

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-01** Discuss the reaction of Kentucky Power employees to news of the potential transaction with Liberty.

**RESPONSE**

The reaction to the potential transaction with Liberty has naturally been met with curiosity and questions. In April, when the announcement was made that AEP would undertake a strategic review of Kentucky Power, communicating with employees was the first priority. Employees were reassured they would receive additional information as soon as possible, which is what happened when the announcement about Liberty was made in October. Throughout this period, opportunities to discuss the sale and ask questions were made available to Kentucky Power employees.

On November 15 and 16, 2021, a 17 member team of Algonquin and Liberty traveled to the Company's service territory and participated in a two-day tour of many of Kentucky Power's facilities while also meeting with employees. This group toured the Ashland Service Center, the Big Sandy Plant, the AEP Kentucky Transmission Company, Inc. Pikeville Transmission facilities, the Pikeville Service Center, and the Hazard Service Center over the course of the two-day visit.

The majority of the questions sought information about the effect, if any, of the proposed sale on employee benefits, retirement, pensions, and education reimbursement. Other questions sought to confirm that employees will not have to re-apply for jobs and related to the continued operation of the gas-fired Big Sandy Unit 1, COVID-19 and future workplace policies. In response to the questions raised during the site visit and the email submissions, the Company distributed information addressing commonly raised questions and, to the extent necessary, addressed employee questions and comments on an individual basis. Kentucky Power also set up an email inbox to field employee questions. Liberty and Kentucky Power are working together to make sure customers are kept informed of developments, while encouraging employees to stay focused on the day-to-day job of working safely and providing electricity for customers.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-02** Have Kentucky Power and/or AEP made any agreements with Liberty specifically addressing the future operation of the Mitchell Plant? If yes, please provide.

**RESPONSE**

Yes. The Stock Purchase Agreement between AEP and Liberty contains all agreements on the future operation and related allocation of costs of the Mitchell Plant. An unexecuted form of a new Mitchell Plant Operation and Maintenance Agreement and a new Mitchell Plant Ownership Agreement are exhibits to the Stock Purchase Agreement (“New Mitchell Agreements”). Those agreements will become effective only after applicable regulatory approvals are obtained from the Commission, the Public Service Commission of West Virginia, and the Federal Energy Regulatory Commission.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-03** Have Kentucky Power and/or AEP made any agreements with Liberty regarding the allocation of costs related to the operation of the Mitchell Plant? If yes, please provide.

**RESPONSE**

Please see the Company's response to AG-KIUC\_1\_02.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-04** Does Kentucky Power anticipate any further amendments to the Mitchell Operating Agreement and/or Ownership Agreement beyond those specified in this docket if the transaction with Liberty is approved?

**RESPONSE**

No. The New Mitchell Agreements are exhibits to the Stock Purchase Agreement and have been agreed to by Liberty.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-05** Discuss the rights of Kentucky Power in the event of disagreement between the representatives of Kentucky Power and Wheeling?

**RESPONSE**

Dispute Resolution is addressed in Article 12 of the proposed Mitchell Plant Ownership Agreement (Exhibit DBM-3), and Article 14.7 of the proposed Mitchell Plant Operations and Maintenance Agreement (Exhibit DBM-2).

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-06** Discuss whether Kentucky Power has a right to terminate the Operating Agreement or Ownership Agreement in the event that, at some time in the future, it determines that, in its judgment, the terms of one or both of those agreements no longer represent a fair deal.

**RESPONSE**

The Company objects to this request on the basis that it is vague and ambiguous, particularly to the extent that the term “fair deal” is not defined. Subject to and without waiving the objection, the termination rights of both Wheeling Power and Kentucky Power are specified in Article 8 of proposed Mitchell Plant Ownership Agreement (Exhibit DBM-3), and Article 8 of the proposed Mitchell Plant Operations and Maintenance Agreement (Exhibit DBM-2).

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-07** Confirm that Kentucky Power will not pay for any capital and/or operating costs necessary to comply with ELG.

**RESPONSE**

Section 6.7(b) Ownership Agreement specifies that ELG Capital Expenditures, as defined therein, shall be allocated exclusively to, and paid for exclusively by, Wheeling Power (subject to adjustment of the Buyout Price in accordance with Section 9.6). Section 6.4(d) further specifies that any operations and maintenance or other expenses to the extent attributable to any ELG Upgrade (regardless of the FERC Account to which it is charged) shall be allocated exclusively to and paid by Wheeling Power.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-08** Discuss why Kentucky Power requested that a decision be issued in this matter prior to February 17, 2022.

**RESPONSE**

As stated in the its Application in this proceeding, the Company requested the February 17, 2022 date to ensure the timely transfer of permits, ordering of equipment and materials, and to enable the physical ELG work to be completed by Wheeling Power by the necessary permit deadlines.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-09** Provide the status of any and all filings related to the changes at issue to the Operating Agreement and Ownership Agreement, including those filed at FERC and the West Virginia Public Service Commission, including: a. The case number; b. A description of the request for relief and legal basis for that relief; and c. The procedural posture of the matter.

**RESPONSE**

West Virginia

On November 19, 2021, pursuant to the Public Service Commission of West Virginia's orders in Case No. 20-1040-E-CN and, to the extent required, W. Va. Code § 24-2-12, Appalachian Power Company and Wheeling Power Company filed their application for approval of the proposed Mitchell Plant Operations and Maintenance Agreement and Mitchell Plant Ownership Agreements in Case No. 21-0810-E-PC. To date, no procedural schedule has been set in this proceeding.

FERC

On November 19, 2021, American Electric Power Service Corporation, on behalf of Kentucky Power Company and Wheeling Power Company, submitted the Mitchell Plant Operations and Maintenance Agreement and Mitchell Plant Ownership Agreement between Kentucky Power and Wheeling Power to the FERC, pursuant to Section 205 of the Federal Power Act, in Case No. 22-453-000 (Kentucky Power Company) and 22-452-000 (Wheeling Power Company). On December 10, 2021, protests were filed by the Public Service Commission of Kentucky and jointly by the AG/KIUC. To date, no procedural schedule has been set in either FERC matter.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-10** Provide a draft(s) of the Operating Agreement and Ownership agreement that identifies all differences between the versions of those agreements currently in effect and the versions proposed in this application.

**RESPONSE**

The requested comparison has not been prepared, nor would it be informative to perform such a comparison because the Company proposes to replace the current agreement with two new agreements. Please see Exhibits 2 and 3 attached to the Company's Application in this matter for a summary of the principal terms of the proposed Mitchell Plant Ownership Agreement and the proposed Mitchell Plant Operations and Maintenance Agreement.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-11** Discuss with specificity all involvement Liberty had in the negotiation of the proposed Operating Agreement and Ownership Agreement.

**RESPONSE**

Please see the Company's response to KPSC\_1\_014, subpart 1.

Witness: Stephan T. Haynes

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-12** Refer to the proposed Mitchell Plant Ownership Agreement filed as Exhibit DBM-3 and the multiple references to the Mitchell Interest Purchase Agreement in Section 9.6. a. Provide a copy of the referenced Mitchell Interest Purchase Agreement. b. Explain why the Company did not file a copy of the Mitchell Interest Purchase Agreement with its Application or direct testimony in this proceeding.

**RESPONSE**

a. A form of Mitchell Interest Purchase Agreement is not included as an exhibit to the Mitchell Plant Ownership Agreement because it does not yet exist; it will be prepared close to the time of transfer rather than today. Intervening events could require changes to the form to account for changes in plant conditions and operating environment. Instead, the Mitchell Plant Ownership Agreement sets out the key process end elements of the plant transfer. The Mitchell Plant Ownership Agreement requires Kentucky Power and Wheeling Power to enter into discussions concerning the disposition of the Mitchell Plant no later than June 30, 2026, after which they are required (assuming the plant is not retired earlier) to cooperate in good faith to negotiate and execute the Mitchell Interest Purchase Agreement no later than December 31, 2027. Thus, a period of up to 18 months is allotted to the parties to fully negotiate the terms of the sale, and then a full 12 months to obtain any applicable regulatory or other approvals to allow the sale to be consummated on or prior to December 31, 2028. The overall process provides ample assurance that the Mitchell Interest Purchase Agreement will be fully vetted and negotiated in the time period prior to the sale. In addition, a form of Mitchell Interest Purchase Agreement, even if proposed now, may not be used if (1) an Early Retirement Event occurs and the plant is retired at or before December 31, 2028, or (2) if Wheeling Power and Kentucky Power enter into a negotiated transfer price prior to June 30, 2027, subject to the approval of the Commission and the Public Service Commission of West Virginia.

b. See response to part (a).

Witness: Deryle B. Mattison

**DATA REQUEST**

- AG-KIUC 1-13** Refer to the Mitchell Plant Ownership Agreement Section 9.6, which states in part the following: Buyout Transaction. Unless an Early Retirement Event occurs, the Owners shall enter into the Mitchell Interest Purchase Agreement pursuant to which KPCo shall sell, transfer and assign to WPCo, and WPCo shall purchase and assume from KPCo, all of KPCo's Ownership Interest (the "KPCo Interest") (including its interest in the underlying land, common facilities, barge unloading and gypsum conveyor facilities, and inventory and spare parts with respect to the Mitchell Plant), with the closing of such transaction to occur on December 31, 2028 (or such earlier date as may be mutually agreed by the Owners), subject to and in accordance with the provisions of this Section 9.6.
- a. Confirm that the multiple references to the verb "shall" indicate that KPCo will be required to sell and WPCo will be required to purchase the KPCo ownership interest in the Mitchell Plant on December 31, 2028 unless an Early Retirement Event occurs. Confirm that such a sale and purchase will not be not discretionary to either KPCo or WPCo if there is no Early Retirement Event.
  - b. Provide a detailed description of the planned structure of the sale/purchase/transfer transaction mandated in Section 9.6 of the Mitchell Plant Ownership Agreement unless there is an Early Retirement Event, including, but not limited to, whether it will be a sale of assets and liabilities, a sale of a new entity with the KPCo Mitchell ownership interest included in the new entity, or some other transaction structure.
  - c. Provide a copy of all analyses, studies, and modeling of potential transaction structures for the Buyout Transaction, including the accounting, financing, ratemaking, and income tax effects, for each alternative structure identified and/or analyzed.

**RESPONSE**

- a. Please see the Company's response AG-KIUC\_1\_14.
- b. Kentucky and Wheeling each own a 50% undivided interest of all Mitchell Plant assets. The buyout transaction in Section 9.6 of the Mitchell Plant Ownership Agreement is an asset purchase by Wheeling Power of all of the 50% undivided interest of Kentucky Power. As noted in the agreement this would transfer all assets and also transfer all liabilities subject to certain indemnifications.

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021  
Page 2 of 2

c. Please see the Company's response to AG-KIUC\_1\_15.

Witness: Deryle B. Mattison

**DATA REQUEST**

**AG-KIUC 1-14** Refer to the Direct Testimony of Brett Mattison at 11-12 wherein he states the following:

Section 9.6 of the new Mitchell Plant Ownership Agreement addresses the potential transfer of Kentucky Power’s 50% interest in the Mitchell Plant to Wheeling Power should Wheeling Power elect to continue operating the Plant beyond 2028. Because this Commission did not approve ELG costs in the Kentucky CCR/ELG Case, and as a result did not intend for Kentucky Power to pay for the Mitchell Plant’s operations past 2028, the option to acquire ownership of the Mitchell Plant will allow the Company to divest its interest in the Mitchell Plant at that time, consistent with this Commission’s decision that Kentucky Power should not make the ELG investment necessary for the Mitchell Plant’s continued operation after that date.

Confirm that the terms “potential” and “option” as used by Mr. Mattison in his testimony are not terms that are reflected in the proposed Mitchell Plant Ownership Agreement and that, in fact, the sale and purchase of the KPCo interest in the Mitchell Plant is mandatory unless an Early Retirement Event occurs.

If this is not correct, then provide a corrected statement and reconcile Mr. Mattison’s use of the terms “potential” and “option” with the use of the multiple uses of the term “shall” in Section 9.6 of the Mitchell Plant Ownership Agreement.

**RESPONSE**

Mr. Mattison’s testimony is correct that Wheeling Power must buy Kentucky Power’s 50% undivided interest at December 31, 2028 if Wheeling has not elected to retire the Mitchell Plant at December 31, 2028. Kentucky Power and Wheeling Power could also mutually agree to an earlier retirement than December 31, 2028 under the terms of the agreement. If an Early Termination Event does not occur, the buyout transaction is mandatory in the agreement but is subject to applicable regulatory or other approvals. Thus, the words *potential* and *option* are used because the Public Service Commission of West Virginia elected to permit Wheeling Power to make the ELG investment in order to preserve what is in essence an option for Wheeling Power to run the Mitchell plant past 2028, but that is not a guarantee and is dependent on market conditions at that time that might indicate retirement is the appropriate path. So the language used by Mr. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021  
Page 2 of 2

is meant to reiterate the point that a transfer may not be necessary if the economics of coal closer to 2028 do not support continuing operation.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-15** Provide a copy of all memos, emails, and all other documentation of the Company's identification and evaluations of each potential transaction structure for the sale/purchase/transfer of the KPCo Mitchell Plant interest to/by WPCo.

**RESPONSE**

Only two other potential structures were discussed – a sale to Wheeling Power of Kentucky Power's 50% interest with a PPA back to Kentucky Power, and a sale of interests such that Kentucky Power would own one Mitchell unit and Wheeling Power would own both the common plant and the second unit. The documentation requested does not exist as these options were only subject to discussion.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-16** Provide a copy of all memos, emails, studies, research, analyses, reports, and all other documentation of the work performed by outside consultants and/or advisors related to the Mitchell Agreements filed in this proceeding, Mitchell Interest Purchase Agreement, each potential transaction structure, and all potential consequences of each such sale/purchase/transfer transaction structure

**RESPONSE**

As discussed above, the primary options considered have been to retire or sell. This includes analysis of the required capital to continue operation of the plant beyond 2028. Data was provided in Case No. 2021-00004 regarding ELG/CCR costs and operating the plant to 2028 or 2040 which factored into the decision to retire the plant at December 31, 2028 or operate the plant beyond 2028 and transfer the plant ownership at the end of 2028. However, the documentation and analysis requested does not exist.

Witness: Stephan T. Haynes

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-17** Describe the effects on each utility (KPCo and WPco) that the sale/purchase/transfer have on the capacity resources used to calculate the required planning reserve margin for the 2028 PJM planning year ending May 2029?

**RESPONSE**

Assuming Wheeling Power's purchase of the Kentucky Power's share of the Mitchell Plant, Wheeling Power will have access to the capacity it purchased and Kentucky Power will no longer have access to that capacity. The Company is otherwise unable to determine the impact of any such sale, purchase or transfer on the planning reserve margin for the 2028 PJM planning year ending May 2029 without additional information about the companies' capacity resources during the future planning year that is currently unknown.

Witness: Alex E. Vaughan

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-18** Refer to Section 9.6 of the Mitchell Plant Ownership Agreement. Provide the template that KPCo will use to determine and quantify the Mitchell Plant gross plant (by FERC plant account/subaccount, including intangible, general, and common plant that is or will be assigned and/or allocated to the Mitchell Plant), accumulated depreciation, ADIT by temporary difference, each other asset and liability account that is related, assigned, or allocable to the Mitchell Plant by FERC account/subaccount, and the tax basis for each of these asset and liability accounts/subaccounts that KPCo will sell or transfer to WPCo under the terms of the Buyout Transaction and provide the amounts in the template format at December 31, 2020, budgeted or forecast at December 31, 2021, and forecast at December 31, 2028.

**RESPONSE**

No template has been created for this purpose.

Witness: Jason A. Cash

**DATA REQUEST**

**AG-KIUC 1-19** Refer to the definition of Fair Market Value set forth in the Definitions section and to Section 9.6(a) setting forth the formula for the Buyout Price of the Proposed Mitchell Plant Ownership Agreement and Section. Explain why appraisals are required and the sale/purchase/transfer price is not simply set at net book value.

**RESPONSE**

For context, valuation of the plant at fair market value in 2038 is only one of the potential approaches to valuing the plant in 2028 set forth in the Mitchell Plant Ownership Agreement. The other methods for valuing Kentucky Power's interest include (1) an Early Retirement Event, in which case Kentucky Power will be responsible for its 50% ownership share of decommissioning costs, and (2) entering into a negotiated transfer price prior to June 30, 2027, subject to the approval of the Commission and the Public Service Commission of West Virginia.

If used, the fair market valuation process is an effort to ensure fairness for both Kentucky Power and Wheeling Power and their respective customers recognizing the value each have paid and will pay to create value in the plant. If used, the process also releases value for Kentucky Power and its customers of the plant as a going concern, the alternative to which is plant retirement in 2028 and the incurrence of decommissioning costs, offset only by whatever scrap value can be realized from the plant, which would forego any offset to the remaining book value of the plant that could be realized from the sale, and which would also not shield Kentucky Power and its customers from ongoing environmental and other liabilities associated with the decommissioning process in the same manner that the sale to Wheeling Power would accomplish. In addition, the process is reasonable and appropriate for several additional reasons.

- The fair market value approach recognizes that, during the period that the Wheeling Power and Kentucky Power are affiliates, the companies are subject to the affiliate transaction pricing rules of their respective states, which each operate in an opposite and potentially mutually exclusive manner. The selling state (Kentucky) would generally require that the affiliate sale be made at the higher of cost or market, and the purchasing state (West Virginia) would generally require that the purchase be made at the lower of cost or market. Faced with these naturally divergent rules, the use of fair market value provides an objective methodology that places both parties in the same position as if they purchased and sold the Kentucky Power's interest in the plant in an arm's length transaction with an unrelated third party.

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021  
Page 2 of 2

- The fair market value approach further recognizes that the buyout price will be determined, and the sale will actually be consummated, many years into the future when the companies may no longer be affiliated, and as a result may actually be between unrelated parties.
- The approach also recognizes that the Mitchell Plant's net book value, which is based on owner's net investment in the Mitchell Plant, and is subject to regulatory-determined depreciation rates, often does not approximate fair market value, to the potential detriment of both parties. In 2028, net book value on the books of either company could be much greater than, or potentially much less than, the fair market value, depending on their level of investment and separately chosen rates of depreciation. The use of fair market value provides a neutral benchmark that assures a fair price to both owners based on the actual value of the plant at the time of the sale. As the commissions themselves have recognized through their orders approving different approaches to environmental compliance at the Mitchell Plant, the future value of the plant to each owner and its commission is subject to potentially differing views which are not recognized by a net book value approach.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-20** Describe KPCo's proposal for the excess deferred income taxes regulatory liability related to the KPCo Mitchell Plant interest for accounting and ratemaking purposes upon the sale/transfer of that interest to WPCo.

**RESPONSE**

The Company is not making a proposal for the treatment of excess deferred income taxes in this proceeding. The Company will make a proposal related to the treatment of excess deferred income taxes in a future proceeding concerning the sale of the Company's interest in the Mitchell Plant, if any.

Witness: Allyson L. Keaton

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-21** Provide a copy of the Power Coordination Agreement (“PCA”) among APCo, I&M, KPCo and WPCo.

**RESPONSE**

Please refer to KPCO\_R\_AG\_KIUC\_1\_21\_Attachment1 for the requested information.

Witness: Alex E. Vaughan

20150402-5304 FERC PDF (Unofficial) 4/2/2015 4:58:03 PM

Sheet No. 1

**RATE SCHEDULE No. 300**

**POWER COORDINATION AGREEMENT**

**among**

**APPALACHIAN POWER COMPANY,  
INDIANA MICHIGAN POWER COMPANY,  
KENTUCKY POWER COMPANY,  
WHEELING POWER COMPANY**

**and**

**AMERICAN ELECTRIC POWER SERVICE CORPORATION**

**as Agent**

Tariff Submitter: **Appalachian Power Company**  
FERC Program Name: **FERC FPA Electric Tariff**  
Tariff Title: **APCo Rate Schedules and Service Agreements Tariffs**  
Tariff Proposed Effective Date: **06/01/2015**  
Tariff Record Title: **Power Coordination Agreement**  
Option Code: **A**  
Record Content Description: **Rate Schedule No. 300**

## POWER COORDINATION AGREEMENT

**THIS AGREEMENT** is made and entered into as of this \_\_\_ day of \_\_\_\_\_, 2015, by and among Appalachian Power Company (“APCo”), Indiana Michigan Power Company (“I&M”), Kentucky Power Company (“KPCo”), Wheeling Power Company (“WPCo”) and American Electric Power Service Corporation (“AEPSC”) as agent (“Agent”) to APCo, I&M, KPCo and WPCo.

### RECITALS:

**WHEREAS**, APCo, I&M, KPCo and WPCo (collectively the “Operating Companies” or individually “Operating Company”) own and operate electric generation, transmission and distribution facilities with which they are engaged in the business of generating, transmitting and selling electric power to the general public and to other electric utilities;

**WHEREAS**, the Operating Companies' electric facilities are now and have been for many years interconnected through their respective transmission facilities and transmission facilities of third parties at a number of points;

**WHEREAS**, APCo, I&M, KPCo and WPCo provide power to serve retail and wholesale customers in Indiana, Kentucky, Michigan, Tennessee, Virginia and West Virginia;

**WHEREAS**, APCo, I&M, KPCo and WPCo believe that they can continue to achieve efficiencies and economic benefits through (a) participation in the organized power markets of a regional transmission organization and (b) allocation of off-system sales and purchases with other parties on bases that fairly assign or allocate the costs and benefits of these transactions;

**WHEREAS**, the achievement of the foregoing will be facilitated by the performance of certain services by an Agent;

**WHEREAS**, AEPSC is the service company affiliate of APCo, I&M, KPCo and WPCo and as such performs a variety of services on their behalf in accordance with applicable rules and regulations of the Federal Energy Regulatory Commission (“Commission”); and

**WHEREAS**, AEPSC is willing to serve as Agent to APCo, I&M, KPCo and WPCo under this Agreement.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements herein set forth, the Parties mutually agree as follows:

#### **ARTICLE I DEFINITIONS**

**1.1 Agreement** means this Power Coordination Agreement among APCo, I&M, KPCo, WPCo and Agent, including all Service Schedules and attachments hereto.

**1.2 Capacity Auction** means auctions implemented pursuant to a Capacity Market, and may include, but is not necessarily limited to, the Base Residual Auction and other incremental auctions conducted in accordance with the PJM Interconnection, LLC (“PJM”) Reliability Pricing Model market rules.

**1.3 Capacity Market** means any market of an applicable regional transmission organization under which the Operating Companies satisfy their capacity obligations as load serving entities, which would include, for example, the PJM capacity market as described in the PJM Reliability Assurance Agreement (“RAA”) and Attachment DD of the PJM Open Access Transmission Tariff (“PJM OATT”).

**1.4 Dedicated Wholesale Customer** means a wholesale customer whose load is served by an Operating Company that has undertaken, by contract, an obligation to serve that customer's partial or full requirements load and to acquire power supply resources and other resources necessary to meet those requirements.

**1.5 Generation Hedge Transactions** means Off-System Transactions entered into for the purpose of hedging the output of the generation assets of one or more of the Operating Companies.

**1.6 Industry Standards** means all applicable national and regional electric reliability council and regional transmission organization principles, guides, criteria, standards and practices.

**1.7 Internal Load** means all sales of power, plus associated line losses, by an Operating Company to its Retail Customers and Dedicated Wholesale Customers. As distinguished from Off-System Sales, Internal Load is principally characterized by the Operating Company assuming the load obligation as its own power commitment.

**1.8 Off-System Sales** means all wholesale power sales by an Operating Company other than sales to the Retail Customers and Dedicated Wholesale Customers that comprise the Operating Company's Internal Load. Sales of wholesale power by an Operating Company to another Operating Company are not governed by this Agreement, and will not be deemed Off-System Sales under this Agreement.

**1.9 Off-System Purchases** means wholesale power purchases by an Operating Company or Operating Companies for any of the following reasons: (a) to reduce power supply costs, (b) to serve load requirements, (c) to provide reliability of supply, (d) to satisfy state specific requirements or goals or (e) to engage in Off-System Sales. Purchases of wholesale power by an Operating Company from another Operating Company are not governed by this Agreement, and will not be deemed Off-System Purchases under this Agreement.

**1.10 Off-System Transactions** means Off-System Sales, Off-System Purchases and any other types of power-related wholesale transactions, whether physical or financial, on behalf of an Operating Company or Operating Companies, excluding sales to Internal Load customers.

**1.11 Operating Committee** means the administrative body established pursuant to Article VI for the purposes specified within this Agreement.

**1.12 Party** means each of APCo, I&M, KPCCo, WPCo and Agent, individually, and **Parties** means APCo, I&M, KPCCo, WPCo and Agent, collectively.

**1.13 Retail Customer** means a retail power customer on whose behalf an Operating Company has undertaken an obligation to obtain power supply resources in order to supply electricity to reliably meet the electric needs of that customer.

**1.14 Service Schedules** means the Service Schedules attached to this Agreement, as they may be amended from time to time, and those that later may be agreed to by the Parties and made part of a modified Agreement.

**1.15 Spot Market** means the day ahead, real time (balancing) or similar short-term energy market(s) operated by the applicable regional transmission organization(s), typically characterized by energy that is selected and delivered on an hourly, or more frequent, basis during that same day or the next calendar day.

**1.16 System Emergency** means a condition which, if not promptly corrected, threatens to cause imminent harm to persons or property, including the equipment of a Party or a Third Party, or threatens the reliability of electric service provided by an Operating Company to Retail Customers or Dedicated Wholesale Customers.

**1.17 Third Party or Third Parties** means any entity or entities that are not a Party or Parties.

**1.18 Trading Transactions** means Off-System Transactions that are not Generation Hedge Transactions or otherwise sourced or hedged from, dedicated to, or associated with the generation assets or Internal Load of the Operating Companies.

## **ARTICLE II TERM OF AGREEMENT**

**2.1 Term and Withdrawal.** Subject to Commission approval or acceptance for filing, this Agreement shall take effect on June 1, 2015, or such other date permitted by the Commission, and shall continue in full force and effect until (a) terminated by mutual agreement or (b) upon no less than twelve (12) months' written notice by one Party to each of the other Parties, after which time the notifying Party will be withdrawn from the Agreement and the Agreement will continue in full force and effect for the remaining Parties except for such modifications necessary to remove the withdrawn Party.

## **ARTICLE III [INTENTIONALLY OMITTED]**

## **ARTICLE IV SCOPE AND RELATIONSHIP TO OTHER AGREEMENTS AND SERVICES**

**4.1 Scope.** This Agreement is not intended to preclude the Parties from entering into other arrangements between or among themselves or with Third Parties. This Agreement is intended to operate in addition to, not in lieu of, power market transactions and settlements that occur between each Operating Company, or the Operating Companies collectively, and any applicable regional transmission organizations.

**4.2 Transmission.** This Agreement is intended to apply to the coordination of the power supply resources of, and loads served by, the Operating Companies. It is not intended to

apply to the coordination of transmission facilities owned or operated by the Operating Companies.

#### **ARTICLE V AGENT**

**5.1 Agent.** The Agent will perform the activities and duties specified by this Agreement and any other activities or duties pertaining to this Agreement that may be requested from time to time by one or more Operating Companies, subject to the receipt of any necessary regulatory approvals. The Operating Companies delegate to AEPSC, as the Agent, and AEPSC hereby accepts responsibility and authority for the duties specified in this Agreement and shall perform each of those duties under the direction of the Operating Companies. With the prior written consent of the Operating Companies, AEPSC may delegate all or a part of its responsibilities under this Agreement to another entity.

#### **ARTICLE VI COMPOSITION AND DUTIES OF THE OPERATING COMMITTEE**

**6.1 Operating Committee.** By written notice to the other Parties, each Party shall name one representative (“Representative”) to act for it in matters pertaining to this Agreement and its implementation. A Party may change its Representative at any time by written notice to the other Parties. The Representatives of the respective Parties shall comprise the Operating Committee. The Agent’s Representative shall act as the chairman of the Operating Committee (“Chairman”). All decisions of the Operating Committee shall be by a simple majority vote of the Representatives. There shall be only five voting representatives on the Operating Committee. No Party may delegate its vote to another entity.

**6.2 Meeting Dates.** The Operating Committee shall hold meetings at such times, means, and places as the members shall determine. Minutes of each Operating Committee meeting shall be prepared and maintained.

**6.3 Duties.** The Operating Committee shall have the duties listed below:

- (a) reviewing and providing direction concerning the equitable sharing of costs and benefits under this Agreement among the Operating Companies;
- (b) administering this Agreement and proposing amendments hereto, including such amendments that are proposed in response to a change in regulatory requirements applicable to one or more of the Operating Companies or changes concerning an applicable regional transmission organization, provided that any amendments will be subject to Section 13.2; and
- (c) reviewing and, if necessary, proposing changes to the duties and responsibilities of the Agent, subject to Section 5.1.

In the event that an action of the Operating Committee results in a change to the settlement process(es) among the Operating Companies, such modified settlement will normally occur on a prospective basis only, however, this may include past billing periods back to the beginning of the first full billing month preceding the date of action of the Operating Committee. Such modifications will be subject to the terms of Article IX as applicable.

## **ARTICLE VII OPERATING COMPANY PLANNING AND OPERATIONS**

**7.1 Operating Company and System Planning.** Each Operating Company will be individually responsible for its own capacity planning. Consistent with the requirements of PJM or the applicable regional transmission or reliability organization, each Operating Company will be responsible for maintaining an adequate level of power supply resources to meet its own

Internal Load requirements for capacity and energy, including any required reserve margins, and shall bear all of the resulting costs. The Agent shall assess the adequacy of the power supply resources of the Operating Companies and make recommendations to each Operating Company regarding (1) the need for additional power supply resources and (2) whether each Operating Company has power supply resources in excess of its needs (short-term or long-term) that could be made available to the other Operating Companies or Third Parties either through separate contracts or through the power markets of the applicable regional transmission organization. The actual addition or disposition of power supply resources will be conditioned on compliance with all applicable state and other regulatory requirements and requirements of the applicable regional transmission organization.

**7.2 Generation Resource Outage Planning.** The Agent, on behalf of the Operating Companies, will coordinate the scheduling of planned generation resource outages in order to support reliability and manage costs.

**7.3 Generation Resource Dispatch.** The generation resources of each of the Operating Companies will be individually dispatched by the Agent in accordance with the direction of the applicable regional transmission organization.

**7.4 Regional Transmission Organization Transactions.** The Agent will administer the participation of the Operating Companies in the power markets of the applicable regional transmission organization. Each Operating Company shall be individually responsible for charges it incurs and credits it receives due to its participation in the power markets of a regional transmission organization. Such costs and revenues will be assigned or allocated directly by the applicable regional transmission organization or its agent where practical. The Operating Companies may collectively participate from time to time in specific markets of the regional

transmission organization or to meet certain regional transmission or reliability organization requirements, in which case the allocation of resulting revenues and/or costs, if any, will be performed as specified herein. The election of whether each Operating Company's load and generation resources will participate in the Capacity Market of PJM through the Reliability Pricing Model auctions or through the Fixed Resource Requirement alternative, either collectively or individually, for any planning year is not governed by this Agreement.

**7.5 Off System Transactions.** The Agent will engage in Off-System Transactions on behalf of or at the direction of the Operating Companies and will assign or allocate the costs and revenues of Off-System Transactions to the Operating Companies in the manner specified below.

**7.5.1 Capacity Purchases and Sales with Third Parties.** Except as described in Section 7.5.2 related to the PJM Capacity Auctions: (1) Off-System Transactions of capacity undertaken for an individual Operating Company will be directly assigned to that Operating Company; (2) Off-System Purchases of capacity undertaken for more than one Operating Company will be allocated among those Operating Companies ratably in proportion to the total capacity needed by each Operating Company minus each Operating Company's total capacity resources; and (3) Off-System Sales of capacity undertaken for more than one Operating Company will be allocated among those Operating Companies ratably in proportion to the total capacity resources of each Operating Company minus the total capacity obligation of each Operating Company (including any holdback required by the applicable regional transmission organization).

**7.5.2 Capacity Purchases and Sales in the PJM Capacity Auctions And Related Issues.** When an Operating Company participates individually in the Reliability Pricing Model or the Fixed Resource Requirement alternative, Off-System Transactions

of capacity related to a PJM Capacity Auction will be directly assigned to the specific Operating Company based on the results of such auctions.

When two or more Operating Companies collectively participate in the Fixed Resource Requirement alternative, any Off-System Transactions of capacity related to a PJM Capacity Auction will be allocated to each participating Operating Company ratably in proportion to the total capacity resources of each Operating Company minus the total capacity obligation of each Operating Company (including any holdback required by PJM) for the applicable planning year(s), and Service Schedule A will apply to delivery year and post-delivery year obligations of the participating Operating Companies associated with the Fixed Resource Requirement alternative.

**7.5.3 Directly Assigned Energy Purchases and Sales with Third Parties.**

Off-System Transactions of energy will be directly assigned to the applicable Operating Company. Costs and revenues associated with each Operating Company's Off-System Sales of energy and Internal Load energy purchases from the applicable regional transmission organization in the Spot Market, including the purchase of any energy deficits or sales of any energy surpluses, will be directly assigned to that Operating Company.

**7.5.4 Generation Hedge Transactions and Trading Transactions.** Revenues and costs associated with Generation Hedge Transactions, including revenues and costs associated with the settlement of Generation Hedge Transactions in the Spot Market or other markets of the applicable regional transmission organization, will be allocated among the Operating Companies by the Agent as specified under Service Schedule B.

Revenues and costs associated with Trading Transactions, including revenues and costs associated with the settlement of Trading Transactions in the Spot Market or other markets of the applicable regional transmission organization, will be allocated among the Operating Companies by the Agent as specified under Service Schedule C.

**7.6 Emergency Response.** In the event of a System Emergency, no adverse distinction shall be made between the customers of any of the Operating Companies. Each Operating Company shall, under the direction of the applicable regional transmission organization, make its power supply resources available in response to a System Emergency. Notwithstanding the foregoing, it is understood that transmission constraints or other factors may limit the ability of an Operating Company to respond to a System Emergency.

**ARTICLE VIII  
ASSIGNMENT OF COSTS AND BENEFITS  
OF COORDINATED OPERATIONS**

**8.1 Service Schedules.** The costs and revenues associated with coordinated operations as described in Article VII shall be distributed among the Operating Companies in the manner provided in the Service Schedules utilizing the billing procedures described in Article IX. It is understood and agreed that all such Service Schedules are intended to establish an equitable sharing of costs and/or benefits among the Operating Companies, and that circumstances may, from time to time, require a reassessment of the relative costs and benefits of this Agreement, or of the methods used to apportion costs and benefits under the Service Schedules. Upon a proposal of the Operating Committee, any of the Service Schedules may be amended as of any date agreed to by the Operating Committee by majority vote, subject to Section 13.2.

## **ARTICLE IX BILLING PROCEDURES**

**9.1 Records.** The Agent shall maintain such records as may be necessary to determine the assignment of costs and revenues of coordinated operations pursuant to this Agreement. Such records shall be made available to the Parties upon request for a period not to exceed three (3) years.

**9.2 Monthly Net Billing Statements.** As promptly as practicable after the end of each calendar month, the Agent shall prepare a statement setting forth the monthly summary of costs and revenues allocated or assigned to the Operating Companies in sufficient detail as may be needed for settlements under the provisions of this Agreement. As required, the Agent may provide such statements on an estimated basis and then adjust those statements for actual results.

**9.3 Billings and Payments.** The Agent shall be responsible for all billing between the Operating Companies and other entities with which they engage in Off-System Transactions pursuant to this Agreement. Payments among the Operating Companies, if any, shall be made by remittance of the net amount billed or by making appropriate accounting entries on the books of the Parties. The entire amount shall be paid when due.

**9.4 Taxes.** Should any federal, state, or local tax, surcharge or similar assessment, in addition to those that may now exist, be levied upon the electric capacity, energy, or services to be provided in connection with this Agreement, or upon the provider of service as measured by the electric capacity, energy, or services, or the revenue there from, such additional amount shall be included in the net billing described in Section 9.3.

**9.5 Undelivered and Unpaid Monthly Billing Statements.** Within one (1) year from the date on which a billing statement should have been delivered, if a Party's records reveal that the bill was not delivered, then the Agent shall deliver to the appropriate Party a bill within

one (1) month of this determination. Any amounts collected or reimbursed due to such delay shall not include interest.

**9.6 Billing Errors and Disputes.** If a Party discovers a billing error pertaining to a prior billing for reasons including, but not limited to, missing or erroneous data or calculations, including those caused by meter, computer or human error, a correction adjustment will be calculated through the second full month preceding discovery of the error. The Parties shall have the right to dispute the accuracy of any bill or payment for a period not to exceed two months from the date on which the bill or, if applicable, the corrected bill was initially delivered. Following this two-month period, the right to dispute a bill is permanently waived for any and all reasons including but not limited to, (a) errors, (b) omissions, (c) Agent's actions, and (d) the Operating Committee's decisions, Agreement interpretations and direction in the administration of the Agreement. Any amounts collected or reimbursed due to such disputes shall not include interest.

## **ARTICLE X FORCE MAJEURE**

**10.1 Events Excusing Performance.** No Party shall be liable to another Party for or on account of any loss, damage, injury, or expense resulting from or arising out of a delay or failure to perform, either in whole or in part, any of the agreements, covenants, or obligations made by or imposed upon the Parties by this Agreement, by reason of or through strike, work stoppage of labor, failure of contractors or suppliers of materials (including fuel, consumables or other goods and services), failure of equipment, environmental restrictions, riot, fire, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any court or regulatory agency granted in any *bona fide* legal proceedings or action, or of any civil or military

authority either *de facto* or *de jure*, explosion, Act of God or the public enemies, or any other cause reasonably beyond its control and not attributable to its neglect. A Party experiencing such a delay or failure to perform shall use due diligence to remove the cause or causes thereof; however, no Party shall be required to add to, modify or upgrade any facilities, or to settle a strike or labor dispute except when, according to its own best judgment, such action is advisable.

## **ARTICLE XI DELIVERY POINTS**

**11.1 Delivery Points.** All electric energy delivered under this Agreement shall be of the character commonly known as three-phase sixty-cycle energy, and shall be delivered at the various points where the transmission systems of the Operating Companies are interconnected, either directly or through transmission facilities of third parties, at the nominal unregulated voltage designated for such points, and at such other points and voltages as may be determined and agreed upon by the Operating Companies.

## **ARTICLE XII GENERAL**

**12.1 Adherence to Industry Standards.** The Parties agree to make their best efforts to conform to Industry Standards as they affect the implementation of and conduct pertaining to this Agreement.

**12.2 No Third Party Beneficiaries.** This Agreement does not create rights of any character whatsoever in favor of any person, corporation, association, entity or power supplier, other than the Parties, and the obligations herein assumed by the Parties are solely for the use and benefit of the Parties. Nothing in this Agreement shall be construed as permitting or vesting, or attempting to permit or vest, in any person, corporation, association, entity or power supplier,

other than the Parties, any rights hereunder or in any of the resources or facilities owned or controlled by the Parties or the use thereof.

**12.3 Waivers.** Any waiver at any time by a Party of its rights with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or matter. Any delay, short of the statutory period of limitation, in asserting or enforcing any right under this Agreement, shall not be deemed a waiver of such right.

**12.4 Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the Parties only, and their respective successors and assigns, and shall not be assignable by any Party without the written consent of the other Parties except to a successor in the operation of its properties by reason of a reorganization to comply with state or federal restructuring requirements, or a merger, consolidation, sale or foreclosure whereby substantially all such properties are acquired by or merged with those of such a successor.

**12.5 Liability and Indemnification.** SUBJECT TO ANY APPLICABLE STATE OR FEDERAL LAW THAT MAY SPECIFICALLY RESTRICT LIMITATIONS ON LIABILITY, EACH PARTY (AN "INDEMNIFYING PARTY") SHALL RELEASE, INDEMNIFY, AND HOLD HARMLESS THE OTHER PARTIES (EACH AN "INDEMNIFIED PARTY"), THEIR DIRECTORS, OFFICERS AND EMPLOYEES FROM AND AGAINST ANY AND ALL LIABILITY FOR LOSS, DAMAGE OR EXPENSE (1) ALLEGED TO ARISE FROM, OR BE INCIDENTAL TO, INJURY TO PERSONS AND/OR DAMAGE TO PROPERTY IN CONNECTION WITH THE INDEMNIFYING PARTY'S FACILITIES OR THE PRODUCTION OR TRANSMISSION OF ELECTRIC ENERGY BY OR THROUGH THE INDEMNIFYING PARTY'S FACILITIES OR (2) RELATED TO PERFORMANCE OR NON-

PERFORMANCE OF THIS AGREEMENT OR (3) RELATED TO ANY NEGLIGENCE ARISING UNDER THIS AGREEMENT. IN NO EVENT SHALL ANY PARTY BE LIABLE TO ANOTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY CLAIM ARISING OUT OF THIS AGREEMENT.

**12.6 Headings.** The descriptive headings of the Articles, Sections and Service Schedules of this Agreement are used for convenience only, and shall not modify or restrict any of the terms and provisions thereof.

**12.7 Notice.** Any notice or demand for performance required or permitted under any of the provisions of this Agreement shall be deemed to have been given on the date such notice, in writing, is deposited in the U.S. mail, postage prepaid, certified or registered mail, addressed to the Parties at their principal place of business at 1 Riverside Plaza, Columbus, Ohio 43215, or in such other form or to such other address as the Parties may stipulate.

**12.8 Interpretation.** In this Agreement: (a) unless otherwise specified, references to any Article or Section are references to such Article or Section of this Agreement; (b) the singular includes the plural and the plural includes the singular; (c) unless otherwise specified, each reference to a requirement of any governmental entity or regional transmission organization includes all provisions amending, modifying, supplementing or replacing such governmental entity or regional transmission organization from time to time; (d) the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; (e) unless otherwise specified, each reference to any tariff or agreement includes all amendments, modifications, supplements, and restatements made to such tariff or agreement from time to time which are not prohibited by this Agreement; (f) the descriptive headings of the various Articles

and Sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict the terms and provisions thereof; and (g) “herein,” “hereof,” “hereto” and “hereunder” and similar terms refer to this Agreement as a whole.

### **ARTICLE XIII REGULATORY APPROVAL**

**13.1 Regulatory Authorization.** This Agreement is subject to and conditioned upon its approval or acceptance for filing without material condition or modification by the Commission. In the event that this Agreement is not so approved or accepted for filing in its entirety or without conditions or modifications unacceptable to any Party, or the Commission subsequently modifies this Agreement upon complaint or upon its own initiative (as provided for in Section 13.2), any Party may, irrespective of the notice provisions in Section 2.1, withdraw from this Agreement by giving thirty (30) days’ advance written notice to the other Parties.

**13.2 Changes.** It is contemplated by the Parties that it may be appropriate from time to time to change, amend, modify, or supplement this Agreement, including the Service Schedules and any other attachments that may be made a part of this Agreement, to reflect changes in operating practices or costs of operations or for other reasons. Any such changes to this Agreement shall be in writing executed by the Parties and subject to approval or acceptance for filing by the Commission.

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be executed and attested by their duly authorized officers on the day and year first above written.

**APPALACHIAN POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**INDIANA MICHIGAN POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**KENTUCKY POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**WHEELING POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**AMERICAN ELECTRIC POWER SERVICE CORPORATION**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**SERVICE SCHEDULE A  
COLLECTIVE PARTICIPATION IN THE  
FIXED RESOURCE REQUIREMENT ALTERNATIVE**

**A1– Duration.** This Service Schedule A shall become effective and binding when the Agreement of which it is a part becomes effective, and shall continue in full force and effect throughout the duration of the Agreement unless terminated or suspended.

**A2 – Availability of Service.** This Service Schedule A governs the administration and settlement of capacity during such times that multiple Operating Companies are participating, on a collective basis, in the Fixed Resource Requirement alternative.

**A3 – Delivery Year and Post-Delivery Year Settlement.** During a given PJM planning year (i.e., the delivery year), the Agent will manage the capacity resources needed to meet the combined Operating Companies' capacity obligations and commitments to PJM.

If capacity resource performance charges are assessed by PJM for a given delivery year, the total net charge will be allocated among the Operating Companies ratably in proportion to each Operating Company's contribution to the total charge, taking into account the effect of collective participation of the Operating Companies in the Fixed Resource Requirement alternative. Each Operating Company's contribution to the total net charge will be determined by the Agent by computing a total MW position for each Operating Company by subtracting its total capacity obligation in MWs from its total capacity resources in MWs. This result will be further adjusted by adding or subtracting as applicable the net total MWs of actual under-performance or over-performance of each Operating Company's capacity resources during the delivery year as computed by PJM. Any Operating Company with a resulting net short MW position, meaning that its capacity obligation MWs are greater than its capacity resource MWs including any MWs of over-performance or under-performance, will be allocated a share of the

20150402-5304 FERC PDF (Unofficial) 4/2/2015 4:58:03 PM

Sheet No. 21

total net performance charge from PJM based on the Operating Company's net short MW position. Any performance charge not allocated as set forth above will be directly assigned to the Operating Company that caused the performance charge.

**SERVICE SCHEDULE B  
GENERATION HEDGE TRANSACTIONS**

**B1 – Duration.** This Service Schedule B shall become effective and binding when the Agreement of which it is a part becomes effective, and shall continue in full force and effect throughout the duration of the Agreement unless terminated or suspended.

**B2 – Service.** This Service Schedule B governs energy-related Off-System Transactions made pursuant to Section 7.5.4 of the Agreement that are associated with Generation Hedge Transactions as defined in Section 1.5. The total monthly net costs and revenues from the settlement of Generation Hedge Transactions will be allocated among the Operating Companies ratably in proportion to the total of each Operating Company's surplus MWhs for the month, as determined by the Agent. Surplus MWhs will be computed as the total of all MWs in hours in which an Operating Company's MW output of its generation assets and energy purchases exceeded that Operating Company's Internal Load.

If the above allocation would result in any Operating Company being allocated revenues or costs associated with more than one hundred and fifteen percent (115%) of its monthly surplus MWhs as computed above, such excess(es) above that amount will be allocated to all of the Operating Companies ratably in proportion to the sum of each Operating Company's hourly MW output of its generation assets for the month.

**SERVICE SCHEDULE C  
TRADING TRANSACTIONS**

**C1 – Duration.** This Service Schedule C shall become effective and binding when the Agreement of which it is a part becomes effective, and shall continue in full force and effect throughout the duration of the Agreement unless terminated or suspended.

**C2 – Service.** This Service Schedule C governs the financial allocation and settlement of Off-System Transactions made pursuant to Section 7.5.4 of the Agreement that are associated with Trading Transactions as defined in Section 1.18. All Trading Transactions settled for a given month will be allocated among the Operating Companies ratably in proportion to each Operating Company's total common shareholder equity balance. The total common shareholder equity balance for each Operating Company as of the end of the previous calendar year will be as stated in the FERC Form 1, currently page 112 (Total Proprietary Capital). These balances will then be applied to allocate settled Trading Transactions among the Operating Companies during the subsequent twelve-month period beginning June 1 and ending May 31.

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-22** Provide a copy of the AEP System Integration Agreement.

**RESPONSE**

Please see KPCO\_R\_AG\_KIUC\_1\_022\_Attachment1 through Attachment3 for the requested information.

Witness: Deryle B. Mattison

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

**SYSTEM INTEGRATION AGREEMENT**

**AMONG**

**APPALACHIAN POWER COMPANY  
KENTUCKY POWER COMPANY  
INDIANA MICHIGAN POWER COMPANY  
WHEELING POWER COMPANY**

**AND**

**PUBLIC SERVICE COMPANY OF OKLAHOMA  
SOUTHWESTERN ELECTRIC POWER COMPANY**

**AND**

**AMERICAN ELECTRIC POWER SERVICE CORPORATION  
AS AGENT**

Tariff Submitter: **Appalachian Power Company**  
FERC Program Name: **FERC FPA Electric Tariff**  
Tariff Title: **APCo Rate Schedules and Service Agreement Tariffs**  
Tariff Proposed Effective Date: **06/01/2015**  
Tariff Record Title: **System Integration Agreement**  
Option Code: **A**

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 2

## **SYSTEM INTEGRATION AGREEMENT**

THIS **SYSTEM INTEGRATION AGREEMENT** ("Agreement") is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 2015 by and among Appalachian Power Company ("APC"), Kentucky Power Company ("KPC"), Indiana Michigan Power Company ("IM"), Wheeling Power Company ("WPC"), Public Service Company of Oklahoma ("PSO"), and Southwestern Electric Power Company ("SWEPCO"), and their agent American Electric Power Service Corporation ("AEPSC"). The foregoing companies are referred to herein collectively as the Parties and individually as a Party.

### **RECITALS:**

WHEREAS, APC, KPC, IM, and WPC (collectively, the "AEP East Operating Companies") own and operate interconnected electric generation, transmission and distribution facilities with which they are engaged in the business of generating, transmitting and selling electric power and energy to the general public and to other entities; and

WHEREAS, the AEP East Operating Companies coordinate their bulk power activities pursuant to the Restated and Amended Power Coordination Agreement dated June 1, 2015 (the "AEP East PCA"); and

WHEREAS, PSO and SWEPCO (collectively, the "AEP West Operating Companies") own and operate interconnected electric generation, transmission and distribution facilities with which they are engaged in the business of generating, transmitting and selling electric power and energy to the general public and to other entities; and

WHEREAS, the AEP West Operating Companies coordinate their bulk power activities pursuant to a Restated and Amended Operating Agreement dated March 1, 2014 (the "AEP West Operating Agreement"); and

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 3

WHEREAS, the Parties desire to enter into an agreement under which the AEP East Operating Companies and the AEP West Operating Companies can mutually benefit from centralized off-system trading and marketing activities;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein set forth, the Parties mutually agree as follows:

## **ARTICLE I DEFINITIONS**

**1.1 AEP East Zone** means the electric generation, transmission and distribution facilities of the AEP East Operating Companies.

**1.2 AEP East PCA** means the Restated and Amended Power Coordination Agreement among AEPSC and the AEP East Operating Companies dated June 1, 2015.

**1.3 AEP East Operating Companies** for purposes of this Agreement means the following operating companies of American Electric Power Company, Inc. which, together with AEPSC, are parties to the AEP East PCA: APC, KPC, IM, and WPC, collectively.

**1.4 AEP West Operating Companies** for purposes of this Agreement means the following operating companies of American Electric Power Company, Inc. which, together with AEPSC, are parties to the AEP West Operating Agreement: PSO and SWEPCO collectively.

**1.5 AEPSC** means American Electric Power Service Corporation.

**1.6 AEP West Zone** means the electric generation, transmission and distribution facilities of the AEP West Operating Companies.

**1.7 Agent** means the Parties' designated representative for the purposes specified in Section 5.1 and elsewhere in this Agreement.

**1.8 Agreement** means this System Integration Agreement, including all Service Schedules and attachments hereto.

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 4

**1.9 APC** means Appalachian Power Company.

**1.10 AEP West Operating Agreement** means the Amended and Restated Operating Agreement among AEPSC and the AEP West Operating Companies dated March 1, 2014.

**1.11 FERC** or **Commission** means the Federal Energy Regulatory Commission or a successor agency having jurisdiction over this Agreement.

**1.12 IM** means Indiana Michigan Power Company.

**1.13 KPC** means Kentucky Power Company.

**1.14 Off-System Purchases**, for purposes of this Agreement, means purchases by the Parties of energy and/or capacity from third parties in support of Trading and Marketing Activities.

**1.15 Off-System Sales**, for purposes of this Agreement, means sales by the Parties of energy and/or capacity to third parties that are non-native load customers of the Parties to this Agreement in support of Trading and Marketing Activities.

**1.16 Operating Committee** means the administrative body established pursuant to Article VI for the purposes therein specified.

**1.17 Operating Companies** means the AEP East Operating Companies and the AEP West Operating Companies.

**1.18 Out-of-Pocket Cost** means all expenses incurred that would not otherwise have been incurred if the corresponding service had not been arranged and shall include the supply and cost basis of Off-System Sales.

**1.19 Party** or **Parties** means one or more of the following individually or collectively, as the context warrants: APC, KPC, IM, WPC, AEPSC, PSO, and SWEPCO.

**1.20 PSO** means Public Service Company of Oklahoma.

**1.21 PJM** means PJM Interconnection, L.L.C.

**1.22 SPP** means Southwest Power Pool, Inc.

**1.23 SWEPCO** means Southwestern Electric Power Company.

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 5

**1.24 Service Schedule** means the Service Schedule attached to this Agreement.

**1.25 Trading and Marketing Activities** means Off-System Sales and Off-System Purchases.

**1.26 Trading and Marketing Realization** means the difference between (i) revenues collected from Trading and Marketing Activities and (ii) the Out-of-Pocket Cost of such Trading and Marketing Activities including any transaction costs related to such activities.

**1.27 WPC** means Wheeling Power Company.

## **ARTICLE II TERM OF AGREEMENT**

### **2.1 Term**

This Agreement shall take effect on June 1, 2015, and shall continue in force and effect thereafter until terminated by mutual agreement or upon twelve (12) months' written notice from any of the Parties. The Agreement shall remain in effect for the remaining Parties so long as there are at least one AEP East Operating Company and at least one AEP West Operating Company that are still parties to the Agreement.

Notwithstanding this termination notice, each Party shall remain responsible for its allocation of cost and revenues of all Trading and Marketing Activities that were or are entered into under this Agreement, including those activities, if any, that are entered into that extend beyond the date after which the notifying Party is no longer a Party to this Agreement.

### **2.2 Review**

This Agreement will be reviewed on an as needed basis by the Operating Committee to determine whether revisions are necessary or appropriate.

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 6

### **ARTICLE III OBJECTIVES**

#### **3.1 Purpose**

The purpose of this Agreement is to provide the contractual basis for the equitable sharing of Trading and Marketing Activities between the AEP East Operating Companies and the AEP West Operating Companies, and for any other purposes set forth herein.

### **ARTICLE IV RELATIONSHIP TO OTHER AGREEMENTS AND SERVICES**

#### **4.1 Governing Provisions**

This Agreement is intended to apply in addition to and not in lieu of the AEP East PCA and the AEP West Operating Agreement. The provisions of this Agreement shall, to the extent practicable, be construed and applied in a manner that is consistent with the AEP PCA and the AEP West Operating Agreement. In the event of any inconsistency, however, the provisions of this Agreement shall control.

### **ARTICLE V AGENT**

#### **5.1 Agent's Functions**

The Parties hereby designate AEPSC as their Agent for the purposes of:

- (a) conducting Trading and Marketing Activities on behalf of all the Operating Companies that are parties to this Agreement;
- (b) developing all bills and billing information among the Parties pursuant to this Agreement; and
- (c) such other activities and duties as may be assigned from time to time by the Operating Committee.

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 7

## **5.2 Delegation and Acceptance of Authority**

The Parties hereby delegate to the Agent and the Agent hereby accepts responsibility and authority for the duties listed in Section 5.1 and elsewhere in this Agreement. Except as herein expressly established otherwise, the Agent shall perform each of those duties in consultation with the Operating Committee.

# **ARTICLE VI COMPOSITION AND DUTIES OF THE OPERATING COMMITTEE**

## **6.1 Operating Committee**

The Operating Committee is the administrative body created to administer this Agreement and shall consist of three (3) members. One member shall be a representative of the AEP East Operating Companies, one member shall be a representative of the AEP West Operating Companies and the third member shall be a representative of AEPSC who will also act as the chairperson of the committee.

## **6.2 Meetings**

The Operating Committee shall hold meetings at such times, means and places as the members shall determine. Minutes of each Operating Committee meeting shall be prepared and maintained.

## **6.3 Decisions**

All decisions of the Operating Committee shall be by a majority vote of the members present or their designated proxy.

## **6.4 Duties**

The Operating Committee shall have the following duties, unless such duties are otherwise assigned by a vote of the Operating Committee to the Agent, in which case the Agent shall perform such duties. The Operating Committee will be responsible for:

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 8

- (a) administering this Agreement and recommending any amendments hereto;
- (b) reviewing and making recommendations concerning the sharing of costs and benefits under this Agreement;
- (c) reviewing and, if necessary, amending the duties and responsibilities of the Agent; and
- (d) ensuring coordination for other matters not specifically provided for herein.

## **ARTICLE VII TRADING AND MARKETING**

### **7.1 Trading and Marketing Activities**

All Trading and Marketing Activities initiated or concluded after the effective date of this Agreement shall be conducted centrally under the direction of the Agent.

## **ARTICLE VIII ASSIGNMENT OF COSTS AND BENEFITS**

### **8.1 Service Schedule(s)**

The costs and revenues associated with activities described in Article VII shall be distributed in the manner provided from time to time in the Service Schedule(s) attached to and incorporated by reference into this Agreement. It is understood and agreed that the Service Schedule(s) is/are intended to establish an equitable sharing of costs and/or benefits among the Operating Companies, and that circumstances may, from time to time, require a reassessment of relative benefits and burdens or of the methods used in the Service Schedule(s) to apportion the benefits and burdens. Upon a recommendation of the Operating Committee and agreement among the Parties, the

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 9

Service Schedule(s) may be amended as of any date agreed to by the Parties, subject to receipt of necessary regulatory authorization.

The Service Schedule(s) incorporated into this Agreement is/are as follows:

**Service Schedule A:** Allocation of Trading and Marketing Realizations.

## **ARTICLE IX BILLING PROCEDURES**

### **9.1 Records**

The Agent shall maintain such records as may be necessary to determine the assignment of costs and benefits pursuant to this Agreement. Such records shall be made available to the Parties upon request.

### **9.2 Monthly Statements**

As promptly as practicable after the end of each calendar month, the Agent shall prepare a statement setting forth the monthly summary of costs and revenues allocated or assigned to the Operating Companies in sufficient detail as may be needed for settlements under the provisions of this Agreement. As required, the Agent may provide such statements on an estimated basis and then adjust those statements for actual results.

### **9.3 Billings and Payments**

The Agent shall handle all billing between the Parties and other entities for Trading and Marketing Activities pursuant to this Agreement. Payment among the Operating Companies shall be by making remittance of the net amount billed or by making appropriate accounting entries on the books of the Parties.

### **9.4 Billing Errors**

If a Party discovers a billing error pertaining to a prior billing for reasons including, but not limited to, missing or erroneous data or calculations, including those

caused by meter, computer or human error, a correction adjustment will be calculated. The correction adjustment shall not be applied to any period earlier than the beginning of the second full billing month preceding the discovery of the error, nor will interest accrue on such adjustment. The correction adjustment will be applied as soon as practicable to the next subsequent regular monthly bill. Any overpaid amount attributed to such billing errors shall be returned by the owing Party(ies) upon determination of the correct amount with no interest.

#### **9.5 Billing Omissions**

Within one (1) year from the date on which a bill should have been delivered, if a Party's records reveal that the bill was not delivered, then the Agent shall deliver to the appropriate Party a bill within one (1) month of this determination. Any amounts collected or reimbursed due to such omissions shall exclude interest. The right to receive payment is waived with respect to any amounts not billed within this period.

#### **9.6 Billing Disputes**

The Parties shall have the right to dispute the accuracy of any bill or payment for a period not to exceed two months from the date on which the bill was initially delivered. Following this one-month period, the right to dispute a bill is permanently waived for any and all reasons including but not limited to, (a) errors, (b) omissions, (c) Agent's actions, and (d) the Operating Committee's decisions, Agreement interpretations and direction in the administration of the Agreement. Any amounts collected or reimbursed due to such disputes shall exclude interest.

#### **9.7 Taxes**

Should any federal, state, or local tax, surcharge or similar assessment, in addition to those that may now exist, be levied upon the electric power, energy or service to be provided in connection with this Agreement, or upon the provider of service as measured by the power, energy or service, or the revenue therefrom, such additional amount shall be included in the net billing as described in Section 9.3.

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 11

## **ARTICLE X FORCE MAJEURE**

### **10.1 Events Excusing Performance**

No Party shall be liable to another Party for or on account of any loss, damage, injury, or expense resulting from or arising out of a delay or failure to perform, either in whole or in part, any of the agreements, covenants or obligations made by or imposed upon the Parties by this Agreement, by reason of or through strike, work stoppage of labor, failure of contractors or suppliers of materials (including fuel), failure of equipment, environmental restrictions, riot, fire, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any court granted in any bona fide adverse legal proceedings or action, or of any civil or military authority either *de facto* or *de jure*, explosion, Act of God or the public enemies, or any other cause reasonably beyond its control and not attributable to its neglect. A Party experiencing such a delay or failure to perform shall use due diligence to remove the cause or causes thereof; however, no Party shall be required to add to, modify or upgrade any facilities, or to settle a strike or labor dispute except when, according to its own best judgment, such action is advisable.

## **ARTICLE XI GENERAL**

### **11.1 No Third Party Beneficiaries**

This Agreement does not create rights of any character whatsoever in favor of any person, corporation, association, entity or power supplier, other than the Parties, and the obligations herein assumed by the Parties are solely for the use and benefit of said Parties. Nothing in this Agreement shall be construed as permitting or vesting, or attempting to permit or vest, in any person, corporation, association, entity or power

supplier, other than the Parties, any rights hereunder or in any of the resources or facilities owned or controlled by the Parties or the use thereof.

### **11.2 Waivers**

Any waiver at any time by a Party of its rights with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or matter. Any delay, short of the statutory period of limitation, in asserting or enforcing any right under this Agreement, shall not be deemed a waiver of such right.

### **11.3 Successors and Assigns**

This Agreement shall inure to the benefit of and be binding upon the Parties only, and their respective successors and assigns, and shall not be assignable by any Party without the written consent of the other Parties except to a successor in the operation of its properties by reason of a merger, consolidation, sale or foreclosure whereby substantially all such properties are acquired by or merged with those of such a successor.

### **11.4 Liability and Indemnification**

SUBJECT TO ANY APPLICABLE STATE OR FEDERAL LAW WHICH MAY SPECIFICALLY RESTRICT LIMITATIONS ON LIABILITY, EACH PARTY SHALL RELEASE, INDEMNIFY, AND HOLD HARMLESS THE OTHER PARTIES, THEIR DIRECTORS, OFFICERS AND EMPLOYEES FROM AND AGAINST ANY AND ALL LIABILITY FOR LOSS, DAMAGE OR EXPENSE ALLEGED TO ARISE FROM, OR INCIDENTAL TO, INJURY TO PERSONS AND/OR DAMAGE TO PROPERTY IN CONNECTION WITH ITS FACILITIES OR THE PRODUCTION OR TRANSMISSION OF ELECTRIC ENERGY BY OR THROUGH SUCH FACILITIES, OR RELATED TO PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, INCLUDING ANY NEGLIGENCE ARISING HEREUNDER. IN NO EVENT SHALL ANY PARTY BE LIABLE TO ANOTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 13

CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY CLAIM ARISING OUT OF THIS AGREEMENT.

**11.5 Section Headings**

The descriptive headings of the Articles and Sections of this Agreement are used for convenience only, and shall not modify or restrict any of the terms and provisions thereof.

**11.6 Notice**

Any notice or demand for performance required or permitted under any of the provisions of this Agreement shall be deemed to have been given on the date such notice, in writing, is deposited in the U.S. mail, postage prepaid, certified or registered mail, addressed to:

AMERICAN ELECTRIC POWER SERVICE CORPORATION  
Senior Vice President, Regulatory Services  
1 Riverside Plaza  
Columbus, Ohio 43215-2373

or in such other form or to such other address as the Parties may stipulate.

**11.7 Interpretation**

In this Agreement: (a) unless otherwise specified, references to any Article or Section are references to such Article or Section of this Agreement; (b) the singular includes the plural and the plural includes the singular; (c) unless otherwise specified, each reference to a requirement of any governmental entity or regional transmission organization includes all provisions amending, modifying, supplementing or replacing such governmental entity or regional transmission organization from time to time; (d) the words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation"; (e) unless otherwise specified, each reference to any tariff or agreement includes all amendments, modifications, supplements, and restatements made to such tariff or agreement from time to time which are not prohibited by this

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 14

Agreement; (f) the descriptive headings of the various Articles and Sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict the terms and provisions thereof; and (g) “herein,” “hereof,” “hereto” and “hereunder” and similar terms refer to this Agreement as a whole.

## **ARTICLE XII REGULATORY APPROVAL**

### **12.1 Regulatory Authorization**

This Agreement is subject to and conditioned upon acceptance for filing without material condition or modification by the Commission. In the event that this Agreement is not so accepted for filing in its entirety or without conditions or modifications unacceptable to any Party, or the Commission subsequently modifies this Agreement upon complaint or upon its own initiative (as provided for in Section 12.2), any Party may, irrespective of the notice provisions in Section 2.1, withdraw from this Agreement by giving thirty (30) days’ advance written notice to the other Parties.

### **12.2 Changes**

It is contemplated by the Parties that it may be appropriate from time to time to change, amend, modify or supplement this Agreement, including the Schedule and attachments which are a part of this Agreement, to reflect changes in practices or costs of operations or for other reasons. Any such changes to this Agreement shall be in writing executed by the Parties, subject to approval or acceptance for filing by the Commission.

[Signature page follows]

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 15

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and attested by their duly authorized officers on the day and year first above written.

**APPALACHIAN POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**KENTUCKY POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**INDIANA MICHIGAN POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**WHEELING POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**AMERICAN ELECTRIC POWER SERVICE CORPORATION**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**PUBLIC SERVICE COMPANY OF OKLAHOMA**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**SOUTHWESTERN ELECTRIC POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

## **SERVICE SCHEDULE A**

### **ALLOCATION OF TRADING AND MARKETING REALIZATIONS**

#### **A1 – Duration**

This Service Schedule A shall become effective and binding when the Agreement becomes effective, and shall continue in full force and effect throughout the duration of the Agreement, except as provided in Sections 8.1 and 12.2 of the Agreement. This Service Schedule A is a part of the Agreement and, as such, the use of terms in this Service Schedule A that are defined in the Agreement shall have the same meanings as set forth in the Agreement.

#### **A2 – Allocation of Trading and Marketing Activity Costs**

The AEP East Zone and the AEP West Zone each shall be reimbursed, before determining the Trading and Marketing Realizations, for its respective Out-Of-Pocket Costs and any transmission-related expenses incurred in support of Trading and Marketing Activities. All overhead costs associated with Trading and Marketing Activities shall be allocated between the AEP East Zone and the AEP West Zone in accordance with the Allocation of Trading and Marketing Realizations set out in Section A3 of this Service Schedule A.

#### **A3 – Allocation of Trading and Marketing Realizations**

The Agent shall determine the Trading and Marketing Realizations on a monthly basis. The realizations shall be allocated between the AEP East Zone and AEP West Zone as specified below:

(a) AEP East Zone – Trading and Marketing Realizations allocated to the AEP East Zone include the following: (1) Trading and Marketing Realizations resulting from

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 17

Trading and Marketing Activities at locations served by the PJM and Midcontinent Independent System Operator, Inc. ("MISO") North regions ("MISO North"); (2) Trading and Marketing Realizations resulting from Trading and Marketing Activities at other locations that are initially assigned to originate or terminate within PJM or MISO North and are ultimately settled financially without physical delivery or are settled with power from a location different than PJM or MISO North; and (3) any other Trading and Marketing Realizations resulting from Trading and Marketing Activities that are conducted solely on behalf of the AEP East Operating Companies

(b) AEP West Zone – Trading and Marketing Realizations allocated to the AEP West Zone include the following: (1) Trading and Marketing Realizations resulting from Trading and Marketing Activities at locations served by the SPP, Electric Reliability Council of Texas ("ERCOT") and MISO South regions ("MISO South"); (2) Trading and Marketing Realizations resulting from Trading and Marketing Activities at other locations that are initially assigned to originate or terminate within SPP, ERCOT or MISO South and are ultimately settled financially without physical delivery or are settled with power from an area different than SPP, ERCOT or MISO South; and (3) any other Trading and Marketing Realizations resulting from Trading and Marketing Activities that are conducted solely on behalf of the AEP West Operating Companies..

(c) Notwithstanding paragraphs (a) and (b) above, Trading and Marketing Activities that originate in PJM or MISO North and terminate in SPP, ERCOT or MISO South will be assigned to the AEP East Zone, and Trading and Marketing Activities that originate in ERCOT, MISO South or SPP and terminate in PJM or MISO North will be assigned to the AEP West Zone.

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

(d) AEP East Zone and AEP West Zone – Any Trading and Marketing Realizations that cannot be directly assigned to either the AEP East Zone or AEP West Zone based on the above criteria, will be allocated between the two zones. The Trading and Marketing Realizations settled in a given month will be allocated to the two zones in proportion to each zone's total common shareholder equity balance. The total common shareholder equity balance for a zone will be the sum of the total common shareholder equity balances of the Operating Companies in the given zone as of the end of the previous calendar year and will be determined annually by the Agent. These balances will then be applied to allocate the Trading and Marketing Realizations between the two zones during the subsequent twelve-month period beginning June 1 of a given year and ending May 31 of the following year.

(e) This allocation of Trading and Marketing Realizations set out in this Service Schedule A shall remain in effect until such time that is modified pursuant to Section 12.2 of the Agreement.

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Steven J. Ross  
202 429 6279  
sross@step toe.com



1330 Connecticut Avenue, NW  
Washington, DC 20036-1795  
202 429 3000 main  
www.step toe.com

April 2, 2015

Via eTariff  
Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

Re: **Proposed Revisions to the System Integration Agreement  
and the Power Coordination Agreement**  
Docket No. ER15-\_\_\_\_-000

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C § 824d (2006), and Part 35 of the Regulations of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. Part 35 (2014), American Electric Power Service Corporation (“AEPSC”), on behalf of Wheeling Power Company (“Wheeling”), Appalachian Power Company (“APCo”), Indiana Michigan Power Company (“I&M”), Kentucky Power Company (“KPCo”), Public Service Company of Oklahoma (“PSO”), and Southwestern Electric Power Company (“SWEPCO”), together (“AEP Operating Companies”), respectfully submits revisions to two rate schedules on file with the Commission: (1) the

Document Accession #: 20150402-5305

Filed Date: 04/02/2015



System Integration Agreement among the AEP Operating Companies (“System Integration Agreement”); and (2) the Power Coordination Agreement among Wheeling, APCo, I&M, and KPCo (the “Power Coordination Agreement”). As discussed herein, the proposed revisions to the System Integration Agreement and the Power Coordination Agreement reflect the fact that Wheeling has been added as a party to the agreements due to the fact that it recently acquired an ownership interest in certain generation facilities. AEPSC respectfully requests that the Commission permit the revised agreements to take effect on June 1, 2015.

## **I. CONTENTS OF THE FILING**

This filing consists of the following documents:

- this transmittal letter, which describes the proposed amendments to the System Integration Agreement and the Power Coordination Agreement;
- a clean version of the System Integration Agreement (Attachment A) and the Power Coordination Agreement (Attachment B);
- a redlined version of the System Integration Agreement (Attachment C) and the Power Coordination Agreement (Attachment D), showing the changes to the agreements in order to reflect the addition of Wheeling as a party to those agreements; and
- Certificates of Concurrence for Wheeling (Attachment E).

## **II. BACKGROUND**

### **A. The System Integration Agreement**

The System Integration Agreement originally became effective in June of 2000 following the merger of American Electric Power Company, Inc. (“AEP”) and Central and South West Corporation (“CSW”). The purpose of the System Integration

Agreement was to enable the AEP East utilities<sup>1</sup> and the CSW utilities<sup>2</sup> to integrate their generation to the extent practicable through coordinated planning, operating, and dispatching. The System Integration Agreement also provided a contractual basis for the equitable sharing of trading and marketing transactions for the benefit of the AEP East and CSW utilities (referred to post-merger and in the amended Agreement as the “AEP West” utilities). Since the System Integration Agreement was first approved by the Commission in Docket No. ER98-2770-000,<sup>3</sup> a number of amendments have been made to the agreement. The most recent version of the System Integration Agreement was filed on April 9, 2014, in Docket ER14-1694-000, and was accepted for filing by letter order dated June 3, 2014.

## **B. The Power Coordination Agreement**

For decades, the AEP East utilities operated as part of an integrated public utility holding company system under the now-repealed Public Utility Holding Company Act of 1935. Under that arrangement, the companies that owned electric generating resources coordinated the planning and operations of their respective generating resources pursuant

---

<sup>1</sup> The AEP East utilities are members of and operate within the footprint of PJM Interconnection, L.L.C. (“PJM”). When the agreement was entered into, the AEP East generation-owning utilities consisted of APCo, Columbus Southern Power Company (“CSP”), I&M, KPCo, and Ohio Power Company (“OPCo”). Since then, CSP was merged into OPCo, and OPCo divested its generation to comply with Ohio restructuring laws. Therefore, APCo, I&M, and KPCo currently are the only AEP East parties to the System Integration Agreement.

<sup>2</sup> The CSW utilities consist of PSO and SWEPCO. The other CSW utilities, Central Power and Light Company (now AEP Texas North Company or “TNC”), and West Texas Utilities Company (now AEP Texas Central Company or “TCC”), operate within ERCOT and were not parties to the Agreement and are not parties to the amended Agreement.

<sup>3</sup> See *American Electric Power Company and Central and South West Corporation*, Opinion No. 442, 90 FERC ¶ 61,242 (2000).

to a Pool Agreement. On December 17, 2010, each of the then five members of the pool provided notice to the other members (and to AEPSC) that they would terminate the Pool Agreement on January 1, 2014. The generating-owning members further agreed to be subject to a Power Coordination Agreement.

The Power Coordination Agreement, which is on file with the Commission, currently provides APCo, I&M, and KPCo the opportunity to participate collectively (a) under a common Fixed Resource Requirement (“FRR”) capacity plan in PJM, and (b) in specified collective off-system sales and purchase activities. Under the Power Coordination Agreement, generation is not planned on a single-system basis as it was under the previous Pool Agreement. Rather, APCo, I&M, and KPCo individually are required to own or contract for sufficient generation to meet their respective load and reserve obligations. The Power Coordination Agreement was initially filed on October 31, 2013, in Docket No. ER12-233-000, and was accepted for filing by the Commission in a December 23, 2013 order.<sup>4</sup>

**C. Wheeling’s Acquisition of a fifty Percent Ownership Interest in the Mitchell Plant**

As the Commission is aware, on January 31, 2015, the transaction under which AEP Generation Resources Inc. transferred its undivided fifty-percent undivided interest in the Mitchell Generating Plant (located in West Virginia) to Wheeling was consummated.<sup>5</sup> The transaction had been approved by the Commission in an order dated

---

<sup>4</sup> 145 FERC ¶ 61,267 (2013).

<sup>5</sup> See Consummation Letter filed in Docket Nos. EC14-75 and EC13-27 (Feb. 6, 2015).

June 2, 2014.<sup>6</sup> Under the terms of the sale, Wheeling acquired an undivided fifty-percent ownership interest in the Mitchell Plant, (which as a total nominal capacity of 1,560 megawatts). Thus, Wheeling, who previously owned no generating assets and purchased its power requirements from other AEP affiliates, now owns 780 MW of generation through its fifty-percent share in the Mitchell Plant.

Because the Power Coordination Agreement and the System Integration Agreement are among the AEP affiliates that own generation, it is necessary to amend those agreements to reflect that an additional AEP affiliate, Wheeling, now owns generation assets and has agreed to be a party to both agreements.

### **III. PROPOSED AMENDMENTS**

#### **A. Proposed Changes to the System Integration Agreement**

AEPSC proposed two changes to the agreement. First, Wheeling has been incorporated into the System Integration Agreement in the following sections to reflect its status as a party: The Recitals, Section 1.3, Section 1.27, and the Signature Page. The second revision is that the new System Integration Agreement reflects that it will take effect on June 1, 2015 (subject to Commission approval). There are also two minor, ministerial changes: (1) the language of the contract referencing the Power Coordination Agreement has been amended to now reference the “Restated and Amended Power Coordination Agreement”; and (2) Section 11.6 amends the notice recipient to be the Senior Vice President of Regulatory Services rather than simply the Vice President of Regulatory Services.

---

<sup>6</sup> 147 FERC ¶ 62,174 (2014).

## **B. Proposed Changes to the Power Coordination Agreement**

The same two substantive modifications are proposed for the Power Coordination Agreement. Wheeling was added as a party to the Power Coordination Agreement in the following sections: The Recitals, Section 1.1, and the Signature Page. Section 2.1 has been amended to reflect that the Power Coordination Agreement will take effect on June 1, 2015 (subject to Commission approval). Additionally, Section 6.1 has also been amended to reflect that with the inclusion of the Wheeling in the agreement, the Operating Committee will consist of five, rather than four members.

## **IV. EFFECTIVE DATE AND WAIVER REQUEST**

AEPSC respectfully requests that the revised agreements to take effect on June 1, 2015. AEPSC requests waiver of the Commission's notice requirements to the extent necessary to grant this effective date. To the extent necessary for the acceptance of this filing, AEPSC respectfully requests waiver of the Commission regulations that the Commission may deem applicable.

## **V. GENERAL FILING INFORMATION**

In compliance with the requirements under the Commission's regulations, 18 C.F.R. § 35.13, AEPSC states as follows:

### **A. General Information – 18 C.F.R. § 35.13(b)**

The documents provided with this filing are this Transmittal Letter and the materials listed above. The persons upon whom this filing has been served are set out below in Section VII. A description of and the reasons for the changes proposed are discussed in Sections II and III of this Transmittal Letter. AEPSC further states that there

Document Accession #: 20150402-5305

Filed Date: 04/02/2015



are no costs included in the Agreement that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices.

**B. Cost of Service Information – 18 C.F.R. § 35.13(c)**

AEPSC requests waiver of those provisions in Section 35.13 that would require AEPSC to submit cost-of-service and revenue data. This filing qualifies for the abbreviated filing requirements under Section 35.13(a)(2)(iii) because AEPSC is not proposing a rate increase. Including Wheeling in the System Integration Agreement and the Power Coordination Agreement will have no effect on rates.

**VI. NOTICE AND CORRESPONDENCE**

AEP requests that all communications regarding this filing be directed to the following individuals:

Document Accession #: 20150402-5305

Filed Date: 04/02/2015



Amanda Riggs Conner  
Senior Counsel  
American Electric Power Service  
Corporation  
801 Pennsylvania Avenue, N.W.  
Suite 320  
Washington, DC 20004-2684  
[arconner@aep.com](mailto:arconner@aep.com)

Steven J. Ross  
Steptoe & Johnson LLP  
1330 Connecticut Ave, N.W.  
Washington, DC 20036  
202-429-6279  
[sross@steptoe.com](mailto:sross@steptoe.com)

Chad Heitmeyer  
Regulatory Case Manager  
American Electric Power  
Service Corporation  
1 Riverside Plaza  
Columbus, OH 43215  
(614) 716-3303  
[caheimeyer@aep.com](mailto:caheimeyer@aep.com)

## **VII. SERVICE**

Copies of this filing will be served on the Indiana Utility Regulatory Commission, the Kentucky Public Service Commission, the Michigan Public Service Commission, the Public Utilities Commission of Ohio, the Virginia State Corporation Commission, the Public Service Commission of West Virginia, the Public Utility Commission of Texas, the Oklahoma Corporation Commission, the Arkansas Public Service Commission, and the Louisiana Public Service Commission.

## **VIII. CONCLUSION**

AEPSC respectfully requests that the Commission accept the revised agreements for filing without modification or condition, and permit it to become effective on June 1, 2015. If you have any questions concerning this filing, please do not hesitate to contact the undersigned.

Document Accession #: 20150402-5305

Filed Date: 04/02/2015



Respectfully submitted,

      /s/ Steven J. Ross

Steven J. Ross

Step toe & Johnson LLP

1330 Connecticut Avenue, NW

Washington, DC 20036

*Attorneys for*

*American Electric Power Service Corporation*

Enclosures

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

**ATTACHMENT A**

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

## **SYSTEM INTEGRATION AGREEMENT**

**AMONG**

**APPALACHIAN POWER COMPANY  
KENTUCKY POWER COMPANY  
INDIANA MICHIGAN POWER COMPANY  
WHEELING POWER COMPANY**

**AND**

**PUBLIC SERVICE COMPANY OF OKLAHOMA  
SOUTHWESTERN ELECTRIC POWER COMPANY**

**AND**

**AMERICAN ELECTRIC POWER SERVICE CORPORATION  
AS AGENT**

Tariff Submitter: **Appalachian Power Company**  
FERC Program Name: **FERC FPA Electric Tariff**  
Tariff Title: **APCo Rate Schedules and Service Agreement Tariffs**  
Tariff Proposed Effective Date: **06/01/2015**  
Tariff Record Title: **System Integration Agreement**  
Option Code: **A**  
Record Content Description: **Rate Schedule 305**

## **SYSTEM INTEGRATION AGREEMENT**

THIS **SYSTEM INTEGRATION AGREEMENT** ("Agreement") is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 2015 by and among Appalachian Power Company ("APC"), Kentucky Power Company ("KPC"), Indiana Michigan Power Company ("IM"), Wheeling Power Company ("WPC"), Public Service Company of Oklahoma ("PSO"), and Southwestern Electric Power Company ("SWEPCO"), and their agent American Electric Power Service Corporation ("AEPSC"). The foregoing companies are referred to herein collectively as the Parties and individually as a Party.

### **RECITALS:**

WHEREAS, APC, KPC, IM, and WPC (collectively, the "AEP East Operating Companies") own and operate interconnected electric generation, transmission and distribution facilities with which they are engaged in the business of generating, transmitting and selling electric power and energy to the general public and to other entities; and

WHEREAS, the AEP East Operating Companies coordinate their bulk power activities pursuant to the Restated and Amended Power Coordination Agreement dated June 1, 2015 (the "AEP East PCA"); and

WHEREAS, PSO and SWEPCO (collectively, the "AEP West Operating Companies") own and operate interconnected electric generation, transmission and distribution facilities with which they are engaged in the business of generating, transmitting and selling electric power and energy to the general public and to other entities; and

WHEREAS, the AEP West Operating Companies coordinate their bulk power activities pursuant to a Restated and Amended Operating Agreement dated March 1, 2014 (the "AEP West Operating Agreement"); and

WHEREAS, the Parties desire to enter into an agreement under which the AEP East Operating Companies and the AEP West Operating Companies can mutually benefit from centralized off-system trading and marketing activities;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein set forth, the Parties mutually agree as follows:

## **ARTICLE I DEFINITIONS**

**1.1 AEP East Zone** means the electric generation, transmission and distribution facilities of the AEP East Operating Companies.

**1.2 AEP East PCA** means the Restated and Amended Power Coordination Agreement among AEPSC and the AEP East Operating Companies dated June 1, 2015.

**1.3 AEP East Operating Companies** for purposes of this Agreement means the following operating companies of American Electric Power Company, Inc. which, together with AEPSC, are parties to the AEP East PCA: APC, KPC, IM, and WPC, collectively.

**1.4 AEP West Operating Companies** for purposes of this Agreement means the following operating companies of American Electric Power Company, Inc. which, together with AEPSC, are parties to the AEP West Operating Agreement: PSO and SWEPCO collectively.

**1.5 AEPSC** means American Electric Power Service Corporation.

**1.6 AEP West Zone** means the electric generation, transmission and distribution facilities of the AEP West Operating Companies.

**1.7 Agent** means the Parties' designated representative for the purposes specified in Section 5.1 and elsewhere in this Agreement.

**1.8 Agreement** means this System Integration Agreement, including all Service Schedules and attachments hereto.

**1.9 APC** means Appalachian Power Company.

**1.10 AEP West Operating Agreement** means the Amended and Restated Operating Agreement among AEPSC and the AEP West Operating Companies dated March 1, 2014.

**1.11 FERC** or **Commission** means the Federal Energy Regulatory Commission or a successor agency having jurisdiction over this Agreement.

**1.12 IM** means Indiana Michigan Power Company.

**1.13 KPC** means Kentucky Power Company.

**1.14 Off-System Purchases**, for purposes of this Agreement, means purchases by the Parties of energy and/or capacity from third parties in support of Trading and Marketing Activities.

**1.15 Off-System Sales**, for purposes of this Agreement, means sales by the Parties of energy and/or capacity to third parties that are non-native load customers of the Parties to this Agreement in support of Trading and Marketing Activities.

**1.16 Operating Committee** means the administrative body established pursuant to Article VI for the purposes therein specified.

**1.17 Operating Companies** means the AEP East Operating Companies and the AEP West Operating Companies.

**1.18 Out-of-Pocket Cost** means all expenses incurred that would not otherwise have been incurred if the corresponding service had not been arranged and shall include the supply and cost basis of Off-System Sales.

**1.19 Party** or **Parties** means one or more of the following individually or collectively, as the context warrants: APC, KPC, IM, WPC, AEPSC, PSO, and SWEPCO.

**1.20 PSO** means Public Service Company of Oklahoma.

**1.21 PJM** means PJM Interconnection, L.L.C.

**1.22 SPP** means Southwest Power Pool, Inc.

**1.23 SWEPCO** means Southwestern Electric Power Company.

**1.24 Service Schedule** means the Service Schedule attached to this Agreement.

**1.25 Trading and Marketing Activities** means Off-System Sales and Off-System Purchases.

**1.26 Trading and Marketing Realization** means the difference between (i) revenues collected from Trading and Marketing Activities and (ii) the Out-of-Pocket Cost of such Trading and Marketing Activities including any transaction costs related to such activities.

**1.27 WPC** means Wheeling Power Company.

## **ARTICLE II TERM OF AGREEMENT**

### **2.1 Term**

This Agreement shall take effect on June 1, 2015, and shall continue in force and effect thereafter until terminated by mutual agreement or upon twelve (12) months' written notice from any of the Parties. The Agreement shall remain in effect for the remaining Parties so long as there are at least one AEP East Operating Company and at least one AEP West Operating Company that are still parties to the Agreement.

Notwithstanding this termination notice, each Party shall remain responsible for its allocation of cost and revenues of all Trading and Marketing Activities that were or are entered into under this Agreement, including those activities, if any, that are entered into that extend beyond the date after which the notifying Party is no longer a Party to this Agreement.

### **2.2 Review**

This Agreement will be reviewed on an as needed basis by the Operating Committee to determine whether revisions are necessary or appropriate.

### **ARTICLE III OBJECTIVES**

#### **3.1 Purpose**

The purpose of this Agreement is to provide the contractual basis for the equitable sharing of Trading and Marketing Activities between the AEP East Operating Companies and the AEP West Operating Companies, and for any other purposes set forth herein.

### **ARTICLE IV RELATIONSHIP TO OTHER AGREEMENTS AND SERVICES**

#### **4.1 Governing Provisions**

This Agreement is intended to apply in addition to and not in lieu of the AEP East PCA and the AEP West Operating Agreement. The provisions of this Agreement shall, to the extent practicable, be construed and applied in a manner that is consistent with the AEP PCA and the AEP West Operating Agreement. In the event of any inconsistency, however, the provisions of this Agreement shall control.

### **ARTICLE V AGENT**

#### **5.1 Agent's Functions**

The Parties hereby designate AEPSC as their Agent for the purposes of:

- (a) conducting Trading and Marketing Activities on behalf of all the Operating Companies that are parties to this Agreement;
- (b) developing all bills and billing information among the Parties pursuant to this Agreement; and
- (c) such other activities and duties as may be assigned from time to time by the Operating Committee.

## **5.2 Delegation and Acceptance of Authority**

The Parties hereby delegate to the Agent and the Agent hereby accepts responsibility and authority for the duties listed in Section 5.1 and elsewhere in this Agreement. Except as herein expressly established otherwise, the Agent shall perform each of those duties in consultation with the Operating Committee.

# **ARTICLE VI COMPOSITION AND DUTIES OF THE OPERATING COMMITTEE**

## **6.1 Operating Committee**

The Operating Committee is the administrative body created to administer this Agreement and shall consist of three (3) members. One member shall be a representative of the AEP East Operating Companies, one member shall be a representative of the AEP West Operating Companies and the third member shall be a representative of AEPSC who will also act as the chairperson of the committee.

## **6.2 Meetings**

The Operating Committee shall hold meetings at such times, means and places as the members shall determine. Minutes of each Operating Committee meeting shall be prepared and maintained.

## **6.3 Decisions**

All decisions of the Operating Committee shall be by a majority vote of the members present or their designated proxy.

## **6.4 Duties**

The Operating Committee shall have the following duties, unless such duties are otherwise assigned by a vote of the Operating Committee to the Agent, in which case the Agent shall perform such duties. The Operating Committee will be responsible for:

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 8

- (a) administering this Agreement and recommending any amendments hereto;
- (b) reviewing and making recommendations concerning the sharing of costs and benefits under this Agreement;
- (c) reviewing and, if necessary, amending the duties and responsibilities of the Agent; and
- (d) ensuring coordination for other matters not specifically provided for herein.

## **ARTICLE VII TRADING AND MARKETING**

### **7.1 Trading and Marketing Activities**

All Trading and Marketing Activities initiated or concluded after the effective date of this Agreement shall be conducted centrally under the direction of the Agent.

## **ARTICLE VIII ASSIGNMENT OF COSTS AND BENEFITS**

### **8.1 Service Schedule(s)**

The costs and revenues associated with activities described in Article VII shall be distributed in the manner provided from time to time in the Service Schedule(s) attached to and incorporated by reference into this Agreement. It is understood and agreed that the Service Schedule(s) is/are intended to establish an equitable sharing of costs and/or benefits among the Operating Companies, and that circumstances may, from time to time, require a reassessment of relative benefits and burdens or of the methods used in the Service Schedule(s) to apportion the benefits and burdens. Upon a recommendation of the Operating Committee and agreement among the Parties, the

Service Schedule(s) may be amended as of any date agreed to by the Parties, subject to receipt of necessary regulatory authorization.

The Service Schedule(s) incorporated into this Agreement is/are as follows:

**Service Schedule A:** Allocation of Trading and Marketing Realizations.

## **ARTICLE IX BILLING PROCEDURES**

### **9.1 Records**

The Agent shall maintain such records as may be necessary to determine the assignment of costs and benefits pursuant to this Agreement. Such records shall be made available to the Parties upon request.

### **9.2 Monthly Statements**

As promptly as practicable after the end of each calendar month, the Agent shall prepare a statement setting forth the monthly summary of costs and revenues allocated or assigned to the Operating Companies in sufficient detail as may be needed for settlements under the provisions of this Agreement. As required, the Agent may provide such statements on an estimated basis and then adjust those statements for actual results.

### **9.3 Billings and Payments**

The Agent shall handle all billing between the Parties and other entities for Trading and Marketing Activities pursuant to this Agreement. Payment among the Operating Companies shall be by making remittance of the net amount billed or by making appropriate accounting entries on the books of the Parties.

### **9.4 Billing Errors**

If a Party discovers a billing error pertaining to a prior billing for reasons including, but not limited to, missing or erroneous data or calculations, including those

caused by meter, computer or human error, a correction adjustment will be calculated. The correction adjustment shall not be applied to any period earlier than the beginning of the second full billing month preceding the discovery of the error, nor will interest accrue on such adjustment. The correction adjustment will be applied as soon as practicable to the next subsequent regular monthly bill. Any overpaid amount attributed to such billing errors shall be returned by the owing Party(ies) upon determination of the correct amount with no interest.

#### **9.5 Billing Omissions**

Within one (1) year from the date on which a bill should have been delivered, if a Party's records reveal that the bill was not delivered, then the Agent shall deliver to the appropriate Party a bill within one (1) month of this determination. Any amounts collected or reimbursed due to such omissions shall exclude interest. The right to receive payment is waived with respect to any amounts not billed within this period.

#### **9.6 Billing Disputes**

The Parties shall have the right to dispute the accuracy of any bill or payment for a period not to exceed two months from the date on which the bill was initially delivered. Following this one-month period, the right to dispute a bill is permanently waived for any and all reasons including but not limited to, (a) errors, (b) omissions, (c) Agent's actions, and (d) the Operating Committee's decisions, Agreement interpretations and direction in the administration of the Agreement. Any amounts collected or reimbursed due to such disputes shall exclude interest.

#### **9.7 Taxes**

Should any federal, state, or local tax, surcharge or similar assessment, in addition to those that may now exist, be levied upon the electric power, energy or service to be provided in connection with this Agreement, or upon the provider of service as measured by the power, energy or service, or the revenue therefrom, such additional amount shall be included in the net billing as described in Section 9.3.

## **ARTICLE X FORCE MAJEURE**

### **10.1 Events Excusing Performance**

No Party shall be liable to another Party for or on account of any loss, damage, injury, or expense resulting from or arising out of a delay or failure to perform, either in whole or in part, any of the agreements, covenants or obligations made by or imposed upon the Parties by this Agreement, by reason of or through strike, work stoppage of labor, failure of contractors or suppliers of materials (including fuel), failure of equipment, environmental restrictions, riot, fire, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any court granted in any bona fide adverse legal proceedings or action, or of any civil or military authority either *de facto* or *de jure*, explosion, Act of God or the public enemies, or any other cause reasonably beyond its control and not attributable to its neglect. A Party experiencing such a delay or failure to perform shall use due diligence to remove the cause or causes thereof; however, no Party shall be required to add to, modify or upgrade any facilities, or to settle a strike or labor dispute except when, according to its own best judgment, such action is advisable.

## **ARTICLE XI GENERAL**

### **11.1 No Third Party Beneficiaries**

This Agreement does not create rights of any character whatsoever in favor of any person, corporation, association, entity or power supplier, other than the Parties, and the obligations herein assumed by the Parties are solely for the use and benefit of said Parties. Nothing in this Agreement shall be construed as permitting or vesting, or attempting to permit or vest, in any person, corporation, association, entity or power

supplier, other than the Parties, any rights hereunder or in any of the resources or facilities owned or controlled by the Parties or the use thereof.

### **11.2 Waivers**

Any waiver at any time by a Party of its rights with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or matter. Any delay, short of the statutory period of limitation, in asserting or enforcing any right under this Agreement, shall not be deemed a waiver of such right.

### **11.3 Successors and Assigns**

This Agreement shall inure to the benefit of and be binding upon the Parties only, and their respective successors and assigns, and shall not be assignable by any Party without the written consent of the other Parties except to a successor in the operation of its properties by reason of a merger, consolidation, sale or foreclosure whereby substantially all such properties are acquired by or merged with those of such a successor.

### **11.4 Liability and Indemnification**

SUBJECT TO ANY APPLICABLE STATE OR FEDERAL LAW WHICH MAY SPECIFICALLY RESTRICT LIMITATIONS ON LIABILITY, EACH PARTY SHALL RELEASE, INDEMNIFY, AND HOLD HARMLESS THE OTHER PARTIES, THEIR DIRECTORS, OFFICERS AND EMPLOYEES FROM AND AGAINST ANY AND ALL LIABILITY FOR LOSS, DAMAGE OR EXPENSE ALLEGED TO ARISE FROM, OR INCIDENTAL TO, INJURY TO PERSONS AND/OR DAMAGE TO PROPERTY IN CONNECTION WITH ITS FACILITIES OR THE PRODUCTION OR TRANSMISSION OF ELECTRIC ENERGY BY OR THROUGH SUCH FACILITIES, OR RELATED TO PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, INCLUDING ANY NEGLIGENCE ARISING HEREUNDER. IN NO EVENT SHALL ANY PARTY BE LIABLE TO ANOTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR

CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY CLAIM ARISING OUT OF THIS AGREEMENT.

**11.5 Section Headings**

The descriptive headings of the Articles and Sections of this Agreement are used for convenience only, and shall not modify or restrict any of the terms and provisions thereof.

**11.6 Notice**

Any notice or demand for performance required or permitted under any of the provisions of this Agreement shall be deemed to have been given on the date such notice, in writing, is deposited in the U.S. mail, postage prepaid, certified or registered mail, addressed to:

AMERICAN ELECTRIC POWER SERVICE CORPORATION  
Senior Vice President, Regulatory Services  
1 Riverside Plaza  
Columbus, Ohio 43215-2373

or in such other form or to such other address as the Parties may stipulate.

**11.7 Interpretation**

In this Agreement: (a) unless otherwise specified, references to any Article or Section are references to such Article or Section of this Agreement; (b) the singular includes the plural and the plural includes the singular; (c) unless otherwise specified, each reference to a requirement of any governmental entity or regional transmission organization includes all provisions amending, modifying, supplementing or replacing such governmental entity or regional transmission organization from time to time; (d) the words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation"; (e) unless otherwise specified, each reference to any tariff or agreement includes all amendments, modifications, supplements, and restatements made to such tariff or agreement from time to time which are not prohibited by this

Agreement; (f) the descriptive headings of the various Articles and Sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict the terms and provisions thereof; and (g) “herein,” “hereof,” “hereto” and “hereunder” and similar terms refer to this Agreement as a whole.

## **ARTICLE XII REGULATORY APPROVAL**

### **12.1 Regulatory Authorization**

This Agreement is subject to and conditioned upon acceptance for filing without material condition or modification by the Commission. In the event that this Agreement is not so accepted for filing in its entirety or without conditions or modifications unacceptable to any Party, or the Commission subsequently modifies this Agreement upon complaint or upon its own initiative (as provided for in Section 12.2), any Party may, irrespective of the notice provisions in Section 2.1, withdraw from this Agreement by giving thirty (30) days’ advance written notice to the other Parties.

### **12.2 Changes**

It is contemplated by the Parties that it may be appropriate from time to time to change, amend, modify or supplement this Agreement, including the Schedule and attachments which are a part of this Agreement, to reflect changes in practices or costs of operations or for other reasons. Any such changes to this Agreement shall be in writing executed by the Parties, subject to approval or acceptance for filing by the Commission.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and attested by their duly authorized officers on the day and year first above written.

**APPALACHIAN POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**KENTUCKY POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**INDIANA MICHIGAN POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**WHEELING POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**AMERICAN ELECTRIC POWER SERVICE CORPORATION**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**PUBLIC SERVICE COMPANY OF OKLAHOMA**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**SOUTHWESTERN ELECTRIC POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**SERVICE SCHEDULE A**  
**ALLOCATION OF TRADING AND MARKETING REALIZATIONS**

**A1 – Duration**

This Service Schedule A shall become effective and binding when the Agreement becomes effective, and shall continue in full force and effect throughout the duration of the Agreement, except as provided in Sections 8.1 and 12.2 of the Agreement. This Service Schedule A is a part of the Agreement and, as such, the use of terms in this Service Schedule A that are defined in the Agreement shall have the same meanings as set forth in the Agreement.

**A2 – Allocation of Trading and Marketing Activity Costs**

The AEP East Zone and the AEP West Zone each shall be reimbursed, before determining the Trading and Marketing Realizations, for its respective Out-Of-Pocket Costs and any transmission-related expenses incurred in support of Trading and Marketing Activities. All overhead costs associated with Trading and Marketing Activities shall be allocated between the AEP East Zone and the AEP West Zone in accordance with the Allocation of Trading and Marketing Realizations set out in Section A3 of this Service Schedule A.

**A3 – Allocation of Trading and Marketing Realizations**

The Agent shall determine the Trading and Marketing Realizations on a monthly basis. The realizations shall be allocated between the AEP East Zone and AEP West Zone as specified below:

(a) AEP East Zone – Trading and Marketing Realizations allocated to the AEP East Zone include the following: (1) Trading and Marketing Realizations resulting from

Trading and Marketing Activities at locations served by the PJM and Midcontinent Independent System Operator, Inc. (“MISO”) North regions (“MISO North”); (2) Trading and Marketing Realizations resulting from Trading and Marketing Activities at other locations that are initially assigned to originate or terminate within PJM or MISO North and are ultimately settled financially without physical delivery or are settled with power from a location different than PJM or MISO North; and (3) any other Trading and Marketing Realizations resulting from Trading and Marketing Activities that are conducted solely on behalf of the AEP East Operating Companies

(b) AEP West Zone – Trading and Marketing Realizations allocated to the AEP West Zone include the following: (1) Trading and Marketing Realizations resulting from Trading and Marketing Activities at locations served by the SPP, Electric Reliability Council of Texas (“ERCOT”) and MISO South regions (“MISO South”); (2) Trading and Marketing Realizations resulting from Trading and Marketing Activities at other locations that are initially assigned to originate or terminate within SPP, ERCOT or MISO South and are ultimately settled financially without physical delivery or are settled with power from an area different than SPP, ERCOT or MISO South; and (3) any other Trading and Marketing Realizations resulting from Trading and Marketing Activities that are conducted solely on behalf of the AEP West Operating Companies..

(c) Notwithstanding paragraphs (a) and (b) above, Trading and Marketing Activities that originate in PJM or MISO North and terminate in SPP, ERCOT or MISO South will be assigned to the AEP East Zone, and Trading and Marketing Activities that originate in ERCOT, MISO South or SPP and terminate in PJM or MISO North will be assigned to the AEP West Zone.

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

(d) AEP East Zone and AEP West Zone – Any Trading and Marketing Realizations that cannot be directly assigned to either the AEP East Zone or AEP West Zone based on the above criteria, will be allocated between the two zones. The Trading and Marketing Realizations settled in a given month will be allocated to the two zones in proportion to each zone's total common shareholder equity balance. The total common shareholder equity balance for a zone will be the sum of the total common shareholder equity balances of the Operating Companies in the given zone as of the end of the previous calendar year and will be determined annually by the Agent. These balances will then be applied to allocate the Trading and Marketing Realizations between the two zones during the subsequent twelve-month period beginning June 1 of a given year and ending May 31 of the following year.

(e) This allocation of Trading and Marketing Realizations set out in this Service Schedule A shall remain in effect until such time that is modified pursuant to Section 12.2 of the Agreement.

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

## **ATTACHMENT B**

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 1

**RATE SCHEDULE No. 300**

**POWER COORDINATION AGREEMENT**

**among**

**APPALACHIAN POWER COMPANY,  
INDIANA MICHIGAN POWER COMPANY,  
KENTUCKY POWER COMPANY,  
WHEELING POWER COMPANY**

**and**

**AMERICAN ELECTRIC POWER SERVICE CORPORATION**

**as Agent**

Tariff Submitter: **Appalachian Power Company**  
FERC Program Name: **FERC FPA Electric Tariff**  
Tariff Title: **APCo Rate Schedules and Service Agreements Tariffs**  
Tariff Proposed Effective Date: **06/01/2015**  
Tariff Record Title: **Power Coordination Agreement**  
Option Code: **A**  
Record Content Description: **Rate Schedule No. 300**

## **POWER COORDINATION AGREEMENT**

**THIS AGREEMENT** is made and entered into as of this \_\_\_ day of \_\_\_\_\_, 2015, by and among Appalachian Power Company (“APCo”), Indiana Michigan Power Company (“I&M”), Kentucky Power Company (“KPCo”), Wheeling Power Company (“WPCo”) and American Electric Power Service Corporation (“AEPSC”) as agent (“Agent”) to APCo, I&M, KPCo and WPCo.

### **RECITALS:**

**WHEREAS**, APCo, I&M, KPCo and WPCo (collectively the “Operating Companies” or individually “Operating Company”) own and operate electric generation, transmission and distribution facilities with which they are engaged in the business of generating, transmitting and selling electric power to the general public and to other electric utilities;

**WHEREAS**, the Operating Companies' electric facilities are now and have been for many years interconnected through their respective transmission facilities and transmission facilities of third parties at a number of points;

**WHEREAS**, APCo, I&M, KPCo and WPCo provide power to serve retail and wholesale customers in Indiana, Kentucky, Michigan, Tennessee, Virginia and West Virginia;

**WHEREAS**, APCo, I&M, KPCo and WPCo believe that they can continue to achieve efficiencies and economic benefits through (a) participation in the organized power markets of a regional transmission organization and (b) allocation of off-system sales and purchases with other parties on bases that fairly assign or allocate the costs and benefits of these transactions;

**WHEREAS**, the achievement of the foregoing will be facilitated by the performance of certain services by an Agent;

**WHEREAS**, AEPSC is the service company affiliate of APCo, I&M, KPCo and WPCo and as such performs a variety of services on their behalf in accordance with applicable rules and regulations of the Federal Energy Regulatory Commission (“Commission”); and

**WHEREAS**, AEPSC is willing to serve as Agent to APCo, I&M, KPCo and WPCo under this Agreement.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements herein set forth, the Parties mutually agree as follows:

## **ARTICLE I DEFINITIONS**

**1.1 Agreement** means this Power Coordination Agreement among APCo, I&M, KPCo, WPCo and Agent, including all Service Schedules and attachments hereto.

**1.2 Capacity Auction** means auctions implemented pursuant to a Capacity Market, and may include, but is not necessarily limited to, the Base Residual Auction and other incremental auctions conducted in accordance with the PJM Interconnection, LLC (“PJM”) Reliability Pricing Model market rules.

**1.3 Capacity Market** means any market of an applicable regional transmission organization under which the Operating Companies satisfy their capacity obligations as load serving entities, which would include, for example, the PJM capacity market as described in the PJM Reliability Assurance Agreement (“RAA”) and Attachment DD of the PJM Open Access Transmission Tariff (“PJM OATT”).

**1.4 Dedicated Wholesale Customer** means a wholesale customer whose load is served by an Operating Company that has undertaken, by contract, an obligation to serve that customer's partial or full requirements load and to acquire power supply resources and other resources necessary to meet those requirements.

**1.5 Generation Hedge Transactions** means Off-System Transactions entered into for the purpose of hedging the output of the generation assets of one or more of the Operating Companies.

**1.6 Industry Standards** means all applicable national and regional electric reliability council and regional transmission organization principles, guides, criteria, standards and practices.

**1.7 Internal Load** means all sales of power, plus associated line losses, by an Operating Company to its Retail Customers and Dedicated Wholesale Customers. As distinguished from Off-System Sales, Internal Load is principally characterized by the Operating Company assuming the load obligation as its own power commitment.

**1.8 Off-System Sales** means all wholesale power sales by an Operating Company other than sales to the Retail Customers and Dedicated Wholesale Customers that comprise the Operating Company's Internal Load. Sales of wholesale power by an Operating Company to another Operating Company are not governed by this Agreement, and will not be deemed Off-System Sales under this Agreement.

**1.9 Off-System Purchases** means wholesale power purchases by an Operating Company or Operating Companies for any of the following reasons: (a) to reduce power supply costs, (b) to serve load requirements, (c) to provide reliability of supply, (d) to satisfy state specific requirements or goals or (e) to engage in Off-System Sales. Purchases of wholesale power by an Operating Company from another Operating Company are not governed by this Agreement, and will not be deemed Off-System Purchases under this Agreement.

**1.10 Off-System Transactions** means Off-System Sales, Off-System Purchases and any other types of power-related wholesale transactions, whether physical or financial, on behalf of an Operating Company or Operating Companies, excluding sales to Internal Load customers.

**1.11 Operating Committee** means the administrative body established pursuant to Article VI for the purposes specified within this Agreement.

**1.12 Party** means each of APCo, I&M, KPCo, WPCo and Agent, individually, and **Parties** means APCo, I&M, KPCo, WPCo and Agent, collectively.

**1.13 Retail Customer** means a retail power customer on whose behalf an Operating Company has undertaken an obligation to obtain power supply resources in order to supply electricity to reliably meet the electric needs of that customer.

**1.14 Service Schedules** means the Service Schedules attached to this Agreement, as they may be amended from time to time, and those that later may be agreed to by the Parties and made part of a modified Agreement.

**1.15 Spot Market** means the day ahead, real time (balancing) or similar short-term energy market(s) operated by the applicable regional transmission organization(s), typically characterized by energy that is selected and delivered on an hourly, or more frequent, basis during that same day or the next calendar day.

**1.16 System Emergency** means a condition which, if not promptly corrected, threatens to cause imminent harm to persons or property, including the equipment of a Party or a Third Party, or threatens the reliability of electric service provided by an Operating Company to Retail Customers or Dedicated Wholesale Customers.

**1.17 Third Party or Third Parties** means any entity or entities that are not a Party or Parties.

**1.18 Trading Transactions** means Off-System Transactions that are not Generation Hedge Transactions or otherwise sourced or hedged from, dedicated to, or associated with the generation assets or Internal Load of the Operating Companies.

## **ARTICLE II TERM OF AGREEMENT**

**2.1 Term and Withdrawal.** Subject to Commission approval or acceptance for filing, this Agreement shall take effect on June 1, 2015, or such other date permitted by the Commission, and shall continue in full force and effect until (a) terminated by mutual agreement or (b) upon no less than twelve (12) months' written notice by one Party to each of the other Parties, after which time the notifying Party will be withdrawn from the Agreement and the Agreement will continue in full force and effect for the remaining Parties except for such modifications necessary to remove the withdrawn Party.

## **ARTICLE III [INTENTIONALLY OMITTED]**

## **ARTICLE IV SCOPE AND RELATIONSHIP TO OTHER AGREEMENTS AND SERVICES**

**4.1 Scope.** This Agreement is not intended to preclude the Parties from entering into other arrangements between or among themselves or with Third Parties. This Agreement is intended to operate in addition to, not in lieu of, power market transactions and settlements that occur between each Operating Company, or the Operating Companies collectively, and any applicable regional transmission organizations.

**4.2 Transmission.** This Agreement is intended to apply to the coordination of the power supply resources of, and loads served by, the Operating Companies. It is not intended to

apply to the coordination of transmission facilities owned or operated by the Operating Companies.

## **ARTICLE V AGENT**

**5.1 Agent.** The Agent will perform the activities and duties specified by this Agreement and any other activities or duties pertaining to this Agreement that may be requested from time to time by one or more Operating Companies, subject to the receipt of any necessary regulatory approvals. The Operating Companies delegate to AEPSC, as the Agent, and AEPSC hereby accepts responsibility and authority for the duties specified in this Agreement and shall perform each of those duties under the direction of the Operating Companies. With the prior written consent of the Operating Companies, AEPSC may delegate all or a part of its responsibilities under this Agreement to another entity.

## **ARTICLE VI COMPOSITION AND DUTIES OF THE OPERATING COMMITTEE**

**6.1 Operating Committee.** By written notice to the other Parties, each Party shall name one representative (“Representative”) to act for it in matters pertaining to this Agreement and its implementation. A Party may change its Representative at any time by written notice to the other Parties. The Representatives of the respective Parties shall comprise the Operating Committee. The Agent’s Representative shall act as the chairman of the Operating Committee (“Chairman”). All decisions of the Operating Committee shall be by a simple majority vote of the Representatives. There shall be only five voting representatives on the Operating Committee. No Party may delegate its vote to another entity.

**6.2 Meeting Dates.** The Operating Committee shall hold meetings at such times, means, and places as the members shall determine. Minutes of each Operating Committee meeting shall be prepared and maintained.

**6.3 Duties.** The Operating Committee shall have the duties listed below:

- (a) reviewing and providing direction concerning the equitable sharing of costs and benefits under this Agreement among the Operating Companies;
- (b) administering this Agreement and proposing amendments hereto, including such amendments that are proposed in response to a change in regulatory requirements applicable to one or more of the Operating Companies or changes concerning an applicable regional transmission organization, provided that any amendments will be subject to Section 13.2; and
- (c) reviewing and, if necessary, proposing changes to the duties and responsibilities of the Agent, subject to Section 5.1.

In the event that an action of the Operating Committee results in a change to the settlement process(es) among the Operating Companies, such modified settlement will normally occur on a prospective basis only, however, this may include past billing periods back to the beginning of the first full billing month preceding the date of action of the Operating Committee. Such modifications will be subject to the terms of Article IX as applicable.

## **ARTICLE VII OPERATING COMPANY PLANNING AND OPERATIONS**

**7.1 Operating Company and System Planning.** Each Operating Company will be individually responsible for its own capacity planning. Consistent with the requirements of PJM or the applicable regional transmission or reliability organization, each Operating Company will be responsible for maintaining an adequate level of power supply resources to meet its own

Internal Load requirements for capacity and energy, including any required reserve margins, and shall bear all of the resulting costs. The Agent shall assess the adequacy of the power supply resources of the Operating Companies and make recommendations to each Operating Company regarding (1) the need for additional power supply resources and (2) whether each Operating Company has power supply resources in excess of its needs (short-term or long-term) that could be made available to the other Operating Companies or Third Parties either through separate contracts or through the power markets of the applicable regional transmission organization. The actual addition or disposition of power supply resources will be conditioned on compliance with all applicable state and other regulatory requirements and requirements of the applicable regional transmission organization.

**7.2 Generation Resource Outage Planning.** The Agent, on behalf of the Operating Companies, will coordinate the scheduling of planned generation resource outages in order to support reliability and manage costs.

**7.3 Generation Resource Dispatch.** The generation resources of each of the Operating Companies will be individually dispatched by the Agent in accordance with the direction of the applicable regional transmission organization.

**7.4 Regional Transmission Organization Transactions.** The Agent will administer the participation of the Operating Companies in the power markets of the applicable regional transmission organization. Each Operating Company shall be individually responsible for charges it incurs and credits it receives due to its participation in the power markets of a regional transmission organization. Such costs and revenues will be assigned or allocated directly by the applicable regional transmission organization or its agent where practical. The Operating Companies may collectively participate from time to time in specific markets of the regional

transmission organization or to meet certain regional transmission or reliability organization requirements, in which case the allocation of resulting revenues and/or costs, if any, will be performed as specified herein. The election of whether each Operating Company's load and generation resources will participate in the Capacity Market of PJM through the Reliability Pricing Model auctions or through the Fixed Resource Requirement alternative, either collectively or individually, for any planning year is not governed by this Agreement.

**7.5 Off System Transactions.** The Agent will engage in Off-System Transactions on behalf of or at the direction of the Operating Companies and will assign or allocate the costs and revenues of Off-System Transactions to the Operating Companies in the manner specified below.

**7.5.1 Capacity Purchases and Sales with Third Parties.** Except as described in Section 7.5.2 related to the PJM Capacity Auctions: (1) Off-System Transactions of capacity undertaken for an individual Operating Company will be directly assigned to that Operating Company; (2) Off-System Purchases of capacity undertaken for more than one Operating Company will be allocated among those Operating Companies ratably in proportion to the total capacity needed by each Operating Company minus each Operating Company's total capacity resources; and (3) Off-System Sales of capacity undertaken for more than one Operating Company will be allocated among those Operating Companies ratably in proportion to the total capacity resources of each Operating Company minus the total capacity obligation of each Operating Company (including any holdback required by the applicable regional transmission organization).

**7.5.2 Capacity Purchases and Sales in the PJM Capacity Auctions And Related Issues.** When an Operating Company participates individually in the Reliability Pricing Model or the Fixed Resource Requirement alternative, Off-System Transactions

of capacity related to a PJM Capacity Auction will be directly assigned to the specific Operating Company based on the results of such auctions.

When two or more Operating Companies collectively participate in the Fixed Resource Requirement alternative, any Off-System Transactions of capacity related to a PJM Capacity Auction will be allocated to each participating Operating Company ratably in proportion to the total capacity resources of each Operating Company minus the total capacity obligation of each Operating Company (including any holdback required by PJM) for the applicable planning year(s), and Service Schedule A will apply to delivery year and post-delivery year obligations of the participating Operating Companies associated with the Fixed Resource Requirement alternative.

**7.5.3 Directly Assigned Energy Purchases and Sales with Third Parties.**

Off-System Transactions of energy will be directly assigned to the applicable Operating Company. Costs and revenues associated with each Operating Company's Off-System Sales of energy and Internal Load energy purchases from the applicable regional transmission organization in the Spot Market, including the purchase of any energy deficits or sales of any energy surpluses, will be directly assigned to that Operating Company.

**7.5.4 Generation Hedge Transactions and Trading Transactions.** Revenues and costs associated with Generation Hedge Transactions, including revenues and costs associated with the settlement of Generation Hedge Transactions in the Spot Market or other markets of the applicable regional transmission organization, will be allocated among the Operating Companies by the Agent as specified under Service Schedule B.

Revenues and costs associated with Trading Transactions, including revenues and costs associated with the settlement of Trading Transactions in the Spot Market or other markets of the applicable regional transmission organization, will be allocated among the Operating Companies by the Agent as specified under Service Schedule C.

**7.6 Emergency Response.** In the event of a System Emergency, no adverse distinction shall be made between the customers of any of the Operating Companies. Each Operating Company shall, under the direction of the applicable regional transmission organization, make its power supply resources available in response to a System Emergency. Notwithstanding the foregoing, it is understood that transmission constraints or other factors may limit the ability of an Operating Company to respond to a System Emergency.

**ARTICLE VIII  
ASSIGNMENT OF COSTS AND BENEFITS  
OF COORDINATED OPERATIONS**

**8.1 Service Schedules.** The costs and revenues associated with coordinated operations as described in Article VII shall be distributed among the Operating Companies in the manner provided in the Service Schedules utilizing the billing procedures described in Article IX. It is understood and agreed that all such Service Schedules are intended to establish an equitable sharing of costs and/or benefits among the Operating Companies, and that circumstances may, from time to time, require a reassessment of the relative costs and benefits of this Agreement, or of the methods used to apportion costs and benefits under the Service Schedules. Upon a proposal of the Operating Committee, any of the Service Schedules may be amended as of any date agreed to by the Operating Committee by majority vote, subject to Section 13.2.

## **ARTICLE IX BILLING PROCEDURES**

**9.1 Records.** The Agent shall maintain such records as may be necessary to determine the assignment of costs and revenues of coordinated operations pursuant to this Agreement. Such records shall be made available to the Parties upon request for a period not to exceed three (3) years.

**9.2 Monthly Net Billing Statements.** As promptly as practicable after the end of each calendar month, the Agent shall prepare a statement setting forth the monthly summary of costs and revenues allocated or assigned to the Operating Companies in sufficient detail as may be needed for settlements under the provisions of this Agreement. As required, the Agent may provide such statements on an estimated basis and then adjust those statements for actual results.

**9.3 Billings and Payments.** The Agent shall be responsible for all billing between the Operating Companies and other entities with which they engage in Off-System Transactions pursuant to this Agreement. Payments among the Operating Companies, if any, shall be made by remittance of the net amount billed or by making appropriate accounting entries on the books of the Parties. The entire amount shall be paid when due.

**9.4 Taxes.** Should any federal, state, or local tax, surcharge or similar assessment, in addition to those that may now exist, be levied upon the electric capacity, energy, or services to be provided in connection with this Agreement, or upon the provider of service as measured by the electric capacity, energy, or services, or the revenue there from, such additional amount shall be included in the net billing described in Section 9.3.

**9.5 Undelivered and Unpaid Monthly Billing Statements.** Within one (1) year from the date on which a billing statement should have been delivered, if a Party's records reveal that the bill was not delivered, then the Agent shall deliver to the appropriate Party a bill within

one (1) month of this determination. Any amounts collected or reimbursed due to such delay shall not include interest.

**9.6 Billing Errors and Disputes.** If a Party discovers a billing error pertaining to a prior billing for reasons including, but not limited to, missing or erroneous data or calculations, including those caused by meter, computer or human error, a correction adjustment will be calculated through the second full month preceding discovery of the error. The Parties shall have the right to dispute the accuracy of any bill or payment for a period not to exceed two months from the date on which the bill or, if applicable, the corrected bill was initially delivered. Following this two-month period, the right to dispute a bill is permanently waived for any and all reasons including but not limited to, (a) errors, (b) omissions, (c) Agent's actions, and (d) the Operating Committee's decisions, Agreement interpretations and direction in the administration of the Agreement. Any amounts collected or reimbursed due to such disputes shall not include interest.

## **ARTICLE X FORCE MAJEURE**

**10.1 Events Excusing Performance.** No Party shall be liable to another Party for or on account of any loss, damage, injury, or expense resulting from or arising out of a delay or failure to perform, either in whole or in part, any of the agreements, covenants, or obligations made by or imposed upon the Parties by this Agreement, by reason of or through strike, work stoppage of labor, failure of contractors or suppliers of materials (including fuel, consumables or other goods and services), failure of equipment, environmental restrictions, riot, fire, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any court or regulatory agency granted in any *bona fide* legal proceedings or action, or of any civil or military

authority either *de facto* or *de jure*, explosion, Act of God or the public enemies, or any other cause reasonably beyond its control and not attributable to its neglect. A Party experiencing such a delay or failure to perform shall use due diligence to remove the cause or causes thereof; however, no Party shall be required to add to, modify or upgrade any facilities, or to settle a strike or labor dispute except when, according to its own best judgment, such action is advisable.

## **ARTICLE XI DELIVERY POINTS**

**11.1 Delivery Points.** All electric energy delivered under this Agreement shall be of the character commonly known as three-phase sixty-cycle energy, and shall be delivered at the various points where the transmission systems of the Operating Companies are interconnected, either directly or through transmission facilities of third parties, at the nominal unregulated voltage designated for such points, and at such other points and voltages as may be determined and agreed upon by the Operating Companies.

## **ARTICLE XII GENERAL**

**12.1 Adherence to Industry Standards.** The Parties agree to make their best efforts to conform to Industry Standards as they affect the implementation of and conduct pertaining to this Agreement.

**12.2 No Third Party Beneficiaries.** This Agreement does not create rights of any character whatsoever in favor of any person, corporation, association, entity or power supplier, other than the Parties, and the obligations herein assumed by the Parties are solely for the use and benefit of the Parties. Nothing in this Agreement shall be construed as permitting or vesting, or attempting to permit or vest, in any person, corporation, association, entity or power supplier,

other than the Parties, any rights hereunder or in any of the resources or facilities owned or controlled by the Parties or the use thereof.

**12.3 Waivers.** Any waiver at any time by a Party of its rights with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or matter. Any delay, short of the statutory period of limitation, in asserting or enforcing any right under this Agreement, shall not be deemed a waiver of such right.

**12.4 Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the Parties only, and their respective successors and assigns, and shall not be assignable by any Party without the written consent of the other Parties except to a successor in the operation of its properties by reason of a reorganization to comply with state or federal restructuring requirements, or a merger, consolidation, sale or foreclosure whereby substantially all such properties are acquired by or merged with those of such a successor.

**12.5 Liability and Indemnification.** SUBJECT TO ANY APPLICABLE STATE OR FEDERAL LAW THAT MAY SPECIFICALLY RESTRICT LIMITATIONS ON LIABILITY, EACH PARTY (AN "INDEMNIFYING PARTY") SHALL RELEASE, INDEMNIFY, AND HOLD HARMLESS THE OTHER PARTIES (EACH AN "INDEMNIFIED PARTY"), THEIR DIRECTORS, OFFICERS AND EMPLOYEES FROM AND AGAINST ANY AND ALL LIABILITY FOR LOSS, DAMAGE OR EXPENSE (1) ALLEGED TO ARISE FROM, OR BE INCIDENTAL TO, INJURY TO PERSONS AND/OR DAMAGE TO PROPERTY IN CONNECTION WITH THE INDEMNIFYING PARTY'S FACILITIES OR THE PRODUCTION OR TRANSMISSION OF ELECTRIC ENERGY BY OR THROUGH THE INDEMNIFYING PARTY'S FACILITIES OR (2) RELATED TO PERFORMANCE OR NON-

PERFORMANCE OF THIS AGREEMENT OR (3) RELATED TO ANY NEGLIGENCE ARISING UNDER THIS AGREEMENT. IN NO EVENT SHALL ANY PARTY BE LIABLE TO ANOTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY CLAIM ARISING OUT OF THIS AGREEMENT.

**12.6 Headings.** The descriptive headings of the Articles, Sections and Service Schedules of this Agreement are used for convenience only, and shall not modify or restrict any of the terms and provisions thereof.

**12.7 Notice.** Any notice or demand for performance required or permitted under any of the provisions of this Agreement shall be deemed to have been given on the date such notice, in writing, is deposited in the U.S. mail, postage prepaid, certified or registered mail, addressed to the Parties at their principal place of business at 1 Riverside Plaza, Columbus, Ohio 43215, or in such other form or to such other address as the Parties may stipulate.

**12.8 Interpretation.** In this Agreement: (a) unless otherwise specified, references to any Article or Section are references to such Article or Section of this Agreement; (b) the singular includes the plural and the plural includes the singular; (c) unless otherwise specified, each reference to a requirement of any governmental entity or regional transmission organization includes all provisions amending, modifying, supplementing or replacing such governmental entity or regional transmission organization from time to time; (d) the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; (e) unless otherwise specified, each reference to any tariff or agreement includes all amendments, modifications, supplements, and restatements made to such tariff or agreement from time to time which are not prohibited by this Agreement; (f) the descriptive headings of the various Articles

and Sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict the terms and provisions thereof; and (g) “herein,” “hereof,” “hereto” and “hereunder” and similar terms refer to this Agreement as a whole.

### **ARTICLE XIII REGULATORY APPROVAL**

**13.1 Regulatory Authorization.** This Agreement is subject to and conditioned upon its approval or acceptance for filing without material condition or modification by the Commission. In the event that this Agreement is not so approved or accepted for filing in its entirety or without conditions or modifications unacceptable to any Party, or the Commission subsequently modifies this Agreement upon complaint or upon its own initiative (as provided for in Section 13.2), any Party may, irrespective of the notice provisions in Section 2.1, withdraw from this Agreement by giving thirty (30) days’ advance written notice to the other Parties.

**13.2 Changes.** It is contemplated by the Parties that it may be appropriate from time to time to change, amend, modify, or supplement this Agreement, including the Service Schedules and any other attachments that may be made a part of this Agreement, to reflect changes in operating practices or costs of operations or for other reasons. Any such changes to this Agreement shall be in writing executed by the Parties and subject to approval or acceptance for filing by the Commission.

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 19

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be executed and attested by their duly authorized officers on the day and year first above written.

**APPALACHIAN POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**INDIANA MICHIGAN POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**KENTUCKY POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**WHEELING POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**AMERICAN ELECTRIC POWER SERVICE CORPORATION**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**SERVICE SCHEDULE A  
COLLECTIVE PARTICIPATION IN THE  
FIXED RESOURCE REQUIREMENT ALTERNATIVE**

**A1– Duration.** This Service Schedule A shall become effective and binding when the Agreement of which it is a part becomes effective, and shall continue in full force and effect throughout the duration of the Agreement unless terminated or suspended.

**A2 – Availability of Service.** This Service Schedule A governs the administration and settlement of capacity during such times that multiple Operating Companies are participating, on a collective basis, in the Fixed Resource Requirement alternative.

**A3 – Delivery Year and Post-Delivery Year Settlement.** During a given PJM planning year (i.e., the delivery year), the Agent will manage the capacity resources needed to meet the combined Operating Companies' capacity obligations and commitments to PJM.

If capacity resource performance charges are assessed by PJM for a given delivery year, the total net charge will be allocated among the Operating Companies ratably in proportion to each Operating Company's contribution to the total charge, taking into account the effect of collective participation of the Operating Companies in the Fixed Resource Requirement alternative. Each Operating Company's contribution to the total net charge will be determined by the Agent by computing a total MW position for each Operating Company by subtracting its total capacity obligation in MWs from its total capacity resources in MWs. This result will be further adjusted by adding or subtracting as applicable the net total MWs of actual under-performance or over-performance of each Operating Company's capacity resources during the delivery year as computed by PJM. Any Operating Company with a resulting net short MW position, meaning that its capacity obligation MWs are greater than its capacity resource MWs including any MWs of over-performance or under-performance, will be allocated a share of the

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 21

total net performance charge from PJM based on the Operating Company's net short MW position. Any performance charge not allocated as set forth above will be directly assigned to the Operating Company that caused the performance charge.

**SERVICE SCHEDULE B  
GENERATION HEDGE TRANSACTIONS**

**B1 – Duration.** This Service Schedule B shall become effective and binding when the Agreement of which it is a part becomes effective, and shall continue in full force and effect throughout the duration of the Agreement unless terminated or suspended.

**B2 – Service.** This Service Schedule B governs energy-related Off-System Transactions made pursuant to Section 7.5.4 of the Agreement that are associated with Generation Hedge Transactions as defined in Section 1.5. The total monthly net costs and revenues from the settlement of Generation Hedge Transactions will be allocated among the Operating Companies ratably in proportion to the total of each Operating Company's surplus MWhs for the month, as determined by the Agent. Surplus MWhs will be computed as the total of all MWs in hours in which an Operating Company's MW output of its generation assets and energy purchases exceeded that Operating Company's Internal Load.

If the above allocation would result in any Operating Company being allocated revenues or costs associated with more than one hundred and fifteen percent (115%) of its monthly surplus MWhs as computed above, such excess(es) above that amount will be allocated to all of the Operating Companies ratably in proportion to the sum of each Operating Company's hourly MW output of its generation assets for the month.

### **SERVICE SCHEDULE C TRADING TRANSACTIONS**

**C1 – Duration.** This Service Schedule C shall become effective and binding when the Agreement of which it is a part becomes effective, and shall continue in full force and effect throughout the duration of the Agreement unless terminated or suspended.

**C2 – Service.** This Service Schedule C governs the financial allocation and settlement of Off-System Transactions made pursuant to Section 7.5.4 of the Agreement that are associated with Trading Transactions as defined in Section 1.18. All Trading Transactions settled for a given month will be allocated among the Operating Companies ratably in proportion to each Operating Company's total common shareholder equity balance. The total common shareholder equity balance for each Operating Company as of the end of the previous calendar year will be as stated in the FERC Form 1, currently page 112 (Total Proprietary Capital). These balances will then be applied to allocate settled Trading Transactions among the Operating Companies during the subsequent twelve-month period beginning June 1 and ending May 31.

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

## **ATTACHMENT C**

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

**SYSTEM INTEGRATION AGREEMENT**

**AMONG**

**APPALACHIAN POWER COMPANY  
KENTUCKY POWER COMPANY  
INDIANA MICHIGAN POWER COMPANY  
WHEELING POWER COMPANY**

Deleted: 1

**AND**

**PUBLIC SERVICE COMPANY OF OKLAHOMA  
SOUTHWESTERN ELECTRIC POWER COMPANY**

**AND**

**AMERICAN ELECTRIC POWER SERVICE CORPORATION  
AS AGENT**

Tariff Submitter: **Appalachian Power Company**  
FERC Program Name: **FERC FPA Electric Tariff**  
Tariff Title: **APCo Rate Schedules and Service Agreement Tariffs**  
Tariff Proposed Effective Date: **06/01/2015**  
Tariff Record Title: **System Integration Agreement**  
Option Code: **A**  
Record Content Description: **Rate Schedule 305**

Deleted: 2014

Sheet No. 2

## SYSTEM INTEGRATION AGREEMENT

THIS **SYSTEM INTEGRATION AGREEMENT** ("Agreement") is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 2015 by and among Appalachian Power Company ("APC"), Kentucky Power Company ("KPC"), Indiana Michigan Power Company ("IM"), Wheeling Power Company ("WPC"), Public Service Company of Oklahoma ("PSO"), and Southwestern Electric Power Company ("SWEPCO"), and their agent American Electric Power Service Corporation ("AEPSC"). The foregoing companies are referred to herein collectively as the Parties and individually as a Party.

Deleted: 2014

### RECITALS:

WHEREAS, APC, KPC, IM, and WPC (collectively, the "AEP East Operating Companies") own and operate interconnected electric generation, transmission and distribution facilities with which they are engaged in the business of generating, transmitting and selling electric power and energy to the general public and to other entities; and

Deleted: and

WHEREAS, the AEP East Operating Companies coordinate their bulk power activities pursuant to the Restated and Amended Power Coordination Agreement dated June 1, 2015 (the "AEP East PCA"); and

Deleted: January 1, 2014

WHEREAS, PSO and SWEPCO (collectively, the "AEP West Operating Companies") own and operate interconnected electric generation, transmission and distribution facilities with which they are engaged in the business of generating, transmitting and selling electric power and energy to the general public and to other entities; and

WHEREAS, the AEP West Operating Companies coordinate their bulk power activities pursuant to a Restated and Amended Operating Agreement dated March 1, 2014 (the "AEP West Operating Agreement"); and

Sheet No. 3

WHEREAS, the Parties desire to enter into an agreement under which the AEP East Operating Companies and the AEP West Operating Companies can mutually benefit from centralized off-system trading and marketing activities;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein set forth, the Parties mutually agree as follows:

### ARTICLE I DEFINITIONS

**1.1 AEP East Zone** means the electric generation, transmission and distribution facilities of the AEP East Operating Companies.

**1.2 AEP East PCA** means the Restated and Amended Power Coordination Agreement among AEPSC and the AEP East Operating Companies dated June 1, 2015.

Deleted: January 1, 2014

**1.3 AEP East Operating Companies** for purposes of this Agreement means the following operating companies of American Electric Power Company, Inc. which, together with AEPSC, are parties to the AEP East PCA: APC, KPC, JM, and WPC, collectively.

Deleted: and

**1.4 AEP West Operating Companies** for purposes of this Agreement means the following operating companies of American Electric Power Company, Inc. which, together with AEPSC, are parties to the AEP West Operating Agreement: PSO and SWEPCO collectively.

**1.5 AEPSC** means American Electric Power Service Corporation.

**1.6 AEP West Zone** means the electric generation, transmission and distribution facilities of the AEP West Operating Companies.

**1.7 Agent** means the Parties' designated representative for the purposes specified in Section 5.1 and elsewhere in this Agreement.

**1.8 Agreement** means this System Integration Agreement, including all Service Schedules and attachments hereto.

Sheet No. 4

**1.9 APC** means Appalachian Power Company.

**1.10 AEP West Operating Agreement** means the Amended and Restated Operating Agreement among AEPSC and the AEP West Operating Companies dated March 1, 2014.

**1.11 FERC** or **Commission** means the Federal Energy Regulatory Commission or a successor agency having jurisdiction over this Agreement.

**1.12 IM** means Indiana Michigan Power Company.

**1.13 KPC** means Kentucky Power Company.

**1.14 Off-System Purchases**, for purposes of this Agreement, means purchases by the Parties of energy and/or capacity from third parties in support of Trading and Marketing Activities.

**1.15 Off-System Sales**, for purposes of this Agreement, means sales by the Parties of energy and/or capacity to third parties that are non-native load customers of the Parties to this Agreement in support of Trading and Marketing Activities.

**1.16 Operating Committee** means the administrative body established pursuant to Article VI for the purposes therein specified.

**1.17 Operating Companies** means the AEP East Operating Companies and the AEP West Operating Companies.

**1.18 Out-of-Pocket Cost** means all expenses incurred that would not otherwise have been incurred if the corresponding service had not been arranged and shall include the supply and cost basis of Off-System Sales.

**1.19 Party** or **Parties** means one or more of the following individually or collectively, as the context warrants: APC, KPC, IM, WPC, AEPSC, PSO, and SWEPCO.

**1.20 PSO** means Public Service Company of Oklahoma.

**1.21 PJM** means PJM Interconnection, L.L.C.

**1.22 SPP** means Southwest Power Pool, Inc.

**1.23 SWEPCO** means Southwestern Electric Power Company.

Sheet No. 5

**1.24 Service Schedule** means the Service Schedule attached to this Agreement.

**1.25 Trading and Marketing Activities** means Off-System Sales and Off-System Purchases.

**1.26 Trading and Marketing Realization** means the difference between (i) revenues collected from Trading and Marketing Activities and (ii) the Out-of-Pocket Cost of such Trading and Marketing Activities including any transaction costs related to such activities.

**1.27 WPC means Wheeling Power Company.**

## ARTICLE II TERM OF AGREEMENT

### 2.1 Term

This Agreement shall take effect on June 1, 2015, and shall continue in force and effect thereafter until terminated by mutual agreement or upon twelve (12) months' written notice from any of the Parties. The Agreement shall remain in effect for the remaining Parties so long as there are at least one AEP East Operating Company and at least one AEP West Operating Company that are still parties to the Agreement.

Notwithstanding this termination notice, each Party shall remain responsible for its allocation of cost and revenues of all Trading and Marketing Activities that were or are entered into under this Agreement, including those activities, if any, that are entered into that extend beyond the date after which the notifying Party is no longer a Party to this Agreement.

### 2.2 Review

This Agreement will be reviewed on an as needed basis by the Operating Committee to determine whether revisions are necessary or appropriate.

Deleted: 2014

Sheet No. 6

### **ARTICLE III OBJECTIVES**

#### **3.1 Purpose**

The purpose of this Agreement is to provide the contractual basis for the equitable sharing of Trading and Marketing Activities between the AEP East Operating Companies and the AEP West Operating Companies, and for any other purposes set forth herein.

### **ARTICLE IV RELATIONSHIP TO OTHER AGREEMENTS AND SERVICES**

#### **4.1 Governing Provisions**

This Agreement is intended to apply in addition to and not in lieu of the AEP East PCA and the AEP West Operating Agreement. The provisions of this Agreement shall, to the extent practicable, be construed and applied in a manner that is consistent with the AEP PCA and the AEP West Operating Agreement. In the event of any inconsistency, however, the provisions of this Agreement shall control.

### **ARTICLE V AGENT**

#### **5.1 Agent's Functions**

The Parties hereby designate AEPSC as their Agent for the purposes of:

- (a) conducting Trading and Marketing Activities on behalf of all the Operating Companies that are parties to this Agreement;
- (b) developing all bills and billing information among the Parties pursuant to this Agreement; and
- (c) such other activities and duties as may be assigned from time to time by the Operating Committee.

Sheet No. 7

## **5.2 Delegation and Acceptance of Authority**

The Parties hereby delegate to the Agent and the Agent hereby accepts responsibility and authority for the duties listed in Section 5.1 and elsewhere in this Agreement. Except as herein expressly established otherwise, the Agent shall perform each of those duties in consultation with the Operating Committee.

## **ARTICLE VI COMPOSITION AND DUTIES OF THE OPERATING COMMITTEE**

### **6.1 Operating Committee**

The Operating Committee is the administrative body created to administer this Agreement and shall consist of three (3) members. One member shall be a representative of the AEP East Operating Companies, one member shall be a representative of the AEP West Operating Companies and the third member shall be a representative of AEPSC who will also act as the chairperson of the committee.

### **6.2 Meetings**

The Operating Committee shall hold meetings at such times, means and places as the members shall determine. Minutes of each Operating Committee meeting shall be prepared and maintained.

### **6.3 Decisions**

All decisions of the Operating Committee shall be by a majority vote of the members present or their designated proxy.

### **6.4 Duties**

The Operating Committee shall have the following duties, unless such duties are otherwise assigned by a vote of the Operating Committee to the Agent, in which case the Agent shall perform such duties. The Operating Committee will be responsible for:

Sheet No. 8

- (a) administering this Agreement and recommending any amendments hereto;
- (b) reviewing and making recommendations concerning the sharing of costs and benefits under this Agreement;
- (c) reviewing and, if necessary, amending the duties and responsibilities of the Agent; and
- (d) ensuring coordination for other matters not specifically provided for herein.

## **ARTICLE VII TRADING AND MARKETING**

### **7.1 Trading and Marketing Activities**

All Trading and Marketing Activities initiated or concluded after the effective date of this Agreement shall be conducted centrally under the direction of the Agent.

## **ARTICLE VIII ASSIGNMENT OF COSTS AND BENEFITS**

Deleted: IIX

### **8.1 Service Schedule(s)**

The costs and revenues associated with activities described in Article VII shall be distributed in the manner provided from time to time in the Service Schedule(s) attached to and incorporated by reference into this Agreement. It is understood and agreed that the Service Schedule(s) is/are intended to establish an equitable sharing of costs and/or benefits among the Operating Companies, and that circumstances may, from time to time, require a reassessment of relative benefits and burdens or of the methods used in the Service Schedule(s) to apportion the benefits and burdens. Upon a recommendation of the Operating Committee and agreement among the Parties, the

Sheet No. 9

Service Schedule(s) may be amended as of any date agreed to by the Parties, subject to receipt of necessary regulatory authorization.

The Service Schedule(s) incorporated into this Agreement is/are as follows:

**Service Schedule A:** Allocation of Trading and Marketing Realizations.

## **ARTICLE IX BILLING PROCEDURES**

### **9.1 Records**

The Agent shall maintain such records as may be necessary to determine the assignment of costs and benefits pursuant to this Agreement. Such records shall be made available to the Parties upon request.

### **9.2 Monthly Statements**

As promptly as practicable after the end of each calendar month, the Agent shall prepare a statement setting forth the monthly summary of costs and revenues allocated or assigned to the Operating Companies in sufficient detail as may be needed for settlements under the provisions of this Agreement. As required, the Agent may provide such statements on an estimated basis and then adjust those statements for actual results.

### **9.3 Billings and Payments**

The Agent shall handle all billing between the Parties and other entities for Trading and Marketing Activities pursuant to this Agreement. Payment among the Operating Companies shall be by making remittance of the net amount billed or by making appropriate accounting entries on the books of the Parties.

### **9.4 Billing Errors**

If a Party discovers a billing error pertaining to a prior billing for reasons including, but not limited to, missing or erroneous data or calculations, including those

Sheet No. 10

caused by meter, computer or human error, a correction adjustment will be calculated. The correction adjustment shall not be applied to any period earlier than the beginning of the second full billing month preceding the discovery of the error, nor will interest accrue on such adjustment. The correction adjustment will be applied as soon as practicable to the next subsequent regular monthly bill. Any overpaid amount attributed to such billing errors shall be returned by the owing Party(ies) upon determination of the correct amount with no interest.

**9.5 Billing Omissions**

Within one (1) year from the date on which a bill should have been delivered, if a Party's records reveal that the bill was not delivered, then the Agent shall deliver to the appropriate Party a bill within one (1) month of this determination. Any amounts collected or reimbursed due to such omissions shall exclude interest. The right to receive payment is waived with respect to any amounts not billed within this period.

**9.6 Billing Disputes**

The Parties shall have the right to dispute the accuracy of any bill or payment for a period not to exceed two months from the date on which the bill was initially delivered. Following this one-month period, the right to dispute a bill is permanently waived for any and all reasons including but not limited to, (a) errors, (b) omissions, (c) Agent's actions, and (d) the Operating Committee's decisions, Agreement interpretations and direction in the administration of the Agreement. Any amounts collected or reimbursed due to such disputes shall exclude interest.

**9.7 Taxes**

Should any federal, state, or local tax, surcharge or similar assessment, in addition to those that may now exist, be levied upon the electric power, energy or service to be provided in connection with this Agreement, or upon the provider of service as measured by the power, energy or service, or the revenue therefrom, such additional amount shall be included in the net billing as described in Section 9.3.

Sheet No. 11

## **ARTICLE X FORCE MAJEURE**

### **10.1 Events Excusing Performance**

No Party shall be liable to another Party for or on account of any loss, damage, injury, or expense resulting from or arising out of a delay or failure to perform, either in whole or in part, any of the agreements, covenants or obligations made by or imposed upon the Parties by this Agreement, by reason of or through strike, work stoppage of labor, failure of contractors or suppliers of materials (including fuel), failure of equipment, environmental restrictions, riot, fire, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any court granted in any bona fide adverse legal proceedings or action, or of any civil or military authority either *de facto* or *de jure*, explosion, Act of God or the public enemies, or any other cause reasonably beyond its control and not attributable to its neglect. A Party experiencing such a delay or failure to perform shall use due diligence to remove the cause or causes thereof; however, no Party shall be required to add to, modify or upgrade any facilities, or to settle a strike or labor dispute except when, according to its own best judgment, such action is advisable.

## **ARTICLE XI GENERAL**

### **11.1 No Third Party Beneficiaries**

This Agreement does not create rights of any character whatsoever in favor of any person, corporation, association, entity or power supplier, other than the Parties, and the obligations herein assumed by the Parties are solely for the use and benefit of said Parties. Nothing in this Agreement shall be construed as permitting or vesting, or attempting to permit or vest, in any person, corporation, association, entity or power

Sheet No. 12

supplier, other than the Parties, any rights hereunder or in any of the resources or facilities owned or controlled by the Parties or the use thereof.

**11.2 Waivers**

Any waiver at any time by a Party of its rights with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or matter. Any delay, short of the statutory period of limitation, in asserting or enforcing any right under this Agreement, shall not be deemed a waiver of such right.

**11.3 Successors and Assigns**

This Agreement shall inure to the benefit of and be binding upon the Parties only, and their respective successors and assigns, and shall not be assignable by any Party without the written consent of the other Parties except to a successor in the operation of its properties by reason of a merger, consolidation, sale or foreclosure whereby substantially all such properties are acquired by or merged with those of such a successor.

**11.4 Liability and Indemnification**

SUBJECT TO ANY APPLICABLE STATE OR FEDERAL LAW WHICH MAY SPECIFICALLY RESTRICT LIMITATIONS ON LIABILITY, EACH PARTY SHALL RELEASE, INDEMNIFY, AND HOLD HARMLESS THE OTHER PARTIES, THEIR DIRECTORS, OFFICERS AND EMPLOYEES FROM AND AGAINST ANY AND ALL LIABILITY FOR LOSS, DAMAGE OR EXPENSE ALLEGED TO ARISE FROM, OR INCIDENTAL TO, INJURY TO PERSONS AND/OR DAMAGE TO PROPERTY IN CONNECTION WITH ITS FACILITIES OR THE PRODUCTION OR TRANSMISSION OF ELECTRIC ENERGY BY OR THROUGH SUCH FACILITIES, OR RELATED TO PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, INCLUDING ANY NEGLIGENCE ARISING HEREUNDER. IN NO EVENT SHALL ANY PARTY BE LIABLE TO ANOTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR

Sheet No. 13

CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY CLAIM ARISING OUT OF THIS AGREEMENT.

**11.5 Section Headings**

The descriptive headings of the Articles and Sections of this Agreement are used for convenience only, and shall not modify or restrict any of the terms and provisions thereof.

**11.6 Notice**

Any notice or demand for performance required or permitted under any of the provisions of this Agreement shall be deemed to have been given on the date such notice, in writing, is deposited in the U.S. mail, postage prepaid, certified or registered mail, addressed to:

AMERICAN ELECTRIC POWER SERVICE CORPORATION  
Senior Vice President, Regulatory Services  
1 Riverside Plaza  
Columbus, Ohio 43215-2373

or in such other form or to such other address as the Parties may stipulate.

**11.7 Interpretation**

In this Agreement: (a) unless otherwise specified, references to any Article or Section are references to such Article or Section of this Agreement; (b) the singular includes the plural and the plural includes the singular; (c) unless otherwise specified, each reference to a requirement of any governmental entity or regional transmission organization includes all provisions amending, modifying, supplementing or replacing such governmental entity or regional transmission organization from time to time; (d) the words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation"; (e) unless otherwise specified, each reference to any tariff or agreement includes all amendments, modifications, supplements, and restatements made to such tariff or agreement from time to time which are not prohibited by this

Sheet No. 14

Agreement; (f) the descriptive headings of the various Articles and Sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict the terms and provisions thereof; and (g) “herein,” “hereof,” “hereto” and “hereunder” and similar terms refer to this Agreement as a whole.

## **ARTICLE XII REGULATORY APPROVAL**

### **12.1 Regulatory Authorization**

This Agreement is subject to and conditioned upon acceptance for filing without material condition or modification by the Commission. In the event that this Agreement is not so accepted for filing in its entirety or without conditions or modifications unacceptable to any Party, or the Commission subsequently modifies this Agreement upon complaint or upon its own initiative (as provided for in Section 12.2), any Party may, irrespective of the notice provisions in Section 2.1, withdraw from this Agreement by giving thirty (30) days’ advance written notice to the other Parties.

### **12.2 Changes**

It is contemplated by the Parties that it may be appropriate from time to time to change, amend, modify or supplement this Agreement, including the Schedule and attachments which are a part of this Agreement, to reflect changes in practices or costs of operations or for other reasons. Any such changes to this Agreement shall be in writing executed by the Parties, subject to approval or acceptance for filing by the Commission.

[Signature page follows]

Sheet No. 15

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and attested by their duly authorized officers on the day and year first above written.

**APPALACHIAN POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**KENTUCKY POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**INDIANA MICHIGAN POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**WHEELING POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**AMERICAN ELECTRIC POWER SERVICE CORPORATION**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**PUBLIC SERVICE COMPANY OF OKLAHOMA**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**SOUTHWESTERN ELECTRIC POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Sheet No. 16

**SERVICE SCHEDULE A**  
**ALLOCATION OF TRADING AND MARKETING REALIZATIONS**

**A1 – Duration**

This Service Schedule A shall become effective and binding when the Agreement becomes effective, and shall continue in full force and effect throughout the duration of the Agreement, except as provided in Sections 8.1 and 12.2 of the Agreement. This Service Schedule A is a part of the Agreement and, as such, the use of terms in this Service Schedule A that are defined in the Agreement shall have the same meanings as set forth in the Agreement.

**A2 – Allocation of Trading and Marketing Activity Costs**

The AEP East Zone and the AEP West Zone each shall be reimbursed, before determining the Trading and Marketing Realizations, for its respective Out-Of-Pocket Costs and any transmission-related expenses incurred in support of Trading and Marketing Activities. All overhead costs associated with Trading and Marketing Activities shall be allocated between the AEP East Zone and the AEP West Zone in accordance with the Allocation of Trading and Marketing Realizations set out in Section A3 of this Service Schedule A.

**A3 – Allocation of Trading and Marketing Realizations**

The Agent shall determine the Trading and Marketing Realizations on a monthly basis. The realizations shall be allocated between the AEP East Zone and AEP West Zone as specified below:

(a) AEP East Zone – Trading and Marketing Realizations allocated to the AEP East Zone include the following: (1) Trading and Marketing Realizations resulting from

Sheet No. 17

Trading and Marketing Activities at locations served by the PJM and Midcontinent Independent System Operator, Inc. ("MISO") North regions ("MISO North"); (2) Trading and Marketing Realizations resulting from Trading and Marketing Activities at other locations that are initially assigned to originate or terminate within PJM or MISO North and are ultimately settled financially without physical delivery or are settled with power from a location different than PJM or MISO North; and (3) any other Trading and Marketing Realizations resulting from Trading and Marketing Activities that are conducted solely on behalf of the AEP East Operating Companies

(b) AEP West Zone – Trading and Marketing Realizations allocated to the AEP West Zone include the following: (1) Trading and Marketing Realizations resulting from Trading and Marketing Activities at locations served by the SPP, Electric Reliability Council of Texas ("ERCOT") and MISO South regions ("MISO South"); (2) Trading and Marketing Realizations resulting from Trading and Marketing Activities at other locations that are initially assigned to originate or terminate within SPP, ERCOT or MISO South and are ultimately settled financially without physical delivery or are settled with power from an area different than SPP, ERCOT or MISO South; and (3) any other Trading and Marketing Realizations resulting from Trading and Marketing Activities that are conducted solely on behalf of the AEP West Operating Companies..

(c) Notwithstanding paragraphs (a) and (b) above, Trading and Marketing Activities that originate in PJM or MISO North and terminate in SPP, ERCOT or MISO South will be assigned to the AEP East Zone, and Trading and Marketing Activities that originate in ERCOT, MISO South or SPP and terminate in PJM or MISO North will be assigned to the AEP West Zone.

(d) AEP East Zone and AEP West Zone – Any Trading and Marketing Realizations that cannot be directly assigned to either the AEP East Zone or AEP West Zone based on the above criteria, will be allocated between the two zones. The Trading and Marketing Realizations settled in a given month will be allocated to the two zones in proportion to each zone's total common shareholder equity balance. The total common shareholder equity balance for a zone will be the sum of the total common shareholder equity balances of the Operating Companies in the given zone as of the end of the previous calendar year and will be determined annually by the Agent. These balances will then be applied to allocate the Trading and Marketing Realizations between the two zones during the subsequent twelve-month period beginning June 1 of a given year and ending May 31 of the following year.

(e) This allocation of Trading and Marketing Realizations set out in this Service Schedule A shall remain in effect until such time that is modified pursuant to Section 12.2 of the Agreement.

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

**ATTACHMENT D**

Sheet No. 1

**RATE SCHEDULE No. 300**

**POWER COORDINATION AGREEMENT**

**among**

**APPALACHIAN POWER COMPANY,  
INDIANA MICHIGAN POWER COMPANY,  
KENTUCKY POWER COMPANY,  
WHEELING POWER COMPANY**

**and**

**AMERICAN ELECTRIC POWER SERVICE CORPORATION**

**as Agent**

Tariff Submitter: **Appalachian Power Company**  
FERC Program Name: **FERC FPA Electric Tariff**  
Tariff Title: **APCo Rate Schedules and Service Agreements Tariffs**  
Tariff Proposed Effective Date: **06/01/2015**  
Tariff Record Title: **Power Coordination Agreement**  
Option Code: **A**  
Record Content Description: **Rate Schedule No. 300**

Deleted: 1

Deleted: 4

Sheet No. 2

### POWER COORDINATION AGREEMENT

**THIS AGREEMENT** is made and entered into as of this \_\_ day of \_\_\_\_\_,

2015, by and among Appalachian Power Company (“APCo”), Indiana Michigan Power Company (“I&M”), Kentucky Power Company (“KPCo”), Wheeling Power Company (“WPCo”) and American Electric Power Service Corporation (“AEPSC”) as agent (“Agent”) to APCo, I&M, KPCo and WPCo.

Deleted: 3

Deleted: and

#### RECITALS:

**WHEREAS**, APCo, I&M, KPCo and WPCo (collectively the “Operating Companies” or individually “Operating Company”) own and operate electric generation, transmission and distribution facilities with which they are engaged in the business of generating, transmitting and selling electric power to the general public and to other electric utilities;

Deleted: and

**WHEREAS**, the Operating Companies' electric facilities are now and have been for many years interconnected through their respective transmission facilities and transmission facilities of third parties at a number of points;

**WHEREAS**, APCo, I&M, KPCo and WPCo provide power to serve retail and wholesale customers in Indiana, Kentucky, Michigan, Tennessee, Virginia and West Virginia;

Deleted: and

**WHEREAS**, APCo, I&M, KPCo and WPCo believe that they can continue to achieve efficiencies and economic benefits through (a) participation in the organized power markets of a regional transmission organization and (b) allocation of off-system sales and purchases with other parties on bases that fairly assign or allocate the costs and benefits of these transactions;

Deleted: and

**WHEREAS**, the achievement of the foregoing will be facilitated by the performance of certain services by an Agent;

Sheet No. 3

**WHEREAS**, AEPSC is the service company affiliate of APCo, I&M, ~~KPCo and WPCo~~ and as such performs a variety of services on their behalf in accordance with applicable rules and regulations of the Federal Energy Regulatory Commission (“Commission”); and

Deleted: and

**WHEREAS**, AEPSC is willing to serve as Agent to APCo, I&M, ~~KPCo and WPCo~~ under this Agreement.

Deleted: and

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements herein set forth, the Parties mutually agree as follows:

#### **ARTICLE I DEFINITIONS**

**1.1 Agreement** means this Power Coordination Agreement among APCo, I&M, KPCo, ~~WPCo~~ and Agent, including all Service Schedules and attachments hereto.

**1.2 Capacity Auction** means auctions implemented pursuant to a Capacity Market, and may include, but is not necessarily limited to, the Base Residual Auction and other incremental auctions conducted in accordance with the PJM Interconnection, LLC (“PJM”) Reliability Pricing Model market rules.

**1.3 Capacity Market** means any market of an applicable regional transmission organization under which the Operating Companies satisfy their capacity obligations as load serving entities, which would include, for example, the PJM capacity market as described in the PJM Reliability Assurance Agreement (“RAA”) and Attachment DD of the PJM Open Access Transmission Tariff (“PJM OATT”).

**1.4 Dedicated Wholesale Customer** means a wholesale customer whose load is served by an Operating Company that has undertaken, by contract, an obligation to serve that customer's partial or full requirements load and to acquire power supply resources and other resources necessary to meet those requirements.

Sheet No. 4

**1.5 Generation Hedge Transactions** means Off-System Transactions entered into for the purpose of hedging the output of the generation assets of one or more of the Operating Companies.

**1.6 Industry Standards** means all applicable national and regional electric reliability council and regional transmission organization principles, guides, criteria, standards and practices.

**1.7 Internal Load** means all sales of power, plus associated line losses, by an Operating Company to its Retail Customers and Dedicated Wholesale Customers. As distinguished from Off-System Sales, Internal Load is principally characterized by the Operating Company assuming the load obligation as its own power commitment.

**1.8 Off-System Sales** means all wholesale power sales by an Operating Company other than sales to the Retail Customers and Dedicated Wholesale Customers that comprise the Operating Company's Internal Load. Sales of wholesale power by an Operating Company to another Operating Company are not governed by this Agreement, and will not be deemed Off-System Sales under this Agreement.

**1.9 Off-System Purchases** means wholesale power purchases by an Operating Company or Operating Companies for any of the following reasons: (a) to reduce power supply costs, (b) to serve load requirements, (c) to provide reliability of supply, (d) to satisfy state specific requirements or goals or (e) to engage in Off-System Sales. Purchases of wholesale power by an Operating Company from another Operating Company are not governed by this Agreement, and will not be deemed Off-System Purchases under this Agreement.

Sheet No. 5

**1.10 Off-System Transactions** means Off-System Sales, Off-System Purchases and any other types of power-related wholesale transactions, whether physical or financial, on behalf of an Operating Company or Operating Companies, excluding sales to Internal Load customers.

**1.11 Operating Committee** means the administrative body established pursuant to Article VI for the purposes specified within this Agreement.

**1.12 Party** means each of APCo, I&M, KPCo, WPCo and Agent, individually, and **Parties** means APCo, I&M, KPCo, WPCo and Agent, collectively.

**1.13 Retail Customer** means a retail power customer on whose behalf an Operating Company has undertaken an obligation to obtain power supply resources in order to supply electricity to reliably meet the electric needs of that customer.

**1.14 Service Schedules** means the Service Schedules attached to this Agreement, as they may be amended from time to time, and those that later may be agreed to by the Parties and made part of a modified Agreement.

**1.15 Spot Market** means the day ahead, real time (balancing) or similar short-term energy market(s) operated by the applicable regional transmission organization(s), typically characterized by energy that is selected and delivered on an hourly, or more frequent, basis during that same day or the next calendar day.

**1.16 System Emergency** means a condition which, if not promptly corrected, threatens to cause imminent harm to persons or property, including the equipment of a Party or a Third Party, or threatens the reliability of electric service provided by an Operating Company to Retail Customers or Dedicated Wholesale Customers.

**1.17 Third Party or Third Parties** means any entity or entities that are not a Party or Parties.

Sheet No. 6

**1.18 Trading Transactions** means Off-System Transactions that are not Generation Hedge Transactions or otherwise sourced or hedged from, dedicated to, or associated with the generation assets or Internal Load of the Operating Companies.

**ARTICLE II  
TERM OF AGREEMENT**

**2.1 Term and Withdrawal.** Subject to Commission approval or acceptance for filing, this Agreement shall take effect on June 1, 2015, or such other date permitted by the Commission, and shall continue in full force and effect until (a) terminated by mutual agreement or (b) upon no less than twelve (12) months' written notice by one Party to each of the other Parties, after which time the notifying Party will be withdrawn from the Agreement and the Agreement will continue in full force and effect for the remaining Parties except for such modifications necessary to remove the withdrawn Party.

Deleted: January

Deleted: 4

**ARTICLE III  
[INTENTIONALLY OMITTED]**

**ARTICLE IV  
SCOPE AND RELATIONSHIP TO OTHER AGREEMENTS  
AND SERVICES**

**4.1 Scope.** This Agreement is not intended to preclude the Parties from entering into other arrangements between or among themselves or with Third Parties. This Agreement is intended to operate in addition to, not in lieu of, power market transactions and settlements that occur between each Operating Company, or the Operating Companies collectively, and any applicable regional transmission organizations.

**4.2 Transmission.** This Agreement is intended to apply to the coordination of the power supply resources of, and loads served by, the Operating Companies. It is not intended to

Sheet No. 7

apply to the coordination of transmission facilities owned or operated by the Operating Companies.

**ARTICLE V  
AGENT**

**5.1 Agent.** The Agent will perform the activities and duties specified by this Agreement and any other activities or duties pertaining to this Agreement that may be requested from time to time by one or more Operating Companies, subject to the receipt of any necessary regulatory approvals. The Operating Companies delegate to AEPSC, as the Agent, and AEPSC hereby accepts responsibility and authority for the duties specified in this Agreement and shall perform each of those duties under the direction of the Operating Companies. With the prior written consent of the Operating Companies, AEPSC may delegate all or a part of its responsibilities under this Agreement to another entity.

**ARTICLE VI  
COMPOSITION AND DUTIES OF  
THE OPERATING COMMITTEE**

**6.1 Operating Committee.** By written notice to the other Parties, each Party shall name one representative (“Representative”) to act for it in matters pertaining to this Agreement and its implementation. A Party may change its Representative at any time by written notice to the other Parties. The Representatives of the respective Parties shall comprise the Operating Committee. The Agent’s Representative shall act as the chairman of the Operating Committee (“Chairman”). All decisions of the Operating Committee shall be by a simple majority vote of the Representatives. There shall be only five voting representatives on the Operating Committee. No Party may delegate its vote to another entity.

Deleted: four

Sheet No. 8

**6.2 Meeting Dates.** The Operating Committee shall hold meetings at such times, means, and places as the members shall determine. Minutes of each Operating Committee meeting shall be prepared and maintained.

**6.3 Duties.** The Operating Committee shall have the duties listed below:

- (a) reviewing and providing direction concerning the equitable sharing of costs and benefits under this Agreement among the Operating Companies;
- (b) administering this Agreement and proposing amendments hereto, including such amendments that are proposed in response to a change in regulatory requirements applicable to one or more of the Operating Companies or changes concerning an applicable regional transmission organization, provided that any amendments will be subject to Section 13.2; and
- (c) reviewing and, if necessary, proposing changes to the duties and responsibilities of the Agent, subject to Section 5.1.

In the event that an action of the Operating Committee results in a change to the settlement process(es) among the Operating Companies, such modified settlement will normally occur on a prospective basis only, however, this may include past billing periods back to the beginning of the first full billing month preceding the date of action of the Operating Committee. Such modifications will be subject to the terms of Article IX as applicable.

## **ARTICLE VII OPERATING COMPANY PLANNING AND OPERATIONS**

**7.1 Operating Company and System Planning.** Each Operating Company will be individually responsible for its own capacity planning. Consistent with the requirements of PJM or the applicable regional transmission or reliability organization, each Operating Company will be responsible for maintaining an adequate level of power supply resources to meet its own

Sheet No. 9

Internal Load requirements for capacity and energy, including any required reserve margins, and shall bear all of the resulting costs. The Agent shall assess the adequacy of the power supply resources of the Operating Companies and make recommendations to each Operating Company regarding (1) the need for additional power supply resources and (2) whether each Operating Company has power supply resources in excess of its needs (short-term or long-term) that could be made available to the other Operating Companies or Third Parties either through separate contracts or through the power markets of the applicable regional transmission organization. The actual addition or disposition of power supply resources will be conditioned on compliance with all applicable state and other regulatory requirements and requirements of the applicable regional transmission organization.

**7.2 Generation Resource Outage Planning.** The Agent, on behalf of the Operating Companies, will coordinate the scheduling of planned generation resource outages in order to support reliability and manage costs.

**7.3 Generation Resource Dispatch.** The generation resources of each of the Operating Companies will be individually dispatched by the Agent in accordance with the direction of the applicable regional transmission organization.

**7.4 Regional Transmission Organization Transactions.** The Agent will administer the participation of the Operating Companies in the power markets of the applicable regional transmission organization. Each Operating Company shall be individually responsible for charges it incurs and credits it receives due to its participation in the power markets of a regional transmission organization. Such costs and revenues will be assigned or allocated directly by the applicable regional transmission organization or its agent where practical. The Operating Companies may collectively participate from time to time in specific markets of the regional

Sheet No. 10

transmission organization or to meet certain regional transmission or reliability organization requirements, in which case the allocation of resulting revenues and/or costs, if any, will be performed as specified herein. The election of whether each Operating Company's load and generation resources will participate in the Capacity Market of PJM through the Reliability Pricing Model auctions or through the Fixed Resource Requirement alternative, either collectively or individually, for any planning year is not governed by this Agreement.

**7.5 Off System Transactions.** The Agent will engage in Off-System Transactions on behalf of or at the direction of the Operating Companies and will assign or allocate the costs and revenues of Off-System Transactions to the Operating Companies in the manner specified below.

**7.5.1 Capacity Purchases and Sales with Third Parties.** Except as described in Section 7.5.2 related to the PJM Capacity Auctions: (1) Off-System Transactions of capacity undertaken for an individual Operating Company will be directly assigned to that Operating Company; (2) Off-System Purchases of capacity undertaken for more than one Operating Company will be allocated among those Operating Companies ratably in proportion to the total capacity needed by each Operating Company minus each Operating Company's total capacity resources; and (3) Off-System Sales of capacity undertaken for more than one Operating Company will be allocated among those Operating Companies ratably in proportion to the total capacity resources of each Operating Company minus the total capacity obligation of each Operating Company (including any holdback required by the applicable regional transmission organization).

**7.5.2 Capacity Purchases and Sales in the PJM Capacity Auctions And Related Issues.** When an Operating Company participates individually in the Reliability Pricing Model or the Fixed Resource Requirement alternative, Off-System Transactions

Sheet No. 11

of capacity related to a PJM Capacity Auction will be directly assigned to the specific Operating Company based on the results of such auctions.

When two or more Operating Companies collectively participate in the Fixed Resource Requirement alternative, any Off-System Transactions of capacity related to a PJM Capacity Auction will be allocated to each participating Operating Company ratably in proportion to the total capacity resources of each Operating Company minus the total capacity obligation of each Operating Company (including any holdback required by PJM) for the applicable planning year(s), and Service Schedule A will apply to delivery year and post-delivery year obligations of the participating Operating Companies associated with the Fixed Resource Requirement alternative.

**7.5.3 Directly Assigned Energy Purchases and Sales with Third Parties.**

Off-System Transactions of energy will be directly assigned to the applicable Operating Company. Costs and revenues associated with each Operating Company's Off-System Sales of energy and Internal Load energy purchases from the applicable regional transmission organization in the Spot Market, including the purchase of any energy deficits or sales of any energy surpluses, will be directly assigned to that Operating Company.

**7.5.4 Generation Hedge Transactions and Trading Transactions.** Revenues and costs associated with Generation Hedge Transactions, including revenues and costs associated with the settlement of Generation Hedge Transactions in the Spot Market or other markets of the applicable regional transmission organization, will be allocated among the Operating Companies by the Agent as specified under Service Schedule B.

Sheet No. 12

Revenues and costs associated with Trading Transactions, including revenues and costs associated with the settlement of Trading Transactions in the Spot Market or other markets of the applicable regional transmission organization, will be allocated among the Operating Companies by the Agent as specified under Service Schedule C.

**7.6 Emergency Response.** In the event of a System Emergency, no adverse distinction shall be made between the customers of any of the Operating Companies. Each Operating Company shall, under the direction of the applicable regional transmission organization, make its power supply resources available in response to a System Emergency. Notwithstanding the foregoing, it is understood that transmission constraints or other factors may limit the ability of an Operating Company to respond to a System Emergency.

**ARTICLE VIII  
ASSIGNMENT OF COSTS AND BENEFITS  
OF COORDINATED OPERATIONS**

**8.1 Service Schedules.** The costs and revenues associated with coordinated operations as described in Article VII shall be distributed among the Operating Companies in the manner provided in the Service Schedules utilizing the billing procedures described in Article IX. It is understood and agreed that all such Service Schedules are intended to establish an equitable sharing of costs and/or benefits among the Operating Companies, and that circumstances may, from time to time, require a reassessment of the relative costs and benefits of this Agreement, or of the methods used to apportion costs and benefits under the Service Schedules. Upon a proposal of the Operating Committee, any of the Service Schedules may be amended as of any date agreed to by the Operating Committee by majority vote, subject to Section 13.2.

Sheet No. 13

**ARTICLE IX  
BILLING PROCEDURES**

**9.1 Records.** The Agent shall maintain such records as may be necessary to determine the assignment of costs and revenues of coordinated operations pursuant to this Agreement. Such records shall be made available to the Parties upon request for a period not to exceed three (3) years.

**9.2 Monthly Net Billing Statements.** As promptly as practicable after the end of each calendar month, the Agent shall prepare a statement setting forth the monthly summary of costs and revenues allocated or assigned to the Operating Companies in sufficient detail as may be needed for settlements under the provisions of this Agreement. As required, the Agent may provide such statements on an estimated basis and then adjust those statements for actual results.

**9.3 Billings and Payments.** The Agent shall be responsible for all billing between the Operating Companies and other entities with which they engage in Off-System Transactions pursuant to this Agreement. Payments among the Operating Companies, if any, shall be made by remittance of the net amount billed or by making appropriate accounting entries on the books of the Parties. The entire amount shall be paid when due.

**9.4 Taxes.** Should any federal, state, or local tax, surcharge or similar assessment, in addition to those that may now exist, be levied upon the electric capacity, energy, or services to be provided in connection with this Agreement, or upon the provider of service as measured by the electric capacity, energy, or services, or the revenue there from, such additional amount shall be included in the net billing described in Section 9.3.

**9.5 Undelivered and Unpaid Monthly Billing Statements.** Within one (1) year from the date on which a billing statement should have been delivered, if a Party's records reveal that the bill was not delivered, then the Agent shall deliver to the appropriate Party a bill within

Deleted: 6

Sheet No. 14

one (1) month of this determination. Any amounts collected or reimbursed due to such delay shall not include interest.

**9.6 Billing Errors and Disputes.** If a Party discovers a billing error pertaining to a prior billing for reasons including, but not limited to, missing or erroneous data or calculations, including those caused by meter, computer or human error, a correction adjustment will be calculated through the second full month preceding discovery of the error. The Parties shall have the right to dispute the accuracy of any bill or payment for a period not to exceed two months from the date on which the bill or, if applicable, the corrected bill was initially delivered. Following this two-month period, the right to dispute a bill is permanently waived for any and all reasons including but not limited to, (a) errors, (b) omissions, (c) Agent's actions, and (d) the Operating Committee's decisions, Agreement interpretations and direction in the administration of the Agreement. Any amounts collected or reimbursed due to such disputes shall not include interest.

Deleted: 7

## **ARTICLE X FORCE MAJEURE**

**10.1 Events Excusing Performance.** No Party shall be liable to another Party for or on account of any loss, damage, injury, or expense resulting from or arising out of a delay or failure to perform, either in whole or in part, any of the agreements, covenants, or obligations made by or imposed upon the Parties by this Agreement, by reason of or through strike, work stoppage of labor, failure of contractors or suppliers of materials (including fuel, consumables or other goods and services), failure of equipment, environmental restrictions, riot, fire, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any court or regulatory agency granted in any *bona fide* legal proceedings or action, or of any civil or military

Sheet No. 15

authority either *de facto* or *de jure*, explosion, Act of God or the public enemies, or any other cause reasonably beyond its control and not attributable to its neglect. A Party experiencing such a delay or failure to perform shall use due diligence to remove the cause or causes thereof; however, no Party shall be required to add to, modify or upgrade any facilities, or to settle a strike or labor dispute except when, according to its own best judgment, such action is advisable.

#### **ARTICLE XI DELIVERY POINTS**

**11.1 Delivery Points.** All electric energy delivered under this Agreement shall be of the character commonly known as three-phase sixty-cycle energy, and shall be delivered at the various points where the transmission systems of the Operating Companies are interconnected, either directly or through transmission facilities of third parties, at the nominal unregulated voltage designated for such points, and at such other points and voltages as may be determined and agreed upon by the Operating Companies.

#### **ARTICLE XII GENERAL**

**12.1 Adherence to Industry Standards.** The Parties agree to make their best efforts to conform to Industry Standards as they affect the implementation of and conduct pertaining to this Agreement.

**12.2 No Third Party Beneficiaries.** This Agreement does not create rights of any character whatsoever in favor of any person, corporation, association, entity or power supplier, other than the Parties, and the obligations herein assumed by the Parties are solely for the use and benefit of the Parties. Nothing in this Agreement shall be construed as permitting or vesting, or attempting to permit or vest, in any person, corporation, association, entity or power supplier,

Sheet No. 16

other than the Parties, any rights hereunder or in any of the resources or facilities owned or controlled by the Parties or the use thereof.

**12.3 Waivers.** Any waiver at any time by a Party of its rights with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or matter. Any delay, short of the statutory period of limitation, in asserting or enforcing any right under this Agreement, shall not be deemed a waiver of such right.

**12.4 Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the Parties only, and their respective successors and assigns, and shall not be assignable by any Party without the written consent of the other Parties except to a successor in the operation of its properties by reason of a reorganization to comply with state or federal restructuring requirements, or a merger, consolidation, sale or foreclosure whereby substantially all such properties are acquired by or merged with those of such a successor.

**12.5 Liability and Indemnification.** SUBJECT TO ANY APPLICABLE STATE OR FEDERAL LAW THAT MAY SPECIFICALLY RESTRICT LIMITATIONS ON LIABILITY, EACH PARTY (AN "INDEMNIFYING PARTY") SHALL RELEASE, INDEMNIFY, AND HOLD HARMLESS THE OTHER PARTIES (EACH AN "INDEMNIFIED PARTY"), THEIR DIRECTORS, OFFICERS AND EMPLOYEES FROM AND AGAINST ANY AND ALL LIABILITY FOR LOSS, DAMAGE OR EXPENSE (1) ALLEGED TO ARISE FROM, OR BE INCIDENTAL TO, INJURY TO PERSONS AND/OR DAMAGE TO PROPERTY IN CONNECTION WITH THE INDEMNIFYING PARTY'S FACILITIES OR THE PRODUCTION OR TRANSMISSION OF ELECTRIC ENERGY BY OR THROUGH THE INDEMNIFYING PARTY'S FACILITIES OR (2) RELATED TO PERFORMANCE OR NON-

Sheet No. 17

PERFORMANCE OF THIS AGREEMENT OR (3) RELATED TO ANY NEGLIGENCE ARISING UNDER THIS AGREEMENT. IN NO EVENT SHALL ANY PARTY BE LIABLE TO ANOTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY CLAIM ARISING OUT OF THIS AGREEMENT.

**12.6 Headings.** The descriptive headings of the Articles, Sections and Service Schedules of this Agreement are used for convenience only, and shall not modify or restrict any of the terms and provisions thereof.

**12.7 Notice.** Any notice or demand for performance required or permitted under any of the provisions of this Agreement shall be deemed to have been given on the date such notice, in writing, is deposited in the U.S. mail, postage prepaid, certified or registered mail, addressed to the Parties at their principal place of business at 1 Riverside Plaza, Columbus, Ohio 43215, or in such other form or to such other address as the Parties may stipulate.

**12.8 Interpretation.** In this Agreement: (a) unless otherwise specified, references to any Article or Section are references to such Article or Section of this Agreement; (b) the singular includes the plural and the plural includes the singular; (c) unless otherwise specified, each reference to a requirement of any governmental entity or regional transmission organization includes all provisions amending, modifying, supplementing or replacing such governmental entity or regional transmission organization from time to time; (d) the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; (e) unless otherwise specified, each reference to any tariff or agreement includes all amendments, modifications, supplements, and restatements made to such tariff or agreement from time to time which are not prohibited by this Agreement; (f) the descriptive headings of the various Articles

Sheet No. 18

and Sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict the terms and provisions thereof; and (g) “herein,” “hereof,” “hereto” and “hereunder” and similar terms refer to this Agreement as a whole.

### **ARTICLE XIII REGULATORY APPROVAL**

**13.1 Regulatory Authorization.** This Agreement is subject to and conditioned upon its approval or acceptance for filing without material condition or modification by the Commission. In the event that this Agreement is not so approved or accepted for filing in its entirety or without conditions or modifications unacceptable to any Party, or the Commission subsequently modifies this Agreement upon complaint or upon its own initiative (as provided for in Section 13.2), any Party may, irrespective of the notice provisions in Section 2.1, withdraw from this Agreement by giving thirty (30) days’ advance written notice to the other Parties.

**13.2 Changes.** It is contemplated by the Parties that it may be appropriate from time to time to change, amend, modify, or supplement this Agreement, including the Service Schedules and any other attachments that may be made a part of this Agreement, to reflect changes in operating practices or costs of operations or for other reasons. Any such changes to this Agreement shall be in writing executed by the Parties and subject to approval or acceptance for filing by the Commission.

Sheet No. 19

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be executed and attested by their duly authorized officers on the day and year first above written.

**APPALACHIAN POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**INDIANA MICHIGAN POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**KENTUCKY POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**WHEELING POWER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**AMERICAN ELECTRIC POWER SERVICE CORPORATION**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Deleted: ¶

Sheet No. 20

**SERVICE SCHEDULE A  
COLLECTIVE PARTICIPATION IN THE  
FIXED RESOURCE REQUIREMENT ALTERNATIVE**

**A1- Duration.** This Service Schedule A shall become effective and binding when the Agreement of which it is a part becomes effective, and shall continue in full force and effect throughout the duration of the Agreement unless terminated or suspended.

**A2 – Availability of Service.** This Service Schedule A governs the administration and settlement of capacity during such times that multiple Operating Companies are participating, on a collective basis, in the Fixed Resource Requirement alternative.

**A3 – Delivery Year and Post-Delivery Year Settlement.** During a given PJM planning year (i.e., the delivery year), the Agent will manage the capacity resources needed to meet the combined Operating Companies' capacity obligations and commitments to PJM.

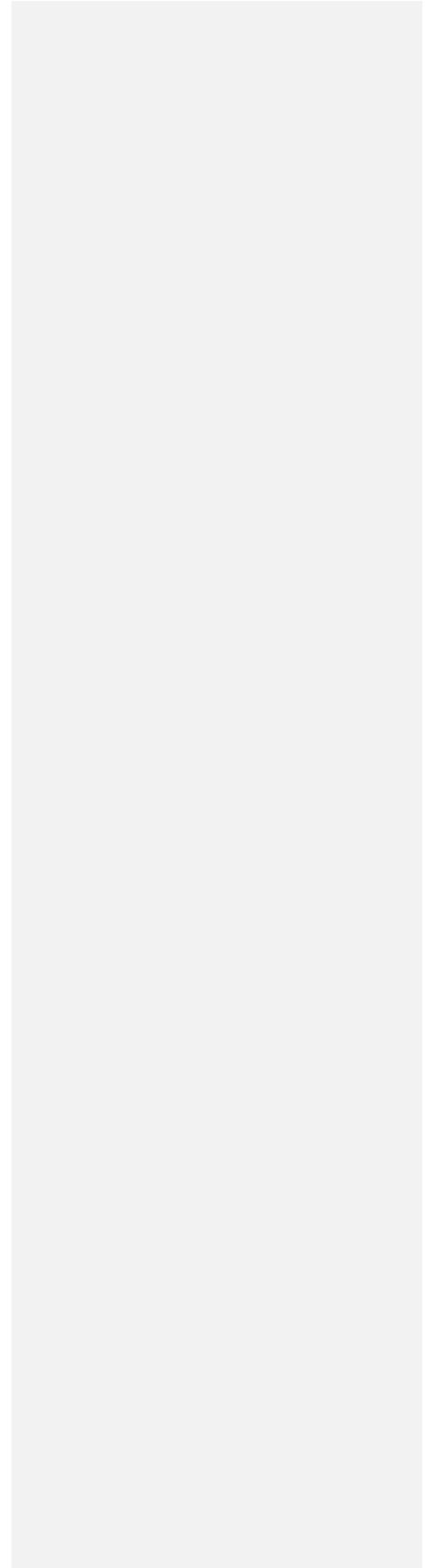
If capacity resource performance charges are assessed by PJM for a given delivery year, the total net charge will be allocated among the Operating Companies ratably in proportion to each Operating Company's contribution to the total charge, taking into account the effect of collective participation of the Operating Companies in the Fixed Resource Requirement alternative. Each Operating Company's contribution to the total net charge will be determined by the Agent by computing a total MW position for each Operating Company by subtracting its total capacity obligation in MWs from its total capacity resources in MWs. This result will be further adjusted by adding or subtracting as applicable the net total MWs of actual under-performance or over-performance of each Operating Company's capacity resources during the delivery year as computed by PJM. Any Operating Company with a resulting net short MW position, meaning that its capacity obligation MWs are greater than its capacity resource MWs including any MWs of over-performance or under-performance, will be allocated a share of the

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

Sheet No. 21

total net performance charge from PJM based on the Operating Company's net short MW position. Any performance charge not allocated as set forth above will be directly assigned to the Operating Company that caused the performance charge.



Sheet No. 22

**SERVICE SCHEDULE B  
GENERATION HEDGE TRANSACTIONS**

**B1 – Duration.** This Service Schedule B shall become effective and binding when the Agreement of which it is a part becomes effective, and shall continue in full force and effect throughout the duration of the Agreement unless terminated or suspended.

**B2 – Service.** This Service Schedule B governs energy-related Off-System Transactions made pursuant to Section 7.5.4 of the Agreement that are associated with Generation Hedge Transactions as defined in Section 1.5. The total monthly net costs and revenues from the settlement of Generation Hedge Transactions will be allocated among the Operating Companies ratably in proportion to the total of each Operating Company's surplus MWhs for the month, as determined by the Agent. Surplus MWhs will be computed as the total of all MWs in hours in which an Operating Company's MW output of its generation assets and energy purchases exceeded that Operating Company's Internal Load.

If the above allocation would result in any Operating Company being allocated revenues or costs associated with more than one hundred and fifteen percent (115%) of its monthly surplus MWhs as computed above, such excess(es) above that amount will be allocated to all of the Operating Companies ratably in proportion to the sum of each Operating Company's hourly MW output of its generation assets for the month.

Deleted: 3

Sheet No. 23

**SERVICE SCHEDULE C  
TRADING TRANSACTIONS**

**C1 – Duration.** This Service Schedule C shall become effective and binding when the Agreement of which it is a part becomes effective, and shall continue in full force and effect throughout the duration of the Agreement unless terminated or suspended.

**C2 – Service.** This Service Schedule C governs the financial allocation and settlement of Off-System Transactions made pursuant to Section 7.5.4 of the Agreement that are associated with Trading Transactions as defined in Section 1.18. All Trading Transactions settled for a given month will be allocated among the Operating Companies ratably in proportion to each Operating Company's total common shareholder equity balance. The total common shareholder equity balance for each Operating Company as of the end of the previous calendar year will be as stated in the FERC Form 1, currently page 112 (Total Proprietary Capital). These balances will then be applied to allocate settled Trading Transactions among the Operating Companies during the subsequent twelve-month period beginning June 1 and ending May 31.

Deleted: 6

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

**ATTACHMENT E**

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

## **CERTIFICATE OF CONCURRENCE**

This is to certify that Wheeling Power Company (Wheeling), a West Virginia corporation, assents to and concurs in the FERC FPA Electric Tariff described below, which Appalachian Power Company (APCo), the designated filing company, has filed in its “APCo Rate Schedules and Service Agreements Tariffs” database.

**Name of Tariff Adopted by Reference:** System Integration Agreement

**APCO Tariff Record Adopted by Reference:** Rate Schedule No. 305, System Integration Agreement

**No limitations:** All versions of the agreement

**Description of Tariff:** Rate Schedule which provides APCo, Wheeling, Kentucky Power Company, Indiana Michigan Power Company, Southwestern Electric Power Company, Public Service Company of Oklahoma and American Electric Power Service Corporation (in an agency role) a contractual basis for the equitable sharing among the utilities of any realizations from trading and marketing activities.

By: /John C. Crespo/

John C. Crespo

Deputy General Counsel – Regulatory Services

Dated: April 2, 2015

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

### **CERTIFICATE OF CONCURRENCE**

This is to certify that Wheeling Power Company (Wheeling), a West Virginia corporation, assents to and concurs in the FERC FPA Electric Tariff described below, which Appalachian Power Company (APCo), the designated filing company, has filed in its “APCo Rate Schedules and Service Agreements Tariffs” database.

**Name of Tariff Adopted by Reference:** Power Coordination Agreement

**APCO Tariff Record Adopted by Reference:** Rate Schedule No. 300, Power Coordination Agreement

**No limitations:** All versions of the agreement

**Description of Tariff:** Rate Schedule under which APCo, Wheeling, Kentucky Power Company, Indiana Michigan Power Company, and American Electric Power Service Corporation (in an agency role) coordinate operation of their power supply resources.

By: /John C. Crespo/

John C. Crespo

Deputy General Counsel – Regulatory Services

Dated: April 2, 2015

Document Accession #: 20150402-5305

Filed Date: 04/02/2015

FERC rendition of the electronically filed tariff records in Docket No. ER15-01446-000

Filing Data:

CID: C000538

Filing Title: System Integration Agreement Concurrence

Company Filing Identifier: 585

Type of Filing Code: 10

Associated Filing Identifier:

Tariff Title: RS and SA

Tariff ID: 98

Payment Confirmation:

Suspension Motion:

Tariff Record Data:

Record Content Description, Tariff Record Title, Record Version Number, Option Code:

Rate Schedule No. 305, System Integration Agreement Concurrence, 0.0.0, A

Record Narrative Name:

Tariff Record ID: 1268

Tariff Record Collation Value: 1074341824      Tariff Record Parent Identifier: 0

Proposed Date: 2015-06-01

Priority Order: 10

Record Change Type: NEW

Record Content Type: 2

Associated Filing Identifier:

This is a PDF section and we cannot render PDF in a RTF document.

Document Accession #: 20150402-5305      Filed Date: 04/02/2015

Document Content(s)

585-54e0acb9-ba54-43d9-8d7a-86e4fe061568.PDF.....	1
FERC GENERATED TARIFF FILING.RTF.....	99

Document Accession #: 20150513-3059

Filed Date: 05/13/2015

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

OFFICE OF ENERGY MARKET REGULATION

Appalachian Power Company  
Docket No. ER15-1445-000  
Wheeling Power Company  
Docket No. ER15-1446-000

Issued: May 13, 2015

Step toe & Johnson LLP  
1330 Connecticut Avenue, NW  
Washington, DC 20036-1795

Attention: Steven J. Ross, Esq.  
Attorney for American Electric Power Service Corporation

Reference: Revised System Integration Agreement and Certificate of Concurrence

Dear Mr. Ross:

On April 2, 2015, you filed, on behalf of American Electric Power Service Corporation (AEPSC), on behalf of and agent for Wheeling Power Company (WPCo), Appalachian Power Company (APCo), Indiana Michigan Power Company, Kentucky Power Company, Public Service Company of Oklahoma, and Southwestern Electric Power Company, amendments to a System Integration Agreement, Rate Schedule No. 305.<sup>1</sup> In addition, you also filed a Certificate of Concurrence to the System Integration Agreement on behalf of WPCo.<sup>2</sup> You state that the amendments to the System Integration Agreement reflect ministerial updates and the addition of WPCo as a party to reflect its undivided 50 percent ownership interest in the Mitchell Generating Plant. Finally, you state that the change in ownership in the Mitchell Generating Plant does not constitute a change in rates.

---

<sup>1</sup> Appalachian Power Company, APCo Rate Schedules and Service Agreements Tariffs, [Rate Schedule 305, System Integration Agreement, 1.0.0.](#)

<sup>2</sup> Wheeling Power Company, RS and SA, [Rate Schedule No. 305, System Integration Agreement Concurrence, 0.0.0.](#)

Document Accession #: 20150513-3059

Filed Date: 05/13/2015

Docket No. ER15-1445-000, et al.

2

Pursuant to the authority delegated to the Director, Division of Electric Power Regulation – East, under 18 C.F.R. § 375.307, your submittals are accepted for filing, effective June 1, 2015, subject to WPCo submitting a revised certificate of concurrence within 30 days of the date of this order correcting the “Name of Tariff Adopted by Reference” from System Integration Agreement to APCo Rate Schedules and Service Agreements Tariffs.

The filings were noticed on April 3, 2015, with comments, interventions, and protests due on or before April 23, 2015. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2014)), to the extent that any timely filed motions to intervene and any motion to intervene out-of-time were filed before the issuance date of this order, such interventions are granted. Granting late interventions at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties.

This acceptance for filing shall not be construed as constituting approval of the referenced filing or of any rate, charge, classification, or any rule, regulation, or practice affecting such rate or service contained in your filing; nor shall such acceptance be deemed as recognition of any claimed contractual right or obligation associated therewith; and such acceptance is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against AEPSC, APCo or WPCo.

This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713.

Sincerely,

Daniel Nowak, Acting Director  
Division of Electric Power  
Regulation - East

Document Accession #: 20150513-3059      Filed Date: 05/13/2015

Document Content(s)

ER15-1445-000 Delegated Letter .DOC.....1

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-23** Provide a copy of the AEP Tax Allocation Agreement.

**RESPONSE**

Please see KPCO\_R\_AG\_KIUC\_1\_23 Attachment1.

Witness: Allyson L. Keaton

**AMERICAN ELECTRIC POWER COMPANY, INC. AND  
ITS CONSOLIDATED AFFILIATES ---  
2019 TAX AGREEMENT REGARDING METHOD OF  
ALLOCATING CONSOLIDATED INCOME TAXES**

The below listed affiliated companies, joining in the annual filing of a consolidated federal income tax return with American Electric Power Company, Inc., under the provisions of sections 1501 and 1502 of the Internal Revenue Code (the “Code”) and the Treasury Regulations thereunder, agree to allocate the consolidated annual net current federal income tax liability and/or benefit to the members of the consolidated group in accordance with the following procedures:

- ( 1) The consolidated regular federal income tax, exclusive of capital gains and preference taxes and before the application of general business credits including foreign tax credits, shall be apportioned among the members of the consolidated group based on corporate taxable income. Loss companies shall be included in the allocation, receiving a negative tax allocation which is similar to a separate return carryback refund, before considering general business credits, which would have resulted had the loss company historically filed a separate return.
- ( 2) The corporate taxable income of each member of the group shall be first reduced by its proportionate share of American Electric Power Company, Inc.'s (the holding company) tax loss (excluding the effects of extraordinary items which do not apply to the regulated business) in arriving at adjusted corporate taxable income for each member of the group with positive taxable income.
- ( 3) To the extent that the consolidated and corporate taxable incomes include material items taxed at rates other than the statutory tax rate (such as capital gains and preference items), the portion of the consolidated tax attributable to these items shall be apportioned directly to the members of the group giving rise to such items.
- ( 4) General business credits, other tax credits, and foreign tax credits shall be equitably allocated to those members whose investments or contributions generates the tax credit.
- ( 5) If the tax credits can not be entirely utilized to offset the consolidated tax liability, the tax credit carryover shall be equitably allocated to those members whose investments or contributions generated the credit.
- ( 6) Should the consolidated group generate a net operating tax loss for a calendar year, the tax benefits of any resultant carryback refund shall be allocated proportionately to member companies that generated corporate tax losses in the year the consolidated net operating loss was generated.

Any related loss of general business credits, shall be allocated to the member companies that utilized the credits in the prior year in the same proportion that the credit lost is to the total credit utilized in the prior year. A consolidated net operating tax loss carryforward shall be allocated proportionately to member companies that generated the original tax losses that gave rise to the consolidated net operating tax loss carryforward.

- ( 7 ) A member with a net positive tax allocation shall pay the holding company the net amount allocated, while a tax loss member with a net negative tax allocation shall receive current payment from the holding company in the amount of its negative allocation. The payment made to a member with a tax loss should equal the amount by which the consolidated tax is reduced by including the member's net corporate tax loss in the consolidated tax return. The holding company shall pay to the Internal Revenue Service the consolidated group's net current federal income tax liability from the net of the receipts and payments.
- ( 8 ) No member of the consolidated group shall be allocated a federal income tax which is greater than the federal income tax computed as if such member had filed a separate return.
- ( 9 ) In the event the consolidated tax liability is subsequently revised by Internal Revenue Service audit adjustments, amended returns, claims for refund, or otherwise, such changes shall be allocated in the same manner as though the adjustments on which they are based had formed part of the original consolidated return using the tax allocation agreement which was in effect at that time.

Any current state tax liability and/or benefit associated with a state tax return involving more than one member of the consolidated group, shall be allocated to such members following the principles set forth above for current federal income taxes. Due to certain states utilizing a unitary approach, the consolidated return liability may exceed the sum of the liabilities computed for each company on a separate return basis. If this occurs, the excess of the consolidated liability over the sum of the separate return liabilities shall be allocated proportionally based on each member's contribution to the consolidated apportionment percentage. If additional tax is attributable to a significant transaction or event, such additional tax shall be allocated directly to the members who are party to said transaction or event.

This agreement is subject to revision as a result of changes in federal and state tax law and relevant facts and circumstances.

The above procedures for apportioning the consolidated annual net current federal and state tax liabilities and expenses of American Electric Power Company, Inc. and its

consolidating affiliates have been agreed to by each of the below listed members of the consolidated group as evidenced by the signature of an officer of each company.

Any additional company that becomes a member of the consolidated group, within the meaning of section 1504 of the Code, shall become a party to this agreement by amendment thereto. This agreement shall cease to apply with respect to any company that is a party hereto that ceases to be a member of the consolidated group, effective for all tax years of such company beginning after the company ceases to be a member of the consolidated group.

COMPANY	OFFICER'S SIGNATURE
American Electric Power Company, Inc.	/S/
American Electric Power Service Corporation	/S/
Abstract Digital, LLC	/S/
AEP Appalachian Transmission Company, Inc.	/S/
AEP Clean Energy Resources, LLC	/S/
AEP Coal, Inc.	/S/
AEP Credit, Inc.	/S/
AEP Energy, Inc.	/S/
AEP Energy Partners, Inc.	/S/
AEP Energy Services, Inc.	/S/
AEP Energy Services Gas Holding Company	/S/
AEP Energy Supply LLC	/S/
AEP Generating Company	/S/
AEP Generation Resources, Inc.	/S/
AEP Indiana Michigan Transmission Company, Inc.	/S/

AEP Investments, Inc.	<u>/S/</u>
AEP Kentucky Coal, LLC	<u>/S/</u>
AEP Kentucky Transmission Company, Inc.	<u>/S/</u>
AEP Nonutility Funding, LLC	<u>/S/</u>
AEP Ohio Transmission Company, Inc.	<u>/S/</u>
AEP Oklahoma Transmission Company, Inc.	<u>/S/</u>
AEP OnSite Partners, LLC	<u>/S/</u>
AEP Pro Serv, Inc.	<u>/S/</u>
AEP Properties, LLC	<u>/S/</u>
AEP Renewables, LLC	<u>/S/</u>
AEP Retail Energy Partners, LLC	<u>/S/</u>
AEP Southwestern Transmission Company, Inc.	<u>/S/</u>
AEP Storage Holding Company, LLC	<u>/S/</u>
AEP Storage New York, LLC	<u>/S/</u>
AEP T & D Services, LLC	<u>/S/</u>
AEP Texas Central Transition Funding, LLC	<u>/S/</u>
AEP Texas Central Transition Funding II, LLC	<u>/S/</u>
AEP Texas Central Transition Funding III, LLC	<u>/S/</u>
AEP Texas Inc.	<u>/S/</u>
AEP Texas North Generation Company, LLC	<u>/S/</u>
AEP Texas Restoration Funding LLC	<u>/S/</u>
AEP Transmission Company, LLC	<u>/S/</u>
AEP Transmission Holding Company, LLC	<u>/S/</u>

AEP Transmission Partner, LLC	<u>/S/</u>
AEP Utility Funding, LLC	<u>/S/</u>
AEP West Virginia Transmission Company, Inc.	<u>/S/</u>
AEP Wind Holdings, LLC	<u>/S/</u>
Appalachian Consumer Rate Relief Funding LLC	<u>/S/</u>
Appalachian Power Company	<u>/S/</u>
Blackhawk Coal Company	<u>/S/</u>
Bold Transmission, LLC	<u>/S/</u>
Boulder Solar II, LLC	<u>/S/</u>
Brainerd Solar LLC	<u>/S/</u>
Broad Street Fuel Cell, LLC	<u>/S/</u>
BSE Solutions, LLC	<u>/S/</u>
Cedar Coal Company	<u>/S/</u>
Central Appalachian Coal Company	<u>/S/</u>
Central Coal Company	<u>/S/</u>
Century West PNL LLC	<u>/S/</u>
Conesville Coal Preparation Company	<u>/S/</u>
CSW Energy, Inc.	<u>/S/</u>
Dolet Hills Lignite Company, LLC	<u>/S/</u>
Dynasty PNL LLC	<u>/S/</u>
Exeter Solar Power 1, LLC	<u>/S/</u>
Franklin Real Estate Company	<u>/S/</u>
Garnet Solar Partners, LLC	<u>/S/</u>

Imboden II Solar, LLC	<u>/S/</u>
Imboden III Solar, LLC	<u>/S/</u>
Indiana Franklin Realty, Inc.	<u>/S/</u>
Indiana Michigan Power Company	<u>/S/</u>
Jacumba Solar, LLC	<u>/S/</u>
Kamaaha PNL LLC	<u>/S/</u>
Kentucky Power Company	<u>/S/</u>
Kingsport Power Company	<u>/S/</u>
Kyte Works, LLC	<u>/S/</u>
Kona CE, LLC	<u>/S/</u>
Midwest Energy Finance, LLC	<u>/S/</u>
Mutual Energy SWEPCO LLC	<u>/S/</u>
North Smithfield Solar Power 1, LLC	<u>/S/</u>
Northwest Jacksonville Solar Partners, LLC	<u>/S/</u>
Ogdensburg Solar Partners, LLC	<u>/S/</u>
Ohio Franklin Realty, LLC	<u>/S/</u>
Ohio Phase-In Recovery Funding LLC	<u>/S/</u>
Ohio Power Company	<u>/S/</u>
Pavant Solar III LLC	<u>/S/</u>
Price River Coal Company, Inc.	<u>/S/</u>
Public Service Company of Oklahoma	<u>/S/</u>
Quincy II Solar Garden LLC	<u>/S/</u>
Rutland Renewable Energy LLC	<u>/S/</u>

Snowcap Coal Company, Inc.	<u>/S/</u>
SoCore Sherburne 1 LLC	<u>/S/</u>
Southern Appalachian Coal Company	<u>/S/</u>
Southwest Arkansas Utilities Corp.	<u>/S/</u>
Southwestern Electric Power Company	<u>/S/</u>
SSLV PNL LLC	<u>/S/</u>
Trout Creek Solar, LLC	<u>/S/</u>
Twin Lantern Solar Partners, LLC	<u>/S/</u>
United Sciences Testing, Inc.	<u>/S/</u>
Wheeling Power Company	<u>/S/</u>

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-24** Provide KPCo's federal taxable income or loss, NOL carryforward and NOL ADIT before reimbursement by AEP pursuant to the AEP Tax Allocation Agreement, and NOL carryforward and NOL ADIT after reimbursement by AEP pursuant to the AEP Tax Allocation Agreement at December 31 for each year 2016 through 2021.

**RESPONSE**

Please see KPCO\_R\_AG\_KIUC\_1\_24\_Attachment1.

Witness: Allyson L. Keaton

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-25** Describe all implications and effects on KPCo as a party to the PCA of the sale/transfer of the KPCo Mitchell interest to WPCo. Provide a copy of all analyses, studies, communications, and all other documentation prepared by or on behalf of KPCo that addresses these implications and effects on KPCo. If none, then so state.

**RESPONSE**

The Company objects to this request on the basis that it requires the Company to speculate as to the implications and effects, if any, on Kentucky Power of a sale/transfer of the Company's share of its interest in the Mitchell Plant, which may or may not occur in the future. Subject to and without waiving this objection, the Company states,

If Kentucky Power is sold to Liberty Utilities Co., Kentucky Power will withdraw from and will no longer be a member of the PCA, and any transition related to the obligations incurred by Kentucky Power under the PCA prior to its withdrawal are expected to be complete prior to 2028. If Kentucky Power remains a member of the PCA, please refer to the Company's response to AG-KIUC 1-17. The amount of generating capacity of a party to the PCA could impact its obligations under the PCA, but any further analysis would require the Company to speculate about the future capacity resources of the party, future PJM requirements, and how the parties may elect to satisfy those requirements under the PCA. In addition, no such studies exist.

Witness: Alex E. Vaughan

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-26** Describe the present status of all ash pond remediation and each other environmental requirement at the Mitchell Plant.

**RESPONSE**

The Company objects to this request on the basis that it is overly broad and unduly burdensome, particularly to the extent it request the status of “each other environmental requirement at the Mitchell Plant.” Subject to and without waiving this objection, the Company states, the Company has performed engineering and design for the pond closure and repurpose work scope, completed the civil labor package Request for Proposal, and awarded the labor package in Q3 2021. The project team also requested and received permits to perform the physical work. Construction activities commenced in Q4 2021, such as sheet piling and removing/hauling bottom ash.

Witness: Timothy C. Kerns

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-27** Describe all additional work, including the scope, schedule, and costs that remain for ash pond remediation and each other environmental requirement at the Mitchell Plant.

**RESPONSE**

The Company objects to this request on the basis that it is overly broad and unduly burdensome, particularly to the extent it request the status of “each other environmental requirement at the Mitchell Plant.” Subject to and without waiving this objection, the Company states, the Company must still complete engineering, design, procurement, and construction activities for the mechanical, structural, and electrical labor packages. The remaining construction sequence and estimated schedule are as follows:

- 2022: install temporary treatment system, divert all flows to the east bottom ash pond, dewater west bottom ash pond and remove CCR material, certify west bottom ash pond closure, construct repurposed pond, install permanent chemical treatment system
- 2023: divert flow to west bottom ash pond, dewater east bottom ash pond and remove CCR Material, certify east bottom ash pond closure, and repurpose east bottom ash pond.

See the table below for the estimated remaining direct costs.

Activity	Remaining
Pond Repurposing Labor - Capital	\$14,774
Pond Repurposing Purchases	\$1,362
Pond Repurposing Engineering	\$996
Pond Repurposing P MEC	\$1,291
Contingency	\$3,500
<b>Subtotal - Capital</b>	<b>\$21,923</b>
Pond Repurposing Labor - Fuel	\$4,327
Pond Repurposing Labor - ARO	\$214
<b>Total - Capital/Fuel/ARO</b>	<b>\$26,464</b>

Witness: Timothy C. Kerns

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-28** Describe the KPCo accounting for the Mitchell Plant ash pond remediation, including asset retirement obligations and regulatory assets and/or liabilities, and provide the KPCo trial balance as of December 31, 2020 and each month thereafter with the related accounting assets, liabilities, and expenses specifically identified and marked for ease of reference.

**RESPONSE**

The costs associated with closing ash ponds at Mitchell are accounted for by the Company as Asset Retirement Obligations (ARO) in accordance with Statement of Financial Accounting Standards No. 143 (SFAS 143) and Financial Accounting Standards Board Interpretation No. 47 (FIN 47). ARO assets and liabilities are recorded on the Company's books based on an estimated cost to close the ash ponds under the current rules. Work performed related to remediation of AROs is charged against the ARO liability balance on the Company's books. Please refer to KPCO\_R\_AG\_KIUC\_1\_28\_Attachment1 for the Kentucky Power trial balance as of December 31, 2020 through September 30, 2021, with the requested trial balance accounts (which include all Kentucky Power AROs) specifically identified and marked for ease of reference. Please refer to KPCO\_R\_AG\_KIUC\_1\_28\_Attachment2 and KPCO\_R\_AG\_KIUC\_1\_28\_Attachment3 for monthly Mitchell Plant ash pond ARO asset and liability balances, respectively, as of December 31, 2020 through November 30, 2021.

Witness: Jason A. Cash

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-29** Describe KPCo's ratemaking recovery of the costs for the Mitchell Plant ash pond remediation. Provide the most recent filing for these costs, including, but not limited to, the Environmental Surcharge filings and the detail necessary to identify and quantify the Mitchell Plant costs.

**RESPONSE**

Depreciation/amortization and accretion expenses associated to the AROs are included in the Company's current base rates as a part of the Company's cost of service. ARO assets and liabilities are excluded from rate base since they are non-cash items. Base rates were last proposed to be updated in Case No. 2020-00174.

Witness: Brian K. West

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-30** Confirm that WPCo is not a merchant generator but, rather, is a regulated utility subject to cost-based regulation.

**RESPONSE**

Confirmed.

Witness: Timothy C. Kerns

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-31** Confirm that KPCo acquired its present Mitchell Plant interests from the Ohio Power Company through the purchase of assets and specific liabilities and did so at net book value, not an appraisal-based fair market value. Confirm that Appalachian Power acquired its interest in Mitchell from Ohio Power at net book cost, and that Appalachian Power subsequently sold/transferred that interest to Wheeling at net book cost.

**RESPONSE**

Both parts of the question inaccurately characterize the referenced transactions and, as such, are denied.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-32** Provide a copy of the KPCo purchase and sale agreement pursuant to which it acquired its present Mitchell Plant interests.

**RESPONSE**

Please see KPCO\_R\_AG\_KIUC\_1\_032\_Attachment1 through Attachment3 for the requested information.

Witness: Deryle B. Mattison

**EXECUTION VERSION**

---

**ASSET CONTRIBUTION AGREEMENT**

**BETWEEN**

**AEP GENERATION RESOURCES INC.**

**AND**

**NEWCO KENTUCKY INC.**

**DECEMBER 31, 2013**

---

**EXECUTION VERSION**

**Table of Contents**

	<b>Page</b>
ARTICLE I DEFINITIONS .....	1
Section 1.01 Definitions .....	1
ARTICLE II TRANSFER OF ASSETS .....	9
Section 2.01 Transfer of Assets .....	9
Section 2.02 Excluded Assets .....	11
Section 2.03 Assumed Liabilities .....	11
Section 2.04 Excluded Liabilities .....	12
ARTICLE III ASSET TRANSFER; CLOSING .....	13
Section 3.01 Asset Transfer .....	13
Section 3.02 Proration .....	13
Section 3.03 Closing .....	14
Section 3.04 Closing Deliveries .....	14
ARTICLE IV REPRESENTATIONS AND WARRANTIES .....	15
Section 4.01 Representations and Warranties of Transferor .....	15
Section 4.02 Representations and Warranties of Transferee .....	21
ARTICLE V CERTAIN COVENANTS AND AGREEMENTS .....	23
Section 5.01 Transfer Tax; Recording Costs .....	23
Section 5.02 Further Assurances .....	23
Section 5.03 Survival .....	25
ARTICLE VI MISCELLANEOUS PROVISIONS .....	25
Section 6.01 Notices .....	25
Section 6.02 Waiver .....	26
Section 6.03 Entire Agreement; Amendment; etc. ....	26
Section 6.04 Assignment .....	27
Section 6.05 Severability .....	27
Section 6.06 Governing Law .....	28
Section 6.07 Counterparts: Facsimile Execution .....	28
Section 6.08 Schedules .....	28
Section 6.09 Specific Performance .....	28

**EXHIBITS**

Exhibit A	Form of Assignment of Contracts
Exhibit B	Form of Assignment of Easements and Rights of Way
Exhibit C	Form of Assignment of Real Property Leases
Exhibit D	Form of Assumption Agreement
Exhibit E	Form of Asset Transfer Agreement

**EXECUTION VERSION**

**SCHEDULES**

Schedule 1.01	Mitchell Plant
Schedule 1.02	Assumed Payables
Schedule 1.03	Debt
Schedule 1.04	Easements and Rights of Way
Schedule 1.05	Franklin Real Property
Schedule 2.01(b)	Real Property
Schedule 2.01(l)	Tangible Personal Property
Schedule 2.01(m)	Miscellaneous
Schedule 2.01(p)	Generation Transmission Assets
Schedule 4.01(e)	Leased Real Property and Real Property Leases
Schedule 4.01(g)	Environmental Matters and Environmental Permits
Schedule 4.01(i)	Contracts
Schedule 4.01(j)	Legal Proceedings
Schedule 4.01(k)	Permits

**EXECUTION VERSION**

**ASSET CONTRIBUTION AGREEMENT**

This **Asset Contribution Agreement** (this "Agreement"), dated as of December 31, 2013, is between **AEP Generation Resources Inc.**, a Delaware corporation ("Transferor"), and **Newco Kentucky Inc.**, a Kentucky corporation ("Transferee"). Collectively, Transferee and Transferor may be referred to herein as the "Parties" and each, individually, as a "Party."

**WITNESSETH**

**WHEREAS**, Transferor owns the Mitchell Power Generation Facility in Moundsville, West Virginia, which is comprised of two 800 MW generating units and associated plant, equipment and facilities and certain other assets, improvements, properties (both tangible, including real and personal property, and intangible), and rights associated therewith or ancillary thereto, all as more specifically described in Schedule 1.01 (the "Mitchell Plant").

**WHEREAS**, Transferor desires to transfer and assign to Transferee, and Transferee desires to acquire and assume from Transferor, the Transferred Assets (as hereinafter defined) and certain liabilities, upon the terms and conditions hereinafter set forth;

**WHEREAS**, Transferor and Transferee intend that the transfer of the Transferred Assets contemplated herein qualify as contributions to capital under Section 351 of the Internal Revenue Code of 1986, as amended; and

**WHEREAS**, Transferor directly owns all of the outstanding capital stock of Transferee.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants, agreements, representations and warranties hereinafter set forth, the Parties, intending to be legally bound, hereby agree as follows:

**ARTICLE I  
DEFINITIONS**

Section 1.01 Definitions.

(a) As used in this Agreement, the following terms have the following meanings:

**EXECUTION VERSION**

**"Affiliate"** means a Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

**"Ancillary Agreements"** means the Assumption Agreement, the Asset Transfer Agreement, the Deeds, the Assignment of Easements and Rights of Way, the Assignment of Real Property Leases, the Assignment of Contracts and any other agreements or instruments entered into between the Parties with respect to the transactions contemplated by this Agreement.

**"Asset Transfer Agreement"** means the Asset Transfer Agreement to be executed and delivered at Closing by Transferor to Transferee in substantially the form attached hereto as Exhibit E.

**"Assignment of Contracts"** means the Assignment of Contracts agreement to be entered into between Transferor and Transferee at Closing, in substantially the form attached hereto as Exhibit A.

**"Assignment of Easements and Rights of Way"** means the Assignments of Easements and Rights of Way agreements to be entered into by Transferor and Transferee at Closing, in substantially the form attached hereto as Exhibit B.

**"Assignment of Real Property Leases"** means the Assignment of Real Property Leases agreements to be entered into by Transferor and Transferee at Closing, in substantially the form attached hereto as Exhibit C.

**"Assumed Liabilities"** has the meaning set forth in Section 2.03.

**"Assumed Payables"** means payables owed by Transferor with respect to the Transferred Assets as generally set forth in Schedule 1.02.

**"Assumption Agreement"** means the Assumption Agreement to be entered into by Transferor and Transferee at Closing, in substantially the form attached hereto as Exhibit D.

**"Business Day"** means a day other than a Saturday, Sunday or day on which banks are permitted or required to remain closed in the state of Ohio.

**"CERCLA"** means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended from time to time.

**EXECUTION VERSION**

**"Closing"** has the meaning set forth in Section 3.03.

**"Closing Date"** has the meaning set forth in Section 3.03.

**"Contracts"** has the meaning set forth in Section 4.01(i).

**"CWIP"** has the meaning set forth in the definition of "Improvements."

**"Debt"** means the long-term and short-term debt owed by Transferor as described in Schedule 1.03.

**"Deeds"** means those certain deeds to be executed and delivered at Closing by Transferor to Transferee.

**"Deferred Tax Assets"** means the Transferor's deferred tax assets relating to the Transferred Assets or any assumed Liability that is carried on its books.

**"Deferred Tax Liability"** means the Transferor's deferred tax liability relating to the Transferred Assets or any assumed Liability that is carried on its books.

**"Easements and Rights of Way"** means the easements and rights of way as described in Schedule 1.04.

**"Effective Time"** has the meaning set forth in Section 3.03.

**"Emissions Allowances"** means all authorizations issued to Transferor by a Governmental Authority pursuant to a statutory or regulatory program promulgated by a Governmental Authority pursuant to which air emissions sources subject to the program are authorized to emit a prescribed quantity of air emissions.

**"Encumbrance"** means any security interest, pledge, mortgage, lien, charge, option to purchase, lease, claim, restriction, covenant, title defect, hypothecation, assignment, deposit arrangement or other encumbrance of any kind or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or title retention agreement).

**"Environmental Condition"** means the presence or Release to the environment, whether at the Real Property or otherwise, of Hazardous Substances, including any migration of Hazardous Substances through air, soil or groundwater at, to or from the Real Property or at, to or from any Off-Site Location, regardless of when such presence or Release occurred or is discovered.

**"Environmental Laws"** means all (i) Laws relating to pollution or protection of the environment, natural resources or human health and safety, including Laws relating to Releases

**EXECUTION VERSION**

or threatened Releases of Hazardous Substances or otherwise relating to the manufacture, formulation, generation, processing, distribution, use, treatment, storage, Release, transport, remediation, abatement, cleanup or handling of Hazardous Substances; (ii) Laws with regard to recordkeeping, notification, disclosure and reporting requirements respecting Hazardous Substances; and (iii) Laws relating to the management or use of natural resources.

**"Environmental Permits"** has the meaning set forth in Section 4.01(g).

**"Excluded Liabilities"** has the meaning set forth in Section 2.04.

**"FERC"** means the Federal Energy Regulatory Commission.

**"Franklin Real Property"** means that certain real property held by Franklin Real Estate Company, a wholly owned subsidiary of the Parent, as agent for and for the benefit of Transferor's electric generation assets as more specifically described in Schedule 1.05.

**"Generation Transmission Assets"** has the meaning set forth in Section 2.01(p).

**"Good Utility Practice"** means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods or acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition.

**"Governmental Authority"** means any: (i) nation, state, county, city, town, village, district, or other jurisdiction of any nature; (ii) federal, state, local, municipal, foreign, or other government; (iii) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal); (iv) multi-national organization or body; or (v) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature.

**"Hazardous Substances"** means (i) any petrochemical or petroleum products, oil or coal ash, radioactive materials, radon gas, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid which may contain levels of polychlorinated biphenyls; (ii) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "hazardous constituents," "restricted hazardous materials,"

**EXECUTION VERSION**

"extremely hazardous substances," "toxic substances," "contaminants," "pollutants," "toxic pollutants," or words of similar meaning and regulatory effect under any applicable Environmental Law; and (iii) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

**"Improvements"** means all buildings, structures, machinery and equipment (including all fuel handling and storage facilities), fixtures, construction work in progress ("**CWIP**"), and other improvements, including all piping, cables and similar equipment forming part of the mechanical, electrical, plumbing or HVAC infrastructure of any building, structure or equipment, located on and affixed to the Real Property, the Leased Real Property and the Easements and Rights of Way.

**"Intellectual Property"** means all of the following and similar intangible property and related proprietary rights, interests and protections, however arising, (i) all software necessary to operate or maintain the Transferred Assets, (ii) confidential information, formulas, designs, devices, technology, know-how, research and development, inventions, methods, processes, compositions and other trade secrets, whether or not patentable and (iii) patented and patentable designs and inventions, all design, plant and utility patents, letters patent, utility models, pending patent applications and provisional applications and all issuances, divisions, continuations, continuations-in-part, reissues, extensions, reexaminations and renewals of such patents and applications.

**"Inventories"** means (i) all inventories of fuels and consumables owned by Transferor for use at the Mitchell Plant, whether located on Real Property, Leased Real Property or the Easements and Rights of Way associated with the Mitchell Plant or in transit thereto or stored offsite and (ii) all materials and supplies, including without limitation, spare parts, owned by Transferor for use at or in connection with the Mitchell Plant.

**"Knowledge"** means the actual and current knowledge of the corporate officer or officers of the specified Person charged with responsibility for the particular function as of the date of this Agreement, or, with respect to any certificate delivered pursuant to this Agreement, the date of delivery of the certificate, without any implication of verification or investigation concerning such knowledge.

**"Laws"** means all laws, statutes, rules, regulations, ordinances and other pronouncements having the effect of law of the United States, any foreign country and any

**EXECUTION VERSION**

domestic or foreign state, county, city or other political subdivision or of any Governmental Authority.

**"Leased Real Property"** has the meaning set forth in Section 4.01(e)(i).

**"Liability"** means any liability or obligation, whether known or unknown, whether asserted or not asserted, whether absolute or contingent, whether accrued or not accrued, whether liquidated or not liquidated, whether incurred or consequential, and whether due or to become due.

**"Material Adverse Effect"** means (i) any event, circumstance or condition materially impairing the ability of Transferor to perform its obligations under this Agreement or any Ancillary Agreement or (ii) any change in or effect on Transferor or the Transferred Assets that is materially adverse to the Transferred Assets, other than (a) any change resulting from changes in the international, national, regional or local wholesale or retail markets for electricity, (b) any change resulting from changes in the international, national, regional or local markets for fuel or consumables used at the Mitchell Plant, (c) any change resulting from changes in the North American, national, regional or local electric transmission system, and (d) any change in Law generally applicable to similarly situated Persons.

**"Mitchell Plant"** has the meaning set forth in the first Recital.

**"Net Book Value"** means an amount in dollars, as reflected in the corresponding line item or items of the balance sheet of Transferor as of the applicable date for all Transferred Assets and all Assumed Liabilities. With respect to the Transferred Assets, Net Book Value is equal to total Transferred Assets net of accumulated depreciation or amortization as appropriate.

**"Off-Site Location"** means any real property other than the Real Property, the Leased Real Property or real property covered by the Easements and Rights of Way.

**"Organizational Documents"** means (i) the articles or certificate of incorporation and the bylaws of a corporation; (ii) the limited liability company or operating agreement and certificate of formation of a limited liability company; (iii) the partnership agreement and any statement of partnership of a general partnership; (iv) the limited partnership agreement and the certificate of limited partnership of a limited partnership; (v) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person and (vi) any amendment to any of the foregoing.

**"Parent"** means American Electric Power Company, Inc.

**EXECUTION VERSION**

**"Party"** has the meaning set forth in the first paragraph of this Agreement.

**"Permits"** has the meaning set forth in Section 4.01(k).

**"Permitted Encumbrances"** means: (i) mechanics', carriers', workmen's, repairmen's or other like Encumbrances arising or incurred in the ordinary course of business that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (ii) Encumbrances for Taxes not yet due or which are being contested in good faith by appropriate proceedings and that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; (iii) imperfections of title or encumbrances, if any, that, individually or in the aggregate, do not materially impair, and would not reasonably be expected to have a Material Adverse Effect; (iv) leases, subleases and similar agreements, and liens of any landlord or other third party on property over which Transfer has easement rights or on any Leased Real Property and subordination or similar agreements relating thereto; (v) leases, mineral reservations and conveyances, easements, covenants, rights-of-way and other similar restrictions of record; (vi) any conditions that may be shown by a current, accurate survey or physical inspection of the Real Property or the Leased Real Property made prior to the Closing; (vii) zoning, planning, conservation restriction and other land use and environmental regulations by Governmental Authorities; (viii) the respective rights and obligations of the Parties under this Agreement and the Ancillary Agreements; (ix) Encumbrances resulting from legal proceedings being contested in good faith by appropriate proceedings that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (x) other Encumbrances that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

**"Person"** means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Authority.

**"Real Property"** has the meaning set forth in Section 2.01(b).

**"Real Property Leases"** has the meaning set forth in Section 4.01(e)(i).

**"Release"** means any release, spill, leak, discharge, disposal of, pumping, pouring, emitting, emptying, injecting, leaching, dumping or allowing to escape into or through the environment.

**EXECUTION VERSION**

**"Tax"** means all federal, state, local and foreign taxes, charges, fees, levies, imposts, duties or other assessments, including, without limitation, income, gross receipts, excise, employment, sales, use, transfer, license, payroll, franchise, severance, stamp, occupation, windfall profits, environmental (including taxes under Code Section 59A), premium, federal highway use, commercial rent, customs duties, capital stock, paid up capital, profits, withholding, social security, single business and unemployment, disability, real property, personal property, registration, ad valorem, value added, alternative or add-on minimum, estimated, or other tax or governmental fee of any kind whatsoever, imposed or required to be withheld by any Governmental Authority, including any interest, penalties or additions thereto, whether disputed or not.

**"Transferee"** has the meaning set in the first paragraph of this Agreement.

**"Transferor"** has the meaning set forth in the first paragraph of this Agreement.

**"Transferred Assets"** has the meaning set forth in Section 2.01.

(b) **Interpretation.** In this Agreement, unless otherwise specified or where the context otherwise requires:

(i) a reference, without more, to a recital is to the relevant recital to this Agreement, to an Article or Section is to the relevant Article or Section of this Agreement, and to a Schedule or Exhibit is to the relevant Schedule or Exhibit to this Agreement;

(ii) words importing any gender shall include other genders;

(iii) words importing the singular only shall include the plural and vice versa;

(iv) the words "include," "includes" or "including" shall be deemed to be followed by the words "without limitation;"

(v) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof;

(vi) reference to any applicable Law means, if applicable, such Law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder;

(vii) "or" is used in the inclusive sense of "and/or";

**EXECUTION VERSION**

(viii) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto;

(ix) the words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement; and

(x) references to any party hereto or any other agreement or document shall include such party's successors and permitted assigns, but, if applicable, only if such successors and assigns are not prohibited by this Agreement.

**ARTICLE II**  
**TRANSFER OF ASSETS**

Section 2.01 Transfer of Assets. Upon the terms and conditions set forth in this Agreement, at the Closing but effective as of the Effective Time, Transferor shall transfer, convey, assign and deliver to Transferee as a contribution to capital, and Transferee shall acquire and assume from Transferor as a contribution to capital, free and clear of all Encumbrances other than Permitted Encumbrances, an undivided fifty percent (50%) ownership interest in and to the following described assets (the "Transferred Assets");

- (a) the Mitchell Plant;
- (b) the real property (including the Improvements) described in Schedule 2.01(b) (and together with the Franklin Real Property, the "Real Property");
- (c) the Real Property Leases(including the Improvements) ;
- (d) the Easements and Rights of Way (including the Improvements);
- (e) all Inventories;
- (f) the Contracts;
- (g) the Permits;
- (h) the Environmental Permits;
- (i) the Intellectual Property;
- (j) the Emissions Allowances;

**EXECUTION VERSION**

- (k) the Deferred Tax Assets;
- (l) all vehicles, equipment, machinery, furniture and other tangible personal property used in connection with the Mitchell Plant or located on or at the Real Property, the Leased Real Property and the Easements and Rights of Way, a partial list of which is described on Schedule 2.01(l);
- (m) the other assets described in Schedule 2.01(m);
- (n) all unexpired, transferable warranties and guarantees from manufacturers, vendors and other third parties with respect to any Improvement or item of real or tangible personal property constituting part of the Transferred Assets;
- (o) all books, purchase orders, operating records, operating, safety and maintenance manuals, engineering design plans, blueprints and as-built plans, specifications, procedures, studies, reports, equipment repair, safety, maintenance or service records, and similar items (subject to the right of Transferor to retain copies of same for its use), other than such items that are proprietary to third parties and accounting records (to the extent that any of the foregoing is contained in an electronic format, Transferor shall reasonably cooperate with Transferee to transfer such items to Transferee in a format that is reasonably acceptable to Transferee);
- (p) the electrical transmission facilities associated with the Mitchell Plant located at or forming part of the Mitchell Plant, including all energized switchyard facilities on the generation asset side of the appropriate interconnection points and real property directly associated therewith, all substation facilities and support equipment, as well as all permits, contracts and warranties related thereto, including those certain assets and facilities specifically identified on Schedule 2.01(p) (the "Generation Transmission Assets");
- (q) without limitation of any of the foregoing, Transferor is transferring to Transferee an undivided fifty percent (50%) ownership interest in and to all Mitchell Plant power generation function equipment including, but not limited to, generation step-up transformers, turbine-generators, plant power distribution equipment and such unit auxiliary transformers, forced draft fans, coal handling facilities, precipitator facilities, and protection and control equipment and systems that are associated with the Mitchell Plant;

**EXECUTION VERSION**

(r) the rights of Transferor in and to any causes of action against third parties relating to the Transferred Assets or any part thereof, including any claim for refunds (but excluding any refund, credit, penalty, payment, adjustment or reconciliation related to Taxes paid or due for periods ending prior to the Effective Time in respect of the Transferred Assets, whether such refund, credit, penalty, payment, adjustment or reconciliation is received as a payment or, subject to Section 3.02, as a credit against future Taxes payable), prepayments, offsets, recoupment, insurance proceeds, condemnation awards, judgments and the like, whether received as a payment or credit against future liabilities, relating specifically to Transferred Assets and relating to any period ending prior to, on or after the Effective Time;

(s) the rights of Transferor in, to and under all contracts, agreements, arrangements, permits or licenses of any nature and related to the Transferred Assets, which are not expressly excluded pursuant to Section 2.02 and of which the obligations of Transferor thereunder are not expressly excluded by Transferee pursuant to Section 2.04; and

(t) to the extent not otherwise described in this Section 2.01, all other assets and property, whether real or personal, tangible or intangible, that are associated with or used in connection with ownership and operation of the Mitchell Plant.

Section 2.02 Excluded Assets. Notwithstanding anything to the contrary contained in Section 2.01 or elsewhere in this Agreement, nothing in this Agreement shall constitute or be construed as conferring on Transferee, and Transferee is not acquiring, any right, title or interest in and to any properties, assets, business, operation, or division of Transferor or any of its Affiliates (other than Transferee) not expressly set forth in Section 2.01.

Section 2.03 Assumed Liabilities. On the Closing Date, Transferee shall execute and deliver the Assumption Agreement, pursuant to which, among other things, Transferee shall assume all Liabilities described therein and, in addition, Transferee shall assume fifty percent (50%) of the following Liabilities (collectively, the "Assumed Liabilities");

(a) on the terms and subject to the conditions set forth in this Agreement, at the Closing, Transferee shall assume and become responsible for, and shall thereafter pay, perform and discharge as and when due the Liabilities arising under or related to the Transferred Assets whether arising from, or relating to, periods prior to, on or after the Effective Time;

**EXECUTION VERSION**

- (b) all Liability of Transferor with respect to the Assumed Payables;
- (c) all Liability of Transferor with respect to the Debt to the extent relating to periods of time after the Effective Time;
- (d) all Liability of Transferor with respect to the Deferred Tax Liability; and
- (e) all Liability of the Transferor with respect to the property Taxes related to the Transferred Assets.

2.04 Excluded Liabilities. Notwithstanding the foregoing provisions of Section 2.03, Transferee shall not assume by virtue of this Agreement, the Assumption Agreement or any other Ancillary Agreement, or the transactions contemplated hereby or thereby, or otherwise, and shall have no liability for any of the following Liabilities or any Liability of Transferor that is not related to the Transferred Assets (the "Excluded Liabilities");

- (a) any Liabilities of Transferor in respect of any assets of Transferor that are not Transferred Assets;
- (b) any Liabilities in respect of Transferor's current income Taxes and any other Taxes not otherwise assumed pursuant to Section 2.03(d) and (e);
- (c) any fines and penalties imposed by any Governmental Authority resulting from any act or omission by Transferor and not related to the Transferred Assets;
- (d) any Liabilities of Transferor associated with the disposal of waste and by-products from the Kammer Plant into the Conner Run Impoundment at the Mitchell Plant site; and
- (e) any Liability of Transferor arising as a result of its execution and delivery of this Agreement or any Ancillary Agreement, the performance of its obligations hereunder or thereunder, or the consummation by Transferor of the transactions contemplated hereby or thereby.

**EXECUTION VERSION**

**ARTICLE III  
ASSET TRANSFER; CLOSING**

Section 3.01 Asset Transfer. Transferor shall transfer to Transferee an undivided fifty percent (50%) ownership interest in and to the Transferred Assets at Net Book Value as of the Effective Time. In the event that final amounts for the Net Book Value of the Transferred Assets are not available on the Closing Date, the final Net Book Value of the Transferred Assets shall be determined and agreed to by Transferee and Transferor within ninety (90) days after the Closing Date. Transferor and Transferee agree to furnish each other with such documents and other records as may be reasonably requested in order to confirm the final Net Book Value of the Transferred Assets.

Section 3.02 Proration.

(a) Transferee and Transferor agree that all of the items normally prorated, including those listed below, relating to the business and operation of the Transferred Assets shall be prorated as of the Effective Time, with Transferor liable to the extent such items relate to any time period through the Effective Time, and Transferee liable to the extent such items relate to periods subsequent to the Effective Time:

(i) personal property, real estate, occupancy and any other Taxes, assessments and other charges, if any, on or with respect to the business and operation of the Transferred Assets. Provided, however, that the Parties shall not prorate any Taxes, assessments or charges relating to the Transferred Assets that are to be assumed by Transferee pursuant to Section 2.03;

(ii) rent, Taxes and other items payable by or to Transferor under any of the Contracts to be assigned to and assumed by the Transferee hereunder; and

(iii) sewer rents and charges for water, telephone, electricity and other utilities.

(b) In connection with such proration, in the event that actual figures are not available at the Closing Date, the proration shall be based upon the actual amount of such Taxes or fees for the preceding year (or appropriate period) for which actual Taxes or fees are available and such Taxes or fees shall be re-prorated upon request of either the Transferor or the

**EXECUTION VERSION**

Transferee made within ninety (90) days after the date that the actual amounts become available. Transferor and Transferee agree to furnish each other with such documents and other records as may be reasonably requested in order to confirm all adjustment and proration calculations made pursuant to this Section 3.02.

Section 3.03 Closing. The transfer, assignment, conveyance and delivery of the Transferred Assets, and the consummation of the other transactions contemplated by this Agreement, shall take place at a closing (the "Closing") to be held at the offices of American Electric Power, 1 Riverside Plaza, Columbus, Ohio 43215 at a time mutually acceptable to the Parties on the date of the execution and delivery of this Agreement by each of the Parties (the "Closing Date"). The Closing shall be effective for all purposes as of December 31, 2013 at 11:53 p.m. EST (the "Effective Time").

Section 3.04 Closing Deliveries.

(a) At the Closing, Transferor will deliver, or cause to be delivered, to Transferee the following items:

- (i) possession of the Transferred Assets;
- (ii) an original of each of the Deeds, duly executed and acknowledged by Transferor;
- (iii) an original of the Asset Transfer Agreement duly executed by Transferor;
- (iv) an original of the Assumption Agreement duly executed by Transferor;
- (v) an original of each Assignment of Easements and Rights of Way duly executed by Transferor;
- (vi) an original of each Assignment of Real Property Leases duly executed by Transferor;
- (vii) an original of the Assignment of Contracts duly executed by Transferor; and

**EXECUTION VERSION**

(viii) such other documents as are contemplated by this Agreement or as the Transferee may reasonably request to carry out the purposes of this Agreement.

(b) At the Closing, Transferee will deliver, or cause to be delivered, to Transferor the following items:

(i) an original of the Asset Transfer Agreement duly executed by Transferee;

(ii) an original of the Assumption Agreement duly executed by Transferee;

(iii) an original of each Assignment of Easements and Rights of Way duly executed by Transferee;

(iv) an original of each Assignment of Real Property Leases duly executed by Transferee;

(v) an original of the Assignment of Contracts duly executed by Transferee; and

(vi) such other documents as are contemplated by this Agreement or as the Transferor may reasonably request, including vehicle titles, to consummate the transactions contemplated hereby.

(c) Transferee may direct the Transferor at Closing to assign or transfer any portion of the Transferred Assets directly to one or more of its affiliates.

**ARTICLE IV  
REPRESENTATIONS AND WARRANTIES**

Section 4.01 Representations and Warranties of Transferor. Transferor represents and warrants to Transferee as follows:

(a) Organization and Good Standing; Qualification. Transferor is a corporation duly formed, validly existing and in good standing under the laws of the state of Delaware. Transferor has all requisite power and authority to own, lease or operate the Transferred Assets and to carry on its business as it is now being conducted.

**EXECUTION VERSION**

(b) Authority and Enforceability. Transferor has full power and authority to execute and deliver, and carry out its obligations under, this Agreement and each Ancillary Agreement to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Transferor of this Agreement and each Ancillary Agreement to which it is a party, and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary action on the part of Transferor. Assuming the due authorization, execution and delivery of this Agreement and each Ancillary Agreement to which it is a party by Transferee, this Agreement and each such Ancillary Agreement constitutes a legal, valid and binding obligation of Transferor, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency and other similar laws affecting the rights and remedies of creditors generally and by general principles of equity.

(c) No Violation; Consents and Approvals.

(i) Neither the execution, delivery and performance by Transferor of this Agreement and each Ancillary Agreement to which it is a party, nor the consummation by Transferor of the transactions contemplated hereby and thereby, will (i) conflict with or result in any breach of any provision of the Organizational Documents of Transferor; (ii) result in a default (or give rise to any right of termination, cancellation or acceleration), or require a consent, under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, material agreement or other instrument or obligation to which Transferor is a party or by which it or any of the Transferred Assets may be bound, except for any such defaults or consents (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained or which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; or (iii) constitute a violation of any law, regulation, order, judgment or decree applicable to Transferor, except for any such violations as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(ii) Transferor has obtained all consents and approvals from each Governmental Authority necessary for the execution, delivery and performance of this Agreement by Transferor or of any Ancillary Agreement to which Transferor is a party, or the consummation by Transferor of the transactions contemplated hereby and thereby, other than

**EXECUTION VERSION**

such consents and approvals which, if not obtained or made, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(d) Insurance. All material policies of property, liability, workers' compensation and other forms of insurance owned or held by, or on behalf of, Transferor and insuring the Transferred Assets are in full force and effect, all premiums with respect thereto covering all periods up to and including the date hereof have been paid (other than retroactive premiums), and no notice of cancellation or termination has been received with respect to any such policy which was not replaced on substantially similar terms prior to the date of such cancellation.

(e) Leased Real Property.

(i) Schedule 4.01(e) sets forth a description of each lease of real property held by Transferor (the "Real Property Leases") and the real property covered thereby (the "Leased Real Property") that is to be transferred as contemplated herein by Transferor to Transferee.

(ii) Each Real Property Lease (a) constitutes a legal, valid and binding obligation of Transferor and, to Transferor's Knowledge, constitutes a valid and binding obligation of the other parties thereto and (b) is in full force and effect and Transferor has not delivered or received any written notice of termination thereunder.

(iii) There is not under any Real Property Lease any default or event which, with notice or lapse of time or both, (a) would constitute a default by Transferor or, to Transferor's Knowledge, any other party thereto, (b) would constitute a default by Transferor or, to Transferor's Knowledge, any other party thereto which would give rise to an automatic termination, or the right of discretionary termination, thereof, or (c) would cause the acceleration of any of Transferor's obligations thereunder or result in the creation of any Encumbrance (other than any Permitted Encumbrance) on any of the Transferred Assets. There are no claims, actions, proceedings or investigations pending or, to the Knowledge of Transferor, threatened against Transferor or any other party to any Real Property Lease before any Governmental Authority or body acting in an adjudicative capacity relating in any way to any Real Property Lease or the subject matter thereof. Transferor has no Knowledge of any defense, offset or counterclaim arising under any Real Property Lease.

**EXECUTION VERSION**

(f) Title; Condition of Assets.

(i) Subject to Permitted Encumbrances, Transferor holds title to the Real Property and the Easements and Rights of Way and has good and valid title thereto and to the other Transferred Assets that it purports to own or in which it has an interest, free and clear of all Encumbrances.

(ii) The tangible assets (real and personal) at, related to, or used in connection with Mitchell Plant, taken as a whole, (a) are in good operating and usable condition and repair, free from any defects (except for ordinary wear and tear, in light of their respective ages and historical usages, and except for such defects as do not materially interfere with the use thereof in the conduct of the normal operation and maintenance of the Transferred Assets taken as a whole) and (b) have been maintained consistent with Good Utility Practice.

(g) Environmental Matters. Except as disclosed in Section II of Schedule 4.01(g):

(i) Transferor holds, and is in compliance with, all permits, certificates, certifications, licenses and other authorizations issued by Governmental Authorities under Environmental Laws that are required for Transferor to conduct the business and operations of the Transferred Assets (collectively, "Environmental Permits"), and Transferor is otherwise in compliance with all applicable Environmental Laws with respect to the business and operations of the Transferred Assets, except for any such failures to hold or comply with required Environmental Permits, or such failures to be in compliance with applicable Environmental Laws, as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(ii) Transferor has not received any written request for information, or been notified of any violation, or that it is a potentially responsible party, under CERCLA or any other Environmental Law for contamination or air emissions at the Mitchell Plant, the Real Property, the Leased Real Property or the real property covered by the Easements and Rights of Way, except for any such requests or notices that would result in liabilities under such laws as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and there are no claims, actions, proceedings or investigations pending or, to the Knowledge of Transferor, threatened against Transferor before any Governmental Authority or

**EXECUTION VERSION**

body acting in an adjudicative capacity relating in any way to any Environmental Laws or against Transferor or Parent concerning contamination or air emissions at the Mitchell Plant, the Real Property, the Leased Real Property or the real property covered by the Easements and Rights of Way; and

(iii) there are no outstanding judgments, decrees or judicial orders relating to the Transferred Assets regarding compliance with any Environmental Law or to the investigation or cleanup of Hazardous Substances under any Environmental Law relating to the Transferred Assets, except for such outstanding judgments, decrees or judicial orders as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(iv) Section I of Schedule 4.01(g) lists all material Environmental Permits. The representations and warranties made in this Section 4.01(g) are the exclusive representations and warranties of Transferor relating to environmental matters.

(h) Condemnation. There are no pending or, to the Knowledge of Transferor, threatened proceedings or governmental actions to condemn or take by power of eminent domain all or any part of the Transferred Assets.

(i) Contracts and Leases.

(i) Schedule 4.01(i) lists all written contracts, agreements, licenses (other than Environmental Permits, Permits or Intellectual Property) or personal property leases of Transferor that are material to the business or operations of the Transferred Assets (the "Contracts").

(ii) Each Contract (a) constitutes a legal, valid and binding obligation of Transferor and, to Transferor's Knowledge, constitutes a valid and binding obligation of the other parties thereto and (b) is in full force and effect and Transferor has not delivered or received any written notice of termination thereunder.

(iii) There is not under any Contract any default or event which, with notice or lapse of time or both, (a) would constitute a default by Transferor or, to Transferor's Knowledge, any other party thereto, (b) would constitute a default by Transferor or, to Transferor's Knowledge, any other party thereto which would give rise to an automatic termination, or the right of discretionary termination, thereof, or (c) would cause the acceleration

**EXECUTION VERSION**

of any of Transferor's obligations thereunder or result in the creation of any Encumbrance (other than any Permitted Encumbrance) on any of the Transferred Assets. There are no claims, actions, proceedings or investigations pending or, to the Knowledge of Transferor, threatened against Transferor or any other party to any Contract before any Governmental Authority or body acting in an adjudicative capacity relating in any way to any Contract or the subject matter thereof. Transferor has no Knowledge of any defense, offset or counterclaim arising under any Contract.

(j) Legal Proceedings. Except as set forth on Schedule 4.01(j), there are no actions or proceedings pending or, to the Knowledge of Transferor, threatened against Transferor before any court, arbitrator or Governmental Authority, which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect. Transferor is not subject to any outstanding judgments, rules, orders, writs, injunctions or decrees of any court, arbitrator or Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(k) Permits.

(i) Transferor has all permits, licenses, franchises and other governmental authorizations, consents and approvals (other than Environmental Permits, which are addressed in Section 4.01(g)) necessary to own and operate the Transferred Assets (collectively, "Permits"), except where any failures to have such Permits would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Transferor has not received any written notification that Transferor is in violation, nor does Transferor have Knowledge of any violations, of any such Permits, or any Law or judgment of any Government Authority applicable to Transferor with respect to the Transferred Assets, except for violations that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(ii) Schedule 4.01(k) lists all material Permits (other than Environmental Permits).

(l) Taxes. To the Knowledge of Transferor, Transferor has filed all Tax Returns that are required to be filed by it with respect to any Tax relating to the Transferred Assets, and Transferor has paid all Taxes that have become due as indicated thereon, except where such Tax is being contested in good faith by appropriate proceedings, or where any

**EXECUTION VERSION**

failures to so file or pay would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. There are no Encumbrances for Taxes on the Transferred Assets that are not Permitted Encumbrances.

(m) Intellectual Property. Transferor has such ownership of or such rights by license or other agreement to use all Intellectual Property necessary to permit Transferor to conduct its business with respect to the Transferred Assets as currently conducted, except where any failures to have such ownership, license or right to use would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Transferor is not, nor has Transferor received any notice that Transferor is, in default (or with the giving of notice or lapse of time or both, would be in default) under any contract to use such Intellectual Property, and there are no material restrictions on the transfer of any material contract, or any interest therein, held by Transferor in respect of such Intellectual Property. Transferor has not received notice that it is infringing any Intellectual Property of any other Person in connection with the operation or business of the Transferred Assets.

(n) Compliance with Laws. Transferor is in compliance with all applicable Laws with respect to the ownership or operation of the Transferred Assets, except where any such failures to be in compliance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(o) Limitation of Representations and Warranties. **EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT AND IN ANY ANCILLARY AGREEMENT, TRANSFEROR IS NOT MAKING, AND HEREBY DISCLAIMS, ANY OTHER REPRESENTATIONS AND WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, CONCERNING TRANSFEROR OR THE TRANSFERRED ASSETS OR ANY PART THEREOF.**

Section 4.02 Representations and Warranties of Transferee. Transferee represents and warrants to Transferor as follows:

(a) Organization and Good Standing. Transferee is a corporation duly formed, validly existing and in good standing under the laws of the state of Kentucky and has all requisite power and authority to own, lease or operate its properties and to carry on its business as it is now being conducted.

**EXECUTION VERSION**

(b) Authority and Enforceability. Transferee has full power and authority to execute and deliver and carry out its obligations under this Agreement and each Ancillary Agreement to which it is a party, and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Transferee of this Agreement and each such Ancillary Agreement, and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary action by Transferee. Assuming the due authorization, execution and delivery of this Agreement and each such Ancillary Agreement by the other party or parties thereto, each of this Agreement and each such Ancillary Agreement constitutes a legal, valid and binding obligation of Transferee, enforceable against Transferee in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency and other similar laws affecting the rights and remedies of creditors generally and by general principles of equity.

(c) No Violation; Consents and Approvals.

(i) Neither the execution, delivery and performance by Transferee of this Agreement and each Ancillary Agreement to which Transferee is a party, nor the consummation by Transferee of the transactions contemplated hereby and thereby, will (a) conflict with or result in any breach of any provision of the Organizational Documents of Transferee; (b) result in a default (or give rise to any right of termination, cancellation or acceleration), or require a consent, under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, material agreement or other instrument or obligation to which Transferee is a party or by which any of their respective material properties or assets may be bound, except for any such defaults or consents (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained or which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the ability of Transferee to perform its obligations under this Agreement and the Ancillary Agreements; or (c) constitute a violation of any law, regulation, order, judgment or decree applicable to Transferee, except for any such violations as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the ability of Transferee to perform its obligations under this Agreement and the Ancillary Agreements.

**EXECUTION VERSION**

(ii) Transferee has obtained all consents and approvals from each Governmental Authority or other Person necessary for the execution and delivery of this Agreement or any Ancillary Agreement by Transferee, or the consummation by Transferee of the transactions contemplated hereby and thereby, except for any such consents and approvals which, if not obtained or made, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the ability of Transferee to perform its obligations under this Agreement and the Ancillary Agreements.

(d) Legal Proceedings. There are no actions or proceedings pending or, to the Knowledge of Transferee, threatened against Transferee before any court, arbitrator or Governmental Authority, which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on the ability of Transferee to perform its obligations under this Agreement and the Ancillary Agreements. Transferee is not subject to any outstanding judgments, rules, orders, writs, injunctions or decrees of any court, arbitrator or Governmental Authority which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on the ability of Transferee to perform its obligations under this Agreement and the Ancillary Agreements.

**ARTICLE V**

**CERTAIN COVENANTS AND AGREEMENTS**

Section 5.01 Transfer Tax; Recording Costs. All transfer, use, stamp, sales and similar Taxes and recording costs incurred in connection with this Agreement and the transactions contemplated hereby shall be the sole responsibility of Transferee.

Section 5.02 Further Assurances.

(a) Subject to the terms and conditions of this Agreement, Transferor and Transferee shall use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws to consummate and make effective the transfer of the Transferred Assets pursuant to this Agreement and the assumption of the Assumed Liabilities, including using commercially reasonable efforts with a view to obtaining all necessary consents, approvals and authorizations of, and making all required notices or filings with, third parties required to be obtained or made in order to consummate the transactions hereunder, including the transfer of the Environmental

**EXECUTION VERSION**

Permits and the Permits to Transferee. Neither Transferor, on the one hand, nor Transferee, on the other hand, shall, without prior written consent of the other, take or fail to take any action which might reasonably be expected to prevent or materially impede, interfere with or delay the transactions contemplated by this Agreement.

(b) In the event that any portion of the Transferred Assets shall not have been conveyed to Transferee at the Closing, Transferor shall, subject to paragraphs (c) and (d) immediately below, convey such asset to Transferee as promptly as practicable after the Closing.

(c) To the extent, if any, that Transferor's rights under any Contract, Real Property Leases or Easements and Rights of Way may not be assigned without the consent of any other party thereto, which consent has not been obtained by the Closing Date, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful. Transferor and Transferee agree that if any consent to an assignment of any Contract, Real Property Lease or Easement and Right of Way has not been obtained at the Closing Date, or if any attempted assignment would be ineffective or would impair Transferee's rights and obligations under the Contract, Real Property Lease or Easement and Right of Way in question, so that Transferee would not in effect acquire the benefit of all such rights and obligations, Transferor, at its option and to the maximum extent permitted by law and such Contract, Real Property Lease or Easement and Right of Way, shall, after the Closing Date, (i) appoint Transferee to be Transferor's agent with respect to such Contract, Real Property Lease or Easement and Right of Way or (ii) to the maximum extent permitted by law and such Contract, Real Property Lease or Easement and Right of Way, enter into such reasonable arrangements with Transferee or take such other commercially reasonable actions to provide Transferee with the same or substantially similar rights and obligations of such Contract, Real Property Lease or Easement and Right of Way. From and after the Closing Date, Transferor and Transferee shall cooperate and use commercially reasonable efforts to obtain an assignment to Transferee of any such Contract, Real Property Lease or Easement and Right of Way.

(d) To the extent that Transferor's rights under any warranty or guaranty described in Section 2.01(n) may not be assigned without the consent of another Person, which consent has not been obtained by the Closing Date, this Agreement shall not constitute an

**EXECUTION VERSION**

agreement to assign the same, if an attempted assignment would constitute a breach thereof or be unlawful. The Parties agree that if any consent to an assignment of any such warranty or guaranty has not been obtained or if any attempted assignment would be ineffective or would impair Transferee's rights and obligations under the warranty or guaranty in question, so that Transferee would not in effect acquire the benefit of all such rights and obligations, Transferor shall use commercially reasonable efforts to the extent permitted by law and such warranty or guaranty, to enforce such warranty or guaranty for the benefit of Transferee to the maximum extent possible so as to provide Transferee with the benefits and obligations of such warranty or guaranty. Notwithstanding the foregoing, Transferor shall not be obligated to bring or file suit against any third party, provided that if Transferor determines not to bring or file suit after being requested by Transferee to do so, Transferor shall assign, to the extent permitted by law or any applicable agreement, its rights in respect of the claims so that Transferee may bring or file such suit.

Section 5.03 Survival. The representations and warranties of the Parties contained herein shall not survive the Closing and thereafter shall be of no further force and effect.

**ARTICLE VI**  
**MISCELLANEOUS PROVISIONS**

Section 6.01 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given (i) on the day when delivered personally or by e-mail (with confirmation) or facsimile transmission (with confirmation), (ii) on the next Business Day when delivered to a nationally recognized overnight delivery service, or (iii) five (5) Business Days after deposited as registered or certified mail (return receipt requested), in each case, postage prepaid, addressed to the recipient Party at its address set forth below (or to such other addresses and e-mail and facsimile numbers for a Party as shall be specified by like notice; provided, however, that any notice of a change of address or e-mail or facsimile number shall be effective only upon receipt thereof):

**EXECUTION VERSION**

If to Transferor, to:

AEP Generation Resources Inc.  
1 Riverside Plaza  
Columbus, OH 43215  
Attn: President  
Facsimile No.: (614) 716-1404  
Email: cezebula@aepes.com

If to Transferee, to:

Newco Kentucky Inc.  
1 Riverside Plaza  
Columbus, OH 43215  
Attn: Vice President  
Facsimile No.: (614) 716-2904  
Email: jdcross@aep.com

Section 6.02 Waiver. The rights and remedies of the Parties are cumulative and not alternative. Neither the failure nor any delay by any Party in exercising any right, power, or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable Law, (a) no claim or right arising out of this Agreement or the documents referred to in this Agreement can be discharged by one Party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by each other Party; (b) no waiver that may be given by a Party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one Party will be deemed to be a waiver of any obligation of such Party or of the right of the Party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

Section 6.03 Entire Agreement; Amendment; Etc.

(a) This Agreement and the Ancillary Agreements, including the Schedules, Exhibits, documents, certificates and instruments referred to herein or therein, embody the entire agreement and understanding of the Parties hereto in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein or therein. This Agreement

**EXECUTION VERSION**

supersedes all prior or contemporaneous agreements, understandings or statements or agreements between the Parties, whether written or oral, with respect to the transactions contemplated hereby. Each Party acknowledges and agrees that no employee, officer, agent or representative of the other Party has the authority to make any representations, statements or promises in addition to or in any way different than those contained in this Agreement and the Ancillary Agreements, and that it is not entering into this Agreement or the Ancillary Agreements in reliance upon any representation, statement or promise of the other Party except as expressly stated herein or therein.

(b) This Agreement may not be amended, supplemented, terminated or otherwise modified except by a written agreement executed by Transferor and Transferee.

(c) This Agreement shall be binding upon and inure solely to the benefit of each Party hereto and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 6.04 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by, on the one hand, Transferor, and, on the other hand, Transferee, in whole or in part (whether by operation of law or otherwise), without the prior written consent of the other Party, and any attempt to make any such assignment without such consent will be null and void. Notwithstanding the foregoing, Transferor or Transferee may assign or otherwise transfer its rights hereunder and under any Ancillary Agreement to any bank, financial institution or other lender providing financing to Transferor or Transferee, as applicable, as collateral security for such financing; provided, however, that no such assignment shall (i) impair or materially delay the consummation of the transactions contemplated hereby or (ii) relieve or discharge Transferor or Transferee, as the case may be, from any of its obligations hereunder and thereunder.

Section 6.05 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or

**EXECUTION VERSION**

legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties will negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

Section 6.06 Governing Law. This Agreement, the construction of this Agreement, all rights and obligations between the Parties to this Agreement, and any and all claims arising out of or relating to the subject matter of this Agreement (including all tort and contract claims) will be governed by and construed in accordance with the laws of the state of Ohio, without giving effect to choice of law principles thereof.

Section 6.07 Counterparts: Facsimile Execution. This Agreement may be executed in one or more counterparts, all of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the Parties and delivered to each other Party, it being understood that the Parties need not sign the same counterpart. This Agreement may be executed by facsimile signature(s) or signatures in portable document format.

Section 6.08 Schedules. The Schedules to this Agreement are intended to be and hereby are specifically made a part of this Agreement.

Section 6.09 Specific Performance. The Parties hereto agree that irreparable damage would occur in the event any of the provisions of this Agreement were not to be performed in accordance with the terms hereof and that the Parties will be entitled to specific performance of the terms hereof in addition to any other remedies at law or in equity.

*Signatures appear on following page*

**EXECUTION VERSION**

**IN WITNESS WHEREOF**, each of the Parties has caused this Asset Contribution Agreement to be executed on its behalf by its respective officer thereunto duly authorized, all as of the day and year first above written.

**TRANSFEROR**

**AEP GENERATION RESOURCES INC.**

By:   
Charles E. Zebula, President

**TRANSFereeE**

**NEWCO KENTUCKY INC.**

By:   
Jeffrey D. Cross, Vice President

## **EXHIBIT A TO ASSET CONTRIBUTION AGREEMENT**

### **ASSIGNMENT OF CONTRACTS**

This **Assignment of Contracts** (this "Assignment") from **AEP Generation Resources Inc.**, a Delaware corporation ("Assignor"), to **Newco Kentucky Inc.**, a Kentucky corporation ("Assignee"), is executed on the \_\_\_ day of December, 2013, but effective for all purposes on the \_\_\_ day of December, 2013 at 11:53 p.m. EST (the "Effective Time"). All capitalized terms used but not defined in this Agreement have the meanings assigned to such terms in the Asset Contribution Agreement (as defined below).

**WHEREAS**, Assignor and Assignee are parties to that certain Asset Contribution Agreement dated December \_\_, 2013 (the "Asset Contribution Agreement"); and

**WHEREAS**, Assignor is a party to the contracts and agreements set forth on Exhibit A attached hereto (collectively, the "Contracts"); and

**WHEREAS**, pursuant to the Asset Contribution Agreement, Assignor has agreed to assign to Assignee an undivided one-half of its right, title and interest in and to the Contracts as hereinafter set forth.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Assignment**. Effective as of the Effective Date, Assignor, pursuant to the terms and conditions of the Asset Contribution Agreement, hereby transfers and assigns to Assignee an undivided one-half of Assignor's right, title and interest in and to the Contracts listed in Exhibit A.
2. **Assumption**. Assignee hereby accepts such interests in and to the Contracts and assumes and becomes responsible for, and shall hereafter pay, perform and discharge as and when due one-half of the Liabilities arising under the Contracts listed in Exhibit A.
3. **Further Assurances**. From and after the date hereof, Assignor and Assignee shall, without further consideration, execute, deliver and take such actions as may be reasonably required of them to accomplish assignment of the Contracts and otherwise consummate the transactions contemplated by this Assignment and the Asset Contribution Agreement.
4. **Subject To Asset Contribution Agreement**. This Assignment is expressly subject to the terms and conditions of the Asset Contribution Agreement. In the event of a conflict between the terms of this Assignment and the Asset Contribution Agreement, the terms of the Asset Contribution Agreement shall control.

5. **Successors and Assigns.** The terms and provisions of this Assignment shall be binding upon and inure to the benefit of the respective parties hereto, and their respective successors and assigns.
6. **Counterparts.** This Assignment may be executed in any number of counterparts and each such executed counterpart (including electronically transmitted counterparts) shall be, and shall be deemed to be, an original, but all of which shall constitute, and shall be deemed to constitute, in the aggregate, but one and the same instrument.
7. **Entire Agreement.** This Assignment, together with the Asset Contribution Agreement, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, supersedes and is in full substitution for any and all prior agreements and understandings between them relating to such subject matter, and no party hereto shall be liable or bound to any other party hereto in any manner with respect to such subject matter by any warranties, representations, indemnities, covenants, or agreements except as specifically set forth herein and therein. The Exhibit to this Assignment is hereby incorporated and made a part hereof and is an integral part of this Assignment.

*Signatures appear on the following page*

EXECUTED as of the date first set forth but effective for all purposes as of the Effective Time.

**ASSIGNOR:**

**AEP GENERATION RESOURCES INC.**

By: \_\_\_\_\_  
Name  
Title

**ASSIGNEE:**

**NEWCO KENTUCKY INC.**

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A**  
**CONTRACTS**

An undivided one-half of Assignor's interest in and to the following Mitchell Plant contracts and agreements are being assigned:

**EXHIBIT B TO ASSET CONTRIBUTION AGREEMENT**

**ASSIGNMENT OF EASEMENTS AND RIGHTS OF WAY**

This **Assignment of Easements and Rights Of Way** (this "Assignment") from **AEP Generation Resources Inc.**, a Delaware corporation ("Assignor"), to **Newco Kentucky Inc.**, a Kentucky corporation ("Assignee"), is executed on the dates set forth in the respective notary certifications below, but effective for all purposes on December 31, 2013 at \_\_\_\_ p.m. EST (the "Effective Time").

**WHEREAS**, Assignor and Assignee are parties to that certain Asset Contribution Agreement dated December \_\_, 2013 (the "Asset Contribution Agreement").

**WHEREAS**, Assignor has acquired certain easements and rights of way used by it in connection with the Mitchell Plant electric generating facilities on lands situated in Marshall County, West Virginia pursuant to those easement and rights of way agreements set forth on Exhibit A attached hereto (collectively, the "Easements and Rights of Way").

**WHEREAS**, pursuant to the Asset Contribution Agreement, Assignor has agreed to assign to Assignee one-half of its right, title and interest in and to the Easements and Rights of Way as hereinafter set forth.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Assignment**. Effective as of the Effective Date, Assignor, pursuant to the terms and conditions of the Asset Contribution Agreement, hereby quitclaims, transfers and assigns to Assignee an undivided one-half of Assignor's right, title and interest in and to the Easements and Rights of Way listed in Exhibit A.
2. **Assumption**. Assignee hereby accepts all such rights, title and interest in and to the Easements and Rights of Way and assumes and becomes responsible for, and shall hereafter pay, perform and discharge as and when due one-half of the liabilities and obligations arising under the Easements and Rights of Way listed in Exhibit A.
3. **Further Assurances**. From and after the date hereof, Assignor and Assignee shall, without further consideration, execute, deliver and (if applicable) file or record, or cause to be executed, delivered and filed or recorded, all instruments, and take such actions, as may be reasonably required of Assignor or Assignee to accomplish the conveyance and transfer of the Easements and Rights of Way and otherwise consummate the transactions contemplated by this Assignment and the Asset Contribution Agreement.
4. **Subject To Asset Contribution Agreement**. This Assignment is expressly subject to the terms and conditions of the Asset Contribution Agreement. In the event of a

conflict between the terms of this Assignment and the Asset Contribution Agreement, the terms of the Asset Contribution Agreement shall control.

5. **Successors and Assigns.** The terms and provisions of this Assignment shall be binding upon and inure to the benefit of the respective parties hereto, and their respective successors and assigns.
6. **Counterparts.** This Assignment may be executed in any number of counterparts and each such executed counterpart (including electronically transmitted counterparts) shall be, and shall be deemed to be, an original, but all of which shall constitute, and shall be deemed to constitute, in the aggregate, but one and the same instrument.
7. **Entire Agreement.** This Assignment, together with the Asset Contribution Agreement, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, supersedes and is in full substitution for any and all prior agreements and understandings between them relating to such subject matter, and no party hereto shall be liable or bound to any other party hereto in any manner with respect to such subject matter by any warranties, representations, indemnities, covenants, or agreements except as specifically set forth herein and therein. The Exhibit to this Assignment is hereby incorporated and made a part hereof and is an integral part of this Assignment.

*Signatures appear on the following page*

EXECUTED as of the dates set forth in the notary certifications below, but effective for all purposes as of the Effective Time.

**ASSIGNOR:**

**AEP GENERATION RESOURCES INC.**

By: \_\_\_\_\_  
Name  
Title

**ASSIGNEE:**

**NEWCO KENTUCKY INC.**

By: \_\_\_\_\_  
Name:  
Title:

STATE OF OHIO                    )  
COUNTY OF FRANKLIN    ) To Wit:

The foregoing instrument was acknowledged before me this \_\_\_ day of December, 2013, by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, on behalf of the corporation.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF OHIO                    )  
COUNTY OF FRANKLIN    ) To Wit:

The foregoing instrument was acknowledged before me this \_\_\_ day of December, 2013,  
by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, on  
behalf of the corporation.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

This Instrument Prepared by Kenneth McDonough, Assistant General Counsel – Real Estate,  
American Electric Power Service Corporation, 1 Riverside Plaza, Columbus, Ohio, 43215, for  
and on behalf of AEP Generation Resources Inc.

**EXHIBIT A**  
**EASEMENTS AND RIGHTS OF WAY**

One-half of the following easements and rights of way related to the Mitchell Plant and located in Marshall County, West Virginia are being assigned:

**EXHIBIT C TO ASSET CONTRIBUTION AGREEMENT**

**ASSIGNMENT OF REAL PROPERTY LEASES**

This **Assignment of Real Property Leases** (this "Assignment") from **AEP Generation Resources Inc.**, a Delaware corporation ("Assignor"), to **Newco Kentucky Inc.**, a Kentucky corporation ("Assignee"), is executed on the dates set forth in the respective notary certifications below, but effective for all purposes on December \_\_, 2013 at \_\_\_\_ p.m. EST (the "Effective Time").

**WHEREAS**, Assignor and Assignee are parties to that certain Asset Contribution Agreement dated December \_\_, 2013 (the "Asset Contribution Agreement").

**WHEREAS**, Assignor is the lessee under certain leases of real property of lands situated in Marshall County, West Virginia pursuant to the real property leases set forth on Exhibit A attached hereto (collectively, the "Real Property Leases").

**WHEREAS**, pursuant to the Asset Contribution Agreement, Assignor has agreed to assign to Assignee an undivided one-half of its right, title and interest in and to the Real Property Leases as hereinafter set forth.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Assignment**. Effective as of the Effective Time, Assignor, pursuant to the terms and conditions of the Asset Contribution Agreement, hereby transfers and assigns to Assignee an undivided one-half of Assignor's right, title and interest in and to the Real Property Leases listed in Exhibit A.
2. **Assumption**. Assignee hereby accepts all such rights, title and interest in and to the Real Property Leases and assumes and becomes responsible for, and shall hereafter pay, perform and discharge as and when due one-half of the liabilities and obligations arising under the Real Property Leases listed in Exhibit A.
3. **Further Assurances**. From and after the date hereof, Assignor and Assignee shall, without further consideration, execute, deliver and (if applicable) file or record, or cause to be executed, delivered and filed or recorded, all instruments, and take such actions, as may be reasonably required of Assignor or Assignee to accomplish the conveyance and transfer of the Real Property Leases and otherwise consummate the transactions contemplated by this Assignment and the Asset Contribution Agreement.
4. **Subject To Asset Contribution Agreement**. This Assignment is expressly subject to the terms and conditions of the Asset Contribution Agreement. In the event of a conflict between the terms of this Assignment and the Asset Contribution Agreement, the terms of the Asset Contribution Agreement shall control.

5. **Successors and Assigns.** The terms and provisions of this Assignment shall be binding upon and inure to the benefit of the respective parties hereto, and their respective successors and assigns.
6. **Counterparts.** This Assignment may be executed in any number of counterparts and each such executed counterpart (including electronically transmitted counterparts) shall be, and shall be deemed to be, an original, but all of which shall constitute, and shall be deemed to constitute, in the aggregate, but one and the same instrument.
7. **Entire Agreement.** This Assignment, together with the Asset Contribution Agreement, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, supersedes and is in full substitution for any and all prior agreements and understandings between them relating to such subject matter, and no party hereto shall be liable or bound to any other party hereto in any manner with respect to such subject matter by any warranties, representations, indemnities, covenants, or agreements except as specifically set forth herein and therein. The Exhibit to this Assignment is hereby incorporated and made a part hereof and is an integral part of this Assignment.

EXECUTED as of the dates set forth in the notary certifications below, but effective for all purposes as of the Effective Time.

**ASSIGNOR:**

**AEP GENERATION RESOURCES INC.**

By: \_\_\_\_\_  
Name  
Title

**ASSIGNEE:**

**NEWCO KENTUCKY INC.**

By: \_\_\_\_\_  
Name:  
Title:

STATE OF OHIO )  
COUNTY OF FRANKLIN ) To Wit:

The foregoing instrument was acknowledged before me this \_\_\_ day of December, 2013,  
by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, on  
behalf of the corporation.

\_\_\_\_\_  
Notary Public  
My Commission Expires: \_\_\_\_\_

STATE OF OHIO )  
COUNTY OF FRANKLIN ) To Wit:

The foregoing instrument was acknowledged before me this \_\_\_ day of December, 2013,  
by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, on  
behalf of the corporation.

\_\_\_\_\_  
Notary Public  
My Commission Expires: \_\_\_\_\_

This Instrument Prepared by Kenneth McDonough, Assistant General Counsel – Real Estate,  
American Electric Power Service Corporation, 1 Riverside Plaza, Columbus, Ohio, 43215, for  
and on behalf of AEP Generation Resources Inc.

**EXHIBIT A**  
**REAL PROPERTY LEASES**

An undivided one-half interest in the following leases of real property related to the Mitchell Plant and located in Marshall County, West Virginia are being assigned:

## **EXHIBIT D TO ASSET CONTRIBUTION AGREEMENT**

### **ASSUMPTION AGREEMENT**

This **Assumption Agreement** between **AEP Generation Resources Inc.**, a Delaware corporation ("**Genco**"), and **Newco Kentucky Inc.**, a Kentucky corporation ("**Newco**"), is executed on the \_\_\_ day of December, 2013, but effective for all purposes on the \_\_\_ day of December, 2013 at \_\_\_ p.m. EST (the "**Effective Time**"). All capitalized terms used but not defined in this Agreement have the meanings assigned to such terms in the Asset Contribution Agreement (as defined below).

WHEREAS, Genco and Newco are parties to that certain Asset Contribution Agreement dated December \_\_, 2013 (the "**Asset Contribution Agreement**").

WHEREAS, pursuant to the Asset Contribution Agreement, Newco has agreed to assume fifty percent (50%) of the Assumed Liabilities.

**NOW, THEREFORE**, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Genco and Newco agree as follows:

1. **Assumption of Assumed Liabilities.** On the terms set forth herein and in the Asset Contribution Agreement, Newco hereby assumes and shall become responsible for, and shall hereafter pay, perform and discharge as and when due, fifty percent (50%) of the Assumed Liabilities.
2. **Further Assurances.** From and after the date hereof, Genco and Newco shall, without further consideration, execute, deliver and take such actions as may be reasonably required of them to effectuate Newco's assumption of fifty percent (50%) of the Assumed Liabilities as contemplated by this Assumption Agreement and the Asset Contribution Agreement.
3. **Subject To Asset Contribution Agreement.** This Agreement is expressly subject to the terms and conditions of the Asset Contribution Agreement. In the event of a conflict between the terms of this Assumption Agreement and the Asset Contribution Agreement, the terms of the Asset Contribution Agreement shall control.
4. **Successors and Assigns.** The terms and provisions of this Assumption Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
5. **Counterparts.** This Agreement may be executed in any number of counterparts, and each such executed counterpart (including electronically transmitted counterparts) shall be, and shall be deemed to be, an original, but all of which shall constitute, and shall be deemed to constitute, in the aggregate, but one and the same instrument.

6. **Entire Agreement.** This Assumption Agreement, together with the Asset Contribution Agreement, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, supersedes and is in full substitution for any and all prior agreements and understandings between them relating to such subject matter, and no party hereto shall be liable or bound to any other party hereto in any manner with respect to such subject matter by any warranties, representations, indemnities, covenants, or agreements except as specifically set forth herein and therein.

EXECUTED as of the date first set forth but effective for all purposes as of the Effective Time.

**AEP GENERATION RESOURCES INC.**

By: \_\_\_\_\_  
Name  
Title

**NEWCO KENTUCKY INC.**

By: \_\_\_\_\_  
Name:  
Title:

## **EXHIBIT E TO ASSET CONTRIBUTION AGREEMENT**

### **ASSET TRANSFER AGREEMENT**

This **Asset Transfer Agreement** (this "**Agreement**") from **AEP Generation Resources Inc.**, a Delaware corporation ("**Genco**"), to **Newco Kentucky Inc.**, a Kentucky corporation ("**Newco**"), is executed on the \_\_\_ day of December, 2013, but effective for all purposes on the \_\_\_ day of December, 2013 at \_\_\_ p.m. EST (the "**Effective Time**"). All capitalized terms used but not defined in this Agreement have the meanings assigned to such terms in the Asset Contribution Agreement (as defined below).

WHEREAS, Genco and Newco are parties to that certain Asset Contribution Agreement dated December \_\_, 2013 (the "**Asset Contribution Agreement**").

WHEREAS, pursuant to the Asset Contribution Agreement, Genco has agreed to transfer to Newco an undivided fifty percent (50%) of its right, title and interest in and to the Mitchell Plant Inventories, vehicles, equipment, machinery, furniture and other tangible personal property used in connection with the Mitchell Plant or located on or at the Mitchell Plant Real Property, the Mitchell Plant Leased Real Property and the Mitchell Plant Easements and Rights of Way (the "**Transferred Assets**<sup>1</sup>").

**NOW, THEREFORE**, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Genco and Newco agree as follows:

1. **Conveyance of Transferred Assets.** Genco does hereby transfer, convey and deliver to Newco free and clear of any liens or encumbrances, other than Permitted Encumbrances, an undivided fifty percent (50%) of its right, title and interest in and to the Transferred Assets.
2. **Further Assurances.** From and after the date hereof, Genco and Newco shall, without further consideration, execute, deliver and take such actions as may be reasonably required of them to accomplish the transfer of the undivided fifty percent (50%) interest in the Transferred Assets and otherwise consummate the transactions contemplated by this Agreement and the Asset Contribution Agreement.
3. **Subject To Asset Contribution Agreement.** This Agreement is expressly subject to the terms and conditions of the Asset Contribution Agreement. In the event of a conflict between the terms of this Agreement and the Asset Contribution Agreement, the terms of the Asset Contribution Agreement shall control.
4. **Successors and Assigns.** The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

---

<sup>1</sup> Exclusive of Real Property interests, which will be transferred by deed.

5. **Counterparts.** This Agreement may be executed in any number of counterparts, and each such executed counterpart (including electronically transmitted counterparts) shall be, and shall be deemed to be, an original, but all of which shall constitute, and shall be deemed to constitute, in the aggregate, but one and the same instrument.
6. **Entire Agreement.** This Agreement, together with the Asset Contribution Agreement, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, supersedes and is in full substitution for any and all prior agreements and understandings between them relating to such subject matter, and no party hereto shall be liable or bound to any other party hereto in any manner with respect to such subject matter by any warranties, representations, indemnities, covenants, or agreements except as specifically set forth herein and therein.

EXECUTED as of the date first set forth but effective for all purposes as of the Effective Time.

**AEP GENERATION RESOURCES INC.**

By: \_\_\_\_\_  
Name  
Title

**NEWCO KENTUCKY INC.**

By: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE 1.01 TO ASSET CONTRIBUTION AGREEMENT**  
**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**MITCHELL PLANT DESCRIPTION**

The Mitchell Plant is a 1560 MW coal fired generation facility located in Moundsville, West Virginia and comprised of Unit 1 (770 MW) and Unit 2 (790 MW).

**SCHEDULE 1.02 TO ASSET CONTRIBUTION AGREEMENT**  
**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**ASSUMED PAYABLES**

On the terms and subject to the conditions set forth in the Asset Contribution Agreement, upon Closing, Transferee will assume and shall thereafter pay, perform and discharge the liability of Transferor with respect to the following Assumed Payables:

Accrued property taxes  
Accrued interest  
Accrued lease expenses  
Accrued worker compensation related expenses  
Accrued pension related liabilities  
Other accrued liabilities

**SCHEDULE 1.03 TO ASSET CONTRIBUTION AGREEMENT**

**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**DEBT**

On the terms and subject to the conditions set forth in the Asset Contribution Agreement, upon Closing, Transferee will assume and shall thereafter pay, perform and discharge the liability of Transferor with respect to the following Debt to the extent relating to periods of time after the Effective Date:

\$200M Term Credit Facility

WVEDA Series 2008A \$65,000,000

**SCHEDULE 1.04 TO ASSET CONTRIBUTION AGREEMENT**  
**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**EASEMENTS AND RIGHTS OF WAY**

None.

**SCHEDULE 1.05 TO ASSET CONTRIBUTION AGREEMENT**  
**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**FRANKLIN REAL PROPERTY**

Mitchell Plant

Marshall, WV

607 ac +/- future landfill

**SCHEDULE 2.01(b) TO ASSET CONTRIBUTION AGREEMENT**  
**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**REAL PROPERTY**

<u>Asset Name</u>	<u>County</u>	<u>State</u>	<u>Description</u>
Mitchell Plant	Marshall	WV	1150 ac +/-

**SCHEDULE 2.01(I) TO ASSET CONTRIBUTION AGREEMENT**  
**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**TANGIBLE PERSONAL PROPERTY**

Following is a partial list of all vehicles, equipment, machinery, furniture, and other tangible personal property located on or at the Real Property, the Leased Real Property, and the Easements and Rights of Way associated with Mitchell Plant:

- Office furniture and equipment
- Transportation equipment
- Stores equipment
- Tools, shop and garage equipment
- Laboratory equipment
- Power operated equipment
- Communication equipment
- Miscellaneous equipment
- Other tangible personal property

**SCHEDULE 2.01(m) TO ASSET CONTRIBUTION AGREEMENT**  
**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**MISCELLANEOUS**

**Mountaineer Conveyor**

An undivided 50% interest in the "Limited Conveyor System" consisting of Conveyor C-39, a portion of conveyor C-40, the unloader, and the radial stacker used for the disposal of Mitchell Plant byproduct at Mountaineer Plant when it cannot be sent to CertainTeed wallboard plant.

**SCHEDULE 2.01(p) TO ASSET CONTRIBUTION AGREEMENT**  
**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**GENERATION TRANSMISSION ASSETS**

The Generation Transmission Assets generally described in the Asset Contribution Agreement Article II, Section 2.01(p) are a complete list; no additional specific assets or facilities are being transferred.

**SCHEDULE 4.01(e) TO ASSET CONTRIBUTION AGREEMENT**  
**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**LEASED REAL PROPERTY AND REAL PROPERTY LEASES**

None.

**SCHEDULE 4.01(g) TO ASSET CONTRIBUTION AGREEMENT**

**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**ENVIRONMENTAL MATTERS**

**Section I: - All Material Environmental Permits**

A current list of permits, certificates, certifications, licenses and other authorizations issued to the Mitchell Plant by Governmental Authorities under Environmental Laws that are required for Transferor to conduct the business and operations of the Transferred Assets is provided in Table 1.

**TABLE 1 - Mitchell**

Permit / License	Permit Number	Permit Date	Agency
Minor NSR Permit	R13-2608	11/13/12	WVDEP
Title V Permit	R30-05100005-2009	04/21/09	WVDEP
Title IV Acid Rain Permit	R33-3948-2017-4	12/19/12	WVDEP
CAIR Permit	---	---	WVDEP
Title IV & CAIR Certificates of Representation	---	---	USEPA
Landfill	---	---	WVDEP
RCRA Hazardous Waste ID#	WVD980554943	---	WVDEP
EPCRA / LEPC – notify	---	---	LEPC
404 NW Permit (ML DFA)	2011-940	01/20/12	USACE
Barge Mooring Facility	200501351	11/17/05	USACE
Coal Unloading Dock	4600	02/08/71	USACE
Coal Unloading Dock Extension	76032	10/13/78	USACE
DNR Right of Entry Permit	R-12-I/25-1247	11/02/12	WVDNR
DNR Right of Entry Permit	L-05-I/25-1613	01/23/06	WVDNR
Expand Barge Mooring & Fleeting Facility	200501038	07/28/05	USACE
General NPDES Construction (ML DFA)	WV0115924	12/22/11	WVDEP
General NPDES Construction (ML HR)	WV0115924	05/11/12	WVDEP
General NPDES Construction (ML LF Subsurface)	WV0115924	08/25/11	WVDEP
General NPDES Construction (ML LF/HR)	WV0115924	09/24/12	WVDEP
Increase Barge Mooring Capacity	94007	05/17/94	USACE
Individual 404 Permit (ML LF/HR)	2011-1499	TBD	USACE
Individual WV/NPDES Permit (ML LF)	WV0116742	TBD	WVDEP
Intake Structure	---	04/09/68	USACE
Maintenance Dredging Permit	200300265	08/18/03	USACE
NPDES (Plant)	WV0005304	12/30/10	WVDEP
Barge Facility Operating Plan	---	---	USACE
SWPPP (Plant)	---	---	WVDEP
SWPPP's associated with Construction	---	---	WVDEP
SPCC Plan	---	---	USEPA
Facility Response Plan	---	---	USEPA
Groundwater Protection Plan	---	---	WVDEP
Mitchell - Drinking Water	WV9925015	---	WVDHHR

**Section II: - Exclusions to Environmental Representations**

1. Transferor and its affiliated services company, American Electric Power Service Corporation (AEPSC), have been named as defendants and third-party defendants in the consolidated cases captioned Anderson v. Columbian Chemicals Co., Case No. 09-C-220K, Anderson v. Rain CII Carbon, Case No. 11-C-152, and Anderson v. Columbian Chemicals Co., Case No. 11-C-153K, all pending in state court in Marshall County, West Virginia. The cases allege plaintiffs have been injured by exposure to various air emissions, in particular carbon black emissions from the Rain CII Carbon and Columbian Chemicals facilities. Certain plaintiffs and third-party plaintiffs also allege that Transferor's emissions from Mitchell Plant and other facilities have caused or contributed to plaintiffs' injuries. The cases are in early stages of discovery and no case management orders have yet been issued.
2. Appalachian Power Company received a notice of intent to file suit under Section 505 of the Clean Water Act from Appalachian Mountain Advocates and others asserting violations of various effluent standards and limitations associated with discharges regulated by NPDES Permit No. WV0001074.
3. A December 10, 2007 consent decree was entered in U.S. v. American Electric Power Service Corp., et al, Civil Action No, 99-1182 and consolidated cases, U.S. District Court for the Southern District of Ohio, as amended.

**SCHEDULE 4.01(i) TO ASSET CONTRIBUTION AGREEMENT**  
**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**CONTRACTS**

1. Contracts for Use by Multiple Plants, Including Mitchell Plant (assigned to Mitchell Plant only to the extent it affects the Mitchell Plant; AEP Generation Resources Inc. may also purchase goods and services under these contracts for its other facilities):
  - a. Consolidated Coal Company – 07-77-05-900 – Coal
  - b. BPB West Virginia (CertainTeed) – OPCO-05-GP1 – Gypsum Sales
  - c. Union Pacific Railroad Company UP-54987
  - d. McGinnis Harbor Service No. 02517708
  
2. Mitchell Plant Contracts Material to Its Operations:
  - a. Bowen – 02511219x181 (Dry Fly Ash Project)
  - b. United Conveyor Corporation – 418948x181 (Dry Fly Ash Project)
  - c. Enerfab – 575028001082x181 – Dry Fly Ash Project Electrical)
  - d. Beaver Excavating – 02579874x181 (New Landfill Haul Road)
  - e. RB Jergens – 02589884x181 (New Landfill Construction)
  - f. Utility Workers of America Local 468
  - g. Carmeuse – 07-00-06-LS0 – Limestone
  - h. Southern Coal Sales – 07-00-12-901 – Coal
  - i. USNR Microspheres – Cenospheres 07-11-11-CO1
  - j. Southern Coal Sales Corporation Coal Purchase Agreement 07-00-12-901
  - k. Alpha Coal Sales Co., LLC Purchase Order No. 07-00-13-002
  - l. Patriot Coal Sales LLC Purchase Order No. 07-00-13-001
  - m. S. M. & J., Inc. Coal Purchase Agreement No. 07-00-10-900
  - n. Mississippi Lime Company No. 07-00-12-HL1
  - o. Conner Run Joint Use Agreement dated December 1, 2003
  - p. Supply Agreement effective March 11, 2005 between CertainTeed Gypsum West Virginia, Inc. and Ohio Power Company

**SCHEDULE 4.01(i) TO ASSET CONTRIBUTION AGREEMENT**  
**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**LEGAL PROCEEDINGS**

**1. IN THE CIRCUIT COURT OF MARSHALL COUNTY, WEST VIRGINIA**

ERNIE LEE ANDERSON and  
TAMMEY L. ANDERSON,  
Individually and As Parents,  
Guardians and next Friends  
of JENNIFER RAY ANDERSON,  
a minor, and CLEM LEE  
ANDERSON, a minor, et al.,

CIVIL ACTION NO. 09-C-220 K  
(Mark A. Karl, Judge)

and

DENNIS F. MOORE and  
JOLENE MOORE,

CIVIL ACTION NO. 10-C-146K

Plaintiffs,

v.

COLUMBIAN CHEMICALS COMPANY, a foreign  
Corporation, et al.,

Defendants and Cross-Plaintiff  
and Cross-Defendants.

RAIN CII CARBON LLC,

Third Party Plaintiff

v.

LIBERTY MUTUAL FIRE  
INSURANCE COMPANY, et al.,

Third-Party Defendant Insurers,  
and

BAYER MATERIALSCIENCE, LLC., et al

Third-Party Commercial Defendants.

2. **IN THE CIRCUIT COURT OF MARSHALL COUNTY, WEST VIRGINIA**

AMANDA ANDERSON, et al

Plaintiffs,

v.

Civil Action NO: 11-C-153 K

COLUMBIAN CHEMICALS COMPANY, et al

Defendants.

3. **IN THE CIRCUIT COURT OF MARSHALL COUNTY, WEST VIRGINIA**

BRIAN ANDERSON, et al

Plaintiffs,

v.

Civil Action NO: 11-C-152 K

RAIN CII CARBON, CO, et al

Defendants.

**SCHEDULE 4.01(k) TO ASSET CONTRIBUTION AGREEMENT**  
**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**PERMITS**

Following are listed all permits that are material to the business or operations of the Mitchell Plant:

All of the following permits and licenses: river and barge access permits for unloading facilities, barge unloaders, river cells, dredging, and restroom holding tanks; building occupancy permits for each generating unit, building and trailer; drinking water and well water permits; truck scales and other devices of measurement; Department of Transportation permits for road and railroad crossings, plant entrances, conveyor crossings, and bridge crossings; Coast Guard permits, facility response plans, and security plans; Ohio Siting Board certificates; FCC licenses for microwave communications, wireless devices, cranes, controls, radios, and marine uses; elevator licenses for passenger, freight and special service elevators; boiler certificates for steam generators, boilers and auxiliary boilers, and hot water heaters; nuclear devices, including precipitator hopper level indicators, silo level indicators, density meters, pumps, Trona silos, and analyzers; intellectual property licenses, including software and firmware licenses; and personal property licenses.

## ASSET TRANSFER AGREEMENT

This **Asset Transfer Agreement** (this "Agreement") from **AEP Generation Resources Inc.**, a Delaware corporation ("Genco"), to **Newco Kentucky Inc.**, a Kentucky corporation ("Newco"), is executed on the 18<sup>th</sup> day of December, 2013, but effective for all purposes on the 31<sup>st</sup> day of December, 2013 at 11:53 p.m. EST (the "Effective Time"). All capitalized terms used but not defined in this Agreement have the meanings assigned to such terms in the Asset Contribution Agreement (as defined below).

WHEREAS, Genco and Newco are parties to that certain Asset Contribution Agreement dated December 31, 2013 (the "Asset Contribution Agreement").

WHEREAS, pursuant to the Asset Contribution Agreement, Genco has agreed to transfer to Newco an undivided fifty percent (50%) of its right, title and interest in and to the Mitchell Plant Inventories, vehicles, equipment, machinery, furniture and other tangible personal property used in connection with the Mitchell Plant or located on or at the Mitchell Plant Real Property, the Mitchell Plant Leased Real Property and the Mitchell Plant Easements and Rights of Way (the "Transferred Assets<sup>1</sup>").

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Genco and Newco agree as follows:

1. **Conveyance of Transferred Assets.** Genco does hereby transfer, convey and deliver to Newco free and clear of any liens or encumbrances, other than Permitted Encumbrances, an undivided fifty percent (50%) of its right, title and interest in and to the Transferred Assets.
2. **Further Assurances.** From and after the date hereof, Genco and Newco shall, without further consideration, execute, deliver and take such actions as may be reasonably required of them to accomplish the transfer of the undivided fifty percent (50%) interest in the Transferred Assets and otherwise consummate the transactions contemplated by this Agreement and the Asset Contribution Agreement.
3. **Subject To Asset Contribution Agreement.** This Agreement is expressly subject to the terms and conditions of the Asset Contribution Agreement. In the event of a conflict between the terms of this Agreement and the Asset Contribution Agreement, the terms of the Asset Contribution Agreement shall control.
4. **Successors and Assigns.** The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
5. **Counterparts.** This Agreement may be executed in any number of counterparts, and each such executed counterpart (including electronically transmitted counterparts)

---

<sup>1</sup> Exclusive of Real Property interests, which will be transferred by deed.

shall be, and shall be deemed to be, an original, but all of which shall constitute, and shall be deemed to constitute, in the aggregate, but one and the same instrument.

6. **Entire Agreement.** This Agreement, together with the Asset Contribution Agreement, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, supersedes and is in full substitution for any and all prior agreements and understandings between them relating to such subject matter, and no party hereto shall be liable or bound to any other party hereto in any manner with respect to such subject matter by any warranties, representations, indemnities, covenants, or agreements except as specifically set forth herein and therein.

EXECUTED as of the date first set forth but effective for all purposes as of the Effective Time.

**AEP GENERATION RESOURCES INC.**

By: Charles E. Zebula  
Charles E. Zebula  
President

**NEWCO KENTUCKY INC.**

By: Jeffrey D. Cross  
Jeffrey D. Cross  
Vice President

## ASSUMPTION AGREEMENT

This **Assumption Agreement** between **AEP Generation Resources Inc.**, a Delaware corporation ("**Genco**"), and **Newco Kentucky Inc.**, a Kentucky corporation ("**Newco**"), is executed on the 18<sup>th</sup> day of December, 2013, but effective for all purposes on the 31<sup>st</sup> day of December, 2013 at 11:53 p.m. EST (the "**Effective Time**"). All capitalized terms used but not defined in this Agreement have the meanings assigned to such terms in the Asset Contribution Agreement (as defined below).

WHEREAS, Genco and Newco are parties to that certain Asset Contribution Agreement dated December 31, 2013 (the "**Asset Contribution Agreement**").

WHEREAS, pursuant to the Asset Contribution Agreement, Newco has agreed to assume fifty percent (50%) of the Assumed Liabilities.

**NOW, THEREFORE**, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Genco and Newco agree as follows:

1. **Assumption of Assumed Liabilities.** On the terms set forth herein and in the Asset Contribution Agreement, Newco hereby assumes and shall become responsible for, and shall hereafter pay, perform and discharge as and when due, fifty percent (50%) of the Assumed Liabilities.
2. **Further Assurances.** From and after the date hereof, Genco and Newco shall, without further consideration, execute, deliver and take such actions as may be reasonably required of them to effectuate Newco's assumption of fifty percent (50%) of the Assumed Liabilities as contemplated by this Assumption Agreement and the Asset Contribution Agreement.
3. **Subject To Asset Contribution Agreement.** This Agreement is expressly subject to the terms and conditions of the Asset Contribution Agreement. In the event of a conflict between the terms of this Assumption Agreement and the Asset Contribution Agreement, the terms of the Asset Contribution Agreement shall control.
4. **Successors and Assigns.** The terms and provisions of this Assumption Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
5. **Counterparts.** This Agreement may be executed in any number of counterparts, and each such executed counterpart (including electronically transmitted counterparts) shall be, and shall be deemed to be, an original, but all of which shall constitute, and shall be deemed to constitute, in the aggregate, but one and the same instrument.
6. **Entire Agreement.** This Assumption Agreement, together with the Asset Contribution Agreement, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, supersedes and is in full substitution for any

and all prior agreements and understandings between them relating to such subject matter, and no party hereto shall be liable or bound to any other party hereto in any manner with respect to such subject matter by any warranties, representations, indemnities, covenants, or agreements except as specifically set forth herein and therein.

EXECUTED as of the date first set forth but effective for all purposes as of the Effective Time.

**AEP GENERATION RESOURCES INC.**

By: Charles E. Zebula  
Charles E. Zebula  
President

**NEWCO KENTUCKY INC.**

By: Jeffrey D. Cross  
Jeffrey D. Cross  
Vice President

## ASSIGNMENT OF CONTRACTS

This **Assignment of Contracts** (this "Assignment") from **AEP Generation Resources Inc.**, a Delaware corporation ("Assignor"), to **Newco Kentucky Inc.**, a Kentucky corporation ("Assignee"), is executed on the 18<sup>th</sup> day of December, 2013, but effective for all purposes on the 31<sup>st</sup> day of December, 2013 at 11:53 p.m. EST (the "Effective Time"). All capitalized terms used but not defined in this Agreement have the meanings assigned to such terms in the Asset Contribution Agreement (as defined below).

**WHEREAS**, Assignor and Assignee are parties to that certain Asset Contribution Agreement dated December 31, 2013 (the "Asset Contribution Agreement").

**WHEREAS**, Assignor is a party to the contracts and agreements set forth on Exhibit A attached hereto (collectively, the "Contracts").

**WHEREAS**, pursuant to the Asset Contribution Agreement, Assignor has agreed to assign to Assignee an undivided one-half of its right, title and interest in and to the Contracts as hereinafter set forth.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Assignment**. Effective as of the Effective Date, Assignor, pursuant to the terms and conditions of the Asset Contribution Agreement, hereby transfers and assigns to Assignee an undivided one-half of Assignor's right, title and interest in and to the Contracts listed in Exhibit A.
2. **Assumption**. Assignee hereby accepts such interests in and to the Contracts and assumes and becomes responsible for, and shall hereafter pay, perform and discharge as and when due one-half of the Liabilities arising under the Contracts listed in Exhibit A.
3. **Further Assurances**. From and after the date hereof, Assignor and Assignee shall, without further consideration, execute, deliver and take such actions as may be reasonably required of them to accomplish assignment of the Contracts and otherwise consummate the transactions contemplated by this Assignment and the Asset Contribution Agreement.
4. **Subject To Asset Contribution Agreement**. This Assignment is expressly subject to the terms and conditions of the Asset Contribution Agreement. In the event of a conflict between the terms of this Assignment and the Asset Contribution Agreement, the terms of the Asset Contribution Agreement shall control.

5. **Successors and Assigns.** The terms and provisions of this Assignment shall be binding upon and inure to the benefit of the respective parties hereto, and their respective successors and assigns.
6. **Counterparts.** This Assignment may be executed in any number of counterparts and each such executed counterpart (including electronically transmitted counterparts) shall be, and shall be deemed to be, an original, but all of which shall constitute, and shall be deemed to constitute, in the aggregate, but one and the same instrument.
7. **Entire Agreement.** This Assignment, together with the Asset Contribution Agreement, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, supersedes and is in full substitution for any and all prior agreements and understandings between them relating to such subject matter, and no party hereto shall be liable or bound to any other party hereto in any manner with respect to such subject matter by any warranties, representations, indemnities, covenants, or agreements except as specifically set forth herein and therein. The Exhibit to this Assignment is hereby incorporated and made a part hereof and is an integral part of this Assignment.

EXECUTED as of the date first set forth but effective for all purposes as of the Effective Time.

**ASSIGNOR:**

**AEP GENERATION RESOURCES INC.**

By: Charles E. Zebula  
Charles E. Zebula, President

**ASSIGNEE:**

**NEWCO KENTUCKY INC.**

By: Jeffrey D. Cross  
Jeffrey D. Cross, Vice President

**EXHIBIT A**  
**CONTRACTS**

An undivided one-half of Assignor's interest in and to the following Mitchell Plant contracts and agreements is being assigned to Assignee:

1. All of the contracts identified on Schedule 4.01(i) to the Asset Contribution Agreement from AEP Generation Resources Inc. to Newco Kentucky Inc., which schedule is attached hereto as Attachment 1.
2. Each and every other contract, release against a blanket contract, service agreement, service order, purchase order, release against a blanket purchase order, or any and every other type of agreement entered into by Assignor, or by American Electric Power Service Corporation as agent for Assignor, or acquired by Assignor by assignment, for the benefit of or for the procurement of goods, materials, equipment, labor, services or anything else for the Mitchell Plant, which are in effect in any regard at the Effective Time, in that one or both parties has one or more obligations thereunder that remain to be performed or that have not been completed in every regard.

Attachment 1

**SCHEDULE 4.01(i) TO ASSET CONTRIBUTION AGREEMENT**  
**BETWEEN AEP GENERATION RESOURCES INC. AND NEWCO KENTUCKY INC.**

**CONTRACTS**

1. Contracts for Use by Multiple Plants, Including Mitchell Plant (assigned to Mitchell Plant only to the extent it affects the Mitchell Plant; AEP Generation Resources Inc. may also purchase goods and services under these contracts for its other facilities):
  - a. Consolidated Coal Company – 07-77-05-900 – Coal
  - b. BPB West Virginia (CertainTeed) – OPCO-05-GP1 – Gypsum Sales
  - c. Union Pacific Railroad Company UP-54987
  - d. McGinnis Harbor Service No. 02517708
  
2. Mitchell Plant Contracts Material to Its Operations:
  - a. Bowen – 02511219x181 (Dry Fly Ash Project)
  - b. United Conveyor Corporation – 418948x181 (Dry Fly Ash Project)
  - c. Enerfab – 575028001082x181 – Dry Fly Ash Project Electrical
  - d. Beaver Excavating – 02579874x181 (New Landfill Haul Road)
  - e. RB Jergens – 02589884x181 (New Landfill Construction)
  - f. Utility Workers of America Local 468
  - g. Carmeuse – 07-00-06-LS0 – Limestone
  - h. Southern Coal Sales – 07-00-12-901 – Coal
  - i. USNR Microspheres – Cenospheres 07-11-11-CO1
  - j. Southern Coal Sales Corporation Coal Purchase Agreement 07-00-12-901
  - k. Alpha Coal Sales Co., LLC Purchase Order No. 07-00-13-002
  - l. Patriot Coal Sales LLC Purchase Order No. 07-00-13-001
  - m. S. M. & J., Inc. Coal Purchase Agreement No. 07-00-10-900
  - n. Mississippi Lime Company No. 07-00-12-HL1
  - o. Conner Run Joint Use Agreement dated December 1, 2003
  - p. Supply Agreement effective March 11, 2005 between CertainTeed Gypsum West Virginia, Inc. and Ohio Power Company

<b>0028317.09</b>	mstratton SUR
Allison Lundergan Grimes Kentucky Secretary of State	
Received and Filed: 12/20/2013 3:13 PM	
Fee Receipt: \$50.00	

**ARTICLES OF MERGER  
 of  
 NEWCO KENTUCKY INC.  
 a Kentucky corporation  
 with and into  
 KENTUCKY POWER COMPANY  
 a Kentucky corporation**

Pursuant to the provisions of the Kentucky Business Corporation Act, the undersigned corporations adopt the following Articles of Merger for the purpose of merging Newco Kentucky Inc., a Kentucky corporation ("Newco") with and into Kentucky Power Company, a Kentucky corporation ("KPCo").

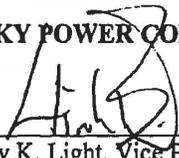
- The Agreement and Plan of Merger attached hereto as **Exhibit A** (the "Plan of Merger") by and between Newco and KPCo was adopted and approved by the Board of Directors of Newco on December 18, 2013 in the manner prescribed by the Kentucky Business Corporation Act. The Plan of Merger was adopted and approved by the Board of Directors of KPCo on December 18, 2013 in the manner prescribed by the Kentucky Business Corporation Act.
- The designation, number of outstanding shares, and number of votes entitled to be cast by each voting group entitled to vote separately on the Plan of Merger with respect to Newco and KPCo is as follows:

	<u>Number of Shares Outstanding</u>	<u>Designation</u>	<u>Number of Votes Entitled to be Cast by Holders of Common Stock</u>
Newco	100	Common Stock	100
KPCo	1,009,000	Common Stock	1,009,000

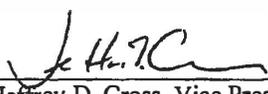
- As to Newco, the Plan of Merger was duly adopted by unanimous written consent of all of its shareholders on December 18, 2013, which shareholders held all of the issued and outstanding shares of Newco (100). This number was sufficient for approval of the Plan of Merger by the holders of the common stock of Newco, the only voting group entitled to vote on the Plan of Merger. As to KPCo, the Plan of Merger was duly adopted by unanimous written consent of all of its shareholders on December 18, 2013, which shareholders held all of the issued and outstanding shares of KPCo (1,009,000). This number was sufficient for approval of the Plan of Merger by the holders of the common stock of KPCo, the only voting group entitled to vote on the Plan of Merger.
- These Articles of Merger shall be effective at 11:56 p.m. on December 31, 2013.

Date: December 18, 2013

**KENTUCKY POWER COMPANY**

By:   
\_\_\_\_\_  
Timothy K. Light, Vice President

**NEWCO KENTUCKY INC.**

By:   
\_\_\_\_\_  
Jeffrey D. Cross, Vice President

**Exhibit A**  
**Agreement and Plan of Merger**

Case No. 2021-00421 - AG-KIUCs First Set of Data Requests - Dated December 15, 2021 - Item No. 32 - Attachment 2 - Page 3 of 10

**AGREEMENT AND PLAN OF MERGER**

**BETWEEN**

**KENTUCKY POWER COMPANY**

**a Kentucky corporation**

**AND**

**NEWCO KENTUCKY INC.**

**a Kentucky corporation**

This **AGREEMENT AND PLAN OF MERGER** is entered into as of this 18<sup>th</sup> day of December, 2013 under Subtitle 11 of the Kentucky Business Corporation Act, by and between **KENTUCKY POWER COMPANY** (“KPCo”), a Kentucky corporation, and **NEWCO KENTUCKY INC.** (“NEWCO KY”), a Kentucky corporation.

**RECITALS**

1. KPCo is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Kentucky and is a wholly owned subsidiary of American Electric Power Company, Inc., a New York corporation (“AEP”), which is a public utility holding company. KPCo is a regulated public utility engaged in the business of providing electric power and related services to its customers.
2. NEWCO KY is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Kentucky and is a wholly owned subsidiary of AEP. NEWCO KY owns certain electric generating facilities; however, it is not a regulated public utility.
3. KPCo currently has authorized 2,000,000 shares of common stock with a par value of \$50 per share, of which 1,009,000 are issued and outstanding and held by AEP.
4. NEWCO KY currently has authorized 100 shares of common stock, no par value, of which 100 are issued and outstanding and held by AEP.
5. The Federal Energy Regulatory Commission and the Kentucky Public Service Commission have authorized the merger of NEWCO KY with and into KPCo.
6. The Boards of Directors of KPCo and NEWCO KY have each determined that it is in the best interest of both companies and their shareholders to merge NEWCO KY with and into KPCo, and have, by resolutions, duly approved and adopted this Agreement and Plan

of Merger. AEP, the sole shareholder of KPCo and NEWCO KY has approved this Agreement and Plan of Merger.

### **AGREEMENT**

Now, therefore, in consideration of the premises and agreements contained herein, the parties agree as follows:

#### **ARTICLE I**

##### **NAMES OF CORPORATIONS; MERGER; NAME OF SURVIVING CORPORATION**

The names of the constituent corporations to the merger are Kentucky Power Company and Newco Kentucky Inc. In accordance with the laws of the Commonwealth of Kentucky and this Agreement and Plan of Merger, NEWCO KY shall be merged with and into KPCo which shall be, and is herein referred to as, the "Surviving Corporation." The name of the Surviving Corporation shall be Kentucky Power Company.

#### **ARTICLE II**

##### **EFFECTIVE TIME**

As soon as practicable after the execution hereof, Articles of Merger shall be filed, as required by the Kentucky Business Corporation Act, with the Kentucky Secretary of State. The merger shall become effective at 11:56 p.m. on December 31, 2013. Such date and time shall be the "Effective Time" referred to in this Agreement and Plan of Merger.

**ARTICLE III**  
**EFFECT OF MERGER; ARTICLES OF INCORPORATION;**  
**BY-LAWS; DIRECTORS AND OFFICERS ON THE EFFECTIVE DATE**

- 3.1 At the Effective Time, NEWCO KY shall be merged with and into KPCo and the separate corporate existence of NEWCO KY shall cease, and KPCo shall be the continuing and Surviving Corporation in the merger and shall continue to exist under the laws of the Commonwealth of Kentucky.
- 3.2 The Surviving Corporation shall have all the rights, privileges, immunities and powers and shall be subject to all of the duties and liabilities of a corporation organized under the Kentucky Business Corporation Act. Title to all real estate and other property owned by KPCo and NEWCO KY shall be vested in the Surviving Corporation and the Surviving Corporation shall have all the liabilities of KPCo and NEWCO KY. Any proceeding pending against KPCo or NEWCO KY at the Effective Time may be continued as if the Merger did not occur or the Surviving Corporation may be substituted in such proceeding in the case of any such proceeding against NEWCO KY.
- 3.3 The Restated Articles of Incorporation of KPCo, in effect immediately prior to the Effective Time, shall be the Restated Articles of Incorporation of the Surviving Corporation until they shall thereafter be duly altered or amended in accordance with law.
- 3.4 The By-Laws of KPCo, in effect immediately prior to the Effective Time, shall be the By-Laws of the Surviving Corporation until they shall thereafter be duly altered or amended in accordance with law.

- 3.5 The directors and officers of KPCo immediately prior to the Effective Time shall continue to be the directors and officers of the Surviving Corporation until changed in accordance with law.

**ARTICLE IV  
CANCELLATION OF NEWCO KY SHARES**

At the Effective Time, each share of capital stock of NEWCO KY then issued and outstanding shall, by virtue of the Merger and without any action by the holder thereof, be canceled and extinguished.

**ARTICLE V  
KPCO SHARES**

Each share of capital stock of KPCo issued and outstanding as of the Effective Time shall remain outstanding and shall not be affected by the Merger and no new or additional stock of the Surviving Corporation shall be issued in consummating the Merger.

**ARTICLE VI  
MISCELLANEOUS**

- 6.1 The parties to this Agreement and Plan of Merger shall pay the expenses incurred by each of them, respectively, in connection with the transactions contemplated herein.
- 6.2 The title of this Agreement and Plan of Merger and the headings herein set out are for the convenience of reference only and shall not be deemed to be part of this Agreement and Plan of Merger.
- 6.3 Subject to applicable law, this Agreement and Plan of Merger may be amended by agreement among the parties hereto and approved by their respective Board of Directors.

- 6.4 The parties intend that, for United States federal income tax purposes, the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and that this Agreement and Plan of Merger will be, and is hereby, adopted as a plan of reorganization for purposes of Section 368(a) of the Code.
- 6.5 This Agreement and Plan of Merger and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

*Signatures appear on following page*

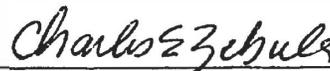
**IN WITNESS WHEREOF**, each of KPCo and NEWCO KY has caused this Agreement and Plan of Merger to be executed on its behalf and in its corporate name as of the date first above written.

**KENTUCKY POWER COMPANY**



By: Timothy K. Light, Vice President

**NEWCO KENTUCKY INC.**



By: Charles E. Zebula, President

**OHIO POWER COMPANY  
 CORPORATE SEPARATION  
 CLOSING MEMORANDUM**

**I. TIME AND PLACE OF CLOSING:**

The closing will take place on December 18, 2013 at 1 Riverside Plaza, 29<sup>th</sup> floor, Columbus, Ohio 43215. The following transactions will occur effective on December 31, 2013:

- A. Ohio Power Company will contribute the appropriate generation assets and liabilities to its direct, wholly-owned subsidiary, AEP Generation Resources Inc. (effective 11:50 PM).
- B. Ohio Power Company will distribute its shares of AEP Generation Resources Inc. to American Electric Power Company, Inc. (effective 11:51 PM).
- C. American Electric Power Company, Inc. will contribute all of the shares of AEP Generation Resources Inc. to AEP Energy Supply LLC (effective 11:52 PM).
- D. AEP Generation Resources Inc. will contribute an undivided one-half interest in Mitchell Plant to Newco Kentucky Inc. and its interest in Amos 3 to Newco Appalachian Inc. (effective 11:53 PM).
- E. AEP Generation Resources Inc. will distribute its shares of Newco APCo and Newco Kentucky to AEP Energy Supply LLC (effective 11:54 PM).
- F. AEP Energy Supply LLC will distribute its shares of Newco APCo and Newco Kentucky to American Electric Power Company, Inc. (effective 11:55 PM).
- G. Newco APCo will merge into APCo and Newco Kentucky will merge into KPCo (effective 11:56 PM).

***Party Abbreviations***

AEP Energy Partners, Inc. ....	AEPEP
AEP Energy Supply LLC.....	AEP Energy
AEP Generation Resources Inc.....	GenCo
American Electric Power Company, Inc.....	AEPC
Appalachian Power Company.....	APCo
Cardinal Operating Company .....	Cardinal
Kentucky Power Company .....	KPCo
Newco Appalachian Inc.....	Newco APCo
Newco Kentucky Inc.....	Newco Kentucky
Ohio Power Company.....	OPCo
Wheeling Power Company .....	Wheeling Power
BAB.....	Barb Belville
TGB.....	Tom Berkemeyer
JCC.....	John Crespo
JDC.....	Jeff Cross
JJH.....	Janet Henry
DCH.....	David House
JEJ.....	Jay Jadwin
TAK.....	Tim King
DAL.....	Dave Laing

KEM..... Ken McDonough  
RAM..... Bob Macpherson  
RGR..... Randy Ryan  
BRS ..... Brad Signet  
FST ..... Scott Travis  
JW..... Jen Watters

## II. TRANSACTION A - ASSET CONTRIBUTION FROM OPCO TO GENCO

No.	Document	Signatories (Copy/Original)	Responsible Party	Status/Comments
-----	----------	--------------------------------	----------------------	-----------------

### A. PRINCIPAL AGREEMENTS/DOCUMENTS TO BE DELIVERED

1.	Asset Contribution Agreement between Ohio Power Company and AEP Generation Resources Inc.	OPCo/GenCo	RGR	<a href="#">889695</a> <a href="#">901942</a> (Executed)
2.	Exhibit A to Asset Contribution Agreement – Form of Assignment of Contracts, with attached Exhibit A (List of Contracts)		RGR	<a href="#">890651</a> <a href="#">903253</a> (Final Schedules and Exhibits) <a href="#">903182</a> (Executed Assignment of Contracts for CCD Units)
3.	Exhibit B to Asset Contribution Agreement – Form of Assignment of Easements and Rights of Way, with attached Exhibit A (List of Easements and Rights of Way)		RGR	<a href="#">890930</a>  Final
4.	Exhibit C to Asset Contribution Agreement – Form of Assignment of Real Property Leases, with attached Exhibit A (List of Real Property Leases)		RGR	<a href="#">890948</a>  Final
5.	Exhibit D to Asset Contribution Agreement – Form of Assumption Agreement, with attached Exhibit A (List of Assumed Liabilities)		RGR	<a href="#">890847</a>  Final
6.	Exhibit E to Asset Contribution Agreement – Form of Asset Transfer Agreement, with attached Exhibit A (Description of Transferred Assets)		RGR	<a href="#">898986</a>  Final

<i>No.</i>	<i>Document</i>	<i>Signatories</i> <i>(Copy/Original)</i>	<i>Responsible</i> <i>Party</i>	<i>Status/Comments</i>
7.	Original Assumption Agreement (form of Ex. D)	OPCo/GenCo	RGR	<a href="#">897875</a>  Final
8.	Original Asset Transfer Agreement (form of Ex. E)	OPCo/GenCo	RGR	<a href="#">890971</a>  <a href="#">903328</a> (Final Executed Ancillary Agreements)
9.	Original Deeds to Real Property	OPCo	KEM	Delivered 12/31/13
10.	Original Assignment of Easements and Rights of Way (in form of Ex. B)	OPCo/GenCo	KEM	N/A – None
11.	Original Assignment of Real Property Leases (in form of Ex. C)	OPCo/GenCo	KEM	N/A – None
12.	Original Assignment of Contracts and Leases (in form of Ex. A)	OPCo/GenCo	BAB	<a href="#">890653</a>
13.	PCRB Support Notes (PCRB Pass-Through)	OPCo/GenCo	TGB	<a href="#">903063</a> <a href="#">903064</a> <a href="#">903065</a> <a href="#">903066</a> <a href="#">903067</a> <a href="#">903068</a> <a href="#">903069</a> <a href="#">903073</a> <a href="#">903083</a> <a href="#">903074</a> <a href="#">903075</a> <a href="#">903076</a> <a href="#">903078</a> <a href="#">903079</a> <a href="#">903080</a> <a href="#">903086</a> (Executed Copies)
14.	Delivery, cancellation of, and reissuance of		TGB	<a href="#">900490</a>

<i>No.</i>	<i>Document</i>	<i>Signatories (Copy/Original)</i>	<i>Responsible Party</i>	<i>Status/Comments</i>
	50% of the stock of Cardinal Operating Company, 50% of the stock of Central Coal Company, and 100% of the stock of Conesville Coal Preparation Company			<a href="#">900492</a> <a href="#">900495</a> <a href="#">900494</a> <a href="#">902657</a> (Executed Copies)
15.	Schedule 1.01 – Assumed Payables		FST	<a href="#">892088</a>  Final
16.	Schedule 1.03 – Debt (1.02 relates to Cook Coal Terminal and will be deleted from final)		FST	<a href="#">892090</a>  Final
17.	Schedule 1.04 – Easements and Rights of Way		KEM	<a href="#">894022</a>  Final
18.	Schedule 1.05 – Franklin Real Property		KEM	<a href="#">894024</a>  Final
19.	Schedule 1.06 – Generating Plants		RGR	<a href="#">896124</a>  Final
20.	Schedule 1.07 – Pollution Control Bonds		TGB	<a href="#">891035</a>  Final
21.	Schedule 1.08 – Rail Transportation Assets		RAM/DCH	<a href="#">892013</a>  Final
22.	Schedule 1.09 – River Transportation Assets		RAM/DCH	<a href="#">892034</a>  Final
23.	Schedule 2.01(c) – Real Property		KEM	<a href="#">894017</a>

<i>No.</i>	<i>Document</i>	<i>Signatories (Copy/Original)</i>	<i>Responsible Party</i>	<i>Status/Comments</i>
				Final
24.	Schedule 2.01(p) – Tangible Personal Property		FST	<a href="#">892093</a> Final
25.	Schedule 2.01(q) - Miscellaneous		BAB	<a href="#">891038</a> Final
26.	Schedule 2.01(t) – Generation Transmission Assets		BAB	<a href="#">892045</a> Final
27.	Schedule 4.01(e) – Leased Real Property and Real Property Leases		KEM	<a href="#">894020</a> Final
28.	Schedule 4.01(g) – Environmental Matters and Environmental Permits		JJH	<a href="#">895081</a> Final
29.	Schedule 4.01(i) – Contracts (Material Ks)		BAB	<a href="#">891402</a> Final
30.	Schedule 4.01(j) – Legal Proceedings		DAL	<a href="#">892528</a> Final
31.	Schedule 4.01(k) - Permits		JW/BAB	<a href="#">892074</a> Final

**B. ITEMS RELATING TO CORPORATE PROCEEDINGS**

32.	OPCo Board Resolution Approving the Transaction		TGB/TAK	<a href="#">882108</a> Final
-----	-------------------------------------------------	--	---------	---------------------------------

<i>No.</i>	<i>Document</i>	<i>Signatories</i> <i>(Copy/Original)</i>	<i>Responsible</i> <i>Party</i>	<i>Status/Comments</i>
33.	GenCo Board Resolution Approving the Transaction		TGB/TAK	<a href="#">886942</a> Final

**III. TRANSACTION B – OPCO DISTRIBUTES SHARES OF GENCO TO AEPC**

<i>No.</i>	<i>Document</i>	<i>Signatories (Copy/Original)</i>	<i>Responsible Party</i>	<i>Status/Comments</i>
------------	-----------------	----------------------------------------	------------------------------	------------------------

**A. PRINCIPAL DOCUMENTS**

1.	Transfer stock of GenCo issued to OPCo on December 8, 2011 to AEPC through Stock Power		TGB	<a href="#">900395</a> <a href="#">902663</a> (Executed Stock Power)
----	----------------------------------------------------------------------------------------	--	-----	-------------------------------------------------------------------------

**B. ITEMS RELATING TO CORPORATE PROCEEDINGS**

2.	OPCo Board Resolution approving the distribution of GenCo Shares		JDC/TGB	<a href="#">882108</a>
----	------------------------------------------------------------------	--	---------	------------------------

**IV. TRANSACTION C – AEPC WILL CONTRIBUTE THE SHARES OF GENCO TO AEP ENERGY SUPPLY LLC**

<i>No.</i>	<i>Document</i>	<i>Signatories (Copy/Original)</i>	<i>Responsible Party</i>	<i>Status/Comments</i>
------------	-----------------	----------------------------------------	------------------------------	------------------------

**A. PRINCIPAL DOCUMENTS**

1.	Transfer stock of GenCo issued to AEPC to AEP Energy through Stock Power	--	TGB	<a href="#">900437</a>  <a href="#">902665</a> (Executed Stock Power)
----	--------------------------------------------------------------------------	----	-----	-----------------------------------------------------------------------------

**V. TRANSACTION D – GENCO WILL CONTRIBUTE ITS 2/3 INTEREST IN AMOS 3 TO NEWCO APCO AND 50% INTEREST IN MITCHELL TO NEWCO KPCCO**

<i>No.</i>	<i>Document</i>	<i>Signatories (Copy/Original)</i>	<i>Responsible Party</i>	<i>Status/Comments</i>
<b>A. PRINCIPAL DOCUMENTS</b>				
1.	<b>Asset Contribution Agreement between GenCo and Newco APCo</b>	GenCo/Newco APCo	RGR	<a href="#">863034</a> Final <a href="#">902669</a> (Executed ACA with Exhibits, Schedules and Executed Ancillary Agreements)
2.	Exhibit A to Asset Contribution Agreement – Form of Assignment of Contracts, with attached Exhibit A (List of Contracts)		RGR	<a href="#">890655</a> Final
3.	Exhibit B to Asset Contribution Agreement – Form of Assignment of Easements and Rights of Way, with attached Exhibit A (List of Easements and Rights of Way)		RGR	<a href="#">863021</a> Final
4.	Exhibit C to Asset Contribution Agreement – Form of Assignment of Real Property Leases, with attached Exhibit A (List of Real Property Leases)		RGR	<a href="#">863022</a> Final
5.	Exhibit D to Asset Contribution Agreement – Form of Assumption Agreement, with attached Exhibit A (List of Assumed Liabilities)		RGR	<a href="#">863023</a> Final
6.	Exhibit E to Asset Contribution Agreement – Form of Asset Transfer Agreement, with attached Exhibit A (Description of		RGR	<a href="#">863024</a> Final

	Transferred Assets)			
7.	Original of Assumption Agreement (in form of Ex. D)	GenCo/Newco APCo	RGR	<a href="#">897893</a> Final
8.	Original of Asset Transfer Agreement (in form of Ex. E)	GenCo/Newco APCo	RGR	<a href="#">897899</a> Final
9.	Original of Real Property Deeds	GenCo	KEM	Delivered 12/31/13
10.	Original of Assignments of Easements and Rights of Way (in form of Ex. B)	GenCo/Newco APCo	KEM	N/A - None
11.	Original of Assignments of Real Property Leases (in form of Ex. C)	GenCo/Newco APCo	KEM	N/A - None
12.	Original of Assignments of Contracts (in form of Ex. A)	GenCo/Newco APCo	BAB	<a href="#">890658</a> Final
13.	Schedule 1.01 –Amos 3 Descriptions		KEM	<a href="#">894035</a> Final
14.	Schedule 1.02 – Assumed Payables		FST	<a href="#">892101</a> Final
15.	Schedule 1.03 - Debt		FST	<a href="#">892102</a> Final
16.	Schedule 1.04 – Easements and Rights of Way		KEM	<a href="#">894036</a> Final
17.	Schedule 1.05 – Franklin Real Property		KEM	<a href="#">894037</a> Final
18.	Schedule 2.01(a) – Real Property		KEM	<a href="#">894044</a> Final
19.	Schedule 2.01(k) – Tangible Personal Property		FST	<a href="#">892103</a> Final
20.	Schedule 2.01(l) - Miscellaneous		BAB	<a href="#">892075</a>

				Final
21.	Schedule 2.01(o) – Generation Transmission Assets		BAB	<a href="#">892046</a> Final
22.	Schedule 4.01(e) – Leased Real Property and Real Property Leases		KEM	<a href="#">894918</a> Final
23.	Schedule 4.01(g) – Environmental Matters and Environmental Permits		JJH	<a href="#">899944</a> Final
24.	Schedule 4.01(i) - Contracts		BAB	<a href="#">892047</a> Final
25.	Schedule 4.01(j) – Legal Proceedings		DAL	<a href="#">892545</a> Final
26.	Schedule 4.01(k) - Permits		JW/BAB	<a href="#">892049</a> Final
27.	<b>Asset Contribution Agreement between GenCo and Newco KPCo</b>	GenCo/Newco KPCo	RGR	<a href="#">863032</a> Final <a href="#">902672</a> (Executed ACA with Exhibits, Schedules and Executed Ancillary Agreements)
28.	Exhibit A to Asset Contribution Agreement – Form of Assignment of Contracts, with attached Exhibit A (List of Contracts)		RGR	<a href="#">890659</a> Final
29.	Exhibit B to Asset Contribution Agreement – Form of Assignment of Easements and Rights of Way, with attached Exhibit A (List of Easements and Rights of Way)		RGR	<a href="#">890839</a> Final
30.	Exhibit C to Asset Contribution Agreement – Form of Assignment of Real Property Leases, with attached		RGR	<a href="#">890844</a> Final

	Exhibit A (List of Real Property Leases)			
31.	Exhibit D to Asset Contribution Agreement – Form of Assumption Agreement, with attached Exhibit A (List of Assumed Liabilities)		RGR	<a href="#">890845</a> Final
32.	Exhibit E to Asset Contribution Agreement – Form of Asset Transfer Agreement, with attached Exhibit A (Description of Transferred Assets)		RGR	<a href="#">890871</a> Final
33.	Original of Assumption Agreement (in form of Ex. D)	GenCo/Newco KPCo	RGR	<a href="#">897946</a> Final
34.	Original of Asset Transfer Agreement (in form of Ex. E)	GenCo/Newco KPCo	RGR	<a href="#">897949</a> Final
35.	Original of Real Property Deeds	GenCo	KEM	Delivered 12/31/13+
36.	Original of Assignments of Easements and Rights of Way (in form of Ex. B)	GenCo/Newco KPCo	KEM	N/A - None
37.	Original of Assignments of Real Property Leases (in form of Ex. C)	GenCo/Newco KPCo	KEM	N/A - None
38.	Original of Assignments of Contracts (in form of Ex. A)	GenCo/Newco KPCo	BAB	<a href="#">890660</a> Final
39.	Schedule 1.01 – Mitchell Plant Description		KEM	<a href="#">894051</a> Final
40.	Schedule 1.02 – Assumed Payables		FST	<a href="#">897000</a> Final
41.	Schedule 1.03 - Debt		FST	<a href="#">897210</a> Final
42.	Schedule 1.04 – Easements and Rights of Way		KEM	<a href="#">894052</a> Final
43.	Schedule 1.05 – Franklin Real Property		KEM	<a href="#">894069</a> Final
44.	Schedule 2.01(b) – Real Property		KEM	<a href="#">894070</a>

				Final
45.	Schedule 2.01(l) – Tangible Personal Property		FST	<a href="#">897201</a> Final
46.	Schedule 2.01(m) - Miscellaneous		BAB	<a href="#">892076</a> Final
47.	Schedule 2.01(p) – Generation Transmission Assets		BAB	<a href="#">892078</a> Final
48.	Schedule 4.01(e) – Leased Real Property and Real Property Leases		KEM	<a href="#">894071</a> Final
49.	Schedule 4.01(g) – Environmental Matters and Environmental Permits		JJH	<a href="#">895080</a> Final
50.	Schedule 4.01(i) - Contracts		BAB	<a href="#">892080</a> Final
51.	Schedule 4.01(j) – Legal Proceedings		DAL	<a href="#">892546</a> Final
52.	Schedule 4.01(k) - Permits		JW/BAB	<a href="#">892080</a> Final

**B. ITEMS RELATING TO CORPORATE PROCEEDINGS**

53.	GenCo Board Resolution Approving the Transaction		TGB/TAK	<a href="#">886942</a>
54.	Newco APCo Board Resolution Approving the Transaction		TGB/TAK	<a href="#">892374</a>
55.	Newco KPCo Board Resolution Approving the Transaction		TGB/TAK	<a href="#">892451</a>

**VI. TRANSACTION E – GENCO WILL DISTRIBUTE THE COMMON STOCK OF NEWCO APCO AND NEWCO KPCO TO AEP ENERGY SUPPLY LLC**

<i>No.</i>	<i>Document</i>	<i>Signatories (Copy/Original)</i>	<i>Responsible Party</i>	<i>Status Comments</i>
<b>A. PRINCIPAL DOCUMENTS</b>				
1.	Transfer stock of Newco APCo from GenCo to AEP Energy through Stock Power		TGB	<a href="#">900439</a> <a href="#">902675</a> (Executed)
2.	Transfer stock of Newco KPCo from GenCo to AEP Energy through Stock Power		TGB	<a href="#">900445</a> <a href="#">902678</a> (Executed)
<b>B. ITEMS RELATING TO CORPORATE PROCEEDINGS</b>				
3.	GenCo Board Resolution approving the distribution of Newco APCo and Newco KPCo shares		TGB/TAK	<a href="#">886942</a>

**VII. TRANSACTION F – AEP ENERGY WILL DISTRIBUTE THE COMMON STOCK OF NEWCO APCO AND NEWCO KPCO TO AEPC**

<i>No.</i>	<i>Document</i>	<i>Signatories (Copy/Original)</i>	<i>Responsible Party</i>	<i>Status Comments</i>
------------	-----------------	----------------------------------------	------------------------------	------------------------

**A. PRINCIPAL DOCUMENTS**

1.	Transfer stock of Newco APCo from AEP Energy Supply to AEPC through Stock Power		TAK	<a href="#">900442</a> <a href="#">902679</a> (Executed)
2.	Transfer stock of Newco KPCo from AEP Energy Supply to AEPC through Stock Power		TAK	<a href="#">900446</a> <a href="#">902680</a> (Executed)

**B. ITEMS RELATING TO CORPORATE PROCEEDINGS**

3.	AEP Energy Supply Board Resolution approving the distribution of Newco APCo and Newco KPCo shares		JDC/TAK	<a href="#">890998</a>
----	---------------------------------------------------------------------------------------------------	--	---------	------------------------

**VIII. TRANSACTION G – MERGE NEWCO APCO INTO APCO AND MERGE NEWCO KPCO INTO KPCO**

<i>No.</i>	<i>Documents</i>	<i>Signatories (Copy/Original)</i>	<i>Responsible Party</i>	<i>Status Comments</i>
------------	------------------	----------------------------------------	------------------------------	------------------------

**A. PRINCIPAL DOCUMENTS**

1.	Plan of Merger – Newco APCo into APCo (name of corporation merging and name of survivor, terms and conditions of merger, manner and basis of converting shares, any amendments to the survivor’s articles of incorporation)		TAK	<a href="#">891667</a> <a href="#">903116</a> <b>(Executed)</b> <b>NEED AS FILED</b>
2.	Plan of Merger – Newco KPCo into KPCo (name of corporation merging and name of survivor, terms and conditions of merger, and manner and basis of converting shares)		TAK	<a href="#">892345</a> <a href="#">903117</a> <b>(Executed)</b> <a href="#">903107</a> (As <b>Filed)</b>

**B. ITEMS RELATING TO CORPORATE PROCEEDINGS**

3.	Newco APCo Board Resolution adopting Plan of Merger and recommending plan to shareholders		TGB/TAK	<a href="#">892374</a>
4.	APCo Board Resolution adopting Plan of Merger and recommending plan to shareholders		TGB/TAK	<a href="#">886943</a>
5.	Newco APCo Notice to Shareholder and Approval of Plan of Merger		TGB/TAK	<a href="#">892456</a>
6.	Left Blank			N/A
7.	APCo Notice to Shareholder and Approval of Plan of Merger		TGB/TAK	<a href="#">891051</a>
8.	Left Blank			N/A
9.	Newco KPCo Board Resolution adopting Plan of Merger and recommending plan to shareholders		TGB/TAK	<a href="#">892451</a>
10.	KPCo Board Resolution adopting Plan of Merger and Recommending Plan to Shareholder		TGB/TAK	<a href="#">882109</a>

11.	Newco KPCo Notice to Shareholder and Approval of Plan of Merger		TGB/TAK	<a href="#">892454</a>
12. ,	KPCo Notice to Shareholder and Approval of Plan of Merger		TGB/TAK	<a href="#">892079</a>

**[IX. TRANSACTION H – MERGE WHEELING POWER INTO APCO] – STEP NOT TAKEN**

<i>No.</i>	<i>Documents</i>	<i>Signatories</i> <i>(Copy/original)</i>	<i>Responsible Party</i>	<i>Status Comments</i>
------------	------------------	----------------------------------------------	--------------------------	------------------------

**A. PRINCIPAL DOCUMENTS**

1.	Plan of Merger –Wheeling Power into APCo (name of corporation merging and name of survivor, terms and conditions of merger, manner and basis of converting shares, any amendments to the survivor’s articles of incorporation)			<a href="#">396171</a>  <a href="#">863030</a>
----	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	------------------------------------------------------

**B. ITEMS RELATING TO CORPORATE PROCEEDINGS**

2.	Wheeling Power Board Resolution adopting Plan of Merger and recommending plan to shareholders		TGB/TAK	
3.	Wheeling Power Notice to Shareholders of meeting to consider Plan of Merger		TGB/TAK	
4.	Wheeling Power Shareholder Approval of Plan of Merger		TGBTAK	
5.	APCo Board Resolution adopting Plan of Merger and recommending plan to shareholders		TGB/TAK	
6.	APCo Notice to Shareholders of meeting to consider Plan of Merger		TGB/TAK	
7.	APCo Shareholder Approval of Plan of Merger		TGB/TAK	

**X. TRANSACTION I – ANCILLARY TRANSACTIONS**

<i>No.</i>	<i>Documents</i>	<i>Signatories (Copy/Original)</i>	<i>Responsible Party</i>	<i>Status Comments</i>
------------	------------------	----------------------------------------	------------------------------	------------------------

**A. AFFILIATE AGREEMENTS - NEW**

1.	Affiliated Transactions Agreement for Sharing Capitalized Spare Parts	AEPSC (as agent for APCo, I&M, KPCo, AEGCo) and GenCo	BAB	<a href="#">891012</a> <a href="#">902683</a> (Executed)
2.	Affiliated Transactions Agreement for Sharing Materials and Supplies	AEPSC (as agent for APCo, I&M, KPCo, OPCo, AEGCo) and GenCo	BAB	<a href="#">891014</a> <a href="#">902684</a> (Executed)
3.	Mitchell Plant Operating Agreement	KPCo, GenCo, AEPSC	BRS	<a href="#">896304</a> <a href="#">904801</a> (Word Version with FERC Revisions) <a href="#">903126</a> (Executed – Still Needs FERC-Ordered Revisions) <a href="#">911204</a> (Executed with FERC Ordered Revisions)
4.	Kammer Plant Operating Agreement	KPCo, GenCo, AEPSC	BAB	<a href="#">891015</a> <a href="#">902686</a> (Executed)
5.	Sporn Plant Operating Agreement	APCo, GenCo, AEPSC	BRS	<a href="#">896305</a> <a href="#">903127</a> (Executed – Stills Needs FERC-Ordered Revisions) <a href="#">911205</a> (Executed with FERC Ordered Revisions)
6.	Cook Coal Terminal Transfer Agreement	AEPGCo, GenCo	RGR	<a href="#">895126</a> <a href="#">902694</a> (Executed)
7.	Urea Handling Agreement	I&M, GenCo	RGR	<a href="#">897985</a> <a href="#">903128</a> (Executed)
8.	Telecommunications Service Agreement	OPCo, GenCo	TGS	<a href="#">892331</a> <a href="#">914822</a> (Executed)

9.	Simulator Lease Agreement	APCO, AEPSC	Dean Berry/KEM	<a href="#">901599</a> <a href="#">903136 (Executed)</a>
10.	Fossil and Hydro Lease Agreement	AEPSC, GenCo	Dean Berry/KEM	<a href="#">901614</a> <a href="#">903137 (Executed)</a>
11.	Lawrenceburg Fuel Management Agreement	GenCo, AEPGCo	JEJ	<a href="#">898271</a> <a href="#">903139 (Executed)</a>
12.	GenCo/AEP Energy Partners Agreement	GenCo, AEPEP	JEJ	
13.	Gypsum Letter Agreement	KPCo, GenCo, Buckeye Power Company, Cardinal	JEJ	<a href="#">911061 (Executed)</a>
14.	Cardinal Owners' Internal Side Letter and Assignment	Cardinal, Buckeye Power, OPCo, GenCo	JEJ	<a href="#">903636 (Executed)</a>
15.	Mitchell Coal Pile Run-Off Agreement	KPCo, GenCo	BAB	<a href="#">900452</a> <a href="#">903142 (Executed)</a>
16.	Crew Agreement - Vessels	I&M, River Operations LLC	RGR	<a href="#">899873</a> <a href="#">903144 (Executed)</a>

**B. AFFILIATE AGREEMENTS – ALREADY EXECUTED**

1.	Amendment No. 1 to Barge Transportation Agreement	OPCo, APCo, I&M, AEPGCo, KPCo	RGR	<a href="#">876261</a> <a href="#">896287 (Executed)</a>
2.	Amendment No. 2 to AEP System Rail Car Use Agreement	OPCo, APCo, I&M, KPCo, SWEPCo, PSO	RGR	<a href="#">876456</a> <a href="#">896286 (Executed)</a>
3.	Urea Handling Agreement	APCo, I&M, KPCo	RGR	<a href="#">874675</a> <a href="#">894393 (Executed)</a> <a href="#">903173 (Amended)</a>
4.	Rail Car Maintenance Agreement	OPCo, APCo, I&M, AEPGCo, KPCo, SWEPCo, PSO	RGR	<a href="#">863433</a> <a href="#">896292 (Executed)</a>
5.	Cook Coal Terminal Transfer Agreement	AEPGCo, OPCo, I&M, KPCo, APCo	RGR	<a href="#">867447</a> <a href="#">874846 (Executed)</a> <a href="#">902692 (Amended)</a>
6.	Service Agreement	GenCo, AEPSC	JDC	<a href="#">892154</a> <a href="#">899790 (Executed)</a>

**C. AFFILIATE AGREEMENTS - ASSIGNMENTS**

1.	Assignment of Central Machine Shop Agreement dated January 1, 1979	OPCo, GenCo, APCo	BAB	<a href="#">891104</a> <a href="#">903162 (Executed)</a>
2.	Assignment of Gypsum and Purge Stream Waste Disposal Agreement	OPCo, APCo, KPCo	BAB	<a href="#">895149</a> <a href="#">903163 (Executed)</a>
3.	Assignment, Assumption and Consent Agreement (Assignment of Rail Car Assets from OPCo to GenCo and SWEPCo)	OPCo, SWEPCo, GenCo, AEPCo	DCH	<a href="#">903634 (Executed)</a>

**D. AFFILIATE AGREEMENTS – TERMINATIONS OF AGREEMENTS**

1.	Termination of Coal Transfer Agreement for Putnam	OPCo	BAB	<a href="#">895150</a> <a href="#">900699 (Executed)</a>
2.	Termination of Racine Hydro Project Operating Agreement	OPCo, APCo	BAB	<a href="#">895159</a> <a href="#">900698 (Executed)</a>

**E. NOTICES TO VENDORS**

1.	Notice Language to be Sent to Vendors re Contract Assignments	Various	BAB	<a href="#">869007</a>
----	---------------------------------------------------------------	---------	-----	------------------------

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-33** Provide a copy of the AEP/KPCo Cost Allocation Manual (“CAM”). Indicate whether the CAM was filed and/or approved by the Kentucky Commission. If so, provide the case number and date of the Order, if the Commission issued an Order approving it.

**RESPONSE**

Please see KPCO\_R\_AG\_KIUC\_1\_33\_Attachment1 for the Company’s most recent CAM filed on March 29, 2021 by e-mail to PSCED@ky.gov in accordance with the March 16, 2020 and July 22, 2021 Orders in Case No. 2020-00085. The CAM is filed annually by March 31st in accordance with 807 KAR 5:080, Section 2. The CAM is not filed in connection with a case number and has historically not received an order approving it.

Witness: Deryle B. Mattison



# **COST ALLOCATION MANUAL**

**As Of December 31, 2020**

**Corporate Accounting**



The manual has been written to document AEP's approach to cost allocation and transfer pricing of affiliate transactions. Its purposes are to

- provide an easily referenced source of information
- state and clarify policy
- formalize procedures
- provide a basis of communication between all employees concerning cost allocation matters
- meet all regulatory requirements for maintaining a cost allocation manual.

The contents of the manual have been approved by management. Responsibility for adhering to the policies and procedures rests with every employee.

The manual is maintained in the A-Z index of AEP Now, under 'Cost Allocation Manual'. Maintenance of the documents incorporated in the manual by reference is the responsibility of the individuals and groups designated in the manual.

Errors in content and other requests for revision of this manual should be directed to the attention of Brian T. Lysiak.

Brian T. Lysiak  
Senior Manager - Corporate Accounting

Jeffrey W. Hoersdig  
Assistant Controller - Corporate Accounting



**CAM  
 Amendment Record**

Rev. No.	Date Issued						
1	01-02-01	26	03-15-13	51		76	
2	10-22-01	27	08-31-13	52		77	
3	05-10-02	28	03-27-14	53		78	
4	10-18-02	29	09-15-14	54		79	
5	05-05-03	30	02-26-15	55		80	
6	08-29-03	31	09-15-15	56		81	
7	03-10-04	32	03-15-16	57		82	
8	08-27-04	33	09-15-16	58		83	
9	03-10-05	34	03-15-17	59		84	
10	08-30-05	35	09-15-17	60		85	
11	03-15-06	36	03-15-18	61		86	
12	08-31-06	37	08-31-18	62		87	
13	03-16-07	38	03-15-19	63		88	
14	09-24-07	39	09-15-19	64		89	
15	04-15-08	40	03-15-20	65		90	
16	09-25-08	41	09-15-20	66		91	
17	03-31-09	42	03-15-21	67		92	
18	07-13-09	43		68		93	
19	09-10-09	44		69		94	
20	03-31-10	45		70		95	
21	09-16-10	46		71		96	
22	03-25-11	47		72		97	
23	09-09-11	48		73		98	
24	03-14-12	49		74		99	
25	09-14-12	50		75		100	



Document Number **00-00-01**

# Cost Allocation Manual

Section  
Controls  
 Subject

## TABLE OF CONTENTS

This table of contents is intended to give a cover-to-cover overview of the contents and organization of the AEP Cost Allocation Manual (CAM). See HOW TO USE THIS MANUAL (00-00-02) for an explanation of the numbering system.

<u>TAB/SECTION</u>	<u>SUBJECT</u>	<u>LOCATION</u>
CONTROLS		
Controls	Title Page	
	Management Endorsement	
	Amendment Record	
	Table of Contents	00-00-01
	How to Use this Manual	00-00-02
	Alphabetic Subject Index	00-00-03
GENERAL		
Introduction	Overview (General)	01-01-01
Organization Chart	Overview	01-02-01
	Corporate Chart	01-02-02
Affiliate Transactions	Overview	01-03-01
	Services Rendered by AEPSC	01-03-02
	Intercompany Products and Services	01-03-03
	Money Pool	01-03-04
	Research and Development	01-03-05
	Financial Transactions	01-03-06
	Intellectual Property	01-03-07
	Convenience Payments	01-03-08
GUIDELINES		
Introduction	Overview (Guidelines)	02-01-01
Corporate	Overview	02-02-01
	Cost Allocation Policies and Procedures	02-02-02



Document Number **00-00-01**

# Cost Allocation Manual

Section  
Controls  
 Subject

## TABLE OF CONTENTS

	The Cost Allocation Process	02-02-03
	Cost Pooling and Cost Assignment	02-02-04
	Account Designations (Regulated, Non-Regulated and Joint)	02-02-05
Federal Regulation	Overview	02-03-01
	FERC Regulation	02-03-02
State Commission Rules	Overview	02-04-01
	Arkansas Rules and Requirements	02-04-02
	Indiana Rules and Requirements	02-04-03
	Kentucky Rules and Requirements	02-04-04
	Louisiana Rules and Requirements	02-04-05
	Michigan Rules and Requirements	02-04-06
	Ohio Rules and Requirements	02-04-07
	Oklahoma Rules and Requirements	02-04-08
	Tennessee Rules and Requirements	02-04-09
	Texas Rules and Requirements	02-04-10
	Virginia Rules and Requirements	02-04-11
	West Virginia Rules and Require- ments	02-04-12
PROCEDURES		
Introduction	Overview (Procedures)	03-01-01
Transactions	Overview	03-02-01
	Transaction Coding	03-02-02
	Chartfields	03-02-03
Time Reporting	Overview	03-03-01
	Time Records	03-03-02
	Labor Costing	03-03-03
AEPSC Billing System	Overview	03-04-01
	System of Internal Controls	03-04-02
	Work Order Accounting	03-04-03
	Billing Allocations	03-04-04
	Reports	03-04-05
Intercompany Billing	Overview	03-05-01
	Billing System	03-05-02



Document Number **00-00-01**

# Cost Allocation Manual

Section  
Controls  
 Subject

## TABLE OF CONTENTS

InterUnit Accounting	Overview	03-06-01
	Joint Payments and Journal Transactions	03-06-02
Asset Transfers	Overview	03-07-01
	Plant and Equipment	03-07-02
	Materials and Supplies	03-07-03
DOCUMENTS		
Introduction	Overview (Documents)	04-01-01
Affiliate	Overview	04-02-01
Contracts with Regulated and Unregulated Companies	Service Agreements	04-02-02
	Coal Mining and Transportation	04-02-03
	Consulting Services	04-02-04
	Joint Operating Agreements	04-02-05
	Tax Agreement	04-02-06
	Money Pool Agreement	04-02-07
	Nonutility Money Pool Agreement	04-02-08
Databases	Overview	04-03-01
	Chartfield Values	04-03-02
	Affiliate Agreements	04-03-03
Job Descriptions	Overview	04-04-01
	Shared Employees (PUCO)	04-04-02
	Transferred Employees (PUCO)	04-04-03
Complaint Log	Overview	04-05-01
	Corporate Separation (PUCO)	04-05-02
Board of Directors Minutes	Overview	04-06-01
	Copies (PUCO)	04-06-02
Tariff Provisions	Overview	04-07-01
	Tariff Discretion Log	04-07-02
APPENDIX		
Appendix	Overview (Appendix)	99-00-01



Document  
Number **00-00-01**

# Cost Allocation Manual

Section

Controls

Subject

---

## TABLE OF CONTENTS

---

Glossary of Key Terms	99-00-02
Record Retention Requirements	99-00-03
List of FERC Accepted Allocation Factors	99-00-04
List of Primary Allocation Factors by Function	99-00-05
List of Affiliate Contracts by Company	99-00-06



Document Number **00-00-02**

# Cost Allocation Manual

Section

Controls

Subject

---

## HOW TO USE THIS MANUAL

---

### SUMMARY

This Manual is divided into

TABS - major divisions within the manual

SECTIONS - divisions within a TAB

SUBJECTS - divisions within a SECTION.

### DOCUMENT NUMBERING SYSTEM

Each document (i.e., subject) has a unique 6-digit number. This number is divided into 3 sets of two digits which are separated by dashes.

EXAMPLE: **05 - 03 - 02**  
TAB-SECTION-SUBJECT

### INDEXES

The alphabetic subject index is the key to this manual. It appears in the "Controls" TAB following this document.

### Alphabetic Subject

The alphabetic subject index (00-00-03) lists every subject in this manual in alphabetical order along with the document number at which each subject may be located. To be able to retrieve information, each subject (and important captions within a subject) are listed three or more ways in the index.

### Locating a Document

Document numbers appear in bold print on the upper right corner of each page (see top of this page). To locate a Subject:

1. Refer to the Alphabetic Subject Index and locate the SUBJECT you need.
2. Note the Document Number indicated

EXAMPLE: **05-03-02**



Document Number **00-00-02**

# Cost Allocation Manual

Section

Controls

Subject

---

## HOW TO USE THIS MANUAL

---

Locating a Document  
(Cont'd)

3. Locate TAB 5 of the manual and within this TAB find SECTION 03 and SUBJECT 02. Or, if you are viewing this manual electronically using Acrobat Reader, simply click on the subject line listed in the table of contents.

TABLE OF CONTENTS

The table of contents (00-00-01) is intended to give a cover-to-cover overview of the manual contents and organization. It lists contents of a TAB to the SUBJECT level in document number order. (Subjects are listed alphabetically in the Alphabetic Subject Index).

FORMAT

The format followed for each TAB within this manual may vary. Uniformity of format has been attempted to the extent practicable.

DISTRIBUTION

The AEPSC Corporate Accounting Department is solely responsible for the issuance, revision and distribution of all copies of this manual and database.

Revisions or additions to the manual will be issued as required. If practical, such revisions and/or additions will be accumulated and issued periodically as a group. The date of the latest revision or addition will appear at the bottom of the page in the left-hand corner.

AMENDMENTS

All users of this manual are urged to contribute ideas and suggestions for revisions to this manual.

Amendment Record

An amendment record is kept of all revisions to this manual. The amendment record appears in the front of this manual as the first document in the "Controls" SECTION.

Date  
October 4, 2000

Page  
2



Document Number **00-00-03**

# Cost Allocation Manual

Section  
Controls  
 Subject

## ALPHABETIC SUBJECT INDEX

This subject index lists every subject included in this manual in alphabetical order. The location document number is given for each subject. To aid retrievability, subjects are listed in two or more different ways.

### A

#### AEPSC

- Affiliate Transactions 01-03-02
- Billing Allocations 03-04-04
- Billing System (Overview) 03-04-01
- Billing System Internal Controls 03-04-02
- Billing System Work Order Accounting 03-04-03
- Reports (Billing System) 03-04-05

#### Affiliate Contracts with Regulated Companies

- Coal Mining and Transportation 04-02-03
- Consulting Services 04-02-04
- Joint Plants 04-02-05
- List of Affiliate Contracts by Company 99-00-06
- Overview 04-02-01
- Service Agreements 04-02-02
- Tax Agreement 04-02-06

#### Affiliate Transactions

- Convenience Payments 01-03-08
- Financial Transactions 01-03-06
- Intercompany Products and Services 01-03-03
- Intellectual Property 10-03-07
- Money Pool 01-03-04
- Overview 01-03-01
- Research and Development 01-03-05
- Services Rendered by AEPSC 01-03-02

#### Agreements

- Coal Mining and Transportation 04-02-03
- Consulting Services 04-02-04
- Joint Operating Agreements 04-02-05
- Money Pool Agreement 04-02-07
- Nonutility Money Pool Agreement 04-02-08
- Overview 04-02-01
- Service Agreements 04-02-02
- Tax Agreement 04-02-06

#### Arkansas Rules and Requirements

02-04-02

#### Asset Transfers

- Overview 03-07-01
- Materials and Supplies 03-07-03



Document Number **00-00-03**

# Cost Allocation Manual

Section  
Controls  
 Subject

## ALPHABETIC SUBJECT INDEX

A (Cont'd)	
- Plant and Equipment	03-07-02
Allocation Factors	
- List of Approved Allocation Factors	99-00-04
- List of Primary Allocation Factors by Function	99-00-05
B	
Billing Allocations (AEPSC)	03-04-04
Billing, Intercompany (Overview)	03-05-01
Billing System	
- Allocations (AEPSC)	03-04-04
- AEPSC (Overview)	03-04-01
- AEPSC Work Order Accounting	03-04-03
- Intercompany	03-05-02
- Reports (AEPSC)	03-04-05
Board of Directors Minutes (PUCO)	
- Copies (PUCO)	04-06-02
- Overview	04-06-01
C	
Chart, Corporate	01-02-02
Chartfields	03-02-03
Chartfield Values	04-03-02
Coal Mining and Transportation Agreements	04-02-03
Coding	
- Chartfields	03-02-03
- Transaction	03-02-02
- Complaint Log	
- Corporate Separation (PUCO)	04-05-02
- Overview	04-05-02
Convenience Payments	01-03-08
Consulting Services Agreements	04-02-04
Copies of Board of Directors Minutes (PUCO)	04-06-02
Corporate	
- Chart	01-02-02
- Overview	02-02-01
Corporate Separation (Complaint Log)	04-05-02
Cost Allocation	
- Policies and Procedures	02-02-02
- Process	02-02-03



Document  
Number **00-00-03**

# Cost Allocation Manual

Section  
Controls  
Subject

## ALPHABETIC SUBJECT INDEX

### C (Con't)

Cost Assignment	02-02-04
Cost Pooling and Cost Assignment	02-02-04
Costing, Labor	03-03-03

### D

Database Links	
- Affiliate Agreements	04-03-03
- Chartfield Values	04-03-02
- Overview	04-03-01
Documents (Overview)	04-01-01

### E

Employees	
- Shared (PUCO)	04-04-02
- Transferred (PUCO)	04-04-03

### F

Federal Regulation	
- Overview	02-03-01
- FERC Regulation	02-03-02
FERC Regulation	02-03-02
Financial Transactions	01-03-06

### G

General, Overview	01-01-01
Glossary of Key Terms	99-00-02
Guidelines	
- Cost Allocation Principles	02-02-02
- Overview	02-01-01

### I

Indiana Rules and Requirements	02-04-03
Intellectual Property	01-03-07
Intercompany	
- Billing (Overview)	03-05-01
- Billing System	03-05-02



Document  
Number **00-00-03**

# Cost Allocation Manual

Section

Controls

Subject

---

## ALPHABETIC SUBJECT INDEX

---

### I (Con't)

- Products and Services	01-03-03
Internal Controls (AEPSC Billing System)	03-04-02
InterUnit Accounting	
- Overview	03-06-01
- Joint Payments and Journal Transactions	03-06-02

### J

Job Descriptions	
- Overview	04-04-01
- Shared Employees (PUCO)	04-04-02
- Transferred Employees (PUCO)	04-04-03
Joint Payments and Journal Transactions	03-06-02
Joint Plants	04-02-05

### K

Kentucky Rules and Requirements	02-04-04
Key Terms, Glossary of	99-00-02

### L

Labor Costing	03-03-03
List of Affiliate Agreements by Company	99-00-06
List of Approved Allocation Factors	99-00-04
List of Primary Allocation Factors by Function	99-00-05
Louisiana Rules and Requirements	02-04-05

### M

Materials and Supplies (Asset Transfers)	03-07-03
Michigan Rules and Requirements	02-04-06
Money Pool	01-03-04
Money Pool Agreement (AEP System)	04-02-07
Money Pool Agreement (AEP System Nonutility)	04-02-08



Document  
Number **00-00-03**

# Cost Allocation Manual

Section  
Controls  
Subject

## ALPHABETIC SUBJECT INDEX

---

O

Ohio Rules and Requirements	02-04-07
Oklahoma Rules and Requirements	02-04-08
Organization Chart, Overview	01-02-01
Overview	
- AEPSC Billing System	03-04-01
- Affiliate Contracts with Regulated Companies	04-02-01
- Affiliate Transactions	01-03-01
- Appendix	99-00-01
- Asset Transfers	03-07-01
- Complaint Log	04-05-01
- Corporate	02-02-01
- Database Links	04-03-01
- Documents	04-01-01
- Federal Regulation	02-03-02
- General	01-01-01
- Guidelines	02-01-01
- Intercompany Billing	03-05-01
- InterUnit Accounting	03-06-01
- Job Descriptions	04-04-01
- Organization Chart	01-02-01
- Procedures	03-01-01
- State Commission Rules	02-04-01
- Time Reporting	03-03-01
- Transactions	03-02-01

P

Plant and Equipment (Asset Transfers)	03-07-02
Policies and Procedures, Cost Allocation	02-02-02
Pooling, Cost	02-02-04
Procedures	
- Cost Allocation	02-02-02
- Chartfields	03-02-03
- Labor Costing	03-03-03
- Overview	03-01-01
- Time Records	03-03-02
- Transaction Coding	03-02-02
Process, Cost Allocation	02-02-03
Property, Intellectual	01-03-07



Document  
Number **00-00-03**

# Cost Allocation Manual

Section

Controls

Subject

---

## ALPHABETIC SUBJECT INDEX

---

### R

Records	
- Time Records	03-03-02
- Retention Requirements	99-00-03
Reports, AEPSC Billing System	03-04-05
Research and Development	01-03-05
Retention Requirements, Record	99-00-03
Rules	
- State Commission (Overview)	02-04-01
Rules and Requirements	
- Arkansas	02-04-02
- Indiana	02-04-03
- Kentucky	02-04-04
- Louisiana	02-04-05
- Michigan	02-04-06
- Ohio	02-04-07
- Oklahoma	02-04-08
- Tennessee	02-04-09
- Texas	02-04-10
- Virginia	02-04-11
- West Virginia	02-04-12

### S

Service Agreements	04-02-02
Shared Employees (PUCO)	04-04-02
State Commission Rules and Requirements	
- Arkansas	02-04-02
- Indiana	02-04-03
- Kentucky	02-04-04
- Louisiana	02-04-05
- Michigan	02-04-06
- Ohio	02-04-07
- Oklahoma	02-04-08
- Overview	02-04-01
- Tennessee	02-04-09
- Texas	02-04-10
- Virginia	02-04-11
- West Virginia	02-04-12



Document Number **00-00-03**

# Cost Allocation Manual

Section  
Controls  
 Subject

## ALPHABETIC SUBJECT INDEX

System of Internal Controls Systems	03-04-02
- AEPSC Billing System	03-04-03
S (Con't)	
- Intercompany Billing System	03-05-02
T	
Tariff Provisions	04-07-01
Tariff Discretion Log	04-07-02
Tax Agreement	04-02-06
Tennessee Rules and Requirements	02-04-09
Terms, Key	99-00-02
Texas Rules and Requirements	02-04-10
The Cost Allocation Process	02-02-03
Time Records	03-03-02
Time Reporting	
- Overview	03-03-01
- Labor Costing	03-03-03
- Time Records	03-03-02
Transaction	
- Chartfields	03-02-03
- Coding	03-02-02
Transactions, Affiliate	
- AEPSC	01-03-02
- Financial Transactions	01-03-06
- Intercompany Products and Services	01-03-03
- Money Pool	01-03-04
- Overview	01-03-01
- Research and Development	01-03-05
Transactions, Overview	03-02-01
Transferred Employees (PUCO)	04-04-03
V	
Virginia Rules and Requirements	02-04-11
W	
West Virginia Rules and Requirements	02-04-12



Document  
Number **00-00-03**

# Cost Allocation Manual

Section

Controls

Subject

---

ALPHABETIC SUBJECT INDEX

---

Work Order Accounting (AEPSC)

03-04-03



Document  
Number

**01-01-01**

## Cost Allocation Manual

Section

Introduction

Subject

---

OVERVIEW (GENERAL)

---

SUMMARY	American Electric Power Company, Inc. (AEP) is a public utility holding company. It has subsidiaries that conduct regulated operations and non-regulated operations.
BUSINESS	<p>AEP is one of the United States' largest generators of electricity and owns the nation's largest electricity transmission system. AEP delivers electricity to customers in eleven states: Arkansas, Indiana, Kentucky, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia and West Virginia.</p> <p>Wholly-owned subsidiaries are involved in power engineering and construction services and energy management.</p>
ORGANIZATION CHART	The ownership relationship between AEP, its subsidiaries, and their subsidiaries at successive levels is captured in AEP's corporate chart.
AFFILIATE TRANSACTIONS	AEP, its subsidiaries and certain other affiliates in the AEP holding company system conduct capital (i.e., financial) transactions among themselves. The subsidiaries, in certain situations, also perform services for one another.



Document  
Number

**01-02-01**

# Cost Allocation Manual

Section

Organization Chart

Subject

---

## OVERVIEW

---

### SUMMARY

American Electric Power Company, Inc. (AEP) is a public utility holding company. It has direct subsidiaries (first tier) and indirect subsidiaries (second tier and lower).

### CORPORATE CHART

A listing of the direct and indirect subsidiaries of AEP, including domestic and foreign subsidiaries, is contained in AEP's corporate organization chart.



Document  
Number

**01-02-02**

## Cost Allocation Manual

Section

Organization Chart

Subject

---

CORPORATE CHART

---

### SUMMARY

American Electric Power Company, Inc. (AEP) is a public utility holding company. It has no customers or employees nor does it own any utility property. AEP does own common stock of ten operating electric utility companies.

AEP also owns common stock of American Electric Power Service Corporation (AEPSC) and other domestic and foreign subsidiaries.

AEPSC is a management, professional and technical services organization that provides such services, at cost, to AEP, the operating electric utility companies in the AEP System, and other affiliated companies. Other AEP subsidiaries provide power engineering, energy consulting and energy management services.

### CORPORATE ORGANIZATION CHART

The following organization chart lists hierarchically all of the direct and indirect subsidiaries of AEP. Company names are indented to identify them as subsidiaries of the company that is listed immediately above them at the next tier. Some companies are subsidiaries of more than one company. The footnotes provide a general description of the business conducted by each company.



Document Number **01-02-02**

# Cost Allocation Manual

Section

Organization Chart

Subject

CORPORATE CHART

Name	Notes:
American Electric Power Company, Inc.	[Note A]
01. Abstract Digital, LLC	[Note I]
01. AEP Coal, Inc.	[Note L]
02. AEP Kentucky Coal, LLC	[Note L]
02. Snowcap Coal Company, Inc.	[Note L]
01. AEP Credit, Inc.	[Note R],[VIE]
01. AEP Energy Supply LLC	[Note I]
02. AEP Clean Energy Resources, LLC.	[Note X]
03. AEP Wind Holdings, LLC	[Note X]
04. AEP ABW Holdings, LLC	[Note X]
05. Apple Blossom Wind Holdings, LLC	[Note X],[VIE]
06. Apple Blossom Wind, LLC	[Note X]
04. AEP BOGW Holdings, LLC	[Note X]
05. Black Oak Getty Wind Holdings, LLC	[Note X],[VIE]
06. Black Oak Wind, LLC	[Note X]
04. AEP Renewables Development, LLC	[Note X]
04. AEP Renewables Procurement Services, LLC	[Note X]
04. AEP Wind Turbine Holdings, LLC	[Note X]
04. Auwahi Wind, LLC	[Note X]
05. Auwahi Holdings, LLC	[Note X]
06. Auwahi Wind Energy, LLC	[Note X]
04. Auwahi Wind 2, LLC	[Note X]
04. Cedar Creek II Wind Energy, LLC	[Note X]
05. Cedar Creek II Holdings, LLC	[Note X]
06. Cedar Creek II, LLC	[Note X]
04. Flat Ridge 2 Wind, LLC	[Note X]
05. Flat Ridge 2 Wind Holdings LLC	[Note X]
06. Flat Ridge 2 Wind Energy LLC	[Note X]
04. Flat Ridge 3 Wind Energy, LLC	[Note X]
04. Flat Ridge 4 Wind, LLC	[Note X]
04. Fowler Ridge II Wind, LLC	[Note X]



Document  
Number

**01-02-02**

# Cost Allocation Manual

Section

Organization Chart

Subject

## CORPORATE CHART

05. Fowler II Holdings LLC	[Note X]
06. Fowler Ridge II Wind Farm, LLC	[Note X]
04. Mehoopany Wind, LLC	[Note X]
05. Mehoopany Wind Holdings LLC	[Note X]
06. Mehoopany Wind Energy LLC	[Note X]
04. Prairie Hills Wind, LLC	[Note X]
04. Prairie Hills 2 Wind, LLC	[Note X]
04. Prairie Hills 3 Wind, LLC	[Note X]
02. AEP Energy Partners, Inc.	[Note W]
02. AEP Generation Resources Inc.	[Note E]
03. Cardinal Operating Company	[Note E]
03. Conesville Coal Preparation Company	[Note M]
03. Ohio Franklin Realty, LLC	[Note T]
04. Central Coal Company (Inactive)	(Inactive), [Note K]
02. AEP OnSite Partners, LLC	[Note I]
03. Brainerd Solar, LLC	[Note I]
03. Broad Street Fuel Cell, LLC	[Note I], [VIE]
03. Century West PNL, LLC	[Note I]
03. Clyde OnSite Generation, LLC	[Note I]
03. Dynasty PNL, LLC	[Note I]
03. Exeter Solar Power 1, LLC	[Note I]
03. Garnet Solar Partners, LLC	[Note I]
03. Imboden II Solar, LLC	[Note I]
03. Imboden III Solar, LLC	[Note I]
03. Kamaaha PNL, LLC	[Note I]
03. Kona CE, LLC	[Note I]
03. Midwest Energy Finance, LLC	[Note I]
03. NM Renewable Development, LLC	[Note I]
04. NMRD Data Center, LLC	[Note I]
04. NMRD Data Center II, LLC	[Note I]
05. NMRD Data Center II-Britton, LLC	[Note I]
04. NMRD Data Center III, LLC	[Note I]
05. NMRD Data Center III-Encino, LLC	[Note I]



Document  
Number

**01-02-02**

# Cost Allocation Manual

Section

Organization Chart

Subject

CORPORATE CHART

03. North Smithfield Solar Power 1, LLC	[Note I]
03. Northwest Jacksonville Solar Partners, LLC	[Note I]
03. Ogdensburg Solar Partners, LLC	[Note I]
03. Pine Hill Solar Partners, LLC	[Note I]
03. Quincy II Solar Garden, LLC	[Note I]
03. Rutland Renewable Energy, LLC	[Note I]
03. Sunset Lakeview PNL, LLC	[Note I]
03. SoCore Sherburne 1, LLC	[Note I]
03. Trout Creek Solar, LLC	[Note I]
03. Twin Lantern Solar Partners, LLC	[Note I]
02. AEP Renewables, LLC	[Note I]
03. Boulder Solar II, LLC	[Note I]
03. Great Bend Solar, LLC	[Note I]
03. Jacumba Solar, LLC	[Note I]
03. Pavant Solar III, LLC	[Note I]
03. Santa Rita East Wind Energy Holdings, LLC	[Note X],[VIE]
04. Santa Rita East Wind Energy, LLC	[Note X]
02. AEP Retail Energy Partners LLC	[Note I]
03. AEP Energy, Inc.	[Note I]
04. Blue Star Energy, LLC	[Note I]
03. BSE Solutions LLC	[Note I]
02. CSW Energy, Inc.	[Note I]
03. AEP Properties, LLC	[Note X]
03. Desert Sky Wind Farm LLC	[Note X]
03. Trent Wind Farm, LLC	[Note X]
01. AEP Generating Company	[Note E],[VIE]
01. AEP Investments, Inc.	[Note F]
02. AEP Cyber Risk, LLC	[Note I]
02. AEP Energy Services, Inc.	[Note D]
03. AEP Energy Services Gas Holding Company	[Note D]
02. AEP Ventures, LLC	[Note GG]
02. Braemar Energy Ventures III, LP	[Note DD]
02. Chargepoint, Inc.	[Note DD]



Document  
Number

**01-02-02**

# Cost Allocation Manual

Section

Organization Chart

Subject

## CORPORATE CHART

02. ClearSky, Inc.	[Note DD]
02. Columbus Collaboratory LLC	[Note DD]
02. EnerBlu, Inc.	[Note DD]
02. Eta Gen, Inc.	[Note DD]
02. GridEdge Networks, Inc.	[Note DD]
02. Utilidata, Inc.	[Note DD]
02. Westly Capital Partners Fund III, L.P.	[Note DD]
01. AEP Nonutility Funding LLC	[Note AA]
01. AEP Pro Serv, Inc.	[Note I]
02. United Sciences Testing, Inc.	[Note B]
01. AEP T&D Services, LLC	[Note BB]
01. AEP Texas, Inc	[Note J]
02. AEP Texas Central Transition Funding II LLC	[Note AA],[VIE]
02. AEP Texas Central Transition Funding III LLC	[Note AA],[VIE]
02. AEP Texas North Generation Company, LLC	[Note E]
02. AEP Texas Restoration Funding, LLC	[Note AA],[VIE]
02. 926 Pulliam Street	[Note T]
01. AEP Transmission Holding Company, LLC	[Note P]
02. AEP Storage Holding Company, LLC	[Note P]
03. AEP Storage New York, LLC	[Note P]
02. AEP Transmission Company, LLC	[Note P]
03. AEP Appalachian Transmission Company, Inc.	[Note P]
03. AEP Indiana Michigan Transmission Company Inc.	[Note P]
03. AEP Kentucky Transmission Company, Inc.	[Note P]
03. AEP Ohio Transmission Company Inc.	[Note P]
03. AEP Oklahoma Transmission Company, Inc.	[Note P]
03. AEP Southwestern Transmission Company, Inc.	[Note P]
03. AEP West Virginia Transmission Company, Inc.	[Note P]
02. Bold Transmission LLC	[Note P]
02. Electric Transmission Texas, LLC	[Note P]
02. Grid Assurance LLC	[Note P]
02. PATH West Virginia Series	[Note P],[VIE]
03. PATH West Virginia Transmission Company, LLC	[Note P]



Document  
Number

**01-02-02**

# Cost Allocation Manual

Section

Organization Chart

Subject

CORPORATE CHART

02. Pioneer Transmission, LLC	[Note P]
02. Potomac-Appalachian Transmission Highline, LLC	[Note P]
02. Prairie Wind Transmission, LLC	[Note P]
02. RITELine Indiana, LLC	[Note P],[VIE]
02. RITELine Transmission Development, LLC	[Note P],[VIE]
03. RITELine Illinois, LLC	[Note P]
03. RITELine Indiana, LLC	[Note P],[VIE]
02. Transource Energy, LLC	[Note P],[VIE]
03. Golden State Transmission, LLC	[Note A]
03. Transource Delaware, Inc.	[Note P]
03. Transource Illinois, LLC	[Note P]
03. Transource Indiana, LLC	[Note P]
03. Transource Kentucky, LLC	[Note P]
03. Transource Maryland, LLC	[Note P]
03. Transource Michigan, Inc.	[Note P]
03. Transource Missouri, LLC	[Note P]
03. Transource New England, LLC	[Note P]
03. Transource New Jersey, LLC	[Note P]
03. Transource New York, LLC	[Note P]
04. Transource New York Development Company, Inc.	[Note T]
03. Transource North Carolina, LLC	[Note P]
03. Transource Ohio, LLC	[Note P]
03. Transource Oklahoma, LLC	[Note P]
03. Transource Pennsylvania, LLC	[Note P]
03. Transource Projectco, LLC	[Note P]
03. Transource Tennessee, Inc.	[Note P]
03. Transource Texas, LLC.	[Note P]
03. Transource Virginia, Inc.	[Note P]
03. Transource West Virginia, LLC	[Note P]
03. Transource Wisconsin, LLC	[Note P]
01. AEP Utility Funding, LLC	[Note AA]
01. American Electric Power Service Corporation	[Note B],[VIE]
02. American Electric Power Foundation	[Note FF]



Document  
 Number

**01-02-02**

# Cost Allocation Manual

Section

Organization Chart

Subject

## CORPORATE CHART

01. Appalachian Power Company	[Note J]
02. Appalachian Consumer Rate Relief Funding LLC	[Note AA],[VIE]
02. Cedar Coal Co. (Inactive)	(Inactive),[Note K]
02. Center McGuire Master Tenant LLC	[Note T]
03. Center Landlord LLC	[Note T]
02. Central Appalachian Coal Company (Inactive)	(Inactive),[Note K]
02. Central Coal Company (Inactive)	(Inactive),[Note K]
02. Southern Appalachian Coal Company (Inactive)	(Inactive),[Note K]
01. Franklin Real Estate Company	[Note T]
02. Indiana Franklin Realty, Inc.	[Note T]
01. Indiana Michigan Power Company	[Note J]
02. Blackhawk Coal Company (Inactive)	(Inactive),[Note K]
02. Price River Coal Company, Inc. (Inactive)	(Inactive),[Note K]
01. Kentucky Power Company	[Note J]
01. Kingsport Power Company	[Note J]
01. Kyte Works, LLC	[Note I]
01. Ohio Power Company	[Note J]
02. NCT Ventures Fund II	[Note AA]
02. Ohio Valley Electric Corporation	[Note E],[VIE]
03. Indiana-Kentucky Electric Corporation	[Note E]
02. Rev1 Ventures Fund I	[Note DD]
01. Ohio Valley Electric Corporation	[Note E],[VIE]
02. Indiana-Kentucky Electric Corporation	[Note E]
01. Oil Casualty Insurance, Ltd.	[Note I]
01. PowerTree Carbon Company, LLC	[Note D]
01. Public Service Company of Oklahoma	[Note J]
01. Southwestern Electric Power Company	[Note J]
02. Arkansas Coalition for Affordable and Reliable Electricity, LLC [ACARE]	[Note F],[VIE]
02. Dolet Hills Lignite Company, LLC	[Note L],[VIE]
02. Mutual Energy SWEPCo, LLC	[Note W]
02. Oxbow Lignite Company, LLC	[Note L]
02. Southwest Arkansas Utilities Corporation	[Note T]



Document Number **01-02-02**

# Cost Allocation Manual

Section

Organization Chart

Subject

CORPORATE CHART

02. 926 Pulliam Street	[Note T]
01. Wheeling Power Company	[Note J]

Variable Interest Entity (VIE) in accordance with generally accepted accounting principles, no costs are allocated to this entity.

Notes:
A. Public utility holding company.
B. Management, professional and technical services.
C. Telecommunications.
D. Broker and market energy commodities.
E. Generation.
F. Investor in companies developing energy-related ideas, products and technologies.
G. Distributed generation products.
H. International energy-related investments, trading and other projects.
I. Non-regulated energy-related services and products.
J. Domestic electric utility.
K. Coal mining (inactive).
L. Coal mining (active).
M. Coal preparation.
N. Inactive.
O. Subsidiary public utility holding company.
P. Electric transmission.
Q. Leasing.
R. Accounts receivable factoring.
S. Independent power.
T. Real estate.
U. Staff augmentation to power plants.
V. Retail energy sales.
W. Marketing of natural gas, electricity or energy-related products.
X. Wind Power Generation.
Y. Barging Services



Document Number **01-02-02**

# Cost Allocation Manual

Section

Organization Chart

Subject

CORPORATE CHART

---

AA. Finance Subsidiary
BB. Energy services including operations, supply chain, transmission and distribution
CC. Gas pipeline and processing
DD. Domestic energy-related investments, trading and other projects
EE. Trust
FF. Nonprofit
GG. Broadband Services.



Document  
Number **01-03-01**

## Cost Allocation Manual

Section

Affiliate Transactions

Subject

---

### OVERVIEW

---

#### SUMMARY

The electric utilities in the AEP holding company system conduct transactions with each other, American Electric Power Service Corporation (AEPSC) and their non-regulated affiliates.

#### AEPSC Services Rendered

AEPSC provides management, technical and professional services to other companies within the AEP holding company system.

**01-03-02**

#### INTERCOMPANY PRODUCTS AND SERVICES

The electric utility companies provide products and services to each other and in certain cases they provide products and services to non-regulated affiliates and receive products and services from non-regulated affiliates.

**01-03-03**

#### MONEY POOL

The operation of the AEP Utility and Non-utility Money Pool is designed to match, on a daily basis, the available cash and borrowing requirements of its participants, thus minimizing the need to borrow from external sources.

**01-03-04**

#### RESEARCH AND DEVELOPMENT

Research and development (R&D) activities are generally performed by AEP System companies on a shared basis. AEPSC manages most R&D projects.

**01-03-05**

---

Date  
February 18, 2008

---

Page  
1



Document  
Number **01-03-01**

## Cost Allocation Manual

Section

Affiliate Transactions

Subject

OVERVIEW

---

### FINANCIAL TRANSACTIONS

The AEP System companies, although legally separated, operate on an integrated basis, as permitted by law and regulation. Financial transactions are conducted on a regular basis in support of the integrated activities.

**01-03-06**

### INTELLECTUAL PROPERTY

Revenues derived from non-associates for the resale and licensing of property protected by copyright, patent or trademark laws are shared among AEP affiliates and regulated by the Federal Regulatory Commission (FERC) under the Public Utility Holding Company Act of 2005.

**01-03-07**

### CONVENIENCE PAYMENTS

Payments made for the convenience of another associate company within the AEP System need to be kept to a minimum and be reimbursed immediately to the paying company.

**01-03-08**



Document Number **01-03-02**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

## SERVICES RENDERED BY AEPSC

### SUMMARY

The services provided by AEPSC are regulated by the Federal Energy Regulatory Commission (FERC) under the Public Utility Holding Company Act of 2005.

### SUMMARY OF AEPSC SERVICES

The following table provides a listing of services AEPSC provides to affiliate companies:

GROUP/FUNCTION	DESCRIPTION
Audit Services	Audit Services provides audit and review services to assist management and the Board of Directors in the effective discharge of their responsibilities to establish, maintain, and oversee a proper internal control environment.
Chief Administrative Officer Administration	Executive management support of all areas of the Chief Administrative Officer.
Chief Executive Officer Administration	Services provided by the office of the chairman.
Chief Security Officer Administration	The Chief Security Officer provides, among other items, overall direction and management to all companies in the AEP system, and includes the CEO and his staff.
Chief Financial Officer Administration	Executive management support of all areas of Finance, Accounting and Strategic Planning as well as miscellaneous



Document Number **01-03-02**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

SERVICES RENDERED BY AEPSC

GROUP/FUNCTION	DESCRIPTION
	accounting billings and adjustments.
Commercial Operations	Capture maximum value for surplus generation and secure competitive, low-cost supplies from the market to meet the needs of the AEP System. Operational analyses, responsible for decision support modeling, dispatch pricing, and position reporting. Manage and administer non-affiliated gas marketing.
Corporate Accounting	Corporate Accounting & Finance provides services such as maintaining the books and records, preparing all monthly entries to the ledgers, and developing and maintaining the accounting and business systems that support the utilities. Services also include financial and regulatory reporting, managing financial resources, performing tax compliance and ensuring compliance with generally accepted accounting principles and corporate accounting policy.
Corporate	Corporate



Document Number **01-03-02**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

**SERVICES RENDERED BY AEPSC**

GROUP / FUNCTION	DESCRIPTION
Communications	Communications provides local corporate communications by distributing information to employees, the media, customers, civic leaders, and the public at large. Provide feedback to management from those various groups.
Corporate Human Resources	Human Resources responsible for interpreting, defining, writing, and administering the Company's human resource policies and providing human resource services to all AEP employees. Responsible for compliance with all related bodies of regulation, including EEO, ERISA, and OSHA.
Corporate Planning and Budgeting	Corporate Planning & Budgeting provides long and short range financial planning services, strategic planning and analysis, and budget services..
Customer and Distribution Services	Customer Services resolves customer problems and manages customer relationships. Primarily provide support in the areas of



Document Number **01-03-02**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

SERVICES RENDERED BY AEPSC

GROUP / FUNCTION	DESCRIPTION
	customer operations, billing support, website development, and customer solution centers. Distribution Services provides mapping services, contract administration, data analysis and benchmarking, system budgeting, line training, project management, design and development of construction projects, drafting and engineering services, and planning services.
Distribution, Customer Ops, and Regulatory Services Administration	Other includes, among other items, executive management support of all areas of the Distribution, Customer Operations, and Regulatory Services.
Energy Supply Administration	Services include administration of coordinating the dispatch of AEP's competitive generation fleet and engage in marketing, risk management and retail activities in ERCOT, PJM and MISO.
Environment and Safety	Support of environmental and safety concerns.
Federal Affairs	Monitors and participates in



Document Number **01-03-02**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

SERVICES RENDERED BY AEPSC

GROUP / FUNCTION	DESCRIPTION
	rulemakings and other public policy discussions at various federal agencies.
Fossil and Hydro Generation	Provide power plants with engineering and technical resources necessary to manage day-to-day operations issues affecting unit reliability, availability, and equipment performance.
Generation Administration	Services provided by the Generation Administration.
Generation Business Services	Business support services for operation and maintenance of AEP generating assets.
Generation Engineering and Technical Services - Engineering Services	Administration of all generation assets: fossil, hydro, and engineering technical services
Generation Engineering and Technical Services - Project and Construction	Administration of all generation assets: fossil, hydro, and engineering technical & project and construction
Information Technology	Information processing, business unit support, application development, client computing and technical software support and EAS solutions and telecommunication



Document Number **01-03-02**

# Cost Allocation Manual

Section  
 Affiliate Transactions

Subject

**SERVICES RENDERED BY AEPSC**

GROUP/FUNCTION	DESCRIPTION
	operations.
Investor Relations	Investment services.
Legal	Legal counsel and public/regulatory policy for questions, issues, cases, etc. for all aspects of the AEP System.
Real Estate and Workplace Services	Real Estate and Workplace Services is responsible for areas of facilities management, office services, physical security and land management.
Regulated Commercial Operations	Commercial Operations services include coordinating the dispatch of AEP's generation fleet and engage in bulk power market activity in order to serve native load requirements and to lower customer rates through off-system sales. Also responsible for fuel procurement, fuel contract negotiation and administration, fuel inventory management, and fuel planning and analysis.
Regulatory Services	Support of system wide regulatory and rate analysis.



Document Number **01-03-02**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

SERVICES RENDERED BY AEPSC

GROUP / FUNCTION	DESCRIPTION
Risk and Strategic Initiatives	Coordination of risk assessment, credit risk management and insurance coverage.
Supply Chain & Fleet Operations	Supply Chain and Fleet Services are responsible for fleet support, which encompasses the provision and support of vehicles and related equipment. Also provides materials management services, procurement and contracting services.
Transmission Administration	Services provided by Transmission Administration.
Transmission Asset Strategy and Policy	Executive management support of all areas of Transmission.
Transmission Field Services	Transmission Field Services is responsible for the maintenance and emergency restoration of the AEP transmission system and distribution station facilities.
Transmission Grid Development & Portfolio Services	Transmission Strategy and Business Development Services is responsible for developing and executing transmission strategy and business plans in alignment with AEP's corporate strategy.
Transmission-	Transmission Field



Document Number **01-03-02**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

---

SERVICES RENDERED BY AEPSC

---

GROUP/FUNCTION	DESCRIPTION
Engineering and Project Services	Services is responsible for the maintenance and emergency restoration of the AEP transmission system and distribution station facilities.
Treasury	Cash management, and financing services.



Document Number **01-03-03**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

Intercompany Products and Services

## SUMMARY

The non-tariffed products and services provided by AEP's regulated utilities to affiliate companies and vice versa are governed by written agreements between and among the companies (see TAB 04 in this manual). The following tables describe the nature of the various transactions that are conducted with affiliates in three categories:

- products and services provided by regulated utilities to non-regulated affiliates
- products and services provided to regulated utilities by non-regulated affiliates
- products and services provided by regulated utilities to each other.

## PRODUCTS AND SERVICES PROVIDED BY REGULATED UTILITIES TO NON-REGULATED AFFILIATES

The following table describes the nature of products and services provided by the AEP System's regulated utilities to non-regulated affiliates:

<i>CATEGORY</i>	<i>DESCRIPTION</i>
Facilities Management	Construct, operate and maintain equipment, approval of outside contracts & monitoring work of contractors.
Pole Attachments	Lease poles and towers for communication and other purposes.
Customer Accounting	Service, administer, and collect receivables sold to AEP Credit, Inc.



Document Number **01-03-03**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

Intercompany Products and Services

<i>CATEGORY</i>	<i>DESCRIPTION</i>
Land Management	Provide consulting services related to the buying and selling of real estate; including site appraisals and site maintenance services.
Corporate Services	Provide office space, furnishings, and equipment. Provide consulting services related to maintenance of owned and leased facilities.
Building Space and Office Services	Bill rent and carrying charges for building space occupied.
Equipment Rentals	Lease short-term equipment rentals.
Materials and Supplies (inventory transfers)	Provide materials from storerooms. Charges include the cost of the materials and supplies and appropriate stores overheads. Stores overheads include costs associated with purchasing and maintaining the materials and supplies inventory.
Telecom Communication Services & Maintenance	Effective January 1, 2014, AEP Generation Resources (AGR) has contracted with Ohio Power Company (OPCo)



Document Number **01-03-03**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

Intercompany Products and Services

<i>CATEGORY</i>	<i>DESCRIPTION</i>
	to provide bandwidth, local phone service and maintenance services on telecommunication equipment owned by AGR. These services provided by OPCo will be billed to AGR at the higher of cost or market, in compliance with the asymmetric pricing rules.

PRODUCTS AND SERVICES PROVIDED TO REGULATED UTILITIES BY NON-REGULATED AFFILIATES

The following table describes the nature of products and services provided to the AEP System's regulated utilities by non-regulated affiliates:

<i>CATEGORY</i>	<i>DESCRIPTION</i>
Testing Services	USTI provides environmental testing services to our generation facilities. These services provided by USTI will be billed to the regulated generation facilities at the lower of cost or market, in compliance with the asymmetric pricing rules.



Document Number **01-03-03**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

## Intercompany Products and Services

PRODUCTS AND SERVICES PROVIDED BY REGULATED UTILITIES TO EACH OTHER (Including Coal Mining Subsidiaries)

The following table describes the nature of products and services provided by the AEP System's regulated utilities to each other:

<i>CATEGORY</i>	<i>DESCRIPTION</i>
Materials and Supplies (inventory transfers)	Materials supplied from company storerooms shall include the material cost and stores overheads. Overheads include costs associated with purchasing and maintaining materials and supplies inventory.
Equipment Maintenance	Provide personnel and services to perform regular and emergency equipment repairs (primarily for operating plant equipment).
Simulator Training	Provide personnel and facility to train power plant personnel on the operation of 1300 MW units.
Building Space and Office Services	Billing of rent and carrying charge for building space occupied.
Water Transportation, Coal and Consumables Handling, and Gypsum	Provide barging and services at transfer terminals and other coal handling facilities.
Railcar Maintenance	Billing for routine inspection and repair work on railcar hopper



Document Number **01-03-03**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

Intercompany Products and Services

<i>CATEGORY</i>	<i>DESCRIPTION</i>
	fleet.
Railcar Usage	Usage of railcars by other companies.
Mining (including mine shutdown costs)	Affiliated companies mine and provide coal and lignite to electric utilities on a cost reimbursement basis.
Power Coordination Agreement (power purchases and sales)	Sharing of power production and off-system sales and purchases among AEP System generating companies.
Emergency Assistance	Provide personnel to restore electric service interrupted by natural disasters.
EHV Transmission System	Sharing of costs incurred regarding the ownership, operation and maintenance of AEP's extra-high voltage (EHV) transmission system.
Energy Distribution System	Provide personnel and services to perform engineering, metering, drafting, line work, customer services, right-of-way maintenance work, design of construction projects, contract administration and administrative planning.



Document Number **01-03-03**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

Intercompany Products and Services

<i>CATEGORY</i>	<i>DESCRIPTION</i>
Energy Transmission	Provide personnel and services to perform transmission line work, protection & control, and station and engineering work.
Energy Delivery Support	Provide personnel and services to perform measurements, telecommunications, forestry and real estate work.
Administrative Support	Provide personnel and services to perform environmental, governmental affairs, fleet management, building services and mail services.
Hydro Plant	Provide supervision, maintenance and operation of hydro plant and associated facilities.
Joint Facilities	Share costs of operations and maintenance of jointly owned facilities (primarily generating plants and HVDC transmission facilities).
Capitalized Spare Parts	Capitalized spare parts are sold by the utilities to each other at cost.
Coal Supply	Sale of Coal to the operating companies.
Waste Disposal	Provide waste handling and landfill services



Document Number **01-03-03**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

Intercompany Products and Services

<i>CATEGORY</i>	<i>DESCRIPTION</i>
Consumables Handling	Provide Services for transloading UREA.
Coal Handling	Provides trans-loading services at Cook Terminal.
Transmission Training	Provide transmission employees with training.



Document  
Number

**01-03-04**

## Cost Allocation Manual

Section

Affiliate Transactions

Subject

MONEY POOL

---

### SUMMARY

The AEP System Utility Money Pool and the AEP System Nonutility Money Pool are arrangements structured to meet the short-term cash requirements of their participants. The operation of the two Money Pool arrangements is designed to match, on a daily basis, the available cash and borrowing requirements of participants, thereby minimizing the need to borrow from external sources.

### AUTHORITY

The AEP System Utility Money Pool and the AEP System Nonutility Money Pool operate consistently with the terms and conditions of their respective agreements. The AEP System Utility Money Pool Agreement is filed with the Federal Energy Regulatory Commission (FERC).

### PARTICIPANTS

The AEP System Utility Money Pool participants are certain of AEP regulated direct and indirect subsidiaries as well as certain nonutility subsidiaries. The AEP System Nonutility Money Pool Agreement participants are certain of AEP unregulated direct and indirect subsidiaries. Each participant may withdraw any of its funds from the respective Money Pool to which it belongs at any time upon notice to American Electric Power Service Corporation (AEPSC).

### AGENT

AEPSC acts as the administrative agent of the Utility and Nonutility Money Pools. As of February 24, 2016 AEPSC no longer participates in the Utility Money Pool.

### FUNDING ENTITIES

AEP may engage in various types of short-term financings to fund the daily needs of the money pools. AEP Utility Funding LLC was formed to fund the Utility Money Pool and AEP Nonutility Funding LLC was formed to fund the Nonutility Money Pool. Any funds transferred to the Money Pool will flow through the applicable Funding LLC. The Utility Funding



Document  
Number

**01-03-04**

## Cost Allocation Manual

Section

Affiliate Transactions

Subject

MONEY POOL

---

LLC may obtain funds from external sources, or AEP. The Nonutility Funding LLC will obtain its funds from AEP. The Funding LLCs are solely financial conduits.

### RULES

American Electric Power Company, Inc. (AEP), AEP Utility Funding LLC, and AEP Nonutility Funding LLC will not borrow funds from the Utility or Nonutility Money Pools or their participants.

Participants in the Nonutility Money Pool will not engage in lending and borrowing transactions with participants of the Utility Money Pool.

Each participant, except AEP and AEP Utility Funding LLC, and AEP Nonutility Funding LLC has the right to borrow from its respective Money Pool from time to time, subject to the availability of funds and other limitations.

No participant is obligated to borrow from its respective Money Pool if lower cost funds can be obtained from its own external borrowing.

### PROCESS

Available funds in the treasuries of the participants in the individual Utility and Nonutility Money Pools are individually "pooled" together. Within each money pool the cash position of each Money Pool participant is determined on a daily basis. The pooled funds are either loaned to other participants within the pool or invested in short-term cash instruments.

If the cash needs of the Utility and/or Nonutility Money Pools exceed the pooled funds, additional funds are raised through external borrowings from the sale of commercial paper notes as well as certain



Document Number **01-03-04**

## Cost Allocation Manual

Section

Affiliate Transactions

Subject

MONEY POOL

---

other means to the extent permitted by law and regulatory orders.

A daily interest rate is calculated for each money pool and applied to all participant borrowings and investments.

The interest rate for the Utility Money Pool is the composite weighted-average daily effective cost incurred by AEP, and/or AEP Utility Funding LLC for short-term borrowings from external sources or an equivalent rate when there is no external borrowing.

The interest rate for the Nonutility Money Pool is the composite weighted-average daily effective cost incurred by AEP for short-term borrowings from external sources or an equivalent rate when there is no external borrowing, plus a margin if the Participant's internal credit rating is lower than that of the Leading Parties.

If surplus funds exist in the treasuries of the Utility and/or Nonutility money pools, an external investment is made on behalf of the respective money pool with the surplus.

Interest income related to external investment of surplus funds is calculated daily and allocated back to the lending participants based on their relative contribution to the surplus.

Money Pool participants are also charged a pro rata cost of certain expenses associated with their borrowing program, including fees associated with bank lines of credit, rating agencies, and the issuing and paying agent.



Document  
Number

**01-03-05**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

RESEARCH AND DEVELOPMENT

---

## SUMMARY

Research and development (R&D) projects are generally managed by AEPSC on behalf of other AEP System companies. The services performed by AEPSC are billed to the respective parties through the AEPSC billing system. Every shared project is billed using one of the approved Allocation Factors (see the Appendix to this manual for a complete list of approved Allocation Factors).

In many cases, an AEP System operating company provides the site for conducting the R&D activity and/or procures the equipment and materials needed to conduct the research. In these cases, the operating company acts as the lead company for all other participants and is responsible for the payment of all costs it incurs on behalf of the other participants.

The costs incurred by the lead company are shared with and billed to the other AEP participants through a separate R&D accounting and billing process. The R&D accounting and billing process uses the same Allocation Factor for each project that AEPSC uses to bill its support costs.

## PROCEDURE

Operating company billings for R&D are performed on a fully-allocated cost basis (i.e., the billings include both direct and indirect costs).

## Non-Productive Pay

The cost of employee vacations, holidays, jury duty and other paid absences are accrued and loaded on to labor dollars.

## Fringe benefits Procedure

The cost of fringe benefits such as pension expense is loaded on to labor dollars.



Document  
Number

**01-03-05**

## Cost Allocation Manual

Section

Affiliate Transactions

Subject

RESEARCH AND DEVELOPMENT

---

A&G OVERHEADS

Administrative and general (A&G) overheads are loaded to R&D projects in the R&D accounting and billing process based on the labor dollars charged to each project.

Direct Costs

All direct costs of a R&D project, including productive labor, are captured along with the indirect costs described above.

BILLING

The lead company of any shareable R&D project will bill its associates their respective share of the incurred R&D costs. The costs billed to the associate companies will be exclusive of any costs that are incurred by AEPSC since such costs are appropriately allocated through the AEPSC work order billing system. The lead company will retain its share of any incurred costs.



Document Number **01-03-06**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

## FINANCIAL TRANSACTIONS

### SUMMARY

The AEP System companies, although legally separated, operate on an integrated basis as permitted by law and regulation. Financial transactions are conducted on a regular basis in support of the integrated activities.

### FINANCIAL TRANSACTIONS

The following table provides a summary of the primary financial transactions the AEP System companies conduct with each other that are not covered elsewhere in this Section of this manual:

<i>CATEGORY</i>	<i>DESCRIPTION</i>
Loans	Debt obligations.
Capital Contributions	Common stock purchases as well as paid-in capital transactions.
Accounts Receivables Factoring	AEP Credit, Inc. (formerly CSW Credit, Inc.) buys the accounts receivables of certain of the electric utility affiliates.
Credit Line Fees	Credit line fees are shared among AEP System companies.
Dividend Payments	Dividend payments are made by subsidiaries to their parent companies.
Real and Personal Property	Title to and/or rights in real or personal property acquired and held by an AEP affiliate as Agent for another AEP affiliate.



Document Number **01-03-06**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

FINANCIAL TRANSACTIONS

<i>CATEGORY</i>	<i>DESCRIPTION</i>
Employee Loans, Accrued Compensation, Employee Relocation Expenses and Other Employee-Related Items	When an employee transfers from one AEP company to an affiliate, the receiving company pays the employee's relocation expenses. In addition, any amounts due to or from the employee are transferred to the receiving company from the sending company.
Money Pool	An arrangement designed to match the available cash and borrowings requirements of participants to minimize the need for external borrowings.

NOTE: Also see Document Numbers **01-03-04**, **01-03-05** and **01-03-08** for a discussion of the AEP Money Pool, Research & Development cost sharing and Convenience Payments, respectively.



Document  
Number **01-03-07**

# Cost Allocation Manual

Section

Affiliate Transactions

Subject

INTELLECTUAL PROPERTY

## SUMMARY

From time-to-time the unregulated companies of the American Electric Power system may enter into agreements with non-affiliated third parties for the licensing of technology developed by American Electric Power Service Corporation (AEPSC) and certain electric utility subsidiaries within the AEP System. These agreements, among other things, extend to the resale and licensing of property protected by copyright, patent or trademark laws (herein referred to as intellectual property).

## TERMS AND CONDITIONS FOR USE OF INTELLECTUAL PROPERTY BY UNREGULATED COMPANIES

If an unregulated company sells or licenses to non-affiliated intellectual property developed by AEPSC or any other AEP System company, such companies shall receive a percentage of the net profits and the unregulated company will receive a commission by having the unregulated pay the AEP System company that developed the intellectual property the amounts noted in the following table:

<b>REVENUE SHARING PROVISIONS</b>
1. 70% of the revenues from the intellectual property until the AEP System company that developed the intellectual property recovers its programming and development costs; and
2. 20% of such revenues thereafter.



## TERMS AND CONDITIONS FOR THE USE OF INTELLECTUAL PROPERTY DEVELOPED BY UNREGULATED COMPANIES

Intellectual property developed by an unregulated company will be made available to all associates in the AEP holding company system without charge, except for actual expenses incurred by an unregulated company in connection with making such intellectual property so available.

Date  
September 15, 2019

Page  
1



Document  
Number

**01-03-08**

## Cost Allocation Manual

Section

Affiliate Transactions

Subject

SERVICE CORPORATION CONVENIENCE PAYMENTS

### SUMMARY

American Electric Power Service Corporation (AEPSC) provides services to other companies in the AEP Holding Company System. To the extent possible, the expenditures incurred by AEPSC should pertain exclusively to the services it performs.

### AEP POLICY

AEP's policy is to minimize AEPSC convenience payments. However, in some situations, AEPSC makes payments on behalf of other System companies as a matter of convenience. Generally, these convenience payments are made in an emergency situation or for cost-saving or timesaving purposes. The requester must recommend an allocation method for any Convenience Payment that pertains to two or more companies.

The distribution of the convenience payment among the appropriate companies will be provided by either the requester of the convenience payment or by AEPSC personnel acting on behalf of the requester. The distribution of the convenience payment can be provided on the face of the invoice to be paid, based upon anticipated benefits to be derived by the appropriate companies, or based upon existing AEPSC allocation methods. The most appropriate and/or reasonable method will be used for each specific convenience payment based on the type of transaction.

### REPORTING REQUIREMENTS

Annually AEPSC is required to report the amount paid during the past calendar year for convenience payments. The required information must be included in AEPSC's annual report that is filed with the Federal Energy Regulatory Commission (FERC) on FERC Form 60.

Date  
June 30, 2010

Page

1



Document  
Number

**02-01-01**

# Cost Allocation Manual

Section

Introduction

Subject

---

## OVERVIEW (GUIDELINES)

---

### SUMMARY

AEP has internal (i.e., Corporate) guidelines for cost allocation and inter-company billings. Federal and state authorities, either through legislation or formal rule making, have established cost allocation methods and affiliate transaction requirements.

### CORPORATE

AEP has established corporate policies and procedures for cost allocation and billing. Its cost allocation process includes both direct costs and indirect costs. Its inter-company billing process includes both direct billings to a single company and shared billings to a group or class of companies.

### FEDERAL REGULATION

The Federal Energy Regulatory Commission (FERC) regulates the AEP System's cost allocation process as well as the transactions that take place among the AEP System companies. AEP prices all transactions among the affiliate companies in the AEP System in accordance with the "at cost" standard, which was carried forward by the FERC under the PUHCA 2005.

### STATE COMMISSION RULES

AEP's eleven state commissions, to some degree, have established rules and regulations or other requirements relative to AEP's cost allocation practices and affiliate transactions. State commission authority in these areas, for the most part, is based on their authority to establish rates for retail customers.



Document  
Number **02-02-01**

# Cost Allocation Manual

Section

Corporate

Subject

## OVERVIEW

### SUMMARY

AEP's internal guidelines applicable to cost allocations are designed to result in a fair and equitable allocation of costs. Policies and procedures have also been formulated to meet regulatory standards both for cost allocation and affiliate transactions.

### COST ALLOCATION POLICIES AND PROCEDURES

Each AEP subsidiary maintains separate books and records. Transactions are coded and processed in a manner that meets all regulatory requirements. Proper audit trails are maintained so that costs can be traced from source documents all the way through the applicable accounting and billing systems.

**02-02-02**

### THE COST ALLOCATION PROCESS

Unless otherwise exempted, the AEP companies allocate costs between regulated and non-regulated operations, on a fully-distributed cost basis. Fully-distributed costs include all direct costs plus an appropriate share of indirect costs.

**02-02-03**

### COST POOLING AND COST ASSIGNMENT

Indirect costs are pooled and assigned to multiple companies or company segments in accordance with the relative benefits received or by other equitable means.

**02-02-04**

### ACCOUNT DESIGNATIONS

The operation and maintenance expense accounts in the Federal Energy Regulatory Commission's (FERC's) uniform system of accounts break functionally between regulated and non-regulated expenses. Certain administrative and general expenses



Document  
Number **02-02-01**

# Cost Allocation Manual

Section

Corporate

Subject

OVERVIEW

---

ACCOUNT DESIGNATIONS  
Cont'd)

include costs that can be attributed to both regulated and non-regulated activities. Some of AEP's generation has been restructured as a competitive activity, and therefore, the power production accounts in the FERC's system of accounts become non-regulated accounts.

**02-02-05**



Document  
Number

**02-02-02**

# Cost Allocation Manual

Section

Corporate

Subject

---

## COST ALLOCATION POLICIES AND PROCEDURES

---

### SUMMARY

Cost allocation is the process of assigning a single cost to one or more company or company segments on the basis of the relative benefits received or other equitable basis. This document summarizes the underlying cost allocation policies and procedures that are applied on a corporate-wide basis by all AEP companies.

### POLICIES AND PROCEDURES

AEP's cost accounting and cost allocation policies and procedures shall not result in any cost subsidies among or between regulated and non-regulated operations. Unless otherwise exempted, all affiliate transactions for services or products will be conducted at fully allocated cost. For the transfer of capital assets, fully allocated cost shall equal the net book value of the capital asset.

The term "affiliate transactions" refers to all transactions between the utility and any separate affiliate company, both regulated and non-regulated, including all transactions between a utility's regulated operations (above-the-line) and non-regulated operations (below-the-line).

### Basic Goal

The basic goal of AEP's cost allocation policies and procedures are threefold:

- to ensure a fair and equitable distribution of costs among all benefiting parties
- to meet pertinent regulatory requirements
- to minimize the time and expense needed to record, audit and report transactions.



Document  
Number

02-02-02

## Cost Allocation Manual

Section

Corporate

Subject

---

### COST ALLOCATION POLICIES AND PROCEDURES

---

Separate Books and Records	Each subsidiary of AEP shall maintain separate books and records and make maximum use of common accounting and business systems without violating any federal or state imposed code of conduct provisions relative to sensitive customer or non-public information.
Accounting Transactions	All financial accounting transactions will be recorded in accordance with corporate accounting policy using the appropriate chartfield values for each transaction. Each transaction will be recorded in accordance with the FERC Uniform System of Accounts as applicable to each subsidiary or affiliate.
Cross-Subsidies	AEP's cost accounting and cost allocation methods or procedures shall not result in any cost subsidies among or between regulated and non-regulated operations.
Cost Allocation	Factors to be considered in the Allocation of individual items of cost include, among other things: <ul style="list-style-type: none"><li>• the relationship of the individual cost to the benefiting company or company segments</li><li>• generally accepted accounting principles</li><li>• best practices</li><li>• regulatory principles</li><li>• reasonableness of results</li></ul>
Audit Trail	A key requirement for allocating costs for affiliate transactions is the maintenance of adequate audit trails. The following audit trail standards shall be maintained for all transactions:



Document  
Number **02-02-02**

## Cost Allocation Manual

Section

Corporate

Subject

---

### COST ALLOCATION POLICIES AND PROCEDURES

---

- vendor invoices, employee time records and expense accounts, general ledger journal entries and similar documentation will be available and accessible to adequately support the accuracy and validity of individual transactions
- all supporting documentation will be retained in accordance with the applicable regulatory requirements for records retention
- all posting to the providers' books of account or summary ledgers will be identifiable with the individual transactions that make up the total amount of the posting.

#### Transfer Pricing of Affiliate Transactions

The predominant pricing standard among AEP's various regulatory jurisdictions for affiliate transactions is "fully-allocated cost." However, in certain jurisdictions and instances, the substantiation of market prices may be required because of state code of conduct or other rules or regulations.

For billing purposes, non-tariff products and services either purchased by or sold by one of AEP's regulated utilities will be priced at "fully-allocated cost".

In the case of products and services, "fully-allocated cost" approximates market value in most situations since the parties are simply sharing costs that reflect current market prices.

For the transfer of capital assets between an AEP regulated utility and an affiliate, "fully-allocated cost" shall equal the net book value of the asset (i.e., original cost less depreciation).



Document  
Number **02-02-02**

# Cost Allocation Manual

Section

Corporate

Subject

---

COST ALLOCATION POLICIES AND PROCEDURES

---

ACCESS TO BOOKS AND  
RECORDS

All lawful requests by regulators to obtain access to the books and records of an affiliate of a regulated utility for the purpose of setting the utility's cost-based rates shall be honored in a timely manner.

---

Date  
April 8, 2008

---

Page

4



Document Number **02-02-03**

# Cost Allocation Manual

Section

Corporate

Subject

---

## THE COST ALLOCATION PROCESS

---

### SUMMARY

AEP allocates costs to regulated and non-regulated operations on a fully-distributed cost basis. Fully distributed costs include all direct costs plus an appropriate share of indirect (and common) costs.

### DIRECT COSTS

Direct costs can be identified with a particular activity and can be incurred on behalf of one or more companies or affiliates.

### INDIRECT COSTS

Indirect costs cannot be identified with a particular activity and must be charged to the appropriate activity or activities to which they relate using relevant cost allocators. Indirect costs include, but are not limited to, corporate or business unit overheads, general and administrative overheads, and certain taxes.

### COMMON AND JOINT COSTS

Common and joint costs, as distinguished from indirect costs, are costs that are of joint benefit between regulated and non-regulated business operations. These costs can include both direct and indirect costs.

### COST EXAMPLES

The following table provides examples of the expenses included in each cost category:

<b>Direct costs</b>	Direct labor; direct materials
<b>Indirect costs</b>	Board of Directors' fees; FICA tax; interest expense; other elements of Internal Support Costs and departmental overhead.
<b>Common costs</b>	Depreciation or rent expense on shared buildings; the expenses incurred in operating a common payroll system



Document  
Number **02-02-03**

## Cost Allocation Manual

Section

Corporate

Subject

---

### THE COST ALLOCATION PROCESS

---

#### BASIC PROCESS

AEP allocates costs among regulated and non-regulated business operations following three basic steps:

1. To the maximum extent possible, within reasonable cost benefit standards, costs are collected and classified on a direct charge basis.
2. All costs, both direct and indirect, are attributed to activities (i.e., projects, products or services) which, by their very nature, are regulated, non-regulated, common or joint.
3. The costs of common or joint activities are allocated using either an output measure of the activity performed or the primary cost driver (or a relevant proxy in the absence of a primary cost driver).

#### BILLINGS TO AFFILIATES

Any costs incurred for the benefit of only one client or affiliate are billed 100% to that client or affiliate.

Any costs incurred for the benefit of more than one client or affiliate are billed to the clients or affiliates for which the related service was performed using cost-causative allocation factors of the nature described in Step 3 of the basic allocation process (see above). For example, the cost accumulated for processing payroll is allocated and billed based on the ratio of each client's or affiliate's number of employees to the total number of employees of all clients or affiliates receiving the service.



Document  
Number

02-02-04

## Cost Allocation Manual

Section

Corporate

Subject

---

### COST POOLING AND COST ASSIGNMENT

---

#### SUMMARY

The financial accounting systems used by the AEP System companies are designed to pool allocable costs in a manner that leads to a fair and equitable distribution of costs among all affiliated companies and between regulated and non-regulated operations.

#### UNDERLYING PRINCIPLE

The underlying principle in cost allocation is that the results must be fair and equitable. To meet this standard, the results must be reasonable and take into account the relative benefits received from each cost pool.

#### POOLING METHODOLOGY

In order to perform fair and equitable cost allocations, AEP's financial accounting systems are designed to capture and pool costs at three basic levels:

- direct costs are costs which can be specifically assigned to final cost objectives;
- common or joint costs are costs which apply to more than one cost objective and can be attributed to them in reasonable proportion to the benefits received; and
- overhead costs relate to the overall operations of the business and, as such, have no direct relationship to any particular cost objective.

#### Sub-Pools

Common and joint costs along with overhead costs are further accumulated in various cost groupings (sub-pools). Examples include:

- salary-related costs (also known as fringes)
- compensated absences (i.e., non-



Document  
Number **02-02-04**

# Cost Allocation Manual

Section

Corporate

Subject

---

COST POOLING AND COST ASSIGNMENT

---

- productive pay)
- building costs
  - technology costs
  - general and administrative overhead
  - construction overhead

## COST ASSIGNMENT

The AEP System pools and allocates costs at each level on a legal entity basis. That is, the costs incurred by one company do not affect the level of costs allocated by another company. Separate books and records are maintained for each company.

All companies assign direct costs on a 100% basis while common or joint costs are assigned or charged to multiple cost objectives in accordance with the relative benefits received or by other equitable means. Overhead costs are charged using relatable, cost-causative factors such as labor dollars, and total cost input.



Document  
Number

02-02-05

## Cost Allocation Manual

Section

Corporate

Subject

ACCOUNT DESIGNATIONS (Regulated, Non-Regulated and Joint)

### SUMMARY

As required by the Commonwealth of Kentucky's House Bill No. 897 [Section 4(f)], the Cost Allocation Manual (CAM) maintained by the electric utility must provide a report that identifies whether the costs contained in each account (or sub-account) of the Uniform System of Accounts (i.e., the USoA) are attributable to regulated operations, non-regulated operations, or are joint costs in nature. A description of the methodology used to apportion the costs shall also be included. The allocation methodology must be consistent with the provisions of Section 3 of House Bill No. 897.

While this document has been prepared primarily to satisfy Kentucky's CAM requirement, the account designations included in the accompanying chart also apply to AEP's other electric utilities.

### ACCOUNT DESIGNATIONS

The chart which begins on the following page identifies those USoA operation and maintenance accounts that are considered to be regulated, non-regulated or joint. The chart pertains to all of AEP's regulated utilities to the extent that they use each account. As generation becomes deregulated in certain state jurisdictions, the accounts for power production expenses will become non-regulated.

### COST ALLOCATION

To the extent possible, costs are charged directly to either regulated or non-regulated operations as appropriate. Those "joint" costs that can not be directly charged are allocated between regulated and non-regulated operations based on the nature of the cost, using the appropriate allocation basis from the List of Approved Allocation Factors used for Service Company billings.



Document  
Number

**02-02-05**

# Cost Allocation Manual

Section

Corporate

Subject

ACCOUNT DESIGNATIONS (Regulated, Non-Regulated and Joint)

CHART

FERC Account	Description	Reg.	Non Reg.	Joint
<b>Power Production Expenses</b>				
500.0	Oper Supervision & Engineering	No	No	Yes
501.0	Fuel	No	No	Yes
502.0	Steam Expenses	No	No	Yes
503.0	Steam from Other Sources	No	No	Yes
504.0	Steam Transferred-Credit	No	No	Yes
505.0	Electric Expenses	No	No	Yes
506.0	Misc Steam Power Expenses	No	No	Yes
507.0	Rents	No	No	Yes
508.0	Oper Supplies and Expenses	No	No	Yes
509.0	Allowances	No	No	Yes
510.0	Maint Supv & Engineering	No	No	Yes
511.0	Maintenance of Structures	No	No	Yes
512.0	Maintenance of Boiler Plant	No	No	Yes
513.0	Maintenance of Electric Plant	No	No	Yes
514.0	Maintenance of Misc Steam Plt	No	No	Yes
515.0	Maintenance of Steam Production Plant	No	No	Yes
517.0	Oper Supervision & Engineering	No	No	Yes
518.0	Nuclear Fuel Expense	No	No	Yes
519.0	Coolants and Water	No	No	Yes
520.0	Steam Expenses	No	No	Yes
521.0	Steam from Other Sources	No	No	Yes
522.0	Steam Transferred-Credit	No	No	Yes
523.0	Electric Expenses	No	No	Yes
524.0	Misc Nuclear Power Expenses	No	No	Yes
525.0	Rents	No	No	Yes
528.0	Maintenance Supervision and engineering	No	No	Yes
529.0	Maintenance of Structures	No	No	Yes
530.0	Maintenance of Reactor Plant Equipment	No	No	Yes
531.0	Maintenance of Electric Plant	No	No	Yes
532.0	Maintenance of Misc Nuclear Plant	No	No	Yes
535.0	Operation Supervision and Engineering	No	No	Yes
536.0	Water for Power	No	No	Yes



Document  
Number

**02-02-05**

# Cost Allocation Manual

Section

Corporate

Subject

ACCOUNT DESIGNATIONS (Regulated, Non-Regulated and Joint)

FERC Account	Description	Reg.	Non Reg.	Joint
537.0	Hydraulic Expenses	No	No	Yes
<b>Power Production Expenses (Cont'd)</b>				
538.0	Electric Expenses	No	No	Yes
539.0	Misc Hydr Power Generation Exp	No	No	Yes
540.0	Rents	No	No	Yes
540.1	Operation Supplies and Expenses	No	No	Yes
541.0	Maintenance Supervision and Engineering	No	No	Yes
542.0	Maintenance of Structures	No	No	Yes
543.0	Maintenance of Reservoirs, Dams and Waterways	No	No	Yes
544.0	Maintenance of Electric Plant	No	No	Yes
545.0	Maintenance of Misc Hydraulic Plant	No	No	Yes
545.1	Maintenance of Hydraulic Production Plant	No	No	Yes
546.0	Operation Supervision and Engineering	No	No	Yes
547.0	Fuel	No	No	Yes
548.0	Generation Expenses	No	No	Yes
549.0	Misc Oth Pwr Gen - Gas Turbine	No	No	Yes
550.0	Rents	No	No	Yes
550.1	Operation supplies and expenses	No	No	Yes
551.0	Maint Supv & Engineering	No	No	Yes
552.0	Maintenance of Structures	No	No	Yes
553.0	Maintenance of Generating and Electric Plant	No	No	Yes
554.0	Maintenance of Misc Other Power Generation Plant	No	No	Yes
554.1	Maintenance of Other Power Production Plant	No	No	Yes
555.0	Purchased Power	No	No	Yes
556.0	Sys Control & Load Dispatching	No	No	Yes
557.0	Other Expenses	No	No	Yes
<b>Transmission Expenses</b>				
560.0	Oper Supervision & Engineering	Yes	No	No
561.1	Load Dispatch--Reliability	Yes	No	No
561.2	Load dispatch--Monitor and	Yes	No	No



Document  
Number

**02-02-05**

# Cost Allocation Manual

Section

Corporate

Subject

ACCOUNT DESIGNATIONS (Regulated, Non-Regulated and Joint)

FERC Account	Description	Reg.	Non Reg.	Joint
	operate transmission system			
561.3	Load dispatch-Transmission service and scheduling	Yes	No	No
561.4	Scheduling system control and dispatch services	No	No	Yes
561.5	Reliability planning and standards development	Yes	No	No
561.6	Transmission service studies	Yes	No	No
561.7	Generation interconnection studies	Yes	No	No
561.8	Reliability planning and standards development services	Yes	No	No
562.0	Station Expenses	Yes	No	No
563.0	Overhead Line Expenses	Yes	No	No
564.0	Underground Line Expenses	Yes	No	No
565.0	Transmssion of Elect by Others	Yes	No	No
566.0	Misc Transmission Expenses	Yes	No	No
567.0	Rents	Yes	No	No
567.1	Operation Supplies and Expenses	Yes	No	No
568.0	Maint Supv & Engineering	Yes	No	No
569.0	Maintenance of Structures	Yes	No	No
569.1	Maintenance of computer hardware	Yes	No	No
569.2	Maintenance of computer software	Yes	No	No
569.3	Maintenance of communication equipment	Yes	No	No
569.4	Maintenance of miscellaneous regional transmission plant	Yes	No	No
570.0	Maint of Station Equipment	Yes	No	No
571.0	Maintenance of Overhead Lines	Yes	No	No
572.0	Maint of Underground Lines	Yes	No	No
573.0	Maint of Misc Transmssion Plt	Yes	No	No
574.0	Maintenance of Transmssion Plant	Yes	No	No
Regional Market Expenses				
575.1	Operation Supervision	Yes	No	No
575.2	Day-ahead and real-time market facilitation	Yes	No	No



Document  
Number

**02-02-05**

# Cost Allocation Manual

Section

Corporate

Subject

ACCOUNT DESIGNATIONS (Regulated, Non-Regulated and Joint)

FERC Account	Description	Reg.	Non Reg.	Joint
575.3	Transmission rights market facilitation	Yes	No	No
575.4	Capacity market facilitation	Yes	No	No
575.5	Ancillary services market facilitation	Yes	No	No
575.6	Market monitoring and compliance	Yes	No	No
575.7	Market facilitation, monitoring and compliance services	Yes	No	No
575.8	Rents	Yes	No	No
576.1	Maintenance of structures and improvements	Yes	No	No
576.2	Maintenance of computer hardware	Yes	No	No
576.3	Maintenance of computer software	Yes	No	No
576.4	Maintenance of communication equipment	Yes	No	No
576.5	Maintenance of miscellaneous market operation plant			
<b>Distribution Expenses</b>				
580.0	Oper Supervision & Engineering	Yes	No	No
581.0	Load Dispatching	Yes	No	No
581.1	Line and Station Expense	Yes	No	No
582.0	Station Expenses	Yes	No	No
583.0	Overhead Line Expenses	Yes	No	No
584.0	Underground Line Expenses	Yes	No	No
585.0	Street Lighting & Signal Sys Exp	Yes	No	No
586.0	Meter Expenses	Yes	No	No
587.0	Customer Installations Exp	Yes	No	No
588.0	Miscellaneous Distribution Exp	Yes	No	No
589.0	Rents	Yes	No	No
590.0	Maint Supv & Engineering	Yes	No	No
591.0	Maintenance of Structures	Yes	No	No
592.0	Maint of Station Equipment	Yes	No	No
592.1	Maintenance of Structures and Equipment	Yes	No	No
593.0	Maintenance of Overhead Lines	Yes	No	No
594.0	Maint of Underground Lines	Yes	No	No



Document  
Number

**02-02-05**

# Cost Allocation Manual

Section

Corporate

Subject

ACCOUNT DESIGNATIONS (Regulated, Non-Regulated and Joint)

FERC Account	Description	Reg.	Non Reg.	Joint
594.1	Maintenance of Lines	Yes	No	No
595.0	Maint of Line Transformers	Yes	No	No

<b>Distribution Expenses (Cont'd)</b>				
596.0	Maint of Street Lighting & Signal Systems	Yes	No	No
597.0	Maintenance of Meters	Yes	No	No
598.0	Maint of Misc Distribution Plt	Yes	No	No
<b>Customer Accounts Expenses</b>				
901.0	Supervision - Customer Accts	No	No	Yes
902.0	Meter Reading Expenses	No	No	Yes
903.0	Cust Records & Collection Exp	No	No	Yes
904.0	Uncollectible Accounts	No	No	Yes
905.0	Misc Customer Accounts Exp	No	No	Yes
<b>Customer Services and Informational Expenses</b>				
907.0	Supervision - Customer Service	No	No	Yes
908.0	Customer Assistance Expenses	No	No	Yes
909.0	Information & Instruct Advertising Exp	No	No	Yes
910.0	Misc Cust Svc & Informational Exp	No	No	Yes
<b>Sales Expenses</b>				
911.0	Supervision - Sales Expenses	No	No	Yes
912.0	Demonstrating & Selling Exp	No	No	Yes
913.0	Advertising Expenses	No	No	Yes
916.0	Miscellaneous Sales Expenses	No	No	Yes
<b>Administrative and General Expenses</b>				
920.0	Administrative & Gen Salaries	No	No	Yes
921.0	Office Supplies and Expenses	No	No	Yes
923.0	Outside Services Employed	No	No	Yes
924.0	Property Insurance	No	No	Yes



Document  
Number

**02-02-05**

## Cost Allocation Manual

Section

Corporate

Subject

ACCOUNT DESIGNATIONS (Regulated, Non-Regulated and Joint)

---

<b>FERC Account</b>	<b>Description</b>	<b>Reg.</b>	<b>Non Reg.</b>	<b>Joint</b>
925.0	Injuries and Damages	No	No	Yes
926.0	Employee Pensions & Benefits	No	No	Yes
928.0	Regulatory Commission Exp	No	No	Yes
930.1	General Advertising Expenses	No	No	Yes
930.2	Misc General Expenses	No	No	Yes
931.0	Rents	No	No	Yes
935.0	Maintenance of General Plant	No	No	Yes



Document  
Number **02-03-01**

# Cost Allocation Manual

Section

Federal Regulation

Subject

---

## OVERVIEW

---

### SUMMARY

Effective February 8, 2006, the Public Utility Holding Company Act of 1935 was repealed. Jurisdiction over certain holding company related activities has been transferred to the Federal Energy Regulatory Commission under the Public Utility Holding Company Act of 2005.

### FERC REGULATION

The business of transmitting and selling electric energy in interstate commerce is regulated through Part II of the Federal Power Act.

**02-03-02**



Document  
Number **02-03-02**

## Cost Allocation Manual

Section

Federal Regulation

Subject

FERC Regulation

---

### SUMMARY

The transmission of electric energy in interstate commerce and the sale of electric energy at wholesale in interstate commerce is regulated by the Federal Energy Regulatory Commission (FERC) under the Federal Power Act.

### PUHCA 2005

The Energy Policy Act of 2005 repealed the Public Utility Holding Company Act of 1935 effective February 8, 2006 and replaced it with the Public Utility Holding Company Act of 2005. With the repeal of PUHCA 1935, the Securities and Exchange Commission no longer has jurisdiction over the activities of registered holding companies. Jurisdiction over certain holding company related activities has been transferred to the Federal Energy Regulatory Commission. Specifically, FERC has jurisdiction over the issuances of securities of our public utility subsidiaries, the acquisition of securities of utilities, the acquisition or sale of certain utility assets, and mergers with another electric utility or holding company. In addition, both FERC and state regulators will be permitted to review the books and records of any company within a holding company system. FERC also has jurisdiction over certain affiliate transactions. As part of the implementation of the Public Utility Holding Company Act of 2005, FERC has adopted rules addressing these various issues. The pertinent rules may be found at 18 C.F.R. Part 35, Subparts H and I, and Part 366.

Date  
February 27, 2017

Page  
1



Document  
Number **02-04-01**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## OVERVIEW

### SUMMARY

AEP's state commissions have established certain rules and requirements relative to affiliate transactions. The requirements generally fall into four broad categories:

- they need to maintain a cost allocation manual or other documentation
- transfer pricing rules
- reporting requirements
- audit requirements.

### ARKANSAS

Arkansas requirements can be found in Arkansas Public Service Commission Order 7 of Docket 06-112-R, dated May 25, 2007.

**02-04-02**

### INDIANA

Indiana's requirements can be found in the Indiana Code as well as various orders of the Indiana Utility Regulatory Commission.

**02-04-03**

### KENTUCKY

Kentucky's requirements are contained in Kentucky Revised Statutes (KRS) 278.2201 thru 278.2219; Kentucky Public Service Commission Regulation 807KAR 5:080 and in various orders of the Kentucky Public Service Commission.

**02-04-04**

### LOUISIANA

Louisiana's requirements can be found in the Louisiana Public Service Commission's Order No. U-23327, dated September 16, 1999, subject to the conditions set forth in the Stipulation and Settlement attached as Appendix A to the Order.

**02-04-05**



Document  
Number **02-04-01**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## OVERVIEW

---

MICHIGAN

Michigan's requirements are contained in various orders of the Michigan Public Service Commission, including its Order Approving Settlement Agreement dated December 16, 1999, in Case No. U-12204, and its Opinion and Order, dated December 4, 2000, in Case No. U-12134.

**02-04-06**

OHIO

Ohio's requirements are captured in the corporate separation rules adopted by the Public Utilities Commission of Ohio in Ohio Admin. Code Chapter 4901:1-37, and in various orders of the Commission.

**02-04-07**

OKLAHOMA

Oklahoma's requirements are focused on the Oklahoma Corporation Commission's ability to access the books and records of Public Service Corporation of Oklahoma and its AEP affiliates as stated in the Stipulation, dated as of April 16, 1999, in Cause No. PUD 980000444.

**02-04-08**

TENNESSEE

Tennessee has no specific rules and requirements applicable to cost allocations and affiliate transactions.

**02-04-09**

TEXAS

Texas' requirements to a large degree are contained in §36.058 of the Texas Public Utility Regulatory Act and the rules of the Public Utility Commission of Texas.

**02-04-10**



Document  
Number **02-04-01**

# Cost Allocation Manual

Section

State Commission Rules

Subject

---

## OVERVIEW

---

VIRGINIA

Virginia's requirements can be found in the Code of Virginia and in the regulations and in orders of the Virginia State Corporation Commission.

**02-04-11**

WEST VIRGINIA

West Virginia's requirements can be found in the West Virginia Code and in orders of the Public Service Commission of West Virginia.

**02-04-12**



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

ARKANSAS RULES AND REQUIREMENTS

## SUMMARY

The Arkansas Public Service Commission adopted Affiliate Transaction Rules May 25, 2007. The purpose of the rules is to ensure that all transactions among or between a public utility and any affiliates or divisions do not result in rates which are unreasonable and in violation of Arkansas statutes; to ensure that the rates charged by public utilities do not provide any subsidy to affiliates or divisions of the public utility which are involved in non-utility activities or which provide services to the public utility; to prevent anti-competitive behavior, and market manipulation or market power; and to prevent financial risk to rate-regulated public utility operations which may arise from business endeavors of an unregulated affiliate.

The following summarizes the Affiliate Transaction Rules as adopted.

## DOCUMENTATION REQUIREMENTS

The Commission's documentation requirements applicable to affiliate transactions are provided in the table below:

SUBJECT	REQUIREMENT
Record Keeping Rule IV	<p>A public utility is to keep books and records separately from the books and records of its affiliates and to maintain such books and records in accordance with applicable rules and orders of the Commission, and with Generally Accepted Accounting Principles as amended.</p> <p>Such books and records shall contain all information</p>



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## ARKANSAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENT
	<p>necessary to identify all affiliate transactions in which a public utility participated; and identify and allocate or impute all revenues and costs (both direct and indirect) associated with all such affiliate transactions.</p> <p>Upon the creation of a new affiliate that will participate with a public utility, the utility shall, no later than 60 days after the creation of the affiliate, notify the Commission by letter to the Secretary of the Commission of the creation of the new affiliate, and the notice shall include an explanation of how the public utility will implement these rules with respect to the new affiliate.</p>
	<p>Each public utility shall maintain, for at least five years, records of each affiliate transaction in which it participated and the records shall:</p> <ul style="list-style-type: none"> <li>a. be made contemporaneously with each affiliate transaction;</li> <li>b. be in a readily retrievable format; and</li> <li>c. include, for each affiliate transaction:             <ul style="list-style-type: none"> <li>1. identify of the</li> </ul> </li> </ul>



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## ARKANSAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENT
	affiliate; 2. commencement and termination dates of the transaction; 3. description of the affiliate transaction, including the nature and quantity of value provided and received; 4. the dollar amount of the transaction and the manner in which such dollar amount was calculated; 5. all other terms of the transaction; 6. the direct and indirect costs associated with the transaction, including any allocation formula used to attribute indirect costs; 7. all information necessary to verify compliance with the rules and the accuracy of amounts stated, i.e. invoices, vouchers, communications, journal entries, workpapers, information supporting the price of each transaction, including but not



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

ARKANSAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENT
	<p>limited to the cost and allocation method of the transaction and when the cost was the result of a competitive bidding process, the market price and basis for the market price;</p> <p>8. be summarized and filed with the Commission as part of the annual report. Unless otherwise ordered by the Commission, a copy of FERC Form 60, Annual Report of Centralized Service Companies, may be filed.</p>
	<p>Each public utility shall file contemporaneously with its annual report a summary report indicating the aggregate dollar amount of all transactions described in Rule III.G.(1), (2), (3), and (4) which the utility has conducted with each utility, including the name of each such affiliate.</p>
	<p>Each public utility is to maintain, update annually, train its employees in, and (within 120 days following the effectiveness of these rules, and thereafter, to the extent of material changes, in each annual report) file with the Commission, written</p>



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

ARKANSAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENT
	<p>procedures which ensure compliance with the rules, such procedures shall include, at a minimum:</p> <ul style="list-style-type: none"> <li>a. all internal rules, practices, financial record keeping requirements, and other policies governing affiliate transactions among or between the public utility and its affiliates;</li> <li>b. the names and addresses of all the public utility's affiliates;</li> <li>c. an organizational chart depicting the ownership relationships between the public utility and those affiliates that participate in affiliate transactions with the public utility;</li> <li>d. a description of the types of assets, goods and services provided in any existing affiliate transaction lasting more than one year; and</li> <li>e. a cost allocation manual or other description of the method used to determine compensation in affiliate transactions</li> </ul>
Commission Access	The Commission shall have access to all books and records of a public utility and its affiliate to the extent such access is relevant to determining



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## ARKANSAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENT
	compliance with all applicable Arkansas statutes and rules or establishing rates subject to the Commission's jurisdiction.

### ALLOCATION OF COSTS AND REVENUES

The Commission's rules for the allocation of certain costs and revenues related to affiliate transactions are provided in the table below:

SUBJECT	REQUIREMENTS
Affiliate Financial Transactions Rule IV	Except as provided otherwise in the Rules or in other applicable law, a public utility shall not engage in any affiliate transaction in which the public utility: <ol style="list-style-type: none"> <li>1. provides to or shares with any affiliate any financial resource or financial benefit, including, but not limited to any loan, extension of credit, guarantee or assumption of debt, indemnification, pledge of collateral; or encumbrance of or restriction on the disposition of any public utility; or</li> <li>2. incurs any debt for purposes of investing in, or otherwise supporting, any business other than the provision of public utility service in Arkansas.</li> </ol>



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## ARKANSAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENTS
	<p>A public utility may obtain financial resources from an affiliate for public utility purposes, provided that the cost to the public utility of such financial resource does not exceed the lower of market price or the affiliate's fully allocated cost.</p>
	<p>This part of the rule shall not apply to or prohibit any of the following unless the Commission finds, after notice and hearing, unless waived by the parties, and consistent with applicable law, that the arrangement is not consistent with the purposes of the rules:</p> <ol style="list-style-type: none"> <li>1. An inter-affiliate financial transaction integral to an affiliate transaction for goods or services to and consistent with Rule V (Affiliate Transactions Other than Financial Transactions);</li> <li>2. Payment of dividends by a public utility to affiliates that own stock in such public utility;</li> <li>3. Transactions in connection with the factoring of accounts receivable, the creation and use of special purpose financing entities, and the</li> </ol>



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## ARKANSAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENTS
	<p>creation and use of money pool or cash management arrangements, subject to safeguards to prevent cross-subsidization and unauthorized pledges or encumbrances of public utility assets;</p> <p>4. Any loan, extension of credit, guarantee, assumption of debt, restriction on disposition of assets, indemnification, investment, or pledge of assets by public utility for the purpose of supporting the utility related business activities of an affiliate;</p> <p>5. Any debt incurred by a public utility, including debt that imposes any encumbrance on, or any restriction placed on the disposition of any assets of, the public utility for the purpose of supporting the utility related business activities of an affiliate;</p> <p>6. Receipt by a public utility of capital contributions or proceeds from the sale of common stock to its parent holding company;</p> <p>7. Receipt by a public</p>



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## ARKANSAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENTS
	<p>utility of financial resources from an affiliate for any non-public utility purpose, provided that the cost to the public utility of such resources shall not be recovered from the public utility's customers in Arkansas;</p> <p>8. Any financing arrangement involving a public utility and any affiliate that was in existence as of the effective date of the rules; provided that the public utility files with the Commission a description of each such arrangement involving a public utility and any affiliate having an annual value or amount in excess of \$350,000 and such filing is received within 120 days of the effective date of the rules;</p> <p>9. Any other affiliate transaction proposed by a public utility, provided that the public utility first files with the Commission an application for approval of such proposed affiliate financial transaction including a detailed description thereof and any relevant supporting</p>



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## ARKANSAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENTS
	documentation, and the Commission finds, after notice and hearing, unless waived by the parties, on such application, that the proposed affiliate financial transaction is consistent with the purposes of the rules.
Affiliate Transactions other than Financial Transactions Rule V	With respect to an affiliate transaction involving assets, goods, services, information having competitive value, or personnel, a public utility shall not: <ol style="list-style-type: none"> <li>1. receive anything of value, unless the compensation paid by the public utility does not exceed the lower of market price of fully allocated cost of the item received; and,</li> <li>2. provide anything of value, unless the compensation received by the public utility is no less than the higher of market price or fully allocated cost of the item provided.</li> </ol>
	This rule shall not apply to: <ol style="list-style-type: none"> <li>1. exchanges of information (a) necessary to the reliable provision of public utility service by a public utility, provided such exchange occurs consistently with guidelines published by</li> </ol>



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

ARKANSAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENTS
	<p>the utility and applied equally to affiliates and non-affiliates; (b) required by or necessary to comply with federal statutes or regulations; or (c) between or among a public utility, its parent holding company, a service company and any affiliated rate-regulated utility in another State.</p> <p>2. The provision of shared corporate support services, at fully allocated cost, between or among a public utility and any affiliate, including a service company.</p> <p>3. The provision, at fully allocated cost, of assets, goods, services, or personnel between or among a public utility and a affiliated rate-regulated utility in another State.</p> <p>4. The provision of assets, goods, services, information having competitive value, or personnel, at a price determined by competitive bidding or pursuant to a regulatory filed or approved tariff or contract.</p> <p>5. Any other affiliate transaction proposed by a public utility to be exempted from the rule provided that the public utility first</p>



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

ARKANSAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENTS
	files with the Commssion an application for an exemption of such proposed affiliate transaction from the requirements of the rule, including a detailed description of the proposed transaction and any relevant supporting documentation, and the Commission finds, after notice and hearing, that the exemption is consistent with the purposes of the rules.

## COMPLIANCE REQUIREMENTS

The Commission's compliance requirements applicable to the affiliate transactions are provided in the table below:

SUBJECT	REQUIREMENT
Annual Certification	No later than June 1 of each year, each public utility shall file with the Commission a notice, signed by both the public utility's president or chief executive officer and its chief financial offices, certifying the public utility's compliance with these rules in the prior year; and other annual information and reports required under the rules.
	The Commission may at any time initiate a proceeding against a public utility to determine whether a reasonable basis exists that the public utility is out of



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## ARKANSAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENT
	<p>compliance with the rules. If the Commission, after notice and hearing, makes such determination, the Commission may require the public utility to engage an independent accountant ( which, at the public utility's election, may be the accountant that regularly audits the public utility's financial statements) to conduct Agreed Upon Procedures to review identified accounting entries, methods or procedures used by the public utility in connection with these rules. A work plan outlining such Agreed Upon Procedures, together with such letters or acknowledgements as shall be reasonably required by the accountant in connection with such engagement, shall be developed by the public utility and filed with the Commission for approval. Upon review of the information provided by such independent accountant after undertaking, the Commission may order the public utility to make changes in its accounting methods or procedures found by the Commission in to be reasonably necessary to ensure future compliance with these Rules.</p>



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

ARKANSAS RULES AND REQUIREMENTS

OTHER REQUIREMENTS -

Additional requirements applicable to affiliate transactions are provided in the table below:

<b>SUBJECT</b>	<b>REQUIREMENT</b>
Bond Rating Downgrades Rule VII	<p>This rule applies to any public utility that has a separate, stand-alone bond rating by Standard and Poor's or Moody's, and that has affiliates, other than utility related businesses, with assets whose total book value exceeds ten percent of the book value of the public utility's assets.</p> <p>If a public utility's bond ratings are downgraded to a Standard and Poor's rating of BB+ or lower, or to a Moody's rating of Ba1 or lower, such utility shall notify the Commission within 30 days of such downgrading. The public utility will provide the Commission a copy of publicly released information about such rating downgrade and such other information as the Commission requests.</p> <p>If the Commission finds, after notice and opportunity for hearing, that the public utility's downgrade would not have occurred but for one or more relationships between such public utility and one or more affiliates, then the Commission may impose remedies</p>

Date August 6, 2007

Page 14



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## ARKANSAS RULES AND REQUIREMENTS

	<p>designed to insulate the public utility and its customers from any diminution in the public utility's ability to carry out its obligation to serve at reasonable rates.</p>
<p>Utility Ownership of Non-utility Business Rule VIII</p>	<p>A public utility shall not engage in a non-utility business other than a utility related business if the total book value of the non-utility assets owned by the utility exceeds 10 percent of the book value of the total assets of the public utility and all its affiliates.</p> <p>This rule does not apply to or prohibit a public utility or any affiliate thereof from continuing to engage in any non-utility business existing as of the effective date of these rules; provided the public utility files with the commission a description of such non-utility business existing as of the effective date of these rules and such filing is received within 120 days of the effective date of these rules.</p> <p>Each public utility or its public utility holding company shall file an annual report with the Commission in accordance with the rules that includes:</p> <ol style="list-style-type: none"> <li>1. a certification by the president of the public utility that the public</li> </ol>



Document Number **02-04-02**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## ARKANSAS RULES AND REQUIREMENTS

	<p>utility is in compliance with this section ;and</p> <p>2. all financial information necessary for the Commission to determine the utility is complying with the requirements of the rules.</p>
<p>EXEMPTIONS Rule XI</p>	<p>Any utility may petition for exemption from any of the rules on the basis that application of the rule would not be in the public interest.</p> <p>Any existing financial arrangements, provision of corporate services or other affiliate relationship which could be deemed to be in violation of these rules will be allowed to continue for a period of one year from adoption of these rules in order to allow the utilities involved to seek an exemption from the application of these rules for those existing circumstances</p>
<p>MISCELLANEOUS Rule X</p>	<p>The costs of any affiliate transaction found to be inconsistent with these rules shall be adjusted in a ratemaking proceeding to be consistent with these rules.</p>



Document Number **02-04-03**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## INDIANA RULES AND REQUIREMENTS

### SUMMARY

Indiana's rules and requirements applicable to cost allocations and affiliate transactions can be found in the Indiana Code and in the Indiana Utility Regulatory Commission's (the IURC's, or the Commission's) order, dated April 26, 1999, in Cause No. 41210, including the Stipulation and Settlement Agreement which is attached to the order as Exhibit A, as well as other orders of the Commission.

Cause No. 41210 covers the IURC's investigation of the proposed merger of American Electric Power Company, Inc. and Central and South West Corporation. Section 8 of the Stipulation and Settlement Agreement provides for Affiliate Standards between the regulated and non-regulated affiliates of the merged company.

### DOCUMENTATION REQUIREMENTS

The IURC's documentation requirements for affiliate transactions are captured in the following table:

<b>SUBJECT</b>	<b>REQUIREMENT</b>
Separate Books and Records	Each AEP Operating Company shall maintain, in accordance with generally accepted accounting principles, books, records and accounts that are separate from the books, records and accounts of its affiliates, consistent with Part 101 - Uniform System of Accounts prescribed for Public Utilities and Licensees subject to the provisions of the Federal Power Act. [Section 8.B.]
Cost Allocation Documentation	An AEP operating company which provides both regulated and non-regulated



Document Number **02-04-03**

# Cost Allocation Manual

Section

State Commission Rules

Subject

INDIANA RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
	services or products, or an affiliate which provides services or products to an AEP operating company, shall maintain documentation in the form of written agreements, an organization chart of AEP (depicting all affiliates and AEP operating companies), accounting bulletins, procedure and work order manuals, or other related documents, which describe how costs are allocated between regulated and non-regulated services or products.[Section 8.P.]
Employee Movements	AEP shall document all employee movement between and among all affiliates. Such information shall be made available to the IURC and consumer advocate upon request. [Section 8. G.]
Itemized Billing Statements	Any untariffed, non-utility service provided by an AEP operating company or affiliated service company to any affiliate shall be itemized in a billing statement pursuant to a written contract or written arrangement. The AEP operating company and any affiliated service company shall maintain and keep available for inspection by the Commission copies of each billing statement, contract and arrangement between the AEP operating



Document Number **02-04-03**

# Cost Allocation Manual

Section

State Commission Rules

Subject

INDIANA RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Itemized Billing Statements (Cont'd)	<p>company or affiliated service company and its affiliates that relate to the provision of such untariffed non-utility services. [Section 8.E.]</p> <p>Goods and services provided by a non-utility affiliate to an AEP operating company shall be by itemized billing statement pursuant to a written contract or written arrangement. The operating company and non-utility affiliate shall maintain and keep available for inspection by the Commission copies of each billing statement, contract and arrangement between the operating company and its non-utility affiliates that relate to the provision of such goods and services in accordance with the Commission's applicable retention requirements. [Section 8.F.]</p>

*[Source: Stipulation and Settlement Agreement in Cause No. 41210]*

## TRANSFER PRICING

Transactions between the regulated electric utility and its affiliates shall adhere to the affiliate standards included in the following table:

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Guiding Principles	The financial policies and guidelines for transactions between the regulated



Document Number **02-04-03**

# Cost Allocation Manual

Section

State Commission Rules

Subject

INDIANA RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
	<p>utility and its affiliates shall reflect the following principles:</p> <ol style="list-style-type: none"> <li>1. An AEP operating company's retail customers shall not subsidize the activities of the operating company's non-utility affiliates or its utility affiliates. [Section 8.A.1.]</li> <li>2. An AEP operating company's costs for jurisdictional rate purposes shall reflect only those costs attributable to its jurisdictional customers. [Section 8.A.2.]</li> <li>3. These principles shall be applied to avoid costs found to be just and reasonable for ratemaking purposes by the Commission being left unallocated or stranded between various regulatory jurisdictions, resulting in the failure of the opportunity for timely recovery of such costs by the operating company and/or its utility affiliates; provided, however, that no more than one hundred percent of such cost shall be allocated on an aggregate basis to the</li> </ol>



Document Number **02-04-03**

# Cost Allocation Manual

Section

State Commission Rules

Subject

INDIANA RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Guiding Principles (Cont'd)	various jurisdictions. [Section 8.A.3.] 4. An AEP operating company shall maintain and utilize accounting systems and records that identify and appropriately allocate costs between the operating company and its affiliates, consistent with these cross-subsidization principles and such financial policies and guidelines. [Section 8.A.4.]
Asset Transfers	Asset transfers between an AEP operating company and a non-utility affiliate shall be at fully distributed costs in accordance with current SEC issued requirements or other statutory requirements if the SEC has no jurisdiction. [Section 8.C.]

*[Source: Stipulation and Settlement Agreement in Cause No. 41210]*

## REPORTING REQUIREMENTS

The Stipulation and Settlement Agreement in Cause No. 41210 provides in part that the IURC may establish reporting requirements regarding the nature of inter-company transactions concerning the operating company and a description of the basis upon which cost allocations and transfer pricing have been established in these transactions. [Section 8.W.]



Document  
Number **02-04-03**

# Cost Allocation Manual

Section

State Commission Rules

Subject

---

## INDIANA RULES AND REQUIREMENTS

---

### AUDIT REQUIREMENTS

The independent audit requirement regarding the merger has expired. I&M/AEP was required to conduct biennial audits for 8 years after the merger. The final audit was submitted to the Indiana Utility Regulatory Commission on December 29, 2008.

### OTHER REQUIREMENTS

The Stipulation and Settlement Agreement contains other requirements related to affiliate transactions some of which are listed here:

- Thirty days prior to filing any affiliate contract (including service agreements) with the Securities and Exchange Commission or the Federal Energy Regulatory Commission the AEP operating company shall submit to the Commission a copy of the proposed filing. [Section 8. T.]
- AEP will provide the Commission with notice at least 30 days prior to any filings that propose new allocation factors with the SEC. [Section 6]
- AEP shall designate an employee who will act as a contact for the Commission and consumer advocates seeking data and information regarding affiliate transactions and personnel transfers. Such employee shall be responsible for providing data and information requested by the Commission for any and all transactions between the jurisdictional operating company and its affiliates, regardless of which affiliate(s), subsidiary(ies) or associate(s) of the AEP operating company from which the information is sought. [Section 8.Q.]



Document  
Number **02-04-03**

# Cost Allocation Manual

Section

State Commission Rules

Subject

---

## INDIANA RULES AND REQUIREMENTS

---

### OTHER REQUIREMENTS (con't)

The Indiana Code [§8-1-2-49] states, in part, that no management, construction, engineering, or similar contract with any affiliated interest shall be effective unless it shall first have been filed with the Commission. If it is found that any such contract is not in the public interest, the Commission, after investigation and a hearing, is authorized to disapprove the contract.

On September 28, 2016, the Indiana Utility Regulatory Commission issued General Administrative Order GAO 2016-5 which provides that Affiliate contract should do the following:

(a) Include the following terms:

(1) A definite termination date, not more than five (5) years from the effective date of the contract.

(2) Notice that the contract, pursuant to IC 8-1-2-49(2), shall not be effective until it is filed with the Commission.

(b) Exclude the following terms:

(1) A provision that provides for an automatic contract renewal or renewal without notice to all contracting parties and the Commission.

(2) A provision that provides for an effective date that is prior to filing with the Commission.



Document Number **02-04-04**

# Cost Allocation Manual

Section

State Commission Rules

Subject

KENTUCKY RULES AND REQUIREMENTS

## SUMMARY

Kentucky's rules and requirements applicable to cost allocations and affiliate transactions are contained in Kentucky Revised Statutes, (KRS) 278.2201 thru 278.2219; Kentucky Public Service Commission Regulation 807KAR 5:08 and in certain orders of the Kentucky Public Service Commission (the Commission).

## CAM REQUIREMENTS

The following table summarizes Kentucky's Cost Allocation Manual (CAM) requirements:

<b><i>SUBJECT</i></b>	<b><i>REQUIREMENT</i></b>
Summary	Any utility that engages in a non-regulated activity, whose revenue exceeds 2% of the utility's total revenue or \$1,000,000 annually, shall develop and maintain a CAM. [KRS278.2203 (4) (a)]
"CAM" Definition	CAM means a cost allocation manual; that is, an indexed compilation and documentation of a company's cost allocation policies and related procedures. [KRS 278.010 (20)]
Contents	The CAM shall contain the following information for a utility's jurisdictional operations in the Commonwealth of Kentucky: (a) A list of regulated and non-regulated divisions within the utility; (b) A list of all regulated and non-regulated affiliates of the utility to which the utility provides services or products and where the



Document Number **02-04-04**

# Cost Allocation Manual

Section

State Commission Rules

Subject

KENTUCKY RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Contents (Cont'd)	<p>affiliates provide non-regulated activities as defined in [KRS278.2205 (2) (a) (b)];</p> <p>(c) A list of services and products provided by the utility, an identification of each as regulated or non-regulated, and the cost allocation method generally applicable to each category; [KRS278.2205 (2) (c)];</p> <p>(d) A list of incidental, non-regulated activities that are reported as regulated activities in accordance with the provisions of [LRS278.2205 (2) (d)];</p> <p>(e) A description of the nature of transactions between the utility and the affiliate; and [KRS278.2205 (2) (e)];</p> <p>(f) For each FERC account and sub-account, a report that identifies whether the account contains costs attributable to regulated operations and non-regulated operations. The report shall also identify whether the costs are joint costs that cannot be directly identified. A description of the</p>



Document Number **02-04-04**

# Cost Allocation Manual

Section

State Commission Rules

Subject

KENTUCKY RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Contents (Cont'd)	methodology used to apportion each of these costs shall be included and the allocation methodology shall be consistent with cost allocation methodologies set out in KRS 278.2203. [KRS278.2205 (2) (f)]
Filing Requirements	Within 270 days of the effective date of July 14, 2000, the utility shall file: (a) A statement with the Commission that certifies the CAM has been developed and will be adopted by management effective with the beginning of the next calendar year. The statement shall be signed by an officer of the utility; and (b) One copy of the CAM. [KRS278.2205 (3) (a)-(b)]
Changes	Within 60 days of any material change in matters required to be listed in the CAM, the utility shall amend the CAM to reflect the change. [KRS278.2205 (4)]
Public Inspection	The CAM shall be available for public inspection at the utility and at the Commission. [KRS278.2205 (5)]
Rate Proceedings	The CAM shall be filed as part of the initial filing requirement in a proceeding involving an application for



Document Number **02-04-04**

# Cost Allocation Manual

Section

State Commission Rules

Subject

KENTUCKY RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Rate Proceedings (Cont'd)	an adjustment in rates pursuant to KRS 278.190. [KRS278.2205(6)]

## TRANSFER PRICING

KRS278.2207 thru KRS278.2219 contains very specific instructions on the pricing of assets, services and products transferred between the utility and its affiliates, as captured in the following table:

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Summary	A utility shall not subsidize a non-regulated activity provided by an affiliate or by the utility itself. Utilities must keep separate accounts and allocate costs in accordance with procedures established by the Commission. [KRS278.2201]
Pricing Rules	The terms for transactions between a utility and its affiliates shall be in accordance with the following: (a) Services and products provided to an affiliate by the utility pursuant to a tariff shall be at the tariffed rate, with nontariffed items priced at the utility's fully distributed cost but in no event less than market, or in compliance with the utility's existing United States Department of Agriculture (USDA), Securities and Exchange



Document Number **02-04-04**

# Cost Allocation Manual

Section

State Commission Rules

Subject

KENTUCKY RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
Pricing Rules (Cont'd)	<p>Commission (SEC), or Federal Energy Regulatory Commission (FERC) approved cost allocation methodology.            [KRS278.2207 (1) (a)]</p> <p>(b) Services and products provided to the utility by an affiliate shall be priced at the affiliate's fully-distributed cost but in no event greater than market or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology.            [KRS278.2207 (1) (6)]</p> <p><i>NOTE: A utility may file an application with the commission requesting a deviation from the requirements of this section for a particular transaction or class of transactions. The utility shall have the burden of demonstrating that the requested pricing is reasonable. The commission may grant the deviation if it determines the deviation is in the public interest. Nothing in this section shall be construed to interfere with the commission's requirement to ensure fair, just, and reasonable rates for utility services.            [KRS278.2219 92)]</i></p>



Document  
Number **02-04-04**

## Cost Allocation Manual

Section

State Commission Rules

Subject

KENTUCKY RULES AND REQUIREMENTS

---

AFFILIATE TRANSACTION      Kentucky Public Service Commission and the Commission's orders in Case REPORTING REQUIREMENTS Nos. 97-309 and 99-149 contain very specific reporting requirements for affiliate transactions.

Regulation 807KAR5:080      In addition to the CAM reporting requirements established by KRS 278.2201 thru 278.2219 as noted above, PSC Regulation 807 KAR 5:080 requires the utility to inform the Commission of new non-regulated activities begun by itself or by the utility's affiliate within a timeframe to be established by the Commission [KRS278.230 (3)].

Also, the Commission may require the utility to file annual reports of information related to affiliate transactions when necessary to monitor compliance with the transaction guidelines contained in KRS278.2205 [807KAR 5:080 Section 2]

Case 97-309      In Case 97-309 involving the approval of affiliate transactions between KPCO and AEPC (as outlined above), the Commission has ordered KPCO to file an annual report that lists all transactions with AEPC that describes the parties involved, the assets transferred, the services provided and the transaction prices. The report should also specify for each transaction whether the price was based on cost or market and, if market, how the market price was determined.

Case 99-149      The Commission's order in Case No. 99-149, dated June 14, 1999, related to the proposed merger of American Electric Power Company, Inc. (AEP) and Central and South West Corporation established specific reporting requirements for KPCO, its parent company

Date  
August 8, 2007

Page  
6



Document Number **02-04-04**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## KENTUCKY RULES AND REQUIREMENTS

(i.e., AEP) and related subsidiaries. While the Commission's order in Case No. 99-149 has been superseded by KRS 278.2201 thru KRS278.2219 and Ky PSC Regulation 807KAR5:080, dated July 14, 2000, the periodic reports required by the Commission's June 1999 order remain in effect. The following table provides details of the specific reporting requirements:

<b>SUBJECT</b>	<b>REQUIREMENT</b>
Periodic Reports [Case No. 99-149, Page 10]	<ol style="list-style-type: none"> <li>1. Annual financial statements of AEP should be furnished to the Commission, including consolidating adjustments of AEP and its subsidiaries with a brief explanation of each adjustment and all periodic reports filed with the SEC.</li> <li>2. All subsidiaries should prepare and have available monthly and annual financial information required to compile financial statements and to comply with other reporting requirements.</li> <li>3. The financial statements for any non-consolidated subsidiaries of AEP should be furnished.</li> </ol>
Annual Reports [Case No. 99-149, Page 11 ¶1,2]	<ol style="list-style-type: none"> <li>1. A general description of the nature of inter-company transactions shall be provided with specific identification of major transactions,</li> </ol>



Document Number **02-04-04**

# Cost Allocation Manual

Section

State Commission Rules

Subject

KENTUCKY RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Annual Reports [Case No. 99-149, Page 11 ¶1,2] (Cont'd)	<p>and a description of the basis upon which cost allocations and transfer pricing have been established. This report should discuss the use of the cost or market standard for the sale or transfer of assets, the allocation factors used, and the procedures used to determine these factors if they are different from the procedures used in prior years.</p> <ol style="list-style-type: none"> <li>2. A report that identifies professional personnel transferred from KPCO to AEP or any of its non-utility subsidiaries shall be provided to the Commission. This report should include a description of the duties performed by the employee while employed by KPCO and to be performed subsequent to transfer.</li> <li>3. AEP should file on an annual basis a report detailing KPCO's proportionate share of AEP's total operating revenues, operating and maintenance expenses, and number of employees.</li> </ol>
Special Reports [Case No. 99-149,	<ol style="list-style-type: none"> <li>1. AEP should file any contracts or other agreements concerning the</li> </ol>



Document Number **02-04-04**

# Cost Allocation Manual

Section

State Commission Rules

Subject

KENTUCKY RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Pages 11-12]	<p>transfer of utility assets or the pricing of inter-company transactions with the Commission at the time the transfer occurs.</p> <p>2. AEP should also file the following special reports:</p> <ul style="list-style-type: none"> <li>• An annual report of the number of employees of AEP and each subsidiary on the basis of payroll assignment.</li> <li>• An annual report containing years of service at KPCO and the salaries of professional employees transferred from KPCo to AEP or its subsidiaries filed in conjunction with the annual transfer of employees report.</li> <li>• An annual report of cost allocation factors in use, supplemented upon significant change.</li> <li>• Summaries of any cost allocation studies when conducted and the basis for the methods used to determine the cost allocation effect.</li> <li>• An annual report of methods used to update</li> </ul>



Document Number **02-04-04**

# Cost Allocation Manual

Section

State Commission Rules

Subject

KENTUCKY RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
	or revise the cost allocation factors in use, supplemented upon significant change.
Use of Existing Reports [Case No. 99-149, Page 12 ¶7]	Where the same information sought in the above noted reports has been filed with the SEC, FERC, or another state regulatory commission, AEP may provide copies of those filings rather than prepare separate reports.



Document Number **02-04-05**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## LOUISIANA RULES AND REQUIREMENTS

### SUMMARY

Louisiana's requirements applicable to cost allocations and affiliate transactions are contained in the Affiliate Transaction Conditions that appear in Appendix A to the Louisiana Public Service Commission's (the Commission's) Order No. U-23327, dated September 16, 1999, in the matter of the proposed merger of American Electric Power Company, Inc. (AEP) and Central and South West Corporation.

### DOCUMENTATION REQUIREMENTS

The Commission's documentation requirements applicable to affiliate transactions, as contained in the Affiliate Transaction Conditions, are captured in the following table:

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Access to Books and Records	AEP and Southwestern Electric Power Company (SWEPCO, and the Company) will provide the Commission access to their books and records, and to any records of their subsidiaries and affiliates that reasonably relate to regulatory concerns and that affect SWEPCO's cost of service and/or revenue requirement. [¶ 2]
Service Company Costs	For ratemaking and regulatory reporting purposes, SWEPCO shall reflect the costs assigned or allocated from affiliate service companies on the same basis as if SWEPCO had incurred the costs directly. This condition shall not apply to book accounting for affiliate transactions. [¶ 11]



Document Number **02-04-05**

# Cost Allocation Manual

Section

State Commission Rules

Subject

LOUISIANA RULES AND REQUIREMENTS

## ALLOCATION OF COSTS

The Commission's requirements for the allocation of certain costs and revenues, as contained in the Affiliate Transaction Conditions, are presented in the following table:

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Notification of Changes in Cost Allocation Methodologies	The Company shall submit in writing to the Commission any changes it proposes to the System Agreement, the System Integration Agreement and any other affiliate cost allocation agreements or methodologies that affect the allocation or assignment of costs to SWEPCO. The written submission to the Commission shall include a description of the changes, the reasons for such changes, and an estimate of the impact, on an annual basis, of such changes on SWEPCO's regulated costs. To the extent that any such changes are filed with the SEC or FERC, the Company agrees to utilize its best efforts to notify the Commission at least 30 days prior to those filings and at least 90 days prior to the proposed effective date of those changes or as early as reasonably practicable, to allow the Commission a timely opportunity to respond to such filings. If the documents to be filed with the SEC or FERC are not

Date April 8, 2008

Page 2



Document Number **02-04-05**

# Cost Allocation Manual

Section

State Commission Rules

Subject

LOUISIANA RULES AND REQUIREMENTS

<i><b>SUBJECT</b></i>	<i><b>REQUIREMENT</b></i>
Notification of Changes in Cost Allocation Methodologies (Cont'd)	finalized 30 days prior to the filing, the information required above may be provided by letter to the Commission with a copy of the SEC or FERC filing to be provided as it is prepared. The filing by the Company of this information with the Commission shall not constitute acceptance of the proposed changes, the allocation or assignment methodologies, or the quantifications for ratemaking purposes. [¶ 12]
Revenue Allocation Applicable to Product or Service Development	If an unregulated business markets a product or service that was developed by SWEPCO or paid for by SWEPCO directly or through an affiliate, and the product or service is actually used by SWEPCO, all profits on the sale of such product or service (based on Louisiana retail jurisdiction) shall be split evenly between SWEPCO, which was responsible for or shared the cost or developing the product, and the unregulated business responsible for marketing the product or service to third parties, after deducting all incremental costs associated with making such product or service available for sale, including the direct cost of marketing such product or



Document Number **02-04-05**

# Cost Allocation Manual

Section

State Commission Rules

Subject

LOUISIANA RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
Revenue Allocation Applicable to Product or Service Development (Cont'd)	service. However, in the event that such product or service developed by SWEPCO to be used in its utility business is not actually so used, and subsequently is marketed by the unregulated business to third parties, SWEPCO shall be entitled to recover all of its costs to develop such product or service before any such net profits derived from its marketing shall be so divided. If SWEPCO jointly develops such product or service and shares the development with other entities, then the profits to be so divided shall be SWEPCO's <i>pro rata</i> share of such net profits based on SWEPCO's contribution to the development costs. [¶ 14]

## TRANSFER PRICING

The Commission's transfer pricing requirements for affiliate transactions, as contained in the Affiliate Transaction Conditions, are presented in the following table:

<b>SUBJECT</b>	<b>REQUIREMENT</b>
Asset Transfers	<b>Purchases.</b> Assets with a net book value in excess of \$1 million per transaction, purchased by or transferred to the regulated electric utility (SWEPCO) from an unregulated affiliate either directly or indirectly (through another affiliate),



Document Number **02-04-05**

# Cost Allocation Manual

Section

State Commission Rules

Subject

LOUISIANA RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Asset Transfers (Cont'd)	<p>must be valued for purposes of the Louisiana retail rate base (but not necessarily for book accounting purposes) at the lesser of the cost to the originating entity and the affiliated group (CSW or AEP) or the fair market value, unless otherwise authorized by applicable Commission rules, orders, or other Commission requirements. [¶ 4.a.]</p> <p><b>Sales.</b> Assets with a net book value in excess of \$1 million per transaction, sold by or transferred from the regulated electric utility (SWEPCO) to an unregulated affiliate either directly or indirectly (through another affiliate), with the exception of accounts receivable sold by SWEPCO to AEP Credit Inc., must be valued for purposes of the Louisiana retail rate base (but not necessarily for book accounting purposes) at the greater of the cost to SWEPCO or the fair market value, unless otherwise authorized by applicable Commission rules, Orders, or other Commission requirements. [¶ 4.b.]</p> <p><b>Reporting.</b> The Company shall notify the Commission in writing at least 90 days in</p>



Document Number **02-04-05**

# Cost Allocation Manual

Section

State Commission Rules

Subject

LOUISIANA RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Asset Transfers (Cont'd)	<p>advance of a proposed purchase, sale or transfer of assets with a net book value in excess of \$1 million if such proposed purchase, sale or transfer is expected at least 90 days before the anticipated effective date of the transaction. With the notice, the Company shall provide such information as may be necessary to enable the Commission Staff to review the proposed transaction, including, without limitation, the identity of the asset to be transferred, the proposed transferor and transferee, the value at which the asset will be transferred, the net book value of the asset, and the anticipated effect on Louisiana retail customers. When such a transaction requires approval of a federal agency, under no circumstances shall such notification be less than 60 days in advance or such longer advance period as the applicable federal agency from time to time prescribe. If not provided with the initial notice, the Company will provide the Commission with a copy of its federal filing at the same time it is submitted to the federal agency. [¶ 6]</p>



Document Number **02-04-05**

# Cost Allocation Manual

Section

State Commission Rules

Subject

LOUISIANA RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Asset Transfers (Cont'd)	<p><b>Burden of proof.</b> Consistent with Commission and legal precedents and Commission General Orders, the Company shall have the burden of proof in any subsequent ratemaking proceeding to demonstrate that such purchase, sale or transfer of assets satisfies the requirements of applicable Commission and legal precedent and Commission General Orders, and will not harm the ratepayers. [¶ 7]</p> <p><b>Treatment of gains or losses.</b> The Commission reserves the right, in accordance with Commission and legal precedents and Commission General orders, to determine the ratemaking treatment of any gains or losses from the sale or transfer of assets to affiliates. [¶ 8]</p>
Goods and Services	<p><b>Purchases.</b> With the exception of transactions between SWEPCO and AEP Credit Inc. and AEPSC, for goods and services, including lease costs, purchased by SWEPCO from unregulated affiliates either directly or indirectly (through another affiliate), SWEPCO agrees that it will reflect the lower of cost or fair market value in operating expenses for ratemaking purposes, unless otherwise authorized by</p>



Document Number **02-04-05**

# Cost Allocation Manual

Section

State Commission Rules

Subject

LOUISIANA RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Goods and Services (Cont'd)	applicable Commission rules, Orders, or other Commission requirements. [¶ 10] <b>Sales.</b> For goods and services, including lease costs, sold by SWEPCO to unregulated affiliates either directly or indirectly (through another affiliate), SWEPCO agrees that it will reflect the higher of cost or fair value in operating income (or as an offset to operating expenses) for ratemaking purposes, unless otherwise authorized by applicable Commission rules, Orders, or other Commission requirements (e.g., Commission-approved tariffed rates). [¶ 9]

## REPORTING REQUIREMENTS

The Commission has not established periodic reporting requirements relative to affiliate transactions other than those noted above in connection with the notification of changes in cost allocation methodologies and asset transfers.

## AUDIT REQUIREMENTS

The Commission's audit requirements applicable to affiliate transactions, as contained in the Affiliate Transaction Conditions, are captured in the following table:

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Audits of Affiliate Transactions	AEP will cooperate with audits ordered by the Commission of affiliate transactions between SWEPCO and other AEP affiliates,



Document Number **02-04-05**

# Cost Allocation Manual

Section

State Commission Rules

Subject

LOUISIANA RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Audits of Affiliate Transactions (Cont'd)	including timely access to the books and records and to persons knowledgeable regarding affiliate transactions, and will authorize and utilize its best efforts to obtain cooperation from its external Auditor to make available the audit workpapers covering areas that affect the costs and pricing of affiliate transactions. [¶ 3]

## OTHER REQUIREMENTS

Other requirements of the Commission applicable to affiliate transactions, as contained in the Affiliate Transaction Conditions, are presented in the following table:

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Competitive Bidding	SWEPCO or AEPSC on behalf of SWEPCO may not make any non-emergency procurement in excess of \$1 million per transaction from an unregulated affiliate other than from AEPSC except through a competitive bidding process or as otherwise authorized by the Commission. Transactions involving the Company and CSW Credit, Inc. (or its successor) for the financing of accounts receivables are exempt from this condition. Records of all such affiliate transactions must be maintained until the Company's next



Document Number **02-04-05**

# Cost Allocation Manual

Section

State Commission Rules

Subject

LOUISIANA RULES AND REQUIREMENTS

<i><b>SUBJECT</b></i>	<i><b>REQUIREMENT</b></i>
Competitive Bidding Cont'd)	comprehensive retail rate review. In addition, at the time of the next comprehensive rate review, all such transactions that were not competitively bid shall be separately identified for the Commission by the Company. This identification shall include all transactions between the Company and AEPSC in which AEPSC acquired the goods or services from another unregulated affiliate. [¶ 13]
Mandating of Retail Access by the Commission	If retail access for SWEPCO-La. is mandated by the Commission, or through action by the Federal Energy Regulatory Commission or federal legislation, then SWEPCO-La. shall have the right to petition the Commission for modification to the terms of this merger settlement, including the affiliate transaction conditions, that are made necessary by the mandating of retail access and its likely impact on the retail rates at SWEPCO-La. Any such petition must establish the necessity of the proposed modifications and provide appropriate protections to ensure that the benefits of this merger are preserved for SWEPCO-La. regulated customers, including merger savings and the hold harmless provisions



Document Number **02-04-05**

# Cost Allocation Manual

Section

State Commission Rules

Subject

LOUISIANA RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Mandating of Retail Access by the Commission (Cont'd)	set forth herein. The Commission will act upon the petition in accordance with its normal rules and procedures. This paragraph is not intended to limit SWEPCO's right to petition the Commission in the event that electric utility unbundling or retail access is ordered by a state commission regulating SWEPCO's retail rates, provided that SWEPCO must comply with the requirements set forth above in any such petition. [¶ 17]



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## MICHIGAN RULES AND REQUIREMENTS

### SUMMARY

Michigan's rules and requirements applicable to cost allocations and affiliate transactions are included in various orders of the Michigan Public Service Commission (the MPSC, or the Commission).

### DOCUMENTATION REQUIREMENTS

The MPSC's documentation requirements for affiliate transactions and cost allocations can be found in the Settlement Agreement approved by the Commission in its Opinion and Order in Case No. U-12204 in the matter of the proposed merger of American Electric Power Company, Inc. and Central and South West Corporation, and its Code of Conduct for electric utilities and alternative electric suppliers (Opinion and Order, dated December 4, 2000, in Case No. U-12134) with Redline changes to October 29, 2001 Final Version. The term "alternative electric suppliers" is defined in MCL 460.10.g, MSA 22.13(10g).

The documentation requirements found in the Settlement Agreement document are captured in the following table:

<b>SUBJECT</b>	<b>REQUIREMENT</b>
Separate Books and Records	Each AEP Operating Company shall maintain, in accordance with generally accepted accounting principles, books, records and accounts that are separate from the books, records and accounts of its affiliates, consistent with Part 101 - Uniform System of Accounts prescribed for Public Utilities and Licensees subject to the provisions of the Federal Power Act, [Section 8.B.]



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Cost Allocation Documentation	An AEP operating company which provides both regulated and non-regulated services or products, or an affiliate which provides services or products to an AEP operating company, shall maintain documentation in the form of written agreements, an organization chart of AEP (depicting all affiliates and AEP operating companies), accounting bulletins, procedure and work order manuals, or other related documents, which describe how costs are allocated between regulated and non-regulated services or products. [Section 8.P.]
Employee Movements	AEP shall document all employee movement between and among all affiliates. Such information shall be made available to the Commission upon request. [Section 8.G.]
Itemized Billing Statements	Any untariffed, non-utility service provided by an AEP operating company or affiliate service company to any affiliate shall be itemized in a billing statement pursuant to written contract or written arrangement. The AEP operating company and any affiliated service company shall maintain and keep available for inspection by the Commission copies of



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Itemized Billing Statements (cont'd)	<p>each billing statement, contract and arrangement between the AEP operating company or affiliated service company and its affiliates that relate to the provision of such untariffed non-utility services. [Section 8.E.]</p> <p>Goods and services provided by a non-utility affiliate to an AEP operating company shall be by itemized billing statement pursuant to a written contract or written arrangement. The operating company and non-utility affiliate shall maintain and keep available for inspection by the Commission copies of each billing statement, contract and arrangement between the operating company and its non-utility affiliates that relate to the provision of such goods and services in accordance with applicable Commission retention requirements. [Section 8.F.]</p>

## TRANSFER PRICING

The MPSC's transfer pricing requirements can be found in the Settlement Agreement document, it's Code of Conduct for electric utilities and alternative electric suppliers, and the Company's Code of Conduct compliance plan on file with the Commission.

## SETTLEMENT AGREEMENT

The transfer pricing and related requirements contained in the Settlement Agreement



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

document are captured in the following table:

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Guiding Principles	<p>The financial policies and guidelines for transactions between the regulated utility and its affiliates shall reflect the following principles:</p> <ol style="list-style-type: none"> <li>1. An AEP operating company's retail customers shall not subsidize the activities of the operating company's non-utility affiliates or its utility affiliates. [Section 8.A.1.]</li> <li>2. An AEP operating company's costs for jurisdictional rate purposes shall reflect only those costs attributable to its jurisdictional customers. [Section 8.A.2.]</li> <li>3. An objective of these principles shall be to avoid costs found to be just and reasonable for ratemaking purposes by the Commission being left unallocated or stranded between various regulatory jurisdictions, resulting in the failure of the</li> </ol>



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## MICHIGAN RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
Guiding Principles (Cont'd)	<p>opportunity for timely recovery of such costs by the operating company and/or its utility affiliates; provided, however, that no more than one hundred percent of such costs shall be allocated on an aggregate basis to the various regulatory jurisdictions. [8.A.3.]</p> <p>4. An AEP operating company shall maintain and utilize accounting systems and records that identify and appropriately allocate costs between the operating company and its affiliates, consistent with these cross-subsidization principles and such financial policies and guidelines. [Section 8.A.4.]</p>

Code of Conduct

The MPSC's Code of Conduct rules as set forth in MICH. ADMIN. CODE R 460.10102 *et. seq.* are captured in the following table:

<b>SUBJECT</b>	<b>REQUIREMENT</b>
R 460.10102 Definitions.	<p>As used in these rules:            (a) "Affiliate" means a person or entity that directly or indirectly through 1 or more intermediates, controls, is controlled by, or is under common control with another specified entity. As used in these rules, "control" means, whether through an</p>



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
<p><b>R 460.10102</b>            Definitions.            (Cont'd)</p>	<p>ownership, beneficial, contractual, or equitable interest, the possession, directly or indirectly, of the power to direct or to cause the direction of the management or policies of a person or entity or the ownership of at least 7% of an entity either directly or indirectly.</p> <p><b>(b)</b> "Alternative electric supplier" means a person selling electric generation service to retail customers in this state as licensed by the commission under section 10a of 2016 PA 341, <u>MCL 460.10a</u>. Alternative electric supplier does not include a person who physically delivers electricity directly to retail customers in this state. An alternative electric supplier is not a public utility, but may be an affiliate of a public utility.</p> <p><b>(c)</b> "Commission" means the public service commission.</p> <p><b>(d)</b> "Other entity within the corporate structure" means a division, department, subsidiary, or similar entity within the corporate structure of a utility.</p> <p><b>(e)</b> "Third-party" means an entity separate from a utility, and separate from a utility affiliate, that offers value-added programs and services to a utility's customers through a contract.</p> <p><b>(f)</b> "Utility" means an electric, steam, or natural gas utility regulated by the public service commission, and an electric or natural gas cooperative that is subject to regulation pursuant to the Electric Cooperative Member-Regulation Act, 2008 PA 167, <u>MCL 460.31 to 460.39</u>.</p> <p><b>(g)</b> "Value-added programs and services" means programs and services that are utility or energy related, including, but not limited to, home comfort and protection, appliance service, building energy performance, alternative energy options, or engineering and construction services. Value-added programs and services do not include energy optimization or energy waste reduction programs paid for by utility customers as part of the regulated rates.</p>
<p><b>MICH. ADMIN. CODE R</b></p>	<p><b>Rule 3.</b>  <b>(1)</b> A utility that offers both regulated and</p>



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

<i><b>SUBJECT</b></i>	<i><b>REQUIREMENT</b></i>
<b>460.10103</b> Preventive measures. <b>MICH. ADMIN. CODE R</b> <b>460.10103</b> Preventive measures. (Cont'd)	unregulated services shall prevent anticompetitive behavior, cross-subsidization, and preferential treatment prohibited by law and these rules. (2) A utility shall not offer unregulated value-added programs and services except through an affiliate or other entity within the corporate structure, or through a third-party contract. (3) A utility's regulated services shall not subsidize the business of its affiliates, other entities within the corporate structure, or third-party contractors offering unregulated value-added programs or services.
<b>MICH. ADMIN. CODE R</b> <b>460.10104</b> Records	<b>Rule 4.</b> (1) A utility shall maintain its books and records separately from those of its affiliates or other entities within the corporate structure offering unregulated value-added programs and services. (2) The commission may review records relating to any transaction between a utility and an affiliate, or relating to the offering of unregulated value-added programs and services. At any time, the commission may initiate an investigation into transactions between the utility and its affiliates, or into its offering of value-added programs and services. (3) A utility, its affiliates, and other entities within the corporate structure shall keep their books in a manner consistent with generally accepted accounting principles and, where applicable, with the Uniform System of Accounts.
<b>MICH. ADMIN. CODE R</b> <b>460.10105</b> Sharing of facilities and employees.	<b>Rule 5.</b> (1) A utility, its affiliates, and other entities within the corporate structure may share facilities, equipment, operating employees, and computer hardware and software with documented protection to prevent discriminatory access to competitively sensitive information, provided that such sharing complies with section 10ee of 2016 PA 341, <u>MCL 460.10ee</u> , and measures are adopted to prevent cross-subsidization and



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
<p><b>MICH. ADMIN. CODE R 460.10105</b> Sharing of facilities and employees (Cont'd)</p>	<p>preferential treatment that is otherwise prohibited.  <b>(2)</b> A utility may transfer employees between the utility and an affiliate alternative electric supplier providing the utility documents those transfers and files semi-annually with the commission a report of each occasion on which an employee of the utility became an employee of an affiliate alternative electric supplier and/or an employee of an affiliate alternative electric supplier became an employee of the utility.  <b>(3)</b> None of these rules shall be interpreted to require a utility with fewer than 60 employees to maintain separate facilities, operations, or personnel used to deliver regulated services and unregulated programs and services. Utilities using a third-party contractor for value-added programs and services remain subject to the provisions of MCL 460.10ee(12).</p>
<p><b>MICH. ADMIN. CODE R 460.10106</b> Marketing</p>	<p><b>Rule 6.</b>  <b>(1)</b> A utility, its affiliates, and other entities within the corporate structure offering unregulated value-added programs or services, shall not engage in joint advertising, marketing, or other promotional activities related to the provision of both regulated and unregulated services, nor shall they jointly sell regulated services and unregulated value-added programs and services.  <b>(2)</b> A utility or affiliate alternative electric supplier shall not provide or offer to provide any customer with preferential treatment or service for doing business with the utility, its affiliates, or other entities within the corporate structure offering unregulated value-added programs or services, nor shall the utility or affiliate alternative electric supplier provide any customer with inferior treatment or service for doing business with an unaffiliated supplier of a similar service.  <b>(3)</b> A utility shall not condition or otherwise tie the provision of a utility service or the availability of discounts, rates, other charges, fees, rebates, or waivers of terms</p>



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
	and conditions to the taking of any goods or services from the utility, its affiliates, or other entities within the corporate structure offering unregulated value-added programs or services.
<b>MICH. ADMIN. CODE R 460.10107</b> Utility and affiliate or alternative electric supplier relationship	<b>Rule 7.</b> <b>(1)</b> A utility shall not interfere in the business operations of any alternative electric supplier. This provision includes, but is not limited to, all of the following: <b>(a)</b> A utility shall not give the appearance that it speaks on behalf of any alternative electric supplier or affiliate. <b>(b)</b> A utility shall not interfere in the contractual relationship between the alternative electric supplier and its customers unless the utility's action is clearly permitted in the contract between the customer and the alternative electric supplier or in tariffs approved by the commission. <b>(2)</b> A utility shall not finance or co-sign loans, provide loan guarantees, provide collateral, or be encumbered or allow its assets to be encumbered by affiliates or other entities within the corporate structure. The utility and its assets shall not be the subject of recourse in the event of default by an affiliate or other entity within the corporate structure.
<b>MICH. ADMIN. CODE R 460.10108</b> Discrimination	<b>Rule 8.</b> <b>(1)</b> A utility shall not discriminate in favor of or against any person, including its affiliates. <b>(2)</b> A utility shall not provide any affiliate or other entity within the corporate structure offering unregulated value-added programs or services, or any customer of an affiliate or other entity within the corporate structure offering unregulated value-added programs or services, preferential treatment or any other advantages that are not offered under the same terms and conditions and contemporaneously to other suppliers offering programs or services within the same service territory or to customers of those suppliers.



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
<p><b>MICH. ADMIN.            CODE R            460.10108            Discrimination            (Cont'd)</b></p>	<p>(3) If a utility provides to any affiliate alternative electric supplier or customers of an affiliate alternative electric supplier a discount, rebate, fee waiver, or waiver of its regulated tariffed terms and conditions for services or products, it shall contemporaneously offer the same discount, rebate, fee waiver, or waiver to all alternative electric suppliers operating within the utility's service territory or all alternative electric suppliers' customers.            (4) If a utility provides services or products to any affiliate or other entity within the corporate structure, and the cost of the service or product is not governed by section 10ee(8) of 2016 PA 341, <u>MCL 460.10ee(8)</u>, compensation is based upon the higher of fully allocated embedded cost or fair market price. If an affiliate or other entity within the corporate structure provides services or products to a utility, and the cost of the service or product is not governed by section 10ee(8) of 2016 PA 341, <u>MCL 460.10ee(8)</u>, compensation is at the lower of market price or 10% over fully allocated embedded cost. Asset transfers from a utility to an affiliate or other entity within the corporate structure for which the cost is not governed by section 10ee(8) of 2016 PA 341, <u>MCL 460.10ee(8)</u>, is at the higher of cost or fair market value. Asset transfers from an affiliate or other entity within the corporate structure to a utility for which the cost is not governed by section 10ee(8) of 2016 PA 341, <u>MCL 460.10ee(8)</u> is at the lower of cost or fair market value.</p>
<p><b>MICH. ADMIN.            CODE R            460.10109            Disclosure of information</b></p>	<p><b>Rule 9.</b>            (1) Notwithstanding any provision of this rule, utilities shall comply at all times with applicable data privacy tariffs.            (2) Prior written approval of the customer is not required for the disclosure of a customer list to a program or service provider of an unregulated value-added program or service in compliance with section 10ee(10)(a) of 2016 PA 341, <u>MCL</u></p>



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
	<p>460.10ee(10)(a), or to otherwise comply with these rules. A customer list may include only the name and address of a customer.</p> <p>(3) Information obtained by a utility in the course of conducting its regulated business shall not be shared directly or indirectly with its affiliates or other entities within the corporate structure offering unregulated value-added programs or services unless that same information is provided upon request to competitors operating in the service territory on the same terms and conditions and contemporaneously.</p> <p>(4) Customer specific consumption or billing data shall not be provided to any affiliate, other entity within the corporate structure offering unregulated value-added programs or services, or alternative electric supplier without prior written approval of the customer.</p> <p>(5) If a utility provides non-customer specific, or aggregated, customer information to its affiliate or other entity within the corporate structure offering unregulated value-added programs or services, it must, upon request, offer the same information on the same terms and conditions, in the same form and manner, and contemporaneously, to all competitors of that affiliate or other entity within the corporate structure. The provision of such data must comply with all applicable data privacy tariffs.</p> <p>(6) When disclosure required in subrule (5) of this rule is otherwise allowed, a utility shall not provide its affiliates or other entities within the corporate structure offering unregulated value-added programs or services with information about the distribution system, including operation and expansion, without providing, upon request, the same information under the same terms and conditions, in the same form and manner, and contemporaneously, to all licensed alternative electric suppliers and competitors of the affiliate or other entity within the corporate structure. The utility</p>



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

<i><b>SUBJECT</b></i>	<i><b>REQUIREMENT</b></i>
	<p>shall keep a record of requests for such information, and shall make that record available to the commission upon request.            (7) A utility shall not provide any information received from or as a result of doing business with a competitor to the utility's affiliate or other entity within the corporate structure offering unregulated value-added programs or services without the written approval of the competitor.</p>
<p><b>MICH. ADMIN. CODE R 460.10110</b>            Notification</p>	<p><b>Rule 10.</b>            (1) Utilities that intend to offer a value-added program or service shall notify the commission not less than 30 days before offering the new program or service. The written notification shall, at a minimum, provide all of the following:            (a) A detailed description of the new value-added program or service and what it will offer.            (b) A list of the personnel responsible for management of the value-added program or service and their location within the utility, both physically and within the corporate structure.            (c) A detailed description of how costs, including but not limited to, billing, postage, and call center costs, will be allocated to the value-added program or service to ensure that there is no cross-subsidization between regulated and unregulated programs or services.            (d) A copy of the business plan for the value-added program or service.            (e) Pro forma financial statements that outline the expected financial performance for each value-added program or service for the next 12 months.            (2) Utilities shall request a docket for the filing of the notification, and shall thereafter make all annual report filings in that docket.            (3) A utility that intends to sell or transfer an asset with a market value of \$ 1,000,000 or more to any affiliate or other entity within the corporate structure shall notify the commission of the impending sale or transfer no less than 30 days before the</p>



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
<p>MICH. ADMIN.            CODE R            460.10110            Notification            (Cont'd)</p>	<p>sale or transfer. An affiliate or other entity within the corporate structure of a utility that intends to sell or transfer an asset with a market value of \$ 1,000,000 or more to a utility shall notify the commission of the impending sale or transfer no less than 30 days before the sale or transfer. Upon request, the utility, affiliate, or other entity within the corporate structure shall make available to the commission information that demonstrates how the sale or transfer price was determined. Notification shall be in the form of a letter to the director of the regulated energy division of the commission.</p>
<p>MICH. ADMIN.            CODE R            460.10111            Oversight</p>	<p><b>Rule 11.</b>  <b>(1)</b> A utility, its affiliates, and other entities within the corporate structure offering unregulated value-added programs or services shall maintain documentation needed to investigate compliance with section 10ee of 2016 PA 341, <u>MCL 460.10ee</u>, and these rules. All documentation shall be kept at a designated company office in this state, unless the Commission by order has authorized a different location. The utility, its affiliates, and other entities within the corporate structure offering unregulated value-added programs or services shall make this information available for review upon request by the commission or its staff.  <b>(2)</b> The utility, its affiliates, and other entities within the corporate structure offering unregulated value-added programs or services shall use a documented dispute resolution process separate from any process that might be available from the commission. This dispute resolution process shall address complaints arising from application of these rules. The utility, its affiliates, and other entities within the corporate structure offering unregulated value-added programs or services shall keep a log of all complaints, including the</p>



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
<p><b>MICH. ADMIN.</b>  <b>CODE R</b>  <b>460.10111</b>            Oversight            (Cont'd)</p>	<p>name of the person or entity filing the complaint, the date the complaint was filed, a written statement of the nature of the complaint, and the results of the resolution process.</p> <p>(3) A utility, its affiliates, and other entities within the corporate structure offering unregulated value-added programs or services may request a waiver from 1 or more provisions of these rules by filing an application with the commission. The requesting party carries the burden of demonstrating that such a waiver will not impair the development or functioning of the competitive market. Waivers shall be granted for entities that qualify for loans to deploy broadband services in rural areas under the Rural Electrification Act of 1936, as amended, <u>7 U.S.C. § 901</u> et seq.</p>
<p><b>MICH. ADMIN.</b>  <b>CODE R</b>  <b>460.10112</b>            Reporting</p>	<p><b>Rule 12.</b></p> <p>(1) Utilities shall file the code of conduct annual report information required under section 10ee(6)(c) and (15), 2016 PA 341, <u>MCL 460.10ee</u>, no later than April 30 of each year in the docket in which the utility filed its notification for a new program or service, or in a new docket for an existing program or service. Code of conduct annual reports shall include all of the following:</p> <p>(a) Designation of a corporate officer of the utility who will oversee compliance with these rules and be available to serve as the commission's primary contact regarding compliance.</p> <p>(b) An organizational chart of the parent or holding company showing all regulated entities and affiliates and a description of all programs and services provided between the regulated entity and its affiliates.</p> <p>(c) An overview of the report year, including a detailed accounting of how costs were apportioned between the utility and the value-added program or service, expectations for the following year, and any 5-year projections available for each value-</p>



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

<i><b>SUBJECT</b></i>	<i><b>REQUIREMENT</b></i>
<p>MICH. ADMIN.            CODE R            460.10112            Reporting            (Cont'd)</p>	<p>added program and service.            (d) A table illustrating the customer count, revenue, and expense of each value-added program and service.            (e) A balance sheet, where available, and income statement for each value-added program and service offered by an affiliate or other entity within the corporate structure, including revenues, less direct and indirect expenses broken out separately. Direct and indirect revenues and expenses shall be separated by category and then aggregated at the direct and indirect levels, and the report shall include gross income, amounts flowed back to ratepayers to reduce rates, and net income. Each category of indirect cost should be accompanied by formulas/calculations/allocations showing how they have been derived.            (f) General ledger and trial balance for each value-added program and service shall be provided to the commission staff separately on a USB thumb drive or other appropriate technological device with formulas intact.            (g) The number and type of complaints received in the prior calendar year regarding code of conduct issues from customers, alternative electric suppliers, or any other person or entity, and a summary of the resolution of any complaint that occurred during the calendar year.            (h) The number of times during the prior calendar year that customer information was provided to an affiliate or competing provider of an unregulated value-added program or service, the identity of the affiliate or competing provider, and a description of the information shared.            (i) A description of the nature of each transaction with an affiliate or other entity within the corporate structure and of the basis for the cost allocation and pricing established in each transaction.            (j) Reports of internal audits conducted by the utility regarding transactions between the utility and its affiliates, or transactions between the utility and other entities within</p>



Document Number **02-04-06**

# Cost Allocation Manual

Section

State Commission Rules

Subject

MICHIGAN RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
	<p>the corporate structure offering value-added programs or services.</p> <p>(2) The annual report shall be signed by the designated corporate officer or a person responsible for each value-added program and service attesting to the accuracy of the information in the annual report and certifying that there is no cross-subsidization between regulated and non-regulated utility programs and services.</p> <p>(3) Copies of federal income tax returns for utilities, affiliates, and, where applicable, other entities within the corporate structure who offer a value-added program or service, shall be available to the commission for inspection and review.</p>

## AUDIT REQUIREMENTS

The independent audit requirement regarding the merger has expired. I&M/AEP was required to conduct biennial audits for 8 years after the merger. The final audit was submitted to the Michigan Public Service Commission on December 29, 2008.

## OTHER REQUIREMENTS

The MPSC's Code of Conduct (MICH. ADMIN. CODE R 460.10103) provides a utility's regulated services shall not subsidize the business of its affiliates, other entities within the corporate structure, or third-party contractors offering unregulated value-added programs or services. AEP's cost allocation policies and procedures are consistent with Michigan's requirements relative to cross-subsidization.



Document Number **02-04-07**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## OHIO RULES AND REQUIREMENTS

### SUMMARY

Ohio's requirements applicable to cost allocations and affiliate transactions are, for the most part, captured in the corporate separation rules adopted by the Public Utilities Commission of Ohio (the PUCO, or the Commission) in Ohio Admin. Code Chapter 4901:1-37, and in the regulations and orders of the PUCO.

### CAM REQUIREMENTS

The following table details the Commission's Cost Allocation Manual (CAM) requirements:

<i><b>SUBJECT</b></i>	<i><b>REQUIREMENT</b></i>
Summary	Each electric utility's affiliate, which provides products and/or services to the electric utility, and/or receives products and/or services from the electric utility, shall maintain information in the CAM, documenting how costs are allocated between the affiliates and its regulated and non-regulated operations. [Source: 4901:1-37-08(A)]
Maintenance	The CAM will be maintained by the electric utility. [Source: 4901:1-37-08(B)]
Assurances	The CAM is intended to ensure the commission that no cross-subsidization is occurring between the electric utility and its affiliates. [Source: 4901:1-37-08(C)]
Contents	The CAM will include: (1) An organization chart of the holding company, depicting all affiliates, as well as a description of activities in which the affiliates are
Contents (Cont'd)	



Document Number **02-04-07**

# Cost Allocation Manual

Section

State Commission Rules

Subject

OHIO RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
	<p>involved.</p> <p>(2) A description of all assets, services, and products provided to and from the electric utility and its affiliates.</p> <p>(3) All documentation including written agreements, accounting bulletins, procedures, work order manuals, or related documents, which govern how costs are allocated between affiliates.</p> <p>(4) A copy of the job description of each shared employee.</p> <p>(5) A list of names and job summaries for shared consultants and shared independent contractors.</p> <p>(6) A copy of all transferred employees' (from the electric utility to an affiliate or vice versa) previous and new job description.</p> <p>(7) A log detailing each instance in which the electric utility exercised discretion in the application of its tariff provisions.</p> <p>(8) A log of all complaints brought to the utility regarding this chapter.</p> <p>(9) A copy of the minutes of each board of directors meeting, where it shall</p>



Document Number **02-04-07**

# Cost Allocation Manual

Section

State Commission Rules

Subject

OHIO RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
	be maintained for a minimum of three years.
Method for Charging Costs	The method for charging costs and transferring assets shall be based on fully allocated costs. [Source: 4901:1-37-08 (E)]
Audit Trail	The costs shall be traceable to the books of the applicable entity. [Source: 4901:1-37-08(F)]
Record Retention Requirements	The electric utility and affiliates shall maintain all underlying affiliate transaction information for a minimum of three years. [Source: 4901:1-37-08 (G)]
Summary of Changes	Following approval of a corporate separation plan, an electric utility shall provide the director of the utilities department (or their designee) with a summary of any changes in the CAM at least every twelve months. [Source: 4901:1-37-08 (H)]
Company Contact	The compliance officer designated by the electric utility will act as the contact for the staff when staff seeks data regarding affiliate transactions, personnel transfers, and the sharing of employees. [Source: 4901: 1-37-08 (I)]
Commission Inspection	The staff may perform an audit of the CAM in order to ensure compliance with this rule.[Source: 4901:1-37-08(J)]

TRANSFER PRICING

The Commission's corporate separation rule, as expressed in the CAM requirements



Document  
Number

02-04-07

## Cost Allocation Manual

Section

State Commission Rules

Subject

OHIO RULES AND REQUIREMENTS

---

themselves (see above), provides that "the method for charging costs and transferring assets shall be based on fully allocated costs." [Source: 4901:1-37-08 (E)]

### REBUTTABLE PRESUMPTION

Transactions made in accordance with rules, regulations, or service agreements, approved by the Federal Energy Regulatory Commission, and the Securities and Exchange Commission, and the Commission which rules the electric utility shall maintain in its CAM, and file with the Commission shall provide a rebuttable presumption of compliance with the costing principles contained in Ohio's corporate separation rules.  
[Source: 4901:1-37-04 (A) (6)]

### REPORTING REQUIREMENTS

The Commission's corporate separation rule, as expressed in the CAM requirements themselves (see above), provides that "*an electric utility shall provide the director of the utilities department (or their designee) with a summary of any changes in the CAM at least every twelve months.*"

### AUDITS

The staff of the PUCO will perform audits to test compliance with the CAM requirements and other provisions of the commission's corporate separation rules.



Document Number **02-04-08**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## OKLAHOMA RULES AND REGULATIONS

### SUMMARY

Oklahoma's requirements applicable to affiliate transactions are focused on the Oklahoma Corporation Commission's (the Commission's or the OCC's) ability to access the books and records of Public Service Corporation of Oklahoma (PSO) and its AEP affiliates as stated in the Stipulation approved by the OCC in Cause No. PUD 980000444, dated April 16, 1999. Other requirements are contained in orders issued by the OCC.

### ACCESS TO BOOKS AND RECORDS

Section 5 of the Stipulation in Cause No. 980000444 concerning the proposed merger of American Electric Power Company, Inc. and Central and South West Corporation addresses the issue of access to books and records as captured in the following table:

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Access to Books and Records of AEP and Its Affiliates	Subject to regulatory authority, the OCC and Attorney General will either have access in Oklahoma to copies of books and records of AEP and its affiliates and subsidiaries (including their participation in joint ventures) with respect to matters and activities that relate to Oklahoma retail rates or AEP will pay reasonable and prudently incurred travel expenses to conduct on-site review of the books and records.
Access to Books and Records of PSO	The OCC and Attorney General will have access to the books and records of PSO to the degree required to fully audit, examine, or otherwise investigate transactions between PSO and AEP affiliates.



Document Number **02-04-08**

# Cost Allocation Manual

Section

State Commission Rules

Subject

## OKLAHOMA RULES AND REGULATIONS

STANDARDS FOR TRANS-  
 ACTIONS BETWEEN  
 UTILITIES AND  
 AFFILIATE(S)

The Oklahoma's rules and requirements applicable to Affiliate Transactions are contained in the Oklahoma Corporation Commission's (OCC) Electric Utility Rules adopted May 2, 2005, and effective July 1, 2005.

The applicable rules and requirements are captured in the following table:

SUBJECT	REQUIREMENTS
Transactions with Affiliates	(1) Electric utilities must apply any tariff provision in the same manner to the same or similarly situated persons if there is discretion in the application of the provision. (2) Electric utilities must strictly enforce a tariff provision for which there is no discretion in the application of the provision. (3) Except as necessary for physical operational reasons, electric utilities may not, through a tariff provision or otherwise, give their affiliates or knowingly give customers of their affiliates preference over other utility customers in matters relating to any service offered including, but not limited to: generation, transmission, distribution and ancillary services, scheduling, balancing, or curtailment policy. (4) Unless such disclosure is made public simultaneously or as near to the event as possible, electric utilities shall not disclose to their



Document Number **02-04-08**

# Cost Allocation Manual

Section

State Commission Rules

Subject

OKLAHOMA RULES AND REGULATIONS

SUBJECT	REQUIREMENTS
Transactions with Affiliates (Cont'd)	<p>affiliates any information which they receive from, a non-affiliated customer, a potential customer, any agent of such customer, or potential customer, or other entity seeking to supply electricity to a customer or potential customer.</p> <p>(5) An electric utility's operating employees and the operating employees of its affiliate must function independently of each other and shall be employed by separate corporate entities.</p> <p>(6) Electric utilities and their affiliates shall keep separate books and records.</p> <p>(7) Electric utilities shall establish a complaint procedure. In the event of the electric utility and the complainant are unable to resolve a complaint, the complainant may address the complaint to the Commission.</p> <p>(8) With respect to any transaction or agreement relating in any way to electric generation, transmission, distribution and ancillary services, an electric utility shall conduct all such transactions with any of its affiliates on an arm's length basis.</p> <p>(9) The Commission shall resolve affiliate transactions disputes or abuses on a case-by-case basis. Any aggrieved party may file a complaint with</p>



Document Number **02-04-08**

# Cost Allocation Manual

Section

State Commission Rules

Subject

OKLAHOMA RULES AND REGULATIONS

SUBJECT	REQUIREMENTS
Transactions with Affiliates (Cont'd)	<p>the Commission alleging the particulars giving rise to the alleged dispute or abuse.</p> <p>(10) Electric utilities must process all similar requests for electric services in the same manner and within the same period of time.</p> <p>(11) Electric utilities shall not provide leads to their affiliates and shall refrain from giving any appearance that the electric utility speaks on behalf of its affiliate(s). Nor shall the affiliate trade upon, promote or advertise its affiliation or suggest that it receives preferential treatment as a result of its affiliation. The use of a common corporate or parent holding company name shall not be a violation of this provision so long as the regulated utility and the affiliate entities can be distinguished.</p> <p>(12) Electric utilities, except for billing and collection services and customer service, or by order of the Commission, shall not share their customer list or related customer information with affiliates unless the information is simultaneously shared with non-affiliate entities.</p> <p>(13) The electric utility shall not communicate with any third party that any advantage in the provision of electric services may accrue to such third party as a result of that third</p>



Document Number **02-04-08**

# Cost Allocation Manual

Section

State Commission Rules

Subject

OKLAHOMA RULES AND REGULATIONS

SUBJECT	REQUIREMENTS
Transactions with Affiliates (Cont'd)	party's dealings with the electric utility's affiliate.  [165:35-31-19]

TRANSFER PRICING AND OTHER TRANSACTION REQUIREMENTS

The OCC's rules contain very specific requirements for transactions between a utility and its affiliates including the pricing of such transactions. The applicable requirements are captured in the following table:

SUBJECT	REQUIREMENTS
Transfer Pricing and Other	<ul style="list-style-type: none"> <li>• <b>Transactions between a utility and its affiliates.</b> A utility shall not subsidize the business activities of any affiliate with revenues from a regulated service. A utility cannot recover more than its reasonable fair share of the fully allocated costs for any transaction or shared services.</li> <li>• <b>Contemporaneous record requirement.</b> A utility shall maintain a contemporaneous written record of all individual transactions with a value equal to or over one million dollars with its affiliates, excluding those involving shared services or corporate support services and those transactions governed by tariffs or special contracts. Such records, which shall include at a minimum, the date of the transactions, name of affiliate(s) involved, name</li> </ul>



Document Number **02-04-08**

# Cost Allocation Manual

Section

State Commission Rules

Subject

OKLAHOMA RULES AND REGULATIONS

SUBJECT	REQUIREMENTS
Transfer Pricing and Other (Cont'd)	<p>of a utility employee knowledgeable about the transaction, and a detailed description of the transaction with appropriate support documentation for review purposes, shall be maintained by the utility for three years.</p> <ul style="list-style-type: none"> <li> <b>Transfer of assets.</b> Except as otherwise required by federal statute or regulation or pursuant to Commission authorized competitive bidding, tariffs, special contract, or as otherwise ordered by the Commission; cost recovery for property transferred from a utility to its affiliate shall be priced at the "higher of cost or fair market value." Except as otherwise required by federal statute or regulation, or pursuant to Commission authorized competitive bidding, tariffs, special contract or as otherwise ordered by the Commission; asset valuation and transfers of property transferred from an affiliate to its utility shall be priced at the "lower of cost or fair market value." No matter the origin of the transaction, all transfers between a utility and an affiliate will be individually           </li> </ul>



Document Number **02-04-08**

# Cost Allocation Manual

Section

State Commission Rules

Subject

OKLAHOMA RULES AND REGULATIONS

SUBJECT	REQUIREMENTS
Transfer Pricing and Other (Cont'd)	<p>scrutinized by the Commission on a case-by-case basis.</p> <ul style="list-style-type: none"> <li>• <b>Sale of products or services.</b> Except as otherwise required by federal or state statute or regulation, or pursuant to Commission authorized competitive bidding, tariffs, special contract or as otherwise ordered by the Commission; any sale of products and services provided from the affiliate to the utility shall be priced at the "lower of cost or fair market value." Except as otherwise required by federal statute or regulation, or pursuant to Commission authorized competitive bidding, tariffs, special contract or as otherwise ordered by the Commission; any sale of jurisdictional products and services provided from the utility to the affiliate shall be priced at "higher of cost or fair market value."</li> <li>• <b>Joint purchases.</b> A utility may make a joint purchase with its affiliates of goods and services involving goods and/or services necessary</li> </ul>







Document Number **02-04-08**

# Cost Allocation Manual

Section

State Commission Rules

Subject

OKLAHOMA RULES AND REGULATIONS

SUBJECT	REQUIREMENTS
Books and Financial Transactions (Cont'd)	<p>advantage, lead to customer confusion, or create an opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create opportunities for subsidization of affiliates.</p> <p>(2) Where an affiliate obtains credit under any arrangement that would include a pledge of any assets in the rate base of the utility or a pledge of cash necessary for utility operations the transactions shall be reviewed by the Commission on a case-by-case basis.</p> <ul style="list-style-type: none"> <li>• <b>Cost of financing transactions of any affiliate.</b> The cost of any financial transactions, in part or in full, or any debt, equity, trading activity, or derivative, of any parent company, holding company or any affiliate, which has a direct or indirect financial or cost impact upon the utility shall be reviewed by the Commission on a case-by-case basis.</li> </ul> <p>[165:35-31-21]</p>



Document  
Number **02-04-09**

## Cost Allocation Manual

Section

State Commission Rules

Subject

---

TENNESSEE RULES AND REQUIREMENTS

---

### SUMMARY

Tennessee has no specific rules and requirements applicable to cost allocations and affiliate transactions. In 1999, the Consumer Advocate Division of the Office of the Attorney General made a request for a rulemaking concerning proposed rules for cost allocations and affiliate transactions before the Tennessee Regulatory Authority.

### COMMISSION ACTION

The request for rulemaking by the Consumer Advocate Division was placed on the Tennessee Regulatory Authority's docket in 1999 and comments and reply comments were filed by Kingsport Power Company and the Consumer Advocate Division as well as other parties (Docket No. 98-00690).

Any rules or requirements of the Tennessee Regulatory Authority applicable to cost allocations and affiliate transactions will be summarized in this document when and if they are adopted.



Document Number **02-04-10**

# Cost Allocation Manual

Section

State Commission Rules

Subject

TEXAS RULES AND REQUIREMENTS

## SUMMARY

Texas' rules and requirements applicable to affiliate transactions are contained in Public Utility Regulatory Act (PURA) Sections 36.058 and 39.157(d), as well as the Public Utility Commission (PUC) rules under Texas Administrative Code (TAC), Title 16, Part II Chapter 25 - Electric - Rules Applicable to Service Providers.

## DOCUMENTATION REQUIREMENTS

The PUC's documentation requirements for affiliate transactions are contained in its Electric Substantive Rules, as captured in the following table:

SUBJECT	REQUIREMENT
Separate Books and Records	<ul style="list-style-type: none"> <li>• A utility and its affiliates shall keep separate books of accounts and records, and the Commission may review records relating to transactions between a utility and an affiliate.</li> <li>• In accordance with generally accepted accounting principles or state and federal guidelines, as appropriate, a utility shall record all transactions with its affiliates, whether they involve direct or indirect expenses.</li> <li>• A utility shall prepare financial statements that are not consolidated with those of its affiliates.</li> </ul> <p>[ §25.272(d)(6)(A)-(B) ]</p>



Document Number **02-04-10**

# Cost Allocation Manual

Section

State Commission Rules

Subject

TEXAS RULES AND REQUIREMENTS

## TRANSFER PRICING AND OTHER TRANSACTION REQUIREMENTS

The PUCT's substantive rules contain very specific requirements for transactions between a utility and its affiliates, including the pricing of such transactions. The applicable requirements are captured in the following table:

SUBJECT	REQUIREMENT
Transactions with All Affiliates	<ul style="list-style-type: none"> <li>• <b>General.</b> A utility shall not subsidize the business activities of any affiliate with revenues from a regulated service. In accordance with PURA and the Commission's rules, a utility and its affiliates shall fully allocate costs for any shared services, including corporate support services, offices, employees, property, equipment, computer systems, information systems, and any other shared assets, services, or products. [§25.272(e)(1)]</li> <li>• <b>Sale of products or services by a utility.</b> Unless otherwise approved by the Commission and except for corporate support services, any sale of a product or service by a utility shall be governed by a tariff approved by the Commission. Products and services shall be made available to any third party entity on the same</li> </ul>



Document Number **02-04-10**

# Cost Allocation Manual

Section

State Commission Rules

Subject

TEXAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENT
Transactions with All Affiliates (Cont'd)	<p>terms and conditions as the utility makes those products and services available to its affiliates. [§25.272(e)(1)(A)]</p> <ul style="list-style-type: none"> <li>• <b>Purchase of products, services, or assets by a utility from its affiliate.</b> Products, services, and assets shall be priced at levels that are fair and reasonable to the customers of the utility and that reflect the market value of the product, service, or asset. [§25.272(e)(1)(B)]</li> <li>• <b>Transfers of assets.</b> Except for asset transfers implementing unbundling pursuant to PURA §39.051, asset valuation in accordance with PURA §39.262, and transfers of property pursuant to a financing order issued under PURA, Chapter 39, Subchapter G, assets transferred from a utility to its affiliates shall be priced at levels that are fair and reasonable to the customers of the utility and that reflect the market value of the assets or the utility's fully allocated cost to provide those assets.</li> </ul>



Document Number **02-04-10**

# Cost Allocation Manual

Section

State Commission Rules

Subject

TEXAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENT
Transactions with All Affiliates (Cont'	<p>[§25.272(e)(1)(C)]</p> <ul style="list-style-type: none"> <li>• <b>Transfer of assets implementing restructuring legislation.</b> The transfer from a utility to an affiliate of assets implementing unbundling pursuant to PURA §39.051, asset valuation in accordance with PURA §39.262, and transfers of property pursuant to a financing order issued under PURA, Chapter 39, Subchapter G will be reviewed by the Commission pursuant to the applicable provisions of PURA, and any rules implementing those provisions. [§25.272(e)(1)(D)]</li> </ul>
Transactions with Competitive Affiliates	<ul style="list-style-type: none"> <li>• <b>General.</b> Unless otherwise allowed in this subsection on transactions between a utility and its affiliates, transactions between a utility and its competitive affiliates shall be at arm's length. A utility shall maintain a contemporaneous written record of all transactions with its competitive affiliates, except those involving corporate support services and those transactions governed by tariffs. Such records, which shall include the date of the transaction,</li> </ul>



Document Number **02-04-10**

# Cost Allocation Manual

Section

State Commission Rules

Subject

TEXAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENT
Transactions with Competitive Affiliates (Cont'd)	<p>name of the affiliate involved, name of a utility employee knowledgeable about the transaction, and a description of the transaction, shall be maintained by the utility for three years. In addition to the requirements specified above for transactions with all affiliates, the provisions cited in the following bullets apply to transactions between utilities and their competitive affiliates. [§25.272(e)(2)]</p> <ul style="list-style-type: none"> <li> <b>Provision of corporate support services.</b> A utility may engage in transactions directly related to the provision of corporate support services with its competitive affiliates. Such provision of corporate support services shall not allow or provide a means for the transfer of confidential information from the utility to the competitive affiliate, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, <u>or</u> create significant           </li> </ul>



Document Number **02-04-10**

# Cost Allocation Manual

Section

State Commission Rules

Subject

TEXAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENT
<p>Transactions with Competitive Affiliates (Cont'd)</p>	<p><u>opportunities for cross-subsidization of the competitive affiliate</u> (emphasis added).          [§25.272(e)(2)(A)]</p> <ul style="list-style-type: none"> <li>• <b>Purchase of products or services by a utility from its competitive affiliate.</b> Except for corporate support services, a utility may not enter into a transaction to purchase a product or service from a competitive affiliate that has a per unit value of \$75,000 or more, or a total value of \$1 million or more, unless the transaction is the result of a fair, competitive bidding process formalized in a contract subject to the provisions of §25.273 of this title (relating to Contracts Between Electric Utilities and Their Competitive Affiliates). [§25.272(e)(2)(B)]</li> <li>• <b>Transfers of assets.</b> Except for asset transfers facilitating unbundling pursuant to PURA §39.051, asset valuation in accordance with PURA §39.262, and transfers of property pursuant to a financing order issued under PURA, Chapter 39, Subchapter G, any transfer from a utility to its competitive affiliates of</li> </ul>



Document Number **02-04-10**

# Cost Allocation Manual

Section

State Commission Rules

Subject

TEXAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENT
Transactions with Competitive Affiliates (Cont'd)	assets with a per unit value of \$75,000 or more, or a total value of \$1 million or more, must be the result of a fair, competitive bidding process formalized in a contract subject to the provisions of §25.273 of this title. [§25.272(e)(2)(C)]

## REPORTING REQUIREMENTS

The PUCT's requirements applicable to the reporting of affiliate transactions by electric utilities are contained in its substantive rules, as captured in the following table:

SUBJECT	REQUIREMENT
Annual Report of Affiliate Transactions	A "Report of Affiliate Activities" shall be filed annually with the Commission. Using forms approved by the Commission, a utility shall report activities among itself and its affiliates. The report shall be filed by June 1, and shall encompass the period from January 1 through December 31 of the preceding year. [§25.84 (d)]
Copies of Contracts or Agreements	A utility shall reduce to writing and file with the Commission copies of any contracts or agreements it has with its affiliates. This requirement is not satisfied by the filing of an earnings report. All contracts or agreements shall be filed by June 1 of each



Document Number **02-04-10**

# Cost Allocation Manual

Section

State Commission Rules

Subject

TEXAS RULES AND REQUIREMENTS

SUBJECT	REQUIREMENT
Copies of Contracts or Agreements (Cont'd)	year as attachments to the annual "Report of Affiliate Activities." In subsequent years, if no significant changes have been made to the contract or agreement, an amendment sheet may be filed in lieu of refiling the entire contract or agreement. [§25.84 (e)]
Tracking Migration of Employees	A utility shall track and document the movement between the utility and its competitive affiliates of all employees engaged in transmission and distribution system operations, including persons employed by a service company affiliated with the utility who are engaged in transmission or distribution system operations on a day-to-day basis or have knowledge of transmission or distribution system operations. Employee migration information shall be included in the utility's annual "Report of Affiliate Activities." The tracking information shall include an identification code for the migrating employee, the respective titles held while employed at each entity, and the effective dates of the migration. [§25.84 (f)]

## REPORTING REQUIREMENTS

Section 25.84 of the Commission's substantive rules requires that informal code of conduct

Date  
 March 15, 2020

Page



Document Number **02-04-10**

# Cost Allocation Manual

Section  
 State Commission Rules  
 Subject

## TEXAS RULES AND REQUIREMENTS

complaints, deviations from the code of conduct and updates to the utility's compliance plan be filed at the PUCT.

### AUDIT REQUIREMENTS

The PUCT's audit requirements applicable to affiliate transactions by electric utilities are contained in its substantive rules, as captured in the following table:

<i>SUBJECT</i>	<i>REQUIREMENT</i>
General	A utility and its affiliates shall maintain sufficient records to allow for an audit of the transactions between the utility and its affiliates. At any time, the Commission may, at its discretion, require a utility to initiate, at the utility's expense, an audit of transactions between the utility and its affiliates performed by an independent third party. [§25.272 (d)(6)(C)]
Compliance Audits  Compliance Audits (Cont'd)	No later than one year after the utility has unbundled pursuant to PURA §39.051, or acquires a competitive affiliate, and, at a minimum, every third year thereafter, the utility shall have an audit prepared by independent auditors that verifies that the utility is in compliance with this section. For a utility that has no competitive affiliates, the audit may consist solely of an affidavit stating that the utility has no competitive affiliates. The utility



Document Number **02-04-10**

# Cost Allocation Manual

Section

State Commission Rules

Subject

TEXAS RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
	shall file the results of each said audit with the commission within one month of the audit's completion. The cost of the audits shall not be charged to utility ratepayers. [§25.272 (i)(3)]



Document Number **02-04-11**

# Cost Allocation Manual

Section

State Commission Rules

Subject

---

## VIRGINIA RULES AND REQUIREMENTS

---

### SUMMARY

The Code of Virginia requires approval of contracts between a public service company and any affiliated interests. Virginia's rules and requirements applicable to cost allocations and affiliate transactions can be found in the Code and in the regulations and orders of the Virginia State Corporation Commission (the SCC, or the Commission), particularly the Final Orders in Case Nos. PUA000029 and PUE010013.

### SCC APPROVAL

No contract or arrangement providing for the furnishing of management, supervisory, construction, engineering, accounting, legal, financial or similar services, and no contract or arrangement for the purchase, sale, lease or exchange of any property, right or thing, other than those above enumerated, or for the purchase or sale of treasury bonds or treasury capital stock made or entered into between a public service company and any affiliated interest shall be valid or effective unless and until it shall have been filed with and approved by the Commission [Code of VA §56-77].

### DOCUMENTATION

The Commission's documentation requirements related to affiliate transactions are captured in the following table:

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Separate Books and Records	Each affiliated competitive service provider shall maintain separate books of accounts and records. [20 VAC 5-312-30 C]
Access to Books and Records	The Commission may inspect the books, papers, records and documents of, and require special reports and statements from, every generation company affiliated



Document Number **02-04-11**

# Cost Allocation Manual

Section

State Commission Rules

Subject

VIRGINIA RULES AND REQUIREMENTS

<i><b>SUBJECT</b></i>	<i><b>REQUIREMENT</b></i>
Access to Books and Records (Cont'd)	with a local distribution company regarding transactions with its local distribution company affiliate. Upon complaint or on its own initiative, the Commission may also (i) investigate alleged violations of this charter, and (ii) seek to resolve any complaints filed with the Commission against any such affiliated generation company. [20 VAC 5-202-30 B 7]
Employee Transfers	An affiliated competitive service provider shall document each occasion that an employee of its affiliated local distribution company, or of the transmission provider that serves its affiliated local distribution company, becomes one of its employees and each occasion that one of its employees becomes an employee of its affiliated local distribution company or the transmission provider that serves its affiliated local distribution company. Upon staff's request, such information shall be filed with the SCC that identifies each such occasion. Such information shall include a listing of each employee transferred and a brief description of each associated position and responsibility. [20 VAC 5-



Document Number **02-04-11**

# Cost Allocation Manual

Section

State Commission Rules

Subject

VIRGINIA RULES AND REQUIREMENTS

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Employee Transfers (Cont'd)	312-30 B 3]

## TRANSFER PRICING

The SCC's transfer pricing rules applicable to affiliate transactions between the local distribution company (LDC) and certain affiliate are contained in various orders of the Commission.

Rules Applicable to Functional Separation of Incumbent Electric Utilities under the Virginia Restructuring Act(Case No. PUA000029)

The SCC's rules applicable to the functional separation of incumbent electric utilities under the Virginia Electric Utility Restructuring Act contain specific transfer pricing requirements for transactions between the LDC and an affiliated generation company as captured in the following table:

<i>SUBJECT</i>	<i>REQUIREMENT</i>
Sale of Non-Tariffed Services, Facilities and Products	LDCs shall be compensated at the greater of fully distributed cost or market price for all non-tariffed services, facilities, and products provided to an affiliated generation company.
Purchase of Non-Tariffed Services, Facilities and Products	An affiliated generation company shall be compensated at the lower of fully distributed cost or market price for all non-tariffed services, facilities, and products provided to the LDC.
Unavailable Market Prices	If market price data are unavailable for purposes of such calculations, non-tariffed services, facilities and products shall be compensated at fully distributed costs. In such event, the LDC shall document its



Document Number **02-04-11**

# Cost Allocation Manual

Section

State Commission Rules

Subject

VIRGINIA RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
Unavailable Market Prices (Cont'd)	efforts to determine market price data and its basis for concluding that such price data are unavailable.

[Source: 20 VAC 5-202-30 B 5 a]

Rules Applicable to Retail Access (Case No. PUE010013)

The SCC's rules for retail access contain specific transfer pricing requirements concerning transactions between the local distribution company and its affiliated competitive service providers as captured in the following table:

<b>SUBJECT</b>	<b>REQUIREMENT</b>
Sale of Non-Tariffed Services, Facilities and Products	The local distribution company shall be compensated at the greater of fully distributed cost or market price for all non-tariffed services, facilities, and products provided to an affiliated competitive service provider.
Purchase of Non-Tariffed Services, Facilities and Products	An affiliated competitive service provider shall be compensated at the lower of fully distributed cost or market price for all non-tariffed services, facilities, and products provided to the local distribution company.
Unavailable Market Prices	If market price data are unavailable, non-tariffed services, facilities and products shall be compensated at fully distributed cost and the local distribution company shall document its efforts to determine market price data and its basis for



Document Number **02-04-11**

# Cost Allocation Manual

Section

State Commission Rules

Subject

VIRGINIA RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
Unavailable Market Prices (Cont'd)	concluding that such price data are unavailable. Notification of a determination of the unavailability of market price data shall be included with the annual report of affiliate transactions that is required to be filed by the local distribution company with the SCC.

[Source: 20 VAC 5-312-30 I. 1.]

## AFFILIATE TRANSACTION REPORTING REQUIREMENTS

Virginia's general reporting requirements for affiliate transactions have evolved through several recent affiliate agreement approval orders and are summarized in the following table:

<b>SUBJECT</b>	<b>REQUIREMENT</b>
Annual Report of Affiliate Transactions	An annual report of affiliate transactions shall be filed by May 1 of each year with the SCC's Director of Public Utility Accounting for transactions for the prior calendar year. The annual report shall include all affiliate agreements/arrangements regardless of amount involved and shall supersede all previous reporting requirements for affiliate transactions (except, see Statement of Utility Assets Sold, Purchased or Acquired below).  The report shall contain the



Document Number **02-04-11**

# Cost Allocation Manual

Section

State Commission Rules

Subject

VIRGINIA RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
Annual Report of Affiliate Transactions (Cont'd)	<p>following information:</p> <ol style="list-style-type: none"> <li>1. Affiliate's name</li> <li>2. Description of each affiliate arrangement/agreement</li> <li>3. Dates of each affiliate arrangement/agreement</li> <li>4. Total dollar amount of each affiliate arrangement/agreement</li> <li>5. Component costs of each arrangement/agreement where services are provided to an affiliate (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overhead)</li> <li>6. Profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined</li> <li>7. Comparable market values and documentation related to each arrangement/ agreement</li> <li>8. Percent/dollar amount of each affiliate arrangement/agreement charged to expense and/or capital accounts, and</li> <li>9. Allocation bases/factors for allocated costs.</li> </ol> <p>Transfers of assets between APCO and AEPC with values of \$100,000 or less must be reported in the annual report of affiliated transactions.</p>



Document Number **02-04-11**

# Cost Allocation Manual

Section

State Commission Rules

Subject

VIRGINIA RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
	<p>All transfers of assets between APCO and AEPC with a value exceeding \$100,000 require prior Commission approval. <i>[Source: SCC Order, dated March 4, 1998, in Case No. PUA970035]</i></p> <p>The Annual Report of Affiliate Transactions shall also include copies of all executed Greenfield Site Agreements between APCO and AEPC along with a description of the particulars of each site as well as the book value of the underlying land relative to the proposed per site license fee of \$10,200/year (less any volume discount for multiple sites). <i>[Source: SCC Order, dated December 6, 199, in Case No. PU990053]</i></p>
<p>Annual Report Under the Virginia Electric Utility Restructuring Act</p>	<p>Local distribution companies (LDCs) shall file annually, with the Commission, a report that shall, at a minimum, include: (i) the amount and description of each type of non-tariffed service provided to or by an affiliated generation company; (ii) accounts debited or credited; and (iii) the compensation basis used (i.e., market price or fully distributed cost).</p> <p>The LDC shall make available to the Commission's staff, upon request, the following documentation for each agreement and arrangement</p>



Document Number **02-04-11**

# Cost Allocation Manual

Section

State Commission Rules

Subject

VIRGINIA RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
	<p>where services are provided to or by an affiliated generation company: (i) component costs (i.e., direct or indirect labor, fringe benefits, travel or housing, materials, supplies, indirect miscellaneous expenses, equipment or facilities charges, and overhead); (ii) profit component; and (iii) comparable market values and documentation. [Source: 20 VAC 5-202-30 B 6]</p>
<p>Annual Report Required by the Rules Governing Retail Access to Competitive Energy Services</p>	<p>The local distribution company (LDC) shall file annually, with the SCC, a report that shall, at a minimum, include: the amount and description of each type of non-tariffed service provided to or by an affiliated competitive service provider; accounts debited or credited; and the compensation basis used, i.e., market price or fully distributed cost. The LDC shall maintain the following documentation for each agreement and arrangement where such services are provided to or by an affiliated competitive service provider and make such documentation available to staff upon request: (i) component costs (i.e., direct or indirect labor, fringe benefits, travel or housing, materials, supplies, indirect miscellaneous expenses, equipment or facilities</p>



Document Number **02-04-11**

# Cost Allocation Manual

Section

State Commission Rules

Subject

VIRGINIA RULES AND REQUIREMENTS

<b>SUBJECT</b>	<b>REQUIREMENT</b>
	charges, and overhead; (ii) profit component; and (iii) comparable market values, with supporting documentation. [20 VAC 5-312-30 I 2]
Schedule of Utility Assets Purchased or Sold	APCO must file annually a schedule of purchases from affiliates and sales to affiliates, if any, of utility assets, amounting to less than \$25,000 for each such transaction, made during the preceding calendar year. [Source: SCC Order, dated August 29, 1956, in Case No. 13162, and SCC order, dated February 20, 1981, in Case PUA810009]



Document  
Number

**02-04-12**

## Cost Allocation Manual

Section

State Commission Rules

Subject

---

WEST VIRGINIA RULES AND REQUIREMENTS

---

### SUMMARY

The West Virginia Code requires approval of contracts between a public utility and its affiliates. The orders issued by the Public Service Commission of West Virginia (PSC, or Commission) concerning such matters contain requirements related to affiliate transactions.

### PSC APPROVAL

Unless the consent and approval of the PSC is obtained, no public utility in West Virginia may, by any means, direct or indirect, enter into any contract or arrangement for management, construction, engineering, supply or financial services or for the furnishing of any other service, property or thing with any affiliated corporation, person or interest [*West Virginia Code § 24-2-12*]. The individual orders issued by the Commission approving such contracts establish requirements applicable to specific transactions with affiliates.



Document  
Number **03-01-01**

# Cost Allocation Manual

Section

Introduction

Subject

---

OVERVIEW (PROCEDURES)

---

## SUMMARY

At AEP, cost allocations between regulated and non-regulated operations take place through intercompany billings and affiliate transactions. The intercompany billing process and related procedures move costs between AEP System's regulated electric utilities and their non-regulated affiliates. The cost allocation process recognizes the nature of the work performed for the respective parties and their use of services and facilities.

## TRANSACTIONS

The financial transaction coding process used by AEP is the first step in separating costs between regulated and non-regulated operations.

## TIME REPORTING

Labor cost is a large component of the total cost allocated between regulated and non-regulated operations. Time reporting and labor costing procedures are in place to ensure that labor costs are properly allocated and billed to the companies that benefit from the services which are performed.

## AEPSC BILLING SYSTEM

AEPSC performs services for American Electric Power Company, Inc., the parent holding company, and most subsidiaries in the AEP System. AEPSC uses a work order system to collect and bill costs to its affiliate companies for the services that it performs.

## INTERCOMPANY BILLING

Other AEP System companies share costs with their affiliates through an intercompany billing process. This process transfers the cost of performing services and conducting projects for affiliates in the AEP System.

Date  
February 18, 2008

Page  
1



Document  
Number **03-01-01**

# Cost Allocation Manual

Section

Introduction

Subject

---

OVERVIEW (PROCEDURES)

---

## INTERUNIT ACCOUNTING

Certain transactions are allocated between companies through inter-unit accounting whereby transactions are recorded in the first instance by the companies for which the transactions have been incurred.

## ASSET TRANSFERS

Plant and equipment as well as materials and supplies are transferred among the AEP System companies based on who uses the items. Procedures are in place to properly account for the transfer and sale of those items.



Document  
Number **03-02-01**

# Cost Allocation Manual

Section

Transactions

---

Subject

## OVERVIEW

---

### SUMMARY

The process of cost allocation between regulated and non-regulated operations begins with the coding of expenses and other transactions.

### RESPONSIBILITY

Transaction coding is the responsibility of the business units that budget for and initiate the transactions.

**03-02-02**

### CODING BLOCKS

Various coding blocks, also known as chartfields, are used to code financial transactions for accounting and cost allocation purposes.

**03-02-03**



Document  
Number

**03-02-02**

## Cost Allocation Manual

Section

Transactions

---

Subject

CODING

---

### SUMMARY

Proper chartfield coding is mandatory to ensure accurate financial reports and inter-company billings.

### CODING RESPONSIBILITY

Chartfield coding is the responsibility of the business units who incur various expenditures, and who report their labor hours. These expenses are initiated and approved by the business units in accordance with their operating plans and financial budgets.

### MAINTENANCE OF CHARTFIELD VALUES

The Service Corporation Accounting group is primarily responsible for maintaining chartfield values. The business units request changes to the chartfield values based on their need to track and manage costs, bill affiliated companies and comply with external reporting requirements. This group evaluates all requests in connection with its oversight responsibilities related to internal budgeting, cost allocations, and external reporting. Approved changes are implemented on a timely basis.



Document Number **03-02-03**

# Cost Allocation Manual

Section

Transactions

Subject

CHARTFIELDS

## SUMMARY

AEP's accounting systems use chartfields or coding blocks to classify and accumulate transactions for financial and managerial accounting and reporting. Each chartfield/coding block is used for a specific purpose.

## CODING BLOCKS

### GENERAL LEDGER CHARTFIELDS:

General Ledger Business Unit	Account Number	Department ID	Product Code	Affiliate Code	Operating Unit Code
------------------------------	----------------	---------------	--------------	----------------	---------------------

### PROJECTS CHARTFIELDS:

Project Costing Business Unit	Project ID	Work Order (Project Activity)	Cost Component (Resource Type)	Activity Code (Resource Category)	Tracking Code (Resource Subcategory)
-------------------------------	------------	-------------------------------	--------------------------------	-----------------------------------	--------------------------------------

General Ledger Business Unit

The **General Ledger Business Unit** identifies the AEP System company or company segment for which the transaction is recorded. Each AEP System Company is assigned a unique code. For example, American Electric Power Company, Inc. is Business Unit 100 and AEP Texas Central-Distribution is Business Unit 211.

Account Number

The **Account Number** records the transaction in the appropriate balance sheet or income statement account using the FERC System of Accounts.

Department ID

The **Department ID** connects the transaction to the responsible organization for reporting and budgeting purposes.



Document  
Number

03-02-03

## Cost Allocation Manual

Section

Transactions

Subject

CHARTFIELDS

---

Product Code	The <b>Product Code</b> describes the product or service supplied. It is primarily used by entries providing services to other AEP groups.
Affiliate Code	The <b>Affiliate Code</b> identifies transactions conducted with an affiliate. The <b>General Ledger Business Unit</b> code of the affiliate is entered in this coding block, if applicable. The codes in this chartfield are used in preparing consolidated financial statements.
Operating Unit Code	The <b>Operating Unit</b> code sub-divides transactions for special reporting purposes largely related to tax reporting, rate case, and other matters. Valid values include, among others, state abbreviations.
Project Costing Business Unit	The <b>Project Costing Business Unit</b> connects the transaction with the responsible budgeting group or area for project reporting purposes.
Project ID	The <b>Project ID</b> connects the transaction with a budget project. A budget project allows budgeted and actual costs to be captured for managerial reporting purposes.
Work Order	The <b>Work Order</b> is the billing mechanism used to capture and bill like costs, and connects the transaction with a planned project that generally has a set beginning date, a projected end date and an estimated cost to complete. Work Orders include construction and retirement work, R&D work, IT projects, non-regulated activities, and other special projects and transactions.

Attached to each **Work Order**, as an attribute, is a Benefiting Location Code that identifies the location or area that benefits from the



Document Number **03-02-03**

## Cost Allocation Manual

Section

Transactions

Subject

CHARTFIELDS

work (i.e., the activity or project that is being performed). A benefiting location can define, among other things, a power plant, a generating unit at a power plant, or a region. Each benefiting location further defines the company or group of companies that operate in the particular location or area. For example, benefiting location code 1358 is only applicable to Amos Plant Unit 1 and pertains to the Generation ledger for Appalachian Power Company; and, benefiting location code 1178 pertains to the Transmission ledgers of Appalachian Power Company, Kentucky Power Company and Kingsport Power Company.

Cost Component

The **Cost Component** relates the transaction to a specific type of cost such as labor, travel, materials, or outside services.

Activity Code

The **Activity Code** identifies the activity being performed. Examples of defined work activities are: "Respond to Customer Inquiries," "Process Payroll" and "Coordinate Federal Income Tax Returns & Reports." The Activity code directs the billing allocation formula for some work orders.

Resource Sub-Category

The **Resource Sub-Category** sub-divides accounting transactions for cost tracking purposes. Among other things, the resource sub-category is used to track vehicle and building expenditures by vehicle number or building number. Certain equipment maintenance costs are also tracked.



Document  
Number **03-03-01**

# Cost Allocation Manual

Section

Time Reporting

Subject

---

## OVERVIEW

---

### SUMMARY

AEP's time reporting systems are designed to collect the chartfield information needed to apportion costs between regulated and non-regulated activities.

### TIME RECORDS

Each AEP employee, or a responsible timekeeper, must complete a time record for each pay period.

**03-03-02**

### LABOR COSTING

The cost of labor makes up a high percentage of the service cost which is apportioned between regulated and non-regulated activities.

**03-03-03**



Document  
Number **03-03-02**

# Cost Allocation Manual

Section

Time Reporting

Subject

TIME RECORDS

---

## SUMMARY

AEP follows a system of positive time reporting whereby all employees, are required, either personally or through an appointed timekeeper, to provide Payroll with a full accounting of their productive and non-productive time classifications. Time records are prepared for each pay period. Examples of non-productive time include vacation time, holidays, jury duty and other paid absences.

## FEATURES

Positive time reporting is the process by which each employee accounts for the total number of hours in each pay period, including overtime and paid absences. The positive time reporting process used by AEP encompasses the following features:

- Forms the basis for assigning labor costs by accounting for all activities and time spent by activity on a pay period basis
- Accounts for time in hourly increments as small as a one-tenth of an hour
- Accumulates and summarizes time spent on a reported line-item basis
- Requires all chartfield values needed to account for the time spent and to report labor costs
- Requires the amount of time reported for a given pay period to at least equal the total hours in the pay period
- Does not assume employees are working only on regulated activities or only on non-regulated activities. The

Date  
April 8, 2008

Page  
1



Document  
Number **03-03-02**

## Cost Allocation Manual

Section

Time Reporting

Subject

---

TIME RECORDS

---

FEATURES (Cont'd)

actual time spent must be reported and classified to the applicable activities and/or projects based on the work performed.

- As employees spend and report time, the cost of the time is directly attributable to regulated and non-regulated operations based on benefiting location or it could apply to an indirect cost pool.

APPROVALS

All time records must be approved by the employee's immediate supervisor or the supervisor's designee. Audit Services performs periodic studies to determine that the time reported by group supervisors has a reasonable relationship to the time reported by their direct reports.

ELECTRONIC PROCESSING

In most cases, time is reported and approved electronically. The reported time is available to be viewed on-line for a period of time before it is archived.

Employees can view their accrued and used vacation hours on-line using AEP's intranet.

---

Date  
April 8, 2008

---

Page  
2



Document  
Number

**03-03-03**

## Cost Allocation Manual

Section

Time Reporting

Subject

LABOR COSTING

---

### SUMMARY

Labor costing is the process of pricing the time reported by employees for the purpose of apportioning their labor cost to the activities that they perform. The cost of labor is a high percentage of the total service cost apportioned among AEP's regulated and non-regulated affiliates.

### FEATURES

AEP's labor costing process, in conjunction with time reporting, has been designed to meet the following four criteria:

- it must be practical and cost effective to apply
- it must contain safeguards against material misclassifications between regulated and non-regulated operations and between regulated and non-regulated products and services
- it must be adequately documented
- it must provide an audit trail that can be used for procedural testing and for determining the accuracy of results.

The labor costing process used by AEP employs the following features:

- productive time is priced using the employee's hourly rate of pay which, for salaried employees, is derived by using one of two methods: (i) by dividing the employee's annual salary by 2,080 hours, or (ii) by dividing the employee's current pay period salary by the total number of hours worked during the pay period (including non-compensated overtime hours worked by exempt employees)

Date  
April 8, 2008

Page

1



Document  
Number

**03-03-03**

# Cost Allocation Manual

Section

Time Reporting

Subject

---

LABOR COSTING

---

## FEATURES (Cont'd)

- non-productive pay is accrued, expensed and distributed as a percentage of labor dollars
- where applicable, the cost of incentive pay and severance pay is also accrued and expensed; and it too follows the distribution of labor dollars.

## CONTROLS

Where applicable, appropriate controls are maintained for balancing the total amount of labor cost distributed to the total cost incurred or paid.



Document  
Number **03-04-01**

# Cost Allocation Manual

Section

AEpsc Billing System

Subject

## OVERVIEW

### SUMMARY

AEpsc is a wholly-owned subsidiary of AEP, a registered public utility holding company. AEpsc provides certain managerial and professional services including administrative and engineering services to affiliated companies in the AEP holding company system and periodically to unaffiliated companies.

As a subsidiary service company, AEpsc and its billings are subject to the regulation of the Federal Energy Regulatory Commission (FERC) under the Public Utility Holding Company Act of 2005.

### SYSTEM OF INTERNAL CONTROLS

Effective operation of the AEpsc work order billing system is tied to AEP's overall system of internal controls.

**03-04-02**

### WORK ORDER ACCOUNTING

AEpsc maintains a work order system for allocating and billing costs in accordance with the applicable Uniform System of Accounts for centralized service companies.

**03-04-03**

### BILLING ALLOCATIONS

Billing allocations are performed using Attribution Bases (i.e., Allocation Factors) approved by the SEC under PUHCA 1935 and continued after its repeal.

**03-04-04**

### REPORTS

AEpsc prepares a monthly billing report for all billed costs.

**03-04-05**



Document  
Number

**03-04-02**

## **Cost Allocation Manual**

Section

AEPSC Billing System

Subject

SYSTEM OF INTERNAL CONTROLS

---

### SUMMARY

Effective operation of AEPSC's work order and billing system is tied to AEP's overall system of internal controls. The more relevant controls and administrative procedures include accountability, allocability, budgeting, time-reporting review and approval, billing review, dispute resolution, periodic service evaluations, and internal auditing.

### RESPONSIBILITIES

The business units and process owners who code and approve transactions for processing through the AEPSC billing system are responsible for final results. Employees can access electronic databases that contain titles and descriptions of all applicable codes.

Changes in facts and circumstances that affect the billing process must be addressed in a rapid and responsible manner.

The Corporate Planning and Budgeting group along with Corporate Accounting are responsible for assisting the business units and AEPSC's client companies in evaluating the monthly billing results on a company by company basis. Also see "Billing Review" below.

### ALLOCABILITY

Through the transaction coding process, clients are billed only for the services and costs that pertain to them. Shareable costs are billed using allocation factors. The approved billing system is designed to result in a fair and equitable allocation of cost among all client companies, regulated and non-regulated. AEPSC employees are provided information and trained to achieve these results relative to their areas of responsibility.



Document  
Number **03-04-02**

## Cost Allocation Manual

Section

AEPSC Billing System

Subject

SYSTEM OF INTERNAL CONTROLS

---

### BUDGETING

Each year AEPSC prepares an annual budget for the services it will provide during the next calendar year. The budgets are prepared by each AEPSC department.

Corporate Planning & Budgeting and Business Unit Budget Coordinators generate monthly performance reports that compare actual cost against the budget. Performance results can be viewed by Department, by Account, or by Activity, and also by Affiliate company.

AEPSC's managers are primarily responsible for analyzing and explaining cost variances incurred while performing their work. Additionally, AEPSC and its affiliates are jointly responsible for analyzing and explaining the cost variances incurred through the AEPSC billings.

AEPSC's annual budgets are consistent with and support AEP's corporate-wide strategic performance objectives. AEP's Board of Directors, with the assistance of executive management, approves the annual budgets for AEPSC, the utility companies and other AEP affiliates.

### WORK ORDER PROCESSING REVIEW

The Accounting department reviews requests for new AEPSC Work Orders. The review includes (1) Appropriate descriptions - to ensure that the users will understand the type of costs to be accumulated in each work order. (2) Appropriate benefiting location - to ensure that the proper affiliated company or group of companies will be billed (3) Appropriate billing allocation factor - to verify (based on the work being performed) that the appropriate cost drivers are being used for the type of service being performed such as Number of Employees, Transmission

Date  
February 27, 2019

Page  
2



Document  
Number

**03-04-02**

## Cost Allocation Manual

Section

AEPSC Billing System

Subject

SYSTEM OF INTERNAL CONTROLS

Pole Miles, Number of Retail Electric Customers, or Total Assets.

BILLING SYSTEM  
CONTROLS

Specific controls related to the billing system include (1) The Accounting department reviews the reasonableness of the statistics, by affiliate company, that are used to allocate costs by comparing them to other statistics, amounts used in prior periods, etc. (2) Reports are generated by the billings system to reconcile/confirm that all amounts were allocated and the total dollars received for processing were billed out. (3) An automatic e-mail is sent to the Accounting department which identifies any errors created during Journal Generation of the AEPSC Bill. (4) The Accounting department confirms the AEPSC net income is zero each month-end to ensure that all expenses incurred were billed. (5) The Accounting department reviews the list of AEP affiliate companies every month to assure billing statistics are accumulated and posted properly for a newly created affiliate companies, or removed for inactivated affiliate companies.

Please see Appendix 99-00-04 for information regarding the billing allocation factors that are used by AEPSC and their update frequency.

PRE-BILLING TRANS-  
ACTIONS REVIEW

Various controls exist surrounding the detailed accounting transactions that are processed by the AEPSC billing system, including: (1) Numerous edits/validations are performed mechanically at the time transactions are entered into the accounting system. For example, the validation routines will not permit a labor expense Account to be used in conjunction with non-labor costs. (2) Prior to running the monthly AEPSC

Date  
February 27, 2019

Page  
3



Document  
Number

03-04-02

## Cost Allocation Manual

Section

AEpsc Billing System

Subject

SYSTEM OF INTERNAL CONTROLS

billing process, Accounting reviews certain accounting transactions to ascertain if any items are misclassified based on certain criteria. Correction entries are prepared, if necessary, prior to the bill processing, For example, transactions charges to income tax FERC expense account should be charged to the income tax work order. (3) An "unbillable" report is run numerous times prior to processing of the bill. This report identifies transactions that will not bill due to recently inactivated Work Orders, invalid combinations of statistics, etc. Correction entries are made as necessary prior to running the bill.

### ALLOCATION

Shared costs are billed using approved allocation factors. The billing systems is designed to result in a fair and equitable allocation of cost amount all affiliate companies. As mentioned above under "Responsibilities", information is readily available to employees to assist with the proper coding of transactions in order to achieve these results relative to their areas of responsibility.

### TIME REPORTING REVIEW AND APPROVAL

AEpsc uses positive time reporting whereby time records are submitted by each AEpsc employee, on a bi-weekly basis. Supervisors, or their designated delegates, review and approve the time records for the employees in their respective groups.

In addition to the normal approval process, periodically the Accounting department provides reports to each AEpsc manager for review and validation of their employees; labor charges. The report indicates the companies that each employee billed, the work performed for the company, the labor hours charged, and the work orders(s) used to bill

Date  
February 27, 2019

Page  
4



Document  
Number

03-04-02

## Cost Allocation Manual

Section

AEpsc Billing System

Subject

SYSTEM OF INTERNAL CONTROLS

---

the hours. This report provides an additional control to ensure employees were billing correctly and that their managers concurred with the billing. Managers were required to sign the report indicating their review and approval, and return the signed copy to Accounting. If a manager has questions about an employee's time charges, or believes a correction is required, the manager communicates those concerns to Accounting.

AFFILIATED BILLING  
REVIEW

Monthly, Regulated Accounting sends reports to the State Operating Companies Regional Presidents (and/or their staff), and other members of management, for their review and approval of the AEPSC Work Order billing by affiliate company.

The services performed and the amounts billed are reviewed for accuracy on behalf of the regulated utilities and AEPSC's other affiliated clients. The performing organizations initiate all needed corrections and Corporate Accounting processes the corrections.

DISPUTE RESOLUTION

The monthly AEPSC billings to the affiliate Operating companies are submitted to the AEP state Business Operations Support groups for their review and approval. The AEPSC bill approval process for the Business Operations Support groups includes various steps. Monthly, Directors review the AEPSC departments allocating costs to their companies to determine whether it appears reasonable for each department to be allocating to that operating company. Also monthly, Directors notify AEPSC of their approval of the monthly AEPSC billing, noting any issues needing resolved as a result of their monthly review. Any issues arising from the above reviews are coordinated

Date  
February 27, 2019

Page

5



Document  
Number **03-04-02**

## Cost Allocation Manual

Section

AEPSC Billing System

Subject

SYSTEM OF INTERNAL CONTROLS

through the affected AEPSC department and the AEPSC Controllers department, which will be responsible for resolving issues raised by the operating companies and making appropriate adjustments. Each of the above steps is documented, including approvals, explanations of variances, and any adjustments resulting from this review and approval process. Directors are responsible for retaining documentation for a minimum of two years.

If a resolution cannot be reached among the parties, the dispute is referred to the Chief Financial Officer or another appropriate member of executive management.

### SERVICE EVALUATIONS

Internal customer input and an internal customer-oriented philosophy are necessary in order to keep AEPSC operating efficiently and at cost-competitive levels.

Internal customer surveys are used to measure performance and internal customer satisfaction. The internal customer surveys, along with the budgeting process and service level agreements, are used to seek customer input relative to the quantity, quality and value of the various services being provided by AEPSC to other groups within the AEP holding company system.

Whenever feasible, and to the extent necessary, cost levels and business practices are benchmarked against other companies both within and outside the electric utility industry.

### INTERNAL AUDITING

The AEPSC Audit Services department performs periodic audits of the AEPSC billing system. The purpose of the audits is to examine the internal controls over the billing process



Document  
Number

03-04-02

## Cost Allocation Manual

Section

AEPSC Billing System

Subject

SYSTEM OF INTERNAL CONTROLS

and to ascertain that billing allocations are being performed in accordance with the approved Allocation Factors and in accordance with the Service Agreements AEPSC has with its affiliated clients.

### EXTERNAL AUDITING

Annually, AEPSC provides unaudited financial statements to various banks and leasing companies. In addition, the applicable banks and leasing companies have access to AEP Consolidated financial statements, which are audited by Price Waterhouse Cooper. The audited AEP Consolidated financial statements include an audit of various transactions through the billing system to verify accuracy of the procedures and amounts billed to affiliates.

### STATE AND FEDERAL AUDITS AND REPORTING

#### STATE AUDITS:

AEPSC is subject to periodic state affiliate and code of conduct audits, in order to comply with certain state regulatory requirements. For example, Texas requires an affiliated code of conduct audit every three years.

#### FERC AUDITS:

Effective with the passage of the Public Utility Holding Company Act of 2005 (which became effective February 6, 2006) AEPSC is now regulated by the Federal Energy Regulatory Commission, and as such is subject to FERC oversight and audit.

#### FERC REPORTING:

The FERC requires a detailed annual financial report for services companies, the FERC Form 60. This report contains detailed AEPSC information, including amounts billed to each affiliate company.



Document  
Number

**03-04-02**

# Cost Allocation Manual

Section

AEpsc Billing System

---

Subject

SYSTEM OF INTERNAL CONTROLS

---

These periodic audits and annual reporting requirements provide additional controls governing AEPSC's accounting routines, financial transactions, and billing to affiliates.



Document  
Number

03-04-03

## Cost Allocation Manual

Section

AEPSC Billing System

Subject

Work Order Accounting

### SUMMARY

AEPSC uses a work order system for the accumulation of cost on a job, project or functional basis. It includes schedules and worksheets used to account for charges billed to single and groups of associate and nonassociate companies.

### COST IDENTIFICATION

As a subsidiary service company, AEPSC identifies billable costs using two separate chartfields (i.e., transaction coding blocks); namely,

- Activity (through General "G" Work Orders) and
- Work Order.

Each of these chartfields is defined elsewhere in this manual (look up "Chartfields" in the Table of Contents or the Alphabetic Subject Index to determine the applicable Document Number).

General (i.e., "G") work orders have been established to assign the benefiting location to general services that are billed by "Activity".

### FUNCTION AND TYPES OF WORK ORDERS

A billable cost is derived by using a Work Order or Activity with a Benefiting Location (including "G" Work Orders). While Work Order and Activity define the nature of the service performed, the Benefiting Location identifies the company or group of companies for which the service is performed. Benefiting Location is not a chartfield, but it is an attribute of each billable Work Order. AEPSC uses the following types of Work Orders (billable and non-billable):



Document  
Number

03-04-03

## Cost Allocation Manual

Section

AEpsc Billing System

Subject

Work Order Accounting

FUNCTION AND TYPES OF  
WORK ORDER (Cont'd)

**Direct** - A Direct Work Order is used when the service being provided benefits a single company or company segment. The monthly cost accumulated for a Direct Work Order is billed 100% to the company for which the service was performed as designated by the benefiting Location code associated with the service.

**Allocated** - An Allocated Work Order is used when the service being performed benefits two or more companies or company segments. The monthly cost accumulated for an Allocated Work Order is allocated and billed to the companies for which the service is performed as designated by the Benefiting Location code associated with the service.

The AEPSC billing system uses specific company cost-causative Allocation Factors to allocate costs that are accumulated under Allocated Work Orders.

**SCFringe** - The SCFringe Work Order is used to accumulate the cost of labor-related overhead. Labor-related overhead includes, among other things, payroll taxes and employee benefits such as pension and medical expense.

SCFringe is charged to client companies in proportion to the distribution of AEPSC's labor dollars.

While not part of SCFringe, it should be noted that the cost of compensated absences such as vacation and holiday pay is also charged to client companies based on the distribution of AEPSC's labor dollars.

Date  
March 7, 2019

Page  
2



Document  
Number

03-04-03

## Cost Allocation Manual

Section

AEPSC Billing System

Subject

Work Order Accounting

FUNCTION AND TYPES OF  
WORK ORDER (Cont'd)

### **AEPSC Departmental Overhead -**

Information Technology, Human Resources, and Real Estate and Workplace Services all provide services to AEPSC Departments. Therefore, the portion of an Information Technology, Human Resources, or Real Estate and Workplace Services work orders that relate to AEPSC is allocated to the AEPSC departments that benefit from the service based on number of workstations (Information Technology), number of employees (Human Resources), and occupancy (Real Estate and Workplace Services). The AEPSC departments' share of the costs is then allocated to the client companies in proportion to the labor charged by each AEPSC department to the client companies.

**Internal Support Costs Overhead -** The Internal Support Costs (ISC) Overhead Work Order is used to identify the expenses incurred in support of AEPSC's overall operations. ISC includes all expenses identified with work order G0000103, which has an attribute of Benefiting Location 103 (the code for AEPSC). For example, the expenses incurred in processing the payroll for AEPSC's employees and in paying AEPSC's vendors are included in ISC overhead is allocated to client companies in proportion to the total cost charged to each company.

Date  
March 7, 2019

Page  
3



Document  
Number

**03-04-03**

# Cost Allocation Manual

Section

AEPSB Billing System

Subject

Work Order Accounting

ACTIVITY AND  
WORK ORDER REQUESTS

Service requests fall into two major categories:

- Activity, and
- Work Order.

As the overseer of the budgeting process, AEPSC's Corporate Planning and Budgeting group is responsible for approving all requests for adding or deleting Activities. The Corporate Planning and Budgeting group processes all requests for opening or closing new Activities while the Regulated Accounting group processes all requests for new AEPSC Work Orders.

**The ABM Activity Request Form** - This form requires the following information:

Line Item	Information
Requested By	Name of requestor. Electronic requests are automatically populated with requestor's required information, date and time.
Effective Date	The requesting business unit recommends an effective date for use of the new activity.
Activity Number	The requesting business unit provides the Activity Number only when an existing activity is being changed.
Activity Description	The requesting business unit provides the proposed title of the new activity (e.g., "Develop Coal Delivery Forecast").
Process Group	The requesting business

Date  
March 7, 2019

Page  
4



Document  
Number

**03-04-03**

# Cost Allocation Manual

Section

AEPS Billing System

Subject

Work Order Accounting

Line Item	Information
	unit provides the name of the high-level process group to which the new activity is related (e.g., "Generate Energy").
Major Process	The requesting business unit provides the name of the high-level major process to which the new activity is related (e.g., "Procure, Produce & Deliver Fuel").
Business Process	The requesting business unit provides the name of the high-level business process to which the activity is related (e.g., "Procure Coal").
Purpose and Use	The requesting business unit provides a description of the new activity, its purpose and use.
Task List	Provide a list of all the steps and preparation undertaken to arrive at the request.
Suggested FERC Accounts	The requesting business unit provides the suggested FERC account.
Service Corp Attribution Basis	The requesting business unit recommends an Allocation Factor for use.
Cost Drivers	The requesting business unit provides the reasons for the request.

See the ILLUSTRATIONS at the end of this document for a copy of the Activity Request Change Form.

Date  
March 7, 2019

Page  
5



Document  
Number

**03-04-03**

# Cost Allocation Manual

Section

AEPS SC Billing System

Subject

Work Order Accounting

**Work Order Request Form** - This form requires the following information:

Line Item	Information
Recommended Title	The requesting business unit provides the recommended work order title.
Project Costing Business Unit	The requesting business unit provides the Project Costing Business Unit identification.
Budget Project	The requesting business unit provides the applicable Budget Project code.
Work Order Type	The requesting business unit provides the Work Order type.
Estimated Total Costs to be incurred by AEPS SC	The requesting business unit supplies the estimated cost of the work performed.
Estimated Duration	The requesting business unit provides the start and the estimated completion date.
Description of Service(s) To Be Rendered	The requesting business unit supplies a description of the work order based on the nature and scope of the project to be performed.
Benefiting Location	The requesting business unit supplies the applicable benefiting location code based on the company or class of companies that will benefit from the work order. The requester can select the benefiting

Date  
March 7, 2019

Page  
6



Document  
Number

**03-04-03**

# Cost Allocation Manual

Section

AEPS Billing System

Subject

Work Order Accounting

Line Item	Information
	location code either by Name or by Number. The benefiting location will become an attribute of the work order.
Recommended Allocation Factor	The requesting business unit supplies the recommended Allocation Factor code for the work order. The Allocation Factor code identifies the proposed method of allocation for Allocated work orders. The Allocation Factor becomes an attribute of the work order. Work orders that pertain to a single company should be assigned an Allocation Factor code of "39, Direct".
Shared Services	The requesting business unit must indicate if this is a work order to be used by Human Resources, Information Technology and Real Estate and Workplace Services. If "Yes" is selected, then the requestor is required to select the appropriate department for the shared service organization. This will be used as part of the AEPSC Departmental Overhead.
Additional Remarks	The requesting business unit provides any special project or accounting instructions related to the work order or makes reference to any



Document  
Number

**03-04-03**

# Cost Allocation Manual

Section

AEPS Billing System

Subject

Work Order Accounting

Line Item	Information
	attachments.
Others To Be Notified When Request Is Approved	The requesting business unit provides a list of employees to be notified when the work order is opened for charges.
Are you the Sponsoring Supervisor for This Request?	The requester must indicate if he or she is the sponsoring supervisor for this work order request.
Other Reviewers	The sponsoring supervisor must approve the request. In addition, the Corporate Accounting group must accept or decline each request.

See the ILLUSTRATIONS at the end of this document for a copy of the Work Order Request Form.



Document  
Number

**03-04-03**

# Cost Allocation Manual

Section

AEPS Billing System

Subject

Work Order Accounting

before submitting the work order.

REQUEST HEADER STEP 1	WORK ORDER #/BENEFITING LOCATION/ALLOCATION STEP 2	SHARED SERVICES/ SCNA / ADDITIONAL INFORMATION STEP 3	APPROVAL / ROUTING STEP 4
Recommended Work Order Title*	Project Costing Business Unit (PCBU)* Enter the first character	Work Order Type* Enter the first character	
Budget Project*	Estimation Start Date* MM/DD/YYYY	Estimation End Date* MM/DD/YYYY	
Estimated Total cost to be incurred by AEPSC* \$ 00.00 <input type="checkbox"/> On - Going	Enter the GL account* Enter the first digit of the Account	Enter Effective Date for Work Order MM/DD/YYYY	

Warning! Do not include any competitively-sensitive or non-public information in this request.

SUBMIT & EXIT    SAVE AS INCOMPLETE & EXIT    EXIT WITHOUT SAVING    SUBMIT WITHOUT PUBLISHING    SAVE & PUBLISH



Document  
Number

03-04-03

# Cost Allocation Manual

Section

AEPS Billing System

Subject

Work Order Accounting

the work order.

REQUEST HEADER STEP 1	WORK ORDER #/BENEFITING LOCATION/ALLOCATION STEP 2	SHARED SERVICES/ SCNA / ADDITIONAL INFORMATION STEP 3	APPROVAL / ROUTING STEP 4	?
--------------------------	----------------------------------------------------------	-------------------------------------------------------------	---------------------------------	---

Work Order Number Full Description of the work to be performed\*

**Benefiting Location**

Benefiting Location - Search by Name/Number\*  Billed Company

Enter the first character - Name/Number

Reason/Support for billing these Companies\*

**Allocation/Attribution Basis**

Recommended Allocation/Attribution Basis - Search by Name/Code\*  Reason/Support for using this Allocation/Attribution to bill\*

Enter the first character

**Warning!** Do not include any competitively-sensitive or non-public information in this request.



Document  
Number

03-04-03

# Cost Allocation Manual

Section

AEPS Billing System

Subject

Work Order Accounting

Request Header

Work Order #/Benefiting Location/Allocation

Shared Services/ SCNA / Additional Information

Approval / Routing

STEP 1

STEP 2

STEP 3

STEP 4

**Shared Services**

Is this Work Order for Work Place Services, Information Technology, or Human Resources?\*

Yes  No

**Additional Information**

Additional Remarks

BROWSE Attach a file here

Others To be Notified When Request is Approved

Enter the first 3 letters of the person's FIRST name

Are you the First Approver for this request\*

Yes  No

Warning! Do not include any competitively-sensitive or non-public information in this request.

SUBMIT & EXIT

SAVE AS INCOMPLETE & EXIT

EXIT WITHOUT SAVING

SUBMIT WITHOUT PUBLISHING

SAVE & PUBLISH



Document  
Number

03-04-04

## Cost Allocation Manual

Section

AEPSC Billing System

Subject

### BILLING ALLOCATIONS

#### SUMMARY

Each Allocated Service ID, whether related to an Activity or a Work Order, is assigned an appropriate Allocation Factor code that, along with the Benefiting Location code, ultimately determines the dollars of cost that will be charged to each client company. Allocation Factor codes are assigned according to the nature of the services performed.

Each Direct Service ID is assigned an Allocation Factor code of "39" which is fixed at 100%.

#### FUNCTION OF THE ALLOCATION FACTOR CODE

The Allocation Factor code identifies the statistical factor that will be used to calculate the percentage of cost applicable to each client company. The assigned code points to a table that includes the company-specific values needed to calculate the allocation percentages.

#### ROLE OF REGULATED ACCOUNTING

An accounting administrator in the Regulated Accounting group has primary responsibility for ensuring that the Allocation Factor code assigned to each Allocated Service ID is relevant to the service being performed. Regulated Accounting is also responsible for ensuring that the company-specific statistical values needed for each Allocation Factor are accurate and kept up to date. The values are refreshed according to the intervals determined for each Allocation Factor (e.g., monthly, quarterly, semi-annually and annually).

The Allocation Factor assigned to each Allocated Service ID should be the most relevant cost-causative cost driver.

#### PROCESS

The requestor of a new Activity or Work Order is required to recommend an appropriate Allocation Factor code. Requestors are in

Date  
August 20, 2015

Page

1



Document Number **03-04-04**

# Cost Allocation Manual

Section

AEPSB Billing System

Subject

## BILLING ALLOCATIONS

the best position to recommend an appropriate Allocation Factor code since they are intimately familiar with the work to be performed and with the inherent cost drivers. Regulated Accounting reviews all Allocation Factor code selections for reasonableness.

### EXAMPLES

Examples of the appropriate use of Allocation Factors are captured in the following table:

Activity/Shared Service	Allocation Factor
191. Maintain Transmission Right-of-Way	28. Number of Transmission Pole Miles
340. Process payroll	09. Number of employees
663. Perform Stores Accounting	26. Number of Stores Transactions

### LIST OF APPROVED ALLOCATION FACTORS

The APPENDIX to this manual contains a list of all the approved Allocation Factors.



Document  
Number

**03-04-05**

## Cost Allocation Manual

Section

AEPSC Billing System

Subject

REPORTS

---

### SUMMARY

An electronic journal entry is created by the AEPSC billing system as part of the billing process to record the accounts receivable and revenue on AEPSC's books, and to record the corresponding distribution and accounts payable on the associate companies' books (billing interface).

### BILL FORMAT

The following represents a view of the monthly bill for services rendered by AEPSC to an associate company:

### AUDIT TRAIL

An audit trail is maintained for all AEPSC billing system transactions starting with the source documents all the way through general ledger posting.

The AEPSC billing system produces a journal entry that is posted to each respective company's general ledger on a monthly basis. The mask for this journal entry is "SCBBILxxxx". The alpha section of the mask is constant. The numeric section of the mask is assigned the next available journal entry number each month for each company.



Document  
Number **03-05-01**

# Cost Allocation Manual

Section

Intercompany Billing

Subject

---

OVERVIEW

---

SUMMARY

The PeopleSoft general ledger system used by AEP allows transactions to be coded for intercompany billing.

BILLING SYSTEM

AEP's intercompany billing process automates the accounting for costs incurred by one AEP System company for the exclusive or mutual benefit of one or more affiliates.

**03-05-02**



Document  
Number **03-05-02**

## Cost Allocation Manual

Section

Intercompany Billing

Subject

**BILLING SYSTEM**

---

### SUMMARY

Intercompany billing of O&M and capital costs automates the accounting for work performed by one company for the exclusive or mutual benefit of one or more affiliates. This process allows the performing company to incur the cost and bill it to the appropriate benefiting company or companies. All intercompany billing transactions between companies are summarized on a monthly basis, resulting in one net billing between companies.

### USES

Intercompany billing is used most often to share operating expenses or when one company performs services for another company. The Affiliate Transaction Agreement, dated December 31, 1996, and the Mutual Assistance Agreement, dated July 30, 1987 provide the basis of the intercompany billing.

Costs incurred which are subject to intercompany billing can include, among other costs, O&M or capital company labor including appropriate transportation and labor fringes, purchased materials or services, materials issued from company storerooms, and rental charges for use of another company's facilities.

### CODING REQUIREMENTS

The initiation of the intercompany billing process requires the proper use of chartfield values. An intercompany billing transaction is initiated whenever a benefiting location number is different than the performing company's business unit code. Benefiting location numbers can be either 100% billed or shared among multiple companies. A 100% billed and a multiple company benefiting location example follow:

Date  
July 24, 2012

Page  
1



Document  
Number **03-05-02**

## Cost Allocation Manual

Section

Intercompany Billing

Subject

BILLING SYSTEM

---

CODING REQUIREMENTS  
(Cont'd)

**Example: 100% billed Benefiting Location**

The duties performed by the West Virginia Rates Department benefit the AEP customers within the state of West Virginia. Both Appalachian Power Company and Wheeling Power Company - Distribution serve customers in West Virginia. All Rates Department employees serving West Virginia are on the payroll of Appalachian Power Company.

Whenever the Rates Department performs work exclusively on a Wheeling Power Company - Distribution rate case, their labor and expenses are classified to benefiting location 210. The use of 210 benefiting location results in a 100% billing to Wheeling Power Company - Distribution. This intercompany billing establishes an accounts receivable entry for Appalachian Power Company, the performing company, and a corresponding accounts payable entry for Wheeling Power Company - Distribution, the company benefiting from the work.

**Example: Shared Benefiting Location**

An invoice is received for aerial patrol services performed for the Central Transmission Region. Since this work has been performed for the benefit of all five companies served by the Central Transmission Region, the processing company charges a multiple company benefiting location. This multi-company benefiting location shares the cost among the five companies served by the Central Transmission Region.

Since the invoice pertains to transmission services, the cost incurred will be allocated among the five companies using an Allocation Factor of transmission pole miles. This intercompany billing establishes an accounts

Date  
July 24, 2012

Page  
2



Document  
Number **03-05-02**

## Cost Allocation Manual

Section

Intercompany Billing

Subject

BILLING SYSTEM

---

receivable entry for the performing company and a corresponding accounts payable entry for the four remaining benefiting companies.

### INTERCOMPANY BILLING COST ALLOCATIONS

All intercompany billing allocations are either direct (i.e., 100%) or are allocated among the appropriate companies based on the applicable multi-company benefiting location code. Every multi-company transaction is allocated using one of the approved Allocation Factors for service company billings. The Allocation Factor must be appropriate for the function for which the cost is incurred. For example, cost incurred for the performance of transmission services would be allocated using an Allocation Factor of number of transmission pole miles.

### AUDIT TRAIL

An audit trail is maintained for all intercompany billing transactions starting with the source documents all the way through general ledger posting.

The intercompany billing procedure produces journal entries that are posted to each respective company's general ledger on a monthly basis. The journal entry mask for the intercompany billing process is "INTCOMxxxx". The alpha section in each mask is constant. The numeric section of the masks is assigned the next available journal entry number each month for each company.

Any given intercompany journal entry can contain several thousand lines of data each month.

The accounts receivable and accounts payable transactions created by the intercompany billing process are assigned account numbers 1460006 and 2340027, respectively.



Document  
Number

**03-05-02**

## **Cost Allocation Manual**

Section

Intercompany Billing

Subject

BILLING SYSTEM

---

CASH SETTLEMENT

Intercompany billing transactions are settled through the AEP money pool among money pool participants. Non-money pool participants settle-up through cash disbursements.

Date  
July 24, 2012

Page  
4



Document  
Number **03-06-01**

# Cost Allocation Manual

Section

InterUnit Accounting

Subject

OVERVIEW

---

## SUMMARY

The PeopleSoft general ledger and accounts payable systems used by AEP allow transactions to be recorded that pertain to two or more companies.

## JOINT PAYMENTS AND JOURNAL TRANSACTIONS

InterUnit accounting can be applied to accounts payable processing or general ledger journal entry processing.

**03-06-02**



Document  
Number **03-06-02**

## Cost Allocation Manual

Section

InterUnit Accounting

Subject

---

### JOINT PAYMENTS AND JOURNAL TRANSACTIONS

---

#### SUMMARY

InterUnit accounting automates the process of accounting for transactions that affect two or more affiliated companies. The process automatically generates the general ledger transactions applicable to each company. All InterUnit accounting transactions are summarized on a daily basis, resulting in a net amount due to and from each company, by affiliated company.

#### USES

InterUnit accounting can be applied to accounts payable processing, accounts receivable processing, or to general ledger journal entry processing.

InterUnit accounting is used whenever one company (i.e., business unit) processes a vendor invoice, deposits funds, or classifies journal entry transactions that pertain to one or more other affiliated companies.

The InterUnit accounting feature within the PeopleSoft software saves time, reduces processing costs, accurately creates reciprocal transactions, and provides for an efficient settlement routine. It simplifies the intercompany billing process by eliminating the need to prepare and handle paper billings. A complimentary process also summarizes and nets the daily InterUnit activity that occurs between companies.

#### CODING REQUIREMENTS

InterUnit accounting requires the proper use of business unit codes. An InterUnit transaction is initiated by entering a business unit code on a transaction classification line that is different from the processing company's business unit code.

The uses of InterUnit accounting and the related coding requirements are illustrated by the following three examples:



Document  
Number

**03-06-02**

## Cost Allocation Manual

Section

InterUnit Accounting

Subject

JOINT PAYMENTS AND JOURNAL TRANSACTIONS

---

CODING REQUIREMENTS  
(Cont'd)

### **Example of invoice processing through accounts payable:**

An invoice is received for legal services performed for six of AEP's generating companies. Since the invoice pertains to more than one company, the invoice can be processed by one of the companies using at least six lines of accounting classification; that is, one line for each company. InterUnit accounting will be triggered for all the lines of classification that have a business unit code that is different from the processing company's business unit code.

For each line of classification with a different business unit code, the InterUnit accounting process will establish a receivable from associated companies on the processing company's books and a payable to associated companies on the applicable affiliate companies' books. In addition, the balance sheet and expense transactions actually coded on the original accounts payable voucher will automatically be posted to the books of the applicable companies based on the business unit codes that are used.

### **Example of receipt processed through accounts receivable:**

A single wire transfer is received for materials sold by three of AEP's distribution companies. The customer received three separate invoices, one from each distribution company, but chose to wire funds to only one of AEP's distribution companies for full payments to eliminate incurring multiple wire fees.



Document  
Number **03-06-02**

## Cost Allocation Manual

Section

InterUnit Accounting

Subject

JOINT PAYMENTS AND JOURNAL TRANSACTIONS

CODING REQUIREMENTS  
(Cont'd)

The Billing and Accounts Receivable section will apply payment to each distribution company invoice by reflecting the deposit company (i.e.: business unit), which receipted for the wire transfer. Two of the company invoices will have an invoicing business unit different than the deposit business unit. For these two invoices, the InterUnit accounting process will establish a receivable from associated companies on the company rendering the invoice, and a payable to associated companies on the company that deposited the funds. In addition, the bill classification will be relieved on the company that issued the bill to the customer.

### **Example of general ledger journal entry processing:**

A single company (i.e., business unit) operates a messenger delivery service for itself and several affiliates. Corporate Services provides Accounting Services with the amounts to be billed each month to the other companies based on their actual use of the services.

Since this is a recurring transaction, an InterUnit journal entry can be pre-coded with the appropriate chartfield codes, including the applicable business unit codes. The dollar amounts to be billed to the business units and the date of the transaction are the only variables required for journal entry preparation.

When processed, the InterUnit journal entry will record the charges on the benefiting affiliated companies' books and establish an associated company accounts payable. The



Document  
Number

03-06-02

## Cost Allocation Manual

Section

InterUnit Accounting

Subject

---

JOINT PAYMENTS AND JOURNAL TRANSACTIONS

---

### CODING REQUIREMENTS (Cont'd)

journal entry will also record the appropriate associated company accounts receivable entries and offset the original charges on the performing company's books. The debits to accounts receivable from associated companies and the credits to accounts payable to associated companies are automatically generated for each journal entry line item that has a business unit code that is different from the performing company's business unit code.

### INTERUNIT ACCOUNTING

For InterUnit accounting purposes, the amount applicable to each company must be coded using separate detail lines. The amount for any transaction that pertains to two or more companies should be allocated using one of the approved Allocation Factors for service company billings. The Allocation Factor selected must be appropriate for the type of cost being allocated based on the nature of the activity or project for which the cost is incurred.

### AUDIT TRAIL FEATURES

An audit trail is maintained for all InterUnit transactions starting with the source documents all the way through to the general ledger postings.

The InterUnit transactions processed through Accounts Payable and Billing and Accounts Receivable are posted to the general ledger through the daily distribution interfaces. InterUnit journal entries are posted directly to the general ledger.

InterUnit transactions can be viewed on-line through simple queries where the "Business Unit does not equal Business Unit\_GL" for accounts payable transactions, where the "Business Unit does not equal Deposit\_BU" for



Document  
Number **03-06-02**

## Cost Allocation Manual

Section

InterUnit Accounting

Subject

---

### JOINT PAYMENTS AND JOURNAL TRANSACTIONS

---

AUDIT TRAIL FEATURES  
(Cont'd)

accounts receivable, or where the "Business Unit does not equal Business Unit\_IU" for general ledger journal entries.

InterUnit accounting creates the affiliated accounts receivable and accounts payable transactions. Account numbers are assigned as follows:

- 1) if the accounting is generated by either journal entries or Billing and Accounts Receivable, accounts 1460001 and 2340001 reflect the reciprocal receivable and payable, or
- 2) if InterUnit accounting is generated by Accounts Payable, accounts 1460009 and 2340030 reflect the reciprocal receivable and payable.

AFFILIATED SETTLEMENTS

A settlement process is initiated daily for all InterUnit transactions. Corporate and General Accounting supplies a file to Treasury summarizing each company's net affiliated position for InterUnit transactions. A net payable position results in either increased short-term borrowings or decreased short-term investments in the AEP money pool among money pool participants. A net receivable position results in either increased short-term investments or decreased short-term borrowings in the AEP money pool among money pool participants. Non-money pool participants settle through cash disbursements.



Document  
Number **03-07-01**

## Cost Allocation Manual

Section

Asset Transfers

Subject

---

### OVERVIEW

---

#### SUMMARY

AEP companies, especially AEP's electric utilities, sell plant and equipment among themselves. AEP companies also sell materials and supplies to each other.

#### PLANT AND EQUIPMENT

Plant and equipment generally is sold "at cost" (i.e., net book value) to associate companies in the AEP holding company system.

**03-07-02**

#### MATERIALS AND SUPPLIES

Materials and supplies are generally sold to associate companies "at cost" using the selling company's average unit inventory cost.

**03-07-03**



Document  
Number

**03-07-02**

# Cost Allocation Manual

Section

Asset Transfers

Subject

PLANT AND EQUIPMENT

---

## SUMMARY

The physical integration of AEP's power plants and its many circuit miles of transmission and distribution lines and the use of common parts and equipment allow the AEP companies to achieve cost savings by combining their purchasing needs and improving their ability to respond rapidly to emergency situations throughout the entire network.

Such benefits are achieved in part through exchanges of plant and equipment among affiliated utility companies as conditions warrant. The exchanges take place either through rental arrangements (i.e., loans) or through direct sales.

## GUIDELINES

### Sales

Sales between affiliated regulated utility companies will be transacted at original cost less depreciation, except as permitted by any other applicable order filed with FERC or required by state rule. Sales from regulated affiliates to non-regulated affiliates are priced at higher of cost or market. Sales from non-regulated affiliates to regulated affiliates are priced at lower of cost or market. As allowed by FERC waiver, capitalized spare parts will continue to be transferred between AEP East Utility Companies and AGR at net book value.

AEP Legal-Regulatory is to be informed for the purpose of determining whether any regulatory approvals must be sought.

### Loans

Rental fees for loaned property shall cover all applicable costs. Such costs include cost of capital, depreciation, and taxes.

Date  
August 15, 2018

Page  
1



Document  
Number

**03-07-03**

## Cost Allocation Manual

Section

Asset Transfers

Subject

---

MATERIALS AND SUPPLIES

---

### SUMMARY

AEP's material management groups along with procurement personnel can initiate requests to transfer materials and supplies (M&S) from one AEP storeroom to another. M&S sent from one company's storeroom to an associate company's storeroom results in a sale between companies.

### MONTHLY BILLS TO ASSOCIATE COMPANIES

The company owning the part generates a Monthly bill for M&S shipped during the month to an associate company. This method is used very rarely since most transfers occur through the inter-company journal entries. Each item sold is priced "at cost" using the seller's average unit inventory cost. Stores expense is added as appropriate. All sales are recorded through associated company accounts receivable and accounts payable (i.e., Accounts 146 and 234, respectively).



Document  
Number **04-01-01**

# Cost Allocation Manual

Section

Introduction

Subject

---

## OVERVIEW (DOCUMENTS)

---

### SUMMARY

AEP's state regulatory commissions require certain documents to be maintained in connection with the transactions AEP's regulated utilities have with their affiliates. In some cases, the documents need to be maintained as part of the utility company's Cost Allocation Manual (CAM).

### AFFILIATE CONTRACTS

This manual provides a brief description of all contracts and agreements AEP's regulated utilities have with their affiliates.

**04-02-01**

### DATABASES

Certain databases have been established for reference purposes. The databases described in this manual provide additional information concerning certain subjects in the manual.

**04-03-01**

### JOB DESCRIPTIONS

The Public Utilities Commission of Ohio requires the job descriptions of certain shared and transferred employees to be maintained as part of the electric utility's CAM.

**04-04-01**

### COMPLAINT LOG

The Public Utilities Commission of Ohio requires each electric utility to maintain a log of the complaints the utility receives in connection with the Commission's corporate separation rules. The Commission requires the electric utility to include the complaint log in its CAM.

**04-05-01**



Document  
Number **04-01-01**

# Cost Allocation Manual

Section

Introduction

Subject

---

OVERVIEW (DOCUMENTS)

---

BOARD OF DIRECTORS

The Public Utilities Commission of Ohio requires each electric utility in Ohio to keep a copy of the minutes from its board of directors meetings in its CAM.

**04-06-01**

---

Date  
July 13, 2009

---

Page  
2



Document  
Number **04-02-01**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### OVERVIEW

---

SUMMARY	The AEP System's regulated utilities provide products and services to affiliates and receive products and services from affiliates under various contracts and agreements. Copies of the contracts and agreements are maintained in an electronic database that is incorporated in this manual by reference.	
SERVICE AGREEMENTS	AEP's electric utilities receive services from AEPSC. The electric utilities provide incidental services to each other as well as to AEPSC.	<b>04-02-02</b>
MINING AND TRANSPORTATION	AEP System affiliates provide coal mining, coal preparation and coal handling services as well as transportation services to AEP's regulated utilities.	<b>04-02-03</b>
CONSULTING SERVICES	Engineering and consulting services are provided by AEP's regulated utilities to certain non-regulated affiliates and vice versa.	<b>04-02-04</b>
JOINT OPERATING AGREEMENTS	Certain AEP facilities are jointly owned and operated.	<b>04-02-05</b>
TAX AGREEMENT	American Electric Power Company, Inc. and its AEP System affiliates file a consolidated Federal income tax return and share the consolidated tax liability.	<b>04-02-06</b>



Document  
Number **04-02-01**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  

---

Subject

### OVERVIEW

---

#### MONEY POOL AGREEMENT

AEP and certain of its regulated subsidiaries participate in the AEP System Money Pool. The Money Pool is designed to efficiently match the available cash and short-term borrowing requirements of their participants, minimizing the need for them to borrow from external sources.

**04-02-07**

#### NONUTILITY MONEY POOL AGREEMENT

AEP, and certain of its unregulated subsidiaries participate in the AEP System Nonutility Money Pool. The Nonutility Money Pool is designed to efficiently match the available cash and short-term borrowing requirements of their participants, minimizing the need for them to borrow from external sources.

**04-02-08**



Document  
Number **04-02-02**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### SERVICE AGREEMENTS

---

#### SUMMARY

AEPSC provides various services to the AEP System's regulated utilities and non-regulated affiliates under a standard service agreement with each of the companies served. The regulated utilities also provide services to each other and to AEPSC under other agreements.

#### AEPSC SERVICE AGREEMENT

AEPSC has a service agreement, in a standard format, with each of the AEP System companies it serves. All agreements are dated June 15, 2000, unless the client company was formed after that date. In addition APCO and Wheeling have updated service agreements dated May 15, 2008. The types of services provided by AEPSC are listed in Document Number **01-03-02** by category and description.

#### AEPSC SERVICE AGREEMENT WITH TRANSMISSION COMPANIES

AEPSC has a service agreement, in a standard format, with each of the AEP Transmission companies it serves. The agreements have various effective dates depending on when the client company was formed. The types of services provided by AEPSC are included in the list in Document Number **01-03-02** by category and description.

#### AFFILIATED TRANSACTIONS AGREEMENT

The Affiliated Transactions Agreement, dated December 31, 1996, is among Appalachian Power Company, Columbus Southern Power Company (Which was merged into Ohio Power Company effective December 31, 2011), Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company, Wheeling Power Company and AEPSC.

This agreement covers the provision of incidental services, the sale of goods, and use of facilities and vehicles among the participating companies.

Date  
August 18, 2016

Page  
1



Document  
Number

04-02-02

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### SERVICE AGREEMENTS

---

OPERATING COMPANY  
SERVICE AGREEMENT  
WITH TRANSMISSION  
COMPANIES

Each Transmission company has a standard affiliate service agreement with the operating company in its jurisdiction. The agreements have various effective dates depending on when the Transmission Company was formed.

This agreement covers services in connection with the operation of each Transmission Company's transmission assets. The agreements also contain a provision appointing the operating company as agent for licensing space on the transmission company's facilities.

CSW SYSTEM GENERAL  
AGREEMENT

The CSW System General Agreement, effective June 1, 1999, is among AEPSC, Central Power and Light, now AEP Texas Central, Public Service Company of Oklahoma, Southwestern Electric Power Company, West Texas Utilities Company, now AEP Texas North and other CSW subsidiaries including CSW Energy, Inc., CSW International, Inc., CSW Credit, Inc., CSW Leasing, Inc., C3 Communications, Inc., CSW Energy Services, Inc., and EnerShop Inc. AEPSC is the successor of Central and South West Services, Inc.

This agreement is intended to provide written documentation governing certain transactions between the CSW electric operating companies and by and between the CSW electric operating companies and other CSW subsidiaries to the extent such matters are not addressed in other written agreements.

Date  
August 18, 2016

Page  
2



Document  
Number **04-02-02**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### SERVICE AGREEMENTS

---

#### MUTUAL ASSISTANCE AGREEMENT

The Mutual Assistance Agreement, dated July 30, 1987, is among Appalachian Power Company, Columbus Southern Power Company (Which was merged into Ohio Power Company effective December 31, 2011), Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company, and Wheeling Power Company.

This agreement allows any participating company to request emergency aid from any one or more of the other participating companies for the purpose of restoring electric service caused by natural disasters and other emergencies.

#### CENTRAL MACHINE SHOP AGREEMENT

The Central Machine Shop Agreement, dated January 1, 1979, is among Appalachian Power Company and the Companies affiliated with American Electric Power, Inc.

This agreement covers machine shop services provided by Appalachian Power Company to affiliates within the AEP System.

#### SYSTEM INTEGRATION AGREEMENT

The System Integration Agreement, as amended, is among Appalachian Power Company, Kentucky Power Company, Ohio Power Company, Columbus Southern Power Company (Which was merged into Ohio Power Company effective December 31, 2011), Indiana Michigan Power Company, and their agent AEPSC; Public Service Company of Oklahoma, Southwestern Electric Power Company, and AEPSC.

This agreement provides the contractual basis for coordinated planning, operation, maintenance of the power supply resources of the AEP East Zone and the AEP West Zone to achieve economies consistent with the

---

Date  
August 18, 2016

---

Page  
3



Document  
Number

04-02-02

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### SERVICE AGREEMENTS

---

provision of reliable electric service and an equitable sharing of the benefits and costs of such coordinated arrangements. This agreement is intended to apply in addition to and not in lieu of the AEP Interconnection Agreement and [CSW] Operating Agreement.

Power Coordination  
Agreement

The Power Coordination Agreement ("PCA"), effective 1/1/2014, is among Appalachian Power Company ("APCo"), Indiana Michigan Power Company ("I&M"), Kentucky Power Company ("KPCo"), and, effective 6/1/2015, Wheeling Power Company ("WPCo" and, collectively with APCo, I&M, and KPCo, the "Operating Companies"), and American Electric Power Service Corporation ("AEPSC") as agent to APCo, I&M, KPCo, and WPCo.

This agreement provides for a contractual basis for coordinating the power supply resources of the Operating Companies to achieve economies and efficiencies consistent with the provision of reliable electric service and an equitable sharing of the benefits and costs of such coordinated arrangements. This Agreement is based on the premise that each Operating Company will maintain sufficient long-term power supply resources to meet its Internal Load requirements. Further, the PCA allows, but does not obligate, the Operating Companies to participate collectively under a common fixed resource requirement capacity plan in PJM and to participate in specified collective off-system sales and purchase activities.

Bridge Agreement

The Bridge Agreement, effective 1/1/2014, is among Appalachian Power Company ("APCo"), Indiana Michigan Power Company ("I&M"), Kentucky Power Company ("KPCo"), Ohio Power Company ("OPCo" and, collectively with APCo, I&M and KPCo, the "Operating Companies"), AEP

Date  
August 18, 2016

Page  
4



Document  
Number **04-02-02**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### SERVICE AGREEMENTS

---

Generation Resources Inc. ("AEP Generation Resources") and American Electric Power Service Corporation ("Agent" and, collectively with APCo, I&M, KPCo, OPCo and AEP Generation Resources, the "Parties").

This agreement is an interim arrangement to:  
(a) address the treatment of purchases and sales made by AEPSC on behalf of the Operating Companies that extend beyond termination of the Interconnection Agreement

#### OPERATING AGREEMENT

The [CSW] Operating Agreement (CSW no longer exists), dated January 1, 1997, is among CSWS, Central Power and Light Company, Public Service Company of Oklahoma, Southwestern Electric Power Company and West Texas Utilities Company.

A restated and amended operating agreement for Public Service Company of Oklahoma and Southwestern Electric Power Company was signed December 21, 2001.

This agreement provides the contractual basis for a single interconnected electric system through the coordinated planning, construction, operation, and maintenance of the above mentioned companies' electric supplies. CSWS has been designated to act as Agent for this agreement.

#### SYSTEM TRANSMISSION INTEGRATION AGREEMENT

The System Transmission Integration Agreement, dated June 15, 2000, is among Appalachian Power Company, Kentucky Power Company, Ohio Power Company, Columbus Southern Power Company (Which was merged into Ohio Power Company effective December 31, 2011), Indiana Michigan Power Company, and their agent AEPSC; and Public Service Company of Oklahoma, Southwestern Electric Power Company, Central Power and Light, now AEP

Date  
August 18, 2016

Page  
5



Document  
Number **04-02-02**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### SERVICE AGREEMENTS

---

Texas Central, West Texas Utilities, now AEP Texas North, and their agent CSWS (succeeded by AEPSC).

This agreement provides the contractual basis for coordinated planning, operation and maintenance of the AEP East Zone and the AEP West Zone System Transmission Facilities to achieve economies consistent with the provision of reliable electric service and an equitable sharing of the benefits and costs of such coordinated arrangements.

#### TRANSMISSION AGREEMENT

The Transmission Agreement, dated April 1, 1984, is among Appalachian Power Company, Columbus Southern Power Company (Which was merged into Ohio Power Company effective December 31, 2011), Indiana Michigan Power Company, Kentucky Power Company, and Ohio Power Company (Members) and AEPSC (Agent).

This agreement provides for the equitable sharing of costs incurred among the Members for their respective high-voltage and extra high-voltage transmission facilities. This agreement is administered by AEPSC.

#### AEP SYSTEM TRANSMISSION CENTER AGREEMENT

AEP SYSTEM TRANSMISSION AGREEMENT, dated December 1, 2009 between Ohio Power Company and the AEP West operating companies (AEP Texas Central Company, AEP Texas North Company, Public Service Company of Oklahoma, and Southwestern Electric Power Company).

This agreement provides for the West Operating Companies to make use of the AEP Transmission Training Center facilities located in Pataskala, OH and owned by AEP Power for the training of transmission line personnel employed by the West Operating Companies.



Document  
Number

04-02-02

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### SERVICE AGREEMENTS

---

TRANSMISSION  
COORDINATION AGREEMENT

This agreement, dated January 1, 1997 and revised October 29, 1999, is among Central Power and Light Company, West Texas Utilities Company, Public Service Company of Oklahoma, and Southwestern Electric Power Company.

This agreement provides for the equitable sharing of costs incurred and revenues earned among the members for their respective transmission systems.

THIRD AMENDED AND  
RESTATED AGENCY  
AGREEMENT (ACCOUNTS  
RECEIVABLE)

This agreement, dated August 25, 2004 as amended March 22, 2006 and January 30, 2008, is among AEP Credit, Inc. and certain AEP electric companies.

This agreement provides for the sale by the operating companies to AEP Credit, Inc. of accounts receivables arising from the sale and delivery of electricity, gas and other related services in the normal course of business.

THIRD AMENDED AND  
RESTATED PURCHASE  
AGREEMENT (ACCOUNTS  
RECEIVABLE)

This agreement, dated August 25, 2004 as amended March 22, 2006 and January 30, 2008 is among AEP Credit, Inc. and certain AEP electric companies.

This agreement provides for the agent (Operating Companies) to take any and all steps on behalf of AEP Credit to collect all amounts due under any or all of the receivables arising from the sale and delivery of electricity, gas and other related services in the normal course of business.

ENERGY CONSERVATION  
MEASURE UTILITY/ENERGY  
SERVICE COMPANY AGENCY

This agreement, dated December 22, 1997, is between West Texas Utilities, Inc. and EnerShop, Inc (EnerShop not longer exists).

Date  
August 18, 2016

Page  
7



Document  
Number

04-02-02

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### SERVICE AGREEMENTS

---

#### AGREEMENT

West Texas Utilities, Inc. (WTU) has signed an Energy Conservation Measures Agreement with the United States Government relating to the refurbishing and upgrading of US Government facilities located within the service territory of WTU. EnerShop is authorized as the agent for WTU in completing any Delivery/Task Orders agreed to by WTU and the US Government. These Orders are for energy conservation projects.

#### FRANKLIN AND INDIANA FRANKLIN PURCHASE CONTRACTS

Franklin Real Estate Company (Franklin) and Indiana Franklin Realty, Inc. (Indiana Franklin) have purchase contracts with AEP's electric utilities (various dates).

The contracts provide that Franklin and Indiana Franklin (Sellers) may buy, sell, hold title to, or lease real estate as agents for the benefit of the respective electric utilities (i.e., each Purchaser).

#### INDIAN MESA INTERCONNECTION AGREEMENT

The Interconnection Agreements dated March 19, 2001, are between West Texas Utilities, now AEP Texas North and Indian Mesa Power Partners, LP (Generator). These two agreements provide for the interconnection of WTU, now AEP Texas North's transmission system to the Generator's electric generating facilities (Plant) built in two (2) phases. The interconnection of each phase of the Plant is provided by the separate agreements.

#### ELECTRIC TRANSMISSION TEXAS SERVICE AGREEMENT

This agreement, dated December 21, 2007 is between Electric Transmission Texas (ETT) and AEPSC.

This agreement covers the provision of services by AEPSC for ETT related to (i)the



Document  
Number **04-02-02**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### SERVICE AGREEMENTS

---

evaluation and permitting of electric transmission projects by ETT; (ii) budgeting and scheduling services, the preparation of construction documents, land acquisition services, engineering services, procurement services, construction services, and the compilation of project records, relating to the construction of electric transmission projects by ETT; (iii) operation and maintenance of its electric transmission projects; (iv) legal, human resources, environmental services, payroll, cash management, financial, billing, collection, accounts-payable, risk management, regulatory affairs, accounting, tax, and other business functions.

PATH WEST VIRGINIA  
TRANSMISSION COMPANY  
SERVICE AGREEMENT

This agreement, dated September 1, 2007 (PATH) is between PATH West Virginia Transmission Company, LLC and AEP T&D Services, LLC.

This agreement covers the provision of services by AEP T&D Services, LLC for PATH relating to designing, engineering, siting, acquiring right-of-way for procuring, permitting, construction, commissioning, financing, owning, operating, and maintaining certain electric transmission and interconnection facilities.

Date  
August 18, 2016

Page  
9



Document Number **04-02-03**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

### MINING AND TRANSPORTATION

#### SUMMARY

AEP System affiliates acquire coal for and provide for transporting coal to AEP's regulated utilities. With respect to certain affiliated power plants, AEP System affiliates may provide coal mining, coal preparation and/or coal transloading services.

#### COAL MINING (including lignite)

The following table lists the mining agreements between AEP's electric utilities and their mining subsidiaries:

<i>DATE</i>	<i>PARTIES</i>
05-31-01	Southwestern Electric Power Company and Dolet Hills Lignite Company LLC.

This agreement provides that the above mentioned mining company agree to mine, extract, remove, prepare and sell the coal or lignite they mine from their lands and, in some cases, from lands owned by the electric utility. The electric utility, in turn, agrees to purchase the coal and lignite. Certain AEP mines have been closed but continue to incur mine shutdown costs.

#### COAL TRANSPORTATION

There are several contracts under which AEP's electric utilities receive coal transportation services from affiliates.

#### BARGE TRANSPORTATION

The Barge Transportation Agreement, dated May 1, 1986 and amended September 12, 2013, and amended May 9, 2019 is among Appalachian Power Company, Ohio Power Company, AEP Generating Company and Kentucky Power Company (Shippers) and the River Transportation Division of Indiana Michigan Power Company (Division).

This agreement provides for the Shippers to furnish and deliver coal to the Division at



Document  
Number **04-02-03**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### MINING AND TRANSPORTATION

---

loading points along certain rivers and to accept delivery of such coal at designated delivery points and pay for the services of the Division in receiving, transporting and delivering such coal.

COAL TRANSFER-COOK  
COAL TERMINAL

The Amended and Restated Cook Coal Transfer Agreement - Cook Coal Terminal, dated December 16, 2013, is between AEP Generating Company (Operator) and Ohio Power Company, Indiana Michigan Power Company, Kentucky Power Company and Appalachian Power Company (Users).

This agreement provides for the Operator to unload coal for the Users from unit trains, transfer such coal from the unloading point at the terminal, re-load such coal on barges, and perform other related services at the terminal.

RAIL CAR USE

The AEP System Rail Car Use Agreement, dated April 1, 1982, is among Indiana Michigan Power Company, Appalachian Power Company and Ohio Power Company. It was amended effective July 1, 2006 to add Public Service Company of Oklahoma and Southwestern Electric Power Company as parties to the agreement. It was amended again effective September 12, 2013 to add Kentucky Power Company as a party to the agreement.

This agreement provides that coal hopper cars leased or otherwise deployed by the above parties be made available for the mutual benefit of each party without regard to lease ownership by a specific party but on the basis of proximity and availability for use, and other dispatching considerations.

Date  
March 15, 2021

Page  
2



Document  
Number **04-02-03**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

MINING AND TRANSPORTATION

---

### RAILCAR MAINTENANCE

The Rail Car Maintenance Agreement, dated August 1, 2013, is among AEP Generating Company (Provider), Ohio Power Company, Appalachian Power Company, Kentucky Power Company, Public Service of Oklahoma Southwestern Electric Power Company and Indiana Michigan Power Company.

This agreement provides for AEP Generating Company to furnish routine, preventive and other maintenance to the railroad hopper cars owned or leased by Appalachian Power Company, Kentucky Power Company, Public Service of Oklahoma Southwestern Electric Power Company and Indiana Michigan Power Company.

The Rail Car Maintenance Facility Agreement, dated July 29, 1997, is among SWEPCO, CPL, now AEP Texas Central, PSO.

A unit train rail car maintenance facility near Alliance, Nebraska has been established. SWEPCO is the majority owner and operates the facility. The actual cost of inspection and maintenance of individual rail cars and other expenses directly assignable to a specific rail car shall be paid by the party owning the rail car. Non-assignable costs are shared based on the direct labor charges for rail cars actually repaired or inspected per party in ratio to the total direct labor charges for all cars owned by the parties repaired at the facility during the month.

Date  
March 15, 2021

Page  
3



Document  
Number **04-02-04**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### CONSULTING SERVICES

---

#### SUMMARY

This document identifies the consulting services agreements AEP's regulated utilities have with certain non-regulated affiliates.

AEP PRO SERV, INC.  
formerly AEP Resources  
Service Company, AEP  
Resources Engineering  
& Services Company  
and AEP Energy Services,  
Inc.)

The following table lists the consulting agreements between the AEP electric utilities and AEP Pro Serv, Inc. referred to as the "Client". These agreements allow the Client to utilize certain services, properties and resources of the AEP electric utilities to sell management, technical and training services and expertise to non-affiliate companies.

<i>DATE</i>	<i>PARTIES</i>
04-08-1983	Indiana Michigan Power Company and AEP Pro Serv, Inc.
04-08-1983	Ohio Power Company and AEP Pro Serv, Inc.
07-07-1983	Kingsport Power Company and AEP Pro Serv, Inc.
07-07-1983	Kentucky Power Company and AEP Pro Serv, Inc.
10-03-1983	Appalachian Power Company and AEP Pro Serv, Inc.
10-03-1983	Wheeling Electric Company and AEP Pro Serv, Inc.



Document  
Number **04-02-04**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### CONSULTING SERVICES

---

AEP ENERGY SERVICES,  
INC. (formerly AEP  
Energy Solutions, Inc.)

The table which starts on the next page lists the consulting agreements between the AEP electric utilities and AEP Energy Services, Inc. (Client). These agreements allow the Client to utilize certain services, properties and resources of the electric utilities to broker and market energy commodities.

<i>DATE</i>	<i>PARTIES</i>
09-27-1996	Ohio Power Company and AEP Energy Services, Inc.
09-27-1996	Kingsport Power Company and AEP Energy Services, Inc.
09-27-1996	Kentucky Power Company and AEP Energy Services, Inc.
09-27-1996	Indiana Michigan Electric Company and AEP Energy Services, Inc.
01-09-1997	Wheeling Power Company and AEP Energy Services, Inc.
03-06-1997	Appalachian Power Company and AEP Energy Services, Inc.



Document  
Number **04-02-05**

## Cost Allocation Manual

Section  
Affiliated Contracts with Regulated  
Companies  
Subject

---

### JOINT OPERATING AGREEMENTS

---

#### SUMMARY

Certain other AEP facilities are jointly owned and/or operated.

#### PHILIP SPORN PLANT AGREEMENT

The Sporn Plant Operating Agreement, dated January 1, 2014, is between Appalachian Power Company and AEP Generation Resources Inc. ("Owners") and American Electric Power Service Corporation ("Agent").

Appalachian Power Company ("APCO") owns Sporn Unit Nos. 1 and 3) and AEP Generation Resources Inc. ("AEPGR") owns Sporn units 2, 4 and 5). The Sporn Plant retired in May 2015. Under the Agreement, APCO bills AEPGR for its share of the post-retirement costs that APCO incurs at Sporn Plant.

#### MITCHELL PLANT

The Mitchell Plant Operating Agreement, dated January 31, 2015, is between Kentucky Power Company and Wheeling Power Company ("Owners") and American Electric Power Service Corporation ("Agent").

Kentucky Power Company and Wheeling Power Company have an undivided ownership interest in Mitchell Plant which consists of two 800 megawatt generating units. The Owners desire that Kentucky Power Company operate and maintain Mitchell Plant.



Document  
Number **04-02-05**

## Cost Allocation Manual

Section  
Affiliated Contracts with Regulated  
Companies  
Subject

---

### JOINT OPERATING AGREEMENTS

---

EAST HVDC  
INTERCONNECTION AGREEMENT

This agreement, dated August 3, 1995, is among Southwestern Electric Power Company, CSW, now AEP Texas, Houston Lighting and Power Company (now Reliant Energy, HLP) and Texas Utilities Electric Company.

This agreement covers certain high voltage direct current (HVDC) conversion and related alternating current transmission defined as the HVDC Interconnection located in Titus County.

SWEPCO operates the facility. It owns certain of the alternating current facilities and charges the other participants a facility charge based on their ownership interest in the HVDC Project. SWEPCO also bills operational and maintenance charges it incurs as the operator based on ownership interest.

OKLAUNION UNIT NO.1  
CONSTRUCTION, OWNERSHIP  
AND OPERATING AGREEMENT  
(Also known as the  
Participation Agreement)

This agreement, dated April 26, 1985 (as amended on August 14, 1985) is among Public Service Company of Oklahoma, AEP Texas North, now AEP Texas, the Oklahoma Municipal Power Authority and the City of Brownsville, Texas.

The Oklaunion Power Unit No. 1 is a 720 MW western coal fired steam generator. It is located on 1937.2 acres in Wilbarger County, Texas. This agreement is for the construction, ownership and operation of Oklaunion Power Unit 1.

OKLAUNION HVDC PROJECT  
CONSTRUCTION, OWNERSHIP  
AND OPERATING AGREEMENT

This agreement, dated September 14, 1988, is among PSO, AEP Texas North Company now AEP Texas and Central and South West Services, Inc.

PSO and TNC own, and PSO operates the project known as the Oklaunion HVDC Tie located in Wilbarger County, Texas.



Document  
Number

**04-02-06**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies  
Subject

---

### TAX AGREEMENT

---

#### SUMMARY

American Electric Power Company, Inc. (AEP) joins in filing a consolidated federal income tax return with its affiliates in the AEP holding company system.

#### TAX AGREEMENT

The AEP System tax agreement, among other things, sets forth the companies' agreement to annually join in the filing of a consolidated federal income tax return and the method under which to allocate the consolidated tax to the system companies. This agreement permits the allocation of the benefit of current tax losses utilized to the System companies giving rise to them in determining their current tax expense.

The tax loss of AEP is allocated to its subsidiaries with taxable income. With the exception of the loss of AEP, the method of allocation approximates a separate return result for each company in the consolidated group.



Document  
Number

**04-02-07**

## Cost Allocation Manual

Section  
Affiliate Contracts with Regulated  
Companies

Subject  
AEP SYSTEM AMENDED AND RESTATED MONEY POOL  
AGREEMENT

---

### SUMMARY

The AEP System Utility Money Pool Agreement is an arrangement whereby the participants in the Utility Money Pool lend to and borrow from each other on a short-term basis.

### DESCRIPTION

The AEP System Amended and Restated Money Pool Agreement, dated November 3, 2017, is among and between AEP, American Electric Power Service Corporation, and AEP Utility Funding LLC and regulated direct and indirect operating and certain other subsidiaries each of which are signatories to the Agreement or have become signatories.

The Agreement gives participants the right to borrow from the pool and invest their excess funds in the pool.

A further description of the Utility Money Pool is contained in another section of this manual (see the Table of Contents or the Alphabetic Subject Index to find the applicable Document Number).

Date  
February 22, 2018

Page

1



Document  
Number

**04-02-08**

## **Cost Allocation Manual**

Section  
Affiliate Contracts with Regulated  
Companies

---

Subject  
AEP SYSTEM AMENDED AND RESTATED NONUTILITY  
MONEY POOL AGREEMENT

---

### SUMMARY

The AEP System Nonutility Money Pool Agreement is an arrangement whereby the participants in the Nonutility Money Pool lend to and borrow from each other on a short-term basis.

### DESCRIPTION OF THE AGREEMENT

The AEP System Fourth Amended and Restated Nonutility Money Pool Agreement, dated May 1, 2012, is between AEP, and American Electric Power Service Corp., AEP Nonutility Funding LLC certain and unregulated direct and indirect subsidiaries of AEP each of which are signatories to the Agreement or have become signatories.

The Agreement gives each pool participant the right to borrow from the pool and to invest excess funds in the pool.

A further description of the Nonutility Money Pool is contained in another section of this manual (see the Table of Contents or the Alphabetic Subject Index to find the applicable Document Number).



Document  
Number **04-03-01**

# Cost Allocation Manual

Section

Databases

Subject

---

## OVERVIEW

---

### SUMMARY

Certain databases have been established for employee reference purposes.

### CHARTFIELD VALUES

A separate database can be used to view certain chartfield values. The chartfield database contains the most current information regarding the various chartfield values and descriptions.

**04-03-02**

### AFFILIATE AGREEMENTS

Copies of all agreements between AEP regulated utilities and their affiliates are kept in Company files.

**04-03-03**



Document  
Number

**04-03-02**

# Cost Allocation Manual

Section

Databases

Subject

## CHARTFIELD VALUES

### SUMMARY

Several chartfield databases have been established for employee reference purposes. A web link provides a menu for accessing the separate databases and tools. The chartfield databases contain the most current information regarding the various chartfield values and descriptions and links to the same information regarding work orders.

### INSTRUCTIONS FOR VIEWING

<https://sharenow2.sp.aepsc.com/shsvcs/cfieldport/SitePages/ChartFieldHome.aspx>

The Chartfield Databases Portfolio (or Chartfield Portfolio) collects all the databases containing chartfield information into one place. By accessing the portfolio, you are going to the one place where all the most current chartfield values are available. provides views and extensive search capabilities to help you find the appropriate chartfield value. If you need more information on this database, please contact Bobbi Epley (audinet 200-1799) or Kim Bothager (audinet 200-2771).

FINANCE CHARTFIELDS	PROJECT CHARTFIELDS	VALIDATION TOOLS
<a href="#">GL Business Units</a>	<a href="#">Benefiting Locations</a>	<a href="#">Validate Chartfield Values</a>
<a href="#">Account</a>	<a href="#">AEPSC Work Orders</a>	<a href="#">Find Projects</a>
<a href="#">Departments</a>	<a href="#">UT Work Orders</a>	<a href="#">Find Work Orders</a>
<a href="#">State/Jurisdiction</a>	<a href="#">NR Work Orders</a>	
<a href="#">Products</a>		
<a href="#">ABM Activity</a>		
<a href="#">Cost Components</a>		
<a href="#">Resource Subcategory(Includes Tracking Codes)</a>		

REQUEST A CHARTFIELD
<a href="#">Chartfield Request</a>
<a href="#">AEPSC Work Order Request</a>
<a href="#">UT Work Order Request</a>
<a href="#">NR Work Order Request</a>



Document  
Number

**04-03-03**

# Cost Allocation Manual

Section

Databases

Subject

---

## AFFILIATE AGREEMENTS

---

### SUMMARY

An affiliated contracts Sharepoint site exists for reference purposes. A SharePoint web-link provides a method for accessing this information. The affiliated contracts Sharepoint site contains copies of the affiliated contracts.

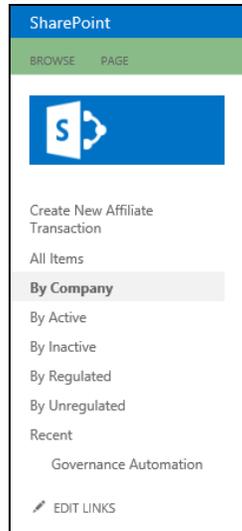
### INSTRUCTIONS FOR ACCESSING SHAREPOINT

Enter the below address into web browser:

<https://sharenow2.sp.aepsc.com/shsvcs/ACA/SitePages/Home.aspx>

### INSTRUCTIONS FOR VIEWING

To view the appropriate affiliate contract, use the category groups on the left panel and click on the name of the contract.



### SECURITY ACCESS

The CAM Administrator grants access to the affiliated contracts SharePoint site on an as needed basis.



Document  
Number

**04-04-01**

# Cost Allocation Manual

Section

Job Descriptions

Subject

---

## OVERVIEW

---

### SUMMARY

The corporate separation rules adopted by the Public Utilities Commission of Ohio (PUCO) require the electric utility, as defined in the rules, to maintain a copy of each shared employee's job description in its Cost Allocation Manual (CAM). In addition, the CAM shall include a copy of all transferred employees' previous and new job descriptions.

The corporate separation rules define "employees" as "all full-time or part-time employees of an electric utility or its affiliates, as well as consultants, independent contractors or any other persons, performing various duties or obligations on behalf of or for an electric utility or its affiliates."

Job descriptions are not required, nor are they maintained, for consultants, independent contractors or any other persons who are not actual employees of the electric utility or its AEP affiliates.

### SHARED EMPLOYEES

Job descriptions for all employees who are shared between AEP's PUCO regulated electric utilities and any affiliate that provides a competitive retail electric service, or that provides a non-electric product or service to customers, are incorporated in this manual by reference.

**04-04-02**

### TRANSFERRED EMPLOYEES

The required previous and current job descriptions for employees transferred from AEP's PUCO regulated electric utilities to any affiliate that provides a competitive retail electric service, or that provides a non-electric product or service to



Document  
Number **04-04-01**

# Cost Allocation Manual

Section

Job Descriptions

Subject

---

OVERVIEW

---

TRANSFERRED EMPLOYEES  
(Cont'd)

customers, are incorporated in this manual  
by reference.

**04-04-03**



Document  
Number

04-04-02

## Cost Allocation Manual

Section

Job Descriptions

Subject

SHARED EMPLOYEES (PUCO)

### SUMMARY

4901:1-37-04 (A)(4) of the Public Utilities Commission of Ohio's (PUCO's) corporate separation rules states that an electric utility may not share employees and/or facilities with any affiliate, if the sharing, in any way, violates the code of conduct provisions contained in its corporate separation rules.

In addition, 4901:1-37-08 (D)(4) and 4901:1-37-04 (A) (5) of the corporate separation rules require the electric utility to maintain a copy of each shared employee's job description in its Cost Allocation Manual and to ensure that all shared employees appropriately record and charge their time based on fully allocated costs.

### DEFINITION OF SHARED EMPLOYEE

In the corporate separation plans filed by Columbus Southern Power Company (Which was merged into Ohio Power Company effective December 31, 2011) (Case No. 99-1730-EL-ETP), the respondents defined a "shared employee" as:

*Any employee of the electric utility, or any affiliate which provides a competitive retail electric service or which provides a non-electric product or service to customers (i.e., the Separate AEP Companies), or a consultant, independent contractor, or any other person performing various duties or obligations on behalf of the electric utility or the Separate AEP Companies, whose more than incidental job duties and responsibilities are divided between the electric utility and any Separate AEP Companies for other than emergency purposes.*

### PROCEDURE

For purposes of this manual, job descriptions for shared employees who are true employees of the electric utility or any Separate AEP

Date

July 31, 2013

Page

1



Document  
Number

04-04-02

## Cost Allocation Manual

Section

Job Descriptions

Subject

SHARED EMPLOYEES (PUCO)

### PROCEDURE (Cont'd)

Company are included in this manual by reference and, as such, are part of this manual.

Job descriptions are not maintained for consultants, independent contractors or other persons who are shared but are not actual employees of the electric utility or the Separate AEP Companies. However, a list of such persons will be maintained. The list will identify the name of each such person and the name of the person's actual employer. The list, which will be prepared at least every six months, is incorporated in this manual by reference and, as such, is part of this manual.

### RESPONSIBILITY

AEP Service Corporation's Human Resources Department, working with AEP's various business units, will prepare, on behalf of AEP's PUCO regulated electric utilities, the required job descriptions for all shared employees; and it will also maintain the required list of other shared persons who are not actual employees.

### TIME CHARGES

AEP's time reporting systems are designed to ensure that salary and salary-related costs are properly allocated by requiring employees, using positive time reporting, to charge their time to the appropriate accounting codes. All time charges are allocated and billed on a fully allocated cost basis as defined in the PUCO's Corporate Separation rules.

---

*[NOTE: Other state commissions have established requirements relative to shared employees. See TAB 02, Section 04 of this manual for further information.]*

Date  
July 31, 2013

Page  
2



Document  
Number

**04-04-03**

## Cost Allocation Manual

Section

Job Descriptions

Subject

TRANSFERRED EMPLOYEES (PUCO)

---

### SUMMARY

4901:1-37-08 (D)(6) of the Public Utilities Commission of Ohio's (PUCO's) corporate separation rules require electric utilities, as defined in the rules, to add to their Cost Allocation Manuals (CAMs) a copy of all transferred employees' previous and new job descriptions.

### DEFINITION OF TRANSFERRED EMPLOYEE

A "transferred employee" is any full-time or part-time employee of the electric utility, as well as any consultant, independent contractor or any other person, who performs various duties or obligations for or on behalf of the electric utility, that transfers from the electric utility to any affiliate which provides a competitive retail electric service or which provides a non-electric product or service to customers (i.e., the Separate AEP Companies).

### PROCEDURE

For purposes of this manual, previous and new job descriptions for all true employees of the electric utility that transfer to a Separate AEP Company are included in this manual by reference and, as such, are part of this manual.

Job descriptions are not maintained for consultants, independent contractors or other persons who are not true employees of the AEP System. However, a list of all such persons who transfer from the electric utility to a Separate AEP Company will be maintained. The list will identify the name of each such person and the name of the person's actual employer. The list, which will be prepared at least every six months, is incorporated in this manual by reference and, as such, is part of this manual.



Document  
Number

**04-04-03**

## Cost Allocation Manual

Section

Job Descriptions

Subject

TRANSFERRED EMPLOYEES (PUCO)

---

### RESPONSIBILITY

AEP Service Corporation's Human Resources Department, working with AEP's various business units, will prepare, on behalf of any AEP electric utility regulated by the PUCO, the required job descriptions for all employees who transfer from the electric utility to a Separate AEP company. A list of all such persons who transfer from the electric utility to a separate AEP Company will be maintained electronically. Information stored will include the name of each such person and the name of the person's actual employer. The list, which can be prepared at any time upon request, is incorporated in this manual by reference and, as such, is part of this manual. Human Resources will also maintain the required list of other transferred persons who are not actual employees of the AEP System.

---

*[NOTE: Other state commissions have established requirements relative to transferred employees. See TAB 02, Section 04 of this manual for further information.]*



Document  
Number **04-05-01**

# Cost Allocation Manual

Section

Complaint Log

Subject

---

OVERVIEW

---

## SUMMARY

The corporate separation rules adopted by the Public Utilities Commission of Ohio require Columbus Southern Power Company (Which was merged into Ohio Power Company effective December 31, 2011) to establish a complaint procedure for issues related to their respective corporate separation plans.

## COMPLAINT LOG

A log of complaints brought to the electric utility must be maintained as part of the electric utility's Cost Allocation Manual.

**04-05-02**



Document  
Number

**04-05-02**

## Cost Allocation Manual

Section

Complaint Log

Subject

---

CORPORATE SEPARATION (PUCO)

---

### SUMMARY

4901:1-37-05 (B) (14) and 4901:1-37-08 (D)(8) of the Public Utilities Commission of Ohio's (the PUCO's) corporate separation rules require the electric utilities, as defined in the rules, to establish a complaint procedure for issues concerning compliance with the PUCO's corporate separation rules and a log of complaints brought to the utility to be included in its CAM.

### RESPONSIBILITY

AEP's Chief Compliance Officer will follow the procedures for handling such complaints as set forth in the PUCO's rules and as stated in the corporate separation plans filed by Columbus Southern Power Company (Which was merged into Ohio Power Company effective December 31, 2011) and Ohio Power Company.

### CAM REQUIREMENTS

The required complaint log is incorporated in this manual by reference and, as such, is part of this manual.



Document  
Number **04-06-01**

## Cost Allocation Manual

Section

Board of Directors Minutes

Subject

OVERVIEW

---

### SUMMARY

The corporate separation rules adopted by the Public Utilities Commission of Ohio (PUCO) require Columbus Southern Power Company (Which was merged into Ohio Power Company effective December 31, 2011), or any successor electric utility company operating in the state of Ohio, to incorporate a copy of the minutes of each of their board of directors meetings in their Cost Allocation Manual (CAM).

### COPIES

The required minutes are incorporated in this manual by reference.

**04-06-02**



Document  
Number

**04-06-02**

## **Cost Allocation Manual**

Section

Board of Directors Minutes

Subject

COPIES (PUCO)

---

### SUMMARY

4901:1-37-08(D)(9) of the PUCO's corporate separation rules require electric utilities to incorporate their minutes of each board of directors meeting in their Cost Allocation Manual (CAM) as a structural safeguard for a minimum period of three years.

### RESPONSIBILITY

AEP's Legal Department maintains the required minutes as described in the corporate separation plans filed by Columbus Southern Power Company (Which was merged into Ohio Power Company effective December 31, 2011) and Ohio Power Company.

### CAM REQUIREMENTS

The required minutes are incorporated in this manual by reference and, as such, are part of this manual.

Date  
July 31, 2013

Page  
1



Document  
Number

**04-07-01**

# Cost Allocation Manual

Section

Tariff Provisions

Subject

Overview

---

## SUMMARY

The corporate separation rules adopted by the Public Utilities Commission of Ohio requires Ohio Power Company to establish a procedure detailing each instance in which the electric utility exercised discretion in the application of its tariff provisions.

## TARIFF DISCRETION LOG

A log detailing each instance when the electric utility exercised discretion in application of its tariff provisions must be maintained as part of the electric utility's Cost Allocation Manual.



Document  
Number

**04-07-02**

## Cost Allocation Manual

Section

Tariff Provisions

Subject

---

### SUMMARY

4901:1-37-08 (D) (7) of the Public Utilities Commission of Ohio's (the PUCO's) corporate separation rules require the electric utilities, as defined in the rules, to establish a procedure detailing each instance in which the electric utility exercised discretion in the application of its tariff provisions and a log of such instances to be included in its CAM.

### RESPONSIBILITY

AEP Ohio's VP of Regulatory and Finance maintains the required procedure and related Tariff Discretion Log.

### CAM REQUIREMENTS

The required log is incorporated in this manual by reference and, as such, is part of this manual.



Document  
Number **99-00-01**

# Cost Allocation Manual

Section

Appendix

Subject

---

OVERVIEW (APPENDIX)

---

## SUMMARY

This appendix contains tables and other supplementary information that can be used for reference purposes.

## GLOSSARY OF KEY TERMS

A glossary of key terms and acronyms is provided to assist the reader.

**99-00-02**

## RECORD RETENTION REQUIREMENTS

A summary of the record retention requirements prescribed by AEP's various commissions for transactions with affiliates is maintained as part of this manual.

**99-00-03**

## LIST OF APPROVED ALLOCATION FACTORS

An Allocation Factor defines the factor(s) that will be used to derive the percentages of cost to be billed to each company whenever costs are shared among AEP System companies through the billing process.

A list of approved Allocation Factors is maintained as part of this manual.

**99-00-04**

## LIST OF PRIMARY ALLOCATION FACTORS BY FUNCTION

Allocation Factors are assigned to final cost objectives generally based on the nature (i.e., function) of the work performed.

A list of the primary Allocation Factors for each function is maintained as part of this manual.

**99-00-05**

## LIST OF AFFILIATE CONTRACTS BY COMPANY

AEP's regulated utilities have entered into various agreements with their affiliates. **TAB 04**, Section 02 of this manual contains



Document  
Number **99-00-01**

# Cost Allocation Manual

Section

Appendix

Subject

---

OVERVIEW (APPENDIX)

---

LIST OF AFFILIATE  
CONTRACTS BY COMPANY  
(Cont'd)

a description of each contract.

A list of the various contracts with each regulated utility is maintained as part of this manual.

**99-00-06**



Document  
Number **99-00-02**

# Cost Allocation Manual

Section

Appendix

Subject

---

## GLOSSARY OF KEY TERMS

---

### SUMMARY

This glossary provides definitions for key terms and abbreviations used in this manual. Unless the context in which the terms and abbreviations as used in this manual clearly indicate a different meaning as indicated in this glossary

---

<b>AEP</b>	American Electric Power Company, Inc.
<b>AEPSC</b>	American Electric Power Service Corporation
<b>AEP holding company system</b>	American Electric Power Company, Inc. (parent holding company) together with all of its subsidiaries.
<b>AEP System</b>	The electric utility companies, subsidiaries of American Electric Power Company, Inc. together with their subsidiary coal-mining and power generating companies as well as AEPSC.
<b>Affiliates</b>	While each regulatory commission has its own unique definition of the term "affiliates," as used in this manual the term generally includes American Electric Power Company, Inc. and all companies that are owned or controlled by American Electric Power Company, Inc.
<b>Affiliate transactions</b>	Transactions between or among affiliates for the sale and purchase of products, services and capital assets.
<b>Allocation Factors</b>	The cost allocation methods, factors and percentages used in the billing process to allocate costs among AEP companies.



Document  
Number

**99-00-02**

## **Cost Allocation Manual**

Section

Appendix

Subject

---

### GLOSSARY OF KEY TERMS

---

<b>Chartfields</b> (or coding blocks)	The distinctive fields used to affix codes to transaction records generally for the purpose of identification, classification and retrieval.
<b>Common costs</b>	Costs that benefit both regulated and non-regulated products and services. Also see, <b>Joint costs</b> .
<b>Cost allocator</b>	The method or ratio used to apportion cost. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).
<b>Cost driver</b>	A measurable event or quantity which influences the level of cost incurred and which can be directly traced to the origin of the costs themselves.
<b>Primary cost driver</b>	The dominant driver of a given cost or cost pool.
<b>Cross-subsidy</b>	The amount of cost recovered from one class of customers or business unit that is attributable to another.
<b>Direct costs</b>	Costs that can be identified specifically with a given cost objective.
<b>FERC</b>	Federal Energy Regulatory Commission.
<b>Fully-allocated costs</b> (or fully-distributed costs)	Direct costs plus an appropriate share of indirect costs attributed to a given cost objective.
<b>General allocator</b>	See <b>Cost allocator</b> .



Document  
Number

**99-00-02**

# Cost Allocation Manual

Section

Appendix

Subject

---

## GLOSSARY OF KEY TERMS

---

<b>Indirect costs</b>	Costs that cannot be identified specifically with a given cost objective. Indirect costs include, but are not limited to overhead costs, and some taxes.
<b>Joint costs</b>	Costs that benefit two or more cost objectives.
<b>Non-regulated operations</b>	Activities which produce products or services that are not subject to price regulation by regulatory authorities.
<b>Regulated operations</b>	Activities which produce products or services that are subject to price regulation by government authorities.
<b>SEC</b>	Securities and Exchange Commission.
<b>Shareable costs</b>	Costs that are billable to two or more companies (affiliated and non-affiliated) by mutual agreement using fixed or variable percentages.
<b>Transfer pricing</b>	The price or method used to transfer (or bill for) products or services delivered by one division of a company to another division, or by one affiliate to another affiliate. Transfer pricing also pertains to asset transfers and sales.
<b>USoA</b>	The Uniform System of Accounts adopted by each regulatory commission (usually the Uniform System of Accounts prescribed by the FERC for public utilities and licensees subject to the provisions of the Federal Power Act).



Document  
Number

**99-00-03**

## Cost Allocation Manual

Section

Appendix

Subject

---

### RECORD RETENTION REQUIREMENTS

---

#### SUMMARY

Some of AEP's commissions have prescribed minimum record retention requirements for those records that are specifically related to transactions with certain affiliates.

#### ARKANSAS

Arkansas Rule 4.04 requires an electric utility to maintain a record of all transactions with its competitive affiliates for at least three years following the date of each transaction.

Arkansas requirements can be found in Arkansas Public Service Commission Order 7 of Docket 06-112-R, dated May 25, 2007.

#### LOUISIANA

As prescribed in the Louisiana Merger Stipulation Appendix A - Affiliate Transaction Conditions 13, SWEPCO or AEPSC on behalf of SWEPCO may not make any non-emergency procurement in excess of \$1 million per transaction from an unregulated affiliate other than from AEPSC except through a competitive bidding process or as otherwise authorized by this Commission. Transactions involving the Company and CSW Credit, Inc. (or its successor) for the financing of accounts receivables are exempt from this condition. Records of all such affiliate transactions must be maintained until the Company's next comprehensive retail review. In addition, at the time of the next comprehensive rate review, all such affiliate transactions that were not competitively bid shall be separately identified for the Commission by the Company. This identification shall include all transactions between the Company and AEPSC in which AEPSC acquired the goods or services from another unregulated affiliate.

#### OHIO

The corporate separation rules adopted by

Date

July 28, 2016

Page

1



Document  
Number **99-00-03**

## Cost Allocation Manual

Section

Appendix

Subject

---

### RECORD RETENTION REQUIREMENTS

---

the Public Utilities Commission of Ohio (PUCO) contain a minimum retention period of three years for all information relative to transactions between the electric utility and its affiliates [4901:1-37-08(G)].

As prescribed by the PUCO, all of AEP's Ohio-based electric utilities and their affiliates shall maintain all underlying affiliate transaction information for a minimum of five years.

OKLAHOMA

The Oklahoma Corporation Commission rules require utility to keep records in the form and for a period of time not less than that specified by the applicable rules of FERC or the RUS; or in the absence thereof, for two (2) years. [Chapter 165:35-1-4(a)].

TEXAS

Transactions with competitive affiliates. Unless otherwise allowed in this subsection, transactions between a utility and its competitive affiliates shall be at arm's length. A utility shall maintain a contemporaneous written record of all transactions with its competitive affiliates, except those involving corporate support services and those transactions governed by tariffs. Such records, which shall include the date of the transaction, name of affiliate involved, name of a utility employee knowledgeable about the transaction, and a description of the transaction, shall be maintained by the utility for three years. In addition to the requirements specified in paragraph (1) of this subsection, the following provisions apply to transactions between utilities and their competitive affiliates. [§25.272(e)(2)].



Document  
Number **99-00-03**

## Cost Allocation Manual

Section

Appendix

Subject

---

### RECORD RETENTION REQUIREMENTS

---

TEXAS (Cont'd)

Discounts, rebates, fee waivers, or alternative tariff terms and conditions. If a utility offers its competitive affiliate or grants a request from its competitive affiliate for a discount, rebate, fee waiver, or alternative tariff terms and conditions for any product or service, it must make the same benefit contemporaneously available, on a non-discriminatory basis, to all similarly situated non-affiliates. The utility shall post a conspicuous notice on its Internet site or public electronic bulletin board for at least 30 consecutive calendar days providing the following information: the name of the competitive affiliate involved in the transaction; the rate charged; the normal rate or tariff condition; the period for which the benefit applies; the quantities and the delivery points involved in the transaction (if any); any conditions or requirements applicable to the benefit; documentation of any cost differential underlying the benefit; and the procedures by which non-affiliates may obtain the same benefit. The utility shall maintain records of such information for a minimum of three years, and shall make such records available for third party review within 72 hours of a written request, or at a time mutually agreeable to the utility and the third party. A utility shall not create any arrangement with its competitive affiliate that is so unique that no competitor could be similarly situated to benefit from the discount, rebate, fee waiver, or alternative tariff terms and conditions. [§25.272(f)(B)].

A competitive affiliate is an affiliate that provides services or sells products in a competitive energy-related market in Texas,

Date  
July 28, 2016

Page  
3



Document  
Number **99-00-03**

# Cost Allocation Manual

Section

Appendix

Subject

---

RECORD RETENTION REQUIREMENTS

---

including telecommunications services; to  
the extent those services are energy-related.



Document Number **99-00-04**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF FERC ACCEPTED ALLOCATION FACTORS

SUMMARY

The following table provides a complete list of approved Allocation Factors along with a description of the numerator and the denominator applicable to each calculation.

NO.	ALLOCATION FACTORS	NUMERATOR/DENOMINATOR	UPDATED Frequency	Month Updated
01	Number of Bank Accounts	$\frac{\text{Number of Bank Accounts by Company}}{\text{Total Number of Bank Accounts}}$	Inactive	
02	Number of Call Center Telephones	$\frac{\text{Number of Call Center Phone Calls Per Company}}{\text{Total Number of Call Center Telephones}}$	Inactive	
03	Number of Cell Phones/Pagers	$\frac{\text{Number of Cell Phones/Pagers Per Company}}{\text{Total Number of Cell Phones/Pagers}}$	Inactive	
04	Number of Checks Printed	$\frac{\text{Number of Checks Printed Per Company Per Month}}{\text{Total Number of Checks Printed Per Month}}$	Inactive	
05	Number of CIS Customer Mailings	$\frac{\text{Number of Customer Information System (CIS) Customer Mailings Per Company}}{\text{Total Number of CIS Customer Mailings}}$	Monthly	
06	Number of Commercial Customers	$\frac{\text{Number of Commercial Customers Per Company}}{\text{Total Number of Commercial Customers}}$	Semi-Annually	Jan & Jul
07	Number of Credit Cards	$\frac{\text{Number of Credit Cards Per Company}}{\text{Total Number of Credit Cards Number of Commercial}}$	Inactive	
08	Number of Electric Retail Customers	$\frac{\text{Number of Electric Retail Customers Per Company}}{\text{Total Number of Electric Retail Customers}}$	Semi-Annually	Jan & Jul
09	Number of Employees	$\frac{\text{Number of Full-Time and Part-Time Employees Per Company}}{\text{Total Number of Full-Time and Part-Time Employees}}$	Monthly	
10	Number of Generating Plant Employees	$\frac{\text{Number of Generating Plant Employees Per Company}}{\text{Total Number of Generating Plant Employees}}$	Inactive	
11	Number of General Ledger (GL) Transactions	$\frac{\text{Number of GL Transactions Per Company}}{\text{Total Number of GL Transactions}}$	Monthly	
12	Number of Help Desk Calls	$\frac{\text{Number of Help Desk Calls Per Company}}{\text{Total Number of Help Desk Calls}}$	Inactive	
13	Number of Industrial Customers	$\frac{\text{Number of Industrial Customers Per Company}}{\text{Total Number of Industrial Customers}}$	Semi-Annually	Jan & Jul



Document Number **99-00-04**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF FERC ACCEPTED ALLOCATION FACTORS

14	Number of JCA Transactions	Number of Lines of Accounting Distribution on Job Cost Accounting (JCA) Sub-System Per Company Total Number of Lines of Accounting Distribution on JCA Sub-System	Inactive	
15	Number of Non-UMWA Employees	Number of Non-UMWA or All Non-Union Employees Per Company Total Number of Non-UMWA or All Non-Union Employees	Inactive	
16	Number of Phone Center Calls	Number of Phone Calls Per Phone Center Per Company Total Number of Phone Center Phone Calls	Monthly	
17	Number of Purchase Orders Written	Number of Purchase Orders Written Per Company Total Number of Purchase Orders Written	Monthly	
18	Number of Radios (Base/Mobile/Handheld)	Number of Radios (Base/Mobile/Handheld) Per Company Total Number of Radios (Base/Mobile/ Handheld)	Inactive	
19	Number of Railcars	Number of Railcars Per Company Total Number of Railcars	Inactive	
20	Number of Remittance Items	Number of Electric Bill Payments Processed Per Company Per Month (non-lockbox) Total Number of Electric Bill Payments Processed Per Month (non-lockbox)	Monthly	
21	Number of Remote Terminal Units	Number of Remote Terminal Units Per Company Total Number of Remote Terminal Units	Inactive	
22	Number of Rented Water Heaters	Number of Rented Water Heaters Per Company Total Number of Rented Water Heaters	Inactive	
23	Number of Residential Customers	Number of Residential Customers Per Company Total Number of Residential Customers	Inactive	
24	Number of Routers	Number of Routers Per Company Total Number of Routers	Inactive	
25	Number of Servers	Number of Servers Per Company Total Number of Servers	Inactive	
26	Number of Stores Transactions	Number of Stores Transactions Per Company Total Number of Stores Transactions	Monthly	
27	Number of Telephones	Number of Telephones Per Company (Includes all phone lines) Total Number of Telephones (Includes all phone lines)	Semi-Annually	Jan & Jul

Date  
Sept 15, 2020

Page  
2



Document Number **99-00-04**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF FERC ACCEPTED ALLOCATION FACTORS

28	Number of Transmission Pole Miles	<u>Number of Transmission Pole Miles Per Company</u> Total Number of Transmission Pole Miles	Annually	Apr or May (FERC Form)
29	Number of Transtext Customers	<u>Number of Expected Transtext Customers Per Company</u> Total Number of Expected Transtext Customers	Inactive	
30	Number of Travel Transactions	<u>Number of Travel Transactions Per Company Per Month</u> Total Number of Travel Transactions Per Month	Inactive	
31	Number of Vehicles	<u>Number of Vehicles Per Company Includes Fleet and Pool Cars)</u> Total Number of Vehicles Per Company (Includes Fleet and Pool Cars)	Annually	Jan
32	Number of Vendor Invoice Payments	<u>Number of Vendor Invoice Payments Per Company Per Month</u> Total Number of Vendor Invoice Payments Per Month	Monthly	
33	Number of Workstations	<u>Number of Workstations (PCs) Per Company</u> Total Number of Workstations (PCs)	Monthly	
34	Active Owned or Leased Communication Channels	<u>Number of Active Owned/Leased Communication Channels Per Company</u> Total Number of Active Owned/Leased Communication Channels	Inactive	
35	Avg Peak Load For Past Three Years	<u>Average Peak Load for Past Three Years Per Company</u> Total of Average Peak Load for Past Three Years	Inactive	
36	Coal Company Combination	The Sum of Each Coal Company's Gross Payroll, Original Cost of Fixed Assets, Original Cost of Leased Assets, and Gross Revenues for Last Twelve Months The Sum of the Same Factors for All Coal Companies	Inactive	
37	AEPSC Past 3 Months Total Bill Dollars	<u>AEPSC Past Three Months Total Bill Dollars Per Company</u> Total AEPSC Past Three Months Bill Dollars	Monthly	
38	AEPSC Prior Month Total Bill Dollars	<u>Total Bill Dollars AEPSC Prior Month Per Company</u> AEPSC Total Prior Month Bill Dollars	Inactive	
39	Direct	100% to One Company	Monthly	
40	Equal Share Ratio	<u>One Company (1)</u> Total Number of Companies	Monthly	



Document Number **99-00-04**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF FERC ACCEPTED ALLOCATION FACTORS

41	Fossil Plant Combination	The Sum of (a) the Percentage Derived by Dividing the Total Megawatt Capability of All Fossil Generating Plants Per Company by the Total Megawatt Capability of All Fossil Generating Plants and (b) the Percentage Derived by Dividing the Total Scheduled Maintenance Outages of All Fossil Generating Plants Per Company for the Last Three Years by the total Scheduled Maintenance of All Fossil Generating Plants During the Same Three <u>Years</u> Two (2)	Inactive	
42	Functional Department's Past 3 Months Total Bill Dollars	Functional Department's Past 3 Months Total Bill <u>Dollars Per Company</u> Total Functional Department's Past 3 Months Total Bill Dollars	Inactive	
43	KWH Sales	<u>KWH Sales Per Company</u> Total KWH Sales	Inactive	
44	Level of Construction - Distribution	Construction Expenditures for All Distribution Plant Accounts Except Land and Land Rights, Services, Meters and Leased Property on Customers Premises, and Exclusive of Construction Expenditures Accumulated on Direct Work Orders for Which Charges by AEPSC Are Being Made Separately, Per Company/ <u>During the Last Twelve Months</u> Total of the Same for All Companies	Semi-Annually	Jan & Jul
45	Level of Construction - Production	Construction Expenditures for All Production Plant Accounts Except Land and Land Rights, Nuclear Accounts, and Exclusive of Construction Expenditures Accumulated on Direct Work Orders for Which Charges by AEPSC are Being Made Separately, Per <u>Company During the Last Twelve Months</u> Total of the Same for All Companies	Semi-Annually	Jan & Jul
46	Level of Construction - Transmission	Construction Expenditures for All Transmission Plant Accounts Except Land and Land Rights and Exclusive of Construction Expenditures Accumulated on Direct Work Orders for Which Charges by AEPSC are Being Made <u>Separately, Per Company During the Last Three Months</u> Total of the Same for All Companies	Quarterly	Jan - Apr - Jul - Oct



Document Number **99-00-04**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF FERC ACCEPTED ALLOCATION FACTORS

47	Level of Construction - Total	Construction Expenditures for All Plant Accounts Except Land and Land Rights, Line Transformers Services, Meters and Leased Property on Customers' premises; and the Following General Plant Accounts: Structures and Improvements, Shop Equipment, Laboratory Equipment and Communication Equipment; and Exclusive of Construction Expenditures Accumulated on Direct Work Orders for Which Charges by AEPSC are Being Made Separately, Per Company During the Last Twelve Months Total of the Same for All Companies	Inactive	
48	MW Generating Capability	<u>MW Generating Capability Per Company</u> Total MW Generating Capability	Annually	Apr or May (FERC Form)
49	MWH's Generated	<u>Number of MWH's Generated Per Company</u> Total Number of MWH's Generated	Semi-Annually	Jan & Jul
50	Current Year Budgeted Salary Dollars	Current Year Budgeted AEPSC Payroll <u>Dollars Billed Per Company</u> Total Current Year Budgeted AEPSC Payroll Dollars Billed	Inactive	
51	Past 3 Mo. MMBTU's Burned (All Fuel Types)	<u>Past Three Months MMBTU's Burned Per Company (All Fuel Types)</u> Total Past Three Months MMBTU's Burned (All Fuel Types)	Quarterly	Jan - Apr - Jul - Oct
52	Past 3 Mo. MMBTU's Burned (Coal Only)	<u>Past Three Months MMBTU's Burned Per Company (Coal Only)</u> Total Past Three Months MMBTU's Burned (Coal Only)	Quarterly	Jan - Apr - Jul - Oct
53	Past 3 Mo. MMBTU's Burned (Gas Type Only)	<u>Past Three Months MMBTU's Burned Per Company (Gas Type Only)</u> Total Past Three Months MMBTU's Burned (Gas Type Only)	Quarterly	Jan - Apr - Jul - Oct
54	Past 3 Mo. MMBTU's Burned (Oil Type Only)	<u>Past Three Months MMBTU's Burned Per Company (Oil Type Only)</u> Total Past Three Months MMBTU's Burned (Oil Type Only)	Inactive	
55	Past 3 Mo. MMBTU's Burned (Solid Fuels Only)	<u>Past Three Months MMBTU's Burned Per Company (Solid Fuels Only)</u> Total Past Three Months MMBTU's Burned (Solid Fuels Only)	Quarterly	Jan - Apr - Jul - Oct



Document Number **99-00-04**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF FERC ACCEPTED ALLOCATION FACTORS

56	Peak Load/Avg # Cust/KWH Sales Combination	Average of Peak Load, # of Retail Customers, and KWH Sales to Retail Customers Per Company Total of Average of Peak Load, # of Retail Customers, and KWH Sales to Retail Customers	Inactive	
57	Tons of Fuel Acquired	Number of Tons of Fuel Acquired Per Company Total Number of Tons of Fuel Acquired	Semi-Annually	Jan & Jul
58	Total Assets	Total Assets Amount Per Company Total Assets Amount	Monthly	
59	Total Assets Less Nuclear Plant	Total Assets Amount Less Nuclear Assets Per Company Total Assets Amount Less Nuclear Assets	Inactive	
60	Total AEPSC Bill Dollars Less Interest and/or Income Taxes and/or Other Indirect Costs	Total AEPSC Bill Dollars Less Interest and/or Income Taxes and/or Other Indirect Costs Per Company Total AEPSC Bill Dollars Less Interest and/or Income Taxes and/or Other Indirect Costs	Annually	
61	Total Fixed Assets	Total Fixed Assets Amount Per Company Total Fixed Assets Amount	Monthly	
62	Total Gross Revenue	Total Gross Revenue Last Twelve Months Per Company Total Gross Revenue Last Twelve Months	Inactive	
63	Total Gross Utility Plant (Including CWIP)	Total Gross Utility Plant Amount Per Company (Including CWIP) Total Gross Utility Plant Amount (Including CWIP)	Monthly	
64	Total Peak Load	Total Peak Load Per Company Total Peak Load	Monthly	
65	Hydro MW Generating Capability	Hydro MW Generating Capability per Company Total Hydro MW Generating Capability	Annually	Apr or May (FERC Form)
66	Number of Forest Acres	Number of Forest Acres Per Company Total Number of Forest Acres	Inactive	
67	Number of Banking Transactions	Number of Banking Transactions Per Company Total Number of Banking Transactions	Quarterly	Jan - Apr - Jul - Oct
68	Number of Dams	Number of Dams Per Company Total Number of Dams	Inactive	



Document Number **99-00-04**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF FERC ACCEPTED ALLOCATION FACTORS

69	Number of Licenses Obtained	$\frac{\text{Number of Licenses Obtained per Company}}{\text{Total Number of Licenses}}$	Inactive	
70	Number of Non-Electric OAR Invoices	$\frac{\text{Number of Non-Electric OAR Invoices Per Company}}{\text{Total Number of Non-Electric OAR Invoices}}$	Semi-Annually	Jan & Jul
71	Number of Transformer Transactions	$\frac{\text{Number of Transformer Transactions Per Company}}{\text{Total Number of Transformer Transactions}}$	Inactive	
72	Tons of FGD Material	$\frac{\text{Tons of FGD Material Per Company}}{\text{Total Tons of FGD Material}}$	Inactive	
73	Tons of Limestone Received	$\frac{\text{Tons of Limestone Received Per Company}}{\text{Total Tons of Limestone Received}}$	Inactive	
74	Total Assets/Total Revenues/Total Payroll	$\frac{\text{Total Assets} + \text{Total Revenues} + \text{Total Payroll}}{\text{Per Company}}$ $\frac{\text{Total Assets} + \text{Total Revenues} + \text{Total Payroll}}{\text{Total Assets} + \text{Total Revenues} + \text{Total Payroll}}$	Inactive	
75	Total Leased Assets	$\frac{\text{Total Leased Assets Per Company}}{\text{Total Leased Assets}}$	Inactive	
76	Number of Banking Transactions	$\frac{\text{Number of Banking Transactions by Company}}{\text{Total Number of Banking Transactions}}$	Inactive	
77	Power Transactions to All Markets	$\frac{\text{Power Transactions by Company}}{\text{Total Number of Power Transactions}}$	Inactive	
78	Power Transactions to ERCOT Market	$\frac{\text{Power Transactions to ERCOT Market by Company}}{\text{Total Number of Power Transactions to ERCOT Market}}$	Inactive	
79	Trans (commdts) to All Markets	$\frac{\text{Trans (commdts) to all Markets by Company}}{\text{Total Number of Trans (commdts) to all Markets}}$	Inactive	
80	Trans (commdts) to ERCOT Market	$\frac{\text{Trans (commdts) to ERCOT Markets by Company}}{\text{Total Number of Trans (commdts) to ERCOT Markets}}$	Inactive	



Document  
Number

**99-00-05**

# Cost Allocation Manual

Section

Appendix

Subject

LIST OF PRIMARY ALLOCATION FACTORS  
BY FUNCTION

## SUMMARY

The following table identifies the primary Allocation Factors that are associated with the listed functions.

<i>GROUP/FUNCTION</i>	<i>PRIMARY ALLOCATION FACTORS</i>
Audit Services	Total Assets, 100% to One Company
Chief Administrative Officer Administration	Total Assets
Chief Executive Officer Administration	Total Assets, 100% to One Company
Chief Security Officer Administration	Total Assets, Number of Employees
Chief Financial Officer Administration	Total Assets, 100% to One Company
Commercial Operations	Total Peak Load, 100% to One Company
Corporate Accounting	Total Assets, 100% to One Company, Number of GL Transactions, Total Fixed Assets, Total Gross Utility Plant
Corporate Communications	Total Assets
Corporate Human Resources	Number of Employees, 100% to One Company, AEPSC Past 3 Month Total Bill
Corporate Planning and Budgeting	Total Assets, 100% to One Company, Number of Electric Retail Customers, MW Generating Capability
Customer & Distribution Services	100% to One Company, Number of Electric Retail Customers, Number of Phone Center Calls, Number of CIS Customer Mailings
Distribution, Customer Ops, and Regulatory Services Administration	Total Assets, 100% to One Company
Energy Supply Administration	100% to One Company
Environment and Safety	MW Generating Capability, 100% to One Company, Number of Employees, Total Assets
Federal Affairs	Total Assets
Fossil & Hydro Generation	100% to One Company, MW Generating Capability
Generation Administration	MW Generating Capability, 100% to One



Document  
Number

**99-00-05**

# Cost Allocation Manual

Section

Appendix

Subject

LIST OF PRIMARY ALLOCATION FACTORS  
BY FUNCTION

<i>GROUP/FUNCTION</i>	<i>PRIMARY ALLOCATION FACTORS</i>
	Company
Generation Business Services	MW Generating Capability, 100% to One Company, Level of Construction-Production
Generation Engineering and Technical Services - Engineering Services	100% to One Company, MW Generating Capability
Generation Engineering and Technical Services - Project and Construction	100% to One Company, Level of Construction-Production
Information Technology	100% to One Company, Number of Workstations, Number of Electric Retail Customers, Total Assets, AEPSC Bill Less Indirect and Interest, Level of Construction-Transmission
Investor Relations	Total Assets
Legal	100% to One Company, Total Assets, Total Fixed Assets, Number of Employees
Real Estate & Workplace Services	Total Assets, 100% to One Company, Number of Electric Retail Customers, Number of Employees, Level of Construction-Transmission
Regulated Commercial Operations	Total Peak Load, MWH's Generation, 100% to One Company
Regulatory Services	Total Assets, 100% to One Company, Number of Trans Pole Miles
Risk and Strategic Initiatives	100% to One Company, Total Assets, AEPSC Past 3 Months Total Bill, Total Fixed Assets
Security and Aviation	Number of Employees, AEPSC Past 3 Months Total Bill, Total Gross Utility Plant, 100% to One Company
Supply Chain & Fleet Operations	Number of Purchase Orders, 100% to One Company. Total Assets, Number of Stores Transactions, MW Generating Capability
Transmission Administration	100% to One Company, Number of Transmission Poles Miles
Transmission Asset Strategy and Policy	Number of Transmission Pole Miles, 100% to One Company, Level of Construction-



Document  
Number **99-00-05**

# Cost Allocation Manual

Section

Appendix

Subject

LIST OF PRIMARY ALLOCATION FACTORS  
BY FUNCTION

<i>GROUP/FUNCTION</i>	<i>PRIMARY ALLOCATION FACTORS</i>
	Transmission
Transmission Field Services	100% to One Company, Number of Transmission Pole Miles
Transmission Grid Development & Portfolio Services	Level of Construction-Transmission, Number of Transmission Pole Miles, 100% to One Company, Total Assets
Transmission-Engineering and Project Services	100% to One Company, Level of Construction-Transmission
Treasury	Total Assets, AEPSC Past 3 Months Total Bill, 100% to One Company



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

### SUMMARY

The following table is a listing of the affiliate contracts with each electric utility in the AEP System.

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
<b>AEP Texas</b> (formerly AEP Texas Central Company and AEP Texas North Company)	04/26/85	Oklunion Unit No. 1 Construction ownership and Operating Agreement
	09/14/88	Oklunion HVDC Project Construction, Ownership and Operating Agreement
	07/01/93	Rail Car Lease Agreement(West)
	01/01/97	CSW Operating Agreement
	07/29/97	Rail Car Maintenance Facility Agreement (West)
	12/22/97	Energy Conservation Measure Utility/Energy Service Company Agency Agreement
	03/26/99	Electric Service Contract between Frontera General Limited Partners and Central Power and Light.
	03/30/99	Interconnection Agreement Between CP&L and Frontera Generation Limited
	06/01/99	CSW System General Agreement
	10/29/99	Transmission Coordination Agreement (West) Regulated Companies
	06/15/00	American Electric Power Company, Inc. and its Consolidated Affiliated Tax Agreement regarding methods of allocated Consolidated Income Tax
	06/15/00	AEPSC Service Agreement with Central Power and Light
	06/15/00	AEPSC Service Agreement with West Texas Utilities Company
	06/16/00	Amended and Restated Purchase Agreement Between CSW Credit, Inc. and Affiliate (West) Companies
	06/26/01	Interconnection Agreement (ERCOT Generation) between AEPTN & PSO
	10/30/01	Construction Agreement/Trent Wind Farm LP
	12/18/02	AEP System Utility Money Pool Agreement
11/16/04	Interconnection Agreement Between AEP Texas North and PSO	



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
<b>AEP Texas</b> (formerly AEP Texas Central Company and AEP Texas North Company) (Cont'd)	12/09/04	AEP System Amended and Restated Utility Money Pool Agreement
	01/01/05	AEP System Tax Agreement
	01/01/05	American Electric Power Company, Inc. and it's Consolidated Affiliated Tax Agreement regarding methods of allocated consolidated Income Tax
	05/25/07	Power Purchase and Sale Agreement between AEP Texas North and AEP Energy Partners (fna CSW Power Marketing Inc.)
	12/01/09	AEP System Transmission Center Agreement
	03/29/10	Amended and Restated Interconnection Agreement (AEP Texas North)
	03/29/10	Amended and Restated Interconnection Agreement (AEP Texas Central)
	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC
<b>Appalachian Power Company</b>	08/11/41	Land Purchase Contract between APCo and the Franklin Real Estate Company
	11/25/70	Purchase Agreement between APCO and Indiana Franklin Realty Inc.
	12/01/76	Indenture Between APCo and Cedar Coal
	03/01/78	Indenture Between APCo and Southern Appalachian Coal Company
	06/01/78	Racine Hydro Operating Agreement
	01/01/79	Central Machine Shop Agreement
	04/01/82	AEP Railcar Use Agreement
	04/01/82	Railcar Maintenance Agreement
	10/03/83	Agreement Between Appalachian Power and AEP Pro Service (Formerly AEP Energy Services
	04/01/84	Transmission Agreement
	05/01/86	Barge Transportation Agreement and Appendix A
	07/30/87	Mutual Assistance Agreement
	12/31/96	Affiliated Transactions Agreement (East Companies)
	03/06/97	Agreement Between Appalachian Power and AEP Energy Services Inc.
	06/15/00	American Electric Power and its consolidated Affiliated Tax Agreements regarding methods of allocating consolidated income taxes

Date  
 March 15, 2021

Page  
 2



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
<b>Appalachian Power Company</b> (Cont'd)	06/16/00	Purchase Agreement Between CSW Credit and its affiliate client companies
	12/18/02	AEP System Utility Money Pool Agreement
	05/04/04	Arrangement for the use of the Amos Simulator
	08/25/04	Third Amended and Restated Purchase Agreement between AEP Credit and Appalachian Power
	08/25/04	Third Amended and Restated Agency Agreement Between AEP Credit and Appalachian Power
	12/09/04	AEP System Amended and Restated Utility Money Pool Agreement
	01/01/05	AEP Co, Inc. and its Consolidated Affiliate Tax agreement regarding methods of Allocating Consolidated Income Taxes.
	03/22/06	Amendment No. 1 to the Third Amended and Restated Purchase Agreement between AEP Credit and Appalachian Power
	03/22/06	Amendment No. 1 to the Third Amended and Restated Agency Agreement between AEP Credit and Appalachian Power
	07/01/06	Amendment No. 1 and Consent to AEP System Rail Car Use Agreement
	01/30/08	Amendment No. 2 to the Third Amended and Restated Purchase Agreement between AEP Credit and Appalachian Power
	01/30/08	Amendment No. 2 to the Third Amended and Restated Agency Agreement between AEP Credit and Appalachian Power
	11/13/08	Amended and Restated Interconnection Agreement Between Appalachian Power Company and Kingsport Power Company
	02/12/12	Executed Notice of Intent by Ohio Power Company to Terminate Sporn Plant Operating Agreement
	01/22/13	Service Agreement between Appalachian Power and AEP Appalachian Transmission Company, Inc.
	04/24/13	Appalachian Power and AEP West Virginia Transmission Service Agreement "2013 Agreement"
08/01/13	Railcar Maintenance Agreement	



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
Appalachian Power Company (Cont'd)	09/12/13	Amendment No. 2 to AEP System Rail Car Use Agreement
	09/12/13	Amended and Restated Urea Handling Agreement
	09/12/13	Amendment No. 1 to Barge Transportation Agreement
	12/16/13	Amended and Restated Cook Coal Terminal Transfer Agreement
	12/31/13	Termination of Racine Hydro Project Operating
	01/01/14	Affiliated Transactions Agreement for Sharing Capitalized Spare Parts
	01/01/14	Affiliated Transactions Agreement for Sharing Materials and Supplies
	01/01/14	Sporn Plant Operating Agreement
	01/01/14	Simulator Lease Agreement
	01/01/14	Assignment of Central Machine Shop Agreement date January 1, 1979
	01/01/14	Power Coordination Agreement
	10/29/15	Homeserve Service Agreement between AEPSC and Appalachian Power
	04/21/16	APCO sale of Caterpillar Backhoe to SWEPCO
	11/21/16	Services and Property Use Agreement between Appalachian Power and Transource WV
	12/20/16	Joint License Agreement between Appalachian Power and AEP Appalachian Transmission Company, Inc.
	10/16/17	AEPSC and APCO Services Agreement
	11/29/17	APCO and AEP Ohio Transmission Company Transmission Asset Sharing Agreement
	10/19/18	Service Agreement with Appalachian Power and AEP West Virginia Transmission Company
	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC
	05/09/19	Amended and Restated Urea Handling Agreement Amendment No.1
	05/09/19	Amended and Restated Rail Car Maintenance Agreement Amendment No.1
	05/09/19	Affiliated Transactions Agreement for Sharing Capitalized Spare Parts Amendment No.1
	05/09/19	Barge Transportation Agreement Amendment No.2
05/09/19	Amended and Restated Cook Coal Terminal Transfer Agreement Amendment No.1	

Date  
 March 15, 2021

Page  
 4



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
<b>Appalachian Power Company</b> (Cont'd)	05/09/19	Affiliated Transactions Agreement for Sharing Materials and Supplies Amendment No.1
<b>Indiana Michigan Power Company</b>	04/30/48	Purchase Contract between Indiana Franklin Realty, Inc.
	04/04/50	Purchase Contract between The Franklin Real Estate Company.
	01/01/79	Central Machine Shop Agreement/Appalachian Power
	04/01/82	AEP Railcar Use Agreement
	04/01/82	Railcar Maintenance Agreement
	04/08/83	Agreement Between Indiana Michigan Power and AEP ProServ
	04/01/84	Transmission Agreement
	05/01/86	Barge Transportation Agreement & Appendix A
	07/30/87	Mutual Assistance Agreement
	09/27/96	Agreement Between Indiana Michigan Power and AEP Energy Services, Inc.(Formerly AEP Energy Solutions
	06/21/96	AEP Modification No. 1 AEP System Intermin Allowance Agreement
	12/31/96	Affiliated Transactions Agreement 1996
	06/15/00	AEPSC Service Agreement with Indiana Michigan Power Company
	06/16/00	Purchase Agreement Between CSW Credit and it's Affiliate Client Companies Indiana Michigan Power Company
	04/21/04	Agency Agreement between CSW Credit, Inc. and Indian Michigan Power Company
	05/04/04	Unit Power Agreement Amendment No 1 between I&M and AEP
	05/04/04	Unit 2 Operating Agreement between I&M and AEG
08/25/04	Third Amended and Restated Purchase Agreement	
08/25/04	Third Amended and Restated Agency Agreement	
12/09/04	AEP System Amended and Restated Utility Money Pool Agreement	

Date  
 March 15, 2021

Page  
 5



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
<b>Indiana Michigan Power Company</b> (Cont'd)	01/01/05	AEP Co. Inc. and it's Consolidated Affiliated Tax Agreement regarding methods of Allocating Consolidated Income Taxes
	07/01/06	Amendment No 1 & Consent to AEP System Railcar Use Agreement
	05/16/07	Indiana Michigan Power Company & AEP Generating Company Operation and Maintenance Agreement
	02/15/11	Transmission Service Agreement between Indiana Michigan Power Company and AEP Indiana Michigan Transmission Company
	02/15/11	Joint License Agreement between Indiana Michigan Power Company and AEP Indiana Michigan Transmission Company
	08/01/13	Rail Car Maintenance Agreement
	09/12/13	Amendment No. 1 to Barge Transportation Agreement
	09/12/13	Amendment No. 2 to AEP System Rail Car Use
	12/16/13	Amended and Restated Urea Handling Agreement
	12/16/13	Amended and Restated Cook Coal Terminal Transfer Agreement
	01/01/14	Affiliated Transactions Agreement for Sharing Capitalized Spare Parts
	01/01/14	Affiliated Transactions Agreement for Sharing Materials and Supplies
	01/01/14	Urea Handling Agreement (AEP Generation Resources)
	01/01/14	Power Coordination Agreement
	05/22/14	System Transmission Integration Agreement Termination
	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC
	05/09/19	Amended and Restated Urea Handling Agreement Amendment No.1
	05/09/19	Amended and Restated Rail Car Maintenance Agreement Amendment No.1
	05/09/19	Affiliated Transactions Agreement for Sharing Capitalized Spare Parts Amendment No.1
	05/09/19	Barge Transportation Agreement Amendment No.2



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
<b>Indiana Michigan Power Company</b> (Cont'd)	05/09/19	Amended and Restated Cook Coal Terminal Transfer Agreement Amendment No.1
	05/09/19	Affiliated Transactions Agreement for Sharing Materials and Supplies Amendment No.1
<b>Kentucky Power Company</b>	06/07/63	Purchase Contract between KPCO and The Franklin Real Estate Company
	03/31/75	Purchase Contract between KPCO and Indiana Franklin Realty, Inc.
	01/01/79	Central Machine Shop Agreement/Appalachian Power
	04/01/84	Transmission Agreement
	07/30/87	Mutual Assistance Agreement
	09/27/96	Agreement between Kentucky Power and AEP Energy Services, Inc.
	12/31/96	Affiliated Transactions Agreement (East Companies)
	11/18/97	Agreement between Kentucky Power and AEP Communications, LLC
	01/01/98	Master Site Agreements (East) With AEP Operating Companies
	06/15/00	AEP Co. Inc. and it's Consolidated Affiliated Tax Agreement regarding methods of Allocating Consolidated Income Taxes
	06/15/00	AEPSC Service Agreement with Kentucky Power
	06/16/00	Purchase Agreement between AEP Credit and it's Affiliate Client Companies
	12/18/02	AEP System Utility Money Pool Agreement
	05/04/04	Arrangement for the Use of the Amos Simulator
	08/25/04	Third Amended and Restated Purchase Agreement Between AEP Credit and Kentucky Power
	08/25/04	Third Amended and Restated Agency Agreement Between AEP Credit and Kentucky Power
12/09/04	AEP System Amended and Restated Money Pool Agreement	
01/01/05	American Electric Power Company, Inc. and it's Consolidated Affiliated Tax Agreement regarding methods of Allocating Consolidated Income Taxes	
08/01/13	Railcar Maintenance Agreement	



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
<b>Kentucky Power Company</b> (Cont'd)	09/12/13	Amendment No. 1 to Barge Transportation Agreement
	09/12/13	Amendment No. 2 to AEP System Rail Car Use
	12/16/13	Amended and Restated Urea Handling Agreement
	12/16/13	Amended and Restated Cook Coal Terminal Transfer Agreement
	01/01/14	Affiliated Transactions Agreement for Sharing Capitalized Spare Parts
	01/01/14	Affiliated Transactions Agreement for Sharing Materials and Supplies
	01/01/14	Mitchell Coal Pile Run-Off Agreement
	01/01/14	Power Coordination Agreement
	01/31/15	Mitchell Plant Operating Agreement between Wheeling Power, Kentucky Power, and AEPSC
	02/27/15	Service Agreement between Kentucky Power Company and AEP Kentucky Transmission Company, Inc.
	02/27/15	Joint License Agreement between Kentucky Power Company and AEP Kentucky Transmission Company, Inc.
	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC
	05/09/19	Amended and Restated Urea Handling Agreement Amendment No.1
	05/09/19	Amended and Restated Rail Car Maintenance Agreement Amendment No.1
	05/09/19	Affiliated Transactions Agreement for Sharing Capitalized Spare Parts Amendment No.1
	05/09/19	Barge Transportation Agreement Amendment No.2
05/09/19	Amended and Restated Cook Coal Terminal Transfer Agreement Amendment No.1	
05/09/19	Affiliated Transactions Agreement for Sharing Materials and Supplies Amendment No.1	
<b>Kingsport Power Company</b>	01/01/72	Purchase Contract Between KGPCO and Indiana Franklin Realty, Inc.
	07/30/87	Mutual Assistance Agreement
	09/27/96	Agreement Between Kingsport Power Company and AEP Energy Services
	12/31/96	Affiliate Transactions Agreement (East Companies)

Date  
 March 15, 2021

Page  
 8



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
<b>Kingsport Power Company</b> (Cont'd)	01/01/98	Master Site Agreement (East) with AEP Operating Companies
	06/15/00	AEP Co, Inc and it's Consolidated Affiliate Tax Agreement regarding methods of Allocating Consolidated Income Tax
	06/15/00	AEPSC Service Agreement with Kingsport Power
	06/16/00	Purchase Agreement Between CSW Credit and Affiliate Client Companies
	12/18/02	AEP System Utility Money Pool Agreement
	08/25/04	Third Amended and Restated Purchase Agreement Between AEP Credit and Kingsport Power
	08/25/04	Third Amended and Restated Agency Agreement Between AEP Credit and Kingsport Power
	12/09/04	AEP System Amended and Restated Utility Money Pool Agreement
	01/01/05	American Electric Power Company, Inc. and it's Consolidated Affiliate Tax Agreement Regarding methods of Allocating Consolidated Income Taxes
	11/13/08	Amended and Restated Interconnection Agreement Between Appalachian Power Company and Kingsport Power Company
04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC	
<b>Ohio Power Company</b>	08/11/41	Land Purchase Contract/Franklin Real Estate Company
	11/25/70	Purchase Contract/Indiana Franklin Realty, Inc.
	04/01/84	Transmission Agreement
	07/30/87	Mutual Assistance Agreement
	06/21/96	AEP Modifications No. 1 AEP System Interim Allowance Agreement
	09/27/96	Agreement between Ohio Power Company and AEP Energy Services
	12/31/96	Affiliated Transactions Agreement (East Companies)
	01/01/98	Master Site Agreement (East) with AEP Operating Companies



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
<b>Ohio Power Company</b> (Cont'd)	06/15/00	American Electric Power Company, Inc. and its Consolidated Affiliate Tax Agreement regarding Methods of Allocating Consolidated Income Taxes
	06/15/00	AEPSC Service Agreement with Ohio Power
	06/16/00	Purchase Agreement Between AEP Credit Inc. and Affiliate Client Companies
	12/18/02	AEP System Utility Money Pool Agreement
	08/25/04	Third Amended and Restated Purchase Agreement
	08/25/04	Third Amended and Restated Agency Agreement
	12/09/04	AEP System Amended and Restated Utility Money Pool Agreement
	01/01/05	AEP Co, Inc and It's Consolidated Affiliate Tax Agreement regarding methods of Allocating Consolidated Income Taxes
	12/01/09	Transmission Center Agreement
	01/01/11	Transmission Service Agreement between Ohio Power Company and AEP Ohio Transmission Company
	01/01/11	Joint License Agreement between Ohio Power Company and AEP Ohio Transmission Company
	02/12/12	Executed Notice of Intent by Ohio Power Company to Terminate Sporn Plant Operating Agreement
	03/27/13	Service Agreement between Ohio Power Company and AEP West Virginia Transmission Company
	12/31/14	Affiliated Transactions Agreement for Sharing Materials and Supplies
	01/01/14	Telecommunications Service Agreement
	01/01/14	Assignment of Central Machine Shop Agreement dated January 1, 1979
01/01/14	Telecommunications Services Agreement	
04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC	
05/09/19	Affiliated Transactions Agreement for Sharing Materials and Supplies Amendment No.1	
<b>Public Service Company of Oklahoma</b>	04/26/85	Oklaunion Unit No. 1 Construction, Ownership and Operating Agreement
	09/14/88	Oklaunion HVDC Project Construction, Ownership and Operating Agreement
	07/01/93	Rail Car Lease Agreement(West)



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
Public Service Company of Oklahoma (Cont'd)	08/03/95	East HVDC Interconnection Agreement/West Regulated Companies
	01/01/97	CSW Operating Agreement
	06/01/99	CSW System General Agreement
	10/29/99	Transmission Coordination Agreement(West)
	06/15/00	American Electric Power Company, Inc. and its Consolidated Affiliate Tax Agreements
	06/15/00	AEPSC Service Agreement with Public Service Company of Oklahoma
	06/16/00	Amended and Restated Agency Agreement Between CSW Credit and its Affiliates
	06/16/00	Amended and Restated Purchase Agreement Between CSW Credit and it's Affiliates Operating Agreement-PSO, SWEPCO, AEPSC
	12/21/01	AEP System Utility Money Pool Agreement
	07/25/03	Second Amended and Restated Agency Agreement between AEP Credit and Public Service Company of Oklahoma
	07/25/03	Second Amended and Restated Purchase Agreement between AEP Credit and Public Service Company of Oklahoma
	08/25/04	Third Amended and Restated Purchase Agreement
	08/25/04	Third Amended and Restated Agency Agreement
	11/16/04	Interconnection Agreement (ERCOT Generation) between AEPTN & PSO.
	12/09/04	AEP System Amended and Restated Money Pool Agreement
	01/01/05	American Electric Power Company, and it's Consolidated Tax Affiliates
	02/10/05	Operating Agreement PSO, SWEPCO and AEPSC
	07/01/06	Amendment No 1 and consent to AEP System Rail Car Use Agreement
	12/01/09	AEP System Transmission Center Agreement
	01/01/10	Transmission Service Agreement between Public Service Company of Oklahoma and AEP Oklahoma Transmission Company
01/01/10	Joint License Agreement between Public Service Company of Oklahoma and AEP Oklahoma Transmission Company	
08/01/13	Rail Car Maintenance Agreement	

Date  
 March 15, 2021

Page  
 11



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
<b>Public Service Company of Oklahoma</b> (Cont'd)	09/12/13	Amendment No. 2 to AEP System Rail Car Use Agreement
	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC
	05/09/19	Amended and Restated Rail Car Maintenance Agreement Amendment No.1
<b>Southwestern Electric Power Company</b>	07/01/93	Rail Car Lease Agreement (West)
	08/03/95	East HVDC Interconnection Use and Maintenance Agreement
	01/01/97	CSW Operating Agreement
	06/01/99	CSW System General Agreement
	07/08/99	Memorandum of Understanding (West) Between C3 Communications, Public Service Company, Transmission Coordination Agreement (West)
	10/29/99	American Electric Power Company, Inc. and its Consolidated Affiliates Tax Agreements
	06/15/00	AEPSC Service Agreement with Southwest Power Electric
	06/16/00	Amended and Restated Purchase Agreement Between CSW and Affiliate (West) Companies
	05/31/01	Lignite Mining Agreement
	12/21/01	Operating Agreement PSO, SWEPCo, AEPSC
	08/06/02	Interconnection Agreement Between SWEPCo and Eastex Cogeneration LP
	12/18/02	AEP System Utility Money Pool Agreement
	07/25/03	Second Amended and Restated Agency Agreement Between AEP Credit and SWEPCo
	07/25/03	Second Amended and Restated Purchase Agreement Between AEP Credit and SWEPCo
	08/25/04	Third Amended and Restated Purchase Agreement Between AEP Credit and Southwestern Electric Power
	08/25/04	Third Amended and Restated Agency Agreement Between AEP Credit and Southwestern Electric Power
12/09/04	AEP System Amended and Restated Utility Money Pool Agreement	
01/01/05	American Electric Power Company, Inc. and Its Consolidated Affiliated Tax Agreements	

Date  
 March 15, 2021

Page  
 12



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
<b>Southwestern Electric Power Company</b> (Cont'd)	02/10/05	Operating Agreement PSO, SWEPCO, AEPSC
	07/01/06	Amendment No 1 and Consent to AEP System Rail Car Use
	12/01/09	AEP System Transmission Center Agreement
	12/29/09	Amended and Restated Lignite Mining Agreement
	05/06/11	Transmission Service Agreement between Southwestern Electric Power Company and AEP Southwestern Transmission Company
	05/06/11	Joint License Agreement between Southwestern Electric Power Company and AEP Southwestern Transmission Company
	08/01/13	Rail Car Maintenance Agreement
	09/12/13	Amendment No. 2 to AEP System Rail Car Use
	12/31/13	Assignment, Assumption and Consent Agreement of Rail Car Assets
	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC
	05/09/19	Amended and Restated Rail Car Maintenance Agreement Amendment No.1
<b>Wheeling Power Company</b>	08/11/41	Land Purchase Contract/The Franklin Real Estate Company
	07/30/87	Mutual Assistance Agreement
	12/31/96	Affiliated Transactions Agreement (East Companies)
	01/09/97	Agreement between Wheeling Power Company and AEP Energy Services, Inc.
	03/01/98	Pole Attachment License Agreement/AEP Communications LLC
	06/15/00	AEP System Tax Agreement
	12/18/02	AEP System Utility Money Pool Agreement
	12/09/04	AEP System Amended and Restated Utility Money Pool Agreement
	01/01/05	American Electric Power Company, and it's Consolidated Tax Affiliates
	05/15/08	Agreement between Wheeling Power Company and AEPSC
	01/22/13	Service Agreement between Wheeling Power Company and AEP West Virginia Transmission Company, Inc.



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<b>COMPANY NAME</b>	<b>DATE</b>	<b>CONTRACT</b>
<b>Wheeling Power Company</b> (Cont'd)	12/18/14	Agreement of Representation for EPA Allowances between AEPSC and Wheeling Power
	01/31/15	Mitchell Plant Operating Agreement between Wheeling Power, Kentucky Power and AEPSC
	06/01/15	Power Coordination Agreement
	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC
<b>Electric Transmission Texas</b>	12/21/07	Electric Transmission Texas Service Agreement (AEPSC)
	03/29/10	Amended and Restated Interconnection Agreement (AEP Texas North)
	03/29/10	Amended and Restated Interconnection Agreement (AEP Texas Central)
	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance.
<b>PATH West Virginia Transmission Company</b>	09/01/07	PATH West Virginia Transmission Company Service Agreement
<b>AEP Appalachian Transmission Company, Inc.</b>	01/22/13	Service Agreement between Appalachian Power Company and AEP Appalachian Transmission Company, Inc.
	12/20/16	Joint License Agreement between Appalachian Power Company and AEP Appalachian Transmission Company, Inc.
	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC
<b>AEP Indiana Michigan Transmission Company</b>	02/15/11	Transmission Company Services Agreement between AEP Indiana Michigan Transmission Company and Indiana Michigan Power Company
	02/15/11	Joint License Agreement between AEP Indiana Michigan Transmission Company and Indiana Michigan Power Company
	02/15/11	Service Agreement between AEP Indiana Michigan Transmission Company and American Electric Power Service Corporation



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
<b>AEP Indiana Michigan Transmission Company</b> (Cont'd)	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC
<b>AEP Kentucky Transmission Company, Inc.</b>	02/27/15	Service Agreement between Kentucky Power Company and AEP Kentucky Transmission Company, Inc.
	02/27/15	Joint License Agreement between Kentucky Power Company and AEP Kentucky Transmission Company, Inc.
	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC
<b>AEP Ohio Transmission Company</b>	01/01/11	Transmission Company Services Agreement between AEP Ohio Transmission Company and Ohio Power Company
	01/01/11	Transmission Company Services Agreement between AEP Ohio Transmission Company and Columbus Southern Power Company
	01/01/11	Joint License Agreement between AEP Ohio Transmission Company and Ohio Power Company
	01/01/11	Joint License Agreement between AEP Ohio Transmission Company and Columbus Southern Power Company
	01/01/11	Service Agreement between AEP Ohio Transmission Company and American Electric Power Service Corporation
	11/29/17	APCO and AEP Ohio Transmission Company Transmission Asset Sharing Agreement
	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC
<b>AEP Oklahoma Transmission Company</b>	01/01/10	Transmission Company Services Agreement between AEP Oklahoma Transmission Company and Public Service Company of Oklahoma
	01/01/10	Joint License Agreement between AEP Oklahoma Transmission Company and Public Service Company of Oklahoma



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

## LIST OF AFFILIATE CONTRACTS BY COMPANY

<b>COMPANY NAME</b>	<b>DATE</b>	<b>CONTRACT</b>
<b>AEP Oklahoma Transmission Company</b> (Cont'd)	10/27/10	Service Agreement between AEP Oklahoma Transmission Company and American Electric Power Service Corporation
	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC
<b>AEP Southwestern Transmission Company</b>	05/06/11	Transmission Company Services Agreement between AEP Southwestern Transmission Company and Southwestern Electric Power
	05/06/11	Joint License Agreement between AEP Southwestern Transmission Company and Southwestern Electric Power Company
	05/06/11	Service Agreement between AEP Southwestern Transmission Company and AEPSC
<b>AEP West Virginia Transmission Company, Inc.</b>	01/22/13	Service Agreement between Wheeling Power and AEP West Virginia Transmission Company, Inc.
	03/27/13	Service Agreement between Ohio Power and AEP West Virginia Transmission Company
	04/24/13	Service Agreement with Appalachian Power and AEP West Virginia Transmission Company "2013 Agreement"
	01/22/13	Service Agreement between AEPSC and AEP West Virginia Transmission Company, Inc.
	10/19/18	Service Agreement with Appalachian Power and AEP West Virginia Transmission Company
	04/02/19	Amended and Restated Subscription Agreement with Grid Assurance LLC
<b>Transource Energy, LLC</b>	04/03/12	Service Agreement between Transource Energy, LLC and AEPSC
	07/01/16	Service Agreement between Transource West Virginia, LLC and Transource Energy
	09/26/16	Service Agreement between Transource Energy, LLC and Transource Maryland, LLC
	01/23/18	Service Agreement between Transource Pennsylvania, LLC and Transource Energy, LLC



Document Number **99-00-06**

# Cost Allocation Manual

Section

Appendix

Subject

---

LIST OF AFFILIATE CONTRACTS BY COMPANY

---

<i>COMPANY NAME</i>	<i>DATE</i>	<i>CONTRACT</i>
Transource Maryland, LLC	09/26/16	Service Agreement between Transource Energy, LLC and Transource Maryland, LLC
Transource Missouri, LLC	12/27/13	Service Agreement between Transource Missouri, LLC and Transource Energy, LLC.
Transource Pennsylvania, LLC	01/23/18	Service Agreement between Transource Pennsylvania, LLC and Transource Energy, LLC
Transource West Virginia, LLC	07/01/16 11/21/16	Service Agreement between Transource WV and Transource Energy Services and Property Use Agreement between Appalachian Power and Transource WV

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-34** Describe the CertainTeed Contract in greater detail than set forth in the Definitions section of the proposed Mitchell Plant Ownership Agreement. Provide a copy of the contract.

**RESPONSE**

Kentucky Power provides synthetic gypsum produced from the Mitchell Plant to CertainTeed Gypsum's wallboard facility located in Proctor, WV for use in the production of their wallboard and drywall products under a long term gypsum supply agreement that runs through 2032. The current volume obligation is to provide 800,000 tons of gypsum each year. Within the agreement, there is a price reopener that resets to market every 5 years, and the next reopener is scheduled for the end of 2022. All "in-spec" gypsum produced at Mitchell is sent via conveyor belt system to CertainTeed. CertainTeed maintains a gypsum stockpile of 172,000 tons for the gypsum received via conveyor that does not fit in their gypsum storage shed or go directly into the production process.

Kentucky Power and CertainTeed are in discussions to renegotiate the current agreement, inclusive of term, specification, volume commitments, pricing, remedies and assignment from Kentucky Power to Wheeling Power.

Please also see KPCO\_R\_AG\_KIUC\_1\_34\_Attachment1 through Attachment6 for the requested information.

Witness: Stephan T. Haynes

## **SUPPLY AGREEMENT**

This Supply Agreement (this "Agreement") is effective as of this 11th day of March, 2005 (the "Effective Date"), by and between BPB West Virginia Inc., a Delaware corporation, with its principal business address at 5301 W. Cypress Street, Suite 300, Tampa, Florida 33607 ("BPB"), party of the first part, and Ohio Power Company, an Ohio corporation, ("OPCo"), with its principal business address of 1 Riverside Plaza, Columbus, Ohio 43215, party of the second part, (BPB and OPCo being individually a "party" and collectively the "parties").

### **Background**

A. OPCo owns and operates a coal-fired electric power generating plant located near Moundsville, West Virginia (the "Mitchell Plant").

B. Cardinal Operating Company, an Ohio corporation, ("Cardinal") operates a coal-fired electric power generating plant located near Steubenville, Ohio (the "Cardinal Plant"). Cardinal is fifty percent (50%) owned by OPCo and fifty percent (50%) owned by Buckeye Power, Inc., an Ohio not-for-profit corporation not affiliated with OPCo. OPCo owns operating unit 1 at the Cardinal Plant and Buckeye Power, Inc. owns operating units 2 and 3 at the Cardinal Plant.

C. OPCo and its Affiliates intend to install anti-pollution devices that would generate substantial quantities of a byproduct known as calcium sulfate dihydrate ("Gypsum Filter Cake") from various plants, including but not limited to the Mitchell Plant and the Cardinal Plant, Unit 1, (the Mitchell Plant and Cardinal Plant, unit 1, being collectively the "DSG Plants").

D. BPB and its Affiliates are actively involved in the business of manufacturing, selling and distributing gypsum board and other related products and desire to secure a long-term supply of Gypsum Filter Cake from OPCo and its Affiliates.

E. OPCo desires to grant to BPB, and BPB desires to accept from OPCo, certain rights and obligations with respect to the Gypsum Filter Cake generated at the DSG Plants.

Accordingly, in consideration of the mutual covenants and agreements set forth below, BPB and OPCo agree as follows:

### **ARTICLE 1 - DEFINITIONS**

1.1 "AAA" shall have the meaning set forth in Section 17.11(b) below.

- 1.2 "Affiliate" shall mean with respect to a party, any other entity that directly or indirectly controls, is controlled by, or is under common control with the party. For purposes of this definition, "control" shall mean the possession directly or indirectly of the power to direct or cause the direction of the management or policies of such party, or direct or indirect ownership of, or direct or indirect power to vote at least fifty (50%) percent of the outstanding voting securities or voting equity interest of such party.
- 1.3 "Agreement" shall have the meaning set forth in the first paragraph above.
- 1.4 "Alternate Site" shall have the meaning set forth in Section 1.8 below.
- 1.5 "Annual Meeting" shall have the meaning set forth in Section 9.1 below.
- 1.6 "BPB" shall have the meaning set forth in the first paragraph above.
- 1.7 "BPB Plant" shall mean the gypsum storage facilities, the manufacturing facilities, the distribution facilities and all ancillary facilities and equipment to be located at the BPB Site.
- 1.8 "BPB Site" shall mean (a) the real property depicted or described in Attachment A, attached and incorporated herein by reference, located near the Mitchell Plant (the "Mitchell Site") or (b) such other real property located along the Ohio River between the Hannibal Locks and Dam near New Martinsville, West Virginia and the New Cumberland Locks and Dam near New Cumberland, West Virginia, upon which BPB elects to construct the BPB Plant (the "Alternate Site").
- 1.9 "Cardinal" shall have the meaning set forth in the Background section, paragraph B.
- 1.10 "Cardinal Commitment" shall have the meaning set forth in Section 3.1(b).
- 1.11 "Cardinal Plant" shall have the meaning set forth in the Background section, paragraph B above.
- 1.12 "Commencement Date" shall have the meaning set forth in Section 2.1 (a) below, which Commencement Date may be revised pursuant to Section 2.4(a).
- 1.13 "Confidential Information" shall have the meaning set forth in Section 13.1 below.
- 1.14 "Contract Commitment" shall have the meaning set forth in Section 3.1(a) below.

- 1.15 "Contract Year" shall mean each twelve (12) month period beginning as of the Commencement Date.
- 1.16 "Delivery Notice" shall have the meaning set forth in Section 2.1(a) below.
- 1.17 "DSG Plants" shall have the meaning set forth in the Background section, paragraph C above.
- 1.18 "Effective Date" shall mean the date set forth in the first paragraph above.
- 1.19 "Extension Term" shall have the meaning set forth in Section 10.2 below.
- 1.20 "FGD System(s)" shall mean one or more flue gas desulfurization systems to be installed, owned, operated and maintained by OPCo at the DSG Plants.
- 1.21 "Force Majeure Event" shall have the meaning set forth in Section 14.1 below.
- 1.22 "Fully Loaded Cost to Landfill" shall mean all development, construction, operation and maintenance costs incurred by OPCo or its Affiliate to build and operate a landfill of a size suitable for the intended purpose including, without limitation, all site preparation costs, consulting costs, transportation costs, handling costs and labor costs.
- 1.23 "Gypsum Conveyor System(s)" shall have the meaning set forth in Section 2.3 below.
- 1.24 "Gypsum Filter Cake" shall have the meaning set forth in the Background section, paragraph C above.
- 1.25 "Initial Notice" shall have the meaning set forth in Section 17.11(a) below.
- 1.26 "Initial Term" shall have the meaning set forth in Section 10.1 below.
- 1.27 "Letter(s) of Credit" means one or more irrevocable and transferable standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a credit rating of at least BBB- from S&P or Baa3 from Moody's, in a form and from a bank reasonably acceptable to the party in whose favor the letter of credit is issued. Costs of a Letter of Credit shall be borne by the applicant for such Letter of Credit.
- 1.28 "Losses" shall have the meaning set forth in Section 12.1(a) below.
- 1.29 "Measuring Equipment" shall have the meaning set forth in Section 6.1 below.

- 1.30 "Minimum Quarterly Quantity" shall mean (a) with respect to the Contract Commitment, two hundred thousand (200,000) Net Dry Tons of Gypsum Filter Cake to be delivered in accordance with Section 3.3, and (b) with respect to the Purchase Option Commitment, seventy-five thousand (75,000) Net Dry Tons of Gypsum Filter Cake to be delivered in accordance with Section 3.4.
- 1.31 "Mitchell Plant" shall have the meaning set forth in the Background section, paragraph A above.
- 1.32 "Mitchell Site" shall have the meaning set forth in Section 1.8 above.
- 1.33 "Modifications Cost" shall have the meaning set forth in Section 18.1 below.
- 1.34 "Moody's" means Moody's Investors Service, Inc. and its successors.
- 1.35 "Mountaineer Plant" shall mean a coal-fired electric power generating plant located near New Haven, West Virginia, owned by OPCo's affiliate, Appalachian Power Company.
- 1.36 "Net Dry Ton" shall mean two thousand (2,000) pounds of Gypsum Filter Cake after being adjusted to zero percent (0%) free moisture pursuant to the formula set forth in Attachment B, attached hereto and incorporated into this Agreement.
- 1.37 "No Build Notice" shall have the meaning set forth in Section 2.4(b) below, and "No Stockpile Notice" shall have the meaning set forth in Section 2.2 (e).
- 1.38 "Non-Compliant Material" shall mean Gypsum Filter Cake delivered to BPB and/or its Affiliate not meeting the Specifications.
- 1.39 "Nonperforming Party" shall have the meaning set forth in Section 14.1 below.
- 1.40 "OPCo" shall have the meaning set forth in the first paragraph above.
- 1.41 "Point of Delivery" shall mean (a) the discharge point of the Gypsum Conveyor System described in Section 2.3, if the BPB Site is the Mitchell Site, with respect to the Contract Commitment, (b) FOB Barge Mitchell Plant, if the BPB Site is the Alternate Site, with respect to the Contract Commitment tonnage produced at the Mitchell Plant (c) FOB Barge Cardinal Plant with respect to the Purchase Option Commitment, (d) FOB Barge BPB Plant, with respect to the Contract Commitment tonnage produced at the Cardinal Plant, if the BPB Site is the Alternate Site, and (e) FOB Barge Cardinal Plant with respect to the Cardinal Commitment.

- 1.42 "Purchase Option" shall have the meaning set forth in Section 3.1(c) below.
- 1.43 "Purchase Option Commitment" shall have the meaning set forth in Section 3.1(c) below.
- 1.44 "Purchase Option Period" shall have the meaning set forth in Section 3.1(c) below.
- 1.45 "S&P" means Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) and its successors.
- 1.46 "Specifications" shall mean the Gypsum Filter Cake specifications set forth in Attachment C, attached hereto and incorporated into this Agreement.
- 1.47 "Start-up Period" shall mean the initial six (6) month period of commercial operations of the BPB Plant beginning on the Commencement Date.
- 1.48 "Stockpile" shall have the meaning set forth in Section 2.2(a) below.
- 1.49 "Stockpile Start Date" shall have the meaning set forth in Section 2.2(a) below.

## **ARTICLE 2 - FACILITIES**

### 2.1 Facilities Notices.

(a) OPCo shall give BPB final written notice (the "Delivery Notice") of the date upon which OPCo shall begin delivering the Minimum Quarterly Quantity of Gypsum Filter Cake meeting the Specifications to the BPB Plant (the "Commencement Date"). The Delivery Notice shall be submitted to BPB no later than July 1, 2005, and the Commencement Date set forth in the Delivery Notice shall be no sooner than July 1, 2007, and no later than February 28, 2008.

(b) BPB shall give OPCo final written notice no later than June 1, 2005 of the location upon which, subject to BPB acquiring all required permits, licenses and approvals, BPB will construct the BPB Plant.

### 2.2 Stockpiles.

(a) BPB shall develop, own, operate and maintain one or more stockpiles on the BPB Site, in location(s) chosen by BPB, capable of holding an aggregate of at least three hundred thousand (300,000) Net Dry Tons of Gypsum Filter Cake meeting the Specifications (each a "Stockpile"). By July 1, 2005, OPCo shall give BPB written notice

of the date upon which the Stockpiles are required to be operational (the "Stockpile Start Date") in the Delivery Notice but in no event shall the Stockpiles be required to be operational any sooner than November 1, 2006. By December 31, 2005, BPB will notify OPCo in writing as to whether the Stockpiles will be operational by the Stockpile Start Date. In the event BPB notifies OPCo that the Stockpiles will not be operational by such date and is unable to provide OPCo with a new Stockpile Start Date, then, until a new Stockpile Start Date is established, every three months thereafter, but in no event later than September 30, 2006, BPB will notify OPCo as to whether a new Stockpile Start Date can be established, and if so, such date. In no event shall the period between BPB's notice and the Stockpile Start Date be less than twelve months, provided that in no event shall the Stockpile Start Date be later than November 1, 2007. Until the Stockpile Start Date, OPCo shall have the right to sell the Gypsum Filter Cake to third parties without restrictions, including the restrictions set forth in Section 4.4.

OPCo shall deliver three hundred thousand (300,000) Net Dry Tons of Gypsum Filter Cake meeting the Specifications into the Stockpiles, if the Stockpiles are located at the Mitchell Site, or into barges at the Mitchell Plant, if the Stockpiles are not located at the Mitchell Site, prior to the Commencement Date and thereafter shall similarly have the right to deliver up to an additional one hundred thousand (100,000) Net Dry Tons of Gypsum Filter Cake meeting the Specifications into the Stockpiles or into barges for transporting to the Stockpiles, as applicable.

(b) OPCo may draw against the Gypsum Filter Cake volume in the Stockpiles throughout the Initial Term and any Extension Term of this Agreement to make up any shortfall in its deliveries pursuant to this Agreement. In each such instance, OPCo shall replenish the Stockpiles with Gypsum Filter Cake meeting the Specifications prior to disposing of any such material in a landfill, or selling any such material to a third party. If due solely to the actions of OPCo the Stockpile is reduced to less than one hundred thousand (100,000) tons, then BPB shall have the right to enter into short-term agreements (three months or less in duration) to purchase at market price Gypsum Filter Cake meeting the Specifications to increase the Stockpile to approximately one hundred thousand (100,000) tons and OPCo shall pay BPB the amount, if any, by which the amount paid by BPB for such Gypsum Filter Cake exceeds the amount that BPB would have paid OPCo for such quantity of Gypsum Filter Cake.

(c) Until the Commencement Date, OPCo shall pay BPB 10% of the development, storage and maintenance costs incurred by BPB for stockpiling three hundred thousand (300,000) Net Dry Tons of Gypsum Filter Cake, up to a maximum payment of One Hundred Thousand Dollars (\$100,000.00). Within fourteen (14) days after the end of each calendar month, BPB shall deliver to OPCo an invoice for OPCo's share of the

development, storage and maintenance costs for the Stockpiles during the preceding calendar month. Each invoice shall be accompanied by detailed information reasonably sufficient to determine the accuracy of such invoice. OPCo shall pay each invoice within twenty (20) days after receipt.

(d) In the event BPB has not received, or does not anticipate receiving, by the Stockpile Start Date, all required permits, licenses and approvals for a Stockpile, and for any barge and delivery facilities if the BPB Site is the Alternate Site, as a result of conditions or circumstances beyond BPB's reasonable control, the parties shall meet in good faith, and, subject to Section 2.2(e), develop and execute an alternate plan, mutually agreed upon, to offset the resulting delay in the start-up of commercial operation of the Stockpile. To the extent that BPB's failure to receive such permits, licenses, and approvals results in OPCo and its Affiliates having to dispose of Gypsum Filter Cake other than by selling it to BPB, then OPCo and its Affiliates may do so without restrictions, including the restrictions set forth in Section 4.4, until such time as (i) BPB has received all required permits, licenses and approvals for such Stockpile and BPB is prepared to receive Gypsum Filter Cake into the Stockpile, and (ii) if the BPB Site is the Alternate Site, BPB has received all required permits, licenses and approvals for any barge and delivery facilities and BPB has constructed such barge and delivery facilities.

(e) After using commercially reasonable efforts, in the event BPB is unable to establish a Stockpile Start Date by no later than September 30, 2006, or the Stockpile Start Date is later than November 1, 2007, BPB shall, by the applicable date (either September 30, 2006 or November 1, 2007) deliver written notice to OPCo (a "No Stockpile Notice") of BPB's inability and elect to (i) accept the Contract Commitment FOB Barge at the Cardinal Plant and Mitchell Plant for a period from the date of the No Stockpile Notice through the Initial Term of this Agreement, (ii) accept the Contract Commitment FOB Barge at the Cardinal Plant and Mitchell Plant for a period of two (2) years from the date of the No Stockpile Notice, after which time the Agreement shall automatically terminate without further liability to BPB, or (iii) immediately terminate this Agreement and pay to OPCo that portion of the Fully Loaded Cost to Landfill the Gypsum Filter Cake attributable to the initial two (2) Contract Years of the Contract Commitment, as such costs are incurred by OPCo. Except as set forth in this Section 2.2(e), BPB shall have no other liability to OPCo and its Affiliates after exercising its termination right set forth in this Section.

- 2.3 Gypsum Conveyor System. If the BPB Site is the Mitchell Site, OPCo shall install, own, operate, and maintain a conveyor system (a "Gypsum Conveyor System") for the delivery of Gypsum Filter Cake to the BPB Site. The parties shall consult with each other, and mutually agree upon, the design and location of the Gypsum Conveyor System, taking into consideration each party's current and future requirements.

2.4 BPB Plant.

(a) BPB shall build, own, operate and maintain the BPB Plant on the BPB Site. The BPB Plant shall begin commercial operation by the Commencement Date provided that: (i) the Stockpiles contain an aggregate amount of three hundred thousand (300,000) Net Dry Tons of Gypsum Filter Cake meeting the Specifications, (ii) OPCo is capable of continuously supplying the Minimum Quarterly Quantity and (iii) BPB has received all permits, licenses and approvals necessary to build, own, operate and maintain the BPB Plant. In the event BPB has not received, or does not anticipate receiving, by the Commencement Date all required permits, licenses and approvals to build, own, operate and maintain the BPB Plant as a result of conditions or circumstances beyond BPB's reasonable control, the parties shall meet in good faith, and, subject to Section 2.4(b), develop and execute an alternate plan, mutually agreed upon, to offset the delay in the start-up of commercial operation of the BPB Plant and establish a revised Commencement Date.

(b) If the BPB Site is the Mitchell Site, then, notwithstanding Section 2.4(a) above and after using commercially reasonable efforts, in the event BPB is, or has determined, that it will be, unable to obtain all permits, licenses and approvals required to build, own, operate and maintain the BPB Plant by the Commencement Date, BPB shall deliver written notice to OPCo (a "No Build Notice") of BPB's inability to obtain all such required permits, licenses, and approvals and elect to (i) accept the Contract Commitment FOB Barge at the Cardinal Plant and Mitchell Plant for a period from the date of the No Build Notice through the Initial Term of this Agreement, (ii) accept the Contract Commitment FOB Barge at the Cardinal Plant and Mitchell Plant for a period of two (2) years from the date of the No Build Notice, after which time the Agreement shall automatically terminate without further liability to BPB, or (iii) immediately terminate this Agreement and pay to OPCo that portion of the Fully Loaded Cost to Landfill the Gypsum Filter Cake attributable to the initial two (2) Contract Years of the Contract Commitment, as such costs are incurred by OPCo. Except as set forth in this Section 2.4(b), BPB shall have no other liability to OPCo and its Affiliates after exercising its termination right set forth in this Section.

2.5 Zoning and Permitting. The FGD Systems, the BPB Plant, and each of the Gypsum Conveyor Systems shall be in compliance with all applicable federal, state and local laws, rules and regulations. Each party, at its cost and expense, shall be responsible for obtaining all permits, licenses, and approvals associated with construction and operation of their respective facilities in a diligent and expedient manner. The parties shall cooperate and provide necessary assistance in obtaining such required permits, licenses and approvals.

2.6 Utilities and Rail. BPB shall be solely responsible for the utility and rail requirements of the BPB Plant. If the BPB Site is the Mitchell Site, OPCo shall provide at no additional

cost to BPB, all easements reasonably required by BPB for (a) rail access to the BPB Plant, and (b) utilities servicing the BPB Plant, including without limitation, easements for water, sewer, gas and electric services.

- 2.7 Transmission Towers. If the BPB Site is the Mitchell Site, OPCo shall remove or relocate, at OPCo's cost and in a commercially reasonable time (anticipated to be six to nine months), based upon future discussions between the parties, any transmission towers located on the BPB Site that interfere, or may reasonably be deemed by BPB to interfere, with the construction, operation or maintenance of the BPB Plant. In the event that, despite the good faith effort of the parties, BPB's construction schedule needs to be modified as a result of delays in relocating the transmission towers, the Commencement Date shall be revised accordingly.
- 2.8 Steam. By no later than March 31, 2005, the parties agree to enter into a steam agreement upon mutually agreeable terms providing for the supply and delivery of steam from the Mitchell Plant to the BPB Plant. If the parties fail to enter into a steam agreement within such time period, BPB may at its option terminate this Agreement by written notice no later than April 15, 2005, without any further liability to either party.
- 2.9 Barge Facilities.
- (a) Provided that the BPB Site is the Mitchell Site, BPB shall have the right to use (i) an OPCo designed and constructed barge loading facility at the Mitchell Plant, for loading Gypsum Filter Cake, for a charge equal to the pro rata cost to operate, staff and maintain such facilities (determined on an annual basis by dividing the total cost to operate the barge loading facilities at the Mitchell Plant by the number of tons of material loaded at such facilities, and multiplying the resulting amount by the number of tons of Gypsum Filter Cake loaded by BPB at the facilities during the applicable year), provided that in the event BPB's use of the facility may interfere with OPCo's use of such facility, the parties agree to determine a mutually agreeable schedule for their respective use of the facility, and (ii) OPCo's barge unloading facilities at the Mitchell Plant for the unloading of Gypsum Filter Cake, including the Gypsum Conveyor System, for a charge equal to the pro rata cost to operate, staff, and maintain such facilities (determined on an annual basis by dividing the total cost to operate the barge unloading facilities at the Mitchell Plant by the number of tons of material unloaded at such facilities, and multiplying the resulting amount by the number of tons of Gypsum Filter Cake not subject to the Agreement unloaded at the facilities during the applicable year); provided that in the event BPB's use of the facilities may interfere with OPCo's use of such facilities, the parties agree to determine a mutually agreeable schedule for their respective use of the facilities. BPB shall be responsible, at its own cost, for transporting its Gypsum Filter Cake to OPCo's barge loading facility. OPCo acknowledges and agrees that BPB shall have priority to use the barge loading and

unloading facilities at the Mitchell Plant over any third party. OPCo agrees to complete construction of any barge loading and unloading facility at the Mitchell Plant prior to the Commencement Date.

(b) BPB's use of the OPCo barge loading and unloading facilities described in paragraph 2.9(a) above is limited to (i) an aggregate volume of Two Hundred Forty Thousand (240,000) Net Dry Tons per calendar year, spread ratably throughout the year, including both the loading and unloading of Gypsum Filter Cake, when OPCo is supplying the Gypsum Filter Cake pursuant the terms of the Agreement; (ii) an aggregate volume of Eight Hundred Thousand (800,000) Net Dry Tons per calendar year, spread ratably throughout the year, including both the loading and unloading of Gypsum Filter Cake, when OPCo is no longer supplying the Gypsum Filter Cake pursuant to the terms of this Agreement; and (iii) an aggregate volume equal to the aggregate volume set forth in (i) of this paragraph above plus the undersupply of Gypsum Filter Cake by OPCo, if BPB is exercising its rights under Section 7.2 (b) of this Agreement.

### **ARTICLE 3 – VOLUME COMMITMENT AND START-UP**

#### **3.1 Volume Commitment.**

(a) In addition to its requirements set forth in Section 2.2 above, OPCo shall supply and deliver to BPB, and BPB shall accept from OPCo, an aggregate quantity of eight hundred thousand (800,000) Net Dry Tons of Gypsum Filter Cake per Contract Year (the "Contract Commitment") beginning on the Commencement Date.

(b) By July 1, 2005, OPCo shall offer BPB the right to accept, in accordance with a proposed monthly schedule and Section 4.1(b), not more than Four Hundred Fifty Thousand (450,000) Net Dry Tons of Gypsum Filter Cake generated at the Cardinal Plant from the Commencement Date until June 30, 2009, in addition to the Gypsum Filter Cake included in the Contract Commitment, (the "Cardinal Commitment"). BPB and its Affiliates shall have until March 31, 2006, to exercise the option for the Cardinal Commitment. In the event BPB and its Affiliates do not exercise the option for the Cardinal Commitment within such time period, OPCo may sell or dispose of any Gypsum Filter Cake without any restrictions, including the restrictions set forth in Section 4.4. In order to accommodate fluctuations in volumes actually delivered and accepted, any quantities of Gypsum Filter Cake to be delivered under this Section 3.1(b) shall be deemed to be satisfied provided that such fluctuations (up or down) do not exceed 15% of the Gypsum Filter Cake required to be delivered pursuant to this Section 3.1(b) in any month.

(c) BPB and its Affiliates shall have the option to purchase (the "Purchase Option") an additional three hundred thousand (300,000) Net Dry Tons of Gypsum Filter Cake per Contract Year (the "Purchase Option Commitment") on the terms and conditions set forth in this Agreement, which tonnage shall be delivered for a period of five (5) years beginning July 1, 2009 ("Purchase Option Period") upon written notice to OPCo. BPB and its Affiliates shall have twelve (12) months from the Effective Date to exercise the Purchase Option. In the event BPB and its Affiliates do not exercise the Purchase Option within such time period, OPCo may sell or dispose of any Gypsum Filter Cake subject to the Purchase Option.

(d) All Gypsum Filter Cake subject to the Contract Commitment, the Cardinal Commitment and the Purchase Option Commitment shall meet the Specifications.

- 3.2 Start-up Period. During the Start-up Period, OPCo shall supply and deliver to BPB each month, and BPB shall accept from OPCo each month, a minimum of one-sixth (1/6) of the Minimum Quarterly Quantity subject to the Contract Commitment. Failure to deliver or accept one-six (1/6) of the Minimum Quarterly Quantity per month during this period shall not constitute a material breach of this Agreement.
- 3.3 Post Start-up Period. Following the expiration of the Start-up Period and for the remaining duration of this Agreement, OPCo shall supply and deliver to BPB each calendar quarter, and BPB shall accept from OPCo and its Affiliates each calendar quarter, at least the Minimum Quarterly Quantity subject to the Contract Commitment. In order to accommodate fluctuations in volumes actually delivered and accepted under this Agreement, any quantities of Gypsum Filter Cake to be delivered under this Section 3.3 shall be deemed to be satisfied provided that such fluctuations (up or down) do not exceed 10% of the Gypsum Filter Cake required to be delivered pursuant to this Section 3.3 in any calendar quarter, or, in the event any shortfall exceeds 10%, such shortfall is made up from the Stockpile, and provided that the average monthly quantity of Gypsum Filter Cake delivered and accepted under this Section 3.3 over each twelve calendar (12) month period after the Start-up Period shall be at least 66,667 Net Dry Tons.
- 3.4 Purchase Option Period. In the event BPB or its Affiliate exercises the Purchase Option, OPCo shall supply and deliver to BPB or its Affiliate, and BPB or its Affiliate shall accept from OPCo, each month, one-third (1/3) of the Minimum Quarterly Quantity subject to the Purchase Option Commitment. In order to accommodate fluctuations in volumes actually delivered and accepted, any quantities of Gypsum Filter Cake to be delivered under this Section 3.4 shall be deemed to be satisfied provided that such fluctuations (up or down) do not exceed 15% of the Gypsum Filter Cake required to be delivered pursuant to this Section 3.4 in any quarter, or, in the event any shortfall exceeds 15%, such shortfall is made up from the Stockpile, and provided that the average monthly quantity of Gypsum

Filter Cake delivered and accepted under this Section 3.4 over any twelve (12) month period shall be at least 25,000 Net Dry Tons.

#### **ARTICLE 4 - PRICING AND PAYMENT**

##### **4.1 Pricing.**

(a) BPB shall pay a fee to OPCo for Gypsum Filter Cake included in the Contract Commitment in an amount equal to three dollars (\$3.00) per Net Dry Ton FOB Point of Delivery. Notwithstanding the foregoing, BPB shall not be obligated to pay for Gypsum Filter Cake delivered to the Point of Delivery at the BPB Plant necessary to meet OPCo's obligations set forth in Section 2.2 above until BPB actually uses such material in the BPB Plant.

(b) BPB shall have the option to acquire the Cardinal Commitment on the basis that OPCo shall pay a fee to BPB or its Affiliate for the Gypsum Filter Cake included in the Cardinal Commitment in an amount equal to five dollars (\$5.00) per Net Dry Ton FOB Point of Delivery. If BPB does not exercise such right, then OPCo may sell the Gypsum Filter Cake without any restrictions, and thus such sales shall not be subject to Section 4.4 of this Agreement.

(c) OPCo shall pay a fee to BPB or its Affiliate for the Gypsum Filter Cake included in the Purchase Option Commitment in an amount equal to three dollars (\$3.00) per Net Dry Ton FOB Point of Delivery.

4.2 **Pricing Adjustments.** The parties agree to renegotiate in good faith the fee paid to OPCo pursuant to Section 4.1(a) every five (5) years after the Commencement Date and negotiations shall occur during the relevant Annual Meeting. Each party acknowledges that the objective of price adjustments is to price the Gypsum Filter Cake at market price for similar volumes to be produced within the Ohio Valley for the following five (5) year period. If the parties cannot mutually agree on price adjustments during the relevant Annual Meeting, the fee paid to OPCo shall be adjusted pursuant to the dispute resolution mechanism set forth in Section 17.11 below, provided that in no event shall OPCo be obligated to pay a fee to BPB that exceeds the Fully Loaded Cost to Landfill the Gypsum Filter Cake

##### **4.3 Invoicing and Payment.**

(a) Within fourteen (14) days after the end of each calendar month, OPCo shall, or shall cause its Affiliates to, deliver to BPB an invoice with a certified statement of the

quantity of Gypsum Filter Cake meeting the Specifications and delivered to BPB during the preceding calendar month. Each invoice shall set forth in reasonable detail a calculation of the fee to be paid by BPB pursuant to Section 4.1 above and shall be accompanied by detailed information reasonably sufficient to determine the accuracy of such invoice. BPB shall pay each invoice within twenty (20) days after receipt.

(b) The parties shall cooperate in good faith to establish a system for delivering electronic invoices to BPB and its Affiliates.

4.4 Third Party Sales.

(a) Except for (i) under acceptance of Gypsum Filter Cake as set forth in Section 7.4, or (ii) discontinued acceptance of Gypsum Filter Cake as set forth in Section 7.5, and provided that BPB substantially complies with all of the terms and conditions of this Agreement, if OPCo sells any Gypsum Filter Cake generated by the DSG Plants or the Mountaineer Plant, to a third party that brokers or owns and/or operates a manufacturing facility for gypsum based products, the fee paid by BPB for Gypsum Filter Cake under this Agreement shall automatically be adjusted for the quantity sold to the third party and the term of the agreement with the third party to be the lesser of (x) the current fee for Gypsum Filter Cake then in effect as established by Section 4.1(a) or 4.2 above, as applicable and (y) five dollars (\$5.00) per Net Dry Ton less than the price charged to the third party based on similar delivery terms.

(b) With respect to any Gypsum Filter Cake produced by OPCo or its Affiliates east of the Mississippi River from other than the DSG Plants and/or the Mountaineer Plant, BPB shall be offered the benefit of any lower sales price under comparable conditions and for a similar period. In the event that OPCo or its Affiliates would grant another purchaser a sales price on a per Net Dry Ton basis that is lower than the sales price paid by BPB, then (i) OPCo shall promptly notify BPB of such lower sales price and (ii) such lower sales price shall become the new sales price applicable to BPB for the quantity sold to third parties and for so long as such lower sales price is charged by OPCo to third parties.

(c) OPCo shall not be restricted in its sale of Gypsum Filter Cake produced west of the Mississippi River.

**ARTICLE 5 – DELIVERY AND STORAGE**

5.1 Notice. Prior to delivery of any Gypsum Filter Cake, OPCo shall cause its Affiliates to notify BPB of the location or plant at which the Gypsum Filter Cake to be delivered was

generated. The parties shall cooperate in good faith and develop a procedure to provide the notices required in this Section 5.1.

- 5.2 Delivery of Contract Commitment. All Gypsum Filter Cake subject to the Contract Commitment shall be delivered by OPCo to the Point of Delivery. Title to, and any risk of loss or damage to the Gypsum Filter Cake subject to the Contract Commitment, transfers from OPCo to BPB at the Point of Delivery.
- 5.3 Delivery of Cardinal Commitment. All Gypsum Filter Cake subject to the Cardinal Commitment shall be delivered by OPCo to the Point of Delivery. Title to, and any risk of loss or damage to the Gypsum Filter Cake subject to the Cardinal Commitment transfers from OPCo to BPB at the Point of Delivery.
- 5.4 Delivery of Purchase Option Commitment. In the event BPB exercises its Purchase Option, all Gypsum Filter Cake subject to the Purchase Option Commitment shall be delivered by OPCo to the Point of Delivery in the barges designated by BPB or its Affiliate at the Cardinal Plant. Title to, and any risk of loss or damage to the Gypsum Filter Cake subject to the Purchase Option Commitment transfers from OPCo to BPB or its Affiliate at the Point of Delivery.

#### **ARTICLE 6 – GYPSUM WEIGHING AND TESTING**

- 6.1 Measuring Equipment. Prior to delivery, except as provided below, all Gypsum Filter Cake shall be measured by weighing systems ("Measuring Equipment") owned, operated, maintained and used by OPCo or its Affiliates necessary to permit an accurate determination of the quantity of Gypsum Filter Cake delivered to BPB and its Affiliates. OPCo shall, and shall cause its Affiliates to, exercise reasonable care in the maintenance and operation of the Measuring Equipment so as to assure to the extent reasonably practicable an accurate determination of each quantity of Gypsum Filter Cake delivered to BPB. In lieu of using Measuring Equipment, weights shall be determined at the Cardinal Plant by draft survey. Similarly, if the BPB Site is the Alternate Site, weights shall be determined at the Mitchell Plant by draft survey. Such draft surveys shall be those the barge carrier accepts for determination of weights for payment of its freight haulage services.
- 6.2 Testing. The accuracy of the Measuring Equipment, as specified by the manufacturer, shall be tested as determined by OPCo at OPCo's cost and expense, but in no event less than twice per year. BPB and its Affiliate shall have the right to be present for any reading, repair, testing, calibration or adjustment to the Measuring Equipment. OPCo shall give prior notice to BPB in advance of taking any of such actions. If any party desires to

challenge the results of any testing, the parties shall cooperate to secure a prompt verification of the accuracy of Measuring Equipment by a mutually acceptable third party. If BPB or its Affiliate requests a testing of the Measuring Equipment, BPB or its Affiliate shall bear the cost of such testing. In the event the parties disagree on any testing results, subsequent testing shall be conducted by a mutually acceptable third party or the manufacturer of the Measuring Equipment whose results shall be binding on the parties. If the testing determines that the Measuring Equipment is in error by more than plus or minus 5%, then OPCo shall pay the costs of such testing; otherwise, BPB or its Affiliate shall pay such charges.

- 6.3 Accuracy Errors. If after testing, the Measuring Equipment is found to be accurate or to be in error by not more than plus or minus 5%, previous recordings of such equipment shall be considered accurate in computing deliveries of Net Dry Tons of Gypsum Filter Cake, but such equipment shall be promptly adjusted to record to an accuracy specified by the manufacturer of the Measuring Equipment. If the Measuring Equipment shall be found to be in error by an amount exceeding plus or minus 5%, such equipment shall be promptly adjusted to record to an accuracy specified by the manufacturer and any previous recordings by such equipment shall be corrected to zero error. If no reliable information exists as to the period over which the equipment registered inaccurately, it shall be assumed for correction purposes that the inaccuracy began at a point in time midway between the testing date and the last previous date on which the equipment was tested and found to be accurate.
- 6.4 Adjustments. If upon testing, the Measuring Equipment is found to be in error by more than plus or minus 5%, any payments made by BPB or its Affiliate since the previous test of the Measuring Equipment shall be adjusted to reflect the corrected measurement determined pursuant to this Article 6. If the payments actually made by BPB or its Affiliate exceed the payments that should have been made, the difference shall be credited by OPCo against future payments due. If the payments actually made by BPB or its Affiliate are less than the payments that should have been made, the difference shall be paid by BPB or its Affiliate to OPCo along with the next payment due to OPCo.
- 6.5 Books and Records. Each party shall, and shall cause its Affiliates to, keep accurate records and books of accounts showing the quantities of Gypsum Filter Cake delivered to BPB and its Affiliate, the dates of delivery, and, with respect to OPCo, the identities and locations of the certified scales where such material was weighed, the conversion calculations to Net Dry Tons, the dates on which such weighings were performed, and test methods, results and analyses related to the quality of Gypsum Filter Cake. All records and books of account may be kept in an electronic format provided that any record can be generated into a paper format upon request. Upon reasonable advance written notice, each party shall have the right, at its expense and without disruption to the other party's

operations, to audit and inspect during normal working hours at the location where such records are maintained, all records and data relating to this Agreement. All records shall remain the property of the producing party. Each party shall maintain these records for not less than five (5) years after such records' creation.

## **ARTICLE 7 - REMEDIES**

### **7.1 Non-Compliant Material.**

(a) In the event OPCo delivers Non-Compliant Material to BPB or its Affiliate, following receipt of written notice thereof by OPCo, OPCo shall have thirty (30) days to replace such material with Gypsum Filter Cake meeting the Specifications set forth in this Agreement. If OPCo elects not to replace such material, then BPB or its Affiliate may elect to compensate OPCo with respect to such Non-Compliant Material at a reduced price, determined on a case by case basis, and mutually agreed to by the parties.

(b) Notwithstanding Section 7.1(a) above, if (i) OPCo delivers Non-Compliant Material to BPB that results in a malfunction, or is reasonably anticipated to result in a malfunction, at the BPB Plant, and (ii) the parties have failed to agree upon a reduced price for the Non-Compliant Material or the Non-Compliant Material was already used by BPB or its Affiliate in its manufacturing process or BPB or its Affiliate was unable to segregate the Non-Compliant Material at the time of delivery, then BPB shall promptly provide OPCo with the studies, documents, or data described in Section 7.1(c) and OPCo shall pay the reasonable cost incurred by BPB and/or its Affiliate to remove and dispose of such Non-Compliant Material and decontaminate the affected transportation, delivery, production and storage facilities of BPB and its Affiliate, including without limitation any conveyor system, and the production line or lines using such Non-Compliant Material up to a maximum amount of \$1,000,000.00 per incident. For the purposes of this Section 7.1(b), BPB acknowledges that BPB's right to make a claim for Non-Compliant Material based on a failure to meet the moisture content specification in the Specifications must be judged on the moisture content of the Gypsum Filter Cake at the time of delivery to the Point of Delivery.

(c) BPB shall not be entitled to the remedy set forth in Section 7.1(b) above until it has provided OPCo with any studies or other documents or data that support BPB's allegation that OPCo was responsible for such malfunction, or anticipated malfunction. The parties shall cooperate in good faith to minimize the impact of any such remedy on each party's business and operations. Any amounts owed by OPCo under this section shall be credited to BPB or its Affiliate on the next monthly invoice.

- 7.2 Undersupply by OPCo. In the event OPCo fails to deliver to BPB or its Affiliate the quantities of Gypsum Filter Cake required under this Agreement, BPB or its Affiliate may, at its election, by written notice to OPCo within thirty (30) days after the end of the calendar quarter in which the deficiency occurred, either (a) instruct OPCo to deliver within thirty (30) days to the Point of Delivery, as applicable, at OPCo's sole expense, the quantity of Gypsum Filter Cake necessary to satisfy the requirements of this Agreement for which there was a shortfall, or (b) purchase on the open market at a commercially reasonable cost for delivery to the Point of Delivery, the amount of Gypsum Filter Cake necessary to satisfy the requirements of this Agreement. If BPB or its Affiliate elects to purchase an alternate supply of Gypsum Filter Cake, it shall promptly notify OPCo of such election and OPCo shall credit to BPB or its Affiliate's account on the next invoice the shortfall amount for such calendar quarter multiplied by the positive difference, if any, between the price of Gypsum Filter Cake charged by an alternate supplier and the Net Dry Ton fee paid by BPB or its Affiliate pursuant to Section 4.1 above, then in effect under this Agreement at the time of undersupply up to a maximum of twenty dollars (\$20.00) per Net Dry Ton, plus a handling fee of \$1.00 per Net Dry Ton of the deficient quantity.

Example: OPCo is required to provide 66,667 Net Dry Tons of Gypsum Filter Cake per month for a fee of \$3.00 per Net Dry Ton but only provides 56,667 Net Dry Tons of Gypsum Filter Cake in one month and BPB elects to purchase on the basis set forth above an additional 10,000 Net Dry Tons at \$20/ton.

OPCo Credit to BPB's Account = (10,000 tons \* (\$20/ton-\$3/ton)) + (10,000 tons \* \$1.00/ton) = \$180,000

- 7.3 Discontinued Supply by OPCo. With respect to the Contract Commitment or the Purchase Option Commitment, in the event OPCo (a) elects to discontinue supplying Gypsum Filter Cake to BPB or its Affiliate, (b) takes any action that prevents OPCo from supplying at least fifty percent (50%) of the requirements set forth in this Agreement over a five (5) consecutive Contract Year period, or (c) takes any other action that causes OPCo to supply less than fifty percent (50%) of the minimum requirements per Contract Year set forth in this Agreement for two (2) consecutive Contract Years, BPB or its Affiliate shall have the right to terminate this Agreement with respect to the Contract Commitment or the Purchase Option Commitment (as applicable). If this Agreement is terminated pursuant to this Section 7.3, subject to Section 11.3 hereof, with respect to the Contract Commitment, OPCo shall pay to BPB or its Affiliate, as liquidated damages upon written request, annual payments for the remainder of the original duration of this Agreement equal to the annual Contract Commitment multiplied by the actual price of Gypsum Filter Cake or natural gypsum paid by BPB or its Affiliate for an alternate supply to the Point of Delivery (which shall be at a commercially reasonable cost for Gypsum Filter Cake but if alternative

sources of Gypsum Filter Cake are not reasonably available then at a commercially reasonable cost for natural gypsum), less the annual amount that BPB would have paid OPCo had OPCo continued to supply Gypsum Filter Cake pursuant to this Agreement. For purposes of this Agreement, one ton of Gypsum Filter Cake shall equal one ton of natural gypsum.

Example: OPCo is required, for a period of 25 years, to provide 800,000 Net Dry Tons of Gypsum Filter Cake per Contract Year for a fee of \$3.00 per Net Dry Ton to be paid by BPB. At the beginning of year 2 of the Agreement, OPCo discontinues delivering Gypsum Filter Cake and BPB must purchase Gypsum Filter Cake for \$10.00 per Net Dry Ton.

BPB's Ligated Damages in Year 2 =  $(800,000 \times \$10.00) - (800,000 \times \$3.00) =$   
\$5,600,000

Alternatively, if Gypsum Filter Cake is not reasonably available and the commercially reasonable cost of natural gypsum is \$9.00 per Net Dry Ton,

BPB's Ligated Damages in Year 2 =  $(800,000 \times \$9.00) - (800,000 \times \$3.00) =$   
\$4,800,000

If this Agreement is terminated pursuant to this Section 7.3 with respect to the Purchase Option Commitment, OPCo shall pay to BPB or its Affiliate, as liquidated damages upon written request, annual payments for the remainder of the original duration of the Purchase Option Period equal to the annual Purchase Option Commitment multiplied by the actual price of Gypsum Filter Cake or natural gypsum paid by BPB or its Affiliate for an alternate supply to the Point of Delivery (which shall be a commercially reasonable cost for Gypsum Filter Cake but if alternative sources of Gypsum Filter Cake are not reasonably available then at a commercially reasonable cost for natural gypsum), plus the annual amount that OPCo would have paid to BPB had OPCo continued to supply Gypsum Filter Cake pursuant to this Agreement.

Example: OPCo is required, for a period of 5 years, to provide 300,000 Net Dry Tons of Gypsum Filter Cake per Contract Year for a fee of \$3.00 per Net Dry Ton to be paid to BPB. At the beginning of year 2 of the Agreement, OPCo discontinues delivering Gypsum Filter Cake and BPB must purchase either Gypsum Filter Cake or natural gypsum for \$10.00 per Net Dry Ton.

BPB's Ligated Damages in Year 2 =  $(300,000 \times \$10.00) + (300,000 \times \$3.00) =$   
\$3,900,000

In the event this Section 7.3 is triggered, the price paid by BPB or its Affiliate for an alternate supply of Gypsum Filter Cake meeting the Specifications shall be adjusted annually and shall be based upon the average price paid by BPB or its Affiliate for an alternate supply during the relevant Contract Year.

- 7.4 Under Acceptance by BPB. In the event BPB or its Affiliate fails to accept from OPCo and its Affiliates the Minimum Quarterly Quantity, OPCo and its Affiliates may, at their election by written notice to BPB or its Affiliate within thirty (30) days after the end of the calendar quarter in which the deficiency occurred, (a) require BPB or its Affiliate to pay OPCo and its Affiliates the fee then in effect, pursuant to Sections 4.1 and 4.2 above, for the shortfall quantity plus a commercially reasonable fully loaded cost to transport and dispose of the shortfall quantity, in an OPCo approved landfill up to a maximum of twenty dollars (\$20) per Net Dry Ton, plus an additional handling fee of \$1.00 per Net Dry Ton of the deficiency quantity, or (b) without the restrictions set forth in Section 4.4, sell the shortfall quantity to a third party, with BPB paying to OPCo and its Affiliates the amount, if any, by which the amount OPCo and its Affiliates receive from the third party is less than the amount that OPCo and its Affiliates would have received if the Gypsum Filter Cake were sold to BPB. Any charges assessed by OPCo and its Affiliates pursuant to this Section 7.4 shall be reflected on the next monthly invoice to be delivered to BPB or its Affiliate.

Example: BPB is required to accept 66,667 Net Dry Tons of Gypsum Filter Cake for a fee of \$3.00 per Net Dry Ton but only accepts 56,667 Net Dry Tons in one month and OPCo elects to landfill 10,000 Net Dry Tons of Gypsum Filter Cake at \$20/ton.

OPCo Charges to BPB = (10,000 tons\*(\$20/ton+\$3/ton)) + (10,000 tons\* \$1/ton) = \$240,000

- 7.5 Discontinued Acceptance by BPB. With respect to the Contract Commitment or the Purchase Option Commitment, in the event BPB or its Affiliate (a) elects to discontinue receipt of Gypsum Filter Cake from OPCo and its Affiliates, (b) takes any action that prevents BPB or its Affiliate from accepting at least fifty per cent (50%) of the Minimum Quarterly Quantity over a five (5) consecutive Contract Year period, or (c) takes any other action that causes BPB or its Affiliate to accept less than fifty percent (50%) of the minimum requirements per Contract Year set forth in this Agreement for two (2) consecutive Contract Years, OPCo may terminate this Agreement with respect to the Contract Commitment or the Purchase Option Commitment (as applicable), and if this Agreement is terminated pursuant to this Section 7.5, BPB or its Affiliate shall pay to OPCo and its Affiliates, as liquidated damages upon written request, annual payments for a period of five (5) years equal to the Fully Loaded Cost to Landfill the Gypsum Filter Cake

generated during a five (5) year period, subject to the Contract Commitment or the Purchase Option Commitment (as applicable).

#### **ARTICLE 8 – CREDITWORTHINESS**

- 8.1 Financial Information. If requested by OPCo, BPB shall deliver (i) within 120 days following the end of each fiscal year, a copy of the internal management unaudited consolidated financial statements for such fiscal year with respect to BPB USA, Inc. along with a signed statement from an officer of BPB USA, Inc. certifying that the financial statements delivered to OPCo were prepared from financial data provided to BPB plc and (ii) within 60 days after the end of its first three fiscal quarters of each fiscal year, a copy of the internal management unaudited consolidated financial statements for such fiscal quarter for BPB USA, Inc. In all cases the statements shall be for the most recent period and shall be prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be a termination event pursuant to Article 16 so long as the relevant entity diligently pursues the preparation, certification and delivery of the statements.
- 8.2 Guaranty from BPB USA, Inc. By March 31, 2005, BPB USA, Inc. shall provide a guaranty to OPCo, in a form reasonably acceptable to OPCo and in the amount of (a) ninety million dollars (\$90,000,000) from the Effective Date until the eighth year anniversary of the Commencement Date, (b) seventy million dollars (\$70,000,000) from the eighth to the sixteenth anniversary of the Commencement Date, and (c) fifty million dollars (\$50,000,000) following the sixteenth anniversary of the Commencement Date, which guaranty shall be held by OPCo throughout the term of this Agreement. If BPB fails to deliver a guaranty in a form reasonably acceptable to OPCo within such time period, OPCo may at its option terminate this Agreement by written notice to BPB no later than April 15, 2005, without any further liability to either party.
- 8.3 Letter of Credit from BPB. BPB or an Affiliate of BPB shall provide OPCo with a Letter of Credit in the amount of \$500,000 by December 15, 2005. BPB shall increase the Letter of Credit to an amount of \$7,500,000 not less than four (4) months prior to the Stockpile Start Date. The Letter of Credit shall remain in force until the Commencement Date.

#### **ARTICLE 9 – ANNUAL MEETINGS**

- 9.1 Annual Meetings. The parties shall meet annually (each an "Annual Meeting") in good faith to discuss among other things: (a) BPB and its Affiliates' anticipated consumption

capability for the next Contract Year, (b) OPCo and its Affiliates' anticipated generation of Gypsum Filter Cake for the next Contract Year, (c) adjustments to any quantities required under this Agreement, and (d) during each five year anniversary of the Commencement Date, adjustments to the fee paid by BPB pursuant to Section 4.1 above.

- 9.2 Other Meetings. The parties shall meet from time to time as mutually agreed to discuss operational, quality, quantity and other issues as such issues arise.

#### **ARTICLE 10 – TERM OF AGREEMENT**

- 10.1 Term. The initial term of this Agreement shall expire twenty-five (25) years after the Commencement Date ("Initial Term").
- 10.2 Extension Options. BPB and/or its Affiliate exercising the Purchase Option, and OPCo may, upon written agreement, extend all or portions of this Agreement for additional periods of five (5) years each (each an "Extension Term").
- 10.3 Right of First Refusal.

(a) In the event the DSG Plants generate, or during the Initial Term or the Extension Term will generate, excess Gypsum Filter Cake not the subject of this Agreement, OPCo shall give BPB written notice of the availability of such excess Gypsum Filter Cake and the commercially reasonable terms upon which such material will be available to BPB. With respect to proposed contracts of a term of not more than one year, BPB shall have thirty (30) days, and with respect to proposed contracts of a term exceeding one year, BPB shall have ninety (90) days, from receipt of the written notice, to notify OPCo of BPB's election to accept such excess Gypsum Filter Cake. OPCo may dispose of any such excess Gypsum Filter Cake not accepted by BPB at OPCo's discretion, including sale to a third party, provided that any sale does not violate Section 4.4 above.

(b) Provided that BPB exercises its right of first refusal to such excess Gypsum Filter Cake, the parties shall enter into an amendment to this Agreement, or a separate agreement, for such excess Gypsum Filter Cake substantially on the terms set forth in such notice.

#### **ARTICLE 11 – WARRANTY AND LIMITATION OF LIABILITY**

- 11.1 Warranty. OPCo represents and warrants to BPB and any Affiliate of BPB exercising the Purchase Option that each delivery of Gypsum Filter Cake under this Agreement shall meet the Specifications. Each party may from time to time perform quality tests on the Gypsum

Filter Cake. In such event, the testing party agrees to provide a summary of its respective testing results within a reasonable time after the results are available. Except with respect to OPCo's indemnification obligations under Section 12.1 below, the sole and exclusive remedy for breach of this warranty is set forth in Section 7.1 of this Agreement.

- 11.2 Limitation of Warranty. THE WARRANTY SET FORTH IN SECTION 11.1 IS IN LIEU OF ALL OTHER WARRANTIES AND REPRESENTATIONS WHETHER EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND WHETHER ARISING BY COURSE OF DEALING, USAGE OF TRADE OR OTHERWISE.
- 11.3 Limitation of Liability. NEITHER OPCO NOR BPB AND ITS AFFILIATES SHALL BE LIABLE TO THE OTHER UNDER ANY CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, WARRANTY OR CONTRACT CLAIM OR ANY OTHER THEORY FOR ANY LOSS OF PROFIT, REVENUES OR BUSINESS, LOSS OF USE OF ANY FACILITY OR ANY ASSOCIATED EQUIPMENT, COST OF CAPITAL, DOWN TIME, LOSS OF PRODUCT, LOSS OF SALES, OR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, INDIRECT OR PUNITIVE DAMAGES WHETHER SUCH PARTY WAS INFORMED OR AWARE OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE. HOWEVER, THIS LIMITATION OF DAMAGES PROVISIONS SHALL NOT AFFECT OR OTHERWISE DIMINISH ANY SPECIFIED REMEDY OR LIQUIDATED DAMAGES THAT ARE SPECIFIED IN ARTICLE 7 OF THIS AGREEMENT.

IN NO EVENT SHALL OPCO'S AGGREGATE TOTAL CUMULATIVE LIABILITY, WITH RESPECT TO SECTIONS 7.1, 7.2, 7.3, 12.1, 13.1, 18.1, AND 18.2, INCLUDING BUT NOT LIMITED TO THEIR INDEMNIFICATION LIABILITY, PURSUANT TO THIS AGREEMENT EXCEED AN AGGREGATE AMOUNT OF (I) NINETY MILLION DOLLARS (\$90,000,000.00) UNTIL THE EIGHTH YEAR ANNIVERSARY OF THE COMMENCEMENT DATE, (II) SEVENTY-FIVE MILLION DOLLARS (\$75,000,000.00) FROM THE EIGHTH TO THE SIXTEENTH ANNIVERSARY OF THE COMMENCEMENT DATE, AND (III) SIXTY MILLION DOLLARS (\$60,000,000.00) FOLLOWING THE SIXTEENTH ANNIVERSARY OF THE COMMENCEMENT DATE. THUS, IF OPCO HAS INCURRED A TOTAL CUMULATIVE LIABILITY UNDER SECTIONS 7.1, 7.2, 7.3, 12.1, 13.1, 18.1, AND 18.2 OF THIS AGREEMENT OF NINETY-TWO MILLION DOLLARS (\$92,000,000.00) AS OF THE SEVENTH ANNIVERSARY OF THE COMMENCEMENT DATE, OPCO SHALL THEREAFTER HAVE NO ADDITIONAL LIABILITY UNDER SECTIONS 7.1, 7.2, 7.3, 12.1, 13.1, 18.1, AND 18.2.

IN NO EVENT SHALL BPB'S TOTAL CUMULATIVE LIABILITY PURSUANT TO SECTIONS 7.4, 7.5, 12.1, AND 13.1 OF THIS AGREEMENT EXCEED AN AGGREGATE AMOUNT OF (I) NINETY MILLION DOLLARS (\$90,000,000.00) UNTIL THE EIGHTH YEAR ANNIVERSARY OF THE COMMENCEMENT DATE, (II) SEVENTY MILLION DOLLARS (\$70,000,000.00) FROM THE EIGHTH TO THE SIXTEENTH ANNIVERSARY OF THE COMMENCEMENT DATE, AND (III) FIFTY MILLION DOLLARS (\$50,000,000.00) FOLLOWING THE SIXTEENTH ANNIVERSARY OF THE COMMENCEMENT DATE. THUS, IF BPB HAS INCURRED A TOTAL CUMULATIVE LIABILITY UNDER SECTIONS 7.4, 7.5, 12.1, AND 13.1 OF THIS AGREEMENT OF NINETY-TWO MILLION DOLLARS (\$92,000,000.00) AS OF THE SEVENTH ANNIVERSARY OF THE COMMENCEMENT DATE, BPB SHALL THEREAFTER HAVE NO ADDITIONAL LIABILITY UNDER SECTIONS 7.4, 7.5, 12.1, AND 13.1 OF THIS AGREEMENT.

- 11.4 Exclusive Remedies. Where a remedy is specified in this Agreement for a particular breach or occurrence, the remedy specified shall be the sole and exclusive remedy for the breach or occurrence.

## **ARTICLE 12 – INDEMNITY AND INSURANCE**

12.1 Indemnification.

(a) OPCo shall indemnify, defend and hold harmless BPB and its Affiliates, and their respective officers, directors, employees, successors and assigns from and against any and all losses, liabilities, obligations, damages, fines, penalties, judgments, actions, claims, costs and disbursements, including reasonable attorneys', accountants' and other professionals' fees and disbursements ("Losses") asserted against BPB and/or its Affiliates and their respective officers, directors, employees, successors and assigns, based in whole or in part, on an allegation that any Gypsum Filter Cake (i) failed to meet the Specifications set forth in Attachment C, attached hereto, at the Point of Delivery, (ii) is considered hazardous or toxic under any federal, state or local law, rule or regulation, at the time delivered to BPB, and (iii) has caused death or injuries to any person, or destruction or damage to any property.

(b) BPB shall indemnify, defend and hold harmless OPCo and its Affiliates supplying Gypsum Filter Cake meeting the Specifications under this Agreement, and their respective officers, directors, employees, successors and assigns from and against any and all Losses asserted against OPCo and its Affiliates supplying Gypsum Filter Cake meeting the Specifications under this Agreement, and their respective officers, directors, employees,

successors and assigns, based in whole or in part, on an allegation that any product manufactured by the BPB or its Affiliate using Gypsum Filter Cake has caused death or injuries to any person, or destruction or damage to any property.

(c) The party making a claim for indemnification shall promptly notify the indemnifying party of the existence of any such claim and may employ counsel, at its own expense, to assist the indemnifying party with respect to any such claims, provided that if such counsel is necessary because of a conflict of interest with the indemnifying party or its counsel, or because the indemnifying party does not assume the control or defense of a claim for which the indemnifying party is obligated to indemnify hereunder, the indemnifying party shall bear such expense. The indemnifying party shall not enter into any settlement that affects the indemnified party's rights or interests without the indemnified party's prior written approval, which approval shall not be unreasonably withheld. The indemnified party shall provide such assistance and cooperation as is reasonably requested by the indemnifying party or its counsel in connection with such indemnified claims, at the indemnifying party's expense.

- 12.2 Insurance. OPCo and its Affiliates and BPB and any Affiliate of BPB exercising the Purchase Option shall keep their properties and business insured at all times against such risks for which insurance is usually maintained by reasonably prudent persons engaged in a similar business including, without limitation, property insurance, commercial general liability insurance and insurance under all applicable workers' compensation laws. The insurance maintained shall (i) be in such amounts with such limits and deductibles carried by parties in the same or a similar business, and (ii) provide for a waiver of insurer's right of subrogation against the other party. Each party shall furnish, annually or upon renewal, evidence of insurance from each respective insurance carrier stating that such policies of insurance are in effect and giving the requesting party thirty (30) calendar days prior written notice of any cancellation or material change in such policies.

### **ARTICLE 13 – CONFIDENTIALITY**

- 13.1 Confidential Information. OPCo and BPB shall, and shall cause their respective Affiliates to use, the same degree of care, but no less than a reasonable degree of care, as such party uses with respect to its own similar information to maintain in strict confidence (a) the terms and conditions of this Agreement, (b) any information or data relating hereto exchanged or obtained by the parties during negotiation and performance of this Agreement that is designated in writing as proprietary and confidential, (c) any information related to Gypsum Filter Cake production and pricing and BPB's or its Affiliates' Gypsum Filter Cake consumption requirements, (d) any documents, instruments, certifications,

information and data relating to BPB's or its Affiliates' business, operations, and/or financial condition, including without limitation, any information related to any BPB or its Affiliates' manufacturing facilities and plans to construct future manufacturing facilities, as well as the manufacturing processes, testing protocols and intellectual property employed therein, and (e) any documents, instruments, certifications, information and data relating to OPCo's business, operations, and/or financial condition, including without limitation, any information related to any OPCo or its Affiliates' facilities and plans to construct future facilities, as well as the processes, testing protocols and intellectual property employed therein ("Confidential Information"). No party shall disclose any Confidential Information to any third party (except that either party may make such disclosure to any Affiliate, outside advisors and consultants) or any governmental entity without prior written consent of the other party. The obligations contained in this Section 13.1 impose no obligation upon a party with respect to Confidential Information which (a) was known to such party before receipt from the disclosing party, (b) is or becomes publicly available through no fault of the receiving party, (c) is rightfully received by the receiving party from a third party without a duty of confidentiality, (d) is independently developed by the receiving party without a breach of this Agreement, or (e) is disclosed by the receiving party with the disclosing party's prior written approval. If a party is required by a government body or court of law to disclose Confidential Information, then such party agrees to give the other party reasonable advance notice so that the other party may seek a protective order or otherwise contest the disclosure.

- 13.2 Employees, Agents and Representatives. Each party represents and warrants to the other that it and its Affiliates have adopted policies and procedures with respect to the receipt and disclosure of confidential or proprietary information, such as the Confidential Information, with their respective employees, agents and representatives. Each party represents and warrants to the other party that it shall exercise reasonable efforts to cause each of its employees, agents and representatives, and its Affiliates' employees, agents and representatives, to maintain and protect the confidentiality of the other party's Confidential Information. Such reasonable efforts shall include, without limitation, requiring each outside advisor or consultant to agree to confidentiality obligations at least as stringent as the confidentiality obligations set forth in this Agreement. Each party agrees to be liable for any breach by its advisors and consultants of the confidentiality obligations set forth in this Agreement.
- 13.3 Term and Enforcement. The confidentiality obligations set forth in this Agreement shall be observed during the Initial Term and any Extension Term of the Agreement and for a period of two (2) years following the termination of this Agreement. Each party acknowledges that a breach of any of the terms of this Article 13 may cause the non-breaching party irreparable damage, for which the award of damages would not be adequate compensation. Consequently, the non-breaching party may institute an action to

enjoin the breaching party from any and all acts in violation of those provisions, which remedy shall be cumulative and not exclusive, and shall be in addition to any other relief to which the non-breaching party may be entitled at law or in equity.

- 13.4 **Return of Confidential Information.** Upon the termination, cancellation or expiration of this Agreement, all Confidential Information in tangible form shall, upon written request, be returned to the disclosing party, or at the respective party's discretion, destroyed by the receiving party.

#### **ARTICLE 14 – FORCE MAJEURE**

- 14.1 **Force Majeure.** No party shall be responsible or liable for or deemed in breach of this Agreement for any delay or failure in the performance of its respective obligations under this Agreement to the extent such delay or failure is due to circumstances beyond the reasonable control of the party experiencing such delay or failure (such party referred to herein as the "Nonperforming Party"), including but not limited to acts of God; unusually severe weather conditions; labor disputes; war; riots; terrorist incidents; and requirements, actions or failures to act on the part of governmental authorities preventing or delaying performance (so long as the party claiming Force Majeure has not applied for or assisted in the application for, and has opposed where and to the extent reasonable, such governmental action); fire; and damage to or breakdown of necessary facilities or equipment (such causes hereinafter each called "Force Majeure Event"); provided that:
- (a) The Nonperforming Party gives the other party written notice within five (5) business days of the Force Majeure Event, with details to be supplied within fifteen (15) business days further describing the particulars of the Force Majeure Event;
  - (b) The suspension of performance is of no greater scope and of no longer duration than is attributable to the Force Majeure Event;
  - (c) The Nonperforming Party uses its reasonable efforts to remedy its inability to perform;
  - (d) When the Nonperforming Party is able to resume performance of its obligations under this Agreement, that party shall give the other party written notice to that effect; and
  - (e) The Force Majeure Event was not caused by any grossly negligent or intentional acts, errors or omissions, or failure to comply with any law, regulation or order, or any breach or default of this Agreement by the Nonperforming Party.

In no event shall any Force Majeure Event extend this Agreement beyond its then-existing term. If any Force Majeure Event is of such magnitude as to delay a party's performance for a time period greater than one (1) year after the commencement of the Force Majeure Event, the party not claiming the Force Majeure Event may, at any time thereafter during the Force Majeure Event, terminate this Agreement effective upon thirty (30) days' advance written notice to the Nonperforming Party. In the event of a termination of this Agreement pursuant to this Section 14.1, no party shall have any further liability to the other under this Agreement except with respect to liabilities that arose prior to such termination.

#### **ARTICLE 15 – SAFETY AND SECURITY**

- 15.1 OPCo Safety and Security Procedures. BPB, its employees and agents, its Affiliates and its Affiliates' employees and agents who are provided with access to any OPCo and its Affiliates' property shall comply with the safety and security practices and procedures prescribed by OPCo or its Affiliate to cover such property. BPB shall advise its employees and agents, its Affiliates and its Affiliates' employees and agents of any such practices and procedures and shall instruct everyone to abide by the practices and procedures. OPCo will make a copy of any such practices and procedures available to BPB and its Affiliates upon request.
- 15.2 BPB Safety and Security Procedures. OPCo, its employees and agents, its Affiliates, and its Affiliates' employees and agents who are provided with access to any BPB and its Affiliates' property shall comply with the safety and security practices and procedures prescribed by BPB or its Affiliate to cover such property. OPCo shall advise its employees, its Affiliates, and its Affiliates' employees and agents of any such practices and procedures and shall instruct everyone to abide by the practices and procedures. BPB will make a copy of any such practices and procedures available to OPCo and its Affiliates upon request.

#### **ARTICLE 16 - TERMINATION OF AGREEMENT**

- 16.1 Termination. The following actions with respect to a party to this Agreement shall give the other party the right to terminate this Agreement:
- (a) The non-defaulting party shall have the right to terminate this Agreement after five (5) days' written notice if:

- (i) A party makes a general assignment for the benefit of its creditors;
  - (ii) A party becomes insolvent or has a receiver appointed because of insolvency; or
  - (iii) A party files bankruptcy or has a petition for involuntary bankruptcy filed against it; or
- (b) the non-defaulting party shall have the right to terminate this Agreement if:
- (i) A party fails to comply with its material payment obligations under this Agreement and, with regard to nonpayment of such material payment obligations, unless such nonpayment is the result of a good faith dispute, such failure continues uncured for thirty (30) days after receipt of written notice thereof; or
  - (ii) A party fails to comply with its respective material covenants or material obligations under this Agreement, other than a payment obligation, and such failure continues uncured for thirty (30) days after receipt of written notice thereof; provided that such thirty (30) day period shall be extended if the defaulting party is continuing to diligently pursue curing such failure, or
  - (iii) A party fails to satisfy the requirements of Section 8.3, and such failure continues uncured for thirty (30) days after receipt of written notice thereof.
- (c) BPB shall have the right to terminate this Agreement pursuant to Sections 2.4(b), 2.8, and 17.11(b) of the Agreement;
- (d) AEP shall have the right to terminate this Agreement pursuant to Sections 2.4(b) and 8.2 above; or
- (e) Either party shall have the right to terminate this Agreement if such party is acting pursuant to its rights in Articles 7, 17.12 or 18.

#### **ARTICLE 17 – MISCELLANEOUS PROVISIONS**

- 17.1 Relationship of the Parties. Nothing contained herein shall be construed to imply a partnership or joint venture relationship between the parties or their respective Affiliates. The parties shall not be entitled to create any obligations on behalf of the other party. The

parties shall not enter into any contracts with third parties in the name of the other party without the prior written consent of the other party.

- 17.2 Notices. Any notice or demand required by this Agreement shall be in writing and deemed properly given if (a) delivered in person to, (b) mailed with postage prepaid and return receipt requested to, (c) delivered to a nationally recognized overnight courier, to, or (d) transmitted by facsimile to, the respective parties as follows. Notices provided by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of a successful transmission. If the day on which such facsimile is received is not a business day or is after 5:00 pm Eastern Prevailing time on a business day, then such facsimile shall be deemed to be received on the following business day. Parties may change designates upon thirty (30) days written notice.

If to OPCo: American Electric Power Service Corporation  
155 W. Nationwide Blvd.  
Columbus, Ohio 43215  
Attention: VP, Strategic Initiatives Group  
Telephone: 614-583-6602  
Facsimile: 614-583-1618

With copy to: American Electric Power Service Corporation  
1 Riverside Plaza  
Columbus, Ohio 43215  
Attention: Deputy General Counsel  
Telephone: 614-716-1580  
Facsimile: 614-716-1560

If to BPB: BPB West Virginia Inc.  
5301 W. Cypress Street, Suite 300  
Tampa, Florida 33607  
Attention: Vice President Supply Chain Management  
Telephone: 813-286-3900  
Facsimile: 813-286-3993

With copy to: BPB Canada Inc.  
2424 Lakeshore Road West  
Mississauga, Ontario L5J 1K4  
Attention: Vice President Supply Chain Management  
Telephone: 905-823-9881  
Facsimile: 905-823-7557

With copy to: BPB America Inc.  
5301 W. Cypress Street, Suite 300  
Tampa, Florida 33607  
Attention: General Counsel  
Telephone: 813-286-3900  
Facsimile: 813-283-3993

- 17.3 Assignment. This Agreement may not be assigned by either party without the prior written consent of the other party, such consent not to be unreasonably withheld. Notwithstanding the foregoing, either party may assign this Agreement to an Affiliate. No assignment or transfer in whole or in part of any party's interest in this Agreement shall relieve such party of its obligations hereunder.
- 17.4 Governing Law. This Agreement shall be construed under and in accordance with the laws of the State of New York without regard to conflicts of laws principles.
- 17.5 Severability. Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Agreement, provided the essential purposes of this Agreement are not frustrated.
- 17.6 Counterparts. This Agreement may be executed by facsimile and in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- 17.7 Legal Fees and Costs. If a legal action, other than an action pursuant to Section 17.11(b), is initiated by either party against the other, arising out of or relating to the alleged performance or nonperformance of any right or obligation established under this Agreement, or any dispute concerning the same, any and all fees, costs and expenses reasonably incurred by each successful party or their legal counsel in investigating, preparing for, prosecuting, defending against, or providing evidence, producing documents or taking any other action in respect of, such action shall be the obligation of and shall be paid or reimbursed by the unsuccessful party.
- 17.8 Waiver and Remedies. No waiver of any breach of this Agreement shall be held to be a waiver of any other or future breach of this Agreement.
- 17.9 No Third-Party Beneficiaries. This Agreement shall not create any rights in favor of any third party, except as otherwise set forth in this Agreement.

17.10 Entire Agreement. This Agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof, and no amendment, modification or alteration of the terms hereof shall be binding unless the same be in writing, dated subsequent to the date hereof and duly approved and executed by each party.

17.11 Dispute Resolution.

(a) As a matter of course, the parties shall bring problems or potential problems to the attention of each other as soon as practical and discuss them. The parties shall attempt to resolve any dispute arising out of or relating to this Agreement promptly by good faith negotiations between the appropriate management representatives of the parties having settlement authority. The disputing party shall initiate negotiations by giving the other party written notice of the dispute ("Initial Notice"). Within ten (10) business days after receipt of the Initial Notice, the receiving party shall submit to the disputing party a written response. Both the Initial Notice and the response shall include: (a) a statement of the party's position and a summary of the relevant facts supporting that position and (b) the name, title, fax number, telephone number and email address of a management representative of the party authorized to settle the dispute. The management representatives shall confer within thirty (30) days of receipt of the Initial Notice, in person at a mutually acceptable time and place, at least once and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt in good faith to resolve the dispute. If the dispute is not resolved within fifteen (15) days of the first discussions of the management representatives, except with respect to matters subject to Section 17.11(b) below, either party may initiate litigation to resolve the dispute. All negotiations and communications pursuant to this Section 17.11 shall be treated and maintained by the parties as Confidential Information and shall be treated as compromise and settlement negotiations for the purposes of all applicable rules of evidence.

(b) In the event the parties are unable to agree on the fee to be paid by BPB pursuant to Section 4.2 above, the matter shall be submitted to binding arbitration for resolution. Arbitration shall be initiated by filing a demand at a regional office of the American Arbitration Association ("AAA"). AAA shall appoint one neutral arbitrator who is independent of the parties with experience resolving commercial pricing disputes. Within fifteen (15) business days after the appointment of the arbitrator, the parties shall submit position statements to the arbitrator related to the fee dispute. Within ten (10) business days thereafter, the arbitrator shall issue a written opinion selecting one party's suggested fee to be paid pursuant to Section 4.2 above for the applicable five (5) year period. Each party shall submit to any court of competent jurisdiction for the purpose of enforcing the arbitrator's decision. Any decision pursuant to arbitration is final and may be entered and enforced in any court of competent jurisdiction. The costs of the arbitration, including the fees and expenses of the arbitrator, shall be borne by the parties to the arbitration in equal

shares, with each party to this Agreement bearing its own costs and expenses incurred in preparation of its position statement.

In the event OPCo's submitted fee is equal to OPCo's Fully Loaded Cost to Landfill, on a per Net Dry Ton basis, and the arbitrator selects the BPB submitted fee, then, notwithstanding such selection, BPB agrees that the fee shall be adjusted to be the fee equal to OPCo's Fully Loaded Cost to Landfill, on a Net Dry Ton basis, for the then next subsequent five year period, provided that BPB can terminate this Agreement upon two years' written notice to OPCo.

- 17.12 Approval. Each party's (the parties being BPB and OPCo) obligations to comply with the terms of this Agreement are expressly subject to the approval(s) of their respective Board of Directors and/or Executive Committee. In the event that any party fails to obtain such approval(s) by no later than March 31, 2005, then the party not obtaining such approval can terminate this Agreement no later than April 15, 2005, and all parties shall be relieved from any further obligations hereunder without any liability.
- 17.13 Survival. Notwithstanding anything to the contrary in this Agreement the following articles and sections shall survive the expiration, cancellation or termination of this Agreement: Sections 2.3, 2.4, 2.5, 2.6, and 2.9; Articles 1, 6, 7, 11, 12, 13 and 17.

#### ARTICLE 18 – REGULATORY CHANGES

- 18.1 Changes in Law. In the event the Specifications or any part of any Specifications must be adjusted to comply with more stringent requirements of a future enacted federal, state or local law, rule, regulation or order, the parties shall determine the least reasonable cost appropriate modifications to comply with the more stringent requirements (the "Modifications Cost"). Such modifications could be modifications to be made solely by OPCo, modifications to be made solely by BPB, or modifications to be made by both parties. The Specifications or any affected part of the Specifications shall be adjusted, and OPCo shall pay the Modifications Cost, if (i) the Modifications Cost is less than the aggregate Fully Loaded Cost to Landfill the Gypsum Filter Cake over the remaining term of the Agreement, or (ii) if the Modifications Cost is greater than the aggregate Fully Loaded Cost to Landfill over the remaining term of the Agreement and BPB agrees to pay OPCo the difference between such costs.

In the event that either OPCo or BPB is required, or both parties are required, to implement modifications pursuant to this Section 18.1, then the implementing party or parties shall be granted a reasonable time to make the appropriate modifications. If the Modifications Cost is more than the aggregate Fully Loaded Cost to Landfill the Gypsum Filter Cake over the

remaining term of the Agreement and BPB does not agree to pay OPCO in accordance with (ii) above, then neither party shall be deemed to be in breach of this provision and either party may terminate this Agreement without any further liability or obligation to the other party.

18.2 Hazardous or Toxic Waste.

(a) Should any federal, state or local law, rule, regulation or order change or become enacted, which makes Gypsum Filter Cake meeting the Specifications a hazardous or toxic waste, or otherwise makes Gypsum Filter Cake meeting the Specifications unusable in BPB or its Affiliates' production processes, OPCO shall make, or cause its Affiliates to make, at no cost to BPB and its Affiliates, such process changes to the affected FGD Systems to make Gypsum Filter Cake no longer hazardous or toxic, or to otherwise make the Gypsum Filter Cake delivered to BPB and its Affiliates usable, but in no event shall OPCo and its Affiliates be obligated to spend more than the aggregate Fully Loaded Cost to Landfill the Gypsum Filter Cake over the remaining term of the Agreement to make such process changes. If the Modifications Cost required to implement the necessary process changes to the affected FGD Systems is greater than the aggregate Fully Loaded Cost to Landfill the Gypsum Filter Cake over the remaining term of the Agreement, BPB may agree to pay OPCo the difference between the Modifications Cost and the aggregate Fully Loaded Cost to Landfill the Gypsum Filter Cake, and OPCo shall be granted a reasonable time to make the appropriate modifications.

(b) Should Section 18.2(a) become applicable, and provided that the Gypsum Filter Cake cannot be made useable by OPCo and its Affiliates within the limitations set forth in Section 18.2(a), then either party may terminate this Agreement upon written notice, without any further liability or obligation to the other party.

**ARTICLE 19 – PURCHASE AND SALE AGREEMENT**

19.1 By no later than March 31, 2005, the parties shall enter into a purchase and sale agreement upon mutually agreeable terms providing for (i) the assignment by OPCo's affiliate, Franklin Real Estate Company, to BPB of an Option for the Purchase of Real Estate providing for the sale of approximately sixty (60) acres of real property located in Marshall County, West Virginia, as described in Deed Book 387, Page 300, and Deed Book 387, Page 363, and (ii) the sale by OPCo to BPB of approximately one hundred (100) acres of real property adjacent thereto.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto caused this Agreement to be executed as of the day and year first above written.

OHIO POWER COMPANY

BY: Charles E Zebula *DMC*

PRINT NAME: Charles E. Zebula

ITS: Vice President

BPB WEST VIRGINIA INC.

BY: Peter Mayer

PRINT NAME: PETER MAYER

ITS: VICE PRESIDENT TECH SERV.

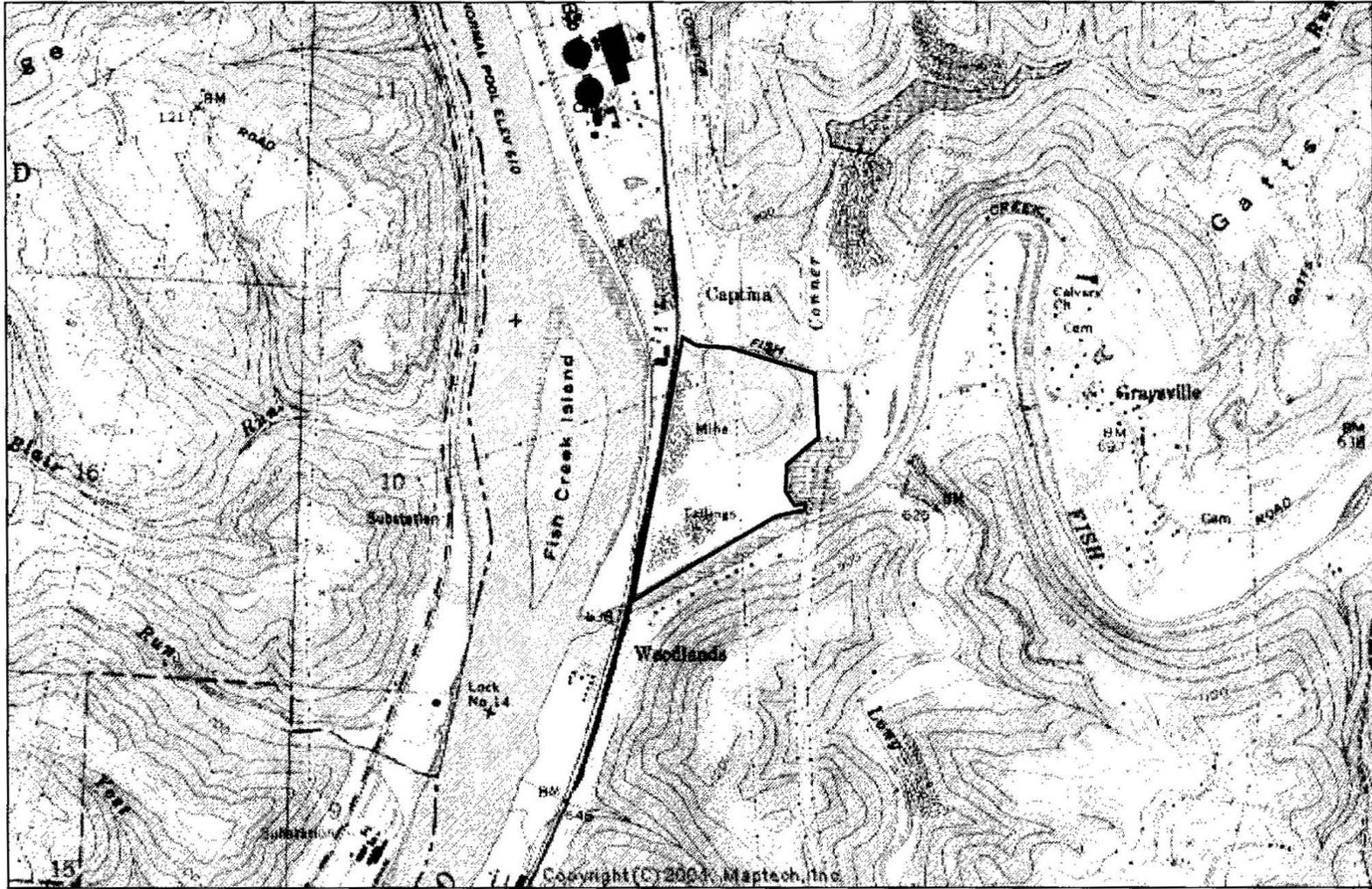
BY: Robert J. Morrow

PRINT NAME: ROBERT J. MORROW

ITS: V.P. Supply Chain Management

**Attachment A**

**Drawing or Description of Mitchell Site**



**Attachment B**

**Calculation of Net Dry Ton:**

The calculation of a Net Dry Ton is as follows:

A= Total weight of wet Tons of Gypsum Filter Cake delivered to BPB during a calendar month

B = Average moisture content of wet Tons of Gypsum Filter Cake delivered to BPB in the same month\*

Dry Tons of Gypsum Filter Cake delivered for the month =  $A \times ((100-B)/100)$

\* Determined by applying ASTM C471-01 Section 7 – Standard Test Methods for Chemical Analysis of Gypsum and Gypsum Products.

**Ongoing Price Adjustments for Gypsum Filter Cake with Moisture Content less than 10%**

If during any Contract Year OPCo or its Affiliates is able to provide Gypsum Filter Cake meeting the Specifications that has an average moisture content of less than 10%, BPB or its Affiliate (as applicable) agrees to pay OPCo a credit of one hundred percent (100%) of BPB or its Affiliate's thermal energy savings for the Contract Year.

Example: OPCo supplies Gypsum Filter Cake with an average moisture content of 9% and BPB uses gas energy in its drying process.

A = Total dry Tons of Gypsum Filter Cake provided in a Contract Year

B = The average moisture content of Gypsum Filter Cake for the Contract Year

C = Average cost of energy per 1,000,000 BTU's (for example: \$6.30 per 1,000,000 BTU's for gas)

D = Evaporative heat requirement for one (1) pound of H<sub>2</sub>O (new plant (1,500 BTU per pound))

$$\text{Credit} = A \times ((10-B)/100) \times 2000 \times C \times D$$

$$\text{Annual Credit} = 800,000 \times ((10-9)/100) \times 2,000 \times 1,500 \times 6.3/1,000,000 = \\ \$151,200$$

Ongoing Price Adjustments for Gypsum Filter Cake with Moisture Content more than 10% but less than 12%

If during any Contract Year OPCo or its Affiliates provides Gypsum Filter Cake meeting the Specifications that has an average moisture content greater than 10% but less than 12%, OPCo shall pay to BPB or its Affiliate (as applicable) a credit of one hundred percent (100%) of BPB or its Affiliate's additional thermal energy requirement for the Contract Year.

Example: OPCo supplies Gypsum Filter Cake with an average moisture content of 11% and BPB uses gas energy in its drying process.

A = Total dry Tons of Gypsum Filter Cake provided in a Contract Year

B = The average moisture content of Gypsum Filter Cake for the Contract Year

C = Average cost of energy per 1,000,000 BTU's (for example: \$6.30 per 1,000,000 BTU's for gas)

D = Evaporative heat requirement for one (1) pound of H<sub>2</sub>O (new plant (1,500 BTU per pound))

$$\text{Credit} = A \times ((B-10)/100) \times 2000 \times C \times D$$

$$\text{Annual Credit} = 800,000 \times ((11-10)/100) \times 2,000 \times 1,500 \times 6.3/1,000,000 = \\ \$151,200$$

**Attachment C**  
**Quality Specifications for Gypsum Filter Cake**

Parameter	Limit	Reporting Basis & Unit	OPCO Reference Test Method	Testing Frequency	Testing Facility
Free Water	10%	As-received (%, by weight)	ASTM C471 Section 7	Every 4 hours <sup>1</sup>	Plant
CaSO <sub>4</sub> •2H <sub>2</sub> O (Gypsum purity)	95%	Dry (% CaSO <sub>4</sub> •2H <sub>2</sub> O, by weight)	ASTM C471 Sections 8 & 16	Every 8 hours <sup>2</sup>	Plant
CaSO <sub>3</sub> •1/2H <sub>2</sub> O	0.50% maximum	Dry (% CaSO <sub>3</sub> •1/2H <sub>2</sub> O, by weight)	EPRI M2	Every 8 hours <sup>2</sup>	Plant
Fly Ash	1.5% maximum	Dry (%, by volume)	SEM	Quarterly <sup>3</sup>	Outside lab
SiO <sub>2</sub>	1.5% maximum	Dry (%, by weight)	Modified ASTM C1271 Wavelength dispersive X-ray fluorescence spectrometry	Quarterly <sup>3</sup>	DCL
CaCO <sub>3</sub> /MgCO <sub>3</sub> (reported as CaCO <sub>3</sub> )	5.0% maximum	Dry (reported as CaCO <sub>3</sub> ) (% CaCO <sub>3</sub> , by weight)	Elemental analyzer (In-house DCL method)	Quarterly <sup>4</sup>	DCL
Fe <sub>2</sub> O <sub>3</sub>	0.4% maximum	Dry (%, by weight)	Modified ASTM C1271 Wavelength dispersive X-ray fluorescence spectrometry	Quarterly <sup>3</sup>	DCL
Cl (water soluble)	100 mg/kg maximum	Dry (mg/kg)	ASTM C471 Section 15	Every 4 hours <sup>1</sup>	Plant
Na (water soluble)	100 mg/kg maximum	Dry (mg/kg)	Modified ASTM C471 with ICP	Quarterly	DCL
Mg (water soluble)	75 mg/kg	Dry	Modified ASTM C471 with ICP	Quarterly	DCL

<sup>1</sup> Free water & chloride: In addition to regular testing, testing required when there is a change in the load to the belt filter, or in the amount of wash water added to the filter.

<sup>2</sup> Gypsum and sulfite: In addition to regular testing, testing required when there is a change in air flow to the oxidizer.

<sup>3</sup> Fly Ash, SiO<sub>2</sub> and Fe<sub>2</sub>O<sub>3</sub>: In addition to regular testing, testing required as when the ESP's fail, or when limestone sources change.

<sup>4</sup> Carbonates: In addition to regular testing, testing required whenever gypsum quality is not being achieved.

		(mg/kg)			
K (water soluble)	100 mg/kg	Dry (mg/kg)	Modified ASTM C471 with ICP	Quarterly	DCL
				Quarterly	DCL
pH	6 to 8.3	s.u. (of 10% slurry)	EPRI C1 with pH probe	Weekly	Plant

Note: Footnotes 1-5 below are testing requirements requested by BPB in addition to regular testing frequencies.  
 DCL: Dolan Chemical Laboratory

Parameter	Limit	Reporting Basis & Unit	OPCO Reference Test Method	Testing Frequency	Testing Facility
Minimum Particle Size	20% maximum <10 microns	Volume percent	Laser Diffraction (e.g. Microtrac)	Quarterly	OPCO Facility
Average Particle Size	20 – 75 microns	Volume percent	Laser Diffraction (e.g. Microtrac)	Quarterly	OPCO Facility
Maximum Particle Size	90% minimum <100 microns	Volume percent	Laser Diffraction (e.g. Microtrac)	Quarterly	OPCO Facility
Carbon (organic)	1000 mg/kg	Dry (mg/kg as C)	Elemental analyzer (In-house DCL method)	Quarterly <sup>5</sup>	DCL
Oil and Grease	TBD <sup>6</sup> mg/kg maximum		EPA SW-846, Method 9071B	None <sup>7</sup>	DCL
As	5.0 mg/L maximum	(mg/L)	SW 846, Method 1311	Quarterly	DCL

<sup>5</sup> Carbon: In addition to regular testing, testing required whenever ESP's are upset.

<sup>6</sup> Oil and Grease Limit: Limit to be determined: Immediately following the "Stockpile Start Date", OPCO in conjunction with BPB will begin the defined testing and verification procedures (Federal Register – Appendix B to Part 136: Revision 2 (A&B)) using actual gypsum samples produced at Mitchell and Cardinal to determine the appropriate minimum level of quantification (i.e. the lowest level at which the analytical system gives a recognizable signal and acceptance calibration without producing an unacceptable frequency of false positives).

<sup>7</sup> Oil and Grease Test Frequency: No testing frequency defined. To be used primarily as a mechanism for dispute resolution and verification after startups if necessary. Oil and Grease contamination of Gypsum Filter Cake is a direct result of unit startups using fuel oil. This condition is easily recognizable by the obvious oil sheen on the Gypsum Filter Cake. During and immediately following a unit startup, OPCO will dispose of all oil and grease contaminated Gypsum Filter Cake until which time the oil and grease has been sufficiently purged from the system. This condition is achieved when the visible oil sheen is no longer evident on the Gypsum Filter Cake.

Ba	100 mg/L maximum	(mg/L)	SW 846, Method 1311	Quarterly	DCL
Cd	1.0 mg/L maximum	(mg/L)	SW 846, Method 1311	Quarterly	DCL
Cr	5.0 mg/L maximum	(mg/L)	SW 846, Method 1311	Quarterly	DCL
Pb	5.0 mg/L maximum	(mg/L)	SW 846, Method 1311	Quarterly	DCL
Hg	0.2 mg/L maximum	(mg/L)	SW 846, Method 1311	Quarterly	DCL
Se	1.0 mg/L maximum	(mg/L)	SW 846, Method 1311	Quarterly	DCL
Ag	5.0 mg/L maximum	(mg/L)	SW 846, Method 1311	Quarterly	DCL



June 5, 2013

CertainTeed Gypsum North American Services  
22424 Lakeshore Road West  
Mississauga, Ontario L5J 1K4  
Attention: Vice President Customer Satisfaction and Purchasing  
Facsimile: 905-823-7557

Re: Supply Agreement dated March 11, 2005, as amended ("Supply Agreement"), by  
and between CertainTeed Gypsum West Virginia, Inc. ("CertainTeed") and Ohio  
Power Company ("OPCo")

Amendment No. 2013-1

Dear CertainTeed:

Reference is made to the above-referenced Supply Agreement under which CertainTeed is procuring calcium sulfate dehydrate ("Gypsum Filter Cake"). In connection with the corporate separation of Ohio Power Company's transmission and distribution business from its generation business and associated corporate reorganizations that involve the Mitchell Plant, OPCo has proposed an amendment to the Supply Agreement as follows:

Effective June 15, 2013, the parties agree to amend the Supply Agreement as follows:

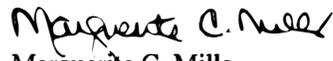
**Article 17 - Miscellaneous Provisions**, Section 17.3 is deleted in its entirety and replaced with the following:

**17.3 Assignment.** This Agreement may not be assigned by either party without the prior written consent of the other party, such consent not to be unreasonably withheld. No assignment or transfer in whole or in part of any party's interest in this Agreement shall relieve such party of its obligations hereunder. Notwithstanding the foregoing, either party may assign this Agreement to an Affiliate, and upon such assignment, in whole or in part, of any party's interest in this Agreement, provided such Affiliate assignee assumes the performance of all such assigned rights and obligations arising under this Agreement, including those prior to the assignment and on and after the date of the assignment, such affiliate assignment shall relieve the assigning party of the obligations assigned hereunder on and after the date of the assignment.

June 5, 2013  
Page 2

Except as amended herein, all other provisions of the above-referenced Supply Agreement shall remain in full force and effect. Please indicate your acceptance by signing in the space provided below and returning one fully executed amendment to Buyer at the notice address provided in the Supply Agreement.

Very truly yours,

  
Marguerite C. Mills  
Vice President of Fuel Procurement  
On behalf of American Electric Power Service Corporation  
As agent for Ohio Power Company *CP*

AGREED & ACCEPTED:

CertainTeed Gypsum West Virginia, Inc.

By:   
Name: Kim Biedford  
Its: Vice President

CC: CertainTeed Gypsum West Virginia, Inc.  
4300 W. Cypress Street, Suite 500  
Tampa, Florida 33607  
Attention: Sr. Vice President Operations –  
North America  
Facsimile: 813-286-3900

Saint-Gobain Corporation  
4300 W. Cypress Street, Suite 500  
Tampa, Florida 33607  
Attention: Division Counsel  
Facsimile: 813-286-3931



January 2, 2014

American Electric Power  
155 W. Nationwide Blvd., Suite 500  
Columbus, OH 43215  
AEP.com

CertainTeed Gypsum North American Services  
Attn: Vice President Customer Satisfaction and Purchasing  
2424 Lakeshore Road West  
Mississauga, Ontario L5J 1K4

RE: Supply Agreement dated March 11, 2005, as amended ("Supply Agreement"), by and between CertainTeed Gypsum West Virginia, Inc. ("CertainTeed") and Ohio Power Company ("OPCo")

**SUBJECT: NOTICE OF ASSIGNMENT**

Gentlemen:

Reference is made to the above-referenced Supply Agreement under which CertainTeed is procuring calcium sulfate dehydrate ("Gypsum Filter Cake"). This is to inform you that the corporate separation of Ohio Power Company's transmission and distribution business from its generation business and associated corporate reorganizations that involve the Mitchell Plant as referenced in Amendment 2013-1 has been completed and that Kentucky Power Company is now the contract counterparty with CertainTeed.

Thank you for your attention in this matter. If you have any questions about the foregoing, please contact Darryl Scott at 614-583-7459.

Sincerely,

A handwritten signature in cursive script that reads 'Marguerite C. Mills'.

Marguerite C. Mills  
Vice President of Fuel Procurement  
On behalf of American Electric Power Service Corporation  
As agent for Kentucky Power Company

Handwritten initials 'ANC' and 'MCM' in cursive script, positioned to the right of the typed name and title.

American Electric Power  
155 West Nationwide Blvd.  
Columbus, OH 43215  
AEP.com



CertainTeed Gypsum West Virginia, Inc.  
4300 W. Cypress Street, Suite 500  
Tampa, Florida 33607

Attn: Vice President Customer Satisfaction and Purchasing

August 2, 2010

Re: Supply Agreement dated March 11, 2005, between  
CertainTeed Gypsum West Virginia, Inc. (formerly BPB West  
Virginia Inc.) ("CertainTeed") and Ohio Power Company  
("OPCo")

Amendment No. 2010-1

Gentlemen:

Reference is made to the above-referenced Supply Agreement (the "Agreement") under which  
CertainTeed is procuring calcium sulfate dihydrate ("Gypsum Filter Cake") from OPCo.

Effective as of January 1, 2008, the parties agree to amend the Agreement as follows:

**SUPPLY AGREEMENT:** In the first paragraph, delete "BPB West Virginia Inc." and insert  
"CertainTeed Gypsum West Virginia Inc." in lieu thereof. Thereafter, all references to "BPB" shall  
be deleted and "CertainTeed" shall be inserted in lieu thereof.

**ARTICLE 1 – DEFINITIONS:**

- a) Definition 1.30 "Minimum Quarterly Quantity" shall be deleted in its entirety and  
replaced with the following in lieu thereof:

"Minimum Quarterly Quantity" shall mean with respect to the Contract  
Commitment, two hundred thousand (200,000) Net Dry Tons, delivered and accepted in  
accordance with Section 3.3. The Minimum Quarterly Quantity shall be adjusted each  
quarter by subtracting the quantity of Net Dry Tons accepted by CertainTeed that is Non-  
Compliant Material.

- b) Delete the following definitions in their entirety:

- 1.10 "Cardinal Commitment"
- 1.42 "Purchase Option"
- 1.43 "Purchase Option Commitment"
- 1.44 "Purchase Option Period"

American Electric Power  
155 West Nationwide Blvd.  
Columbus, OH 43215  
AEP.com



**ARTICLE 2 – FACILITIES:**

- 1) In Section 2.2, Stockpiles, all references to “three hundred thousand (300,000)” shall be deleted and “one hundred twenty five thousand (125,000)” shall be inserted in lieu thereof.
- 2) In Section 2.2, Stockpiles, paragraph (b), all references to “one hundred thousand (100,000)” shall be deleted and “fifty thousand (50,000)” shall be inserted in lieu thereof.
- 3) Subsections (d) and (e) of Section 2.2, Stockpiles, shall be deleted in their entirety.

**ARTICLE 3 – VOLUME COMMITMENT AND START-UP:**

- 1) Paragraph (a) of Section 3.1 Volume Commitment, shall be deleted in its entirety and replaced with the following in lieu thereof:
  - (a) In addition to its requirements set forth in Section 2.2 above, OPCo shall supply and deliver to CertainTeed and CertainTeed shall accept from OPCo an aggregate quantity of eight hundred thousand (800,000) Net Dry Tons of Gypsum Filter Cake per Contract Year (the “Contract Commitment”) beginning on the Commencement Date. The Contract Commitment shall be adjusted by subtracting the quantity of Net Dry Tons accepted by CertainTeed during the Contract Year that is Non-Compliant Material.
- 2) Subsections (b), (c), and (d), of Section 3.1, Volume Commitment, shall be deleted in their entirety.
- 3) Section 3.4, Purchase Option Period, shall be deleted in its entirety.

**ARTICLE 4 – PRICING AND PAYMENT:** Subsections (b) and (c) of Section 4.1, Pricing, shall be deleted in their entirety, and replaced with the following subsection (b) in lieu thereof:

- (b) For each ton of Non-Compliant Material OPCo delivers to CertainTeed, no fee shall be paid by CertainTeed to OPCo.

**ARTICLE 5 – DELIVERY AND STORAGE:**

- 1) Section 5.3, Delivery of Cardinal Commitment, shall be deleted in its entirety.
- 2) Section 5.4, Delivery of Purchase Option Commitment, shall be deleted in its entirety.

American Electric Power  
155 West Nationwide Blvd.  
Columbus, OH 43215  
AEP.com



**ARTICLE 7 – REMEDIES:** Paragraph (a) of Section 7.1, Non-Compliant Material, shall be deleted in its entirety and the following shall be inserted in lieu thereof:

(a) OPCo agrees to notify CertainTeed prior to knowingly delivering Non-Compliant Material. If CertainTeed agrees to accept such Non-Compliant Material then CertainTeed shall have no right pursuant to Section 7.1 (b) to make a claim for the specific attribute(s) of the Non-Compliant Material not meeting the Specifications disclosed by OPCo at the time of their notification to CertainTeed. In the event OPCo notifies CertainTeed of OPCo's proposed delivery of Non-Compliant Material and CertainTeed declines to accept such material, then OPCo shall have thirty (30) days to replace such material with Gypsum Filter Cake meeting the Specifications.

**ARTICLE 17 – MISCELLANEOUS PROVISIONS:** Section 17.2, Notices. The two Notice addresses for OPCO and the three Notice addresses for BPB shall be deleted in their entirety and the following shall be inserted in lieu thereof:

If to OPCo:	American Electric Power Service Corporation P.O. Box 16036 Columbus, Ohio 43216 0036 Attn: Fuel Contract Administration Telephone: 614-583-6100 Facsimile: 614-583-1627
With copy to:	American Electric Power Service Corporation P.O. Box 16036 Columbus, Ohio 43216 0036 Attn: Senior Counsel Telephone: 614-583-7606 Facsimile: 614-583-1602
If to CertainTeed:	CertainTeed Gypsum North American Services 2424 Lakeshore Road West Mississauga, Ontario L5J 1K4 Attn: Vice President Customer Satisfaction and Purchasing Telephone: 905-823-9881 Facsimile: 905-823-7557
With copy to:	CertainTeed Gypsum West Virginia, Inc. 4300 W. Cypress Street, Suite 500 Tampa, Florida 33607 Attn: Sr. Vice President Operations – North America Telephone: 813-286-3900 Facsimile: 813-286-3990

American Electric Power  
155 West Nationwide Blvd.  
Columbus, OH 43215  
AEP.com



With copy to: Saint-Gobain Corporation  
4300 W. Cypress Street, Suite 500  
Tampa, Florida 33607  
Attn: Division Counsel  
Telephone: 813-286-3900  
Facsimile: 813-286-3931

**ATTACHMENT B, Calculation of Net Dry Ton:** shall be deleted and ATTACHMENT B, as attached to this Amendment 2010-1, shall be inserted in lieu thereof.

**ATTACHMENT C, Quality Specifications for Gypsum Filter Cake:** The OPCO Reference Test Method for Parameter "CI (water soluble)" shall be deleted and ATTACHMENT D, as attached to this Amendment 2010-1, shall be inserted in lieu thereof.

Except as amended herein, all other provisions of the above-referenced Agreement shall remain in full force and effect. Please indicate your acceptance by signing both copies of this Amendment, and returning one to the attention of Fuel Contract Administration at the address provided in the Agreement.

Very truly yours,

*Marguerite C. Mills*  
Marguerite C. Mills *MC*  
Vice President – Fuel Procurement  
On behalf of American Electric Power Service Corporation,  
as agent for Ohio Power Company

CertainTeed Gypsum West Virginia, Inc.

*Kim Bunnell*  
\_\_\_\_\_  
SIGNATURE  
*Kim Bunnell*  
\_\_\_\_\_  
NAME (PRINT)  
*VP Customer Service & Purchasing*  
\_\_\_\_\_  
TITLE  
ACCEPTANCE DATE: *Aug. 12, 2010*

XC:  
CERTAINTEED GYPSUM NORTH AMERICAN SERVICES, INC.  
2424 LAKESHORE ROAD WEST  
MISSISSAUGA, ONTARIO L5J 1K4  
ATTN: VICE PRESIDENT CUSTOMER SATISFACTION AND PURCHASING

SAINT-GOBAIN CORPORATION  
4300 W. CYPRESS STREET, SUITE 500  
TAMPA, FLORIDA 33607  
ATTN: DIVISION COUNSEL

**ATTACHMENT B**

(Page 1 of 2)

Calculation of Net Dry Ton:

The calculation of a Net Dry Ton is as follows:

A= Total weight of wet Tons of Gypsum Filter Cake delivered to CertainTeed during a calendar month

B for wet Tons of Gypsum Filter Cake delivered to CertainTeed in the same month not taken from the CTG stockpile = average moisture content \*

B for wet Tons of Gypsum Filter Cake delivered to CertainTeed taken from the CTG stockpile = weighted average moisture of gypsum delivered to the CTG stockpile. \*

Dry Tons of Gypsum Filter Cake delivered for the month =  $A \times ((100-B)/100)$

Ongoing Price Adjustments for Gypsum Filter Cake with Moisture Content less than 10%

If during any Contract Year OPCo or its Affiliates is able to provide Gypsum Filter Cake meeting the Specifications that has an average moisture content of less than 10%, CertainTeed or its Affiliate (as applicable) agrees to pay OPCo a credit of one hundred percent (100%) of CertainTeed or its Affiliate's thermal energy savings for the Contract Year.

Example: OPCo supplies Gypsum Filter Cake with an average moisture content of 9% and CertainTeed uses gas energy in its drying process.

A = Total dry Tons of Gypsum Filter Cake provided in a Contract Year

B for wet Tons of Gypsum Filter Cake delivered to CertainTeed in a Contract Year not taken from the CTG stockpile = average moisture content \*

B for wet Tons of Gypsum Filter Cake delivered to CertainTeed taken from the CTG stockpile = weighted average moisture of gypsum delivered to the CTG stockpile. \*

C = Average cost of energy per 1,000,000 BTU's (for example: \$6.30 per 1,000,000 BTU's for gas)

D = Evaporative heat requirement for one (1) pound of H<sub>2</sub>O (new plant (1,500 BTU per pound))

(Page 2 of 2)

Credit =  $A \times ((10-B)/100) \times 2000 \times C \times D$

$$\text{Annual Credit} = 800,000 \times ((10-9)/100) \times 2,000 \times 1,500 \times 6.3/1,000,000 = \$151,200$$

Ongoing Price Adjustments for Gypsum Filter Cake with Moisture Content more than 10% but less than 12%

If during any Contract Year OPCo or its Affiliates provides Gypsum Filter Cake meeting the Specifications that has an average moisture content greater than 10% but less than 12%, OPCo shall pay to CertainTeed or its Affiliate (as applicable) a credit of one hundred percent (100%) of CertainTeed or its Affiliate's additional thermal energy requirement for the Contract Year.

Example: OPCo supplies Gypsum Filter Cake with an average moisture content of 11% and CertainTeed uses gas energy in its drying process.

A = Total dry Tons of Gypsum Filter Cake provided in a Contract Year

B for wet Tons of Gypsum Filter Cake delivered to CertainTeed in a Contract Year not taken from the CTG stockpile = average moisture content \*

B for wet Tons of Gypsum Filter Cake delivered to CertainTeed taken from the CTG stockpile = weighted average moisture of gypsum delivered to the CTG stockpile. \*

C = Average cost of energy per 1,000,000 BTU's (for example: \$6.30 per 1,000,000 BTU's for gas)

D = Evaporative heat requirement for one (1) pound of H<sub>2</sub>O (new plant (1,500 BTU per pound))

$$\text{Credit} = A \times ((B-10)/100) \times 2000 \times C \times D$$

$$\text{Annual Credit} = 800,000 \times ((11-10)/100) \times 2,000 \times 1,500 \times 6.3/1,000,000 = \$151,200$$

\* Determined by applying ASTM C471-01 Section 7 – Standard Test Methods for Chemical Analysis of Gypsum and Gypsum Products.

**ATTACHMENT D**  
**(Page 1 of 2)**

**Kammer-Mitchell Plant**  
**Standard Operating Procedure**

**Chlorides in DSG**  
**Based on SM4500-Cl C. Mercuric Nitrate Method**  
**from Standard Methods, 18<sup>th</sup> Ed., 1992**

**1. General Discussion**

- a. Principle: Chloride can be titrated with mercuric nitrate,  $\text{Hg}(\text{NO}_3)_2$  because of the formation of mercuric chloride. In the pH range of 2.3 to 2.8, achieved by the addition of nitric acid, diphenylcarbazone indicator forms a purple complex with excess mercuric ions.
- b. Interferences: Bromide and iodide are titrated with  $\text{Hg}(\text{NO}_3)_2$  in the same manner as chloride. Chromate, ferric, and sulfite ions interfere when present in an excess of 10 mg/L. The bromide, iodide, chromate and ferric ions are not present in amounts that would interfere with this test. The sulfite ions are oxidized by the addition of hydrogen peroxide to eliminate interference.

**2. Apparatus**

- a. Analytical balance
- b. Magnetic stirrer with stir bar
- c. 250 mL glass beaker
- d. 250 mL Erlenmeyer flask
- e. 100 mL graduated cylinder
- f. Microburet
- g. Buchner funnel filtering apparatus with 934 AH filter paper

**3. Reagents**

- a. Nitric acid,  $\text{HNO}_3$ , 0.5 N
- b. phenylcarbazone mixed indicator
- c. Mercuric nitrate,  $\text{Hg}(\text{NO}_3)_2$ , 0.0141 M
- d. Hydrogen peroxide,  $\text{H}_2\text{O}_2$ , 30%

**4. Procedure**

- a. Using an analytical balance, measure 10 grams of moist DSG and place into beaker.
- b. Measure 50 mL of deionized water in the graduated cylinder, add 10 drops hydrogen peroxide, and continue to add deionized water to a volume of 100 mL. Add to the DSG in the beaker.
- c. Stir mixture briskly on a magnetic stirrer for 1 hour.

**ATTACHMENT D**  
**(Page 2 of 2)**

- d. Pour mixture onto filter paper in filtering apparatus using reasonable care to keep solids out of the filtrate.
- e. Measure 50 ml of the filtrate using the graduated cylinder and transfer to a 250 ml Erlenmeyer flask.
- f. Add 10 drops of diphenylcarbazone mixed indicator.
- g. Add 0.05 N nitric acid drop-wise, to achieve a pale yellow color, and then add 20 drops nitric acid in excess.
- h. Titrate with the 0.0141 N mercuric nitrate until a persistent purple color endpoint is achieved.
- i. Titrate a reagent blank prepared by substituting deionized water for the sample.

**5. Calculation**

$$C = (S-B) \times 10$$

where: C= wet basis chloride concentration in DSG sample (mg/L)  
S= volume of mercuric nitrate titrant used for sample (mL)  
B= volume of mercuric nitrate titrant used for blank (mL)



155 West Nationwide Boulevard  
Columbus, OH 43215

CertainTeed Gypsum North American Services  
2424 Lakeshore Road West  
Mississauga, Ontario L5J 1K4

Attn: Vice President Customer Satisfaction and Purchasing

February 20, 2012

Re: Supply Agreement dated March 11, 2005, between CertainTeed Gypsum West Virginia, Inc. (formerly BPB West Virginia Inc.) ("CertainTeed") and Ohio Power Company ("OPCo")

Amendment No. 2012-1

Gentlemen:

Reference is made to the above-referenced Supply Agreement (the "Agreement") under which CertainTeed is procuring calcium sulfate dehydrate ("Gypsum Filter Cake").

Effective June 1, 2011, the parties agree to amend the Agreement as follows:

**ARTICLE 4 – PRICING AND PAYMENT:**

In paragraph (a) of Section 4.1 Pricing, delete the second sentence in its entirety, which states as follows:

"Notwithstanding the foregoing, CertainTeed shall not be obligated to pay for Gypsum Filter Cake delivered to the Point of Delivery at the CertainTeed Plant necessary to meet OPCo's obligations set forth in Section 2.2 above until CertainTeed actually uses such material in the CertainTeed Plant."

Except as amended herein, all other provisions of the above-referenced Agreement shall remain in full force and effect. Please indicate your acceptance by signing in the space provided below and returning one fully executed amendment to Buyer at the notice address provided in the Agreement.

Very truly yours,

Marguerite C. Mills  
Vice President Fuel Procurement  
On behalf of American Electric Power Service Corporation,  
as agent for Ohio Power Company

Amendment 2012-1



155 West Nationwide Boulevard  
Columbus, OH 43215

CertainTeed West Virginia, Inc.

*Kim Bradford*  
SIGNATURE

Kim Bradford  
NAME (PRINT)

V.P. Customer Substantive Purchasing  
TITLE

ACCEPTANCE DATE: May 30, 2012

XC:  
CERTAINTTEED GYPSUM WEST VIRGINIA, INC  
4300 W. CYPRESS STREET, SUITE 500  
TAMPA, FL 33607  
ATTN: SR. VICE PRESIDENT OPERATIONS – NORTH AMERICA

SAINT-GOBAIN CORPORATION  
4300 W. CYPRESS STREET, SUITE 500  
TAMPA, FL 33607  
ATTN : DIVISION COUNSEL



American Electric Power  
1 Riverside Plaza  
Columbus, OH 43215  
aep.com

December 3, 2021

CertainTeed Corporation  
Gyp Toronto Board Plant  
2424 Lakeshore Road West  
Mississauga, ON L5J 1K4  
Attn: Matthew Nau

Re: Supply Agreement dated March 11, 2005, as amended ("Supply Agreement"), by and between CertainTeed Gypsum West Virginia, Inc. ("CertainTeed" or "Buyer") and Kentucky Power Company ("KPCo" or "Seller")

Dear Mr. Nau:

Reference is made to the Supply Agreement under which CertainTeed is procuring calcium sulfate dihydrate ("Gypsum Filter Cake"). The existing Attachments C and D are deleted, and inserted in lieu thereof is the updated Attachment C Specifications for the Gypsum Filter Cake, attached to this November 19, 2021 amendment.

Please countersign your approval and return a copy for our records. Thank you for your attention to the foregoing.

Regards,

Kentucky Power Company

DocuSigned by:  
*Darryl H. Scott*

7F15A29F63CC4A4...  
Darryl H. Scott  
Reagents & Coal Comb Prod Manager  
American Electric Power Service Corp.  
as agent for Kentucky Power Company

Approved:

CertainTeed Gypsum West Virginia, Inc.

*Jay Bachmann*  
Jay Bachmann (Dec. 6, 2021 12:56 EST)

Jay Bachmann  
VP, GM, CertainTeed Gypsum US

DS  
*JS*

DS  
*JS*

BOUNDLESS ENERGY™

**Attachment C**

**Quality Specifications for Gypsum**

<b>DSG SPECIFICATIONS - Mitchell</b>		
<b>Property</b>	<b>Specifications</b>	<b>Test Method</b>
Free Moisture	10% subject to the evaporative heat requirement	ASTM C471 or Equivalent
Purity (CaSO <sub>4</sub> *2H <sub>2</sub> O) (Dry)	≥ 91.5%	ASTM C471 or Equivalent
Water Soluble Chloride (Dry)	≤ 100 ppm	Ion Chromatography/ICP
Ammonia	No ammonia odor	N/A
Foreign Material	None (Visual)	N/A
Water Soluble Potassium expressed as K <sub>2</sub> O	≤ 100 ppm	Ion Chromatography/ICP
Water Soluble Magnesium expressed as MgO	≤ 100 ppm	Ion Chromatography/ICP
Water soluble sodium expressed as Na <sub>2</sub> O	≤ 100 ppm	Ion Chromatography/ICP
Total water solubles	< 500 ppm	Ion Chromatography/ICP
pH	6 - 8	
Particle Size Distribution median	35 μm < d50 < 70 μm	Laser Diffraction
Particle Size Distribution coarse	d90 < 100 μm	Laser Diffraction
Particle Size Distribution fine	No more than 20% <10μm	Laser Diffraction
Sulfite (CaSO <sub>3</sub> .1/2H <sub>2</sub> O)	≤ 0.5%	
Insoluble residue (wt %)	≤ 3.0%	ASTM C471 or Equivalent
Quartz (crystalline silica) (wt %)	≤ 1.5%	XRD
Total calcium and magnesium carbonates	≤ 5.0%	XRD
Total Organic Carbon	≤ 0.1%	
<b>TRACE HEAVY METALS</b>		
<b>Property</b>	<b>Specifications</b>	<b>Certain Teed specs</b>
Antimony (Sb)	10 ppm	EPA 6020 ICP-MS
Arsenic (As)	5.1 ppm	EPA 6020 ICP-MS
Barium (Ba)	116 ppm	EPA 6020 ICP-MS
Beryllium (Be)	3 ppm	EPA 6020 ICP-MS
Cadmium (Cd)	2.4 ppm	EPA 6020 ICP-MS
Chromium (Cr)	30 ppm	EPA 6020 ICP-MS
Chromium IV (Cr IV)	10.8 ppm	EPA 6020 ICP-MS
Cobalt (Co)	8 ppm	EPA 6020 ICP-MS
Copper (Cu)	32 ppm	EPA 6020 ICP-MS
Iron	5000 ppm	EPA 6020 ICP-MS
Lead (Pb)	84 ppm	EPA 6020 ICP-MS
Mercury (Hg)	1 ppm	EPA 1631a mod / 7471B LLHg
Molybdenum (Mo)	10 ppm	EPA 6020 ICP-MS
Nickel (Ni)	38 ppm	EPA 6020 ICP-MS
Selenium (Se)	92 ppm	EPA 6020 ICP-MS
Thallium (Tl)	0.8 ppm	EPA 6020 ICP-MS
Vanadium (V)	30 ppm	EPA 6020 ICP-MS
Zinc (Zn)	94 ppm	EPA 6020 ICP-MS
SB	10 ppm	ASTM C471

Prior to the delivery of Gypsum Filter Cake to the Designated Delivery Point, the Gypsum Filter Cake shall be sampled by Seller according to generally accepted commercial quality practices, and its compliance with the Quality Specifications shall be tested and documented, in accordance with the protocols set forth above. Seller will be responsible for sampling the Product, and performing those tests done at the plant, that are to be collected at a frequency of twice daily. Testing will be done daily during the week, or following a change in operations. Sampling and testing prior to delivery shall be at Seller's expense. Seller agrees to provide Buyer all documentation regarding sampling and testing for each delivery of the Gypsum Filter Cake within 24 hours following the day of delivery.

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-35** For each of the last five years, provide the revenue received from the CertainTeed contract by KPCo and by Wheeling. Please describe how KPCo's share of this revenue is reflected in rates.

**RESPONSE**

Please refer to KPCO\_R\_AG\_KIUC\_1\_35\_Attachment1 for the requested five years of revenue. These revenues are reflected in the Company's environmental surcharge rates.

Witness: Alex Vaughan

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-36** Refer to page 123.63 of the KPCo FERC Form 1, which describes and quantifies sales by and to KPCo and other AEP affiliates. KPCo states that the sales and purchases were at net book value. Confirm that such sales and purchases were made at net book value, consistent with the provisions of the AEP/KPCo CAM.

**RESPONSE**

Confirmed.

Witness: Alex E. Vaughan

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-37** Provide a copy of all estimates and/or appraisals of fair market value for the Mitchell Plant prepared by or for AEP, KPCo, and/or WPCo prepared within the last two years, including all supporting documentation and calculations in live format with all formulas intact. If none, then so state, and explain why no such estimates and/or appraisals have been performed.

**RESPONSE**

No such estimates or appraisals exists for the fair market value. The Company is not aware of any legal or regulatory need to perform such an analysis.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-38** Provide the number of Mitchell Plant employees living in Kentucky, West Virginia, and each other state in the most recent month for which actual information is available.

**RESPONSE**

As of December 16, 2021, the following is a breakdown of Kentucky Power employees at the Mitchell Plant by state of residence:

- Indiana: 1
- Ohio: 78
- Pennsylvania: 1
- West Virginia: 88
- Total; 168

And as of December 16, 2021, the following is a breakdown of AEPSC employees at the Mitchell Plant by state of residence:

- Ohio: 9
- Pennsylvania: 1
- West Virginia: 11
- Total: 21

Witness: Timothy C. Kerns

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-39** Provide the number of KPCo employees, other than those employees specifically working at the Mitchell Plant, that provide services to the Mitchell Plant, the cost which are charged to the Mitchell Plant functional O&M expense and related A&G expense accounts. Provide a list of the positions and a brief description of the responsibilities for each position.

**RESPONSE**

The Company objects to the request on the basis that it is vague and ambiguous given that the request is not limited in time or scope. Subject to and without waiving this objection, the Company states, in 2021, there have been four Kentucky Power employees that have provided services to the Mitchell Plant and charged to functional O&M and related A&G expense accounts.

Please see KPSCO\_R\_AG\_KIUC\_1\_39\_Attachment1 for the positions of those employees and a brief description of their responsibilities.

Witness: Timothy C. Kerns

<p>Stores Attendant- Senior</p>	<p>Coordinate and direct, as assigned, the work of lower classification employees in the department. Conduct receiving inspection of quality control (QC) material and documentation. Assign storage locations to new items. Inspect and operate material handling equipment such as: overhead crane, lift trucks, automotive and other stores equipment as assigned. Coordinate or conduct as assigned the physical inventory of materials and supplies, capitalized spare parts, tools and exempt materials, assisting in necessary reconciliation. Perform quality control review on necessary stores documents to insure that stores quality control procedures and functions are being followed. Advise appropriate supervision of all irregularities, abnormal or unsafe conditions and suggest the required improvements. Assist in conducting the sale of scrap or obsolete materials. Receive, check, inspect for breakage and apparent defects; identify, count, weigh, sort, store and issue new, returned and reclaimed stores material, tools, supplies and equipment from all sources in accordance with specified procedures and complete related papers; make recommendations and suggestions for improvement. Cut off metal stock such as bars, tubes, rods and other metals in stock for issue. Load, unload, pack, unpack, stock, move, weigh, sort and arrange equipment, tools and supplies in bins, shelves and storage areas. Inspect tools for proper operation; make repairs to return to proper operating condition. If non-repairable, remove tool from service and prepare necessary documents to secure a replacement. Operate the Materials Management System (MMS) computer terminal and other office machines such as adding machines and calculators. Prepare stores documents as required with accurate and appropriate data. Drive Company vehicles and pick up and deliver freight, express, parcel post, supplies, material and equipment from and to manufacturers, dealers, agencies or other company locations. Perform all duties in accordance with company's safety rules, operating regulations and practices and report unsafe conditions and practices. Train for and carry out assignments in fire fighting, first aid and other emergency response programs as</p>
---------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p>required. Maintain equipment, tools and work area in a clean, orderly and safe condition. Instruct and direct others assigned to assist. Assist in the training of other employees as required. Assist employees as required. Undertake other responsibilities as assigned by proper authority.</p>
Storeroom Supv. NE	<p>Supervise employees engaged in receiving, issuing and storing of material. Ensure compliance with methods and procedures established for the issuance or disposition of material and the preparation and processing of Stores records. Review such methods and procedures to ensure efficiency, and implement improvements, as warranted, securing any necessary approvals. Cooperate with and advise immediate supervisor and/or appropriate Stores Supervisor in the establishment and operation of Stores activities. Maintain adequate stocks; originate requisitions as requested for material and equipment required to operate the department. Conduct periodic physical inventories of all Stores material; clear discrepancies, with appropriate approval, and process all associated records. Conduct sales of scrap or other material, as authorized; initiate, process and file all related documentation. Operate computer terminals and printers housing the Material Management System (MMS), and operate other office equipment, such as calculators, as required. Make recommendations for employment, promotion, transfer, discipline and discharge of employees to immediate supervisor and/or appropriate Stores Supervisor. Apply the provisions of the Management Information and Policy Manual and any applicable labor agreement. Assist in the training of employees supervised. Attend management supervisory meetings and training programs, as assigned. Undertake responsibilities as may be assigned by proper authority. Direct the department in accordance with established Company policy in the absence of the immediate supervisor or Stores Supervisor. Ensure that equipment, tools and work areas are maintained in a clean and orderly condition. Perform all duties and work in a safe manner in compliance with all appropriate Company safety rules and policies. Report irregularities and abnormal conditions. Operate material handling</p>

	<p>equipment, such as hand trucks, fork lift trucks, low lift trucks, hoists, overhead cranes, order pickers, or any other equipment as required.</p>
<p>Regulatory Consultant</p>	<p>Facilitates work activity of others to perform regulatory tasks, such as developing direct and rebuttal testimony, responding to discovery requests, responding to Commission audits, witness preparation, etc.; facilitate organizational unit activities related to specific, unique and/or highly specialized areas of regulatory practice; promotes professionalism and standards, influences the direction of thinking through the organizational unit as a recognized authority; and operates with little supervision in a complex environment. Developed knowledge of regulatory matters for the applicable regulatory function performed. Regulatory matters include, but are not limited to: economic and legal foundations of regulation; the federal and state regulatory commission structures, processes, and roles; utility ratemaking and rate design; industry restructuring and deregulation; federal reliability compliance obligations; federal and state environmental compliance; and current legislative and regulatory policy issues impacting electric utilities. Interprets regulatory needs and implements projects, analysis, and process work by establishing measurable goals, objectives and requirements relative to a specific area of responsibility; addresses company system-wide issues within specialized field of expertise; and reviews planned work of others. Anticipates, identifies, clarifies, resolves and initiates solutions to internal and/or external unique and specialized problems that sometimes involve analysis of inadequate or conflicting data; and facilitates the development of opportunities, new ideas and approaches that have system-wide impact. Works primarily independently, with guidance only on more complex matters, to prepare and present complex regulatory subjects and strategies in a clear, concise and effective manner to management and/or regulatory bodies; demonstrates a developed knowledge of the</p>

	<p>network channels within the company, other companies, professional organizations, and regulatory agencies. Makes complex decisions based on calculated risk and be held accountable for these complex decisions; has a very strong knowledge of the impact of the decisions made on other organizational units internal and external of the company; possesses expert knowledge to defend decisions that are made in the interest of the company; and demonstrates the ability to extrapolate beyond known facts to reach logical conclusions. May be asked to testify on behalf of the company, but is not a primary requirement of the role.</p>
VP Regulatory & Finance	<p>Oversee and direct the operating company's financial strategies and plans as well as regulatory strategies and execution. Understand all financial and regulatory issues for the operating company. Direct the O&amp;M and Capital resource allocation in alignment with corporate strategy, financial constraints and the regulatory plan. Recommend mid-year plan adjustments to achieve target earnings. Direct the development of data in support of regulatory filings to maximize returns. Participate in regulatory hearings as required. Represent the operating company with matters before its regulatory bodies, including customer complaints, general rule makings, negotiated rate settlements, large customers, etc. Provide operating company performance measurement reporting, including O&amp;M and Capital variance analyses and re-projections required in support of the corporate processes. Evaluate, develop and obtain necessary approvals in support of Capital and Lease Improvement Requisitions/Blankets consistent with corporate guidelines and procedures. Provide support for the development of economic and load forecasts for the short-term and long-term. Develop and make presentations to executive management as required.</p>

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-40** Provide the number of AEPSC employees, other than those employees specifically working at the Mitchell Plant, that provide services to the Mitchell Plant, the cost of which are charged to the Mitchell Plant functional O&M expense and related A&G expense accounts. Provide a list of the positions and a brief description of the responsibilities for each position.

**RESPONSE**

The Company objects to the request on the basis that it is vague and ambiguous given that the request is not limited in time or scope. Subject to and without waiving this objection, the Company states, in 2021 there have been over 200 AEPSC employees that have provided services to the Mitchell Plant and charged to functional O&M and related A&G expense accounts.

See KPCO\_R\_AG\_KIUC\_1\_040\_Attachment1 for the variety of positions and brief description of responsibilities for each.

Witness: Timothy C. Kerns

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-41** Provide the tons of coal purchased and the cost in dollars by mine where produced for each calendar year 2019 and 2020, and each month in 2021, including December when the actual purchases are available.

**RESPONSE**

Please see KPCO\_R\_AG\_KIUC\_1\_41\_Attachment1 for the requested information from 2019 through October 2021. This data is currently not available for November and December 2021. The Company will supplement its response as soon as practical for each of these months.

Witness: Timothy C. Kerns

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-42** Provide the amount of the Mitchell Plant decommissioning costs included in the KPCo accumulated depreciation at December 31, 2020 and at the end of each month thereafter through December 31, 2021. To the extent that these amounts are recorded as regulatory liabilities for GAAP purposes, provide the trial balance amounts at December 31, 2020 and at the end of each month thereafter through December 31, 2020.

**RESPONSE**

Please refer to KPCO\_R\_AG\_KIUC\_1\_42\_Attachment1.xlsx for the accrued cost of removal balance included in accumulated depreciation for the Mitchell Plant for the months December 2020 through November 2021 (the December 2021 balance will not be available until the books are closed for December 2021 business). Please note that the accrued amounts also account for interim cost of removal and is not exclusive to the plant's estimated decommissioning costs.

Witness: Jason A. Cash

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-43** Quantify all Mitchell Plant costs included in the Company's base revenue requirement. Provide the amounts included in each component of rate base and each operating expense. Provide in Excel spreadsheet live format with all formulas intact.

**RESPONSE**

The requested analysis does not exist. In addition, the Company objects to completing the requested analysis on the basis that performing such analysis is not reasonably calculated to lead to the discovery of admissible evidence as the Company is not requesting any ratemaking treatment associated with the Mitchell Plant in this proceeding.

Witness: Brian K. West

Witness: Alex E. Vaughan

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-44** Quantify all Mitchell Plant costs included in the KPCo's environmental surcharge revenue requirement. Provide the amounts included in each component of rate base and each operating expense. Provide in Excel spreadsheet live format with all formulas intact.

**RESPONSE**

Please see KPCO\_R\_AG\_KIUC\_1\_44\_Attachment1 for the monthly costs as of November 30, 2021 with the exception of capital costs which are as of October 31, 2021. The information requested here is tracked separately and monthly for purposes of the surcharge and, therefore, is directly ascertainable from the Company's books and records as compared to the information requested in AG-KIUC\_1\_43.

Witness: Brian K. West

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-45** Describe KPCo's proposal to adjust base rates when the Mitchell Plant is sold/transferred to WPCo pursuant to the Buyout Transaction that is set forth in the proposed Mitchell Plant Ownership Agreement.

**RESPONSE**

The Company is not making a proposal to adjust base rates if or when the Mitchell Plant is sold/transferred to Wheeling Power in this proceeding. The Company will make a proposal related to the base rate treatment in a future proceeding if and when the Mitchell Plant is transferred/sold to Wheeling Power.

Witness: Deryle B. Mattison

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-46** Describe KPCo's proposal to adjust environmental surcharge rates when the Mitchell Plant is sold/transferred to WPCo pursuant to the Buyout Transaction that is set forth in the proposed Mitchell Plant Ownership Agreement.

**RESPONSE**

The Company is not making a proposal to adjust its environmental surcharge rates if or when the Mitchell Plant is sold/transferred to Wheeling Power in this proceeding. The Company will make a proposal related to adjust its environmental surcharge in a future proceeding if and when the Mitchell Plant is sold/transferred to Wheeling Power.

Witness: Brian K. West

Kentucky Power Company  
KPSC Case No. 2021-00421  
AG/KIUC First Set of Data Requests  
Dated December 15, 2021

**DATA REQUEST**

**AG-KIUC 1-47** What is the current net book cost of KPCo's share of Mitchell? What is the net book cost estimated to be at the end of 2028?

**RESPONSE**

Please see KPCO\_R\_AG\_KIUC\_1\_47\_Attachment1.xlsx for the net book value of Kentucky Power's share of the Mitchell Plant at 11/30/2021. In addition, please see KPCO\_R\_AG\_KIUC\_1\_47\_Attachment1.xlsx for the estimated net book value of Kentucky Power's share of the Mitchell Plant at 12/31/2028. The estimated net book value takes the current plant balances and applies the current approved depreciation rates through December 2028. The estimated net book value assumes no additions or retirements are made during that same time.

Witness: Jason A. Cash







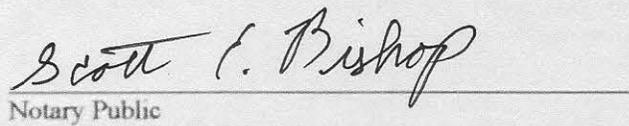
VERIFICATION

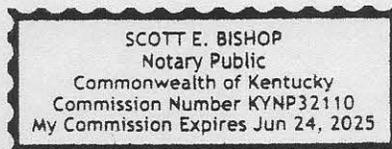
The undersigned, Alex E. Vaughan, being duly sworn, deposes and says he is the Director, Regulatory Pricing & Renewables for American Electric Power Service Corporation, that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.

  
Alex E. Vaughan

Commonwealth of Kentucky     )  
                                                          )     Case No. 2021-00421  
County of Boyd                     )

Subscribed and sworn before me, a Notary Public, by Alex E. Vaughan this 22<sup>nd</sup> day of December, 2021.

  
Notary Public



My Commission Expires June 24, 2025

Notary ID Number: KYNP 32110

VERIFICATION

The undersigned, Stephan T. Haynes, being duly sworn, deposes and says he is Senior Vice President of Strategy & Transformation 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.

E-signed by Stephan Thomas Haynes on December 21, 2021 at 12:26 PM CST  
Stephan T. Haynes  
149514  
2021-12-21

STATE OF OHIO

)  
) Case No. 2021-00421  
)

COUNTY OF FRANKLIN

12/21/2021

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Stephan T. Haynes, this \_\_\_\_ day of December 2021.

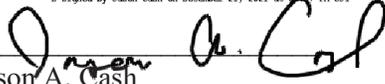
Notary Public  
153253

E-signed by Lori Conley on December 21, 2021 12:26 PM CST  
LORI GOTHARD CONLEY  
Notary Public  
State of Ohio  
My Commission Expires:  
September 24, 2023  
Notarized remotely via audio/video communication

Sep. 24, 2023

VERIFICATION

The undersigned, Jason A. Cash, being duly sworn, deposes and says he is Director- Regulatory Accounting Services 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.

E-signed by Jason Cash on December 21, 2021 at 09:47 PM CST  
  
Jason A. Cash  
157519

2021-12-21

STATE OF OHIO

)

) Case No. 2021-00421

COUNTY OF FRANKLIN

)

12/21/2021

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Jason A. Cash, this \_\_\_\_ day of December 2021.

  
Notary Public  
157253

E-signed by Lori Conley on December 21, 2021 02:09 PM CST  
  
**LORI GOTHARD CONLEY**  
Notary Public  
State of Ohio  
My Commission Expires:  
September 24, 2023  
Notarized remotely via audio/video communication

Sep. 24, 2023