmission Expansion Plan ("RTEP") under supplemental project identification s 2200.1.-3. The Company proposes recovery of the costs associated with the project in a manner consistent with the recovery of other transmission projects. The petition, as clarified above, is currently pending before FERC. The costs of the project are not included in the costs of service applicable to the Company's application for an adjustment of its retail rates currently pending before the Commission (i.e., the present case). Please refer to the Company's response to AG-KIUC_2_36. A

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 3 of 4

determination by FERC that the project costs are recoverable as transmission costs will avoid the need for a more costly transmission solution.

b. The Company's petition is currently pending before FERC.

c. Please refer to the responses to subsections "a" and "b".

d. As currently contemplated, the BESS will be installed at the Middle Creek Substation as Phase 1 of an overall project to address the outages that the 46 kV Falcon-to-Prestonsburg transmission line. The BESS is expected to be in-service by the third quarter of 2021. Phase 2 would involve the rebuild of the 8.5-mile (Middle Creek-to-Prestonsburg) line segment and the corresponding retirement of the 14.5-mile (Falcon-to-Middle Creek) line segment and is scheduled to be completed by April 2023. This proposed schedule is tentative and subject to scope, design, or implementation adjustments as circumstances may require.

e. The Company further objects to this request to the extent it asks for a legal opinion or legal analysis, which are not the appropriate subject of discovery. Subject to and without waiving this and the Company's foregoing objections, the Company states as follows: The Company intends to file the necessary application or applications for a certificate of public convenience and necessity with the Kentucky Public Service Commission for approval to construct the Middle Creek Project, as it may be required.

f. Confirmed. Please refer to the response to subsection a.

g. Please refer to the filings of parties and intervenors in the referenced FERC docket, which are publicly available and speak for themselves regarding the parties' positions on the Company's application currently pending before FERC under docket EL20-58.

h. The statements in subsection h are not confirmed as characterized in the data request. PJM makes publicly available documentation related to the PJM stakeholder process. Consistent with that process, the Company proposes the Middle Creek project to address transmission needs. Please refer to the Company's responses to AG_KIUC_2_36 and to the foregoing subsections in AG_KIUC_2_38.

(i). The Middle Creek project addresses transmission needs and is consistent with transmission planning requirements. To the extent the request inquires about the modeling of power flows in the area before and after the construction of the Middle Creek project, the Company notes that the project does not violate any operational or transmission planning criteria and is already included in PJM's Regional Transmission

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 4 of 4

Expansion Plan. The modeling of power flows is an iterative process and is updated periodically by PJM taking into consideration a very large number of topology changes required over time to maintain the reliability and efficiency of the regional transmission grid.

(ii). The Company is moving forward with this project that is expected to save customers significant cost relative to a more traditional solution. The Middle Creek project does not circumvent the PJM stakeholder process. This project is a prior-identified, narrow application to address a specific transmission need. As further evidence of this, the referenced May 2020 issue charge began months *after* the Middle Creek project had already been vetted in the PJM attachment M-3 process and assigned a supplemental project ID by PJM.

i. The Company is unclear what is meant by "constraint" in this context and therefore is unable to answer this subpart of this request.

Witness: Kelly D. Pearce

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_039 Provide a schedule showing the EDIT by temporary difference for AEPSC (total AEPSC and allocation to KPCo) due to the remeasurement of ADIT resulting from the lower federal income tax rate due to the TCJA. If there was no allocation to KPCo, then provide the AEPSC allocation factor used to allocate/charge depreciation expense on AEPSC assets to KPCo.

RESPONSE

Please see KPCO_R_AG_KIUC_2_039_Attachment1 for AEPSC's remeasurement schedule of ADIT resulting from the 35% to 21% corporate tax rate change due to TCJA. Total AEPSC Taxes are billed to all the operating companies. Kentucky Power is allocated approximately 5% of AEPSC's taxes including excess ADIT.

Witness: Allyson L. Keaton

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_040 Describe how AEPSC treated the EDIT resulting from the lower federal income tax rate due to the TCJA. Provide copies of the AEPSC accounting entries performed to establish the EDIT balances.

RESPONSE

Please see KPCO_R_AG_KIUC_2_040_Attachment1 for AEPSC accounting entries that established the EDIT balances, which demonstrates how AEPSC treated the EDIT resulting from the lower federal income tax rate due to the TCJA.

Witness: Allyson L. Keaton

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_041 Describe how the AEPSC EDIT is reflected in the KPCo revenue requirement. Provide the amounts reflected in capitalization, rate base, expense, and/or cost of capital by temporary difference and the related effect on the KPCo revenue requirement, if any. Provide all data, assumptions, and calculations, including electronic workpapers with all formulas intact.

RESPONSE

AEPSC's EDIT are included in total taxes, which are billed to all operating companies. Kentucky Power's share of AEPSC's taxes are approximately 5%. AEPSC's taxes billed to Kentucky Power are booked to FERC account 923.0 - AEPSC Billed to Client Company, which are included in Administration & General Expenses on the Income Statement.

Witness: Allyson L. Keaton

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_042 Refer to the Direct Testimony of Mr. Vaughan at page 5. Provide a copy of the most recent spreadsheet calculation for the Decommissioning Rider in electronic format with all formulas in place.

RESPONSE

Please refer to KPCO_R_AG_KIUC_2_42_Attachments 1-3 for the requested information.

Witness: Alex E. Vaughan

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_043 Provide the monthly receivables amounts sold to AEP Credit, Inc. and the applicable discounting interest rate for each month during 2020 with available information. In addition, separate out the interest rate percentage each month between the components associated with the uncollectible accounts and that of the financing costs.

RESPONSE

KPCO_R_KIUC_AG_2_43_Attachment1 contains monthly accounts receivables sold from January 1, 2020 through August 31, 2020 as well as monthly carrying charges and collection experience. The monthly carrying charges and collection experience amounts were provided to Company witness Messner by Company Witness Whitney. In addition, monthly carrying charge rates and collection experience rates were calculated by dividing carrying charges and collection experience amounts by the accounts receivables sold each month.

Witness: Franz D. Messner

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 1 of 2

DATA REQUEST

AG_KIUC_2_044 Regarding organizations to which KPCo pays dues (“Dues Requiring Organizations”), including but not limited to Edison Electric Institute (EEI) and the Electric Power Research Institute (EPRI), explain whether those dues are included for recovery in the proposed revenue requirement. If so:

- a. Identify precisely where in the application they can be found.
- b. Explain whether each such organization the Company identifies in response to this question utilizes all or any portion of the dues KPCo pays for: (i) legislative advocacy; (ii) regulatory advocacy; and/or (iii) public relations [hereinafter jointly referred to as “covered activities”]. Identify the precise amount of the dues used for the covered activities.
- c. Provide a copy of invoices received from each such organization covering the test year in this case.
- d. Provide any documents in the Company’s possession depicting how each such Dues Requiring Organization spends the dues it collects, including the percentage that applies to all covered activities.
- e. State whether the Company is aware whether any portion of the dues it pays to any Dues Requiring Organization are utilized to pay for any of the following expenditures, and if so, provide complete details:
 - i. Influencing federal or Kentucky legislation;
 - ii. Any media advertising campaigns backing the Company’s or the organization’s position on net metering;
 - iii. Contributions from EEI, EPRI or other Dues Requiring Organizations to third-party organizations, their affiliates and/or contractors including any of the expenditures identified in subparts i. and ii., above.

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 2 of 2

RESPONSE

The Company objects to this request as overly broad, unduly burdensome, and because it seeks irrelevant information that is not reasonably calculated to lead to the discovery of admissible evidence. The Company further objects because the data request seeks information that is outside of Kentucky Power's possession, custody, or control. Subject to and without waiving the foregoing objections, the Company states as follows: Kentucky Power Company classifies dues and memberships as operation and maintenance expense within the jurisdictional cost of service.

- a. Refer to the Application, Section V, Page 2 of 87.
- b. The requested information regarding third parties is outside the Company's possession, custody, or control. Kentucky Power cannot provide the requested information.
- c. Please refer to KPCO_R_KIUC_AG_2_44_Attachment1. The Edison Electric Institute invoice is for the total American Electric Power amount and does not reflect Kentucky Power Company's share.
- d. The requested third party documents are outside the Company's possession, custody, or control. Kentucky Power has no documents responsive to this request.
- e. The requested information regarding third parties is outside the Company's possession, custody, or control. The Company lacks information sufficiently detailed that would permit it to respond to this request.

Witness: Scott E. Bishop



MSC 110 00323093

AP Feeder System Cover Sheet

DO NOT PAY

Use this cover sheet to send documents to Accounts Payable that are related to vendor payments initiated via an electronic interface. Account Payable will process this cover sheet and related documents, and reference the vendor payment generated from the electronic interface.

The following invoice was submitted electronically to Accounts Payable.

Business Unit:	110
Voucher Number:	00323093
Invoice Number:	93832
Invoice Amount:	\$350.00
Vendor Number:	0000091908
Vendor Name:	ASHLAND AREA BUSINESS BOOSTERS
Contract/PO:	
Pay Authorization:	
Submitted by:	STRICKLAND, MICHELLE N
Date Received:	12/20/2019

Notes:

Ashland Area Business Boosters
P.O. Box 381, Ashland, KY 41105-0381
Phone: 606-831-5243, Email: jamesking1958@gmail.com

INVOICE

BILL TO:

AABB Member

INSTRUCTIONS

Please submit payment at your earliest convenience. Members who have not paid their dues by March 31, 2020 will be considered delinquent and subject to action by the club.

QUANTITY	DESCRIPTION	TOTAL
1	2020 AABB Annual Membership Dues	\$350.00

TOTAL DUE BY DATE \$350.00

Make all checks payable to: Ashland Area Business Boosters

Mail back Address:

**James W. King
P.O. Box 381
Ashland, KY 41105-0381**

Thank you!

Invoice for Membership Dues



MR. NICHOLAS K. AKINS
 CHAIRMAN, PRESIDENT & CEO
 AMERICAN ELECTRIC POWER
 1 RIVERSIDE PLAZA
 COLUMBUS, OH 43215

Date	Invoice Number
12/11/2019	Dues202005

Payment due on or before 1/31/2020


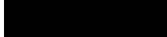
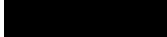


Description	Total
2020 EEI Membership Dues for:	
Regular Activities of Edison Electric Institute ¹	\$2,397,228
Industry Issues ²	\$239,723
Restoration, Operations, and Crisis Management Program ³	\$15,000
2020 Contribution to The Edison Foundation, which funds EEI 4	\$50,000
Total	\$2,701,951

APPROVED
NA
12-11-19

1 The portion of 2020 membership dues relating to influencing legislation, which is not deductible for federal income tax purposes, is estimated to be 13%.
 2 The portion of the 2020 industry issues support relating to influencing legislation is estimated to be 24%.
 3 The Restoration, Operations, and Crisis Management Program is related to improvements to industry-wide responses to major outages (e.g. National Response Event); continuity of industry and business operations; and EEI's all hazards (storms, wildfires, cyber, etc.) support and coordination of the industry during times of crises. No portion of this assessment is allocable to influencing legislation.
 4 The Edison Foundation is an IRC 501(c)(3) educational and charitable organization. Contributions are deductible for federal income tax purposes to the extent provided by law. Please consult your tax advisor with respect to your specific situation.

PLEASE NOTE INFORMATION FOR ELECTRONIC PAYMENT

The following instructions should be used when transferring funds electronically (ACH or wire) to Edison Electric Institute:

Beneficiary's Bank: 
Bank's Address: 
Bank's ABA Number: 
Beneficiary: 
Beneficiary's Acct No: 
Beneficiary's Address: 701 Pennsylvania Avenue, NW
 Washington, DC 20004-2696 USA
Beneficiary Reference: 2020 Membership Dues

Please refer any questions to Terri Oliva, Executive Director, Human Resources and Assistant Treasurer: (202) 508-5541 or memberdues@eei.org



MSC 110 00323092

AP Feeder System Cover Sheet

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Use this cover sheet to send documents to Accounts Payable that are related to vendor payments initiated via an electronic interface. Account Payable will process this cover sheet and related documents, and reference the vendor payment generated from the electronic interface.

The following invoice was submitted electronically to Accounts Payable.

Business Unit: 110
Voucher Number: 00323092
Invoice Number: 93831
Invoice Amount: \$500.00
Vendor Number: 0000031122
Vendor Name: HAZARD PERRY CHAMBER OF COMMER
Contract/PO:
Pay Authorization:
Submitted by: STRICKLAND, MICHELLE N
Date Received: 12/20/2019

Notes:



Hazard Perry County Chamber of Commerce
601 Main Street - Hazard, Kentucky 41701- 606 439-2659
hazardcoc@hazardky.gov

DUES INVOICE

Kentucky Power
1400 East Main Street
Hazard, Kentucky 41701

DATE: December 2, 2019

Amount

DESCRIPTION:

Annual Dues

\$ 500.00

Please Make Check Payable To:

Chamber of Commerce
601 Main Street
Hazard, KY 41701



MSC 110 00322761

AP Feeder System Cover Sheet

DO NOT PAY

Use this cover sheet to send documents to Accounts Payable that are related to vendor payments initiated via an electronic interface. Account Payable will process this cover sheet and related documents, and reference the vendor payment generated from the electronic interface.

The following invoice was submitted electronically to Accounts Payable.

Business Unit: 110
Voucher Number: 00322761
Invoice Number: 93441
Invoice Amount: \$3,200.00
Vendor Number: 0000036252
Vendor Name: KENTUCKY ASSOCIATION OF
Contract/PO:
Pay Authorization:
Submitted by: STRICKLAND, MICHELLE N
Date Received: 12/09/2019

Notes:



Invoice

Invoice No. 2759565
 Invoicing Date: 11/12/2019

Ms. Cindy Wiseman
 AEP/Kentucky Power Company
 855 Central Avenue, Suite 200
 Ashland, KY 41101

Member ID: 1788
 Invoice Due: 01/01/2020

Description	Qty	Rate	Amount
KAM Membership Dues Investment 01/01/2020 to 12/31/2020	1.00	3,200.00	3,200.00
Blue Book - One Line on Back Cover	1.00	1,000.00	1,000.00
Total:			4,200.00
Amt Paid:			0.00
Balance Due:			4,200.00

KAM is a tax-exempt 501(c)(6) business association. For tax purposes, 100% of a KAM membership dues or sponsorship payment should be treated as an ordinary business expense and not as a charitable contribution. KAM pays a proxy tax on lobbying expenses. Companies are allowed to deduct 100% of KAM membership dues or sponsorship payments as a business expense and need not prorate dues to lobbying expenses.

For changes or updates to company profile or questions about invoicing, please email Shelley Goodwin at sgoodwin@kam.us.com or call 502.352.2485.

AEP/Kentucky Power
 Company
 855 Central Avenue, Suite
 200
 Ashland, KY 41101

Member ID: 1788
 Invoice Number: 2759565
 Due Date: 01/01/2020
 Total Due: 4,200.00

Payment Enclosed: \$ _____
 Make checks payable to:
 Kentucky Association of Manufacturers
 609 Chamberlin Ave
 Frankfort, KY 40601

Please verify address and provide corrections below

Organization Name: _____

Primary Billing Person: _____

Mailing Address: _____

City, State, Zipcode: _____

Charge:

VISA American Express
 Mastercard

Card No. _____

Sec _____

Exp. Date _____

Code _____

Signature _____



MSC 110 00315028

AP Feeder System Cover Sheet

DO NOT PAY

Use this cover sheet to send documents to Accounts Payable that are related to vendor payments initiated via an electronic interface. Account Payable will process this cover sheet and related documents, and reference the vendor payment generated from the electronic interface.

The following invoice was submitted electronically to Accounts Payable.

Business Unit: 110
Voucher Number: 00315028
Invoice Number: 90554
Invoice Amount: \$15,050.00
Vendor Number: 0000036258
Vendor Name: KENTUCKY CHAMBER OF COMMERCE
Contract/PO:
Pay Authorization:
Submitted by: NANCE, TRISHA
Date Received: 04/02/2019

Notes:



Membership Renewal - Invoice No. 18352018

464 Chenault Road Frankfort, KY 40601 phone: 502-695-4700 fax 502-695-5051

Date: 2/1/2019

Original Join Date: 05/01/1948

Membership Dates: 12/01/2018 - 11/30/2019

Mr. Brett Mattison
 President & COO
 AEP - Kentucky Power Co.
 855 Central Ave Ste 200
 Ashland, KY 41101-7423

KCC Federal Tax ID: [REDACTED]

Please verify information at left and note any updates.

Remit to:

Kentucky Chamber of Commerce
 464 Chenault Road
 Frankfort, KY 40601

(606) 327-2600
 bmattison@aep.com

Investing in membership with the Kentucky Chamber of Commerce makes good business sense. Whether you're a small, family-owned business or a Fortune 500 company, we have the tools to help you succeed, because our business is growing your business.

Company	Member Number	Past Due Date	Membership Dues
AEP - Kentucky Power Co.	1835	12/31/2018	\$15,000.00
Chamber Action Fund			
Your voluntary contribution to the Chamber Action Fund is used in the most critical situations to garner needed public support on important business issues. Action Fund dollars are used exclusively to advance			\$50.00
<i>Membership dues are not deductible as a charitable contribution. In compliance with the Omnibus Budget Reconciliation Act of 1993, 65 percent of your dues may be deductible as an ordinary business expense and are not allocable to lobbying activity.</i>			
		Total Due	\$15,050.00

Please return this portion with payment.

Company	Member Number	Past Due Date	Membership Dues
AEP - Kentucky Power Co.	1835	12/31/2018	\$15,000.00
Please select your area(s) of interest:			
<input type="checkbox"/> Human Resources <input type="checkbox"/> Political Education <input type="checkbox"/> Fiscal Policy <input type="checkbox"/> Health & Wellness <input type="checkbox"/> Energy & Environmental <input type="checkbox"/> OSHA <input type="checkbox"/> Manufacturing <input type="checkbox"/> Small Business <input type="checkbox"/> Workers' Compensation <input type="checkbox"/> Education & Workforce Dev.			Action Fund \$50.00
			Total Due \$15,050.00

Pay by Check	Pay by Credit Card (select) VISA MasterCard American Express
Amount: _____	Card # _____ Exp. Date _____
Check # _____	Signature (required) _____

R: 88276
 P: 90554



MSC 110 00322940

AP Feeder System Cover Sheet

DO NOT PAY

Use this cover sheet to send documents to Accounts Payable that are related to vendor payments initiated via an electronic interface. Account Payable will process this cover sheet and related documents, and reference the vendor payment generated from the electronic interface.

The following invoice was submitted electronically to Accounts Payable.

Business Unit: 110
Voucher Number: 00322940
Invoice Number: 93702
Invoice Amount: \$25,050.00
Vendor Number: 0000036258
Vendor Name: KENTUCKY CHAMBER OF COMMERCE
Contract/PO:
Pay Authorization:
Submitted by: STRICKLAND, MICHELLE N
Date Received: 12/16/2019

Notes:



**Membership Renewal -
 Invoice No. 18352019**

Date: 12/2/2019
 Original Join Date: 05/01/1948
 Membership Dates: 12/01/2019 - 11/30/2020

KCC Federal Tax ID [REDACTED]

Mr. Brett Mattison
 President & COO
 AEP - Kentucky Power Co
 855 Central Ave Ste 200
 Ashland, KY 41101-7482

 (606) 327-2600
 bmattison@aep.com

Please verify information at left and note any updates.
 Remit to:
 Kentucky Chamber of Commerce
 464 Chenault Road
 Frankfort, KY 40601

Investing in membership with the Kentucky Chamber of Commerce makes good business sense. Whether you're a small, family-owned business or a Fortune 500 company, we have the tools to help you succeed, because our business is growing your business.

Company	Member Number	Due Date	Membership Dues
AEP - Kentucky Power Co.	1835	12/31/2019	\$25,000.00
Chamber Action Fund			
Your voluntary contribution to the Chamber Action Fund is used in the most critical situations to garner needed public support on important business issues. Action Fund dollars are used exclusively to advance member-supported issues and are not used for political activity.			\$50.00
<i>Membership dues are not deductible as a charitable contribution. In compliance with the Omnibus Budget Reconciliation Act of 1993, 85 percent of your dues may be deductible as an ordinary business expense and are not allocable to lobbying activity.</i>			
Total Due			\$25,050.00

Please return this portion with payment.

Company	Member Number	Due Date	Membership Dues		
AEP - Kentucky Power Co.	1835	12/31/2019	\$25,000.00		
Please select your area(s) of interest: <input type="checkbox"/> Human Resources <input type="checkbox"/> Political Education <input type="checkbox"/> Health & Wellness <input type="checkbox"/> Energy & Environmental <input type="checkbox"/> Manufacturing <input type="checkbox"/> Small Business			<input type="checkbox"/> Fiscal Policy <input type="checkbox"/> OSHA <input type="checkbox"/> Workers' Compensation <input type="checkbox"/> Education & Workforce Dev.	Action Fund	\$50.00
			Total Due	\$25,050.00	
Pay by Check Amount: _____ Check # _____		Pay by Credit Card (select) VISA MasterCard American Express Card # _____ Exp. Date _____ Signature (required) _____			



AP Feeder System Cover Sheet

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The following invoice was submitted electronically to Accounts Payable.

Business Unit: 110
Voucher Number: 00322941
Invoice Number: 93703
Invoice Amount: \$1,848.00
Vendor Number: 0000190037
Vendor Name: KENTUCKY COAL ASSOCIATION
Contract/PO:
Pay Authorization:
Submitted by: STRICKLAND, MICHELLE N
Date Received: 12/16/2019

Notes:

INVOICE



880 Corporate Drive, # 101, Lexington, Kentucky 40503 • 859-233-4743

December 4, 2019

Cindy Wiseman
Kentucky Power
855 Central Avenue
Ashland, KY 41101-

MEMBERSHIP CLASSIFICATION:

ASSOCIATE X

KCA Tax ID XXXXXXXXXX

ASSOCIATE MEMBERSHIP DUES FOR 2020	\$ 1,232.00
2020 PUBLIC RELATIONS PROGRAM ASSESSMENT	616.00
TOTAL DUE	<u>\$ 1,848.00</u>

REMINDER: KCA has estimated that 5% of your dues for 2020 are not deductible as ordinary and necessary business expenses. The federal law has eliminated the business tax deduction for certain lobbying activities. You may deduct only the portion of dues used in non-lobbying efforts. We estimate that 95% of your dues will be a deductible business expense for 2020.



MSC 110 00323110

AP Feeder System Cover Sheet

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The following invoice was submitted electronically to Accounts Payable.

Business Unit:	110
Voucher Number:	00323110
Invoice Number:	93833
Invoice Amount:	\$400.00
Vendor Number:	0000036307
Vendor Name:	KENTUCKY PRESS ASSOCIATION INC
Contract/PO:	
Pay Authorization:	
Submitted by:	STRICKLAND, MICHELLE N
Date Received:	12/23/2019

Notes:

Kentucky Press Association

101 Consumer Lane
Frankfort, KY 40601
Phone: (502) 223-8821
Fax: (502) 226-3867

November 13, 2019

Kentucky Power
Allison Barket
855 Central Avenue, Suite 200
Ashland KY 41101

INVOICE

2020 KPA Associate Membership Dues

Total Amount Due: \$400.00

Thank you!



MSC 110 00322944

AP Feeder System Cover Sheet

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The following invoice was submitted electronically to Accounts Payable.

Business Unit: 110
Voucher Number: 00322944
Invoice Number: 93708
Invoice Amount: \$799.00
Vendor Number: 0000259799
Vendor Name: SOUTHEAST KENTUCKY CHAMBER OF
Contract/PO:
Pay Authorization:
Submitted by: STRICKLAND, MICHELLE N
Date Received: 12/16/2019

Notes:

Southeast Kentucky Chamber of Commerce
178 College Street
Pikeville, KY 41501
(606) 432-5504 | fax:
info@sekchamber.com

Invoice
Invoice Date: 11/26/19
Invoice Number: 10360
Account ID:

Kentucky Power
Bob Shurtleff
3249 North Mayo Trail
Pikeville, KY 41501

Description	Quantity	Terms	Due Date
		Rate	Amount
July 1 2020 - June 30, 2021 Annual Membership Investment	1	Due Upon Receipt	12/31/19
		\$799.00	\$799.00
		Subtotal:	\$799.00
		Tax:	\$0.00
		Total:	\$799.00
		Payment/Credit Applied:	\$0.00
		Balance:	\$799.00



Southeastern Electric Exchange, Inc.

2970 Peachtree Road, N.W. • Suite 750 • Atlanta, Georgia 30305-2116
 Phone: (404) 233-1188 • Fax: (404) 239-0610 • www.theexchange.org

Invoice No. 4300
 Date: 07/30/2019
 AEP

A Georgia not-for-profit corporation (7/2/71)
 Federal Tax ID: [REDACTED]

Note: In order to properly credit your account, please return a copy of this invoice with your payment.

QTY	ITEM DESCRIPTION	AMOUNT
	FY 2020 Membership Dues For:	
	AEP Texas Inc.	7,055.33
	Appalachian Power Company	12,234.07
	Indiana Michigan Power Co.	10,004.67
	Kentucky Power Company	4,999.88
	Ohio Power Company	12,329.66
	Public Service Co. of Oklahoma	7,835.54
	SW Electric Power Company	8,692.27

Total \$ 63,151.41

Mr. Thomas L. Kirkpatrick
 Vice President Customer Experience
 American Electric Power
 1 Riverside Plaza, 12th Floor
 Columbus, OH 43215

Please make checks payable to: Southeastern Electric Exchange, Inc.

THANK YOU



MSC 110 00323113

AP Feeder System Cover Sheet

DO NOT PAY

Use this cover sheet to send documents to Accounts Payable that are related to vendor payments initiated via an electronic interface. Account Payable will process this cover sheet and related documents, and reference the vendor payment generated from the electronic interface.

The following invoice was submitted electronically to Accounts Payable.

Business Unit: 110
Voucher Number: 00323113
Invoice Number: 93854
Invoice Amount: \$200.00
Vendor Number: 0001002579
Vendor Name: THE KENTUCKY MAGISTRATES &
Contract/PO:
Pay Authorization:
Submitted by: STRICKLAND, MICHELLE N
Date Received: 12/23/2019

Notes:



**THE KENTUCKY MAGISTRATES AND COMMISSIONERS ASSOCIATION'S
PARTNER PROGRAM**

The Kentucky Magistrates and Commissioners Association publishes a listing of the Partner's Program participants and services. This list is made available to the fiscal courts throughout the Commonwealth of Kentucky. The listing is arranged by services provided, much like the format of the yellow pages. We have numerous categories under which the business names are alphabetized. The annual membership fee is \$200.

Benefits to the Partner Program Include:

- Allow your business/organization to assist Fiscal Courts with their daily activities
- Allow your business/organization to be affiliated with the KMCA
- You will receive invitations and notifications of all conferences and special functions of the association
- Acknowledgement of your support with inclusion of company contact information in our quarterly newsletter, *The KMCA Update*, and on the KMCA website
- Email recognition of partnership to membership
- Certificate recognizing your partnership with the KMCA

Plus...

All members receive a copy of the Association's quarterly newsletter, the program fees are deductible business expenses, and time spent with its 565 members-the movers and shakers of county government-at KMCA's events could be very beneficial to you and your company. In addition to the 565 Kentucky Magistrates and Commissioners, our newsletter is also sent to all County Judge/Executives, elected Constitutional Officers, as well as other interested parties. Contact us for more information.

MEMBERSHIP ENROLLMENT

COMPANY NAME _____

COMPANY ADDRESS _____

CONTACT PERSON _____

PHONE _____ E-MAIL _____

WEB ADDRESS _____

SERVICE LISTING FOR YOUR COMPANY _____
(ex. banking, contracting, medical)

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_045 With regard to the Company's response to the question immediately above:

- a. Explain whether the Company pays any dues or membership fees to law firms or trade groups which maintain an affiliate engaged in any covered activities;
- b. If KPCo itself does not pay dues to any Dues Requiring Organizations, but a KPCo affiliate does pay such dues and a jurisdictional portion of those dues are charged back to KPCo, explain whether the dues are being recovered in rates, the amounts thereof, and precisely where they can be found in the application.

RESPONSE

a. The Company objects to this request as overly broad, unduly burdensome, and to the extent that it is not reasonably calculated to lead to the discovery of admissible evidence and seeks information that is outside of Kentucky Power's possession, custody, or control. Subject to and without waiving the foregoing objections, the Company states: Kentucky Power may not be aware of all of the activities of affiliates, if any, of law firms and trade groups to which it pays dues. The Company is not aware of any affiliate of any trade group or law firm to which the Company pays dues that engages in any covered activities at Kentucky Power's direction or request, or specifically on behalf of Kentucky Power with the Company's knowledge.

b. The total amount of dues and membership fees within AEPSC billings recorded during the test year was \$98,102.28. Dues and membership fees are classified as operation and maintenance expense within the jurisdictional cost of service. Refer to the Application, Section V, Page 2 of 87.

Witness: Brian K. West

DATA REQUEST

- AG_KIUC_2_046** Reference the response to AG-KIUC 1-21. Regarding the Conner Run Impoundment (ASH#1 Connor Run - KPCo Mitchell), confirm that the Mitchell station is responsible for 86.5% of costs, of which KPCo's share of the costs consists of 50%.
- a. Confirm that AEP Generation Resources Inc. and Murray Energy are responsible for the remaining 50% of the Mitchell cost responsibility.
 - b. Provide the cost sharing breakdown between AEP Generation Resources Inc. and Murray Energy.
 - c. Given that Murray Energy has declared bankruptcy, explain whether it (or any successor entity, or any entity that will assume Murray Energy's performance responsibilities under the subject agreement) will remain responsible for its share of costs. If not, explain how the costs will be allocated. Provide also any analyses KPCo or any affiliate may have conducted regarding the impact of Murray Energy's bankruptcy on the sharing of cost responsibilities pertaining to the Conner Run Impoundment.
 - d. Reference KPCO_R_KIUC_AG_1_21_Attachment1, the "Test Year Revisions" tab. Confirm that final closure of the Conner Run Impoundment will occur on June 1, 2021.
 - i. Explain what the phrase "final closure" means (i.e., is it the date remediation begins, or the date that no more ash and other combustion residuals will be placed).
 - iii. Explain whether the amounts reflected on this tab are the sums for which KPCo would be responsible in the event remediation of Conner Run Impoundment commences June 1, 2021.
 - iv. Explain whether KPCo would seek recovery of costs for the remediation of Conner Run Impoundment through the environmental surcharge.

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 2 of 3

RESPONSE

a. The Company cannot provide the requested confirmation. The allocation of closure costs between Murray Energy and its successors and AEP for the Conner Run Dam and Impoundment is set forth in section VI. Closure, Remediation, or Assessment Costs, of the Conner Run Impoundment Transition and Joint Use Operating Agreement dated July 2, 2015. AEP will contribute a set percentage of actual costs of closure, up to a maximum amount, dependent on the date that final closure begins.

AEP further allocates its share of costs between Kentucky Power Company and AEP Generation Resources Inc., by plant (13.5% Kammer and 86.5% Mitchell) and by ownership share of Mitchell. Kentucky Power Company is responsible for 50% of the Mitchell cost responsibility. AEP Generation Resources Inc. is responsible for the remaining 50% of the Mitchell cost as well as the Kammer cost allocation.

b. Please refer to KPCO_R_AG_KIUC_2_46_Attachment1 for the cost sharing breakdown of the estimated cost if final closure begins by June 1, 2021.

c. The successor entity will assume Murray Energy's performance responsibilities set forth in section VI. Closure, Remediation, or Assessment Costs, of the Conner Run Impoundment Transition and Joint Use Operating Agreement dated July 2, 2015.

d. The Company cannot confirm that final closure will occur by June 1, 2021. Taking into consideration Murray Energy's bankruptcy, Kentucky Power's most recent ARO estimate was based on the assumption that closure would begin by June 1, 2021. The ARO estimate is periodically reevaluated, and revisions are recorded when assumptions change.

i. "Final Closure" means the ultimate cessation of use of the Conner Run Dam and Impoundment and the reclamation, contouring, placement of final cover, and other activities associated with the final closure of the Conner Run Dam and Impoundment, and does not include any reconfiguration or interim reclamation activities prior to the cessation of use of the Conner Run Dam and Impoundment.

iii. Yes, the amount reflected on the "Test Year Revisions" tab for Kentucky Power Company for the Conner Run Impoundment is the maximum amount Kentucky Power Company would be responsible for in the event Final Closure of Conner Run Impoundment commences by June 1, 2021.

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 3 of 3

iv. Kentucky Power Company is unaware of any claims for remediation of the Conner Run Impoundment for which it would be responsible, other than the costs of final Closure addressed above.

Witness: Heather M. Whitney

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_047 Reference KPCo's application for a CPCN in Case No. 2020-00062, in which the Company seeks the Commission's approval to construct transmission facilities in Pike and Floyd Counties. Explain whether all or any portion of KPCo's share of the proposed projects' total estimated costs of approximately \$35 million are included for recovery in the instant rate case.

RESPONSE

The Company's capital projects, including the Kewanee-Enterprise Park 138 kV Transmission Line Project, are funded through the Company's existing capitalization. As of March 31, 2020, there was \$4,308,758 of construction work in progress in CWIP Account 107 associated with the Kewanee-Enterprise Park project. Those amounts are attributable to materials and real property purchases and environmental and siting work. No actual construction has occurred with respect to the project.

Witness: Alex E. Vaughan

DATA REQUEST

- AG_KIUC_2_048** Reference the responses to AG-KIUC 1-89, wherein the Company stated that with regard to the proposed AMI project, performing cost-benefit analyses for the proposed AMI project would provide only “limited utility,” and to AG-KIUC 1-95, wherein the Company refuses to conduct any cost-benefit analyses.
- a. Reference the Final Order issued on April 27, 2020 in Case No. 2019-00277,9 at pages 14-15, wherein the Commission stated “Using AMI metering for more than just billing purposes is something that not only Duke Kentucky, but all utilities should consider to maximize the benefits of smart meters.” [Emphasis added]
- i. Confirm that, since KPCo refuses to identify the amount of specific benefits to be derived from the proposed program, KPCo’s sole reason for the project is for purposes of billing.
- ii. Given KPCo’s refusal to conduct any cost-benefit analyses, explain precisely how KPCo will “maximize the benefits” of its proposed AMI program, if at all.
- iii. Reference the Supplemental Response to AG-KIUC 1-97, Attachment 5 (“AEP Ohio Revised Phase 3 Full System Feasibility Study Final Report”), p. 4 of 38, wherein it is stated “A common theme among all the objectives identified in Table 1 of the Phase 2 report is to “maximize customer and company benefits for the technologies proposed.” Explain why Ohio Power Co. was willing to consider “maximizing the benefits” of its AMI program, but KPCo apparently refuses to do so.
- b. Provide the business case for the proposed AMI project.

RESPONSE

Kentucky Power objects to this request as argumentative and because it mischaracterizes the substance of the Company's response to AG-KIUC 1-95. Specifically, Kentucky Power has not indicated that it "refuses" to conduct a cost-benefit analysis or identify benefits derived from its proposed AMI deployment. Rather, the Company has fully

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 2 of 2

explained in Company Witness Blankenship's Direct Testimony and in its response to AG-KIUC 1-89 the reasons why a cost-benefit analysis in connection with its AMI proposal in this case would not be probative. Subject to and without waiving the foregoing objections, the Company states as follows:

- a. The Company, consistent with the Commission's recommendation in the quoted passage, intends to use AMI metering for more than just billing purposes, to maximize the benefits of its proposed deployment of smart meters.
 - i. Denied. Please see the Direct Testimony of Stephen D. Blankenship, pg. 11-13 for customer related benefits and pg. 14-16 for reliability related benefits that Kentucky Power intends to maximize through AMI meter deployment.
 - ii. Please see the Direct Testimony of Stephen Blankenship, pg. 11-16 and the Company's responses to AG-KIUC1-89 and AG-KIUC 1-116.
 - iii. In addition to the objections set forth above, Kentucky Power objects to this subpart of this request because it mischaracterizes the referenced Ohio Power Company report and because Kentucky Power has no knowledge of Ohio Power Company's willingness or unwillingness to consider various aspects of Ohio Power Company's AMI program, which program was unique to Ohio Power Company's service territory, customer base, and existing metering infrastructure. Kentucky Power incorporates by reference its objections set forth in its supplemental response to AG-KIUC 1-97 as if reproduced in their entirety here. Subject to and without waiving the foregoing objections, Kentucky Power has not refused to maximize the benefits of its AMI program. On the contrary, Kentucky Power's main purpose in proposing to deploy its AMI program is to provide to its customers the extensive benefits of this technology, while efficiently replacing existing meters that need at this time to be replaced due to obsolescence and having exhausted their useful life. Please see sub-part ii.
- b. The business case for AMI is provided in the direct testimony of Stephen Blankenship. Please see the direct testimony of Stephen Blankenship, pg. 3-10, where the Company outlines the obsolescence of AMR meters, how AMI meters are a standard in the utility industry to provide reliable and cost-efficient service to all customers, and the AMI deployment strategy. Please also see the Company's responses above and the other data responses referenced herein.

Witness: Stephen D. Blankenship

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_049 Reference the response to AG-KIUC 1-92 (a). Confirm that the acronym “GMR” refers to the proposed Grid Modernization Rider.

RESPONSE

Confirmed.

Witness: Stephen D. Blankenship

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_050 Reference the response to AG-KIUC 93 (b). Explain whether cost savings could be achieved by attaching the necessary telecommunications equipment on existing poles owned by telecommunications carriers.

RESPONSE

Cost savings would not be achieved by attaching the necessary telecommunications equipment on existing poles owned by telecommunication carriers. Telecommunication poles are not of sufficient height to facilitate operation of AMI communication systems. Moreover, the Company would be subject to joint-use fees even if utilizing telecommunications poles were feasible.

Witness: Stephen D. Blankenship

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_051 Reference the response to AG-KIUC 1-94. Identify precisely where in KPCo's responses that the Company provided:

- a. the "detailed explanation of the types of benefits that are and are not quantifiable," asked for in subpart (a) of that question. If not already provided, provide them herein;
- b. any "cost-benefit analyses of the types of benefits it believes are quantifiable," as asked for in subpart (b) of that question. If not already provided, provide them herein.

RESPONSE

a.-b. The Company's response to AG-KIUC 1-94 directed the reader to the Company's response to AG-KIUC 1-89. Kentucky Power's response to AG-KIUC 1-89 provided a "detailed explanation of the types of benefits that are and are not quantifiable." Please also see the Company's response to AG-KIUC 1-91, which estimated meter-reading related savings that the Company is able to quantify.

Witness: Stephen D. Blankenship

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_052 Reference the response to AG-KIUC 1-96. Confirm that since KPCo: (i) refuses to conduct any cost-benefit analyses; (ii) has not selected a meter manufacturer / model for use in the KPCo service territory; and (iii) has not identified the manufacturer / models for the communications network and computer backhaul equipment essential for the operation of the AMI system, that the Company has no evidence probative of the purported benefits that the proposed AMI project would bring to KPCo's defined service territory.

RESPONSE

Kentucky Power objects to this request as argumentative and to the extent that is mischaracterizes the substance of the Company's response to AG-KIUC 1-96. Specifically, Kentucky Power has not indicated that it "refuses" to conduct a cost-benefit analysis. Rather, the Company has fully explained in Company Witness Blankenship's Direct Testimony and in its response to AG-KIUC 1-89 the benefits to be gained through deployment of AMI and the reasons why a cost-benefit analysis in connection with its AMI proposal in this case would not be probative. Subject to and without waiving the foregoing objections, the Company states as follows: Denied.

Witness: Stephen D. Blankenship

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_053 Explain whether the Company would ever, hypothetically, submit a CPCN for new generation without identifying the manufacturer, costs, nameplate capacity and other important data for the Commission to base its consideration upon.

RESPONSE

Kentucky Power objects to this data request on the ground that it presents a naked hypothetical question that is not the proper subject for a data request. The information it seeks is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. Without waving its objection, Kentucky Power states that the Company would submit an application for a CPCN using the best information available at the time and provide the Commission with as much detail as reasonably available. However, the manufacturer of every piece of equipment used to complete a project typically is not known at the time of an application for a CPCN is submitted. Further, every aspect of a project cannot be known with certainty until design is complete and the project begins and planned activities are completed. Along the way, vendors or contractors included in the initial planning may drop out for various reasons, causing plans to be adjusted as the project moves forward.

Witness: Brian K. West

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_054 Reference the response to AG-KIUC 1-98, wherein the Company stated that if the Commission should approve the CPCN and the GMR, “the Commission will retain the future ability to review the technical details associated with the Company's AMI system.” Explain whether the level of “review” the Commission would then have would enable it to approve or reject: (i) the meter manufacturer / model; and (ii) the manufacturer / models for the communications network and computer backhaul equipment essential for the operation of the AMI system.

a. Confirm that if the CPCN and GMR are approved, the only level of “review” the Commission would have would be the same type of after-the-fact cost prudence review similar with any other tracking mechanism.

b. Confirm that if the CPCN and GMR are approved, the Commission would be unable to confirm or revise the proposed ratepayer benefits to be received under the AMI project.

RESPONSE

In the Company's response to KIUC-AG 1-92, Kentucky Power committed to provide the Commission with a copy of the RFP after it has been issued. The Commission has wide authority to review any and all aspects of the Company's proposed operation of the GMR, which could include review of any cost-savings benefits.

a. and b.) Kentucky Power cannot provide the requested confirmation. The Company cannot speculate on which aspects of the Company's proposed operation of the GMR the Commission would choose to review.

Witness: Brian K. West

Witness: Stephen D. Blankenship

Kentucky Power Company
Kpsc Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_055 Reference the response to AG-KIUC 1-99 and the application generally. Explain whether cost estimates for the AMI project include: (i) any additional costs that AEPSEVCo will apply to KPCo; and (ii) labor costs. If not, include estimates of those costs.

RESPONSE

- i. Yes, the estimated additional costs from American Electric Power Service Corporation ("AEPSC") that will apply to KPCo were included in the total AMI cost estimate. See the Direct testimony of Stephen D. Blankenship, page 17, Figure 5. The estimates for each specific cost component, included in the total AMI cost estimate, are set forth below.
 - a. Software capital estimate of \$196,000. O&M ongoing estimate of \$286,000 (post deployment).
 - b. IT capital estimate of \$1,500,000.

- ii. Yes, the estimated labor costs from the AEPSC that will apply to KPCO were included in the total AMI cost estimate. See the Direct testimony of Stephen D. Blankenship, page 17, Figure 5.
 - a. Estimated additional AEPSC labor of \$400,000.
 - b. Estimated labor costs to install new meters of \$2,979,631.
 - c. Estimated labor costs to install towers/poles of \$1,417,500.

Witness: Stephen D. Blankenship

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_056 Explain where the computer back-haul systems necessary for operation of the proposed AMI would be physically located (i.e., within Kentucky, or at AEP's home offices in Ohio?).

RESPONSE

The computer back-haul system will be located in Ohio, similar to the back haul systems for other operating companies' AMI systems. This location provides savings to Kentucky Power customers by taking advantage of the economies of scale associated with Kentucky Power's status as a utility within the larger AEP system.

Witness: Stephen D. Blankenship

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_057 Reference the response to AG-KIUC 1-100. Confirm that KPCo is saying that any potential benefits to ratepayers from the proposed AMI project are of secondary importance.

RESPONSE

Kentucky Power objects to this request as argumentative and because it mischaracterizes the substance of the Company's response to AG-KIUC 1-100. Subject to and without waiving these objections, Kentucky Power cannot confirm the characterization of its response to AG-KIUC 1-100. The potential benefits to ratepayers associated with the proposed AMI project are of primary importance to Kentucky Power and are at the core of the Company's decision to move to AMI meters. In the Company's response to AG_KIUC 1-100, Company Witness Blankenship stated that “the Company has reviewed multiple platforms and has received initial prices to begin estimates. This combined with its affiliates' experiences puts the Company at an advantage to understand where the technology has been and the direction that innovation is taking the market. Once a final determination is made, the Company can leverage the economies of scale with AEP to establish the most current, cost efficient, and reliable system for its customers.”

Furthermore, Company Witness Blankenship stated that “the Company examined the communications network APCo is using and determined that that network would work in the Company's service territory as well. Advancements in technology happen quickly, so it is prudent that the Company explore all options to deploy for its customers the most cost efficient and reliable system possible.”

Witness: Stephen D. Blankenship

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 1 of

DATA REQUEST

- AG_KIUC_2_058** Reference the response to AG-KIUC 1-101, wherein the Company states, inter alia, that “any future AMI system will have at least the same functionality of the Company’s existing AMR meters or better.” Confirm that KPCo is now acknowledging that it is possible that its AMI project, as proposed, may have zero benefits to ratepayers. Also reference the response to AG-KIUC 1-106.
- a. If the Commission should approve the proposed AMI project, explain if the Company would be willing to incorporate the Green Button “Connect My Data” in addition to the Green Button “Download My Data” standard. If not, explain why not.
 - b. Reference the response to subpart b. If the Commission should approve the proposed AMI project, explain if the Company would be willing to transmit the data to willing customers via telephone text message, and/or social media texting platforms.

RESPONSE

On September 30, 2020, Kentucky Power filed an amended response to AG-KIUC 1-101 that amended the quoted portion of the response. The first sentence of subpart a. to the Company's response to AG-KIUC 1-101 now states: "Although a specific vendor has not been selected yet, any future AMI system will have at least the same functionality as the Company’s affiliates' existing AMI meters, or better." Kentucky Power denies the confirmation requested herein.

- a. At this time, the Company is not in a position to commit to the incorporation of the Green Button "Connect My Data" option as the Company would need to complete additional analyses of "Connect My Data" before making it available to customers. Further, the Company proposes to maintain the Green Button Download My Data option, which provides customer-only direct data access in order to safeguard the privacy of Kentucky Power’s customers. The Green Button Download My Data provision enables customers to download energy consumption data directly to their own device. If they so choose, customers can share that data with those they trust, including easily uploading it directly into a third party application or transmitting the data via email. This approach is consistent with current privacy and security practices, since customers have to first authenticate themselves on a utility portal with a login and password before they can see and download customer data.

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020
Page 2 of

b. No, the Company does not transmit customer data via telephone text message or social media texting platforms to ensure the security and privacy of its customers' data. As discussed in the Company's response to AG-KIUC 1-106, Kentucky Power's practice is to put the customer in charge of whom receives their energy usage data by providing secure access to such data directly to the customer. Customers can currently gain access to the energy usage data generated by their existing meters through the Company's Letter of Authorization (LOA) process, or on the Company's website via Green Button Download My Data (DMD) (<https://www.kentuckypower.com/account/usage/GreenButtonInformation.aspx>). The Company will continue to offer customers access to their data utilizing these methods, as well as plans to offer more refined information in their mobile alerts and enhanced capability through the Customer Engagement Platform. Lastly, as discussed in the Direct Testimony of Cynthia G. Wiseman on pg. 6, lines 12-23, the Company has increased its use of social media and now has a social media center where trained representatives interact with customers using direct messaging to help with issues such as billing or outage questions. However, the Company does not transmit customer data over any social media texting platform to guarantee that this sensitive information is delivered in a secure manner.

Witness: Stephen D. Blankenship

Witness: Cynthia G. Wiseman

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_059 Reference the response to AG-KIUC 1-102, wherein the Company states, “The Commission will have the ability to review the Company's AMI meters' functionality through its annual review of the Grid Modernization Rider.” Confirm that the Commission’s review of the GMR, if approved, will be limited solely to after-the-fact cost prudence.

RESPONSE

Kentucky Power cannot provide the requested confirmation. The Company cannot speculate on which aspects of the Company's proposed operation of the GMR the Commission would choose to review.

Witness: Brian K. West

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_060 Reference the response to AG-KIUC 1-110. Explain why the Company could not have included the performance metrics specified therein as the basis for a cost-benefit analysis.

RESPONSE

The response to AG-KIUC 1-110 includes performance metrics that are secondary to the overarching benefits that AMI is capable of providing. The primary issue with the AMR meter system is the fact that the meters in place are reaching the end of their useful life. In addition, the performance metrics listed are not achievable with the current AMR metering system. It should be noted that running the current AMR meters will cost more money in the long run. The Company intends to take advantage of the efficiencies of AMI through its deployment strategy.

Witness: Stephen D. Blankenship

Kentucky Power Company
KPSC Case No. 2020-00174
AG-KIUC Second Set of Data Requests
Dated September 16, 2020

DATA REQUEST

AG_KIUC_2_061 Reference the responses to AG-KIUC 1-112 and AG-KIUC 1-113. Discuss the measures KPCo is prepared to take to insure its AMI meters do not become obsolete. Include in your response an explanation of whether the refusal to conduct a cost-benefit analysis increases the risk of obsolescence. Explain in complete detail.

RESPONSE

Kentucky Power objects to this request as argumentative and because it mischaracterizes the substance of the Company's responses to AG-KIUC 1-112 and 1-113. Specifically, Kentucky Power has not indicated that it "refuses" to conduct a cost-benefit analysis. Rather, the Company has fully explained in Company Witness Blankenship's Direct Testimony and in its response to AG-KIUC 1-89 the reasons why it has not undertaken a cost-benefit analysis in connection with its AMI proposal in this case. Subject to and without waiving the foregoing objections, the Company states as follows: Please refer to the direct testimony of Stephen Blankenship, page 8, lines 6-12, where he states how the company will make sure "the AMI system selected meets current industry meter standards while still being flexible enough to accommodate future growth and advancements in technology." Technology is constantly changing in the utility industry and there are continued needs for utilities to update their systems in general, not just with respect to metering technology. The Company has not made a final decision on the AMI vendor as the most up-to-date technology, along with the longevity of the system, are criteria for the desired AMI system. Conversely, as there is only one vendor for AMR meters, that obsolete metering technology's longevity is questionable. The Company's decision not to conduct a cost-benefit analysis has no bearing on the risk of obsolescence of the AMI system the Company ultimately selects.

Witness: Stephen D. Blankenship

VERIFICATION

The undersigned, Scott E. Bishop, being duly sworn, deposes and says he is a Regulatory Consultant Senior for Kentucky Power Company, that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief after reasonable inquiry.

Scott E. Bishop

Scott E. Bishop

COMMONWEALTH OF KENTUCKY

)

) Case No. 2020-00174

COUNTY OF BOYD

)

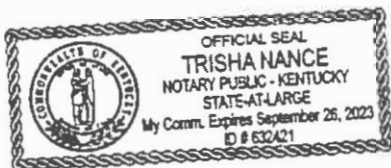
Subscribed and sworn to before me, a Notary Public in and before said County and State, by Scott E. Bishop, this 28 day of September 2020.

Trisha Nance

Notary Public

Notary ID Number: 632421

My Commission Expires: 9-26-2023



VERIFICATION

The undersigned, Stephen D. Blankenship, being duly sworn, deposes and says he is a Region Support Manager for Kentucky Power Company that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief after reasonable inquiry.

Stephen D. Blankenship

Stephen D. Blankenship

COMMONWEALTH OF KENTUCKY

)

) Case No. 2020-00174

COUNTY OF BOYD

)

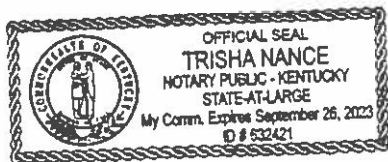
Subscribed and sworn to before me, a Notary Public in and before said County and State, by Stephen D. Blankenship, this 28 day of September 2020.

Trisha Nance

Notary Public

Notary ID Number: 632421

My Commission Expires: 9-26-2023





Cost_KY Discovery Verification.docx

DocVerify ID: 40916978-99C6-4237-907A-3FE250BED37F
Created: September 23, 2020 13:18:09 -8:00
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E-Signature Summary

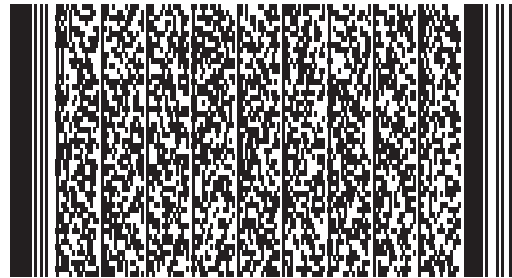
E-Signature 1: Jaclyn Cost (JC)

September 25, 2020 07:32:22 -8:00 [3695A8092BCF] [167.239.2.87]
jncost1@aep.com (Principal) (Personally Known)

E-Signature Notary: Sarah Smithhisler (SRS)

September 25, 2020 07:32:22 -8:00 [0DB46CB56FBE] [167.239.2.88]
srsmithhisler@aep.com

I, Sarah Smithhisler, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Jaclyn N. Cost, being duly sworn, deposes and says she is a Regulatory Consultant Sr. for American Electric Power Service Corporation that she has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of her information, knowledge and belief after reasonable inquiry.

Jaclyn Cost
Signed on 2020/09/25 07:32:22 -8:00

Jaclyn N. Cost

STATE OF OHIO

)

) Case No. 2020-00174

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Jaclyn N. Cost, this 25th day of September 2020.



S. Smithhisler
Signed on 2020/09/25 07:32:22 -8:00

Notary Public

Notary ID Number: 2019-RE-775042

40916978-99C6-4237-907A-3FE250BED37F --- 2020/09/23 13:18:09 -8:00 --- Remote Notary





Keaton_KY Discovery Verification.docx

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Created: September 23, 2020 13:15:26 -8:00
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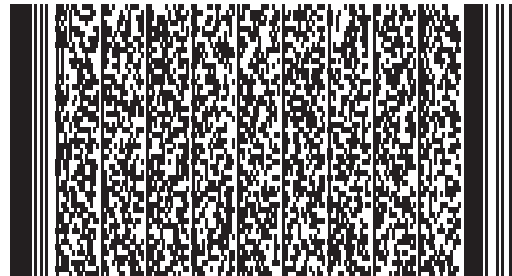
E-Signature 1: Allyson Keaton (AK)

September 24, 2020 10:41:53 -8:00 [C893489D0034] [167.239.2.88]
allysonkeaton@aol.com (Principal) (Personally Known)

E-Signature Notary: Sarah Smithhisler (SRS)

September 24, 2020 10:41:53 -8:00 [7178ECEAC86C] [167.239.221.80]
srsmithhisler@aep.com

I, Sarah Smithhisler, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Allyson M. Keaton, being duly sworn, deposes and says she is a Tax Analyst Principle for American Electric Power Service Corporation that she has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of her information, knowledge and belief after reasonable inquiry.

Allyson Keaton
Signed on 2020/09/24 10:41:53 -8:00

Allyson M. Keaton

STATE OF OHIO

)

) Case No. 2020-00174

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Allyson M. Keaton, this ^{24th} day of September 2020.



S. Smithhisler
Signed on 2020/09/24 10:41:53 -8:00

Notary Public

Notary ID Number: 2019-RE-775042

108FCD72-5FDC-433F-A9C9-6D5C19A6DBA1 --- 2020/09/23 13:15:26 -8:00 --- Remote Notary





KY Discovery Verification - Messner.docx

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E-Signature Summary

E-Signature 1: Franz Messner (FDM)

September 25, 2020 07:33:46 -8:00 [55BFA807A74B] [167.239.221.80]
fdmessner@aep.com (Principal) (Personally Known)

E-Signature Notary: Brenda Williamson (BW)

September 25, 2020 07:33:46 -8:00 [CCC9454CFB89] [167.239.221.84]
bgwilliamson@aep.com
I, Brenda Williamson, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Franz D. Messner, being duly sworn, deposes and says he is a Managing Director of Corporate Finance for American Electric Power Service Corporation that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief after reasonable inquiry.

Franz Messner
Signed on 2020/09/25 07:33:46 -8:00
Franz D. Messner

STATE OF OHIO

)

) Case No. 2020-00174

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by
09/25/2020, this ____ day of September, 2020.

Brenda Williamson
Signed on 2020/09/25 07:33:46 -8:00



349B5B51-2347-494A-B955-741796B703A0 --- 2020/09/25 07:13:51 -8:00 --- Remote Notary





Osborne_KY Discovery Verification.docx

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 Created: September 23, 2020 13:16:35 -8:00
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E-Signature Summary

E-Signature 1: Debra Osborne (DLO)

September 24, 2020 11:38:00 -8:00 [2B39688C44D4] [76.111.177.181]
 dlosborne@aep.com (Principal) (Personally Known)

E-Signature Notary: Sarah Smithhisler (SRS)

September 24, 2020 11:38:00 -8:00 [01F8982B03AD] [167.239.221.80]
 srsmithhisler@aep.com

I, Sarah Smithhisler, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Debra Osborne, being duly sworn, deposes and says she is Vice President of Generating Assets for Kentucky Power Company that she has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of her information, knowledge and belief after reasonable inquiry.

Debra Osborne
Signed on 2020/09/24 11:38:00 -8:00

Debra Osborne

STATE OF OHIO

)

) Case No. 2020-00174

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Debra Osborne, this 24th y of September 2020.



S. Smithisler
Signed on 2020/09/24 11:38:00 -8:00

Notary Public

Notary ID Number: 2019-RE-775042

B8D87718-D198-4C97-99F0-2415D654F804 --- 2020/09/23 13:16:35 -8:00 --- Remote Notary





Pearce_KY Discovery Verification.docx

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E-Signature Summary

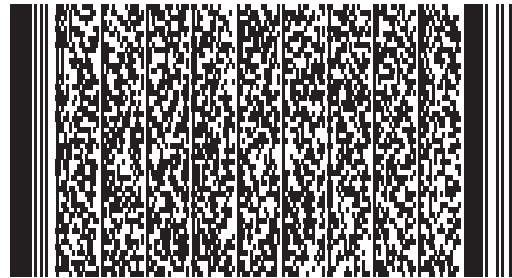
E-Signature 1: Kelly Pearce (KDP)

September 24, 2020 12:47:17 -8:00 [F3188442B2D1] [24.208.135.157]
 kdpearce@aep.com (Principal) (Personally Known)

E-Signature Notary: Sarah Smithhisler (SRS)

September 24, 2020 12:47:17 -8:00 [B5187B5946CA] [167.239.221.80]
 srsmithhisler@aep.com

I, Sarah Smithhisler, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Kelly D. Pearce, being duly sworn, deposes and says he is a Managing Director of Transmission Asset Strategy and Policy for American Electric Power Service Corporation that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief after reasonable inquiry.

Kelly Pearce
Signed on 2020/09/24 12:47:17 -8:00

Kelly D. Pearce

STATE OF OHIO

)

) Case No. 2020-00174

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Kelly D. Pearce, this 24th _____, of September 2020.



S. Smithhisler
Signed on 2020/09/24 12:47:17 -8:00

Notary Public

Notary ID Number: 2019-RE-775042

1ED8E5E7-C671-47D8-9ABB-AA60F9DA9328 --- 2020/09/23 13:17:21 -8:00 --- Remote Notary





KY Discovery Verification - Vaughan.docx

DocVerify ID: 818A33BD-1C6D-431A-BA9E-618C4BEFB95B
Created: September 24, 2020 10:59:49 -8:00
Pages: 1
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E-Signature Summary

E-Signature 1: Alex E Vaughan (AEV)

September 24, 2020 12:06:53 -8:00 [695DBC43E413] [167.239.2.88]
aevaughan@aep.com (Principal) (Personally Known)

E-Signature Notary: Brenda Williamson (BW)

September 24, 2020 12:06:53 -8:00 [ABA201A38BF6] [167.239.2.87]
bgwilliamson@aep.com
I, Brenda Williamson, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Alex E. Vaughan, being duly sworn, deposes and says he is a Director-Regulatory Pricing & Renewables for American Electric Power Service Corporation that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief after reasonable inquiry.

Alex E Vaughan
Signed on 2020/09/24 12:06:53 -8:00
Alex E. Vaughan

STATE OF OHIO

)

) Case No. 2020-00174

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by
09/24/2020 _____, this ____ day of September, 2020.

Brenda Williamson
Signed on 2020/09/24 12:06:53 -8:00



818A33BD-1C6D-431A-BA9E-618C4BEFB95B --- 2020/09/24 10:59:49 -8:00 --- Remote Notary



VERIFICATION

The undersigned, Brian K. West, being duly sworn, deposes and says he is Director Regulatory Services for Kentucky Power Company that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief after reasonable inquiry.



Brian K. West

COMMONWEALTH OF KENTUCKY


)

) Case No. 2020-00174

COUNTY OF BOYD

)

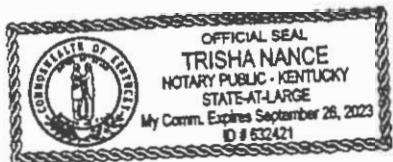
Subscribed and sworn to before me, a Notary Public in and before said County and State, by Brian K. West, this 28th day of September, 2020.



Notary Public

Notary ID Number: 632421

My Commission Expires: 9-26-2023





KY Discovery Verification - Whitney.docx

DocVerify ID: 237CB89B-FAEA-4C96-B87D-05191ADAC14D
Created: September 25, 2020 06:21:05 -8:00
Pages: 1
Remote Notary: Yes / State: OH

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E-Signature Summary

E-Signature 1: Heather M. Whitney (HMW)

September 25, 2020 07:12:23 -8:00 [2AED98EE516A] [167.239.221.82]
hmwhitney@aep.com (Principal) (Personally Known)

E-Signature Notary: Brenda Williamson (BW)

September 25, 2020 07:12:23 -8:00 [38C8B6D04096] [167.239.221.84]
bgwilliamson@aep.com
I, Brenda Williamson, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Heather M. Whitney, being duly sworn, deposes and says she is the Director in Regulatory Accounting Services for American Electric Power Service Corporation that she has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of her information, knowledge and belief after reasonable inquiry.

Heather M. Whitney
Signed on 2020/09/25 07:12:23 -8:00
Heather M. Whitney

STATE OF OHIO

)

) Case No. 2020-00174

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by
09/25/2020 _____, this ____ day of September, 2020.

Brenda Williamson
Signed on 2020/09/25 07:12:23 -8:00




237CB89B-FAEA-4C96-B87D-05191ADAC14D --- 2020/09/25 06:21:05 -8:00 --- Remote Notary



VERIFICATION

The undersigned, Cynthia G. Wiseman, being duly sworn, deposes and says she is the Vice President of External Affairs and Customer Service for Kentucky Power Company that she has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of her information, knowledge and belief after reasonable inquiry.



Cynthia G. Wiseman

COMMONWEALTH OF KENTUCKY

)

) Case No. 2020-00174

COUNTY OF BOYD

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Cynthia G. Wiseman, this 28 day of September, 2020.



Notary Public

Notary ID Number: 632421

My Commission Expires: 9-26-2023

