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John E. Mills
Manager, Tariff Studies

October 17, 2006

Mr. Tim Hostetler
American Electric Power
212 E. 6th Street
Tulsa, OK 74119

RE: Transmission System Upgrade Authorization for Transmission Service Requests 1162634 and 1162642

Dear Mr. Hostetler:

Southwest Power Pool has filed a Supplemental Service Agreement for Network Integration Transmission Service unexecuted by American Electric Power Service Corporation for the above noted transmission service requests. In the facility study conducted in the assessment of these requests, SPP concluded that system upgrades are required on the AEP transmission system as detailed in Aggregate Facility Study SPP-2005-AG1-AFS-2. SPP authorizes AEP to construct those upgrades to the transmission system concluded in the Facility Study to be necessary to provide the requested transmission service.

SPP authorizes AEP to replace the wavetraps and reset CT's at the Northwest Henderson Substation on the Northwest Henderson – Oak Hill #1 138kv Ckt. 1 facility on or before June 1, 2007 and replace the wavetraps at the Clinton City Substation on the Clinton City –Foss Tap 69kV Ckt. 1 facility on or before June 1, 2010.

AEP shall submit certification of commercial operation of each of the listed Network Upgrades to SPP as soon as the upgrades are completed and in service. Please provide SPP with the actual costs of these upgrades as soon as possible after the completion of construction. This will permit SPP to true up billing to actual costs on a timely basis.

Consistent with Section 20.1 of the SPP Tariff, please keep SPP advised of any inability on AEP's part to complete the upgrades in time to provide the committed service. Provide SPP with the construction schedule supporting the required upgrade noted above within 30 days of receipt of this Transmission System Upgrade Authorization letter. Based on this schedule, SPP will require updates to the schedule for schedule status.

Don't hesitate to contact me if you have questions.

Sincerely,

A handwritten signature in blue ink that reads 'John E. Mills'.

John E. Mills
Manager, Tariff Studies

cc: P. Bourne, L. Dillahunty, J. Caspary, J. Rooker, Brent Wilson-AEP, Scott Rainbolt-AEP