



Legal Department

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March 3, 2010

Ms. Renee J. Jenkins  
Secretary of the Commission  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215-3793

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**RE:** *In the Matter of the Application of AEP Ohio Transmission Company, Inc., For Confirmation That Its Operations Will Render It an Electric Light Company and a Public Utility Within the Meaning of Sections 4905.03(A)(4) and 4905.02, Revised Code, Case No. 10-245-EL-UNC; In the Matter of the Joint Application of AEP Ohio Transmission Company, Inc., and Columbus Southern Power Company and Ohio Power Company for Approval of Proposed Transfers, To the Extent Required by Section 4905.48(B), Revised Code, Case No. 10-246- EL-UNC; and In the Matter of the Application of AEP Ohio Transmission Company, Inc. for Authority to Issue Short-term Notes and Other Evidences of Indebtedness, Case No. 10-247-EL-AIS*

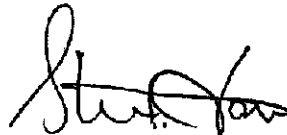
Dear Ms. Jenkins:

I am submitting the enclosed amended application to correct document production errors contained in the original application. When the original application was filed to initiate these cases on March 2, 2010, the paragraphs on pages 15-17 were not numbered correctly and two lines of text was inadvertently omitted from the beginning of what is now properly listed as paragraph 26. I apologize for any confusion this may have caused and request that the Commission use the amended application for its consideration.

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business  
Technician                      Date Processed 3/3/10

Thank you for your attention to this matter.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Steven T. Nourse", written in a cursive style.

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**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

**In the Matter of the Application of )  
AEP Ohio Transmission Company, Inc., )  
For Confirmation That Its Operations )  
Will Render It an Electric Light )  
Company and a Public Utility Within )  
the Meaning of Sections 4905.03(A)(4) )  
and 4905.02, Revised Code )**

**Case No. 10-245- EL-UNC**

**and**

**In the Matter of the Joint Application of )  
AEP Ohio Transmission Company, Inc. )  
and Columbus Southern Power Company )  
and Ohio Power Company for Approval )  
of Proposed Transfers, To the Extent )  
Required by Section 4905.48(B), )  
Revised Code )**

**Case No. 10-246- EL-UNC**

**In the Matter of the Application of )  
AEP Ohio Transmission Company, Inc. )  
for Authority to Issue Short-term Notes )  
and Other Evidences of Indebtedness )**

**Case No. 10-247-EL-AIS**

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**AMENDED APPLICATION**

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Applicants AEP Ohio Transmission Company, Inc. (OHTCo), Columbus Southern Power Company (CSP) and Ohio Power Company (OP) (CSP and OP also referred to, together, as "AEP Ohio") respectfully represent and request as follows:

### **OHTCo's Purpose and Corporate Structure**

1. OHTCo is an Ohio corporation organized for the purpose of planning, constructing, owning, and operating transmission assets in Ohio. OHTCo is a wholly-owned subsidiary of AEP Transmission Company, LLC (AEPTCo). AEPTCo is a subsidiary of AEP Transmission Holding Company, LLC (AEPHoldco), which is a wholly-owned subsidiary of American Electric Power Company, Inc. (AEP). CSP and OP are also wholly-owned subsidiaries of AEP and, consequently are affiliates of OHTCo. AEPTCo owns other entities, like OHTCo, that will own transmission assets in other states where AEP electric utility operating companies provide retail electric service. AEP Holdco, in addition to its ownership of AEPTCo, holds other transmission-related investments. Attached as Exhibit A is a diagram that depicts the ultimate ownership by AEP of OHTCo.
  
2. Today, AEP System transmission facilities are primarily owned by AEP's operating companies, such as CSP and OP, which provide retail electric service across AEP's eleven-state territory. Although the transmission facilities are currently owned by the individual AEP operating companies, the AEP transmission system is planned and operated on an integrated basis through the coordinated efforts of the AEP Transmission Department (AEPTransmission), a business unit of AEP's centralized service company, American Electric Power Service Corporation (AEPSC). AEPTransmission is ultimately responsible for managing the entire AEP transmission system. To accomplish its responsibilities, AEPTransmission utilizes a combination of services provided by AEP operating company employees, AEPSC employees, and contractors.

### **OHTCo Initiative**

3. OHTCo transmission assets will be physically connected to existing transmission facilities owned by CSP and OP. OHTCo's assets will be planned, constructed and managed in the same way that AEP Ohio's transmission assets are planned, constructed and managed as part of a unified, integrated transmission system. OHTCo will provide wholesale transmission service to AEP Ohio and other wholesale customer within the state and not provide retail transmission services directly to consumers in Ohio. Rather, AEP East Operating Companies will use the wholesale transmission services that they purchase from OHTCo, together with their own transmission assets, to provide retail electric services to their customers.<sup>1</sup>
  
4. New transmission assets (regardless of voltage class) in Ohio could be developed and owned by OHTCo. However, in order to ensure that the assets managed by OHTCo are of sufficient scope and are sufficiently physically discernable, AEPSC has developed AEPTCo Project Selection Guidelines ("PSG") for use in determining which facilities will be developed by AEPTCo and which will be developed by the AEP Ohio companies. In general, the PSG will be used to provide guidance to AEPTransmission personnel to designate projects that include a clear physical demarcation between potential AEPTCo and AEP operating company assets. Projects that qualify to be included in the AEPTCo model will be subject to case-by-case evaluation and approval by AEPTransmission

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<sup>1</sup> In addition to OHTCo's primary use of its transmission assets to provide wholesale transmission services to AEP Ohio, OHTCo may also use its transmission assets to furnish wholesale transmission services to other affiliated and unaffiliated third parties.

management. In addition, the PSG may be reviewed and amended from time to time.

Exhibit B is a copy of the PSG.

5. OHTCo will develop, construct, own and operate some new transmission facilities interconnected to existing AEP Ohio facilities within the PJM territory. The creation of OHTCo will simply result in some new transmission facilities within the state of Ohio being owned by the OHTCo instead of by the traditional operating companies of AEP Ohio. There will be no change in the planning, operation and maintenance of the transmission system since the services provided to OHTCo are through the same service providers and will be administered in the same manner that these services are being provided today. As AEP Ohio does today, OHTCo will be able to rely on the necessary and appropriate managerial, technical, engineering, financial, and transmission system expertise of AEP Transmission to ensure seamless operation of transmission services across both AEP Ohio and OHTCo.
6. The services required by OHTCo will be provided primarily by AEP's centralized service company, AEPSC, and by AEP Ohio (through CSP and OP). AEP Ohio will perform services including, but not limited to: consultation, analysis, advice and performance of services in connection with matters relating to the operation, inspection, maintenance, and emergency restoration of OHTCo's electric transmission assets in the state of Ohio. The AEPSC services covered will include but are not limited to transmission services; regulatory services; finance, accounting, and strategic planning services; and shared services, such as human resources, information technology, and business logistics.

7. All affiliate services provided to OHTCo, including the services provided by CSP and OP, will be provided on an at-cost basis, the same manner that affiliate services are provided to other AEP operating companies today. Because the various services provided by and through AEP affiliates to OHTCo will be provided at cost, and because services will be allocated on a cost-responsibility basis, OHTCo will receive cost-effective services under these arrangements.
8. Services provided by AEPSC will be pursuant to an affiliate agreement that addresses the types of AEPSC services that will be provided, the allocation methodology for services provided to multiple affiliates, the AEPSC billing procedures, and terms of payment for services provided. Services provided by AEP Ohio will be pursuant to an affiliate agreement that addresses the transmission-related services that will be performed by AEP Ohio. The form of each service agreement was modeled on the existing long-standing agreements that currently exist in the AEP System.
9. In the same manner that OHTCo will rely on AEPSC and AEPTransmission for operational/technical and managerial resources, OHTCo will also be able to rely on the financial resources of its ultimate parent, AEP, and its ability to supply, or cause to be supplied, capital. As evidenced in its 2008 annual report<sup>2</sup>, AEP had revenues, assets, and common shareholders' equity of approximately \$14 billion, \$45 billion, and \$11 billion at the end of 2008, respectively. In addition, AEP had ongoing earnings of \$1.3 billion in 2008, as reflected in AEP's 2008 annual report.

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<sup>2</sup> <http://www.aep.com/investors/annrep/>

10. OHTCo joined PJM Interconnection, LLC (PJM), a Regional Transmission Organization (RTO), as of January 12, 2010. The AEP transmission system will continue to be planned by AEP Transmission and PJM in a manner that is consistent with the approved regional planning process and representation and interaction with PJM will continue in the same way, and by the same personnel, by which it is handled today.
11. There are several key drivers that support formation of OHTCo to make incremental additions to the existing transmission system, including the following:
  - i. Vertically-integrated investor-owned utilities are facing a challenging and uncertain environment. CSP and OP are facing significant pressure to maintain their credit ratings while, on the other hand, capital spending needs are significant across all areas of the utility business and are projected to extend over the next decade. In particular, AEP Ohio's transmission system requires a sustained level of investment to meet customers' needs and significant additional transmission investment is mandated by NERC reliability requirements and projects mandated by PJM; financing this needed investment increases pressure on AEP Ohio's credit ratings.
  - ii. Any debt raised for the OHTCo to finance its transmission investments will not affect the financial condition and credit rating metrics of CSP or OP. Conversely, if these transmission system additions were constructed and financed through debt issued by the electric utility operating companies, those issuances would affect their financial condition and credit profiles.



- iii. In a related fashion, the long-term reliability and stability of the transmission system for Ohio customers will be increased with the formation of OHTCo. Investments in new transmission upgrades and projects will continue to be needed to support local and regional reliability needs and NERC compliance requirements. In addition to these new transmission projects, as the existing transmission grid ages, a host of improvements will be needed. The majority of new transmission investments are no longer within the control of AEP Ohio, as they are required by PJM, needed to serve new wholesale customers or needed to meet growing reliability requirements imposed by NERC. As such, the decision as to whether to invest in these types of projects is no under AEP Ohio's control. Without OHTCo, these projects limit the amount of available capital for other needed investments, including generation, transmission in support of aging infrastructure and distribution projects. Through OHTCo, as a company focused only on making needed transmission investments, AEPTransmission will be able to pursue certain transmission-only projects without being limited by the funding level available within AEP Ohio, thus providing long-term benefits to Ohio customers by relieving AEP Ohio of the debt associated with those projects, making it available for other system needs.
- iv. Formation of OHTCo also presents several important financing advantages. This transmission-only structure provides the transparency desired by certain investors. OHTCo, and the other subsidiaries of AEPTCo, would be solely in the business of planning, constructing, owning, operating and maintaining new transmission assets. This transmission-only business will be a straightforward, transparent business, meaning that investors should be able to easily understand and assess it for

investment purposes. The transparency comes from managing one type of electrical asset as opposed to operating three types of major electrical assets across multiple state and federal regulators.

- v. Access to capital is also relatively greater for businesses with stronger credit profiles and ratings. AEPTCo, representing the combined financial strength of its seven subsidiary companies including OHTCo, will need to establish itself as a stand-alone business with the necessary credit ratios and strong, stable cash flows. Over a period of time as a single-line business, it should develop a strong credit profile.
- vi. Similarly, by freeing AEP Ohio of the debt obligation needed to support new transmission facilities, it provides AEP Ohio which greater control of its annual expenditures which will enable it better manage its credit ratios.
- vii. These characteristics will provide broader access to the capital, flexibility to access more sources of debt and equity capital and access to capital in both weak and strong capital markets will be improved. Any long-term financing benefits, in the form of lower cost of debt, will benefit customers.

#### **Transitional Matter of Need to Transfer Construction Work in Progress**

12. As described above, OHTCo will develop and own new transmission assets within the state of Ohio and OHTCo will not acquire from CSP and OP assets currently in-service and owned by CSP and OP. Should this change at some time in the future (for example, as part of a corporate separation plan), OHTCo, CSP and OP will seek appropriate approvals from both Ohio and the FERC.

13. As a transitional matter, however, OHTCo and AEP Ohio need to transfer certain assets associated with a few projects that are currently under construction. In order to realize the benefits associated with moving the future capital obligations associated with putting this project into service from AEP Ohio to OHTCo, some projects that AEP Ohio has begun working on need to be transferred. The assets associated with these projects currently reside in the construction work-in-progress account on the balance sheets of AEP Ohio and are not projected to be in-service until later in 2010. The list of these specific projects involved is reflected in Exhibit C.
14. Many transmission projects are multi-year projects and, often, the majority of spending on such a project comes toward the end of the project's planning and construction period. By transferring these on-going projects that meet the PSG criteria from AEP Ohio to OHTCo and having the remainder of the investment in those projects within OHTCo, helps alleviate some of the immediate financial pressure on AEP Ohio but more importantly alleviate the long term financial pressure on AEP Ohio.
15. Section 4905.48(B) requires Commission approval for a public utility to purchase the property, plant, or business of any other such public utility. To the extent that OHTCo is a "public utility" and to the extent that Section 4905.48(B), Revised Code, encompasses assets that are not yet electric plant in service, OHTCo and AEP Ohio jointly request approval to transfer the assets listed in Exhibit C. To the extent the Commission determines that the statute does not apply, the applicants request that the Commission declare the same in its order addressing this application.

### **Exercise of Commission Jurisdiction Over OHTCo as a Public Utility**

16. Section 4905.02, Revised Code, provides, in relevant part, that a “public utility” includes “every corporation, company, copartnership, person or association . . . defined in section 4905.03, Revised Code . . . .” Section 4905.03(A)(4), in turn, defines an “electric light company” as a firm that is “engaged in the business of supplying electricity for light, heat, or power purposes to consumers within this state, *including supplying electric transmission service for electricity delivered to consumers in this state*, but excluding a regional transmission organization approved by the federal energy regulatory commission.” Accordingly, an “electric light company” is a “public utility” subject to the Commission’s jurisdiction. In *In Re the Application of The FirstEnergy Operating Companies for Approval of the Transfer of Their Transmission Assets to American Transmission Systems, Inc.*, PUCO Case No. 98-1633-EL-UNC (“ATSP”), the Commission considered whether a firm that supplies only wholesale transmission services to other Ohio electric light companies (which other companies, in turn, use those transmission services to furnish retail electric services to consumers) is itself an electric light company and a public utility under §§ 4905.03(A)(4) and 4905.02. In *ATSI*, the Ohio operating subsidiaries of FirstEnergy Corporation, Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company, filed an application under §4905.48(B), Revised Code, seeking approval of the transfer of certain transmission assets to American Transmission Systems, Inc. (“ATSP”). FirstEnergy asserted that ATSI was not, and would not be, a public utility under Title 49 of the Revised Code. Rather, according to FirstEnergy, the transmission facilities that ATSI

would own and operate would be subject to FERC jurisdiction, and ATSI would provide transmission service using those assets subject to a FERC-approved Open Access Transmission Tariff. In its February 17, 2000 Finding and Order, at page 6, the Commission approved the FirstEnergy operating companies' application, but in the course of doing so concluded that ATSI was an electric light company and a public utility subject to the Commission's jurisdiction:

Section 4905.02(A)(4), Revised Code makes clear that ATSI is a public utility subject to this Commission's jurisdiction. Nothing in this approval shall be interpreted as diminishing this Commission's jurisdiction over the provision of transmission service to retail customers.

Based on the Commission's interpretation and application of §§4905.03(A)(4) and 4905.02, Revised Code, to ATSI, it appears likely that the Commission would also conclude that OHTCo is an electric light company and a public utility subject to this Commission's jurisdiction. Through this application, OHTCo is seeking a declaration that it is a "public utility" under applicable Ohio law.

17. The Commission's jurisdiction over the rates, terms and conditions of electric service provided by CSP and OP is not affected by the establishment of OHTCo. Rather, this Commission will retain the same jurisdiction that it currently has to review and approve the rates, including retail rates for transmission services, that CSP and OP charge their end-use customers in Ohio for retail electric services. The rates that OHTCo charges for wholesale transmission services will be subject to regulatory oversight by, and jurisdiction of, the Federal Energy Regulatory Commission (FERC). On December 1, 2009, each AEPTCo subsidiary company that has joined PJM, including OHTCo, filed with the FERC, under FERC Docket No. ER10-355-000, to establish a revenue

requirement to be included in PJM's FERC-approved Open Access Transmission Tariff (OATT). The rates filed by AEPTCo for OHTCo are designed to recover the collective cost of service associated with the facilities owned by OHTCo in the AEP Zone within PJM. Based on the FERC application, PJM, on behalf OHTCo, would charge CSP and OP and other wholesale customers rates for transmission services based on the OATT. As they do today, CSP and OP would continue to recover from their retail customers through their Transmission Cost Recovery Rider<sup>3</sup> only that portion of OHTCo's costs for its transmission services that CSP and OP use to provide retail electric services to their end-use customers.

#### **Incorporating OHTCo into AEP Ohio's Corporate Separation Plan**

18. CSP and OP are each an "electric utility" within the meaning of §4928.01(A)(11), Revised Code.<sup>4</sup> Section 4928.17, Revised Code, provides, in pertinent part, that an electric utility may not "engage in this state, either directly or through an affiliate, in the business of supplying a noncompetitive retail electric service and supplying a competitive retail electric service, or in the businesses of supplying a noncompetitive retail electric service and supplying a product or service other than retail electric service, unless the utility implements and operates under a corporate separation plan that is approved by the public utilities commission under this section . . . ."

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<sup>3</sup> The Commission approved continued use of the TCRR as part of AEP Ohio's Electric Security Plan, on page 49 of its March 18, 2009 Finding and Order in Case Nos. 08-917-EL-SSO and 08-918-EL-SSO.

<sup>4</sup> Section 4928.01(A)(11) defines an "electric utility" as "an electric light company that has a certified territory and is engaged on a for-profit basis either in the business of supplying a noncompetitive retail electric service in this state or in the business of supplying both a noncompetitive and a competitive retail electric service in this state. 'Electric utility' excludes a municipal electric utility or a billing and collection agent."

19. OHTCo is not an “electric utility” within the meaning of §4928.01(A)(11) because it does not have a certified territory and because it is not engaged in the business of supplying noncompetitive retail electric services. Consequently, §4928.17 does not require OHTCo to have its own Commission-approved corporate separation plan.
20. In AEP Ohio’s Electric Transition Plan (ETP) proceeding, CSP and OP proposed and the Commission approved their corporate separation plans, including their plans for legally separating their respective distribution, transmission, and generation functions.<sup>5</sup> In their subsequent Rate Stabilization Plan (RSP) proceeding, however, the Commission approved a modification of the previously approved corporate separation plans to authorize CSP and OP to operate on a functional separation basis.<sup>6</sup> In their recent Electric Security Plan cases (ESP Cases), CSP and OP proposed that the Commission authorize each of them to remain functionally separate.<sup>7</sup> In its March 18, 2009 Opinion and Order in the ESP Cases approved by CSP’s and OP’s proposal to continue functional separation for the three-year duration of the ESP. The Commission also directed CSP and OP to file for approval their proposal regarding corporate separation. Further, the Commission directed CSP and OP to file for approval of their corporate separation plan within 60 days after its revised Corporate Separation rules became effective. Those rules became effective as Chapter 4901:1-37, O.A.C., on April 2, 2009, and that required CSP and OP to file their corporate separation plan by June 1, 2009.

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<sup>5</sup> *In re Columbus Southern Power Company and Ohio Power Company*, Case Nos. 99-1729-EL-ETP and 99-1730-EL-ETP, Opinion and Order, at pp. 23-25. (September 28, 2000).

<sup>6</sup> *In re Columbus Southern Power Company and Ohio Power Company*, Case No. 04-169-EL-UNC,

<sup>7</sup> *In re Columbus Southern Power Company and Ohio Power Company*, Case Nos. 08-917-EL-SSO and 08-918-EL-SSO.

21. In accordance with the Commission's directive in the ESP proceeding, CSP and OP filed their application for approval of their corporate separation plan in Case No. 09-464-EL-UNC on June 1, 2009. When CSP and OP filed their application, AEP had not yet determined to pursue the Transmission Company model to make incremental additions to the existing transmission system. Nor had OHTCo been formed. Consequently, AEP Ohio's corporate separation plan submitted in Case No. 09-464-EL-UNC did not reference the transmission structure described in this application. Accordingly, upon issuance of a decision concerning the application in the case at bar, CSP and OP plan to reflect OHTCo in their corporate separation plan in a manner consistent with the Commission's decision in this case.

#### **Participation in the AEP System Utility Money Pool**

22. In order to obtain the benefits enjoyed by CSP, OP and its other affiliates on the AEP system, OHTCo hereby requests authorization to participate in the AEP System Utility Money Pool ("Money Pool")<sup>8</sup> as set forth in this Application and to make short-term borrowings up to \$50,000,000 from the Money Pool from time to time through April 30, 2011. CSP and OP have Commission authorization to participate in the AEP System Money Pool in Case Nos. 09-314-L-AIS and 09-313-EL-AIS, respectively.

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<sup>8</sup> In addition to OHTCo, the following companies participate in the Money Pool: AEP, AEP Generating Company, AEP Utilities, Inc. ("AEP Utilities"), Appalachian Power Company, Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, CSP, OP, Public Service Company of Oklahoma, Southwestern Electric Power Company, Texas Central Company, Texas North Company, Wheeling Power Company, AEPSC, Cedar Coal Company, Central Appalachian Coal Company, Central Coal Company, Colomet, Inc., Simco, Inc., Southern Appalachian Coal Company, Blackhawk Coal Company, Conesville Coal Preparation Company, Dolet Hills Lignite Company LLC, Franklin Real Estate Company, and Indiana Franklin Realty, Inc. ("Participants").



23. Except for the addition of OHTCo (and the other new AEP transmission subsidiaries), the terms and conditions applicable to the operation of the AEP Utility Money Pool will be unchanged. The existing parties to the AEP Utility Money Pool, along with OHTCo and the other new AEP transmission subsidiaries, propose to execute an amendment to the AEP Utility Money Pool Agreement, a copy of which is attached as Exhibit D and the Money Pool Agreement is attached as Exhibit E.

**A. Background and Request.**

24. Each Participant, other than AEP and AEP Utilities, makes unsecured short-term borrowings from the Money Pool and contributes surplus funds to the Money Pool. AEP and AEP Utilities may only contribute funds to the Money Pool and are not authorized to borrow funds from the Money Pool.

**B. Current Operations.**

25. All short-term borrowing needs of the Participants are met by funds in the Money Pool to the extent such funds are available. OHTCo will have the right to borrow from the Money Pool from time to time, subject to the availability of funds; provided, however, that the aggregate amount of all loans requested by OHTCo shall not exceed its short-term borrowing limit of \$50,000,000. OHTCo will not be obligated to borrow from the Money Pool if lower cost funds can be obtained from its own external borrowing. While AEP does not borrow funds from the Money Pool or any Participant, AEP does contribute funds to the Money Pool.

26. AEPSC acts as administrative agent of the Money Pool. Each Participant and AEP determines the amount of funds it has available for contribution to the Money Pool. The determination of whether a Participant at any time has surplus funds, or should lend such funds to the Money Pool, is made by such Participant's treasurer, any assistant treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such Participant's sole discretion. Each Participant may withdraw any of its funds at any time upon notice to AEPSC.

**C. Sources of Funds.**

27. The Money Pool is composed from time to time of funds from the following sources: (i) surplus funds of any of the Participants; (ii) surplus funds of AEP; (iii) short-term borrowings by AEP. All debt issued in connection with the Money Pool is unsecured.
28. AEPSC administers the Money Pool by matching up, to the extent possible, short-term cash surpluses and loan requirements of the various Participants. Participants' requests for short-term loans are met first from surplus funds of other Participants which are available to the Money Pool. To the extent that Participant contributions of surplus funds to the Money Pool are insufficient to meet Participant requests for short-term loans, AEP may contribute surplus corporate funds to the extent available or borrowings may be made from external sources. Funds which are loaned from Participants into the Money Pool which are not required to satisfy borrowing needs of other Participants are invested on the behalf of the Money Pool in one or more short-term instruments.

**D. Use of Proceeds.**

29. The Money Pool makes funds available to Participants for the interim financing of their capital expenditure programs and their other working capital needs and to repay previous borrowings incurred for such purposes. External borrowings will not be made unless there are no surplus funds in the treasuries of the Participants sufficient to meet borrowing needs. Each Participant borrows pro rata from each funding source in the same proportion that the amount of funds provided by that funding source bears to the total amount of short-term funds available to the Money Pool.

**E. Interest Rate.**

30. The interest rate applicable on any day to then outstanding loans through the Money Pool is the composite weighted average daily effective cost incurred by AEP for short-term borrowings from external sources for the Money Pool. If there are no borrowings outstanding then the rate is the certificate of deposit yield equivalent of the 30-day Federal Reserve "A2/P2" Non Financial Commercial Paper Composite Rate ("Composite"), or if no composite is established for that day then the applicable rate is the Composite for the next preceding day for which the Composite is established.
31. Each Participant receiving a loan must repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event not later than the then-effective expiration date of the authorization for the operation of the Money Pool. All loans made through the Money Pool may be prepaid by the borrower without premium or penalty.

32. If the Money Pool is in an invested position, interest income related to external investments is calculated daily and allocated back to Participants on the basis of their relative contribution to the investment pool funds on that date.

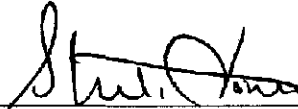
### **Request for Relief**

WHEREFORE, OHTCo respectfully requests the Commission to confirm that OHTCo is an electric light company and a public utility pursuant to §§4905.03(A)(4) and 4905.02, Revised Code. Alternatively, if the Commission concludes that OHTCo is not an electric light company and a public utility subject to the Commission's jurisdiction, OHTCo requests that the Commission issue an order confirming that conclusion; and

CSP, OP, and OHTCo also respectfully request, to the extent the Commission determines that Section 4905.48(B), Revised Code, does not apply, the applicants request that the Commission declare the same in its order addressing this application. Alternatively, to the extent the Commission determines that OHTCo is a "public utility" and that Section 4905.48(B), Revised Code, is applicable to the transfer of the assets listed in Exhibit C that are not yet electric plant in service, that the Commission approve the transfer of those assets from AEP Ohio to OHTCo.

OHTCo also respectfully requests to participate in the AEP System Utility Money Pool as set forth in this Application and to make short-term borrowings up to \$50,000,000 from the Money Pool from time to time.

Respectfully submitted,



Steven T. Nourse, Counsel of Record

Marvin I. Resnik

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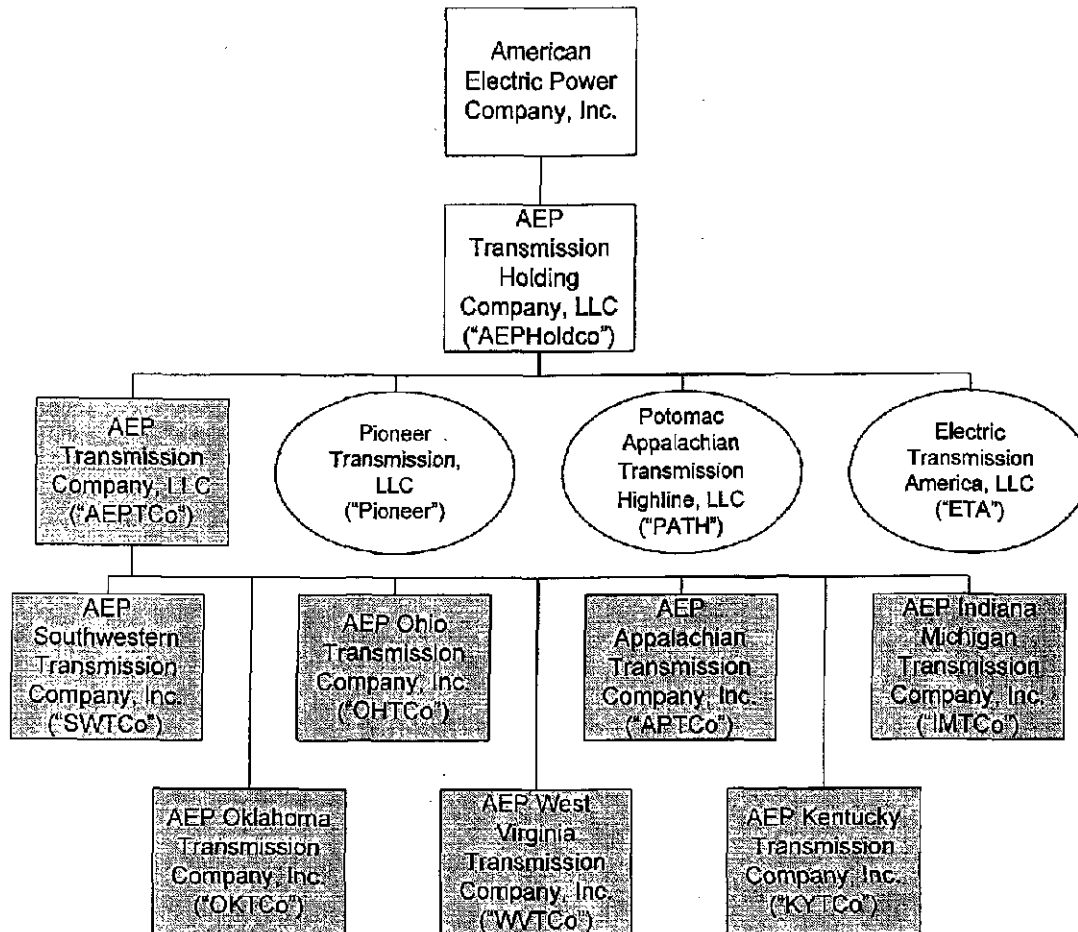
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**Counsel for Columbus Southern Power  
Company and Ohio Power Company and  
AEP Ohio Transmission Company, Inc.**

**Exhibit A**

**AEPTCO CORPORATE STRUCTURE**



\*Highlighted companies represent AEPTCo and the AEPTCo subsidiary companies

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## AEP Transmission LLC (AEPTCo)

# Project Selection Guideline


November 19, 2009

### REVISION HISTORY

Rev.	Description of Change(s)	Prepared or Revised By	Date	Approved
1				
2				

Note: This document has been prepared by, and is the property of, American Electric Power Company, Inc. This document may be modified by AEP.

### AEPTCo Project Selection Guideline

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				Page 1 of 9

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### DOCUMENT CONTROL

#### Preparation

ACTION	NAME(S)	TITLE
Prepared by:	Kamran Ali Richard Reinaker	Engineer II Sr. Engineer
Reviewed by:	Mohammed Ahmed	Manager, ETP
Reviewed by:	Teresa A. Gallup	Manager, SWTP
Reviewed by:	Ali Al-Fayez	Manager, TAP
Approved by:	Bernie Pasternack	Managing Director, TASP

#### Review Cycle

Quarterly	Semi-annual	Annual	As Needed X
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#### Release

VERSION	DATE RELEASED	FILE NAME	CHANGE NOTICE	REMARKS



**AMERICAN  
ELECTRIC  
POWER**

AEPTCo Project Selection Guideline

Rev. 0

Page 2 of 9



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**AMERICAN  
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## 1.0 **PURPOSE**

This document provides guidance to AEP Transmission personnel in determining how capital will be allocated between the AEP operating companies ("OPCO") and AEP Transmission Company subsidiaries ("AEPTCo subsidiaries") regarding the construction of new transmission assets. These guidelines are to be used by employees within the AEP Transmission business unit in determining what Projects or Project Components should be developed by the AEPTCo subsidiaries. All personnel participating in the planning, identification and approvals of new AEP Transmission assets must be familiar with and utilize these guidelines.

## 2.0 **ROLES & RESPONSIBILITIES**

There are several groups involved with identifying AEP Transmission system needs. The following highlights the roles and responsibilities of the Transmission departments responsible for evaluating system needs:

### 2.1 Transmission Planning (TP)

- Identify transmission system needs.
- Propose projects and system upgrades.
- Provide recommendations to TAP with respect to development of project or system upgrade.
- Provide detailed information with respect to the need for the given project or system upgrade including Regional Transmission Organization identified projects.

### 2.2 Transmission Asset Engineering (TAE)

- Identify asset replacement / rehab needs for transmission assets.
- Propose projects and system upgrades.
- Provide recommendations to TAP with respect to development of project or system upgrade.
- Provide detailed information with respect to the need for the given project or system upgrade.

### 2.3 Transmission Asset Performance (TAP)

- Collect lists of project and system upgrade information from TP and TAE groups.
- Review the detail provided by TP and TAE, and determines whether the project or upgrade meets the requirements of this guideline.
- Prepare documentation necessary for financial approvals and prepare budget projections as requested by Transmission Budgeting Planning & Analysis (TBP&A) group.



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### 3.0 PROJECT SELECTION PROCESS

For the purposes of this document the following definitions apply:

"Assets" are defined as electric equipment, lines, stations that are designated as Transmission pursuant to FERC Form 1 general ledger account.

"Upgrades" are defined as modifications to existing Transmission Assets.

"Facility" is defined as an entire substation or line between two stations.

"Component" refers to a section or sections of line between two stations and new equipment within a station.

"Project" is defined as a combination of Facilities and Components needed to meet a given system need and included together for financial approval. A Project may include both OPCO and/or AEPTCo assets.


This document has been developed to assist AEP Transmission personnel in determining what Facilities and/or Components should be developed by an AEPTCo subsidiary. Any Facilities or Components that do not meet these guidelines would be developed to the respective AEP Operating Company.

This process recognizes that there may be a need for variances between states, due to state statutory requirements or regulatory precedents. Accordingly, discretion must be exercised by TAP in making such determinations. Known state specific considerations are identified in Appendix A.

#### 3.1 AEPTCo Ownership Eligibility

The following general principles would apply for eligibility as AEPTCo assets:

- Assets that provide a Transmission function (assigned to a Transmission FERC Form 1 general ledger account number) may be eligible for inclusion in an AEPTCo subsidiary if such assets meet the criteria specified in these PSG. No facilities that are classified as Distribution or Generation can be developed by AEPTCo.
  - Transmission Assets designed and operated at voltages of 23 kV or higher in the PJM region and 69 kV or higher in the SPP region are considered Transmission assets. (Currently AEPTCo has no plan to own Texas SPP transmission assets).
  - For a power transformer to qualify as an AEPTCo asset, both primary and secondary transformer voltages must meet the above voltage criteria and the transformer must

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provide a Transmission function. This restriction does not apply to auxiliary or station service transformers in a station.

- AEPTCo will build/own only those facilities (Transmission Facilities) that may be recovered from Transmission Service Customers through the RTO's FERC-approved OATT, either through a rate of general applicability or by direct assignment to transmission customers.
- Transmission assets within a Distribution station that are part of a network qualify as AEPTCo assets.

### 3.2 AEPTCo Project Categories

Projects and components that may be developed by an AEPTCo company are categorized as follows:

#### 3.2.1 Greenfield

*Greenfield facilities are defined as new transmission assets that do not require replacement or modification of existing facilities or components.*

- Development of new transmission Facilities.
- Transmission assets within a new Distribution or Generation station that is part of the transmission network. This would require a clear demarcation between Transmission and Distribution or Generation assets at the facility.
- New property or rights-of-way acquired for new transmission facilities.

#### 3.2.2 Facility Additions

*Facility additions are defined as new transmission components installed at existing AEP Operating Company-owned Transmission or Distribution facilities.*

- New Transmission equipment additions such as circuit breakers, transformers, shunt or series reactors, capacitor banks, etc. and ancillary equipment directly related to the new Transmission equipment additions.
- May include the retirement of certain existing AEP Operating Company Transmission components, as necessary, to allow for the installation of the new AEPTCo facilities.
- The addition of new AEPTCo line facilities on existing AEP Operating Company towers/poles (e.g. conductors/insulators being installed on vacant tower position).

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### 3.2.3 Facility Replacement

*Facility Upgrades are defined as the replacement of an entire existing AEP Operating Company-owned facilities with new AEPTCo-owned facilities.*

- Complete replacement of an AEP Operating Company-owned transmission line facility or transmission station facility with a new AEPTCo-owned station or line facility. Retirement of the AEP Operating Company facility is required.
- AEPTCo at cost may lease or purchase the rights-of-way and property easements from the affected AEP Operating Company (consistent with state legal/regulatory requirements).

### 3.2.4 Component Replacement

*Component replacement is defined as an apportioned replacement of an existing AEP Operating Company-owned Transmission facility or replacement of component(s) within a Transmission facility.*

- Major Extra High Voltage (EHV) equipment replacements may be included in AEPTCo.
- All component replacement projects must be evaluated on a case-by-case basis.

### 3.2.5 Spare/Mobile Equipment

*Spare/mobile equipment is defined as purchases of major Transmission equipment as capitalized spares or mobiles.*

- Mobile transformers must have Transmission operating voltages at the high and low side for this category.
- Major spare equipment such as transformers and circuit breakers may be purchased to support existing AEPTCo assets.

## 3.3 Other Considerations

- All assets owned by AEPTCo subsidiaries must be clearly distinguishable from assets owned by AEP Operating Companies.
- Components developed by AEPTCo are intended to be large projects that are readily identifiable and discernable to AEP Service employees and personnel.
- A project should be greater than \$500,000 to be considered for development by an AEPTCo subsidiary. Exceptions to this assumption must be approved by TAP.

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- Reimbursable projects or projects involving contributions in aid of construction (CIAC) should follow the guideline for determination of AEPTCo versus AEP Operating Company ownership.
- Projects that have not yet been place in service but have been previously approved through the AEP financial approval process may be considered for AEPTCo on a case-by-case basis. This provision is transitional and shall self terminate after January 01, 2011.
- Projects or components that require upgrades to AEPTCo facilities or are directly interconnected to AEPTCo facilities shall be developed by AEPTCo.

### 3.4 Records Management


- Accounting procedures will comply with all regulatory, GAAP, and FERC Uniform System of Accounts standards.
- Internal controls will be designed to meet AEP standards.
- Assets owned by applicable AEPTCo subsidiary or AEP Operating Company do not change the applicable RTO definition of Transmission or Distribution.
- FERC accounting designations distinguishing Transmission and Distribution equipment must be adhered to in all situations.

### 3.5 Financial Authorization & Documentation

- Authorization for funding must utilize the same process for both AEPTCo and Operating Company assets.
- TAP shall prepare and route all projects for financial approval, clearly specifying which assets will be owned and operated by AEPTCo. Individual project approvals may include approvals of both Operating Company and AEPTCo assets, as long as all work associated with the project is clearly discernable between the Operating Company and AEPTCo.

### 3.6 Related Procedures & Guidelines

- Not applicable.

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**Exhibit C**

(\$ Millions)	Current Operating Company	Spent as of 12/31/2009	Estimated Total Project Cost
Wooster-Moreland Area Improvements	OPCo	1.4	15.5
Madisonburg 69-kV Line	OPCo	1.0	4.3
Cambridge Area Improvements	OPCo	0.4	5.9
<i>OPCo Subtotal</i>		2.8	25.7
Poston-Lick Area Improvements	CSP	0.1	12.8
Columbus Area Improvements	CSP	1.2	36.2
Berrywood-Lincoln 69-kV Line	CSP	2.4	3.7
<i>CSP Subtotal</i>		3.7	52.7
<b>Grand Total</b>		<b>6.5</b>	<b>78.4</b>



**AMENDMENT NO. 1  
TO  
AEP SYSTEM AMENDED AND RESTATED  
UTILITY MONEY POOL AGREEMENT**

This Amendment No. 1 to the AMENDED AND RESTATED UTILITY MONEY POOL AGREEMENT ("Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2010 by and among American Electric Power Company, Inc., a New York corporation ("AEP"), AEP Utilities Inc., a Delaware corporation ("AEP Utilities"), both registered holding companies under the Public Utility Holding Company Act of 1935, as amended (the "Act"), American Electric Power Service Corporation ("AEPSC"), a New York corporation and a nonutility subsidiary of AEP (in its role as administrative agent and as a participant in the Utility Money Pool), AEP Utility Funding LLC, a Delaware limited liability company ("AEPUF"), and certain of the direct or indirect subsidiaries of AEP, each of which are signatories hereto and participants in the AEP Utility Money Pool ("Participants"), or which subsequently become signatories hereto and agree to abide by the terms herein. (All of the above are referred to as a Party or Parties to this Agreement).

WHEREAS, the following entities are each a direct or indirect subsidiary of AEP, and a Participant in the AEP Utility Money Pool (collectively referred to herein as "Operating Companies"):

AEP Generating Company  
AEP Texas Central Company  
AEP Texas North Company  
Appalachian Power Company  
Columbus Southern Power Company  
Indiana Michigan Power Company  
Kentucky Power Company  
Kingsport Power Company  
Ohio Power Company  
Public Service Company Of Oklahoma  
Southwestern Electric Power Company  
Wheeling Power Company

And

WHEREAS, in addition to the Operating Companies, the following are Participants in the AEP Utility Money Pool:

American Electric Power Service Corporation  
Blackhawk Coal Company  
Cedar Coal Company  
Central Appalachian Coal Company

Central Coal Company  
Conesville Coal Preparation Company  
Dolet Hills Lignite Company, LLC  
Franklin Real Estate Company  
Indiana Franklin Reality, Inc.  
Southern Appalachian Coal Company

WHEREAS, AEP and the Parties have established a pool (the "Utility Money Pool") to coordinate and provide for certain of the Participants' short-term cash requirements;

WHEREAS, AEPUF has been formed to fund the Utility Money Pool;

WHEREAS, the following entities are indirect subsidiaries of AEP and will own, operate, manage and control facilities in their respective states for the transmission of electricity at wholesale to its customers (collectively, the "Transcos"):

AEP Appalachian Transmission Company, Inc., a Virginia corporation  
AEP Indiana Michigan Transmission Company, Inc., an Indiana corporation  
AEP Kentucky Transmission Company, Inc., a Kentucky corporation  
AEP Ohio Transmission Company, Inc., an Ohio corporation  
AEP Oklahoma Transmission Company, Inc., an Oklahoma corporation  
AEP Southwestern Transmission Company, Inc., a Delaware corporation  
AEP West Virginia Transmission Company, Inc., a West Virginia corporation;

WHEREAS, each of the Transcos, upon receipt of an order from the Federal Energy Regulatory Commission ("FERC"), will be deemed a "public utility" for FERC purposes and will be regulated by the state utility commissions in the states where they operate and therefore are deemed "public utilities" for purposes of inclusion in the Agreement;

WHEREAS, each of the Transcos desires to become a party to the Agreement; and

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

1. The Agreement is hereby amended to provide that each of the Transcos listed below is hereby accepted as a Participant in the Agreement.

2. Each of the following Transcos hereby elects to become a Participant in the AEP System Utility Money Pool and hereby agrees to be bound by the terms and conditions of the Agreement:

AEP Appalachian Transmission Company, Inc.  
AEP Indiana Michigan Transmission Company, Inc.  
AEP Kentucky Transmission Company, Inc.  
AEP Ohio Transmission Company, Inc.  
AEP Oklahoma Transmission Company, Inc.  
AEP Southwestern Transmission Company, Inc.

AEP West Virginia Transmission Company, Inc.

IN WITNESS WHEREOF, the undersigned Parties have duly caused this document to be signed on their behalf on the date first written above by the undersigned thereunto duly authorized.

**AMERICAN ELECTRIC POWER COMPANY, INC.**

**and**

**AEP UTILITIES, INC.**

**AEP UTILITY FUNDING LLC**

**AMERICAN ELECTRIC POWER SERVICE CORPORATION, as  
Agent and Participant**

**Current Participants:**

**AEP GENERATING COMPANY  
AEP TEXAS CENTRAL COMPANY  
AEP TEXAS NORTH COMPANY  
APPALACHIAN POWER COMPANY  
COLUMBUS SOUTHERN POWER COMPANY  
INDIANA MICHIGAN POWER COMPANY  
KENTUCKY POWER COMPANY  
KINGSPORT POWER COMPANY  
OHIO POWER COMPANY  
PUBLIC SERVICE COMPANY OF OKLAHOMA  
SOUTHWESTERN ELECTRIC POWER COMPANY  
WHEELING POWER COMPANY**

**BLACKHAWK COAL COMPANY  
CEDAR COAL COMPANY  
CENTRAL APPALACHIAN COAL COMPANY  
CENTRAL COAL COMPANY  
CONESVILLE COAL PREPARATION COMPANY  
DOLET HILLS LIGNITE COMPANY, LLC  
FRANKLIN REAL ESTATE COMPANY  
INDIANA FRANKLIN REALTY, INC.  
SOUTHERN APPALACHIAN COAL COMPANY**

By: \_\_\_\_\_  
Assistant Treasurer of each  
of the above-listed companies.

**Newly Added Participants:**

**AEP APPALACHIAN TRANSMISSION COMPANY, INC.**  
**AEP INDIANA MICHIGAN TRANSMISSION COMPANY, INC.**  
**AEP KENTUCKY TRANSMISSION COMPANY, INC.**  
**AEP OHIO TRANSMISSION COMPANY, INC.**  
**AEP OKLAHOMA TRANSMISSION COMPANY, INC.**  
**AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.**  
**AEP WEST VIRGINIA TRANSMISSION COMPANY, INC.**

By: /s/Renee V. Hawkins  
Assistant Treasurer of each  
of the above-listed companies.

**AEP SYSTEM AMENDED AND RESTATED  
UTILITY MONEY POOL AGREEMENT**

This AMENDED AND RESTATED UTILITY MONEY POOL AGREEMENT ("Agreement") is made and entered into this 9<sup>th</sup> day of December, 2004 by and among American Electric Power Company, Inc., a New York corporation ("AEP"), AEP Utilities Inc., a Delaware corporation ("AEP Utilities"), both registered holding companies under the Public Utility Holding Company Act of 1935, as amended (the "Act"), American Electric Power Service Corporation ("AEPSC"), a New York corporation and a nonutility subsidiary of AEP (in its role as administrative agent and as a participant in the Utility Money Pool), AEP Utility Funding LLC, a Delaware limited liability company ("AEPUF"), and certain of the direct or indirect subsidiaries of AEP, each of which are signatories hereto and participants in the AEP Utility Money Pool ("Participants"), or which subsequently become signatories hereto and agree to abide by the terms herein. (All of the above are referred to as a Party or Parties to this Agreement).

WHEREAS, the following entities are each a direct or indirect subsidiary of AEP, and a Participant in the AEP Utility Money Pool (collectively referred to herein as "Operating Companies"):

AEP Generating Company  
AEP Texas Central Company  
AEP Texas North Company  
Appalachian Power Company  
Columbus Southern Power Company  
Indiana Michigan Power Company  
Kentucky Power Company  
Kingsport Power Company  
Ohio Power Company  
Public Service Company Of Oklahoma  
Southwestern Electric Power Company  
Wheeling Power Company

And

WHEREAS, in addition to the Operating Companies, the following are Participants in the AEP Utility Money Pool:

American Electric Power Service Corporation  
Blackhawk Coal Company  
Cedar Coal Company  
Central Appalachian Coal Company  
Central Coal Company  
Colomet, Inc.  
Conesville Coal Preparation Company  
Dolet Hills Lignite Company, LLC

Franklin Real Estate Company  
Indiana Franklin Reality, Inc.  
Simco, Inc.  
Southern Appalachian Coal Company

WHEREAS, the Participants from time to time have need to borrow funds on a short-term basis; and

WHEREAS, some of the Parties from time to time are expected to have funds available to loan on a short-term basis; and

WHEREAS, AEP and the Parties have established a pool (the "Utility Money Pool") to coordinate and provide for certain of the Participants' short-term cash requirements;

WHEREAS, AEPUF has been formed to fund the Utility Money Pool; and

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

## ARTICLE I CONTRIBUTIONS AND BORROWINGS

### Section 1.1. Contributions to the Utility Money Pool.

American Electric Power Service Corporation ("AEPSC") shall act as administrative agent of the Utility Money Pool. Each Participant, AEP, AEP Utilities, and AEPUF will determine on a daily basis, the amount of funds it has available for contribution to the Utility Money Pool. The determination of whether a Party at any time has surplus funds, or shall lend such funds to the Utility Money Pool, will be made by such Party's treasurer, any assistant treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion. Each Party may withdraw any of its funds at any time upon notice to AEPSC.

### Section 1.2 Rights to Borrow.

(a) Subject to the provisions of Section 1.4(b) of this Agreement, all short-term borrowing needs of the Participants may be met by funds in the Utility Money Pool to the extent such funds are available. Each Participant shall have the right to borrow from the Utility Money Pool from time to time, subject to the availability of funds and the limitations and conditions set forth herein and in the applicable orders of the Securities and Exchange Commission ("SEC") and other regulatory authorities. Each Participant may request loans from the Utility Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement of the Parties; provided, however, that the aggregate amount of all loans requested by any Participant hereunder shall not exceed the applicable borrowing limits set forth in applicable orders of the SEC and other regulatory authorities, resolutions of such Board of

Directors, such Party's governing corporate documents, and agreements binding upon such Party. No Participant shall be obligated to borrow from the Utility Money Pool if lower cost funds can be obtained from its own external borrowing.

(b) Neither AEP, AEP Utilities nor AEPUF will borrow funds from the Utility Money Pool or any Participant. Participants in the Utility Money Pool will not engage in lending and borrowing transactions with participants in the Nonutility Money Pool. The Utility Money Pool will not borrow from the Nonutility Money Pool.

### Section 1.3 Source of Funds

- (a) AEPSC administers the Utility Money Pool by matching up, to the extent possible, short-term cash surpluses and loan requirements of the various Participants. Participants' requests for short-term loans are met first from surplus funds of other Participants which are available to the Utility Money Pool. To the extent the Participant contributions of surplus funds to the Utility Money Pool are insufficient to meet Participant requests for short-term loans, AEP or AEP Utilities may contribute corporate funds to the extent available or borrowings may be made from external sources. Funds will be made available from such sources in such other order as AEPSC, as administrator of the Utility Money Pool, may determine will result in a lower cost of borrowing to companies borrowing from the Utility Money Pool, consistent with the individual borrowing needs and financial standing of the Parties providing funds to the Utility Money Pool.
- (b) External borrowings may be made by AEP, AEP Utilities, Inc., or AEPUF, each individually, a Lending Party, collectively Lending Parties, from the sale of commercial paper notes and/or other instruments authorized by the SEC, and/or bank borrowings ("External Funds"), the proceeds of which would be added to the Utility Money Pool, in each case to the extent permitted by applicable laws and regulatory orders. All debt issued in connection with the Utility Money Pool will be unsecured. External borrowings by AEP, AEP Utilities, or AEPUF will not be made unless there are no surplus funds in the treasuries of the Participants sufficient to meet borrowing needs. If it is determined that AEP can borrow money at a cheaper rate than AEPUF can, then AEP will fund the Utility Money Pool directly.
- (c) Each borrowing Participant will borrow pro rata from each fund source in the same proportion that the amount of funds provided from that fund source bears to the total amount of short-term funds available to the Utility Money Pool. On any day, when more than one fund source (e.g., surplus treasury funds of AEP, AEP Utilities or other Utility Money Pool participants ("Internal Funds") and External Funds), with different rates of interest, is used to fund loans through the Utility Money Pool, each borrowing party will borrow pro rata from each fund source in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Utility Money Pool.

#### Section 1.4 Authorization.

(a) The determination of whether a Participant or a Lending Party has at any time surplus funds to lend to the Utility Money Pool will be made by its treasurer, any assistant treasurer, or by a designee thereof.

(b) Any loan from the Utility Money Pool to a Participant shall be authorized by the borrowing Participant's treasurer, any assistant treasurer, or by a designee thereof. No Party shall be required to effect a borrowing through the Utility Money Pool if such Participant determines that it can (and is authorized to) effect such borrowing at lower cost through the sale of its own commercial paper or other instruments, or borrowing directly from banks.

#### Section 1.5 Investment of Investment Pool Funds.

Funds which are loaned from Participants into the Utility Money Pool which are not required to satisfy borrowing needs of other Participants ("Investment Pool") will be invested on the behalf of the Lending Parties in one or more short-term instruments ("External Investments"), including (i) interest-bearing accounts with banks; (ii) obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities, including obligations under repurchase agreements; (iii) obligations issued or guaranteed by any state or political subdivision thereof, provided that such obligations are rated not less than "A" by a nationally recognized rating agency; (iv) commercial paper rated not less than "A-1" or "P-1" or their equivalent by a nationally recognized rating agency; (v) money market funds; (vi) bank certificates of deposit; (vii) Eurodollar funds; (viii) short-term debt securities rated AA or above by Standard & Poor's, Aa or above by Moody's Investors Service, or AA or above by Fitch Ratings; (ix) short-term debt securities issued or guaranteed by an entity rated AA or above by Standard & Poor's, Aa or above by Moody's Investors Service, or AA or above by Fitch Ratings; and (x) such other investments as are permitted by Section 9(c) of the Act and Rule 40 thereunder.

No funds from the Utility Money Pool will be invested in EWG's or FUCO's.

#### Section 1.6 Utility Money Pool Interest.

The interest rate applicable on any day to then outstanding loans through the Utility Money Pool, whether or not evidenced by a promissory demand note, will be the composite weighted average daily effective cost incurred by the Lending Parties for External Funds outstanding on that date. If there are no External Funds outstanding on that date, then the rate would be the certificate of deposit yield equivalent of the 30-day Federal Reserve "A2/P2" Non-Financial Commercial Paper Composite Rate (the "Composite"), or if no Composite is established for that day, then the applicable rate will be the Composite for the next preceding day for which a composite is established.

If the Composite shall cease to exist, then the rate would be the composite which then most closely resembles the Composite and/or most closely mirrors the pricing the Lending Parties would expect if it had External Funds.



### Section 1.7 Investment Pool Interest.

Interest income related to External Investments will be calculated daily and allocated back to Participants on the basis of their relative contribution to the Investment Pool funds on that date.

### Section 1.8 Repayment.

Each Participant receiving a loan hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event not later than the expiration date of SEC authorization for the operation of the Utility Money Pool. All loans made through the Utility Money Pool may be prepaid by the borrower without premium or penalty.

### Section 1.9 Form of Loans to Participants.

Loans to the Participants through the Utility Money Pool will be made pursuant to open-account advances, although any AEPUF or Participant would at all times be entitled to receive upon request a promissory note evidencing the transaction. Any such note shall: (a) be substantially in the form attached herewith as Exhibit A; (b) be dated as of the date of the initial borrowing; (c) mature on demand or on a date mutually agreed to by the Parties to the transaction, but in any event not later than the expiration date of the SEC authorization for the operation of the Utility Money Pool; and (d) be repayable in whole at any time or in part from time to time, without premium or penalty.

## **ARTICLE II OPERATION OF THE UTILITY MONEY POOL**

### Section 2.1 Operation.

Operation of the Utility Money Pool, including record keeping and coordination of loans, will be handled by AEPSC under the authority of the treasurer or any assistant treasurer of AEP and/or AEPSC. AEPSC shall be responsible for the determination of all applicable interest rates and charges to be applied to any loans from the Utility Money Pool and earnings to be applied to any loans to the Utility Money Pool and/or Investment Pool outstanding at any time hereunder, shall maintain records of all advances, interest charges and accruals and interest and principal payments for purposes hereof, and shall prepare periodic reports thereof for the Parties. Services rendered by AEPSC will be "at cost" in accordance with rules of the SEC.

### Section 2.2 Certain Costs.

The cost of fees and/or compensating balances paid to banks to maintain credit lines will be allocated to the Participants on the basis of relative maximum non-coincidental borrowings of the Participants.

Section 2.3 Event of Default.

If any Participant shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any Participant seeking to adjudicate it a bankrupt or insolvent, then AEPSC, on behalf of the Utility Money Pool, may, by notice to the Participant, terminate the Utility Money Pool's commitment to the Participant and/or declare the unpaid principal amount of any loans to such Participant, and all interest thereon, to be forthwith due and payable and all such amounts shall forthwith become due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Participant.

**ARTICLE III  
AEP UTILITIES FUNDING LLC**

Section 3.1 AEPUF.

AEPUF is a special purpose financing conduit, formed to fund the Utility Money Pool. AEPUF may obtain funds from external sources or from AEP or AEP Utilities. AEP, AEP Utilities and the Operating Companies are also authorized to fund the Utility Money Pool through the issuance of short-term debt. AEPUF will have a separate bank account for all Utility Money Pool funds. AEPUF may issue commercial paper or other short-term debt for the benefit of the Utility Money Pool participants and will lend cash proceeds of the issuance of commercial paper to each Participant as said Participant's needs are identified. When AEPUF directly issues commercial paper to dealers to fund the Utility Money Pool, each Operating Company that borrows from AEPUF must maintain comparable debt ratings equal to or greater than AEPUF and maintain requisite backup facilities with one or more financial institutions.

Section 3.2 Loans.

AEPUF shall provide the cash proceeds of each issuance of commercial paper or other short-term debt to the Utility Money Pool. The proceeds of borrowings by AEPUF will not be loaned to AEP or AEP Utilities. The proceeds of the borrowings of AEPUF will be used to repay AEPUF's borrowings or be invested to continue funding the Utility Money Pool.

Section 3.3 Several Liability.

It is expressly agreed that the obligations of each Participant to AEPUF are several and not joint and, subject to paragraph 3.4 below, that each Participant shall not be responsible to AEPUF or any assignee or creditor of AEPUF for any payment in excess of payments due under any Participant's outstanding note and its pro rata share of other expenses and administrative costs of AEPUF in connection with its funding of the Utility Money Pool. No Participant will be liable for the borrowings of any other affiliate under the Utility Money Pool.

### Section 3.4 Placement Agents.

(a) As a condition precedent to each commercial paper dealer and placement agent (each, a "Placement Agent") entering into a dealer or placement agreement with AEPUF (each such agreement, a "Placement Agreement"), each Participant agrees: (i) to pay all costs, expenses, liabilities, losses and damages, including liabilities in respect of the AEPUF's indemnification obligations under the Placement Agreements (collectively, the "Liabilities") which it may incur relating to the offer and sale of AEPUF's commercial paper, the proceeds of which were used to make any loan to such Participant under this agreement, and (ii) to pay its Pro Rata Share of all other Liabilities which AEPUF may incur other than any such Liability which relates to the offer and sale of AEPUF's commercial paper the proceeds of which were used to make any loan to any other participant in the Utility Money Pool in respect of which such other affiliate is obligated to pay the full amount of such Liability. As used herein the term "Pro Rata Share" of any Liability shall mean an amount equal to the product of such Liability and a fraction expressed as a percentage (x) the numerator of which is the average outstanding loans made to the Participant during the period from the date which is three years prior to the date such Liability is due and payable to the date such Liability is due and payable (the "Determination Period"), and (y) the denominator of which is the average aggregate outstanding loans made during the Determination Period to the Participant and all other Participants which received loans from AEPUF and which are obligated to pay such Liability in accordance with this provision.

(b) Each Participant and AEPUF hereby acknowledge and agree that each Placement Agent is a third-party beneficiary of this Article III and is entitled to the benefits of the obligations of each separate Participant contained in this Article III and is entitled to bring any action to enforce such obligations directly against the separate Participant. In the case of any specific Liability arising out of or in connection with the Placement Agreement, each Participant shall pay the amount of such Participant's Liability directly to such Placement Agent or as the Placement Agent directs.

(c) This Article III shall not be amended or modified without the prior written consent of each Placement Agent. The agreements and obligations of each of the Participants set forth in this Article III shall survive the termination of this Agreement.

## ARTICLE IV MISCELLANEOUS

### Section 4.1 Amendments.

No amendment to this Agreement shall be effective unless the same be in writing and signed by all Parties thereto.

Section 4.2 Legal Responsibility.

Nothing herein contained shall render AEP or any Party liable for the obligations of any other Party(ies) hereunder and the rights, obligations and liabilities of AEP and the Parties are several in accordance with their respective obligations, and not joint.

Section 4.3 Governing Law.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned Parties have duly caused this document to be signed on their behalf on the date first written above by the undersigned thereunto duly authorized.

**AMERICAN ELECTRIC POWER COMPANY, INC.**

**and**

**AEP UTILITIES, INC.**

**AEP UTILITY FUNDING LLC**

**AMERICAN ELECTRIC POWER SERVICE CORPORATION, as**

**Agent and Participant**

**Participants:**

**AEP GENERATING COMPANY**

**AEP TEXAS CENTRAL COMPANY**

**AEP TEXAS NORTH COMPANY**

**APPALACHIAN POWER COMPANY**

**COLUMBUS SOUTHERN POWER COMPANY**

**INDIANA MICHIGAN POWER COMPANY**

**KENTUCKY POWER COMPANY**

**KINGSPORT POWER COMPANY**

**OHIO POWER COMPANY**

**PUBLIC SERVICE COMPANY OF OKLAHOMA**

**SOUTHWESTERN ELECTRIC POWER COMPANY**

**WHEELING POWER COMPANY**

**BLACKHAWK COAL COMPANY**

**CEDAR COAL COMPANY**

**CENTRAL APPALACHIAN COAL COMPANY**

**CENTRAL COAL COMPANY**

**COLOMET, INC.**

**CONESVILLE COAL PREPARATION COMPANY**

**DOLET HILLS LIGNITE COMPANY, LLC**

**FRANKLIN REAL ESTATE COMPANY**

**INDIANA FRANKLIN REALTY, INC.**

**SIMCO, INC.**

**SOUTHERN APPALACHIAN COAL COMPANY**

By: Wendy A. Hargus  
Assistant Treasurer of each  
of the above-listed companies.

## EXHIBIT A

**FORM OF UTILITY MONEY POOL NOTE  
TO BE EXECUTED BY BORROWING PARTIES  
TO AEP OR OTHER PARTIES**

\_\_\_\_\_, 20\_\_

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_ (the "Borrower"), hereby promises to pay to the order of \_\_\_\_\_ (the "Lender") at its principal office in \_\_\_\_\_, on demand or on \_\_\_\_\_, 20\_\_, or at the option of the Borrower, whichever first occurs, but in any event not later than the expiration date of the SEC authorization for the operation of the Utility Money Pool, the principal sum set forth on the attachment hereto as "Principal Amount Outstanding." This note may be paid in full at any time or in part from time to time without premium or penalty. The Principal Amount Outstanding shall bear interest at the composite weighted average daily effective cost incurred by the Lending Parties for External Funds outstanding on that date. If there are no External Funds outstanding on that date, then the rate would be the CD yield equivalent of the 30-day Federal Reserve "A2/P2" Non-Financial Commercial Paper Composite Rate (the "Composite"), or if no Composite is established for that day, then the applicable rate will be the Composite for the next preceding day for which a Composite is established.

This Note shall be governed by, and construed and interpreted in accordance with, the Laws of the State of New York.

IN WITNESS WHEREOF, the undersigned, pursuant to due authorization, has caused this Note to be executed in its name and on its behalf by its duly authorized officer.

\_\_\_\_\_  
(Name of Borrower)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

