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HAND-DELIVERED

July 1, 2002

Richard J. Williams
Director of Economics/Finance
State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219

Dear Mr. Williams:

Thank you for your e-mail message of June 5, 2002 providing an additional opportunity to comment with respect to the Commission's second annual report to the Legislative Transition Task Force ("LTTF") and the Governor under § 56-596 B of the Virginia Electric Utility Restructuring Act ("Restructuring Act" or "Act"). Appalachian Power Company, d/b/a American Electric Power ("AEP" or "Company"), will not add to the substantive positions it stated in its initial comment letter of May 20, 2002. AEP finds it necessary, however, to respond to certain disingenuous statements contained in the comments of the Old Dominion Committee for Fair Utility Rates ("Committee") regarding the history of the RTO formation process. The Company's decision to forego responses to other comments at this time should not be interpreted as agreement with those comments.

In its comment letter of May 28, 2002 (pp. 10-11), the Committee appears to make an argument that the Company has resisted joining a RTO. It argues that a show cause proceeding should be instituted against the Company alleging failure to comply with the July 1, 2001 date in § 56-579 of the Restructuring Act by which the Company should join an RTO. The Committee's argument appears designed to suggest that the Company has simply ignored that duty under the Restructuring Act. Such a characterization of the Company's attempts to comply with § 56-579 simply ignores the facts.

Since early in the restructuring process in Virginia, AEP has been actively involved in developing an RTO. In June 1999, one month before the Virginia Restructuring Act was even effective, AEP and other companies, including Dominion Virginia Power, filed for approval of the Alliance RTO at the FERC. The Company's attempts to establish the Alliance began well before the deadline in the Virginia Restructuring Act, and it had every reasonable expectation that FERC would approve the Alliance RTO, particularly after several favorable orders. When FERC substantially changed its position and made apparent its

dissatisfaction with the Alliance RTO, AEP sought membership in the PJM Interconnection, Inc., as reported to you in my letter of May 20. As you know, PJM is a fully operational RTO using the FERC's preferred market model. The Company expects to become fully operational in the PJM energy market in six to twelve months.

There is no doubt about the Company's commitment to joining a RTO or its attempts to comply with Virginia statutory schedules. AEP asks you to include this letter with the Commission's report to the General Assembly so that it will have a correct view of the Company's commitment to compliance with Virginia law and its attempts to achieve it.

Sincerely,

Barry L. Thomas /CE

Barry L. Thomas
Director, Regulatory Services VA/TN

BLT/cde