

LARGE FILING SEPARATOR SHEET

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DESCRIPTION OF DOCUMENT:

APPLICATION & SCHEDULES

Narrative/Overview of Process

Cycle:	Financial Reporting	Related Financial Statement Assertions:	Completeness, Valuation, Presentation and Disclosure
Process:	Disclosures	Nature of Transaction (Choose one):	Routine: <input checked="" type="checkbox"/> Non-Routine: <input type="checkbox"/> Estimation: <input type="checkbox"/>
Sub-Process:	Financing Activities – Long-term Debt		

Summary Description of the Process or Sub-Process:

For purposes of this memo, Management refers to Managers, Directors and Managing Directors. Staff refers to non-Management employees. FR refers to External Financial Reporting.

Overall Review of Financing Activities

The finance-related footnotes filings are supported by many of the activities conducted by the Corporate Finance Department during the period. Financing begins with the Annual Financing Plan that is provided to Corporate Planning and Budgeting. A Quarterly Finance Packet is provided to the Board of Director's Finance Committee. All of these activities are important to providing reasonable assurance that footnotes regarding financing activities are complete and accurate.

The SVP-CAO's email communication and the prior year footnotes sent by FR with their current changes prompts the Finance Department. The staff members of the Corporate Finance Department and/or the directors provide comments. When drafting disclosures for new financings, source documents such as loan agreements or prospectus are utilized to ensure accurate disclosure. The Legal Department may be asked to review the financing disclosures if considered necessary by FR management. Annually, the manager of the preparer within the BU reviews the draft of the footnote support (i.e. - agreements, schedules, queries) to ensure that the footnote is complete and accurate. The support includes the source of information (i.e. tie-outs), who prepared it and who reviewed it and is maintained by the business units for future reference. This is evidenced by the workpapers maintained by FR.

Long-term Debt Footnote – 10Q

In preparing the Long-term Debt table, an Internal FR Staff prepares a Long-term Debt schedule that presents the securities by type of debt and balance for the most recent quarter. An FR Staff agrees the spreadsheet to Peoplesoft, which ensures these amounts are accurate. Once the balances are confirmed, an FR Staff records the amounts in a table under the A-section. The table presents the type of debt and the balance as of the current quarter-end and prior year-end.

In preparing the list of securities issued or retired and principal payments made during the current year, an Internal FR Staff maintains a spreadsheet for each type of security broken out for each company. Each spreadsheet provides the following detail: interest rate, due date, balance and amount due within one year. An Internal FR Staff also maintains a spreadsheet, the AEP System Summary of Long-term Debt, showing the total long-term debt issued and retired in the current year. This spreadsheet provides the following detail: type of debt, interest rate, due date, and activity during the year broken out by quarter. An FR Staff agrees the AEP System Summary of Long-term Debt spreadsheet to the prospectus (for issuances) and Peoplesoft general ledger (for retirements) each quarter. An FR Staff also reconciles the two spreadsheets and agrees the AEP System Summary of Long-term Debt to Peoplesoft. An FR Staff documents subsequent events in the footnote with information provided by Internal FR. The Corporate Finance Department reviews the footnote once it is complete.

Long-term Debt Footnote – 10K

An FR Staff rolls forward the prior period long-term debt securities using information from the prior period 10K report. For the current period information, an FR Staff references the amounts in the long-term debt footnote back to the general ledger to ensure accuracy as evidenced by workpaper tie-outs.

An FR Staff prepares the Long-term Debt table, which presents (1) the type of debt, (2) the weighted average interest rate, (3) interest rate range for the current and prior year and (4) the balance as of the current and prior year-end. An Internal FR Staff maintains a spreadsheet for each type of debt broken out for each company. Each spreadsheet provides the following detail: interest rate, due date, balance and amount due within one year. This spreadsheet is reviewed each quarter by FR management. An FR Staff agrees the activity in the fourth quarter of the current year with a prospectus (for issuances) and Peoplesoft (for retirements). An FR Staff agrees the total amount of LTD on the spreadsheet to Peoplesoft to ensure accuracy. For fixed rate debt, the amount is listed on the prospectus. For variable rate debt, an FR Staff sends an e-mail to request the rate from the appropriate business unit owner for the variable rate as of

12/31/XX. An FR Staff prepares a spreadsheet that lists out each type of security and calculates the weighted average interest rate for the type of debt.

In preparing the Long-term Debt Maturity schedule, an FR Staff sends out a standard template to the G/L teams and other business unit (BU) owners of each company's debt. The BU owners break out the Long-term Debt by maturity year and return the information to the FR Staff. FR Staff agrees the total Long-term Debt and Long-term Debt Due Within One Year to Peoplesoft. The Corporate Finance Department reviews the footnote once it is complete.

Trust Preferred Securities – 10K

The description included in the table and the disclosures regarding the instruments is written by FR and is subject to the controls discussed in the Overall Process Narrative. The amounts outstanding are provided by G/L Staff. These amounts come directly from the business unit's trial balances. Annually, the manager of the preparer within the BU reviews the draft of the footnote support (i.e. agreements, schedules, queries) to ensure that the footnote is complete and accurate. The support includes the source of information (i.e. tie-outs), who prepared it and who reviewed it and is maintained by the business units for future reference.

Final Review Process

Quarterly, FR Mgmt. reviews the footnote for reasonableness, ensures that the financial numbers tie to supporting detail and completes the workprogram. This is evidenced by the review tickmarks and/or sign-offs in the FR workpapers and workprogram [FR.DIS 2.1 and FR.DIS 2.2]. All workpapers provided to FR from the various groups are properly reviewed by the business unit manager or director to ensure the support is accurate and complete, as evidenced in the FR workpapers [FR.DIS 2.4].

Beginning and Ending Points of the Process:

Start Point: (Identify starting point of the process)

Quarter/Year-end

End Point: (Identify end point of the process)

Filing of 10Q (40 days after quarter-end) or 10K (60 days after year-end)

Major Input and Output Sources (Include any key data file documentation or records):

Major Input Sources: (List all key inputs; e.g. PeopleSoft Report RFDOPR10)

Various

Major Output Sources: (List all key outputs; e.g. Invoice Generation Report)

10Q/10K

Functional Segregation of Duties (i.e. identifying processing by department):

(Refer to process map or narrative description of segregation of duties / handover points in process)

Process Owners Contact Details:

Name: Financial Reporting Managing Director

Telephone Number: 614-716-1000



Narrative/Overview of Process

Cycle: Financial Reporting	Related Financial Statement Assertions: Completeness, Valuation, Rights and Obligations, Presentation and Disclosure
Process: Disclosures	Nature of Transaction (Choose one): Routine: X Non-Routine: Estimation:
Sub-Process: Financing Activities - Money Pool	

Summary Description of the Process or Sub-Process:

For purposes of this memo, Management refers to Managers, Directors and Managing Directors. Staff refers to non-Management employees. FR refers to External Financial Reporting.

FINANCING ACTIVITIES FOOTNOTE**Overall Review**

The finance related footnotes in the filings are supported by many of the activities conducted by the Corporate Finance Department during the period. Financing begins with the Annual Financing Plan that is provided to Corporate Planning and Budgeting. Finally a Quarterly Finance Packet is provided to the Board of Director's Finance Committee. All of these activities are important to providing reasonable assurance that footnotes regarding financing activities are complete and accurate.

The SVP-CAO's email communication and the prior year footnotes sent by FR with their current changes prompts the Finance Department. The staff members of the Corporate Finance Department and/or the directors provide comments. When drafting disclosures for new financings, source documents such as loan agreements or prospectus are utilized to ensure accurate disclosure. The legal department may be asked to review the financing disclosures if considered necessary by FR management. Annually, the manager of the preparer within the BU reviews the draft of the footnote support (i.e. - agreements, schedules, queries) to ensure that the footnote is complete and accurate. The support includes the source of information (i.e. tie-outs), who prepared it and who reviewed it and is maintained by the business units for future reference. This is evidenced by the workpapers maintained by FR.

Quarterly and annually, FR Mgmt. reviews the footnote for reasonableness and ensures that the financial numbers tie to supporting detail and completes the workprogram. This is evidenced by the review tickmarks and/or sign-offs in the FR workpapers and workprogram. [FR.DIS 2.1 and FR.DIS 2.2] All workpapers provided to FR from the various groups are properly reviewed by the business unit manager or director to ensure the support is accurate and complete, as evidenced in the FR workpapers. [FR.DIS 2.4]

Money Pool - Short Term Funding

The AEP System Utility Money Pool and Nonutility Money Pool are arrangements structured to meet the short-term cash requirements of the participants. The operation of the money pools is designed to match, on a daily basis, the available cash and borrowing requirements of participants, thereby minimizing the need to borrow from external sources.

The Cash Management Group determines the daily cash position for the pools. The Short-Term Funding group determines whether funds must be borrowed or funds can be invested via the daily cash position. The Short-Term Funding group works with their funding relationships, which are banks, money market funds and securities dealers to work out the rates and the timing for borrowing/investing the funds. Cash Management enters all debt or investment trades into PeopleSoft from a dealer statement or other documents. Cash Management performs a reconciliation to determine that the deal transactions and money pool balances are updated daily in PeopleSoft.

A daily interest rate is calculated for each money pool and applied to all participant borrowings and investments. The interest rate for the Utility Money Pool is the composite weighted-average daily effective cost incurred by AEP, and/or AEP Utilities and/or AEP Utility Funding LLC for short-term borrowings from external sources or an equivalent rate when there is no external borrowing.

If surplus funds exist in the treasury of the money pools, an external investment is made on behalf of the respective money pool with the surplus. Interest income related to external investment of surplus funds is calculated daily and allocated back to the lending participants based on their relative contribution to the surplus.

An FR Staff obtains the activity information (Maximum Borrowings/Loans, Average Borrowings/Loans, Outstanding Loans/Borrowings as of the end of the period, Authorized Short-Term Borrowing Limit, Maximum/Minimum Interest Rates, Average Interest Rates) for the money pool participants from the Cash Management Group, which is obtained from PeopleSoft, summarized in an Excel Spreadsheet and approved by a Manager or Director of Cash Management prior to being sent to FR for inclusion in the 10-Q and 10-K. For the 10K, an FR Staff also obtains Interest Expense/Interest Income related to money pool borrowings/loans from the General and Corporate Accounting Group. The Interest Expense/Interest Income related to money pool activity is summarized by company in an Excel Spreadsheet and approved by a Manager of the General and Corporate Accounting Group. In addition, the FR Staff ties the Outstanding Loans/Borrowings as of the end of the period to the "Advances to/from Affiliates" line on the face of the balance sheets of all reporting companies. Quarterly, a Manager of FR reviews the Money Pool Section of the Financing Activities Footnote for reasonableness and ensures that the financial numbers tie to the supporting detail as evidenced by the FR workpapers. This is evidenced by the workpapers maintained by FR. [FR.DIS 2.1 and FR.DIS 2.2] Upon the completion of a Manager of FR review, FR forwards copy of footnote with updated text and numbers to Cash Management Department for review.

Beginning and Ending Points of the Process:

Start Point: (Identify starting point of the process)

Prior to quarter/year-end

End Point: (Identify end point of the process)

Filing of 10-Q (40 days after quarter-end) or 10-K (60 days after year-end)

Major Input and Output Sources (Include any key data file documentation or records):

Major Input Sources: (List all key inputs; e.g. PeopleSoft Report RFDOPR10)

Various

Major Output Sources: (List all key outputs; e.g. Invoice Generation Report)

10-Q/10-K

Functional Segregation of Duties (i.e. identifying processing by department):

(Refer to process map or narrative description of segregation of duties / handover points in process)

Process Owners Contact Details:

Name: Financial Reporting Managing Director

Telephone Number: 614-716-1000



Narrative/Overview of Process

Cycle:	Financial Reporting	Related Financial Statement Assertions:	Completeness, Valuation, Presentation and Disclosure
Process:	Disclosures	Nature of Transaction (Choose one):	Routine: X
Sub-Process	Financing Activities – Sale of Receivables		Non-Routine: Estimation:
Summary Description of the Process or Sub-Process: <p>For purposes of this memo, Management refers to Managers, Directors and Managing Directors. Staff refers to non-Management employees. FR refers to External Financial Reporting.</p> <p>Annually this footnote is prepared through coordination between the Treasury group and FR. An FR Staff obtains the amounts included in the sale of receivables footnote from the following sources: (1) PeopleSoft and (2) Response to an email sent by an FR Staff to the Treasury group.</p> <p>The Treasury group tracks the activity for the sale of receivables in an Access database and reconciles monthly to the AEP Credit general ledger. The amounts provided by the Treasury group are agreed to this detail. The FR Staff retains evidence of the treasury manager review typically consisting of an email from the provider with the manager as a CC recipient.</p> <p>The FR Staff compiles the information received from the Treasury group along with detail retrieved from PeopleSoft and prepares the footnote disclosure.</p> <p>FR Mgmt. reviews the footnote for reasonableness and ensures that the financial numbers tie to supporting detail and completes the workprogram. This is evidenced by the review tick marks and/or sign-offs in FR workpapers and workprogram [FR.DIS 2.1 and FR.DIS 2.2]. All workpapers provided to FR from the Treasury group are properly reviewed by the business unit manager or director to ensure the support is accurate and complete, as evidenced in the FR workpapers [FR.DIS 2.4]. On a non-10-K quarter, only updates to the most recent Annual Report are disclosed.</p>			
Beginning and Ending Points of the Process:			
Start Point: (Identify starting point of the process)			
Quarter/Year-end			
End Point: (Identify end point of the process)			
Filing of 10Q (40 days after quarter-end) or 10K (60 days after year-end)			
Major Input and Output Sources (Include any key data file documentation or records):			
Major Input Sources: (List all key inputs; e.g. PeopleSoft Report RFDOPR10)			
Various PeopleSoft g/l accounts: 2530078, 9302015, 1420022, 1420036, 1420037, 1440002, 1730002, 2340033, 4265009, 4265010			
Major Output Sources: (List all key outputs; e.g. Invoice Generation Report)			
10Q/10K			
Functional Segregation of Duties (i.e. identifying processing by department): (Refer to process map or narrative description of segregation of duties / handover points in process)			
Process Owners Contact Details:			
Name: Financial Reporting Managing Director			
Telephone Number: 614-716-1000			

Narrative/Overview of Process

Cycle: Financial Reporting	Related Financial Statement Assertions:	Completeness, Valuation, Presentation and Disclosure
Process: Disclosures	Nature of Transaction (Choose one):	Routine: X Non-Routine: Estimation:
Sub-Process: Financing Activities – Short-term Debt		
Summary Description of the Process or Sub-Process: For purposes of this memo, Management refers to Managers, Directors and Managing Directors. Staff refers to non-Management employees. FR refers to External Financial Reporting.		
Overall Review of Financing Activities The finance-related footnotes filings are supported by many of the activities conducted by the Corporate Finance Department during the period. Financing begins with the Annual Financing Plan that is provided to Corporate Planning and Budgeting. A Quarterly Finance Packet is provided to the Board of Director's Finance Committee. All of these activities are important to providing reasonable assurance that footnotes regarding financing activities are complete and accurate. The SVP-CAO's email communication and the prior year footnotes sent by FR with their current changes prompts the Finance Department. The staff members of the Corporate Finance Department and/or the directors provide comments. When drafting disclosures for new financings, source documents such as loan agreements or prospectus are utilized to ensure accurate disclosure. The Legal Department may be asked to review the financing disclosures if considered necessary by FR management. Annually, the manager of the preparer within the BU reviews the draft of the footnote support (i.e. - agreements, schedules, queries) to ensure that the footnote is complete and accurate. The support includes the source of information (i.e. tie-outs), who prepared it and who reviewed it and is maintained by the business units for future reference. This is evidenced by the workpapers maintained by FR.		
Short-term Debt Footnote An FR Staff references the short-term debt amounts in the footnote to the Peoplesoft general ledger. Business unit owners provide the applicable interest rates. Quarterly, FR Mgmt. reviews the footnote for reasonableness, ensures that the financial numbers tie to supporting detail and completes the workprogram. This is evidenced by the review tickmarks and/or sign-offs in the FR workpapers and workprogram [FR.DIS 2.1 and FR.DIS 2.2]. All workpapers provided to FR from the various groups are properly reviewed by the business unit manager or director to ensure the support is accurate and complete, as evidenced in the FR workpapers [FR.DIS 2.4].		
Beginning and Ending Points of the Process:		
Start Point: (Identify starting point of the process) Quarter/Year-end		
End Point: (Identify end point of the process) Filing of 10Q (40 days after quarter-end) or 10K (60 days after year-end)		
Major Input and Output Sources (Include any key data file documentation or records):		
Major Input Sources: (List all key inputs; e.g. PeopleSoft Report RFDOPR10) Various		
Major Output Sources: (List all key outputs; e.g. Invoice Generation Report) 10Q/10K		
Functional Segregation of Duties (i.e. identifying processing by department): (Refer to process map or narrative description of segregation of duties / handover points in process)		
Process Owners Contact Details: Name: Financial Reporting Managing Director Telephone Number: 614-716-1000		



Narrative/Overview of Process

Cycle:	Financial Reporting	Related Financial Statement Assertions:	Completeness, Valuation, Existence, Presentation and Disclosure
Process:	Disclosures	Nature of Transaction (Choose one):	Routine: <input checked="" type="checkbox"/> Non-Routine: <input type="checkbox"/> Estimation: <input type="checkbox"/>
Sub-Process:	Stock-Based Compensation		

Summary Description of the Process or Sub-Process:

For purposes of this memo, Management refers to Managers, Directors, and Managing Directors. Staff refers to non-Management employees. AP&R refers to Accounting Policy & Research; C&G Acct refers to Corporate & General Accounting; FR refers to External Financial Reporting.

The Executive Compensation Staff maintains an Access database and Excel spreadsheets containing data for stock option awards. The C&G Acct Staff maintains Excel Spreadsheets containing data for all other types of share-based compensation awards. AEP has also contracted a third party, Fidelity, to provide stock plan administration services for AEP stock options and restricted stock units (RSUs). Fidelity maintains a database (Fidelity database) of this information through feeds of new grant data, exercise data and cancellation data from the Executive Compensation Staff and daily AEP payroll feeds of employment and termination data.

The management of AEP Executive Compensation works with senior management, the HR Committee of the Board of Directors and the external compensation consultant to the Board of Directors to develop and obtain approval for long-term equity award guidelines. Based on the guidelines, AEP Executive Compensation creates a spreadsheet for each senior manager that lists those employees who meet the award guideline criteria and sums the guideline awards to create an award pool. Senior management then makes discretionary individual equity award recommendations using this spreadsheet for the approval of the CEO and generally the HR Committee of the Board. Approved awards are documented in the minutes of the HR Committee of the Board of Directors meeting or in a written note from the CEO, if the HR Committee has delegated limited grant authority to the CEO for awards to lower level employees. The spreadsheet of approved equity awards is then input into the Access database maintained by the Executive Compensation Staff and provided to Fidelity along with the plan documents. The information provided to Fidelity is imputed into Fidelity's website where participants review materials and accept on-line award agreements reflecting specific conditions of their award. AEP Executive Compensation Staff provides approved equity award summaries to C&G Acct Staff for calculation of applicable compensation expense.

AEP's Executive Compensation Staff independently maintains the stock option awards Access database to reflect award cancellations, which are primarily due to terminations, and detailed exercise reports received from Fidelity. The stock option detail in AEP's Access database is reconciled to Fidelity's reports on a quarterly basis by the Executive Compensation Staff. The payroll department notifies the Executive Compensation staff of the employee terminations. The Executive Compensation Staff uses this information to calculate forfeitures for the Access database. Executive Compensation Staff also provides information to C&G Acct Staff to adjust past/future compensation expense. The Executive Compensation Staff will use the Access database to calculate the weighted average exercise prices of the stock options. This is evidenced by the workpapers maintained by the Executive Compensation Staff.

The Director of Executive Compensation reviews the assumptions provided to the actuary. The Executive Compensation Management has a strong understanding of the assumption calculations sent to Towers Perrin. The Director of Executive Compensation has the ability to explain the assumptions in the proxy and why they were used.

The C&G Acct Staff independently maintains Excel spreadsheets for all other share-based awards in order to calculate and recognize applicable compensation expense.

An FR Staff will draft the footnote and send it to the Executive Compensation Management/Staff and C&G Acct Management/Staff for them to review and suggest changes. This is evidenced by the workpapers maintained by FR.

As applicable, AP&R reviews the footnote and ensures it is in compliance with new pronouncements. This is

evidenced by comments retained in the FR workpapers. Quarterly, FR Mgmt. reviews the footnote for reasonableness and ensures that the financial numbers tie to supporting detail and completes the workprogram. This is evidenced by review tickmarks and or sign-off in the FR workpapers and workprogram. **[FR-DC-2.1 and FR-DC-2.2]**. All workpapers provided to FR from the various groups are properly reviewed by the business unit manager or director to ensure the support is accurate and complete, as evidenced in the FR workpapers **[FR-DC-2.4]**.

Note: The Registrant Subsidiaries do not have a Stock-based Compensation footnote as it is deemed immaterial. AEPSC has substantially all of the employees with share-based compensation.

Beginning and Ending Points of the Process:

Start Point: (Identify starting point of the process)

Prior to year-end

End Point: (Identify end point of the process)

Filing of 10K (60 days after year-end)

Major Input and Output Sources (Include any key data file documentation or records):

Major Input Sources: (List all key inputs; e.g. PeopleSoft Report RFDOPR10)

Fidelity, Peoplesoft

Major Output Sources: (List all key outputs; e.g. Invoice Generation Report)

10K

Functional Segregation of Duties (i.e. identifying processing by department):

(Refer to process map or narrative description of segregation of duties / handover points in process)

Process Owners Contact Details:

Name: Financial Reporting Managing Director

Telephone Number: 614-716-1000



Narrative/Overview of Process

Cycle: Financial Reporting	Related Financial Statement Assertions:	Completeness, Valuation, Presentation and Disclosure
Process: Disclosures	Nature of Transaction (Choose one):	Routine: X
Sub-Process: Related Parties		Non-Routine: Estimation:

Summary Description of the Process or Sub-Process:

For purposes of this memo, Management refers to Managers, Directors and Managing Directors. Staff refers to non-Management employees. FR refers to External Financial Reporting.

This footnote is prepared through coordination between the general ledger groups, Legal and FR. An FR Staff obtains the amounts included in the related party footnote from the following sources: (1) PeopleSoft. (2) Responses to an email sent by FR Staff to a list of experts including Accounting Management, the Legal Department and other Company Management asking them for notification of any new related parties or related party transactions. The email contains a document that the FR Staff prepares quarterly. The document is a description of related party transactions, a listing of all AEP affiliates, regardless of whether the entity has a PeopleSoft Business Unit number, a list of the trust accounts that AEP administers or has control over, a list of beneficial owners of more than 5% of AEP stock or 10% of voting interest and a list of companies and charities considered to be related parties due to affiliation with AEP directors or officers. The email asks recipients to review the document and to notify FR of any new related parties or new related party transactions. Each email recipient, or his or her designee, must reply to the email even if it is only to state that he or she is unaware of any new related party transactions [FR.DC 1.82] (3) The general ledger group providing the information maintains support for the amounts and information it provides. The information is reviewed by the provider's manager unless the provider is a director or above. The FR Staff retains evidence of the review typically consisting of an email from the provider with the manager as a CC recipient. The G/L teams tie the related party information in the draft of the footnote to the support they maintain. This is evidenced by tie-outs and tick marks performed on the footnote drafts received from FR. The related party transactions in the annual report are also included in the FERC Form No. 1: Annual Report of Major Electric Utilities, Licensees and Others, which is filed shortly after the annual report is released. The amounts in the FERC Form No. 1 may be different than the amounts in the annual report due to inherent differences between FERC and SEC reporting. (4) An FR Staff reviews all Board of Directors (BOD) minutes for the year to identify any related party information that would need to be disclosed. (5) Quarterly, an FR Staff runs a query, or obtains a list from Internal FR, identifying all entities with a PeopleSoft BU number that are non-consolidating to determine if disclosure is necessary. (6) Annually, an FR Staff obtains from legal a summary of the surveys listing all related parties identified by the directors and officers. The A/P Group queries the PeopleSoft accounts payable data to identify payments made by AEP to the related parties listed in the surveys. The A/R Group queries the PeopleSoft accounts receivable data to identify payments received by AEP from the related parties listed in the surveys. The FR Staff determines if any amounts are material enough for disclosure. 7) Annually, an FR Staff contacts Accounting Policy and Research to determine whether there are any Special Purpose Entities that are not recorded in the ledger system or if there are any new contracts with related parties during the year that require disclosure. FR Mgmt. reviews the footnote for reasonableness, ensures that the financial numbers tie to supporting detail and completes the workprogram. This is evidenced by the review tick marks and/or sign-offs in FR workpapers and workprogram [FR.DIS 2.1 and FR.DIS 2.2]. All workpapers provided to FR from the various groups are properly reviewed by the business unit manager or director to ensure the support is accurate and complete, as evidenced in the FR workpapers [FR.DIS 2.4]. On a non-10-K quarter, only new related party transactions are disclosed in the Registrant Subsidiary footnotes. We do not report quarterly amounts for transactions that have been disclosed in the most recent Annual Report.

As discussed above, executive management and the board of directors are required to fill out proxy surveys for the purpose of identifying possible related parties. For example, the members of the board must disclose other companies where they hold a significant interest. An FR Staff reviews the summary of the surveys while compiling the footnote. This footnote is also reviewed by key members of management in the page-turn and sub-certification meetings.

Beginning and Ending Points of the Process:
Start Point: (Identify starting point of the process) Year-end
End Point: (Identify end point of the process) Filing of 10Q (40 days after quarter-end) or 10K (60 days after year-end)
Major Input and Output Sources (Include any key data file documentation or records):
Major Input Sources: (List all key inputs; e.g. PeopleSoft Report RFDOPR10) Various
Major Output Sources: (List all key outputs; e.g. Invoice Generation Report) 10Q/10K
Functional Segregation of Duties (i.e. identifying processing by department): (Refer to process map or narrative description of segregation of duties / handover points in process)
Process Owners Contact Details: Name: Financial Reporting Managing Director Telephone Number: 614-716-1000



Narrative/Overview of Process

Cycle:	Financial Reporting	Related Financial Statement Assertions:	Completeness, Valuation, Presentation and Disclosure
Process:	Disclosures	Nature of Transaction (Choose one):	Routine: X
Sub-Process	Property, Plant and Equipment		Non-Routine: Estimation:

Summary Description of the Process or Sub-Process:

For purposes of this memo, Management refers to Managers, Directors and Managing Directors. Staff refers to non-Management employees. FR refers to External Financial Reporting.

Property, Plant and Equipment (PPE) Footnote – 10K

An FR Staff is responsible for compiling the PPE footnote using information provided by Property Accounting (PA) staff in Canton, Accounting Policy and Research (AP&R) staff and Investment Accounting (IA) staff. The FR Staff maintains an Excel workbook that includes worksheets for AEP Consolidated, all six AEP Registrant Subsidiaries and all other AEP subsidiaries. The information is first obtained from the functional areas mentioned below.

The PA staff retrieves all PPE investment information by Business Unit, general ledger account and function from PowerPlant (a software system). The PA staff then verifies the detail information from PowerPlant to the general ledger for accuracy and completeness. The information includes, by functional class of property, (1) gross PPE (2) the associated accumulated depreciation (3) annual composite depreciation rates/ranges and (4) the depreciable life ranges for all functional classes in both regulated and nonregulated classifications. The PPE information is provided for both regulated and nonregulated classifications in all functional classes. PA management then reviews the information. Once approved, the PA staff sends the information to the FR Staff.

The AP&R staff initially provides the depreciable life ranges for all functional classes in both regulated and nonregulated classifications to the PA. Investment Accounting provides the depreciable life ranges for various nonregulated-other classification. The depreciable life ranges are supported from depreciation studies approved by the applicable state commissions. PA is responsible for updating depreciable lives related to any changes to the state commission depreciation studies.

The FR Staff then reconciles the PPE, by functional class, and total accumulated depreciation to the face of the balance sheet. The FR Staff makes adjustments supported from the appropriate sources to ensure the footnote information is correctly presented.

Allowance for Funds Used During Construction (AFUDC) and Interest Capitalization – 10K

The FR staff obtains the AFUDC and interest capitalized from the applicable GLA 8099V report and inserts this information into the 10K.

Final Review Process

FR Management reviews these sections of the footnote for reasonableness and ensures the financial numbers tie to supporting detail and completes the workprogram. This is evidenced by review tickmarks and or sign-off in the FR workpapers and workprogram [FR.DIS 2.1 and FR.DIS 2.2]. All supporting workpapers are properly reviewed by the FR Management for reasonableness to ensure the financial numbers tie to supporting detail. [FR.DIS 2.4]

See separate process memo for ARO and Jointly-owned Utility Plant sections.

Beginning and Ending Points of the Process:
Start Point: (Identify starting point of the process) Year-end
End Point: (Identify end point of the process) Filing of 10K (60 days after year-end)
Major Input and Output Sources (Include any key data file documentation or records):
Major Input Sources: (List all key inputs; e.g. PeopleSoft Report RFDOPR10) 1030 Asset Reports from the PowerPlant software, depreciation studies from state commissions, general ledger.
Major Output Sources: (List all key outputs; e.g. Invoice Generation Report) 10K
Functional Segregation of Duties (i.e. identifying processing by department): (Refer to process map or narrative description of segregation of duties / handover points in process)
Process Owners Contact Details: Name: Financial Reporting Managing Director Telephone Number: 614-716-1000



Narrative/Overview of Process

Cycle:	Financial Reporting	Related Financial Statement Assertions:	Presentation and Disclosure
Process:	Disclosures	Nature of Transaction (Choose one):	Routine: X Non-Routine: Estimation:
Sub-Process	Asset Retirement Obligations		

Summary Description of the Process or Sub-Process:
For purposes of this memo, Management refers to Managers, Directors and Managing Directors. Staff refers to non-Management employees. FR refers to External Financial Reporting.

Quarterly, an FR Staff will obtain the following excel files:

- A reconciliation of the Asset Retirement Obligation (ARO) activity for Dolet Hills Lignite Company and Sabine Mining from a General Ledger (GL) staff in Tulsa. The GL staff assembles the reconciliation with the assistance of a Corporate Accounting Policy & Research (CAP&R) staff. The reconciliation is reviewed by the GL staff member's manager. The source of the reconciliation is PeopleSoft and data provided by the employees at the Dolet Hills mine and Sabine Mining.
- A reconciliation of the ARO activity for Snowcap and AEP Kentucky Coal from a provider in IPP and Investment Accounting. The reconciliation is reviewed by the provider's manager or director. The source of the reconciliation is PeopleSoft and data from files at Snowcap and AEP Kentucky Coal.
- A listing of the ARO activity for the quarter as maintained in the PowerPlant software. The data is reviewed by the provider's manager.

The FR staff compiles a worksheet that categorizes the PeopleSoft ledger activity for the quarter for the ARO accounts into 4 groups- Accretion, Liabilities Incurred, Liabilities Settled, and Revision in Cash Flow Estimates for each registrant. The FR staff categorizes the PeopleSoft ledger lines based on data in the excel files obtained from the information providers described above and information and guidance from a Corporate Accounting Policy & Research staff. The categorization worksheet then is used to create a lead sheet that shows quarterly data and summarizes the year-to-date ARO activity. This lead sheet supplies the numbers for the footnote, if the footnote is to be included in the 10-Q or 10-K disclosure. The lead sheet is "tied out" to registrants' appropriate PeopleSoft balance sheet reports to ensure that the lead sheet is in synch with the ledger and that there are no problems with the quarterly rollforward.

The FR Staff does an assessment of materiality each quarter. The footnote is not reported in the quarterly 10-Q, unless the year-to-date activity for any of the four categories of activities (Accretion, Liabilities Incurred, Liabilities Settled, and Revision in Cash Flow Estimates) is material and CAP&R confirms that disclosure is necessary. The materiality threshold used by FR is as follows: If a registrant's YTD amount for any of the four categories is 10% (or greater) of the total ARO balance at the beginning of the year.

The FR Staff, upon completion of the footnote, emails the footnote draft to the staff member from Corporate Accounting Policy & Research. The Corporate Accounting Policy & Research staff reviews the footnote and submits comments when deemed necessary.

FR Management reviews the workpapers quarterly. In addition, FR Management reviews the footnote annually, and when applicable, quarterly, for reasonableness and ensures that the financial numbers tie to supporting detail and completes the workprogram. This is evidenced by the review tickmarks and/or sign-offs in FR workpapers and workprogram. [FR.DIS 2.1 and FR.DIS 2.2] All workpapers provided to FR from the various groups are properly reviewed by the business unit manager or director to ensure the support is accurate and complete, as evidenced in the FR workpapers [FR.DIS 2.4]

Beginning and Ending Points of the Process:
Start Point: (Identify starting point of the process)

Quarter/year-end

End Point: (Identify end point of the process)
Filing of 10-Q (35 days after quarter-end) or 10-K (60 days after year-end)
Major Input and Output Sources (Include any key data file documentation or records):
Major Input Sources: (List all key inputs; e.g. PeopleSoft Report RFDOPR10)
Various PeopleSoft g/l accounts: 2300001, 2300002, 2420595, 2420619, and 2284017 Dolet Hills, Sabine Mining, AEP Kentucky and Snowcap reports PowerPlant ARO summary reports
Major Output Sources: (List all key outputs; e.g. Invoice Generation Report)
10-Q/10-K
Functional Segregation of Duties (i.e. identifying processing by department): (Refer to process map or narrative description of segregation of duties / handover points in process)
Process Owners Contact Details: Name: Financial Reporting Managing Director Telephone Number: 614-716-1000



Narrative/Overview of Process

Cycle:	Financial Reporting	Related Financial Statement Assertions:	Completeness, Valuation, Presentation and Disclosure
Process:	Disclosures	Nature of Transaction (Choose one):	Routine: <input checked="" type="checkbox"/> Non-Routine: <input type="checkbox"/> Estimation: <input type="checkbox"/>
Sub-Process	Jointly-Owned Electric Utility Plant		
Summary Description of the Process or Sub-Process: <p>For purposes of this memo, Management refers to Managers, Directors and Managing Directors. Staff refers to non-Management employees. FR refers to External Financial Reporting.</p> <p>An FR Staff is responsible for compiling the jointly-owned electric utility plant footnote using information provided by a property accounting staff member. The property accounting staff member obtains the information from a PowerPlant (a software system) 1030 Asset Report for each of the jointly-owned facilities. The property accounting staff member then verifies the data against PowerPlant queries to verify the accuracy and completeness of reports. Property accounting management then reviews the information. Once approved, the property accounting staff member sends the information to the FR Staff. The information includes percentage of ownership, amount of utility plant in service, the amount of accumulated depreciation, and the amount of construction work in progress by registrant, by facility, for each facility that is jointly-owned.</p> <p>Annually, FR Mgmt. reviews the footnote for reasonableness and ensures the financial numbers tie to supporting detail and completes the workprogram. This is evidenced by review tickmarks and or sign-off in the FR workpapers and workprogram. [FR.DIS 2.1 and FR.DIS 2.2]. All workpapers provided to FR from the various groups are properly reviewed by the business unit manager or director to ensure the support is accurate and complete, as evidenced in the FR workpapers. [FR.DIS 2.4].</p>			
Beginning and Ending Points of the Process:			
Start Point: (Identify starting point of the process)			
Year-end			
End Point: (Identify end point of the process)			
Filing of 10K (60 days after year-end)			
Major Input and Output Sources (Include any key data file documentation or records):			
Major Input Sources: (List all key inputs; e.g. PeopleSoft Report RFDOPR10)			
1030 Asset Reports from the PowerPlant software.			
Major Output Sources: (List all key outputs; e.g. Invoice Generation Report)			
10K			
Functional Segregation of Duties (I.e. Identifying processing by department): (Refer to process map or narrative description of segregation of duties / handover points in process)			
Process Owners Contact Details:			
Name: Financial Reporting Managing Director			
Telephone Number: 614-716-1000			



Narrative/Overview of Process

Cycle:	Financial Reporting	Related Financial Statement Assertions:	Completeness, Valuation, Presentation and Disclosure
Process:	Disclosures	Nature of Transaction (Choose one):	Routine: <input checked="" type="checkbox"/> Non-Routine: <input type="checkbox"/> Estimation: <input type="checkbox"/>
Sub-Process	Jointly-Owned Electric Utility Plant		
Summary Description of the Process or Sub-Process: <p>For purposes of this memo, Management refers to Managers, Directors and Managing Directors. Staff refers to non-Management employees. FR refers to External Financial Reporting.</p> <p>An FR Staff is responsible for compiling the jointly-owned electric utility plant footnote using information provided by a property accounting staff member. The property accounting staff member obtains the information from a PowerPlant (a software system) 1030 Asset Report for each of the jointly-owned facilities. The property accounting staff member then verifies the data against PowerPlant queries to verify the accuracy and completeness of reports. Property accounting management then reviews the information. Once approved, the property accounting staff member sends the information to the FR Staff. The information includes percentage of ownership, amount of utility plant in service, the amount of accumulated depreciation, and the amount of construction work in progress by registrant, by facility, for each facility that is jointly-owned.</p> <p>Annually, FR Mgmt. reviews the footnote for reasonableness and ensures the financial numbers tie to supporting detail and completes the workprogram. This is evidenced by review tickmarks and or sign-off in the FR workpapers and workprogram. [FR.DIS 2.1 and FR.DIS 2.2]. All workpapers provided to FR from the various groups are properly reviewed by the business unit manager or director to ensure the support is accurate and complete, as evidenced in the FR workpapers. [FR.DIS 2.4].</p>			
Beginning and Ending Points of the Process:			
Start Point: (Identify starting point of the process)			
Year-end			
End Point: (Identify end point of the process)			
Filing of 10K (60 days after year-end)			
Major Input and Output Sources (Include any key data file documentation or records):			
Major Input Sources: (List all key inputs; e.g. PeopleSoft Report RFDOPR10)			
1030 Asset Reports from the PowerPlant software.			
Major Output Sources: (List all key outputs; e.g. Invoice Generation Report)			
10K			
Functional Segregation of Duties (i.e. identifying processing by department): (Refer to process map or narrative description of segregation of duties / handover points in process)			
Process Owners Contact Details:			
Name: Financial Reporting Managing Director			
Telephone Number: 614-716-1000			



Narrative/Overview of Process

Cycle: Financial Reporting	Related Financial Statement Assertions: Completeness, Presentation and Disclosure
Process: Disclosures	Nature of Transaction (Choose one): Routine: X
Sub-Process: Unaudited Quarterly Financial Information	Non-Routine: Estimation:
Summary Description of the Process or Sub-Process: For purposes of this memo, Management refers to Managers, Directors and Managing Directors. Staff refers to non-Management employees. FR refers to External Financial Reporting. An FR Staff accumulates the unaudited quarterly financial information through internal workpapers, which prove that the amounts reported in the 10Q and PeopleSoft +/- adjustments = the reported amounts. The adjustments are mainly for discontinued operations and extraordinary items. An FR Staff foots, cross-foots and references the amounts internally to the workpapers. Annually, FR Staff compiles the footnote from quarterly financial information in PeopleSoft. FR Mgmt. reviews the footnote for reasonableness, ensures that the financial numbers tie to the supporting detail and completes the workprogram. This is evidenced by the review tickmarks and/or sign-offs in the FR workpapers and workprogram [FR.DIS 2.1 and FR.DIS 2.2]. All workpapers provided to FR from the various groups are properly reviewed by the business unit manager or director to ensure the support is accurate and complete, as evidenced in the FR workpapers [FR.DIS 2.4].	
Beginning and Ending Points of the Process:	
Start Point: (Identify starting point of the process) Year-end	
End Point: (Identify end point of the process) Filing of 10K (60 days after year-end)	
Major Input and Output Sources (Include any key data file documentation or records):	
Major Input Sources: (List all key inputs; e.g. PeopleSoft Report RFDOPR10) Various, including Internal Financial Reporting's Consolidating worksheet and 10Q's	
Major Output Sources: (List all key outputs; e.g. Invoice Generation Report) 10K	
Functional Segregation of Duties (i.e. identifying processing by department): (Refer to process map or narrative description of segregation of duties / handover points in process)	
Process Owners Contact Details: Name: Financial Reporting Managing Director Telephone Number: 614-716-1000	



Exhibit 5 -- Work Program Review Forms

Columbus Southern Power Company/Ohio Power Company
Selected Consolidated Financial Data for Operating Company:
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification.			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Prepare the prior period numbers and have them signed-off by management and external auditors before the end of the quarter.			
120	The information will come from the Statements of Operations and the Balance Sheets.			
125	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
127	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
130	Every number should be supported by workpapers in the supporting file.			
135	Foot and crossfoot the document.			
140	Check line descriptions for correct line captions and typographical errors.			
145	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
147	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			

Columbus Southern Power Company/Ohio Power Company
 Selected Consolidated Financial Data for Operating Company:
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
149	Send draft to content providers for review prior to first official draft.			
150	List key contacts outside the department utilized in preparing the selected consolidated financial data schedule: Name, Title, Department & Phone Number 1 2 3 4			

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification.			
105	Review the quarter issues binder summary			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers			
120	For the Form 10-K, Financial Reporting will prepare an outlook for the upcoming year using ; information and insight should be provided by Investor Relations, Corporate Planning and Budgeting, Regulatory Accounting Services, Accounting Policy and Research and Finance			
120	For the Form 10-Q, Financial Reporting will prepare a high level summary of recent trends that are affecting the company and potential future impact of these issues and any known future issues; information and insight should be provided by Investor Relations, Corporate Planning and Budgeting, Regulatory Accounting Services, Accounting Policy and Research and Finance			
125	The results of operations will be completed by the Financial Reporting using reports generated by Corporate Planning and Budgeting, Regulatory Services, Regulated Accounting and Nonregulated Accounting			
130	For each section, prepare a workpaper that compares current account balances to prior period account balances. The differences should be shown in dollars and percentages. Explain the major increases and decreases for each, not just the difference between the current and prior period.			
132	Obtain income tax explanations from the tax department to help support Income Tax Expense variance.			
133	For full disclosure companies (APCo, OPCo, PSO, SWEPCo), obtain Moody's, S&P and Fitch credit ratings from Corporate Finance.			

Step	Action Taken	Comments	Preparer	Reviewer
134	For full disclosure companies (APCo, OPCo, PSO, SWEPCo), obtain LT Debt issuances and retirements since the prior year-end (10Qs only).			
135	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
137	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
140	Every number should be supported by workpapers in the supporting file.			
145	Foot and crossfoot the document			
150	Check line descriptions for correct line captions and typographical errors			
155	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
157	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
159	Send draft to content providers for review prior to first official draft.			
160	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
MD&A of Financial Condition for Op Co:
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification.			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
120	Obtain relevant supporting schedules prepared by the GL teams and by CP&B to help support the MD&A wording in the document.			
125	Obtain and reference income tax explanations from the tax department to support Income Tax Expense variance.			
130	Include a referenced copy of the current income statement. For each section, prepare a workpaper that compares current account balances to prior period account balances. The differences should be shown in dollars and percentages. Explain the major increases and decreases for each, not just the difference between the current and prior period.			
135	For all full disclosure companies (APCo, OPCo, PSO, SWEPCo), obtain and disclose latest Moody's, S&P and Fitch credit ratings from Corporate Finance.			
140	For all full disclosure companies (APCo, OPCo, PSO, SWEPCo), disclose Long-term Debt issuances and retirements since the prior period year-end (10Qs only).			
145	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			

Columbus Southern Power Company/Ohio Power Company
MD&A of Financial Condition for Op Co:
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
150	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
155	Every number should be supported by workpapers in the supporting file.			
160	Foot and crossfoot the document.			
165	Check line descriptions for correct line captions and typographical errors.			
170	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
172	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
174	Send draft to content providers for review prior to first official draft.			
175	<p>List key contacts outside the department utilized in preparing the MD&A section:</p> <p>Name, Title, Department & Phone Number</p> <p>1</p> <p>2</p> <p>3</p> <p>4</p>			

Columbus Southern Power Company/Ohio Power Company
Summary Obligation Information
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification.			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	On a quarterly basis, contact the experts to determine any material changes from the Summary Obligation Information published in the latest 10K.			
120	On a year-end basis, gather Summary Obligation Information from experts and record in the 10K.			
125	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist)			
130	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
135	Review D&T Compliance checklist. (Completed by FR Management for quarterly reporting)			
140	Every number should be supported by workpapers in the supporting file.			
145	Foot and crossfoot the document.			
150	Check line descriptions for correct line captions and typographical errors.			
155	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			

Columbus Southern Power Company/Ohio Power Company
Summary Obligation Information
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
157	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
159	Send draft to content providers for review prior to first official draft.			
160	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
Quantitative and Qualitative Disclosures About Risk Management Activities
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 320 and 815).			
105	Review the quarter issues binder summary			
107	Review and signoff on the quarter new accounting policy book.			
110	Obtain all of the spreadsheets related to Risk Management Activities, Credit Risk, Financial Derivatives and Hedging, and Financial Instruments from various Commercial Operations departments (see step 150).			
120	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist)			
125	Review D&T Compliance checklist. (Completed by FR Management for quarterly reporting)			
127	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
130	Every number should be supported by workpapers in the supporting file.			
135	Foot and crossfoot the document			
140	Check line descriptions for correct line captions and typographical errors			
145	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			

Columbus Southern Power Company/Ohio Power Company
 Quantitative and Qualitative Disclosures About Risk Management Activities
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
147	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
149	Send draft to content providers for review prior to first official draft.			
150	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
Income Statement for Operating Company:
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification.			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Prepare the prior period numbers and have them signed-off by management and external auditors before the end of the quarter.			
120	Once the Closing process is complete and management is satisfied with the results, the Internal Financial Reporting group will run the Statements of Operations (report # GLA8094A) and save the file at r:\fcm90prd\fr\PREL\comparative IS\200X\.....			
125	Following the completion of the closing process, the External Financial Reporting group and Internal Financial Reporting group will create a Lead Schedule for the Statement of Operations of all reporting companies. These Lead Schedules will be saved at h:\fr\External Reports\AEP & Registrants\Accounting Year\Accounting Period\Registrant Worksheets\Operating Company Name/Period).xls. The beginning balances of each node item from the Lead Schedule will be tied back to the reporting company's 8094 report.			
127	Obtain a copy of AEP consolidated Lead Schedule, which includes all topside adjustments to AEP consolidated. Insert schedule in workpapers. For those topside changes made to AEP consolidated that affect a specific reporting company, incorporate those topside changes on the reporting company's income statement Lead Schedule.			
130	Obtain support for all necessary top-side adjustments (i.e. Discontinued Operations, Extraordinary Items, Cumulative Effect, etc.) Include all necessary adjustments in the Lead Schedule.			

Columbus Southern Power Company/Ohio Power Company
Income Statement for Operating Company:
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
135	For 10Qs only - Prepare a workpaper that recalculates the quarterly financial statement amounts by deducting the previous quarter's year-to-date amounts from the current quarter's year-to-date amounts. Agree the quarter-to-date and year-to-date amounts to the general ledger (8094 report) and document the reason for any differences/variances.			
138	For 10Qs only - Include and reference a copy of the Unaudited Quarterly Financial Information FN from the prior year 10K, tying out Operating Revenues, Operating Income, Income Before Cumulative Effect/Extraordinary Items, Cumulative Effect, Extraordinary Items and Net Income by quarter.			
140	Prepare QTD and YTD income statement analyticals to review variances between periods of individual income statement line items. This analysis should include a workpaper that compares current line item amounts to amounts reported in prior period. The variances should be shown in dollars and percentages. For all material items, references should be made to corresponding variance descriptions/support disclosed by Corporate Planning and Budgeting in the Quarterly Variance Reports (QVRs). Additional support may need to be provided by General Ledger Group, Regional Accounting, etc.			
145	All material reporting changes should be properly noted in the financial statements and in the workpapers supporting the financial statements. Inform the reviewer of any material items.			
150	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
155	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			

Columbus Southern Power Company/Ohio Power Company
Income Statement for Operating Company:
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
160	Every number should be supported by workpapers in the supporting file.			
165	Foot and crossfoot the document.			
170	Check line descriptions for correct line captions and typographical errors.			
175	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
177	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
180	Send draft to content providers for review prior to first official draft.			
185	For AEP Consolidated, prepare XBRL GAAP analysis for all significant financial numbers disclosed within the 10K/10Q.			
190	For AEP Consolidated and prior to the filing of the 10K/10Q, generate a final XBRL instance document. Trace all significant financial numbers within the 10K/10Q word document disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
195	List key contacts outside the department utilized in the preparation of the statements of operations: Name, Title, Department & Phone Number 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
 Statements of Common Shareholder's Equity and
 Comprehensive Income for Operating Company:
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification.			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Prepare the prior period numbers and have them signed-off by management and external auditors before the end of the quarter.			
120	Once the Closing process is complete and management is satisfied with the results, the Internal Financial Reporting Group will run the Consolidating Balance Sheets (report # GLA8291A) and save the file at r:\fcm90prdfrr\PREL\comparative BS\200X\.....			
125	Include and reference a copy of all financial statements that contain disclosures/amounts that tie to sections of Statement of Equity (Ex: Income Statement, Balance Sheet, Statement of Cash Flows).			
130	Perform and reference the following tie-outs, as applicable:			
	- Agree common stock dividends and preferred stock dividends to statement of cash flows.			
	- Agree sum of preferred stock dividends and capital stock expense to income statement.			
	- Agree net income to income statement.			
	- Agree period-end totals in each column to balance sheet.			
	- Calculate the effective tax rate for the net of tax amounts and investigate/document differences if not 35%.			
135	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			

Columbus Southern Power Company/Ohio Power Company
 Statements of Common Shareholder's Equity and
 Comprehensive Income for Operating Company:
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
137	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
140	Every number should be supported by workpapers in the supporting file.			
145	Foot and crossfoot the document.			
150	Check line descriptions for correct line captions and typographical errors.			
155	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
157	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
160	Send draft to content providers for review prior to first official draft.			
165	For AEP Consolidated, prepare XBRL GAAP analysis for all significant financial numbers disclosed within the 10K/10Q.			
170	For AEP Consolidated and prior to the filing of the 10K/10Q, generate a final XBRL instance document. Trace all significant financial numbers within the 10K/10Q word document disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
175	List key contacts outside the department utilized in preparation of the statements:			
	Name, Title, Department & Phone Number			
	1			
	2			
	3			
	4			

Columbus Southern Power Company/Ohio Power Company
 Balance Sheet for Operating Company:
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification.			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Prepare the prior period numbers and have them signed-off by management and external auditors before the end of the quarter.			
120	Once the Closing process is complete and management is satisfied with the results, the Internal Financial Reporting group will run the Balance Sheets (report # GLA8291A) and save the file at r:\fcm90prd\vir\PREL\comparative BS\200X\.....			
125	Following the completion of the closing process, the External Financial Reporting group and Internal Financial Reporting group will create a Lead Schedule for the Balance Sheet of all reporting companies. These Lead Schedules will be saved at h:\frr\External Reports\AEP & Registrants\Accounting Year\Accounting Period\Registrant Worksheets\Operating Company Name\Period.xls. The beginning balances of each node item from the Lead Schedule will be tied back to the reporting company's 8291 report.			
127	Obtain a copy of AEP consolidated Lead Schedule, which includes all topside adjustments made to the AEP consolidated Balance Sheet. Insert schedule in workpapers. For those topside changes made to AEP consolidated that affect a specific reporting company, include those topside changes on the reporting company's Effects of Regulation worksheets.			

Columbus Southern Power Company/Ohio Power Company
Balance Sheet for Operating Company:
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
130	Obtain support for all of the necessary topside adjustments and reclasses, including the following from the Tax department. Include all necessary adjustments in the Lead Schedule. a) Reclass debit balances in accrued taxes to assets. b) Reclass deferred taxes to current assets/liabilities. c) Net interest between interest receivable and interest payable.			
135	Prepare balance sheet analyticals to review material differences in individual balance sheet line items. This analysis should include: a) Workpaper that compares amounts for current balance sheet line items to prior period balances. The variances should be shown in dollars and percentages. Workpaper should also include materiality thresholds for 10% of net income and 10% of line item variance from prior period.			
140	All material reporting changes should be properly noted in the financial statements and in the workpapers supporting the financial statements. Inform the reviewer of any material items.			
145	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
150	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
155	Every number should be supported by workpapers in the supporting file.			
160	Foot and crossfoot the document.			
165	Check line descriptions for correct line captions and typographical errors.			
170	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			

Step	Action Taken	Comments	Preparer	Reviewer
175	Things to keep in mind:			
	Annual Report			
	All major captions enumerated in Regulation S-X			
	All noncurrent assets & liabilities greater than 5% of total assets or liabilities, respectively, should be separately disclosed.			
	All current assets & liabilities greater than 5% of current assets or current liabilities, respectively, should be separately disclosed.			
	Interim Reports			
	Major captions can be collapsed if they have not changed more than 25% from year end and if they are less than 5% of total assets or liabilities.			
177	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
180	Send draft to content providers for review prior to first official draft.			
185	For AEP Consolidated, prepare XBRL GAAP analysis for all significant financial numbers disclosed within the 10K/10Q.			
190	For AEP Consolidated and prior to the filing of the 10K/10Q, generate a final XBRL instance document. Trace all significant financial numbers within the 10K/10Q word document disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
195	List key contacts outside the department utilized in the preparation of the balance sheets:			
	Name, Title, Department & Phone Number			
	1			
	2			
	3			
	4			

Columbus Southern Power Company/Ohio Power Company
 Statements of Cash Flows for Operating Company:
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification.			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Prepare the prior period numbers and have them signed-off by management and external auditors before the end of the quarter.			
120	Once the Closing process is complete and management is satisfied with the results, the Internal Financial Reporting group will run the Indirect Cash Flow Statement (report # GLA8999V) and save the file at h:\fr\External Reports\AEP & Registrants\Accounting Year\Accounting Period\Cash Flow Lead Schedules\GLA8999V.xls. Use this report under the column labeled "CASHFLOW Adjustments" to reconcile all working capital items as presented on the Statement of Cash Flows to the true change in balance sheet.			
125	Following the completion of the closing process, the External Financial Reporting group and Internal Financial Reporting group will create a Lead Schedule for the Indirect Cash Flow Statement of all reporting companies. These Lead Schedules will be saved at the same directory in Step 120 with the file name (Operating Company/Period).xls. The beginning balances of each node item from the Lead Schedule will be tied back to the reporting company's 8999 report.			
127	Include and reference a copy of all financial statements that contain disclosures/amounts that tie to sections of Statement of Cash Flows (Ex: Income Statement, Balance Sheet, Statement of Equity).			

Columbus Southern Power Company/Ohio Power Company
 Statements of Cash Flows for Operating Company:
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
130	Perform and reference the following tie-outs, as			
	- Agree dividends paid on common stock and dividends paid on preferred stock to statement of equity.			
	- Agree net income, asset impairments, carrying costs income, cumulative effect of accounting change, extraordinary items, AFUDC and depreciation and amortization to the income statement.			
	- Agree Cash and Cash Equivalents at End of Period to Cash on the balance sheet.			
	- Agree various other items to changes in balance sheet for items where there are no noncash adjustments.			
132	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
133	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
134	If any late topside Balance Sheet adjustment is made, Internal FR needs to be notified to determine whether there is any Cash Flow impact. If an adjustment needs to be made on the Cash Flow Statement, determine whether a similar adjustment is required on AEP.			
135	Every number should be supported by workpapers in the supporting file.			
140	Foot and crossfoot the document.			
145	Check line descriptions for correct line captions and typographical errors.			
150	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			

Columbus Southern Power Company/Ohio Power Company
 Statements of Cash Flows for Operating Company:
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
155	Things to keep in mind:			
	In General, other operating items exceeding 10% of funds from operations for the three most recent fiscal years are reported on separate lines.			
	When there is a large fluctuation between years consideration should be given to reporting the item causing the variation as a separate line.			
157	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
160	Send draft to content providers for review prior to first official draft.			
165	For AEP Consolidated, prepare XBRL GAAP analysis for all significant financial numbers disclosed within the 10K/10Q.			
170	For AEP Consolidated and prior to the filing of the 10K/10Q, generate a final XBRL instance document. Trace all significant financial numbers within the 10K/10Q word document disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
175	List key contacts outside the department utilized in the preparation of the statements of cash flows:			
	Name, Title, Department & Phone Number			
	1			
	2			
	3			
	4			

Columbus Southern Power Company/Ohio Power Company
 Organization and Summary of Significant Accounting Policies
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification.			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Obtain updated information (language/text and numbers) from the following sources: See Step 175 for responsible individuals and content providers.			
120	Perform applicable tie-outs within the document. (Attach Internal Tie-Out Checklist)			
125	Review D&T Compliance checklist.			

Columbus Southern Power Company/Ohio Power Company
 Organization and Summary of Significant Accounting Policies
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
130	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
135	Every number should be supported by workpapers in the supporting file.			
140	Foot and crossfoot the document, as applicable.			
145	Check line descriptions for correct line captions and typographical errors.			
150	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
155	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			

Columbus Southern Power Company/Ohio Power Company
 Organization and Summary of Significant Accounting Policies
 Work Program

Reporting Period

Preparer

Step	Action Taken		Comments	Preparer	Reviewer
160	Send draft to content providers for review prior to first official draft.				
165	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.				
170	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.				
175	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4				

Columbus Southern Power Company/Ohio Power Company
Variable Interest Entities
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 810).			
105	Review the quarter issues binder summary			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers			
120	Obtain all necessary "Variable Interest Entity" information from various sources.			
123	Collaborate with Manager of Derivative Accounting for language, if applicable. Send email draft for comments.			
125	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
127	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
130	Every number should be supported by workpapers in the supporting file.			
135	Foot and crossfoot the document			

Columbus Southern Power Company/Ohio Power Company
Variable Interest Entities
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
140	Check line descriptions for correct line captions and typographical errors			
145	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
147	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
150	Send draft to content providers for review prior to first official draft.			
155	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
160	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
165	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
Accumulated Other Comprehensive Income (Loss)
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 220).			
105	Review the quarter issues binder summary			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers			
115	Prepare the prior period numbers and have them signed-off by management and external auditors before the end of the quarter			
120	Update as deemed necessary.			
125	Perform applicable tie-outs within the document as follows:			
	Agree change in components of AOCI to face of applicable statement of equity			
	Agree total AOCI to face of balance sheet			
130	Review D&T Compliance checklist			
135	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
140	Every number should be supported by workpapers in the supporting file.			
145	Foot and crossfoot the document			
150	Check line descriptions for correct line captions and typographical errors			
155	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			

Step	Action Taken	Comments	Preparer	Reviewer
157	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
160	Send draft to content providers for review prior to first official draft.			
165	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
170	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
175	List contacts made outside the department			
	Name, Title, Department & Phone Number			
	1			
	2			
	3			
	4			

Columbus Southern Power Company/Ohio Power Company
Basic and Diluted Earnings Per Share Calculation
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 260).			
105	Review the quarter issues binder summary			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers			
115	Obtain the average weighted shares worksheet from Internal FR. Internal FR receives the Shares Outstanding worksheet from Investor Relations.			
120	Once the closing process is complete and management is satisfied with the results, the Internal Financial Reporting group will run the Statements of Operations (report GLA 8094A) and save the file at r:\fcm90prd\fin\PREL\comparative IS\200X\...			
125	Obtain daily AEP stock closing prices from AEP.com to calculate the average market price for the quarter.			
130	Obtain options granted, exercised and forfeited from the Executive Compensation department to calculate the ending balances of stock options.			
135	Obtain the restricted stock units and performance share units incremental shares calculation from Corporate Accounting.			
140	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
145	Every number should be supported by workpapers in the supporting file.			

Columbus Southern Power Company/Ohio Power Company
Basic and Diluted Earnings Per Share Calculation
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
150	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
155	Foot and crossfoot the document			
160	Check line descriptions for correct line captions and typographical errors			
162	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
165	Send draft to content providers for review prior to first official draft.			
170	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
175	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
180	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 230).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
120	Obtain the information (Cash paid for Interest and Income Taxes, Acquisitions under Capital Leases and Construction related A/P) from Management Reporting (see step 175).			
125	Obtain information on the Assumption/Disposition of Liabilities Related to Acquisitions/Dispositions (see step 175 for contacts).			
130	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
135	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
140	Every number should be supported by workpapers in the supporting file.			
145	Foot and crossfoot the document.			
150	Check line descriptions for correct line captions and typographical errors.			
155	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			

Step	Action Taken	Comments	Preparer	Reviewer
157	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
160	Send draft to content providers for review prior to first official draft.			
165	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
170	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
175	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
 New Accounting Pronouncements,
 Cumulative Effect of Accounting Changes and Extraordinary Items
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook (Codification of Staff Accounting Bulletins: Topic 11: Miscellaneous Disclosure (M)).			
105	Monitor and review internal and external releases including AEP corporate releases, AP&R memos, quarterly issues binder summary, accounting literature and trade journals for relevance to AEP.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Check FASB website for status of projects and new pronouncements.			
120	Consult with the Accounting Policy and Research Department for pronouncements to disclose by company.			
125	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			

Step	Action Taken	Comments	Preparer	Reviewer
130	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above. [FR.DIS 2.4]			
135	For Cumulative Effect of Accounting Changes and Extraordinary Items, collaborate with Accounting Policy and Research for discussion language and disclosure amounts.			
145	Perform applicable tie-outs within the document. (Attach Internal Tie-Out Checklist)			
150	Every number should be supported by workpapers in the supporting file.			
160	Check disclosure for correct grammar and typographical errors.			
165	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
170	Entire note is reviewed by AP&R management and FR management, evidenced by email comments and written comments [FR.DIS 2.1 and FR.DIS 2.2].			

Step	Action Taken	Comments	Preparer	Reviewer
172	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
175	Send draft to content providers for review prior to first official draft.			
180	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
185	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
190	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
Goodwill and Other Intangible Assets
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 350).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
120	On a quarterly basis, verify that the Goodwill numbers have remained unchanged from the previous quarter. Run a PeopleSoft query using the Goodwill accounts numbers and update the Goodwill spreadsheet as appropriate.			
125	On a quarterly basis, drill down on the Intangibles account numbers by running a PeopleSoft query (sort by individual registrant and line type description). Update the Intangibles spreadsheet for cost and amortization expense by type of Intangible.			
130	Perform applicable tie-outs within the document (Attach Internal Tie-out Checklist).			
135	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
140	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
145	Every number should be supported by workpapers in the supporting file.			
150	Foot and crossfoot the document.			
155	Check line descriptions for correct line captions and typographical errors.			
160	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			

Step	Action Taken	Comments	Preparer	Reviewer
162	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
165	Send draft to content providers for review prior to first official draft.			
170	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
175	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
180	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 450, 980).			
105	Review the quarter issues binder summary			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers to identify items requiring update			
115	Send prior period and list of new items to experts (see step 180) for input/update. Request information on other items which may need to be added.			
120	Check materiality for AEP consolidated and each registrant.			
125	Update note - send to experts and Senior Management for review			
130	Further updates and subsequent issues - make further note updates			
135	Executive Management and Audit Committee Review - update if needed.			
140	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
145	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
147	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist)			
150	Every number should be supported by workpapers in the supporting file.			
155	Foot and crossfoot the document			

Step	Action Taken	Comments	Preparer	Reviewer
160	Check line descriptions for correct line captions and typographical errors, if applicable.			
165	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
167	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
170	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
175	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
180	List contacts made outside the department			
	Name, Title, Department & Phone Number			
	1			
	2			
	3			
	4			

Columbus Southern Power Company/Ohio Power Company
Effects of Regulation
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 980).			
105	Review the quarter issues binder summary			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers			
115	Prepare the prior period numbers and have them signed-off by management and external auditors before the end of the quarter			
120	For AEP Consolidated, obtain the spreadsheets from Internal Financial Reporting that shows the break out of the Regulatory Assets/Liabilities. For the Registrant Subsidiaries, obtain the General Ledger report (GLA 8291V) from Internal Financial Reporting group.			
130	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist)			
135	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
140	Review D&T Compliance checklist			
145	Every number should be supported by workpapers in the supporting file.			
150	Foot and crossfoot the document			
155	Check line descriptions for correct line captions and typographical errors			

Step	Action Taken	Comments	Preparer	Reviewer
160	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
162	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
165	Send draft to content providers for review prior to first official draft.			
170	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
175	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
180	List contacts made outside the department Name, Title, Department & Phone Number 1 See attached contact sheet 2 3 4			

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 450).			
105	Read AEP news and Yahoo Finance Daily for news issues - print and file pertinent items.			
110	Review the quarter issues binder summary.			
112	Review and signoff on the quarter new accounting policy book.			
115	Review the prior period workpapers, which should be stored with the other workpapers to identify items requiring update. Update as deemed necessary.			
120	Send prior period and list of new items to experts (see step 190) for input/update. Request information on other items which may need to be added.	(Detail disclosure topic by expert)		
125	Check materiality for AEP consolidated and each registrant.			
130	Obtain DOE Liability for SNF, Trust Contribution and G/L Balance information for Nuclear Trust from Regulated Accounting.			
135	Obtain Insurance and NRC Liability information from Insurance and Risk Management.			
140	Obtain Decommissioning Study information from Trust and Investments.			
145	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
150	Review D&T Compliance checklist. (Completed by FR Management for quarterly reporting).			
155	Every number should be supported by workpapers in the supporting file.			
160	Check disclosures for correct grammar and typographical errors.			
165	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist)			
170	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
175	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
177	Send draft to content providers for review prior to first official draft.			

Step	Action Taken	Comments	Preparer	Reviewer
180	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
185	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
190	List contacts made outside the department			
	Name, Title, Department & Phone Number			
	1			
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	3			
	4			

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 460).			
105	Read AEP news for news issues - print and file pertinent items.			
110	Review the quarter issues binder summary.			
112	Review and signoff on the quarter new accounting policy book.			
115	Review the prior period workpapers, which should be stored with the other workpapers to identify items requiring update.			
120	Send prior period and list of new items to experts (see step 195) for input/update. Request information on other items which may need to be added. (i.e. Contingent Liability & Guarantee report from Corporate Finance)			
125	Check materiality for AEP consolidated and each registrant.			
130	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist.)			
135	Further updates and subsequent issues - make further note updates.			
140	Executive Management and Audit Committee Review - update if needed.			
145	Review D&T Compliance checklist. (Completed by FR Management for quarterly reporting.)			
150	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
155	Every number should be supported by workpapers in the supporting file.			

Step	Action Taken	Comments	Preparer	Reviewer
160	Foot and crossfoot the document, as applicable.			
165	Check line descriptions for correct line captions and typographical errors, as applicable.			
170	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
175	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
180	Send draft to content providers for review prior to first official draft.			
185	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
190	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
195	List contacts made outside the department. Name, Title, Department & Phone Number 1 2 3 4			

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 205 & 360).			
105	Review the quarter issues binder summary			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers			
115	Prepare the prior period numbers and have them signed-off by management before the end of the quarter			
120	Obtain updated information (language and numbers from the following source: Accounting Policy & Research, Investment Accounting, and Regulated Accounting (see step 175).			
125	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist)			
130	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above. [FR-DIS 2.4]			
135	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
140	Every number should be supported by workpapers in the supporting file.			
145	Foot and crossfoot the document			
150	Check line descriptions for correct line captions and typographical errors			
155	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			

Step	Action Taken	Comments	Preparer	Reviewer
157	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
160	Send draft to content providers for review prior to first official draft.			
165	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
170	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
175	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
Benefit Plans
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 715-10).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Obtain the Towers Watson report. The Towers Watson report shows the ASU-715 disclosures by company and consolidated.			
120	Obtain savings plan contribution information from Corporate Accounting and UMWA amounts from Regulated Accounting. (Annual only)			
125	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist)			
130	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
135	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
140	Every number should be supported by workpapers in the supporting file.			
145	Foot and crossfoot the document.			

Columbus Southern Power Company/Ohio Power Company
Benefit Plans
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
150	Check line descriptions and all disclosure for correct line captions, correct grammar and typographical errors.			
155	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
160	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
165	Send draft to content providers for review prior to first official draft.			
170	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
175	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
180	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 280).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Prepare prior period numbers and have them reviewed by management.			
115	Prepare AEP Consolidating Segment Lead Schedules using the ledger segment income statement (GLA8099V) and the ledger segment balance sheet (GLA8299V) from the PeopleSoft ledger system.			
120	Obtain copies of AEP Consolidated Income Statement and Balance Sheet Lead Schedules as prepared by Internal Financial Reporting. These schedules summarize all adjustments not booked to the ledger. Make appropriate adjustments to AEP Consolidating Segment Lead Schedules.			
125	For the calculation of segment assets, obtain from the Manager of Internal Financial Reporting/Consolidations a copy of segment balance sheet adjustments not booked to the ledger.			
130	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist)			

Step	Action Taken	Comments	Preparer	Reviewer
135	Ensure the following items are reported for 10-K and 10-Q:			
	(a) Revenues from External Customers (10-K, 10-Q)			
	(b) Revenues from Other Operating Segments (10-K, 10-Q)			
	(c) Depreciation and Amortization (10-K)			
	(d) Interest Income (10-K)			
	(e) Interest Expense (10-K)			
	(f) Income Tax Expense (10-K)			
	(g) Equity Earning of Unconsolidated Subsidiaries (10-K) (This item has not been reported separately due to immateriality. Continue to review for materiality annually.)			
	(h) Income Before Discontinued Operations, Extraordinary Items and Cumulative Effect of Accounting Changes (10-K, 10-Q)			
	(i) Discontinued Operations (10-K, 10-Q)			
	(j) Extraordinary Items (10-K, 10-Q)			
	(k) Cumulative Effect of Accounting Changes (10-K, 10-Q)			
	(l) Net Income (10-K, 10-Q)			
	(m) Gross Property Additions (10-K)			
	(n) Total Assets (10-K, 10-Q)			
	(o) Gross Property (10-K, 10-Q)			
	(p) Accumulated Depreciation (10-K, 10-Q)			
	(q) Net Property (10-K, 10-Q)			
	(r) Assets Held for Sale (10-K, 10-Q)			
	(s) Investments in Equity Method Subsidiaries (10-K)			
	(t) Significant Noncash Transactions Other than Depreciation and Amortization (10-K, 10-Q)			
140	Perform tie-out of segment income statement information to Segment Income Statement as prepared by Internal Financial Reporting.			
145	Perform tie-out of segment GAAP earnings to the AEP press release.			
150	Review schedule of consolidated AEP noncash adjustments as prepared by Internal Financial Reporting for cash flow reporting; Disclose any significant noncash adjustments by segment.			
155	Ensure Internal and External FR Management have signed-off on all final AEP Consolidating Segment Lead Schedules that support every number within the footnote and have signed-off on a final copy of the word document verifying that all numbers are accurately stated.			

Step	Action Taken	Comments	Preparer	Reviewer
160	Perform quantitative threshold analysis for potential segments by determining if (ASC 280):			
	(a) Reported revenue, including both external customers and intersegment sales, is 10% or more of the combined revenue, internal and external, of all operating segments.			
	(b) The absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount of (1) combined reported profit of all segments that did not report a loss or (2) combined reported loss of all operating segments that did report a loss.			
	(3) Assets are 10% or more of the combined assets of all operating segments.			
165	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
170	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
175	Every number should be supported by workpapers in the supporting file.			
180	Foot and crossfoot the document.			
185	Check line descriptions for correct line captions and typographical errors.			
190	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
192	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
195	Send draft to content providers for review prior to first official draft.			
200	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
205	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
210	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
Derivatives and Hedging
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 815).			
105	Review the quarter issues binder summary			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers			
115	Prepare the prior period numbers and discuss critical issues with management before the end of the quarter			
120	Prepare and forward listing of Balance Sheet line amounts for Risk Management Activities and Statement of Equity amounts for YTD change in AOCI related to cash flow hedges to Derivative Accounting group following the closing of the books			
125	Obtain updated numbers/text for collateral netting of derivative instruments paragraph from Manager West Power and Derivative Accounting			
130	Obtain the "Hedge Ineffectiveness Materiality Analysis" for all AEP Registrants and the 4 Deregistered Companies from the Derivative Accounting Manager.			
135	Obtain the following schedules from Manager West Power and Derivative Accounting: - Notional Volume of Derivative Instruments - Fair Value of Derivative Instruments (Balance Sheet Schedule) - Amount of Gain (Loss) Recognized on Risk Mgt Contracts - Total AOCI Activity for Cash Flow Hedges Roll-forward			

Step	Action Taken	Comments	Preparer	Reviewer
140	Obtain the "Impact of Cash Flow Hedges on Balance Sheet" for AEP and Registrants from the Manager West Power and Derivative Accounting. Schedule should include the following: <ul style="list-style-type: none"> - Hedging Assets (AEP Only) - Hedging Liabilities (AEP Only) - AOCI Gain (Loss) Net of Tax (AEP Only) - Portion Expected to be Reclassified in Next 12 Months (AEP and Registrants) - Max term (Months) for exposure to variability in future cash flows (AEP and Registrants) 			
145	Update the "Collateral Triggering Events" Paragraph with up-to-date numbers and wording from Director of Commodity Accounting / Credit Risk Management Group.			
155	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist)			
160	Review D&T Compliance checklist			
165	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above. [FR-DIS-2.4]			
170	Every number should be supported by workpapers in the supporting file.			
175	Foot and crossfoot the document			
180	Check line descriptions for correct line captions and typographical errors			
185	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
190	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			

Step	Action Taken	Comments	Preparer	Reviewer
195	Send draft to content providers for review prior to first official draft.			
200	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
205	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
210	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Step	Action Taken	Comments	Preparer	Reviewer
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All Fair Value Measurements

100	Review guidelines established in SEC Handbook and FASB Codification (ASC 320, ASC 820 and ASC 825).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			

Fair Value of Long-term Debt (ASC 825)

115	Obtain schedules from Corporate Finance detailing fair value of each issuance of long-term debt.			
120	Complete a consolidation workpaper of all fair value amounts, tying totals to GL.			

Fair Value of Financial Assets and Liabilities (ASC 820)

125	Obtain the following schedules for AEP and the Registrants for Risk Management Contracts from Manager West Power and Derivative Accounting: - Levels for Assets and Liabilities - Level 3 Rollforward			
130	Obtain the following schedules for AEP and Registrants from Manager Corp Accounting: - Cash and Cash Equivalents - Other Temporary Investments - Spent Nuclear Fuel			

Fair Value of Investment Securities and Nuclear Trust Funds (ASC 320)

135	Obtain summary of investment holdings from Corp/Gen Accting; obtain purchases and sales data from Mgmt Reporting used for Cash Flow; obtain acct 128 - Other Special Funds detail from Regulated Accounting.			
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Step	Action Taken	Comments	Preparer	Reviewer
All Fair Value Measurements				
140	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist)			
145	Review D&T Compliance checklist.			
150	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
155	Every number should be supported by workpapers in the supporting file.			
160	Foot and crossfoot the document.			
165	Check line descriptions and all disclosure for correct line captions, correct grammar and typographical errors.			
170	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
175	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
180	Send draft to content providers for review prior to first official draft.			
185	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
190	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			

Step	Action Taken	Comments	Preparer	Reviewer
195	List contacts made outside the department			
	Name, Title, Department & Phone Number			
	1			
	2			
	3			
	4			

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 740).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Collaborate with the Income Tax department for updates to language and all income tax disclosure tables.			
120	Collaborate with the Income Tax department (see step 185) for disclosure of any new accounting policies.			
125	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist.)			
130	Agree the balances that make up the registrant subsidiaries' income taxes in section H to the registrant's balance sheet, statements of income and statements of cash flows. Agree same items regarding AEP Consolidated.			
135	Every number should be supported by workpapers in the supporting file.			
140	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
145	Review D&T Compliance checklist. (Completed by FR Management for quarterly reporting.)			
150	Foot and crossfoot the document, if applicable.			
155	Check line descriptions for correct line captions and typographical errors, if applicable.			
160	Ensure format is consistent with the rest of the document. Discuss any format changes with FR Management.			

Step	Action Taken	Comments	Preparer	Reviewer
165	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
170	Send draft to content providers for review prior to first official draft.			
175	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
180	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
185	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 840).			
105	Review the quarter issues binder summary			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers to identify items requiring update			
115	Prepare the prior period numbers.			
120	Hold Quarterly Planning Meeting with members of the Core Lease Team including Real Estate, Accounting Policy and Research, Corporate Finance and Leased Assets and Receivables Accounting to inquire if any new leases have been entered into at year-end and to discuss any leases that require special attention. (see step 190).			
122	On a quarterly basis, send request to Jon Holtzmuller of Derivative Accounting (Utility Energy and Commercial Accounting) to determine if any new PPAs have been entered into that may be considered leases.			
125	Request updated information from Powerplant System from Leased Assets and Receivables Accounting on any new or existing lease (see step 190).			
130	Obtain information on all leases that are not kept in PowerPlant: <ul style="list-style-type: none"> - Dolet Hills - Operating and Capital Leases - Sabine Mine - Operating and Capital Leases - AEP River Barges - Operating Leases - AEP River Boat - Operating Leases - Elmwood - Operating and Capital Leases - I&M River Transportation (Operating Company and & I&M RTD barges kept at AEP River) - Operating Leases - IKON Leases - Operating Leases - Real Estate Leases - Landworks Database - Operating Leases - Gavin Scrubber - Operating Lease for OPCo (FERC Only) Lease Ended 12/15/2009 			

Step	Action Taken	Comments	Preparer	Reviewer
132	Send the text to Director of Corporate Finance, Manager of Corporate Finance, Director of Accounting Policy & Research and Manager of Leased Assets and Receivables Accounting for review and any language updates (see step 175).			
135	Consolidate the information to be used in the 10-K. Should include operating and capital lease costs and future minimum lease payments for capital and noncancelable operating leases			
137	Review account balance for 1650023 on AEP consolidated. Verify with Greg Lutz that routine account reconciliation is being performed and appropriate amounts included for lease reporting.			
140	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist)			
145	Review D&T Compliance checklist			
150	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above. [FR-DIS 2.4]			
155	Every number should be supported by workpapers in the supporting file.			
160	Foot and crossfoot the document			
165	Check line descriptions for correct line captions and typographical errors			
170	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
172	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			

Columbus Southern Power Company/Ohio Power Company
 Leases
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
175	Send draft to content providers for review prior to first official draft.			
180	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
185	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
190	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Step	Action Taken	Comments	Preparer	Reviewer
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All Stock

100	Review guidelines established in SEC Handbook and FASB Codification (ASC 505).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers to identify items requiring update.			

Common Stock

115	Obtain information on the activity in common stock (i.e. - common stock repurchase, issuance of common stock, etc.)			
120	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist)			
125	Agree the current period shares of common stock, the issued common stock and the treasury stock acquisitions/ retirements to the Balance Sheet and Stmt of Equity.			

Preferred Stock

130	Prepare workpaper that shows information for preferred stock for the current year, including the call price per share, shares authorized, shares outstanding, and amount.			
135	Agree total preferred stock outstanding to the face of the applicable balance sheet.			

All Stock

140	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
145	Review D&T Compliance checklist. (Completed by FR Management for quarterly reporting)			
150	Foot and crossfoot the document.			

Step	Action Taken	Comments	Preparer	Reviewer
155	Check line descriptions for correct line captions and typographical errors.			
160	Ensure format is consistent with the rest of the document. Discuss any format changes with FR Management.			
165	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
170	Send draft to content providers for review prior to first official draft.			
175	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
180	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
185	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
Financing Activities - Money Pool

Reporting Period

Preparer

Work Program

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 850).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Prepare the prior period numbers and have them signed-off by management.			
120	10K and 10Q - Obtain money pool activity (Maximum Borrowings/Loans to/from Money Pools, Average Borrowings/Loans, Borrowings/Loans at Balance Sheet Date, Authorized Borrowing Limit, Maximum/Minimum Interest Rates, Average Interest Rates) for all reporting companies from Treasury - Cash Management Department (see step 190).			
125	10K Only - Obtain Interest Expense and Interest Income related to money pool activity for all reporting companies from Corporate and General Accounting Department (see step 190).			
135	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist).			
140	Review D&T Compliance checklist (Completed by FR Management for quarterly reporting).			
150	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above. [FR-DIS 2.4].			

Work Program

Step	Action Taken	Comments	Preparer	Reviewer
155	Every number should be supported by workpapers in the supporting file.			
160	Foot and crossfoot the document, as applicable.			
165	Check line descriptions for correct line captions and typographical errors.			
170	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
172	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
175	Send draft to content providers for review prior to first official draft.			
180	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
185	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
190	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
Long-term Debt Schedule
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 470).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers which should be stored with the other workpapers to verify the same account groupings and types of adjustments are made in the current period.			
115	Review bi-weekly Treasury Update for issues pertaining to Financing Activities footnote. Print and file in workpapers, if necessary.			
120	Obtain workpaper from Internal FR staff that shows the break-out of debt securities. Agree the current and long-term balances to Peoplesoft.			
125	Obtain workpaper from Internal FR staff that shows the long-term debt issuances and retirements. Agree the balances to support. (i.e. prospectus for issuances and general ledger for retirements)			
130	Provide any long-term debt issuances and retirements to individual operating company workpaper preparers for use in the Financing Activity section of the MD&A.			
135	Obtain workpaper from Internal FR staff that shows the intercompany long-term debt that was issued/ retired. Agree the balances to support. (i.e. prospectus for issuances and general ledger for retirements)			
140	Prepare workpaper which shows the type of long-term debt and associated value. Agree the balances to support.			
145	At Year- End, prepare workpaper which shows the interest rate range and weighted average interest rate for each type of debt security.			
150	At Year- End, prepare workpaper which shows maturities of long-term debt by company for the next 5 years.			
155	Perform applicable tie-outs within the document. (Attach Internal tie-out checklist.)			

Step	Action Taken	Comments	Preparer	Reviewer
160	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
162	Every number should be supported by workpapers in the supporting file.			
165	Obtain Moody's, S&P and Fitch's current credit rating information from Treasury dept. for each operating company's Credit Ratings section of the MD&A.			
170	Review D&T Compliance checklist. (Completed by FR Management for quarterly reporting.)			
175	Foot and crossfoot the document.			
180	Check line descriptions for correct line captions and typographical errors.			
185	Ensure format is consistent with the rest of the document. Discuss any format changes with FR Management.			
190	Check with Corporate Finance for any restrictions on LTD.			
195	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
200	Send draft to content providers for review prior to first official draft.			
205	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
210	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
215	List contacts made outside the department <u>Name, Title, Department & Phone Number</u> 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
Financing Activities - Sale of Receivables
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 860).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Prepare the prior period numbers and have them signed-off by management and external auditors before the end of the year.			
120	Obtain the Proceeds from Sale of AR from Cash Management (see step 195).			
125	Obtain the Average Variable Discount Rate from Cash Management (see step 195).			
130	Obtain the AR Retained Interest and Pledged as Collateral Less Uncollectible Accounts, Retained Interest if 10% and 20% Adverse Change in Uncollectible Accounts from Cash Management (see step 195).			
135	Obtain the Delinquent Customer Accounts from Cash Management (see step 195).			
140	Obtain workpaper from External FR staff showing Net Uncollectible Accounts Written Off (from Legal Section, Schedule II).			
145	Perform applicable tie-outs within the document (Attach Internal Tie-out Checklist).			
150	Review D&T Compliance checklist.			

Columbus Southern Power Company/Ohio Power Company
Financing Activities - Sale of Receivables
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
155	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
160	Every number should be supported by workpapers in the supporting file.			
165	Foot and crossfoot the document.			
170	Check line descriptions for correct line captions and typographical errors.			
175	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
177	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
180	Send draft to content providers for review prior to first official draft.			
185	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			

Columbus Southern Power Company/Ohio Power Company
 Financing Activities - Sale of Receivables
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
190	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
195	<p>List contacts made outside the department</p> <p>Name, Title, Department & Phone Number</p> <p>1</p> <p>2</p> <p>3</p> <p>4</p>			

Columbus Southern Power Company/Ohio Power Company
Short-term Debt
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 470).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Obtain updated information from Corporate Finance, GL Teams and Short-Term Funding departments.			
120	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist)			
125	Review D&T Compliance checklist. (Completed by FR Management for quarterly reporting)			
130	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
135	Every number should be supported by workpapers in the supporting file.			
140	Foot and crossfoot the document, as applicable.			
145	Check line descriptions for correct line captions and typographical errors.			
150	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
152	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			

Columbus Southern Power Company/Ohio Power Company
Short-term Debt
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
155	Send draft to content providers for review prior to first official draft.			
160	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
165	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
170	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
 Stock-Based Compensation Plans
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 718).			
105	Review the quarter issues binder summary			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers			
115	Prepare the prior period numbers and have them signed-off by management and external auditors before the end of the quarter			
120	Obtain the Incremental Shares worksheet from EPS workpapers.			
121	Obtain the Exercisable Options at period-end from the Executive Compensation department.			
122	Obtain the Towers Perrin fair value report for any new stock option granted during the period from the Executive Compensation department.			
124	Obtain the change of cash flow presentation from operating to financing sections. If material, disclose within the quarterly/annual report.			
125	Obtain the Restricted Stock Units Granted worksheet from Corporate Accounting for use in calculating the fair value at grant date of restricted stock units issued.			
126	Review D&T Compliance checklist			
127	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
128	Perform applicable tie-outs within the document. (Attach Internal t/o Checklist)			
130	Every number should be supported by workpapers in the supporting file.			

Columbus Southern Power Company/Ohio Power Company
 Stock-Based Compensation Plans
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
135	Foot the document.			
140	Check line descriptions for correct line captions and typographical errors.			
145	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
147	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
150	Send draft to content providers for review prior to first official draft.			
155	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
160	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
165	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Supplementary Information - Related Party Transactions

Preparer

A-section "Supplementary Information" (included in Significant Accounting Matters)

H-section "Related Party Transactions" Footnote

Work Program

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 850).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Review the board of directors meeting minutes to identify related parties.			
120	Obtain copy of query from internal reporting to identify all entities that are not consolidating to determine if disclosure is necessary.			
125	Update email recipient listing.			
130	Email the "Related Party Analysis Under FASB ASC 850" to recipient list, along with instructions/request for reply. (Includes AP&R to determine if there are any SPE's that are not on the books or any contracts that we have entered with related parties during the year that require disclosure).			
135	Ensure that each recipient replies to the email from Step 130.			
140	Contact Corporate Compliance to determine if they have been notified of any conflicts or interest that require disclosure (see step 225).			
145	Obtain OVEC related party transactions for "Purchased Energy" and "Revenues - Utility Operations" from East Power Accounting group.			
150	Obtain OVEC related party transactions for "Other Revenues" from AEP River Operations group.			
155	Review the Guarantees footnote and footnotes related to FASB ASC 810 to determine if there are any related parties that should also be disclosed in the related party footnote.			
160	Annually (H-section): Assess the prior year disclosure for applicability to the current year. Delete non-applicable disclosures.			
165	Annually (H-section): Obtain applicable current year information from the expert contact or group.			
170	Perform applicable tie-outs within the document. (Attach Internal Tie-out Checklist).			

Supplementary Information - Related Party Transactions

Preparer

A-section "Supplementary Information" (included in Significant Accounting Matters)

H-section "Related Party Transactions" Footnote

Work Program

Step	Action Taken	Comments	Preparer	Reviewer
175	Review D&T Compliance checklist. (Completed by FR Management for quarterly reporting).			
180	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
185	Every number should be supported by workpapers in the supporting file.			
190	Foot and crossfoot the document.			
195	Check line descriptions for correct line captions and typographical errors.			
200	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
205	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
210	Send draft to content providers for review prior to first official draft.			
215	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
220	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
225	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 360).			
105	Review the quarter issues binder summary			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers			
115	Prepare the prior period numbers, if applicable, and have them signed-off by management and external auditors before the end of the quarter			
120	Collaborate with Corporate Accounting Policy & Research (see step 170) for language and numbers, if applicable.			
125	Perform applicable tie-outs within the document. (Attach Internal t/o Checklist)			
130	Review D&T Compliance checklist.			
133	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
135	Every number should be supported by workpapers in the supporting file.			
140	Foot and crossfoot the document, as applicable			
145	Check line descriptions for correct line captions and typographical errors			
150	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
152	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
155	Send draft to content providers for review prior to first official draft.			

Columbus Southern Power Company/Ohio Power Company
Property, Plant and Equipment
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
160	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the			
165	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
170	List contacts made outside the department			
	Name, Title, Department & Phone Number			
	1			
	2			
	3			
	4			

Columbus Southern Power Company/Ohio Power Company
 Asset Retirement Obligations (ARO)
 Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 410).			
105	Review the quarter issues binder summary			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers			
120	Collaborate with Corporate Accounting Policy & Research (see step 170) for language and numbers, if applicable.			
122	For quarterly reporting, if any of the changes in ARO (Accretion Expense, Liabilities Incurred, Liabilities Settled or Revisions in Cash Flow Estimates) exceeds 10% of the beginning balance of ARO for a reporting company, consult with CAP&R to determine if the reconciliation should be included in the 10Q or quarterly report.			
125	Perform applicable tie-outs within the document. (Attach Internal t/o Checklist)			
130	Review D&T Compliance checklist. (Completed by FR Management for quarterly reporting)			
133	All support obtained from sources via email has evidence of manager/director courtesy copy			
135	Every number should be supported by workpapers in the supporting file.			
	- Prepare workpaper titled "ARO Liability Reconciliation" and tie to appropriate PeopleSoft General Ledger reports.			
140	Foot and crossfoot the document, as applicable			
145	Check line descriptions for correct line captions and typographical errors			
150	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
152	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			

Step	Action Taken	Comments	Preparer	Reviewer
155	Send draft to content providers for review prior to first official draft.			
160	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
165	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
170	List contacts made outside the department			
	Name, Title, Department & Phone Number			
	1			
	2			
	3			
	4			

Columbus Southern Power Company/Ohio Power Company
Property, Plant and Equipment - Jointly-owned Electric Utility Property
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 980).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Prepare the prior period numbers and have them signed-off by management and external auditors before the end of the year.			
120	Obtain the updated numbers from the Property Accounting department (see step 175).			
125	Perform applicable tie-outs within the document (Attach Internal Tie-out Checklist).			
130	Review D&T Compliance checklist.			
135	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
140	Every number should be supported by workpapers in the supporting file.			
145	Foot and crossfoot the document.			

Columbus Southern Power Company/Ohio Power Company
Property, Plant and Equipment - Jointly-owned Electric Utility Property
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
150	Check line descriptions for correct line captions and typographical errors.			
155	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
157	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
160	Send draft to content providers for review prior to first official draft.			
165	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
170	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
175	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (Regulation S-K Item 302(a)).			
105	Review the quarter issues binder summary.			
107	Review and signoff on the quarter new accounting policy book.			
110	Review the prior period workpapers, which should be stored with the other workpapers.			
115	Follow the AEP Consolidated Statements of Income and disclose each quarter for the two most recent fiscal years: * Revenues * Operating Income * Income Before Discontinued Operations and Extraordinary Loss * Discontinued Operations * Income Before Extraordinary Loss * Extraordinary Loss * Net Income * Per Share data			
120	When the data supplied from a previously filed 10-Q varies, a reconciliation is required as well as a description of the reason.			
125	Perform applicable tie-outs within the document (Attach Internal Tie-out Checklist).			
130	Review D&T Compliance checklist.			
135	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
140	Every number should be supported by workpapers in the supporting file.			
145	Foot and crossfoot the document.			
150	Check line descriptions for correct line captions and typographical errors.			

Step	Action Taken	Comments	Preparer	Reviewer
155	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
160	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
165	Send draft to content providers for review prior to first official draft.			
170	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
175	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
180	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			

Columbus Southern Power Company/Ohio Power Company
Cost Reduction Initiative
Work Program

Reporting Period

Preparer

Step	Action Taken	Comments	Preparer	Reviewer
100	Review guidelines established in SEC Handbook and FASB Codification (ASC 420, 710, 712, 718).			
105	Review the quarter issues binder summary.			
110	Review and signoff on the quarter new accounting policy book.			
115	Review the prior period workpapers, which should be stored with the other workpapers.			
120	Collaborate with Corporate Accounting Policy and Research (see step 165) for language and numbers.			
125	Review D&T Compliance checklist. (Completed by FR Management for quarterly reporting).			
127	All support obtained from sources via email has evidence of manager/director courtesy copy included in workpapers. All support obtained from sources via hardcopy has evidence of manager/director sign-off included in workpapers. Note: Step is not applicable for information received from director or above.			
130	Every number should be supported by workpapers in the supporting file.			
135	Foot and crossfoot the document.			
140	Check line descriptions for correct line captions and typographical errors.			
145	Ensure format is consistent with the rest of the document. Discuss any format changes with management.			
147	For any spreadsheet owned by External Financial Reporting which is complex or minimum in nature, all current updates or changes are noted and are reviewed by appropriate management.			
150	Send draft to content providers for review prior to first official draft.			

Step	Action Taken	Comments	Preparer	Reviewer
155	For the AEP Consolidated footnote, prepare XBRL GAAP analysis for all significant financial numbers disclosed in either table or text form within the 10K/10Q.			
160	Prior to the filing of the 10K/10Q, generate a final XBRL instance document for the AEP Consolidated footnote. Trace all significant financial numbers within the 10K/10Q word document footnote disclosure to the instance document to ensure that all appropriate numbers have been tagged in XBRL.			
165	List contacts made outside the department Name, Title, Department & Phone Number 1 2 3 4			



Date April 11, 2008

Subject Fair Value Measurement Policy – SFAS 133 Derivative Contracts

From E.J. Thiergartner / R.S. Williamson (Financial Policy & Transaction Analysis)
D. Arnold (Market Risk Oversight)
S. Sharma (Portfolio Margin Analysis)
J. Poprocki (Risk Management – AEP Energy Partners)

To File

Authoritative Pronouncements Fair Value Measurement – Derivatives

- FASB Statement No. 157, *Fair Value Measurements* ("SFAS 157")
- FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133")
- EITF Issue 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities* ("EITF 02-3")

General

On September 15, 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157 ("SFAS No. 157"), Fair Value Measurement, which addresses how companies should measure and disclose fair value when required under Generally Accepted Accounting Principles ("GAAP"). As a result of SFAS No. 157, a common definition of fair value under GAAP was established. The intent of SFAS No. 157 is to make fair value measurements more consistent and comparable, and improve disclosure of those measures.

Accounting Policy

SFAS 157 defines fair value as "*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.*" This definition introduces the concept of an exit price. Per paragraph 7 of SFAS 157 "*The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine the price that would be received to sell the asset or paid to transfer the liability at the measurement date (an exit price).*"

The unit of account is used to determine at what level the asset or liability should be aggregated or

disaggregated for purposes of calculating its fair market value. For AEP's derivative contracts the unit of account will be at the contract level.

SFAS 157 also introduces the concept of the principal (or most advantageous) market. Per paragraph 8 of SFAS 157, the principal market is defined as: *"the market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability."* The most advantageous market is defined as: *"the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received for the asset or minimizes the amount that would be paid to transfer the liability, considering transaction costs in the respective market(s)."* For AEP's derivative contracts the principal market is considered to be the wholesale market. Wholesale market participants have the same access to market pricing information, the same goals for entering into transactions and ability to easily enter into offsetting transactions with other market participants.

The financial statement impact to AEP of adopting SFAS 157 relates to:

- The inception gain reserves that were recorded based on the guidance provided in EITF 02-3. A cumulative effect adjustment for change in accounting principle was recorded to retained earnings at 1/1/08 to remove the impact of previously recorded inception gains.
- The impact of applying AEP's cost of debt to its liabilities.

SFAS 157 Input Hierarchy

The classification of derivative assets and liabilities will be based on the valuation inputs. SFAS 157 provides definitions for two types of inputs: observable and unobservable. They are defined as follows:

- *Observable inputs are defined as: inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.*
- *Unobservable inputs are defined as: inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information in the circumstances.*

AEP's derivative assets and liabilities will be classified in one of three SFAS 157 levels based on the input hierarchy outlined below.

Note: A transaction where the fair value measurement is based on assumptions from multiple levels will be categorized in the **lowest level input that is significant to the valuation**.

Level 1

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. (Para. 24 SFAS 157)

Criteria:

- Identical asset/liability
- Quoted/ unadjusted price

- Active (exchange traded) market values (based on volume of trades, frequency of quotations, pricing consistency)
- Level 1 inputs need to account for 90% or more of the overall valuation

Acceptable Examples:

- Exchange traded contracts (e.g. Nymex Natural Gas)
- Exchange traded equities (e.g. ICE Shares)

Unacceptable Examples:

- Exchange traded quotes that do not exhibit frequent transactions (e.g. Coal, NYMEX – PJM, Carbon Climate Exchange – CCX)
- Contracts that utilize exchange traded quotes (e.g. Nymex) but also utilize assumptions in valuation that are not considered significant (e.g. long term volatilities within a Heat Rate Option)

Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a level 2 input must be observable for substantially the full term of the asset or liability. (Para. 28 SFAS 157)

Criteria:

- Quoted prices
- Similar (highly correlated) assets and liabilities
- Can be in an moderately active or inactive market
- Adjusted for differences between quoted price (e.g. credit reserve)
- Observable either directly or through corroboration with observable market data or activity
- Level 2 inputs need to account for 90% or more of the overall valuation

Acceptable Examples:

- OTC quotes for liquid markets (ERCOT Region, PJM West, CIN Hub, AD Hub, IL Hub) supported by ICE, ICAP, Amerex, Prebon, LIM, etc.
- OTC broker quotes, regularly observable with wider bid/ask spreads in moderately active or less active markets
- Non-liquid points that regress to a quoted location with an $R^2 > 80\%$
- Executed like-kind market transactions used to eliminate market risk of a transaction being valued
- Exchange traded quotes where there was not sufficient market activity to warrant inclusion in Level 1 (Coal, NYMEX – PJM, Carbon Climate Exchange (CCX), Treasury/LIBOR Curves, etc.)
- Shaped calendar quotes correlated with monthly quoted prices or historical settlements

Unacceptable Examples:

- OTC broker quotes that are not observable for at least 90% of the contract term or the impact on the fair value for the unobservable term is significant.
- OTC quotes used in valuation models or the fair value of the asset or liability is based on certain assumptions

Level 3

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. (Para. 30 SFAS 157)

Criteria:

- Data unobservable in the market
- Valuation models/assumptions used to determine fair value

Acceptable Examples:

- Fair value measurements that are not significantly based on observable market data or are valued based on models and/or assumptions fall into this category (i.e. all items that do not qualify for levels 1 or 2).

NOTE: See the description of the Market Risk Oversight (MRO) automated process for assigning levels to AEP's derivative transactions below in Appendix 1.

SFAS 157 Disclosure Requirements

In accordance with the guidance provided in SFAS 157 for assets and liabilities that are measured at fair value, *"the reporting entity shall disclose information that enables users of its financial statements to assess the inputs used to develop those measurements and for recurring fair-value measurements using significant unobservable inputs (Level 3), the effect of the measurements on earnings (or changes in net assets) for the period. To meet that objective, the reporting entity shall disclose the following information for each interim and annual period (except as otherwise specified) separately for each major category of assets and liabilities:*

- a. The fair value measurements at the reporting date*
- b. The level within the fair value hierarchy in which the fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2) and significant unobservable inputs (Level 3)*
- c. For fair value measurements using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following:*
 - 1. Total gains or losses for the period (realized and unrealized), segregating those gains and losses included in earnings (or changes in net assets), and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities)*

2. *Purchases, sales, issuances, and settlements (net)*
3. *Transfers in and/or out of Level 3 (for example, transfers due to changes in the observability of significant inputs)*
- d. *The amount of the total gains or losses for the period in subparagraph (c)(1) above included in earnings (or changes in net assets) that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date and a description of where those unrealized gains or losses are reported in the statement of income (or activities)*
- e. *In annual periods only, the valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques, if any, during the period.*

AEP is required to provide SFAS 157 disclosure information outlined above in the footnotes to the financial statements. The information to be provided in accordance with the SFAS 157 disclosures includes financial assets and liabilities that are measured at fair value. AEP is currently required to provide disclosure in Management's Discussion & Analysis (MD&A) related to risk management activities in accordance with Securities and Exchange Commission Release Nos. 33-8056; 34-45321; FR-61 (together "FR-61") Section II(B) "Disclosures about certain trading activities that include non-exchange traded contracts accounted for at fair value. AEP is currently required to prepare both disclosures to the extent that information contained in the FR-61 disclosure is not duplicative of information contained in the SFAS 157 footnote. See the Wholesale Commodity Accounting Desk Procedures for compiling the information for the SFAS 157 disclosures below in Appendix 4.

Appendix 1: MRO SFAS 157 Fair Value Measurement Desk Procedures

- ❖ Overview: Reporting of SFAS157 Tier level MTM is a responsibility that crosses multiple departments and groups. This procedure focuses on MRO's responsibilities in achieving accurate reporting of this information. MRO has the following responsibilities in this process:
 - Analyze the portfolio on a unit of account (Trade Blotter ID) basis to identify the correct Tier level designation, based on available market data and accounting rules
 - Compare these results to the Magnum Tier assignment and identify any inconsistencies
 - Periodically, provide Mid-office with a list of inconsistencies (at a minimum, quarterly)
 - Assist in analyzing and explaining quarterly changes in Tier level MTM's

In general, an analyst will be assigned the responsibility of calculating fair value measurements on a quarterly basis and summarizing the results. Managing Director/Director of MRO (or his designee) will review the information and approve the reports. Upon approval, the results will be distributed to Accounting and the respective business units.

- ❖ Fair Value Measurements:
 - The fair value MTM calculation will be completed on a quarterly basis. The purpose of these processes is to confirm that AEP's total portfolio MTM is accurately compiled into the appropriate SFAS 157 fair value hierarchy tier levels based on available market data and accounting rules. Ultimately, this information will be presented in the footnotes to AEP's financial statements.
 - MRO's Tier verification process will use the following data:
 - MTM positions from Magnum
 - Current trader marks from Magnum

- Automated broker-quote coverage data feed from MRO's BQ Maps application
- These inputs will be gathered and processed to calculate both individual and combined MTM valuations for Com Ops and AEPEP
- The results are stored in Futrix and PDF reports will be distributed to business units and Accounting. Final PDF reports will be archived electronically.
- Timing of process:
 - On the last business day of each quarter, or as designated by Financial Policy Transaction & Analysis (FPT&A) for financial reporting
 - Weekly, the process will be run to identify deals whose designation is different from what is in Magnum. This will primarily be confirming whether the default Tier levels assigned to new deals (over the past week) were consistent with the analysis.
 - Monthly, for the purposes of internal reporting

❖ Procedure:

- Input Requirements: Ensure the manual input data is correctly updated (V:\Risk Oversight\FAS 157\Manual Process Inputs\):
 - Fas157_exclusions.xls (Deals that are predefined to the 3rd Tier)
 - Fas157_tier1_locations.xls (Defines the 1st-Tier curve and Counterparty names)
 - Magnum_bqmaps_xref.xls (Links Magnum curve names to broker-quoted location names in BQ Maps)
- Default Tier 1 Locations: A list of curves that meet the SFAS 157 requirements for Tier 1 designation will be maintained. These are fairly straight forward. The MTM for each unit of account marked against these curves will be decomposed into individual months and receive a Tier 1 designation.
 - This data will be archived whenever a quarter-end assessment is completed.
- Broker Quote Coverage: This input will be driven from MRO's automated daily price validation review process. This process creates a reference table which identifies (at the monthly level) locations / price curves that have broker quote coverage.
 - MTM that has broker coverage will be assigned Tier 2
 - This data will be archived whenever a quarter-end assessment is completed.
- Non-Liquid Point Regression Analysis: Confirm the regression analysis has been updated. This regression analysis will:
 - Evaluate the historical LMP relationships between "spread" locations (non-liquid locations which are marked as spreads from a liquidly traded hub) and their respective "base" locations.
 - Be completed and grouped into the standard market structure (Jan-Feb, Mar-Apr, May, Jun, Jul-Aug, Sep and Q4)
 - Based on historical LMP settlement data (ideally, at least three years)
 - Calculate the following three statistical measures between the locations:
 - R^2 – must be greater than 80% to pass
 - Slope – must be between 0.80 and 1.25 to pass
 - Statistical significance – $p < 0.05$

- Assign the following designations to the MTM in the seasonal time bucket periods, based on the regression results:
 - Pass BOTH tests: Tier 2
 - Doesn't pass BOTH tests: Tier 3
- Generate Output: Run the SAS process to generate the reports
 - In EG, open V:\Risk Oversight\FAS 157\EG Projects\yyyy-mm-dd FAS157 Macroed.seg)
 - Reset (Close of Business) COB_date and flow_start in macro_kick
 - Run Process Flow 1
 - Close the project without saving
 - Tier Assignment:
 - This process uses the following logic (on a Unit of Account basis) to determine the respective Tier Level:
 - a. If at least 90% of the MTM value is in tier 1, Tier=1
 - b. If 10% or more of the MTM value is in Tier 3, Tier=3
 - c. If neither case applies, Tier=2
 - For each Unit of Account, this process:
 - a. Decomposes the MTM to a monthly level
 - b. Interprets and applies the results of the (i) Default Tier 1 designations, (ii) Broker Quote Coverage and (iii) Results of the Non-Liquid Point Regression Analysis to determine each month's MTM Tier Level
 - c. Calculates the total unit of account MTM in each Tier level
 - d. Assigns a Unit of Account Tier based on these results
- Reports: Once this process is complete, open Futrix and analyze the results in the following report:
 - FAS157- All
 - Two reports are available for analyzing / sharing the results for each individual business unit. These reports are:
 - a. FAS157- View Unreg
 - b. FAS157- View Reg
 - Analysis: There will be three main drivers creating changes in Tier level designations:
 - Curve shift
 - Change in broker quote coverage
 - Change in correlation regression analysis results
 - Review the tier results and changes. Analyze:
 - 1. The portfolio's current MTM breakdown
 - 2. The portfolio's change in tier level valuations
 - 3. Blotter IDs (unit of account) for which the analysis indicates that the current tier designation needs to be changed.
 - 4. Summarize the changes and perform additional analyses as needed.
 - 5. Support business units, as necessary, in understanding the drivers of changes in the Tier level MTM's.

❖ **Quarter-End Notification Process:**

- Blotter ID's which need to have their Tier level updated will be summarized and emailed to each respective Mid Office, Front Office and FPT&A. This report shall contain:
 - COB
 - Book
 - Blotter ID (Unit of Account)
 - MTM
 - Summary of current Tier and New Tier
- Mid-Office will update the Tier designations of any affected units of account.
- Mid-Office will notify MRO and Wholesale Commodity Accounting ("Accounting") when the update process is complete.
- MRO will validate that the required changes have been made.
- MRO will document the above activity.
- If differences on Tier designations cannot be resolved between MRO and Commercial Operations / AEPEP, the decision will be elevated to the SVP, Commercial Operations and Chief Risk Officer for resolution. If a resolution is not reached, the discussion will be elevated within AEP management (to include the Controllers Office) until a resolution occurs.

❖ **Process for derivatives outside of Magnum:**

In addition to AEP's commodity derivative contracts that are maintained within the Magnum risk system, AEP also is party to interest rate ("IR") and foreign currency ("FX") derivative contracts that are not maintained in Magnum. These IR and FX derivatives may receive either SFAS 133 hedge accounting or MTM accounting treatment, depending on the risk management objective and relationship between the intended hedge and hedged risk.

Fair value measurements and appropriate SFAS 157 tier designations need to be completed on a quarterly basis for all of AEP's outstanding IR and FX instruments. This should be accomplished in the same manner and within the same timeline as the process that encompasses AEP's commodity positions contained in Magnum. MRO will also be responsible for communicating the appropriate fair values and tier designations for open IR and FX positions to Accounting on a quarterly basis.

Treatment of Structured Deals

The following procedures will be used to assess structured deals for SFAS 157 classification. The classification of the deal (as either level 2 or level 3) will be determined by stress testing the non-market impacts and determining these potential impacts on the **overall** deal value:

- Structured deals will flow through the SFAS 157 review processes as a single unit of account.
- When the valuation of a structured deal depends on level 3 inputs, MRO will subject the level 3 inputs to a reasonable stress test in order to quantify the uncertainty in the overall deal value due to the level 3 inputs.
- If the stress test of the non-market assumptions indicates that the **overall** deal value would change by more than 10%, the structured deal will be classified as level 3.

- If the stress test of the non-market assumptions indicates that the **overall** deal value would change by 10% or less, the structured deal will be classified as level 2.
- Examples (note: these are hypothetical examples with original option volatility of 30%. The volatilities used to demonstrate the fluctuation in value during the stress testing are 10% and 50%):

Example #1 (in thousands)			Example #2 (in thousands)		
Forward	Option	Total	Forward	Option	Total
6,000	4,000	\$ 10,000	9,500	500	\$ 10,000
Stress Testing			Stress Testing		
Volatility 10%	3,500		Volatility 10%	(2,000)	
\$ Change	(500)		\$ Change	(2,500)	
% Change	-5%		% Change	-25%	
Volatility 50%	4,600		Volatility 50%	3,000	
\$ Change	600		\$ Change	2,500	
% Change	6%		% Change	25%	

The total value of Example #1 (\$10,000) would be classified as Level 2 in the SFAS 157 input hierarchy since the change in the value of the non-market inputs impacted the total value of the deal by less than 10% based on the results of the option volatility stress testing. The total value of Example #2 (\$10,000) would be classified as Level 3 in the SFAS 157 input hierarchy since the change in the non-market inputs impacted the total value of the deal by more than 10% based on the results of the option volatility stress testing.

Inception Gain Procedures

Paragraph 17 of SFAS 157 states *"In many cases, the transaction price will equal the exit price and, therefore, represent the fair value of the asset or liability at initial recognition. In determining whether a transaction price represents the fair value of the asset or liability at initial recognition, the reporting entity shall consider factors specific to the transaction and the asset or liability."* The following procedures will be completed by MRO to determine whether the recognition of an inception gain is appropriate.

- ❖ If the transaction is executed through an exchange (electronic or floor traded) or an OTC brokerage firm, then the transaction price is validated and recognition of the inception gain is deemed appropriate. No additional investigation by MRO will be required.
- ❖ If the transaction was not executed through an exchange or OTC brokerage firm (complete the following):

Inception Gain Monitoring: MRO will monitor new deal inception gain values on a daily basis. When a transaction's inception value exceeds the \$250 K materiality threshold, MRO will complete the following steps to determine whether the recognition of the inception gain is appropriate:

- Identify whether the transaction's "unit of account" requires the inclusion of additional transactions (e.g. structured deals with multiple components, physical/financial swap transactions, etc).

- When the unit of account requires that additional transactions be included, reach a determination as to whether the FPT&A inception value threshold was actually exceeded.
 - If the unit of account's inception value is less than the \$250K threshold, MRO will document this and no further action is required
 - If the unit of account's inception value is more than the \$250K threshold, MRO will investigate, make a determination as to the "market" in which the transaction occurred and document the results of the investigation.

Market Definition: This determination will be based primarily on the combination of the counterparty and type of transaction executed.

- If a transaction is designated **wholesale-to-retail**, this will be documented and no further inception gain action is necessary. This classification will normally include non-standard or customized products that are not commonly traded. The counterparties will normally be municipalities, cooperatives or some other end-user type customer.
- If a transaction is **wholesale-to-wholesale**, MRO will investigate and document whether there is supporting data that substantiates that the deal was executed at market during the trading day. This classification will normally include standard trading products and counterparties. See additional explanation and supporting data documentation below.

Supporting Data Documentation: The following is a list of acceptable forms of documentation which (individually or in combination) may substantiate that a transaction was executed at market during the trading day for bi-lateral transactions:

- Reports which indicate that the transaction price fell within the day's trading range (typically ICE reports) or other market data
- Offsetting transactions that flatten the market position and demonstrate liquidity

Resolution:

- If the unit of account is either designated as being a wholesale-to-retail transaction OR can be supported as having been executed at market (by any of the above listed criteria), MRO will document this and no further action is required.
- If the unit of account is designated as a wholesale-to-wholesale transaction, but cannot be supported as being executed at market, the day-one gain will be adjusted using the "model recalibration" or "recalibration reserve" to eliminate the unit of account's inception value recognition.
- If differences on designations or resolution cannot be resolved between FPT&A, the Business Unit and MRO, the decision will be elevated to the SVP, Commercial Operations and Chief Risk Officer. If a resolution is not reached, the discussion will be elevated within AEP management (to include the Controllers Office) until a resolution occurs.

Model Recalibration/Model Reserve

If a potential inception gain cannot be validated based on the MRO procedures completed above, either: 1). The valuation model will be recalibrated to take the inception value of the deal to zero, or 2). A model reserve will be calculated and recorded to the general ledger (similar to the EITF

02-3 inception gain reserve). Recalibration of the valuation model would require that all similar models be recalibrated as well. Since this model recalibration would impact the valuation of existing deals, AEP will calculate a model reserve to take the inception value of the deal to zero. The initial value of the reserve will equal the amount of the deal inception gain or loss. On a quarterly basis, the reserve will be reviewed to determine whether there have been changes to the availability of observable market data. If the percentage of unobservable inputs is less than 5% of the total deal value, then the entire recalibration reserve will be taken to income/loss during the quarter in which the review was completed. If the percentage of unobservable inputs is greater than 5% of the total deal value, then the reserve will continue to be recorded. Reserve amounts representing settled portions of the transaction will be taken to income/loss in the period in which they settle.

Appendix #2: Allocation of Liquidity and Credit Reserves

The liquidity and credit reserves will be allocated based on the percentage of mark-to-market in either Level 2 or Level 3 as compared to the totals of those two levels. The percentage will be calculated by taking the absolute value of the totals in levels 2 and 3, add them together to determine the total, and then divide the total into levels 2 and 3, respectively, to calculate the appropriate percentage. Accounting will be responsible for allocating the reserves based on the appropriate percentages. The same allocation methodology will be applied to the amounts for both Service Corporation and Energy Partners. The liquidity reserve calculations will be provided to Accounting by Market Risk Oversight, and the credit reserve calculation will be provided to Accounting by Credit Risk Management.

Appendix #3: Process for discounting derivative liabilities using AEP's cost of debt

To accommodate SFAS157, Risk will run a report for Accounting to value the mark to market of liabilities incorporating AEP's Cost of Debt (credit spread). This periodic report (currently monthly) will rely on the AEP cost of debt interest rate curve constructed by MRO. Towards this end, each day MRO loads both a LIBOR interest rate curve and an AEP cost of debt interest rate curve into the Position Manager database managed by Risk. At the same time, the LIBOR curve is loaded into GMD for use in Magnum in the nightly valuation. On days when Accounting requires valuation of liabilities against AEP's Cost of Debt curve, Risk has developed a spreadsheet that enables them to overwrite the discounting curve in GMD with the cost of debt curve for revaluation. After the special cost of debt valuation is completed for Accounting, Risk must reload the LIBOR curve for posterity and for day-on-day rho P/L calculations on the next day.

Note: In accordance with the guidance provided in SFAS 157, a calculation to discount net liabilities using AEP's cost of debt will be prepared on a quarterly basis, and appropriate adjustments will be made to the SFAS 157 disclosures. No adjustment to amounts or disclosures previously presented in AEP financial statements related to discounting AEP's liabilities will be required based on the adoption of SFAS 157.

Appendix #4: SFAS 157 Disclosure Requirements

Market Risk Oversight (MRO) is responsible for reviewing the risk management portfolio of mark to market and hedging contracts to ensure proper assignment of SFAS 157 levels. MRO has

established guidelines for power, natural gas, coal, and emissions contracts to be assigned a field in the Magnum Risk Management System that denotes the SFAS 157 level. Exchange traded natural gas contracts are the main commodity contracts that are assessed as Level 1. For other commodity contracts, the contract's location, duration, and price inputs are used by MRO to determine whether Level 2 or Level 3 classification is appropriate. For certain structured contracts, MRO must review all the related input measures in Magnum such as demand charges, congestion, and option components to determine if the inputs are observable. At the end of the quarter, MRO reviews all risk management contracts in Magnum and provides the Position and Margin Analysis (PMA) group for AEPSC and AEPEP as well as any changes between the levels for quarter end.

Once MRO has verified the SFAS 157 levels are correct in Magnum, the Settlements group runs their mark to market files with the latest updated levels for Accounting to use. Based on the schedules provided by Settlements, Accounting will run Excel pivot tables to capture the proper levels for the SFAS 157 disclosures and Committee of Chief Risk Officers (CCRO) maturity schedules.

The two disclosure requirements in SFAS 157 are "Assets and Liabilities Measured at Fair Value on a Recurring Basis" and "Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs". The following will discuss Accounting's process in preparing both SFAS 157 disclosures that are included in the notes section of the 10Q or 10K and include the March 31, 2008 10Q disclosures as an example. Note that Accounting also prepares both of these disclosures by registrant, but those individual disclosures are not included herein.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

This disclosure requires the assets and liabilities be reported separately on a gross basis and reported based on the Levels noted above (using the Blotter ID as the unit of account).

- The analyst will first take all of the detail files prepared by Settlements and save them on our accounting drive as our support for the summary file that is sent to Financial Reporting.
- Each detail file with the designated level is reviewed and compared to the detail file that was used to record the current month activity. This step is completed to ensure that the data recorded to the ledger agrees with the data reported.
- From the detail files, the analyst removes the internal and inter-company deals and prepares a pivot table for each level with the Discounted MTM Value by Blotter ID (the individual contract with the counterparty). Since the Blotter ID is AEP's unit of account, any financial or physical deal that has the same Blotter ID is netted together.
- There are certain structured deals that are input into Magnum with different Blotter ID's; however, they are actually one unit of account and they are netted. A list of the structured deals is provided by MRO.
- Each pivot table created is summarized by assets and liabilities. Each summary of assets and liabilities is printed and used to input into the SFAS157 Input Schedules.

- Since reports on a registrant level are needed, the following Input Schedules are: AEPSC (East, West, Shared, and Coal & Emissions), AEPEP, AEPES, C&I, and Operating Company dedicated activity. The Input Schedules include by level the following discounted MTM amounts for: Power, Gas, Coal, Emissions, Interest Rate Swaps, Deferred Futures, Option Premiums, Discounted Liabilities, and Credit and Liquidity Reserves.
- The liquidity, credit and discounted liability reserves are allocated based on the percentage of mark-to-market in either Level 2 or Level 3 as compared to the totals of those two levels. See Appendix #2 above for explanation of the allocation of the liquidity and credit reserves, and Appendix #3 for discounting liabilities.
- After all the data is input into the schedules, inter-company pivots are made similar to the third party pivots noted above. The inter-company assets and liabilities are input into the schedules by level because they are included in the Operating Company disclosures but eliminate in the AEP Consolidated Disclosure.
- The Operating Company disclosures are determined by using the summarized input schedules and applying the appropriate allocation MLR, PLR, SIA, or MMBTU's to the different commodities (Power, Gas, Coal and Emissions).
- Because this disclosure is reported on a gross basis and AEP's Risk Management Assets & Liabilities in the Balance Sheet are netted, an "Other" column is included as a reconciling column to the Balance Sheet. The "Other" column represents four different reconciling items as it relates to the Risk Management Contracts & Cash Flow and Fair Value Hedges.
 - The first represents counterparty netting for risk management contracts and netting for cash flow and fair value hedges.
 - The second represents cash collateral that is netted with the risk management assets and liabilities under FASB Staff Position FIN 39-1.
 - The third represents "Dedesignated Risk Management Contracts" that are contracts that were originally MTM for the East Operating Companies but were subsequently elected as normal under SFAS 133. At the time of the normal election the MTM value was frozen and no longer fair valued. Therefore, we exclude these contracts from the fair value levels.
 - The last item that would be included in the "Other" column would be the amounts relating to the Natural Gas Contracts with Duke Energy Trading & Marketing (DETM). The DETM contracts are contracts that AEP Energy Services assigned to AEP Service Corporation as agent for the Operating Companies. In order to ensure that there would be no financial impact to the Operating Companies, AEPES and AEPSC entered into agreements requiring AEPES to reimburse AEPSC for any related cash settlements and all income related to the assigned contracts. Therefore, these contracts would not be recorded at fair value since they have no income impact. This

amount listed in the "Other" column is only applicable for the Operating Companies.

- After the input schedules have been created, the analyst will compare their results with the results from the analyst that is creating the MD&A Maturity Schedule. The two disclosures should tie in total and by Operating Company. The source of each disclosure is the same only the Maturity Schedule looks at the delivery periods and is on a net basis and the SFAS 157 disclosure looks at Blotter ID and is on a gross basis. This control is to ensure reports are in sync and levels are correct.
- An input schedule similar to the Risk Management Contracts schedule is created for Cash Flow & Fair Value Hedges. The same steps that were used in determining the Risk Management Contracts will be used to determine the Cash Flow & Fair Value Hedges.

The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis as of March 31, 2008. As required by SFAS 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of March 31, 2008

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
Assets:	(in millions)				
Cash and Cash Equivalents (a)	<u>\$ 109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46</u>	<u>\$ 155</u>
Other Temporary Investments:					
Cash and Cash Equivalents (b)	\$ 147	\$ -	\$ -	\$ 32	\$ 179
Debt Securities	120	-	22	-	142
Equity Securities	18	-	-	-	18
Total Other Temporary Investments	<u>\$ 285</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ 32</u>	<u>\$ 339</u>
Risk Management Assets:					
Risk Management Contracts (c)	\$ 206	\$ 3,201	\$ 116	\$ (2,566)	\$ 957
Cash Flow and Fair Value Hedges (c)	-	46	-	(13)	33
Dedesignated Risk Management Contracts (d)	-	-	-	50	50
Total Risk Management Assets	<u>\$ 206</u>	<u>\$ 3,247</u>	<u>\$ 116</u>	<u>\$ (2,529)</u>	<u>\$ 1,040</u>
Spent Nuclear Fuel and Decommissioning Trusts:					
Cash and Cash Equivalents (e)	\$ -	\$ 13	\$ -	\$ 10	\$ 23
Debt Securities	343	492	-	-	835
Equity Securities	466	-	-	-	466
Total Spent Nuclear Fuel and	<u>\$ 809</u>	<u>\$ 505</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 1,324</u>

**Decommissioning
Trusts**
**Investments in Debt Securities –
Noncurrent (f)**

\$	-	\$	-	\$	17	\$	-	\$	17
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Total Assets

\$	1,409	\$	3,752	\$	155	\$	(2,441)	\$	2,875
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Liabilities:
Risk Management Liabilities:

Risk Management Contracts (c)	\$	231	\$	3,099	\$	67	\$	(2,581)	\$	816
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Cash Flow and Fair Value Hedges (c)		5		93		-		(13)		85
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Total Risk Management Liabilities	\$	236	\$	3,192	\$	67	\$	(2,594)	\$	901
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Long-term Debt (g)

\$	-	\$	50	\$	-	\$	-	\$	50
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Total Liabilities

\$	236	\$	3,242	\$	67	\$	(2,594)	\$	951
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- (a) Amounts in "Other" column primarily represent cash deposits in bank accounts with financial institutions. Level 1 amounts primarily represent investments in money market funds.
- (b) Amounts in "Other" column primarily represent cash deposits with third parties. Level 1 amounts primarily represent investments in money market funds.
- (c) Amounts in "Other" column primarily represent counterparty netting of risk management contracts and associated cash collateral under FASB Staff Position FIN 39-1.
- (d) "Dedesignated Risk Management Contracts" are contracts that were originally MTM but were subsequently elected as normal under SFAS 133. At the time of the normal election the MTM value was frozen and no longer fair valued. This will be amortized into Utility Operations Revenues over the remaining life of the contract.
- (e) Amounts in "Other" column primarily represent deposits-in-transit and accrued interest receivables to/from financial institutions. Level 2 amounts primarily represent investments in money market funds.
- (f) "Investments in Debt Securities – Noncurrent" represent investments in auction-rate securities where redemption has not been publicly noticed by the issuer and are included in Deferred Charges and Other on the accompanying Condensed Consolidated Balance Sheets.
- (g) Amount represents the fair valued portion of long-term debt designated as a fair value hedge.

Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs

- The analyst will first determine the amount of the roll forward that is attributable to "Realized (Gain) Loss included in Earnings or (Changes in Net Assets)." The realized component of contracts is the amount of Level 3's beginning balance for the year that will realize based on the delivery period of the contract for the roll forward period.
- This process is determined by maturing the beginning Level 3 balance and determining the amount that will settle each quarter. Any curve shift that occurred for the contracts from the beginning of the year before the

settlement month will be excluded since the value was not in the beginning balance.

- The analyst will then calculate the “Transfers in and/or out of Level 3.” This section represents values that have either transferred into Level 3 from Level 1 or 2 because the inputs have become less observable or Level 3 inputs that have become more observable resulting in the contract being reported as Level 2 for the ending period.
 - These assessments are completed by the MRO group and they provide Accounting a quarterly schedule for AEPSC/AEPES and AEPEP which reflects all contracts that had transferred in or out of Level 3 for the period comparing the beginning and ending periods.
 - If the contracts are transfers into Level 3, the amount reported for the roll forward will be the ending balance for those contracts. For transfers in, positive mark to market will be reported as a gain on the roll forward and negative mark to market value will be shown as a loss since they are transferring into the balance of the roll forward during this reporting period.
 - If the contracts are assessed as a transfer out and now as a Level 2 input, the amount to report for the transfer out will be the beginning of the year balance. Any positive value that transfers out will be shown as a negative amount on the roll forward and any negative value that transfers to another level will be shown as a positive amount on the roll forward since the value now resides in another SFAS 157 level.
 - The transfers in and out of Level 3 section of the roll forward will be reported net and the analyst will have a document which supports the amount of transfers in versus transfers out.
- There has been some discussion over the exact criteria that need to be represented in the section called “Purchases, Issuances, and Settlements.” The terminology is more defined toward issuance or settlement of bonds, stocks, or securities within Level 3 than commodity contracts.
 - For AEP’s risk management section of the Level 3 roll forward, the analyst will email the Vice President of Commercial Operations to ensure that the company has not issued nor settled a large block of Level 3 derivatives with another company.
 - If not, the amount reported will be zero for the risk management portion of the Level 3. For other equity or financing instruments within AEP that are Level 3, this process would not apply and AEP’s Corporate Finance group will assess whether or not an amount should be reported.
- The analyst would then determine the “Unrealized Gain (Loss) included in Earnings or (Changes in Net Assets).” portion of the roll forward.

- This is derived by taking the difference between the change in the ending balance for Level 3 for the ending period on the SFAS 157 schedules less the change in the realized and transfers in or out sections of the schedule.
- For regulated entities, the unrealized portion will be reflected as "Change in Fair Value Allocated to Regulated Jurisdictions." For unregulated entities, the unrealized change will be reported as "Unrealized Gain (Loss) included in Earnings or (Changes in Net Assets) relating to assets still held at the reporting date." If an operating company has activity that is both above and below the line for Level 3 activity, there would be amounts in both sections of the roll forward.
- As with other footnote or MD&A schedules, there will be a preparer and reviewer before the schedule is sent to financial reporting for the 10Q or 10K.
 - The analyst will prepare the Level 3 roll forward and provide their supervisor a copy of the schedules and the location of the applicable files to review.
 - These schedules will be reviewed at both an AEP level and an applicable operating company level.
 - Once the schedules have been approved, the analyst will provide financial reporting the SFAS 157 Level 3 roll forward with the applicable sources and review process that had occurred.

The following table sets forth a reconciliation primarily of changes in the fair value of net trading derivatives and other investments classified as Level 3 in the fair value hierarchy as reported in AEP's March 31, 2008 10Q:

	Net Risk Management Assets (Liabilities)	Other Temporary Investment s (in millions)	Investment s in Debt Securities
Balance as of January 1, 2008	\$ 49	\$ -	\$ -
Realized (Gain) Loss Included in Earnings (or Changes in Net Assets) (a)	(3)	-	-
Unrealized Gain (Loss) Included in Earnings (or Changes in Net Assets) Relating to Assets Still Held at the Reporting Date (a)	5	-	-
Realized and Unrealized Gains (Losses) Included in Other Comprehensive Income	-	-	-
Purchases, Issuances and Settlements	-	(96)	-
Transfers in and/or out of Level 3 (b)	(5)	118	17
Changes in Fair Value Allocated to Regulated Jurisdictions (c)	3	-	-
Balance as of March 31, 2008	<u>\$ 49</u>	<u>\$ 22</u>	<u>\$ 17</u>

- (a) Included in revenues on our Condensed Consolidated Statement of Income for the Three Months Ended March 31, 2008.
- (b) "Transfers in and/or out of Level 3" represent existing assets or liabilities that were either previously categorized as a higher level for which the inputs to the model became unobservable or assets and liabilities that were previously classified as level 3 for which the lowest significant input became observable during the period.
- (c) "Changes in Fair Value Allocated to Regulated Jurisdictions" relates to the net gains (losses) of those contracts that are not reflected on the Condensed Consolidated Statements of Income. These net gains (losses) are recorded as regulatory assets/liabilities for those subsidiaries that operate in regulated jurisdictions.

Affected Management Sign-off Includes:

R. Sundararajan
A. B. Reis

cc: J.M. Buonaiuto T.D. Busby
J.R. Huneck T.E. Mitchell
J.D. Holtzmuller G.B. Hall
D. Hesser B.D. Radous
S.Sharma D. Arnold
J.S. Poprocki M.J. Leskowitz
K.A. Maravy D. Bradfield – D&T
J. Vickers – D&T Z. Deakins – D&T



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Purpose

The purpose of this Hedging and Risk Management Activities Policy is to provide guidance for AEP's processes and accounting for hedging and risk management activities subject to Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, ("FAS 133"), as amended.

FAS 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivatives be recognized as either assets or liabilities in the statement of financial position, and that they be measured at fair value.

Occasionally, changes or additions to this document may be necessary in response to changes in accounting guidance, changes in AEP's risk management policies (Refer to AEP's Commercial Operations Risk Policy-Appendix 1 and AEP's Treasury Policy-Appendix 2), or the addition or deletion of different hedging instruments or hedging strategies. Changes to this policy require the approval of the Managing Director of Financial Policy, Transaction and Analysis or Managing Director of Accounting Policy and Research and the Assistant Controller – Utility Energy & Commercial Accounting. Changes to appendices 1 or 2 will occur in accordance with those respective policies. Changes to the Exhibit within this policy will occur on a real-time basis and require the approval of the Managing Director of Financial Policy and Transaction Analysis or a Manager of Derivative Accounting.

Note that "AEP" and "the Company" includes the parent company, AEP, Inc. and / or any one or all of its subsidiaries.

This policy is effective for reporting periods beginning in October 1, 2005.

Background on Hedging Policies and Objectives

The Company, an electricity producing utility, is exposed to volatility in the energy commodities markets including electricity, natural gas, coal, emissions allowances, and potentially others to a lesser degree. The Company is also exposed to risks in the financial markets as well, namely with respect to interest rates. Because it is engaged in a capital-intensive industry that requires the use of large amounts of debt financing, the Company actively employs the use of derivatives to mitigate its interest rate exposures. Occasionally, the Company may also find that it has exposures to foreign currencies, and it may also employ the use of derivatives to reduce its exposures to those risks.

The Company has policies that govern both its commodity and treasury risk management activities. These policies are attached as appendices to this document. The accounting policy for the Company's risk management activities is to align the accounting impact of the Company's derivative transactions with the economics of the underlying transactions in order to present properly its financial statements. The Company evaluates its derivative transactions in the context of the business operations to which the specific transactions or group of transactions relate. Some derivatives will be marked-to-market,

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while others will receive accrual accounting treatment, either through normal purchases or normal sales scope exceptions or by virtue of being designated in qualifying cash flow hedge strategies. These decisions are made based upon all relevant facts and circumstances. The attached "Commodity Transaction Process Flow" (Attachment 1) outlines the decision process for AEP's review and accounting for its commodities, including derivative interest rate and derivative foreign currency transactions.

Summary of Hedging Strategies

For related Treasury or Energy Commodity risk, AEP may employ either a Fair Value Hedge Strategy or a Cash Flow Hedge Strategy. Please see related hedge strategy forms on the shared drive for the appropriate documentation:

- Energy and Allowances Forms: ("\\OH0co007\\Treasrny\\NON-REGULATED ACCOUNTING POLICY & RESEARCH\\FAS 133 DOCUMENTATION\\HEDGE DOCUMENTATION\\ACTIVE ENERGY COMMODITY HEDGE FORMS")
- Treasury Forms: ("\\OH0co007\\Treasrny\\NON-REGULATED ACCOUNTING POLICY & RESEARCH\\FAS 133 DOCUMENTATION\\HEDGE DOCUMENTATION\\TREASURY\\Active Hedge Forms or Archived Hedge forms")
- Coal Hedge Forms: ("\\OH0co007\\Treasrny\\NON-REGULATED ACCOUNTING POLICY & RESEARCH\\FAS 133 DOCUMENTATION\\Coal\\Coal Hedge Books")

All hedging strategies must be documented contemporaneously on the attached "Accounting Hedge Identification Form – SFAS 133" (Attachment 2). Revisions to the "Accounting Hedge Identification Form – SFAS 133" form require the approval of the Managing Director of Financial Policy and Transaction Analysis. Also, relevant information to the hedge strategy such as hedge effectiveness assessments, forecasted transaction analyses, and any other details that support the hedge accounting designation needs to accompany the "Accounting Hedge Identification Form – SFAS 133." All hedge forms must be completed by a preparer in Financial Policy, Transaction and Analysis (FPT&A) and signed-off on by a representative from Market Risk Oversight ("MRO") and a representative of FPT&A. These sign-offs should occur at the Manager level.

Methodology for Assessing and Measuring Hedge Effectiveness

Under FAS 133, the Company, in instances where it elects to use hedge accounting, is required to establish at the inception of the hedge the method that it will use for assessing the effectiveness of the hedging derivative, and the measurement approach for determining the ineffective portion of the hedge. These methods should be applied consistently across similar hedging strategies. At inception and ongoing throughout the life of the hedging relationship, the hedge must be expected to be highly effective in offsetting changes in the hedged item's fair value or the variability in cash flows attributable to the hedged risk. This section of the policy outlines the Company's

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methodologies for assessing and measuring effectiveness for its treasury and energy commodity hedging and risk management activities.

Hedge Effectiveness Requirements

Hedge accounting is permitted if the changes in the fair value or cash flows of a hedged item are expected to be offset by the related changes in the fair value of the hedging instrument. FAS 133 does not specify a singular method for entities to use to determine if a hedge strategy is expected to be highly effective. However, it does require that the method be appropriate given the nature of the risk being hedged and the type of hedging instrument being used. It also requires that effectiveness assessments for similar hedging strategies be similar in manner. Deviations or the use of different methods for similar strategies need to be justified.

Effectiveness is determined by how closely the changes in the fair value of the hedging instrument offset the changes in the fair value or cash flows of the hedged item relating to the risk being hedged. Hedge accounting is permitted only if the hedge relationship is expected to be highly effective at inception, and on an ongoing basis. Ineffective portions are required to be recognized immediately. At a minimum, hedge effectiveness assessments are required whenever financial statements are reported, and at least once every three months.

Highly effective is a similar concept to high correlation as promulgated in FASB Statement No. 80, *Accounting for Futures Contracts*. In general, a hedge is highly effective if the changes in the fair value of the derivative provide a dollar-offset, or slope, of at least 80%, but not greater than 125% of the changes in fair value or cash flows of the hedged item. Also, if a regression or statistical analysis approach is used to assess hedge effectiveness, the r-squared must also be greater than or equal to 0.80.

FAS 133 permits, but does not require, an entity to exclude all or part of the hedging instrument's time value from the assessment of effectiveness. Permissible exclusions are either the time value of an option or the change in the fair value of a futures contract related to changes in the futures curve. The excluded component would be included currently in earnings together with any hedge ineffectiveness (also determined in the Hedge Effectiveness Measurement-see below). AEP currently does not employ any hedge strategies that are affected by the above. In the event AEP designates a hedge strategy where the above needs to be considered, the policy will be updated to address accordingly.

Hedge Effectiveness Assessment

Energy Commodity Risks

In general, all energy commodity hedge strategy assessments will be performed by the Market Risk Analytics group, and will be assessed as follows:

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- Regression / statistical analysis incorporating the following metrics (rounded to third decimal place):
 - Slope (On a one-to-one basis, see cross-commodity and non one-to-one hedging later)– Greater than or equal to 0.795 and less than 1.255
 - Slope (Cross-commodity hedging) – This relates to those instances where one commodity is used to hedge the risks related to a different commodity, namely using natural gas to hedge power. For example, in the ERCOT market the use of natural gas derivative contracts may be an effective means to hedge power exposure. The R-squared may be high and meet the effectiveness assessment criteria as described below; however, multiple units of natural gas may be needed to hedge a single unit of power. As long as the R-squared meets the criteria as outlined in this policy, cross-commodity hedging strategies are acceptable and may be designated as accounting hedges in accordance with the requirements of FAS 133.
 - Slope (Non one-to-one basis) – This relates to those instances where one zone is used to hedge the risks related to a different zone. For example, in the PJM market the use of PJM-West derivative contracts may be an effective means to hedge power exposure in the PEPCO zone. The R-squared may be high and meet the effectiveness assessment criteria as described below; however, multiple units (adjusted based upon the slope) of PJM-West may be needed to hedge a single unit of power in the PEPCO zone or vice-versa. As long as the R-squared meets the criteria as outlined in this policy, zone-to-zone hedging strategies are acceptable and may be designated as accounting hedges in accordance with the requirements of FAS 133.
 - R-Squared – Greater than or equal to 0.795
 - Statistical Significance – AEP regards a regression with p-value less than 0.05 as statistically significant. A p-value less than 0.05 means that there would be less than a 5 percent chance of observing a greater slope if there was actually no relationship between the price of the hedge and the price of the hedged item.)
- Using forward (not spot) price (to the extent available) data in the regression / statistical analysis. If sufficient forward price data is not available, spot prices will be used.
- The regressions will use data that is appropriate and representative for the hedge relationship that is being evaluated. The appropriateness of the method depends on the nature of the risk being hedged, including the term or duration of the strategy, and the type of hedging instrument used. The regressions will be performed on a contract-by-contract basis. That is, when regressing strips the weighted average price for each strip will be calculated. The price of the strip is determined by taking the prices for the various products in the strip multiplied by the ratio of each respective product. Ongoing assessments will be performed by updating the initial effectiveness assessment to capture the most current data up through the end of the period under review. The ongoing regressions will be evaluated in a manner consistent with the regressions performed at inception.

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Each regression will use a minimum of twenty-four observations of both variables. Similar hedges should use similar hedge effectiveness assessments. In cases where AEP selects a different methodology for a similar strategy, it will document its justification for doing so. In those instances where reliable forward pricing is not available, primarily due to the illiquid basis of the hedged item, AEP will perform its assessments using historical spot prices. This analysis should incorporate historical pricing data so that a sufficient number of observations are used for a statistically valid analysis.

- To further describe weighted average price for strips: AEP develops a blended price for the strip based on the ratio of Peak and Off-Peak (nights, weekend peak, NERC holidays) hours and the associated prices for each index for each month of the strip, in order to determine one all-in price.
- The effectiveness assessments will be performed at the inception of each strategy, and on an ongoing basis every quarter-end.
- The regression analysis approach will be used for both prospective and retrospective assessments. That is, every quarter, one assessment (regression / statistical analysis) will be performed for every applicable energy commodity hedging strategy in order to fulfill the prospective and retrospective hedge effectiveness assessment requirements in FAS 133 (DIG Issue E7).
- Exhibit 1 describes in a flowchart AEP's hedge effectiveness assessment process. If a hedge effectiveness assessment fails for a quarter-end, AEP will go back to the last month, not quarter, that the hedge was determined to be effective in order to determine the appropriate amount to be reclassified from AOCI into earnings. AEP will discontinue hedge accounting prospectively until the subsequent period that the hedge relationship can be proven to again be highly effective.
- Hedge effectiveness measurements (cumulative dollar-offset) are performed on a monthly basis for monthly financial reporting and analysis purposes. In instances where there is significant ineffectiveness measured (on a cumulative dollar-offset basis) and recognized in earnings for a hedge relationship, the regression analysis will be rerun in order to determine if the hedge is still expected to be highly effective. AEP's defined threshold for significant ineffectiveness is a ratio greater than 1.375 (difference in value of hedging derivative over the period / difference in value of hedged item over the period). The basis for this metric is supported by the definition of significant in DIG Issue A10, where the conclusion is that significant conversion costs are those that are ten percent of more than the gross sales proceeds. In this case ten percent of 1.25 is 0.125. When added to the 1.25 threshold for what is considered an effective hedge for accounting purposes, the threshold for significant ineffectiveness is 1.375. As an example, assume the hedge is a CINHUB forward purchase, and the hedged item is the forecasted sales of power at PJM-AD. The change in the hedge is \$1374 and the change in the hedged item is -\$1000; the resulting dollar-offset ratio is 1.374. This would not be construed as significant. Note that if the hedge assessment yielded a slope, r-square or other metric that would cause the assessment to fail, the above is irrelevant. In summary, as long as the hedge effectiveness assessment passes, and the hedge measurement is not greater than or equal to

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1.375, the hedge is considered highly effective retrospectively and prospectively, and no additional procedures are required.

- In instances where the ineffectiveness measured is significant, AEP will consider all relevant facts and circumstances in order to determine if the hedge strategy can be used prospectively. That is, AEP will consider the following in the event it must rerun a regression analysis:
 - Graphical Analysis
 - To the extent possible, the use of more relevant data
 - Consult with front office and Market Risk Analytics
 - Use additional means / relevant information that a reasonable person(s) would consider in determining whether a hedge may qualify as a highly effective hedge on an ongoing basis.

The regression results will ultimately determine the appropriateness of hedge accounting treatment.

Treasury Risks

In general, all treasury risks will be assessed in the same manner as the above energy commodity risks, with the below exceptions:

- For AEP's fair value strategies, these are considered to be highly effective as the hedge item and hedge instrument are normally the same. As long as the instrument and item are the same in all manners, including a review for counterparty credit risk similar to using criteria in paragraph 68 of FAS 133, no ineffectiveness will be assumed and no regression analysis will be needed as it would return a 1 for 1 on slope and R-square.
- For AEP's cash flow strategies of variable rate debt, these are considered to be highly effective as the hedge item and hedge instrument are normally the same. As long as the instrument and item are the same in all manners, including a review for counterparty credit risk similar to all criteria in paragraph 65 and DIG Issue G9. If the hedge items and instrument no longer are the same, hedge assessments will be performed according to the criteria discussed under *Energy Commodity Risks*. That is, a regression analysis will be performed in order to determine if hedge accounting can continue.
- In the event a regression analysis is required to be performed for an interest rate hedge strategy, forward rates will be used to the extent possible. For example, if 10-year debt is to be issued on June 1, 2006, but a 5-year forward starting interest rate swap is the hedging derivative, the regression analysis will use the forward interest rates applicable to debt with an issue date of June 1, 2006.
- The regressions will use data that is appropriate and representative for the hedge relationship that is being evaluated. The appropriateness of the method depends on the nature of the risk being hedged, including the term or duration of the strategy, and the type of hedging instrument used. The regressions will be performed on a contract-by-contract basis. Ongoing assessments will be

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performed by updating the initial effectiveness assessment to capture the most current data up through the end of the period under review. The ongoing regressions will be evaluated in a manner consistent with the regressions performed at inception. Each regression will use a minimum of twenty-four observations of both variables. Similar hedges should use similar hedge effectiveness assessments. In cases where AEP selects a different methodology for a similar strategy, it will document its justification for doing so.

- Pre-issuance cash flow hedges are designated as highly effective. Normally, AEP uses a Libor based hedging instrument to hedge a forecasted debt issuance which is priced off a Treasury rate. In these instances a regression of the Libor rate used against the Treasury rate is needed. The same criteria as listed in the “Energy Commodity Risk” above are used.
- If a T-lock is used in a pre-issuance hedge as long as the T-lock term is the same as the forecasted debt issuance and all other terms mirror see criteria above in “For AEP’s cash flow strategies of variable rate debt” for review.
- Occasionally debt with a longer term, that does not mirror the derivative designated as the hedging instrument, may be issued. AEP assesses at the inception that the hedge strategy will be highly effective because to preserve the propriety of using cash flow hedge accounting for this strategy on an ongoing basis, the derivative designated in the hedge strategy will always be highly effective (dollar-offset between 0.795 and 1.255, on a 1-to-1 notional hedging basis – may adjust notional amount hedged to reflect expected offset provided by slope) when its change in fair value is compared to the change in expected cash flows of the underlying forecasted future interest payments. Refer to the following memo: “Accounting Treatment – Impact on Interest Rate Derivatives Designated as Cash Flow Hedges When Related Debt with a Longer Term Is Issued” dated September 30, 2005 for more information regarding these hedging issues.
- If the terms in a pre-issuance hedge change at any point, a formal hedge effectiveness assessment is required, and needs to be documented.
- For all pre-issuance hedges, AEP FPT&A will communicate with AEP Finance on a quarterly basis to determine the character of the underlying debt related to the hedged item. If the terms of the debt to be issued remain the same as the swap designated as the hedge, then no formal regression analysis will be necessary because it is known that as long as the terms of the hedging derivative (forward starting interest rate swap or T-Lock instrument) mirror the terms of the forecasted debt to be issued, then the expected change in value of the hedge will exactly offset the expected future cash flows of the interest payments.
- AEP will document its quarterly hedge effectiveness assessments and measurements in the FAS 133 Checklist.

Coal Procurement Risk

In general, all coal risks will be assessed in the same manner as the above energy commodity risks, with the below exceptions:

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- Coal procurement contracts used for hedging purposes are identified and excluded from the procurement book. All deals placed in the procurement book are automatically elected “Normal”. See “Coal Procurement Policy” for review.
- For AEP’s cash flow strategies of open coal purchase positions (for derivative quality coal), these are considered to be highly effective as the hedge item and hedge instrument are normally the same. As long as the instrument and item are the same in all manners, including a review for counterparty credit risk similar to all criteria in paragraph 65 and DIG Issue G9, it is expected that there will be no ineffectiveness, and no regression analysis will be needed as it would return a 1 for 1 on slope and R-square of 1.00. If the hedge items and instrument no longer are the same, hedge assessments will be performed according to the criteria discussed under *Energy Commodity Risks*. That is, a regression analysis will be performed in order to determine if hedge accounting can continue.
- Not all plants can accept Derivative quality coal and in those instances a regression analysis is performed by MRO to establish an estimated price curve for the non-derivative coal based on the pricing changes supplied by the coal marketing group for the quality of coal that is normally purchased for the particular plant purchases being hedged. The regression criteria in “Energy Commodity Risk” above are used to determine if there is an effective hedge.
- The regressions will use data that is appropriate and representative for the hedge relationship that is being evaluated. The appropriateness of the method depends on the nature of the risk being hedged, including the term or duration of the strategy, and the type of hedging instrument used. The regressions will be performed on a contract-by-contract basis. Ongoing assessments will be performed by updating the initial effectiveness assessment to capture the most current data up through the end of the period under review. The ongoing regressions will be evaluated in a manner consistent with the regressions performed at inception. Each regression will use a minimum of twenty-four observations of both variables if available. Similar hedges should use similar hedge effectiveness assessments. In cases where AEP selects a different methodology for a similar strategy, it will document its justification for doing so.
- Hedge measurements and effectiveness are performed on a quarterly basis and follow that of the “Energy Commodity Risk” above.
- Note that if Coal hedges are approved by a regulatory body such hedge accounting may not be needed as the regulatory body may dictate a different recognition.

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Hedge Effectiveness Measurement

Measurement of hedge effectiveness, that is the calculation of the amounts to be recorded into earnings each reporting period, does not involve judgment. FAS 133 specifies that the measurement of effectiveness is as follows:

For *fair value* hedges, the changes in the fair value of the hedged item attributable to changes in commodity prices or interest rates, and the change in fair value of the derivatives are recorded through earnings. Any difference between the hedged item and hedging derivative(s) that does arise would be the effect of hedge ineffectiveness, which is recognized currently in earnings.

For *cash flow* hedges, the changes in the cash flows of the underlying hedged item, attributable to changes in commodity prices, interest rates, foreign currencies, or other (on a cumulative basis) is compared to the cumulative change in the fair value of the of the hedging derivative(s). The lesser of the two cumulative changes equals the balance to be recorded in accumulated other comprehensive income (AOCI). The difference, if any is recorded currently in earnings. There is no earnings impact in the event the change in value of the derivative(s) is less than the change in expected cash flows of the underlying hedged item, or hedge underperformance.

Also, if it is expected at any time that a continued reporting of a loss in AOCI would lead to recognizing a loss on the combination of the hedging derivative(s) and the hedged transaction (and related asset acquired or liability incurred) in one or more future periods, a loss will be reclassified immediately into earnings for the amount that is not expected to be recovered.

For energy commodity related hedging strategies, the hedge effectiveness measurement and related journal entries occur on a monthly basis. For treasury and coal related hedging strategies, the hedge effectiveness measurement and related journal entries occur quarterly, primarily because the valuation of these derivatives occurs on a quarterly basis. All effectiveness measurements will be done on a cumulative dollar-offset basis.

De-designations

In general, discontinuances and therefore, de-designations of hedges (fair value and cash flow) follow the guidance in paragraphs 25 (fair value) and 32 of FAS 133. For fair value hedges an entity shall discontinue hedge accounting prospectively if any of the following occurs:

- Any criterion in paragraphs 20 or 21 is no longer met.
- The derivative expires or is sold, terminated, or exercised.
- The entity removes the designation of the fair value hedge.

For cash flow hedges, hedge accounting will be discontinued prospectively if any one of the following occurs:

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- Any criterion in paragraphs 28 or 29 is no longer met.
- The derivative expires or is sold, terminated, or otherwise exercised.
- The entity removes the designation of the cash flow hedge.

Energy

For energy commodities, AEP may choose to de-designate a hedge in one of two ways by entering into an offsetting position, and placing that position in the same risk book or removing that position entirely from the designated hedge risk book. Hedge de-designations, and re-designations of a combination of derivatives against a single specific hedged risk will be documented and disclosed appropriately in the FAS 133 Checklist. When a cash flow hedge of a forecasted transaction is discontinued the release of the accumulated other comprehensive income will be released to match the timing of the forecasted transaction affecting earnings as appropriate.

Coal

For coal commodities, AEP de-designates a hedge by entering into an off-setting position which is place in the "PMTM" book (procurement mark-to-market book). The hedge instrument is placed into the PMTM book on the same day with an annuity placed back into the Coal hedging book and is recognized to expense as coal is delivered.

Interest Rate

Related to AEP's interest rate hedging activities, as mentioned above occasionally AEP Finance will elect to issue fixed-rate debt with a different term as originally described on the hedge form, but where nonetheless the hedging derivative(s) remain highly effective, as originally designated. Also, occasionally AEP Finance will delay a fixed-rate debt issuance. When this occurs, AEP Finance also amends or "rolls" any derivatives that have been designated as hedges so that the settlement date of the derivative(s) matches that of the new forecasted issuance date. As long as the delayed issuance occurs within the parameters of paragraph 33 of FAS 133, there are no potential accounting consequences.

In all of the above cases, AEP's FPT&A group will formally update the hedge documentation so that all information regarding the hedged item, hedging derivative, and other documentation requirements are complete and accurate. When these updates occur, AEP FPT&A considers the following table.

The following table illustrates the decision points that AEP will abide by in determining when to reclassify gains and losses in other comprehensive income into earnings:

Likelihood of forecasted transaction occurring within the specified time period:	Probable of occurring	In-between probable of occurring and probable of not occurring	Probable of not occurring
Accounting treatment for cash flow hedge of forecasted transactions:	Defer effective portion of change in fair value of derivative in AOCI	Cash flow hedge accounting no longer available	Cash flow hedge accounting no longer available

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		Previous gains and losses from derivative while transaction was probable remain accumulated in AOCI	Any related amount remaining in AOCI should be immediately reclassified into earnings
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Normal Elections (except for coal contracts)

In general, AEP documents its normal elections for power and natural gas contracts on an individual contract-by-contract basis (see Coal Policy for automatic "Normal" election when a derivative quality coal contracts are placed in the procurement book.).

Certain energy contracts can only qualify for the normal purchases or sales scope exception if they are determined to be "capacity" contracts. These contracts must meet criteria in paragraph 58(b) of FAS 133, as amended, and if the contract is an option, it must meet additional criteria in the "Appendix to Implementation Issue No. C15." Paragraph 540 of FAS 133 defines "Capacity contract."

In general, most of AEP's forward energy contracts will qualify for normal under paragraph 10(b)(4) of FAS 133, as amended. However, there may be instances where AEP believes it is appropriate to elect forward power contracts normal under paragraph 10(b)(1). Regardless of the normal election, AEP in every case will document its election and support as stated above.

Note: See appropriate documentation of the "Normal" elections in there respective locations on the shared driver. Certain "Normal" books have blanket normal documentation as standard deals will meet the criteria required for the "Normal" election. A review of contracts is completed on a quarterly basis.

Accounting Procedures

AEP FPT&A evaluates all hedge strategies at inception and on an ongoing basis. AEP FPT&A performs or verifies the hedge effectiveness assessments and measurements and forwards the appropriate journal entries for each of its hedge strategies to the applicable accounting groups to be recorded into the general ledger. Backup and supporting detail for the hedge strategies will be maintained in the appropriate sections of the monthly and / or quarterly FAS 133 Checklist. AEP also discloses the impacts of its hedging activities in its footnotes to its financial statements in accordance with the disclosure requirements of FAS 133.

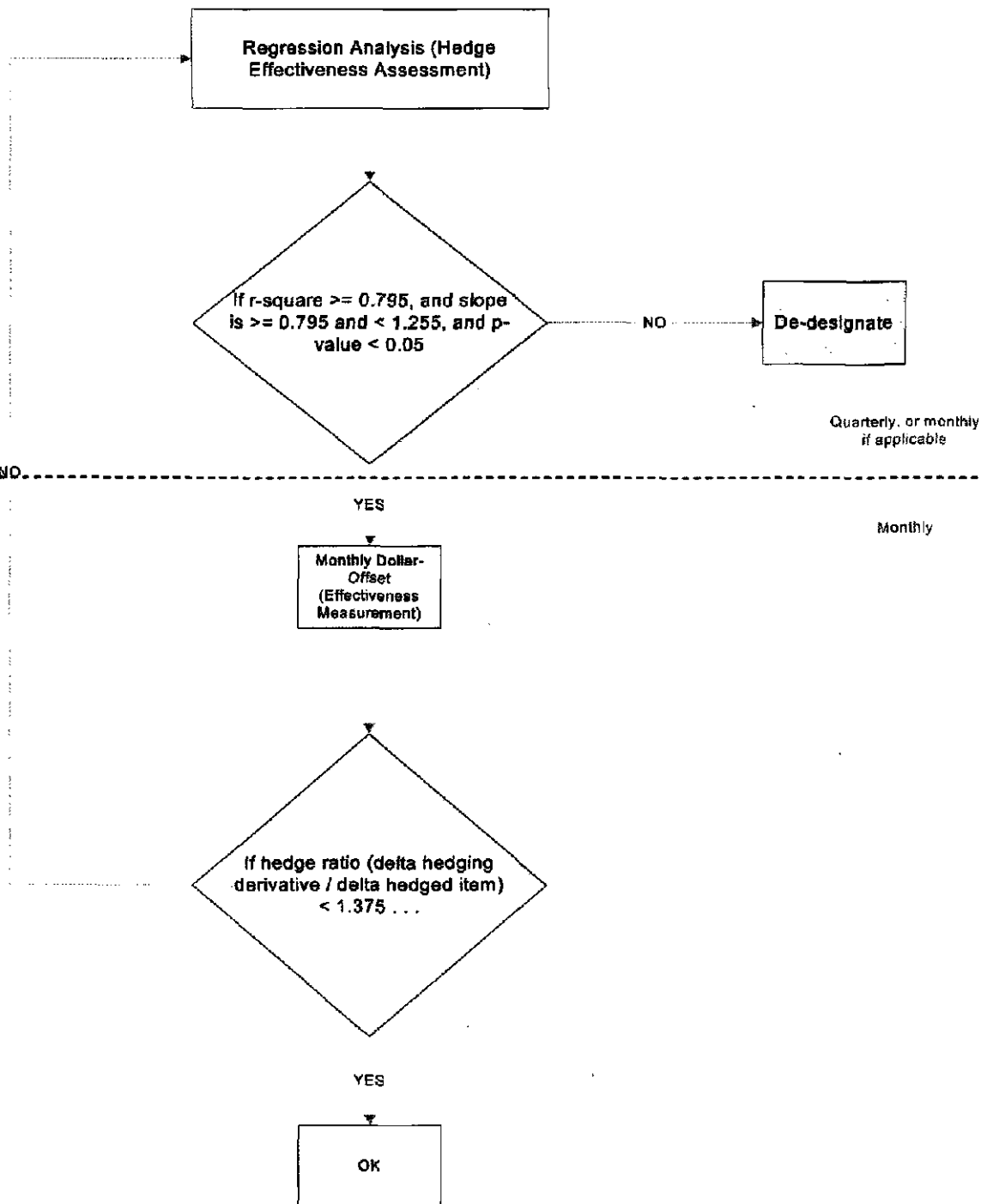
Accounting Policy for Hedging & Risk Management Activities

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Exhibit 1

Hedge Effectiveness Assessment Process Flowchart





Date March 31, 2007

Subject Revised - Revenue Netting Policy – Reporting Gains and Losses on Derivative Contracts

From J.W. Kent, E.J. Thiergartner & J.D. Holtzmuller

To Applicable Personnel (see Cc list) / Files

Authoritative Pronouncements Affecting Reporting Gains and Losses on Derivative Contracts

- EITF Issue 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities* (“EITF 02-3”)
- SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (“FAS 115”)
- EITF 98-10, *Accounting for Contracts Involved in Energy Trading and Risk Management Activities* (“EITF 98-10”)
- EITF 99-19, *Reporting Gross as a Principal versus Net as an Agent* (“EITF 99-19”)
- EITF 03-11, *Reporting Realized Gains and Losses on Derivative Instruments That Are Subject to FASB Statement No. 133 and Not “Held for Trading Purposes” as Defined in Issue No. 02-3* (“EITF 03-11”)
- SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (“FAS 133”)

Background

Prior to the issuances of EITF 02-3 and EITF 03-11 practitioners used the guidance in EITF 99-19 to determine how gains and losses realized upon settlement of all energy contracts (including energy contracts classified as “energy trading contracts” as defined in EITF 98-10, derivative contracts subject to FAS 133 – both trading and non-trading, and derivative contracts designated as hedges, or non-derivatives) should be recognized (gross vs. net). After the issuances of EITF 02-3 and EITF 03-11, application of the general principles for reporting gains and losses on energy contracts depends on certain transaction characteristics and designations as discussed below.

Trading Derivatives

On October 25, 2002, the EITF Task Force (“Task Force”) reached a consensus in EITF 02-3 that precludes mark-to-market accounting for energy contracts that are not derivatives pursuant to FAS 133 and requires gains and losses (realized and unrealized) on *all* derivative

instruments be shown net in the income statement, whether or not settled physically, if the derivative instruments are held for "trading purposes."

The determination of what constitutes "trading purposes" is based on the intent of the issuer or holder and shall be consistent with paragraph 12(a) of FAS 115 which characterizes trading as "active and frequent buying and selling . . . with the objective of generating profits on short-term differences in price." On an ongoing basis, reclassifications into and out of trading should be rare.

The consensus relating to the presentation of gains and losses on derivative instruments held for trading purposes is effective for financial statements issued for periods beginning after December 15, 2002. Upon application of the consensus, comparative financial statements for prior periods should be reclassified to conform to the consensus.

Non-Trading and Hedging Derivatives

In EITF 02-3, the Task Force did not address the issue of whether gains and losses (realized or unrealized) should be shown gross or net in the income statement for contracts that are not "held for trading purposes" but are derivatives subject to FAS 133 (whether or not the derivative is designated as a hedging instrument pursuant to FAS 133). This issue was later addressed in EITF 03-11 when the Task Force reached a consensus that determining whether realized gains and losses on physically settled derivative contracts not "held for trading purposes" is a matter of judgment that depends on the facts and circumstances.

Non-Derivatives

The guidance in EITF 99-19 is applicable for determining how to recognize gains and losses on energy contracts that are not derivatives pursuant to FAS 133 (for example, spot market purchases and sales, normal purchases and normal sales, etc). In EITF 99-19, the Task Force reached a consensus that "whether a company should recognize revenue based on (a) the gross amount billed to a customer because it has earned revenue from the sale of the goods or services or (b) the net amount retained (that is, the amount billed to the customer less the amount paid to a supplier) because it has earned a commission or fee is a matter of judgment that depends on the relevant facts and circumstances" In EITF 02-3, for gains and losses on energy trading activities that are not derivatives pursuant to FAS 133 (for example, spot market purchases and sales, normal purchases and normal sales, etc), entities are encouraged to reclassify prior periods presented for gross presentation in the income statement if that presentation is consistent with the guidance provided in EITF 99-19.

Accounting Issues

Trading vs. Non-Trading (only applicable to Derivatives)

Prior to the rescission of EITF 98-10, determining whether or when an entity was involved in trading activities was a matter of judgment that depended on the relevant facts and circumstances. The Task Force agreed that the framework in which such facts and circumstances are assessed should be based on an evaluation of the various activities of an entity rather than solely on the terms of the contracts. Under EITF 02-3, the assessment is required at an individual contract level (similar to the FAS 115 approach) and should be performed for all derivative instruments.

Under EITF 02-3, the determination of trading vs. non-trading is based on the intent of the issuer or holder and shall be consistent with paragraph 12(a) of FAS 115, which characterizes trading as "active and frequent buying and selling . . . with the objective of generating profits on short-term differences in price."

While not explicitly stated, we believe that all of the interpretive guidance related to paragraph 12(a) of FAS 115 (such as the FASB staff Q&A's) should also apply. Questions 34 & 35 of the FASB staff Q&A's provide the following guidance to be considered in determining what should be considered "trading" activity consistent with paragraph 12(a) of FAS 115

Question: How often must sales occur to consider an activity "trading"?

Answer: The phrases *selling them in the near term* and *held for only a short period of time* in the description of trading securities contemplate a holding period generally measured in hours and days rather than months or years. Thus, if a security is acquired with the intent of selling it within hours or days, the security must be classified as trading. However, at acquisition an enterprise is not precluded from classifying as trading a security it plans to hold for a longer period. Refer to Question 35. Also, see paragraph 3, of FASB Statement No. 134, *Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise*, for clarification of the term *trading* for a mortgage banking enterprise

Question: If an enterprise acquires a security without the intent to sell it in the near term, may it classify the security in the trading category?

Answer: Yes. Classification of a security as trading is not precluded simply because the enterprise does not intend to sell it in the near term. The Board deliberately used the terms *generally* and *principally* in describing the trading category in paragraph 12(a). However, the decision to classify a security as trading should occur *at acquisition*; transfers into or from the trading category should be rare (refer to paragraph 15).

Based on the above and the understanding that the guidance provided in FAS 115 and related interpretive guidance was not drafted with fully integrated utilities in mind, the following will be considered "trading" activity and reported net in revenues in the income statement.

1. All transactions with the intent of selling within hours or days.
2. All transactions entered solely for the purposes of speculating on short-term or long-term price movements.

Upon adoption of EITF 02-3, an entity is required to document whether individual derivative contracts have been entered into for trading purposes. There is a presumption that derivatives previously included in trading activities under EITF 98-10 are considered held for trading purposes. However, we believe that the reduction in trading activities and management's risk management objectives overcomes this presumption. AEP segregates its trading versus

non-trading derivatives within specific risk management books – refer to the below Table 1.1. There is one exception to the trading classification as it relates to AEP's operations in SPP and ERCOT, which is discussed further below.

Assessment of AEP's Derivative Contracts (Commodity and Treasury Derivatives)

In conjunction with the implementation of EITF 02-3 all transactions were reviewed to determine the appropriate accounting under FAS 133. In addition, an assessment of all energy contracts was conducted to determine the appropriate reporting of gains and losses consistent with the guidance provided in EITF 02-3, EITF 03-11 and EITF 99-19. As a result of the assessment performed, all energy contracts are classified either as a trading derivative, hedging derivative, non-trading derivative, or a non-derivative entered into in the normal course of business ("normal activity"). The following summarizes the determination of reporting gains and losses on energy contracts for each category:

Trading derivatives

All derivative instruments within the scope of FAS 133 that are recorded in speculative trading books are considered trading and are reported on a net basis in revenue in the income statement.

Transfers of transactions between trading and non-trading:

Prior to the rescission of EITF 98-10, an energy trading contract could be designated as a hedge. Designating a trading contract as a hedge is common among fully integrated utilities and considered appropriate practice. However, some might view the definition of "trading" in EITF 02-3 (as defined by FAS 115), to contradict the hedge criteria in FAS 133 such that the contract will not be allowed to be designated as a "hedge."

Comments made by the EITF Agenda Committee indicated that the guidance in Issue 02-3 relative to determining if a derivative instrument is held for "trading purposes" was not intended to limit the ability to designate a derivative as a hedging instrument under FAS 133. That is, that guidance was provided only to indicate that gains and losses on all derivative instruments held for trading purposes should be shown net in the income statement. The Agenda Committee directed the FASB staff to provide clarification in that regard through appropriate revisions to Issue 02-3 in EITF Abstracts.

There is currently one general exception to this policy with respect to AEP's operations in ERCOT, as managed by AEP Energy Partners, and AEP's West Operating Companies (PSO and SWEPCO) that conduct operations in the Southwest Power Pool ("SPP"). The circumstance was discussed in a previous accounting memo: *Reporting Gains and Losses on Energy Contracts – West Operating Companies*. AEP has native load and / or long-term contractual sales obligations in both SPP and ERCOT pools that are accounted for under the accrual method. In both pools, AEP must at times purchase energy in order to meet its native load and contractual obligations for the following reasons:

- The West Operating Companies have insufficient capacity to meet their system demand in SPP, especially during peak usage periods.
- The Majority of AEPEP's contracts for delivery in ERCOT are supplied by the Oklahoma generating facility. On occasions the facility is under routine

maintenance, or not operating at a capacity sufficient to supply these accrual contractual obligations.

In both of the above circumstances the power supply obligations can be fulfilled in one of several manners, 1) through spot purchases at the applicable market price at the time of delivery, 2) through forward purchases of energy designated as normal purchases under paragraph 10(b) of FAS 133, as amended 3) through forward purchases of energy designated as cash flow hedges, or 4) through forward purchases that reside in a book designated as trading.

With respect to Option 1, spot purchases, are reported gross in purchase power expense in accordance with the guidance in EITF 99-19, as previously stated.

Under Option 4, AEP will record gross in purchase power expense those contracts that physically settle, up to the MWh quantity of the accrual obligations, of those forward purchases that originally were designated as trading, but later were used to cover AEP's accrual obligations. Although the original intent was designated as trading, by settling the contracts physically in order to meet power supply obligations, the ultimate intent is determined to be non-trading.

Options 2 and 3 are discussed below, and in the following Table 1.2.

Consistent with the views of the SEC, a derivative should be recorded in one line item in the financial statements, and that classification should not change. Currently all trading derivatives are recorded net in revenues. Recording the physical settlement in purchase power expense goes against these views. We will monitor those derivatives that physically settle because of the change in intended use from trading to non-trading, and to the extent the dollar amount is material, we will record the unrealized change in fair value of those derivatives designated as non-trading in purchase power expense as well.

Hedging derivatives

All derivative instruments within the scope of FAS 133 that are documented and designated as hedges are entered into with the intent of mitigating the exposure to:

- ❑ Changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment, that are attributable to a particular risk (fair value hedge)
- ❑ Variability in the cash flows of a recognized asset or liability, or of a forecasted transaction (cash flow hedge)

Based on the guidance in EITF 02-3 and 03-11, energy contracts documented and designated as hedges are considered not held for trading purposes and will be reported on a gross or net basis depending on the relevant facts and circumstances. In general, it is AEP's policy to present the settlement amounts of its hedging derivatives within the same consolidated statements of income line item as that of the related hedged item - refer to Table 1.2.

Non-trading derivatives

Based on the guidance in EITF 02-3 and AEP's Trading vs. Non-Trading policy (see

“Trading vs. Non-Trading above), all derivative instruments within the scope of FAS 133 that are not recorded in speculative trading books or designated as hedges are considered not held for trading purposes. Based on the guidance in EITF 03-11 and review of the relevant facts and circumstances we have determined the following:

1. Non-trading physical derivatives within the scope of FAS 133 that physically settle and do not book-out are reported on a gross basis in the income statement.
2. Non-trading physical derivatives within the scope of FAS 133 that do not physically settle, that is, they book-out or otherwise financially settle are reported on a net basis in revenues in the income statement.
3. Non-trading financial derivatives within the scope of FAS 133 that financially settle are reported on a net basis in revenues in the income statement.

Normal Activity

All transactions classified as normal activity were entered into in the normal course of business. These transactions are considered non-derivatives (including derivatives within the scope of FAS 133 that management has elected to account for as a normal purchases or normal sales in accordance with paragraph 10(b) of FAS 133, as amended). Based on the guidance in EITF 99-19 and review of the relevant facts and circumstances we have determined the following:

1. Non-derivatives that physically settle and do not book-out are reported on a gross basis in the income statement.
2. Non-derivatives that do not physically settle, that is they book-out (which should only be power capacity contracts – as defined in paragraph 540 of FAS 133, as amended, that have been elected normal) or otherwise financially settle are reported on a net basis in revenues or expenses in the income statement depending on the relevant facts and circumstances. All other derivatives elected Normal (typically coal and natural gas) that book-out or financial settle would be recorded net in revenues).

There are no non-derivatives (derivatives designated as normal under FAS 133, as amended) that financially settle.

In general, it is AEP's policy to present the settlement amounts of its derivatives elected normal under paragraph 10(b) of FAS 133, as amended, within the same consolidated statements of income line item as that of other transactions (for example, spot purchases) with similar economic and operational substance - refer to Table 1.2.

The following table summarizes the classification of AEP's contracts, for each commodity by book or transaction type for all activities:

TABLE 1.1 – Classification of AEP's Risk Books

Commodity	Normal	Hedging Derivatives	Non-trading Derivatives	Trading Derivatives
US Power – East	NRMG, NPJM,	HRMG, HPJM,		All other Books

Zone Opcos	NBAS, NMSO	HPHE, HBAS, HMSO		
US Power – West Zone Opcos	NSPP		(1)	(1)
US Coal	Coal Procurement Book	HAPC	PMTM	All other books
US Emission Allowances (EA)	EA Compliance Book	N/A		EA Spec Book
AEPES Gas				All other books
AEPSC Gas				All other books
AEPEP & AEP TX C&I	NERMP, NERCP, NERGP	HERMP, HERMGP, HERMGO, HERCG, HERGG, HERGP, HERCP	Certain transactions in all other books	All other books
Interest Rates & Foreign Currency		All Qualifying Transactions		

(1) See Accounting Memo: *Reporting Gains and Losses on Energy Contracts – West Zone Operating Companies*, Revised 3/31/07

The following tables describe the classification of AEP's energy derivatives (except for coal) and the related presentation of the associated gains and losses in the income statement.

TABLE 1.2 – Summary of Income Statement Presentation by Contract Classification

Contract Classification	Accounting Method	Income Statement Presentation*
Trading Derivatives	Mark-to-Market	Net in Revenues
Non-Trading Derivatives	Mark-to-Market	Net in Revenue or Net in Expense depending on facts and circumstances
Cash Flow Hedges	Hedge Accounting	Net in Expense (if Purchase)/ Net in Revenues (if Sale) w/in the same consolidated statement of income line item as the hedged item
Fair Value Hedges	Hedge Accounting	Net in Expense (if Purchase)/ Net in Revenues (if Sale) w/in the same consolidated statement of income line item as the hedged item
Normal Purchases / Normal Sales	Accrual Method	Gross/Net upon settlement in the corresponding consolidated statement of income line item based on Sale (Revenues) or Purchase (Expense)

*Revenues to FERC account 447, Expenses to FERC account 555

Spot Transactions

AEP's forward energy commodity transactions are not considered "spot" transactions, as forward delivery is inherent in all power, coal, and gas transactions entered into by AEP. RTO balancing purchases in SPP and ERCOT are considered to be "spot" purchase

transactions that are used to serve physical load obligations within each respective pool. Accordingly, these "spot" purchases will be reflected gross in purchase power expense on the income statement. In ERCOT there are instances where "spot" purchases may be used to satisfy open trading positions. AEP's Settlements group is able to identify the extent in which spot purchases are used to satisfy accrual versus trading positions. Those spot purchases in ERCOT that are used to satisfy (close out) trading positions will be reported net in revenues in the income statement. SPP is a physical balancing market that optimizes scheduling requirements for the transmission system; therefore, the RTO does not allow participants to close out open trading positions.

In the East zone (defined as the traditional AEP operating area, which resides in the PJM RTO, AEP is net long generation) most of the power produced at the generation plants of our East operating companies (Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company and Ohio Power Company, collectively, the "AEP East Companies") is sold to PJM, the regional transmission organization ("RTO") operating in our service territory, and we purchase power back from the same RTO to supply power to our load. These power sales and purchases are reported on a net basis in Operating Revenues in the respective registrants' financial statements. Because we are currently long generation in the East zone, we do not actively rely on purchased power to fulfill native load and accrual contractual obligations.

Non-GAAP Guidance and Related Impacts

Implications of FERC Order No. 668-A

On April 20, 2006 the FERC issued Order No. 668-A. FERC Order 668-A in summary clarifies the Commission's view on (1) the proper way to net energy transactions when an entity participates in more than one RTO-administered energy market and (2) the proper basis for determining whether net hourly energy transactions are to be reported as a net sale or a net purchase. The following bullet points summarize the outcome of this Order:

- FERC views the Day-ahead and Real-time markets as two separate markets
- Because RTO markets are operated and settled separately, transactions in each market should be separately netted when determining whether an entity is a net seller or net purchaser for a given hour
- Hourly net sales and purchases amounts are to be aggregated and booked in 447 and 555 respectively
- Net MWhs are the primary basis for determining net sales or net purchases
- If net MWhs are zero for a given hour, net dollars are the determinant (for a net sale or purchase)

This ruling will have no effect on AEP's current GAAP reporting related to its accounting for its spot energy transactions in PJM. AEP is a net seller of power in PJM by means of its excess generation capacity, and as such, on a monthly basis has been recording these activities net in revenues (FERC account 447). However, AEP did conduct an analysis to determine if there were hours within a month where AEP may have been a net purchaser.

AEP found an insignificant number of hours where it was a net purchaser. However, the data as reviewed did not only include generation and load, but also bilateral sales and purchases (Incs / Decs) and Imports and Exports. PJM does not separate these items into their respective components. Therefore, AEP relies on its actual generation and load data analysis that is prepared on a monthly basis. AEP will continue to monitor this data, and will revisit this issue should the data indicate that AEP is a net purchaser of energy to meet its load requirements. Currently, AEP does not expect this to occur until at least the 2010 Planning Year (June '09 through May '10) in PJM (refer to Constellation Capacity Purchase agreement and accounting memo).

Effective April 1, 2006, for FERC reporting AEP will record its PJM hourly net purchases as promulgated above. However, for GAAP reporting purposes, until data indicate otherwise, hourly energy purchases will be recorded net in Revenues. A special 555 account (5550080 - PJM Hourly Net Purch.-FERC) has been created to capture this net purchase activity. This account is mapped to Revenues for SEC reporting, and is mapped to Purchased Power for FERC reporting.

Attachment

Cc:

Cc:	Department	Implementation
J.M. Buonaiuto	Office of the CAO	
J.R. Huneck	Office of the CAO	
T.E. Mitchell	Office of the CAO	
S.M. Krawec	Commercial Accounting	
R.J. Buonavolonte	Financial Reporting	
M.J. Leskowitz	Commercial Accounting	X
P. A. May	Settlements	
T.M. Dooley	Commercial Accounting	X
K. A. Maravy	Commercial Accounting	
M. J. Sullivan	Settlements	X
E. J. James	Settlements	X
D. L. Gregory	Commercial Accounting	
R. L. Reed	Settlements	
Scott Travis	Commercial Accounting	
Deloitte & Touche		

American Electric Power
Subsidiaries Columbus Southern Power Company and Ohio Power Company, DBA as AEP Ohio
Summary of Compliance with Ohio Administrative Code
Chapter II Section (B) (9) (b) (iii and iv)
Executive Summary Applicant Utilities'
Management Policies, Practices and Organization Schedule S-4.2

Finance and Accounting

SFR Reference

(B)(9)(b)(iii) Budgeting and Forecasting
(B)(9)(b)(iv) Financial Planning Process and Objectives

Information regarding (B)(9)(b)(iii and iv) also is included in section (a) plant operations and construction.

American Electric Power
Subsidiaries Columbus Southern Power Company and Ohio Power Company, DBA as AEP Ohio
Summary of Compliance with Ohio Administrative Code
Chapter II Section (B) (9) (b) (v)
Executive Summary Applicant Utilities'
Management Policies, Practices and Organization Schedule S-4.2

Shared Services Strategic Sourcing & Procurement

SFR Reference

(B)(9)(b)(v) Materials and Inventory Management and Control

I. Policy and Goal Setting

The overall objective of the Shared Services Strategic Sourcing and Procurement (SSSS&P) Department is to provide the efficient acquisition of goods and services for the department's business unit customers. Three principal criteria are evaluated in the acquisition of goods and services. They are: cost, quality and schedule. Objective acquisition of goods and services requires that each of these elements be balanced to ensure 1) that the proper price is paid, 2) for the best quality product and 3) with the delivery schedule that meets the demand of the business unit customers.

The enterprisewide procurement policy related to the acquisition of goods and services was established in support of overall AEP enterprise policies. This policy was established to enhance the effective and efficient acquisition of goods and services to provide optimal support of business unit customer needs as identified to SSSS&P. All purchases of goods and services are conducted in such a manner as to optimize benefits to business unit customers while maintaining the highest ethical standards.

The senior vice president of Shared Services is responsible for establishing the enterprisewide procurement policy. Within Shared Services, the director of strategic sourcing and procurement is responsible for implementing said policy.

Criteria used in the development of the enterprisewide procurement policy includes but is not limited to: standard business practices across multiple industries; benchmark data from similarly-situated electric utilities; input from legal, risk and audit departments, input from business unit customers, etc.

Annual goals are established for each individual within SSSS&P and reviewed on a continual basis. Annual, as well as mid-cycle reviews are performed to ensure goals are accomplished or modified to meet new business unit customer requirements. Work management practices ensure timely completion of duties associated with customer support.

II. Strategic and Long-Range Planning

Planning within the SSSS&P Department generally is aimed at long-term acquisition strategies that support the efficient and cost effective procurement of goods and services. SSSS&P procurement managers attend staff and planning meetings of their respective business unit customers on a frequent basis. These meetings provide insight into current issues and future plans that must be supported through acquisition of goods and/or services to meet the customers' present and future needs.

Through these meetings, SSSS&P is able to project future material requirements to ensure goods are on hand when required. This information coupled with commodity and market intelligence allow for efficient and cost-effective acquisition decisions for strategic commodities (i.e., steel towers, utility poles, conductor, transformers, switchgear, etc.). These strategic sourcing efforts minimize the affects of price increases, material shortages, plant shutdowns and lead times, etc.

Blanket purchase orders (or contracts) negotiated by SSSS&P cover periods of one to five years and are used by operating companies to take advantage of long-term price protection and stabilized delivery and sources of goods and/or services. Such contracts are put in place at a corporate level, and all operating companies reap the benefit of leveraged buying and acquisition processes.

Although not formalized in a specific plan, long range strategies include but are not limited to:

- continual review of strategic suppliers for quality, service, price and stability of supply;
- continual efforts toward optimizing cost, quality and schedule (delivery);
- establishing long-term contracts (one to five years) to stabilize price and delivery of materials;
- vendor management to ensure material is available when required to meet construction and maintenance projects; and
- market analysis to ensure long-term competitive sourcing.

III. Organization Structure

The SSSS&P Department is managed by the director of strategic sourcing and procurement who reports to the managing director of Security, Aviation and Procurement.

Strategic sourcing and procurement is organized into seven sections, each managed by a manager. These sections consist of the Distribution procurement section, the Generation procurement section, the Transmission procurement section, the enterprise procurement and supplier development section, the transportation and logistics section, the supplier diversity section, and the sustainable supplier development section. Additionally, a principal contract analyst reports directly to the director of strategic sourcing and procurement. The four procurement sections consist of employees such as strategic initiatives leads, strategic sourcing analysts, contract analysts and buyer analysts. An organizational chart is provided as Exhibit 1.

Procurement responsibilities are to:

1. advise management concerning market conditions and trends for strategic commodities, and the probable effects on the supply and price of materials used;
2. maintain ethical relationships with vendors;
3. process requests for purchases that are submitted on properly approved purchase requisitions in accordance with established expenditure control levels;
4. recommend suppliers or potential suppliers who are selected on the basis of past performance experience or other criteria as necessary;
5. maintain certificates of award for vendor selections that are single sourced pursuant to the business unit customer's desires;
6. solicit, whenever possible, a minimum of three quotes from vendors for products;
7. determine award of business. Award normally is made to the lowest bidder who offers quality, delivery schedule services and conditions of sale required to meet the needs of the business unit customer;
8. prepare all purchasing documents and record such transactions within the electronic procurement system, AssetSuite; and
9. negotiate blanket orders for repetitively purchased items to secure lower product prices and reduce procurement costs.

IV. Decision-Making

Decision making is accomplished through collaboration between the business unit customer and SSSS&P.

Each purchasing section is managed by a manager who is responsible for the overall operation of that section. Decision making for each procurement section predominately relates to the purchase of materials, equipment and services. Decisions are made by qualified buyers who have specific lines of authority. Criteria upon which decisions are based include such factors as price, quality, delivery and vendor performance. Awards made outside of a buyer's authority are made by the procurement manager or higher level management with the proper level of authority either within SSSS&P or the business unit customer.

V. Ring Fencing

The principles of ring fencing in utility regulation were codified in various provisions of the Public Utility Holding Company Act of 1935, (PUHCA). American Electric Power Company, Inc., (AEP), was a registered public utility holding company under the PUHCA until that act was repealed in 2005. The separation of regulated utility functions from non-regulated businesses required by PUHCA and prevailing throughout the AEP system has not been altered or diluted as it relates to AEP Ohio since the repeal of PUHCA. As a result, AEP Ohio, as constituent public utilities within the AEP system, continues to benefit from the ring fencing protections set forth in the PUHCA. In practical terms, this means that AEP Ohio:

1. has not made any investment in any entity engaged in a non-regulated business;
2. has not made loans or extended credit to AEP or to any affiliate engaged in a non-regulated business; and
3. has not guaranteed the indebtedness or the obligations of AEP or any affiliate engaged in a non-regulated business.

AEP Ohio consists of two separate legal entities, Ohio Power Company and Columbus Southern Power Company. Each AEP Ohio utility is a registered issuer under federal securities acts; each has independent access to public capital markets through which each continually raises capital. Each AEP Ohio utility is independently rated by the nationally recognized statistical credit rating agencies. Each AEP Ohio utility is managed by a board of directors that is responsible for authorizing action, including the acquisition or disposition of material assets, issuances of securities, and declaration of dividends, in such a way as to preserve the credit ratings and creditworthiness of each entity.

On June 2, 2010, the Commission approved AEP Ohio's corporate separation plans, filed June 1, 2009, and specifically found that the corporate separation plans were adequately implemented by AEP Ohio in accordance with Section 4928.17, Revised Code, Chapter 4901:1-37, O.A.C., and the orders of the Commission. (Opinion and Order in Case No. 09-464-EL-UNC). With its corporate separation plans, AEP Ohio has in place structural safeguards to ensure the independent functioning of the companies and their affiliates in a manner which is consistent with the Commission's Code of Conduct and which rejects cross-subsidization. The companies' accounting protocols, approach to financial arrangements, adherence to the Cost Allocation Manual requirements, employee education and training and internal compliance monitoring each support the goals and policies set out in Section 4928.02, Revised Code.

VI. Controlling Process

Purchasing procedures and guidelines are documented within SSSS&P. A typical purchasing cycle is 1) a need for material is established; 2) preparation of a purchase requisition is made from a business unit; 3) preparation of a request for proposal is developed by SSSS&P; 4) proposal evaluation is performed collaboratively with SSSS&P and the business unit customer; and 5) preparation and issuance of a purchase order by SSSS&P.

Specific performance indicators include but are not limited to:

1. Department Plan

Budgetary guidelines are established annually by senior Shared Services management. Monthly reviews of actuals to plan are performed to stay within budget.

2. Purchasing Input Statistics

Monthly reports indicate number of purchase orders placed, number of confirming orders, and type of orders.

3. Unfilled Purchase Requisition Report

The unfilled purchase requisition report lists purchase requisitions that are 15 days or older for which no purchase order or requests for quotations have been issued. It also lists requests for quotations that are seven days past the bid due date.

4. Internal Audits

Internal Audits conducts periodic audits of SSSS&P and select suppliers every year. Reports of these audits are helpful in gaining objective evaluations of the department's operations. Recommendations of these audits are followed-up by the director of SSSS&P and appropriate action taken.

5. External Audits

External audits are made at random by the enterprise's external auditors. The results of these are reviewed by the director of SSSS&P and appropriate action taken.

6. Purchase Order Turnaround Time

Purchase order turnaround time is computed monthly using random sampling. The turnaround time is based on the number of days that elapse from receipt of a purchase requisition in SSSS&P until the resulting purchase order is issued.

7. Self-Audit of Purchasing Policy and Procedures

The principal performance indicator of the purchasing self-audit is to assess how well the buyers are adhering to internal control requirements and properly documenting results on certificates of award. It also provides an evaluation of how closely the buyers are adhering to competitive bidding requirements.

VII. Internal and External Communications

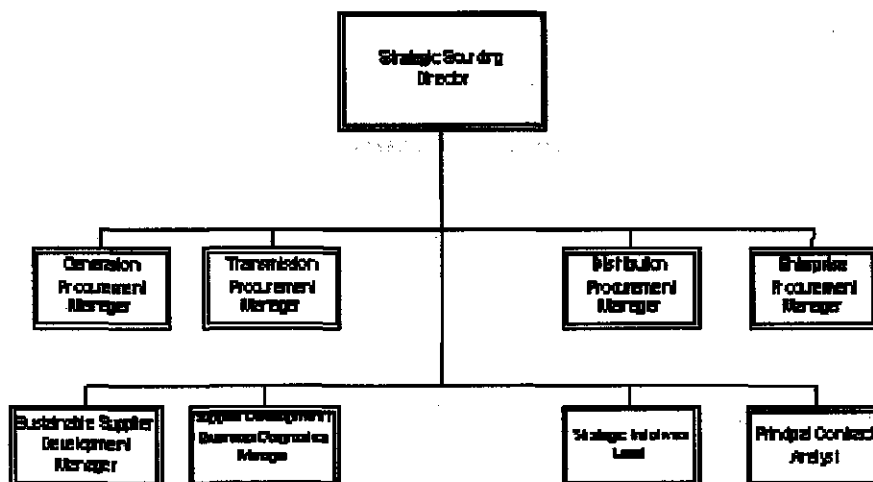
Internal and external communications are accomplished through personal and telephone discussions, formal and informal meetings, memoranda, and formal and informal correspondence.

Internal communications specifically occur between the director of SSSS&P and the respective procurement managers to each business unit. A monthly staff meeting is attended by all managers. Each manager has at least a monthly staff meeting with his/her procurement staff. Day-to-day communications occur on a regular basis between the business unit customers and the procurement staff, and the warehousing/inventory control sections and the procurement staff.

External communications occur to obtain bid quotations, determine product or service specifications or place an order to obtain goods or services. The mechanisms through which such matters are

communicated include written purchase orders, service orders and contracts and through telephone contact and memoranda. External communications are primarily confined to vendor representatives.

Exhibit 1 – Strategic Sourcing Organization Chart



American Electric Power
Subsidiaries Columbus Southern Power Company and Ohio Power Company, DBA as AEP Ohio
Summary of Compliance with Ohio Administrative Code
Chapter II Section (B) (9) (b) (v) and (9) (g) (i and ii)
Executive Summary Applicant Utilities'
Management Policies, Practices and Organization Schedule S-4.2

Supply Chain & Fleet Operations

SFR Reference

(B)(9)(b)(v) Materials and Inventory Management and Control
(B)(9)(g)(i) Fleet Management
(B)(9)(g)(ii) Garages/Fleet Management
(

I. Policy and Goal Setting

Supply Chain & Fleet Operations (SC&FO) does not issue policies per se, but supports and implements policies within this organization set by the American Electric Power (AEP) System operating companies and affiliate companies, including American Electric Power Service Corporation (AEPSC), Columbus Southern Power Company (CSP) and Ohio Power Company (OP), doing business as AEP Ohio. Procedures that are established and implemented by SC&FO are developed in a collaborative manner that included feedback from employees of the operating companies, including AEP Ohio. Both departmental procedures and American Electric Power (the Company) policies are communicated to employees in both written and oral fashion during departmental staff meetings. All managers and supervisors are responsible for assuring that their subordinates are complying with company policies and departmental procedures.

Individual and team goals are developed each year to create operational objectives. The process of creating operational objectives includes key targets and weights to produce the desired behavioral, safety, customer satisfaction and corporate financial goals. The departmental progress towards achieving the operational objectives is reported to senior management on a quarterly basis. The individual and team progress towards achieving operational objectives is measured formally during performance reviews that typically occur mid-year and after the first of each year. Milestone progress towards achieving operational objectives is discussed during staff meetings as well as during ad-hoc performance coaching sessions.

II. Strategic and Long-Range Planning

The executive management of the company has the primary responsibility for establishing the company's strategic plan. SC&FO has established bi-annual planning sessions to develop actionable plans that support departmental operational objectives. The operational objectives provide alignment with the company's overall strategic plan. Additionally, the SC&FO leadership team uses staff meetings to identify plan adjustments to ensure operational objectives are achieved.

III. Organization Structure

The SC&FO Department is lead by the managing director - Supply Chain & Fleet Operations who reports to the senior vice President of Shared Services. SC&FO primarily is comprised of operating company employees who report centrally into SC&FO but have line-of-sight accountabilities with the operating companies. SC&FO personnel are classified as executive, managerial, supervisory, professional, administrative or physical. As the work load dictates, the physical workforce is supplemented with external temporary employees. The physical workforce consists of both represented and non-represented employees.

SC&FO is comprised of the following departments that functionally provide services to directly support AEP Ohio:

- Supply Chain & Fleet Operations – AEP Ohio
 - Supply Chain Inventory Operations
 - Fleet Services
- Supply Chain Operations – Regional Distribution Centers
 - Supply Chain Regional Distribution Center Operations – Canton, Ohio
- Supply Chain Operations – Generation
 - Supply Chain Inventory Operations – Indiana Michigan Power, Cardinal Plant, AEP Ohio South Region
 - Supply Chain Inventory Operations – AEP Ohio North Region & Gas Units
 - Asset Recovery
 - Catalog Services
- Supply Chain & Fleet Operations – Inventory Management
 - Supply Chain & Fleet Technical Reporting and Analysis
 - Distribution Inventory Management
 - Transmission Inventory Management
 - Fleet Services Analysis Support

The functional organizational chart for SC&FO is shown as Exhibit 1.

IV. Responsibilities

The overall objective of SC&FO is to provide supported business units and operating companies with efficient, high quality fleet and material management services designed to support the operating company and corporate needs. The responsibilities for the departments within SC&FO are:

- Supply Chain & Fleet Operations – AEP Ohio

Supply Chain Inventory Operations:

- ensure that material is available to support construction & maintenance work for Distribution and Transmission;
- provide material to support Distribution and Transmission in emergency restoration of electrical service;
- ensure that inventory transactions are made in an accurate and timely manner to facilitate the reordering of material from suppliers and the regional distribution center in Canton;
- provide compliance of inventory transactions with SOX requirements; and
- ensure the safe operation of storerooms by providing the training to operate equipment and in lifting material.

Fleet Services:

- performs vehicle and hydraulic equipment preventative maintenance and testing to ensure that safe, reliable vehicles are available for use by AEP Ohio personnel;
- ensures fleet mechanics demonstrate the highest level of competency by obtaining national qualifications such as Automotive Service Excellence (ASE), International Fluid Power Society Mobile Hydraulic Certification (MHM) and Master Truck Technician Certification;

- facilitates the acquisition and in-service operator training for new vehicles and equipment;
 - coordinates the disposal of vehicles and equipment that no longer are needed or are at the end of their useful lifecycle;
 - provides vehicle inspections to comply with load/stability testing and dielectric certification;
 - performs annual department of transportation certification inspections for vehicles and trailers; and
 - facilitates the understanding of governmental regulations and maintains the appropriate licenses for employees and vehicles.
- Supply Chain Operations – Regional Distribution Centers

Supply Chain Regional Distribution Center Operations – Canton, Ohio:

- provides a consolidated delivery point from suppliers for material to help optimize material availability and reduce cost;
 - gathers, transports and delivers material that is used to support construction and maintenance activity for Distribution and Transmission directly to local storerooms and job staging sites;
 - gathers, transports and delivers material to support Distribution and Transmission in emergency restoration of electrical service;
 - manages inventory and other company assets, such as scrap metals, to assist AEP-Ohio in minimizing its operating costs;
 - consolidates any excess material from local storerooms for distribution to other storerooms as the Distribution and Transmission workload dictates;
 - ensure that inventory transactions are made in an accurate and timely manner to facilitate the reordering of material from suppliers and provide compliance of inventory transactions with SOX requirements; and
 - ensures the safe operation of storerooms by providing the training to operate equipment and in lifting material.
- Supply Chain Operations – Generation

Supply Chain Inventory Operations – Indiana Michigan Power, Cardinal Plant, AEP Ohio South Region:

- ensures that material is available to support construction & maintenance work for Generation;
- provides material to support Generation in restoration of electrical generation from both forced and planned outages;
- ensures inventory transactions are made in an accurate and timely manner to facilitate accurate record keeping and proper reordering of material;
- provides compliance of inventory transactions with SOX requirements; and
- ensures the safe operation of storerooms by providing the training to operate equipment and in lifting material.

Supply Chain Inventory Operations – AEP Ohio North Region & Gas Units:

- ensures material is available to support construction & maintenance work for Generation;
- provides material to support Generation in restoration of electrical generation from both forced and planned outages;
- ensure inventory transactions are made in an accurate and timely manner to facilitate accurate record keeping and proper reordering of material;
- provides compliance of inventory transactions with SOX requirements; and
- ensures the safe operation of storerooms by providing the training to operate equipment and in lifting material.

Asset Recovery:

- seeks opportunities to provide value from items that no longer are needed by Generation, Distribution and Transmission; and
- ensures that corporatwide leveraged contracts are in-place to assist field personnel in the investment recovery of normal scrap material created from construction and maintenance activity of Generation, Distribution and Transmission.

Catalog Services:

- provides additions, deletions and modifications to the material catalog as specified by the Generation, Distribution and Transmission;
- ensures the appropriate safety and accounting policies are followed during the approval process for adding material to the catalog;
- ensures duplicates are not being created in the catalog during the catalog maintenance process; and
- provides a systematic review of the catalog to remove duplicate entries.

▪ Supply Chain & Fleet Operations – Inventory Management

Supply Chain & Fleet Technical Reporting and Analysis:

- provides standard definitions of data elements to be used in repots;
- develops routine and ad-hoc reports to assist field operations in maintaining inventory and fleet;
- implements web-based tools to assist field operation in simplifying data consolidation and analysis;
- implements management dashboard tools to provide quick and consistent overview of fleet and inventory metrics; and
- provides technical administration of the M4 Fleet Management System.

Distribution Inventory Management:

- works with storerooms to review and establish optimum inventory levels and material reorder points;
- provides coordination for storm planning and emergency material replenishment support;
- assists in the continued standardization of material to continue enabling leveraged purchases of material; and
- provides inventory management training as needed to ensure that standard inventory management processes are being followed.

Transmission Inventory Management:

- reviews Transmission material requests for accuracy and the ability to source from inventory rather than purchasing new material;
- assists Transmission with ordering material to support emergency restoration of power; and
- provides coordination for Transmission to ensure that material is available to support project start dates.

Fleet Services Analysis Support:

- provides coordination of the vehicle lifecycle strategies and monitors any excess vehicles for redeployment or disposal;
- provides oversight support for of the M4 Fleet Management System;
- provides support for fleet related sustainability programs including alternative fuel

- solutions such as biodiesel and E85;
- provides coordination of the competitive bidding for replacement vehicles, parts and services to ensure corporate wide-leveraged pricing;
- assist field operations with resolving issues related to vehicle specifications;
- monitor changes in department of transportation, department of energy and jurisdictional rulings to help ensure that vehicles comply with new governmental requirements;
- provides administration of fuel contracts to maintain corporatwide leveraged pricing of fuel for mobile equipment;
- provides coordination to ensure consistency in the use of training programs that provide national qualifications such as Automotive Service Excellence (ASE), International Fluid Power Society Mobile Hydraulic Certification (MHM) and Master Truck Technician Certification; and
- provides coordination for special studies to determine "root cause" issues with like models of vehicles.

IV. Decision-Making

On a broad basis, the decision-making process for SC&FO primarily focuses on evaluating options that minimize cost and maximize safety, and the availability of vehicles and material. Decisions are made in a collaborative manner with input and guidance from the operating companies. Decisions that cross-multiple operating companies are made in SC&FO staff meetings that have representation from all operating companies.

From a day-to-day perspective, all employees within each function are expected to make decisions for their areas of responsibility within the parameters of their job descriptions, reporting results to their immediate management on a regular basis. All purchasing decisions are made in accordance with each individual's proper delegation of authority.

V. Ring Fencing

The principles of ring fencing in utility regulation were codified in various provisions of the Public Utility Holding Company Act of 1935, (PUHCA). American Electric Power Company, Inc., (AEP), was a registered public utility holding company under the PUHCA until that act was repealed in 2005. The separation of regulated utility functions from non-regulated businesses required by PUHCA and prevailing throughout the AEP system has not been altered or diluted as it relates to AEP Ohio since the repeal of PUHCA. As a result, AEP Ohio, as constituent public utilities within the AEP system, continues to benefit from the ring fencing protections set forth in the PUHCA. In practical terms, this means that AEP Ohio:

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AEP Ohio consists of two separate legal entities, Ohio Power Company and Columbus Southern Power Company. Each AEP Ohio utility is a registered issuer under federal securities acts, each has independent access to public capital markets through which each continually raises capital. Each AEP Ohio utility is independently rated by the nationally recognized statistical credit rating agencies. Each AEP Ohio utility is managed by a board of directors that is responsible for authorizing action, including the acquisition or disposition of material assets, issuances of securities, and declaration of dividends, in such a way as to preserve the credit ratings and creditworthiness of each entity.

On June 2, 2010, the Commission approved AEP Ohio's corporate separation plans, filed June 1, 2009, and specifically found that the corporate separation plans were adequately implemented by AEP Ohio in

accordance with Section 4928.17, Revised Code, Chapter 4901:1-37, O.A.C., and the orders of the Commission. (Opinion and Order in Case No. 09-464-EL-UNC). With its corporate separation plans, AEP Ohio has in place structural safeguards to ensure the independent functioning of the companies and their affiliates in a manner which is consistent with the Commission's Code of Conduct and which rejects cross-subsidization. The companies' accounting protocols, approach to financial arrangements, adherence to the Cost Allocation Manual requirements, employee education and training and internal compliance monitoring each support the goals and policies set out in Section 4928.02, Revised Code.

VI. Controlling Process

Progress towards achieving objectives of SC&FO is formally reported to senior management on a quarterly basis. The objectives currently are quantified using the following performance measures:

- **Safety:**
 - OSHA recordable incident rate;
 - preventable accident rate; and
 - average severity rate.
- **Budget Adherence:**
 - O&M budget vs. actual; and
 - capital budget vs. actual.
- **Operational:**
 - inventory optimization; and
 - transportation asset management

To provide continuous monitoring of SC&FO performance, various reports and web-based dashboards are used. The update frequency of the reports and dashboards depends upon how quickly the metric may change. The metric update frequency may be daily, weekly or monthly. Examples of metrics being used in monitoring the on-going performance of SC&FO are:

- **Safety:**
 - OSHA recordable incident rate;
 - preventable accident rate; and
 - average severity rate.
- **Financial:**
 - O&M budget vs. actual;
 - capital budget vs. actual;
 - overtime (hours and dollars);
 - temporary labor (count and dollars);
 - headcount (count);
 - asset recovery (dollars); and
 - scrap sales (dollars).
- **Operational:**

Inventory Optimization:

- open inventory purchase orders;
- inventory balances by storeroom (dollars and quantity);
- inventory transfers (dollars and transactions);
- material issue (dollars and transactions);
- material receipts (dollars and transactions); and
- material returns (dollars and transactions).

Transportation Asset Management:

- fuel consumed (dollars and gallons);
- vehicle lease cost (dollars); and
- vehicle maintenance (cost).

VII. Internal and External Communications

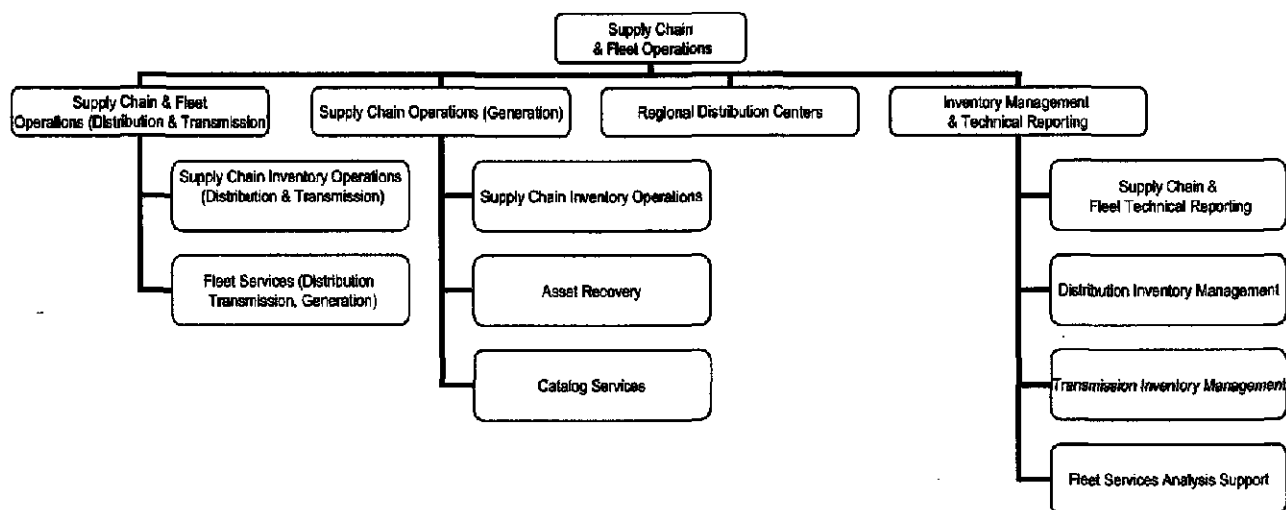
Internal communications within SC&FO leadership team occur informally on a daily basis via phone calls and e-mails. On a bi-weekly basis, SC&FO leadership has a conference call to review relevant topics to all operating companies and reach decisions through a collaborative process. Bi-annually, SC&FO leadership team has planning meetings to review and develop actionable plans that focus on achieving departmental objectives. As a direct link to the work performed by SC&FO, the managing director of SC&FO participates in weekly conference calls with the AEP Distribution Leadership Team (DLT). The DLT is composed of the vice presidents of Distribution Operations for each operating company and is chaired by the vice president of Customer Services, Marketing and Distribution Services. As another example of the links with the operating companies, the director of supply chain for Generation Operations meets on at least a monthly basis with senior members of the Fossil & Hydro Generation staff. As a final example of links with the operating companies, the AEP Ohio manager of Supply Chain & Fleet Operations participates in the monthly staff meetings of the AEP Ohio vice president of Distribution Operations.

On at least a monthly basis, each member of the SC&FO leadership team has meetings with their direct reports to discuss safety and the status of departmental activities and current topics. Depending upon logistics and availability of personnel, the meetings may either be face-to-face or via conference call. Local supervisors of SC&FO meet with their team to discuss safety and resolve issues, primarily on a face-to-face basis. Local supervisors participate in meetings with operating company personnel in Generation, Distribution and Transmission to resolve or head-off any local issues related to inventory and fleet.

One of the most important aspects of internal communication is the performance discussion that occurs between supervisors and subordinates. Formal performance discussions occur mid-year and after the first of each year. Ad-hoc performance coaching occurs on an on-going basis. The performance reviews provide the basis for good performance, and identifying and clarifying expectations. The reviews become the framework for merit pay increases and promotions.

External communication for SC&FO is primarily with suppliers of material, vehicles and hydraulic equipment. SC&FO external communication primarily is by e-mail and phone. External face-to-face meetings typically occur when vehicle inspections are required or when significant issues regarding supplier performance are being addressed.

Exhibit 1 – Supply Chain & Fleet Operations Organization Chart



American Electric Power
Subsidiaries Columbus Southern Power Company and Ohio Power Company, DBA as AEP Ohio
Summary of Compliance with Ohio Administrative Code
Chapter II Section (B) (9) (b) (vi)
Executive Summary Applicant Utilities'
Management Policies, Practices and Organization Schedule S-4.2
Finance and Accounting

Audit Services Department

SFR Reference

(B)(9)(b)(vi) Internal Auditing

I. Policy and Goal Setting

The company has an internal audit function (Audit Services) with approximately 40 in-house personnel. Audit Services engages external professional services firms for expertise and supplemental resources, as required.

Audit Services policies and goals are outlined in the Audit Services Charter, attached as Exhibit A-1. The overall goal is to function as an independent appraisal activity of American Electric Power Company Inc. and its subsidiaries by helping management and the board of directors control business risks within acceptable levels.

II. Strategic and Long-Range Planning

Audit Services annually conducts a risk assessment / audit prioritization process to create an annual audit plan. Input to the plan is derived from:

- interviews with management;
- review of the strategic plan;
- review of enterprise risk management reports;
- review of budgets and forecasts, including forecast system development projects;
- results of prior audits;
- review of trade, regulatory and professional literatures;
- scouring of news sources for pertinent articles;
- interviews with the external auditors; and
- reference to the most current fraud risk assessment.

The universe of audit areas is then evaluated based on criteria related to the effect and likelihood of the related risks, with priority given to those areas highest on the grid.

The annual audit plan is updated as required but at least quarterly based on developments within the company. The annual audit plan and related amendments are formally approved by the Audit Committee of the board of directors.

The long-term strategy is as follows:

- proactively focus on emerging risk areas through early audit involvement;
- enhance audit coverage for important on-going risk areas;
- deliver high value audit results that are responsive to the needs of senior management and the Audit Committee;
- develop employees to achieve their full potential;
- promote the value and importance of internal controls, governance, risk management and compliance across the organization; and

- be visible leaders in the company, profession and community

III. Organization Structure

Audit Services is led by the vice president of Audit Services, who reports functionally to the Audit Committee of the AEP Board of Directors and administratively to the chairman and chief executive officer of AEP.

There are six directors reporting to the vice president. These directors generally are aligned with areas of expertise; however, staff persons are pooled.

The Audit Committee reviews the experience and qualifications of Audit Services personnel annually. An organization chart for Audit Services is presented as Exhibit A-2.

IV. Decision-Making

Roles and responsibilities with regard to audit projects are defined by the Audit Services methodology. Audit projects are selected via the process described in Section II. For audit projects to be carried out, the director generally provides overall management for the audit projects assigned to him. This includes the audit scope, objectives, issue identification and resolution by management, and communication and follow-up. The staff designated to perform the audit support the director throughout the project. Significant observations are reported in the final audit report, and management is required to include an action plan, due date and responsible party for all audit observations. The final report is distributed to all management personnel in the line of command for the audit area up to and including the chairman and chief executive officer. Audit Services is tasked with tracking the action plans and reporting on the timelines and effectiveness of the action plans put in place.

Audit Services is a staff function and therefore does not directly perform line activities nor does it have direct control over such activities.

Audit Services has full and free access to all company activities, records, properties and personnel relevant to the subject under review. Audit Services is held accountable for the confidentiality and safekeeping of this information.

V. Ring Fencing

The principles of ring fencing in utility regulation were codified in various provisions of the Public Utility Holding Company Act of 1935, (PUHCA). American Electric Power Company, Inc., (AEP), was a registered public utility holding company under the PUHCA until that act was repealed in 2005. The separation of regulated utility functions from non-regulated businesses required by PUHCA and prevailing throughout the AEP system has not been altered or diluted as it relates to AEP Ohio since the repeal of PUHCA. As a result, AEP Ohio, as constituent public utilities within the AEP system, continues to benefit from the ring fencing protections set forth in the PUHCA. In practical terms, this means that AEP Ohio:

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acquisition or disposition of material assets, issuances of securities, and declaration of dividends, in such a way as to preserve the credit ratings and creditworthiness of each entity.

On June 2, 2010, the Commission approved AEP Ohio's corporate separation plans, filed June 1, 2009, and specifically found that the corporate separation plans were adequately implemented by AEP Ohio in accordance with Section 4928.17, Revised Code, Chapter 4901:1-37, O.A.C., and the orders of the Commission. (Opinion and Order in Case No. 09-464-EL-UNC). With its corporate separation plans, AEP Ohio has in place structural safeguards to ensure the independent functioning of the companies and their affiliates in a manner which is consistent with the Commission's Code of Conduct and which rejects cross-subsidization. The companies' accounting protocols, approach to financial arrangements, adherence to the Cost Allocation Manual requirements, employee education and training and internal compliance monitoring each support the goals and policies set out in Section 4928.02, Revised Code.

VI. Controlling Process

All audit projects are performed in a manner that meets the professional standards and guidelines of the Institute of Internal Auditors Inc. Their standards consist of attribute standards as well as performance standards. A key compliance attribute includes the periodic engagement of an external party to validate standards compliance. Such an engagement was performed by the Institute of Internal Auditors in January 2010. The auditors' overall evaluation found that Audit Services substantially complied with the standards, the highest level of evaluation.

VII. Internal and External Communications

Audit Services personnel, in the performance of their duties and responsibilities, interface frequently with personnel within the company.

Audit Services reports the results of its audit and other projects using a standard reporting format and includes an overall evaluation of the audit results. The evaluation levels are: well controlled, well controlled with minor improvements, improvements in controls needed and major improvements in controls needed. The reports include the background, audit scope, period covered, audit results by scope area, audit observations, risks and an action plan by management that includes a responsible party and due date. The reports are sent electronically to the process owner, with copies sent to all management in their business unit line of command up to and including the chairman and chief executive officer. Summaries of audit results are reported to the Audit Committee at least quarterly.

Exhibit A-1 – Audit Services Charter

AUDIT SERVICES CHARTER

I. Objective and Scope

The Audit Services Department (Audit Department), an integral part of the Company's internal control system, functions as an independent appraisal activity related to the review of activities of the American Electric Power Company, Incorporated and subsidiaries. The Audit Department contributes to growing the value of AEP by helping management and the Board of Directors control business risks within acceptable levels.

The scope of the Audit Department includes:

- Assisting the Audit Committee in carrying out their duties and responsibilities.
- Appraising the effectiveness and application of internal control over financial reporting, compliance with laws, and operations.
- Coordinating and managing the Sarbanes-Oxley 302 and 404 internal control reporting processes.
- Evaluating sufficiency of and adherence to Company plans, policies and procedures and compliance with the requirements of regulatory bodies.
- Ascertaining the adequacy of controls for safeguarding Company assets and when appropriate, verifying the existence of assets.
- Appraising the quality of performance in carrying out assigned responsibilities.
- Coordinating audit planning and scheduling activities with the independent auditor.
- Conducting special examinations at the request of management or the Board of Directors.

II. Independence

Independence is essential to the effectiveness of the Audit Department. This independence has been obtained primarily through organizational status and objectivity. For this purpose, the Audit Department has direct access to the Audit Committee and, in particular, shall take directly to the Chairman of the Audit Committee matters that it believes to be of sufficient magnitude and importance to require the immediate attention of the Audit Committee.

For administrative purposes, the Audit Department reports to the Chairman and Chief Executive Officer.

III. Authority

The Audit Department has full and free access to all of the Company's activities, records, properties, and personnel relevant to the subject under review. The audit staff will be accountable for the confidentiality and safekeeping of this information. The Audit Department is a staff function that has no direct authority over activities reviewed. The performance of these reviews does not relieve management of any assigned responsibilities.

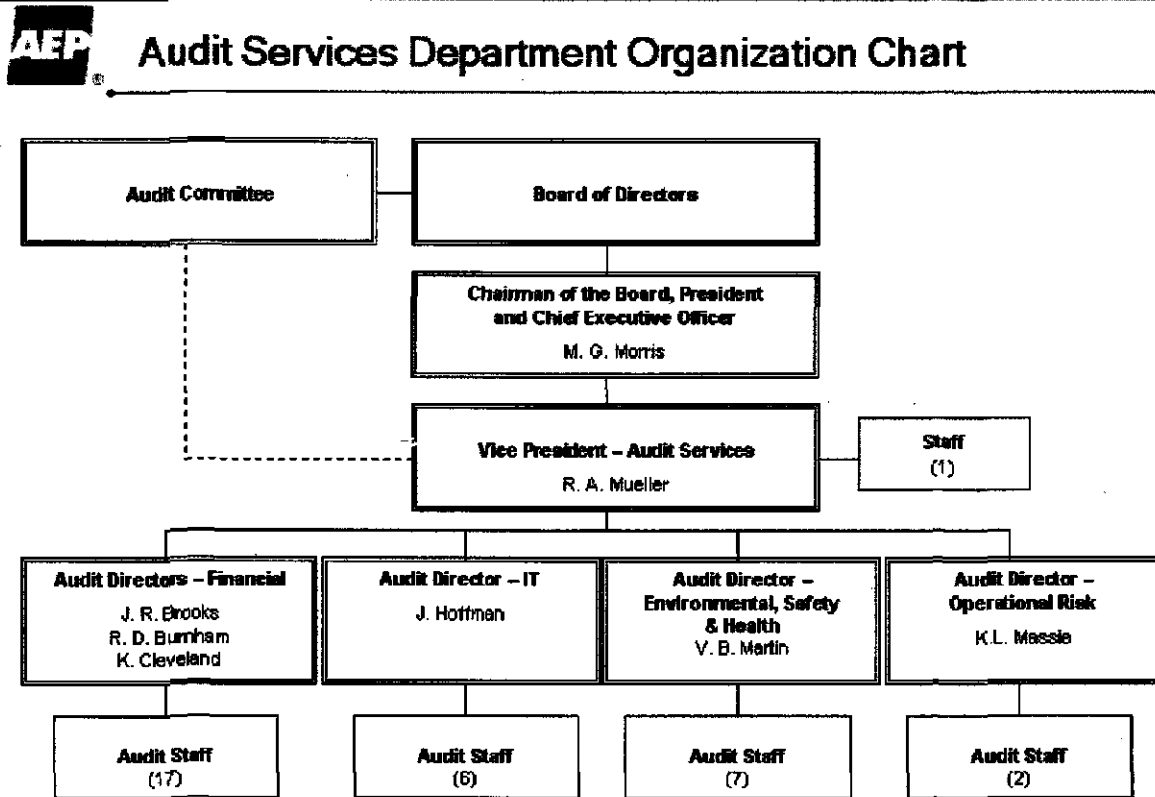
IV. Accountability

The Audit Department shall be accountable to management and the Audit Committee to:

- Inform management and the Audit Committee of significant audit findings.

- Assist management in developing action plans to resolve significant audit findings or to advise management and the Audit Committee of the risks involved if corrective action is not taken.
- Formally report quarterly to the Audit Committee, any significant deficiency in internal control found during the performance of the Audit Department responsibilities.
- Communicate directly with the Chairman of the Audit Committee regarding matters believed to be of sufficient magnitude and importance so as to require the immediate attention of the Audit Committee.

Exhibit A-2 – Audit Services Organization Chart



American Electric Power
Subsidiaries Columbus Southern Power Company and Ohio Power Company, DBA as AEP Ohio
Summary of Compliance with Ohio Administrative Code
Chapter II Section (B) (9) (b) (vii) and (B) (9) (e) (ii)
Executive Summary Applicant Utilities'
Management Policies, Practices and Organization Schedule S-4.2
Finance and Accounting

Risk & Strategic Initiatives

SFR Reference

(B)(9)(b)(vii) Risk Management
(B)(9)(e)(ii) Insurance

I. Policy and Goal Setting

Risk & Strategic Initiatives (R&SI) is responsible for monitoring and protecting AEP from risks that have the potential to harm the company and overseeing strategic projects. Major areas of responsibility include:

- manage AEP's insurance programs;
- captive insurance oversight;
- hazard risk analysis;
- claims management;
- hazard risk control;
- evaluating and reporting AEP's risks on an enterprise basis;
- market risk oversight;
- credit risk management;
- pension and benefit plan investment oversight; and
- strategic initiatives basis

Through the vice president strategic initiatives and chief risk officer (CRO), R&SI is responsible for monitoring compliance with risk management policies, procedures and strategies as established by the following policies: credit risk; AEP Commercial Operations market risk and enterprise risk management.

R&SI also supports the corporate financial policies and the corporate policies embodied in AEP's Principles of Business Conduct, which establishes the guidelines by which AEP employees are expected to conduct business.

R&SI's goals are defined as follows:

- provide independent support and oversight of commercial activities; monitor and report on market and credit risk measures;
- effectively report on enterprise risks to management and the board;
- management of insurance processes; implement new claims system and process changes;
- assess and manage investment trusts' asset allocations, asset class changes and funding policies; and
- provide support to investment opportunities, transmission initiatives, and develop strategic, financial and peer analyses.

During the goal planning process, the departmental goals are established by the vice president strategic initiatives and CRO, and his direct reports and then divided into the individual groups within R&SI. These goals are established, taking into account the corporation's needs for monitoring, measuring and reporting the various risks that could affect the company. The goals are developed based upon the corporation's strategic direction, stakeholder needs and market expectations.

The goals of R&SI are intended to enhance risk management measuring, monitoring and reporting throughout the corporation. These goals extend throughout the company and are not limited to specific areas or risks. All R&SI goals are designed to advance the overall corporate goals.

With respect to the insurance functional area, the overall objective is the efficient administration of the property damage, liability and workers' compensation insurance programs and the management of claims administration. This objective entails the establishment and administration of a program of insurance to assure that the operating subsidiaries are adequately and properly insured for loss of or damage to property and against claims of liability at the lowest practicable cost. In addition, the group is responsible for independently monitoring all aspects of AEP's use of captive insurance. Captive insurance is provided to AEP by Mutual Business Program No. 3 of Energy Insurance Services Inc. (EIS MBP3). AEP operating companies obtain their primary layer of liability and property insurance from EIS MBP3. The achievement of risk and insurance management objectives is monitored primarily through periodic budget to actual comparisons and annual incentive evaluations.

II. Strategic and Long-Range Planning

The R&SI's departmental strategic plans are developed by assessing the direction of the company versus the current capabilities and services provided by R&SI. R&SI ensures that it develops the skills necessary to assist the corporation in meeting its goals. The vice president strategic initiatives and CRO works with his direct reports to establish the department plans. After the plan is developed it is presented to the executive vice president and chief financial officer (CFO) for review. The department also communicates with experts outside the company to monitor the general market direction of the industry.

Departmental objectives are established on an annual basis with reviews on a semi-annual basis. These objectives may be adjusted depending on market conditions and corporate direction.

III. Organization Structure

R&SI is part of AEP Service Corporation. The vice president strategic initiatives and CRO reports to the executive vice president-CFO. The vice president strategic initiatives and CRO provides updates to the board of director's Audit Committee throughout the year.

Risk & Strategic Initiatives is divided primarily into the following areas:

- credit risk management;
- enterprise risk oversight;
- market risk oversight;
- strategic initiatives;
- trusts and investments; and
- risk and insurance management

The R&SI organization is shown in Exhibit 1.

IV. Decision-Making

Strategic Initiatives:

Strategic initiatives assist AEP business units in measuring financial effects of various strategic alternatives.

Enterprise Risk Oversight:

By working with functional units across the company, enterprise risk oversight identifies areas of potential risk to the company and establishes a process by which risk-related information can be made available to senior management to facilitate decision making.

Credit Risk Management:

Credit risk management evaluates the creditworthiness of counterparties as it pertains to the procurement, trading and marketing commodities.

Market Risk Oversight:

The AEP Finance Committee is responsible for approving the AEP Commercial Operations market risk policy. Commercial Operations management is responsible for ensuring that its activities comply with the policy. Market risk oversight is responsible for monitoring and ensuring compliance with the policy. Other roles and responsibilities for the management of risks, including those of the risk executive committee are detailed in the enterprise risk management policy.

Risk management for commercial operations is a dynamic and interactive process. Commercial operations recognizes that the transacting groups should be the first level of risk management within the firm. Risk committees and independent risk organizations provide the necessary risk controls and oversight.

Trust and Investment Group:

The trusts and investments group oversees the management of AEP's benefit plan assets and helps meet reporting requirements for a variety of AEP-sponsored investment trusts, including the pension, 401(k) and medical trusts as well as nuclear decommissioning trusts and charitable trust funds.

Risk and Insurance Management:

Daily decisions are made by the managing director risk and insurance management in connection with placement of insurance, settlement or defense of pending liability claims on the basis of established policy approved by the executive vice president-CFO. Decisions relating to proposed claims settlements of substantial magnitude require a joint recommendation by the risk and insurance management department, the AEP company involved and the legal department, and approval by the executive vice president-CFO, president and/or chairman. Placement of insurance involving substantial premiums or significant changes in deductible level or coverage limitations require approval by the executive vice president-CFO and, if appropriate, president.

V. Ring Fencing

The principles of ring fencing in utility regulation were codified in various provisions of the Public Utility Holding Company Act of 1935, (PUHCA). American Electric Power Company, Inc., (AEP), was a registered public utility holding company under the PUHCA until that act was repealed in 2005. The separation of regulated utility functions from non-regulated businesses required by PUHCA and prevailing throughout the AEP system has not been altered or diluted as it relates to AEP Ohio since the repeal of PUHCA. As a result, AEP Ohio, as constituent public utilities within the AEP system, continues to benefit from the ring fencing protections set forth in the PUHCA. In practical terms, this means that AEP Ohio:

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VI. Controlling Process

The risk policies provide governance structure. R&SI maintains documentation of the internal controls observed in accordance with Sarbanes-Oxley requirements.

Credit Risk Management:

Credit risk management establishes guidelines for monetary and tenor limits, credit enhancement and credit provisions in contracts where applicable. This group also sets the credit risk control standards, negotiates and maintains credit enhancements, and establishes an appropriate portfolio credit reserve for marketing and trading activity.

Market Risk Oversight (MRO):

Market risk oversight independently monitors energy commodity price risk at AEP through three principle areas:

1. Market risk governance (trading procedures products and limits) – This establishes the guidelines and procedures that ensure AEP's trading activity stays within approved limits and guidelines.
2. Price validation – This establishes the methods that will be used to ensure the portfolio valuations are accurate.
3. Liquidity reserve calculations – This process estimates the cost of unwinding the trading portfolio in an orderly manner.

Daily Monitoring and Reporting Market Risks

The process of monitoring, controlling and reporting risk consistent with established limits is integral to the overall risk management program. This section provides an overview of the monitoring responsibilities and authorities of each area involved with market risk management.

Profit & Loss

The Commercial Operations and AEP Energy Partners groups performs risk and analytical functions in support of the trading organization. Specifically the middle office group is responsible for 1) Portfolio valuation and validation of trade positions, 2) profit/loss (P&L) and position reporting and 3. margining and reconciliation with clearing brokers. The analysis includes both realized and unrealized gains and losses. The daily P&L excludes general and administration expenses.

Marks must be assessed for reasonableness by a price verification procedure conducted by market risk oversight.

Reporting Requirements

Report	Frequency	Required Report Distribution
VaR (value at risk) (by MRO)	Daily, As requested	SVP - Commercial Operations, VP – Energy Trading, VP – Commercial and Financial Analysis, Commercial Operations (CO) and Marketing Affiliates (MA) Business Unit Leaders, CFO, CRO, and Energy Traders for relevant regions
Profit and Loss (by Middle Office)	Daily	SVP - Commercial Operations, VP – Energy Trading, VP – Commercial and Financial Analysis, CO and MA Business Unit Leaders, CFO, CRO and MRO
Open Positions by contract, by delivery point (by Middle Office)	Daily	Relevant Energy Traders, VP – Energy Trading, VP – Commercial and Financial Analysis, CO and MA Business Unit Leaders, MRO
Limit Exceedences and Exceptions	A summary report of any limit exceedences and exceptions (along with the rationale). AEP Internal Audit will audit this report and the results will be provided to the AEP Finance Committee.	CEO, Commercial Operations Risk Committee (CORG), VP – Energy Trading, VP – Commercial Analysis, REC, and MRO Monthly to REC Quarterly to the Board Audit Committee.
VaR and P&L	A summary report of VaR and P&L reported monthly basis.	Monthly to REC.

The senior vice president Commercial Operations and business unit leaders will receive only the information specified above for their respective organization.

Controls

- Daily monitoring of open contracts:
Commercial functions monitor daily: (1) the number of AEP's open commodities contracts; and (2) the amount of AEP's losses for the calendar periods that correspond to the stop loss limit periods for their respective organization.
- Daily Editing of contracts:
Energy traders must report all modifications to existing AEP commodities contracts to their respective middle office by the end of the business day on which the modification was executed. Edits and modifications to transactions must comply with the deal edit approval procedure.
- Confirmation of contracts:
Electronic or written confirmations for commercial transactions will be sent to the necessary transacting counterparties within two business days. This will generally include all deals except for the following:

- Internal;
 - Hourly;
 - exchange-cleared deals;
 - 1-Day index deals (physical or financial) for MISO and ERCOT; and
 - deals in which energy marketing creates the confirmation of the agreement. When this occurs, the energy trade confirmations group will retain a copy of these documents.
- Internal procedures and controls:

Commercial functions will create and implement internal procedures and controls to enable each organization to comply with this policy. All departments and individuals having involvement with commodities contracts shall be vigilant with respect to the maintenance of appropriate segregation of duties among such individuals and departments.
 - Immediate reporting of any breach of policy:

Any breach of this policy must be reported immediately after discovery to the chief risk officer, market risk oversight and the commercial operations risk committee (CORG).
 - Activities and limits maintenance:

Market risk oversight and the CORC will review the appropriateness of permitted transacting activities and market risk limits annually or more frequently as may be necessary.

Trust and Investment Group:

The trust and investments group has fiduciary oversight functions that include but are not limited to investment manager selection, and investment performance and compliance monitoring. In addition, this group manages trust fund cash levels to ensure adequate liquidity for plan beneficiaries and other expenses.

Risk and Insurance Management:

Risk and insurance management evaluates the cost of various insurance programs, considering appropriate coverage and deductibles commensurate with the overall hazard risk profile of the AEP System, with available industry data and historical performance.

VII. Internal and External Communications

R&SI works with various departments within the corporation to monitor and measure risk exposures. This information typically is transmitted via e-mail or personal and phone conversations.

The vice president strategic initiatives and CRO and/or his direct reports works with various external-rating agencies to provide information as requested. In addition, regular updates are provided to the Audit Committee regarding R&SI activities.

The managing director of credit risk management discloses the credit risk of the marketing and trading portfolio in financial reports [Committee of Chief Risk Officers (CCRO) disclosures].

The managing director of risk and insurance management works closely with insurance brokers, carriers and adjusters.

Market risk oversight meets at least quarterly with the commercial operations risk committee (CORG). The CORC consists of the chief financial officer, executive vice president - Generation, senior vice president - Commercial Operations and the chief risk officer. CORC reviews the principal energy price risks faced by commercial operations to ensure that appropriate risk management policies are created, implemented and enforced. CORC is responsible for approving the limit structures, new products and

triggers as needed. Any revisions to current limits and authorized products shall be reported to the risk executive committee.

Members of the R&SI organization may from time-to-time speak about their areas of expertise at industry functions.

Exhibit 1 – R&SI Organization Chart

Risk & Strategic Initiatives

Thursday, October 14, 2010

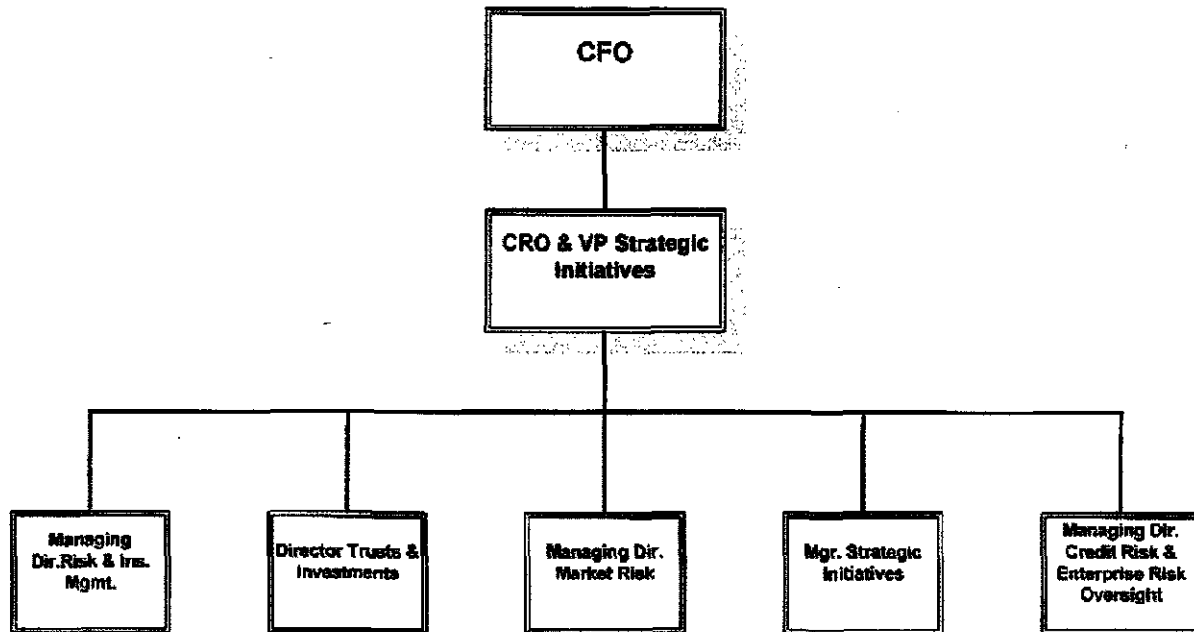


Exhibit: R&SI-1