

APPENDIX A

Glossary

- A -

Affiliate: As adopted by the PUCT, an Affiliate is:

- (A) a person who directly or indirectly owns or holds at least 5.0% of the voting securities of an energy efficiency service provider;
- (B) a person in a chain of successive ownership of at least 5.0% of the voting securities of an energy efficiency service provider;
- (C) a corporation that has at least 5.0% of its voting securities owned or controlled, directly or indirectly, by an energy efficiency service provider;
- (D) a corporation that has at least 5.0% of its voting securities owned or controlled, directly or indirectly, by:
 - (i) a person who directly or indirectly owns or controls at least 5.0% of the voting securities of an energy efficiency service provider; or
 - (ii) a person in a chain of successive ownership of at least 5.0% of the voting securities of an energy efficiency service provider; or
- (E) a person who is an officer or director of an energy efficiency service provider or of a corporation in a chain of successive ownership of at least 5.0% of the voting securities of an energy efficiency service provider;
- (F) a person who actually exercises substantial influence or control over the policies and actions of an energy efficiency service provider;
- (G) a person over which the energy efficiency service provider exercises the control described in subparagraph (F) of this paragraph;
- (H) a person who exercises common control over an energy efficiency service provider, where "exercising common control over an energy efficiency service provider" means having the power, either directly or indirectly, to direct or cause the direction of the management or policies of an energy efficiency service provider, without regard to whether that power is established through ownership or voting of securities or any other direct or indirect means; or
- (I) a person who, together with one or more persons with whom the person is related by ownership, marriage or blood relationship, or by action in concert, actually exercises substantial influence over

the policies and actions of an energy efficiency service provider even though neither person may qualify as an affiliate individually.

- B -

Baseline: For purposes of determining estimated and measured energy savings for equipment replacement projects implemented under the SOP, the baseline is generally defined as the energy consumed by equipment with efficiency levels that meet the applicable current federal standards and reflects current market conditions. In certain limited circumstances, the baseline may be determined by the equipment or conditions currently in place. This is likely to occur only when federal energy efficiency standards do not apply, or when the existing equipment can be shown by the Project Sponsor to have a remaining service life of at least ten years. For determining estimated and measured savings for building shell improvements, the baseline is generally determined by the building's current condition, e.g., existing insulation r-values, air infiltration rates, etc.

Budget Reservation: The amount of incentive funds AEP sets aside during the project implementation phase for a given Project Sponsor who has submitted a successful application prior to AEP's complete commitment of funds through Budget Reservations to other Project Sponsors.

- D -

Deemed Savings: A pre-determined, validated estimate of energy and peak demand savings attributable to an energy efficiency measure in a particular type of application that a utility may use instead of energy and peak demand savings determined through measurement and verification activities.

Demand Savings: A quantifiable reduction in the rate at which energy is delivered to or by a system at a given instance, or average over a designated period, usually expressed in kilowatts (kW) or megawatts (MW).

- E -

Energy-Efficiency Measures (EEM): Equipment, materials, and practices that when installed and used at a customer site result in a measurable and verifiable reduction in either purchased electric energy consumption, measured in kilowatt-hours (kWh), or peak demand, measured in kW, or both.

Energy Efficiency Project: An energy efficiency measure or combination of measures installed under an SOP Agreement or a market transformation contract that results in both

a reduction in customers' electric energy consumption and peak demand, and energy costs.

Energy Efficiency Service Provider: A person who installs energy efficiency measures or performs other energy efficiency services.

Energy Savings: A quantifiable reduction in a customer's consumption of energy, or the amount by which energy consumption is reduced as a result of the installation of qualifying Energy-Efficiency Measures. Energy savings are determined by comparing the efficiency of the installed Measures to that of an appropriate Baseline.

Existing Equipment: The equipment that is installed at the host customer's site prior to the customer's participation in the SOP.

- H -

Host Customer or Customer: A residential distribution customer of AEP that owns or leases facilities at a Project Site or Sites and that has entered into a Host Customer Agreement with Project Sponsor for the installation of Measures as a part of Project.

- I -

Implementation Payment: The first of two incentive payments made to a Project Sponsor. The implementation payment is for 40% of the total estimated incentive amount as specified in the SOP Agreement. A Project Sponsor may submit an invoice for this payment following AEP's approval of the Project Sponsor's Project Implementation Report (PIR).

Incentive Payment: Payments made to an Energy Efficiency Service Provider based on the level of approved demand and energy savings (expressed as kW and kWh). Incentive rates are based on Commission approved avoided costs and incentive caps.

Inspection: Onsite examination of a project to verify that a measure has been installed and is capable of performing its intended function.

- M -

Measurement and Verification Plan: The Project Sponsor's specific plan for verifying measured savings estimates. The measurement and verification (M&V) plan should be consistent with the International Performance Measurement and Verification Protocol.

Measured Energy Savings: The Energy Savings derived during Performance Period, from the Measures installed at the Project Site as determined in accordance with the Measurement and Verification Plan set forth in Exhibit C of the SOP Agreement.

- P -

Peak Demand: The electrical demand at the time of the highest annual demand on the utility's system, measured in 15 minute intervals.

Peak Demand Reduction: Peak demand reduction on the utility system during the utility system's peak period, calculated as the maximum average demand reduction over a period of one hour during the peak period.

Peak Period: For the purposes of this program, the peak period is defined as the hours from 1 PM to 7 PM CDT weekdays, from June 1 through September 30 (federal holidays and weekends excluded).

Performance Period: The one-year period, for weather-dependent measures or shorter for non weather-dependent Measures, following the approval of a Project Sponsor's Project Implementation Reports. It is during this period that measurement and verification is to take place.

Performance Payment: The second of two incentive payments made to a Project Sponsor under the terms of an SOP Agreement. The performance payment is based on the one-year measured energy savings documented in AEP's M&V Report and may be up to 60% of the total estimated incentive included in the SOP Agreement.

Program Manual: The complete set of AEP HTR SOP materials, including the program description, procedures and forms.

Project Application: The Project Application, comprising of a set of standard forms, is submitted by an organization wanting to participate in the SOP as a Project Sponsor.

Project Site: The location of a Host Customer's facilities where approved Measures will be installed and from which Peak Demand Savings or Energy Savings, or both, will be obtained. A single Project may include Measures installed at multiple Project Sites.

Project Sponsor: Any organization, group, or individual who contracts with AEP to provide Energy Savings or Peak Demand Savings, or both, under the SOP.

Prudent Electrical Practices: Those practices, methods, standards, and equipment commonly used in prudent electrical engineering and operations to operate electrical equipment lawfully and with safety, dependability, and efficiency and in accordance with the National Electrical Safety Code, the National Electrical Code, and any other applicable federal, state and local codes. In the event of a conflict, the applicable federal, state, or local code shall govern.

- R -

Renewable Demand Side Management (DSM) Technologies: Equipment that uses a renewable energy resource that, when installed at a customer site, reduces the customer's net purchases of energy (kWh), electrical demand (kW), or both.

- S -

SOP Agreement: A contract entered into by the Project Sponsor and AEP following the approval of the Project Sponsor's project application and AEP's design of a project-specific M&V plan. The SOP Agreement specifies the energy-efficiency measures to be installed, the expected energy savings, the expected total incentive payment, and the agreed-upon M&V approach.