BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio for Approval of the Fourth Amended Corporate Separation Plan under Section 4928.17, Revised Code, and Chapter 4901:1-37, Ohio Administrative Code.	))))))	Case No. 15-0441-EL-UNC

COMMENTS OF IGS ENERGY

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Attorney for IGS Energy

June 12, 2015

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In the Matter of the Application of Duke Energy Ohio for Approval of the Fourth Amended Corporate Separation Plan under Section 4928.17, Revised Code, and Chapter 4901:1-37, Ohio Administrative Code.	))))))	Case No. 15-0441-EL-UNC

COMMENTS OF IGS ENERGY

I. BACKGROUND

On March 2, 2015, Duke Energy Ohio, Inc. ("Duke") filed an application seeking approval of an amendment to its corporate separation plan ("Application"). [1] Duke claims that the amendment is necessary because in its electric security plan stipulation "the Company agreed to amend the Plan once again, within ninety days after the effective date of full legal corporate separation."[2]

Duke's Application states that "[a]s of December 1, 2014, Duke Energy Ohio owns no generating assets and is not engaged in the generation business."[3] Duke purports that it has achieved full legal separation and filed its Application in this proceeding in satisfaction of its stipulation obligations.

[1] Application at 2. The Application title appears to refer to approval of Duke's Fourth Corporate Separation Plan. The proposed amendment, however, relates to a proposed Fifth Corporate Separation Plan.

[2] Application at 2.

[3] Application, Ex. A at Section XIV(A).

Duke's Application, however, does not identify whether Duke has divested its interest in the Ohio Valley Electric Corporation ("OVEC"). Because Duke has publicly represented that it has no intention of divesting its OVEC interest—despite Commission directives[4]—there is no reason to believe that Duke has divested it.[5] Also, while the Application does not discuss Duke's OVEC interest, it proposes to delete OVEC from Duke's list of affiliates.[6]

Additionally, Duke's Application does not request Commission authority to continue to offer products and services other than retail electric service ("non-commodity services"), though its proposed corporate separation plan appears to assume that it will be allowed to do so.[7] Duke's Application does not identify facts and circumstances to support a waiver of the requirement to provide non-commodity services through a separate affiliate.

As discussed further below, the Commission should dismiss Duke's Application. It is fatally flawed and not ripe for consideration. Further, consideration of the Application will lead to needless and duplicative litigation.

II. COMMENTS

A. Duke has not satisfied its Stipulation Obligation

[4] *See In the matter of the application of Duke Energy Ohio, Inc. for authority to establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the form of an electric security plan, accounting modifications and tariffs for generation service*, Case Nos. 14-841-EL-SSO, *et al.*, Opinion and Order at 48 (Apr. 2, 2015). This case is hereinafter referred to as "*ESP III*".

[5] *ESP III*, Application for Rehearing and Memorandum in Support of Duke Energy Ohio, Inc. at 11-17 (May 4, 2015).

[6] Application, Ex. A at Section V.

[7] *See* Application, Ex. A at Section XIV(C).

Duke claims it is necessary to amend its corporate separation plan because it has satisfied its Stipulation obligation to achieve full legal separation. As discussed below, Duke has not demonstrated that it has satisfied its Stipulation obligation.

The Stipulation provides:

> that the Commission's approval of the stipulation will constitute approval of Duke's Third Amended CSP and **full legal corporate separation**, **as contemplated by Section 4928.17(A)**, Revised Code, such that the transmission and distribution assets of Duke will continue to be held by the distribution utility and **all of Duke's generation assets** will be transferred to an affiliate.[8]

R.C. 4928.17(A)(1), requires an electric distribution utility's ("EDU") corporate separation plan to provide at a minimum **"provision of the competitive retail electric service** or the nonelectric product or service **through a fully separated affiliate** of the utility (emphasis added)."[9] Thus, the Stipulation required Duke, the EDU, to cease providing competitive retail electric services and to operate solely as a distribution utility in the business of providing non-competitive service.

Duke's Application, however, failed to identify whether it has divested its interest in OVEC. To the extent that Duke still maintains an interest in OVEC—an interest in unregulated generating assets—it has not achieved full legal separation. And thus it has not satisfied the stipulation condition that provided the basis for the present Application.

[8] *In the matter of the application, motion for protective order and memorandum in support of Duke Energy Ohio for authority to establish a Standard Service Offer pursuant to Section 4928.143, Revised Code, in the form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service*, Case Nos. 11-3549-EL-SSO, *et al.*, Opinion and Order at 45 (Nov. 21, 2011) (emphasis added).

[9] While this provision may be waived for good cause shown, Duke does not request a waiver. Rather, it claims to satisfy this provision of the law.

Moreover, R.C. 4928.17(A)(1) requires Duke to implement "separate accounting requirements" for services other than Duke's non-competitive service. To the extent that Duke has an interest in OVEC, it must maintain accounting entries related to OVEC costs and revenues on the books of the EDU. That would run afoul of R.C. 4928.17(A)(1).

The Commission's rules further demonstrate that Duke must divest its OVEC interest in order to achieve full legal separation. Chapter 4901:1-37 Ohio Administrative Code ("OAC") is applicable to an EDU's corporate separation plan and an EDU's interactions with its affiliates.[10] Indeed, Duke's Application includes a reference to these Commission rules in the case title.[11] That chapter provides that "[a]ny indebtedness incurred by an affiliate shall be without recourse to the electric utility."[12] Duke's current corporate separation plan lists OVEC as an affiliate.[13] The Intercompany Power Agreement ("ICPA")—the purchase power agreement at issue in this case—is littered

[10] Rule 4901:1-37-03(A), OAC provided: "[t]he provisions of this chapter shall be applicable in accordance with sections 4928.17 and 4928.18 of the Revised Code and apply to:

> (1) The activities of the electric utility and its transactions or other arrangements with its affiliates . . . ."

[11] See Application case caption. Duke incorrectly refers to 4901:11-37, but that rule does not exist.

[12] Rule 4901:1-37(C)(1). OAC. That section also provides that "[a]n electric utility shall not enter into any agreement with terms under which the electric utility is obligated to commit funds to maintain the financial viability of an affiliate." Rule 4901:1-37(C)(2), OAC. An electric utility shall not make any investment in an affiliate under any circumstances in which the electric utility would be liable for the debts and/or liabilities of the affiliate incurred as a result of actions or omissions of an affiliate." Rule 4901:1-37(C)(3), OAC. These sections undermine Duke's assertion that it has complied with the Commission's rules with respect to full legal separation.

[13] Application, Ex. A at Section V. While it is arguable that Duke operates OVEC as if it is directly owned by Duke, determination of that issue is not relevant to this Application because corporate separation rules also apply to an EDU's interaction with generation assets held by an affiliate.

with provisions that hold Duke specifically liable for OVEC's debts and obligations.[14] Thus, Duke cannot hold onto its interest in OVEC and fulfil its requirement to achieve full legal separation.

In summary, Duke has not satisfied its Stipulation obligation to achieve full legal separation. As such, its Application in this proceeding is not ripe for review. The Commission should dismiss Duke's Application and direct it to refile after it has transferred its interest in OVEC to a third party in accordance with the Opinion and Order modifying and approving Duke's third electric security plan.

B. Duke has not demonstrated that good cause exists for a waiver of the requirement to provide products and services other than retail electric service through an affiliate

In Duke's last corporate separation case, the Commission authorized Duke to provide non-commodity services.[15] In that case, the Commission affirmed that Duke was required to separate its generation business from the EDU to achieve full legal separation, but that the Commission did not rule out Duke providing non-commodity services to customers.[16]

The Commission's decision was appealed to the Supreme Court of Ohio because Duke did not demonstrate that good cause existed to allow Duke to provide

[14] *See* IGS Ex. A (containing the ICPA). *See id.* at Article 7. "As soon as practicable after the end of each month Corporation shall render to each Sponsoring Company a statement of all Available Power and Available Energy supplied to or for the account of such Sponsoring Company during such month, specifying the amount due to the Corporation therefor, including any amounts for reimbursement for the cost of replacements and additional facilities and/or spare parts incurred during such month, pursuant to Articles 5 and 7 above." *Id.* at Article 8.01.

[15] *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of its Fourth Amended Corporate Separation Plan Under R.C. 4928.17 and Ohio Adm.Code 4901:11-37*, Finding and Order (Jun. 11, 2014).

[16] *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of its Fourth Amended Corporate Separation Plan Under R.C. 4928.17 and Ohio Adm.Code 4901:11-37*, Entry on Rehearing at 5 (Aug. 6, 2014).

non-commodity services.[17] That decision may be remanded to the Commission to correct the flaws identified in the appeal. Duke's pending Application contains similar flaws. Because Duke's Application is not ripe for consideration and should be summarily dismissed, there is no need to relitigate those issues at this time. But, to the extent that an order unnecessarily approves Duke's unripe request to modify its corporate separation plan, IGS may be forced to relitigate those issues here.

III. CONCLUSION

For the reasons stated herein, the Commission should dismiss Duke's unripe Application.

Respectfully submitted,

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[17] *See generally* Supreme Court Case No. 2014-1651.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing *Comments of IGS Energy* was served this 12th day of June 2015 via electronic mail upon the following:

/s/ Joseph Oliker
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VIA ELECTRONIC FILING

March 23, 2011

Re: Amended and Restated Inter-Company Power Agreement and Amended and Restated OVEC-IKEC Power Agreement
Docket No. ER11-_____

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

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act and Section 35.13 of the Commission's regulations, Ohio Valley Electric Corporation, together with its wholly owned subsidiary, Indiana-Kentucky Electric Corporation ("IKEC", and Ohio Valley Electric Corporation, together with IKEC, herein referred to as "OVEC") submits for filing:

(1) An Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010 ("Amended ICPA") among OVEC and other parties thereto (referred to as the "Sponsoring Companies"),[1] which amends and restates in its entirety the current Amended and Restated Inter-Company Power Agreement, dated as of March 13,

[1] The "Sponsoring Companies" are: Allegheny Energy Supply Company, LLC, Appalachian Power Company ("Appalachian"), Buckeye Power Generating, LLC ("Buckeye"), Columbus Southern Power Company ("CSP"), The Dayton Power and Light Company ("Dayton Power"), Duke Energy Ohio, Inc. ("Duke Ohio"), FirstEnergy Generation Corp. ("FirstEnergy Generation"), Indiana Michigan Power Company ("I&M"), Kentucky Utilities Company ("KU"), Louisville Gas and Electric Company ("LG&E"), Monongahela Power Company ("Mon Power"), Ohio Power Company ("OPCo"), Peninsula Generation Cooperative ("Peninsula") and Southern Indiana Gas and Electric Company ("SIGECO").

2006, as amended by Modification No. 1, dated as of March 13, 2006 (the "Current ICPA").

(2) An Amended and Restated Power Agreement, dated as of September 10, 2010 ("Amended OVEC-IKEC Agreement") between OVEC and IKEC, which amends and restates in its entirety the current Amended and Restated Power Agreement, dated as of March 13, 2006 (the "Current OVEC-IKEC Agreement").

In accordance with the Commission's Order No. 714, OVEC hereby submits the above agreements in eTariff format.[2]

I. Introduction

OVEC hereby requests that the Commission accept for filing and grant any other relief necessary to permit the Amended ICPA to become effective as soon as possible after the date hereof, but in any event by the sixtieth (60^{th}) day after the date hereof. The Amended ICPA is the result of a unanimous agreement among OVEC and the Sponsoring Companies to extend the term of the Current ICPA. In addition, the Amended ICPA contains non-substantive administrative changes, including as necessary to reflect the current parties based on assignments since 2004 and the transfer of responsibilities from East Central Area Reliability Group ("ECAR") to Reliability*First* Corporation ("RFC"). In connection with the filing of the Amended ICPA, OVEC also requests that the Commission accept the filing of the Amended OVEC-IKEC Agreement, which extends the term of that agreement to coincide with the term of the Amended ICPA. The Commission's acceptance for filing of the agreements in this application will permit the Sponsoring Companies to continue to receive the relatively low-cost electricity generated by OVEC (and its

[2] Please note, that while both the Amended ICPA and Amended OVEC-IKEC Agreement were dated as of September 10, 2010, they were not fully executed until sometime in February 2011 and their effectiveness is subject to the receipt of all necessary regulatory approvals, including from the Commission in the instant proceeding.

subsidiary, IKEC) under the basic cost-based formula rates charged by OVEC for over 50 years.

II. Background of the Current ICPA and Related Agreements

Each of the Sponsoring Companies is a public utility or a subsidiary of an electric cooperative operating in the Ohio Valley region and either owns, or is an affiliate of a company that owns, capital stock issued by OVEC.[3] During the early 1950s, these stockholders (or their predecessors) formed OVEC in response to the request of the United States Atomic Energy Commission ("AEC") to supply the electric power and energy necessary to meet the needs of a uranium enrichment plant being built by the AEC in Pike County, Ohio. To provide that electric service, OVEC built two coal-fired generating stations: (1) the Kyger Creek Plant in Cheshire, Ohio, which has a generating capacity of 1,075 megawatts, and (2) the Clifty Creek Plant in Madison, Indiana, which has a generating capacity of 1,290 megawatts and is owned by OVEC's wholly-owned subsidiary, IKEC.

These two generating stations, both of which began operation in 1955, are connected by a network of 776 circuit miles of 345,000-volt transmission lines in Ohio, Indiana and northern Kentucky. These lines were designed and built to provide for the delivery of power and energy from OVEC's generating facilities to the United States of America, currently acting by and through the AEC's successor, the Secretary of Energy, the statutory head of the United States Department of Energy (the "DOE"), as well as to permit DOE to obtain supplementary power and energy from the Sponsoring Companies to the extent that OVEC's generation output was either unavailable or insufficient to meet the

[3] In particular, OVEC's stock is owned by the following companies: Allegheny Energy, Inc. ("Allegheny") (3.5%); American Electric Power Company, Inc. ("AEP") (39.17%); Buckeye (18%); CSP (4.3%); Dayton Power (4.9%); Duke Ohio (9.0%); KU (2.5%); LG&E (5.63%); Ohio Edison Company (0.85%); Peninsula (6.65%), SIGECO (1.5%); and The Toledo Edison Company (4.0%).

DOE's needs. To permit these deliveries of power and energy between OVEC, the Sponsoring Companies and DOE, OVEC's transmission facilities interconnect with the facilities of certain neighboring Sponsoring Companies.

Upon its formation, OVEC entered into two principal power sales agreements: (i) the DOE Power Agreement, which was between OVEC and the DOE, and (ii) the predecessor to the Current ICPA. At the same time, OVEC also entered into the predecessor to the Current OVEC-IKEC Agreement, which permits OVEC to purchase the entire output of IKEC's generating station at cost.

As a result of the DOE's termination of the DOE Power Agreement as of April 30, 2003, each of the Sponsoring Companies currently is entitled to its specified share of all net power and energy produced by OVEC's two generating stations.[4] In return, the Current ICPA (as amended in 2004) requires the Sponsoring Companies to pay their share of all of OVEC's costs resulting from the ownership, operation and maintenance of its generation and transmission facilities, except those costs that were paid by the DOE.

The term of each of the Current ICPA and the Current OVEC-IKEC Agreement is set to expire on March 13, 2026. OVEC wants the flexibility to refinance all or part of its long-term debt with maturities expiring after the current March 13, 2026 term. Without the Commission's acceptance for filing of the Amended ICPA and the related agreements in sufficient time to permit such refinancing during 2011, OVEC may not be able to take advantage of favorable interest rates that would allow OVEC to provide lower-cost power and energy to the Sponsoring Companies.

[4] By letter dated September 29, 2000, the DOE notified OVEC of the DOE's election to terminate the DOE Power Agreement as of April 30, 2003. OVEC currently provides retail service to DOE through an "arranged power" agreement under which OVEC procures power and energy for DOE at cost from third parties (based on bids directed by DOE and spot purchases required to manage changes in load).

II. Description of Amended ICPA

The Amended ICPA is the result of a unanimous agreement among OVEC and the Sponsoring Companies. The only substantive change to the Current ICPA is the extension of its term from the current expiration date of March 13, 2026 to June 30, 2040. (See Amended ICPA § 9.07.) The other changes contained in the Amended ICPA are "clean up" changes necessary to reflect the current parties to the Amended ICPA (based on assignments since 2004) and to eliminate references to ECAR and insert (where applicable) references to current RFC obligations. OVEC's rates will not be affected by these changes.

III. Description of Amended OVEC-IKEC Agreement

The Amended OVEC-IKEC Agreement extends the term of the Current OVEC-IKEC Agreement to permit IKEC to continue to sell OVEC its entire electric output at cost during the term of the Amended ICPA. As with the Amended ICPA, IKEC's overall rates will not be affected by these changes.

IV. *Mountainview* Analysis

In OVEC's July 16, 2004 filing of the Current ICPA and the Current OVEC-IKEC Agreement and its November 18, 2004 filing of Modification No. 1 to the Current ICPA, OVEC submitted information and commitments in support of the participation in the Amended ICPA of the Sponsoring Companies that might be deemed to be "affiliates" of OVEC.[5] On December 13, 2004, the Commission accepted the Current ICPA (including Modification No. 1) and the Current OVEC-IKEC Agreement for filing.[6]

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[5] Amended and Restated Inter-Company Power Agreement, Amended and Restated OVEC-IKEC Power Agreement, and Termination of First Supplementary Transmission Agreement, Docket No. ER04-1026-000, filed July 16, 2004; Modification No. 1 to the Amended and Restated Inter-Company Power Agreement and Supplemental Filing, Docket No. ER04-1026-001, filed Nov. 18, 2004.

[6] Ohio Valley Electric Corporation, Amended and Restated Inter-Company Power Agreement and

As explained below (and in OVEC's July 16, 2004 and November 18, 2004 filings), OVEC submits that the Amended ICPA and the Amended OVEC-IKEC Agreement should not be subject to the scrutiny applicable to affiliate agreements entered into at market-based rates, as set forth in *Southern California Edison Co.*, 106 FERC ¶ 61,183 (2004) ("*Mountainview*") because OVEC is not controlled in the same manner as those affiliate relationships described in *Mountainview* and related cases, and because the Amended ICPA represents the continuation of a 50-plus year arrangement that does not raise affiliate abuse or competitive concerns. Nevertheless, as it provided the Commission in its November 18, 2004 filing, OVEC also provides an analysis and underlying study to demonstrate that the Amended ICPA satisfies any applicable requirements under *Mountainview*. OVEC hereby requests that the Commission accept the Amended ICPA and Amended OVEC-IKEC Agreement for filing on the same basis as it did in its 2004 order based on the arguments below and updated analysis.

A. Applicability of *Mountainview*

OVEC notes that the Amended ICPA and the Amended OVEC-IKEC Agreement are substantively nearly identical to the Current ICPA and the Current OVEC-IKEC Agreement, and other relevant facts such as ownership interests also are nearly identical to those in 2004. OVEC is owned (directly or indirectly) by nine independent holding company systems, none of which owns 50% or more of OVEC's stock (indeed, ownership is even more dispersed than at the time of OVEC's July 16, 2004 filing due to Allegheny's sale of 9% of the OVEC equity to Buckeye and Ohio Edison Company's sale of

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Modification No. 1 dated as of March 13, 2006; an Amended and Restated Power Agreement and a Termination Agreement both dated March 13, 2006, Docket Nos. ER04-1026-000 and ER04-1026-001, issued Dec. 13, 2004.

6.65% to Peninsula).[7] Because of the dispersion of voting power, none of OVEC's owners can direct the management or operations of OVEC. OVEC continues to have its own employees and is solely responsible for the operation and management of its generation facilities. Furthermore, unlike in the cases of transactions between wholly owned subsidiaries with a common parent, none of OVEC's owners has the incentive to grant "undue influence" or otherwise cross-subsidize OVEC's operations through the Amended ICPA because between 55.8% and 98.5% (depending on the holding company system) of the benefits of such activities would flow to the other holding company systems, each of which is a competitor in the wholesale market. As a result, OVEC does not believe that any of its owners exercise the type of control necessary to make it an "affiliate" of any of the owners for these purposes.[8]

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[7] Ownership of OVEC's stock is held (directly or indirectly) by the following holding companies: Allegheny (3.5%); AEP (43.47%); Buckeye Power, Inc. (18%); DPL Inc. (4.9%); Duke Energy Corporation (9%); E.ON plc (8.13%); FirstEnergy Corp. ("FirstEnergy") (4.85%); Vectren Corporation (1.5%); and Wolverine Power Supply Cooperative, Inc. (6.65%).

[8] In *Morgan Stanley Capital Group Inc.*, 72 FERC ¶ 61,082, the Commission stated that the test for affiliation under Part II of the Federal Power Act would be the same as the test under Section 161.2 of the Commission's regulation regarding interstate pipelines. Under that regulation, an "affiliate" is defined as "another which controls, is controlled by or is under common control with such person," and "control" is defined as including "the possession, directly or indirectly and whether acting alone or with others, of the authority to direct or cause the direction of the management or policies of a company." Although "control" is presumed if a person owns a 10% or greater voting interest in another person, such presumption can be rebutted by specific facts and circumstances. *See e.g., Iroquois Gas Transmission System, L.P.,* 78 FERC ¶ 61,108 (1997) (finding that 19.4% owner lacked the ability to determine operational decisions); *Western Gas Marketing, Inc.*, 63 FERC ¶ 61,172 (1993) (finding that 11% owner lacked operating or management control due to the dispersion of ownership among non-affiliates). As stated above, none of OVEC's owners has a majority interest and, based on the dispersion of ownership interests among nine holding company systems, none of the owners can direct the operation or management of OVEC.

Please note, however, that although OVEC believes that it should not be considered to be an "affiliate" of its owners for these purposes, OVEC has not and does not hereby request exemption from the obligations under the Commission's orders relating to other inter-affiliate relationships, including the standards of conduct between electric utilities and their affiliates under Order Nos. 888, 889, 2004 and related orders. OVEC believes that it is in full compliance with those orders with respect to its relationship to AEP and their affiliates, each of which directly or indirectly controls or is controlled by a company that owns 10% or more of OVEC's stock. Buckeye Power Inc. is an electric cooperative not subject to regulation as a public utility by the Commission.

Second, even assuming OVEC's affiliation with certain owners based solely on stock ownership, the purchases under the Amended ICPA by the Sponsoring Companies that are affiliates of such owners do not raise the potential for the affiliate abuses underlying the Commission's policies in *Mountainview* and related cases. The Amended ICPA does not represent a build-or-buy situation because OVEC's plants are over 50 years old. Neither does it represent a market-based affiliate agreement. Indeed, purchases under the Amended ICPA are more analogous to a vertically integrated utility's entitlement to power from its own generating plants. Under the Current ICPA (and its predecessors), since OVEC's inception the Sponsoring Companies have been responsible to pay for all charges not recovered through retail sales to DOE and to pay demand and energy charges associated with surplus energy released by the DOE under the DOE Power Agreement, which now accounts for all of OVEC's net output. In other words, OVEC's owners and their affiliated Sponsoring Companies have shared the risks and rewards of financing and operating OVEC's facilities for over 50 years. Thus, purchases under the Amended ICPA are more akin to purchases from a jointly-owned plant than from an unregulated, affiliated marketer.

Finally, the continued purchase of power by the Sponsoring Companies does not raise any competitive concerns implicated in *Mountainview*. The continuation of purchases from OVEC under the Amended ICPA will not increase the market share of any Sponsoring Company. In addition, the Sponsoring Companies consist of companies from nine different holding company systems, each of which has multiple interconnections throughout the region. Also, under the scheduling provisions of the Amended ICPA, which are unchanged, available energy from OVEC's generating facilities that is not scheduled by one Sponsoring Company automatically is made available to the other Sponsoring

Companies, which promotes the economic use or competitive marketing of all of OVEC's energy to the customers of any one of the Sponsoring Companies.

B. Analysis under *Mountainview*

The Amended ICPA is a cost-based power agreement requiring OVEC to continue to sell to the Sponsoring Companies all of the power and energy capable of being produced by its generation facilities for an additional 14 years through June 30, 2040. In general, the Amended ICPA requires the Sponsoring Companies to pay their share of all of OVEC's costs resulting from the ownership, operation, financing and maintenance of its generation and transmission facilities. The total charges under the Amended ICPA are based on the same basic formula rates that have been charged to the Sponsoring Companies for over 50 years. The Amended ICPA does not change the rates charged under the Current ICPA.

At OVEC's request, American Electric Power Service Corporation (which is affiliated with certain of the Sponsoring Companies) performed a benchmark study to show that the Amended ICPA represents a low-cost, long-term power supply option for the Sponsoring Companies compared to the available alternatives. A copy of the benchmark study along with supporting data (the "Benchmark Study") is attached hereto as Exhibit A. The Benchmark Study compares OVEC's costs under the Amended ICPA to publicly available market data with respect to the construction of base-load power plants. The Benchmark Study demonstrates that the Amended ICPA satisfies the requirements under *Mountainview* and related precedent to show that the agreement represents a just and reasonable, low-cost supply option for the Sponsoring Companies. This benchmark study and supporting materials are similar to those presented to the Commission in November

2004 in connection with the Commission's acceptance for filing of the Current ICPA and Current OVEC-IKEC Agreement.[9]

VI. Effective Date Request

In order to permit OVEC sufficient time to refinance its current long-term debt and to take other actions to ensure the continued operations consistent with the Amended ICPA, OVEC respectfully requests that the Commission grant an effective date in an order issued as soon as possible, but in any event on or before sixty (60) days after the date of this filing.

OVEC's operations are financed on a project-type basis and thus the advance acceptance of the Amended ICPA by the Commission, as well as other required regulatory approvals and filings, are essential for OVEC to be able to negotiate and put in place acceptable refinancing of its existing long-term debt on reasonable terms. In addition to this filing, the Amended ICPA is subject to filing with, or the approval or non-opposition of, various regulatory authorities, including the Indiana Utility Regulatory Commission, the Kentucky Public Service Commission, the Virginia State Corporation Commission and the West Virginia Public Service Commission.

For the foregoing reasons, OVEC requests a waiver of any applicable requirements to permit the Commission, by order, letter or other issuance on or before sixty (60) days after the date of this filing, to grant the requested effective date.

VII. Filing Requirements

Pursuant to Section 35.13(a)(2) of the Commission's regulations, OVEC provides the following information:

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[9] See Exhibit A to Modification No. 1 to the Amended and Restated Inter-Company Power Agreement and Supplemental Filing, Docket No. ER04-1026-001, filed Nov. 18, 2004.

A. **General Information**

(1) **List of documents submitted**

Submitted with this letter are:

(a) Amended ICPA (executed);

(b) Amended OVEC-IKEC Agreement (executed);

(c) Certificates of Concurrence of each of the Sponsoring Companies as to the Amended ICPA;

(d) Copies of the Amended ICPA and Amended OVEC-IKEC Agreement (in eTariff format);

(e) A blacklined copy of the Amended ICPA, showing changes from the composite copy of the Current ICPA (including Mod. No. 1) (in eTariff format); and

(f) A blacklined copy of the Amended OVEC-IKEC Agreement, showing changes from the Current OVEC-IKEC Agreement (in eTariff format).

(2) **The proposed effective date**

OVEC proposes that the Amended ICPA and the Amended OVEC-IKEC Agreement become effective as soon as possible, but in any event within sixty (60) days after the date hereof.

(3) **Names and addresses of persons to whom a copy of this filing has been mailed**

A copy of this filing has been mailed this date to:

(a) Allegheny Energy Supply Company, LLC
4350 Northern Pike – 4 North
Monroeville, Pennsylvania 15146-2841

(b) Appalachian Power Company
1 Riverside Plaza
Columbus, Ohio 43215

(c) Buckeye Power Generating, LLC
6677 Busch Blvd., P.O. Box 26036
Columbus, Ohio 43226

(d) Columbus Southern Power Company
1 Riverside Plaza
Columbus, Ohio 43215

(e) The Dayton Power and Light Company
1065 Woodman Drive
Dayton, Ohio 45432

(f) Duke Energy Ohio, Inc.
139 East Fourth Street
Cincinnati, Ohio 45202

(g) FirstEnergy Generation Corp.
76 South Main Street
Akron, Ohio 44308

(h) Indiana Michigan Power Company
P. O. Box 60
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(i) Kentucky Utilities Company
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(j) Louisville Gas and Electric Company
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(k) Monongahela Power Company
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(r) The Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

(s) Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

(t) The State Corporation Commission of Virginia
Tyler Building
P. O. Box 1197
Richmond, Virginia 23209

and

(u) The Public Service Commission of West Virginia
201 Brooks Street
P. O. Box 812
Charleston, West Virginia 25323

(4) **Brief description of agreements**

The Amended ICPA is the result of a unanimous agreement among OVEC and the Sponsoring Companies to extend the term of the Current ICPA and to make certain administrative changes. In addition, in connection with the extended term of the Amended ICPA, OVEC and IKEC have executed the Amended OVEC-IKEC Agreement, which extends the term of that agreement to coincide with the term of the Amended ICPA. The Commission's acceptance of this filing will

permit OVEC to refinance its long-term debt at favorable rates and allow the Sponsoring Companies to continue to receive lower-cost electricity generated by OVEC (and its subsidiary, IKEC) under the Amended ICPA.

(5) **Statement of the reasons for the filed agreements**

The Amended ICPA and the Amended OVEC-IKEC Agreement represent the result of a unanimous compromise among OVEC and the Sponsoring Companies concerning the terms and conditions of those agreements, including the extension of the term of the Current ICPA and the Current OVEC-IKEC Agreement, both of which would otherwise expire on March 13, 2026.

(6) **Showing that all requisite agreements to the filed agreements have been obtained**

All requisite agreements to the Amended ICPA and the Amended OVEC-IKEC Agreement, including permission to make this filing, have been obtained. As evidenced by the enclosed copies of each agreement, OVEC and all of the Sponsoring Companies have executed the Amended ICPA and the Amended OVEC-IKEC Agreement. In addition, attached for filing are Certificates of Concurrence of each of the Sponsoring Companies as to those agreements.

(7) **Statement concerning whether any expenses or costs have been alleged or adjudged in any administrative or judicial proceeding to be illegal, duplicative or unnecessary costs that are demonstrably the product of discriminatory employment practices**

The rates under the Amended ICPA and the Amended OVEC-IKEC Agreement include no expense or cost that has been alleged or adjudged in any administrative or judicial proceeding to be an illegal, duplicative or unnecessary cost that is demonstrably the product of discriminatory employment practices.

B. **Information relating to the effect of the rate schedule change**

(1) **Table or statement comparing (i) existing sales and services and revenue from existing sales and services to (ii) sales and services and revenue from sales and services if the Commission permits the Amended ICPA and the Amended OVEC-IKEC Agreement to become effective**

There will be no change to OVEC's overall rates or services as a result of the Amended ICPA or the Amended OVEC-IKEC.

(2) **Comparison to similar existing service and rate**

OVEC does not offer other services similar to the proposed service. Consequently, a comparison of the proposed service and rate to a similar existing service and rate cannot be provided.

(3) **Statement concerning new or modified facilities**

No facilities have been or will be installed because of the Amended ICPA or the Amended OVEC-IKEC Agreement.

C. Waiver of Filing Requirements Request

OVEC believes that the information supplied with this filing will permit the Commission to conclude that the Amended ICPA and the Amended OVEC-IKEC Agreement are just and reasonable under the Federal Power Act and that such agreements, along with the attached Certificates of Concurrence, should be accepted for filing. Consequently, OVEC requests this Commission to waive, to the extent necessary, any of the Commission's requirements with which this filing does not comply.

D. Addresses for Correspondence

Correspondence relating to this filing should be addressed to:

Brian Chisling
Simpson Thacher & Bartlett LLP
425 Lexington Ave.
New York, New York 10017-3954
(212) 455-3075
(212) 455-2502 (fax)
bchisling@stblaw.com

and

Scott N. Smith
Ohio Valley Electric Corporation
1 Riverside Plaza
Columbus, Ohio 43215
(614) 716-2860
(614) 716-1094 (Fax)
snsmith@aep.com

Respectfully submitted,

OHIO VALLEY ELECTRIC CORPORATION
INDIANA-KENTUCKY ELECTRIC CORPORATION

By /s/ Brian E. Chisling
Brian E. Chisling
Simpson Thacher & Bartlett LLP
Counsel for Ohio Valley Electric Corporation and Indiana-Kentucky Electric Corporation

Attachments: (1) Exhibit A: Benchmark Study Demonstrating that the Inter-Company Power Agreement Offers Low-Cost Power;

(2) Amended ICPA (executed);

(3) Amended OVEC-IKEC Agreement (executed);

(4) Certificates of Concurrence of each of the Sponsoring Companies as to the Amended ICPA.

Enclosures: (1) Clean Copies of the Amended ICPA and Amended OVEC-IKEC Agreement;

(2) Blacklined Copies of the Amended ICPA, showing changes from the composite copy of the Current ICPA (including Mod. No. 1) and the Amended OVEC-IKEC Agreement, showing changes from the Current OVEC-IKEC Agreement.

cc: Allegheny Energy Supply Company, LLC
Appalachian Power Company
Buckeye Power Generating, LLC
Columbus Southern Power Company
The Dayton Power and Light Company
Duke Energy Ohio, Inc.
FirstEnergy Generation Corp.
Indiana Michigan Power Company
Kentucky Utilities Company
Louisville Gas and Electric Company
Monongahela Power Company
Ohio Power Company
Peninsula Generation Cooperative
Southern Indiana Gas and Electric Company
The Utility Regulatory Commission of Indiana
The Public Service Commission of Kentucky
The Public Service Commission of Michigan
The Public Utilities Commission of Ohio
Tennessee Regulatory Authority
The State Corporation Commission of Virginia
The Public Service Commission of West Virginia

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Amended ICPA and Amended OVEC-IKEC Agreement of Ohio Valley Electric Corporation upon each person designated on the official service list compiled by the Secretary in Docket No. ER04-1026 and each person listed in section 7(A)(3) above.

/s/ Brian E. Chisling
Brian E. Chisling

Dated this 23rd day of March, 2011.

Exhibit A

Benchmark Study Demonstrating that the Inter-Company Power Agreement Offers Low-Cost Power

At the request of the Ohio Valley Electric Corporation ("OVEC"), American Electric Power Service Corporation ("AEPSC") performed a benchmark study in support of the proposed 14-year extension of the term of the Inter-Company Power Agreement ("ICPA"), originally dated July 10, 1953 and as amended from time to time, among OVEC and the public utilities named therein as "Sponsoring Companies," which include several affiliates of AEPSC. As discussed below, it is clear the ICPA offers low-cost power to the Sponsoring Companies, taking into account both price and non-price factors.

A. Definition of the Relevant Market, Time Period and Products.

1. Relevant Geographic Market

Under Commission precedent, the relevant geographic market is the market where sellers can supply the relevant product to the purchasers under the subject contract.[1] This benchmark study defines the relevant geographic market broadly to include any supplier that is in the reliability regions governed by or under the following: (a) Reliability*First* Corporation ("RFC"), which is a consolidation of the three previous regions East Central Area Reliability Coordination Agreement ("ECAR"), the Mid-Atlantic Area Council ("MAAC") and the Mid-America Interconnected Network ("MAIN"), and (b) Midwest Reliability Organization ("MRO"), which regions collectively include the majority of the service territories of the regional transmission organizations of the PJM Interconnection, LLC ("PJM") and the Midwest Independent Transmission System Operator, Inc. ("MISO").

[1] *Ocean State Power II*, 59 FERC ¶ 61,360 at p. 62,333 (1992) ("*Ocean State*").

2. Contemporaneousness

The Commission defines the relevant period for these purposes as the period during which purchasers made their decisions to contract with the supplier.[2] Consequently, this benchmark study is based on a current forecast of generation alternatives through 2040, consistent with the extension period.

3. Comparable Products

The Commission generally requires that the evidence presented in benchmark studies compares transactions involving goods and services similar to those provided within the proposed transaction.[3] Accordingly, this benchmark study defines the relevant comparison to be the ICPA to the construction of base-load power plants over the same long-term time period, since the construction of a power plant is the most comparable alternative to entering into this long-term power supply agreement.

Other products such as power plant acquisitions and long-term power contracts were not considered comparable products since the proposed extension is for the time period March 14, 2026 through June 30, 2040. Such transactions would be near-term agreements that would not be comparable to an extension period that does not begin until 2026, in part since generally no market exists for offers that would provide beginning or closing dates in this timeframe. Construction start dates for new generation, on the other hand, are generally at the discretion of the purchaser, subject to permitting limitations and vendor availability.

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2 *See Electric Generation LLC*, 99 FERC ¶ 61,307, at p. 22 (2002).

3 *See Boston Edison Co. Re: Edgar Electric Energy Co.*, 55 FERC ¶ 61,382 at p. 62,169 (1991); *Ocean State*, 59 FERC at p. 62,333.

B. Summary of Benchmark Study

The benchmark study consists of a comparison of the IPCA for the extension period to construction of new base-load generation.

1. Costs to Construct New Power Plants

Based on information from the U.S. Energy Information Administration ("EIA") document, "*Table 1. Updated Estimates of Power Plant Capital and Operating Costs*". Release Date: November 2010, supplemented by operational assumptions and cost estimates from AEPSC internal sources, the estimated levelized cost of six different types of newly built central station base-load generation are shown on Schedule 1, page 1. The types of power plants reviewed include a new coal plant with flue gas desulphurization (i.e., "scrubbed"), integrated coal-gasification combined cycle (IGCC), with and without carbon capture and sequestration, advanced nuclear generation, and natural gas combined cycle (CC), with and without carbon sequestration. Other potential generation sources were excluded because they were not considered comparable, for example wind and solar, since they are intermittent, non-dispatchable resources.

As shown in Schedule 1, the installed cost of the comparable new units ranges from $1,003/kW for CC without carbon sequestration to $5,348/kW for IGCC with carbon sequestration. For comparison purposes, a typical annual carrying charge was applied to the estimated installed cost to reflect a reasonable amount for depreciation, taxes, administrative and general costs, and other expenses. Estimated fuel costs were also added, along with assumptions regarding the future average costs of carbon dioxide (CO_2) emissions and the ability of sequestration systems to capture the CO_2. These calculations resulted in average levelized total

unit costs, including CO_2 costs, ranging from $106 per MWh for a CC plant without carbon sequestration up to $159.20/MWh for an IGCC plant with carbon sequestration. If CO_2 costs are ignored or assumed to be zero, the alternatives range from $96.53/MWh for a new advance gas combined cycle plant to $122.51 per MWh for an advanced nuclear plant.

As shown on Schedule 1, page 2, the average forecasted cost of the ICPA contract for the period 2011 through 2040 is $84.23/MWh including CO_2 cost and $60.90/MWh excluding CO_2 cost. These forecasts already include all of the carrying and operating costs associated with the planned environmental upgrades, including completion of Flue Gas Desulfurization for all Clifty Creek and Kyger Creek units and Selective Catalytic Reduction for Clifty Creek units 1-5 and Kyger Creek units 1-5.

For the cases including CO_2 costs, the cost of the ICPA is expected to be approximately 21% less than the least expensive alternative, the CC plant without carbon sequestration. For the cases excluding CO_2 costs, the ICPA is expected to be approximately 37% less than the least expensive alternative of the new CC plant.

It is recognized that the above values include the period from 2011 through 2040 for the ICPA even though the current request is for the period March 14, 2026 through June 30, 2040. No adjustments were made to attempt to project a near-term completion date and then "remove" the financial impacts of the new build options and the OVEC extension for the period prior to 2026. In practical terms, any such adjustment would require the implicit assumption that a counter-party could be identified that would be willing to purchase the output of the new plant at the fully-loaded cost in the interim period from the plant completion date until a termination date in 2026.

Likewise, forecasting a completion date for a new build option that did not begin commercial operation until 2026 would require the assumption of an unusual near-term commitment from the purchaser (and the vendor) in the near-term. In addition, this option would include a plant life period for the new-build generation that would extend well beyond the extension period termination of 2040. Presenting the proposed extension and the new build options on a levelized cost of electricity basis makes them comparable and mitigates the need for attempts at such adjustments. In addition, the ICPA analysis includes assumptions for the entire period that would potentially impact the cost in the current ICPA contract period.

One significant benefit of the ICPA is that it is expected to be the least cost alternative whether CO_2 costs are included or not. In comparing the CC without carbon sequestration alternative to the ICPA, the benefit of the ICPA, besides the expected discount indicated, is that the ICPA is not expected to carry the same price uncertainty for the fuel input, coal, as that of the CC plant, based on historic volatility associated with natural gas. Since neither of these options have carbon sequestration capability, the CC plant still carries approximately half the CO_2 emission risks as that associated with the ICPA. Furthermore, if forecasted CO_2 emissions cost are less than that included in this forecast, this result would tend to favor the ICPA even more than indicated above.

In a comparison with an advanced nuclear plant, the OVEC ICPA remains the least expensive option even when CO_2 costs are included. As CO_2 costs become less of a factor, or goes to zero, the ICPA discount becomes more comparable to either the natural gas CC or the advanced nuclear plant. In this case, the ICPA is less costly than the least expensive options identified, a new pulverized coal plant, which would have a similar CO_2 emission risk or the CC

plant. Consequently, the ICPA clearly provides the most flexible choice with the highest degree of optionality in that it is the least cost option regardless of future CO_2 costs.

It should be noted further that the valuations contained herein that include CO_2 cost do not include any carbon cost offsets. Many types of proposed carbon programs include allocations of offsets, allowances or other phase-in programs that will reduce the carbon costs, at least in the initial years of such a program. No such assumptions are included in the above comparisons, and if they were, the OVEC extension would appear even more favorable compared with other, less carbon-intensive options.

2. Analysis of Non-Price Terms

The Commission also requires an assessment of non-price terms and conditions.[4] AEPSC performed a comparative analysis of specific non-price terms and conditions where such data was available. Specifically, for power plant sales and new-build power plants, the relevant non-price terms and conditions include: (1) availability, (2) dispatchability, (3) fuel price risk, and (4) project development risk. In general, the ICPA contains favorable non-price terms.

a. Availability

The availability of a power plant is a key measure of the reliability of any generating facility.[5] It is an indicator of the potential of a generating resource to meet load requirements and support system reliability. Availability also is a key contract indicator for measuring performance. The OVEC generating facilities have an excellent record of

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4 *Ocean State*, 59 FERC at p. 62,337.

5 *See Electric Generation, LLC*, 101 FERC ¶ 63,005 (2002).

performance based on availability factors. The availability factor for OVEC's Clifty Creek Plant was 85.0% in 2008, 87.1% in 2009 and 83.8% in 2010, while the availability factor for its Kyger Creek Plant was 85.4% in 2008, 84.3% in 2009 and 84.0% in 2010.

b. Dispatchability

Under the ICPA, the Sponsoring Companies have the right to schedule their proportionate share of the full available capacity and energy output of OVEC's generating facilities, subject to scheduling procedures developed by OVEC's Operating Committee.

c. Fuel Price Risk

Fuel costs associated with OVEC's coal-fired generating facilities may increase over the proposed extension of the term of the ICPA, thereby increasing costs to the Sponsoring Companies. However, with respect to construction of comparable units, the purchasers would be subject to the similar cost increases due to fluctuations in fuel prices.

d. Project Development Risk

The Sponsoring Companies are insulated against development risk under the ICPA, as compared to the new construction option, because the OVEC units have already been built and operating for many years.

C. Conclusion

Based on the benchmark study, the charges under the ICPA compare favorably to data concerning prices obtained through review of comparable information for other new generation base load options. The ICPA offers low-cost power to the Sponsoring Companies, taking into account both price and non-price factors.

Cost and Performance Characteristics of New Central Station Electricity Generating Technologies

Technology	Online Year	Size (MW)	Lead time (years)	Overnight Cost (2010 $/kW)	Variable O&M (2010 $/MWh)	Fixed O&M (2010 $/kW)	Heat Rate (Btu/kWhr)	Levelized Cost of Electricty (COE) Including CO_2 (2011 $/MWh)	Levelized Cost of Electricty (COE) Excluding CO_2 (2011 $/MWh)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Coal									
Scrubbed Coal New	2013	650	4	$3,167	$4.25	$35.97	8,800	**$122.78**	**$98.45**
IGCC	2013	600	4	$3,565	$6.87	$59.23	8,700	**$137.24**	**$113.17**
IGCC with carbon sequestration	2016	520	4	$5,348	$8.04	$69.30	10,700	**$159.20**	**---**
Nuclear									
Advanced Nuclear	2016	2,236	6	$5,335	$2.04	$88.75	N/A	**$122.51**	**$122.51**
Natural Gas									
Advanced Gas/Oil Combined Cycle (CC)	2012	400	3	$1,003	$3.11	$14.62	6,430	**$106.04**	**$96.53**
Advanced CC with carbon sequestration	2016	340	3	$2,060	$6.45	$30.25	7,525	**$144.73**	**---**

IGCC = Integrated Coal-Gasification Combined Cycle

Note: Information in columns (1) through (8) is based on U.S. Energy Information Administration (EIA), *Table 1. Updated Estimates of Power Plants and Operating Costs* , Release Date: November 2010. Results in columns (9) and (10) are based on this EIA information and AEP internal estimates.

Ohio Valley Electric Corporation
Forecasted Inter-Company Power Agreement (ICPA) Billable Cost Summary
Calendar Years 2011 - 2040
(All dollars in 2011 $000 except where indicated)

	Year														
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Power Production Cost															
Excluding CO_2	$631,114	$605,983	$617,141	$608,778	$597,395	$603,810	$589,464	$589,611	$576,098	$577,863	$568,206	$554,703	$555,728	$544,120	$541,864
Including CO_2	$631,114	$605,983	$617,141	$608,778	$597,395	$603,810	$589,464	$826,552	$794,534	$775,611	$758,160	$737,171	$731,004	$745,364	$766,670
Generation (GWh)	14,737	14,645	14,536	14,752	14,753	14,950	15,108	15,158	15,290	15,185	15,185	15,185	15,185	15,185	15,185

	Year															Total
	2026	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2011-2040**
Power Production Cost																
Excluding CO_2	$530,713	$528,452	$516,170	$509,683	$505,302	$498,631	$496,214	$487,268	$476,432	$470,607	$464,209	$460,502	$457,885	$452,132	$440,887	$16,056,965
Including CO_2	$784,600	$801,473	$806,423	$815,385	$831,189	$821,065	$815,232	$802,906	$788,726	$779,592	$769,920	$762,974	$757,153	$748,229	$733,847	$22,207,468
Generation (GWh)	15,185	15,185	15,185	15,185	15,185	15,185	15,185	15,185	15,185	15,185	15,185	15,185	15,185	15,185	15,185	452,815

Total Levelized Power Production Cost ($/MWh)

Excluding CO_2: **$ 60.90 /MWh**

Including CO_2: **$ 84.23 /MWh**

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Ohio Valley Electric Corporation) Docket No. ER11-_____

VERIFICATION OF KELLY D. PEARCE

County of Franklin)
ss:
State of Ohio)

I, Kelly D. Pearce, Director, Contracts and Analysis of American Electric Power Service Corporation, being duly sworn, state that the contents of the foregoing "Benchmark Study Demonstrating that the Inter-Company Power Agreement Offers Low-Cost Power," and the schedule attached thereto, are true, correct, accurate and complete to the best of my knowledge, information, and belief.

Kelly D. Pearce
Director, Contracts and Analysis
American Electric Power Service Corporation

Subscribed and sworn to before me this 21st day of March, 2011

My commission expires: 1/4/2014

Notary Public

DONNA J. STEPHENS
Notary Public, State of Ohio
My Commission Expires 01-04-2014

Execution Copy

AMENDED AND RESTATED

INTER-COMPANY POWER AGREEMENT

DATED AS OF SEPTEMBER 10, 2010

AMONG

OHIO VALLEY ELECTRIC CORPORATION,
ALLEGHENY ENERGY SUPPLY COMPANY, L.L.C.
APPALACHIAN POWER COMPANY,
BUCKEYE POWER GENERATING, LLC,
COLUMBUS SOUTHERN POWER COMPANY,
THE DAYTON POWER AND LIGHT COMPANY,
DUKE ENERGY OHIO, INC.,
FIRSTENERGY GENERATION CORP.,
INDIANA MICHIGAN POWER COMPANY,
KENTUCKY UTILITIES COMPANY,
LOUISVILLE GAS AND ELECTRIC COMPANY,
MONONGAHELA POWER COMPANY,
OHIO POWER COMPANY,
PENINSULA GENERATION COOPERATIVE, and
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

AMENDED AND RESTATED

INTER-COMPANY POWER AGREEMENT

THIS AGREEMENT, dated as of September 10, 2010 (the "Agreement"), by and among OHIO VALLEY ELECTRIC CORPORATION (herein called OVEC), ALLEGHENY ENERGY SUPPLY COMPANY, L.L.C. (herein called Allegheny), APPALACHIAN POWER COMPANY (herein called Appalachian), BUCKEYE POWER GENERATING, LLC (herein called Buckeye), COLUMBUS SOUTHERN POWER COMPANY (herein called Columbus), THE DAYTON POWER AND LIGHT COMPANY (herein called Dayton), DUKE ENERGY OHIO, INC. (formerly known as The Cincinnati Gas & Electric Company and herein called Duke Ohio), FIRSTENERGY GENERATION CORP. (herein called FirstEnergy), INDIANA MICHIGAN POWER COMPANY (herein called Indiana), KENTUCKY UTILITIES COMPANY (herein called Kentucky), LOUISVILLE GAS AND ELECTRIC COMPANY (herein called Louisville), MONONGAHELA POWER COMPANY (herein called Monongahela), OHIO POWER COMPANY (herein called Ohio Power), PENINSULA GENERATION COOPERATIVE (herein called Peninsula), and SOUTHERN INDIANA GAS AND ELECTRIC COMPANY (herein called Southern Indiana, and all of the foregoing, other than OVEC, being herein sometimes collectively referred to as the Sponsoring Companies and individually as a Sponsoring Company) hereby amends and restates in its entirety, the Inter-Company Power Agreement dated as of March 13, 2006, as amended by Modification No. 1, dated as of March 13, 2006 (herein called the Current Agreement), by and among OVEC and the Sponsoring Companies.

WITNESSETH THAT:

WHEREAS, the Current Agreement amended and restated the original Inter-Company Power Agreement, dated as of July 10, 1953, as amended by Modification No. 1, dated as of June 3, 1966; Modification No. 2, dated as of January 7, 1967; Modification No. 3, dated as of November 15, 1967; Modification No. 4, dated as of November 5, 1975; Modification No. 5, dated as of September 1, 1979; Modification No. 6, dated as of August 1, 1981; Modification No. 7, dated as of January 15, 1992; Modification No. 8, dated as of January 19, 1994; Modification No. 9, dated as of August 17, 1995; Modification No. 10, dated as of January 1, 1998; Modification No. 11, dated as of April 1, 1999; Modification No. 12, dated as of November 1, 1999; Modification No. 13, dated as of May 24, 2000; Modification No. 14, dated as of April 1, 2001; and Modification No. 15, dated as of April 30, 2004 (together, herein called the Original Agreement); and

WHEREAS, OVEC designed, purchased, and constructed, and continues to operate and maintain two steam-electric generating stations, one station (herein called Ohio Station) consisting of five turbo-generators and all other necessary equipment, at a location on the Ohio River near Cheshire, Ohio, and the other station (herein called Indiana Station) consisting of six turbogenerators and all other necessary equipment, at a location on the Ohio River near Madison,

Indiana, (the Ohio Station and the Indiana Station being herein called the Project Generating Stations); and

WHEREAS, OVEC also designed, purchased, and constructed, and continues to operate and maintain necessary transmission and general plant facilities (herein called the Project Transmission Facilities) and OVEC established or cause to be established interconnections between the Project Generating Stations and the systems of certain of the Sponsoring Companies; and

WHEREAS, OVEC entered into an agreement, attached hereto as Exhibit A, with Indiana-Kentucky Electric Corporation (herein called IKEC), a corporation organized under the laws of the State of Indiana as a wholly owned subsidiary corporation of OVEC, which has been amended and restated as of the date of this Agreement and embodies the terms and conditions for the ownership and operation by IKEC of the Indiana Station and such portion of the Project Transmission Facilities which are to be owned and operated by it; and

WHEREAS, transmission facilities were constructed by certain of the Sponsoring Companies to interconnect the systems of such Sponsoring Companies, directly or indirectly, with the Project Generating Stations and/or the Project Transmission Facilities, and the Sponsoring Companies have agreed to pay for Available Power, as hereinafter defined, as may be available at the Project Generating Stations; and

WHEREAS, the parties hereto desire to amend and restate in their entirety, the Current Agreement to define the terms and conditions governing the rights of the Sponsoring Companies to receive Available Power from the Project Generating Stations and the obligations of the Sponsoring Companies to pay therefor.

NOW, THEREFORE, the parties hereto agree with each other as follows:

ARTICLE 1

DEFINITIONS

1.01. For the purposes of this Agreement, the following terms, wherever used herein, shall have the following meanings:

1.011 "Affiliate" means, with respect to a specified person, any other person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, such specified person; provided that "control" for these purposes means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

1.012 "Arbitration Board" has the meaning set forth in Section 9.10.

1.013 "Available Energy" of the Project Generating Stations means the energy associated with Available Power.

1.014 "Available Power" of the Project Generating Stations at any particular time means the total net kilowatts at the 345-kV busses of the Project Generating Stations which Corporation in its sole discretion will determine that the Project Generating Stations will be capable of safely delivering under conditions then prevailing, including all conditions affecting capability.

1.015 "Corporation" means OVEC, IKEC, and all other subsidiary corporations of OVEC.

1.016 "Decommissioning and Demolition Obligation" has the meaning set forth in Section 5.03(f) hereof.

1.017 "Effective Date" means September 10, 2010, or to the extent necessary, such later date on which Corporation notifies the Sponsoring Companies that all conditions to effectiveness, including all required waiting periods and all required regulatory acceptances or approvals, of this Agreement have been satisfied in form and substance satisfactory to the Corporation.

1.018 "Election Period" has the meaning set forth in Section 9.183(a) hereof.

1.019 "Minimum Generating Unit Output" means 80 MW (net) for each of the Corporation's generation units; provided that such "Minimum Generating Unit Output" shall be confirmed from time to time by operating tests on the Corporation's generation units and shall be adjusted by the Operating Committee as appropriate following such tests.

1.0110 "Minimum Loading Event" means a period of time during which one or more of the Corporation's generation units are operating at below the Minimum Generating Output as a result of the Sponsoring Companies' failure to schedule and take delivery of sufficient Available Energy.

1.0111 "Minimum Loading Event Costs" means the sum of the following costs caused by one or more Minimum Loading Events: (i) the actual costs of any of the Corporation's generating units burning fuel oil; and (ii) the estimated actual additional costs to the Corporation resulting from Minimum Loading Events, including without limitation the incremental costs of additional emissions allowances, reflected in the schedule of charges prepared by the Operating Committee and in effect as of the commencement of any Minimum Loading Event, which schedule may be adjusted from time to time as necessary by the Operating Committee.

1.0112 "Month" means a calendar month.

1.0113 "Nominal Power Available" means an individual Sponsoring Company's Power Participation Ratio share of the Corporation's current estimate of the maximum amount of Available Power available for delivery at any given time.

1.0114 "Offer Notice" means the notice required to be given to the other Sponsoring Companies by a Transferring Sponsor offering to sell all or a portion of such Transferring Sponsor's rights, title and interests in, and obligations under this Agreement. At a minimum, the Offer Notice shall be in writing and shall contain (i) the rights, title and interests in, and obligations under this Agreement that the Transferring Sponsor proposes to Transfer; and (ii) the cash purchase price and any other material terms and conditions of such proposed transfer. An Offer Notice may not contain terms or conditions requiring the purchase of any non-OVEC interests.

1.0115 "Permitted Assignee" means a person that is (a) a Sponsoring Company or its Affiliate whose long-term unsecured non-credit enhanced indebtedness, as of the date of such assignment, has a Standard & Poor's credit rating of at least BBB- and a Moody's Investors Service, Inc. credit rating of at least Baa3 (provided that, if the proposed assignee's long-term unsecured non-credit enhanced indebtedness is not currently rated by one of Standard & Poor's or Moody, such assignee's long-term unsecured non-credit enhanced indebtedness, as of the date of such assignment, must have either a Standard & Poor's credit rating of at least BBB- or a Moody's Investors Service, Inc. credit rating of at least Baa3); or (b) a Sponsoring Company or its Affiliate that does not meet the criteria in subsection (a) above, if the Sponsoring Company or its Affiliate that is assigning its rights, title and interests in, and obligations under, this Agreement agrees in writing (in form and substance satisfactory to Corporation) to remain obligated to satisfy all of the obligations related to the assigned rights, title and interests to the extent such obligations are not satisfied by the assignee of such rights, title and interests; provided that, in no event shall a person be deemed a "Permitted Assignee" if counsel for the Corporation reasonably determines that the assignment of the rights, title or interests in, or obligations under, this Agreement to such person could cause a termination, default, loss or payment obligation under any security issued, or agreement entered into, by the Corporation prior to such transfer.

1.0116 "Postretirement Benefit Obligation" has the meaning set forth in Section 5.03(e) hereof.

1.0117 "Power Participation Ratio" as applied to each of the Sponsoring Companies refers to the percentage set forth opposite its respective name in the tabulation below:

Company	Power Participation Ratio—Percent

Allegheny	3.01
Appalachian	15.69
Buckeye	18.00
Columbus	4.44
Dayton	4.90
Duke Ohio	9.00
FirstEnergy	4.85
Indiana	7.85
Kentucky	2.50
Louisville	5.63
Monongahela	0.49
Ohio Power	15.49
Peninsula	6.65
Southern Indiana	1.50
Total	100.0

1.0118 "Tariff" means the open access transmission tariff of the Corporation, as amended from time to time, or any successor tariff, as accepted by the Federal Energy Regulatory Commission or any successor agency.

1.0119 "Third Party" means any person other than a Sponsoring Company or its Affiliate.

1.0120 "Total Minimum Generating Output" means the product of the Minimum Generating Unit Output times the number of the Corporation's generation units available for service at that time.

1.0121 "Transferring Sponsor" has the meaning set forth in Section 9.183(a) hereof.

1.0122 "Uniform System of Accounts" means the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission as in effect on January 1, 2004.

ARTICLE 2

TRANSMISSION AGREEMENT AND FACILITIES

2.01. *Transmission Agreement.* The Corporation shall enter into a transmission service agreement under the Tariff, and the Corporation shall reserve and schedule transmission service, ancillary services and other transmission-related services in accordance with the Tariff to provide for the delivery of Available Power and Available Energy to the applicable delivery point under this Agreement.

2.02. *Limited Burdening of Corporation's Transmission Facilities.* Transmission facilities owned by the Corporation, including the Project Transmission Facilities, shall not be burdened by power and energy flows of any Sponsoring Company to an extent which would impair or prevent the transmission of Available Power.

ARTICLE 3

[RESERVED]

ARTICLE 4

AVAILABLE POWER SUPPLY

4.01. *Operation of Project Generating Stations.* Corporation shall operate and maintain the Project Generating Stations in a manner consistent with safe, prudent, and efficient operating practice so that the Available Power available from said stations shall be at the highest practicable level attainable consistent with OVEC's obligations under Reliability*First* Reliability Standard BAL-002-RFC throughout the term of this Agreement.

4.02. *Available Power Entitlement.* The Sponsoring Companies collectively shall be entitled to take from Corporation and Corporation shall be obligated to supply to the Sponsoring Companies any and all Available Power and Available Energy pursuant to the provisions of this Agreement. Each Sponsoring Company's Available Power Entitlement hereunder shall be its Power Participation Ratio, as defined in *subsection* 1.0117, of Available Power.

4.03. *Available Energy.* Corporation shall make Available Energy available to each Sponsoring Company in proportion to said Sponsoring Company's Power Participation Ratio. No Sponsoring Company, however, shall be obligated to avail itself of any Available Energy. Available Energy shall be scheduled and taken by the Sponsoring Companies in accordance with the following procedures:

4.031 Each Sponsoring Company shall schedule the delivery of all or any portion (in whole MW increments) of its entitlement to Available Energy in accordance with scheduling procedures established by the Operating Committee from time to time.

4.032 In the event that any Sponsoring Company does not schedule the delivery of all of its Power Participation Ratio share of Available Energy, then each such other Sponsoring Company may schedule the delivery of all or any portion (in whole MW increments) of any such unscheduled share of Available Energy (through successive allotments if necessary) in proportion to their Power Participation Ratios.

4.033 Notwithstanding any Available Energy schedules made in accordance with this Section 4.03 and the applicable scheduling procedures, (i) the Corporation shall adjust all schedules to the extent that the Corporation's actual generation output is less than or more than the expected Nominal Power Available to all Sponsoring Companies, or to the extent that the Corporation is unable to obtain sufficient transmission service under the Tariff for the delivery of all scheduled Available Energy; and (ii) immediately following a Minimum Loading Event, any Sponsoring Company causing (in whole or part) such Minimum Loading Event shall have its Available Energy schedules increased after the schedules of the Sponsoring Companies not causing such Minimum Load Event, in accordance with the estimated ramp rates associated with the shutdown and start-up of the Corporation's generation units as reflected in the schedules prepared by the Operating Committee and in effect as of the commencement of any Minimum Loading Event, which schedules may be adjusted from time to time as necessary by the Operating Committee.

4.034 Each Sponsoring Company availing itself of Available Energy shall be entitled to an amount of energy (herein called billing kilowatt-hours of Available Energy) equal to its portion, determined as provided in this Section 4.03, of the total Available Energy after deducting therefrom such Sponsoring Company's proportionate share, as defined in this Section 4.03, of all losses as determined in accordance with the Tariff incurred in transmitting the total of such Available Energy from the 345-kV busses of the Project Generating Stations to the applicable delivery points, as scheduled pursuant to Section 9.01, of all Sponsoring Companies availing themselves of Available Energy. The proportionate share of all such losses that shall be so deducted from such Sponsoring Company's portion of Available Energy shall be equal to all such losses multiplied by the ratio of such portion of Available Energy to the total of such Available Energy. Each Sponsoring Company shall have the right, pursuant to this Section 4.03, to avail itself of Available Energy for the purpose of meeting the loads of its own system and/or of supplying energy to other systems in accordance with agreements, other than this Agreement, to which such Sponsoring Company is a party.

4.035 To the extent that, as a result of the failure by one or more Sponsoring Companies to take its respective Power Participation Ratio share of the applicable Total Minimum Generating Output during any hour, a Minimum Loading Event shall occur, then such one or more Sponsoring Companies shall be assessed charges for any Minimum Loading Event Costs in accordance with Section 5.05.

ARTICLE 5

CHARGES FOR AVAILABLE POWER AND MINIMUM LOADING EVENT COSTS

5.01. *Total Monthly Charge.* The amount to be paid to Corporation each month by the Sponsoring Companies for Available Power and Available Energy supplied under this

Agreement shall consist of the sum of an energy charge, a demand charge, and a transmission charge, all determined as set forth in this *Article* 5.

5.02. *Energy Charge.* The energy charge to be paid each month by the Sponsoring Companies for Available Energy shall be determined by Corporation as follows:

5.021 Determine the aggregate of all expenses for fuel incurred in the operation of the Project Generating Stations, in accordance with Account 501 (Fuel), Account 506.5 (Variable Reagent Costs Associated With Pollution Control Facilities) and 509 (Allowances) of the Uniform System of Accounts.

5.022 Determine for such month the difference between the total cost of fuel as described in subsection 5.021 above and the total cost of fuel included in any Minimum Loading Event Costs payable to the Corporation for such month pursuant to Section 8.03. For the purposes hereof the difference so determined shall be the fuel cost allocable for such month to the total kilowatt-hours of energy generated at the Project Generating Stations for the supply of Available Energy. For Available Energy availed of by the Sponsoring Companies, each Sponsoring Company shall pay Corporation for each such month an amount obtained by multiplying the ratio of the billing kilowatt-hours of such Available Energy availed of by such Sponsoring Company during such month to the aggregate of the billing kilowatt-hours of all Available Energy availed of by all Sponsoring Companies during such month times the total cost of fuel as described in this subsection 5.022 for such month.

5.03. *Demand Charge*. During the period commencing with the Effective Date and for the remainder of the term of this Agreement, demand charges payable by the Sponsoring Companies to Corporation shall be determined by the Corporation as provided below in this Section 5.03. Each Sponsoring Company's share of the aggregate demand charges shall be the percentage of such charges represented by its Power Participation Ratio.

The aggregate demand charge payable each month by the Sponsoring Companies to Corporation shall be equal to the total costs incurred for such month by Corporation resulting from its ownership, operation, and maintenance of the Project Generating Stations and Project Transmission Facilities determined as follows:

As soon as practicable after the close of each calendar month the following components of costs of Corporation (eliminating any duplication of costs which might otherwise be reflected among the corporate entities comprising Corporation) applicable for such month to the ownership, operation and maintenance of the Project Generating Stations and the Project Transmission Facilities, including additional facilities and/or spare parts (such as fuel processing plants, flue gas or waste product processing facilities, and facilities reasonably required to enable the Corporation to limit the emission of pollutants or the discharge of wastes in compliance with governmental requirements) and

replacements necessary or desirable to keep the Project Generating Stations and the Project Transmission Facilities in a dependable and efficient operating condition, and any provision for any taxes that may be applicable to such charges, to be determined and recorded in the following manner:

(a) Component (A) shall consist of fixed charges made up of (i) the amounts of interest properly chargeable to Accounts 427, 430 and 431, less the amount thereof credited to Account 432, of the Uniform System of Accounts, including the interest component of any purchase price, interest, rental or other payment under an installment sale, loan, lease or similar agreement relating to the purchase, lease or acquisition by Corporation of additional facilities and replacements (whether or not such interest or other amounts have come due or are actually payable during such Month), (ii) the amounts of amortization of debt discount or premium and expenses properly chargeable to Accounts 428 and 429, and (iii) an amount equal to the sum of (I) the applicable amount of the debt amortization component for such month required to retire the total amount of indebtedness of Corporation issued and outstanding, (II) the amortization requirement for such month in respect of indebtedness of Corporation incurred in respect of additional facilities and replacements, and (III) to the extent not provided for pursuant to clause (II) of this clause (iii), an appropriate allowance for depreciation of additional facilities and replacements.

(b) Component (B) shall consist of the total operating expenses for labor, maintenance, materials, supplies, services, insurance, administrative and general expense, etc., properly chargeable to the Operation and Maintenance Expense Accounts of the Uniform System of Accounts (exclusive of Accounts 501, 509, 555, 911, 912, 913, 916, and 917 of the Uniform System of Accounts), minus the total of all non-fuel costs included in any Minimum Loading Event Costs payable to the Corporation for such month pursuant to Section 8.03, minus the total of all transmission charges payable to the Corporation for such month pursuant to Section 5.04, and plus any additional amounts which, after provision for all income taxes on such amounts (which shall be included in Component (C) below), shall equal any amounts paid or payable by Corporation as fines or penalties with respect to occasions where it is asserted that Corporation failed to comply with a law or regulation relating to the emission of pollutants or the discharge of wastes.

(c) Component (C) shall consist of the total expenses for taxes, including all taxes on income but excluding any federal income taxes arising from payments to Corporation under Component (D) below, and all operating or other costs or expenses, net of income, not included or

specifically excluded in Components (A) or (B) above, including tax adjustments, regulatory adjustments, net losses for the disposition of property and other net costs or expenses associated with the operation of a utility.

(d) Component (D) shall consist of an amount equal to the product of $2.089 multiplied by the total number of shares of capital stock of the par value of $100 per share of Ohio Valley Electric Corporation which shall have been issued and which are outstanding on the last day of such month.

(e) Component (E) shall consist of an amount to be sufficient to pay the costs and other expenses relating to the establishment, maintenance and administration of life insurance, medical insurance and other postretirement benefits other than pensions attributable to the employment and employee service of active employees, retirees, or other employees, including without limitation any premiums due or expected to become due, as well as administrative fees and costs, such amounts being sufficient to provide payment with respect to all periods for which Corporation has committed or is otherwise obligated to make such payments, including amounts attributable to current employee service and any unamortized prior service cost, gain or loss attributable to prior service years ("Postretirement Benefit Obligation"); provided that, the amount payable for Postretirement Benefit Obligations during any month shall be determined by the Corporation based on, among other factors, the Statement of Financial Accounting Standards No. 106 (Employers' Accounting For Postretirement Benefits Other Than Pensions) and any applicable accounting standards, policies or practices as adopted from time to time relating to accruals with respect to all or any portion of such Postretirement Benefit Obligation.

(f) Component (F) shall consist of an amount that may be incurred in connection with the decommissioning, shutdown, demolition and closing of the Project Generating Stations when production of electric power and energy is discontinued at such Project Generating Stations, which amount shall include, without limitation the following costs (net of any salvage credits): the costs of demolishing the plants' building structures, disposal of non-salvageable materials, removal and disposal of insulating materials, removal and disposal of storage tanks and associated piping, disposal or removal of materials and supplies (including fuel oil and coal), grading, covering and reclaiming storage and disposal areas, disposing of ash in ash ponds to the extent required by regulatory authorities, undertaking corrective or remedial action required by regulatory authorities, and any other costs incurred in putting the facilities

in a condition necessary to protect health or the environment or which are required by regulatory authorities, or which are incurred to fund continuing obligations to monitor or to correct environmental problems which result, or are later discovered to result, from the facilities' operation, closure or post-closure activities ("Decommissioning and Demolition Obligation") provided that, the amount payable for Decommissioning and Demolition Obligations during any month shall be calculated by Corporation based on, among other factors, the then-estimated useful life of the Project Generating Stations and any applicable accounting standards, policies or practices as adopted from time to time relating to accruals with respect to all or any portion of such Decommissioning and Demolition Obligation, and provided further that, the Corporation shall recalculate the amount payable under this Component (F) for future months from time to time, but in no event later than five (5) years after the most recent calculation.

5.04. *Transmission Charge.* The transmission charges to be paid each month by the Sponsoring Companies shall be equal to the total costs incurred for such month by Corporation for the purchase of transmission service, ancillary services and other transmission-related services under the Tariff as reserved and scheduled by the Corporation to provide for the delivery of Available Power and Available Energy to the applicable delivery point under this Agreement. Each Sponsoring Company's share of the aggregate transmission charges shall be the percentage of such charges represented by its Power Participation Ratio.

5.05. *Minimum Loading Event Costs.* To the extent that, as a result of the failure by one or more Sponsoring Companies to take its respective Power Participation Ratio share of the applicable Total Minimum Generating Output during any hour, a Minimum Loading Event shall occur, then the sum of all Minimum Loading Event Costs relating to such Minimum Loading Event shall be charged to such Sponsoring Company or group of Sponsoring Companies that failed take its respective Power Participation Ratio share of the applicable Total Minimum Generating Output during such period, with such Minimum Loading Event Costs allocated among such Sponsoring Companies on a pro-rata basis in accordance with such Sponsoring Company's MWh share of the MWh reduction in the delivery of Available Energy causing any Minimum Loading Event. The applicable charges for Minimum Loading Event Costs as determined by the corporation in accordance with Section 5.05 shall be paid each month by the applicable Sponsoring Companies.

ARTICLE 6

Metering of Energy Supplied

6.01. *Measuring Instruments.* The parties hereto shall own and maintain such metering equipment as may be necessary to provide complete information regarding the delivery of power and energy to or for the account of any of the parties hereto; and the ownership and

expense of such metering shall be in accordance with agreements among them. Each party will at its own expense make such periodic tests and inspections of its meters as may be necessary to maintain them at the highest practical commercial standard of accuracy and will advise all other interested parties hereto promptly of the results of any such test showing an inaccuracy of more than 1%. Each party will make additional tests of its meters at the request of any other interested party. Other interested parties shall be given notice of, and may have representatives present at, any test and inspection made by another party.

ARTICLE 7

COSTS OF REPLACEMENTS AND ADDITIONAL FACILITIES; PAYMENTS FOR EMPLOYEE BENEFITS; DECOMMISSIONING, SHUTDOWN, DEMOLITION AND CLOSING CHARGES

7.01. *Replacement Costs.* The Sponsoring Companies shall reimburse Corporation for the difference between (a) the total cost of replacements chargeable to property and plant made by Corporation during any month prior thereto (and not previously reimbursed) and (b) the amounts received by Corporation as proceeds of fire or other applicable insurance protection, or amounts recovered from third parties responsible for damages requiring replacement, plus provision for all taxes on income on such difference; provided that, to the extent that the Corporation arranges for the financing of any replacements, the payments due under this Section 7.01 shall equal the amount of all principal, interest, taxes and other costs and expenses related to such financing during any month. Each Sponsoring Company's share of such payment shall be the percentage of such costs represented by its Power Participation Ratio. The term cost of replacements, as used herein, shall include all components of cost, plus removal expense, less salvage.

7.02. *Additional Facility Costs.* The Sponsoring Companies shall reimburse Corporation for the total cost of additional facilities and/or spare parts purchased and/or installed by Corporation during any month prior thereto (and not previously reimbursed), plus provision for all taxes on income on such costs; provided that, to the extent that the Corporation arranges for the financing of any additional facilities and/or spare parts, the payments due under this Section 7.02 shall equal the amount of all principal, interest, taxes and other costs and expenses related to such financing during any month. Each Sponsoring Company's share of such payment shall be the percentage of such costs represented by its Power Participation Ratio.

7.03. *Payments for Employee Benefits.* Not later than the effective date of termination of this Agreement, each Sponsoring Company will pay to Corporation its Power Participation Ratio share of additional amounts, after provision for any taxes that may be applicable thereto, sufficient to cover any shortfall if the amount of the Postretirement Benefit Obligation collected by the Corporation prior to the effective date of termination of the Agreement is insufficient to permit Corporation to fulfill its commitments or obligations with respect to both postemployment benefit obligations under the Statement of Financial Accounting Standards No. 112 and postretirement benefits other than pensions, as determined by Corporation

with the aid of an actuary or actuaries selected by the Corporation based on the terms of the Corporation's then-applicable plans.

7.04. *Decommissioning, Shutdown, Demolition and Closing.* The Sponsoring Companies recognize that a part of the cost of supplying power to it under this Agreement is the amount that may be incurred in connection with the decommissioning, shutdown, demolition and closing of the Project Generating Stations when production of electric power and energy is discontinued at such Project Generating Stations. Not later than the effective date of termination of this Agreement, each Sponsoring Company will pay to Corporation its Power Participation Ratio share of additional amounts, after provision for any taxes that may be applicable thereto, sufficient to cover any shortfall if the amount of the Decommissioning and Demolition Obligation collected by the Corporation prior to the effective date of termination of the Agreement is insufficient to permit Corporation to complete the decommissioning, shutdown, demolition and closing of the Project Generating Stations, based on the Corporation's recalculation of the Decommissioning and Demolition Obligation in accordance with Section 5.03(f) of this Agreement no earlier than twelve (12) months before the effective date of termination of this Agreement.

ARTICLE 8

BILLING AND PAYMENT

8.01. *Available Power, and Replacement and Additional Facility Costs.* As soon as practicable after the end of each month Corporation shall render to each Sponsoring Company a statement of all Available Power and Available Energy supplied to or for the account of such Sponsoring Company during such month, specifying the amount due to the Corporation therefor, including any amounts for reimbursement for the cost of replacements and additional facilities and/or spare parts incurred during such month, pursuant to *Articles* 5 and 7 above. Such Sponsoring Company shall make payment therefor promptly upon the receipt of such statement, but in no event later than fifteen (15) days after the date of receipt of such statement. In case any factor entering into the computation of the amount due for Available Power and Available Energy cannot be determined at the time, it shall be estimated subject to adjustment when the actual determination can be made.

8.02. *Provisional Payments for Available Power.* The Sponsoring Companies shall, from time to time, at the request of the Corporation, make provisional semi-monthly payments for Available Power in amounts approximately equal to the estimated amounts payable for Available Power delivered by Corporation to the Sponsoring Companies during each semi-monthly period. As soon as practicable after the end of each semi-monthly period with respect to which Corporation has requested the Sponsoring Companies to make provisional semi-monthly payments for Available Power, Corporation shall render to each Sponsoring Company a separate statement indicating the amount payable by such Sponsoring Company for such semi-monthly period. Such Sponsoring Company shall make payment therefor promptly upon receipt of such statement, but in no event later than fifteen (15) days after the date of receipt of such

statement and the amounts so paid by such Sponsoring Company shall be credited to the account of such Sponsoring Company with respect to future payments to be made pursuant to *Articles* 5 and 7 above by such Sponsoring Company to Corporation for Available Power.

8.03. *Minimum Loading Event Costs.* As soon as practicable after the end of each month, Corporation shall render to each Sponsoring Company a statement indicating any applicable charges for Minimum Loading Event Costs pursuant to Section 5.05 during such month, specifying the amount due to the Corporation therefor pursuant to *Article* 5 above. Such Sponsoring Company shall make payment therefor promptly upon the receipt of such statement, but in no event later than fifteen (15) days after the date of receipt of such statement. In case the computation of the amount due for Minimum Loading Event Costs cannot be determined at the time, it shall be estimated subject to adjustment when the actual determination can be made, and all payments shall be subject to subsequent adjustment.

8.04. *Unconditional Obligation to Pay Demand and Other Charges.* The obligation of each Sponsoring Company to pay its specified portion of the Demand Charge under Section 5.03, the Transmission Charge under Section 5.04, and all charges under *Article* 7 for any Month shall not be reduced irrespective of:

(a) whether or not any Available Power or Available Energy are supplied by the Corporation during such calendar month and whether or not any Available Power or Available Energy are accepted by any Sponsoring Company during such calendar month;

(b) the existence of any claim, set-off, defense, reduction, abatement or other right (other than irrevocable payment, performance, satisfaction or discharge in full) that such Sponsoring Company may have, or which may at any time be available to or be asserted by such Sponsoring Company, against the Corporation , any other Sponsoring Company, any creditor of the Corporation or any other Person (including, without limitation, arising as a result of any breach or alleged breach by either the Corporation, any other Sponsoring Company, any creditor of the Corporation or any other Person under this Agreement or any other agreement (whether or not related to the transactions contemplated by this Agreement or any other agreement) to which such party is a party); or

(c) the validity or enforceability against any other Sponsoring Company of this Agreement or any right or obligation hereunder (or any release or discharge thereof) at any time.

ARTICLE 9

GENERAL PROVISIONS

9.01. *Characteristics of Supply and Points of Delivery.* All power and energy delivered hereunder shall be 3-phase, 60-cycle, alternating current, at a nominal unregulated voltage designated for the point of delivery as described in this *Article* 9. Available Power and Available Energy to be delivered between Corporation and the Sponsoring Companies pursuant to this Agreement shall be delivered under the terms and conditions of the Tariff at the points, as scheduled by the Sponsoring Company in accordance with procedures established by the Operating Committee and in accordance with Section 9.02, where the transmission facilities of Corporation interconnect with the transmission facilities of any Sponsoring Company (or its successor or predecessor); provided that, to the extent that a joint and common market is established for the sale of power and energy by Sponsoring Companies within one or more of the regional transmission organizations or independent system operators approved by the Federal Energy Regulatory Commission in which the Sponsoring Companies are members or otherwise participate, then Corporation and the Sponsoring Companies shall take such action as reasonably necessary to permit the Sponsoring Companies to bid their entitlement to power and energy from Corporation into such market(s) in accordance with the procedures established for such market(s).

9.02. *Modification of Delivery Schedules Based on Available Transmission Capability.* To the extent that transmission capability available for the delivery of Available Power and Available Energy at any delivery point is less than the total amount of Available Power and Available Energy scheduled for delivery by the Sponsoring Companies at such delivery point in accordance with Section 9.01, then the following procedures shall apply and the Corporation and the applicable Sponsoring Companies shall modify their delivery schedules accordingly until the total amount of Available Power and Available Energy scheduled for delivery at such delivery point is equal to or less than the transmission capability available for the delivery of Available Power and Available Energy: (a) the transmission capability available for the delivery of Available Power and Available Energy at the following delivery points shall be allocated first on a pro rata basis (in whole MW increments) to the following Sponsoring Companies up to their Power Participation Ratio share of the total amount of Available Energy available to all Sponsoring Companies (and as applicable, further allocated among Sponsoring Companies entitled to allocation under this Section 9.02(a) in accordance with their Power Participation Ratios): (i) to Allegheny, Appalachian, Buckeye, Columbus, FirstEnergy, Indiana, Monongahela, Ohio Power and Peninsula (or their successors) for deliveries at the points of interconnection between the Corporation and Appalachian, Columbus, Indiana or Ohio Power, or their successors; (ii) to Duke Ohio (or its successor) for deliveries at the points of interconnection between the Corporation and Duke Ohio or its successor; (iii) to Dayton (or its successor) for deliveries at the points of interconnection between the Corporation and Dayton or its successor; and (iv) to Kentucky, Louisville and Southern Indiana (or their successors) for deliveries at the points of interconnection between the Corporation and Louisville or Kentucky, or their successors; and (b) any remaining transmission capability available for the delivery of

Available Power and Available Energy shall be allocated on a pro rata basis (in whole MW increments) to the Sponsoring Companies in accordance with their Power Participation Ratios.

9.03. *Operation and Maintenance of Systems Involved.* Corporation and the Sponsoring Companies shall operate their systems in parallel, directly or indirectly, except during emergencies that temporarily preclude parallel operation. The parties hereto agree to coordinate their operations to assure maximum continuity of service from the Project Generating Stations, and with relation thereto shall cooperate with one another in the establishment of schedules for maintenance and operation of equipment and shall cooperate in the coordination of relay protection, frequency control, and communication and telemetering systems. The parties shall build, maintain and operate their respective systems in such a manner as to minimize so far as practicable rapid fluctuations in energy flow among the systems. The parties shall cooperate with one another in the operation of reactive capacity so as to assure mutually satisfactory power factor conditions among themselves.

The parties hereto shall exercise due diligence and foresight in carrying out all matters related to the providing and operating of their respective power resources so as to minimize to the extent practicable deviations between actual and scheduled deliveries of power and energy among their systems. The parties hereto shall provide and/or install on their respective systems such communication, telemetering, frequency and/or tie-line control facilities essential to so minimizing such deviations; and shall fully cooperate with one another and with third parties (such third parties whose systems are either directly or indirectly interconnected with the systems of the Sponsoring Companies and who of necessity together with the parties hereto must unify their efforts cooperatively to achieve effective and efficient interconnected systems operation) in developing and executing operating procedures that will enable the parties hereto to avoid to the extent practicable deviations from scheduled deliveries.

In order to foster coordination of the operation and maintenance of Corporation's transmission facilities with those facilities of Sponsoring Companies that are owned or functionally controlled by a regional transmission organization or independent system operator, Corporation shall use commercially reasonable efforts to enter into a coordination agreement with any regional transmission organization or independent system operator approved by the Federal Energy Regulatory Commission that operates transmission facilities that interconnect with Corporation's transmission facilities, and to enter into a mutually agreeable services agreement with a regional transmission organization or independent system operator to provide the Corporation with reliability and security coordination services and other related services.

9.04. *Power Deliveries as Affected by Physical Characteristics of Systems.* It is recognized that the physical and electrical characteristics of the transmission facilities of the interconnected network of which the transmission systems of the Sponsoring Companies, Corporation, and other systems of third parties not parties hereto are a part, may at times preclude the direct delivery at the points of interconnection between the transmission systems of one or more of the Sponsoring Companies and Corporation, of some portion of the energy supplied under this Agreement, and that in each such case, because of said characteristics, some

of the energy will be delivered at points which interconnect the system of one or more of the Sponsoring Companies with systems of companies not parties to this Agreement. The parties hereto shall cooperate in the development of mutually satisfactory arrangements among themselves and with such companies not parties hereto whereby the supply of power and energy contemplated hereunder can be fulfilled.

9.05. *Operating Committee.* There shall be an "Operating Committee" consisting of one member appointed by the Corporation and one member appointed by each of the Sponsoring Companies electing so to do; provided that, if any two or more Sponsoring Companies are Affiliates, then such Affiliates shall together be entitled to appoint only one member to the Operating Committee. The "Operating Committee" shall establish (and modify as necessary) scheduling, operating, testing and maintenance procedures of the Corporation in support of this Agreement, including establishing: (i) procedures for scheduling delivery of Available Energy under Section 4.03, (ii) procedures for power and energy accounting, (iii) procedures for the reservation and scheduling of firm and non-firm transmission service under the Tariff for the delivery of Available Power and Available Energy, (iv) the Minimum Generating Unit Output, and (v) the form of notifications relating to power and energy and the price thereof. In addition, the Operating Committee shall consider and make recommendations to Corporation's Board of Directors with respect to such other problems as may arise affecting the transactions under this Agreement. The decisions of the Operating Committee, including the adoption or modification of any procedure by the Operating Committee pursuant to this Section 9.04, must receive the affirmative vote of at least two-thirds of the members of the Operating Committee, regardless of the number of members of the Operating Committee present at any meeting.

9.06. *Acknowledgment of Certain Rights.* For the avoidance of doubt, all of the parties to this Agreement acknowledge and agree that (i) as of the effective date of the Current Agreement, certain rights and obligations of the Sponsoring Companies or their predecessors under the Original Agreement were changed, modified or otherwise removed, (ii) to the extent that the rights of any Sponsoring Company or their predecessors were thereby changed, modified or otherwise removed as of the effective date of the Current Agreement, such Sponsoring Company may be entitled to rights under applicable law, regulation, rules or orders under the Federal Power Act or otherwise adopted by the Federal Energy Regulatory Commission ("FERC"), (iii) as a result of the elimination as of the effective date of the Current Agreement of the firm transmission service previously provided during the term of the Original Agreement to Sponsoring Companies or their predecessors whose transmission systems were only indirectly connected to the Corporation's facilities through intervening transmission systems by certain Sponsoring Companies or their predecessors whose transmission systems were directly connected to the Corporation's facilities, such Sponsoring Companies or their predecessors whose transmission systems were only indirectly connected to the Corporation's facilities through intervening transmission systems shall have been entitled to such "roll over" firm transmission service for delivery of their entitlement to their Power Participation Ratio share of Surplus Power and Surplus Energy under this Agreement, to the border of such Sponsoring Company system and intervening Sponsoring Company system, as would be accorded a long-

term firm point-to-point transmission service reservation under the then otherwise applicable FERC Open Access Transmission Tariff ("OATT"), (iv) the obligation of any Sponsoring Company to maintain or expand transmission capacity to accommodate another Sponsoring Company's "roll over" rights to transmission service for delivery of their entitlement to their Power Participation Ratio share of Surplus Power and Surplus Energy under this Agreement shall be consistent with the obligations it would have for long-term firm point-to-point transmission service provided pursuant to the then otherwise applicable OATT, and (v) the parties shall cooperate with any Sponsoring Company that seeks to obtain and/or exercise any such rights available under applicable law, regulation, rules or orders under the Federal Power Act or otherwise adopted by the FERC.

9.07. *Term of Agreement.* This Agreement shall become effective upon the Effective Date and shall terminate upon the earlier of: (1) June 30, 2040 or (2) the sale or other disposition of all of the facilities of the Project Generating Stations or the permanent cessation of operation of such facilities; provided that, the provisions of *Articles* 5, 7 and 8, this Section 9.07 and Sections 9.08, 9.09, 9.10, 9.11, 9.12, 9.14, 9.15, 9.16, 9.17 and 9.18 shall survive the termination of this Agreement, and no termination of this Agreement, for whatever reason, shall release any Sponsoring Company of any obligations or liabilities incurred prior to such termination.

9.08. *Access to Records.* Corporation shall, at all reasonable times, upon the request of any Sponsoring Company, grant to its representatives reasonable access to the books, records and accounts of the Corporation, and furnish such Sponsoring Company such information as it may reasonably request, to enable it to determine the accuracy and reasonableness of payments made for energy supplied under this Agreement.

9.09. *Modification of Agreement.* Absent the agreement of all parties to this Agreement, the standard for changes to provisions of this Agreement related to rates proposed by a party, a non-party or the Federal Energy Regulatory Commission (or a successor agency) acting sua sponte shall be the "public interest" standard of review set forth in *United Gas Pipeline Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332 (1956) and *Federal Power Comm'n v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956).

9.10. *Arbitration.* Any controversy, dispute or claim arising out of this Agreement or the refusal by any party hereto to perform the whole or any part thereof, shall be determined by arbitration, in the City of Columbus, Franklin County, Ohio, in accordance with the Commercial Arbitration Rules of the American Arbitration Association or any successor organization, except as otherwise set forth in this Section 9.10.

The party demanding arbitration shall serve notice in writing upon all other parties hereto, setting forth in detail the controversy, dispute or claim with respect to which arbitration is demanded, and the parties shall thereupon endeavor to agree upon an arbitration board, which shall consist of three members ("Arbitration Board"). If all the parties hereto fail so to agree within a period of thirty (30) days from the original notice, the party demanding

arbitration may, by written notice to all other parties hereto, direct that any members of the Arbitration Board that have not been agreed to by the parties shall be selected by the American Arbitration Association, or any successor organization. No person shall be eligible for appointment to the Arbitration Board who is an officer, employee, shareholder of or otherwise interested in any of the parties hereto or in the matter sought to be arbitrated.

The Arbitration Board shall afford adequate opportunity to all parties hereto to present information with respect to the controversy, dispute or claim submitted to arbitration and may request further information from any party hereto; provided, however, that the parties hereto may, by mutual agreement, specify the rules which are to govern any proceeding before the Arbitration Board and limit the matters to be considered by the Arbitration Board, in which event the Arbitration Board shall be governed by the terms and conditions of such agreement.

The determination or award of the Arbitration Board shall be made upon a determination of a majority of the members thereof. The findings and award of the Arbitration Board shall be final and conclusive with respect to the controversy, dispute or claim submitted for arbitration and shall be binding upon the parties hereto, except as otherwise provided by law. The award of the Arbitration Board shall specify the manner and extent of the division of the costs of the arbitration proceeding among the parties hereto.

9.11. *Liability.* The rights and obligations of all the parties hereto shall be several and not joint or joint and several.

9.12. *Force Majeure.* No party hereto shall be held responsible or liable for any loss or damage on account of non-delivery of energy hereunder at any time caused by an event of Force Majeure. "Force Majeure" shall mean the occurrence or non-occurrence of any act or event that could not reasonably have been expected and avoided by exercise of due diligence and foresight and such act or event is beyond the reasonable control of such party, including to the extent caused by act of God, fire, flood, explosion, strike, civil or military authority, insurrection or riot, act of the elements, or failure of equipment. For the avoidance of doubt, "Force Majeure" shall in no event be based on any Sponsoring Company's financial or economic conditions, including without limitation (i) the loss of the Sponsoring Company's markets; or (ii) the Sponsoring Company's inability economically to use or resell the Available Power or Available Energy purchased hereunder.

9.13. *Governing Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of Ohio.

9.14. *Regulatory Approvals.* This Agreement is made subject to the jurisdiction of any governmental authority or authorities having jurisdiction in the premises and the performance thereof shall be subject to the following:

(a) The receipt of all regulatory approvals, in form and substance satisfactory to Corporation, necessary to permit Corporation to perform all the duties and obligations to be performed by Corporation hereunder.

(b) The receipt of all regulatory approvals, in form and substance satisfactory to the Sponsoring Companies, necessary to permit the Sponsoring Companies to carry out all transactions contemplated herein.

9.15. *Notices.* All notices, requests or other communications under this Agreement shall be in writing and shall be sufficient in all respects: (i) if delivered in person or by courier, upon receipt by the intended recipient or an employee that routinely accepts packages or letters from couriers or other persons for delivery to personnel at the address identified above (as confirmed by, if delivered by courier, the records of such courier), (ii) if sent by facsimile transmission, when the sender receives confirmation from the sending facsimile machine that such facsimile transmission was transmitted to the facsimile number of the addressee, or (iii) if mailed, upon the date of delivery as shown by the return receipt therefor.

9.16. *Waiver.* Performance by any party to this Agreement of any responsibility or obligation to be performed by such party or compliance by such party with any condition contained in this Agreement may by a written instrument signed by all other parties to this Agreement be waived in any one or more instances, but the failure of any party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights, but the same shall continue and remain in full force and effect.

9.17. *Titles of Articles and Sections.* The titles of the Articles and Sections in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

9.18. *Successors and Assigns.* This Agreement may be executed in any number of counterparts, all of which shall constitute but one and the same document.

9.181 This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, but a party to this Agreement may not assign this Agreement or any of its rights, title or interests in or obligations (including without limitation the assumption of debt obligations) under this Agreement, except to a successor to all or substantially all the properties and assets of such party or as provided in Section 9.182 or 9.183, without the written consent of all the other parties hereto.

9.182 Notwithstanding the provisions of Section 9.181, any Sponsoring Company shall be permitted to, upon thirty (30) days notice to the Corporation and each other Sponsoring Company, without any further action by the Corporation or the other Sponsoring Companies, assign all or part of its rights, title and interests in, and obligations under this Agreement to a Permitted Assignee, provided that, the assignee and assignor of the rights, title and interests in, and obligations under, this Agreement have executed an assignment agreement in form and substance acceptable to the Corporation

in its reasonable discretion (including, without limitation; the agreement by the Sponsoring Company assigning such rights, title and interests in, and obligations under, this Agreement to reimburse the Corporation and the other Sponsoring Companies for any fees or expenses required under any security issued, or agreement entered into, by the Corporation as a result of such assignment, including without limitation any consent fee or additional financing costs to the Corporation under the Corporation's then-existing securities or agreements resulting from such assignment).

9.183 Notwithstanding the provisions of Section 9.181, any Sponsoring Company shall be permitted to, subject to compliance with all of the requirements of this Section 9.183, assign all or part of its rights, title and interests in, and obligations under this Agreement to a Third Party without any further action by the Corporation or the other Sponsoring Companies.

(a) A Sponsoring Company (the "Transferring Sponsor") that desires to assign all or part of its rights, title and interests in, and obligations under this Agreement to a Third Party shall deliver an Offer Notice to the Corporation and each other Sponsoring Company. The Offer Notice shall be deemed to be an irrevocable offer of the subject rights, title and interests in, and obligations under this Agreement to each of the other Sponsoring Companies that is not an Affiliate of the Transferring Sponsor, which offer must be held open for no less than thirty (30) days from the date of the Offer Notice (the "Election Period").

(b) The Sponsoring Companies (other than the Transferring Sponsor and its Affiliates) shall first have the right, but not the obligation, to purchase all of the rights, title and interests in, and obligations under this Agreement described in the Offer Notice at the price and on the terms specified therein by delivering written notice of such election to the Transferring Sponsor and the Corporation within the Election Period; provided that, irrespective of the terms and conditions of the Offer Notice, a Sponsoring Company may condition its election to purchase the interest described in the Offer Notice on the receipt of approval or consent from such Sponsoring Company's Board of Directors; provided further that, written notice of such conditional election must be delivered to the Transferring Sponsor and the Corporation within the Election Period and such conditional election shall be deemed withdrawn (as if it had never been provided) unless the Sponsoring Company that delivered such conditional election subsequently delivers written notice to the Transferring Sponsor and the Corporation on or before the tenth (10^{th}) day after the expiration of the Election Period that all necessary approval or consent of such Sponsoring Company's Board of Directors have been obtained. To the extent that more than one Sponsoring Company exercises its right to purchase all of the rights, title and interests in, and

obligations under this Agreement described in the Offer Notice in accordance with the previous sentence, such rights, title and interests in, and obligations under this Agreement shall be allotted (successively if necessary) among the Sponsoring Companies exercising such right in proportion to their respective Power Participation Ratios.

(c) Each Sponsoring Company exercising its right to purchase any rights, title and interests in, and obligations under this Agreement pursuant to this Section 9.183 may choose to have an Affiliate purchase such rights, title and interests in, and obligations under this Agreement; provided that, notwithstanding anything in this Section 9.183 to the contrary, any assignment to a Sponsoring Company or its Affiliate hereunder must comply with the requirements of Section 9.182.

(d) If one or more Sponsoring Companies have elected to purchase all of the rights, title and interests in, and obligations under this Agreement of the Transferring Sponsor pursuant to the Offer Notice, the assignment of such rights, title and interests in, and obligations under this Agreement shall be consummated as soon as practical after the delivery of the election notices, but in any event no later than fifteen (15) days after the filing and receipt, as applicable, of all necessary governmental filings, consents or other approvals and the expiration of all applicable waiting periods. At the closing of the purchase of such rights, title and interests in, and obligations under this Agreement from the Transferring Sponsor, the Transferring Sponsor shall provide representations and warranties customary for transactions of this type, including those as to its title to such securities and that there are no liens or other encumbrances on such securities (other than pursuant to this Agreement) and shall sign such documents as may reasonably be requested by the Corporation and the other Sponsoring Companies. The Sponsoring Companies or their Affiliates shall only be required to pay cash for the rights, title and interests in, and obligations under this Agreement being assigned by the Transferring Sponsor.

(e) To the extent that the Sponsoring Companies have not elected to purchase all of the rights, title and interests in, and obligations under this Agreement described in the Offer Notice, the Transferring Sponsor may, within one-hundred and eighty (180) days after the later of the expiration of the Election Period or the deemed withdrawal of a conditional election by a Sponsoring Company under Section 9.183(b) hereof (if applicable), enter into a definitive agreement to, assign such rights, title and interests in, and obligations under this Agreement to a Third Party at a price no less than 92.5% of the purchase price specified in the Offer Notice and on other material terms and conditions no more

favorable to the such Third Party than those specified in the Offer Notice; provided that such purchases shall be conditioned upon: (i) such Third Party having long-term unsecured non-credit enhanced indebtedness, as of the date of such assignment, with a Standard & Poor's credit rating of at least BBB- and a Moody's Investors Service, Inc. credit rating of at least Baa3 (provided that, if such Third Party's long-term unsecured non-credit enhanced indebtedness is not currently rated by one of Standard & Poor's or Moody, such Third Party's long-term unsecured non-credit enhanced indebtedness, as of the date of such assignment, must have either a Standard & Poor's credit rating of at least BBB- or a Moody's Investors Service, Inc. credit rating of at least Baa3); (ii) the filing or receipt, as applicable, of any necessary governmental filings, consents or other approvals; (iii) the determination by counsel for the Corporation that the assignment of the rights, title or interests in, or obligations under, this Agreement to such Third Party would not cause a termination, default, loss or payment obligation under any security issued, or agreement entered into, by the Corporation prior to such transfer; and (iv) such Third Party executing a counterpart of this Agreement, and both such Third Party and the Sponsoring Company which is assigning its rights, title and interests in, and obligations under, this Agreement executing such other documents as may be reasonably requested by the Corporation (including, without limitation, an assignment agreement in form and substance acceptable to the Corporation in its reasonable discretion and containing the agreement by such Sponsoring Company to reimburse the Corporation and the other Sponsoring Companies for any fees or expenses required under any security issued, or agreement entered into, by the Corporation as a result of such assignment, including without limitation any consent fee or additional financing costs to the Corporation under the Corporation's then-existing securities or agreements resulting from such assignment). In the event that the Sponsoring Company and a Third Party have not entered into a definitive agreement to assign the interests specified in the Offer Notice to such Third Party within the later of one-hundred and eighty (180) days after the expiration of the Election Period or the deemed withdrawal of a conditional election by a Sponsoring Company under Section 9.183(b) hereof (if applicable) for any reason or if either the price to be paid by such Third Party would be less than 92.5% of the purchase price specified in the Offer Notice or the other material terms of such assignment would be more favorable to such Third Party than the terms specified in the Offer Notice, then the restrictions provided for herein shall again be effective, and no assignment of any rights, title and interests in, and obligations under this Agreement may be made thereafter without again offering the same to Sponsoring Companies in accordance with this Section 9.183.

ARTICLE 10

REPRESENTATIONS AND WARRANTIES

10.01. *Representations and Warranties*. Each Sponsoring Company hereby represents and warrants for itself, on and as of the date of this Agreement, as follows:

(a) it is duly organized, validly existing and in good standing under the laws of its state of organization, with full corporate power, authority and legal right to execute and deliver this Agreement and to perform its obligations hereunder;

(b) it has duly authorized, executed and delivered this Agreement, and upon the execution and delivery by all of the parties hereto, this Agreement will be in full force and effect, and will constitute a legal, valid and binding obligation of such Sponsoring Company, enforceable in accordance with the terms hereof, except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally;

(c) Except as set forth in Schedule 10.01(c) hereto, no consents or approvals of, or filings or registrations with, any governmental authority or public regulatory authority or agency, federal state or local, or any other entity or person are required in connection with the execution, delivery and performance by it of this Agreement, except for those which have been duly obtained or made and are in full force and effect, have not been revoked, and are not the subject of a pending appeal; and

(d) the execution, delivery and performance by it of this Agreement will not conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute a default under its charter or by-laws or any indenture or other material agreement or instrument to which it is a party or by which it may be bound or result in the imposition of any liens, claims or encumbrances on any of its property.

ARTICLE 11

EVENTS OF DEFAULT AND REMEDIES

11.01. *Payment Default*. If any Sponsoring Company fails to make full payment to Corporation under this Agreement when due and such failure is not remedied within ten (10) days after receipt of notice of such failure from the Corporation, then such failure shall constitute a "Payment Default" on the part of such Sponsoring Company. Upon a Payment Default, the

Corporation may suspend service to the Sponsoring Company that has caused such Payment Default for all or part of the period of continuing default (and such Sponsoring Company shall be deemed to have notified the Corporation and the other Sponsoring Companies that any Available Energy shall be available for scheduling by such other Sponsoring Companies in accordance with Section 4.032). The Corporation's right to suspend service shall not be exclusive, but shall be in addition to all remedies available to the Corporation at law or in equity. No suspension of service or termination of this Agreement shall relieve any Sponsoring Company of its obligations under this Agreement, which are absolute and unconditional.

11.02. *Performance Default.* If the Corporation or any Sponsoring Company fails to comply in any material respect with any of the material terms, conditions and covenants of this Agreement (and such failure does not constitute a Payment Default under Section 11.01), the Corporation (in the case of a default by any Sponsoring Company) and any Sponsoring Company (in the case of a default by the Corporation) shall give the defaulting party written notice of the default ("Performance Default"). To the extent that a Performance Default is not cured within thirty (30) days after receipt of notice thereof (or within such longer period of time, not to exceed sixty (60) additional days, as necessary for the defaulting party with the exercise of reasonable diligence to cure such default), then the Corporation (in the case of a default by any Sponsoring Company) and any Sponsoring Company (in the case of a default by the Corporation) shall have all of the rights and remedies provided at law and in equity, other than termination of this Agreement or any release of the obligation of the Sponsoring Companies to make payments pursuant to this Agreement, which obligation shall remain absolute and unconditional.

11.03. *Waiver.* No waiver by the Corporation or any Sponsoring Company of any one or more defaults in the performance of any provision of this Agreement shall be construed as a waiver of any other default or defaults, whether of a like kind or different nature.

11.04. *Limitation of Liability and Damages.* TO THE FULLEST EXTENT PERMITTED BY LAW, NEITHER THE CORPORATION, NOR ANY SPONSORING COMPANY SHALL BE LIABLE UNDER THIS AGREEMENT FOR ANY CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST REVENUES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, OR OTHERWISE.

[*Signature pages follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Inter-Company Power Agreement to be duly executed and delivered by their proper and duly authorized officers as of September 10, 2010.

OHIO VALLEY ELECTRIC CORPORATION

By _____
Its _____

ALLEGHENY ENERGY SUPPLY COMPANY, L.L.C.

By _____
Its _____

APPALACHIAN POWER COMPANY

By _____
Its _____

BUCKEYE POWER GENERATING, LLC

By _____
Its _____

COLUMBUS SOUTHERN POWER COMPANY

By _____
Its _____

THE DAYTON POWER AND LIGHT COMPANY

By _____
Its _____

DUKE ENERGY OHIO, INC.

By _____
Its _____

FIRSTENERGY GENERATION CORP.

By _____
Its _____

INDIANA MICHIGAN POWER COMPANY

By _____
Its _____

KENTUCKY UTILITIES COMPANY

By _____
Its _____

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Its _____

BUCKEYE POWER GENERATING, LLC

By _____
Its _____

COLUMBUS SOUTHERN POWER COMPANY

By _____
Its _____

THE DAYTON POWER AND LIGHT COMPANY

By _____
Its _____

DUKE ENERGY OHIO, INC.

By _____
Its _____

FIRSTENERGY GENERATION CORP.

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Its _____

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THE DAYTON POWER AND LIGHT COMPANY

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Its _____

BUCKEYE POWER GENERATING, LLC

By _____
Its _____

COLUMBUS SOUTHERN POWER COMPANY

By _____
Its _____

THE DAYTON POWER AND LIGHT COMPANY

By _____
Its _____

DUKE ENERGY OHIO, INC.

By _____
Its VICE PRESIDENT

FIRSTENERGY GENERATION CORP.

By _____
Its _____

INDIANA MICHIGAN POWER COMPANY

By _____
Its _____

KENTUCKY UTILITIES COMPANY

By _____
Its _____

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APPALACHIAN POWER COMPANY

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Its _____

BUCKEYE POWER GENERATING, LLC

By _____
Its _____

COLUMBUS SOUTHERN POWER COMPANY

By _____
Its _____

THE DAYTON POWER AND LIGHT COMPANY

By _____
Its _____

DUKE ENERGY OHIO, INC.

By _____
Its _____

FIRSTENERGY GENERATION CORP.

By _____
Its _____

INDIANA MICHIGAN POWER COMPANY

By _____
Its Vice President

KENTUCKY UTILITIES COMPANY

By _____
Its _____

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Its _____

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By _____
Its VICE PRESIDENT

APPALACHIAN POWER COMPANY

By _____
Its _____

BUCKEYE POWER GENERATING, LLC

By _____
Its _____

COLUMBUS SOUTHERN POWER COMPANY

By _____
Its _____

THE DAYTON POWER AND LIGHT COMPANY

By _____
Its _____

DUKE ENERGY OHIO, INC.

By _____
Its _____

FIRSTENERGY GENERATION CORP.

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Its _____

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Its _____

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Its _____

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OHIO VALLEY ELECTRIC CORPORATION

By _____
Its _____

ALLEGHENY ENERGY SUPPLY COMPANY, L.L.C.

By _____
Its _____

APPALACHIAN POWER COMPANY

By _____
Its _____

BUCKEYE POWER GENERATING, LLC

By Anthony J. Alexander
Its President & CEO

COLUMBUS SOUTHERN POWER COMPANY

By _____
Its _____

THE DAYTON POWER AND LIGHT COMPANY

By _____
Its _____

DUKE ENERGY OHIO, INC.

By _____
Its _____

FIRSTENERGY GENERATION CORP.

By _____
Its _____

INDIANA MICHIGAN POWER COMPANY

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Its _____

KENTUCKY UTILITIES COMPANY

By _____
Its _____

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Its _____

APPALACHIAN POWER COMPANY

By _____
Its _____

BUCKEYE POWER GENERATING, LLC

By _____
Its _____

COLUMBUS SOUTHERN POWER COMPANY

By _____
Its _____

THE DAYTON POWER AND LIGHT COMPANY

By Gary Stephenson
Its EXECUTIVE VICE PRESIDENT
Gary Stephenson

DUKE ENERGY OHIO, INC.

By _____
Its _____

FIRSTENERGY GENERATION CORP.

By _____
Its _____

INDIANA MICHIGAN POWER COMPANY

By _____
Its _____

KENTUCKY UTILITIES COMPANY

By _____
Its _____

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OHIO VALLEY ELECTRIC CORPORATION

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APPALACHIAN POWER COMPANY

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Its _____

BUCKEYE POWER GENERATING, LLC

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Its _____

COLUMBUS SOUTHERN POWER COMPANY

By _____
Its _____

THE DAYTON POWER AND LIGHT COMPANY

By _____
Its _____

DUKE ENERGY OHIO, INC.

By _____
Its _____

FIRSTENERGY GENERATION CORP.

By Gary R Leidich
Its President

INDIANA MICHIGAN POWER COMPANY

By _____
Its _____

KENTUCKY UTILITIES COMPANY

By _____
Its _____

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Its _____

THE DAYTON POWER AND LIGHT COMPANY

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Its _____

DUKE ENERGY OHIO, INC.

By _____
Its _____

FIRSTENERGY GENERATION CORP.

By _____
Its _____

INDIANA MICHIGAN POWER COMPANY

By _____
Its _____

KENTUCKY UTILITIES COMPANY

By _____
Its Sr Vice President

LOUISVILLE GAS AND ELECTRIC COMPANY

By _____
Its VP Trans. & Generation Services

MONONGAHELA POWER COMPANY

By _____
Its _____

OHIO POWER COMPANY

By _____
Its _____

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

By _____
Its _____

LOUISVILLE GAS AND ELECTRIC COMPANY

By _____
Its _____

MONONGAHELA POWER COMPANY

By _____
Its _____

OHIO POWER COMPANY

By _____
Its _____

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

By _____
Its _____

LOUISVILLE GAS AND ELECTRIC COMPANY

By _____
Its _____

MONONGAHELA POWER COMPANY

By _____
Its General Manager, Electric Supply

OHIO POWER COMPANY

By _____
Its _____

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

By _____
Its _____

LOUISVILLE GAS AND ELECTRIC COMPANY

By _____
Its _____

MONONGAHELA POWER COMPANY

By _____
Its _____

OHIO POWER COMPANY

By _____
Its _____

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

By Ronald E. Christian
Its President

PENINSULA GENERATION COOPERATIVE

By Daniel H. DeCoeur
Its President

APPROVED AS TO FORM:

BRIAN E. VALICE
ATTORNEY FOR PENINSULA
GENERATION COOPERATIVE

SCHEDULE 10.01(c)

Allegheny Energy Supply Company, L.L.C.

and

Monongahela Power Company

Filing with, or consent or approval of, the Federal Energy Regulatory Commission

SCHEDULE 10.01(c)

Appalachian Power Company

Filing with, or consent or approval of, the Federal Energy Regulatory Commission

Approval of the Virginia State Corporation Commission

Filing with the Public Service Commission of West Virginia

SCHEDULE 10.01(c)

Buckeye Power Generating, LLC

None

SCHEDULE 10.01(c)

Columbus Southern Power Company

Filing with, or consent or approval of, the Federal Energy Regulatory Commission

SCHEDULE 10.01(c)

The Dayton Power and Light Company

Filing with, or consent or approval of, the Federal Energy Regulatory Commission

SCHEDULE 10.01(c)

Duke Energy Ohio, Inc.

Filing with, or consent or approval of, the Federal Energy Regulatory Commission

SCHEDULE 10.01(c)

FirstEnergy Generation Corp.

Filing with, or consent or approval of, the Federal Energy Regulatory Commission

SCHEDULE 10.01(c)

Indiana Michigan Power Company

Filing with, or consent or approval of, the Federal Energy Regulatory Commission

Filing with the Indiana Utility Regulatory Commission

SCHEDULE 10.01(c)

Kentucky Utilities Company

Filing with, or consent or approval of, the Federal Energy Regulatory Commission

Consent or approval of, or filings or registrations with, the Kentucky Public Service Commission may be required

SCHEDULE 10.01(c)

Louisville Gas and Electric Company

Filing with, or consent or approval of, the Federal Energy Regulatory Commission

Consent or approval of, or filings or registrations with, the Kentucky Public Service Commission may be required

SCHEDULE 10.01(c)

Ohio Power Company

Filing with, or consent or approval of, the Federal Energy Regulatory Commission

SCHEDULE 10.01(c)

Peninsula Generation Cooperative

None

SCHEDULE 10.01(c)

Southern Indiana Gas and Electric Company

Filing with, or consent or approval of, the Federal Energy Regulatory Commission

Exhibit A

AMENDED AND RESTATED

POWER AGREEMENT

BETWEEN

OHIO VALLEY ELECTRIC CORPORATION

AND

INDIANA-KENTUCKY ELECTRIC CORPORATION

Dated as of September 10, 2010

THIS AGREEMENT, dated as of September 10, 2010 by and between OHIO VALLEY ELECTRIC CORPORATION (herein called OVEC) and INDIANA-KENTUCKY ELECTRIC CORPORATION (herein called IKEC), hereby amends and restates in its entirety, the Power Agreement (herein called the Current Agreement), dated March 13, 2006, between OVEC and IKEC.

WITNESSETH THAT:

WHEREAS, IKEC, a wholly owned subsidiary of OVEC, designed, purchased, and constructed, and continues to own, operate and maintain a steam-electric generating station (herein called Indiana Station) consisting of six turbogenerators and all other necessary equipment, at a location on the Ohio River near Madison, Indiana; and

WHEREAS, OVEC designed, purchased, and constructed, and continues to own, operate and maintain a steam-electric generating stations (herein called Ohio Station) consisting of five turbo-generators and all other necessary equipment, at a location on the Ohio River near Cheshire, Ohio (the Ohio Station and the Indiana Station being herein called the Project Generating Stations); and

WHEREAS, OVEC also designed, purchased, and constructed, and continues to operate and maintain necessary transmission and general plant facilities (herein called the Project Transmission Facilities) and OVEC established or cause to be established interconnections between the Project Generating Stations and/or the Project Transmission Facilities, and the systems of certain of the Sponsoring Companies; and

WHEREAS, IKEC owns and operates the portion of the Project Transmission Facilities located in the State of Indiana; and

WHEREAS, IKEC entered into the Current Agreement with OVEC which embodies the terms and conditions for the ownership and operation by IKEC of the Indiana Station and such portion of the Project Transmission Facilities which are to be owned and operated by it; and

WHEREAS, the owners of OVEC or their affiliates that are parties to an Inter-Company Power Agreement, have amended and restated such Inter-Company Power Agreement as of the date hereof, which defines the terms and conditions governing the rights of the "Sponsoring Companies" (as defined thereunder) to receive "Available Power" (as defined thereunder) from the Project Generating Stations and the obligations of the Sponsoring Companies to pay therefor; and

WHEREAS, concurrent with the amendment and restatement of the Inter-Company Power Agreement, IKEC and OVEC hereto desire to amend and restate in their entirety, the Current Agreement in order for IKEC to continue to sell to OVEC any and all power available at the Indiana Station, and energy associated therewith, and to transmit power and energy as provided herein.

NOW, THEREFORE, the parties hereto agree with each other as follows:

ARTICLE 1

POWER AND ENERGY TRANSACTIONS

1.01 IKEC shall transmit any and all power generated at the Indiana Station by any of the generating units thereof in commercial operation and deliver such power, together with the energy associated therewith, but less the transmission losses in the facilities of IKEC applicable thereto from the 330 kV busses of the Indiana Station, at the points of delivery hereinafter designated in *Section* 1.03 hereof, and sell such power and energy at said points of delivery to OVEC. OVEC shall purchase from IKEC all such power so delivered by IKEC to OVEC at said points of delivery, together with the energy associated therewith, and shall from time to time pay IKEC therefor, amounts which, when added to revenues received by IKEC from other sources, will be sufficient to enable IKEC to pay all of its operating and other expenses, including all income and other taxes and any interest and regular amortization requirements applicable to any indebtedness for borrowed funds incurred by IKEC. For the purposes of this *Section* 1.01 the term "operating and other expenses" shall also include, without limitation, all amounts payable to suppliers of fuel requirements (including the handling and shipment thereof) in connection with the cancellation of commitments and the extension of delivery schedules, as well as all expenses accrued to pay for postemployment and postretirement benefits and the costs of the decommissioning, shutdown, demolition and closing of the Project Generating Stations.

1.02 IKEC shall transmit and deliver to OVEC at the points of delivery hereinafter designated in *Section* 1.03 hereof, all power and the energy associated therewith supplied to IKEC by Sponsoring Companies at the points of delivery hereinafter designated in *Section* 1.03 hereof, less the transmission losses in the facilities of IKEC applicable thereto. IKEC shall transmit and deliver to Sponsoring Companies designated by OVEC at the points of delivery hereinafter designated in *Section* 1.03 hereof, all power, and the energy associated therewith, supplied to IKEC by OVEC at the points of delivery hereinafter designated in *Section* 1.03 hereof, less the transmission losses in the facilities of IKEC applicable thereto.

1.03 All power and energy sold, purchased, transmitted or delivered hereunder shall be 3-phase, 60-cycle, alternating current, at nominal unregulated voltage, designated for the points of delivery hereinbelow described. Power and energy transmitted, delivered and sold by IKEC to OVEC pursuant to the provisions of *Section* 1.01 hereof shall be delivered at the points where the transmission facilities of OVEC and the transmission facilities of IKEC interconnect and title to such power and energy shall pass from IKEC to OVEC at said points. Power and energy supplied to IKEC by a Sponsoring Company for transmission to OVEC pursuant to the provisions of *Section* 1.02 hereof, shall be delivered by said Sponsoring Company to IKEC at the points where the transmission facilities of said Sponsoring Company and the transmission facilities of IKEC interconnect and shall be delivered by IKEC to OVEC and title thereto shall pass from said Sponsoring Company to OVEC at the points where the transmission facilities of OVEC and the transmission facilities of IKEC interconnect. Power and energy supplied to IKEC

by OVEC for transmission to a Sponsoring Company pursuant to the provisions of *Section* 1.02 hereof shall be delivered by OVEC to IKEC at the points where the transmission facilities of OVEC and the transmission facilities of IKEC interconnect and title to such power and energy shall pass from OVEC to said Sponsoring Company at said points. Such power and energy shall be delivered by IKEC to said Sponsoring Company at the points where the transmission facilities of IKEC and the transmission facilities of said Sponsoring Company interconnect.

1.04 The parties hereto shall exercise due diligence and foresight in carrying out all matters related to the providing and operating of their respective power resources so as to minimize to the extent practicable deviations between actual and scheduled deliveries of power and energy among their systems. The parties hereto shall provide and/or install on their respective systems such communication, telemetering, frequency and/or tie-line control facilities essential to so minimizing such deviations; and shall fully cooperate with one another and with third parties (such third parties whose systems are either directly or indirectly interconnected with the systems of the Sponsoring Companies and who of necessity together with the Sponsoring Companies and the parties hereto must unify their efforts cooperatively to achieve effective and efficient interconnected system operation) in developing and executing operating procedures that will enable the parties hereto to avoid to the extent practicable deviations from scheduled deliveries.

1.05 OVEC shall reimburse IKEC for the difference between (a) the total cost of replacements chargeable to property and plant made by IKEC, and the total cost of additional facilities and/or spare parts purchased or installed by Corporation, during any month or prior thereto (and not previously reimbursed) and (b) the amounts paid for by IKEC out of proceeds of fire or other applicable insurance protection, or out of amounts recovered from third parties responsible for damages requiring replacement. OVEC shall pay to IKEC such amount in lieu of the amounts to be paid as above provided, which, after provision for all taxes on income, shall equal the costs of the replacements reimbursable by OVEC to IKEC as above provided. The term cost of replacements, as used herein, shall include all components of costs, plus removal expense, less salvage. The amounts reimbursed by OVEC to IKEC for such replacements shall be accounted for on the books of IKEC in a special balance sheet account provided for such purposes.

ARTICLE 2

MISCELLANEOUS

2.01 This Agreement shall become effective on September 10, 2010, or to the extent necessary, such later date on which all conditions to effectiveness, including all required waiting periods and all required regulatory acceptances or approvals, of this Agreement have been satisfied in form and substance satisfactory to OVEC, and shall terminate upon the earlier of: (1) June 30, 2040 or (2) the sale or other disposition of all of the facilities of the Project Generating Stations or the permanent cessation of operation of such facilities.

2.02 No party hereto shall be held responsible or liable for any loss or damage on account of non-delivery of energy hereunder at any time caused by act of God, fire, flood, explosion, strike, civil or military authority, insurrection or riot, act of the elements, failure of equipment, or for any other cause beyond its control.

2.03 This Agreement is made subject to the jurisdiction of any governmental authority or authorities having jurisdiction in the premises and the performance thereof shall be subject to the receipt of all regulatory approvals, in form and substance satisfactory to the parties hereto, necessary to permit the parties hereto to perform all the duties and obligations to be performed by such parties hereunder.

2.04 This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, but this Agreement shall not be assigned by either party hereto without the written consent of the other, except (a) to a successor to all or substantially all the properties and assets of such party, or (b) to a trustee under an indenture securing any indebtedness of such party.

2.05 All notices and requests under this Agreement shall be in writing and shall be sufficient in all respects if delivered in person or sent by registered mail addressed to the party to be served at such party's general office or at such other address as such party may from time to time in writing designate.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

OHIO VALLEY ELECTRIC CORPORATION

By _____
Its

INDIANA-KENTUCKY ELECTRIC CORPORATION

By _____
Its

Execution Copy

AMENDED AND RESTATED

POWER AGREEMENT

BETWEEN

OHIO VALLEY ELECTRIC CORPORATION

AND

INDIANA-KENTUCKY ELECTRIC CORPORATION

Dated as of September 10, 2010

THIS AGREEMENT, dated as of September 10, 2010 by and between OHIO VALLEY ELECTRIC CORPORATION (herein called OVEC) and INDIANA-KENTUCKY ELECTRIC CORPORATION (herein called IKEC), hereby amends and restates in its entirety, the Power Agreement (herein called the Current Agreement), dated March 13, 2006, between OVEC and IKEC.

WITNESSETH THAT:

WHEREAS, IKEC, a wholly owned subsidiary of OVEC, designed, purchased, and constructed, and continues to own, operate and maintain a steam-electric generating station (herein called Indiana Station) consisting of six turbogenerators and all other necessary equipment, at a location on the Ohio River near Madison, Indiana; and

WHEREAS, OVEC designed, purchased, and constructed, and continues to own, operate and maintain a steam-electric generating stations (herein called Ohio Station) consisting of five turbo-generators and all other necessary equipment, at a location on the Ohio River near Cheshire, Ohio (the Ohio Station and the Indiana Station being herein called the Project Generating Stations); and

WHEREAS, OVEC also designed, purchased, and constructed, and continues to operate and maintain necessary transmission and general plant facilities (herein called the Project Transmission Facilities) and OVEC established or cause to be established interconnections between the Project Generating Stations and/or the Project Transmission Facilities, and the systems of certain of the Sponsoring Companies; and

WHEREAS, IKEC owns and operates the portion of the Project Transmission Facilities located in the State of Indiana; and

WHEREAS, IKEC entered into the Current Agreement with OVEC which embodies the terms and conditions for the ownership and operation by IKEC of the Indiana Station and such portion of the Project Transmission Facilities which are to be owned and operated by it; and

WHEREAS, the owners of OVEC or their affiliates that are parties to an Inter-Company Power Agreement, have amended and restated such Inter-Company Power Agreement as of the date hereof, which defines the terms and conditions governing the rights of the "Sponsoring Companies" (as defined thereunder) to receive "Available Power" (as defined thereunder) from the Project Generating Stations and the obligations of the Sponsoring Companies to pay therefor; and

WHEREAS, concurrent with the amendment and restatement of the Inter-Company Power Agreement, IKEC and OVEC hereto desire to amend and restate in their entirety, the Current Agreement in order for IKEC to continue to sell to OVEC any and all power available at the Indiana Station, and energy associated therewith, and to transmit power and energy as provided herein.

NOW, THEREFORE, the parties hereto agree with each other as follows:

ARTICLE 1

POWER AND ENERGY TRANSACTIONS

1.01 IKEC shall transmit any and all power generated at the Indiana Station by any of the generating units thereof in commercial operation and deliver such power, together with the energy associated therewith, but less the transmission losses in the facilities of IKEC applicable thereto from the 330 kV busses of the Indiana Station, at the points of delivery hereinafter designated in *Section* 1.03 hereof, and sell such power and energy at said points of delivery to OVEC. OVEC shall purchase from IKEC all such power so delivered by IKEC to OVEC at said points of delivery, together with the energy associated therewith, and shall from time to time pay IKEC therefor, amounts which, when added to revenues received by IKEC from other sources, will be sufficient to enable IKEC to pay all of its operating and other expenses, including all income and other taxes and any interest and regular amortization requirements applicable to any indebtedness for borrowed funds incurred by IKEC. For the purposes of this *Section* 1.01 the term "operating and other expenses" shall also include, without limitation, all amounts payable to suppliers of fuel requirements (including the handling and shipment thereof) in connection with the cancellation of commitments and the extension of delivery schedules, as well as all expenses accrued to pay for postemployment and postretirement benefits and the costs of the decommissioning, shutdown, demolition and closing of the Project Generating Stations.

1.02 IKEC shall transmit and deliver to OVEC at the points of delivery hereinafter designated in *Section* 1.03 hereof, all power and the energy associated therewith supplied to IKEC by Sponsoring Companies at the points of delivery hereinafter designated in *Section* 1.03 hereof, less the transmission losses in the facilities of IKEC applicable thereto. IKEC shall transmit and deliver to Sponsoring Companies designated by OVEC at the points of delivery hereinafter designated in *Section* 1.03 hereof, all power, and the energy associated therewith, supplied to IKEC by OVEC at the points of delivery hereinafter designated in *Section* 1.03 hereof, less the transmission losses in the facilities of IKEC applicable thereto.

1.03 All power and energy sold, purchased, transmitted or delivered hereunder shall be 3-phase, 60-cycle, alternating current, at nominal unregulated voltage, designated for the points of delivery hereinbelow described. Power and energy transmitted, delivered and sold by IKEC to OVEC pursuant to the provisions of *Section* 1.01 hereof shall be delivered at the points where the transmission facilities of OVEC and the transmission facilities of IKEC interconnect and title to such power and energy shall pass from IKEC to OVEC at said points. Power and energy supplied to IKEC by a Sponsoring Company for transmission to OVEC pursuant to the provisions of *Section* 1.02 hereof, shall be delivered by said Sponsoring Company to IKEC at the points where the transmission facilities of said Sponsoring Company and the transmission facilities of IKEC interconnect and shall be delivered by IKEC to OVEC and title thereto shall pass from said Sponsoring Company to OVEC at the points where the transmission facilities of OVEC and the transmission facilities of IKEC interconnect. Power and energy supplied to IKEC

by OVEC for transmission to a Sponsoring Company pursuant to the provisions of *Section* 1.02 hereof shall be delivered by OVEC to IKEC at the points where the transmission facilities of OVEC and the transmission facilities of IKEC interconnect and title to such power and energy shall pass from OVEC to said Sponsoring Company at said points. Such power and energy shall be delivered by IKEC to said Sponsoring Company at the points where the transmission facilities of IKEC and the transmission facilities of said Sponsoring Company interconnect.

1.04 The parties hereto shall exercise due diligence and foresight in carrying out all matters related to the providing and operating of their respective power resources so as to minimize to the extent practicable deviations between actual and scheduled deliveries of power and energy among their systems. The parties hereto shall provide and/or install on their respective systems such communication, telemetering, frequency and/or tie-line control facilities essential to so minimizing such deviations; and shall fully cooperate with one another and with third parties (such third parties whose systems are either directly or indirectly interconnected with the systems of the Sponsoring Companies and who of necessity together with the Sponsoring Companies and the parties hereto must unify their efforts cooperatively to achieve effective and efficient interconnected system operation) in developing and executing operating procedures that will enable the parties hereto to avoid to the extent practicable deviations from scheduled deliveries.

1.05 OVEC shall reimburse IKEC for the difference between (a) the total cost of replacements chargeable to property and plant made by IKEC, and the total cost of additional facilities and/or spare parts purchased or installed by Corporation, during any month or prior thereto (and not previously reimbursed) and (b) the amounts paid for by IKEC out of proceeds of fire or other applicable insurance protection, or out of amounts recovered from third parties responsible for damages requiring replacement. OVEC shall pay to IKEC such amount in lieu of the amounts to be paid as above provided, which, after provision for all taxes on income, shall equal the costs of the replacements reimbursable by OVEC to IKEC as above provided. The term cost of replacements, as used herein, shall include all components of costs, plus removal expense, less salvage. The amounts reimbursed by OVEC to IKEC for such replacements shall be accounted for on the books of IKEC in a special balance sheet account provided for such purposes.

ARTICLE 2

MISCELLANEOUS

2.01 This Agreement shall become effective on September 10, 2010, or to the extent necessary, such later date on which all conditions to effectiveness, including all required waiting periods and all required regulatory acceptances or approvals, of this Agreement have been satisfied in form and substance satisfactory to OVEC, and shall terminate upon the earlier of: (1) June 30, 2040 or (2) the sale or other disposition of all of the facilities of the Project Generating Stations or the permanent cessation of operation of such facilities.

2.02 No party hereto shall be held responsible or liable for any loss or damage on account of non-delivery of energy hereunder at any time caused by act of God, fire, flood, explosion, strike, civil or military authority, insurrection or riot, act of the elements, failure of equipment, or for any other cause beyond its control.

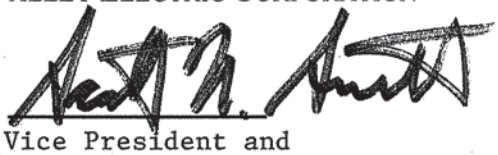
2.03 This Agreement is made subject to the jurisdiction of any governmental authority or authorities having jurisdiction in the premises and the performance thereof shall be subject to the receipt of all regulatory approvals, in form and substance satisfactory to the parties hereto, necessary to permit the parties hereto to perform all the duties and obligations to be performed by such parties hereunder.

2.04 This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, but this Agreement shall not be assigned by either party hereto without the written consent of the other, except (a) to a successor to all or substantially all the properties and assets of such party, or (b) to a trustee under an indenture securing any indebtedness of such party.

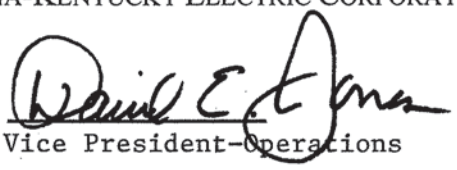
2.05 All notices and requests under this Agreement shall be in writing and shall be sufficient in all respects if delivered in person or sent by registered mail addressed to the party to be served at such party's general office or at such other address as such party may from time to time in writing designate.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

OHIO VALLEY ELECTRIC CORPORATION

By 
Its Vice President and
Assistant to the President

INDIANA-KENTUCKY ELECTRIC CORPORATION

By 
Its Vice President-Operations

CERTIFICATE OF CONCURRENCE

This is to certify that Allegheny Energy Supply Company, LLC assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

ALLEGHENY ENERGY SUPPLY COMPANY, LLC

By: Harvey L Wagner

Name: HARVEY L. WAGNER

Title: VP & Controller

Dated: March 22, 2011

CERTIFICATE OF CONCURRENCE

This is to certify that Appalachian Power Company assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

APPALACHIAN POWER COMPANY

By: _____

Name: _____

Title: _____

Dated: _____, 2011

CERTIFICATE OF CONCURRENCE

This is to certify that Buckeye Power Generating, LLC assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

BUCKEYE POWER GENERATING, LLC

By: Anthony J. Ahern

Name: Anthony J. Ahern

Title: President & CEO

Dated: March 15, 2011

CERTIFICATE OF CONCURRENCE

This is to certify that Columbus Southern Power Company assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

COLUMBUS SOUTHERN POWER COMPANY

By: _____

Name: _____

Title: _____

Dated: _____, 2011

CERTIFICATE OF CONCURRENCE

This is to certify that The Dayton Power and Light Company assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

THE DAYTON POWER AND LIGHT COMPANY

By: Gary Stephenson

Name: Gary Stephenson

Title: Exec. V.P

Dated: March 17, 2011

CERTIFICATE OF CONCURRENCE

This is to certify that Duke Energy Ohio, Inc. assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

DUKE ENERGY OHIO, INC.

By: _____

Name: Charles R. Whitlock, Jr.

Title: President, Commercial Asset Management and Operations

Dated: March 18, 2011

CERTIFICATE OF CONCURRENCE

This is to certify that FirstEnergy Generation Corp. assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

FIRSTENERGY GENERATION CORP.

By: Harvey L Wagner

Name: Harvey L. Wagner

Title: VP & Controller

Dated: March 22, 2011

CERTIFICATE OF CONCURRENCE

This is to certify that Indiana Michigan Power Company assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

INDIANA MICHIGAN POWER COMPANY

By: _____

Name: _____

Title: _____

Dated: _____, 2011

CERTIFICATE OF CONCURRENCE

This is to certify that Kentucky Utilities Company assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

KENTUCKY UTILITIES COMPANY

By: _____

Name: Paul W Thompson

Title: VP Energy Services

Dated: 3/17/2011, 2011

CERTIFICATE OF CONCURRENCE

This is to certify that Louisville Gas and Electric Company assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

LOUISVILLE GAS AND ELECTRIC COMPANY

By: John N. Voyles

Name: JOHN N. VOYLES, JR.

Title: VICE PRESIDENT - TRANSMISSION + GENERATION SERVICES

Dated: 3/17, 2011

CERTIFICATE OF CONCURRENCE

This is to certify that Monongahela Power Company assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

MONONGAHELA POWER COMPANY

By: Harvey L Wagner

Name: Harvey L. Wagner

Title: VP + Controller

Dated: March 22, 2011

CERTIFICATE OF CONCURRENCE

This is to certify that Ohio Power Company assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

OHIO POWER COMPANY

By: _____

Name: _____

Title: _____

Dated: _____, 2011

CERTIFICATE OF CONCURRENCE

This is to certify that Peninsula Generation Cooperative assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

PENINSULA GENERATION COOPERATIVE

By: _____

Name: Daniel H. DeCoeur

Title: President

Dated: March 9, 2011

CERTIFICATE OF CONCURRENCE

This is to certify that Southern Indiana Gas and Electric Company assents to and concurs with the rate schedule supplement described below, which Ohio Valley Electric Corporation has filed, and hereby files this Certificate of Concurrence in lieu of the filing of the rate schedule supplement specified.

Amended and Restated Inter-Company Power Agreement, dated as of September 10, 2010, among Ohio Valley Electric Corporation, Allegheny Energy Supply Company, LLC, Appalachian Power Company, Buckeye Power Generating, LLC, Columbus Southern Power Company, The Dayton Power and Light Company, Duke Energy Ohio, Inc., FirstEnergy Generation Corp., Indiana Michigan Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Monongahela Power Company, Ohio Power Company, Peninsula Generation Cooperative and Southern Indiana Gas and Electric Company.

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

By: _____

Name: William S. Doty

Title: Exec V.P.

Dated: Mar 17, 2011

Summary: Comments of IGS Energy electronically filed by Mr. Joseph E. Oliker on behalf of IGS Energy