

City Council

Special Meeting Agenda

Friday, May 27, 2016
8:00 a.m., Council Chambers



1. Call to Order
2. Roll Call
3. Council will be asked to consider Resolution 2016-32, a resolution setting a per parcel fee schedule for Short-Term Rental Registrations and the application fee for increased building capacity requests.
4. Council will be asked to consider Resolution 2016-33, a resolution authorizing cancellation of the Amended and Restated Cost-Based Formula Rate Agreement for Full Requirements Electric Service by and between Indiana Michigan Power Company and the City of South Haven.
5. **Interested Citizens in the Audience Will be Heard on Items Not on the Agenda**
(You will be given up to 5 minutes to address your concerns.)
6. **City Manager's Comments**
7. **Mayor and Councilperson's Comments**
8. **Adjourn**

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to read "B. Dissette", is written over a light blue horizontal line.

Brian Dissette
City Manager

South Haven City Hall is Barrier-free and the City of South Haven will provide the necessary reasonable auxiliary aids and services for persons with disabilities, such as signers for the hearing impaired and audio tapes of printed materials being considered at the meeting to individuals with disabilities at the meeting upon seven (7) days notice to the South Haven City Clerk. Individuals with disabilities requiring services should contact the City Clerk by writing or calling South Haven City Hall at (269) 637-0750.



Agenda Item 3

Short-Term Rental Registration & Application for Increased Building Capacity Fee Consideration

Background Information:

The City Council will be asked to approve Resolution 2016-32, a resolution approving the adoption of a fee schedule for the short-term rental registration fee and the application fee for increased building capacity requests.

The city's staff is currently implementing the short-term rental registration component of the recently adopted short-term rental ordinance. Currently the rental registration submission has no approved fee schedule. Staff recommends that the City Council consider approval of a fee schedule, which would set the rental registration fee at \$20.00 per parcel.

For reference, the city's staff contacted a variety of lakefront communities, and requested their fee schedules for short-term rental registrations. Below is a summary of the various fee schedules:

City of St. Joseph: \$10.00
City of Saugatuck: \$45.00
City of Grand Haven: \$35.00

The \$20.00 per parcel fee schedule, as proposed, appears to be a reasonable fee and should sufficiently cover the additional labor, materials, and software costs for the registration portion of the ordinance implementation.

Additionally, the City Council should consider approval of the application fee for increased building capacity requests. With the adoption of the short-term rental ordinance, the City Council approved language which allows property owners to seek additional capacity for their property. The ordinance language notes the following:

An owner or local agent may apply for permission to have the maximum occupancy of a dwelling unit on mixed use property increased above the maximum of 16 total occupants established in Section 10-243(d)(2), to the lesser of: (i) 24 total occupants; or (ii) 2 occupants per bedroom plus 2 per finished floor. Applications for increase shall be submitted to and decided by a committee comprised of the City Manager or his or her designee, the City's Director of Public Works or his or her designee, and the Police Chief or his or her designee. Applications shall be submitted on a standard form provided by the City, and shall be accompanied by any applicable fee established by resolution of the City Council. The committee shall decide an application for increase in a public meeting with advance notice of that meeting given to owners of real property within 300 feet of the boundaries of the property for which an application for increase has been filed. The committee shall grant the application

only upon determining that subsections (d) (3) (A) and (d) (3B) are satisfied (e.g., automatic sprinkling system, fire alarm system, fire-rated corridors, etc.)

The city's staff is currently finalizing the creation of the capacity increase application forms. Prior to implementing the capacity increase application process, the City Council will need to consider approval of a fee schedule. Staff recommends that the City Council consider approval of a fee schedule, which would set the capacity increase fee at \$500.00 per parcel. That per parcel fee will offset the contracted cost of having the Building Inspector and contracted engineer review the plans to ensure compliance with the required safety elements. Further, the \$500.00 per parcel fee will cover the costs associated with public notices, mailings, and site plan submittals to the city's Planning Commission.

The \$500.00 per parcel fee schedule, as proposed, appears to be a reasonable fee and should sufficiently cover the additional labor, materials, and software costs for the capacity increase application process.

Recommendation:

The City Council will be asked to approve Resolution 2016-32, a resolution approving the adoption of a fee schedule for the short-term rental registration fee and the application fee for increased building capacity requests.

Support Material:

Resolution 2016-32

CITY OF SOUTH HAVEN
VAN BUREN AND ALLEGAN COUNTIES, MICHIGAN

RESOLUTION NO. 2016-32

A RESOLUTION ESTABLISHING A PERMIT FEE SCHEDULE
FOR SHORT-TERM RENTAL REGISTRATION AND BUILDING CAPACITY INCREASE
REQUEST APPLICATION

Minutes of a special meeting of the City Council of the City of South Haven, Van Buren and Allegan Counties, Michigan, held in the City Hall, 539 Phoenix Street, South Haven, Michigan 49090 on May 27, 2016 at 8:00 a.m. local time.

PRESENT: _____

ABSENT: _____

The following preamble and resolution was offered by Member _____ and supported by Member _____.

WHEREAS, permit fees are intended to provide revenue to cover the cost of providing rental registration services and increased building capacity request application; and

WHEREAS, municipal code requires a fee schedule to be adopted by resolution.

THEREFORE, BE IT RESOLVED, that the City of South Haven adopts a rental registration permit application and building capacity increase request application and fee schedule as attached, effective upon adoption and publication of the minutes.

BE IT FURTHER RESOLVED, that this resolution shall take effect upon passage by the City Council.

RECORD OF VOTE:

Yeas: _____

Nays: _____

RESOLUTION DECLARED ADOPTED.

Mayor Robert G. Burr

CERTIFICATION

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council at a meeting held on the 27th day of May, 2016, at which meeting a quorum was present, and that this resolution was ordered to take immediate effect. Public notice of said meeting was given pursuant to and in compliance with the Open Meetings Act, Act No. 167 of the Public Acts of Michigan 1976 (MCL 15.261 *et seq.*).

Amanda Morgan, City Clerk

EXHIBIT A

Short-Term Rental Registration Fee Schedule

Description:

Fee:

Short-term rental registration

\$20.00 per parcel

Building capacity increase request application

\$500.00 per parcel



City of South Haven

Department of Public Works

DPW Building • 1199 8th Ave • South Haven, Michigan 49090
Telephone (269) 637-0737 • Fax (269) 637-4778

MEMORANDUM

To: Brian Dissette, City Manager

From: Larry Halberstadt, PE, City Engineer

Date: May 23, 2016

RE: Cancellation of Cost-Based Formula Rate Agreement for Full Requirements Electric Service

Background Information:

The City of South Haven is currently party to an Amended and Restated Cost-Based Formula Rate Agreement for Full Requirements Electric Service with Indiana Michigan Power Company (the Agreement). The City entered into this Agreement effective July 1, 2006. Amendments to this agreement were approved by resolution of City Council on January 19, 2015.

Under the terms of the Agreement, Indiana Michigan Power Company will continue to deliver full requirements electric service to the City of South Haven until May 31, 2026, unless the City elects to cancel the Agreement prior to the end of the delivery period. Each year, the City has the opportunity to provide notice of contract termination prior to June 1st. If such notice is given, the contract will terminate on May 31, after four additional years of service.

The City of South Haven participates as a member of the Indiana and Michigan Municipal Distributor's Association (IMMDA). This organization consist of 5 Cities and Villages in Michigan and 6 Cities and Towns in Indiana. IMMDA was actively involved in negotiating the current Agreement with Indiana Michigan Power Company and 10 of the 11 members have an Agreement identical to South Haven's.

Over the past several years, IMMDA members have expressed concerns over the price being paid to Indiana Michigan Power Company under the Agreement. The terms of the Agreement require each municipality to pay for a proportional share of Indiana Michigan Power Company's total expenses, based on metered usage. In addition, Indiana Michigan Power Company is permitted to collect a guaranteed rate of return. These calculations are performed using a form developed by the Federal Energy Regulatory Commission, FERC Form 1. Over the years, the amount being paid per MWh has gradually increased. In reviewing records back to 2010, South Haven paid just \$52.47 per MWh in 2012 but by 2015 the cost had increased to \$62.71. (These amounts do not include transmission costs paid to PJM and Indiana Michigan Power Company.) IMMDA members have also expressed their displeasure with Indiana Michigan's ability to forecast future costs and the cost variability that occurs with the annual true-up.

As a result, IMMDA's consultant, GDS Associates, Inc., issued a Request for Proposals for Load Following and Fixed Load Shape Indicative Pricing with service beginning in 2020. This

Memorandum

May 23, 2016

Cancellation of Cost-Based Formula Rate Agreement for Full Requirements Electric Service

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RFP was released to energy suppliers that are connected to the PJM Regional Transmission Organization. In order to purchase energy in the PJM market, a Load Serving Entity must purchase three products: Energy (\$/MWh), Capacity (\$/MW-day), and Transmission. Transmission prices are set by PJM and it is anticipated that these charges would not change significantly with an alternate energy supplier. In addition, the proposal issued by IMMMDA only requested energy pricing. Capacity pricing for 2020 and beyond is not yet available. GDS utilized an estimate of current market rates for capacity and converted price into \$/MWh for comparison with the current rates being paid to Indiana Michigan Power Company. A total of nine companies provided pricing for fixed load shape products and seven companies provided pricing for load following products. The results of the RFP indicate that IMMMDA members should be able to purchase Energy and Capacity in the range of \$45-\$50 per MWh from various companies. Even AEP, the parent company of Indiana Michigan Power Company provided a quote of \$50.13 per MWh.

Based on the results of this RFP, nine of the IMMMDA members, including the two largest members representing over 50% of the total sales, have all expressed an interest in providing notice of contract termination this year. One member actually provided notice last year for 2019 termination. Due to a slightly different contract, Dowagiac is not able to provide notice until 2021. IMMMDA has requested South Haven to consider providing notice along with the other nine members.

On May 16, City staff attended the annual true-up meeting with Indiana Michigan Power Company. The President of the company was at that meeting and was aware of IMMMDA's RFP. Indiana Michigan did admit that the energy market is currently soft, due primarily to low natural gas prices. Indiana Michigan does not currently have any natural gas combined cycle generation. Indiana Michigan highlighted their efforts to control costs over the years, but did admit that they are not able to compete with the market at this point in time.

IMMMDA intends to work closely with GDS Associates, Inc. over the next 6 months to put in place agreements to purchase Load Following agreements with an alternative energy supplier. IMMMDA believes that Indiana Michigan or their parent company, American Electric Power Service Corporation will be interested in continuing to serve the members. In addition, IMMMDA believes that ten municipal utilities negotiating together will have increased leverage to obtain the best possible pricing for all members. Although terms of such an agreement are not yet known, GDS Associates, Inc. has indicated that it should be feasible to negotiate a 5-year contract at a rate less than we are paying currently. If market conditions do not fluctuate significantly between today and the date that the deal is finalized, then it is anticipated that we would be able to obtain a rate for energy and capacity in the range of \$45-\$50 per MWh. This would decrease our purchased power costs by approximately 20%.

The Board of Public Utilities reviewed giving notice of cancellation at their May 23, 2016 regular meeting. After discussion, the Board voted unanimously to recommend that City Council consider Resolution 2016-33.

Memorandum

May 23, 2016

Cancellation of Cost-Based Formula Rate Agreement for Full Requirements Electric Service

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Recommendation:

Because the notice of cancellation needs to be provided prior to May 31, 2016, it is recommended that a special meeting of City Council be held on Friday, May 27. At that meeting, Council should consider Resolution 2016-33, a Resolution authorizing cancellation of the Amended and Restated Cost-Based Formula Rate Agreement for Full Requirements Electric Service by and between Indiana Michigan Power Company and the City of South Haven. Upon approval of this Resolution, a letter of cancellation will be transmitted to Indiana Michigan Power Company and AEP, notifying them of our desire to terminate service on June 1, 2020.

Attachments:

Amended and Restated Cost-Based Formula Rate Agreement
Appendices B & C to Amended Agreement
Indiana and Michigan Municipal Distributor's Association RFP
IMMDA Spring 2016 Indicative Pricing Results Summary
IMMDA Spring 2016 RFP Follow Up Items
Draft Resolution 2016-33
Draft Notice Letter to Indiana Michigan Power Company

**AMENDED AND RESTATED
COST-BASED FORMULA RATE
AGREEMENT FOR
FULL REQUIREMENTS ELECTRIC SERVICE**

BY AND BETWEEN

INDIANA MICHIGAN POWER COMPANY

AND

THE CITY OF SOUTH HAVEN, MICHIGAN

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**AMENDED AND RESTATED COST-BASED FORMULA RATE
AGREEMENT FOR FULL REQUIREMENTS ELECTRIC SERVICE**

This AMENDED AND RESTATED COST-BASED FORMULA RATE AGREEMENT FOR FULL REQUIREMENTS ELECTRIC SERVICE dated February 1, 2015 amends and restates, in its entirety that AGREEMENT dated as of May 24, 2006 (“Effective Date”) and is by and between the Indiana Michigan Power Company (hereinafter referred to as “Company”), and the City of South Haven, Michigan (“Customer”) (Company and Customer each individually referred to herein as a “Party,” or collectively, the “Parties”).

RECITALS

WHEREAS, Company is a corporation organized and existing under the laws of the State of Indiana, with its principal place of business at One Summit Square, 110 East Wayne Street, Fort Wayne, Indiana, 46802, and owns and operates facilities for the generation, transmission and distribution of electric power and energy in the States of Indiana and Michigan; and

WHEREAS, Customer is a municipal corporation chartered and existing under and by virtue of the laws of the State of Michigan, with its principal place of business at 539 Phoenix Street, South Haven, Michigan, 49090-1499; and

WHEREAS, Company is an electric utility subsidiary of American Electric Power Company, Inc. (“AEP”), is part of the integrated AEP System, and is a signator to various agreements with one or more AEP subsidiaries; and

WHEREAS, Customer desires to purchase Full Requirements Electric Service from Company to meet Customer’s Retail Load; and

WHEREAS, Company has proposed to supply Full Requirements Electric Service to Customer, subject to the terms and conditions set forth herein; and

WHEREAS, the Parties have met numerous times to develop a cost-based formula rate for Full Requirements Electric Service.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Parties hereby agree that this Agreement, together with the Appendices attached hereto and Related Documents, sets forth the terms under which Company will supply Full Requirements Electric Service to Customer, during the Delivery Period; constitutes the entire agreement between the Parties relating to Full Requirements Electric Service at cost-based rates; and supersedes any other agreements, written or oral (including without limitation any preliminary term sheet), between the Parties concerning this subject matter.

ARTICLE 1: DEFINITIONS

The following words and terms shall be understood to have the following meanings when used in this Agreement or in any associated documents entered into in conjunction with this Agreement, unless a different meaning is plainly required by the context. This Agreement includes certain capitalized terms that are not explicitly defined herein. Such capitalized terms shall have the meanings specified in the “Related Documents,” as the same are in effect from time to time, which meanings are incorporated herein by reference and made a part hereof. In the event of any inconsistency between a definition contained herein and a definition contained in “Related Documents,” the definition in this Agreement shall control for purposes of this Agreement. Certain other definitions as required appear in subsequent parts of this Agreement.

- 1.1 AEP Interconnection Agreement** means the agreement on file at FERC, commonly referred to as the AEP Pool Agreement, that regulates the inter-company charges and credits for capacity and energy among the following AEP Operating Companies: Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company and Ohio Power Company.
- 1.2 AEP Operating Companies** means the electric utility subsidiaries of AEP, consisting of Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Ohio Power Company, Southwest Electric Power Company and Public Service Company of Oklahoma. "AEP Operating Companies" may include fewer than all of the listed companies, or may include the American Electric Power Service Corporation (“AEPSC”), where the context requires such interpretation.
- 1.3 Affiliate** means, with respect to any person or corporation, any other person or corporation (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such person or corporation. For this purpose, “control” means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.
- 1.4 Agreement** means this Cost-Based Formula Rate Agreement for Full Requirements Electric Service, including the Appendices and Related Documents, as amended, modified or supplemented from time to time.
- 1.5 Ancillary Services** means the following services related to the Full Requirements Electric Service to be supplied under the terms of this Agreement to the Delivery Points: those services set forth in the OATT schedules and any supplemental or revised tariffs or schedules adopted by the Transmission Provider, including, without limitation, Scheduling, System Control and Dispatch Service; Transmission Owners Scheduling, System Control and

Dispatch Service; Reactive Supply and Voltage Control from Generation Sources Service; Regulation and Frequency Response Service; Energy Imbalance Service; Operating Reserve-Spinning Reserve Service; Operating Reserve-Supplemental Reserve Service; and Black Start Service (as each of those services is defined in the OATT).

- 1.6 Billing Period** means the calendar month which shall be the standard period for all payments and metering measurements under this Agreement, unless otherwise specifically required by the Transmission Provider or the entity providing meter reading services.
- 1.7 Business Day** means a day ending at 5:00 p.m. Eastern Prevailing Time, other than Saturday, Sunday and any day which is a legal holiday or a day designated as a holiday by the North American Electric Reliability Council; provided, that, with respect to any payment due hereunder, or any other obligation of Company or Customer, a “Business Day” means a day ending at 5:00 p.m. Eastern Prevailing Time, other than Saturday, Sunday and any day which is a legal holiday or a day on which banking institutions in Michigan and/or Columbus, Ohio are authorized by law to close; and, provided, further, that with respect to any notices for scheduling to be delivered pursuant to any Section hereof, a “Business Day” shall be a day other than Saturday, Sunday and any day which is a legal holiday or a day designated as a holiday by the Transmission Provider.
- 1.8 Calendar Year** means a twelve-consecutive-month period commencing at the start of hour ending (“HE”) 0100 on January 1 and ending at the conclusion of HE 2400 on December 31.
- 1.9 Claims** means all third party claims or actions, threatened or filed and, whether groundless, false, fraudulent or otherwise, that directly or indirectly relate to the subject matter of this Agreement, and the resulting losses, damages, expenses, reasonable attorneys’ fees and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement.
- 1.10 Confidential Information** means such information as the Parties agree shall remain confidential. Notwithstanding the foregoing, the following shall not constitute Confidential Information:
- a. Information which was already in a Party’s possession prior to its receipt from another Party and not subject to a requirement of confidentiality;
 - b. Information which is obtained from a third person who, insofar as is known to the Party, is not prohibited from transmitting the information to the Party by a contractual, legal or fiduciary obligation to the Party; and

c. Information which is or becomes publicly available through no fault of the Party.

- 1.11 Contract Year** means a twelve-consecutive-month period beginning at the start of HE 0100 on June 1 and ending at the conclusion of HE 2400 on May 31 of the subsequent Calendar Year.
- 1.12 Credit Rating** means, with respect to any entity, the rating then assigned to such entity's unsecured, senior long-term debt obligations or its long-term revenue bonds (not supported by third party credit enhancements) or if such entity does not have a rating for its senior unsecured long-term debt or its long-term revenue bonds, then the rating, if any, then assigned to such entity as an issuer rating by S&P and/or Moody's.
- 1.13 Defaulting Party** means the Party who has caused an Event of Default.
- 1.14 Delivery Period** means the period defined in Section 2.2 of this Agreement.
- 1.15 Delivery Points** mean the point or points designated on Appendix A, to which Company will deliver and at which Customer will accept Firm Energy.
- 1.16 Early Termination Date** is the date selected by the Non-Defaulting Party to terminate this Agreement in accordance with Section 7.2 herein.
- 1.17 Eastern Prevailing Time** means the prevailing time in Columbus, Ohio.
- 1.18 Energy** means three-phase, 60-cycle alternating current electric energy, expressed in KWhs.
- 1.19 Event of Default** means those events by the Defaulting Party, as set forth in Article 7 of this Agreement, which give the Non-Defaulting Party the right to terminate this Agreement or exercise other remedies available under this Agreement or at law or in equity.
- 1.20 FERC** means the Federal Energy Regulatory Commission.
- 1.21 Firm Energy** means Energy that Company is required by this Agreement to sell and deliver and that Customer is required by this Agreement to purchase and receive, in each case without curtailment or interruption except as provided in Sections 8.1 and 8.2 hereof, unless relieved of their respective obligations without liability by Force Majeure, but in the case of Force Majeure only to the extent that, and for the period during which, either Party's performance is prevented by Force Majeure. Firm Energy shall be provided in accordance with the Transmission Provider's FERC-approved tariffs, Market Rules and Procedures.

- 1.22 Force Majeure** means an event or circumstance, subject to the limitations set forth below, that prevents one Party from performing its obligations under this Agreement, which event or circumstance was not anticipated as of the Effective Date of this Agreement, which is not within the reasonable control of, or the result of the negligence of, the Claiming Party, and which, by the exercise of due diligence, the Claiming Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall not be based on (i) the loss of any load by Customer; (ii) Customer's inability economically to use or resell the Full Requirements Electric Service contracted for hereunder; (iii) the loss or failure of Company's Generation Resources; or (iv) Company's ability to resell the Full Requirements Electric Service at a price greater than the pricing set forth herein.
- 1.23 Full Requirements Electric Service** means the supply of Firm Energy Company is required to supply to the Customer at the Delivery Points, as the same may fluctuate in real time to serve Customer's Retail Load, together with all associated generation-related services as more fully described in Article 3 and Appendix C of this Agreement.
- 1.24 Generation Resource** means the generation assets owned by Company, which, as of the Effective Date of this Agreement, consist of the Donald C. Cook Nuclear Plant (Units 1 and 2), the Rockport Plant (Units 1 and 2), the Tanners Creek Plant (Units 1 through 4), and various hydroelectric facilities; the Company's share of any jointly-owned units; long-term capacity purchases by the Company; and all generating plants of co-generators, qualifying facilities, and independent power producers that are not owned by the Company, but that produce electric power and sell it to the Company. The individual elements of Generation Resources are expected to change during the Term of this Agreement, but the Company shall maintain sufficient Generation Resources to meet reliably its load obligations as a public utility during the Term of this Agreement.
- 1.25 Good Utility Practice** means any of the practices, methods, techniques and standards (including the practices, methods, techniques and standards approved by a significant portion of the electric power generation industry, the Transmission Provider and/or NERC) that, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made and having due regard for, among other things, contractual obligations, applicable laws and equipment manufacturer's recommendations, could have been expected to accomplish the desired result in a manner consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, technique or standard to the exclusion of all others, but rather to be a range of possible practices, methods, techniques or standards within which I&M shall conduct its activities under this Agreement.

- 1.26 **KW** means kilowatt.
- 1.27 **KWh** means kilowatt-hour.
- 1.28 **Letter(s) of Credit** means one or more irrevocable, transferable standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a Credit Rating of at least A- from S&P or A3 from Moody's, in a form and from a bank acceptable to the Company. Costs of a Letter of Credit shall be borne by the applicant for such Letter of Credit.
- 1.29 **Load Serving Entity** means any entity (or the duly designated agent of such an entity), (i) serving end-users within the Transmission Provider's transmission service area, and (ii) that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the Transmission Provider's transmission service area.
- 1.30 **Losses** means any transmission loss, transformation loss, sub-transmission and/or distribution losses incurred in providing Full Requirements Electric Service hereunder; provided, however, that Losses shall only include losses incurred between the sources of Energy and the Delivery Points. In no case shall Losses include losses that may be incurred from the Delivery Points to the ultimate retail customers.
- 1.31 **Market Rules and Procedures** means the market rules, manuals and procedures adopted by the Transmission Provider, as may be amended from time to time, and as administered by the Transmission Provider to govern operations within the Transmission Provider's transmission service area.
- 1.32 **Monthly Charges** means the monthly charges set out in Article 4 of this Agreement.
- 1.33 **Moody's** means Moody's Investors Service, Inc. and its successors.
- 1.34 **MW** means Megawatt.
- 1.35 **MWh** means Megawatt-hour.
- 1.36 **NERC** means the North American Electric Reliability Council.
- 1.37 **Network Integration Transmission Service** or **NITS** means firm transmission service as set forth in the Transmission Provider's OATT that provides for delivery of Firm Energy to the Delivery Points.
- 1.38 **Non-Defaulting Party** means the Party that has not caused an Event of Default.

- 1.39 Normal Load Growth** means the future projected load growth, as measured by Customer's hourly peak demand, in the current Contract Year, predicted by the method below that yields the higher value: (a) the maximum annual peak demand over a 60 minute interval in any of the previous three (3) Contract Years times 1.04; or (b) the maximum annual peak demand over a 60 minute interval in any of the previous three (3) Contract Years plus five thousand (5,000) kilowatts. Load growth that occurs as a result of Customer annexing territory that Company serves at retail shall not be treated as load growth for purposes of this definition, but such annexed load shall be served under this Agreement.
- 1.40 OATT** means the Transmission Provider's Open Access Transmission Tariff on file at FERC.
- 1.41 Performance Assurance** means collateral in the form of either cash, Letter(s) of Credit, or other security acceptable to the Company.
- 1.42 PJM** means PJM Interconnection, LLC.
- 1.43 Related Documents** means, either collectively or individually, the Interconnection and Local Delivery Services Agreement, the PJM Open Access Transmission Tariff, the PJM Operating Agreement, the PJM Reliability Agreement, the PJM West Reliability Agreement, and any other applicable PJM Market Rules And Procedures.
- 1.44 Retail Load** means Energy metered at the Delivery Points to meet the requirements of Customer's end use customers (including Customer's own end use for such things as street lighting and municipal buildings) located within the franchised service territory that Customer has a statutory or contractual right or obligation to serve.
- 1.45 S&P** means Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.).
- 1.46 Term** is defined in Section 2.1 of this Agreement.
- 1.47 Transmission Provider** means the entity or entities transmitting or transporting the Firm Energy, and responsible for providing Ancillary Services associated with the delivery of Full Requirements Electric Service, from the Generation Resources to the Delivery Points. The Transmission Provider as of the Effective Date of this Agreement is PJM.

ARTICLE 2: TERM, SERVICE AND DELIVERY PROVISIONS

- 2.1 Term.** The Term of this Agreement shall begin as of the Effective Date and extend through and include the end of the Delivery Period. Whenever the Term of this

Agreement ends, the applicable provisions of this Agreement shall continue in effect for one year in accordance with Article 16.11, Survival, or by their own terms, or to the extent necessary to provide for final accounting, billing (including any “true-up” billing provided for in this Agreement), billing adjustments, resolution of any billing disputes, realization of any collateral or other security, set-off, final payments, or payments pertaining to liability and indemnification obligations arising from acts or events that occurred in connection with this Agreement during the Term.

2.2 Delivery Period.

- (a) The Delivery Period shall commence on **July 1, 2006**, and extend through **May 31, 2026**, from HE 0100 through 2400 Eastern Prevailing Time, unless (i) this Agreement is canceled earlier in accordance with Sections 2.2(b) or 2.2(c) hereof, in which event the Delivery Period shall end as of 2400 Eastern Prevailing Time on the date the notice provided for in Sections 2.2(b) or 2.2(c) becomes effective; or (ii) an Early Termination Date becomes effective in accordance with the provisions of Article 7 of this Agreement, in which event the Delivery Period shall end as of 2400 Eastern Prevailing Time on the Early Termination Date.
- (b) Customer may cancel this Agreement prior to the end of the Delivery Period, effective on May 31, 2019, or on May 31 of any year thereafter through 2025, by delivering to Company not less than four (4) years prior to June 1 of any of those years, written notice of Customer’s intention to cancel this Agreement. For example, providing notice of cancellation before June 1, 2015, shall terminate this Agreement as of May 31, 2019.
- (c) With six (6) months advance written notice, either Party may cancel this Agreement, prior to the end of the Delivery Period, if a Material Impact occurs as a result of any of the following:
 - (i) The sale, transfer or permanent shut-down of Cook Unit 1, Cook Unit 2, or the Company’s net share of Rockport Unit 1 or Rockport Unit 2, determined as of the Effective Date of this Agreement;
 - (ii) A merger or consolidation of the Company with another entity, the acquisition of the Company by another entity, a change of control of the Company pursuant to which an entity acquires 50% or more of the voting stock of the Company, or the acquisition of another entity by the Company; or
 - (iii) A change in the AEP Interconnection Agreement.

Material Impact means an increase of at least thirty-five percent (35%) in Company’s annual costs per MWh, as determined pursuant to Appendix B, from one Calendar Year to the next Calendar Year.

- (d) Any notice given under Section 2.2(b) or 2.2(c) of this Agreement, for any reason, shall irrevocably terminate or cancel forever both this Agreement and any obligation on the Company's part to provide service to Customer under this Agreement. Customer further expressly acknowledges and agrees that the Customer waives any and all rights to raise in any forum a claim that the Company must provide service to Customer on the basis of
- (i) any terms or provisions of this Agreement, once this Agreement is terminated or cancelled;
 - (ii) any previous agreements between the Customer and the Company, including, but not limited to, any previous electric service agreements, any settlement agreements resolving FERC proceedings or any settlement agreements resolving any state or federal court suits (including the antitrust suits filed by Customer and others in the U.S. District Court for the Northern District of Indiana in Docket Nos. 74-72, 75-210, 77-210, 79-43); or
 - (iii) any FERC tariffs or court orders in existence as of the Effective Date of this Agreement.

Customer expressly acknowledges that Customer also waives any right to request vacatur of the order of dismissal or to reinstitute proceedings in the antitrust suits filed in U.S. District Court for the Northern District of Indiana.

2.3 Planning.

- (a) The Parties understand and agree that, as a result of this Agreement, the Company will plan to provide Full Requirements Electric Service to Customer during the Term of this Agreement. In recognition of this fact, the Parties have entered into this long-term Agreement. In order for the Company to continue to plan to serve the Customer beyond the end of the Delivery Period, the Parties understand and agree that, absent a written mutual agreement to the contrary, the Parties will need to negotiate and execute a new agreement for a new delivery period extending beyond the last day of the Term of this Agreement, at least eight (8) years before the end of the Delivery Period.
- (b) At the end of the Term of this Agreement, the Company's obligation to serve Customer under this Agreement shall terminate, and Customer expressly acknowledges that the Customer waives any and all rights to raise in any forum a claim that the Company must provide service to Customer on the basis of:
- (i) any terms or provisions of this Agreement;
 - (ii) any previous agreements between the Customer and the Company, including, but not limited to, any previous electric service agreements, any settlement

agreements resolving FERC proceedings or any settlement agreements resolving any state or federal court suits (including the antitrust suits filed by Customer and others in the U.S. District Court for the Northern District of Indiana in Docket Nos. 74-72, 75-210, 77-210, 79-43); or

- (iii) any FERC tariffs or court orders in existence as of the Effective Date of this Agreement.

Customer expressly acknowledges that Customer also waives any right to request vacatur of the order of dismissal or to reinstitute proceedings in the antitrust suits filed in U.S. District Court for the Northern District of Indiana.

- (c) In order to allow Company to plan to meet Customer's Retail Load, Customer agrees to provide the Company, by June 1 of each Calendar Year during the Term of this Agreement, a forecast of Customer's expected Retail Load for the following eight Calendar Years.

2.4 Delivery Points. The Delivery Points for the Full Requirements Electric Service to be provided hereunder are set forth on Appendix A. In coordination with the Transmission Provider, if necessary, and subject to the execution of any necessary agreements, the Parties may mutually agree to add or delete Delivery Points and to make other changes regarding Delivery Points. Consent to changes regarding Delivery Points shall not be unreasonably withheld. Whenever there is any change in Delivery Points, Appendix A hereto automatically shall be amended to reflect such change and, when necessary, be submitted to the FERC.

ARTICLE 3: SALE AND PURCHASE

3.1 Full Requirements Service.

- (a) During the Delivery Period, Company shall sell and deliver and Customer shall receive and purchase Full Requirements Electric Service sufficient to serve Customer's Retail Load, except as otherwise provided herein. As a provider of Full Requirements Electric Service, Company is solely responsible for satisfying all requirements and paying all costs incurred or to be incurred to provide Full Requirements Service, and Customer shall pay for such Full Requirements Electric Service as provided in Article 4 of this Agreement. Full Requirements Electric Service includes all generation-related services and schedules associated with Full Requirements Electric Service, as more fully identified in Appendix C of this Agreement.
- (b) Appendix C, delineating the respective cost responsibilities of Company and Customer for generation-related and transmission-related services and schedules,

respectively, is based upon the current PJM Operating Agreement and PJM OATT, and reflects the Company's current accounting for generation-related services and schedules, which are collected through the cost of service formulas set forth in Appendix B hereto. As either (i) schedules and services are added, deleted or changed in those agreements and tariffs of the Transmission Provider or in other documents governing the provision of and charges for services required in connection with Full Requirements Electric Service, or (ii) the accounting for such charges is changed, the Parties shall negotiate in good faith to determine, consistent with the principles underlying Appendix C, which new or changed schedules and services are predominantly generation-related and therefore shall be included in Full Requirements Electric Service and which are predominantly transmission-related and therefore shall be the responsibility of Customer. Appendices B and C shall automatically be amended, in a prompt manner, to incorporate such changes, as are mutually agreed by the Parties, and, when necessary, submitted to the FERC. The Parties shall cooperate in good faith to ensure that, irrespective of changes in the mechanisms for recovery of costs by the Transmission Provider and changes in accounting, the respective cost responsibilities of Company and Customer shall remain governed by this Agreement. In no event shall the costs of a particular service or schedule associated with Full Requirements Electric Service be recovered twice from Customer through its inclusion both in the costs used to derive the Full Requirements Electric Service unit rates pursuant to Appendix B and also in the costs in Appendix C for which Customer is responsible.

The cost-of-service formulas attached hereto as Appendix B make reference to certain page and line numbers found in the FERC Form 1 for Calendar Year 2005. From time to time, the FERC makes changes in the format of the FERC Form 1. Such changes may result in certain page and line references included in Appendix B being rendered inaccurate. Therefore, the Parties agree that to the extent that only formatting changes are involved and there is no substantive change, Appendix B shall be interpreted as if the page and line references contained therein are references to the pages and lines contained in the current FERC Form 1 on which can be found the data described on the pages and lines of the 2005 FERC Form 1.

- (c) Company understands that the Customer's Retail Load may change from time to time. Except as specifically provided herein, at no time during the Delivery Period shall Customer use either (i) newly constructed or purchased generation resources, or (ii) new power purchase agreements, to reduce Customer's Retail Load. Company is responsible for Full Requirements Electric Service regardless of changes in Retail Load arising from daily fluctuations, increased or decreased usage, extreme weather and/or similar events; provided, however, that the Parties agree that this Agreement does not obligate the Company to sell to Customer, or the Customer to purchase from Company, at the rates set forth herein, Full Requirements Electric Service for any additions to Retail Load that exceed Normal Load Growth.

- (d) To the extent that Customer's Retail Load grows at a rate in excess of Normal Load Growth, Company and Customer agree to meet to discuss whether such excess Retail Load could be served under this Agreement, or whether changes could be made to this Agreement to address how Customer's Retail Load that exceeds Normal Load Growth can be met under this Agreement; provided however, neither Party shall be required to accept a change with which it, in its sole judgment, disagrees. If the Parties do not agree how Customer's Retail Load that exceeds Normal Load Growth can be met under this Agreement, then Customer shall have the right to find alternate supplies to serve such excess Retail Load, including the use of New Generation in accordance with this Article. With appropriate compensation, Company will cooperate with Customer with respect to the integration of such alternative supplies into the total supply of Customer.
- (e) If, during the Term of this Agreement, one or both units of Company's Cook Nuclear Plant experiences an outage that is anticipated to extend longer than three (3) months, and the Parties agree in writing that a reduction in Customer's Full Requirements Electric Service would be mutually beneficial, then Customer may reduce Customer's Full Requirements Electric Service for the duration of the outage.

3.2 Transmission Service, Ancillary Services and Local Facilities Service.

- (a) Commencing simultaneously with the Delivery Period and ending no later than the end of the Term of this Agreement, Company shall arrange for Network Integration Transmission Service ("NITS") and Ancillary Services for Customer's Retail Load and shall be responsible during the Delivery Period for the provision of all such services. Customer shall be responsible for paying all NITS and any other related Transmission Provider charges (including but not limited to, administrative fees that the Company incurs but does not record on its books in generation-related accounts) as identified on Appendix C. Beginning July 1, 2006, and throughout the Term of this Agreement, Customer agrees to reimburse the Company for all NITS and any other related Transmission Provider charges that the Company incurs on the Customer's behalf, as well as for all charges for Ancillary Services the Company incurs but does not record on its books in generation-related accounts. These charges shall be billed by Company to Customer using the same rates and billing determinants that would be used by the Transmission Provider to bill Customer if Customer were separately billed by the Transmission Provider. Company agrees not to oppose the Customer's right to initiate or participate in any FERC proceeding regarding PJM or NITS charges. In no event shall the costs of a particular service or schedule associated with Full Requirements Electric Service be recovered twice from Customer through its inclusion both in the costs used to derive the Full Requirements Electric Service unit rates pursuant to Appendix B and also in the costs in Appendix C for which Customer is responsible.

(b) Prior to the beginning of the Delivery Period, Customer agrees to execute, and during the Term of this Agreement Customer agrees to maintain, an Interconnection and Local Delivery Service Agreement with the Company. Beginning July 1, 2006, and throughout the Term of this Agreement, Customer further agrees to pay all charges related to the Interconnection and Local Delivery Service Agreement to Company, or to the Transmission Provider acting as a billing and collections agent for the AEP Operating Companies, if the Customer, Company and Transmission Provider so agree. The services provided under the Interconnection and Local Delivery Service Agreement are sometimes referred to in this Agreement as “Local Facilities Service.”

3.3 Existing Generation. As of the Effective Date of this Agreement, Customer has no existing generating facilities behind the meters that will measure Customer’s Billing Demand and Billing Energy under this Agreement.

3.4 New Generation.

(a) Subject to all applicable interconnection and siting requirements, and any other applicable requirements, Customer may, at any time after the Effective Date of this Agreement, construct, behind the Company’s meters, new generating facilities, including but not limited to, generation facilities to provide backup, standby or emergency power (“New Generation”). The output of any New Generation shall be separately metered to allow Company to determine Customer’s total Retail Load unaffected by New Generation. Unless Customer designates a New Generation facility “Load Serving Generation” pursuant to the process set forth in Section 3.4(b) of this Agreement, New Generation shall be deemed to be “Non-Load Serving Generation” and shall be subject to the provisions of Section 3.4(c) of this Agreement.

(b) If the following conditions are met, then New Generation built by Customer after the Effective Date of this Agreement may be used to serve up to, and including, ten percent (10%) of Customer’s maximum demand established since the beginning of the Delivery Period (“Load Serving Generation”):

- (i) Customer shall provide Company with no less than two (2) years’ advance written notice of the in-service date of any Load Serving Generation it intends to build;
- (ii) Any Load Serving Generation built by Customer shall be capable of producing sufficient capacity and energy to serve the amount of Retail Load, not to exceed ten percent (10%) of Customer’s maximum demand established since the beginning of the Delivery Period, that Customer designates to be served by the Load Serving Generation (“Load Responsibility Percentage”);

- (iii) Customer's Load Responsibility Percentage shall be determined, to the nearest one tenth of one percent (0.1%), as of the in-service date specified by Customer in the notice provided under Section 3.4(b)(i), as the lower of (a) the amount specified by Customer (not to exceed the nameplate rating of the Load Serving Generation) as a percentage of Customer's maximum demand established since the beginning of the Delivery Period; or (b) 10%;
- (iv) Once Customer provides Company with written notice of its intention to build Load Serving Generation, then, as of the in-service date specified in Customer's notice, Customer shall be responsible for serving the Load Responsibility Percentage determined in accordance with Section 3.4(b)(iii), but not future load growth. Consequently, Customer's Load Responsibility Percentage will be adjusted to the nearest one tenth of one percent (0.1%), on an annual basis two (2) months prior to the beginning of the next Contract Year, in accordance with the following example: Customer builds Load Serving Generation with a five (5) MW nameplate rating at a time when its maximum demand is one hundred (100) MWs. Customer's Load Responsibility Percentage is five percent (5%). Over the next year, Customer's monthly maximum peak demand grows to one hundred ten (110) MWs. The Load Responsibility Percentage shall be adjusted to four and five tenths percent (4.5%) calculated by dividing five (5) MWs by one hundred ten (110) MWs;
- (v) Beginning on the in-service date specified in Customer's notice of its intention to build Load Serving Generation, regardless of the actual in-service date of the Load Serving Generation, Customer shall be responsible for serving the Load Responsibility Percentage of its Retail Load (*i.e.* "gross" load) in each hour throughout the remaining Term of this Agreement, and Company shall no longer have any obligation to serve that Load Responsibility Percentage of Customer's Retail Load under this Agreement. If Customer is unable to supply its Load Responsibility Percentage of its Retail Load from its Load Serving Generation, Customer shall supply such load from other sources, including the market. With appropriate compensation, Company will cooperate with Customer with respect to the integration of such other sources into the total supply of Customer; and
- (vi) Beginning on the in-service date specified in Customer's notice of its intention to build Load Serving Generation, the grant of any and all rights, interests and obligations to Company to supply the Load Responsibility Percentage of Customer's Retail Load under this Agreement shall cease, and Company and Customer shall cooperate, in advance, to make all necessary filings with the Transmission Provider and to perform all other

acts necessary to transfer all rights, interests and obligations associated with the Load Responsibility Percentage back to Customer.

- (c) Any New Generation built by Customer after the Effective Date of this Agreement that is not designated as Load Serving Generation under Section 3.4(b) shall be deemed to be non-load serving generation (“Non-Load Serving Generation”). So long as adequate metering is maintained on the Non-Load Serving Generation to measure hourly metered output in KWh, Customer may run its Non-Load Serving Generation at any time during the Delivery Period; provided, however, that Non-Load Serving Generation shall not reduce Retail Load or the amount of Full Requirements Electric Service that Customer is obligated to purchase from Company under this Agreement. The metered output of Customer’s Non-Load Serving Generation shall be added to the Customer’s metered load to determine Customer’s Billing Demand and Billing Energy (total Retail Load). The Parties agree that the sole compensation that Customer shall receive from Company for running Non-Load Serving Generation built to provide backup, standby or emergency power shall be a credit netted against Customer’s Monthly Bill calculated by taking an amount equal to (i) the metered KWh, as measured each hour by the metering on the Non-Load Serving Generation during the preceding month, adjusted for losses, times (ii) the Real-Time Locational Marginal Price (“LMP”) in the AEP Load Zone (“AEP Zonal LMP”) for each such hour less the PJM Balancing Operating Reserve charges for such hour. Customer may sell energy and/or capacity from other Non-Load Serving Generation (i.e. Non-Load Serving Generation that was not built to provide backup, standby and/or emergency power) into PJM, in accordance with applicable Market Rules and Procedures, or under a bilateral agreement with Company or a third party.

3.5 Qualifying Facility Purchases.

- (a) So long as Customer is receiving Full Requirements Electric Service from Company, Company shall be obligated to purchase the electrical output from any duly licensed and properly operating Qualifying Facility connected to Customer, but only so long as Company has such obligation pursuant to the Public Utility Regulatory Policies Act of 1978, as amended (“PURPA”). The definition of Qualifying Facility shall be as contained in PURPA and the FPA.
- (b) Company shall apply the monthly billing amounts set forth in Article 4 to the combined Full Requirements Electric Service supplied by Company and the amounts delivered by the Qualifying Facility to the Customer. If Customer pays the Qualifying Facility directly for such energy, Company shall provide a credit equal to Company’s avoided cost rate at the rate that Company would have paid to the Qualifying Facility if Company had directly purchased the Qualifying Facility output.
- (c) Customer agrees that Customer will not, directly or indirectly, engage in any activity to encourage or promote the construction or installation of a Qualifying Facility,

except as otherwise required by or necessary to comply with applicable law, and shall not itself install, purchase or operate a Qualifying Facility during the Term of this Agreement.

- (d) Customer shall notify Company of the proposed connection of any Qualifying Facility to Customer's system. Notification shall be in writing as soon as practical, but at least ninety (90) days prior to the connection of the Qualifying Facility.

3.6 Retail Choice.

- (a) The Parties expressly recognize that retail choice may occur in Customer's service area during the Term of this Agreement. In order to enable Customer to compete to retain existing customers, in the event retail choice is mandated in Customer's service area, by state or federal statutes, regulations, or regulatory agencies, or in the event other power suppliers plan to make a direct connection to one or more retail customers of Customer, the Parties agree as follows: If retail choice is available to a customer or an aggregated group of customers or a potential customer of Customer, Customer may negotiate a price with Company for the retention of such customer or group of customers, or to obtain new customers; provided, however, that if Customer and Company are unable to agree upon a price that retains or acquires such customer(s), then Customer may seek to obtain an alternate source of power supply, including the use of New Generation, which Company shall have the right of last refusal to match within one (1) Business Day of being officially notified by Customer. Such alternate source of power can only be made available to that specific customer or aggregated groups of customers for the defined period of the contract for alternate power supply and shall not be made available to other Retail Load of Customer or to displace other purchases.
- (b) "Mandated by state or federal statutes, regulations or regulatory agencies" includes the following scenarios: (i) state or federal statutes or regulations or regulatory agencies provide for retail choice by Customer's Retail Load as part of a larger retail choice program (in either a pilot program or permanent program), or (ii) Customer is exempt from such state or federal statutes or regulations, but retail customers of Customer, by vote or other legally enforceable right, require that Customer offer them the same provisions and rights contained in a statewide retail choice program.

3.7 Renewable Portfolio Standards.

- (a) During the Term of this Agreement, if the Company is required, as a result of federal or state laws, rules or regulations, to meet the requirements of any renewable portfolio standards, the Company agrees to meet those requirements with regard to Customer's Retail Load. In no event shall the Company be obligated to meet any renewable portfolio standards imposed upon or enacted by Customer that are more stringent than those standards that the Company is required to meet.

(b) In the event that Customer, but not Company, is required, as a result of federal or state laws, rules or regulations, to meet the requirements of any renewable portfolio standards, the Company and Customer agree to meet and discuss how such requirements are to be met.

ARTICLE 4: MONTHLY RATES AND BILLING

- 4.1 General Principles Regarding Monthly Charges for Full Requirements Electric Service.** The Monthly Charges for Full Requirements Electric Service supplied to Customer by Company hereunder during the Delivery Period of this Agreement shall include a Generation Demand Charge, a Generation Energy Charge (collectively, the “Generation Demand and Generation Energy Charges”), and a Generation Fuel Charge, all calculated in accordance with the terms of this Article and subject to all other terms and conditions contained in this Agreement. For each Calendar Year, the Generation Demand and Generation Energy Charges for which Customer is ultimately responsible shall be determined using data from Company’s FERC Form 1 for that Calendar Year and the Return on Common Equity from December of the preceding Calendar Year as specified in Section 4.6(b). Because of the time lag in availability of the FERC Form 1 data, Generation Demand and Generation Energy Charges will initially be assessed based on estimated monthly rates, and a “true-up” will subsequently be conducted for each Calendar Year, as provided in Section 4.3 hereof. The Generation Energy Charge shall exclude fuel-related costs. All fuel-related costs shall be recovered through the Generation Fuel Charge, which shall be “trued up” to more current actual fuel-related costs by means of the Fuel Adjustment Charge set forth in Section 4.5 hereof. The monthly rates used to calculate the Generation Demand Charge, Generation Energy Charge and Generation Fuel Charge for Full Requirements Electric Service shall be determined pursuant to the cost-of-service formulas set forth in Appendix B hereto. These formulas will be used for both estimated and actual (“trued-up”) rates and charges.
- 4.2 Estimated Generation Demand, Generation Energy, and Generation Fuel Charges.** Estimated monthly rates shall be developed for each Contract Year. The estimated monthly rates used to calculate the Generation Demand Charge, Generation Energy Charge and Generation Fuel Charge shall be determined annually by the Company, pursuant to Appendix B, prior to the 31st day of May; be provided to the Customer, for its review by June 1; and be made effective as of June 1 (*i.e.*, at the commencement of each Contract Year). The estimated monthly rates in effect during each Contract Year shall be based upon the cost incurred in providing Full Requirements Electric Service for the most recent Calendar Year for which FERC Form 1 data is available. Customer shall have the rights set forth in Section 4.4 of this Agreement regarding the calculation of these estimated monthly rates and the resulting estimated Monthly Charges.

For example, in Calendar Year 2007, for the first five months the estimated monthly rates used to bill Customer will be based upon Calendar Year 2005 FERC Form 1 data (and will be the same as the estimated monthly rates used in the latter portion of Calendar Year 2006); beginning on June 1, 2007, the estimated monthly rates will be based upon Calendar Year 2006 FERC Form 1 data (and will remain in effect for the remainder of the 2007-2008 Contract Year); and all charges based on these estimated rates for Calendar Year 2007 will be subject to “true-up” of the Generation Demand Rate and Generation Energy Rate in 2008, pursuant to Section 4.3.

4.3 True-Up of Generation Demand and Generation Energy Charges. Because the Generation Demand and Generation Energy Charges initially collected during a Calendar Year will be the product of estimated rates based on data from previous Calendar Years, the Generation Demand and Generation Energy Charges shall be adjusted (or “trued-up”) based upon (i) FERC Form 1 cost data from that Calendar Year and (ii) the Return on Common Equity calculated using data from December of the previous Calendar Year as specified in Section 4.6(b). The true-up for Generation Demand and Generation Energy Charges shall be conducted by Company prior to May 31st of each Calendar Year once the FERC Form 1 data for the prior Calendar Year is available, and shall be accomplished by recalculating the sums due to Company from Customer for service provided during the prior Calendar Year. The difference between the sum of the Monthly Charges originally billed to Customer for service provided during the Calendar Year, based on the estimated monthly rates, and the sum of the Monthly Charges for which Customer is ultimately responsible shall be billed to Customer or credited to Customer, as appropriate, in twelve (12) equal monthly amounts beginning with the month of June of the year immediately following the Calendar Year for which the “true-up” is calculated, unless otherwise agreed by the Parties. The amount to be billed or credited for any such over-collections or under-collections will include interest determined in accordance with Section 35.19a of FERC’s regulations, charged or applied from the date of original payment to the date when the over-collections or under-collections are paid or credited, but excluding the date paid or credited. Customer may unilaterally elect to prepay any amounts owed to Company, and Company may unilaterally elect to credit, in advance, any amounts due to Customer; and any such prepayments or advance credits shall be reflected in any interest calculations hereunder. Customer shall have the rights set forth in Section 4.4 of this Agreement regarding the calculation of the “trued-up” Monthly Charges.

For example, the “true-up” of Generation Demand and Generation Energy Charges initially collected for service provided during Calendar Year 2007 shall be conducted by Company by May 31, 2008. The “trued-up” charges shall be calculated using (i) 2007 FERC Form 1 cost data and (ii) the Return on Common Equity calculated using data from December, 2006. The difference between the sum of the Monthly Charges originally billed to Customer for service provided during 2007 (based on two different sets of estimated rates for portions of two Contract Years) and the sum of the “trued-up” Monthly Charges for Calendar Year 2007 will be divided into twelve (12) equal amounts

and billed to Customer or credited to Customer, as appropriate and with interest, in invoices sent to Customer from July 2008 through June 2009, covering services provided during June 2008 through May 2009, unless otherwise agreed by the Parties or unless a full prepayment is made by Customer or a full advance credit is refunded by Company.

- 4.4 Review Process.** Each time monthly rates are determined annually by the Company, whether to use in estimated billings to Customer during the upcoming Contract Year, or to “true up” the Generation Demand and Generation Energy Charges for the preceeding Calendar Year, the following information shall be provided to Customer by Company on or before June 1: (i) the Company’s FERC Form 1 Report; (ii) the calculation of the monthly rates; and (iii) workpapers showing the source of all data utilized in the calculation of the monthly rates and any other supporting documentation. The accuracy of the Company’s calculations, as well as the data used in those calculations (including FERC Form 1 data) shall be subject to review and adjustment in accordance with the following procedure:
- (a) Customer shall have until September 30 to review the information provided by the Company. During that time the Customer may ask the Company questions, but such questions shall be limited to determining if the Company properly applied the cost-of-service formulas in Appendix B; if the data used in Appendix B was proper; and if the Company’s calculations were consistent with this Agreement. The Company shall respond to such questions within fifteen (15) Business Days.
 - (b) If the Company and Customer do not resolve any dispute as to the appropriateness of the data used by the Company or the application of the cost-of-service formulas in Appendix B by September 30, Customer may file a complaint at FERC regarding the accuracy of the Company’s calculations or the data used in those calculations (including FERC Form 1 data), or both. The Parties agree that the complaint proceeding will be limited to determining if the Company properly applied the cost-of-service formulas in Appendix B; if the data used in Appendix B was proper; and if the Company’s calculations were consistent with this Agreement. The Company agrees to bear the burden of proof regarding these matters in any such complaint proceeding. The refund obligation will extend for the entire Contract Year or Calendar Year that is the subject of review as a result of the complaint proceeding, with Company having no right to seek suspension of the refund effective date.
 - (c) The Monthly Charges being collected from Customer by Company under this Agreement shall be subject to adjustment until the latest of (i) September 30 of each year during the Term of this Agreement, if at such time, there has been no complaint filed at FERC under this Section; (ii) the final resolution of any complaint filed pursuant to this Section; or (iii) the day any required corrections have been made by the Company. The Company shall make any necessary corrections as soon as possible and shall make any adjustments to Customer’s bill on the next monthly billing.

- 4.5 Fuel Adjustment Charge.** Customer shall pay Company a monthly Fuel Adjustment Charge determined pursuant to the cost-of-service formulas set forth in Appendix B hereto. The base cost of fuel, expressed in dollars per KWh, to be used in the Fuel Adjustment Charge shall equal the then-applicable Generation Fuel Rate. Customer shall be billed a Fuel Adjustment Charge each month for the energy delivered in the preceding month based upon estimated fuel charges in excess of the Generation Fuel Rate or, if applicable, shall be credited for the amount by which the estimated fuel charges are lower than the Generation Fuel Rate. Any difference between the estimated fuel charges and the fuel charges based on actual fuel costs shall be billed or credited to Customer on the first bill rendered after such actual fuel costs have been determined. Company shall use reasonable diligence when estimating monthly fuel charges so as to avoid any significant difference between estimated and actual monthly fuel charges to Customer.
- 4.6 Cost-of-Service Formulas.** The cost-of-service formulas set forth in Appendix B were designed, by mutual agreement, primarily to use the Company's FERC Form 1 costs. Certain costs that either are not reflected in the Company's FERC Form 1, or that the Parties agreed were not representative of the Company's costs, were determined by negotiation. The specific elements of the cost-of-service formulas set forth below were negotiated as an integrated and integral part of this Agreement:
- (a) For purposes of calculating the Company's rate base used in Appendix B, the Parties agree that the Company will include one hundred percent (100%) of its expenditures for Pollution Control Facilities and Fuel Conversion Facilities (as defined in Section 35.25 of the FERC's regulations) recorded on the Company's books and records as construction work in progress ("CWIP"), and fifty percent (50%) of its expenditures for all other CWIP.
 - (b) The Return on Common Equity, which will be used to compute the composite cost of capital used in Appendix B, shall be determined annually by taking the average of the daily Moody's Long-Term Baa Corporate Bond Index for the month of December of the preceding year, and adding 535 basis points (5.35 percentage points). For estimated Monthly Charges, the composite cost of capital and estimated Monthly Charges shall be developed using the Appendix B formulas and data from the FERC Form 1 for the Calendar Year that ends with the same month of December as was used to determine the Return on Common Equity. (For example, by June 1, 2008, the composite cost of capital shall be determined using the Return on Common Equity from December, 2007 and other capital cost data from the FERC Form 1 for Calendar Year 2007. The resulting composite cost of capital shall be used in the Appendix B formulas together with other FERC Form 1 data for Calendar Year 2007 to determine the estimated Generation Demand and Generation Energy Charges and the Generation Fuel Rate for the Contract Year beginning June 1, 2008.) For true-ups of the Generation Demand and Generation Energy Charges, the FERC Form 1 data for the Calendar Year being trueed up shall be used in conjunction with the Return on Common Equity from December of the prior Calendar Year. (For example, once

- 2008 FERC Form 1 data are available in 2009, such data shall be used to compute the 2008 composite cost of capital using the Return on Common Equity from December, 2007. That composite cost of capital will be used with other 2008 FERC Form 1 data to determine the trued-up Generation Demand and Generation Energy Charges for Calendar Year 2008.) So long as the Return on Common Equity computed pursuant to this Section 4.6(b) is neither lower than 9.0% nor higher than 18.0%, the Parties agree that the Return on Common Equity used to compute the composite cost of capital in Appendix B shall not be subject to change under Sections 205 or 206 of the Federal Power Act ("FPA"), absent the mutual written consent of the Parties. In the event that the Return on Common Equity produced as a result of the calculation provided for herein is either below 9.0% or above 18.0%, either Party may seek FERC review of the Return on Common Equity value under the "just and reasonable" standard of Sections 205 and 206 of the FPA.
- (c) The Company's Member Load Ratio share of net revenue from deliveries to non-associated companies by the AEP Operating Companies ("System Sales") shall be shared fifty percent (50%) by Customer and fifty percent (50%) by Company, with the Customer's share reducing the Company's total production cost as shown on Appendix B. For purposes of this Section 4.6(c), "net revenue" refers to the revenue in excess of the full cost of making such System Sales.
 - (d) The Depreciation Expense used in Appendix B will be calculated using the depreciation rates that are approved from time to time by the Michigan Public Service Commission ("MPSC") to record depreciation in the Company's Michigan jurisdiction. These depreciation rates are subject to periodic change at such time as the Company has filed new depreciation rates with the MPSC and the MPSC allows the Company to begin recording depreciation expense based upon newly-approved depreciation rates.
 - (e) The Nuclear Decommissioning expense used in Appendix B will initially be set at the total Company level of \$40 million. When the MPSC next authorizes a change in the level of Nuclear Decommissioning Expense for the Company's Michigan retail customers, the total Company level of Nuclear Decommissioning Expense used in Appendix B to calculate Customer's rates shall be reset as if the total Company level authorized by the MPSC were being collected from customers in all of the Company's regulatory jurisdictions. This provision in no way affects Customer's rights, if any, at FERC, regarding nuclear decommissioning expenses. The revenue collected from Customer, by means of the Monthly Charges in effect under this Agreement, includes a component sufficient to recover Customer's portion of Company's regulatory assets and unrecorded liabilities related to decommissioning.
 - (f) The method set forth in Appendix B to allocate costs as production-related and/or transmission-related shall be used throughout the Term of this Agreement; provided, however, that, to the extent that any of the following circumstances occur during the

Term of this Agreement, the Parties will meet and attempt to determine a mutually agreeable modification to Appendix B: (i) FERC determines in a rulemaking proceeding, or in a proceeding regarding the Company's costs to be included in the Transmission Provider's OATT, or it is agreed in a FERC-approved settlement of any such proceeding, that items currently included in Appendix B as production-related should be treated as transmission-related; or (ii) FERC determines in a rulemaking proceeding, or in a proceeding regarding the Company's costs to be included in the Transmission Provider's OATT, or it is agreed in a FERC-approved settlement of any such proceeding, that items currently excluded from Appendix B as transmission-related should be treated as production-related. If either or both of the circumstances in this Section 4.6(f) occurs and the Parties cannot agree upon a modification to Appendix B, then either Party may seek FERC review of Appendix B's treatment of the items addressed in such proceedings under the "just and reasonable" standard of Sections 205 and 206 of the FPA.

4.7 Billing Demand and Energy.

- (a) The monthly Billing Demand shall be the single highest 60-minute KW demand measured during the Billing Period, but not less than 400 KW.
- (b) The monthly Billing Energy shall be the total KWhs of Firm Energy as measured during the Billing Period.

4.8 Determination of Monthly Bill. The Monthly Bill shall set forth charges for Full Requirements Electric Service, charges for Local Facilities Service, charges to reimburse costs incurred by Company on behalf of Customer in connection with Full Requirements Electric Service, and other charges associated with Full Requirements Electric Service. The Monthly Bill shall be the total of the following:

1. The product of the Generation Demand Rate and the Billing Demand; plus
2. The product of the Generation Energy Rate and the Billing Energy; plus
3. The product of the Generation Fuel Rate and the Billing Energy; plus
4. The product of the Fuel Adjustment Charge and the Billing Energy; plus
5. All applicable charges in accordance with the Interconnection and Local Delivery Service Agreement, to the extent not billed directly to the Customer by the Transmission Provider or otherwise; plus
6. All amounts due to Company for reimbursement of charges incurred by Company as the NITS customer for delivery of Full Requirements Electric Service in accordance with the OATT or related agreements for transmission-related schedules or services for which Customer is

responsible pursuant to Section 3.2(a) and Appendix C hereto, to the extent that such charges are not included in Items 1 through 5 above; minus

7. All amounts due to Customer from Company pursuant to Sections 3.3, 3.4 and 3.5; plus
8. Any applicable governmental taxes, fees and assessments attributable to Full Requirements Electric Service not included in any of the other elements of the Monthly Bill.

4.9 Payment Date. Customer shall pay Company any amounts due and payable hereunder on or before the later of the fifteenth (15th) day of each month, or the fifteenth (15th) day after receipt of invoice or, if such due date is not a Business Day, then on the next Business Day. All invoices shall be paid by electronic funds transfer, or by other mutually agreeable method(s), to the account designated by the Company. If all or any part of any amount due and payable pursuant to this Agreement shall remain unpaid thereafter, interest shall thereafter accrue and be payable to Company on such unpaid amount at a rate determined in accordance with Section 35.19a of FERC's regulations.

4.10 Payment Netting. Parties hereby agree that they shall discharge mutual debts and payment obligations due and owing to each other on the same date pursuant to this Agreement through netting, in which case all amounts owed by each Party to the other Party under this Agreement, interest, and payments or credits, shall be netted so that only the excess amount remaining due shall be paid by the Party who owes it. All amounts netted pursuant to Article Four shall not take into account or include any Performance Assurance or guaranty, which may be in effect to secure a Party's performance under this Agreement. If no mutual debts or payment obligations exist and only one Party owes a debt or obligation to the other during the monthly Billing Period, that Party shall pay such sum in full when due.

4.11 Billing Disputes. If a Party, in good faith, disputes an invoice, the disputing Party shall immediately notify the other Party of the basis for the dispute and pay the undisputed portion of such invoice no later than the due date; provided, however, with respect to any amounts the Company passed through from the Transmission Provider to the Customer pursuant to item 6 in Section 4.8 above, the full amount of the disputed bill shall be paid when due and any billing dispute shall be handled in accordance with the procedures set forth in the OATT. Upon resolution of the dispute, any required payment shall be made within five (5) Business Days of such resolution along with any interest accrued at the rate determined in accordance with Section 35.19a of the FERC's regulations from and including the due date to but excluding the date paid. Inadvertent overpayments shall be returned by the receiving Party or deducted at the option of the overpaying Party, in either case with interest accrued at the rate determined in accordance with Section 35.19a of the FERC's regulations until the date paid or deducted from and including the date of such

overpayment to but excluding the date repaid or deducted by the Party receiving such overpayment.

ARTICLE 5: TRANSMISSION PROVIDER IMPLEMENTATION

5.1 Implementation.

- (a) Company and Customer shall enter into, and file with the Transmission Provider and other applicable entities, all documents necessary for the Company and the Customer to fulfill their respective obligations to provide or take Full Requirements Electric Service.
- (b) The Parties recognize and agree that Company is deemed to be the Customer's Load Serving Entity for purposes of PJM and this Agreement. The Parties further recognize and agree that the Full Requirements Electric Service to be provided hereunder is a load obligation of the Company, for purposes of PJM and the AEP Interconnection Agreement, and that the Company assumes such load obligation as its own firm power commitment and shall retain all obligations and advantages accruing from meeting the load during the Term of this Agreement. At the end of this Agreement, the Customer shall become the Load Serving Entity and all obligations and advantages from being the Load Serving Entity shall revert to Customer.
- (c) Each Party shall provide the other Party access to information the other Party reasonably requests to facilitate the administration of this Agreement.

ARTICLE 6: CREDITWORTHINESS

- 6.1 **Financial Information.** If requested by a Party ("Party X"), the other Party ("Party Y") shall deliver (i) within one hundred fifty (150) days following the end of each fiscal year, a copy of the annual report containing audited consolidated financial statements for such fiscal year with respect to Party Y, and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of the quarterly report containing unaudited consolidated financial statements for such fiscal quarter with respect to Party Y, to the extent that such reports are prepared in Party Y's ordinary course of business on such schedule. In all cases the statements shall be for the most recent accounting period and shall be prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as Party Y diligently pursues the preparation, certification and delivery of the statements.

6.2 Credit Assurances.

(a) Customer represents that Customer's Charter ("Charter") in effect as of the Effective Date of this Agreement, enables it to charge rates which, together with the other revenues, produce revenues sufficient to pay maintenance expenses, purchased power expenses, other operation expenses, debt service on its bonds, other indebtedness, liens and/or charges against its revenues. In connection with the foregoing representations, Company hereby acknowledges receipt of a copy of the relevant portions of Customer's Charter. Customer agrees to annually provide Company with a copy of the relevant portion of its Charter, by June 1 of each Calendar Year during the Term of this Agreement, if requested by Company. If, at any time during the Term of this Agreement there are any material changes to Customer's Charter, or the rates it charges thereunder, that cause the representations of Customer described above to cease to be substantially accurate, Customer further agrees to immediately notify Company, in writing. Regardless of whether Customer so notifies the Company, or provides a copy of the relevant portions of its Charter to Company annually, the Customer and Company agree that if there are any material changes to Customer's Charter, or the rates it charges thereunder, that cause the representations described above to cease to be substantially accurate, then, the following provisions shall immediately become operable with respect to Customer.

- (i) If at any time Company has reasonable grounds to believe that Customer's creditworthiness or performance under this Agreement has become unsatisfactory, Company may provide the Customer with written notice requesting Performance Assurance in an amount determined by Company in a commercially reasonable manner.
- (ii) Upon receipt of such notice the Customer shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to the Company.
- (iii) In the event that the Customer fails to provide such Performance Assurance or other credit assurance acceptable to the Company within three (3) Business Days of receipt of notice, then an Event of Default under Article 7 shall be deemed to have occurred.

(b) Grant of Security Interest/Remedies.

- (i) To secure its obligations under this Agreement and only to the extent Customer delivers Performance Assurance hereunder, Customer (the "Pledgor") hereby grants to Company (the "Secured Party") a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether

now or hereafter held by, on behalf of, or for the benefit of, the Secured Party, and Pledgor agrees to take such action as the Secured Party reasonably requires in order to perfect the Secured Party's first-priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof.

- (ii) Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default or an Early Termination Date by Customer, the Company may do any one or more of the following:
 - 1. exercise any of the rights and remedies of Company with respect to all Performance Assurance, including any such rights and remedies under law then in effect;
 - 2. exercise its rights of setoff against any and all property of the Customer in the possession of the Company or its agent;
 - 3. draw on any outstanding Letter of Credit issued for its benefit; and
 - 4. liquidate all Performance Assurance then held by or for the benefit of Company free from any claim or right of any nature whatsoever of the Customer, including any equity or right of purchase or redemption by the Customer.
- (iii) The Company shall apply the proceeds of the collateral realized upon the exercise of any such rights or remedies to reduce the Customer's obligations under the Agreement (the Customer remaining liable for any amounts owing to the Company after such application), subject to the Company's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.

(c) **Interest Rate on Cash Amounts Held as Collateral.** For Performance Assurance in the form of cash that is held by Company pursuant to this Article Six, the interest rate will be the Federal Funds Rate minus 0.25% as from time to time in effect. "Federal Funds Rate" means the rate, for the relevant determination date opposite the caption "Federal Funds (Effective)", as set forth in the weekly statistical release designated as H.15 (519), published by the Board of Governors of the Federal Reserve System. Such interest shall be calculated commencing on the date Performance Assurance in the form of cash is received by Company but excluding the earlier of: (i) the date Performance Assurance in the form of cash is returned to Customer; or (ii) the date Performance Assurance in the form of cash is applied to a Customer's obligations pursuant to Section 6.2(b).

- (d) **Transfer of Interest Amount.** Customer shall invoice the Company monthly setting forth the calculation of the interest amount due, and the Company shall make payment thereof by the later of (i) the third Business Day of the first month after the last month to which such invoice relates; or (ii) the third Business Day after the day on which such invoice is received.

ARTICLE 7: DEFAULT AND REMEDIES

7.1 **Events of Default.** Any one or more of the following shall constitute an “Event of Default” hereunder with respect to either Party (the “Defaulting Party”):

- (a) The failure to make, when due, any payment required pursuant to this Agreement (other than payments disputed under Article 4) if such failure is not remedied within five (5) Business Days after written notice;
- (b) Any representation or warranty made by a Party herein is false or misleading in any material respect when made or when deemed made or repeated, if such failure is not remedied within thirty (30) Business Days after written notice;
- (c) The failure by Customer to provide Performance Assurance to Company as required under Article 6;
- (d) The failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default as specified above, and except to the extent such Party’s obligations to deliver or receive Firm Energy are modified by the provisions of Article 8), if such failure is not remedied within five (5) Business Days after written notice; or
- (e) A Party: (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it; (ii) makes an assignment or any general arrangement for the benefit of creditors; (iii) otherwise becomes bankrupt or insolvent (however evidenced); (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (v) is generally unable to pay its debts as they fall due.

7.2 **Declaration of an Early Termination.** If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party (the “Non-Defaulting Party”) shall have the right (i) to designate a day, no earlier than the day such notice is effective and no later than 20 days after such notice is effective, as an early termination date (“Early Termination Date”); (ii) withhold any payments due to the Defaulting Party under this Agreement; and (iii) suspend performance. The declaration of an Early Termination Date shall, as of the Early Termination Date, terminate this

Agreement and any obligation on the Company's part to provide service to Customer, under this Agreement or any other agreement or rate schedule, on the basis of

- (i) any terms or provisions of this Agreement;
- (ii) any previous agreements between the Customer and the Company, including, but not limited to, any previous electric service agreements, any settlement agreements resolving FERC proceedings, or any settlement agreements resolving any state or federal court suits (including the antitrust suits filed in the U.S. District Court for the Northern District of Indiana in Docket Nos. 74-72, 75-210, 77-210, 79-43); or
- (iii) any FERC tariffs or court orders in existence as of the Effective Date of this Agreement.

Customer expressly acknowledges that Customer also waives any right to request vacatur of the order of dismissal or to reinstitute proceedings in the antitrust suits filed in U.S. District Court for the Northern District of Indiana in Docket Nos. 74-72, 75-210, 77-210, 79-43).

7.3 Suspension of Performance. Notwithstanding any other provision of this Agreement, if an Event of Default shall have occurred and be continuing, the Non-Defaulting Party, upon written notice to the Defaulting Party, shall have the right

- (a) to suspend performance under this Agreement; provided, however, in no event shall any such suspension continue for longer than fifteen (15) Business Days unless an Early Termination Date shall have been declared and notice thereof pursuant to Article 9 been given;
- (b) to exercise any remedy available at law, subject to the limitations set forth in Section 10.1 hereof, including the right to seek to recover direct damages before a court of competent jurisdiction, and, if the Defaulting Party is the Customer, Company's right to seek to recover its stranded costs at FERC in accordance with Section 35.26 of FERC's regulations; and
- (c) to exercise any remedy available in equity.

7.4 Obligations At Expiration or Termination. Upon the termination or expiration of this Agreement, in addition to such rights and obligations enumerated elsewhere in this Agreement, the grant of any and all right and interest to Company to supply Full Requirements Electric Service under this Agreement shall cease. Customer and Company shall cooperate, in advance to the extent possible, to make all necessary filings with the Transmission Provider and to perform all other acts necessary to transfer all such rights and interests back to Customer in a timely manner.

ARTICLE 8: CURTAILMENT, TEMPORARY INTERRUPTIONS AND FORCE MAJEURE

- 8.1 Curtailment.** If there is a shortage of Energy requiring the curtailment of the Company's Firm Energy deliveries, then upon being notified by the Transmission Provider or the Company, Customer will institute procedures which will cause a corresponding curtailment of the use of Energy by its Retail Load. It is the express intention of this provision that any curtailment of Firm Energy shall fall equitably upon all firm loads served by the Company after, to the extent within the Company's control, the curtailment of its non-firm loads. If upon notification of a requirement to curtail, Customer fails to institute such procedures, Company shall be entitled to limit deliveries of Firm Energy to Customer in order to effectuate reductions in Energy deliveries, in the smallest amount that is operationally practical, equivalent to or greater than the reduction which would have been effected had Customer fulfilled its curtailment obligation hereunder during the period any shortage exists, and, in such event, Company shall not incur any liability to Customer in connection with any such action so taken by Company.
- 8.2 Temporary Interruptions.** Company will use reasonable diligence in furnishing Firm Energy to Customer, but Company does not guarantee that the supply of Firm Energy furnished to Customer will be uninterrupted, or that voltage and frequency will be at all times constant. The Company will not unduly discriminate against the Customer, as among its retail and wholesale customers, when handling the impact of temporary interruptions. Temporary interruption of Firm Energy deliveries hereunder shall not constitute a breach of the obligations of Company under this Agreement, and Company shall not in any such case be liable to Customer for damages resulting from any such temporary interruptions of service.
- 8.3 Force Majeure.** To the extent either Party is prevented by Force Majeure from carrying out, in whole or part, its obligations under this Agreement and such Party (the "Claiming Party") gives notice and details of the Force Majeure to the other Party as soon as practicable, then the Claiming Party shall be excused from the performance of its obligations with respect to this Agreement (other than the obligation to make payments then due or becoming due with respect to performance prior to the Force Majeure). The Claiming Party shall remedy the Force Majeure with all reasonable dispatch. The non-Claiming Party shall not be required to perform or resume performance of its obligations to the Claiming Party corresponding to the obligations of the Claiming Party excused by Force Majeure.
- 8.4 Transmission Curtailment.** Neither Party may raise a claim of Force Majeure based in whole or in part on curtailment by the Transmission Provider unless (i) such Party has contracted for firm transmission with the Transmission Provider for the services to be delivered to or received at the Delivery Point; and (ii) such curtailment is due to "force majeure" or "uncontrollable force" or a similar term as defined under the Transmission Provider's tariff.

ARTICLE 9: NOTICES, REPRESENTATIVES OF THE PARTIES

9.1 Notices. Any notice, demand, or request required or authorized by this Agreement to be given by one Party to another Party shall be in writing. Such notice shall be sent by facsimile, courier, personally delivered or mailed, postage prepaid, to the representative of the other Party designated in this Article 9. Any such notice, demand, or request shall be deemed to be given (i) when received by facsimile; (ii) when actually received if delivered by courier, overnight mail or personal delivery; or (iii) three (3) days after deposit in the United States mail, if sent by first class mail.

(a) Notices and other communications by Company to Customer shall be addressed to:

Dorothy Appleyard, Mayor
City of South Haven, Michigan
539 Phoenix Street
South Haven, Michigan 49090-1499
Phone: (269) 637-8087
Facsimile: (269) 637-5319

With a copy to:

Amanda Sleigh, City Clerk
City of South Haven, Michigan
539 Phoenix St.
South Haven, Michigan 49090-1499
Phone: (269) 637-0750
Facsimile: (269) 637-5319

Robert G. Stickland, P.E, Director of Public Works
City of South Haven, Michigan
1199 8th Avenue
South Haven, Michigan 49090-1499
Phone: (269) 637-0719
Facsimile: (269) 637-4778

(b) Notices and other communications by Customer to Company shall be addressed to:

President
Indiana Michigan Power Company
One Summit Square
Ft. Wayne, IN 46802
Phone: (260) 425-2355
Facsimile: (260) 425-2318

Vice President – Energy Marketing
American Electric Power Service Corporation
155 W. Nationwide Blvd., Suite 500
Columbus, OH 43215
Phone: (614) 583-6408
Facsimile: (614) 583-1626

With a copy to:

Credit Risk Management
American Electric Power Service Corporation
155 W. Nationwide Blvd., Suite 400
Columbus, OH 43215
Phone: (614) 583-6728
Facsimile: (614) 583-1626

(c) Any Party may change its representative by written notice to the other Parties.

- 9.2. **Authority of Representative.** The Parties' representatives designated in Section 9.1 shall have full authority to act for their respective principals in all technical matters relating to the performance of this Agreement. The Parties' representatives shall not, however, have the authority to amend, modify or waive any provision of this Agreement unless they are authorized officers of their respective entities and such amendment, modification or waiver is made pursuant to Section 16.6.

ARTICLE 10: LIABILITY, INDEMNIFICATION, AND RELATIONSHIP OF PARTIES

- 10.1 **Limitation on Consequential, Incidental and Indirect Damages.** TO THE FULLEST EXTENT PERMITTED BY LAW, NEITHER CUSTOMER NOR COMPANY, NOR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, MEMBERS, PARENTS, SUBSIDIARIES OR AFFILIATES, SUCCESSORS OR ASSIGNS, OR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, OR EMPLOYEES, SUCCESSORS, SUBSIDIARIES OR ASSIGNS, SHALL BE LIABLE TO THE OTHER PARTY OR THEIR RESPECTIVE MEMBERS, PARENTS, SUBSIDIARIES, AFFILIATES, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, SUCCESSORS OR ASSIGNS, FOR CLAIMS, SUITS, ACTIONS OR CAUSES OF ACTION FOR INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE, MULTIPLE OR CONSEQUENTIAL DAMAGES CONNECTED WITH OR RESULTING FROM PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, OR ANY ACTIONS UNDERTAKEN IN CONNECTION WITH OR RELATED TO THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, ANY SUCH DAMAGES WHICH ARE BASED UPON CAUSES OF ACTION FOR BREACH OF CONTRACT,

TORT (INCLUDING NEGLIGENCE AND MISREPRESENTATION), BREACH OF WARRANTY, STRICT LIABILITY, STATUTE, OPERATION OF LAW, UNDER ANY INDEMNITY PROVISION OR ANY OTHER THEORY OF RECOVERY. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT DAMAGES ONLY, AND SUCH DIRECT DAMAGES SHALL BE THE SOLE AND EXCLUSIVE MEASURE OF DAMAGES AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. THE PROVISIONS OF THIS SECTION 10.1 SHALL APPLY REGARDLESS OF FAULT AND SHALL SURVIVE TERMINATION, CANCELLATION, SUSPENSION, COMPLETION OR EXPIRATION OF THIS AGREEMENT.

10.2 Indemnification.

- (a) To the extent permitted by law, each Party shall indemnify, defend and hold harmless the other Party from and against any Claims arising from or out of any event, circumstance, act or incident occurring or existing during the period when control and title to Full Requirements Electric Service is vested in such Party as provided in Section 10.3 of this Agreement.
- (b) Each Party shall indemnify, defend and hold harmless the other Party from and against any and all Claims for damages to any person or destruction of any property arising in any manner directly or indirectly by reason of the acts of such Party's authorized representatives while on the premises of the other Party under any rights of access provided herein.
- (c) Customer shall indemnify, defend and hold harmless the Company from and against any and all Claims for damages to any individual, firm or corporation constituting any part of Customer's Retail Load arising in any manner directly or indirectly by reason of a failure, interruption, curtailment, or deficiency in Company's supply of Full Requirements Electric Service.
- (d) Neither Party assumes any responsibility of any kind with respect to the construction, maintenance, or operation of the system or other property owned or used by the other Party. To the extent permitted by law, each Party agrees to indemnify, defend and hold harmless the other Party from any and all Claims for injuries to person or property by any person, firm or corporation in any way resulting from, growing out of, or arising in or in connection with the construction, maintenance or operation of the other Party's system or other property. The Customer further agrees to indemnify, defend and hold harmless the Company from any and all Claims for injuries to persons or property by any person, firm or corporation in any way resulting from, growing out of, or arising in or in connection with the use of, or contact with, Energy delivered hereunder after it is delivered to Customer and while it is flowing through

the lines of Customer, or is being distributed by Customer, or is being used by Retail Load.

- (e) If a Party intends to seek indemnification under this Section 10.2 from the other Party with respect to any Claim, the Party seeking indemnification shall give such other Party notice of such Claim within thirty (30) days of the commencement of, or actual knowledge of, such Claim, whichever is earlier. Such Party seeking indemnification shall have the right, at its sole cost and expense, to participate in the defense of any such Claim. The Party seeking indemnification shall not compromise or settle any such Claim without the prior consent of the other Party, which consent shall not be unreasonably withheld.

10.3 Title; Risk of Loss. Title to and risk of loss related to the Full Requirements Electric Service provided hereunder shall transfer from Company to Customer at the Delivery Points. Company represents and warrants that it will deliver Full Requirements Electric Service to Customer free and clear of all claims or any interest therein or thereto by any person arising prior to the Delivery Points.

ARTICLE 11: REPRESENTATIONS AND WARRANTIES

11.1 Company and Customer Representations and Warranties. Company and Customer Represent and Warrant to the other that:

- (a) It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and is qualified to conduct business in either Indiana or Michigan, or both, as applicable;
- (b) It has, or upon execution of this Agreement will promptly seek, all regulatory authorizations necessary for it to legally perform its obligations under this Agreement;
- (c) The execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, including, but not limited to, any organizational documents, charters, by-laws, indentures, mortgages or any other contracts or documents to which it is a party, or any law, rule, regulation, order or the like applicable to it;
- (d) This Agreement, and each other document executed and delivered in accordance with this Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, subject to any legal and equitable defenses;

- (e) It is not bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it, which would result in it being or becoming bankrupt;
- (f) There is not pending or, to its knowledge, threatened against it any legal proceedings that could materially and/or adversely affect its ability to perform its obligations under this Agreement, including but not limited to Related Documents; and
- (g) There is no Event of Default or events which, with the giving of notice or lapse of time or both, would constitute an Event of Default with respect to it, and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement.

11.2 Customer Representations and Warranties. Customer Represents and Warrants to Company that:

- (a) With respect to its contractual obligations hereunder and performance thereof, it will not claim immunity on the grounds of its status as a municipality under Federal or state law or similar grounds with respect to itself or its revenues or assets from (i) suit, (ii) jurisdiction of court (including a court located outside the jurisdiction of its organization), (iii) relief by way of injunction, order for specific performance or recovery of property, (iv) attachment of assets, or (v) execution or enforcement of any judgment; and
- (b) Customer shall provide and maintain suitable protective devices on its equipment to prevent any loss, injury or damage that might result from single phasing conditions or any other fluctuations or irregularity in the supply of Energy. Company shall not be liable for any loss, injury or damage resulting from a single phasing condition or any other fluctuation or irregularity in the supply of Energy which could have been prevented by Customer's use of such protective devices.

ARTICLE 12: ASSIGNMENT

12.1 General Prohibition Against Assignments. Except as provided in Section 12.2 below, no Party shall assign, pledge or otherwise transfer this Agreement or any right or obligation under this Agreement without first obtaining the other Party's written consent, which consent shall not be unreasonably withheld.

12.2 Exceptions to Prohibition Against Assignments. A Party may, without the other Party's prior written consent, (and without relieving itself from liability hereunder) (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements; or (ii) transfer or assign this agreement to any person or entity succeeding by merger or by

acquisition to all or substantially all of the assets of the assigning Party, where such person's or entity's creditworthiness is equal to or higher than that of the assigning Party; provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof.

ARTICLE 13: CONFIDENTIALITY

13.1 Treatment of Confidential Information.

- (a) To the extent permitted by law, all Confidential Information shall be held and treated by the Parties and their agents in confidence, used solely in connection with this Agreement, and shall not, except as hereinafter provided, be disclosed without the other Party's prior written consent.
- (b) Notwithstanding the foregoing, Confidential Information may be disclosed (i) to a third party for the purpose of effectuating the supply, transmission and/or distribution of Full Requirements Electric Service to be delivered pursuant to this Agreement; (ii) to regulatory authorities of competent jurisdiction, or as otherwise required by applicable law, regulation or order, including state sunshine, open meeting, freedom of information or similar laws; (iii) as part of any required, periodic filing or disclosure with or to any regulatory authority of competent jurisdiction; and (iv) to third parties in connection with merger, acquisition/disposition and financing transactions provided that any such third party shall have signed a confidentiality agreement with the Disclosing Party containing customary terms and conditions that protect against the disclosure of the Confidential Information and that strictly limit the recipient's use of such information only for the purpose of the subject transaction and that provide for remedies for non-compliance. Disclosing Party shall make all reasonable efforts to ensure that Confidential Information remains confidential even if disclosed, including marking such information confidential and requesting confidential treatment of such information.
- (c) In the event that a Party ("Disclosing Party") is requested or required to disclose any Confidential Information pursuant to subsection (b) of this Article, the Disclosing Party shall provide the other Party with prompt written notice of any such request or requirement, so that the other Party may seek an appropriate protective order, other confidentiality arrangement or waive compliance with the provisions of this Agreement. If, failing the entry of a protective order, other confidentiality arrangement or the receipt of a waiver hereunder, the Disclosing Party, in the opinion of counsel, is compelled to disclose Confidential Information, the Disclosing Party may disclose that portion of the Confidential Information which the Disclosing Party's counsel advises that the Disclosing Party is compelled to disclose.
- (d) The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation. In addition to the

foregoing, the Disclosing Party shall indemnify, defend and hold harmless the other Party from and against any Claims, threatened or filed, and any losses, damages, expenses, attorneys' fees or court costs incurred by such Party in connection with or arising directly or indirectly from or out of the Disclosing Party's disclosure of the Confidential Information to third parties except as permitted above.

- (e) Notwithstanding the above provisions, Company shall be permitted to communicate to the Transmission Provider any necessary information, including Confidential Information, with regard to implementation of this Agreement, and will make all reasonable efforts to ensure that Confidential Information remains confidential.

ARTICLE 14: REGULATORY AUTHORITIES

14.1 Effect of Regulation.

- (a) Each Party shall perform its obligations hereunder in accordance with applicable law, rules and regulations. Unless specifically provided otherwise in this Agreement, nothing in this Agreement affects, modifies or negates either Party's rights or obligations under the FPA and the regulations promulgated thereunder, or any other federal or state law or regulation. Nothing contained herein shall be construed to constitute consent or acquiescence by either Party to any action of the other Party which violates the laws of the United States or any applicable state laws, as those laws may be amended, supplemented or superseded, or which violates any other law or regulation, or any order, judgment or decree of any court or governmental authority of competent jurisdiction.
- (b) The Parties hereto recognize that this Agreement is subject to the jurisdiction of the FERC, and that the Company will file this Agreement with the FERC. Should the FERC not accept this Agreement for filing, without change or condition, this Agreement shall not become effective, unless the Parties agree otherwise in writing, it being the intent of the Parties that the FERC's acceptance of this Agreement, without change or condition, is a prerequisite to the validity of this Agreement. In the event that this Agreement is not accepted for filing, without change or condition, the Parties agree to negotiate in good faith to reach an agreement that provides for a similar balancing of interests as is reflected in this Agreement.
- (c) The Parties agree to use their best efforts to seek and obtain the prompt approval of this Agreement by the FERC.
- (d) Once this Agreement is accepted for filing by the FERC and Company commences delivering Full Requirements Service to Customer under this Agreement, the Parties agree: 1) that the currently-effective Electric Service Agreement between Company

and Customer shall be terminated and superceded, and shall no longer have any force or effect; and 2) that if no other customers are taking service thereunder, the Company can cancel any FERC Electric Tariff or Tariffs under which Customer is currently served. The Customer agrees not to oppose such cancellation and further agrees that it will not be eligible for cost-based service under any such tariff or tariffs as long as they remain in place.

- (e) The Parties recognize the Company's obligation, under FERC's Order 888, to unbundle the costs of providing service to Customer under this Agreement. Customer agrees that the unbundling of the costs of generation, NITS, Ancillary Services and Local Delivery Services, to be charged to Customer by Company under Article 4 of this Agreement, satisfies the FERC's requirements, even though the costs of certain Ancillary Services are included as generation-related costs under the formula rate mechanism in Appendix B. Company agrees to provide Customer with a breakdown of costs that would be charged to Customer under the OATT, assuming the Customer were paying a market-based generation price, as opposed to a cost-based formula rate, within thirty (30) days of Customer's request.

ARTICLE 15: DISPUTE RESOLUTION AND STANDARD OF REVIEW FOR PROPOSED CHANGES

15.1 Resolution by Officers of the Parties. In the event of any dispute among the Parties arising out of or relating to this Agreement, the Parties shall refer the matter to their duly authorized officers for resolution. Should such officers fail to resolve the dispute within ten (10) days after such referral, the Parties agree that any such dispute may be resolved pursuant to Section 15.2.

15.2 Procedures for Resolution of Disputes.

- (a) Any claim, counterclaim, demand, cause of action, dispute, or controversy arising out of or relating to this Agreement or the relationship established by this Agreement, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of this Agreement, involving the Parties and/or their respective representatives (for purposes of this Section only, collectively the "Disputes"), even though some or all of such Disputes allegedly are extra contractual in nature, whether such Claims sound in contract, tort, or otherwise, at law or in equity, under state or federal law, whether provided by statute or the common law, for damages or any other relief, may, upon mutual agreement of the parties, be resolved by binding arbitration. Such arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Upon agreement to arbitrate, any award made hereunder shall be binding upon the Parties, their successors and assigns, and any trustee or receiver of either Party. The existence of this Section 15.2(a), absent an

agreement of the Parties to proceed thereunder, shall not affect, by itself, FERC's jurisdiction over this Agreement or any disputes under this Agreement, or either Party's rights to seek relief from FERC to resolve such disputes.

- (b) In the event a Dispute comes before a court of competent jurisdiction, the Parties hereby knowingly, voluntarily and intentionally waive any rights they may have to a trial by jury in respect of any litigation based hereon, or arising out of, under, or in connection with, this Agreement and/or any course of conduct, course of dealing, statements (whether oral or written) or actions of Company and Customer related hereto.

15.3 Standard of Review.

- (a) Notwithstanding the provisions of Sections 15.1 and 15.2 hereof, and subject to the exceptions set out in Section 15.3(b), the Parties agree that the provisions of this Agreement, including without limitation the rates and charges and conditions of service contained herein, are subject to change by the FERC, and that the Company and Customer shall be entitled, at any time and from time to time, to apply for or to take other action to request such a change under Sections 205 or 206 of the FPA, respectively, and pursuant to the rules and regulations promulgated thereunder (Sections 205 or 206), provided further, however, Customer agrees not to apply for or to assert or take any other action to request a change to the Agreement under Section 206 of the FPA for any portion of the Delivery Period prior to June 1, 2015.
- (b) The Parties expressly agree that the following provisions of this Agreement are not subject to change under Sections 205 or 206, absent the mutual written consent of the Parties:
1. the Term and expiration date of this Agreement;
 2. the Parties' agreement that Customer is not entitled to cost-based rates, after the cancellation, termination or expiration of this Agreement, on the basis of the agreements, orders and/or tariffs set out in Sections 2.2(d), 2.3 (b) and 7.2;
 3. the cessation of the Company's obligation to plan to meet Customer's Retail Load, after the end of the Term of this Agreement, absent an agreement of the Parties that extends beyond the Term of this Agreement;
 4. the continuation of a cost-based formula rate throughout the Term of this Agreement;
 5. the credit provisions in Article 6;

6. the cost-of-service provisions contained in parts (a) through (f) of Section 4.6 of this Agreement (except as explicitly specified in Section 4.6(b) and (f)); and
7. the standard of review provisions in this Section.

It is the intent of this Section and the Parties that, to the maximum extent permitted by law, the provisions of this Agreement that are enumerated in this Section 15.3 (b) shall not be subject to change under Sections 205 and 206, and that absent the written agreement of the Parties to change any of the above enumerated provisions, the standard of review for changes to any of those enumerated provisions proposed by a Party, or a non-party, or the FERC, acting *sua sponte*, shall be the public interest standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) (the *Mobile-Sierra Doctrine*).

ARTICLE 16: GENERAL PROVISIONS

- 16.1 **Third Party Beneficiaries.** This Agreement is intended solely for the benefit of the Parties hereto, and nothing herein will be construed to create any duty to, or standard of care with reference to, or any liability to, any person not a Party hereto.
- 16.2 **No Dedication of Facilities.** Any undertakings or commitments by one Party to the other under this Agreement shall not constitute the dedication of generation facilities or the transmission system or any portion thereof of either Party to the other Party.
- 16.3 **Waivers.** The failure of a Party to insist in any instance upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights under this Agreement shall not be construed as a general waiver of any such provision or the relinquishment of any such right, except to the extent such waiver is in writing and signed by an authorized representative of such Party.
- 16.4 **Interpretation.** The interpretation and performance of this Agreement shall be in accordance with and controlled by the laws of the State of Michigan, without giving effect to its conflict of laws provisions.
- 16.5 **Severability.** If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby; and the Parties hereby agree to effect such modifications to this Agreement as shall be reasonably necessary in order to give effect to the original intention of the Parties.

- 16.6. Modification.** No modification to this Agreement will be binding on any Party unless it is in writing and signed by the Parties.
- 16.7 Counterparts.** This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.
- 16.8 Headings.** Article and Section headings used throughout this Agreement are for the convenience of the Parties only and are not to be construed as part of this Agreement.
- 16.9 Audit.** Each Party has the right, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the accuracy of any invoice, charge or computation made pursuant to this Agreement. If requested, a Party shall provide to the other Party invoices evidencing the quantities of Full Requirements Electric Service. If any such examination reveals any inaccuracy in any invoice, the necessary adjustments to such invoice and the payments thereof will be made promptly and shall bear interest at a rate calculated in accordance with Section 35.19a of the FERC's Regulations from the date the overpayment or underpayment was made until paid; provided, however, that no adjustment for any statement or payment will be made unless objection to the accuracy thereof was made prior to the lapse of twelve (12) months from the rendition thereof, and thereafter any objection shall be deemed waived.
- 16.10 Records.** The Parties shall keep (or as necessary cause to be kept by their respective agents) for a period of at least five (5) years such records as may be needed to afford a clear history of the Full Requirements Service supplied pursuant to this Agreement. For any matters in dispute, the Parties shall keep the records related to such matters until the dispute is ended.
- 16.11 Survival.** The provisions of Articles 10, 13 and 15, and Sections 16.9 and 16.10 hereof, and any other Section of this Agreement that specifies by its terms that it survives termination, shall survive the cancellation, termination or expiration of this Agreement.
- 16.12 Cooperation to Effectuate Agreement.** Each Party shall cooperate to implement the provisions of and to administer this Agreement in accordance with the intent of the Parties.

ARTICLE 17: RULES OF CONSTRUCTION

- 17.1** Terms used in this Agreement but not listed in this Article, or defined herein or in Article 1, shall have meanings as commonly used in the English language and, where applicable, in Good Utility Practice.

- 17.2** Words not otherwise defined herein that have well known and generally accepted technical or trade meanings are used herein in accordance with such recognized meanings.
- 17.3** The masculine shall include the feminine and neuter.
- 17.4** The words “include”, “includes” and “including” are deemed to be followed by the words “without limitation.”
- 17.5** References to contracts, agreements and other documents and instruments shall be references to the same as amended, supplemented or otherwise modified from time to time.
- 17.6** The Appendices attached hereto are incorporated in and are intended to be a part of this Agreement; provided, that in the event of a conflict between the terms of any Appendices and the terms of this Agreement, the terms of this Agreement shall take precedence.
- 17.7** References to laws and to terms defined in, and other provisions of, laws shall be references to the same (or a successor to the same) as amended, supplemented or otherwise modified from time to time.
- 17.8** References to a person, entity, or governmental authority shall include its permitted successors and assigns, and any entity succeeding to the functions and capacities of that person, entity or governmental authority.
- 17.9** References to “Articles,” “Sections,” or “Appendices” shall be to articles, sections, or appendices of this Agreement, or, as appropriate, to sections of the FPA or FERC’s regulations.
- 17.10** Unless the context plainly indicates otherwise, words importing the singular number shall be deemed to include the plural number (and vice versa); terms such as "hereof," "herein," "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Agreement rather than any particular part of the same.
- 17.11** This Agreement was negotiated and prepared by both Parties with the advice and participation of counsel. The Parties have agreed to the wording of this Agreement and none of the provisions hereof shall be construed against one Party on the ground that such Party is the author of this Agreement or any part hereof.

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Agreement on their behalf as of the date first above written.

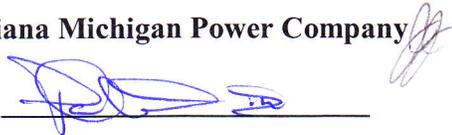
City of South Haven, Michigan

By: Robert Burr

Name: Robert Burr

Title: Mayor

Indiana Michigan Power Company

By: 

Name: Paul Chodak, III

Title: President

APPENDIX A
LIST OF DELIVERY POINTS

CITY OF SOUTH HAVEN

DELIVERY POINTS

AS OF MAY 1, 2006

	<u>DESCRIPTION</u>	<u>DELIVERY VOLTAGE</u>
.	Phoenix	Transmission
.	Lovejoy	Transmission

Cost-of-Service Formulas

A-1

DETERMINATION OF DEMAND-RELATED COSTS AND
DEMAND CHARGE
TWELVE MONTHS ENDED DECEMBER 31, ____

APPENDIX B

	<u>Demand Related</u>	<u>Reference</u>
1. Return on Investment	\$	P.A-5, L.18, Col (2)
2. Operation & Maintenance Expense	\$	P.A-14, L.8, Col (2)
3. Depreciation Expense	\$	P.A-15, L.14, Col (2)
4. Taxes Other Than Income Taxes	\$	P.A-16, L.7, Col (2)
5. Income Tax	\$	P.A-17, L.5, Col (2)
6. <u>Subtotal</u>	<u>\$</u>	Lines 1 through 5
7. Less: Off-System Sales for Resale Expenses	\$	P. A-4, L.3, Col (2)
8. Less: Customer Share of Off-System Sales Margin	\$	P. A-4, L.4, Col (2)
9. Adjustment of Other Income and Deductions	\$	Note A
10. <u>Annual Production Fixed Cost</u>	<u>\$</u>	L.6 - L.7 - L.8 + L.9
11. Monthly Peak Megawatts	#	FERC-1, p.401b
12. Demand Charge @ Generation	\$ /kW	L.10 / L.11 / 1,000
13. Loss Adjusted Monthly Demand at Peak	# kW	Note B
14. <u>Annual Demand Revenue Requirement</u>	<u>\$</u>	L.12 X L.13
15. Loss Adjusted Monthly Demand	# kW	Note B
16. <u>Demand Charge @ Generation</u>	<u>\$ /kW</u>	L.14 / L.15
17. Transmission Loss Factor	#	Note C
18. Transmission Voltage Demand Charge	\$ /kW	L.16 X L.17
19. Primary Loss Factor	#	Note C
20. Primary Voltage Demand Charge	\$ /kW	L.16 X L.19

Note A: To be determined by accounting department.

Note B: Total customer demands adjusted for losses to generation.

Note C: Losses pursuant to OATT and loss study.

Cost-of-Service Formulas

A-2

DETERMINATION OF ENERGY RELATED COSTS AND
ENERGY CHARGE
TWELVE MONTHS ENDED DECEMBER 31, _____**APPENDIX B**

	<u>Energy Related</u>	<u>Reference</u>
1. Total Fuel	\$	P.A-14, L.16, Col (4)
2. Purchased Power (555)	\$	P.A-14, L.1, Col (4)
3. Other Production Expense	\$	P.A-14, L.4, Col (3)
4. <u>Total Production Cost</u>	<u>\$</u>	Lines 1, 2 & 3
5. Less: Off-System Sales for Resale Expenses	\$	P. A-4, L.3, Col (3)
6. Less: Customer Share of Off-System Sales Margin	\$	P. A-4, L.4, Col (3)
7. <u>Subtotal</u>	<u>\$</u>	L.4 - L.5 - L.6
8. Administrative & General Expense	\$	P.A-10, L.17, Col (5)
9. Return on Investment	\$	P.A-5, L.18, Col (3)
10. Depreciation Expense	\$	P.A-15, L.14, Col (3)
11. Income Tax	\$	P.A-17, L.5, Col (3)
12. <u>Annual Production Variable Costs</u>	<u>\$</u>	Lines 7 thru 11
13. Production Fuel Costs	\$	P.A-14, L.20, Col (4)
14. <u>Non-Fuel Costs</u>	<u>\$</u>	L.12 - L.13
15. Net mWh Generated and Purchased, less mWh Sold	#	FERC-1, p.401b
16. Energy Charge	\$ /kWh	L.14 / L.15 / 1,000
17. Fuel Charge	\$ /kWh	L.13 / L.15 / 1,000
18. Transmission Loss Factor	#	P.A-1, L.17
19. Transmission Voltage Energy Charge	\$ /kWh	L.16 X L.18
20. Transmission Voltage Fuel Charge	\$ /kWh	L.17 X L.18
21. Primary Loss Factor	#	P.A-1, L.19
22. Primary Voltage Energy Charge	\$ /kWh	L.16 X L.21
23. Primary Voltage Fuel Charge	\$ /kWh	L.17 X L.21

Cost-of-Service Formulas

A-3

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APPENDIX B

Cost-of-Service Formulas

APPENDIX B

A-4

OFF-SYSTEM SALES REVENUES AND MARGIN
TWELVE MONTHS ENDED DECEMBER 31, ____

	Reference	PRODUCTION		
		Amount (1)	Demand (2)	Energy (3)
1. Off-System Sales Revenues	Note A	\$	\$	\$
2. Less: Margins from Off-System Sales	Note B	\$	\$	\$
3. Off-System Sales Expenses	L.1 - L.2	\$	\$	\$
4. Customer Share of Margins	50% of L.2	\$	\$	\$

Note A: Revenues associated with off-system sales as reported in Account 447
(FERC-1, Page 311, column H, excluding RQ)

Note B: From Accounting.

Cost-of-Service Formulas

APPENDIX B

A-6

PRODUCTION-RELATED ELECTRIC PLANT IN SERVICE

TWELVE MONTHS ENDED DECEMBER 31, _____

	Reference	System Amount (1)	PRODUCTION		
			Amount (2)	Demand (3)	Energy (4)
1.	GROSS PLANT IN SERVICE				
2.	Plant in Service	Note A	\$	\$	\$
3.	Less: ARO-related Plant		\$	\$	\$
4.	Restated Plant in Service	L.2 - L.3	\$	\$	\$
5.	Generator Step-Ups Included in Accts. 352 & 353 above		\$	\$	\$
6.	General & Intangible Plant	P. A-7, L. 19	\$	\$	\$
7.	Total	L.4 + L.5 + L.6	\$	\$	\$
8.	Percentage of Total		%	%	%
9.	ACCUMULATED PROVISION FOR DEPRECIATION				
10.	Plant in Service	Note C	\$	\$	\$
11.	Less: ARO-related Depreciation		\$	\$	\$
12.	Adjustment to Depreciation Rate	Note D	\$	\$	\$
13.	Generator Step-Ups Included in Accts. 352 & 353 above		\$	\$	\$
14.	Adjustment to Depreciation Rate	Note D	\$	\$	\$
15.	General & Intangible Plant	Note B	\$	\$	\$
16.	Adjustment to Depreciation Rate	Note B, D	\$	\$	\$
17.	Total	L.10 - L.11 + L.12 + L.13 + L.14 + L.15 + L.16	\$	\$	\$
18.	ACCUM DEFERRED TAXES	Note E	\$	\$	\$

Note A: Gross Plant in Service is the average of beginning and ending year balances (FERC-1, P. 206 & 207)

Note B: % from P.A-7, L.17

Note C: Accumulated Depreciation is the average of beginning and ending year balances (FERC-1, P.219)

Note D: From Accounting.

Note E: FERC-1, P. 234 Ln. 8 (Account 190), FERC-1 P. 272/273 Ln. 8 (Account 281), FERC-1, P. 274/275 Ln. 5 (Account 282), and FERC-1, P. 276/277 Ln. 9 (Account 283) - Allocated on Gross Plant in Service

Cost-of-Service Formulas

APPENDIX B

A-7

PRODUCTION-RELATED GENERAL PLANT ALLOCATION
TWELVE MONTHS ENDED DECEMBER 31, ____

General Plant Accounts 101 and 106						
		Total System (1)	Allocation Factor (2)	Related to Production (1) x (2) (3)	Demand (4)	Energy (5)
1.	GENERAL PLANT					
2.	389 Land	\$				
3.	390 Structures	\$				
4.	391 Office Equipment	\$				
5.	392 Transportation Equipment	\$				
6.	393 Stores Equipment	\$				
7.	394 Tools, Shop & Garage Equipment	\$				
8.	395 Lab Equipment	\$				
9.	396 Power Operated Equipment	\$				
10.	397 Communications Equipment	\$				
11.	398 Miscellaneous Equipment	\$				
12.	Subtotal	\$	Note A	\$	\$	\$
13.	PERCENT of Subtotal	%		%	%	%
14.	Other Tangible Property (Excluding 399.1)					
15.	399.0 Other Tangible Property	\$		\$	\$	\$
16.	TOTAL GENERAL PLANT (Excl. 399.1)	\$	FERC-1, P.206	\$	\$	\$
17.	PERCENT of Total	%		%	%	%
18.	Intangible Plant	\$	FERC-1, P.204	\$	\$	\$
19.	General and Intangible Plant	\$		\$	\$	\$
Note A:	Allocation factors based on wages and salaries in electric operations and maintenance expenses, excluding administrative and general expenses:			I&M	AEPSC Note B	Total
	a. Total wages and salaries in electric O&M excluding A&G FERC-1, P. 354, Column (b), L.25-L.24.			\$	\$	\$
	b. Production wages and salaries in electric O&M FERC-1, P.354, Col (b), L.18.			\$	\$	\$
	c. Ratio (b/a)					%
	Classification factors based on wages and salaries in electric operations and maintenance expenses, excluding administrative and general expenses:					
	a. Production wages and salaries in electric O&M					\$
	b. Production demand-related wages and salaries			\$	\$	\$
	c. Ratio (b/a)					%
Note B:	From Accounting.					

Cost-of-Service Formulas

APPENDIX B

A-8

PRODUCTION-RELATED CASH REQUIREMENT
TWELVE MONTHS ENDED DECEMBER 31, _____

	Reference	PRODUCTION		
		Amount (1)	Demand (2)	Energy (3)
1. Fuel Expense	P. A-14, L.16	\$	\$	\$
2. Fuel Cash Requirements	$45/360 \times L.1$	\$	\$	\$
3. Purchased Power	P. A-14, L.1	\$	\$	\$
4. Purchased Power Cash Requirements	$45/360 \times L.3$	\$	\$	\$
5. Total O&M, Excluding Fuel	P. A-14, L.8	\$	\$	\$
6. Other O&M Expense	L.5 - L.3	\$	\$	\$
7. Other O&M Cash Requirements	$45/360 \times L.6$	\$	\$	\$
8. Total Cash Requirements	$L.2 + L.4 + L.7$	\$	\$	\$

Cost-of-Service Formulas

APPENDIX B

A-9

PRODUCTION-RELATED MATERIALS & SUPPLIES
 TWELVE MONTHS ENDED DECEMBER 31, ____

	Reference	Total System (1)	Allocation Factor (2)	Related to Production (1) x (2) (3)	Demand (4)	Energy (5)
1. Material & Supplies						
2. Fuel (Note A)	FERC-1, P.110	\$		\$	\$	\$
3. Non-Fuel						
4. Account 158 - Allowances	FERC-1, P.110	\$	%	\$	\$	\$
5. Other - Non-Fuel	Note B	\$	%	\$	\$	\$
6. Total Non-Fuel	L. 4 + L. 5	\$		\$	\$	\$
7. Total Material & Supplies	L. 2 + L. 6	\$		\$	\$	\$

Note A: Accounts 120, 151, 152

Note B: Accounts 154 through 157 and 163 (FERC Form 1, P. 110) Functionalized on Gross Plant from P. A-6, L.4

Cost-of-Service Formulas

A-10

PRODUCTION-RELATED ADMINISTRATIVE & GENERAL EXPENSE ALLOCATION
TWELVE MONTHS ENDED DECEMBER 31, ____

	Account	Reference	System Amount (1)	Allocation Factor % (2)	PRODUCTION		
					Amount (3)	Demand (4)	Energy (5)
1.	ADMINISTRATIVE & GENERAL EXPENSE						
2.	RELATED TO WAGES AND SALARIES						
3.	A&G Salaries	920 FERC-1, P.322	\$				
4.	Office Supplies	921 FERC-1, P.322	\$				
5.	Adm. Expense Transfer - Cr.	922 FERC-1, P.322	\$				
6.	Outside Services	923 FERC-1, P.323	\$				
7.	Injuries & Damages	925 FERC-1, P.323	\$				
8.	Employee Pensions & Benefits	926 FERC-1, P.323	\$				
9.	Franchise Requirements	927 FERC-1, P.323	\$				
10.	Duplicate Charges - Cr.	929 FERC-1, P.323	\$				
11.	Miscellaneous General Expenses	930 FERC-1, P.323	\$				
12.	Rents	931 FERC-1, P.323	\$				
13.	Subtotal	Ls. 3 thru 12	\$	Note A	\$	\$	\$
14.	Property Insurance	924 FERC-1, P.323	\$	Note B	\$	\$	\$
15.	Regulatory Comm. Expenses	928 FERC-1, P.351	\$	Note C	\$	\$	\$
16.	Maintenance of General Plant	935 FERC-1, P.323	\$	Note D	\$	\$	\$
17.	Total	Ls. 13 thru 16	\$		\$	\$	\$

Note A: Allocation factor based on wages and salaries in electric operations and maintenance expenses, excluding administrative and general expenses - See Page A-7.

Note B: From Accounting.

Note C: FERC-1, P.351. Excluding FERC Annual Assessment

Note D: Allocated on Gross Plant % from P.A-7, L.17

Cost-of-Service Formulas

APPENDIX B

A-11

COMPOSITE COST OF CAPITAL

TWELVE MONTHS ENDED DECEMBER 31, ____

	Reference	Total Company Average Capitalization		Cost of Capital	Composite Cost of Capital
		\$	%	%	(2 x 3)
		(1)	(2)	(3)	(4)
1.	Long Term Debt	Note A	\$	%	%
2.	Preferred Stock	Note B	\$	%	%
3.	Common Stock	Note C	\$	%	%
4.	Total		\$	%	%

Note A: Line 1, Columns (1) and (3) from Page A-12.

Note B: Line 2, Columns (1) and (3) from Page A-13.

Note C: Line 3, Column (1) from FERC-1, P. 112, Total Proprietary Capital of:	\$
Less: Preferred Stock, P.A-13, L.1(b)	\$
Less: Premium on Preferred Stock, P.A-13, L.1(c)	\$
Common Stock	\$

Cost-of-Service Formulas

A-12

AVERAGE LONG TERM DEBT

TWELVE MONTHS ENDED DECEMBER 31, ____

APPENDIX B

	Average Debt Balance (1)	Interest Booked (2)
1 Total (FERC-1, P. 112 & P. 117 - Account 427)	\$	\$
2 Preferred Stock With Mandatory Redemption (FERC-1, P. 257.2)	\$	\$
3 Account 224 - Pre-83 SNF Disposal Costs (FERC-1, P. 257)	\$	
4 Amortization of Debt Discount and Expense (FERC-1, P. 117, Accounts 428 - 429.1)		\$
5 Total (L.1 - L.2 - L.3 + L.4)	\$	\$
6 Embedded Costs = L.5, Col. (2)/Col. (1)		%

Cost-of-Service Formulas
 A-13
 AVERAGE PREFERRED STOCK
 TWELVE MONTHS ENDED DECEMBER 31, ____

APPENDIX B

	Reference	Amount
1. (a) Preferred Stock Dividends	FERC-1, P.118, L.29 (Account 437) & FERC-1, P. 257.2	\$
(b) Preferred Stock Issued	FERC-1, P.112, L.3	\$
(c) Premium on Preferred Stock	FERC-1, P.112, L.6 (Account 2070003)	\$
(d) Preferred Stock with Mandatory Redemption	FERC-1, P.257.2	\$
(e) Total Preferred Stock	L.1 (b) + L.1 (c) + L.1(d)	\$
2. Average Cost Rate	L.1 (a)/L.1 (e)	%

Cost-of-Service Formulas

APPENDIX B

A-14

PRODUCTION O & M EXPENSE

TWELVE MONTHS ENDED DECEMBER 31, ____

	Account No.	Total Company (1)	(Demand) Fixed (2)	Energy	
				Non-Fuel Variable (3)	Fuel (4)
1. Purchased Power (FERC Form-1, P.327)	555	\$	\$	\$	\$
2. System Control of Load Dispatching (FERC Form-1, P.321)	Note D	\$	\$	\$	\$
3. Other Production Expenses (FERC Form-1, P.321)	557	\$	\$	\$	\$
4. Other Production Expenses	Note A	\$	\$	\$	\$
5. Total Production Expense Excluding Fuel Used In Electric Generation above		\$	\$	\$	\$
6. A & G Expense P.A-10, L.17		\$	\$	\$	\$
7. Generator Step Up related O&M	Note B	\$	\$	\$	\$
8. Total O & M Excluding Fuel		\$	\$	\$	\$
9. Fuel - Account 501 (FERC Form-1, P.320)	501	\$			\$
10. Less: Fuel Handling		\$			\$
11. Less: Sale of Fly Ash (Revenue & Expense)		\$			\$
12. Plus: Account 518	518	\$			\$
13. Plus: Account 547	547	\$			\$
14. Less: Pre 4/7/83 Spent Nuclear Fuel	Note C	\$			\$
15. Plus: Pre 4/7/83 Spent Nuclear Fuel - Study		\$			\$
16. Total Fuel		\$	\$	\$	\$
17. Total - Production O&M	L.5 + L.16	\$	\$	\$	\$
18. Less: Off-System Sales Revenues (P.A-4, L.1)					\$
19. Plus: Company Share of Margins (P.A-4, L.2 - L.4)					\$
20. Total Fuel Costs					\$
21. Plus: Gains/(Losses) on Disp. of Allowances	A-14(a)	\$			
22. Plus: Nuclear Decomm Expense - ARO	A-14(a)	\$			
23. Less: Nuclear Decommissioning Adjustment	A-14(a)	\$			
24. Less: Spent Nuclear Fuel Adjustment	L.15 - L.14	\$			
25. Check Total - Perbooks Production O&M	P.321	\$			

Note A: Classified into Fixed and Variable Components in accordance with P.A-14(a).

Note B: FERC-1, P.321, (Accounts 562, 569 & 570) allocated on Gross Plant ratio - GSU to total.

Note C: Accounts 5180004 & 5180005

Note D: Pursuant to FERC Order 668, expenses that were booked in Account 556 are now being recorded in the following accounts:

561.4 Scheduling, System Control and Dispatch Services (FERC Form-1, P. 321)

561.8 Reliability, Planning and Standards Development Services (FERC Form-1, P. 321)

575.7 Market Facilitation, Monitoring and Compliance Services (FERC Form-1, P. 322)

Cost-of-Service Formulas

APPENDIX B

A-14(a)

CLASSIFICATION OF FIXED AND VARIABLE PRODUCTION EXPENSES
TWELVE MONTHS ENDED DECEMBER 31, ____

Line No.	Description	FERC Account No.	Demand Related	Energy Related
1	Operation supervision and engineering	500	\$	-
2	Fuel	501	-	XX
3	Fuel Handling	5010003	-	\$
4	Sale of Fly Ash (Revenue & Expense)	5010012	-	\$
5	Steam expenses	502	\$	-
6	Steam from other sources	503	-	\$
7	Steam transferred-Cr.	504	-	\$
8	Electric expenses	505	\$	-
9	Miscellaneous steam power expenses	506	\$	-
10	Rents	507	\$	-
11	Allowances	509	-	\$
12	Less: Gains from Disposition of Allowances	411.8	-	\$
13	Plus: Losses from Disposition of Allowances	411.9	-	\$
14	Maintenance supervision and engineering	510	-	\$
15	Maintenance of structures	511	\$	-
16	Maintenance of boiler plant	512	-	\$
17	Maintenance of electric plant	513	-	\$
18	Maintenance of miscellaneous steam plant	514	\$	-
19	Total steam power generation expenses		\$	\$
20	Operation supervision and engineering	517	\$	-
21	Coolants and Water	519	\$	-
22	Steam expenses	520	\$	-
23	Steam from other sources	521	\$	-
24	Steam transferred-Cr.	522	\$	-
25	Electric expenses	523	\$	-
26	Miscellaneous nuclear power expenses	524	\$	-
27	Less: Nuclear Decomm Expense - ARO	524.0009	\$	-
28	Rents	525	\$	-
29	Total nuclear power generation operation expenses		\$	\$
30	Maintenance supervision and engineering	528	-	\$
31	Maintenance of structures	529	\$	-
32	Maintenance of reactor plant equipment	530	-	\$
33	Maintenance of electric plant	531	-	\$
34	Maintenance of miscellaneous nuclear plant	532	-	\$
35	Total nuclear power generation maintenance expenses		\$	\$
36	Less: Nuclear Decommissioning	524.0008	\$	-
37	Plus: Nuclear Decommissioning - Study		\$	-
38	Operation supervision and engineering	535	\$	-
39	Water for power	536	\$	-
40	Hydraulic expenses	537	\$	-
41	Electric expenses	538	\$	-
42	Misc. hydraulic power generation expenses	539	\$	-
43	Rents	540	\$	-
44	Maintenance supervision and engineering	541	\$	-
45	Maintenance of structures	542	\$	-
46	Maintenance of reservoirs, dams and waterways	543	\$	-
47	Maintenance of electric plant	544	-	\$
48	Maintenance of miscellaneous hydraulic plant	545	\$	-
49	Total hydraulic power generation expenses		\$	\$
50	Operation supervision and engineering	546	\$	-
51	Fuel	547	-	XX
52	Generation expenses	548	\$	-
53	Miscellaneous other power generation expenses	549	\$	-
54	Rents	550	\$	-
55	Maintenance supervision and engineering	551	\$	-
56	Maintenance of structures	552	\$	-
57	Maintenance of generation and electric plant	553	\$	-
58	Maintenance of misc. other power generation plant	554	\$	-
59	Total other power generation expenses		\$	\$
60	Purchased power	555	XX	XX
61	System control and load dispatching	556	XX	-
62	Other expenses	557	XX	-
63	TOTAL OTHER PRODUCTION EXPENSES	\$	\$	\$

Cost-of-Service Formulas

APPENDIX B

A-15

PRODUCTION-RELATED DEPRECIATION EXPENSE
TWELVE MONTHS ENDED DECEMBER 31, ____

			Production Related (1)	Demand (2)	Energy (3)
1.	Steam Production Plant	Note A	\$	\$	\$
2.	Nuclear Production Plant	Note A	\$	\$	\$
3.	Hydro Production Plant Conventional	Note A	\$	\$	\$
4.	Pump Storage	Note A	\$	\$	\$
5.	Other Production	Note A	\$	\$	\$
6.	Production Subtotal		\$	\$	\$
7.	Less: ARO-Related Depreciation (403.1)	Note A	\$	\$	\$
8.	Plus: Non-Nuclear Depr. & Accretion	Note B	\$	\$	\$
9.	Adjustment to Depreciation Rate	Note B	\$	\$	\$
10.	Production-Related Gen. & Int. Plant	Note C	\$	\$	\$
11.	Adjustment to Depreciation Rate	Note B, C	\$	\$	\$
12.	GSU-related Depreciation Expense	Note B	\$	\$	\$
13.	Adjustment to Depreciation Rate	Note B	\$	\$	\$
14.	Total Production		\$	\$	\$

Note A: Lines 1 through 5 are Depreciation Expense reported on page 336 of the FERC Form No. 1 for Accounts 403, 404 and 405 (excluding 403.1).

Note B: From Accounting.

Note C:	General and Intangible Plant Depreciation Expense	\$	FERC-1, p. 336, Col. (f)
	Production-Related %	%	Page A-7, L. 17, Col.(3)
	Gen Plant Depr. Exp. - Prod. Related	\$	
	Adjustment to General Plant Depreciation Expense	\$	
	Production-Related %	%	Page A-7, L. 17, Col.(3)
	Gen Plant Depr. Exp. - Prod. Related	\$	

Cost-of-Service Formulas

APPENDIX B

A-16

PRODUCTION-RELATED TAXES OTHER THAN INCOME TAXES
 TWELVE MONTHS ENDED DECEMBER 31, ____

	REFERENCE	SYSTEM AMOUNT (1)	%	PRODUCTION AMOUNT (2)
TAXES RELATED TO PRODUCTION WAGES AND SALARIES				
1.	State Unemployment	Note A	\$	
2.	Federal Social Security & Unemployment	Note A	\$	
3.	Total Taxes Related to Wages & Salaries		\$	Note B
4.	Real and Personal Property Tax	Note A	\$	
5.	Franchise Tax	Note A	\$	
6.	Total Taxes Related to Production Plant		\$	Note C
7.	Total Taxes Other Than Income Taxes	L. 3 + L. 6	\$	\$
8.	Misc. & State Commission Assessments		\$	
9.	Check Total - Taxes Other	FERC-1 P.114	\$	

Note A: Taxes other than Income Taxes will be those reported in FERC-1, pages 262 & 263 as listed above.

Note B: Allocation factor based on wages and salaries in electric operations and maintenance expenses, excluding administrative and general expenses - See Page A-7.

%

Note C: Allocation factor based on gross plant in service - See Page A-6.

%

Cost-of-Service Formulas

APPENDIX B

A-17

PRODUCTION-RELATED INCOME TAX
 TWELVE MONTHS ENDED DECEMBER 31, _____

	Reference	Amount (1)	Demand (2)	Energy (3)
1. Return on Investment	P. A-5, L.18	\$	\$	\$
2. Interest	P. A-5, L.16 x P. A-11, L.1, Col(4)	\$	\$	\$
3. Balance for Equity Earnings	L.1 - L.2	\$	\$	\$
4. Combined Income Tax Factor	P. A-18, L.17		#	#
5. Income Tax	L.4 x L.3	\$	\$	\$

Cost-of-Service Formulas

APPENDIX B

A-18

COMPUTATION OF EFFECTIVE INCOME TAX RATE
TWELVE MONTHS ENDED DECEMBER 31, ____

	REFERENCE	AMOUNT
1. Net Income before Extraordinary	FERC-1, P. 117, L. 67	\$
2. Less: Allowance for Funds Used During Construction (AFUDC)	FERC-1, P. 117, Acct 419.1	\$
3. Adjusted Net Income	Line 1 - Line 2	\$
Income Taxes:		
4. Federal	FERC-1.P. 114, Acct 409.1	\$
5. Other	FERC-1.P. 114, Acct 409.1	\$
6. Provision for Deferred Inc. Taxes	FERC-1.P. 114, Acct 410.1	\$
7. Provision for Def. Inc. Taxes-Cr.	FERC-1.P. 114, Acct 411.1	\$
8. Investment Tax Cr. Adjustment Net	FERC-1.P. 114, Acct 411.4	\$
Taxes Applicable to Other Income and Deductions:		
9. Income Taxes - Federal	FERC-1 P.117, Acct 409.2	\$
10. Income Taxes - Other	FERC-1 P.117, Acct 409.2	\$
11. Provision for Deferred Inc. Taxes	FERC-1 P.117, Acct 410.2	\$
12. Provision for Deferred Inc. Taxes - credit	FERC-1 P.117, Acct 411.2	\$
13. Investment Tax Credit Adj. - Net	FERC-1 P.117, Acct 411.5	\$
14. Total Income Taxes	Lines 4 thru 13	\$
15. Pretax Earnings Base	Line 3 + Line 14	\$
16. Effective Income Tax Rate	Line 14 / Line 15	%
17. Combined Tax Factor	Line 16 / (100 - Line 16)	#

APPENDIX C

**Assignment of PJM Charges and Credits
for Full Requirements Electric Service**

PJM Operating Agreement

Schedules	Description	Company	Customer
1-3.2.1 & 3.3.1	Spot Market Energy, including day-ahead and balancing charges, credits and reconciliations	x	
1-3.2.4, 3.4.1 & 5.2	Transmission Congestion, including day-ahead and balancing charges, credits and reconciliations	x	
1-3.2.5 & 3.4.2	Transmission Losses, including day-ahead and balancing charges, credits and reconciliations	x	
1-3.2.2, 3.2.2A, 3.3.2 & 3.3.2A	Regulation charges, credits and reconciliations	x	
1-3.2.3A & 3.3.5	Spinning Reserves charges, credits and reconciliations	x	
1-3.2.3 & 3.3.3	Operating Reserves, including day-ahead, balancing and synchronous condensing charges, credits and reconciliations	x	
	Synchronous Condensing - included under Operating Reserves, above	x	
1-3.2.3B	Reactive Services charges, credits and reconciliations	x	
11-6.7	Capacity Credit Market charges, credits and reconciliations	x	
1-7.3.8	FTR Auction charges, credits and reconciliations	x	
1-7.4	Auction Revenue Rights credits	x	
1-3.2.6, 3.3.4, 3.5.1 & 4.3	Emergency Energy charges, credits and reconciliations	x	
1-3.6	Meter Correction	x	

**Assignment of PJM Charges and Credits
for Full Requirements Electric Service**

PJM OATT

Schedules	Description	Company	Customer
1, 9 & 10	Scheduling, System Control & Dispatch Services <i>PJM charges and reconciliation for control area administration, FTR administration, market support, regulation and frequency response administration, capacity and resource obligation administration, FERC annual charge recovery, and NERC and RFC reliability charges.</i>	x	
1A	Scheduling, System Control & Dispatch Services <i>Transmission Owner charges, credits and reconciliations</i>		x
2	Reactive Supply & Voltage Control from Generation Sources charges, credits and reconciliations	x	
3	Regulation and Frequency Response - billed under PJM Operating Agreement, above	x	
4	Energy Imbalance - billed under PJM Operating Agreement, above	x	
5	Operating Reserve - Spinning Reserve Service - billed under PJM Operating Agreement, above	x	
6	Operating Reserve - Supplemental Reserve Service - billed under PJM Operating Agreement, above	x	
6A	Black Start Service charges and credits	x	
7	NITS Service charges and credits, including Contract Demand Reservation Service		x
7	RTO Start-Up Costs		x
7& 8	Firm and Non-Firm Point-to-Point Transmission Service		x
12	Transmission Enhancement Charges		x
13	Expansion Cost Recovery charges and credits	x	
Attachment R	PJM/MISO and Intra-PJM SECA charges		x
Attachment X	PJM/MISO and Intra-PJM SECA credits	x	
ILDSA	Other Supporting Facilities		x
	AEP Inadvertent	x	
	Energy Imbalance	x	

Indiana and Michigan Municipal Distributors Association

Load Following & Fixed Load Shape RFP Term Sheet Indicative Pricing Request

Participants

Participating Indiana and Michigan Municipal Distributors Association members (collectively, "IMMDA") include the following towns and cities located in Indiana: (1) Town of Avilla, (2) City of Bluffton, (3) City of Garrett, (4) City of Mishawaka, (5) Town of New Carlisle, and (6) Town of Warren, and the following towns and cities located in Michigan: (1) City of Dowagiac, (2) City of Niles, (3) Village of Paw Paw, (4) City of South Haven, and (5) City of Sturgis. The aggregate annual peak load of the participants is approximately 370 MW.

RFP Product Summary

- **Product 1:** Energy only, load following product
 - *Please provide individual pricing for each participant*
- **Product 2:** Energy only, fixed load shape
 - *Fixed Load Shape for each participant outlined in Appendix A*
 - *Please provide individual pricing for each participant*
- **Term(s):**
 - Jun 1, 2020-December 31, 2021 (19 Months)
 - Jun 1, 2020-December 31, 2022 (31 Months)
- **Delivery Location:**
 - AEP Zone

Pricing Preferences/Deadlines

- Prices should include Energy only (Capacity should not be included)
- Pricing should be based on close of business on February 12th, 2016
- Please assume the same fixed load shape listed in Appendix A for each calendar year

Deadline for Proposal Submission: 5:00 pm on February 16, 2016

Appendix A Fixed Load Shapes (All values shown in megawatts)

Town of Avilla, Indiana

Block Type	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
7x24	3.4	3.4	3.1	2.9	2.8	3.3	3.5	3.6	3.1	2.8	3.1	3.2
7x8	0.2	0.3	0.3	0.2	0.2	0.1	-	-	0.4	0.6	0.3	0.4
5x16	1.2	1.2	1.2	1.1	1.3	1.3	1.4	1.5	1.8	1.7	1.4	1.4
2x16	-	-	-	-	-	-	-	0.2	-	-	-	-

City of Bluffton, Indiana

Block Type	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
7x24	34.7	35.8	35.0	32.7	34.2	35.9	36.3	35.9	35.1	33.0	32.8	34.0
7x8	2.1	2.0	1.6	0.4	0.4	-	-	-	-	-	1.4	1.2
5x16	7.3	6.9	6.2	5.9	5.8	6.3	6.9	7.3	7.5	5.5	6.5	6.6
2x16	-	-	-	-	-	0.7	0.9	2.9	0.5	0.4	-	-

City of Dowagiac, Michigan

Block Type	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
7x24	6.6	7.0	6.6	5.6	5.8	6.7	7.4	7.0	6.4	6.2	5.8	6.4
7x8	1.3	1.6	1.1	1.5	0.9	0.7	0.1	0.3	0.7	0.7	1.2	0.8
5x16	3.8	3.4	3.5	3.3	3.2	2.9	2.4	2.6	3.2	2.8	3.3	2.7
2x16	-	-	-	-	-	-	-	-	-	-	-	-

City of Garrett, Indiana

Block Type	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
7x24	10.0	10.6	9.0	7.8	7.8	8.6	8.8	8.7	8.1	7.8	8.3	9.0
7x8	0.1	0.3	0.1	0.1	-	-	-	-	-	-	-	0.1
5x16	3.9	3.5	3.4	3.3	3.7	3.8	3.9	4.2	4.2	3.3	3.4	3.1
2x16	-	-	-	-	0.1	0.3	0.8	1.5	0.3	-	0.2	-

City of Mishawaka, Indiana

Block Type	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
7x24	63.8	66.9	58.2	51.9	54.4	60.2	62.5	61.6	58.3	50.9	53.0	56.3
7x8	-	-	-	-	-	-	-	-	-	-	-	-
5x16	20.0	18.3	17.9	19.2	20.6	27.9	27.6	29.1	29.2	21.7	20.9	20.4
2x16	6.9	5.3	5.4	6.6	12.5	14.4	21.7	20.9	9.8	10.1	8.8	8.2

Town of New Carlisle, Indiana

Block Type	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
7x24	1.2	1.2	1.0	0.9	0.9	1.1	1.2	1.2	1.1	0.8	0.9	1.0
7x8	-	-	-	-	-	-	-	-	-	-	-	-
5x16	0.4	0.4	0.4	0.4	0.4	0.6	0.6	0.7	0.6	0.5	0.4	0.4
2x16	0.3	0.3	0.3	0.3	0.5	0.6	0.8	0.7	0.4	0.5	0.4	0.4

City of Niles, Michigan

Block Type	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
7x24	14.4	15.0	13.1	11.7	11.8	13.1	13.7	13.5	12.6	11.4	11.7	12.3
7x8	-	-	-	-	-	-	-	-	-	-	-	-
5x16	4.8	4.6	4.3	4.2	4.5	5.1	5.2	5.5	5.2	4.7	4.6	4.6
2x16	0.3	0.4	0.4	0.2	0.7	1.8	2.7	2.2	1.0	1.0	1.2	0.8

Village of Paw Paw, Michigan

Block Type	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
7x24	4.6	4.7	4.3	4.0	4.1	4.6	4.8	4.6	4.4	3.9	3.9	4.4
7x8	-	-	-	-	-	-	-	-	-	-	-	-
5x16	1.7	1.6	1.7	1.5	1.6	1.9	2.0	1.9	2.3	2.0	1.8	1.1
2x16	0.6	0.5	0.5	0.7	0.9	1.1	1.6	1.5	0.8	0.7	0.6	0.2

City of South Haven, Michigan

Block Type	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
7x24	15.2	15.7	14.1	12.9	13.2	14.2	16.1	15.9	14.2	12.9	12.9	13.5
7x8	-	-	-	-	-	-	-	-	-	-	-	-
5x16	4.1	3.8	3.6	3.5	4.3	5.1	5.5	6.3	5.3	4.5	4.3	4.5
2x16	1.5	1.6	1.4	1.1	1.9	3.2	5.2	4.7	1.7	2.2	2.0	2.1

City of Sturgis, Michigan

Block Type	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
7x24	18.9	20.5	18.1	16.0	18.4	20.1	20.2	24.5	20.4	19.3	18.3	19.9
7x8	3.4	2.8	3.1	4.5	2.8	2.5	0.6	-	3.0	2.7	3.3	2.1
5x16	11.3	10.0	10.2	11.5	11.3	11.5	10.3	9.0	12.3	10.2	10.8	9.9
2x16	-	-	-	-	-	-	-	0.2	-	-	-	-

Town of Warren, Indiana

Block Type	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
7x24	2.2	2.3	2.0	1.7	1.6	1.9	1.9	1.9	1.7	1.6	1.7	1.8
7x8	-	-	-	-	-	-	-	-	-	-	-	-
5x16	0.5	0.5	0.5	0.5	0.6	0.7	0.8	0.8	0.8	0.6	0.6	0.6
2x16	0.1	-	-	0.1	0.2	0.2	0.4	0.4	0.2	0.2	0.2	0.1

**Indiana & Michigan Municipal
Distributors Association
Spring 2016 RFP
Indicative Results
South Haven, MI**

RFP Product Description

RFP Product Description

- **Product 1: Fixed Load Shape**

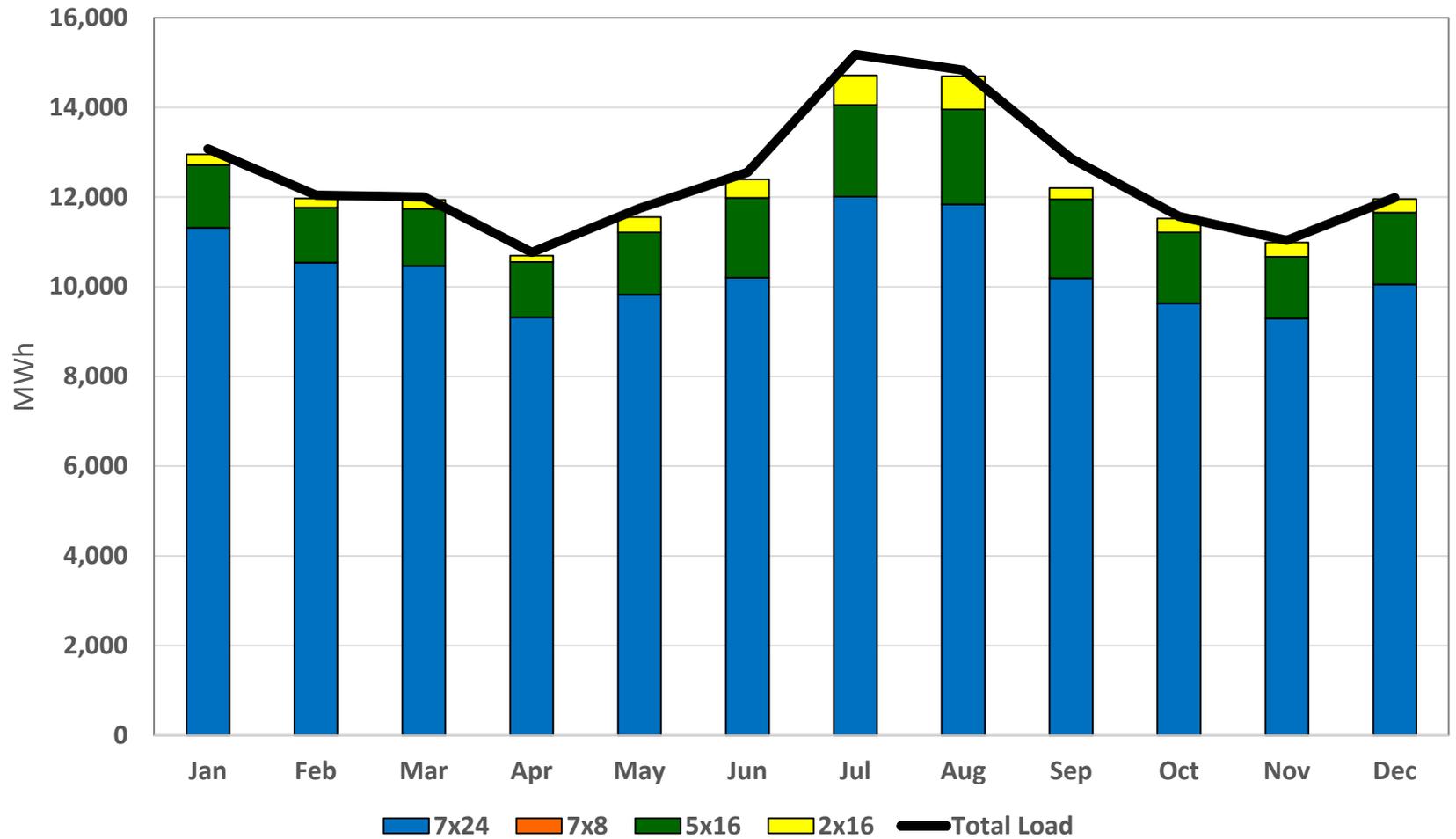
- Fixed, monthly block sizes based on expected load requirement during term

Fixed Load Shape (MW)												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
7x24	15.2	15.7	14.1	12.9	13.2	14.2	16.1	15.9	14.2	12.9	12.9	13.5
5x16	-	-	-	-	-	-	-	-	-	-	-	-
2x16	4.1	3.8	3.6	3.5	4.3	5.1	5.5	6.3	5.3	4.5	4.3	4.5
7x8	1.5	1.6	1.4	1.1	1.9	3.2	5.2	4.7	1.7	2.2	2	2.1

- **Product 2: Energy-only, load following product**

- **Term(s):**
 - Jun 1, 2020-December 31, 2021 (19 Months)
 - Jun 1, 2020-December 31, 2022 (26 Months)
- **Delivery Location: AEP Zone**

Fixed Load Shape South Haven



Current Contract Rate South Haven

	Rate (\$/MWh)
Energy	30.39
Capacity	32.32
NITS/Ancillaries	6.52
Total Rate	69.23
Energy + Capacity Only	62.71

Indicative Pricing Results Summary

Summary of Bidders & Results

South Haven

Bidder	Fixed Load Shape		Load Following	
	6/1/2020-12/31/2021	6/1/2020-12/31/2022	6/1/2020-12/31/2021	6/1/2020-12/31/2022
AEP	34.21	34.90	36.22	37.45
BP	32.80	33.55	35.14	35.72
DirectEnergy	33.49	-	34.17	-
Dynegy	37.01	37.59	32.10	32.10
EDF	33.10	33.62	34.15	34.65
ExGen	42.92	45.32	44.05	46.44
Morgan Stanley	32.28	32.87	39.51	39.36
Shell	32.27	32.55	-	-
TransAlta	35.96	36.55	-	-

1/ AMP & ExGen provided a joint proposal for energy products & scheduling services

2/ AEP and Dynegy provided additional proposals for capacity products

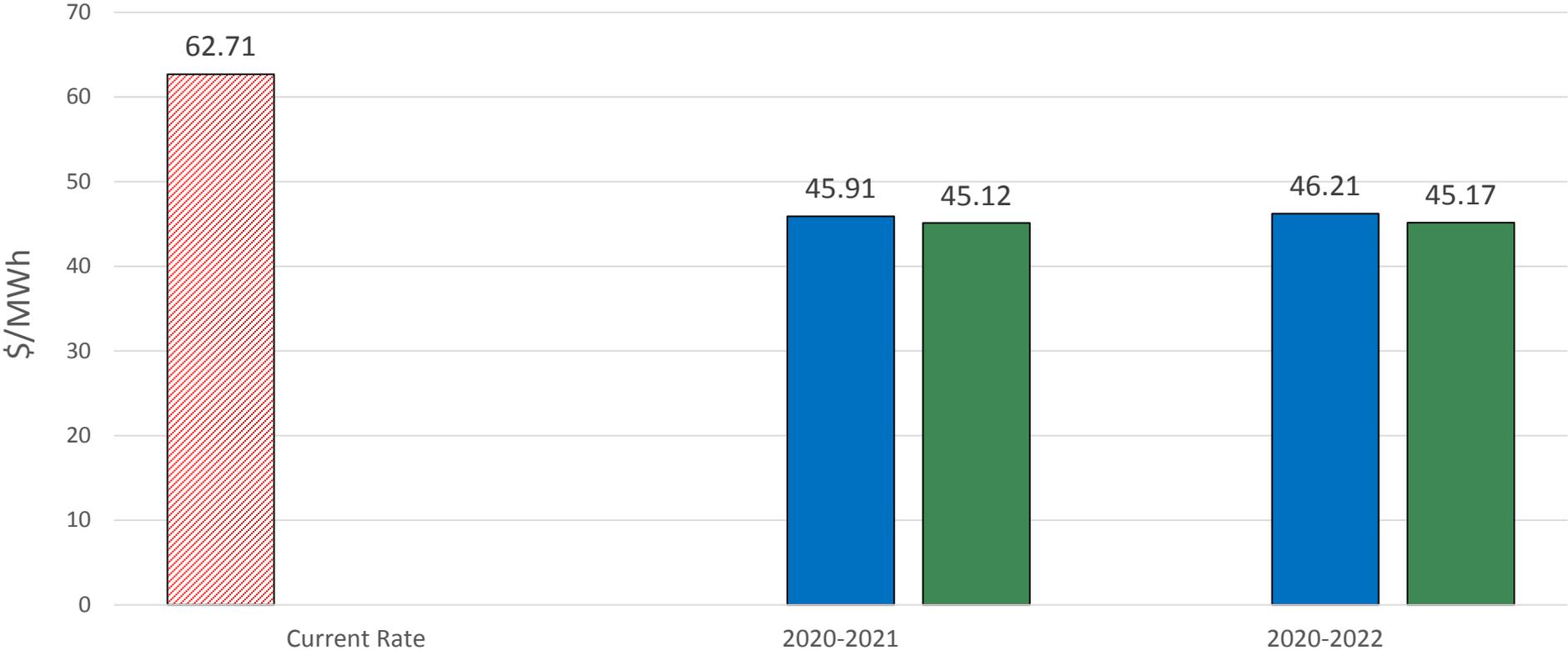
3/ Dynegy offers contingent on purchasing capacity; Dynegy load following energy rate implied based on capacity price

RFP Results

Best Offers

City of South Haven, MI

Current Rate Best Fixed Load Shape Best Load Following



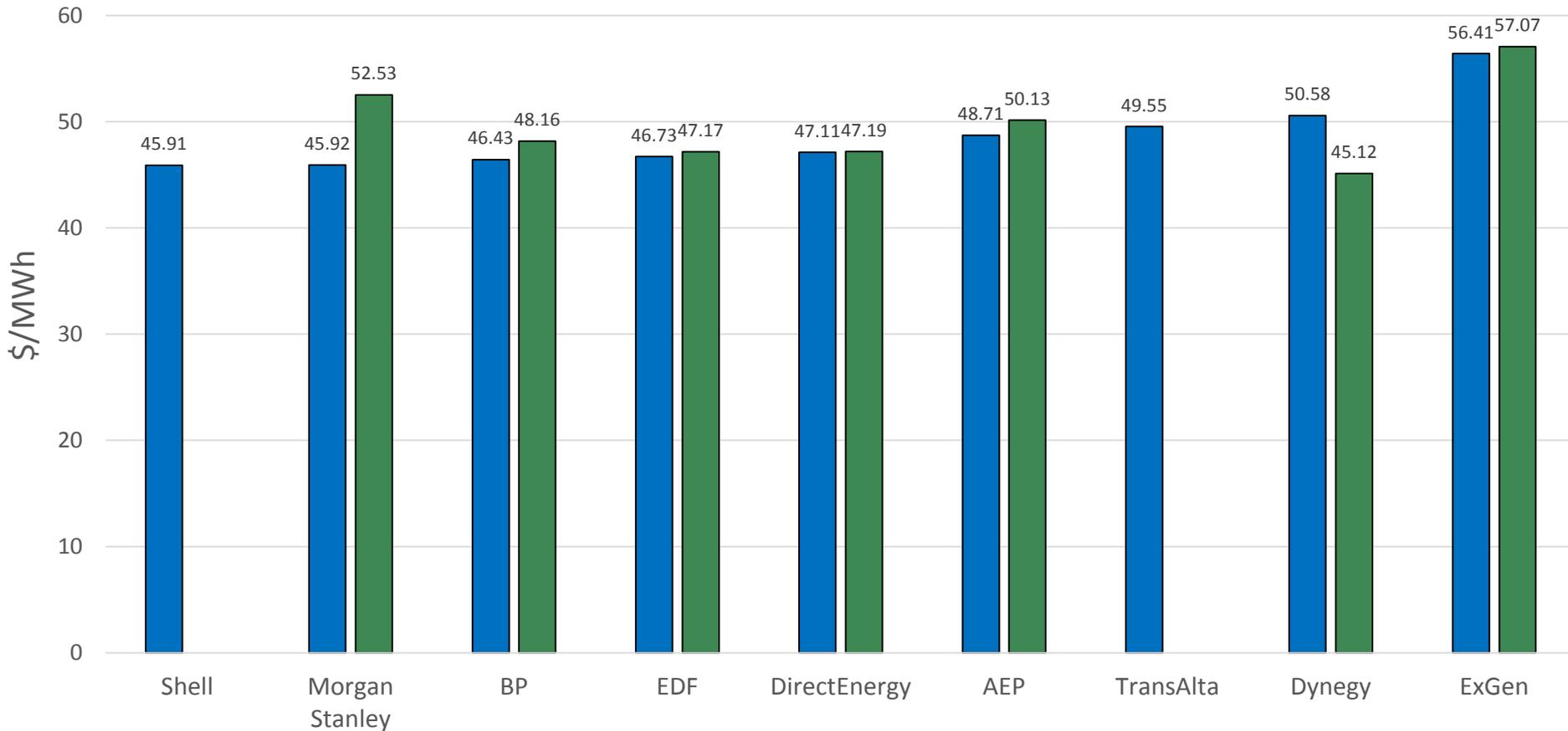
*"Current Rate" includes 2015 actual costs of capacity & energy
"Best Offers" include best load following and fixed load shape energy quotes and projected capacity

RFP Results

All Offers: Jun 2020 - Dec 2021

City of South Haven, MI

■ Fixed Load Shape ■ Load Following



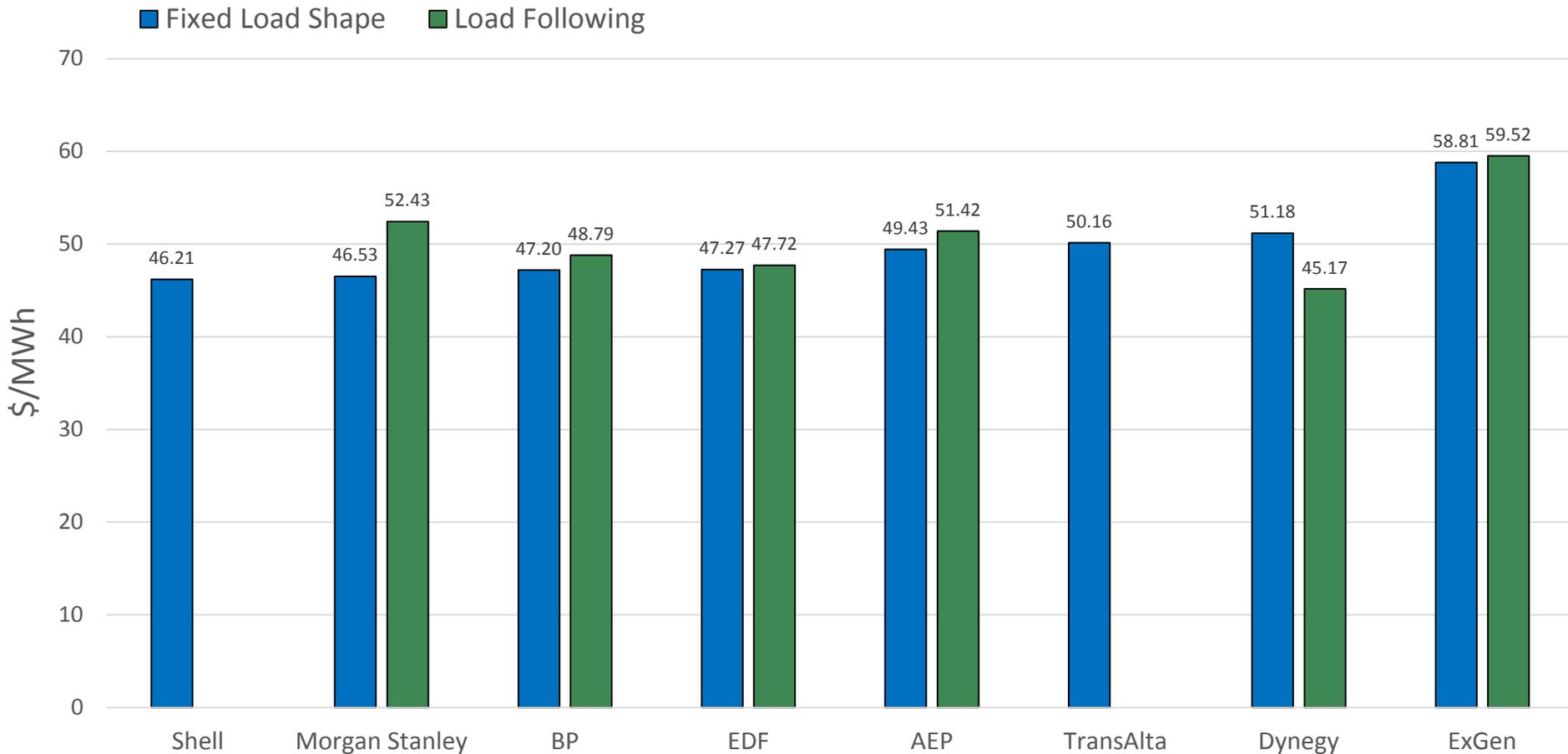
1/ Rates include energy and capacity

2/ Energy cost based on proposal provided by bidders; Capacity costs are projected

RFP Results

All Offers: Jun 2020 - Dec 2022

City of South Haven, MI

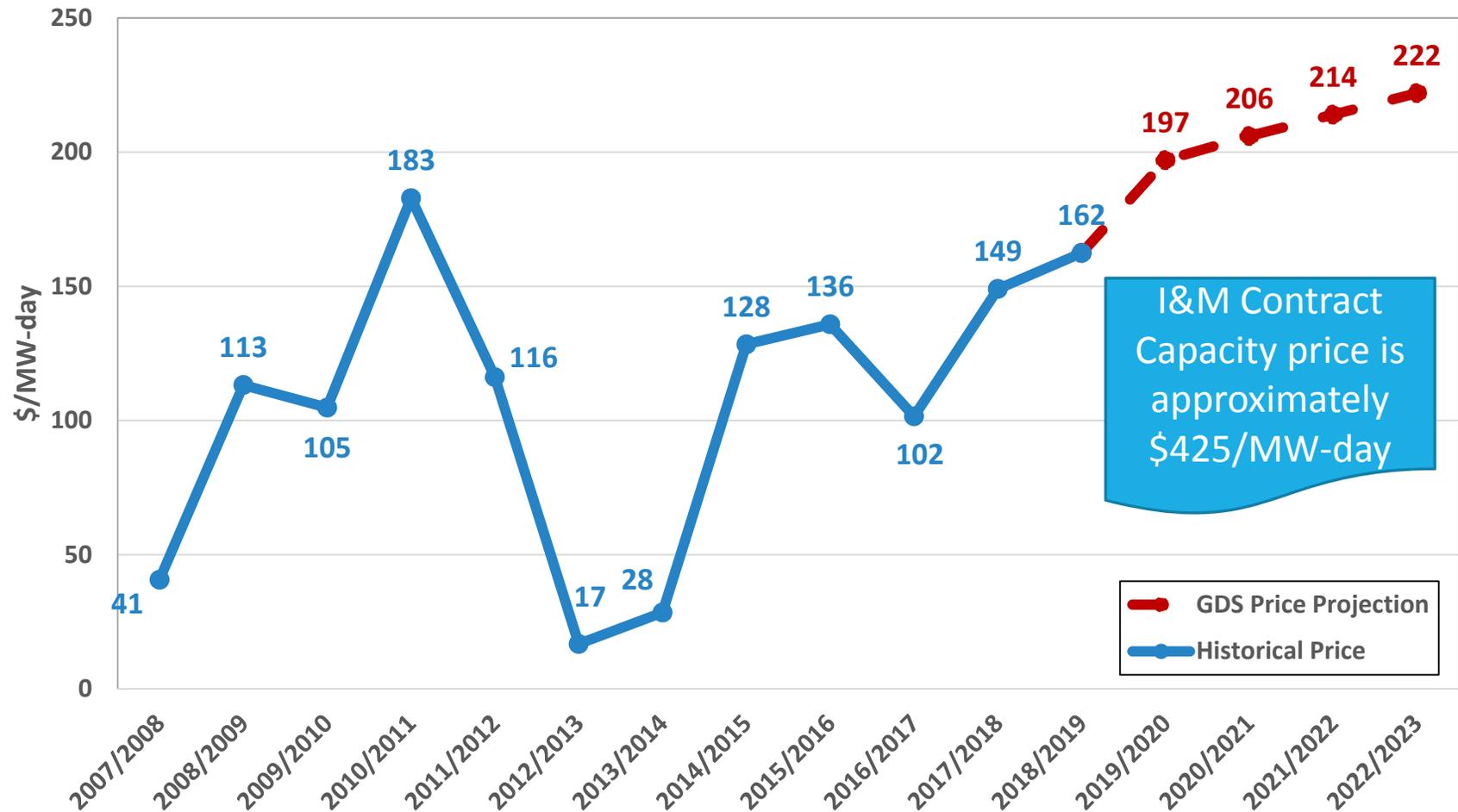


1/ Rates include energy and capacity

2/ Energy cost based on proposal provided by bidders; Capacity costs are projected

Indiana & Michigan Municipal Distributors Association Spring 2016 RFP Follow-up Items

PJM RPM Capacity Price AEP Zone



* GDS Capacity Price Projection will be updated in May 2016 after the 2019/2020 base residual auction has cleared

Capacity Offers

Dynegy

Table 1: Capacity Proposal

Price	\$180/MW-day
Delivery Location	AEP Zone
Term	6/1/2020-5/31/2023
Size	See Table 2

Table 2: Unforced Capacity

	Capacity (MW)
Avilla	7
Bluffton	55
Dowagiac	14
Garrett	18
Mishawaka	133
New Carlisle	4
Niles	27
Paw Paw	11
South Haven	32
Sturgis	46
Warren	4

Capacity Offers

AEP

Table 1: Capacity Proposal

Price	See Table 2
Delivery Location	AEP Zone
Term	6/1/2020-12/31/2025
Size	All Capacity Needs

Table 2: Unforced Capacity

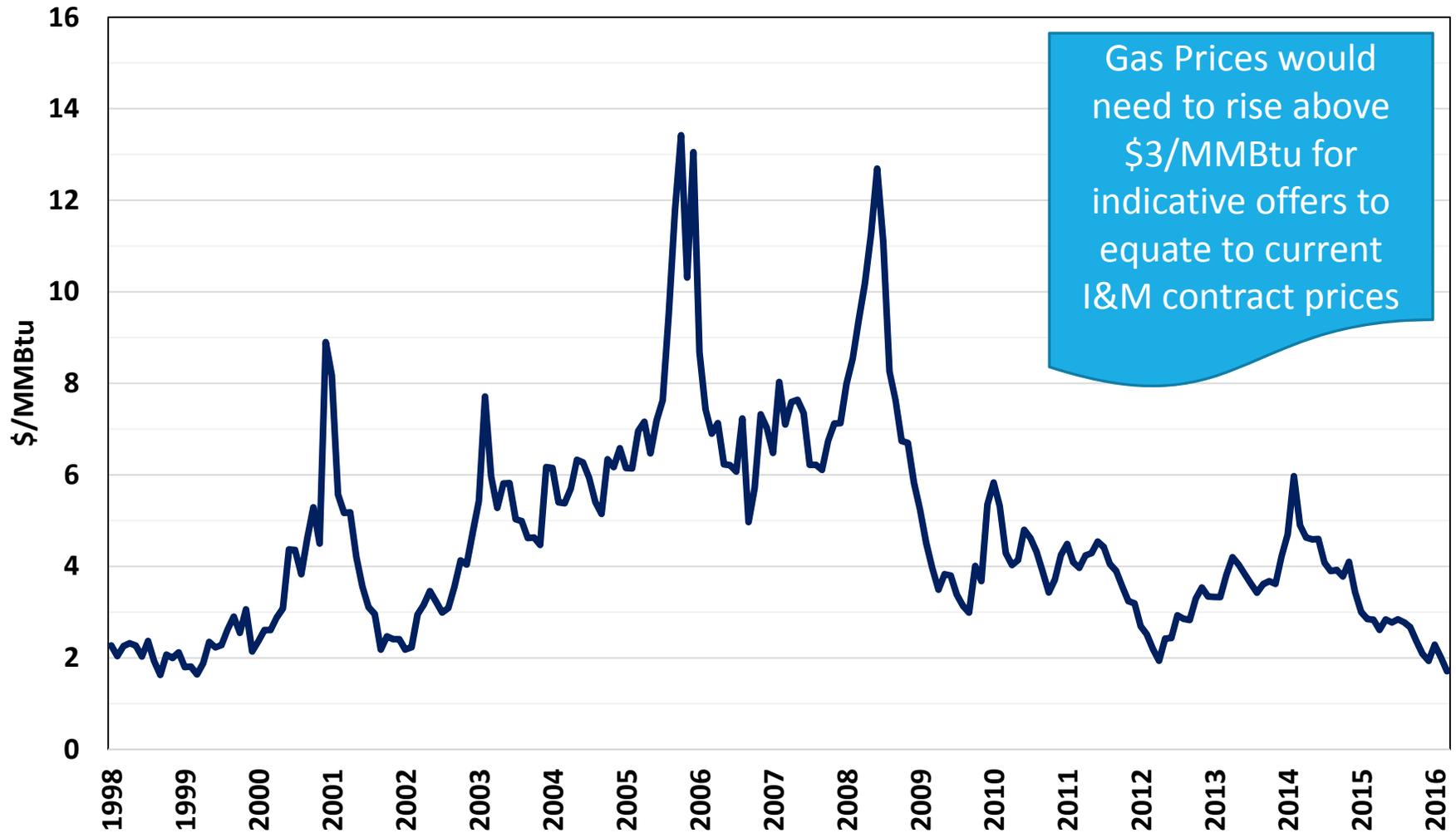
	Capacity Price (\$/MWh)	Converted Capacity Price (\$/MW-day)
Avilla	19.58	247.99
Bluffton	16.62	254.46
Dowagiac	19.05	250.18
Garrett	20.16	245.66
Mishawaka	23.27	196.91
New Carlisle	19.35	246.59
Niles	18.88	245.35
Paw Paw	19.26	248.40
South Haven	20.37	228.53
Sturgis	20.14	242.96
Warren	19.64	249.26

NOTES:

1/ AEP offered capacity as a blended price with energy offer. Capacity Price (\$/MWh) is approximated based on comparison with “Energy Only” offers

2/“Converted Capacity Price” assumes the same capacity sizes as quoted in Dynegy offer to develop \$/MW-day rate comparison

Henry Hub Gas Prices



CITY OF SOUTH HAVEN
VAN BUREN AND ALLEGAN COUNTIES, MICHIGAN

RESOLUTION NO. 2016-33

A RESOLUTION AUTHORIZING CANCELLATION OF THE
AMENDED AND RESTATED COST-BASED FORMULA RATE
AGREEMENT FOR FULL REQUIREMENTS ELECTRIC SERVICE
BY AND BETWEEN INDIANA MICHIGAN POWER COMPANY
AND THE CITY OF SOUTH HAVEN

Minutes of a special meeting of the City Council of the City of South Haven, Van Buren and Allegan Counties, Michigan, held in the City Hall, 539 Phoenix Street, South Haven, Michigan 49090 on May 27, 2016 at 8:00 a.m. local time.

PRESENT: _____

ABSENT: _____

The following preamble and resolution was offered by Member _____ and supported by Member _____.

WHEREAS, on May 24, 2006, the City of South Haven entered into an Agreement with Indiana Michigan Power Company for Full Requirements Electric Service; and

WHEREAS, City Council approved Resolution 2015-04 on January 19, 2015 approving an Amended and Restated Cost-Based Formula Rate Agreement for Full Requirements Electric Service with Indiana Michigan Power Company (the "Agreement"); and

WHEREAS, Section 2.2(a) of the Agreement defines the end date of the Delivery Period as May 31, 2026; and,

WHEREAS, Section 2.2(b) of the Agreement permits the City to cancel the Agreement prior to the end of the Delivery Period by providing written notice prior to June 1 in a given year; and

WHEREAS, the City is a member of the Indiana and Michigan Municipal Distributor's Association ("IMMDA") consisting of 11 municipal electric utilities located in southwest Michigan and northern Indiana; and,

WHEREAS, one member of IMMDA provided written notice of cancellation in 2015 and eight other members intend to provide written notice of cancellation in 2016;

NOW, THEREFORE BE IT RESOLVED that the City of South Haven hereby authorizes the Mayor to provide written notice of cancellation to Indiana Michigan Power Company prior to June 1, 2016, shortening the Delivery Period to terminate on May 31, 2020.

BE IT FURTHER RESOLVED, that this resolution shall take effect upon passage by the City Council.

RECORD OF VOTE:

Yeas: _____

Nays: _____

RESOLUTION DECLARED ADOPTED

Robert G. Burr, Mayor

CERTIFICATION

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council at a meeting held on the 27th day of May, 2016, at which meeting a quorum was present, and that this resolution was ordered to take immediate effect. Public notice of said meeting was give pursuant to and in compliance with the Open Meetings Act, Act No. 167 of the Public Acts of Michigan 1976 (MCL 15.261 *et seq*).

Amanda Morgan, City Clerk



South Haven

City of South Haven

City Hall • 539 Phoenix Street • South Haven, Michigan 49090-1499
Telephone (269) 637-0700 • Fax (269) 637-5319

May 31, 2016

President
Indiana Michigan Power Company
One Summit Square
Ft. Wayne, IN 46802

Vice President – Regulated Energy Marketing
American Electric Power Service Corporation
1 Riverside Plaza, 14th Floor
Columbus, OH 43215

Re: Notice of Termination of Amended and Restated Cost-Based Formula Rate Agreement for Full Requirements Electric Service by and between Indiana Michigan Power Company and the City of South Haven, Michigan

To Whom It May Concern:

Pursuant to Section 2.2(b) of the Amended and Restated Cost-Based Formula Rate Agreement for Full Requirements Electric Service by and between Indiana Michigan Power Company and the City of South Haven (“Agreement”), the City of South Haven hereby provides the required four (4) years notice of South Haven’s intention to cancel the Agreement, terminating the Agreement as of May 31, 2020. Please confirm, in writing, receipt of South Haven’s notice of termination of the Agreement.

The City of South Haven has not yet made any decisions regarding fulfillment of its power supply needs after termination of the Agreement, and would be interested in beginning discussions with Indiana Michigan Power Company regarding the possibility of a new arrangement.

We look forward to hearing from you.

Sincerely,
City of South Haven

Robert Burr, Mayor

Cc: Credit Risk Management
American Electric Power Service Corporation
155 W. Nationwide Blvd., Suite 400
Columbus, OH 43215