

ATTACHMENT B -2  
(Unmarked Version)

**TRANSMISSION AGREEMENT**

**By and among**

**APPALACHIAN POWER COMPANY**

**COLUMBUS SOUTHERN POWER COMPANY**

**INDIANA MICHIGAN POWER COMPANY**

**KENTUCKY POWER COMPANY**

**KINGSPORT POWER COMPANY**

**OHIO POWER COMPANY**

**WHEELING POWER COMPANY**

**and with**

**AMERICAN ELECTRIC POWER SERVICE CORPORATION**

**AS AGENT**

**DATED APRIL 1984, AS AMENDED**

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

CONTENTS

PREAMBLE . . . . . 2

ARTICLE 1 - DESCRIPTION OF TRANSMISSION SYSTEM . . . . . 4

ARTICLE 2 - OPERATION . . . . . 5

ARTICLE 3 - TRANSMISSION COMMITTEE . . . . . 5

ARTICLE 4 - AGENT'S RESPONSIBILITIES. . . . . 6

ARTICLE 5 - SETTLEMENTS. . . . . 6

ARTICLE 6 - TAXES . . . . . 7

ARTICLE 7 - Allocation Principles . . . . . 8

ARTICLE 8 - MODIFICATION . . . . . 9

ARTICLE 9 - EFFECTIVE DATE AND TERM OF THIS AGREEMENT . . 9

ARTICLE 10 - REGULATORY AUTHORITIES . . . . . 10

ARTICLE 11 - ASSIGNMENT . . . . . 11

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010

0.1 THIS AGREEMENT, made and entered into as of the 1st day of April, 1984, and as subsequently amended, by and among APPALACHIAN POWER COMPANY (Appalachian Company), a Virginia corporation, COLUMBUS AND SOUTHERN POWER COMPANY (Columbus Company), an Ohio corporation, INDIANA MICHIGAN POWER COMPANY (Indiana Company), an Indiana corporation, KENTUCKY POWER COMPANY (Kentucky Company), a Kentucky corporation, OHIO POWER COMPANY (Ohio Company), an Ohio corporation, KINGSPORT POWER COMPANY (Tennessee Company), a Tennessee corporation, and WHEELING POWER COMPANY (Wheeling Company), a West Virginia corporation, said companies (herein sometimes called 'Members' when referred to collectively and 'Member' when referred to individually) being affiliated companies of the integrated public utility electric system known as the American Electric Power SYSTEM (AEP System), and AMERICAN ELECTRIC POWER SERVICE CORPORATION (Agent), a New York corporation, being a service company engaged solely in the business of furnishing essential services to the aforesaid companies and to other affiliated companies.

W I T N E S S E T H,

T H A T:

0.2 WHEREAS, the Members own and operate electric facilities in the states herein indicated, (i) Appalachian Company in Virginia, West Virginia, and Tennessee (ii) Columbus Company in Ohio, (iii) Indiana Company in Indiana and Michigan, (iv) Kentucky Company in Kentucky, (v) Tennessee Company in Tennessee, (vi) Ohio Company in Ohio and West Virginia, and (vii) Wheeling Company in West Virginia; and

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010

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

0.4 WHEREAS, The Members' electric facilities are now and for many years have been interconnected through their respective transmission facilities at a number of points, forming an integrated transmission network; and

0.5 WHEREAS, the Members have achieved benefits through the coordinated planning and development of a fully integrated Transmission System; and

0.6 WHEREAS, the members believe that an agreement which provides for the equitable sharing among the Members of the costs incurred by the Members in connection with the ownership, operation, and maintenance of their respective portions of the Transmission System would enhance equity among the Members for the continued development of a reliable and economic Transmission System; and

0.7 WHEREAS, effective October 1, 2004 the Members joined the PJM Interconnection, LLC ("PJM"), and placed their respective transmission facilities under the functional control of PJM, a regional transmission operator or "RTO"; and

0.8 WHEREAS, PJM provides transmission service, pursuant to the PJM Open Access Transmission Tariff ("OATT"), to the Members and others who require transmission service over the Transmission System; and

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010

0.9 WHEREAS, the Members believe that benefits and advantages could be best realized if this Agreement were administered by a single clearing agent; and

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

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

#### ARTICLE 1

##### DESCRIPTION OF TRANSMISSION SYSTEM

1.1 The Transmission System covered by this Agreement shall include all the transmission facilities, from time to time, owned by the Members that are included in the costs of service used to determine rates for transmission service under the PJM OATT, or successor open access transmission tariff.

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010

ARTICLE 2

OPERATION

2.1 Each member shall maintain its respective portion of the Bulk Transmission System, together with all associated facilities and appurtenances, in a suitable condition of repair at all times in order that said system will operate in a reliable and satisfactory manner.

ARTICLE 3

TRANSMISSION COMMITTEE

3.1 The Members shall appoint representatives to serve on a Transmission Committee. Such representatives shall have authority to act for the Members in the administration of all matters pertaining to this Agreement.

3.2 Each Member shall designate in writing, delivered to the other Members and Agent, the person who is to act as its representative on said Committee and the person or persons who may serve as alternate whenever such representative is unavailable to act. Agent shall designate in writing delivered to the Members the person who is to act as its representative on said Committee and the person or persons who may serve as alternate whenever such representative is unavailable to act. Such person designated by Agent shall act as chairman of the Transmissions Committee and shall be known as the "Transmission Manager".

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010

## ARTICLE 4

## AGENTS RESPONSIBILITIES

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

4.11 To arrange for and conduct such meetings of the Transmission Committee as may be required to insure the effective and efficient carrying out of all matters of procedure essential to the complete performance of the provisions of this Agreement.

4.12 To carry out settlements under this Agreement. Settlements by the Members shall be made for each calendar month through General Ledger accounts (hereby designated and hereinafter called the "TRANSMISSION ACCOUNTS") to be administered by Agent. For the purposes of This Agreement, Transmission Accounts shall be consistent with the accounts listed in the FERC Uniform System of Accounts, and shall include such accounts and sub-accounts as are necessary and proper, directed by the Transmission Committee, and consistent with applicable regulatory requirements.

## ARTICLE 5

## SETTLEMENTS

5.1 As provided in this Article, following the end of each month, the Members shall effect settlements through the TRANSMISSION ACCOUNTS. Generally, Settlements hereunder will involve the allocation among the Members of transmission-related costs and revenues as incurred and accrued under the PJM OATT,

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010

or successor open access transmission tariff, and the recording of same in the Transmission Accounts of the Members, as specified in Appendix I consistent with the Settlement Agreement approved in FERC Docket No. ER09-1279-000.

5.2 All amounts to be allocated among the Members hereunder shall, to the extent practicable, be included in Settlements for the month in which such cost or revenue is realized or accrued. If necessary in order to implement such timely Settlement, the Agent shall be authorized to effect Settlements on an estimated basis and make such adjustment as is needed in subsequent Settlements that will conform the Settlements to the terms of this Agreement.

5.3 For such time as Member Tennessee Company and/or Wheeling Company (Buyer) purchase power from Members Appalachian Company and Ohio Company (Seller), respectively, under agreements that provide for transmission service and related charges to Buyer from Seller (Purchased Power Agreements or "PPAs"), Seller will be allocated or assigned the costs as described on Appendix I, numbers seven (7) through fifteen (15), that would otherwise have been allocated or assigned to Buyer under this Agreement. The total amount of such allocated or assigned costs will be passed through to Buyer by Seller as the transmission service and related charges provided for in their PPAs. Such transmission and related costs will be the only transmission charges passed through to Buyer under any such PPA. When any such PPA expires or is otherwise modified or superseded, the provisions of the PPA that provide for

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010



transmission service and related charges to Buyer from Seller will be discontinued and Tennessee Company and/or Wheeling Company will receive directly, by allocation or direct assignment, the transmission and related costs pursuant to this agreement, as described on Appendix I, numbers seven (7) through fifteen (15). At such time, Seller shall no longer be allocated or assigned costs which are properly allocable or assignable to Buyer under this Agreement. Further, from the effective date of this Agreement as modified in FERC Docket No. ER09-1279, all the Members, including Tennessee Company and Wheeling Company, will receive direct allocation of revenues as provided herein and described on Appendix I, numbers one (1) through six (6).

ARTICLE 6

TAXES

6.1 If at any time during the duration of this Agreement there should be levied and/or assessed by any governmental authority against any Member any tax related to the receipt of Settlements calculated pursuant to this Agreement (such as sales, excise or similar taxes), such tax expense incurred by such Member that would not have been incurred were the Settlements hereunder not being made, such Member shall be entitled, to the extent permitted by the applicable regulatory authority(ies) to include such tax in its transmission revenue requirement under the PJM or successor OATT when transmission revenue requirements of the Members are next updated, and thereby receive an appropriate level of reimbursement (through cost sharing) for such additional taxes by Members and others receiving service from the Transmission System.

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010

## ARTICLE 7

## Allocation Principles

7.1 All items of cost and revenue included in Settlements hereunder shall be related to the provision of or receipt of transmission service or a related ("ancillary") service by one or more Members. The allocation methods used to share such costs and revenues, as specified in Appendix I, shall be made pursuant to direction by the Transmission Committee.

7.2 The Transmission Committee may at any time during the Term of This Agreement, upon the recommendation of the Agent or any Member, review any item of cost or revenue, in order to determine whether such item is transmission-related, and whether it should be included in Settlements hereunder. Further, whenever the Transmission Committee determines that any change is needed in Appendix I to add or delete any item of cost or revenue, or to change the allocation or accounting basis of any item, the Transmission Committee shall authorize and direct the Agent to effect such change in Appendix I and in monthly Settlements among the Members and to make any filing with the applicable regulatory authority(ies) to implement such change pursuant to the PJM OATT or any successor open access transmission tariff.

## ARTICLE 8

## MODIFICATION

8.1 Any Member, or the Agent, by written notice given to the other Members and Agent, may call for a reconsideration of the terms and conditions herein provided. If such

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010

reconsideration is called for, the Members shall take into account any changed conditions, any results from the application of said terms and conditions, and any other facts that might cause said terms and conditions to result in an inequitable sharing of costs and benefits under this Agreement. Any modification in terms and conditions agreed to by the Members following such reconsideration shall become effective the first day of the month following authorization of such reconsideration by appropriate regulatory authority.

## ARTICLE 9

### EFFECTIVE DATE AND TERM OF THIS AGREEMENT

9.1 This Agreement shall become effective and shall become a binding obligation of the Parties on the date specified in an Order in such proceeding as this Agreement shall have been filed with, and accepted for filing by the Federal Energy Regulatory Commission (FERC) under the Federal Power Act as a rate schedule.

9.2 This Agreement shall continue in effect for four years from the effective date of the final order in Docket No. ER09-1279-000 for successive periods of one year each until terminated as provided under subsection 9.3 below.

9.3 Any Member upon at least three years' prior written notice to the other Members and Agent may terminate this Agreement at the expiration of such notice period.

## ARTICLE 10

### REGULATORY AUTHORITIES

10.1 The Members recognize that this Agreement, and any tariff or rate schedule which shall embody or supersede this

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010

Agreement or any part thereof, are in certain respects subject to the jurisdiction of the FERC under the Federal Power Act, and are also subject to such lawful action as any regulatory authority having jurisdiction shall hereafter take with respect thereto. The performance of any obligation of the Members shall be subject to the receipt from time to time as required of such authorizations, approvals or actions of regulatory authorities having jurisdiction as shall be required by law.

10.2 Subject to the terms of the Settlement in Docket NO. ER09-1279-000, it is expressly understood that any Member under this Agreement, as it may hereafter from time to time be modified and supplemented by the Members, shall be entitled, at any time and from time to time, unilaterally to make application to the FERC for a change in rates, charges, classification of service, or any rule, regulation or contract relating thereto, or to make any change in or supersede in whole or in part any provision of this Agreement, under Section 205 of the Federal Power Act and pursuant to the FERC's Rules and Regulations promulgated thereunder.

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010

ARTICLE 11  
ASSIGNMENT

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

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

**Next Page is Signature Page**

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010

**Transmission Agreement Among:**

AMERICAN ELECTRIC POWER  
SERVICE CORPORATION,

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

Senior Vice President

KINGSPORT POWER COMPANY,

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

President and Chief Operating  
Officer

APPALACHIAN POWER COMPANY,

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

President and Chief Operating  
Officer

OHIO POWER COMPANY, and

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

Vice President

COLUMBUS SOUTHERN POWER  
COMPANY,

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

President and Chief Operating  
Officer

WHEELING POWER COMPANY

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

President

INDIANA MICHIGAN POWER  
COMPANY,

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

KENTUCKY POWER COMPANY,

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

President and Chief Operating  
Officer

**Dated as of:**

\_\_\_\_\_  
Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non- appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010

Appalachian Power Company  
36  
First Revised Rate Schedule FERC No. 34

Original Sheet No.

Appendix I

**AEP Transmission Agreement**  
**Allocation of Transmission Related Costs and Revenues**

#	<u>Item</u>	<u>FERC Account*</u>	<u>PJM Billing Basis</u>	<u>AEP Allocation Basis</u>
<b>AEP as Transmission Owner (Revenues)</b>				
1	Transmission Owner Scheduling, System Control and Dispatch Service (PJM Schedule 1A)	456.1	NSPL	ARR S1A
2	NITS (AEP LSE)	456.1	NSPL	ATRR
3	NITS (Non-Affiliates)	456.1	NSPL	ATRR
4	Grandfathered PTP (NCEMC)	456.0	Contract	ATRR
5	PJM Expansion Cost Recovery Charge (ECRC)	456.1	NSPL	ARR EC
6	RTO Startup Cost Recovery Charge (SCRC)	456.1	NSPL	ARR SC

**AEP as LSE (Expenses)**

7	Transmission Owner Scheduling, System Control and Dispatch Service (PJM Schedule 1A)	456.1	MWh	MWh
8	NITS Charges (for AEP Retail Load)	456.1	NSPL	12CP
9	NITS Charges for AEP FR Customers <sup>1/</sup>	447.0	NSPL	DA
10	NITS Reimbursement from AEP FR Customers <sup>1/</sup>	447.0	NSPL	DA
11	Firm Point-to-Point Credits (for AEP Retail Load)	456.1	NSPL	12CP
12	Non-Firm Point-to-Point Credits (AEP Retail Load)	456.1	NSPL	12CP
13	Transmission Enhancement (Schedule 12)	565.0	NSPL	12CP
14	PJM Expansion Cost Recovery Charge (ECRC)	456.1	NSPL	12CP
15	RTO Startup Cost Recovery Charge (SCRC)	456.1	NSPL	12CP

<b>NSPL</b>	PJM Network Service Peak Load
<b>Contract</b>	Pre-OATT FERC Rate Schedules
<b>ARR S1A</b>	Annual Revenue Requirement - Schedule 1A
<b>ATRR</b>	Annual Transmission Revenue Requirement
<b>ARR EC</b>	Annual Revenue Requirement - Expansion Cost Recovery
<b>ARR SC</b>	Annual Revenue Requirement - Startup Cost Recovery
<b>12CP</b>	Average of 12 coincident peaks through 10/31 of prior year
<b>DA</b>	Directly Assigned to Operating Company

\* Note: Should the net amount in 456.1 for any Member be negative, e.g. more expense than revenue, the net expense will be recorded in 565.0.

1/ Includes all transmission-related LSE expenses (NITS, Schedule 1A, Point-to-Point Credits, Schedule 12, ECRC, SCRC) which are directly assigned to Operating Company for AEP FR Customers.

Issued By: Richard E. Munczinski  
Senior Vice President, Regulatory Services

Effective: first day of the month after  
the Commission issues a  
final, non-appealable order  
accepting the Agreement  
for filing

Issued On: August 4, 2010