**Indiana Michigan Power**
P.O. Box 60
Fort Wayne, IN 46801
IndianaMichiganPower.com


Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, MI 48909

April 13, 2007

Dear Ms. Kunkle:

Enclosed for electronic filing in Case No. U-15163 is the response of Indiana Michigan Power Company (I&M or Company) to the Commission's Order of January 30, 2007 requiring the filing by April 13, 2007, of an assessment of the Company's ability to meet its customers' expected electric requirements in 2007. I&M's 2007 assessment addresses the relevant factors affecting the adequacy of supply and the quality and reliability of service, including those factors identified in the Commission's January 30, 2007, Order and previous assessments, as applicable.

Please contact me with any questions regarding I&M's filing.

Sincerely,

Kent D. Curry

Digitally signed by Kent D. Curry
DN: cn=Kent D. Curry, c=US, o=Indiana Michigan Power Company
Date: 2007.04.13 09:10:22 -04'00'

Kent D. Curry
Director of Regulatory Service

dsl

Enclosure

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

| | | |
|---|---|---|
| In the matter of the investigation, on the Commission's own motion, into the electric supply reliability plan of **INDIANA MICHIGAN POWER COMPANY** for the year 2007. | ) ) ) ) | Case No. U-15163 |

# RESPONSE OF INDIANA MICHIGAN POWER COMPANY

## SUMMARY

Indiana Michigan Power Company (I&M or the Company) is an electric operating company of American Electric Power Company, Inc. (AEP). I&M is part of the AEP System East Zone, that is, the AEP operating companies in the PJM Regional Transmission Organization and in Reliability*First* Corp., the successor to ECAR.

The generation resources of the AEP System East Zone are expected to be adequate to meet the projected peak demand for the summer 2007 season and, at the same time, accommodate likely load and capacity contingencies. AEP's transmission system is anticipated to continue to perform reliably. Power transfer capability into the Michigan Electric Coordinated Systems (MECS) and into AEP's western neighbors will continue to be adequate.

## DISCUSSION

I&M is engaged in the generation, sale, purchase, transmission, and distribution of electric power to approximately 127,000 retail customers in southwestern Michigan and 455,000 retail customers in northern and eastern Indiana and sells and transmits power at wholesale to other electric utilities, municipalities, electric cooperatives, and non-utility entities engaged in the wholesale power market.

I&M is one of five operating companies of the AEP System East Zone for which generation assets are planned and operated on an integrated basis under the AEP Interconnection (Pool) Agreement. This agreement provides for the rendering of mutual assistance during emergencies, the effecting of maximum practical economy and dependability in the day-to-day production of the electric power requirements of the customers of each of the operating companies, and the maximum utilization of opportunities for securing increased economies through coordination of planning, design, construction, maintenance, and operation.

On October 1, 2004, the AEP System East Zone became part of the PJM Regional Transmission Organization and began participating in the PJM energy market. Based on offers placed in this market, the Zone's generation resources are economically dispatched along with the entire fleet of PJM resources. From a generation accounting standpoint, as in the past, the lowest cost resources available to the Zone, whether internal or external to AEP, are used to supply energy to AEP's and I&M's internal customers.

Through AEP's participation within PJM, the AEP System's transmission system together with the transmission systems of other members of PJM is planned on a regional basis via PJM's Regional Transmission Expansion Plan process. In addition, AEP will continue to plan transmission expansions for service reliability for the AEP footprint. From this top-down (PJM)/bottom-up (AEP) planning process, the expansion of the transmission system for the entire PJM footprint is accomplished in a coordinated manner while continuing to provide a reliable transmission system to supply I&M's customers in Michigan.

Since the major power supply and transmission facilities of the AEP System East Zone are planned and operated on an integrated basis, any assessment of the electric supply reliability plan of an individual operating company, such as I&M, must be considered in the context of the overall Zone. Thus, the most relevant factor to examine in assessing the adequacy of an operating company's generation resources is the reserve margin situation for the Zone. Likewise, because the East Zone of the AEP transmission system is composed of the transmission facilities of all seven eastern AEP operating companies, the performance of the integrated East Zone of the AEP transmission system is the most relevant factor in the assessment of transmission adequacy.

A discussion of the ability of the AEP System East Zone to meet its load obligations for the 2007 summer peak season, in terms of generation and transmission adequacy, follows.

## A. GENERATION ADEQUACY

Exhibit 1 shows information pertinent to the assessment of the generation adequacy of the AEP System East Zone for the 2007 summer peak season. To facilitate review of the data, the demand is expressed on two bases: (1) *including* interruptible load, i.e., assuming all interruptible load is served, to the extent that such load is included in demand; and (2) *excluding* interruptible load, i.e., assuming such load is curtailed. Additional information pertinent to the data shown on Exhibit 1 is provided below.

### 1. Peak Demand and Capacity Obligation

#### a. AEP System East Zone Peak Internal Demand

The AEP System East Zone peak internal demand for the summer 2007 season, which is expected to occur in July, is forecasted by AEP to be 22,354 MW, based on normal weather conditions. This includes ultimate sales (residential, commercial, industrial, etc.), internal sales for resale (municipals, cooperatives, etc.), system transmission losses, and all distribution losses. The projected load is 2.1% more than the 21,898 MW coincident peak internal demand that was experienced in the summer of 2006. This relatively small increase is mainly attributable to warm weather conditions at the time of the 2006 internal peak demand.

The demand forecast includes interruptible industrial load aggregating to an expected demand of 614 MW. This load represents industrial customers who are subject to the buy-through or curtailment provisions of the particular interruptible tariff schedule or special contract that applies in each case.

b. Other Committed Sales

For the summer 2007 season, the AEP System East Zone has committed to provide the AEP System West Zone with 250 MW in accordance with the System Integration Agreement. Committed power sales to non-affiliated systems include a 220 MW sale to North Carolina Electric Membership Corporation and the Buckeye Cardinal Entitlement of 1,067 MW. Transmission losses of 15 MW, associated with these sales, are already included in Peak Internal Demand and so are netted out, so that the net total of Other Committed Sales is 1,522 MW.

c. Total Demand is projected to be 23,876 MW if interruptible loads are served and 23,262 MW if such loads are curtailed.

2. Generation Resources

a. Installed Capacity

The existing generating capability available to the AEP System East Zone for the summer of 2007 is 26,867 MW. As shown in Exhibit 2, this includes Buckeye Power's Cardinal Units 2 and 3, 951 MW of capacity in the OVEC Kyger Creek and Clifty Creek plants, 75 MW from the Mone plant, and an 80 MW purchase from the Summersville Hydro Project. Of this total capability 2,113 MW is located in the State of Michigan.

The AEP System does not have a significant amount of planned unit outages scheduled for the July through August peak period. Hence, AEP does not believe that any extraordinary coordination is required with other utilities in order to ensure that plants will be available to serve AEP customers' demand during the summer of 2007.

b. Net Capacity Sales

For the summer 2007 season, AEP has an ongoing unit-power sale of 250 MW to Carolina Power & Light Company, from I&M's Rockport Plant Unit No. 2. Also, commitments of 50 MW to Wisconsin Public Service and 100 MW to Wolverine Power Supply Cooperative have been made. A purchase of 281 MW is expected to be made for the former Monongahela Power load in Ohio which now is part of the East Zone. The net of these transactions is a sale of 119 MW.

c. Capacity Addition

Columbus Southern Power (CSP), a subsidiary of AEP Company, Inc., and a member of the AEP System East Zone, has agreed to acquire the existing 438 MW Darby generating station from Dayton Power & Light. This capacity is expected to be available to the East Zone by the summer of 2007.

Amercian Electric Power Generating Company (AEG), a subsidiary of AEP Company Inc., has agreed to purchase Lawrenceburg, a combined cycle, natural gas-fired 1,100 MW facility, and intends to provide the power to CSP, by a unit power agreement. This capacity addition is not reflected in this filing since it is uncertain whether the facility will be available to the East Zone by the summer of 2007.

d. Total Capacity

The capacity expected to be available including Darby and net of the above sales is 27,186 MW.

3. Reserve Margin

As Exhibit 1 indicates, under the peak load conditions projected for the summer 2007 season, the reserve margin on the AEP System East Zone is expected to be 3,924 MW, or 16.9% of the net AEP demand of 23,262 MW. This margin assumes that all of the interruptible load is curtailed. If the expected 614 MW of interruptible load at time of peak is served, the margin decreases to 3,310 MW, or 13.9% of the resulting net peak demand of 23,876 MW.

Under the rules of Reliability*First* Corporation, AEP has selected the PJM Regional Transmission Organization as its Planning Reserve Sharing Group. As such, PJM determines the generating capacity requirement of AEP in accordance with the PJM Reliability Assurance Agreement. PJM creates its own forecast of peak demands and applies certain factors to determine member capacity requirements. These factors include load diversity among its members, an Installed Reserve Margin needed to maintain an expected one

day in ten year loss of load probability (including the effect of support available from outside PJM), and Equivalent Forced Outage Rate-demand to represent the reliability of the region's and the member's generation resources. Using the most recent data available for these factors, AEP's required capacity to meet PJM's rules for the summer of 2007 is 25,509 MW. AEP expects to have 1,677 MW in excess of this amount.

The reserve margin projected for the summer 2007 season will be shared with similar margins of the other entities in PJM to accommodate contingencies such as unplanned generating capacity outages or increases in demand resulting from the occurrence of extreme weather conditions. Because of their random nature, these contingencies represent events, or combination of events, whose magnitude is both variable and uncertain.

If the amount of unplanned contingencies would exceed the reserve margin available to fully cover such contingencies, PJM, in conjunction with the member entities, would take appropriate action, depending on the severity of the situation, to deal with the capacity deficiency in order to avoid curtailment of firm load. This could involve utilizing interruptible loads, purchasing available capacity from neighboring systems, utilizing extra load carrying capability of generating units, curtailing non-essential use of power at generating plants and other facilities, reducing distribution system voltage, and issuing appeals for voluntary reduction in electricity usage by customers.

Based on the information provided in Exhibit 1 and the considerations mentioned above, the generation resources of the AEP System East Zone are expected to be adequate to meet its obligations for the summer 2007 and, at the same time, accommodate likely load and capacity contingencies.

B. TRANSMISSION ADEQUACY

The transmission system of the AEP System East Zone consists of the transmission facilities of the seven eastern AEP operating companies. This transmission system spanning portions of seven states is planned and operated on an integrated basis and is comprised of 14,989 miles of circuitry operating at or above 138 kV. The system includes 2,116 miles of 765 kV overlaying 3,807 miles of 345 kV and allows AEP to economically and reliably deliver electric power to approximately 24,600 MW of customer demand connected to the transmission system of the AEP System East Zone. The AEP System East Zone, which is the most integrated transmission system in the Eastern Interconnection, is directly connected to 25 other companies at 144 interconnection points, of which 121 are at or above 115 kV. These interconnections provide an electric pathway to assure access to off-system resources as well as a delivery mechanism to adjacent companies.

Due to the AEP System's geographical location, expanse, and its numerous interconnections, the transmission system of the AEP System East Zone can be significantly influenced by both internal and external factors. As a result, the AEP System East Zone is designed, built, and operated to perform adequately even with the outage of its most critical transmission elements or the unavailability of generation or transmission elements elsewhere on the Eastern Interconnection.

Despite the robust nature of the transmission system, certain outages coupled with extreme weather conditions and/or power-transfer conditions can potentially stress the system beyond acceptable limits. The performance of the AEP transmission system during the 2003 blackout is irrefutable testimony of the resilience and reliability of the East Zone of the AEP transmission system. Furthermore, AEP will continue to expand the transmission system, as appropriate, to provide reliable service to meet the load growth of I&M's Michigan customers.

During 2005, AEP enhanced the capacity of the South Canton 765/345 kV transformer by replacing the 500 MVA single-phase units with 750 MVA units. As a result, the South Canton 765/345 kV transformer nameplate capacity has increased by 50% to 2,250 MVA. (The South Canton 765/345 kV transformer had been a constraint to transfers into MECS) Also, in November 2004, I&M replaced the 345/138 kV transformer at the Olive Station just south of the Michigan/Indiana border with a larger capacity unit. These enhancements result in greater transmission export capability from, or through, the AEP System East Zone to MECS.

In order to improve service reliability to Findlay, Ohio, AEP installed Transmission Line Monitoring equipment for the first time in its eastern transmission system. Installation of this new technology provides real-time dynamic transmission line ratings, which provide greater operating flexibility in comparison to temperature adjusted static line ratings typically used across the AEP system. This information, complemented with the addition of two 138 kV, 43.2 MVAr shunt capacitors at New Liberty and North Findlay stations (placed in service in mid-2006), will enhance both the operational capability and the performance of the transmission system in northwest Ohio during heavy power transfers to the north (into or through the FirstEnergy, MECS, or ITC systems).

In June 2006, AEP completed the construction of a 90-mile 765 kV circuit in West Virginia and Virginia between the Wyoming and Jacksons Ferry Stations to mitigate the thermal overloads and low voltages that could result from the unexpected loss of 765 kV or 500 kV transmission facilities. The addition of this line further strengthens AEP's 765 kV system, effectively providing more economical and reliable service to all AEP customers.

Furthermore, on January 31, 2006, AEP announced plans to build a new 765 kV transmission line stretching from West Virginia to New Jersey at a cost of

approximately $3 billion. The proposed transmission superhighway, referred to as the AEP Interstate Project, will span approximately 550 miles with a projected in-service date of 2014. This project is designed to reduce PJM congestion costs by substantially improving west-east transfer capability by approximately 5,000 MW and enhance reliability in the eastern transmission grid of the United States. In addition, on November 6, 2006, AEP and ITC Transmission commenced a technical study to investigate expanding 765 kV in Michigan. The study, which is expected to be completed in the second quarter of 2007, explores the merits and benefits of building a 765 kV transmission network in Michigan's Lower Peninsula that would link to AEP's 765 kV transmission system in Michigan and Ohio. This plan would leverage the strong backbone transmission system in AEP and effectively utilize the existing ITC transmission system to provide reliable and economical electricity to Michigan. These transmission expansions illustrate AEP's commitment to maintain the continued reliability of the transmission system.

For the upcoming peak load season, AEP's transmission system is anticipated to continue to perform reliably. AEP will continue to assess the need to expand its system to ensure adequate reliability for I&M customers within the State of Michigan. AEP anticipates that incremental transmission expansion will continue to match expected load growth.

Over the past several years, AEP entered into numerous study agreements to assess the impact of the connection of potential merchant generation to the AEP System East Zone. Currently, there is more than 25,000 MW of AEP and Buckeye Power generation and approximately 6,550 MW of non-AEP merchant generation connected to the East Zone of the AEP transmission system. AEP has interconnection agreements with several merchant plant developers for approximately 450 MW of additional generation to be connected to the East Zone of the AEP transmission system over the next several years. The amount of this planned generation that will actually come to fruition is unknown at this time. To date, no merchant generation connected to the East Zone of the AEP transmission system is within Michigan.

In addition to providing reliable electric service to its retail and wholesale customers, the East Zone of the AEP transmission system has already been committed to utilize its anticipated remaining transmission capacity to support the needs of its neighboring systems. As of October 1, 2004, PJM assumed responsibility to assess and respond to transmission service requests on the East Zone of the AEP transmission system. PJM has confirmed monthly or longer transmission service reservations of 574 MW into MECS for the 2007 summer period.

The PJM Regional Transmission Organization serves as AEP's transmission provider. As such, PJM is responsible for ensuring that capacity generation resources are deliverable as specified by Schedule 10 of the PJM Reliability

Assurance Agreement. Certification of deliverability means that the physical capability of the transmission network has been tested by PJM and found to provide service consistent with the assessment of transfer capability internal to PJM as set forth in the PJM Tariff. PJM also coordinates its Regional Transmission Expansion Plan (RTEP) on behalf of the member utilities with the neighboring utilities and/or RTOs to ensure inter-regional reliability.

During real-time operations, transmission constraints are mitigated using the congestion management systems and processes. These processes include generation redispatch (over the entire PJM footprint if necessary), implementation of the NERC Transmission Loading Relief Procedure, and/or local operating procedures. If market forces do not yield solutions to mitigate unhedgeable congestion within an appropriate time period, PJM will then seek construction of the most cost-effective transmission upgrade that will resolve the problem. This development of economic transmission enhancements is also codified under Schedule 6 of the PJM Operating Agreement. Within PJM, the scheduling of generation and transmission facilities are closely coordinated to ensure that adequate reliability levels are maintained throughout the PJM footprint.

Transmission reinforcements to serve AEP's own load areas will continue to be developed by AEP and then coordinated with PJM. Expansion of the bulk transmission system will be coordinated via the PJM RTEP process to ensure compatibility of the various local expansion plans and to ensure that the bulk transmission system expansion is both reliable and economical.

In summary, transmission reliability is maintained through a continuum of long-term planning, short-term operational planning, and real-time operations. As a member of PJM, each of these functions performed by AEP are augmented by coordination with the RTO.

On page 3 of the MPSC's November 2, 2000, Order in Case No. U-12702, the Commission directed the utilities to respond to six questions. AEP's responses to those questions for 2007 are as follows:

Question 1

What amount of Michigan transmission capacity does the incumbent utility and its affiliates own or control?

Response 1

Of the MECS import transmission capacity confirmed on the PJM OASIS, an affiliate of AEP owns or controls several yearly reservations amounting to a total of 574 MW for the 2007 summer period. The details of these reservations are in the table that follows:

| CONFIRMED RESERVATIONS FOR FIRM TRANSMISSION SERVICE TO MECS<br>SUMMER 2007<br>(PER PJM OASIS, AS OF 02/20/07) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| TRANS ID | PRODUCT | START | STOP | PATH | MW | QUEUED | ACCEPTED | CONFIRMED |
| 499705 | year-FIRM | 01/01/07 00 | 01/01/08 00 | PJM-MECS | 50 | 9/27/2006 | 10/17/2006 | 10/31/2006 |
| 499706 | year-FIRM | 01/01/07 00 | 01/01/08 00 | PJM-MECS | 50 | 9/27/2006 | 10/17/2006 | 10/31/2006 |
| 499707 | year-FIRM | 01/01/07 00 | 01/01/08 00 | PJM-MECS | 50 | 9/27/2006 | 10/17/2006 | 10/31/2006 |
| 499709 | year-FIRM | 01/01/07 00 | 01/01/08 00 | PJM-MECS | 20 | 9/27/2006 | 10/17/2006 | 10/31/2006 |
| 499711 | year-FIRM | 01/01/07 00 | 01/01/08 00 | PJM-MECS | 50 | 9/27/2006 | 10/17/2006 | 10/31/2006 |
| 499713 | year-FIRM | 01/01/07 00 | 01/01/08 00 | PJM-MECS | 27 | 9/27/2006 | 10/17/2006 | 10/31/2006 |
| 499714 | year-FIRM | 01/01/07 00 | 01/01/08 00 | PJM-MECS | 27 | 9/27/2006 | 10/17/2006 | 10/31/2006 |
| 499719 | year-FIRM | 01/01/07 00 | 01/01/08 00 | PJM-MECS | 50 | 9/27/2006 | 10/17/2006 | 10/31/2006 |
| 499721 | year-FIRM | 01/01/07 00 | 01/01/08 00 | PJM-MECS | 50 | 9/28/2006 | 10/17/2006 | 10/31/2006 |
| 499785 | year-FIRM | 01/01/07 00 | 01/01/08 00 | PJM-MECS | 100 | 9/28/2006 | 10/2/2006 | 10/2/2006 |
| 499720 | year-FIRM | 02/01/07 00 | 02/01/08 00 | PJM-MECS | 100 | 9/27/2006 | 10/30/2006 | 10/31/2006 |

Question 2

What amount of import transmission capacity does the incumbent utility and its affiliates own or control by type? If the capacity has been purchased or reserved, identify the amount, type, path, and duration. (For example, 100 MW of firm point-to-point transmission on the AEP to MECS path for 11/1/00 to 10/31/01.) Provide a chronology of each request to purchase or reserve capacity, whether successful or not, including dates of initial request, confirmation, and status at the time of filing these answers.

Response 2

Exhibit 3 contains the full listing of confirmed and refused reservation requests for firm transmission service to MECS from PJM (via AEP) for the summer 2007 period as posted on the PJM OASIS. There is a total of 574 MW of firm transmission reservations for the summer of 2007 that have MECS as a Point of Delivery. All of these reservations are owned by an affiliate of AEP. As posted on the PJM OASIS, PJM has denied yearly transmission service requests into MECS totaling 25 MW for service that includes the summer 2007 period. As of February 20, 2007, there were no transmission service requests that had MECS as a Point of Delivery in the PJM study queue.

Question 3

Identify the amount of retail open access load recognized in the capacity planning process for 2007. For purposes of planning system operation and purchases, is the retail open access load assumed to be totally off of the incumbent's system or is the incumbent planning to serve this load under certain circumstances?

Response 3

Customer choice became available to all I&M Michigan customers on January 1, 2002. No customers have switched to date in I&M's Michigan service territory, and no alternative electric suppliers are presently registered with the Company. I&M cannot predict if any customers will switch in its service territory during the remainder of 2007.

Question 4a

Identify the transmission resources that are available to serve bundled retail customers in the incumbent utility's service territory.

Response 4a

The transmission resources that are available to serve I&M's bundled retail customers in Michigan consist of the existing East Zone of AEP's transmission network. The transmission service made available to others, as ATC and so posted on the PJM OASIS, is in excess of that needed to supply I&M's bundled retail and wholesale customers in Michigan.

Question 4b

Identify the transmission resources that are available to serve the loads of retail open access customers (located in Michigan) of the incumbent's affiliates.

Question 4c

Identify the transmission resources that are available to serve all retail open access loads in the incumbent's service territory.

Question 4d

Provide the details of transmission transactions by the incumbent and its affiliates that affect the availability of transmission resources to non-affiliated alternative electric suppliers.

Response 4b-d

The generation and transmission resources of the AEP System East Zone are available for the summer 2007 season to support the Michigan open access program to the extent those resources are not reserved for internal load and contingencies, or otherwise already committed, and as that availability is facilitated or limited in accordance with various FERC and

MPSC Orders pertaining to open access and various industry and internal policies and PJM footprint practices and procedures designed to maintain the reliability of the regional and AEP System electric power grids. In addition, as part of AEP's entry into PJM, AEP has expanded access to a vast pool of resources throughout the PJM footprint and, thus, has further flexibility to acquire economic generation resources to meet short- and long-term needs.

The transmission service reservations of AEP affiliates and others for summer 2007 are provided in Exhibit 3.

Question 5

What effect does Section 10v of 2000 PA 141, MCL 460.10v; MSA 22.13 (10v), have on the planning process?

Response 5

The requirements of Section 10v of 2000 PA 141 are considered during the planning process. As a result of 2000 PA 141 and the MPSC Order Approving Settlement Agreement in Case No. U-12780, I&M installed an additional 765/345 kV transformer at the Dumont Station before the summer of 2002.

Question 6

If there are transmission system constraints, physical or otherwise, what actions has the incumbent utility taken, or does it plan to take, to alleviate those constraints and remove impediments to the ability of alternative electric suppliers to participate fully in Michigan's retail open access market?

Response 6

AEP continues to plan and expand the transmission system based upon continuing needs of AEP's native and other network customers and the requirements for transmission service under FERC Order 888. Over the past several years, AEP has taken several actions, including the installation of nearly 2,000 MVAr of capacitors and the installation of a new 765/138 kV Station north of metro Columbus, Ohio, that mitigated the possible impacts of a simultaneous outage of the Marysville 765/345 kV transformer and the generating units at the Conesville Plant. Prior to the summer 2002, I&M completed the installation of a second 765/345 kV transformer at the Dumont Station located in north central Indiana. The addition of the second 1,500 MVA 765/345 kV transformer at the Dumont Station, installed in response to PA 141 Section 10v, greatly enhanced the export capability to MECS. AEP enhanced the capacity of the South Canton 765/345 kV transformer by replacing the single-phase transformers with ones of greater capacity. This

enhancement has increased the South Canton 765/345 kV transformer nameplate capacity by 50%. (The South Canton 765/345 kV transformer has been a constraint to transfers into MECS.) Also, in November 2004, I&M replaced the 345/138 kV transformer at the Olive Station just south of the Michigan/Indiana border with a larger capacity unit. These enhancements resulted in greater transmission export capability from, or through, the East Zone of the AEP System to MECS. Additionally, the Cook-Palisades 345 kV double circuit line which plays a critical role in transferring power into MECS was upgraded to remove sag limitations. The removal of sag limitations will enable operation of the subject 345 kV double circuit line at temperatures up to 284 degrees Fahrenheit and in compliance to the NESC standard. These transmission enhancements augment the ability of the AEP transmission system to deliver energy to MECS.

Furthermore, in June 2006, AEP completed the 90-mile 765 kV circuit in West Virginia and Virginia between the Wyoming and Jacksons Ferry Stations to mitigate potential thermal overloads and low voltages that could result from the unexpected loss of 765 kV or 500 kV transmission facilities. Also, AEP's proposed projects including establishment of the Don Marquis 345/138 kV Station in southern Ohio with 2-345/138 kV 450 MVA transformers, the AEP Interstate Project involving construction of approximately 550 miles of 765 kV line, and the potential expansion of a robust 765 kV infrastructure into Michigan, will provide significant improvements to the interconnected transmission system reliability and capacity requirements. These transmission expansions illustrate AEP's commitment to maintain the continued reliability of the transmission system.

# AEP System East Zone
## Projected Peak Demand, Generation Resources and Reserve Margin
## Summer 2007

| | Based on Including Interruptible Load | | Interruptible Load (a) | Based on Excluding Interruptible Load |
|---|---|---|---|---|
| **1. PEAK DEMAND - MW** | | | | |
| Peak Internal Demand | 22,354 | (b) | 614 | 21,740 |
| Other Committed Sales | 1,522 | (c) | | 1,522 |
| Total Demand | 23,876 | | 614 | 23,262 |
| **2. GENERATION RESOURCES - MW** | | | | |
| Installed Capability | 26,867 | | | 26,867 |
| Net Installed Capacity Sales | (119) | | | (119) |
| Capacity Addition | 438 | (d) | | 438 |
| Total Installed Capacity | 27,186 | | | 27,186 |
| **3. RESERVE MARGIN - MW** | | | | |
| Including all Generation Resources | | | | |
| -- MW (e) | 3,310 | | | 3,924 |
| -- % of Demand | 13.9 | | | 16.9 |

Notes: (a) Assumes that the interruptible load is "utilized" by exercising the appropriate tariff.
(b) Reflects demand side management.
(c) Net of associated losses that are included in Peak Internal Demand.
(d) The additional capacity associated with a planned generating asset purchase.
(e) Available for contingencies.

**AEP SYSTEM - EAST ZONE**
**GENERATING CAPACITY EXPECTED IN SERVICE**
**SUMMER 2007**

| PLANT (A) | UNITS | NOTES | AEP SYSTEM CAPABILITY-MW |
|---|---|---|---|
| John E. Amos | 1-3 | | 2,900 |
| W. C. Beckjord | 6 | (B) | 52 |
| Big Sandy | 1-2 | | 1,060 |
| Cardinal | 1 | | 585 |
| Ceredo | 1-6 | | 450 |
| Clinch River | 1-3 | | 690 |
| Conesville | 3,5-6 | | 915 |
| Conesville | 4 | (B) | 339 |
| Cook Nuclear | 1-2 | | 2,106 |
| Gen. J. M. Gavin | 1-2 | | 2,655 |
| Glen Lyn | 5-6 | | 325 |
| Kammer | 1-3 | | 600 |
| Kanawha River | 1-2 | | 390 |
| Mitchell | 1-2 | | 1,514 |
| Mountaineer | 1 | | 1,280 |
| Muskingum River | 1-5 | | 1,375 |
| Picway | 5 | | 90 |
| Rockport | 1-2 | | 2,600 |
| Smith Mtn. (Pumped Storage) | 1-5 | | 585 |
| Sporn | 1-5 | | 1,020 |
| J. M. Stuart | 1-4 | (B) | 608 |
| J. M. Stuart (Diesel) | 1-4 | (B) | 3 |
| Tanners Creek | 1-4 | | 980 |
| Waterford | 1-4 | | 810 |
| W. H. Zimmer | 1 | (B) | 330 |
| Conventional Hydro | | | 284 |
| Total Excl. Buckeye | | | 24,546 |
| Cardinal (Buckeye Power) | 2-3 | (C) | 1,215 |
| Total Incl. Buckeye | | | 25,761 |
| **Capacity Purchases** | | | |
| Clifty & Kyger (OVEC) | 1-6 | (D) | 951 |
| Robert Mone (Natural Gas) | 1-3 | (E) | 75 |
| Summersville (Hydro) | | | 80 |
| **Total Incl. Buckeye and Purchases** | | | **26,867** |

**NOTES:**
A. Except where stated otherwise, all units are coal fired.
B. Capability shown reflects CSP's share of unit owned jointly with CG&E and DP&L.
C. Cardinal Units 2 and 3 (600 MW and 630 MW, respectively) are owned by Buckeye Power, Inc.
D. AEP's PPR share of OVEC purchase.
E. AEP's purchased share of Mone capacity.

**CONFIRMED REQUESTS FOR FIRM TRANSMISSION SERVICE TO MECS**
**SUMMER 2007**
**(PER PJM OASIS, AS OF 02/20/07)**

| TRANS ID | PATH | MW | START | STOP | PRODUCT | TYPE | STATUS | REQUEST TYPE | QUEUED | PROVIDER | ACCEPTED | CONFIRMED |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 499705 | PJM-MECS | 50 | 01/01/07 00 | 01/01/08 00 | year-FIRM | POINT TO POINT | CONFIRMED | RENEWAL | 9/27/2006 | PJM Interconnection | 10/17/2006 | 10/31/2006 |
| 499706 | PJM-MECS | 50 | 01/01/07 00 | 01/01/08 00 | year-FIRM | POINT TO POINT | CONFIRMED | RENEWAL | 9/27/2006 | PJM Interconnection | 10/17/2006 | 10/31/2006 |
| 499707 | PJM-MECS | 50 | 01/01/07 00 | 01/01/08 00 | year-FIRM | POINT TO POINT | CONFIRMED | RENEWAL | 9/27/2006 | PJM Interconnection | 10/17/2006 | 10/31/2006 |
| 499709 | PJM-MECS | 20 | 01/01/07 00 | 01/01/08 00 | year-FIRM | POINT TO POINT | CONFIRMED | RENEWAL | 9/27/2006 | PJM Interconnection | 10/17/2006 | 10/31/2006 |
| 499711 | PJM-MECS | 50 | 01/01/07 00 | 01/01/08 00 | year-FIRM | POINT TO POINT | CONFIRMED | RENEWAL | 9/27/2006 | PJM Interconnection | 10/17/2006 | 10/31/2006 |
| 499713 | PJM-MECS | 27 | 01/01/07 00 | 01/01/08 00 | year-FIRM | POINT TO POINT | CONFIRMED | RENEWAL | 9/27/2006 | PJM Interconnection | 10/17/2006 | 10/31/2006 |
| 499714 | PJM-MECS | 27 | 01/01/07 00 | 01/01/08 00 | year-FIRM | POINT TO POINT | CONFIRMED | RENEWAL | 9/27/2006 | PJM Interconnection | 10/17/2006 | 10/31/2006 |
| 499719 | PJM-MECS | 50 | 01/01/07 00 | 01/01/08 00 | year-FIRM | POINT TO POINT | CONFIRMED | RENEWAL | 9/27/2006 | PJM Interconnection | 10/17/2006 | 10/31/2006 |
| 499721 | PJM-MECS | 50 | 01/01/07 00 | 01/01/08 00 | year-FIRM | POINT TO POINT | CONFIRMED | RENEWAL | 9/28/2006 | PJM Interconnection | 10/17/2006 | 10/31/2006 |
| 499785 | PJM-MECS | 100 | 01/01/07 00 | 01/01/08 00 | year-FIRM | POINT TO POINT | CONFIRMED | RENEWAL | 9/28/2006 | PJM Interconnection | 10/2/2006 | 10/2/2006 |
| 499720 | PJM-MECS | 100 | 02/01/07 00 | 02/01/08 00 | year-FIRM | POINT TO POINT | CONFIRMED | RENEWAL | 9/27/2006 | PJM Interconnection | 10/30/2006 | 10/31/2006 |

Note: All above transmission service requests are from an affiliate of AEP.

| REFUSED REQUESTS FOR FIRM TRANSMISSION SERVICE TO MECS<br>SUMMER 2007<br>(PER PJM OASIS, AS OF 02/20/07) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **TRANS ID** | **PATH** | **MW** | **START** | **STOP** | **PRODUCT** | **TYPE** | **STATUS** | **REQUEST TYPE** | **QUEUED** | **PROVIDER** | **REFUSED** |
| 278236 | PJM-MECS | 25 | 06/01/06 00 | 06/01/14 00 | year-FIRM | POINT TO POINT | REFUSED | ORIGINAL | 6/30/2004 | PJM Interconnection | 9/10/2004 |