

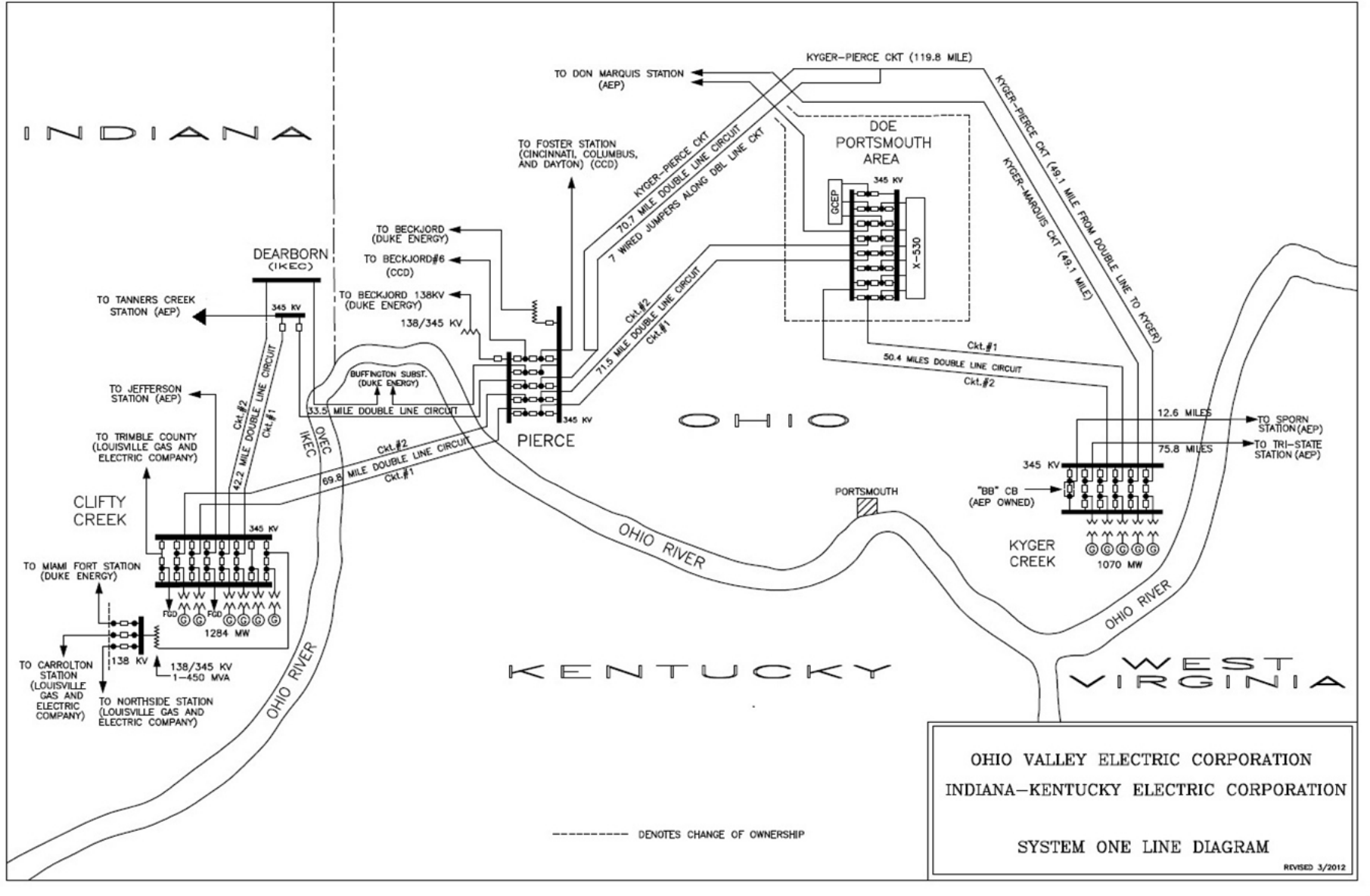
Ohio Valley Electric Corporation

and its wholly-owned subsidiary

Indiana-Kentucky Electric Corporation

Integration Discussion and Proposal

OVEC/IKEC System



Company Overview

- Formed in 1952 to meet needs of the then-AEC Uranium Enrichment facility near Piketon, OH
- Peak Load was near 2,000 MW
 - Facility ceased production in 2001
- The OVEC Contract with AEC-successor DOE terminated in 2003
 - DOE Load now less than 30 MW
 - Served from off-system resources through RFP process
 - Retail arrangements with OVEC to be terminated in 2015
- OVEC now sells all generation at cost to its 8 electric utility and cooperative owners (or their affiliates) under the Inter-Company Power Agreement (ICPA), a FERC-filed tariff.
- 2,200 MW Generation Capacity at 2 generating stations
- All 345 kV Transmission
- No distribution system
- Not a member of any RTO – MISO serves as OVEC's RC
- TO/TOP, GO/GOP, BA, IA, PSE, TP, TSP, & LSE

OVEC's Sponsors/Owners

- PJM Member Sponsors
 - American Electric Power
 - Buckeye Power
 - Duke Energy
 - FirstEnergy/Allegheny Power
 - Wolverine Power Cooperative
 - Dayton Power and Light
- Non-PJM Member Sponsors
 - LGE-KU
 - Vectren

Integration Issues

- OVEC has a unique situation
 - Currently has single load (DOE) which has stated its intent to terminate its contract
 - Could integrate without a load or with a single load

Integration Issues

- DOE load remains OVEC's sole load as OVEC enters PJM – similar but still unique to other TO's
- OVEC would establish formula rates for DOE or any future load
- OVEC also would include provisions for OVEC companies that are not PJM member companies
 - The current Inter-Company Power Agreement originated in 1956
 - OVEC would file for this to be considered a “grandfathered” agreement (or granted similar treatment)

Feedback

- Are there any concerns/issues that should be addressed in the FERC filing?