

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Power Company for an Increase in Electric Distribution Rates.	) ) )	Case No. 20-585-EL-AIR
In the Matter of the Application of Ohio Power Company for Tariff Approval.	) ) )	Case No. 20-586-EL-ATA
In the Matter of the Application of Ohio Power Company for Approval to Change Accounting Methods.	) ) )	Case No. 20-587-EL-AAM

**STANDARD FILING REQUIREMENTS  
SCHEDULE S-4.2**

**(PART 1 of 3)**

**American Electric Power  
and subsidiaries  
Ohio Power Company  
DBA as AEP Ohio  
Executive Summary Applicant Utilities'  
Management Policies, Practices and Organization  
Schedule S-4.2  
Part 1 of 3**

American Electric Power  
Ohio Power Company, DBA as AEP Ohio  
Summary of Compliance with Ohio Administrative Code  
Chapter II Section (B) (9)  
Items (a) (b) (c) (d) (e) (f) (g) (h) and (i)  
Executive Summary Applicant Utilities'  
Management Policies, Practices and Organization  
Schedule S-4.2

**Schedule S-4.2: Executive Summary of Management Policies, Practices and Organization of AEPSC, and Ohio Power Company, DBA AEP Ohio**

This report is intended to comply with the requirements of Standard Filing Requirements (SFR) Chapter II Section (B) (9) as it relates to SFR Chapter II Section (B) (8). Schedule S-4.2 is part of a report that discusses not only American Electric Power's corporate process but also the management policies, practices and organization of subsidiaries Ohio Power Company, doing business as AEP Ohio. Schedule S-4.2 consists of 3 parts. Schedules S-4.1 and S-4.2 make of the complete report.

In Schedule S-4.1, AEP Ohio presents a summary of the corporate processes used by the board of directors and corporate officers. The Schedule S-4.1 summary focuses on the following aspects of the management process:

- I. Policy and Goal Setting
- II. Strategic and Long-range Planning
- III. Organization Structure
- IV. Decision-making
- V. Risk Fencing
- VI. Controlling Process
- VII. Internal and External Communications

In Parts 1, 2, and 3 that comprise this Schedule S.4-2, the applications of these management processes are described as they relate to the functional areas identified in the Standard Filing Requirements and requested by the Public Utilities Commission Staff as set forth in SFR Chapter II Section (B) (9):

- (a) Plant Operations and Construction
- (b) Finance and Accounting
- (c) Rates and Tariffs
- (d) Communications and Public Affairs
- (e) Administrative and Corporate Support Services
- (f) Information Technology
- (g) Transportation
- (h) Human Resources
- (i) Conservation/Demand-side Management/Integrated Resource Planning

Each volume also features supporting documents as exhibits that include organization charts, diagrams, policies, procedures and standards of performance, and the corporate accountability report. The specific exhibits provided in these volumes are listed in the table of contents that follows.

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**Note: Section (b)(ii and v) Accounting is Continued in Part 2.**

## BACKGROUND

AEP Ohio serves nearly 1.5 million customers in Ohio and provides power to nearly 1,000 communities located in 61 of the state's 88 counties. AEP Ohio's headquarters is in Gahanna, with regulatory and external affairs offices in downtown Columbus. A subsidiary of American Electric Power and the largest of its regional utility divisions, AEP Ohio consists of Ohio Power Company.

AEP Ohio service territory covers approximately 19,819 operating square miles and includes approximately 1,600 distribution circuits and approximately 32,000 miles of primary overhead distribution lines and approximately 7,400 miles of primary underground distribution lines. More information about AEP Ohio is available under the News & Information tab on [AEPOhio.com](http://AEPOhio.com).

### AEP Ohio Territory



American Electric Power  
Ohio Power Company, DBA as AEP Ohio  
Summary of Compliance with Ohio Administrative Code  
Chapter II Section (B) (9) (a) (i, ii, iii, vi)  
Executive Summary Applicant Utilities'  
Management Policies, Practices and Organization Schedule S-4.2  
Plant Operations and Construction

Distribution Operations

SFR Reference:

- (B)(9)(a)(i) Plant/Facilities Planning Process.
- (B)(9)(a)(ii) Operations and Maintenance Policies and Procedures.
- (B)(9)(a)(iii) Plant Productivity and Performance Evaluation.
- (B)(9)(a)(vi) Construction Project Management and Control.

I. Policy and Goal Setting

The objective of the Distribution Operations organization is to plan, engineer, construct, maintain and operate the necessary distribution power supply facilities to serve the present and future electricity requirements of AEP Ohio's customers in the most economic, safe, reliable and environmentally compatible manner.

The vice president of Distribution Operations for AEP Ohio, in collaboration with AEP Ohio executive leadership, AEP Service Corporation functional leadership, AEP Utilities Performance Management, AEP Regulatory Services and AEP Ohio Distribution Operations leadership, is responsible for recommending and implementing management policies for the operation of the distribution system.

Policies are directed toward enhancing effective and efficient engineering and reliability planning, design, construction, maintenance and operation of the AEP Ohio distribution system. All activities are conducted in a manner such as to provide ample and continuous service to customers and to provide that service within accepted safety and operating standards. These activities also are conducted in a manner that meets corporate budget constraints while managing the environment, safety and health of personnel, equipment and the public.

Specific measurable goals are given to each section manager in the AEP Ohio Distribution Operations organization, as well as to individual, exempt-level employees. Employee performance management reviews reflect the success of the employee in achieving the assigned goals and objectives.

Typical Distribution organization goals relate to:

- improvement in safety for the public, employees and contractors;
- reduction of customer minutes of interruption;
- delivery of quality power;
- internal and public safety;
- reliability of electric service;
- productivity;
- timely response to new service needs of customers;
- meeting corporate budget constraints; and
- completion of the annual work plan.

## II. Strategic and Long-Range Planning

Planning within Distribution Operations reflects AEP Ohio's long-range strategies to expand the distribution system, to adapt quickly to changes in the legislative and economic environment, and to provide operational and administrative stability. Strategic planning within the Distribution organization is done in cooperation with other relevant groups, such as Regulatory Services, AEP Utilities Performance Management including Distribution System Planning, AEP Transmission Planning and Human Resources.

Planning for the expansion of the distribution system is performed in concert with AEP Distribution planning criteria. This focuses on meeting customer load growth requirements and includes the site selection of future distribution stations. Financial, operational and administrative strategic planning include developing a formal budget against which actual costs are compared and monitored, evaluating human resource needs, and projecting equipment, work methodology and facilities needs.

## III. Organization Structure

The AEP Ohio Distribution organization is managed by the vice president of Distribution Operations, who reports to the president and chief operating officer of AEP Ohio.

AEP Ohio Distribution Operations is organized into the following sections: distribution dispatching, contract coordination, project management, customer design and engineering support. AEP Ohio Distribution Operations also includes District Operations in six geographic districts -- Athens District, Canton District, Chillicothe District, Columbus District, Newark District, and Western Ohio District. The District Operations management includes meter revenue operations.

Department employees consist of exempt and nonexempt engineering personnel, dispatchers, meter personnel, line personnel, right of way agents, foresters and administrative associates to create and execute the work plan. Project management staff and schedulers monitor, aid in the process flow and provide support. Levels of supervisory staff are included in all the work functions described above.

An organization chart of the AEP Ohio Distribution Operations organization is shown as Exhibit 1.

## IV. Decision-Making

Decision making is accomplished collaboratively among the Distribution organization managers and supervisors, in conjunction with AEP Regulatory and Rates and AEP Utilities Performance Management.

The criteria for decisions are safety, customer benefit, legislative requirements, regulatory requirements, financial effect and the projected effect on the Distribution organization.

## 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 as of the date of this filing 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 one legal entity, Ohio Power Company. Ohio Power Company is a registered issuer under federal securities acts; has independent access to public capital markets through which it continually raises capital. Ohio Power Company is independently rated by the nationally recognized statistical credit rating agencies. Ohio Power Company 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 October 17, 2012, the Commission approved AEP Ohio's current corporate separation plan, filed March 30, 2012, and 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. 12-1126-EL-UNC). With its corporate separation plan, 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 avoids unlawful cross-subsidization. The company's 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

The execution of various functions and objectives are monitored and continuously evaluated by the supervision and management of the AEP Ohio Distribution Operations organization. This includes reviewing employee safety, financial performance, workforce productivity, system reliability, and conformance to the Electric Service and Safety Standards. This also includes measuring performance against numerous internal goals and objectives, including but not limited to:

- number of personal injuries and preventable vehicle accidents;
- completion of the annual work plan;
- Estimated Time of Restoration (ETR) accuracy; and
- prompt response to regulatory inquiries.

#### VII. Internal and External Communications

Internal communications are accomplished through personal and telephone discussions, formal and informal meetings, memoranda, and formal and informal correspondence. The formal and informal meetings include in-person meetings, video teleconferencing, and the use of telecommunication systems. Memoranda and formal and informal correspondence use AEP's internal courier service, e-mail system, internal messaging system, and document exchange servers.

Employees of the Distribution Operations organization, in order to meet their assigned objectives, regularly consult various internally prepared policy, procedure and reference manuals, as well as standard industry reference publications. These documents include the AEP Safety Manual, the AEP Distribution Standards manual, the National Electrical Safety Code, the National Electrical Code and various other documents related to a specific practice or function. Exhibit 2 references access to these codes and manuals. These documents are available in manual form and are accessible to employees via AEP's internal intranet, servers, online library and sharepoint sites.

External communications are accomplished through personal and telephone discussions, formal and informal meetings, e-mail, online, social media and mail delivery. In addition, customers are contacted via door hanger notices, and automated telephone notices.

These methods are also used for the Company's comprehensive vegetation management program, as outlined below:

AEP Ohio notifies customers in advance of vegetation management work through the following communications:

Post cards - Before any vegetation work begins, a post card may be sent to all customers on the circuit briefly explaining our plans to clear vegetation on their circuit. Examples of this type of communication are in Exhibit 3.

DAVOX phone calls – Approximately 1 week before work begins, an automated phone call may be sent to all customers on the circuit alerting customer that vegetation work will be starting shortly. Examples of the scripts used for these types of messages are included in Exhibit 4.

Face to face contacts – Before tree crews begin clearing vegetation, contract work planners go house to house where work is needed and attempt to notify customers in person. Their intent is to explain the needed work and answer any questions the customer may have.

Door hangers – If the customer is not home when the work planner visits, a door hanger is left with information about the needed work on their property. A phone number is provided to call if the customer has questions or concerns. Examples of this type of communication are contained in Exhibit 5.

Vacant land – Properties with no home or resident, work planners may ask neighbors for the land owner's contacts, check for ownership in court records or use other forms of technology to determine ownership. Planners may call or send a letter to the owner informing the owner of the needed work.

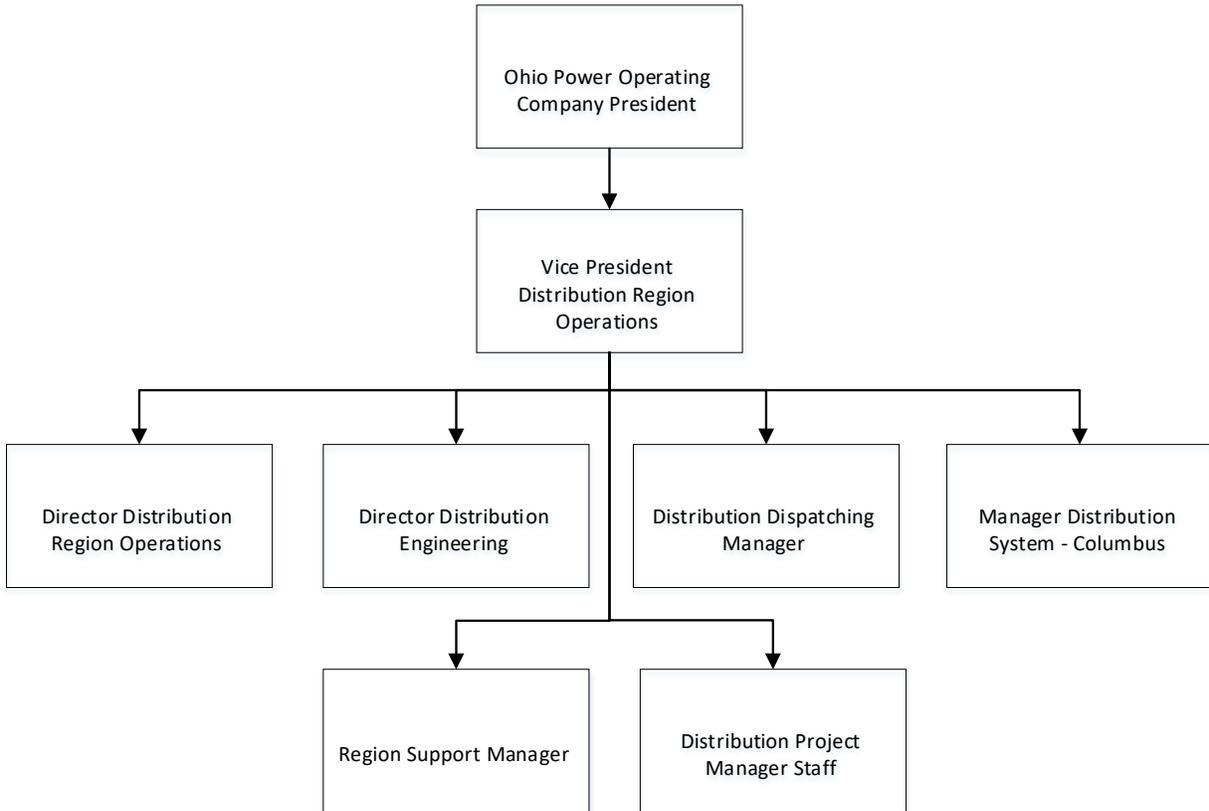
Tree crew notification – When the tree crew arrives at the customers home, a member of the crew will attempt to notify the customer that they are there to perform the planned work.

Forestry information booths – Information booths, staffed by AEP Ohio forestry personnel, were created for the Columbus Home and Garden Show and Ohio State Fair.

Forestry website - A forestry website was created to provide educational materials to customers as well as the ability for customers to submit questions and send photos:

[www.aepohio.com/trees](http://www.aepohio.com/trees)

**Exhibit 1 – AEP Ohio Distribution Operations Organization Chart**



**Exhibit 2 – Reference List for Distribution Standards Manuals**

- AEP Safety Manual – Shown under the safety information in Section (e) of this report
- AEP Distribution Standards Manual
- AEP Customer Communications for Forestry Operations – See Exhibits 3, 4, and 5
- National Electrical Safety Code – Institute of Electrical and Electronic Engineers (IEEE) Standards Association at [www.standards.ieee.org](http://www.standards.ieee.org)
- National Electrical Code -- National Fire Protection Association at [www.nfpa.org](http://www.nfpa.org)



## We recently noticed trees in your neighborhood that are threatening your electric service.

You'll see our crews soon as we work to reduce tree-related power outages in your area.

**See other side for important details. If you're not the homeowner, please pass this information along to the owner.**

## We want to take extra steps to keep your power on and need your help.

Trees and power lines don't always mix. Just one tree limb can knock out electric service for hundreds of customers. Our forestry crews recently noticed trees in your neighborhood that are threatening your electric service. These trees are outside of our established boundaries to trim. We'd like to take extra steps to help prevent future outages by removing hazardous trees that are too close to power lines.

### WHY IS THIS IMPORTANT?

Proactively trimming and clearing trees through our maintenance program has reduced tree-related outages by 80% since 2009.

### NEXT STEPS

A member of our forestry crew will be in your neighborhood soon to mark individual trees that need removed. If trees on your property pose a hazard to power lines, we'll notify you in person, by phone or with a door hanger to obtain your permission before beginning work.

We promise to treat your property with respect and care as we work to keep your power flowing.

**Questions?** Contact our forestry team at [AEPOhioForestry@aep.com](mailto:AEPOhioForestry@aep.com) or call 614-883-6987.

If you're not the homeowner, please pass this information along to the owner.



An **AEP** Company

700 Morrison Road  
Gahanna, OH 43230



# Tree maintenance is scheduled for your property.

See other side for details.

## We want to take extra steps to keep your power on and need your help.

To keep the power flowing, it's important that we maintain trees and brush along the power lines that deliver electricity to your home or business. Tree maintenance is scheduled for your property — that's why you'll be seeing more of us around your neighborhood soon.

### WHAT YOU CAN EXPECT

- A member of our forestry crew will stop by your home to let you know when the work will be completed. If you are not available, you'll receive a door hanger with a phone number to call with questions.
- When crews arrive on your property, they'll knock on your door to inform you before they begin work.
- When the work is complete, crews will remove debris in landscaped areas and cut logs into pieces for you. In non-landscaped areas, branches and logs will be left.



While we try to avoid power outages, if one is needed for crews to safely completely work we'll notify you in advance through an automated phone call or door hanger. Please make sure we have your updated contact info at [AEPOhio.com/Account](https://www.aepohio.com/Account).

**We promise to treat your property with respect and care as we work to improve your electric service.**

For more information about our tree maintenance program, visit [AEPOhio.com/trees](https://www.aepohio.com/trees).

**Questions?** Contact our forestry team at [AEPOhioForestry@aep.com](mailto:AEPOhioForestry@aep.com) or call 614-883-6987.

If you're not the homeowner, please pass this information along to the owner.



An **AEP** Company

700 Morrison Road  
Gahanna, OH 43230



# We're working to reduce tree-related power outages in your area.

You'll see us in your neighborhood in the weeks and months ahead.

See other side for details.

# Did you know that the leading cause of power outages are fallen trees and branches?

We know you love your trees. We love them, too. But trees and power lines don't always mix well. To keep your power flowing, we need to regularly trim and clear trees around power lines and equipment.

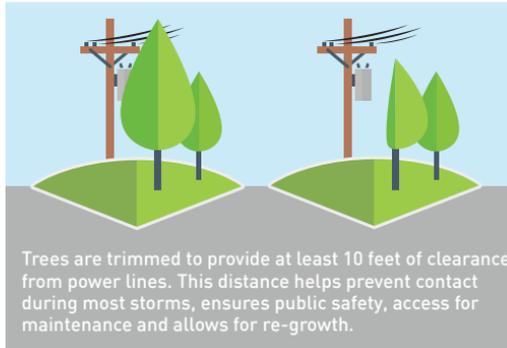
## WHY IS THIS IMPORTANT?

- Reduces the risk of outages. Our maintenance program has reduced tree-related outages by 80% since 2009.
- Eliminates safety hazards if limbs grow too near or into power lines.
- Provides us with easy access for routine maintenance and equipment repairs.

A member of our forestry crew will be in your neighborhood soon to identify trees for trimming or removal.

We will attempt to notify you in person, by phone or through a door hanger before maintenance work is performed on your property.

**We promise to treat your property with respect and care as we work to improve your electric service.**



For more information about our tree maintenance program, visit [AEPOhio.com/trees](https://www.aepohio.com/trees).

**Questions?** Contact our forestry team at [AEPOhioForestry@aep.com](mailto:AEPOhioForestry@aep.com) or call 614-883-6987.

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# AERIAL TREE CLEARANCE/MAINTANCE

When : Beginning approximately on 8/3/2018  
Where: Columbus District - Northwest Area  
Station/Circuit: Minford Minford # 7427101  
Notification : Telephone Message  
Contact: Brandon Hull, 740-529-7989

This is an important message from AEP Ohio about aerial tree trimming with a helicopter that will be done along the circuit that feeds power to your home or business beginning on approximately 8/3/2018 through 8/11/2018.

Clearing trees, limbs and brush from around electric facilities is a necessary part of AEP Ohio's continual efforts to provide safe, reliable electric service to its customers.

Due to the nature of the work, aerial tree trimming may cause temporary interruption to your electric service. We will do our best to minimize any outages that may occur.

We at AEP Ohio appreciate your patience as we work to improve the reliability of your electric service.

We have an email address dedicated to answering tree trimming questions. If you need help, please email [aepohioforestry@aep.com](mailto:aepohioforestry@aep.com). That's [aepohioforestry@aep.com](mailto:aepohioforestry@aep.com). You can also call our 24-hour Customer Solutions Center at 1-800-672-2231. Again, that's 1-800-672-2231. Thank you for your understanding, and for being a valued AEP Ohio customer.

# EMERGENCY OUTAGE

When: August 10, 2018 through October 1, 2018

Where: Columbus District - Northwest Area

Station/Circuit: Circleville East 0014902

Notification: Telephone message

Contact: John Jones, Distribution Line Coordinator, 960-7147

**This is an important message from AEP Ohio about your electric service.**

You will experience an emergency power outage on **Friday, July 10, 2018 from approximately 1:00 p.m. to 3:00 p.m.** Crews will be repairing damage caused by **a tree falling on the line**. Shutting off power will allow crews to safely complete the necessary work needed to keep your power flowing. There's never a good time for the power to be out and we sincerely apologize if this affects your plans in any way. We will always do our best to let you know about non-emergency, scheduled outages well in advance. *If you're a landlord and are responsible for your tenants' power, please be sure to tell them about the outage so they can plan accordingly.* If you have questions, please call our 24-hour Customer Solutions Center at 1-800-672-2231. Again, that's 1-800-672-2231. Thank you for your patience and understanding, and for being a valued AEP Ohio customer.

# GENERAL MAINTENANCE

When: August 19, 2017, 4:00AM to 6:30AM

Where: Columbus District - Northwest Area

Station/Circuit: Ross - Northwest 0022602

Notification: Telephone message

Contact: John Jones, Distribution Line Coordinator, 960-7147

**This is an important message from AEP Ohio about your electric service.**

**You will experience a power outage on Saturday, August 19, 2018 from approximately 2:30 p.m. to 5:30 p.m.** This outage will allow crews to safely make upgrades to the electric grid to help keep your power flowing. **Affected areas include Hickory Drive, Williams Avenue, Stockport Road, and State Route 45 between Hickory Drive and Walnut Avenue.** In the event of bad weather, the outage will be rescheduled for **Monday, August 21, 2018 from 9 a.m. to noon.** *If you're a landlord and are responsible for your tenants' power, please be sure to tell them about the outage so they can plan accordingly.* If you have questions, please call our 24-hour Customer Solutions Center at 1-800-672-2231. Again, that's 1-800-672-2231. Thank you for your patience and understanding, and for being a valued AEP Ohio customer.

# STORM REPAIR

When: July 10, 2017, 1:00 PM to 3:00P M

Where: Columbus District - Northwest Area

Station/Circuit: Dogwood Ridge - Stewart Hollow 7432003

Notification: Telephone message

Contact: John Jones, Distribution Line Coordinator, 960-7147

**This is an important message from AEP Ohio about your electric service.**

You will experience a power outage on **Friday, July 10, 2018 from approximately 1:00 p.m. to 3:00 p.m.** This outage will allow crews to safely make repairs and replace equipment that was damaged by recent storms. In the event of more bad weather, the outage will be rescheduled for **Monday, July 13, 2018 from 1:30 p.m. to 3:30 p.m.** *If you're a landlord and are responsible for your tenants' power, please be sure to tell them about the outage so they can plan accordingly.* If you have questions, please call our Customer Solutions Center at 1-800-672-2231. Again, that's 1-800-672-2231. Thank you for your patience and understanding, and for being a valued AEP Ohio customer.

# TREE CLEARANCE - NO OUTAGE

When: August 10, 2018 through October 1, 2018

Where: Athens District - Lancaster Area

Station/Circuit: Circleville East 0014902

Notification: Telephone message

Contact: CJ White, Distribution Line Coordinator, 960-7147

**This is an important message from AEP Ohio about your electric service.**

Tree crews are working in your area on **Saturday, August 19** to help keep your power flowing. There are tree limbs and overgrown brush threatening power lines close to you and we need to remove them. During this work you may notice tree crews in your neighborhood or in your backyard, but your electric service shouldn't be affected. We appreciate your patience as they complete the work. Keeping trees away from power lines and other equipment helps prevent longer and unpredictable future outages. We have an email address dedicated to answering tree trimming questions. If you need help, please email [aepohioforestry@aep.com](mailto:aepohioforestry@aep.com). That's [aepohioforestry@aep.com](mailto:aepohioforestry@aep.com). You can also call our 24-hour Customer Solutions Center at 1-800-672-2231. Again, that's 1-800-672-2231. Thank you for your understanding, and for being a valued AEP Ohio customer.

# TREE CLEARANCE - WITH OUTAGE

When: August 10, 2018 through October 1, 2018

Where: Athens District - Lancaster Area

Station/Circuit: Circleville East 0014902

Notification: Telephone message

Contact: CJ White, Distribution Line Coordinator, 960-7147

**This is an important message from AEP Ohio about your electric service.**

You will experience a power outage on **Saturday, August 19, 2018 from approximately 4:00 a.m. to 6:30 a.m.** There are tree limbs and overgrown brush that are threatening power lines in your area. Our tree crews need the power turned off to safely work near the lines. This work will help prevent longer and unpredictable future outages by keeping trees away from power lines and other equipment. In the event of bad weather, the outage will be rescheduled for **Monday, August 21, 2018 from 9 a.m. to noon.** *If you're a landlord and are responsible for your tenants' power, please be sure to tell them about the outage so they can plan accordingly.* If you have tree-related questions, please email us at [AEPOhioForestry@aep.com](mailto:AEPOhioForestry@aep.com). That's [aepohioforestry@aep.com](mailto:aepohioforestry@aep.com). Or you can call our 24-hour Customer Solutions Center at 1-800-672-2231. Again, that's 1-800-672-2231. Thank you for your patience and understanding, and for being a valued AEP Ohio customer.



## We recently noticed trees in your neighborhood that are threatening your electric service.

You'll see our crews soon as we work to reduce tree-related power outages in your area.

**See other side for important details. If you're not the homeowner, please pass this information along to the owner.**

## We want to take extra steps to keep your power on and need your help.

Trees and power lines don't always mix. Just one tree limb can knock out electric service for hundreds of customers. Our forestry crews recently noticed trees in your neighborhood that are threatening your electric service. These trees are outside of our established boundaries to trim. We'd like to take extra steps to help prevent future outages by removing hazardous trees that are too close to power lines.

### WHY IS THIS IMPORTANT?

Proactively trimming and clearing trees through our maintenance program has reduced tree-related outages by 80% since 2009.

### NEXT STEPS

A member of our forestry crew will be in your neighborhood soon to mark individual trees that need removed. If trees on your property pose a hazard to power lines, we'll notify you in person, by phone or with a door hanger to obtain your permission before beginning work.

We promise to treat your property with respect and care as we work to keep your power flowing.

**Questions?** Contact our forestry team at [AEPOhioForestry@aep.com](mailto:AEPOhioForestry@aep.com) or call 614-883-6987.

If you're not the homeowner, please pass this information along to the owner.



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# Tree maintenance is scheduled for your property.

See other side for details.

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To keep the power flowing, it's important that we maintain trees and brush along the power lines that deliver electricity to your home or business. Tree maintenance is scheduled for your property — that's why you'll be seeing more of us around your neighborhood soon.

### WHAT YOU CAN EXPECT

- A member of our forestry crew will stop by your home to let you know when the work will be completed. If you are not available, you'll receive a door hanger with a phone number to call with questions.
- When crews arrive on your property, they'll knock on your door to inform you before they begin work.
- When the work is complete, crews will remove debris in landscaped areas and cut logs into pieces for you. In non-landscaped areas, branches and logs will be left.



While we try to avoid power outages, if one is needed for crews to safely completely work we'll notify you in advance through an automated phone call or door hanger. Please make sure we have your updated contact info at [AEPOhio.com/Account](https://www.aepohio.com/Account).

**We promise to treat your property with respect and care as we work to improve your electric service.**

For more information about our tree maintenance program, visit [AEPOhio.com/trees](https://www.aepohio.com/trees).

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Gahanna, OH 43230



# We're working to reduce tree-related power outages in your area.

You'll see us in your neighborhood in the weeks and months ahead.

See other side for details.

# Did you know that the leading cause of power outages are fallen trees and branches?

We know you love your trees. We love them, too. But trees and power lines don't always mix well. To keep your power flowing, we need to regularly trim and clear trees around power lines and equipment.

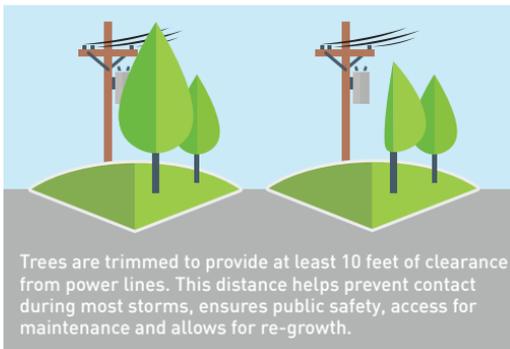
## WHY IS THIS IMPORTANT?

- Reduces the risk of outages. Our maintenance program has reduced tree-related outages by 80% since 2009.
- Eliminates safety hazards if limbs grow too near or into power lines.
- Provides us with easy access for routine maintenance and equipment repairs.

A member of our forestry crew will be in your neighborhood soon to identify trees for trimming or removal.

We will attempt to notify you in person, by phone or through a door hanger before maintenance work is performed on your property.

**We promise to treat your property with respect and care as we work to improve your electric service.**



For more information about our tree maintenance program, visit [AEPOhio.com/trees](https://www.aepohio.com/trees).

**Questions?** Contact our forestry team at [AEPOhioForestry@aep.com](mailto:AEPOhioForestry@aep.com) or call 614-883-6987.

If you're not the homeowner, please pass this information along to the owner.



An **AEP** Company

700 Morrison Road  
Gahanna, OH 43230

American Electric Power  
Ohio Power Company, DBA as AEP Ohio  
Summary of Compliance with Ohio Administrative Code  
Chapter II Section (B) (9) (a) (i, iv and v), (b) (iii and iv) and (i) (i and vi)  
Executive Summary Applicant Utilities'  
Management Policies, Practices and Organization Schedules S-4.2  
Finance and Accounting

Corporate Planning and Budgeting

SFR Reference

(B)(9)(a)(i)	Plant/Facilities Planning Process
(B)(9)(a)(iv)	Customer and usage growth forecasting.
(B)(9)(a)(v)	Demand and capacity load forecasting
(B)(9)(b)(iii)	Budgeting and Forecasting
(B)(9)(b)(iv)	Financial Planning Process and Objectives
(B)(9)(i)(i)	Conservation/Demand-side Management Integrated Resource Planning Process and Objectives
(B)(9)(i)(vi)	Financing Requirements Generated by Demand-side Management and Integrated Resource Planning

I. Policy and Goal Setting

The senior vice president Corporate Planning and Budgeting (CP&B) is responsible for recommending and implementing policies and procedures designed to insure that the corporate financial objectives are achieved and for establishing goals for CP&B. The policies and procedures are reviewed as required by various members of management, including the chief financial officer (CFO), other members of the AEP Executive Council, as well as the AEP Board of Directors as necessary. Periodic reviews of all policies are conducted, and progress reviews also are conducted to monitor goal attainment.

The overall objective of CP&B is to facilitate the operational and financial planning process to meet operating company and corporate objectives. This process results in the development of detailed work plans or budgets for the near-term (one to two years) and spending guidelines to support the long-range (three to 10 years) planning process.

The plan is discussed with the AEP Board of Directors, refined as necessary, and executed. Operational plans include, but are not limited to, the effects of environmental laws, the economy and market conditions affecting customer and demand growth and commodity prices. The financial plan includes the effect of these operational plans with particular attention given to the expected load and resulting revenue and expenses including operations and maintenance expense (O&M), depreciation, taxes and interest. Cash flows also are developed, focusing on cash from operations, cash from investing activities (construction expenditures) and cash from financing activities. This final data also includes resulting earnings projections, balance sheet data and other cash/credit metrics.

The first year of the financial plan becomes the approved or control budget. Actual results each month are compared to the control budget to monitor actual performance relative to the plan. In addition, the current plan year is updated generally as necessary during the year to re-project expected year-end results. To the extent actual results or the re-projections suggest, results are varied from the original plan. Mid-course corrections are recommended and are considered by management as a means to get back on plan.

CP&B's planning analysis & reporting group is responsible for developing O&M and capital budgets in alignment with corporate and operating company financial goals. This group is also responsible for administering the corporate authorization policy, including 1) acquisitions and divestitures, 2) capital and lease improvements, and 3) guarantees. The CP&B responsibility lies primarily in the area of the capital

and lease improvement requisition process, which includes procedures to maximize the delegation of authority without sacrificing control.

CP&B's financial & economic forecasting group coordinates the development of the financial forecasts in coordination with the operating companies to help achieve financial goals. This group also develops load forecasts to support the planning and budgets process.

CP&B's resource planning and operational analysis group provides integrated planning for generation supply and demand-side options necessary to maintain system reliability at the least reasonable cost. Because planning is done on a system basis, there are not equivalent or complementary groups in AEP Ohio. Additionally, this group provides analysis to support corporate initiatives in the areas of alternative energy and emerging technologies.

CP&B's fundamental analysis group provides analysis and projections related to business fundamentals, including, but not limited to, commodity prices. Studies are performed to insure the company is best situated for the future.

All the groups within CP&B maintain various planning models and systems to support this effort and establish all calendars and assumptions, etc., required in support of this collaborative process between the operating companies and AEPSC.

## II. Strategic and Long-Range Planning

The long-term plan covers a period beyond the short-term plan (one-two years). Generally, these plans cover period between five and 10 years but could go beyond depending on the need and the issue being focused on in the plan. The development of the plan starts with a base financial forecast that is used to develop regulatory, financial and tax plans for the forecast period. The regulatory plan is developed in conjunction with the corporate and local regulatory groups. The financing plan is developed with the Corporate Finance Department. The tax planning effort is coordinated with the AEPSC Tax Department. The result of all these planning efforts is included in the final plan and is reviewed by the CFO, members of the AEP Executive Council and the AEP Board of Directors, as necessary. The capital forecast requirements for major projects are a significant driver to these plans and serve as the basis for depreciation, financing and regulatory requirements. The results of this effort also are used to establish other items such as operation and maintenance expense levels and dividend policy, etc.

Special financial studies also are prepared and involve the development and implementation of standard economic methodologies used to calculate minimum revenue requirements on a present value basis. These studies generally center on new plant construction, environmental compliance options and general improvements to existing plants.

These long-term forecast may be used to support various issues under consideration and are included in strategic discussions with senior management and the AEP Board of Directors as necessary.

## III. Organization Structure

CP&B is managed by the senior vice president - Corporate Planning and Budgeting, who reports to the executive vice president - CFO. This position also provides functional direction to AEP Ohio's vice president - Regulatory and Finance by establishing budget guidelines and reporting requirements. In addition, this position also supports regulatory activities, including fuel, base and other types of filings.

As can be seen on the organization chart, attached as Exhibit 1, the department is organized into four sections, planning analysis & reporting, financial & economic forecasting, resource planning and operational analysis, and fundamental analysis. The major practices and activities employed by each section to achieve their goals and objectives include:

Planning Analysis & Reporting:

- Develop O&M and capital budgets in alignment with corporate and operating company financial goals.
- Monitor O&M and capital performance against the control budget including coordinating and preparing variance reports and mid-month estimates as necessary.
- Coordinate budget and reporting system maintenance activities and system enhancements.
- Coordinate, review, and process improvement requisitions (IR) and prepare Subcompanies Board package. Ensure adherence to the Corporate Authorization Policy.
- Coordinate monitoring of company-wide performance measures, including development and monitoring of Finance goals.
- Prepare O&M and capital budget presentations as needed to support AEP Strategic Plan, Rating Agencies and other key deliverables.

Financial & Economic Forecasting:

- Develop operating company financial forecasts, as necessary to support the planning and budgeting process focusing on both EPS and cash flow requirements.
- Develop load forecasts to support the planning and budgets process.
- Monitor and analyze actual performance against the control budget. Recommend mid-course corrections as required.
- Coordinate the development of the regulatory plan to be included in financial forecasts and other regulatory studies.
- Prepare other financial studies and analyses, as requested by senior management.
- Utilize staff as part of a team effort to complete section's work requirements allowing for personal growth and individual employee development.

Resource Planning & Operational Analysis

- Coordinate AEP's Integrated Resource Planning (IRP) cycle for the East (PJM) and West (SPP) zones.
- Provide appropriate level of support (e.g. testimony, studies, and responses to RFI's) for all known or emerging regulatory filings and data requirements.
- Develop AEP and operating company-specific capacity & energy resource (i.e. IRP) plans for known or emerging state-required filings.
- Continually investigate replacement of current dispatch/production costing as well as (L/T) resource optimization planning processes through implementation of alternative applications, including required enhancements.
- Make integrated resource planning (IRP)-related presentations to internal stakeholders to foster a better understanding of complex resource planning issues.
- Provide analysis to support corporate and state initiatives in the areas of alternative energy and emerging technologies.

Fundamental Analysis

- To serve the company in fundamental analysis of various key commodities.
- Present analysis for the objective of making sure the company is best situated for the future.
- Assist in near term issues in order to increase value to the company and assist our long-term goals.
- The company is in the business of power in the long-term and for that reason we strive to obtain the best power price forecast above all other considerations.
- Appropriate balance between all the issues of power are needed.

#### IV. Decision Making

Decision making with respect to budget spending levels is based on an evaluation of work requirements and projected earnings performance. As part of the budgeting process, each operating company prepares a budget that identifies the work and dollar requirement. Those estimates are based on wage, salary and inflation guidelines provided by the senior vice president - Corporate Planning and Budgeting. These factors consider the projections of various forecasting agencies and industry surveys. These factors are reviewed by the executive council and evaluated in the context of what work needs to be accomplished and the resulting effect on financial performance.

Decision making with respect to authorization of capital expenditures is based on the evaluation of the capital forecast -- which describes the AEP System's (by operating company) overall capital spending plans -- and a review of specific improvement requisitions. Approval of any project involves a review of the project's economic justification. The approval process places the highest priority on work required due to safety concerns or projects mandated by regulatory agencies, followed by discretionary work. These decisions are made daily by managers in AEPSC or the operating company as described above or in the context of the approved financial plan.

The financial and economic forecasting group is responsible for the development of the customer count, load and demand forecast to be used to support the planning and budgeting process. The load forecast is prepared by FERC accounting revenue class with input about large customers coming from field representatives. The projections are presented and reviewed by AEPSC and operating company management.

The resource planning and operational analysis group works with operating company management(s) to ensure that the AEP System plan is consistent with operating company strategy and jurisdictional requirements. Including renewable and demand-side options to support AEP System goals is done only after careful consideration of jurisdictional requirements and/or desires.

While the integrated resource planning process is critical for determining the necessity, type and timing of resource additions, the absolute decisions for procurement and operational requirements rests with operating company management.

Demand-side options, including: energy efficiency, demand reduction and distributed generation are analyzed for cost-effectiveness within the context of the total resource plan. Supporting analyses and testimony are provided to operating companies as warranted. Coordination between resource planning and operating company demand-side management coordinators takes place to ensure short-term implementation plans and longer-range assumptions are tied together, and that actual experience is reflected in longer-term planning.

Demand-side resource levels included for long-range planning are determined with consideration of multiple factors. These factors include: AEP corporate goals, the presence of regulatory or statutory goals or mandates within a jurisdiction, the regulatory and stakeholder appetite for demand-side management spending within a jurisdiction, the requirement or need for resources of any type and any experience gained.

Implementation of demand-side programs is carried out at the operating company level. This includes stakeholder processes, determination of specific programs, contractor selection and monitoring, and program evaluation.

#### 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 as of the date of this filing 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 one legal entity, Ohio Power Company. Ohio Power Company is a registered issuer under federal securities acts; has independent access to public capital markets through which it continually raises capital. Ohio Power Company is independently rated by the nationally recognized statistical credit rating agencies. Ohio Power Company 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 October 17, 2012, the Commission approved AEP Ohio's current corporate separation plan, filed March 30, 2012, and 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. 12-1126-EL-UNC). With its corporate separation plan, 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 avoids unlawful cross-subsidization. The company's 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

CP&B -- primarily the financial and economic forecasting and planning analysis & reporting -- in conjunction with the operating companies and other groups within AEPSC, is responsible for forecasting AEP's revenue and expenses in future years. While the length of the forecast period can vary, generally, a two-year cycle is used for developing financial plans and forecasts. During the fall of the year preceding the budget year, a financial plan is developed and approved. During the year of the approved budget, actual results are compared to the budget each month to monitor progress toward achieving the established or approved budget. In addition, periodic updates are prepared to reassess where CP&B expects the company to be for the total year. These projections take into account actual results to date and a re-projection of the remaining months. These results are shared with management, and it allows them to modify the current year's plans if the expected results are out of line from the original plan or target.

The planning analysis & reporting group administers the authorization policy for the AEP System. This process serves as the basis for the delegation of authority in the area of acquisitions and divestitures, capital and lease improvements, and guarantees. The process for capital and lease improvement includes verifying that requested funds have been included in the financial plan. Prioritization of project requests focuses on safety concerns and regulatory mandates. Any discretionary projects generally are prioritized on the basis of economics.

As a function of the resource planning group's obligation to produce the resource plan, it must consider, analyze and incorporate the effects of known or potential legislation and rulemaking — at both a national

and state/jurisdictional level — as well as long-range forecasts of load and demand, commodity prices (including power prices, coal prices, natural gas prices, etc.), and the cost and performance parameters supporting various supply and demand-side alternatives. The resulting short-term and long-term resource planning then feeds AEP's, as well as each operating companies' -- including AEP Ohio -- financial and capital planning processes.

## VII. Internal and External Communications

CP&B maintains a secured internal website to enhance its internal communication. The website includes the planning calendars and the assumptions in support of each plan being developed. In addition, the website also serves as a repository for basic work products by all groups within CP&B.

The following reports are prepared, distributed and posted monthly:

- monthly earnings meeting;
- operating company budget variance reports – actual vs. budget; and
- operating company quarterly variance reports – actual vs. prior year actual.

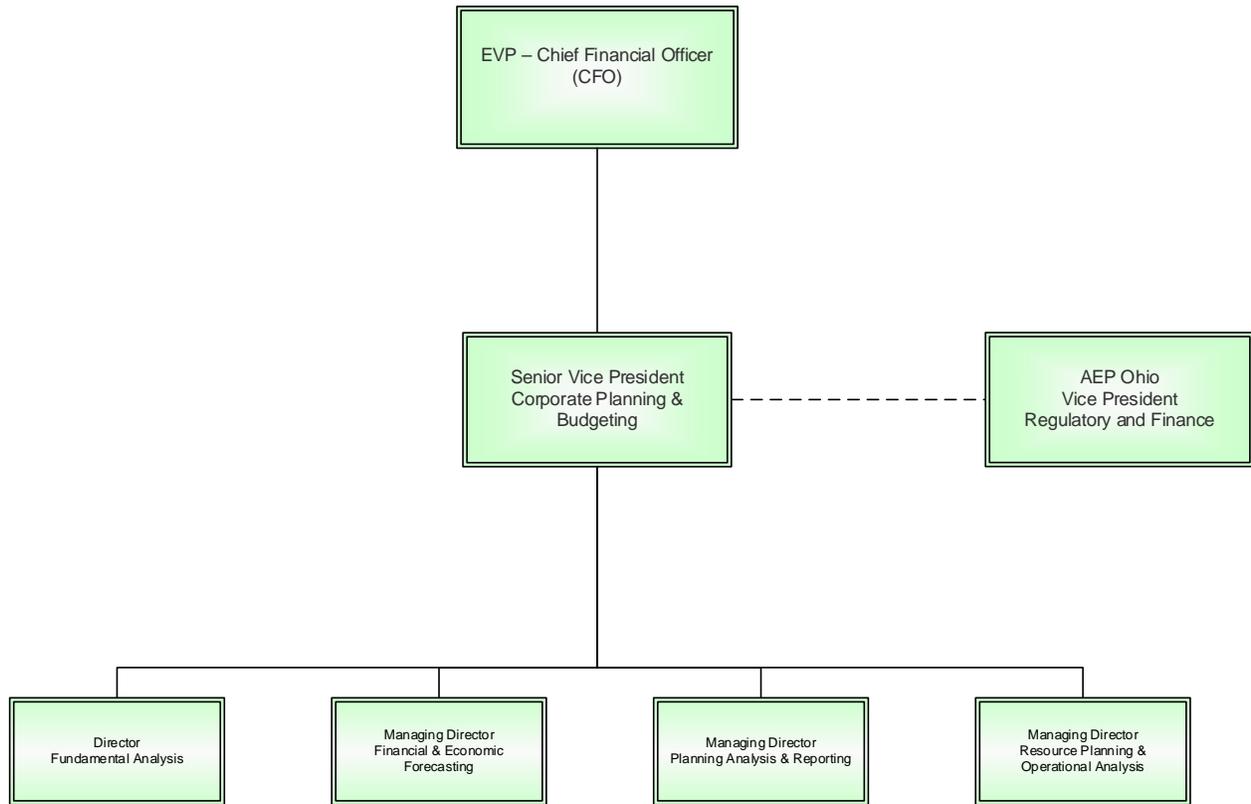
During plan development, additional formal communication is required. Meetings are held to ensure all parties are staying on schedule and any issues with respect to assumptions or data requirements are resolved as they are identified. Meetings generally occur with the following groups:

- analysts within CP&B;
- CP&B, corporate finance, accounting and tax; and
- CP&B, business function contacts and operating company employees.

In addition, numerous informal meetings (via phone calls or email instant messaging) are held with individuals across the system on an as needed basis.

During plan development, assumptions and results are reviewed monthly with AEP senior management. The final plan is issued internally to senior managers and posted on the company's internal website. The elements of the plan are used in external communications, and the plan is filed with regulatory bodies as required by rule or statute.

**Exhibit 1 – Corporate Planning and Budgeting Organization Chart**



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

SFR Reference

- (B)(9)(a)(ii) Operations and Maintenance Policies and Procedures  
(B)(9)(a)(iii) Plant Productivity and Performance Evaluation – Engineering Services

I. Policy and Goal Setting

The vice president - Engineering Services is responsible for leading and managing the activities of the Engineering Services group with respect to fulfilling the engineering needs of fossil and hydro power plants (nuclear power is excluded) on the AEP System with:

- the operation and maintenance of the existing units; and
- the engineering of new equipment and systems including environmental retrofits and new generating units.

Progress with achieving Engineering Services' goals is reported by the directors and managers of the group to the vice president - Engineering Services on a periodic basis. These goals, as well as group policies, are in turn reviewed by the vice president - Engineering Services with the group's directors and managers, individually, and discussed and approved as necessary in meetings with the executive vice president – Generation, and the senior vice president - Fossil & Hydro Generation, as necessary and appropriate. Periodic review of policies also occurs, as required, to meet changes that are dictated by defined requirements. Progress reviews of goal attainment are conducted by the group's directors and managers with division staff and with the vice president - Engineering Services throughout the year.

Typical criteria used for the establishment of policies and goals of the Engineering Services group are:

1. management of financial resources budgeted for the operation and maintenance (O&M) expenses of the existing power plants;
2. management of financial resources budgeted for the engineering, design, and construction capital requirements of new equipment, systems, and generating units, as well as the capital requirements to maintain and refurbish existing units;
3. forecast by the system operations of electric power generation requirements;
4. improvement of the availability and reliability of the generating units, judged against historic averages and trends within the electric utility industry;
5. improvement of the overall thermal efficiency (heat rate) of the generating units, as compared to historic averages and trends within the electric utility industry;
6. operation of the generating units within limits established by the various Federal, State and local regulatory agencies;
7. complying with engineering standards established within the industry and by nationally recognized technical codes and standards; and

8. complying with Federal Energy Regulatory Commission (FERC), North American Electric Reliability Corporation (NERC) and Regional Reliability Organizations' requirements for bulk power system reliability and protection of Critical Assets.

## II. Strategic Planning and Asset Health Reviews

The Engineering Services group, under the direction of the vice president - Engineering Services, assists in the development of and implementation of the Fleet Asset Health Review, as it relates to the design basis for operation, maintenance, and overall design of the existing fossil and hydro plants. The Fleet Asset Health review process has been implemented with guidance from the Generation multi-year strategic plan, which includes maintaining the power generating fleet. The Asset Health review process evaluates existing plant equipment and the status of systems, identifying liabilities or issues that require attention. These liabilities are assessed and reported annually through asset health reports. After liabilities are identified and documented, risk analyses are performed and long-range planned outage schedules are established to mitigate the risks. As part of the process, if funding is not identified for projects, then contingency plans are developed.

Strategic planning is performed annually to align Engineering Services' goals and initiatives with those of Generation and AEP executive management. Additionally, strategic planning includes the on-going succession identification process designed to timely determine candidates for key company positions and to assure their development to meet position requirements to maintain the high level of management expertise necessary to manage the enterprise effectively. This succession planning is an AEP System requirement.

## III. Organization Structure

The Engineering Services group is managed by the vice president - Engineering Services who reports to the executive vice president - Generation.

The Engineering Services group is organized into five major areas, with each managed by a director: Coal Combustion Residuals (CCR) and Dam Safety; Digital Engineering Technologies; Electrical, I&C, Project Engineering and New Project Development; Mechanical, Civil, and Chemical engineering; and Plant Engineering and Compliance Programs.

The Coal Combustion Residuals (CCR) and Dam Safety group monitors and oversees regulatory compliance activities associated with AEP's CCR impoundments and Dams.

The Digital Engineering Technologies area consists of an Analysis & Performance team focused on data analytics, digitalization and performance improvement of the existing generating fleet, and a New Technology Development team focused on digital innovation opportunities and new technologies for advanced power generation.

The Electrical, I&C, Project Engineering & New Project Development Engineering department contains five sections, with each managed by a manager: Electrical Engineering Services; I&C (Instrumentation & Controls) engineering; interconnection planning; new project development; project engineering & and engineering work control/project logistics (technical support).

The mechanical, civil, and chemical engineering department contains six sections, with each managed by a manager: Balance of Plant (BOP) Engineering and Design; Geotechnical Engineering; Integrated Emissions Controls and Chemical Engineering; Steam Process and Welding Systems Engineering Structural Engineering and Design; and Turbine Engineering.

The Plant Engineering and Compliance programs Department contains four sections, with each managed by a manager: NERC Reliability Assurance; Regional Engineering Services (East and West); and USTI.

An organizational chart of Engineering Services is shown as Exhibit 1.

#### IV. Decision-Making

Many technical decisions are made daily by the managers, supervisors, engineers, designers and other specialists within Engineering Services. Criteria for these decisions include AEP specific design criteria, AEP specific engineering guidelines, AEP specific installation standards, good engineering practice, established codes, standards, and applicable regulations. Additionally, Engineering Services work practices and procedures are aligned and performed in accordance with the AEP Generation's quality assurance program.

Decision making, with respect to the purchase of equipment and material, and the awarding of service contracts, normally involves competitive bidding with a recommendation by one or all of the areas within the Engineering Services group, and the express approval by the appropriate level of management within AEP Ohio and AEPSC.

Criteria for these procurement decisions are in accord with the official policies and practices of the AEP System as filed with FERC. The overall objective of these policies and practices is lowest evaluated cost consistent with required delivery dates, technical specifications and projected service requirements.

These decisions are reviewed with the vice president - Engineering Services, as appropriate. In addition, decisions are made relating to the initiation, award, and administration of blanket and major service contracts, which are reviewed and approved by appropriate levels of management.

Daily decisions are made by the managers of sections within each area of Engineering Services relating to the technical support required by the existing fossil and hydro plants and all aspects of the design, construction, and startup of new equipment.

These decisions are reviewed with the vice president – Engineering Services, as appropriate and other members of senior AEP Ohio and AEPSC management, as required.

#### 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 as of the date of this filing 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
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AEP Ohio consists of one legal entity, Ohio Power Company. Ohio Power Company is a registered issuer under federal securities acts; has independent access to public capital markets through which it continually raises capital. Ohio Power Company is independently rated by the nationally recognized

statistical credit rating agencies. Ohio Power Company 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 October 17, 2012, the Commission approved AEP Ohio's current corporate separation plan, filed March 30, 2012, and 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. 12-1126-EL-UNC). With its corporate separation plan, 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 avoids unlawful cross-subsidization. The company's 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

Due to the highly interrelated nature of the engineering, design, construction, operation, and maintenance processes, it is generally not meaningful to assess individually the performance of each area of the Engineering Services group that is involved in execution of these processes. For that reason, overall performance indicators for the entire Engineering Services group have been identified.

The execution of various functions and objectives are monitored and evaluated continuously by Engineering Services. This activity includes the following control and performance indicators:

1. budgetary guidelines are established annually by senior management. Each section prepares personnel, salary, and expense budgets in accordance with guidelines. The vice president - Engineering Services is responsible for controlling expenditures within the group's approved budget. Monthly reviews are conducted and quarterly explanations of deviations from the approved budget are prepared for senior management. Necessary action is taken to reduce costs when actual costs exceed the amount budgeted;
2. when control measures indicate a negative deviation from desired goals and objectives, action is taken to correct procedures along with reexamination of goals for reasonableness and/or to determine if the result is due to personnel issues. If the problem is personnel-related, steps are taken, in consultation with the AEPSC System Human Resources, to resolve the situation;
3. the operational success of the existing fossil and hydro units is measured by their ability to meet the AEP System's short- and long-range internal electrical load requirements, as well as the AEP System's goal for outside electric sales requirements while maintaining capital and O&M expenditures consistent with its financial performance objectives. This total performance is measured by the comparison of O&M costs per kilowatt-hour and capital costs per kilowatt to the units of other companies within the industry, as well as individual unit and plant performance indicators such as equivalent availability factor (EAF), equivalent forced outage rate (EFOR), and thermal heat rate; and
4. for the installation of new equipment, success is measured by the completion, start-up, and operation on-time, and within capital budget costs to meet the project requirements (including performance) for reliable, low-cost environmental control systems and new generation.

## 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, including electronic mail.

In the performance of the practices employed by the Engineering Services group to achieve its objectives, members of each division, as required, consult internally prepared quality assurance program quality assurance documents such as Standard Operating Procedures and Guidelines, standard industry reference works, and other documents related to a particular practice or function. A representative list of such manuals and reference works is provided as Exhibit 2.

### Internal

The Engineering Services group has various avenues available to optimize internal communications in facilitating achievement of engineering objectives. The vice president - Engineering Services is in frequent communication with the executive officers of AEPSC with respect to existing and future fossil plants. Such officers include the senior vice president - Fossil & Hydro Generation, vice president of Projects, Controls & Construction, executive vice president - Generation, and other members of the office of the chairman.

Internal communications within Engineering Services consist of weekly staff meetings involving directors and section management as well as special meetings involving supervisory staff, and employees to discuss company policies, business developments, or general issues of current concern. Safety meetings are held quarterly for all Engineering Services employees. In addition, informal meetings are held almost daily with Engineering Services employees to discuss safety, work assignments, work schedules, cost implications, and to provide employees an opportunity to also discuss problems, concerns and suggestions. Formal job performance reviews are, at a minimum, conducted by supervisory staff with every employee once per year and more frequently if warranted. Mid-cycle performance reviews also are now included in the job performance review process.

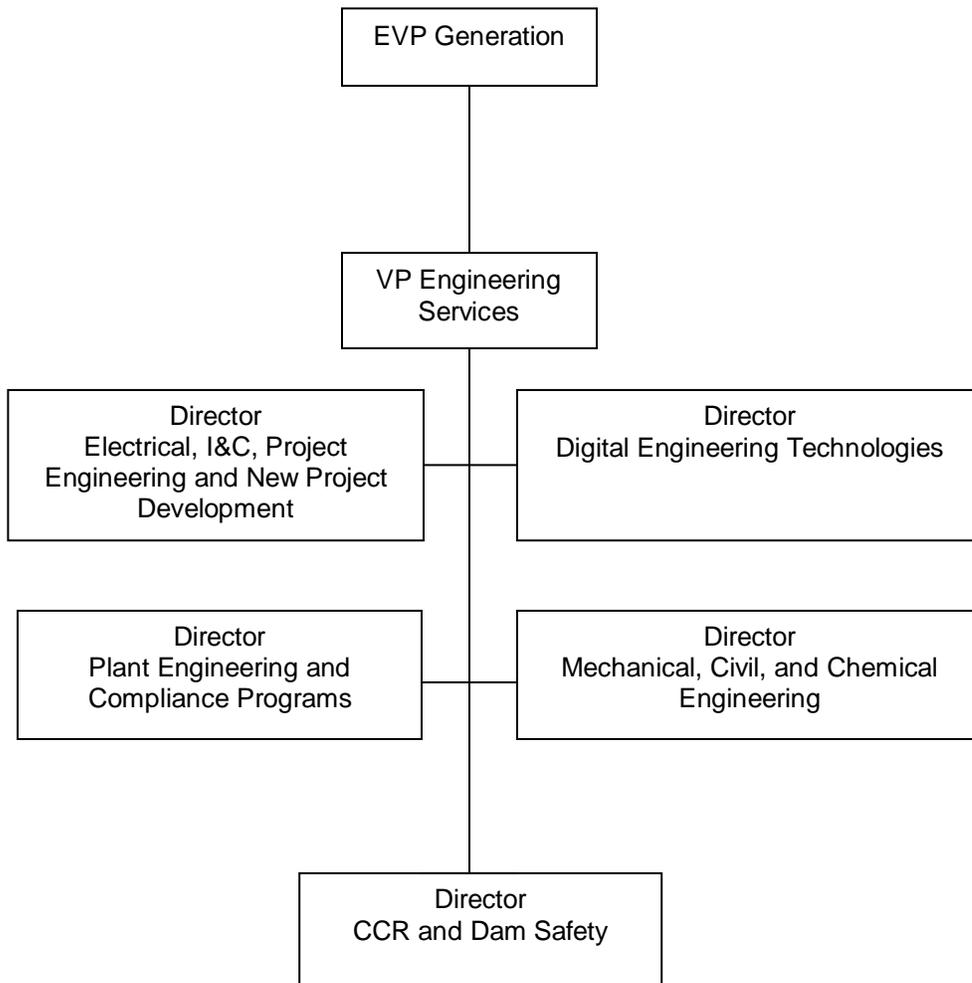
The vice president - Engineering Services routinely attends staff meetings with members of Engineering Services section management. Internal communication between Engineering Services staff and other AEPSC personnel is conducted as required. Such communication, primarily with personnel of the Fossil & Hydro Generation group, includes matters related to the operations and maintenance of existing fossil and hydro plants, such as outage scheduling or engineering recommendations.

### External

External communication is maintained with vendors of goods and services to AEP System companies' fossil and hydro plants relating to purchase orders, change orders, requests for quotation, blanket orders and contracts. In addition, correspondence is sent and received from suppliers relating to the needs of the existing and future fossil plants. All areas of Engineering Services have telephone conversations with suppliers regularly in the normal course of business and visit supplier's facilities when required.

**Exhibit 1 – Engineering Services Organization Chart**

AEP Corporate Organization Chart  
For Engineering Services



SOP	Operating Instruction	Guideline	Job Aide
	TC-OI-001 - Foreign Material Exclusion FME for Combustion Gas Turbine	EG-008 - Engineering Project Drawing Issue Distribution for FGD Program EG-012 - Electrical I&C Drawing QA/QC IGCC-160 - Action Items Issues Restraints Database IGCC-300 - Design Review Procedure NGG-730.01 - equipment and Component Identification Guideline NGG-730.02 - Drawing Numbering and file Naming Guideline OMG-001 - Outage Management PG-228 - Operating Procedures PG-310 - Spare Parts RSO-G-002 - Notification of Cost Overrun TCG-001 - Foreign Material Exclusion FME for Turbine Projects	
SOP-410.01 - NERC CIP Compliance and Cyber Security	E-OI-410.01 - Cyber Asset Identification and Categorization E-OI-410.03 - Config Change Mgmt on Gen Cyber Assets for Compliance with NERC Reliability CIP-010 E-OI-410.04 - Security Patch Mgmt on Gen Cyber Assets for Compliance with NERC Reliability CIP-007		
SOP-430 - Control of Documents	EPFS-OI-430.05 - Major Project and Outage Document Control QMSU-OI-420.01 - Glossary of Terms QMSU-OI-420.01 - Writing a Quality Document QMSU-OI-423.01 - Document Management and Control QMSU-OI-423.06 - Vendor Document Document Submittal QMSU-OI-423.07 - AEP Issued Drawing Distribution QMSU-OI-430.02 - Revising A Quality Document QMSU-OI-430.03 - Inactivating a Quality Document QMSU-OI-430.04 - Converting a Quality Document to another Level of Documentation	CG-423.01 - Field Document Management and Control	
SOP-440 - Control of Records	E-OI-440.01 - Documentum Entry (Engineering Object) E-OI-440.02 - Eng Servs Checklist Archiving Process		
SOP-440.01 - Engineering Records			
	E-OI-622.01 - New Hire Onboarding Process	CG-620 - Construction Full Time Employees on Temporary Assignment EG-622 - Engineering Services Personal Development Rotational Program	JA-E-622 - PE Continuing Education Process JA-CG-622.01 - Contractor Cultural Integration
	QMSU-OI-630.01 - Accounting Guidance - Recordation of Training Costs for Major Projects QMSU-OI-630.02 - Generation Flexible Spend Process	EG-630 - Civil Engineering Guideline for Performing Inspections	

SOP	Operating Instruction	Guideline	Job Aide
	RSO-OI-700.01 Current Transformer Bump Procedure		
SOP-710 - Planning of Product Realization	C-OI-710.01.02 - Creating Environmental Subsidiary Plans E-OI-710 - Work Initiation, Planning and Execution E-OI-710.01 - Electrical and Controls Work Execution E-OI-710.02 - Civil Engineering Department Work Execution E-OI-710.03 - Task Initiation and Planning E-OI-710.04 - Emergency Work Requests E-OI-710.05 - Mechanical Engineering Work Execution QMSU-OI-710.01 - Scalable Project Delivery Models (SPDM) QMSU-OI-710.01.01 - Strategic Capital Prioritization Process (SCPP) Reg Gen QMSU-OI-710.01.02 - PPB Project Budgeting Process	CG-710.01 - Construction Management Program CG-710.01.01 - Construction Subsidiary Plan CG-710.01.02 Construction Subsidiary Plan CG-710.01.03 - Construction Administrative Associate Roles and Responsibilities CG-710.01.04 - Construction Execution Plan CG-710.03 - Severe Weather Action Plan EG-710.01 - Engineering Lead Responsibilities PG-710.01 - Startup Schedule PG-710.01.01 - Project Initiation and Planning PG-710.01.02 - Startup Subsidiary Plan PG-710.01.03 - Project Risk Management PG-710.01.04 - Stakeholder Analysis & Project Communications QMSU-G-710.01 - Generation Business Case and Project Data Sheet QMSU-G-710.02 - Risk-Balanced Technical Option (RBTO) Development and Documentation QMSU-G-710.03 - Heavy Earthwork Process	JA-E-OI-710 - Project Task QA Compliance Strategy JA-C-710.01 - Standard Construction Terms and Definitions PG-710.01.01 - Job Aide for Hazardous Chemical Project Planning PG-710.01.01 - Job Aide for Initiation and Execution of a Stakeholder Schedule Development (Storyboard) Meeting PG-710.01.01 - Job Aide For Storyboard Process Map JA-PG-710.01.01 - Job Aide #3 for Project Acceptance/Support by the Projects Organization PG-710.01.03 - Example Risk Identification Questionnaire PG-710.01.03 - Job Aide for Initiation of Risk Identification & Review Workshops PG-710.01.03 - Job Aide for Constructability Narrative PG-710.01.03 - Job Aide for Red Team Reviews JA-PG-710.01.05 - Job Aide for Risk Modeling JA-PG-710.01.05.01 - Schedule Risk Modeling JA-QMSU-710.01.01 - Project Management Fundamentals
	QMSU-OI-722.01 - External Customer Service Request Process QMSU-OI-722.02 ID, Specifying Req Carbon Steel Pipe and Fitting Components for High Risk Systems QMSU-OI-727.02 - Id, Spec & Req Carbon Steel Pipe and Fittings, Components for High Risk Systems	PG-721.01 - Startup Estimate RSO-G-722.03 East Resource Allocations	

SOP	Operating Instruction	Guideline	Job Aide
SOP-730 - Design and Development	C-OI-730.05.01 - Rigging and Hoisting E-OI-730.01 - Critical Calculations E-OI-730.02 - Drawings E-OI-730.02.01 - CAD File Management E-OI-730.02.02 - CAD Application Management E-OI-730.03 - Design Basis Document Approval E-OI-730.03.01 - Engineering Reports and Studies E-OI-730.04 - Transmission Relay Loadability Evaluation E-OI-730.04.01 - Technical Specifications E-OI-730.05 - Technical Procedures E-OI-730.11 - Engineering Estimates E-OI-730.12 - NERC PRC-005 Applicable Protection System Automatic Reclosing and Sudden Pressure Relaying Identification E-OI-730.12.05 - NERC PRC-024 Applicable Protection System E-OI-730.13 - System Protection Coordination E-OI-730.21 - Generator Frequency and Voltage Protection System Settings Evaluation C-OI-730.12.02 - Electric Lines and Equipment Clearance EPFS-OI-730.04.01 - Updating Engineering Design Criteria QMSU-OI-730.11 - Estimating and Contingency QMSU-OI-730.12.01 - Safety in Design Checklist	EG-730.02.02 - Mechanical Drawing Approval Requirements EG-730 - Architect Engineer Guide EG=730.01 Critical Calculation Number and Assignment and Storage for Mechanical Engineering EG-730.02.01.01 - CAD File Approval EG-730.02.01.02 - CAD File Title Block Standards EG-730.02.01.03 - CAD File Project Structure QMSU-G-730.11.01 - Estimating and Contingency - Complex Projects QMSU-G-730.11.02 - Estimating and Contingency - Intermediate Projects QMSU-G-730.11.03 - Estimating and Contingency - Base Projects RSO-G-730.01 - Rigging Guideline RSO-G-730.12.001 - Job Safety Analysis Procedure	JA-E-OI-730.01 - Critical Calculations JA-E-OI-730.02 - Drawings JA-E-OI-730.03.01 - Engineering Reports and Studies JA-E-OI-730.04.01 - Technical Specification JA-E-OI-730.05 - Technical Procedure JA-E-OI-730.11 - Job Aide for Engineering Estimates JA-EG-730.03.01 - Control Network One-Line Drawing Approval JA-NT-730 - New Technology Development & Policy Support
SOP-730.06 - Vendor Document Review		EG-730.02.01.04 - CAD File Transfers EG-730.02.01.05 - CAD File External Use EG-730.02.02.01 - CAD Application AUTOCAD Configuration EG-730.02.02.02 - CAD Application Micro Station Configuration EG-730.02.02.03 - CAD Application Supplemental Title Blocks EG-730.02.02.04 - CAD Application Translations EG-730.02.02.05 - CAD Application Distribution EG-730.02.05 - AEPSC - Drawing Content Guideline EG-730.02.07 - Hazardous Area Electrical Classification for AEP Generation Facilities EG-730.03.01 - Electrical and Instrumentation & Control Drawing Approval Requirements EG-730.03.02 - System Description Development PG-731.01 - Turnover Packages/Project Punch List	
SOP-732 - Design Requirements, Review and Documentation			
SOP-734 - Design Review	E-OI-734 - Design Review	EG-734 - Design Review Procedure	JA-EG-734.01 - Technical Risk Assessment Tool
SOP-734.02 - Personnel Safety Design Configuration Requirements			
SOP-736 - Design and Development Validation	QMSU-OI-736.01 - Post-Project Lookback		
	E-OI-737 - Design Configuration Control P-OI-737.01 - Temporary Modifications	PG-737.01 Project Scope Change	

SOP	Operating Instruction	Guideline	Job Aide
SOP-740 - Procurement		PG-740.01 - Conducting a High Risk Component Supplier Evaluation PG-741.01 - Contract Development Process	
	P-OI-743.01 - Commissioning Program	PG-743.01 - Commissioning Roles and Responsibilities	
SOP-750 - Analytical Chemistry Service SOP for Large Projects and Non-Routine Projects		PG-750.01 - Project Permitting and Licensing	
SOP-751.01 - Maintenance Work Packages	C-OI-751.01 - Close Out or Transfer of Environmental Permit/Programs(s) Responsibilities QMSU-OI-751.01 - Deviation/Variance from a Guideline QMSU-OI-751.02 - Quality Assurance Administrative Revisions to Documents	CG-751.00.01 - Controlling Fugitive Dust Emissions CG-751.00.02 - Managing Universal Waste CG-751.00.03 - Managing Temporary Sewage Systems CG-751.00.04 - Implementing Spill Prevention, Control and Countermeasures Plans (SPCC) CG-751.00.05 - Preventing Storm Water Pollution CG-751.00.06 - Management of Used Oil CG-751.00.07 - Protecting Wetland Resources CG-751.00.08 - Management of Hydrostatic Testing Water CG-751.00.09 - Managing Construction & Demolition Debris CG-751.00.10 - Managing Hazardous Waste CG-751.00.11 - Documenting Ozone Depleting Substances CG-751.00.12 - Protecting Cultural and/or Historical Resources CG-751.00.13 - Environmental Discharges, Spills or Releases During Construction or Commissioning Activities CG-751.00.14 - Planning for On-site Bulk Chemicals CG-751.00.15 - Environmental Work Compliance Assessment (EWCA) Tool EG-751.01 - As Built Mark-Up Guideline QMSU-G-751.01 - Implementation of Generation Contrator Supplemental Safety and Health Requirements	JA-CG-751.00.01 - NESHAP Notifications JA-CG-751.00.02 - Naturally Occurring Radioactive Materials - NORM JA-CG-751.00.04 AST Setup Checklist JA-CG-751.00.11 - HVAC/MVAC Equipment Servicing JA-CG-751.00.13 - Cleaning Up Sewage Spills
SOP-751.02 - Project Closeout	QMSU-OI-751.03 - Project Closeout		
SOP-751.03 - Specialty Tools			

SOP	Operating Instruction	Guideline	Job Aide
SOP-751.04 - Control of Production and Services	C-OI-751.04.01 - Permit Required Work C-OI-751.04.03 - Mid-Span Cable Cutting C-OI-751.04.04 - Temporary Power - Breaker Resetting C-OI-751.04.05 - Entry and Working in Existing Cable Vaults and Electrical Manholes Containing Energized Cables C-OI-751.04.06 - Hot Work Permit EPFS-OI-751.04.01 - Fiberglass Reinforced Plastic Pipe Bonding Procedure Specification Development EPFS-OI-751.04.02 - Fiberglass Reinforced Plastic Pipe Bonding Performance Qualification Training Program EPFS-OI-751.04.03 - Fiberglass Reinforced Plastic Pipe Traveler EPFS-OI-751.04.04 _ Hydrostatic Testing of FRP Pipe EPFS-OI-751.04.05 - Fiberglass Reinforced Plastic Bonding and Repair Checklist EPFS-OI-751.04.06 - Hard Helmet Inspection, Maintenance and Replacement FS-OI-751.01.01 - Weld Traveler Documentation & Tracking Process	CG-751.04.02 - Construction Technology and Estimating CG-751.04.03 - Site Conditions Estimate CG-751.04.05 - Rented-Leased Mobile Equipment Inspection Report CG-751.04.06 - Project Materials Management	
SOP-752 - Validation of Processes for Production and Service	FS-OI-752.01.01 - Boiler Work Foreign Material Exclusion FME Requirements	PG-752.01.01 - Testing PG-752.01.02 - Mechanical Component Test Plan PG=752.01.03 - Rotating Equipment Vibration Testing PG-752.01.04 - Water Systems Flushing and Cleaning PG-752.01.05 - Cleaning of Air, Co2, H2 and Natural Gas Systems PG-752.01.06 - Fire Protection System Startup PG-752.01.07 - Valve Checks and Inspections PG-752.01.08 - I/O Loop Verification PG-752.01.09 - Acceptance of Cranes, Hoists and Monorails Permanently Installed in Plants	
SOP-752.01 PFS Quality Oversight Program	P-OI-752.01.01 - Quality Oversight Plans P-OI-752.01.02 - Quality Observation Program P-OI-752.01.04 - Surveillance and Assist Visits		
SOP-754 - Customer Property			
SOP-755 - Preservation of Product		CG-755 - Commissioning and Construction Interface EG-755.01 - Dispositioning Capitalized Spare Parts Identified by Facilities as no longer needed PG-755.01 - Projects Closeout	
	P-OI-760.01 - Project Cost and Schedule Controls	CG-760.01.01 - Project Cost Management PG-760.01.01 - Cost Control Methods and Reporting PG-760.01.02 - Project Schedule Development, Level Definition	
SOP-760.01 - AEP Generation Protection System Maintenance Program (PSMP)			
SOP-760.03 - Calibration of Measuring Devices	EPFS-OI-760.01 - Thermal Scientific Niton SRF Analyzer		
SOP-821.01 - Performance Improvement Survey			

SOP	Operating Instruction	Guideline	Job Aide
SOP-822 - Internal Audits	EPFS-OI-822.01 - Conducting a Routine Internal Audit EPFS-OI-822.02 - Conducting as ASME Part Supplier Evaluation EPFS-OI-822.03 - Conducting a Part Supplier Evaluation - Pressure Retaining Items		
SOP-830 - Control of Nonconforming Products and Services	QMSU-OI-830.01 - Control of Nonconforming Products and Services		
SOP-852 - Corrective Action Process	EPFS-OI-852.01 - Root Cause Analysis QMSU-OI-852 - Corrective Action Process		
SOP-852.01 - Lessons Learned	QMSU-OI-852.01 - Lessons Learned		
SOP-853 - Preventive Action	QMSU-OI-853 - Preventative Action Process		

American Electric Power  
Ohio Power Company, DBA as AEP Ohio  
Summary of Compliance with Ohio Administrative Code  
Chapter II Section (B) (9) (a) (vi)  
Executive Summary Applicant Utilities'  
Management Policies, Practices and Organization Schedule S-4.2  
Plant Operations and Construction

SFR Reference:

(B)(9)(a)(vi) Construction Project Management and Control – Generation

I. Policy and Goal Setting

The Projects, Controls and Construction (PC&C) organization within the Generation business unit is responsible for managing and delivering project solutions. The Vice President – Projects, Controls & Construction, leads the organization consisting of project management, project controls, construction management, and safety.

The organization's overall objective is to effectively manage resources in successfully and safely completing AEP Generation projects within budget, on schedule, and at the specified technical and performance levels. The organization is responsible for initiating, planning, executing, monitoring and controlling, and closing out each generation project. It also works in conjunction with other AEPSC organizations to direct, coordinate and administer construction contracting, construction safety and construction labor relations, as well as working with AEPSC's and operating company Corporate Communications departments regarding external public relations for assigned projects.

Project management provides a focal point for total project coordination and the initiation, planning, execution, monitoring and control, and close out of projects. The necessary processes and procedures are put in place to monitor and control project cost and schedule to allow for effective performance management.

Project delivery oftentimes requires external labor forces. Preparing, bidding, awarding, and administering construction labor contracts is accomplished working with other AEPSC organizations. PC&C includes construction and safety management to provide a focal point for total construction coordination and on-site execution, monitoring and controlling of the contracts and project plans as they relate to cost, schedule, quality, safety, materials, and labor.

The objective relating to construction safety and labor services is to provide for the implementation and coordination of construction industrial safety, labor relations, security, and construction personnel services in accordance with company and project goals and objectives. The objective relating to external public relations is to coordinate activities with those of the Corporate Communications departments to provide for the development and implementation of a proactive communications plan and program for AEP System major projects.

The projects, construction, and controls groups are responsible for the project management, construction management; labor contracting, construction safety and labor services in support of environmental control retrofits, new generation, and major project retrofits.

All PC&C policies and goals are set to provide for the most efficient use of finances, material, and human resources in successfully and safely completing all projects according to plan, within budget, on schedule, and at the specified technical and performance levels.

The administration of quality management is performed by the organization per the Quality Assurance System. These policies and procedures are reviewed and approved by AEPSC senior management. Revisions to existing policies are derived from continual monitoring of projects by the group.

Typical goals set for each major project include the development of a project work scope as well as a project schedule and budget. Progress is measured and reported in weekly and monthly status reports reviewed by the organization's senior management and other AEPSC senior management.

Typical criteria used in developing and establishing policies, procedures and goals of the projects, construction and controls groups are:

- historical AEP System experience concerning facility costs, material procurement, construction methods and human resource requirements;
- industrial capabilities and developing technologies to support material procurement and construction methods;
- internal and external human resource availability to support engineering, design, project management, construction management and construction labor; and
- state and federal regulations.

## II. Strategic and Long-Range Planning

The directors of PC&C are directly accountable to the vice president PC&C for the development, direction, and implementation of related practices and programs designed to achieve long- and short-range AEP System objectives. To ensure the strategic and long-range planning is in accordance with AEP System objectives, the directors consult with AEPSC senior management and operating company presidents to coordinate policies and procedures of PC&C with engineering and design, operations and maintenance, financial and communications policies established for all projects. The coordination of effective allocation of all resources is a major department objective. The organization continually coordinates the resources for generation projects to support the AEP System objectives.

Strategic planning includes:

- the identification and alignment of department objectives and initiatives with overall AEP company goals and objectives on an annual basis;
- the on-going succession planning process, in accordance with AEP System requirements, is designed to identify candidates for key company positions and to assure their development to meet position requirements to maintain the high level of management expertise necessary to manage the enterprise effectively; and
- the continuous monitoring and measurement of progress surrounding strategic initiatives and succession planning to ensure that objectives are achieved or adjusted as necessary.

Long-range planning includes the identification and development of innovative and improved project management, construction management and construction safety programs, methods, techniques and procedures that are in alignment with the goals and objectives of the company.

The development and implementation of department strategy assists the group with the effective management of organizational initiatives surrounding safety, project management, optimization of assets, legislative and regulatory successes, and workforce development, along with other initiatives, as they relate to short- and long-range planning.

### III. Organization Structure

The Projects, Controls and Construction organization is led by the vice president – Projects, Controls and Construction.

An organizational chart of the Projects, Controls & Construction organization is provided as Exhibit 1.

### IV. Decision-Making

Decision making with respect to project management involves all aspects of a given project including proper scoping, initiation, planning, contracting, scheduling, procurement, budgeting, staffing, performance measurement, reporting and proper project close-out activities. Specific guidelines and goals for every aspect of each project are presented by project managers and project directors to PC&C organization management for approval. The project manager makes decisions within the approved project guidelines, after consultations and meetings with the appropriate AEPSC, operating company and external personnel. Decisions outside of approved project guidelines require recommendations to and approval by organizational management in collaboration with appropriate AEPSC senior management.

Decision making with respect to the procurement of materials and labor is in accordance with AEP Competitive Bidding Guidelines and authorization limitations. All decisions are documented with written correspondence and approved at the appropriate management level.

Decision making with respect to construction management and labor relations concerning the supervision and administration of all site activities for a project is the responsibility of the director of construction. All decisions follow goals and objectives established by the director - construction and approved by the vice president – Projects, Controls & Construction.

### 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 as of the date of this filing 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 one legal entity, Ohio Power Company. Ohio Power Company is a registered issuer under federal securities acts; has independent access to public capital markets through which it continually raises capital. Ohio Power Company is independently rated by the nationally recognized statistical credit rating agencies. Ohio Power Company 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 October 17, 2012, the Commission approved AEP Ohio's current corporate separation plan, filed March 30, 2012, and 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. 12-1126-EL-UNC). With its corporate separation plan, 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 avoids unlawful cross-subsidization. The company's 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

The principal administrative performance indicators used to evaluate the effectiveness toward meeting their goals include budgetary guidelines established annually by senior management. The Director Project Controls prepares personnel, salary and expense budgets in accordance with the guidelines. The PC&C directors are responsible for controlling expenditures within the department's approved budget. Monthly reviews are performed and updates of deviations from the approved budget are prepared for senior management. Necessary action is taken to reduce project costs when actual project costs exceed the project budget.

When key performance indicators suggest a negative deviation from desired goals and objectives, action is taken to correct procedures, re-examine goals and/or determine the root cause of the deviation. After investigation, appropriate action is taken to resolve the situation.

The performance of managers within PC&C is measured against the goals and objectives set for projects managed by the groups. These same goals and objectives are used by these managers to measure performance of their staffs.

#### 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 including electronic mail.

In the performance of the practices employed by PC&C to achieve their objectives, members of each group, as required, consult the quality assurance and quality control documents related to a particular practice or function.

##### Internal

The PC&C groups have various avenues available to provide optimal internal communications to facilitate objectives.

The managing directors or directors are in frequent communication with the executive officers of AEPSC and AEP System operating companies, including AEP Ohio, with respect to project management and construction functions. Such officers include the chairman of the board and chief executive officer, executive vice president - Generation, senior vice president - Fossil & Hydro Generation and other members of the office of the chairman as needed.

Internal communications within PC&C consist of weekly staff meetings and monthly project update meetings as necessary to discuss project status and business developments. Safety meetings are held for Projects & Construction employees on-site for projects. In addition, informal meetings are held, sometimes on a daily basis, with department employees to discuss work assignments and work

schedules, and to provide employees an opportunity to also discuss problems, concerns, and suggestions. Formal job performance reviews are conducted by supervisory staff with every employee at least once a year. Mid-year reviews also are conducted to assess year-to-date performance and to make adjustments or provide support, as necessary, to assist employees in meeting their goals and objectives.

The vice president, managing directors, and directors regularly attend staff meetings with members of AEPSC senior management and other department heads. Internal communication between the department staff and other AEPSC department personnel are made as required. Such communication is primarily with the engineering services; Fossil & Hydro Generation, asset management, legal, treasury; procurement; regulatory services; Corporate Planning & Budgeting; fuel, emissions and logistics; and Corporate Communications. The communications include the review and coordination of project plans and schedules, the review and coordination of budgets, commitments and costs, the preparation, review and approval of contracts, and the coordination of external communication plans.

Communications between PC&C groups and the AEP System operating companies involve project management and construction activities related to a specific company such as project schedules and status reports, budget and cost reports, contracts and external communications policies.

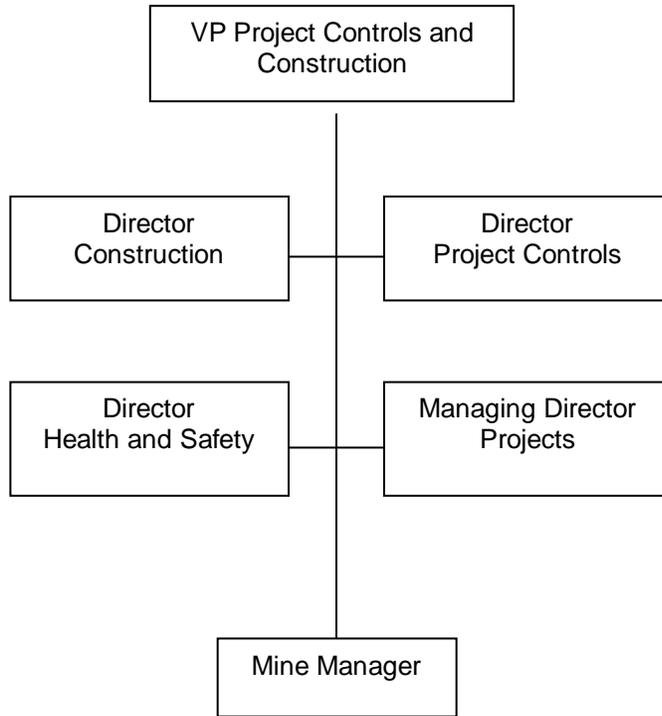
#### External

Contracts, service orders, purchase orders, change orders, extra work orders, requests for quotations, and contractor prequalification forms are issued to contractors and suppliers of goods and services. In addition, letters and meeting minutes are sent to contractors and suppliers as part of the normal administration of contracts.

PC&C also provides requested project and construction information to various utility groups, government agencies and organization labor groups; makes project presentations to professional and civic organizations in accordance with established public affairs objectives; develops and maintains relationships with international building and construction trade unions needed to negotiate and implement project labor agreements and to resolve labor problems; actively participates in and with utility committees, industry trade organizations, educational institutions, suppliers/contractors organizations, and research and development organizations to encourage the origination and development of innovative and improved project management and construction programs, methods, techniques, and procedures; and develops and issues contracts and service orders for procurement of outside services of temporary contractor/agency personnel needed for support of project site construction activities.

**Exhibit 1 – Organization Chart**

**AEP Corporate Organization Chart  
Projects Controls & Construction**



American Electric Power  
Ohio Power Company, DBA as AEP Ohio  
Summary of Compliance with Ohio Administrative Code  
Chapter II Section (B) (9) (a) (i, ii, iii and vi)  
Executive Summary Applicant Utilities'  
Management Policies, Practices and Organization Schedule S-4.2  
Plant Operations and Construction

Transmission

SFR Reference

(B)(9)(a)(i)	Plant/Facilities Planning Process
(B)(9)(a)(ii)	Operations and Maintenance Policies and Procedures
(B)(9)(a)(iii)	Plant Productivity and Performance Evaluation
(B)(9)(a)(vi)	Construction Project Management and Control

I. Policy and Goal Setting

American Electric Power (AEP) policies pertaining to its transmission facilities are in compliance with all federal, state and local regulations in the jurisdictions where AEP operates. AEP's internal intranet site provides employees with required training and access to policies, business processes and practices. Transmission policies are developed under the guidance of AEP's Board of Directors, transmission and operating company leadership and other shared service employees such as legal and regulatory personnel. Policies may be specific to an operating company or state jurisdiction. In those circumstances, AEP Transmission collaborates with local operating companies to ensure policies are in alignment with local and state regulations.

AEP Ohio participates in the PJM Interconnection (PJM), a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of 13 eastern states and the District of Columbia. AEP works with PJM to identify and plan transmission system upgrades. All AEP Ohio transmission facilities are under the operational control of PJM, and meet the requirements of the RTO's policies for transmission owners as posted on PJM's website: [www.pjm.com](http://www.pjm.com). (Exhibit 2) Any changes to the electric transmission network are planned on a regional basis and in accordance with PJM protocols and filed with the Federal Energy Regulatory Commission (FERC) through Form 715.

AEP Transmission goals support the company's focus on providing safe, reliable and affordable electric service to customers, supporting economic development and investing in infrastructure critical to electric transmission and distribution networks. Corporate goals and financial information are publicly available on [AEP.com](http://AEP.com) (Exhibit 3).

AEP has a strong tradition of leadership, service and contributions to the communities it serves, and has the following Strategic Vision and Mission:

Strategic Vision

- Invest in transmission and distribution networks
- Powering a new and brighter future for our customers and communities.

Mission

- Together, with our customers, we are redefining the future of energy and developing innovative solutions that power communities and improve lives.

## II. Strategic and Long-Range Planning

AEP owns, operates, maintains and invests in infrastructure to the benefit of customers and the overall economy. As a transmission owner in the PJM region, the company also has the responsibility of:

- enhancing grid security to protect against cyber and physical threats
- addressing system integrity, reliability and resilience
- reducing transmission constraints
- facilitating interconnections of new generating resources and wholesale customers
- supporting competitive wholesale electricity markets

AEP Transmission's system planning evaluation of facilities based on criteria related to condition, performance and risk of failure determines proposed transmission projects. The planning process aligns with RTO and state-level requirements and ensures a transparent process. Transmission projects can address varying system needs, including:

- grid modernization
- aging or poorly performing equipment
- physical and cyber security enhancements
- system reliability
- market efficiency
- economic development
- customer-driven improvements

## III. Organization Structure

AEP Transmission employs more than 2,300 workers across the company's 11-state service territory. An executive vice-president leads the business unit and reports directly to the company's chief executive officer. The organization chart (Exhibit 1) illustrates the organization's high-level structure of the four main divisions that comprise AEP Transmission.

- Grid Development is responsible for, including but not limited to, transmission planning, engineering, project management, operations, technology development, and providing support to the AEP Transmission organization by ensuring compliance with reliability standards and requirements established by North American Electric Reliability Corporation (NERC), RTOs, independent system operators, regional reliability organizations, and state regulatory agencies.
- Transmission Field Services and Controls (TFS) covers field operations, maintenance, and emergency restoration of the AEP transmission system.
- Transmission Reliability Assurance (TRA) coordinates AEP Transmission's efforts to support the reliability of AEP's bulk electric system through compliance with NERC reliability standards.
- Transmission Ventures, Strategy, and Policy (TVSP) is responsible for asset strategy and policy, for transmission financial oversight and reporting, and oversight of all transmission policy and regulatory matters involving RTOs, the Federal Energy Regulatory Commission (FERC), and state regulations affecting transmission.

## IV. Decision-Making

AEP Transmission employees at all levels of the organization are empowered to make decisions based on corporate policies, federal, state and local laws and regulations, industry standards, and internal work procedures and guidelines. AEP Transmission encourages employees to use all resources available,

including collaboration with other employees, to make intelligent, informed decisions that adhere to company and public policy.

Employees are provided numerous resources for decision-making such as, onboarding for new employees, a hands-on transmission training center, a robust catalog of required, job specific online training courses, an employee handbook along with other resources such as online access to policies, guidelines and resource centers.

Development of internal policies, guidelines and revised or new processes generally are developed with a collaborative approach. Teams of employees with subject matter expertise work together to consider applicable laws and standards, industry best practices and internal experience to develop transmission materials for use as employee reference guides in the decision making process. The FERC Code of Conduct, which is available through AEP's corporate website <http://www.aep.com/about/codeofconduct/OASIS/Conduct>, is also accessible via a link to the FERC's website provided as Exhibit 5b.

#### 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 as of the date of this filing 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 one legal entity, Ohio Power Company. Ohio Power Company is a registered issuer under federal securities acts; has independent access to public capital markets through which it continually raises capital. Ohio Power Company is independently rated by the nationally recognized statistical credit rating agencies. Ohio Power Company 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 October 17, 2012, the Commission approved AEP Ohio's current corporate separation plan, filed March 30, 2012, and 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. 12-1126-EL-UNC). With its corporate separation plan, 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 avoids unlawful cross-subsidization. The company's 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

The execution of various functions and objectives are monitored and continuously evaluated by the supervision and management of AEP Transmission. This includes reviewing employee safety, financial performance, workforce productivity, system reliability, identifying breakthrough objectives, establishing a cadence of accountability and conforming to established internal and external standards. This also includes measuring performance against numerous internal goals and objectives.

One way that AEP Transmission processes are controlled is through the use of different software applications. These software applications are used to manage and monitor the many complex processes that include financial, work management, operations, maintenance, construction, compliance and safety functions. By embedding these processes in software applications, AEP Transmission is able to maintain oversight, consistency, and continuity throughout the Transmission organization over an 11-state service territory. Management and employees are able to use these software applications to complete their respective duties, and perform the checks and balances to ensure due diligence and quality, and meet customer expectations.

AEP Transmission also uses continuous process improvement to ensure processes are efficient and produce the desired outcomes. Through participation in professional memberships, industry trade groups, benchmarking and internal reviews, AEP Transmission identifies opportunities for improvement in its processes. AEP Transmission has identified optimal opportunities to develop and deploy controls (either NERC based or performance based) to improve adherence to federal regulatory policies and maximize operational efficiency, respectively. In addition, software applications are updated with new versions as the software application vendors provide upgrades that include new features, functionality or security improvements.

Cyber Security is another critical aspect for protecting and preserving the integrity of processes and data used by AEP Transmission. The Cyber Security team monitors software applications to ensure the applications are protected against malicious threats such as viruses, malware, spyware and spam. They also control NERC Critical Infrastructure Protection (CIP) access to applications to ensure only those individuals who have a business reason to use the software applications have access. Cyber Security also backs up the internal servers on a regular basis to preserve information in the event of system failures. Finally, AEP Transmission maintains an emergency continuity plan to ensure critical business processes can be maintained during an emergency or catastrophic event.

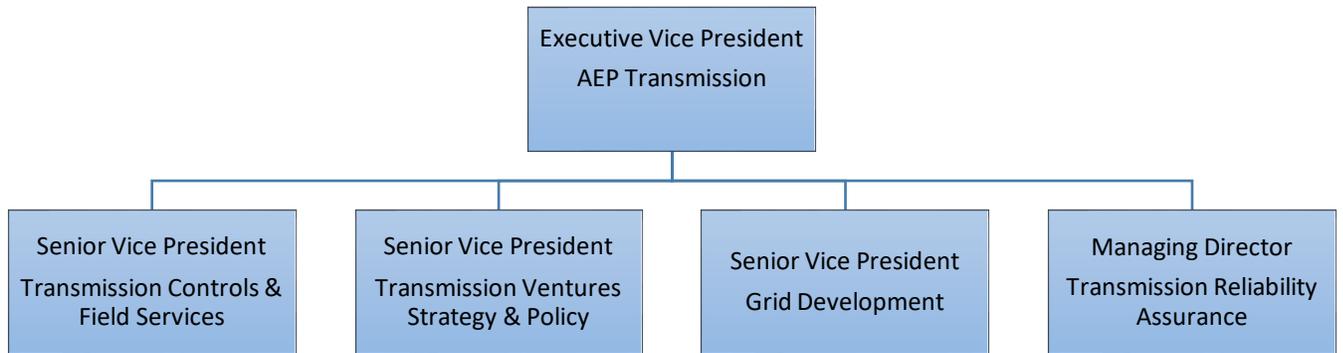
## VII. Internal and External Communications

Internal communications are accomplished through personal and telephone discussions, formal and informal meetings, memoranda, and formal and informal correspondence. The formal and informal meetings include in-person meetings, video teleconferencing, and the use of telecommunication systems. Memoranda and formal and informal correspondence use AEP's internal courier service, e-mail system, internal messaging system, and document exchange servers.

For external audiences, AEP offers a main corporate website in addition to separate public websites for each operating company, including AEP Ohio, and AEP Transmission. AEP also maintains websites dedicated to specific functions, such as soliciting open transmission services.

AEP employs strict cyber security standards and systems. All employees are required to undertake system security training annually. Systems also are in place to quickly sever employee access to the system in the event of termination. AEP also maintains and practices a business continuity system in the event of an emergency that makes some facilities inaccessible.

**Exhibit 1 – AEP Transmission Organization Chart**



### Exhibit 2 – View of PJM Documents Web Page

The screenshot displays the PJM Documents Web Page. At the top, there is a navigation bar with links for "Sign In", "Tools Sign In", and "Calendar", along with a search bar and a "Go" button. Below this is the PJM logo and a main navigation menu with links for "about pjm", "training", "committees & groups", "planning", "markets & operations", and "library".

The "Library" page is shown, featuring a left-hand sidebar with categories: "Governing Documents", "Filings & Orders", "Manuals", "Compliance", "Reports & Notices", "Maps", "Access Request", and "Fact Sheets". The main content area is titled "Library" and includes a "Take a tour" button. It is divided into four sections:

- Governing Documents:** Lists "Open Access Transmission Tariff", "Operating Agreement", "Reliability Assurance Agreement", "MISO - JOA", "TOA-42 Rate Schedule FERC No. 42", and "PROGRESS - JOA".
- Filings & Orders:** Lists "Docket No. ER20-964-000", "Letter Order 02-06-2020", "Docket No. ER20-584-000", and "Docket No. ER20-841-000".
- Manuals:** Lists "M-38: Operations Planning", "M-13: Emergency Operations", "M-27: Open Access Transmission Tariff Accounting", and "M-14D: Generator Operational Requirements".
- Reports & Notices:** Lists "Testimony of Craig Glazer to the Federal Energy Regulatory Commission on Grid-Enhancing Technologies", "Answers to follow-up questions from the testimony of Andrew L. Ott to U.S. Senate Committee on Energy and Natural Resources on Opportunities for the Expanded Deployment of Grid-Scale Storage in the United States", and "Statement of Asim Z. Haque to the Ohio Senate Energy and Public Utilities Committee".

Each section includes a "See more >" link. The dates for each document are provided, such as 2.7.2020 for the first docket number and 1.23.2020 for M-38.

Exhibit 3 – View of AEP Web Page showing Mission and Vision



 > About Us



As one of the largest electric energy companies in the U.S., we power millions of homes and businesses. We're working together with our customers and communities to create the future of energy. We're listening, going beyond customers' expectations and developing innovative solutions to build a future that is boundless for us all. We're continually energized by our team members, their passions, and their drive to make a difference in the communities we serve.

### **OUR MISSION**

Together, with our customers, we are redefining the future of energy and developing innovative solutions that power communities and improve lives.

### **OUR VISION**

Powering a new and brighter future for our customers and communities.

### Exhibit 4 – AEP Transmission Webpage



**Exhibit 5a – View of AEP Transmission Web Page: Standards of Conduct**  
FERC Code of Conduct Follows as Exhibit 5b

The screenshot shows the top navigation bar of the American Electric Power website, which is red with white text. The navigation items are: AMERICAN ELECTRIC POWER (with logo), INVESTORS, NEWS, CAREERS, ABOUT US, COMMUNITY, CONTACT, and a search icon. Below the navigation bar is a breadcrumb trail: Home > Required Postings > FERC Standards of Conduct for Transmission Providers. The main heading is "FERC Standards of Conduct for Transmission Providers". Below this is a sub-heading "FERC Order 717 – Standards of Conduct for Transmission Providers". A bulleted list follows, detailing various sections of the standards, such as "Contemporaneous disclosure" and "Implementation requirements". At the bottom of the page is a red footer bar with white text for "B2B & SUPPLIERS", "RECREATION", "ENVIRONMENT", and "SAFETY & HEALTH".

AMERICAN ELECTRIC POWER

INVESTORS NEWS CAREERS ABOUT US COMMUNITY CONTACT

Home > Required Postings > FERC Standards of Conduct for Transmission Providers

## FERC Standards of Conduct for Transmission Providers

### FERC Order 717 – Standards of Conduct for Transmission Providers

- [FERC Order 717 – Standards of Conduct for Transmission Providers](#)
- Contemporaneous disclosure
  - [§358.7 \(a\)\(2\) – Disclosure of non-public transmission customer information, CEII or any other expressly prohibited information](#)
  - [§358.7 \(c\) – Voluntary consent provision](#)
  - [§358.7 \(d\) – Written Implementation Procedures](#)
  - [§358.7 \(e\)\(1\) – Names and addresses of marketing function affiliates](#)
  - [§358.7 \(e\)\(2\) – AEP Shared facilities](#)
  - [§358.7 \(e\)\(3\) – Potential Merger Partners](#)
  - [§358.7 \(f\)\(1\) – Transmission function employees](#)
    - [Transmission Grid Development & Portfolio Services Position Descriptions](#)
- [§358.7 \(f\)\(2\) – Employee transfers](#)
- [§358.7 \(i\) – Posting of waivers](#)
- Implementation requirements
  - [§358.8 \(c\)\(2\) – Designated Chief Compliance Officer](#)

B2B & SUPPLIERS RECREATION ENVIRONMENT SAFETY & HEALTH

**Exhibit 5b – FERC Code of Conduct**

The FERC Code of Conduct can be found on the FERC's website via the following link:

<https://www.ferc.gov/legal/maj-ord-reg/stand-conduct.asp>

The above link is for FERC's "Standards of Conduct for Transmission Providers" page. From this page, the Code of Conduct can be accessed via the first link on the page, "Order No. 717":

<https://www.ferc.gov/whats-new/comm-meet/2008/101608/M-1.pdf>

American Electric Power  
Ohio Power Company, DBA as AEP Ohio  
Summary of Compliance with Ohio Administrative Code  
Chapter II Section (B) (9) (a) (viii)  
Executive Summary Applicant Utilities'  
Management Policies, Practices and Organization Schedule S-4.2  
Plant Operations and Construction

AEPSC Environmental Services  
Transmission, Distribution and Generation

SFR Reference:  
(B)(9)(a)(viii) Environmental Management

### I. Policy and Goal Setting

The role of AEPSC Environmental Services is to support AEP's corporate strategies and values concerning the environment through the development and continual improvement of an environmental management system that includes guidance, procedures, recommendations, and training to support compliance with environmental laws, regulations, and policies. Goals of AEPSC Environmental Services include:

- to provide technical, scientific, regulatory, and economic analysis and compliance planning assistance on existing and emerging environmental issues;
- to manage key compliance information and assist in management of critical compliance assets; and
- to provide outreach to key government, civic, industrial, and educational organizations relating to AEP's efforts to protect the environment.

The vice president - Environmental Services is responsible for recommending and implementing policies related to environmental permitting and compliance with input from AEPSC senior management. Individuals participating in the review and formulation of corporate environmental goals and objectives include: the chairman of the board and chief executive officer; the chief operating officer; the executive vice president and general counsel; the executive vice president - generation; executive vice president - utilities and the executive vice president - transmission.

AEPSC Environmental Services is responsible for permitting and compliance support, guidance, procedures, recommendations and training for AEP's operating companies in order to maintain and improve their environmental programs and enhance compliance with environmental laws, regulations, and policies. As part of this effort, Environmental Services also is involved in the development process for environmental regulations, coordinating with other groups within AEPSC, as well as operating company staffs.

### II. Strategic and Long-Range Planning

Environmental Services supports AEP's corporate strategies and values concerning the management of its environmental aspects. The group maintains knowledge of current and emerging environmental issues affecting AEP operations and develops guidance/information to reduce or mitigate the effects of these issues. Environmental Services maintains strong relationships with key government, civic, industrial, and educational organizations to assure leading-edge knowledge of current environmental, regulatory, and legislative initiatives. Environmental Services also supports and/or leads the development of corporate-wide Environmental-related initiatives for environmental performance improvement.

The process of performing strategic and long-range environmental compliance planning primarily involves the vice president - Environmental Services in collaboration with other AEPSC organizations. Environmental Services' involvement includes:

- providing input with respect to assessing the environmental implications of continued operation of existing AEP System facilities;
- providing input for specific projects that are under consideration and through periodic reports and presentations to other corporate divisions, departments, and senior management. These projects include siting studies for new generating plants, evaluating new generation and emission control technology options, and evaluating emerging governmental regulations;
- providing input to management through reports and presentations regarding the evaluation of existing and developing technologies that have relevance to the electric power generation business; and
- providing input to the process of identifying and selecting sites for future power generation facilities.

Strategic planning includes the ongoing succession identification process designed to timely determine candidates for key company positions and to assure their development to meet position requirements so as to maintain the high level of management expertise necessary to manage the enterprise effectively. This succession planning is an AEP System requirement.

### III. Organization Structure

The AEPSC Environmental Services organization is managed by a vice president, who reports to the executive vice president - Generation.

AEPSC Environmental Services is organized with six primary sections: air quality services, water and ecological resource services, land environment and remediation services, analytical chemistry services, environmental risk management, and environmental management systems. Department employees include engineers, biologists, chemists, and scientists.

AEP Ohio does not have a complementary environmental services organization.

An organizational chart for Environmental Services is provided as Exhibit 1.

### IV. Decision-Making

The vice president - Environmental Services is responsible for recommending to AEP senior management the establishment of AEP system-wide environmental policies, objectives and processes for incorporation into AEP's environmental management system.

Air quality services, water and ecological resource services, and land environment and remediation services secure environmental licenses and permits for new and existing facilities. These sections also monitor environmental regulatory developments and participate in legislative and regulatory rule developments. Through these processes, these sections become aware of areas wherein it may be appropriate to establish AEP system-wide environmental policies. When specific environmental issues merit establishing possible AEP System environmental policy, proposals are prepared and forwarded to AEPSC senior management for their consideration.

The environmental risk management section is responsible for identifying, evaluating, and communicating to senior management significant environmental aspects of AEP's activities, products and services that may present a compliance, financial, reputational or strategic risk to the organization in order to ensure they are well controlled.

The environmental management systems section is responsible for the development, implementation and continual improvement of the processes and systems that define, document, and control AEP's environmental management system in conformance to ISO 14001.

#### 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 as of the date of this filing AEP Ohio:

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#### VI. Controlling Process

The execution of various functions and objectives are monitored and evaluated continuously by AEPSC Environmental Services. This activity includes the following control and performance indicators:

- licensing and permitting – the percentage of projects successfully permitted and licensed while keeping within the time schedule and budget, to the degree that can be controlled;
- regulations – the fairness and lack of burden presented by new federal and state environmental regulations, to the extent that can be controlled;
- compliance – the degree of environmental compliance with local, state, and federal environmental regulations, as a result of specific guidance or programs recommended to the operating company environmental affairs departments and to AEPSC management;
- future compliance – the ability to foresee where environmental regulation is going; to develop data-gathering programs in time to be of value in shaping new regulations;

- cost of analytical lab services – the cost of work performed by the environmental laboratory as compared to the cost of the same services provided by non-affiliated laboratories;
- accuracy, reliability and timeliness of analytical lab services – the accuracy, reliability and timeliness of services provided by the environmental laboratory as compared to the services provided by others;
- technical information requests – percentage of informational requests answered;
- customer satisfaction – the level of satisfaction of groups to which a service is provided;
- personnel development – continual on-going evaluation of engineers, environmental specialists, chemists, and technicians using corporate performance evaluation processes;
- professional registration – the number of engineers obtaining professional registration; and
- achievement of objectives – the percentage of objectives achieved and the relevance of priorities.

The principal administrative performance indicators AEPSC Environmental Services uses to evaluate its effectiveness toward meeting the group's goals include the following:

- budgetary guidelines are established annually by AEPSC senior management. Each group prepares personnel, salary, and expense budgets in accordance with guidelines. The vice president - Environmental Services is responsible for controlling expenditures within the group's approved budget. Monthly reviews are completed and quarterly explanations of deviations from the approved budget are prepared for senior management. Necessary action is taken to control and reduce costs when actual costs are excessive in relation to budget; and
- when professional performance measures indicate a negative deviation from desired goals and objectives, action is taken to correct procedures, re-examine goals for reasonableness and/or determine if the result is due to personnel. If the problem is personnel-related, steps are taken, in consultation with the AEPSC System Human Resources Department, to resolve the situation.

## 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 including electronic mail. Other formal methods for internal and external communications include various processes and electronic systems to communicate compliance obligations, inquiries from external parties, relevant environmental performance information, and changes to the environmental management system.

### Internal

AEPSC Environmental Services has various avenues available to provide optimal internal communications to facilitate achievement of departmental objectives.

The vice president - Environmental Services is in frequent communication with the executive officers of AEPSC and the AEP System companies. Such officers include members of the office of the chairman. The vice president - Environmental Services attends periodic staff meetings with members of AEPSC senior management and other department heads, including a monthly meeting with operating company presidents, AEPSC Generation leadership, and the vice-president of Environmental Services to review current environmental issues. Internal communication between Environmental Services' staff and other AEPSC departments' personnel are conducted as required.

Internal communications within AEPSC Environmental Services consist of staff meetings among all groups of the division as necessary, involving either supervisory staff or all employees to discuss company policies and business developments. Safety meetings are at a minimum held quarterly with all AEPSC Environmental Services employees. In addition, informal meetings are held, sometimes on a daily basis, with AEPSC Environmental Services employees to discuss work assignments and work schedules, and to provide employees an opportunity to also discuss issues, concerns and suggestions for

improving service. Formal job performance reviews are conducted by supervisory staff with every employee annually, and more frequently if warranted.

AEPSC Environmental Services communicates frequently with other AEPSC departments and with AEP System operating companies. These communications usually are focused on a specific project or task.

#### External

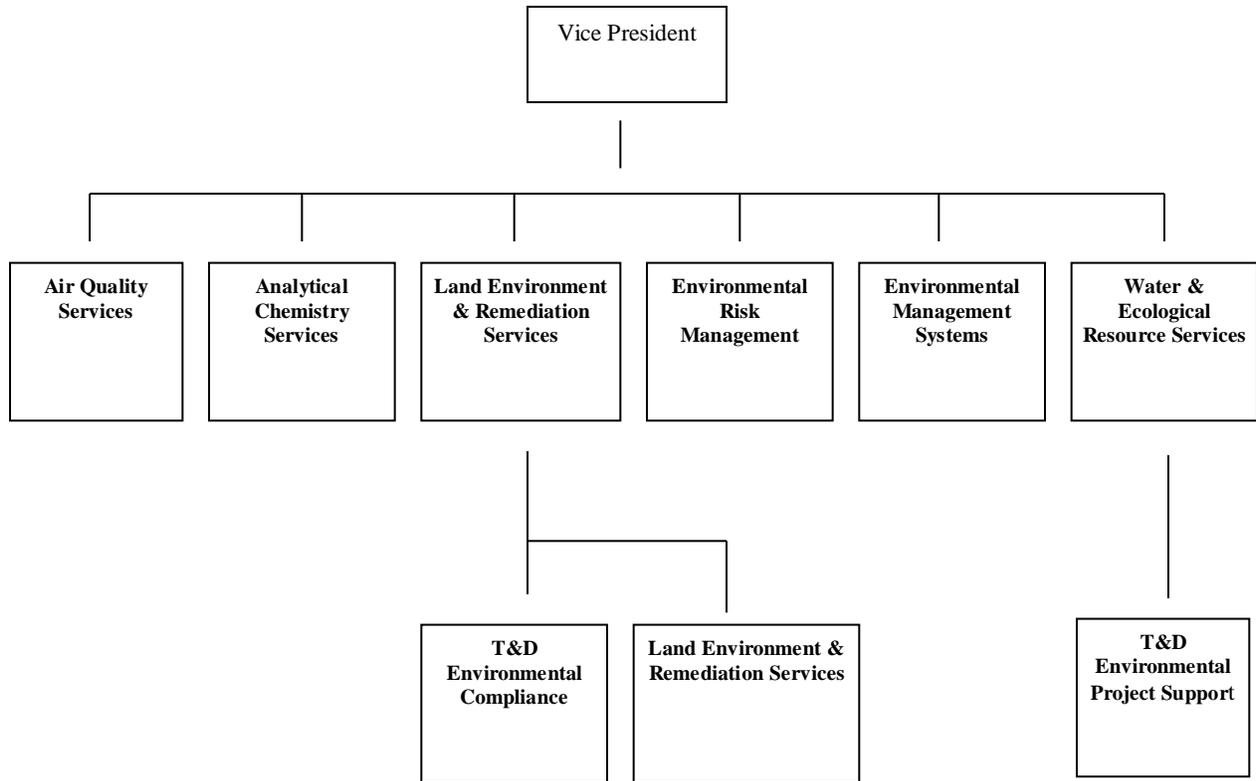
Personnel within AEPSC Environmental Services are heavily involved in external communications in written form through the preparation and mailing of license and permit submittals, environmental assessments, and comments on proposed and existing environmental regulations. Contacts are maintained with similar disciplines in other utilities, environmental consulting firms, regulatory agencies, legal counsel, legislative personnel and utility focus groups (e.g., Edison Electric Institute groups).

AEPSC Environmental Services participates in the development of AEP's Sustainability Report for Investors which includes information related to AEP's environmental goals and objectives and environmental performance. AEPSC Environmental Services also consults on the content available to the public on AEP's external website (aep.com). This includes the communication of AEP's significant environmental aspects such as coal combustion residuals (CCR) and carbon dioxide (CO<sub>2</sub>) emissions.

**Exhibit 1 -- Environmental Services Organization Chart**

**Environmental Services Division**

**March 1, 2020**



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

SFR Reference:  
(B)(9)(b)(i) Treasury

I. Policy and Goal Setting

The scope of this policy covers financing (including interest rate risk management) and cash management. It does not cover financial risk management or financial planning and analysis. Those are covered in separate sections.

The goals of the Treasury Department are:

- to maintain adequate access to the capital markets to meet the requirements of the business at the best possible terms under prevailing market conditions; and
- to achieve a low financing cost while considering appropriate risk levels and other issues such as duration, diversification, fixed/floating mix, etc., while maintaining appropriate credit ratings and financial ratios.

AEP Treasury Department personnel coordinate general and long-term financing activity with the company's tax, legal, cash management, investor relations, regulatory and accounting groups.

The AEP Treasury Department is responsible for ensuring all financing activity complies with regulatory authorizations and requirements, including codes of conduct.

The objective of the cash management process is to optimize the use of AEP's and Ohio Power's cash through the coordinated control of revenue collection and expense disbursements and related investment programs.

The Treasury Department complies with the Ohio Code of Conduct Rule: Section 4928.17 and Section 4928.18 of the Ohio Revised Code, as part of amended subsection Senate Bill 3.

Examples of specific treasury policies are:

- Corporate Financing Policy - The objective of the AEP Corporate Financing Policy is to establish standards and controls for all financings.
- Liquidity Policy - The objective of the AEP Liquidity Policy is to establish standards for defining, measuring and reporting liquidity risk to ensure transparency and maintaining an adequate level of liquidity.
- Short-term Investment Policy – The objective of the AEP Short-term Investment Policy is to ensure safety of principal, retain adequate daily liquidity to meet projected and unexpected cash needs, and obtain the best available yield.
- Interest Rate Risk Policy - The objective of the policy is to establish standards for defining, transacting, measuring, managing and reporting interest rate risk.

- Foreign Currency Policy - The objective of the AEP Foreign Currency Policy is to establish standards for defining, measuring, managing and reporting foreign currency risk.

## II. Strategic and Long-Range Planning

The long-term plan covers a period beyond the short-term plan (one-two years). Generally, these plans cover periods between five and ten years but could go beyond depending on the need and the issue being focused on in the plan. The development of the plan starts with a base financial forecast that is used to develop regulatory, financial and tax plans for the forecast period.

The regulatory plan is developed in conjunction with the corporate and operating company regulatory groups. The financing plan is developed with the AEPSC Finance Department. The tax planning effort is coordinated with the AEPSC Tax Department. The result of all these planning efforts is included in the final plan and reviewed by the chief financial officer, members of the AEP Executive Council and the AEP Board of Directors, as necessary. The capital forecast requirements for major projects are a significant driver to these plans and serve as the basis for depreciation, financing and regulatory requirements. The results of this effort are used to establish other items such as operation and maintenance expense levels and dividend policy.

Special financial studies also are prepared and involve development and implementation of standard economic methodologies used to calculate minimum revenue requirements on a present value basis. These studies generally center on new plant construction, environmental compliance options and general improvements to existing plants.

These long-term forecasts may be used to support various issues under consideration and are included in strategic discussions with senior management and the AEP Board of Directors, as necessary.

## III. Organization Structure

The executive vice president and chief financial officer is the executive responsible for ultimate oversight of all finance-related departments including Treasury. The senior vice president of treasury and risk is responsible for the Treasury Department.

The AEP Treasury Department is a centralized corporate center servicing and operating on behalf of AEP and its consolidated or controlled subsidiaries and affiliates. The AEP Treasury Department is divided into three principal sections: corporate finance, cash management and investor relations. The AEP Treasury Department structure is shown in Exhibit 1.

## IV. Decision-Making

Per the Corporate Financing Policy, the chief financial officer or treasurer must submit AEP board resolutions to the Ohio Power board for approval of anticipated issuance of securities, lease financings and guarantees to ensure all required authorizations have been obtained.

All financing activity covered under this policy is managed centrally by AEP's Treasury/Corporate Finance group and are not to be undertaken by subsidiary companies' personnel.

The treasurer is responsible for developing, implementing and ensuring compliance of this policy. Unless otherwise noted, the treasurer and her delegate(s) are responsible for administering and reporting all key deliverables required under this policy.

Per the Short-Term Investment Policy, the CFO or Treasurer may provide a written delegation authority letter for specific time frames for Assistant Treasurers, Managing Directors, Directors and Managers to act on their behalf for authorizing investment wires and policy exceptions

Managers review employee activities regularly to monitor compliance with company policies and standards of conduct.

The internal Audit Department is responsible for performing periodic reviews to determine compliance with this policy.

#### 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 as of the date of this filing AEP Ohio:

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#### VI. Controlling Process

The AEP Treasury Department is audited internally and externally on a regular basis to ensure compliance with financial controls.

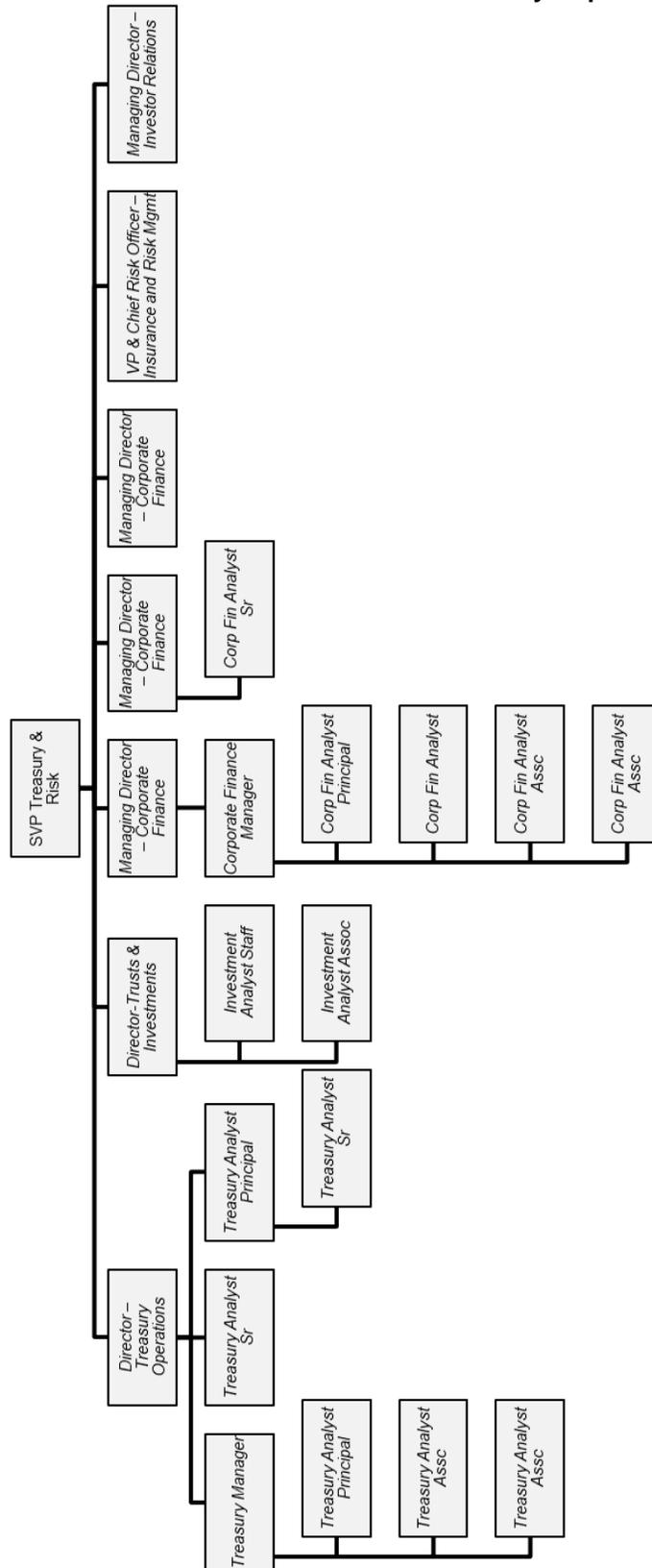
## VII. Internal and External Communications

The AEP Treasury Department conducts formal meetings with each of the operating company subsidiaries senior management teams on a regular basis. Additionally, each department within treasury conducts regular staff meetings. The purpose of these meetings is to communicate policies and decisions of management, discuss work assignments and schedules, and to provide an informal forum to discuss problems, concerns and employee suggestions.

Frequent informal communication also occurs between the senior vice president and treasurer, and directors and other employees and departments, including operating company personnel.

External communications are maintained with commercial and investment banks, credit rating agencies, trust custodians, consultants and pension fund managers as needed to facilitate the financing needs of the company.

Exhibit 1 – Treasury Department Organization Chart



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

Finance and Accounting

SFR Reference

(B)(9)(b)(ii) Accounting Systems and Financial Reporting  
(B)(9)(b)(v) Materials and Inventory Management and Control

I. Policy and Goal Setting

The Accounting Department's primary objective is to develop and maintain policies, systems, controls, records and supporting documents to properly account for AEPSC's and operating companies', including AEP Ohio's, operations and financial position, and to report such information to management, security holders, regulators and others. This objective includes developing sound policies and procedures, maintaining adequate internal controls, recognizing generally accepted accounting principles and conforming to all relevant requirements established by taxing and regulatory authorities such as the Federal Energy Regulatory Commission (FERC), Public Utilities Commission of Ohio (PUCO), Securities and Exchange Commission (SEC), Financial Accounting Standards Board (FASB), and the Internal Revenue Service (IRS).

Policies related to accounting issues generally are established or modified in response to changes in authoritative accounting literature and regulatory pronouncements. The senior vice president, controller and chief accounting officer (senior vice president, controller and CAO) is responsible for setting overall accounting policy affecting AEP System operating companies. Generally, similar accounting transactions either require or benefit from uniform and consistent treatment among the operating companies. In some circumstances, accounting policies related more specifically to certain jurisdictions are established to ensure compliance with local regulatory authority decisions.

In general, accounting policies are designed to ensure the timely recording, reliable accounting and accurate reporting of the companies' operations and financial position for use by management, shareholders, regulators and other interested parties. Inherent in policymaking is the establishment and maintenance of sound internal controls and competent personnel.

Goals and objectives are determined on an annual basis at the departmental level and relate to the corporate goals and objectives. Criteria used in determining goals and objectives include available resources, benefits to be derived, community presence, historical precedent and trends, as well as, future projections, regulatory requirements, and contribution to overall corporate goals and objectives.

II. Strategic and Long-Range Planning

Strategic and long-range planning activities generally are conducted by AEP senior management and focus on the safe and reliable generation of electricity, delivery of that electricity to AEP's customers and providing a fair return to AEP's shareholders. Within the Accounting Department, strategic and long-range planning activities are aligned with AEP's overall objectives and are directed by the senior vice president, controller and CAO.

### III. Organization Structure

The Accounting Department within AEP is divided into a number of groups that specialize in the proper accounting and accurate reporting of the results of operations for AEP and the individual operating companies, including AEP Ohio. The senior vice president, controller and CAO provide the overall direction of the accounting function. The various accounting functions provide regulatory accounting support and reporting, customer accounting, accounts receivable, accounts payable, property accounting, analysis and research, and cash remittance processing services to all utility affiliates.

Functionally, there are seven direct reports to the senior vice president, controller and CAO representing the following groups: corporate accounting (including Regulated accounting, Financial Policy Transactions & Analysis, AEPSC accounting, Accounting Operations, and Property Accounting), controls and compliance, internal and external reporting, regulatory accounting services, accounting policy and research and tax. Below are descriptions of the duties performed by selected groups within the accounting function:

#### Regulated Accounting

This group maintains the books and records of AEP (including AEP Ohio), prepares monthly entries to the ledgers, and develops and maintains the accounting and business systems that support these activities. Additional accounting services provided include preparing FERC, state and SEC financial reports, and the preparation and filing of the consolidated financial statements. Services provided also include ensuring compliance with generally accepted accounting principles and corporate accounting policy, and monitoring SEC and FASB rulemaking activities. Included within corporate accounting are the following accounting groups: regulated ledger, transmission, commodity, derivative, IPP/Investment, fuel and joint plant, and generation and reporting.

#### Financial Policy Transactions & Analysis (FPT&A)

FPT&A primarily is responsible for reviewing transactions within AEP Commercial Operations, AEP Fuel Emissions & Logistics and AEP Corporate Finance, as well as certain other groups within AEP, and ensures the proper accounting treatment. FPT&A assesses contracts for derivatives, leases and/or consolidations, researches technical accounting issues and interprets accounting guidance. In addition, FPT&A consults with AEP's business operations, as well as external auditors PricewaterhouseCoopers LLP to achieve the correct accounting result. FPT&A actively participates in the preparation of AEP 10-K and 10-Q's, specifically the sections dealing with derivative and fair value disclosures.

#### AEPSC Accounting

This group is responsible for maintaining the AEPSC general ledger, processing the monthly service corporation billing to affiliate companies, and processing all of the AEPSC work order requests. Additionally, AEPSC Accounting supports the rate case process by providing witnesses and responses for all affiliate issues. AEPSC Accounting also is responsible for maintaining a statistical library of all billing allocation factors, reconciling and paying monthly invoices for lease payments, and the preparation of reports for federal and state regulatory bodies.

#### Accounting Operations

This group consists of a number of accounting groups including assets and receivables, payables and inventory, and revenue and remittance. Each group is responsible for ensuring that transactions related to their specific area are properly recorded in the general ledger. Assets and receivables primarily is responsible for ensuring proper classification of expense allocations, miscellaneous accounts receivable, capital and operating lease review and classification, and property accounting. Payables and inventory primarily is responsible for accurate and timely processing of accounts payable invoices, wire transfer payments and accounts payable processing support and accounting system support. Revenue and

remittance is responsible for providing controls over the retail electric revenue, accounts receivable and customer deposit transactions recorded in the marketing, accounting and customer services system. Each group is responsible for recording related transactions in an accurate and timely manner to properly reflect results of operations in AEP's financial records.

#### Property Accounting

This group primarily is responsible for maintaining the capital work order system, capitalizing, depreciating and retiring assets from the continuing property records, accruing the allowance for funds used during construction, accounting for asset retirement obligations, and addressing capital vs. operations and maintenance expense issues. In addition, property accounting assists in the preparation of reports such as the FERC Form 1, federal income tax analysis schedules and monthly financial pages for property and depreciation reserve. Property accounting also provides rate case support and support for new strategic corporate initiatives such as acquisitions and divestitures, joint ventures and new Transmission companies.

#### Controls and Compliance (including Business Integration Strategy)

This group provides advisory and training support to the company with SOX controls. This group can assist control owners to improve documentation of controls, and ensure proper control design and risk mitigation. The Business Integration Strategy (BIS) group provides project management expertise in support of Finance and Accounting goals and objectives. BIS primarily is responsible for managing key cross-functional projects that include process improvement, system implementation, and business/system integration. The BIS team also coordinates tasks for Finance and Accounting during acquisitions, divestitures or other large transactions. BIS interacts with all units in Finance and Accounting, as well as other units across AEP and is responsible for knowing and applying standard project management methodologies and best practices. BIS also is responsible for managing project scope, schedule, quality, risk, and budget concerns, resolving conflicts and communicating with all stakeholders appropriately.

#### Regulatory Accounting Services

This group is responsible for providing accounting support and consultation to the AEP operating subsidiaries' regulatory management and staff. They also participate in the development of regulatory strategy and assist in the development and preparation of regulatory filings for AEP's operating subsidiaries, including AEP Ohio. In conjunction with these rate case filings, regulatory accounting services management and staff further support the rate case process by serving as expert regulatory accounting witnesses. This department also monitors regulatory developments by reviewing regulatory statutes, rulemakings, testimony, settlement agreements and orders to determine the regulatory accounting and financial reporting implications and direct the development of the appropriate regulatory accounting and financial disclosures.

#### Accounting Policy & Research (AP&R)

AP&R provides accounting consultation and support to AEP's operating subsidiaries regarding accounting and reporting issues related to the interpretation and application of generally accepted accounting principles, external financial reporting (e.g. SEC, FERC) and various other regulatory accounting matters. AP&R regularly interacts with employees in legal, finance, regulatory and other departments within AEP to obtain the information necessary to perform a thorough accounting analysis. In addition, AP&R works closely with AEP's external audit firm to identify, research and provide an accurate conclusion on various accounting and reporting related matters.

#### Internal Financial Reporting

This group provides timely and accurate consolidated financial statements, develops and maintains hierarchical reporting structures to support both external/legal reporting and internal/management

reporting. In addition, they provide ongoing support and analysis to other groups within AEP including Investor Relations, Corporate Finance and Treasury.

#### External Financial Reporting

This group is responsible for the planning, coordination, completion and filing/distribution of:

- all 10-K's and 10-Q's for AEP consolidated and its registrant subsidiaries (including AEP Ohio) with the SEC;
- quarterly and/or annual financial statements for various AEP companies prepared in accordance with generally accepted accounting principles in response to debt, loan, guarantee, lease or partnership agreements; and
- footnotes for use in the annual FERC Form 1 and quarterly FERC Form 3-Q's for all AEP FERC reporting companies.

In addition to the above, external financial reporting monitors new SEC and generally accepted accounting principles literature affecting the presentation and content of financial reporting filings made by AEP and its affiliated companies, and provides financial information to other groups within AEP including: Legal, Corporate Finance and Investor Relations.

#### Tax Research and Consultation

This group provides services in both state and federal tax areas, including the preparation and filing of all income tax returns and the administration of IRS, state and local examinations, protests and appeals. The tax department also prepares and files all state and local tax returns, such as gross receipts, franchise, property and sales tax. The tax department also provides federal and state tax planning and payment forecasting and the monitoring of federal and state tax legislation and rulemaking activities.

The Accounting Department organization chart is provided in Exhibit 1.

#### IV. Decision-Making

Each level of management in accounting is involved in or contributes to the decision-making process. Routine day-to-day decisions that fall within the confines of delegated authority are the responsibility of the manager and/or supervisor of the respective accounting function. The composition of individuals involved in the decision-making process is expanded to include upper-level management as the complexity of the decision increases, affects documented accounting policies or procedures or when the decision could have a material effect on the AEP or operating subsidiary financial statements.

Decisions typically involve selecting between alternative methods of recording accounting transactions, implementing procedures or interpreting authoritative accounting guidance. The senior vice president, controller and CAO is consulted and approves all final decisions as they relate to overall accounting policy.

#### 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 as of the date of this filing 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 one legal entity, Ohio Power Company. Ohio Power Company is a registered issuer under federal securities acts; has independent access to public capital markets through which it continually raises capital. Ohio Power Company is independently rated by the nationally recognized statistical credit rating agencies. Ohio Power Company 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 October 17, 2012, the Commission approved AEP Ohio's current corporate separation plan, filed March 30, 2012, and 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. 12-1126-EL-UNC). With its corporate separation plan, 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 avoids unlawful cross-subsidization. The company's 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

The overall direction of the accounting department is provided by the senior vice president, controller and CAO in regard to the policies, procedures and controls that are in place to ensure accurate and timely recording of amounts in the general ledger, compliance with regulatory filing requirements, and accurate financial reporting.

Accounting Department policies and procedures are reviewed and approved by the senior vice president, controller and CAO and updated as necessary based on changes in processes or accounting literature. Many policies are posted on the accounting internal website, which allows all employees access to the information. Some policies are maintained within a specific accounting department for reference regarding a specific activity (e.g. account reconciliation, monthly review procedure, etc.). The senior vice president, controller and CAO also ensures that the accounting department is in compliance with designated control activities related to the Sarbanes-Oxley Act. Various accounting policies and procedures are shown in Exhibits 2-5.

Financial information is reported on a timely, accurate and concise basis and in a manner that satisfies the informational needs of management, security holders, shareholders, regulators and others. A formal schedule of reporting assignments is prepared and monitored to ensure the timely completion of quarterly and/or annual filing requirements. The monthly/quarterly/annual closing schedule is posted on the internal corporate accounting website, to help ensure timely completion of required journal entries and other deadlines. Prior to filing, financial reports are reviewed for accuracy of amounts and disclosures by accounting, legal, senior management and others within AEP.

Funds are disbursed on a timely but prudent basis. Payments for vendor invoices and other obligations are controlled in accordance with AEP disbursement guidelines regarding proper review and approval of supporting documentation.

In addition to the policies, procedures and controls that govern the timely and accurate reporting of financial information, compliance of specific policies, procedures and controls is monitored by the AEP Audit Services Department, the external auditors and/or regulatory agencies.

#### VII. Internal and External Communications

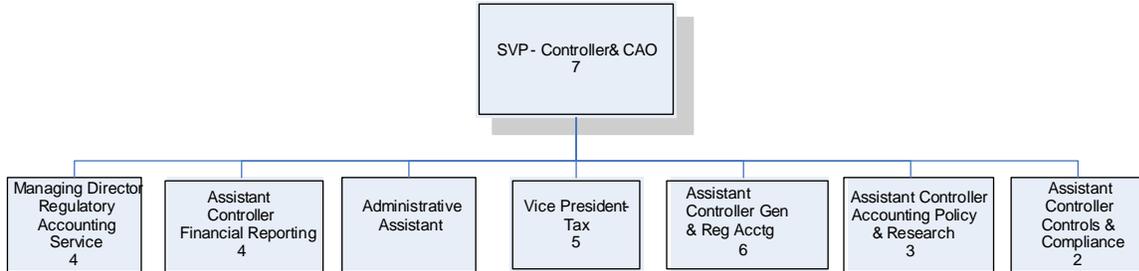
Information is communicated internally between the various accounting functions both formally and informally. An internal corporate accounting website is maintained that contains information such as the relevant period-end closing schedule, accounting policies and procedures, a listing of accounting groups and departments, and an employee information section. Individual departmental staff meetings are also conducted on a regular basis to discuss accounting issues impacting AEP, including AEP Ohio.

Internal communication between the various accounting functions and other departments within the company also occurs on a frequent basis. Most frequently, accounting communicates with legal, regulatory, corporate planning and budgeting, corporate finance, Human Resources, risk management, audit services and other functions as deemed necessary.

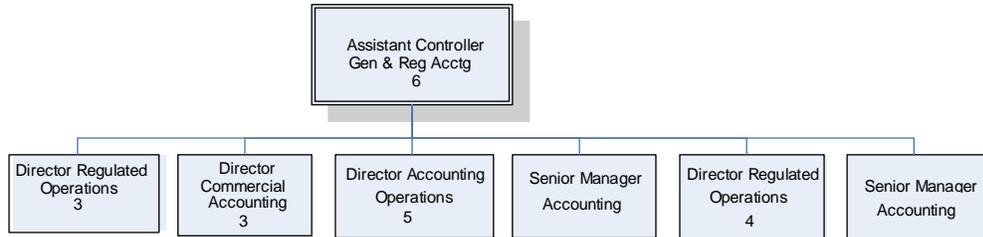
External communication between AEP Ohio and AEP primarily is conducted through the filing of the required regulatory reports with SEC (e.g. Form 10-K, Form 10-Q, Form 8-K, etc.), FERC (e.g. FERC Form 1 and FERC Form 3-Q), and respective state commissions such as the PUCO. In addition, the tax group files the necessary returns for compliance with IRS and state department of taxation requirements. The corporate accounting departments also communicate with other publicly held utilities either through membership in the Edison Electrical Institute (EEI), an association of shareholder-owned utilities, or directly with other utilities regarding various accounting matters affecting the utility industry. Consultation with EEI and other utilities occurs most frequently when preparing comment letters to the FASB regarding the effect of newly proposed accounting standards on the public utility industry.

**Exhibit 1 – Accounting Department Organization Chart**

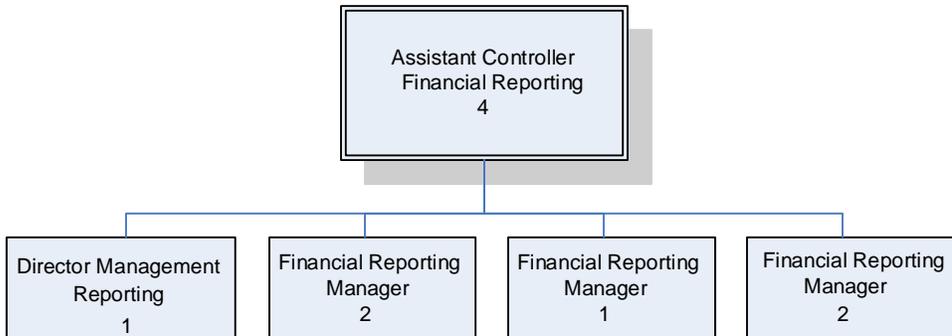
**AMERICAN ELECTRIC POWER  
Accounting & Tax**



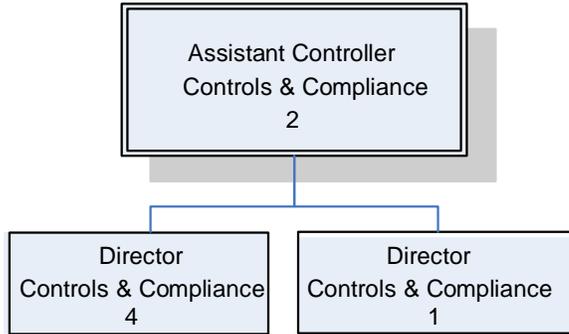
**Assistant Controller – Gen & Reg Accounting**



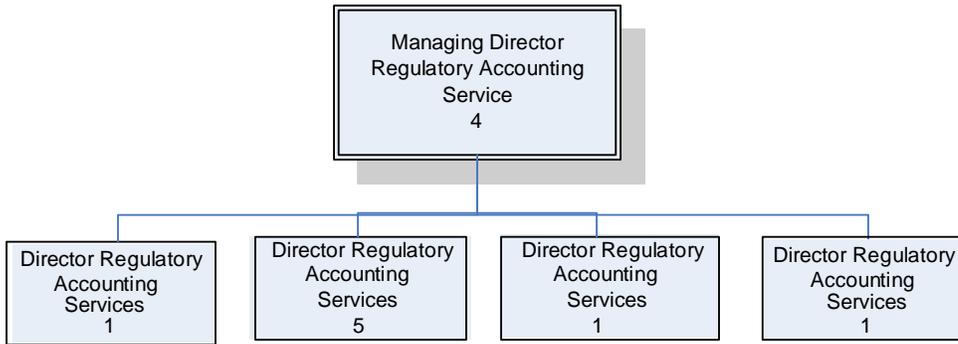
**Assistant Controller - Financial Reporting**



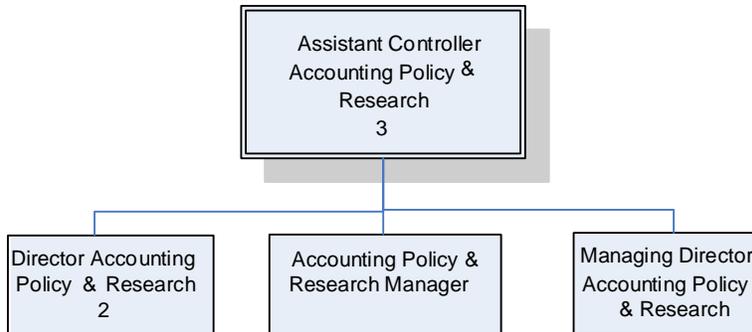
**Assistant Controller – Controls & Compliance**



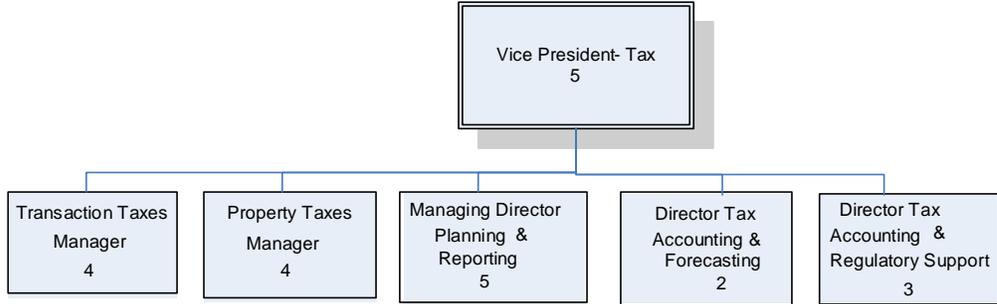
**Managing Director Regulatory Accounting Services**



**Assistant Controller - Accounting Policy & Research**



### Vice President Tax



## Reconciliation Guidelines

### Guidelines for all accounts

- Business Unit
- Reconciliation Period
- Account
- Account Name
- Brief Description of normal activity in the account
- Expected balance (Debit/ Credit)
- Account Mapping (SEC)
- Special Instructions (if any) for completing the reconciliation
- Prepared by
- Date
- Reviewed by
- Date

### Guidelines for Cumulative Balance Accounts

- Expected Standard Entries and Reversing Entries
- Expected resolution of the balance (Include Amortization period and reference docket/ case #)
- Substantiation of the ending balance (control check)
- Ending Balance and does it tie to the GL?
- The activity can be either rolling (from the last period presented) or all-inclusive (explanation of the entire balance). For either type of reconciliation it should be clear what the activity is for the period, and what the beginning balance is made up of. Dates should be clearly included with all activity presented.

### Guidelines for Accounts that tie to sub ledgers

- Expected balance (Debit/ Credit)
- Sub ledger Information (Explanation)
- Sub ledger balance
- General Ledger Balance
- Itemization of differences with aging/ dates
- Follow up/ clearing dates

### Guidelines for Accounts with zero balance

- If balance is zero, not required to be reconciled
- If balance is not zero, follow guidelines for cumulative balance reconciliations

### Guidelines for Accounts with a Target or Known Balance

- Balance per supporting documentation
- Balance per GL
- Variance and detailed explanation
- Expected Standard Entries and Reversing Entries
- Expected resolution of the balance (Include Amortization period and reference docket/ case #)



## Accounting Policy

<b>Policy Title</b>	Balance Sheet Account Reconciliation	<b>Date</b>	11/25/19
<b>Author:</b>	Jeffrey Hoersdig, Scott Travis	<b>Status:</b>	FINAL
<b>Purpose</b>			

To document procedures, roles, timing and guidelines for the completion of balance sheet account reconciliations.

### Policy/Procedure Statement

#### Roles

There are three primary roles in the overall Account Reconciliation Process.

- 1. Account Reconciliation Coordinator (ARC)** - Overall owner of initiating monthly process. Specifically, after the books close for the month, the ARC will:
  - Populate the PeopleSoft Account Reconciliation Database for all balance sheet accounts.
  - Update the Balance Sheet Account Listing for the following items: new balance sheet accounts, AO assignment, risk assessment rating (High, Low) and Natural Balance (Debit, Credit or Zero).
  - Update the BU Consolidation Listing for new BU's and reporting structure changes.
  - Run a query to populate Account Reconciliation Spreadsheet with current month detail
  - Perform an automated analysis to compare current month data against the evaluation criteria (see below) to identify accounts that require a detailed reconciliation
  - Based on the automated analysis, create a file to be sent to the various Account Owners (AOs) for reconciliation.
  - On an annual basis or more frequent, if deemed appropriate, the ARC will:
    - Run the GLS8292v (or equivalent) balance sheet report. This report provides, in a tabular format, the balance sheet account mapping for the respective GAAP reporting lines and the BU's including in each reporting entity rollup.
    - Request updated quantitative thresholds, to be used in the automated analysis, from the Director responsible for the BU.
- 2. Account Owner (AO)** - Overall owner and responsible party for the sign-off of the account reconciliation according to policy and guidelines. Specifically, the AOs will:
  - Coordinate with the U.S. Corporate and Tax Accounting Teams (U.S. Team) to classify accounts at inception as "High" or "Low" risk based on qualitative and quantitative risk factors.
  - Review the unique file monthly and coordinate preparation of reconciliations for accounts that require a detailed review.
  - Sign-off in PeopleSoft on all owned accounts after a reconciliation has been prepared and reviewed to their satisfaction.
- 3. Account Reconciliation Preparer (ARP)** - Reconciles their accounts monthly using the appropriate standard templates and in accordance with this policy and the guidelines. See Appendix B: Reconciliation Guidelines and the standard templates on the Accounting website (<http://acctg/>) under the heading "Account Review - Reconciliation."

**NOTE:** If the ARC is also an AO, in order to mitigate any potential segregation of duties concerns, the U.S. Corporate Accounting Team will review/verify the accounts assigned to the ARC once per quarter.

## Accounting Policy



### ® Procedure

There are three distinct processes that will occur monthly to complete balance sheet account reconciliations.

1. Process Maintenance

The ARC will perform monthly and annual maintenance activities as outlined above in the Roles section of this memo.

2. Account Evaluation

All balance sheet accounts in the general ledger will be subject to a risk-rank analysis upon account creation and annually during the second quarter of each calendar year by the U.S. Team. The U.S. Team will classify an account as either "High" or "Low" risk using quantitative and qualitative risk factors. When determining the account's classification, the team should, at a minimum, consider the following factors:

- Quantitative Risk Factors
  - Volume of transactions
  - Dollar value of transactions
  - Expected magnitude of account balance
- Qualitative Risk Factors
  - Complexity of transactions
  - Volatility and subjectivity of accounting activity
  - Fraud susceptibility of transactions
  - Level of automation versus manual intervention
  - Regulatory oversight
  - A SOX control requires the reconciliation

For High risk accounts, the AO must be an U.S. Team member and must ensure that the detailed account reconciliation review and PeopleSoft Database sign-off is performed by a U.S. Team member. The detailed account reconciliation may be prepared by a member of either the U.S. Team or the Chennai Team.

For accounts classified as Low risk, on a monthly basis the ARC will determine whether the account balance for the current month, prior month, or the prior year end is less than the reporting entity's (i.e. any entity that issues stand-alone financial statements) asset-based threshold.<sup>1</sup> If all of these measurement periods are below this threshold, this quantitative threshold review will be deemed adequate, substantive evidence of an account reconciliation and further analysis of the account will not be required for the applicable period.

For accounts classified as Low risk with balances above the reporting entity's asset-based threshold, the ARC will perform further analysis to ensure that the account is within reasonable limits that provides adequate evidence upon which to conclude that the account does not contain a significant or material misstatement. Further reconciliation may be required based on responses to the below questions:

- Is the account balance inconsistent with the account's natural balance?
- Is the account balance greater than the entity's financial statement line item threshold?<sup>2</sup>
- Is the account monthly variance greater than the entity's pre-determined percentage?<sup>3</sup>
- Is the account year-to-date variance greater than the entity's pre-determined percentage?

For those accounts that meet any of the above criteria (i.e. a "Yes" answer to any of the above questions), a detailed account reconciliation will be required.

<sup>1</sup> The entity's asset-based threshold is calculated as a percentage of the entity's total assets (0.0005%). In some cases, the threshold may be a pre-determined amount (e.g. \$1,000).

<sup>2</sup> This threshold is 5% of the entity's applicable financial statement line item based on the most recently issued annual GAAP report.

<sup>3</sup> The pre-determined percentage is currently 10%, but may be adjusted based on management's periodic review.



## Accounting Policy

For Low risk accounts, the AO may be a member of either the U.S. Team or the Chennai Team. Likewise, the detailed account reconciliation may be prepared, reviewed and signed-off in the PeopleSoft Database by a member of either the U.S. Team or the Chennai Team, noting that the reviewer and preparer must be completed by different individuals.

For those accounts that do not meet the threshold for further reconciliation (i.e. a "No" to all of the above questions), the above analytical review will be deemed adequate, substantive evidence of an account reconciliation and further analysis of the account will not be required for the applicable period.

Once the automated analysis is complete, the program will create a unique file for each AO indicating the accounts requiring further detailed reconciliation.

### 3. Preparation and Review

The AO will receive their unique file monthly from the ARC. The AO is responsible for ensuring the detailed reconciliations are performed and reviewed, in accordance with the procedures in Appendix B. The official record for sign-off is in the PeopleSoft Account Reconciliation Database (PeopleSoft Database).

### **Timing**

All accounts requiring further detailed reconciliation must be reconciled on a monthly basis. For non-quarter end months, the detailed account reconciliations should be completed, reviewed and signed-off in the PeopleSoft Database no later than the last calendar day of the month directly following the respective accounting month-end (e.g. February month-end balances need to be reconciled and reviewed by March 31st). On quarter end months, detailed account reconciliations, for accounts classified as High risk, must be completed, reviewed and signed-off in the PeopleSoft Database before AEP's SEC filing. Low risk accounts would follow the same timing as non-quarter end months.

Cash Account Exception: Cash accounts reconciliations (e.g. Accounts 1310000 and 2420511) will be required to be completed, reviewed and signed-off in the PeopleSoft Database within 45 days of the accounting month-end.

### **Guidelines for Preparing Reconciliations**

A reconciliation is a roll forward of activity that posted to an account during the period AND a validation of the appropriateness of the activity and the month-end balance. An account is considered reconciled when the differences have been quantified, resolved, and documented. Account reconciliations must follow the appropriate guidelines for support listed in Appendix B: Reconciliation Guidelines (<http://acctg/>).

Standard templates have been created and are located on the Accounting Website (<http://acctg/>). Each account should be reconciled using the template for the category of account that it most closely matches. If the account does not fall into one of the template categories, the preparer should design the reconciliation using applicable fields from the Guidelines document.

The categories are:

- Target / Known Balance
- Cumulative Activity with no target balance
- Zero Balance / Clearing Account
- Balance Ties to a Sub ledger System

### **Resolution of Identified Differences**

All differences identified during the reconciliation process should be resolved in a timely manner. The ARP and AO should determine whether the identified difference is self-correcting or requires an adjustment to the general ledger. If the latter, the ARP and AO should ensure that the required adjustment is posted to the general ledger in accordance with the NONREC accounting policy. In addition, for quarter-end account reconciliations, the ARP and AO should assess whether the identified adjustment affects the yet-to-be

## Accounting Policy



issued SEC filings. For all periods, the ARP and AO should assess whether (1) the identified adjustment affects any previously-issued financial statement and (2) whether a SAB 108 entry is required.

### **Documentation**

All documentation, including system generated data, used to prepare the reconciliations and support the balances reported must be retained by each AO's ledger group and should be readily available when requested by auditors, both internal and external, as well as other departments within AEP.

All reconciliations must be stored electronically in a centralized location for each accounting department. Sign-off on paper copies is not required, as the PeopleSoft Database serves as the official sign-off.

The Account Reconciliation Spreadsheet will be stored monthly on the Treasury drive.

### **Business Units not on PeopleSoft**

For Business units whose primary ledgers are on a system other than PeopleSoft, reconciliations need to be prepared to support the applicable PeopleSoft balance.

### **Approval of Deviations from the Policy**

Any deviations from this policy must be approved by the affected Assistant Controller, VP of Tax or Managing Director.

### **Policy Maintenance**

Annually, the ARC/U.S. Team will be responsible for scheduling a meeting with Assistant Controllers and other relevant accountants to confirm the GAAP reporting quantitative threshold and the BU quantitative threshold for each reporting entity in the Account Reconciliation Spreadsheet. Meeting minutes will be kept to evidence the meeting occurred.

### **Special Approvals**

- Non-recurring journal entries over a certain company-specific threshold are subject to additional approval requirements. Refer to Non-Recurring Journal Entry Approval policy for complete information.

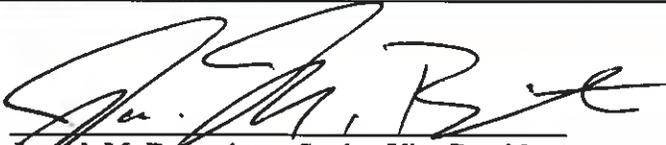
### **Document Retention**

- The account reconciliation (printed or electronic), complete with all supporting documentation, will be retained in accordance with department filing procedures as well as the Accounting Record Retention Policy and its accompanying requirement schedule.

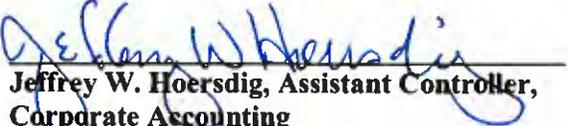
# Accounting Policy



## Approved By

  
\_\_\_\_\_  
Joseph M. Buonaiuto, Senior Vice President  
Controller and Chief Accounting Officer

12/5/19  
Date

  
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Jeffrey W. Hoersdig, Assistant Controller,  
Corporate Accounting

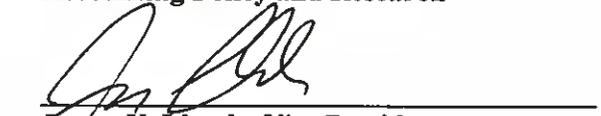
11/25/19  
Date

  
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Michael D. Piatt, Assistant Controller,  
Financial Reporting

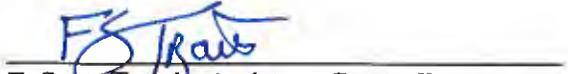
11/26/19  
Date

  
\_\_\_\_\_  
Marc B. Hunter, Assistant Controller,  
Accounting Policy and Research

11/24/19  
Date

  
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James X. Llende, Vice President,  
Tax

12/2/19  
Date

  
\_\_\_\_\_  
F. Scott Travis, Assistant Controller,  
Controls and Compliance

11/25/19  
Date

  
\_\_\_\_\_  
Diana Gregory, Managing Director,  
Regulatory Accounting Services

11/25/19  
Date



<b>Policy Title</b>	Balance Sheet Review	<b>Date</b>	5/25/16
<b>Author:</b>	Jerri Ruggiero, Scott Travis	<b>Status:</b>	FINAL

**Purpose**

The purpose of this policy is to document the procedures for the monthly balance sheet review of consolidated operating companies and other stand-alone entities.

**Policy/Procedure Statement**

Following the close of business each month, each ledger team shall conduct balance sheet reviews of consolidated operating companies and other stand-alone entities as set forth in the “Monthly Balance Sheet Review – Reporting Entities Listing” located under the Tools/Resources Reporting section on the AEP Accounting website. The Reporting Entities Listing also includes required materiality thresholds and identifies the ledger team responsible for the monthly review. The Reporting Entities Listing, including materiality thresholds, will be updated annually during the 2nd Quarter.

Non-quarter end balance sheet reviews should be completed prior to the last day of the month following the balance sheet date under review. Quarter end balance sheet reviews should be completed prior to the last day of the month following the balance sheet date under review or two days prior to the issuance of AEP’s 10Q or 10K, whichever is earlier. The monthly meeting attendees will consist of the ledger team staff, supervisor and accounting manager. In addition to the monthly attendees, the quarterly meeting attendees will include an accounting director or above (or a manager who reports directly to an assistant controller).

Balance sheets to be reviewed will compare the current month balance to the prior year December balance. Each account is to be reviewed and any issues raised by an attendee along with the ultimate resolution of that issue should be documented. The nature of the account and level of the consolidation will determine subjective thresholds for review. Unusual balances will be questioned and/or reviewed. Indicators bringing rise to questions include:

- Month to month variances equal to or greater than the approved materiality thresholds as set forth in the “Monthly Balance Sheet Review – Reporting Entities Listing.”
- Debit balance in an account that is typically a credit balance.
- Credit balance in an account that is typically a debit balance.
- Clearing accounts with a remaining balance.
- Unsupported deferred debit and deferred credit balances.
- Account balances that are counter to companion income statement account trends (e.g. revenues).
- Account balances that are unusual considering the applicable line of business.
- Accounts with an extended period of inactivity.

Any required balance sheet adjustments identified during the review, will be evaluated for materiality. If the entry is deemed material, then subject to senior management approval, the entry will be made in the current month in accordance with the Financial Reporting policy on Late Journal Entries. If the entry is deemed immaterial, the adjusting entry will be made during the following month’s close and, if a quarter-end, will be recorded in the SAB 108 ledger for the current period, reversed in the appropriate month and recorded in the Actuals ledger at that time.

The balance sheet review report along with any applicable supplemental reports or issue resolutions will serve as meeting minutes. A staff member designated by the ledger accounting director will retain the balance sheet review report and supplement reports.

Any deviations from this policy must be approved by the affected Assistant Controller or Managing Director.



**Approved By**

F. Scott Travis

F. Scott Travis, Assistant Controller  
Regulated Accounting

5/26/16

Date

Julie Williams

Julie Williams, Assistant Controller  
Accounting Services

5/31/16

Date

Diana L. Gregory

Diana L. Gregory, Assistant Controller  
Commodity & Fuel Accounting

5/27/16

Date

Mark A. Pyle

Mark A. Pyle, Vice President, Tax  
Tax

5/26/16

Date

Jeffrey W. Hoersdig

Jeffrey W. Hoersdig, Assistant Controller  
Financial Reporting

6/1/16

Date

Joseph M. Buonaiuto

Joseph M. Buonaiuto, Senior Vice President  
Controller and Chief Accounting Officer

6/6/16

Date

## Accounting Policy



<b>Policy Title</b>	Income Statement Review- Regulated Operating Companies and AEP Parent	<b>Date</b>	8/01/11 REVISED
<b>Author:</b>	Jeff Hoersdig, Scott Travis	<b>Status:</b>	FINAL

### Purpose

The purpose of this policy is to document the procedures for the monthly review of pre-tax income statements for each regulated operating company and AEP Parent.

### Policy Statement

On the workday following the deadline for pre-tax net income entries (Day 6), four meetings will occur with the purpose of reviewing the pre-tax income statement for the consolidated operating companies, transmission companies and AEP Parent, Inc. (See Appendix A). The meetings will be conducted on a region basis by the following ledger teams: (1) East Utility Accounting, (2) West Utility Accounting, (3) Transmission Accounting and (4) Corporate and General Accounting. Attendees will consist of the appropriate accounting team staff members, supervisors, managers and directors. Though not required to attend, representatives from Corporate Financial Reporting, Corporate Planning & Budgeting and Business Operations will be invited to the east and west operating company reviews.

The Income Statement review will include:

- A comparison of current year current month actuals to prior year current month actuals.
- Each ledger team will review variances in gross margin, operating expenses, maintenance expenses, depreciation & amortization, taxes other than income taxes, other income and interest expense. Variances in these categories will be analyzed by each ledger team and explained to within \$1 million.
- A comparison of current month actuals to current month budget. The actual to budget comparison will be completed on a high-level basis. CP&B completes a more in-depth review 3 to 5 days after close. Currently, the transmission companies will be excluded for this step based on materiality. This exclusion will be reassessed annually.

In addition to the above analysis, the east and west operating companies' reviews will include a gross margin analysis comparing current month actuals to prior year current month actuals.

Any required income or expense adjustment identified during the aforementioned reviews will be evaluated for materiality. If the entry is deemed material, then subject to senior management approval, the entry will be made in the current month in accordance with the Financial Reporting policy on Late Journal Entries. If the entry is deemed immaterial, the adjusting entry will be made during the following month's close and, if a quarter-end, will be reported to Financial Reporting as part of the SAB 108 process.

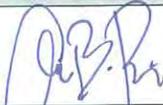
The variance reports and analyses used in the income statement review along with any supplemental reports will serve as meeting minutes. A staff member designated by the accounting director or manager will retain the pre-tax variance analysis reports and supplemental reports.

Any deviations from this policy must be approved by the affected Assistant Controller or Managing Director.

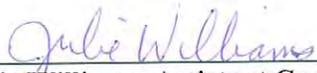
## Accounting Policy



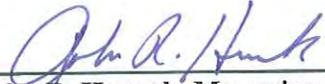
### Approved By

  
\_\_\_\_\_  
Andrew B. Reis, Assistant Controller  
Regulated Accounting

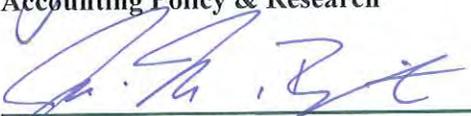
7/29/11  
Date

  
\_\_\_\_\_  
Julie Williams, Assistant Controller  
Accounting Services

8/9/11  
Date

  
\_\_\_\_\_  
John R. Huneck, Managing Director  
Accounting Policy & Research

7.29.11  
Date

  
\_\_\_\_\_  
Joseph Buonaiuto, Senior Vice President  
Controller and Chief Accounting Officer

8/25/11  
Date

## Accounting Policy



### APPENDIX A

#### EAST OPERATING COMPANIES

<u>Name</u>	<u>Business Units</u>
AEP Generating Company	153, 375, 377
Appalachian Power Consolidated	125, 140, 150, 189, 215, 217, 215
Columbus Southern Power Consolidated	130, 144, 220, 290
Indiana Michigan Power Consolidated	120, 121, 132, 170, 190, 202, 280, 387, 391, 392
Kentucky Power Consolidated	110, 117, 180
Kingsport Power Consolidated	230, 260
Ohio Power Consolidated	130, 140, 220, 290
Wheeling Power Consolidated	200, 210

#### WEST OPERATING COMPANIES

<u>Name</u>	<u>Business Units</u>
AEP Texas Central Consolidated	162, 169, 211, 372
AEP Texas North Consolidated	119, 166, 192
Public Service Company of Oklahoma Consolidated	114, 167, 198
Southwestern Electric Power Consolidated	111, 159, 161, 168, 194, 358

#### TRANSMISSION

<u>Name</u>	<u>Business Unit</u>
AEP Transmission Holding Company, LLC	369
AEP Transmission Company, LLC	370
AEP Transmission Partner, LLC	393
AEP Ohio Transmission Company, Inc	380
AEP Appalachian Transmission Company, Inc	382
AEP West Virginia Transmission Company, Inc	383
AEP Kentucky Transmission Company, Inc	384
AEP Indiana Michigan Transmission Company, Inc	385
AEP Oklahoma Transmission Company, Inc	386
AEP Southwest Transmission Company, Inc	388

#### AEP PARENT

<u>Name</u>	<u>Business Unit</u>
AEP Company, Inc.	100



## Accounting Policy

<b>Policy Title</b>	Income Statement Review Non-Regulated Entities	<b>Date</b>	11/15/12 REVISED
<b>Author:</b>	Michael Giardina	<b>Status:</b>	Approved

**Purpose**

The purpose of this policy is to document a standard for the quarterly review of income statements for non-regulated business units (excluding AEP parent company.)

**Policy/Procedure Statement**

Prior to the close of business of a quarter-ending month, an income statement review and variance report analysis package for each consolidated group of non-utility companies (groupings will be deemed as appropriate) will be presented at a meeting with a Managing Director or Assistant Controller. The review will consist of a comparison of income components (revenue and expense) for 1) current quarter to prior year quarter, and 2) current year-to-date to prior year-to-date.

All variances in revenue and/or expense line items which are greater than a threshold (threshold will be deemed as appropriate, but no more than \$5 million) are reviewed and explained.

The variance report package along with any applicable supplemental reports will serve as meeting minutes. Additionally, any follow-up issues will be documented and the resolution of each issue will be filed with the variance report package. A staff member designated by the Assistant Controller, Utility Energy & Commercial Accounting, will retain the variance report packages and supplemental reports.

All deviations from this policy must be approved by a Managing Director or Assistant Controller.

**Approved By**

 _____ <b>Andrew B. Reis, Assistant Controller</b> Utility Energy & Commercial Accounting	11/21/12 _____ <b>Date</b>
 _____ <b>John R. Huneck, Managing Director</b> Accounting Policy & Research	11/21/12 _____ <b>Date</b>
 _____ <b>Joseph M. Buonaiuto, Senior Vice President</b> Controller and Chief Accounting Officer	11/21/12 _____ <b>Date</b>

**ACCOUNT RECONCILIATION**

(Cumulative Activity with no target balance)

COMPANY:

ACCOUNT:

NAME:

PREPARER and Date:

Period Ending:

REVIEWER and Date:

EXPECTED BALANCE:

Date Balance last confirmed through rate making:

**Purpose & Brief Description of Normal Activity**

**SEC Account Mapping**

**Any Special Instructions for completing the Reconciliation**

**Expected Resolution of Balance (How should it clear?)**

**Other Information**

Docket/Case: \_\_\_\_\_

Amortization Period: \_\_\_\_\_

**Entries Expected**

List Standard Entries and whether they reverse.

Have all the expected entries been made?

Accounting Policies on Policy Central  
Corporate Accounting Policies & Procedures  
**ACCOUNT RECONCILIATION**  
Account Review - Reconciliation  
(General Ledger to Sub-Ledger)

BU:  
ACCOUNT:  
NAME:

Period Ending:  
PREPARER and Date:  
REVIEWER and Date:

EXPECTED BALANCE:

**Brief Description of Normal Activity**

**SEC Account Mapping**

**Sub-Ledger Information**

**Special Instructions**

**ACCOUNT RECONCILIATION**

(Target balance)

COMPANY:

ACCOUNT:

NAME:

PREPARER and Date:

Period Ending:

REVIEWER and Date:

EXPECTED BALANCE:

**Purpose & Brief Description of Normal Activity**

**SEC Account Mapping**

**Any Special Instructions for completing the Reconciliation**

**Expected Resolution of Balance (How should it clear?)**

**Other Information**

Docket/Case: \_\_\_\_\_

Amortization Period: \_\_\_\_\_

**Entries Expected**

List Standard Entries and whether they reverse.

Have all the expected entries been made?

<b>Policy Title:</b>	Accounts Payable Process Controls	<b>Date</b>	08.01.15
<b>Owner:</b>	Accounts Payable (AP)	<b>Status:</b> (Draft, Under Review, Approved)	Approved
<b>Frequency:</b>	Daily		
<b>Overview</b>			

The AP Process Controls Policy is a comprehensive policy defining the internal controls (reviews, methods, procedures, guidelines, and best practices) established to assure disbursements of company funds are performed in a timely and accurate manner. This policy focuses on three key functions of the AP process; the Vendor Master file, the Invoice / Payment Request function, and the Disbursement of Funds.

- Note –the following AP functions are not specifically covered as part of this policy.
  - AP Accounting
  - 1099 Reporting
  - Corporate Credit Card Expense Reporting
  - Materials & Supplies (Stores) Accounting

### Objective

- To define the controls established within the AP Vendor Master File, Invoice / Payment Request function and Disbursement of Funds processes.
  - To ensure the AP process is efficient and properly executed.
  - To safeguard company assets and resources.
  - To deter and detect errors, fraud or theft.
- To assure the financial records of AEP are timely and accurate.
- To avoid significant control deficiencies and /or material weaknesses under the Sarbanes Oxley Act (SOX).
- To comply with Generally Accepted Accounting Principles (GAAP), regulatory and reporting requirements.

### Key AP Controls

- Financial Approval Authorization Limits
- Segregation of Duties
- Vendor Master Controls
- Invoice / Payment Request Controls
- Disbursement Controls

### Financial Approval Authorization Limits

Financial Approval Authorization Limits is a control established for the purpose of defining the spending authority delegated to employees within the AEP organization. Financial Approval Authorization Limits are a key control in the AP Process in that all disbursement of funds must be validated against the limits delegated to those who approve such transactions.

Separate policies and procedures related to the Financial Approval Authorization Limits process exists as follows:

- AEP Authorization Policy, Dated 05.22.15
- AEP Users Guide for Financial Approval Procedures, Dated 09.09.10
  - These documents are available on the Corporate Accounting website by navigating to the following page:
    - <http://acctg/policies>

## Segregation of Duties

The intent of a segregation of duties control is to maintain a separation of incompatible business functions. Adequate segregation of duties provides the following primary benefits:

- The risk of deliberate fraud is reduced as two or more people would be required to circumvent controls.
- The risk of legitimate errors (intentional or unintentional) is reduced as the likelihood of detection is increased.
- The cost to correct errors is reduced the earlier they are detected.
- An organization's reputation is enhanced when the proper controls exist.

Segregation of duties exists throughout the AP Process in several ways:

- The AP organization is aligned as a separate corporate function allowing for independence in transaction processing.
  - The following functions are independent of the AP function:
    - Responsibilities for the requisition, purchasing and receiving functions.
    - Responsibilities for sales and use tax returns, property tax returns and escheatment.
    - The IT department and system administrator that grants access to the AP system.
    - The bank reconciliations process.
    - The general ledger and financial reporting process.
- The AP group is subdivided by specific process:
  - Vendor Master
  - Invoice / Payment Request (Voucher Processing)
  - Disbursements
  - Accounting
- AP personnel have specific assigned security roles within the applications used in the AP process.
  - Roles have been designed to ensure segregation of duties based on the functions performed. (AP maintains a separate Security Policy detailing the roles and segregation of duties related to the AP process.)

## Vendor Master Controls

The AP vendor master file is a record of all approved vendors with whom AEP may conduct business. In addition each AEP employee is a record in the file as well. As would be expected vendor master files are in a constant state of change. Vendors are being added, inactivated and placed on hold on a daily basis. Vendor addresses, contact information, banking and corporate ownership is constantly changing and thus must be properly updated. With approximately 109k active and 330k inactive vendors this is no small task. As such the need for controls to ensure these records are accurate is paramount.

The AP vendor master file records are established and maintained in the following manner:

- Via an electronic feed from AssetSuite (Procurement's vendor master file).
  - AssetSuite vendor master records are commonly referred to as "5 vendors" within AP as the vendor id for such records begin with a "5".
- Via manual entry into the AP PeopleSoft system.
  - AP vendor master records are commonly referred to as "0 / remit vendors" within AP, as the vendor id's for such records begin with a "0" and are those that are utilized in the disbursement (remittance) of funds.
    - Each "5 vendor" will have a corresponding "0 / remit vendor" associated to it.
    - A remit vendor is established for each "5 vendor" when an invoice is received for processing.
      - Not all "5" vendors will end up conducting business with AEP, therefore not all "5" vendors will have an associated remit vendor.
  - New employee vendors are established based on the results of a query listing employees without a vendor code. Existing employee vendor master records are automatically updated daily based on information received from the Human Resources employee database. Terminated employees are made inactive based on the results of query showing inactive HR employees.

The following controls have been established to assure AP has a “clean” and accurate vendor master file:

- Each vendor record is assigned a default vendor class to differentiate the type of transactions most commonly associated with said vendor.
  - (e.g. – Goods & Services, Trading, Fuel, Employee, etc.)
    - Note - Finance Approval Authorization Limits are assigned by vendor class to further control the approval of invoices by type of transaction and amount.
- Each vendor is required to provide an IRS Form W-9 which AP must verify to assure the vendor’s Tax Identification Number (TIN) has been properly certified.
  - Correspondence is circulated on a regular basis to vendors who have not certified their TIN.
  - Vendors are placed on hold and no payments are disbursed until TIN verification has been achieved.
- All applicable vendors are flagged for 1099 reporting.
  - All applicable Forms 1099 are submitted as required prior to January 31.
  - All applicable Forms 1099 are filed with the IRS in accordance with the reporting deadlines.
- Access to update the AP vendor master file is restricted to 2 to 3 key AP employees assigned to this function.
- New vendor setups are reviewed daily by non-vendor personnel for accuracy.
- Vendor records are established utilizing a standard naming convention.
- One time vendor setup is used for one time payments such as customer refunds.
  - After the payment is made, the vendor code is automatically inactivated.
- When establishing a new vendor, a duplicate vendor review is performed in Oversight.
  - Verification includes variation of the vendor name, same remit address, and names included on the Specially Designated Nationals (SDN) list.
  - Duplicate TINs are detected in PeopleSoft when attempting to enter an existing TIN with a new vendor code.
- Banking changes are made based on information supplied by vendors.
  - These changes are reviewed daily by non-vendor personnel for accuracy.
- PII is used to establish and maintain vendor files.
  - To maintain PII security, vendors are directed to send the information to [vendorsupportap@aep.com](mailto:vendorsupportap@aep.com).
  - PII is scanned into the limited access Vendor Support location within Documentum.
- Foreign Payment Reporting is performed in February.
  - All foreign payments are reviewed to determine if a service was performed.
  - The Tax Department is provided a spreadsheet of service amounts paid, invoices and W-8 forms.
  - The Tax Department uses this information to file Form 1042.

## Invoice / Payment Request Controls

The Accounts Payable vouchering process is comprised of taking approved invoices and payment requests and creating the corresponding accounting entries, payment records and disbursement files. In 2014 AP processed in excess of 900k vouchers. AP has established the following means by which to process invoices / payment requests:

- AP Invoice Processing
  - The “traditional” method of AP invoice processing originates with invoices being received (paper or electronic) within AP and entered into the AP process by personnel designated for this function.
    - Electronic invoices may be sent to [invoice@aep.com](mailto:invoice@aep.com).
- Online Payment Requests (OPR)
  - Established within the PeopleSoft (PS) AP application this method allows for AEP employees involved in the transacting of business to submit approved payment requests.
- AP “Feeder Systems”
  - AEP has hundreds of systems specific to the needs of the business units and their function. Several systems create approved invoice / payment request transactions and electronically submit data to the PS AP application.
    - e.g. – Right of Way submits data to AP for purposes of initiating payment to ROW vendors.
    - e.g. – Cook vendor invoices, processed in AssetSuite, submits data to PS AP to initiate payment.
    - e.g. – the Ariba Network, utilized by Procurement and AP for purposes of submitting purchase order and invoices electronically feeds PS AP for voucher creation, approval processing and payment initiation.

Each invoice / payment request method is unique in its design, function, and use. Each interacts with the AP Process in a different way. Each is subject to the many controls that have been implemented across the Invoice / Payment Request process.

- Invoice Data Requirements
  - Invoices received directly by AP from the vendor must contain at a minimum the following information:
    - Invoice #, Invoice Date, Amount Due
    - Payment Terms
    - Valid PO or Contract # with applicable release (used for 2WY and 3WY mechanized approval)
      - If the invoice is to be processed with no PO or Contract #, the following additional information must be provided:
        - ✓ Location where items were shipped or service was performed
        - ✓ AEP Contact Name (used for review and approval routing)
        - ✓ Vendor Contact Information (email address or phone #)
      - Limit of one PO or Contract # per invoice
    - Description (Part #) of item purchased / service rendered
    - Unit of Measure, Quantity, Price
    - Remit Information
      - All non-feeder and non-OPR invoices will be remitted via check or ACH as specified on the invoice.
      - If the vendor requires that the invoice is to be paid by wire, it must be processed using OPR or a feeder system.
        - ✓ AP will also accept invoices that have been approved manually and forwarded to the wiretransferrequests@aep.com group email box for Non-PS BU's and foreign wires.
    - PII Information
      - No PII data shall be present on any invoice processed by AEP.
      - Any PII data present must be redacted prior to processing.
      - Communication with appropriate AEP contact and/or vendor should be made to bring awareness to the occurrence and to reduce future submissions.
  - **Failure to provide the information as outlined above will result in the rejection of an invoice / payment requests and delay further processing and payment disbursement.**
- Approval Authorization
  - 2WY / 3WY Automated Matching
    - Invoices for the purchase of goods & services are verified and matched to purchase orders and contracts established within AssetSuite.
      - Invoices for the purchase of inventory materials are matched (quantities and unit price) to the purchase order and receipt (3WY).
      - Invoices for the purchase of services are matched against the authorized spending limits designated within the terms of the contract (2WY).
    - Action Tracking Exception Listings are created and distributed electronically within AssetSuite for those items that result in match exceptions and require further resolution by the business units.
      - See “**Accounts Payable (AP) Communications regarding invoices that reference PO's / Contracts**” document.
    - AP Match Exceptions Workbench Queue is created within PS AP and worked daily for those exceptions that require further processing by AP.
      - Header level errors created as a result of \$ tolerance level exceptions.

- OPR, AP Feeders, Non PO / Contract
  - All invoices that are not subject to the automated 2WY and 3WY matching process must be both reviewed and properly approved (verified against the Financial Approval Authorization Limits database) prior to being posted to the General Ledger and processed for payment.
    - The review / approval process must include two distinct individuals for purposes of meeting the segregation of duties controls.
    - AP Feeders must provide both userids (reviewer / approver).
    - AP Feeders are responsible to assure the appropriate review / approval function was performed and must be able to provide adequate proof of such control.
- Valid Accounting
  - All invoices must provide valid accounting distribution.
    - Invalid accounting will prevent further voucher processing until correction occurs.
- Duplicate Invoice Verification
  - AP utilizes a third party application (Oversight) for purposes of detecting potential duplicate invoices.
    - Daily queue's generated within Oversight present AP personnel with potential duplicates that are reviewed prior to payment disbursement.
      - Transactions found to be duplicated will be marked as such and excluded from further processing.
- Recurring Voucher Payments
  - A recurring voucher payment is a payment that is paid on a regular basis (usually monthly or quarterly) to the same vendor, (usually) for the same dollar amount, and charged to the same accounting string for the duration of the payment.
    - Recurring payments are limited to a twelve month cycle.
  - See AP Policy "Recurring Voucher Payments" for further information regarding this control.
- Records Retention
  - Invoice images are retained within the Documentum Document Management System
  - Vouchers, payment records and related journal entries are maintained in PS Finance.
    - Retention periods for AP related documents are as follows:
      - Paid and canceled vouchers – 10 years (25 years – TX)
      - Original bills and invoices for materials / services paid by vouchers – 10 years
      - Paid checks and receipts for payments by voucher or otherwise – 10 years
      - Authorization for the payment of specific vouchers – 10 years
  - AP Invoice Support Documentation Certification
    - Quarterly certification process by which "AP Feeders" process owners certify they have elected to retain invoice support documentation within their own process / systems.
    - See AP Policy "AP Invoice Support Documentation Certification" document for further information regarding this control.
  - Missing Support Documentation Review
    - Daily process by which AP follows up on missing support from certain AP Feeders.
- Aging 90+ day review
  - Vouchers which are over 90+ days old (invoice date) are reviewed monthly for the purpose of determining whether or not such vouchers should exist or be canceled from the system.
    - Should the vouchers be legitimate, efforts should be made to resolve any discrepancies which may exist and obtain proper approval to issue payment.

## Disbursement Controls

Cash disbursements are generated daily for all vouchers that have been matched, approved, posted, and that have reached or are beyond their scheduled due date (in the case of late approval or receipt). There are three potential payment methods utilized by Accounts Payable: ACH (Automated Clearing House), Check, and Wire Transfer. The default payment method of each vendor is established within the remit vendor master file.

The following information and control activities are relative to each payment method:

- **ACH**
  - ACH is AEP's preferred payment method because it is the most cost effective (less than two cents per payment) and is also generally considered to be the most secure.
    - AP currently issues ~ 87% of all disbursements by ACH.
  - Although it is not mandatory that vendors are paid by ACH in order to do business with AEP, all new vendors (with the exception of one time vendors) are contacted and encouraged to fill out our ACH Authorization Form.
    - Periodic reviews are performed of existing vendors who are currently being paid by wire or check to identify opportunities to convert vendors to ACH payments.
  - Payments issued by ACH are transmitted daily to Citibank.
    - Invoices are aggregated by vendor and BU so as to reduce the # of payments.
    - Remittance details (invoice # and amount paid) for each payment is emailed at 10 am to each vendor who have provided email contact information
      - Vendors have until 2:00 pm to notify AP if there are any issues with their payment.
      - If any issues are identified, the payment is deleted from the file in Financial Gateway.
      - The associated vouchers are either deleted from the system or payment is resissued after the appropriate updates have been made.
    - Daily reconciliations are performed to verify the volume and amount of payments AP sent to the bank was properly transmitted and received for further processing.
  - ACH payments can be reversed within 5 business days.
    - The accounting associate notifies the vendor of the reversal and the reason (in the event that the reversal is not requested by the vendor).
    - Generally express consent is obtained from the vendor to do the reversal.
    - The accounting associate also obtains email approval from AP Management before requesting the reversal from Citibank.
- **Check**
  - Check payments are the least preferred method of submitting payment due to both the cost involved (~ \$.91 per check) and the potential risk of fraud.
    - AP currently issues ~ 10.5% of all disbursements by check.
    - Check payments are made primarily for the following types of payments:
      - Gifts, Awards and Contributions
      - Utility payments
      - Operating company efficiency incentive programs
  - AP utilizes check stock which has been developed utilizing the latest security features (including the use of watermarks, special coloring, and other enhanced document security features).
  - Check stock is secured in locked rooms and filing cabinets.
  - Check stock is inventoried to properly account for what is used and on hand.
  - System security access to run the check printing pay cycle and print the checks is limited to key personnel designated for such purpose.
  - AP utilizes a positive pay control with Citibank. Daily positive pay files are transmitted to Citibank which includes detailed information as to each check issued. When presented for payment, each check is verified against the positive pay file to confirm proper authorization to disburse funds has been granted.

- **Wire Transfers**

- The use of wire transfer is the least cost effective (\$5.19 per payment) and is generally considered to be the payment method that is the most risky because wires cannot be recalled by the initiating party after the transaction has been finalized by the financial institution.
  - Therefore AP only uses this payment method when there are valid business reasons which would necessitate its use, and has established more rigorous controls than what are in place for other payment methods.
  - It should also be noted that the majority of vendors would prefer not to receive payment by wire transfer due to the fact that most financial institutions charge the receiving party a fee generally ranging from \$18-\$30.
  - AP currently issues ~ 1.5% of disbursements by wire transfer.
- The majority of wire transfers are entered via Online Payment Request (OPR).
  - The initiator of the request is required to enter the receiving party's bank account and routing number. If the bank account and routing number do not match what is currently in the vendor master file, the initiator must either investigate and provide the correct information or contact Accounts Payable to have a new wire location established in the vendor master file.
  - Before the vendor clerk adds a new wire location to an existing vendor or establishes a new vendor who will be paid by wire transfer, the supporting documentation is supplied to a wire clerk who independently contacts the vendor by telephone or email to verify the accuracy of the wiring instructions provided. The wire clerk documents that this step has been completed, and the documentation is retained.
- AP Personnel have the ability to modify the payment method to wire transfer on vouchers not entered via OPR (i.e. feeder system and online vouchers).
  - Payments modified to pay by wire are accumulated in the AP Wire Review Queue within PeopleSoft and cannot be released until the remit information is verified by a second AP employee who has the wire clerk security role
  - This control is also employed when an update is made to a voucher that is originally scheduled to be paid by wire. Therefore any voucher that is modified to pay by wire or that is originally scheduled to be paid by wire but is later modified in any way must be reviewed by an independent person in the AP Wire Review Queue before payment is released.
- There are four wire pay cycles scheduled daily which run at 7:30, 9:30, 11:30, and 2:30.
  - Wires must be released by a wire clerk before their scheduled pay cycle in order to be sent to Citibank for payment.
  - After the last pay cycle of the day, the total of all wire transfers that were scheduled for payment are reconciled with the bank to ensure completeness. Proof of reconciliation is emailed daily to AP Management.
- Wire Clerks also have the ability to enter Wire Payments directly into the Citibank system, thereby bypassing PeopleSoft.
  - This is only done in the following four circumstances:
    - (1) The wire transfer is time sensitive but has not been approved and ready for payment in time to be released with the last pay cycle of the day.
    - (2) The wire transfer must be paid in a foreign currency.
    - (3) There is a technical failure of the automated pay cycles.
    - (4) The wire transfer is being paid by an AEP subsidiary which is not processed through the PeopleSoft Accounts Payable system (i.e. River Operations).
  - In the first three circumstances a 'Record-Only' voucher is entered in PeopleSoft in order to capture the accounting information and other payment details. The following controls are in place specific to wires entered directly into the Citibank system:
    - The authorization limits of the approver are manually verified.
    - Preformats are used to the extent possible.
      - Preformats are templates which are established in the Citibank system that allow the wire clerk to schedule payments to a particular vendor but do not permit the clerk to modify remit information.
    - All payments entered directly in Citibank, whether by preformat or free-form, require review by a second AP employee who verifies the transaction details for accuracy. Documentation is retained with the initials of both the initiator and the verifier.

## Contract Retention

Contract Retention is occasionally employed, usually on larger contracts, to verify that work is completed to AEP's satisfaction before the full contract amount is paid.

- Following issuance of the contract, but prior to invoices being received, business unit project coordinators will email [apayable@aep.com](mailto:apayable@aep.com) with the contract number and percent retention to be withheld.
  - AP will enter information into PS which will be referenced as part of the pay cycle routine.
  - Applicable % will be withheld from each invoice processed for payment.
- Once the project manager has determined that retention should be released, a signed release of retention form and affidavit of completion is submitted to [apayable@aep.com](mailto:apayable@aep.com).
  - AP reconciles the amount currently being withheld to the amount on the release of retention form. If any differences are identified, they are investigated before release.
  - Following the pay cycle run but prior to funds being disbursed, the amount of retention released is queried and verified to assure the intended amount was released.
- Supporting documentation for all components of the process – set-up, authorization for release, and payment reconciliation and verification are retained on the AP share drive.

## Early Payment Requests

Beginning in August 2012, standard payment terms for PO/Contracts were changed to Net-45 from Net-30. Concurrently AEP entered into a partnership with Ariba, a corporation that provides a portal which allows AEP to issue purchase orders, receive electronic invoices, and administer an accelerated payment program to vendors which are enabled through Ariba's network. AEP encourages all vendors to utilize the accelerated payment program so that they may receive payments sooner than the standard Net-45 day term and also so that AEP may maximize discount potential.

AP routinely receives requests both from outside vendors and AEP employees to pay invoices early. It is imperative that such requests are treated in a standard manner in order to ensure that all vendors are treated equitably as well as to avoid unintentionally dis-incentivizing vendors from enrolling in the accelerated payment program. Early payments to vendors without discount should be minimized to the extent possible.

The following information and control activities are relative to early payment requests:

- In general AP should defer to the payment terms which are negotiated by Procurement. There are certain circumstances in which exceptions are granted from the standard Net-45 day payment terms. The buyer/contract analyst is generally in the best position to determine when such exceptions are warranted because he or she is in communication with both the AEP employee who originated the requisition and the vendor.
- In the event that a vendor contacts AP directly requesting early payment, AP will take the following actions:
  - Verify that the payment terms in Asset Suite are properly populated on the voucher.
  - Verify the PO clauses to determine if any exceptions are noted.
    - For example, in some cases the vendor will specify that they will not begin work or ship material until a specified amount is received in advance. In such case, the first invoice will generally be paid upon receipt and subsequent invoices are paid according to standard payment terms.
  - If the PO clause states that such exceptions exists and early payment should be made, AP personnel working the request will forward the information to the AP Supervisor for approval. If the AP Supervisor agrees that early payment without discount is warranted, the AP associate will be directed to update the payment date and note that it is being done based upon PO clauses.
- If there are no exceptions documented by Procurement within the PO clauses, the vendor should be advised that payments are generally not issued early without a discount. The discount terms that the vendor is offering should be as good or better as what is offered through the Ariba accelerated payment program. **(Refer to the sliding scale shown below).**
  - Provided the vendor agrees to the discount terms, the AP personnel working the request will forward the information to the AP Supervisor for approval.

- Please note that manual discounts should not be performed on a routine basis for any one particular vendor because vendors that wish to receive discounts on a regular basis should sign up for the accelerated payment program through the Ariba network. Also note that there is no charge to the vendor to sign up for the program nor do they need to sign up for e-invoicing to participate in the program. (There is a cost to the vendor to participate in e-invoicing through Ariba).

Standard Payment Terms							
2% 10, Net 30		1.5% 15, Net 30		.5% 25, Net 30		Net 45	
Discount Rate	Pay on Day	Discount Rate	Pay on Day	Discount Rate	Pay on Day	Discount Rate	Pay on Day
2.00%	10						
1.80%	12						
1.70%	13						
1.60%	14						
1.50%	15	1.50%	15				
1.40%	16	1.400%	16				
1.30%	17	1.300%	17				
1.20%	18	1.200%	18				
1.10%	19	1.100%	19				
1.00%	20	1.000%	20				
0.90%	21	0.900%	21				
0.80%	22	0.800%	22				
0.70%	23	0.700%	23				
0.60%	24	0.600%	24				
0.50%	25	0.500%	25	0.50%	25		
0.40%	26	0.400%	26	0.400%	26		
0.30%	27	0.300%	27	0.300%	27		
0.20%	28	0.200%	28	0.200%	28		
0.10%	29	0.100%	29	0.100%	29		
0.00%	30	0.000%	30	0.000%	30		
						0.000%	45

- If the vendor is unwilling to offer a discount but is still insistent that early payment be granted, they should speak with their Procurement representative. If the Procurement representative agrees that an exception is to be granted, they must send an email to [apayable@aep.com](mailto:apayable@aep.com) directing which invoice(s) should be paid early and the revised payment date.
  - This email will be forwarded to AP Supervision and will be retained with the voucher.
  - Additionally the buyer should update PO Terms and/or Clauses accordingly if the exception will affect future invoices.
- In the event that an AEP employee requests early payment on a vendor's behalf, it is imperative that AP questions and understands the nature of the request.
  - If early payment is requested solely for the benefit of the vendor, refer to the bullets above.
  - AEP employees should be advised that payments should not and cannot be accelerated for budgetary purposes (i.e. early or advance payment in order to record the transaction in the current accounting period).
  - If there is a non-budgetary benefit to AEP, the employee should obtain the email approval of the employee who has approved the voucher along with a brief description of why it is being granted and email it to [apayable@aep.com](mailto:apayable@aep.com).
    - The buyer or contract analyst who negotiated the payment terms should also be copied.
    - The email approval will be retained with the voucher.
    - Additionally approval should also be obtained at the following level for the specified dollar thresholds (only in the event that the approver of the voucher does not already meet the requirement):
      - \$10,000 – Manager
      - \$100,000 – Director
      - \$1,000,000 – Managing Director
      - \$3,000,000 – Vice President

- A spreadsheet will be maintained by AP documenting the dates of early payment requested, requestor, and whether or not discounts were granted. AP will investigate reoccurrences by the same requestor to determine if there are opportunities for improved efficiency (e.g. enrolling the vendor in the accelerated payment plan through Ariba or writing PO/Contracts for specific vendors with non-standard payment terms). Internal Audits may also investigate the potential of collusion with a vendor.
- AP Supervision/Management has the authority to pay a voucher early at their discretion without a discount or email approval as described above. These instances will also be documented in the spreadsheet described above. Circumstances where this discretion may be employed may include but are not limited to the following:
  - Payments terms or invoice date were originally entered incorrectly by the originator of an OPR or feeder system voucher.
  - Payment is being issued to a vendor for which discounts are not typical (e.g. fees to governmental/regulatory agencies, charitable contributions, membership fees/dues, etc.)
  - Damage to a significant business relationship may occur if payment is not accelerated, particularly if there has been an issue at AEP which has caused past or current payments to be late.

### **Short Paying an Invoice**

The practice of short paying an invoice is quite simply as the name suggests, paying only a certain portion of an invoice total and thereby “shorting” the total invoice due amount.

- AP personnel will no longer process invoices / vouchers where we have been instructed to short pay as a means to initiate payment.
  - All invoice discrepancies must be resolved prior to the payment process and invoices will be paid in full (with the exception of certain tax and freight charges automatically deducted based on other criteria).
- See AP Policy “Short Pays” for further information regarding this control.

### **Other Disbursement Controls**

AP has implemented the following additional controls related to Disbursements:

- Duplicate Pay Review
  - AP utilizes a third party application (Oversight) for purposes of detecting potential duplicate payments.
    - Daily queue’s generated within Oversight present AP personnel with potential duplicates that are reviewed prior to payment disbursement.
      - Transactions found to be duplicated will be marked as such and excluded from further processing.
- Payment over \$50k Verification
  - AP manually reviews payments over \$50k to assure they have been processed properly and are being disbursed to the approved vendors via the appropriate payment method and to the correct remit location.
- Recovery Audit
  - AP contracts with Renew International to conduct a yearly audit of payments issued.
    - Objective of this audit is to recover any duplicate payments, over charges, outstanding credits, unclaimed deposits, etc. which may have been made and missed as part of our daily control activities.
    - Renew receives a finder’s fee for any claims AP authorizes as recovered funds.
- Outstanding Checks / Escheatment
  - AP follows up on aged checks which have not cleared the bank and takes the appropriate action to assure the funds have been properly received, or the outstanding checks have been identified and included within the escheatment process.

**Document History (Approved, Reviewed, Revised)**

- 05.14.15 Original document created – Jack L. Kincaid Jr.
- 07.29.15 Revised policy details – Jack L. Kincaid Jr.
- 08.01.15 Approved by Julie Williams – Assistant Controller - Accounting Operations

## Supplier Notification – ABC Company

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Notice Date: MM/DD/YY

Customer Name: AEP Ohio

Invoice Number(s): 123456789

### Attention Accounts Receivable – Action Required

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The attached invoice(s) could not be processed for payment due to the following issue(s):

- Invoice(s) does not reference a valid purchase order / contract.
  - All invoice(s) must be in compliance with the terms and conditions of the purchase order / contract.
- Invoice(s) reference multiple purchase orders / contracts.
  - Each invoice must only reference one purchase order / contract.
- Invoice(s) is missing required information:
  - Invoice #
  - Invoice Date
  - Amount Due
  - Payment Terms
  - Remit Information
  - Description of item(s) purchased / service(s) rendered
  - Unit of measure, quantity, price
  - Location where items were shipped or service was performed
  - AEP Contact Name (used for review and approval routing)
  - Vendor Contact Information (email address or phone #)
- Invoice(s) contains PII related data
  - Please redact PII information and resubmit invoice(s).
- Invoice(s) is a duplicate of one previously received and processed.

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Please review your records to ensure you have the information requested, update and resubmit invoice(s) to the following:

- |                            |                 |
|----------------------------|-----------------|
| • Standard Mailing Address | • Email Address |
| Customer Name              | invoice@aep.com |
| Attn: Accounts Payable     |                 |
| PO Box 24400               |                 |
| Canton OH 44701-4400       |                 |



**Policy Title: AEP Authorization Policy**

<b>Title:</b>	AEP Authorization Policy	<b>Date:</b>	June 10, 2019
<b>Owner:</b>	Brian Tierney, Chief Financial Officer	<b>Sponsoring Area(s):</b>	CP&B and Corporate Accounting
<b>Policy Purpose Statement:</b>			
This Policy provides guidance necessary to ensure all commitments and financial transactions on behalf of the Company are properly authorized, and that such authorization is appropriately documented.			
<b>Detail:</b>			
<p><b>1.0 Scope:</b> This policy provides the corporate rules governing the assignment of authority to authorize commitments and financial transactions. Such authorization authority shall be considered a core management responsibility and shall be delegated only to the extent necessary.</p> <p><b>1.1</b> The Board of Directors of the Parent Company, by resolution dated April 23, 2013 (supplemented on April 23, 2019), authorized and adopted the following:</p> <ul style="list-style-type: none"> <li>• that the Chief Financial Officer of American Electric Power Service Corporation be, and hereby is, authorized and directed to issue and administer a Corporate Authorization Policy providing dollar limits for the approval of transactions within the guidelines summarized in Exhibit A (see page 3) and establishing procedures for the delegation of authority by the executive officers of the Company and American Electric Power Service Corporation within their respective limits; and further</li> <li>• that the Chief Financial Officer of American Electric Power Service Corporation be, and hereby is, authorized to revise the Corporate Authorization Policy, as necessary from time to time, subject to the guidelines summarized in Exhibit A.</li> </ul> <p><b>2.0 Policy Details:</b></p> <p><b>2.1 General Principles:</b></p> <p><b>2.1.1</b> This Authorization policy governs the approval of transactions related to the following:</p> <ul style="list-style-type: none"> <li>• Acquisitions and Divestures</li> <li>• Capital and Lease Improvements</li> <li>• Commitments (contracts, purchase requisitions, lease agreements, releases, letters of intent, hiring employees and other agreements/expenditures that commit funds of the Company)</li> <li>• Guarantees</li> </ul> <p><b>2.1.2</b> Related policies not included in this document must be followed in concert with this policy:</p> <ul style="list-style-type: none"> <li>• Acquisitions and Divestures – <i>AEP Strategic Decision Guidelines</i> administered by Risk and Strategic Initiatives</li> <li>• Capital and Lease Improvements – <i>AEP Improvement Requisition Policy and Procedures</i> administered by Corporate Planning &amp; Budgeting</li> <li>• Commitments for the Acquisition of Goods and Services - <i>AEP Procurement Policy</i> administered by Supply Chain, Procurement and Fleet</li> <li>• Credit card transactions - <i>AEP Credit Card Policy</i> administered by Supply Chain, Procurement and Fleet</li> <li>• Guarantees - <i>AEP Corporate Financing Policy</i> administered by Treasury.</li> </ul> <p><b>2.1.3</b> This Policy shall not contradict the operation of law nor supersede authorizations in approved board resolutions, including the following: banking transactions, borrowing transactions, energy trading transactions and tax payments.</p>			



Policy Title: AEP Authorization Policy

**2.2 Authorization Limits and Delegation of Authority Procedures:**

- 2.2.1** Authorizations shall be approved as final only by AEP or subsidiary company authorized officers or employee delegates within the authorization limits established in Exhibit A (see page 3). Contractors shall not have final approval authority without the written consent of the Chief Procurement Officer (CPO).
- 2.2.2** Officers listed in Exhibit A may delegate up to their authority either permanently or temporarily. **Delegation of authorization authority exceeding \$10,000 shall only be made to employees at or above salary grade 9 in the new SP20 salary structure, effective January 2, 2015, or at or above salary grade 24 in the EXEM structure.** Delegations in excess of \$10,000 to employees below this level require approval review by the CPO as delegated by the Chief Financial Officer (CFO) and will only be permitted when supported by evidence that such delegation is necessary due to unique circumstances. Delegation of authorization authority to contractors is limited to those contractors meeting all of the following parameters:
- Contractor performs supervisory-equivalent duties,
  - Services are performed under a long-term (>1 year) outsourcing accounting and tax arrangement,
  - Approval authorization shall not exceed \$1,000,000, and
  - Monitoring procedures of contractor approval limits are in place.
- 2.2.3** Delegation of authority shall generally be assigned electronically in the Human Resources (HR) Financial Approvals System. Authorization Exception Requests, created as a result of 2.2.2 above, will be routed for approval within the system as such: 1st level approval to the next member of the organizational hierarchy grade 9/24 or above; 2nd level approval to the system administrator (Accounting Operations); 3rd level approval to the CPO.
- 2.2.4** Delegation of authority control is defined in the *Financial Approvals Procedures* maintained by Accounting.
- 2.2.5** All delegations of authority within the Financial Approvals System automatically result in a system-generated email notification to the manager one level above the delegator.
- 2.2.6** In certain instances it may be necessary to provide specific individuals with high authorization limits to cover particular items such as dividend payments, taxes, fuel, etc. Additionally, business units or groups may want to process many changes at once due to organizational changes (new roles, new reporting relationships, etc.). In these cases, the delegator may not want to include everyone in the delegation chain or process every change individually. It is acceptable for the delegator(s) to provide written approval to the system administrator to make such delegation, and the system administrator will retain the documented approval.
- 2.2.7** It is the responsibility of each individual who is delegated authorization limits to act in the best interest of the Company in exercising such authority. Delegation of authority to subordinates should only be done when necessary for efficient and effective performance of the subordinate's responsibilities. **In all cases in which an individual delegates a portion of their approval authority to a subordinate the delegator retains responsibility for assuring the appropriateness of the subordinate's use of that authority.**
- 2.2.8** Delegations shall be restricted both in terms of number of individuals receiving delegations and the limits delegated, to the extent possible. **Annually each individual who has delegated authorization limits to subordinates shall reassess the need to continue such delegation, and at what level, based upon each of the delegate's job responsibilities.** If a delegate has not exercised their authorization authority over the past year, or has not authorized transactions at a level as high as their current authorized level, it is a strong indicator that such delegation is probably not required or not required at the current level. The completion of this review and results are to be reported annually to each delegator's manager. **Compliance with this requirement is subject to periodic audit.**



**Policy Title: AEP Authorization Policy**

**Exhibit A: Authorization Limits Table**

Item	AEP Inc. Board of Directors	Chief Executive Officer	AEPSC EVPs	Company Presidents, AEPSC SVPs
<b>Capital and Lease Improvement Requisitions</b>				
If within the latest approved total annual spending limit <sup>1</sup>		Over \$20 million	Up to \$20 million (and all blankets/annual programs)	Up to \$10 million (except as delegated)
If in excess of total annual spending limit <sup>1</sup>	Over \$150 million	Up to \$150 million	No authority (except as delegated)	No authority (except as delegated)
<b>Acquisitions<sup>2</sup></b>	Over \$150 million	Up to \$150 million	No authority (except as delegated)	No authority (except as delegated)
<b>Divestitures<sup>2</sup></b>	Over \$150 million	Up to \$150 million	No authority (except as delegated)	No authority (except as delegated)
<b>Other</b>				
<b>Other Commitments<sup>3</sup></b>		Over \$20 million	Up to \$20 million	Up to \$10 million (except as delegated)
<b>Guarantees</b>	The CFO or Treasurer (except as delegated) must approve all guarantees			
<p><sup>1</sup>Total Annual Spending Limit Refers to the current year spend submitted to and approved by the AEP, Inc. Board of Directors each year (Approved Budget). This limit applies only to the current year; however, all future dollars for multi-year projects are required to be included in the latest forecast. O&amp;M associated with Improvement Requisitions (IRs) is assumed to be included in or offset within the Approved Budget at the time the IR is approved.</p> <p><sup>2</sup>Acquisitions &amp; Divestitures Refers to the acquisition or divestiture of a business or substantially all the assets of a company. There are no dollar limits for any internal AEP transactions.</p> <p><sup>3</sup>Other Commitments Includes contracts (e.g., fuel purchase agreements), purchase requisitions, lease agreements, releases, letters of intent and other agreements or expenditures that commit funds of the Company. O&amp;M associated with other commitments is assumed to be included in or offset within the Approved Budget at the time the commitment is entered.</p>				



Policy Title: AEP Authorization Policy

**Review / Revision:**

Authorization for AEP Inc. Board of Directors changed from "Over \$50M" to "Over \$150M" and CEO changed from "Up to \$50M" to "Up to \$150M" for Capital & Lease IRs, Acquisitions, and Divestitures.

Permission for contractors meeting defined criteria to have final approval authority with written consent of the Chief Procurement Officer.

Reviewed by:	Robert Myers, Director – Planning, Analysis and Reporting	04/23/19
Reviewed by:	Oliver Sever, Senior VP – Corp Planning and Budgeting	04/23/19
Reviewed by:	Jack Kincaid, Manager – Accounts Payable	05/03/19
Reviewed by:	Jeff Hoersdig, Assistant Controller – Accounting Operations	05/03/19
Approved by:	Brian Tierney, Chief Financial Officer	05/09/19

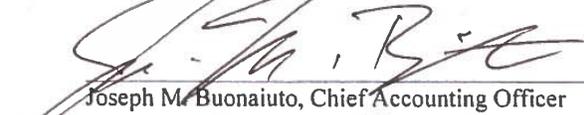
**Approved By**

  
\_\_\_\_\_  
Brian X. Tierney, Chief Financial Officer

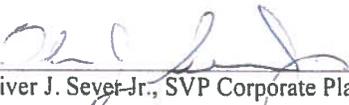
6/18/19  
Date

  
\_\_\_\_\_  
Craig T. Rhoades, SC Procurement and Fleet Operations

6/17/19  
Date

  
\_\_\_\_\_  
Joseph M. Buonaiuto, Chief Accounting Officer

6/13/19  
Date

  
\_\_\_\_\_  
Oliver J. Sever Jr., SVP Corporate Planning & Budgeting

6-13-19  
Date

  
\_\_\_\_\_  
Jeffrey W. Hoersdig, Assistant Controller

6/14/19  
Date

  
\_\_\_\_\_  
Jack L. Kincaid, Jr., Director Corporate Accounting

6-10-19  
Date

## Financial Approval Authorization Limits

### Home Tab - View Links

All employees have access to the View Only links on the Home Tab of HR Now for Approval Limits Review. These links are helpful to view the approval limits for any person or group. You can also view the status of approval limits that are in the exception approval process.

View Financial Limits (person) .....	1
View Financial Limits (group) .....	5

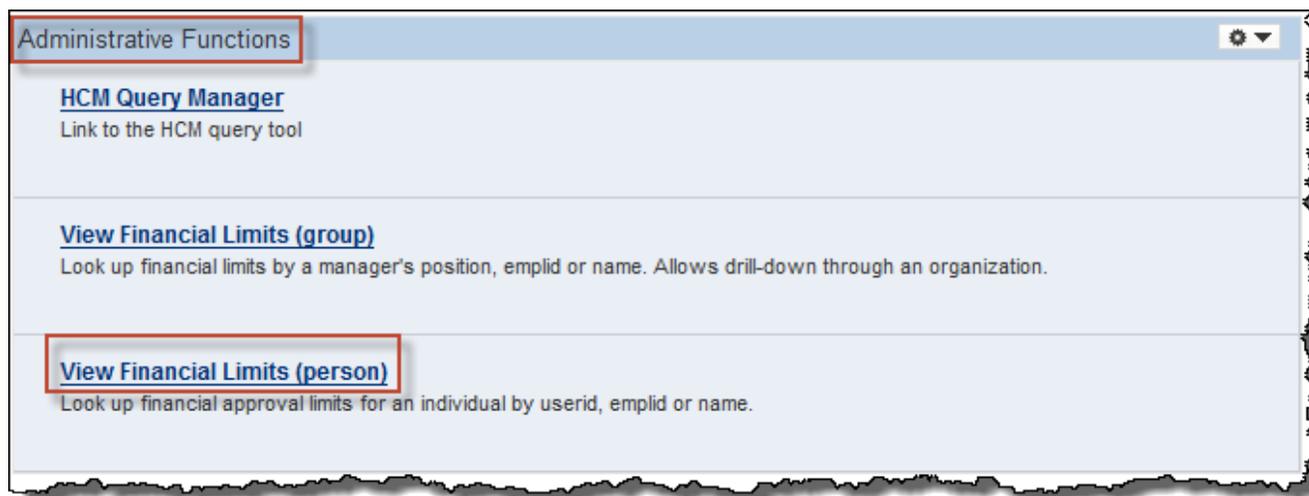
### Instructions

#### View Financial Limits (person)

1. Log in to **HR Now** using our Corporate User Id and Password.
2. Scroll to the bottom left corner of the **Home Tab, Administrative Functions** section.



3. Click on **View Financial Limits (person)**.



4. Enter **Search Criteria** such as User Id. (Can enter your own or other employee's criteria.)
5. Click **Search**.

### View Financial Limits (Person)

Find A Manager (click Search for a list)

Find an Existing Value

▼ Search Criteria

User ID:	begins with ▼	S007022
Empl ID:	begins with ▼	
Empl Record:	= ▼	
Name:	begins with ▼	
Last Name:	begins with ▼	
Alternate Character Name:	begins with ▼	

Case Sensitive

**Search** Clear [Basic Search](#)  [Save Search Criteria](#)

**Financial Approval Authorization Limits**

**Longnecker, Charlene A**

User ID: S007022  
Employee Status: Active  
Business Unit: ON103 AEP Service Corporation  
Financial Department: 10265 Payables & Projects

**Limits Status Key**  
Click icons on transaction for detail  
 ● Current Approval Limit  
 ○ New Approval Limit Entry  
 ✓ New Limit Valid and Approved  
 ⚠ Limit in Exception needs Approval  
 ■ Validation Error

**Manager's Limits - Genetin, Donald J**

Transaction Type	Date of action	Status	Approval Limit
Customer Disbmt	08/03/2016	Active	\$25,000.00
Employee Disbmt	04/19/2013	Inactive	\$0.00
Fuel Disbmt	04/19/2013	Inactive	\$0.00
Goods & Svcs Contr	04/19/2013	Inactive	\$0.00
Goods & Svcs Disbmt	11/12/2014	Active	\$10,000.00

**Employee Limits**

Transaction Type	Date of action	Status	Approval Amount	Recertify?	Certified Date	Certified By Opid	Reactivated Same Day	Reactivate Same Day
● Goods & Svcs Disbmt	08/02/2016	A	\$5,000.00	<input type="checkbox"/>	08/02/2016	O478497	<input type="checkbox"/>	Reactivate
● Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	09/10/2008	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate

**Approval Limit Exceptions**

Transaction Type	Date of action	Approval Status	Approval Amount	Comments	Approval Status Details
Customer Disbmt	08/03/2016	In Approval Process	\$15,000.00	Amount needed because taking on responsibilities for an employee that is leaving the company.	Details

Close Window

6. The detail page that appears has several sections.
  - a. Two tabs at the top to view current access or history.
  - b. **Manager Limits** Section details the approved limits of the employee's direct manager.
  - c. **Employee Limits** Section details the current approval limits for the employee.

- d. **Approval Limit Exceptions** Section details exception limits that are in approval process or had the approval process completed. (Delegation of authorization authority exceeding \$10,000 shall only be made to employees at or above salary grade 9 in the new SP20 salary structure, effective January 2, 2015, or at or above salary grade 24 in the EXEM structure. Delegations in excess of \$10,000 to employees below this level require approval review by the Chief Procurement Officer (CPO) as delegated by the Chief Financial Officer (CFO) and will only be permitted when supported by evidence that such delegation is necessary due to unique circumstances. )
7. Click on the **Details** button beside approval exception limits to view the workflow diagram and review the status of the request.
8. View the **Comments** Section for more information.

Approval Limit Exceptions					
Transaction Type	Date of action	Approval Status	Approval Amount	Comments	Approval Status Details
Customer Disbmt	08/03/2016	In Approval Process	\$15,000.00	Amount needed because taking on responsibilities for an employee that is leaving the company.	<a href="#">Details</a>

**Transaction Type: Customer Disbmt    Date of Action: 8/3/2016**

If you have questions about financial transaction authority, please refer to the [Authorization Policy](#) or click [here](#) to send an email message to the Accounts Payable group.

**Fin Approval Limit Approval**

Longnecker, Charlene A: Pending [View/Hide Comments](#)

Fin Approval Limit Approval

Pending

Kincaid Jr, Jack L  
Manager Above Grade

→

Not Routed

Multiple Approvers  
Accounts Payables Admins

→

Not Routed

Rhoades, Craig T  
Chief Procurement Officer

**Comments**

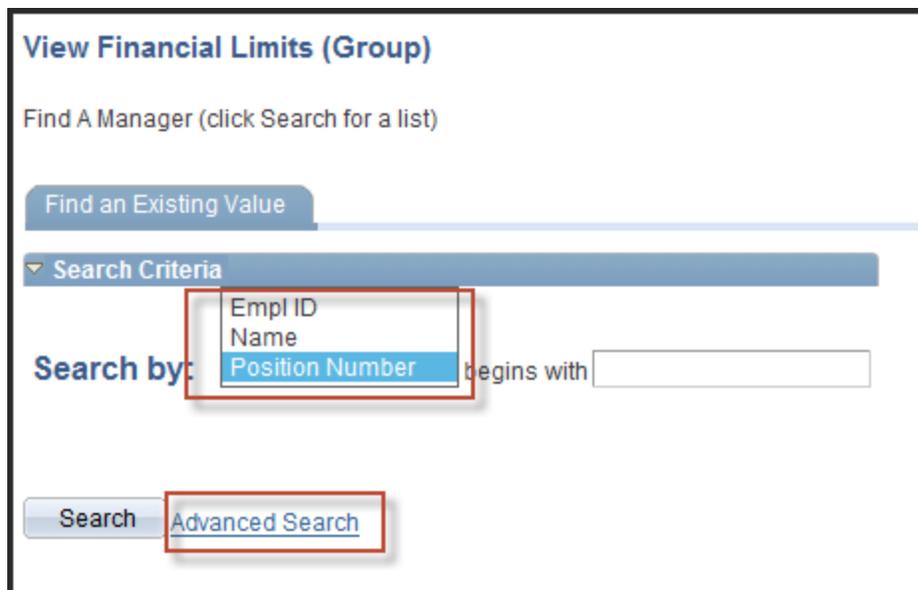
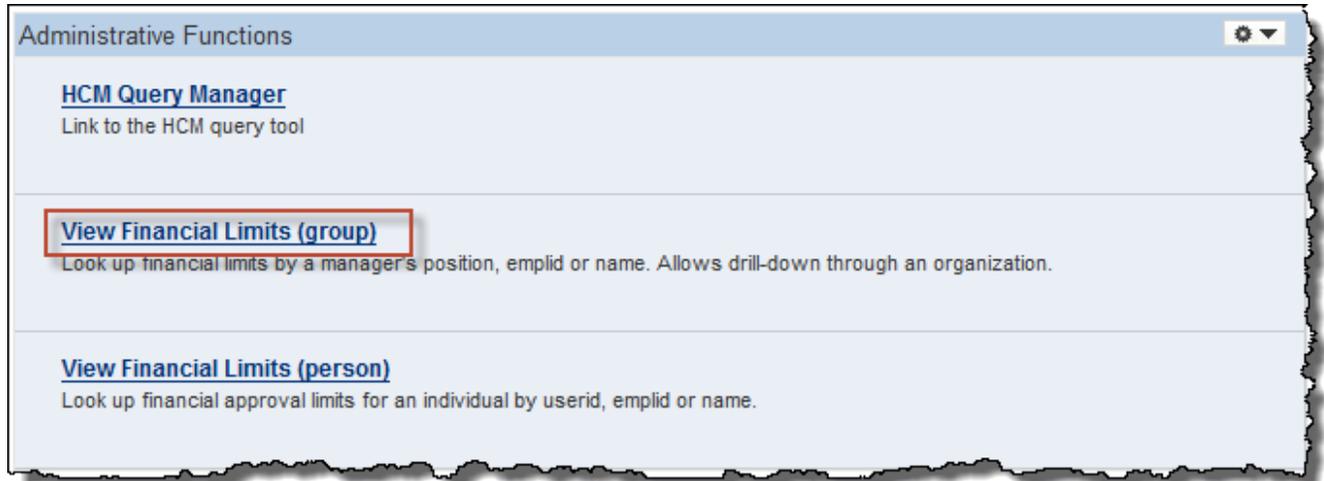
**Genetin, Donald J at 08/03/16 - 9:37 AM**  
Amount needed because taking on responsibilities for an employee that is leaving the company.

[Close](#)  
[Window](#)

[Return to Search](#)

## View Financial Limits (group)

1. Log in to **HR Now** using our Corporate User Id and Password.
2. Scroll to the bottom left corner of the **Home Tab, Administrative Functions** section.
3. Click on **View Financial Limits (group)**.



4. Click on the arrow beside **Search by** or click **Advanced Search**.
5. Enter the **Search Criteria** for a manager/director, and click **Search**.
6. The **Organization List** will appear for the manager/director selected.

7. Click on the **Assign Limits** link or click on the **arrows** to navigate through the organization.

Financial Approvals  
**Organization List**

Click Assign Limits or   to navigate

Assign Limits	Position Number	Down	Job Title	Name	HR Department	Empl ID
<a href="#">Assign Limits</a>	00110620		Accounting Operations Sr Mgr	Kincaid Jr.,Jack L	Accounts Payable	4202785
<a href="#">Assign Limits</a>	00109397		Accountant Prin	Betz,Christine S	Accounts Payable	4207067
<a href="#">Assign Limits</a>	00128228		Accountant Prin	Humphreys,Timothy J	Accounts Payable	4208638
<a href="#">Assign Limits</a>	00110353		Accounts Payable Mgr	Genetin,Donald J	Accounts Payable	4210689
<a href="#">Assign Limits</a>	00145761		Accounts Payable Mgr	Williams,Susan E	Accounts Payable	4203220
<a href="#">Assign Limits</a>	00114329		Accounts Payable Supv	Cowley,Matthew R	Accounts Payable	9103373

8. Similar to the previous instructions for View Financial Limits (person), the detail screen shows the current limits and any exception limit workflows.

Home My Money My Benefits My Job and Career My Organization Severance Program

Assign Limits (Admin) Assign Limits History

### Financial Approval Authorization Limits

**Genetin,Donald J**

User ID: O317831  
Employee Status: Active  
Business Unit: ON103 AEP Service Corporation  
Financial Department: 10265 Payables & Projects

**Limits Status Key**

Click icons on transaction for detail

- Current Approval Limit
- New Approval Limit Entry
- ✓ New Limit Valid and Approved
- ⚠ Limit in Exception needs Approval
- Validation Error

Manager's Limits - Kincaid Jr.,Jack L

Transaction Type	Date of action	Status	Approval Limit
Contrib & Due Disbmt	06/10/2016	Active	\$10,000.00
Customer Disbmt	05/25/2016	Active	\$100,000.00
Employee Disbmt	05/02/2008	Active	\$10,000.00
Fuel Disbmt	07/22/2008	Active	\$30,000.00
Goods & Svcs Contr	12/03/2010	Active	\$50,000.00
Goods & Svcs Disbmt	04/19/2013	Active	\$50,000.00
Pmnt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	01/23/2013	Active	\$5,000,000.00
Trading Disbmt	04/19/2013	Active	\$10,000.00

Transaction Type Description Help Show Spending History Recertify All Active Rows

Employee Limits

Transaction Type	Date of action	Status	Approval Amount	Recertify?	Certified Date	Certified By Opid	Reactivated Same Day	Reactivate Same Day
<span style="color: green;">●</span> Customer Disbmt	08/03/2016	A	\$25,000.00	<input type="checkbox"/>	08/03/2016	O478497	<input type="checkbox"/>	<input type="button" value="Reactivate"/>
<span style="color: green;">●</span> Employee Disbmt	04/19/2013	I		<input type="checkbox"/>			<input type="checkbox"/>	<input type="button" value="Reactivate"/>
<span style="color: green;">●</span> Fuel Disbmt	04/19/2013	I		<input type="checkbox"/>			<input type="checkbox"/>	<input type="button" value="Reactivate"/>
<span style="color: green;">●</span> Goods & Svcs Contr	04/19/2013	I		<input type="checkbox"/>			<input type="checkbox"/>	<input type="button" value="Reactivate"/>
<span style="color: green;">●</span> Goods & Svcs Disbmt	11/12/2014	A	\$10,000.00	<input type="checkbox"/>	08/26/2015	O478497	<input type="checkbox"/>	<input type="button" value="Reactivate"/>

Approval Limit Exceptions

Transaction Type	Date of action	Approval Status	Approval Amount	Comments	Approval Status Details
Customer Disbmt	08/03/2016	All Approved	\$25,000.00	Amount needed because taking over responsibilities for a different user who is leaving	<input type="button" value="Details"/>

Policy Title: Corporate Credit Card Policy



<b>Title:</b>	AEP Corporate Credit Card Policy (REV 003)	<b>Date:</b>	November 2018
<b>Owner:</b>	Brian Tierney, Chief Financial Officer	<b>Sponsoring Area(s):</b>	Supply Chain, Procurement & Fleet

**Procedure Purpose Statement:**

This Policy identifies the purpose and approved usage of the AEP Corporate Credit Card Program for all cardholders and expense approvers. It provides the restrictions and expected compliance when using the AEP Corporate Credit Card.

**Detail:**

**1.0 Scope:**

This document lists the corporate rules governing usage of the AEP Corporate Credit Card and Credit Card Convenience checks.

**2.0 Definitions:**

2.1 Goods – All tangible items.

2.2 Service – Any activity performed by a third party for the benefit of AEP, including, but not limited to labor, consulting, construction, training, maintenance and/or staff augmentation.

**3.0 Policy Detail**

**3.1 Purpose of Card:**

3.1.1 The AEP Corporate Credit Card and Convenience Checks (“Card”) is a payment mechanism that may be provided to all business units for employee use in day-to-day business activities. These business activities include, but are not limited to, business travel and entertainment expenses, procurement of low dollar material or approved services, and cash withdrawals from ATMs for authorized business purposes as stated above.

3.1.2 The AEP Corporate Credit Card is available for use by AEP employees only. Contractors are not eligible for the Card. All contractors should work directly with their employers for expense management.

3.1.3 Departmental Cards. Departmental Cards are available under limited circumstances and may be used to purchase the following: catering, office supplies, work boots, prescription safety glasses, fire retardant clothing.

3.1.4 The AEP Convenience Check is a payment mechanism that may be provided to Fleet and Right of Way employees to use to pay state registration license and tag fees, state, city and county map fees, and to make payment to landowners for right of way variances.



### 3.2 Administration of the Card:

- 3.2.1 Credit Card Administration is the designated manager of the corporate credit card program, and as such, maintains the records for all the Card, processes the applications for new cards, adjusts credit card limits (with proper approvals) and follows up with the cardholders and card issuing institution to ensure the reconciliation of expenses and claims.
- 3.2.2 Card usage may be audited at any time, and the card may be rescinded at any time. The cardholders and their managers shall be responsible to administer all Card transactions in accordance with the guidelines detailed below. Any item or transaction exceeding the current single transaction limit (see AEP Corporate Credit Card Procedure) in value that is split to circumvent this restriction is strictly prohibited.
- 3.2.3 AEP is liable for all purchases on the Card. For security reasons, the Card shall be issued in the name of the cardholder, who is accountable to AEP for all charges; however, this will not affect the cardholder/employee's personal credit.
- 3.2.4 The Card is considered AEP property and shall be used only for authorized business purposes. Authorized business purposes are defined in this document. The Card shall not be used to purchase items for personal or non-business purposes. Improper use of the Card shall result in disciplinary action.
- 3.2.5 Each expense report by a cardholder shall have a clearly designated approving supervisor. Approving supervisors are responsible for verifying the validity of the charges and ensuring all necessary receipts are provided to Accounts Payable. Charges shall be verified by reviewing scanned receipts attached to the expense report (visit the FAQ on the Money Matters page on AEPNow accessible from the Index page under Expense Reporting). Approving supervisors are subject to disciplinary action for approving improper usage by all cardholders under their supervision.
- Expense reports are to be routed to an employee's direct manager/supervisor for approval, unless special circumstances require the expense report to be temporarily routed to another employee for approval (i.e. – manager/supervisor is out of the office for an extended period, employee assignment to a special project or employee working on storm restoration for another operating company).
  - Expense reports are not to be routed to subordinates for approval.
  - Approval authority for expense reports is only to be delegated within the PeopleSoft system. It is against company policy for an employee to provide their user id and password to another employee for the purposes of approving expense reports within PeopleSoft.



**Policy Title: Corporate Credit Card Policy**

- Expense reports will not appear in Approver's queue until receipts are attached to the expense report.
- In the event that it is not possible to scan and attach receipts to the expense report, a cardholder can mail receipts to Canton with coversheet (see the PeopleSoft Expense Help menu, Receipt Submission Process for instructions).
- Should the supervisor determine Card charges are potential misuse or fraudulent, they should report these charges to AEP Audit Services.

3.2.6 Receipts shall be submitted to Accounts Payable by scanning or uploading an image of the receipt and attaching to the electronic expense report. Failure to submit receipts in a timely fashion may result in suspension of credit card. Cardholders shall submit itemized receipts as part of their electronic expense report to Accounts Payable for expense transactions \$26 USD or greater.

3.2.7 **All expense reports and receipts shall be submitted to Accounts Payable within 30 days of the transaction.**

3.2.8 Cardholder expense reports not completed within 30 days are subject to having his/her credit card privileges being suspended.

3.2.9 Cardholders that are suspended more than 2 times in a rolling 12 month period is subject to having his/her company credit card privileges revoked.

Note- Certain projects/programs (i.e. reimbursable or grants funded by state/federal government entities) may require receipts for every expense submitted. In these cases, receipts shall be submitted regardless of the amount.

### **3.3 Program Compliance**

3.3.1 Cardholders are required activate card upon receipt of the card. Cards not activated within 45 days will be cancelled.

3.3.2 Cardholders are required to sign up for mobile alerts on the provider's website. This is to protect AEP from potential fraud, cardholders will be audited and accounts will be subject to termination if mobile alerts are not enabled.

3.3.4 Infrequent card activity. Cards that have had no activity for a period of 12 consecutive months will be cancelled. Card with less than three transactions per 12 consecutive months will be reviewed and placed under consideration for cancellation.

3.3.5 Credit line increases require business unit approval at the Authorization level equal to or above the credit line increase amount that is requested. Exceptions will be made for storm related activity and will comply with the credit card storm guidelines.



### 3.4 Travel and Entertainment Usage:

- 3.4.1 Cardholders who incur business related travel and entertainment expenses may use the Card to pay for such expenses.
- 3.4.2 Cardholders shall be familiar with and adhere to AEP's Travel Policy, which is available via the following link - <http://travel/policies/travel.htm>. Usage of the card for a violation of the travel policy shall result in disciplinary action.
- 3.4.3 Maximum tip amount shall not exceed 20% of the pre-tax amount billed. If you believe a larger tip is warranted seek management approval or it should be paid with the employee's personal funds.

### 3.5 Purchasing of Goods:

- 3.5.1 The Card may be used for the acquisition of Goods through approved programs (i.e. office supplies, prescription safety glasses). Procurement Buyers or the Credit Card Administrator can be contacted for information on approved programs.
- 3.5.2 The following low-dollar, infrequent or emergency material-type purchases may be placed on the Card:
  - Emergency items during storm restoration or plant outage situations where standard storeroom process is not viable.
  - Purchases for materials that are used on an infrequent basis (one-off material not carried by AEP storerooms) are permitted following approval from a Procurement Buyer or Supply Chain Storeroom personnel. The name of the Approver shall be noted on the submitted expense report for this purchase. This applies to groups and individuals that typically utilize storerooms.

Note – Emergency conditions may allow for non-standard items to be procured on the Card with approval from Approving Supervisors.

- 3.5.3 Gift card purchases must be made in accordance with the Awards and Gifts Policy (located at [Policy Central](#) on the AEP Intranet). Any gift card purchased shall identify the purpose of the gift card and the individual's name receiving the gift card on the expense report.



### 3.6 Services Purchases:

3.6.1 Individual Professional Memberships should be placed on the Card (Corporate Memberships should not be placed on the Card).

3.6.2 Services provided by contractors, service providers or suppliers shall not be placed on the Card, with select, limited exceptions. A complete list of these exceptions is outlined below.

- Services provided in accordance with a pre-existing signed Contract/Service Agreement that clearly states the liabilities and obligations of the service provider through one of AEP's approved sets of terms and conditions. Prior to using the Card to make any purchases, employees shall understand the terms and nature of the relationship with the service provider, including but not limited to discounts and special shipping instructions.
- Repairs of equipment conducted outside of AEP property (e.g. vehicle oil change).
- Services deemed to be low risk / low dollar value which are identified and approved by a Procurement Director on a Credit Card Policy Exception Form (Attachment A).
- Service provided in accordance with emergency/storm recovery situations. (Example: use of the Card would be prudent for the repair of a flat tire by local auto shop on an AEP vehicle.).
- Bills for monthly services where work is not preformed on-site (e.g. utility bills, postage, Bureau of Motor Vehicles, etc.).
- Payments to Local, State or Federal governments.



### 3.7 Unauthorized Purchases:

3.7.1 Certain transactions shall not be placed on the Card. Failure to comply with authorized and unauthorized transactions may result in disciplinary action of loss of Card privileges or further discipline up to and including termination. Examples of unauthorized transactions include, but are not limited to, the following:

- Stock items available through company warehouses/storerooms or through approved ordering practices.
- Leased Equipment (laptop/desktop computers, etc.).
- Software (purchasing software on the Card is prohibited by AEP's Software License Compliance Policy and Standard. Software licenses purchased on the Card do not provide adequate proof of license for software companies and external auditors, in the event AEP is asked to substantiate ownership of licenses for software installed on the network. Any IT Hardware/Software purchases must be routed through the AEP Computer Online Store. Requests for non-catalog items can be handled by providing IT with a detailed description of the employee's needs).
- Software and or Application(s) on smart devices (i.e. ipad, iphone, etc.), except for business related applications and when no other form of payment is accepted and business justification has been authorized by approving supervisor.
- Furniture (excluding temporary construction site furniture).
- Safety items deemed critical to operations or requiring a high degree of certification.
- Any item requiring a Quality Assurance (QA) certification.
- Medical Services covered under AEP health plans.
- Corporate Memberships (Individual Professional Memberships SHOULD be placed on the card).
- Corporate Contributions (except when no other form of payment other than a credit card is accepted).
- Drones and other aerial equipment excluding licenses, permits, and replacement parts.
- Technical devices, goods or services that connect to the internet or the AEP network.



**Policy Title: Corporate Credit Card Policy**

**3.8 Cook Plant Employees:**

3.8.1 Procedure PMP-3010-PDC-001 Section 3.20 Communication with Suppliers states that ONLY Site Purchasing Department Buyers and individuals authorized by the Approving Manager may commit funds for the procurement of parts and materials.

The following materials are NOT to be purchased on the Card:

- Subscriptions and books.
- Any type of part, equipment, tool or fastener.

Material Requisitions (MR) MUST be written for procurement of ALL parts and materials. While it may appear costly to process a Material Requisition for some types of Material, we have the ability to leverage our purchases through AEP Supply Chain on items such as furniture, safety supplies and janitorial supplies to obtain lower costs.

3.8.2 Office Supplies may also be procured (office supply procurement requires Department Manager or above approval).

3.8.3 Purchase of prescription safety glasses are to be made only with a supervisor's approval. The Card number must be entered in the information box located on the new form prior to the employee's doctor appointment. The receipt which accompanies all shipments is used to reconcile the expense report and eliminates the need for paper invoicing (per AEP Eye Safety Program).

If you need further assistance please contact the Nuclear Material and Purchasing Supervisor.

**3.9 Tax Guidelines**

**3.9.1** All retail purchases (e.g. WalMart, Home Depot, Lowes, etc.) shall not use direct Pay Permits when purchasing goods and services on the card.

**3.9.2** Cardholders should instruct the vendor to charge sales tax on taxable sales and the cardholder should pay the applicable sales tax when using the Card for retail purchases.

**3.9.3** In the event the cardholder believes a purchase may qualify for a sales tax exemption, contact the AEP Tax Department via the Accounting Services Help Desk 920-7102 or 330-438-7102, option #4.

**4.0 References:**

Card use shall align with the AEP Procurement Policy.



**Policy Title: Corporate Credit Card Policy**

**Review / Revision:**

Every Procedure should be reviewed on an annual or more frequent basis as determined by the Owner. The Procedure Title block shall indicate the Revision Number using three digits starting with Revision 001 (i.e. 002,003,004). At the discretion of the Owner, the detailed "Edit History" and/or "Approval" areas may be maintained here, showing all activity on a Procedure over the specified time period. Revisions to a Procedure that are not material in nature do not require the Owner's approval. Any material Revisions shall require the Owner's approval and initials in the Revision History (See Below).

Revisions to a Procedure shall be highlighted in yellow for the purpose of the reader to quickly identify the most current Revision. For additional Revisions, the Owner shall un-highlight any previous Revisions and only highlight the current Revision. In addition, the Revision history and any required approvals shall be documented in the format specified below:

---

**Reviewers/Approver:**

Revision 003

Reviewed by: Manuel Alvarez, Director Corporate Procurement

Reviewed by: Craig Rhoades, Chief Procurement Officer

Approved by: Brian Tierney, Chief Financial Officer

**Revision History:**

Revision 002, Paragraph 3.26

Reviewed by: Scott Pannelle, Director SC/P/FO Center of Excellence 2/23/15

Reviewed by: Craig Rhoades, Chief Procurement Officer 2/23/15

Approved by: Brian Tierney, Chief Financial Officer 5/29/15

Revision 001, Paragraphs 3.2.5, 3.2.6, 3.9 and 3.9.1 – additions are highlighted

Reviewed by Julie Williams, Assistant Controller – Accounting Operations 05/01/14

Reviewed by: Rich Mueller, VP Audit Services 05/01/14

Reviewed by: Craig Rhoades, VP Supply Chain, Procurement & Fleet 05/02/14

Approved by: Brian Tierney, Chief Financial Officer 05/20/14

Reviewed by Julie Williams, Assistant Controller – Accounting Operations 04/15/13

Reviewed by: Rich Mueller, VP Audit Services 04/15/13

Reviewed by: Craig Rhoades, VP Supply Chain, Procurement & Fleet 04/15/13

Approved by: Brian Tierney, Chief Financial Officer 06/05/13

# **Financial Approval Procedures**

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## ***Help Resources***

- To receive assistance with this application, or seek help regarding general workstation troubleshooting issues, contact AEP Help Services by dialing **Audinet 8-835-3050** or toll free **1-866-835-3050**.
- For assistance with these Financial Approval Procedures, contact the Corporate Accounts Payable Department via an e-mail message to **approval\_limits@aep.com** or call the Accounting Services Help Line, **Audinet 8-920-7102 (1-877-286-2729), Option #1**.

## ***Introduction to Financial Approvals***

### **About Financial Approvals**

The Financial Approval functionality has been developed to automate checking of approval limits and to increase transparency of approval requirements for PeopleSoft Accounts Payable disbursements, Capital Improvement (CI)/Lease Improvement (LI) Commitment Limits, and Expense Reporting. Users are responsible for maintaining these approval limits in the PeopleSoft HR module.

All users who assign approval limits to their subordinate employees and/or approve financial transactions as noted above will use this functionality.

The Financial Approval policy ensures that all requests to commit or disburse AEP funds have been properly approved and the approval is properly documented. The AEP Board of Directors approves all authorization limits, and company management delegates the approval of all financial transactions based on dollar amount and transaction types.



It is a violation of company policy to log on to the system using the User ID and password of another user. Violation of this policy has resulted in fraud and the dismissal of the employees involved.

For occasions where the approver is unavailable, the proper approach is for the approver to either:

1. Delegate a specific financial approval authority to a subordinate employee, or
2. Establish an alternate approver for those occasions when the approver will be unavailable for a short time period (maximum 6 weeks). For example, an alternate approver can be established to approve invoices for time when the approver is out of the office on vacation.

Delegating approval authority and use of alternate approvers protect the manager, the company, and the employee because it clearly establishes who took action on the transaction.



Delegating financial approval authority does not mean ignoring financial accountability. Approvers who delegate their approval authority are accountable for all of the actions performed by subordinate approvers with that authority, even if the approver claims they were not aware of the subordinate's actions. As such, approvers should periodically monitor and review the actions performed by subordinate approvers with their delegated financial approval authority.

## Financial Approval User Roles

Users who perform the same type of tasks in the PeopleSoft system are organized into categories called **user roles**. Each user role has specific authorizations assigned to it that control workflow as well as what each user role can and cannot access in the system. Depending upon their job duties, a user may be assigned to more than one PeopleSoft user role.

1. Approver with Direct and Indirect Reports
  - Approval authority is based on the delegated transaction types and their dollar amount.
  - Able to delegate approval authority to subordinates.
2. Approver without Direct Reports
  - Approval authority is based on the delegated transaction types and their dollar amount.
3. Alternate to Approver with Direct and Indirect Reports
  - Assumes full approval authority as an alternate approver from the person for whom they are an alternate.
4. Alternate to Approver without Direct Reports
  - Assumes full approval authority as an alternate approver from the person for whom they are an alternate.

## Accessing Financial Approvals

The Financial Approvals functionality allows a manager the ability to control the approval and limits for transactions within his or her hierarchy group.

### To Open Financial Approvals

1. Start Internet Explorer and open the PeopleSoft Human Resources Sign In page using any of the following methods:
  - a. Open a web browser and type **HRMS** in the subject line.
  - b. Open a web browser and type **PSTR** in the subject line.
  - c. Open the **AEP Now A-Z Index** Web page and click the **HRMS** link.
  - d. Open the **AEP Now A-Z Index** Web page and click the **Manager Self Service** link.
2. On the AEP PeopleSoft HR Sign In page, type your Corporate User Id and Corporate Password in the appropriate fields and click Log In.



Passwords are case sensitive and do not recognize spaces between letters or numbers.

The **PeopleSoft HR** password for a first time user is your *4-digit birth year*, followed by a "\$", *the capitalized first letter of your last name*, and *the last four digits of your social security number*, as shown in the example "1965\$L1234".

**AEP**

**HR Now (EPS91PRD)**

Please log in, using your corporate network ID and password:

**User ID**

**Password**

**LOG IN**

If you are having difficulties logging in please contact the I.T. Service Desk at 1-866-835-3050

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AEP recommends using Internet Explorer 8.0 or above.  
[Download IE now.](#)

Please click the following link to properly add HR Now as a Favorite/Bookmark in your browser:  
[Create HR Now Favorite/Bookmark](#)

3. The **Home** page appears.



4. To open the Financial Approvals page, click on the **My Organization** tab and scroll to the bottom of the page. The Financial Approvals section will appear on the bottom left of the screen.
5. Click on **Financial Approvals**.



## Find a Manager

To begin you must specify whether you will be acting on behalf of yourself, or whether you will be acting as an alternate approver on the behalf of another employee.

1. If you are acting on behalf of yourself, you need to find and select your name using the drop-down box.
2. If you are acting as an alternate approver, you need to find and select the employee for whom you are the alternate approver using the drop-down box.

The Financial Approvals page is used to search, select, and view your **Organization List** page.

### Search by:

- a. Position Number
- b. Employee Id (not User Id)
- c. Name

**AEP** Kincaid Jr.,Jack L (O478497 - HCM91TS1)

Favorites > Main Menu > Manager Self Service > Financial Approvals

## Financial Approvals

Find A Manager (click Search for a list)

Find an Existing Value

▼ Search Criteria

Position Number: begins with [v] [ ]

Empl ID: begins with [v] [ ]

Name: begins with [v] [ ]

Search Clear Basic Search Save Search Criteria



If you click **Search** without specifying a search criterion, **PeopleSoft** will:

- Select you as the manager and return your **Organization List** if you are not set up to be acting as an alternate approver for any other employee.
- Return a list of all the employees including yourself for whom you are designated as an alternate approver (if you are indeed set up as an alternate approver for any other employee). You may select yourself to act on your own behalf, or you may select another employee to act as an alternate approver on their behalf.

### Financial Approvals

Find A Manager (click Search for a list)

Find an Existing Value

Search Criteria

Position Number: begins with

Empl ID: begins with

Name: begins with

**Search** Clear Basic Search Save Search Criteria

### Search Results

View All First 1-4 of 4 Last

Position Number	Job Title	Name
<a href="#">00110353</a>	Accounts Payable Mgr	Genetin,Donald J
<a href="#">00110620</a>	Accounting Operations Sr Mgr	Kincaid Jr.,Jack L
<a href="#">00114329</a>	Accounts Payable Supv	Cowley,Matthew R
<a href="#">00145761</a>	Accounts Payable Mgr	Williams,Susan E

1. To search by Name, type the full name (Lastname,Firstname Middleinitial) in the **Name** field and click **Search**.

Find an Existing Value

Search Criteria

Search by: Name begins with Genetin,Donald J

Search Advanced Search



When you are typing names in PeopleSoft, you should not insert spaces around the comma, nor should you type a period after the middle initial. The PeopleSoft system is case sensitive with regard to employee names. You need to type upper case and lower case letters in names, as appropriate. The following is an example of the correct name format: "Genetin,Donald J".



If you type a partial name or a last name in the Name field, you may receive multiple results.

2. The **Organization List** for the specified employee name is displayed.
3. You can also search for a manager by their Employee Id Number or their Position Number. Both search methods will display the Organization List for the specified employee.

Financial Approvals

**Organization List**

Click [Assign Limits](#) or to navigate

<a href="#">Assign Limits</a>	<a href="#">Position Number</a>	Down	<a href="#">Job Title</a>	<a href="#">Name</a>	<a href="#">HR Department</a>
	00110620		Accounting Operations Sr Mgr	Kincaid Jr.,Jack L	Accounts Payable
<a href="#">Assign Limits</a>	00109397		Accountant Prin	Betz,Christine S	Accounts Payable
<a href="#">Assign Limits</a>	00128228		Accountant Prin	Humphreys,Timothy J	Accounts Payable
<a href="#">Assign Limits</a>	00110353		Accounts Payable Mgr	Genetin,Donald J	Accounts Payable
<a href="#">Assign Limits</a>	00145761		Accounts Payable Mgr	Williams,Susan E	Accounts Payable
<a href="#">Assign Limits</a>	00114329		Accounts Payable Supv	Cowley,Matthew R	Accounts Payable

## Organization List

The **Organization List** page provides you with a list of the managers and employees within your reporting hierarchy, or the hierarchy of the employee for whom you are acting as an alternate approver (if that is whom you selected).

The green **Down** arrow in the **Down** column next to **Job Title** indicates that there are other positions that report to the selected manager.

You may see a position listed with the word **Vacant** in the **Name** field. You may also find **Vacant** positions listed as reporting to a **Vacant** manager position.



Please contact your local Human Resources department if you have questions about the **Vacant** positions appearing on your **Organization List** or want to know how to remove the **Vacant** positions appearing on your **Organization List**.

### Navigating Through an Organization List and Assigning Limits

1. Click the **Down Arrow**.



Financial Approvals

**Organization List**

Click Assign Limits or to navigate

<a href="#">Assign Limits</a>	<a href="#">Position Number</a>	Down	<a href="#">Job Title</a>	<a href="#">Name</a>	<a href="#">HR Department</a>
	00110620		Accounting Operations Sr Mgr	Kincaid Jr.,Jack L	Accounts Payable
<a href="#">Assign Limits</a>	00109397		Accountant Prin	Betz,Christine S	Accounts Payable
<a href="#">Assign Limits</a>	00128228		Accountant Prin	Humphreys,Timothy J	Accounts Payable
<a href="#">Assign Limits</a>	00110353		Accounts Payable Mgr	Genetin,Donald J	Accounts Payable
<a href="#">Assign Limits</a>	00145761		Accounts Payable Mgr	Williams,Susan E	Accounts Payable
<a href="#">Assign Limits</a>	00114329		Accounts Payable Supv	Cowley,Matthew R	Accounts Payable

2. To navigate through the entire reporting structure of a manager’s branch in the organization, click the **Down** and **Up** arrows next to each **Job Title**.

Financial Approvals

**Organization List**

Click Assign Limits or to navigate

<a href="#">Assign Limits</a>	<a href="#">Position Number</a>	Up	<a href="#">Job Title</a>	<a href="#">Name</a>	<a href="#">HR Department</a>
<a href="#">Assign Limits</a>	00110353		Accounts Payable Mgr	Genetin,Donald J	Accounts Payable
<a href="#">Assign Limits</a>	00142332		Accountant Assc	Booth,Beverly A	Accounts Payable
<a href="#">Assign Limits</a>	00137133		Accountant Prin	Longnecker,Charlene A	Accounts Payable
<a href="#">Assign Limits</a>	00134985		Accountant Prin	Morss,Amy M	Accounts Payable
<a href="#">Assign Limits</a>	00142333		Accountant Sr	Edie,Susan M	Accounts Payable
<a href="#">Assign Limits</a>	00106996		Accounting Asst Sr	Lowman,Loretta L	Accounts Payable

3. To view, update, or assign (delegate) financial approval limits, click the **Assign Limits** link that appears next to the Position Number of the appropriate manager or employee on the **Organization List**.

Financial Approvals

### Organization List

Click [Assign Limits](#) or   to navigate

<a href="#">Assign Limits</a>	<a href="#">Position Number</a>	<a href="#">Up</a>	<a href="#">Job Title</a>	<a href="#">Name</a>	<a href="#">HR Department</a>
<a href="#">Assign Limits</a>	00110353		Accounts Payable Mgr	Genetin,Donald J	Accounts Payable
<a href="#">Assign Limits</a>	00142332		Accountant Assc	Booth,Beverly A	Accounts Payable
<a href="#">Assign Limits</a>	00137133		Accountant Prin	Longnecker,Charlene A	Accounts Payable
<a href="#">Assign Limits</a>	00134985		Accountant Prin	Morss,Amy M	Accounts Payable
<a href="#">Assign Limits</a>	00142333		Accountant Sr	Edie,Susan M	Accounts Payable
<a href="#">Assign Limits</a>	00106996		Accounting Asst Sr	Lowman,Loretta L	Accounts Payable

### Assign Approval Limits

Maintaining approval limits consists of assigning, delegating, and updating a subordinate’s approval limits. The procedure for all of these actions is basically the same. Use the steps in this section to change a subordinate’s approval limits, as well as to assign your approval limits to a subordinate.

Current approval limits cannot be deleted because of the need to maintain the historical audit trail of approval limits. Current limits are changed or removed by inserting a new row with the desired limits. However, future-dated approval limits can be deleted. For a transaction code, only one row can exist for a specific Date of Action.



A manager is only able to establish approval limits for their subordinates at or below their own authorized approval limits, and only for transaction types for which the managers themselves have approval limits.

Financial Approvals

### Organization List

Click [Assign Limits](#) or   to navigate

<a href="#">Assign Limits</a>	<a href="#">Position Number</a>	<a href="#">Down</a>	<a href="#">Job Title</a>	<a href="#">Name</a>	<a href="#">HR Department</a>
<a href="#">Assign Limits</a>	00110620		Accounting Operations Sr Mgr	Kincaid Jr.,Jack L	Accounts Payable
<a href="#">Assign Limits</a>	00109397		Accountant Prin	Betz,Christine S	Accounts Payable
<a href="#">Assign Limits</a>	00128228		Accountant Prin	Humphreys,Timothy J	Accounts Payable
<a href="#">Assign Limits</a>	00110353		Accounts Payable Mgr	Genetin,Donald J	Accounts Payable
<a href="#">Assign Limits</a>	00145761		Accounts Payable Mgr	Williams,Susan E	Accounts Payable
<a href="#">Assign Limits</a>	00114329		Accounts Payable Supv	Cowley,Matthew R	Accounts Payable

1. Open the **Financial Approval Authorization Limits** page for the subordinate to whom you want to assign (delegate) or update approval limits by clicking the **Assign Limits** link.

Results:

The **Manager Limits** section displays the approval limits you can assign (delegate) to a subordinate.

2. Click any plus icon in the **Employee Limits** section to add a new row.

The screenshot shows the 'Financial Approval Authorization Limits' page for Charlene A. Longnecker. At the top, there are tabs for 'Assign Limits' and 'Assign Limits History'. Below the title, there is a 'Limits Status Key' section with the following items:

- Current Approval Limit (Green dot)
- New Approval Limit Entry (Blue circle)
- New Limit Valid and Approved (Green checkmark)
- Limit in Exception needs Approval (Yellow warning triangle)
- Validation Error (Red square)

The 'Manager's Limits - Genetin, Donald J' table is as follows:

Transaction Type	Date of action	Status	Approval Limit
Employee Disbmt	04/19/2013	Inactive	\$0.00
Fuel Disbmt	04/19/2013	Inactive	\$0.00
Goods & Svcs Contr	04/19/2013	Inactive	\$0.00
Goods & Svcs Disbmt	11/12/2014	Active	\$10,000.00

The 'Employee Limits' table is as follows:

*Transaction Type	*Date of action	*Status	Approval Amount	Recertify?	Certified Date	Certified By Oprid	Reactivated Same Day	Reactivate Same Day
Goods & Svcs Disbmt	09/10/2008	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate + -
Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	09/10/2008	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate + -

A red box highlights the plus icon in the 'Reactivate Same Day' column for the second row of the 'Employee Limits' table.



New entries (i.e., new rows) made to an employee's limits can be deleted as long as the Manager's Limits window (shown above) has not been closed. However, once this window is closed, the only way to remove or change a newly added limit is to insert a new row for the transaction code with the desired limit and with the **Date of Action** set to the following day. Contact Accounts Payable Help for extreme cases where a row must be removed.



Click on the **Assign Limits History** Tab to review previous limits.

3. Click Lookup for the inserted row to select a **Transaction Type** from the list of valid values.

**Financial Approval Authorization Limits**  
Longnecker, Charlene A

User ID: S007022  
Employee Status: Active  
Business Unit: ON103 AEP Service Corporation  
Financial Department: 10265 Payables & Projects

*Manager's Limits - Genetin, Donald J*

Transaction Type	Date of
Employee Disbmt	04/19/2011
Fuel Disbmt	04/19/2011
Goods & Svcs Contr	04/19/2011
Goods & Svcs Disbmt	11/12/2010

Transaction Type Description Help Show Spending History

**Employee Limits**

Transaction Type	Limit
Goods & Svcs Disbmt	
Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	

Submit & Save

Close Window Click the Submit & Save button changes will be lost.

**Look Up Approval Transaction Type**

Search by: Description begins with

Look Up Cancel Advanced Lookup

**Search Results**

View 100 First 1-36 of 36 Last

Description

- Asset Suite Purchase Requisition
- CI/LI
- Chem-All deals <= 5 years or value <=\$500 million
- Chem-All deals <= 7 years or value <=\$750 million
- Chem-Spot deals <= 1 year and <=\$50 million
- Competitive Retail Electric Supplier Disbursement
- Compliance Emissions-All transactions >\$20 million
- Compliance Emissions-All transactions up to \$20 million
- Contrib & Due Disbmt
- Customer Disbmt
- Employee Disbmt
- Fuel Disbmt
- Fuel Emis Contr
- Fuel Oils & Alt-All deals <= 5 years or value <=\$500 million
- Fuel Oils & Alt-All deals <= 7 years or value <=\$750 million
- Fuel Oils & Alt-All deals > 7 years or >\$750 million
- Fuel Oils & Alt-Spot deals <= 1 year and <=\$15 million
- Fuel-All deals <= 5 years or value <=\$500 million
- Fuel-All deals <= 7 years or value <=\$750 million
- Fuel-All deals > 7 years or >\$750 million
- Fuel-Spot deals <= 1 year and <=\$75 million
- Goods & Svcs Contr
- Goods & Svcs Disbmt
- HRMS Disbmt
- Lease Contr
- Legal Disbmt



You may assign a subordinate an approval limit for only those transaction types and dollar amounts that are less than or equal to your own. If you try to assign a subordinate a limit for a transaction type that you are not authorized to approve, you will receive an error message. The status of the line will go to a Red Box. See the Limits Status Key for status explanations. Click on the Red Box for further explanation.

Assign Limits Assign Limits History Help

### Financial Approval Authorization Limits

**Longnecker, Charlene A**

User ID: S007022  
 Employee Status: Active  
 Business Unit: ON103 AEP Service Corporation  
 Financial Department: 10265 Payables & Projects

**Limits Status Key**

Click icons on transaction for detail

- Current Approval Limit
- New Approval Limit Entry
- ✓ New Limit Valid and Approved
- ⚠ Limit in Exception needs Approval
- Validation Error

Manager's Limits - Genetin, Donald J Find | First | 1-4 of 4 | Last

Transaction Type	Date of action	Status	Approval Limit
Employee Disbmt	04/19/2013	Inactive	\$0.00
Fuel Disbmt	04/19/2013	Inactive	\$0.00
Goods & Svcs Contr	04/19/2013	Inactive	\$0.00
Goods & Svcs Disbmt	11/12/2014	Active	\$10,000.00

[Transaction Type Description Help](#) Show Spending History Recertify All Active Rows

Employee Limits Find | First | 1-3 of 3 | Last

*Transaction Type	*Date of action	*Status	Approval Amount	Recertify?	Certified Date	Certified By Oprid	Reactivated Same Day	Reactivate Same Day
<span style="color: green;">●</span> Goods & Svcs Disbmt	09/10/2008	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate <span style="float: right;">+ -</span>
<span style="color: green;">●</span> Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	09/10/2008	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate <span style="float: right;">+ -</span>
<span style="color: red;">■</span> Goods & Svcs Contr	08/02/2016	A	\$5,000.00	<input type="checkbox"/>	08/02/2016	O478497	<input type="checkbox"/>	Reactivate <span style="float: right;">+ -</span>

[Close Window](#) Click the Submit & Save button before closing the window or changes will be lost.

### Transaction Validation Message

■

## Validation Error

ERROR - Requested approval limit exceeds the Manager's approval limit. (24002,36)

4. The current date automatically appears in the **Date of Action** field. Your changes will take effect from that date forward. You can schedule an approval limit to take effect at a future date.

However, you cannot schedule an approval limit to take effect at a date that is prior to the current date.

- a. To schedule an approval limit to take effect at a future date – type the appropriate start date in the **Date of Action** field.
- b. To delete an approval limit that is scheduled to take effect at a future date- click the minus icon to delete the row containing the future-dated approval limit.



If you try to schedule an effective date that is older than the current date, you will receive the error message **“Transaction Date cannot be less than today’s date”**.

5. In the **Approval Amount** field, type the transaction dollar amount that the subordinate will be assigned.
  - a. To assign a **new** approval limit – type the appropriate dollar amount in the **Approval Amount** field and click **Submit and Save** to save and activate the new approval limit as of the specified effective date.
  - b. To **change** an existing approval limit – type the changes to the dollar amount in the **Approval Amount** field and click **Submit & Save** to save and activate the new approval limit as of the specified effective date.

Employee Limits									
*Transaction Type	*Date of action	*Status	Approval Amount	Recertify?	Certified Date	Certified By Oprid	Reactivated Same Day	Reactivate Same Day	
Goods & Svcs Disbmt	09/10/2008	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate	+ -
Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	09/10/2008	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate	+ -
Goods & Svcs Disbmt	08/02/2016	A	\$5,000.00	<input type="checkbox"/>	08/02/2016	0478497	<input type="checkbox"/>	Reactivate	+ -

**Submit & Save**

[Close Window](#)      Click the Submit & Save button before closing the window or changes will be lost.

Employee Limits									
*Transaction Type	*Date of action	*Status	Approval Amount	Recertify?	Certified Date	Certified By Opid	Reactivated Same Day	Reactivate Same Day	
Goods & Svcs Disbmt	08/02/2016	A	\$5,000.00	<input type="checkbox"/>	08/02/2016	0478497	<input type="checkbox"/>	Reactivate	+ -
Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	09/10/2008	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate	+ -

**Submit & Save**



When you delegate approval authority to your subordinate, your manager will be notified of this change via email.

### ***Inactivate and Temporary Limits***

1. In order to **inactivate** an existing limit, a new row must be added with a **Status** of "I" for Inactive. Click **Submit & Save**.

Assign Limits Help

**Financial Approval Authorization Limits**

**Longnecker, Charlene A**

User ID: S007022  
Employee Status: Active  
Business Unit: ON103 AEP Service Corporation  
Financial Department: 10265 Payables & Projects

**Limits Status Key**

**Click icons on transaction for detail**

- Current Approval Limit
- New Approval Limit Entry
- New Limit Valid and Approved
- Limit in Exception needs Approval
- Validation Error

**Manager's Limits - Genetin, Donald J**

Transaction Type	Date of action	Status	Approval Limit
Customer Disbmt	08/03/2016	Active	\$25,000.00
Employee Disbmt	04/19/2013	Inactive	\$0.00
Fuel Disbmt	04/19/2013	Inactive	\$0.00
Goods & Svcs Contr	04/19/2013	Inactive	\$0.00
Goods & Svcs Disbmt	11/12/2014	Active	\$10,000.00

[Transaction Type Description Help](#)   [Show Spending History](#)   [Recertify All Active Rows](#)

Employee Limits									
*Transaction Type	*Date of action	*Status	Approval Amount	Recertify?	Certified Date	Certified By Opid	Reactivated Same Day	Reactivate Same Day	
Goods & Svcs Disbmt	08/02/2016	A	\$5,000.00	<input type="checkbox"/>	08/02/2016	0478497	<input type="checkbox"/>	Reactivate	+ -
Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	09/10/2008	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate	+ -
Goods & Svcs Disbmt	08/03/2016	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate	+ -

**Submit & Save**

2. A temporary limit can be added by entering a future dated Inactive row.

**Financial Approval Authorization Limits**

**Longnecker, Charlene A**

User ID: S007022  
Employee Status: Active  
Business Unit: ON103 AEP Service Corporation  
Financial Department: 10265 Payables & Projects

**Limits Status Key**  
Click icons on transaction for detail  
● Current Approval Limit  
○ New Approval Limit Entry  
✓ New Limit Valid and Approved  
⚠ Limit in Exception needs Approval  
■ Validation Error

Transaction Type	Date of action	Status	Approval Limit
Customer Disbmt	08/03/2016	Active	\$25,000.00
Employee Disbmt	04/19/2013	Inactive	\$0.00
Fuel Disbmt	04/19/2013	Inactive	\$0.00
Goods & Svcs Contr	04/19/2013	Inactive	\$0.00
Goods & Svcs Disbmt	11/12/2014	Active	\$10,000.00

**Employee Limits**

*Transaction Type	*Date of action	*Status	Approval Amount	Recertify?	Certified Date	Certified By Opid	Reactivated Same Day	Reactivate Same Day
Goods & Svcs Disbmt	08/02/2016	A	\$5,000.00	<input type="checkbox"/>	08/02/2016	O478497	<input type="checkbox"/>	Reactivate
Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	09/10/2008	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate
Goods & Svcs Disbmt	09/30/2016	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate

Submit & Save

### Reactivate Same Day

Limits can be inactivated the following ways:

- a. Manually by a manager or administrator.
- b. HR status change such as leave of absence.
- c. As a result of Recertify action not taking place.
- d. As a result of department transfer/manager change.

If limits are inactivated but are still determined to be necessary, the manager can select the **Reactivate Same Day** button for the employee requiring appropriate limits, and then click **Submit & Save**. This button will not be available, however, if the limit goes into exception approval process (See Approval Exception Process for more details) or if the employee's new manager does not have the limit (in case of transfer).

Assign Limits | Assign Limits History

### Financial Approval Authorization Limits

**Longnecker, Charlene A**

User ID: S007022  
Employee Status: Active  
Business Unit: ON103 AEP Service Corporation  
Financial Department: 10265 Payables & Projects

**Limits Status Key**

Click icons on transaction for detail

- Current Approval Limit
- New Approval Limit Entry
- ✓ New Limit Valid and Approved
- ⚠ Limit in Exception needs Approval
- Validation Error

Manager's Limits - Genetin, Donald J			
Transaction Type	Date of action	Status	Approval Limit
Customer Disbmt	08/03/2016	Active	\$25,000.00
Employee Disbmt	04/19/2013	Inactive	\$0.00
Fuel Disbmt	04/19/2013	Inactive	\$0.00
Goods & Svcs Contr	04/19/2013	Inactive	\$0.00
Goods & Svcs Disbmt	11/12/2014	Active	\$10,000.00

Transaction Type Description Help | Show Spending History | Recertify All Active Rows

Employee Limits									
*Transaction Type	*Date of action	*Status	Approval Amount	Recertify?	Certified Date	Certified By Opid	Reactivated Same Day	Reactivate Same Day	
<span style="color: green;">●</span> Goods & Svcs Disbmt	08/03/2016	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate	+ -
<span style="color: green;">●</span> Goods & Svcs Disbmt	09/30/2016	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate	+ -
<span style="color: green;">●</span> Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	09/10/2008	I		<input type="checkbox"/>			<input type="checkbox"/>	Reactivate	+ -

**Message**

Are you sure you want to reactivate this approval limit. (24002,55)

You will need to click the Submit & Save button for this change to go into effect.

Employee Limits									
*Transaction Type	*Date of action	*Status	Approval Amount	Recertify?	Certified Date	Certified By Opid	Reactivated Same Day	Reactivate Same Day	
<span style="color: green;">●</span> Goods & Svcs Disbmt	08/03/2016	A	\$5,000.00	<input type="checkbox"/>	08/03/2016	0478497	<input checked="" type="checkbox"/>	Reactivate	+ -

### Approval Exception Process

Delegation of authorization authority exceeding \$10,000 shall only be made to employees at or above salary grade 9 in the new SP20 salary structure, effective January 2, 2015, or at or above salary grade 24 in the EXEM structure. Delegations in excess of \$10,000 to employees below this level require approval review by the Chief Procurement Officer (CPO) as delegated by the Chief Financial Officer (CFO) and will only be permitted when supported by evidence that such delegation is necessary due to unique circumstances.

Authorization Exception Requests will be routed for approval within the system as such:

1. 1<sup>st</sup> level approval to the next member of the organizational hierarchy grade 9/24 or above;
2. 2<sup>nd</sup> level approval to the system administrator (Accounting Operations);
3. 3<sup>rd</sup> level approval to the CPO.

The system generates emails when users need to take action to approve these exceptions. The request should be reviewed to verify that the amount of the limit is necessary and appropriate.

## Entering Exception Limits

1. Exception limits are added similar to all other approval limits. Navigate to the **Assign Limits** link for the employee (as explained previously in the document).

Financial Approvals

### Organization List

Click **Assign Limits** or   to navigate

<a href="#">Assign Limits</a>	<a href="#">Position Number</a>	<a href="#">Job Title</a>	<a href="#">Name</a>	<a href="#">HR Department</a>	<a href="#">Empl ID</a>
	00110353	Accounts Payable Mgr	Genetin,Donald J	Accounts Payable	4210689
<a href="#">Assign Limits</a>	00142332	Accountant Assc	Booth,Beverly A	Accounts Payable	4208569
<a href="#">Assign Limits</a>	00137133	Accountant Prin	Longnecker,Charlene A	Accounts Payable	4201727
<a href="#">Assign Limits</a>	00134985	Accountant Prin	Morss,Amy M	Accounts Payable	9002810
<a href="#">Assign Limits</a>	00142333	Accountant Sr	Edie,Susan M	Accounts Payable	9001493
<a href="#">Assign Limits</a>	00106996	Accounting Asst Sr	Lowman,Loretta L	Accounts Payable	4206478

2. Click the **plus** icon to the right to add a new line.

Assign Limits Assign Limits History [Help](#)

### Financial Approval Authorization Limits

**Longnecker, Charlene A**

User ID: S007022  
 Employee Status: Active  
 Business Unit: ON103 AEP Service Corporation  
 Financial Department: 10265 Payables & Projects

**Limits Status Key**

**Click icons on transaction for detail**

- Current Approval Limit
- New Approval Limit Entry
- ✓ New Limit Valid and Approved
- ⚠ Limit in Exception needs Approval
- Validation Error

Manager's Limits - Genetin, Donald J			
Transaction Type	Date of action	Status	Approval Limit
Customer Disbmt	08/03/2016	Active	\$25,000.00
Employee Disbmt	04/19/2013	Inactive	\$0.00
Fuel Disbmt	04/19/2013	Inactive	\$0.00
Goods & Svcs Contr	04/19/2013	Inactive	\$0.00
Goods & Svcs Disbmt	11/12/2014	Active	\$10,000.00

Transaction Type Description Help Show Spending History Recertify All Active Rows

Employee Limits					
*Transaction Type	*Date of action	*Status	Approval Amount	Comments	
<span style="color: green;">●</span> Goods & Svcs Disbmt	08/02/2016	A	\$5,000.00		
<span style="color: green;">●</span> Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	09/10/2008	I			
<span style="color: orange;">⚠</span> Customer Disbmt	08/03/2016	A	\$15,000.00	Amount needed because taking on responsibilitie	

**To avoid delays and additional requests for information, please provide specific comments as reason for the exception requests. These comments are reviewed by the Approval Authorizations Administrator and Chief Procurement Officer when determining whether to approve the request. Further, the comments provided may be reviewed by Audit Services as well.**

[Close Window](#) Click the Submit & Save button before closing the window or changes will be lost.

3. Enter the **Transaction Type** and **Approval Amount** (which is greater than \$10,000 for certain salary grades for an exception).
4. Tab or click out of the amount field and review the verbiage explaining that a detailed **Comment** is required. Comments can be viewed by employees, executives, and internal audit services.
5. When you click on the icon to the right of the line, you can review the warning message below.

**Transaction Validation Message**

 **Limit in Exception needs Approval**

This new Customer Disbmt limit for 15000 will be deleted from this grid at save; an exception will be created below. (24002,44)

In accordance with the authorization policy, delegations in excess of the threshold to employees at this salary level require approval from an Executive Committee Member and the CPO and will only be permitted when supported by evidence that such delegation is necessary due to unique circumstances.

6. Click on **Submit & Save**.
7. The warning message below will appear, select **Yes** to continue, or **No** to go back.

**Message**

Submission has transactions in exception. (24002,60)

All limits in exception will be removed from the current Employee Limits box and moved to the Approval Limit Exceptions box. These exceptions will then be routed for approval.

If you would like to continue click 'Yes' button.  
If you would like to go back and review click the 'No' button.

**Results:** The row will move to the Approval Limit Exceptions Section where a Details button is available for viewing the workflow diagram.

Accounting Policies on Policy Central  
Corporate Accounting Policies & Procedures  
Accounts Payable

Employee Limits										
*Transaction Type	*Date of action	*Status	Approval Amount	Recertify?	Certified Date	Certified By Oprid	Reactivated Same Day	Reactivate Same Day		
Goods & Svcs Disbmt	08/02/2016	A	\$5,000.00	<input type="checkbox"/>	08/02/2016	O478497	<input type="checkbox"/>	<a href="#">Reactivate</a>	<input type="checkbox"/>	<input type="checkbox"/>
Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	09/10/2008	I		<input type="checkbox"/>			<input type="checkbox"/>	<a href="#">Reactivate</a>	<input type="checkbox"/>	<input type="checkbox"/>

[Submit & Save](#)

Approval Limit Exceptions						
Transaction Type	Date of action	Approval Status	Approval Amount	Comments	Approval Status Details	
Customer Disbmt	08/03/2016	In Approval Process	\$15,000.00	Amount needed because taking on responsibilities for an employee that is leaving the company.	<a href="#">Details</a>	

**Transaction Type:** Customer Disbmt    **Date of Action:** 8/3/2016

If you have questions about financial transaction authority, please refer to the [Authorization Policy](#) or click [here](#) to send an email message to the Accounts Payable group.

**Fin Approval Limit Approval**

**Longnecker, Charlene A: Pending** [View/Hide Comments](#)

Fin Approval Limit Approval

**Pending** → **Not Routed** → **Not Routed**

Kincaid Jr, Jack L  
 Manager Above Grade

Multiple Approvers  
 Accounts Payables Admins

Rhoades, Craig T  
 Chief Procurement Officer

**Comments**

**Genetin, Donald J at 08/03/16 - 9:37 AM**  
 Amount needed because taking on responsibilities for an employee that is leaving the company.

[Close Window](#)

## Approving Exception Limits

1. An email is sent by the system to managers when they have approval exception limits awaiting their approval. Click on the link in the email and log into HR Now, or see step #2 for another option.

**Approval needed for approval limit exception.**  
031/831 to: approval\_limits, O478497 08/03/16 09:37 AM  
[Hide Details](#)

From: 0317831@AEP.COM  
 To: approval\_limits@aep.com, U4/849/@ALP.COM

---

An exception to the authorization policy has been created in the financial Approval System and needs your approval. The following employee's authority to approve financial transactions exceeds the amount allowed by the policy for his/her salary grade. In accordance with procedures this delegation requires approval from Accounting Operations and the Chief Procurement Officer and is only permitted when supported by evidence that such delegation is necessary due to unique circumstances.

Please click on the link  
https://easdt4.aep.com:7402/psr/ps/EMPLOYEE/HRMS/c/APP\_ROUF\_MANDGR\_7\_M\_FWC\_APPRV\_RSI?Page=7\_M\_FWCPTS\_PrcAction=U67\_MGR\_OPRID=O478497&OPRID=8007022&7\_FTIN\_TRAN\_TVFP=C&ACTION\_Q&T=2016-08-03 to review the exception. Please do not forward. This link will not work if forwarded.

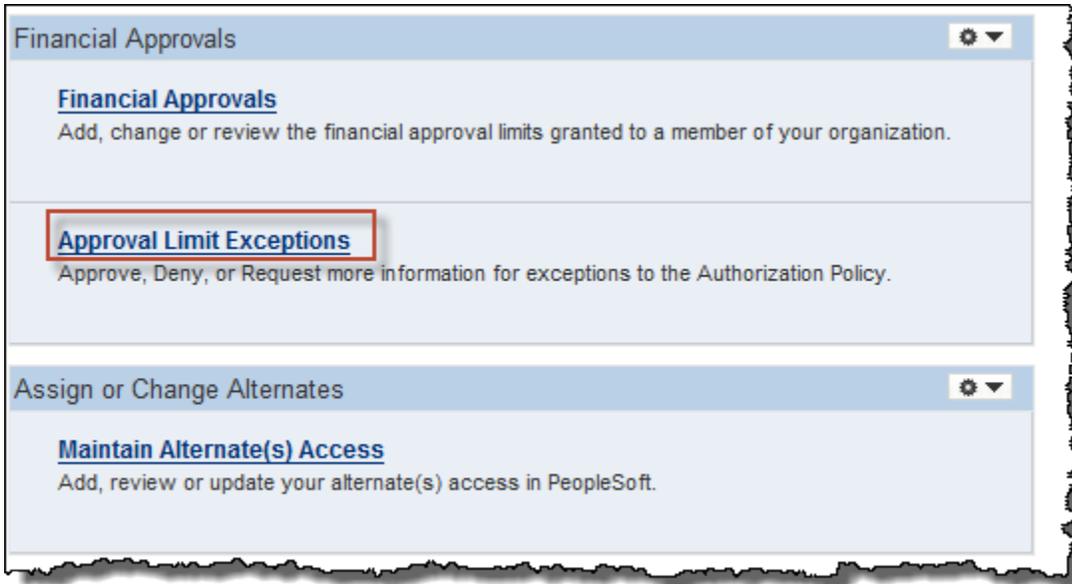
Please do not respond to this message. If you have questions about financial transaction authority, please refer to the authorization policy <http://money/matters/Authorization Limits Policy REV01 Signed Copy.pdf> or click on the following link to send an email message to the Accounts Payable group, [mailto:approval\\_limits@aep.com](mailto:approval_limits@aep.com)

The exception below needs approval:

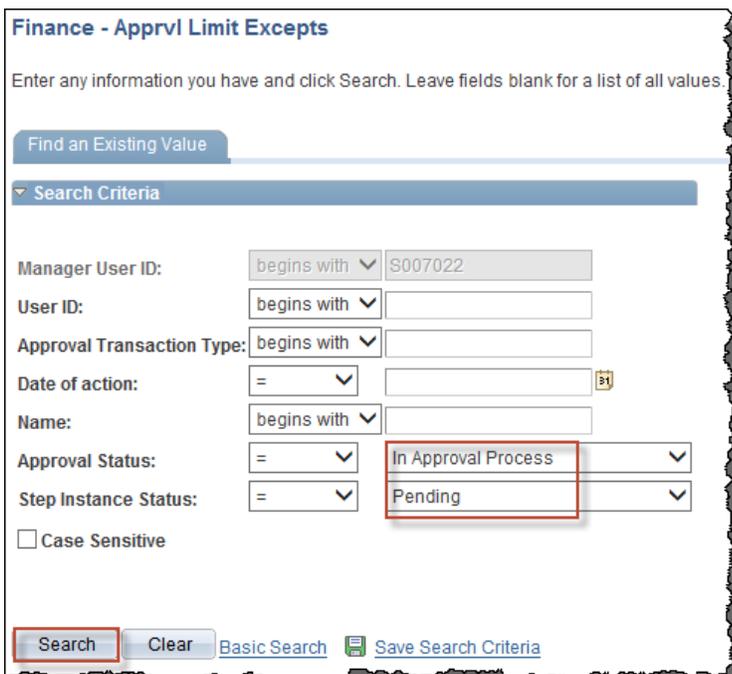
Emplid: 4201727  
 Employee Name: Longnecker, Charlene A  
 Financial Dept: 10265

Transaction Type: Customer Disbmt  
 Amount: \$15,000.00

- The second option for navigating to the pending approval limit exception is to log in to HR Now directly and navigate to the **My Organization** Tab. Scroll to the bottom left corner and click on **Approval Limit Exceptions**.



- If the second option for navigating is selected, you will need to Select Approval Status = **In Approval Process** and Step Instance Status = **Pending**, and click **Search**. If there are multiple approvals required, this will allow the manager to access all items.



Approval Limit Exceptions

**Longnecker,Charlene A** [Help](#)

User ID: S007022 Employee ID: 4201727

Transaction Type: Customer Disbmt

Financial Approval Limit: \$15,000.00

Date of action: 08/03/2016

Requester: Genetin,Donald J

**Transaction Type: Customer Disbmt Date of Action: 8/3/2016**

If you have questions about financial transaction authority, please refer to the [Authorization Policy](#) or click [here](#) to send an email message to the Accounts Payable group.

**Fin Approval Limit Approval**

▼ **Longnecker,Charlene A:Pending** [View/Hide Comments](#)

Fin Approval Limit Approval

**Pending** → **Not Routed** → **Not Routed**

🕒 [Kincaid Jr.,Jack L](#)  
Manager Above Grade

📧 [Multiple Approvers](#)  
Accounts Payables Admins

📧 [Rhoades,Craig T](#)  
Chief Procurement Officer

▼ **Comments**

**Genetin,Donald J at 08/03/16 - 9:37 AM**  
Amount needed because taking on responsibilities for an employee that is leaving the company.

**Comments**

3. If you are in agreement with the explanation provided in the Comments, click **Approve**.

**Result:** The approval will route to the next in line to approve, which in this case is Accounts Payable and then the Chief Procurement Officer. Once the limit is fully approved, an email will be sent to the requestor and the employee.



See the section in this document called Review Request Status to verify the status during the approval process.

4. If you are not in agreement that the limit is required at this amount, enter **Comments**, and click **Deny**.

5. If the Comments do not sufficiently explain the need for the limit, click **Request Addl Info**.

## ***Request Additional Information***

Approvers in the Exception Approval Process can choose to Request Additional Information.

1. To request more information, the manager would enter a **Comment** and click th **Request Addl Info** button.

**Approval Limit Exceptions**

**Longnecker,Charlene A** [Help](#)

User ID: S007022 Employee ID: 4201727

Transaction Type: Customer Disbmt

Financial Approval Limit: \$15,000.00

Date of action: 08/03/2016

Requester: Genetin,Donald J

**Transaction Type: Customer Disbmt Date of Action: 8/3/2016**

If you have questions about financial transaction authority, please refer to the [Authorization Policy](#) or click [here](#) to send an email message to the Accounts Payable group.

**Fin Approval Limit Approval**

▼ **Longnecker,Charlene A:Pending** [View/Hide Comments](#)

Fin Approval Limit Approval

**Pending** → **Not Routed** → **Not Routed**

[Kincaid Jr,Jack L](#)  
Manager Above Grade

[Multiple Approvers](#)  
Accounts Payables Admins

[Rhoades,Craig T](#)  
Chief Procurement Officer

▼ **Comments**

**Genetin,Donald J at 08/03/16 - 9:37 AM**  
Amount needed because taking on responsibilities for an employee that is leaving the company.

**Comments**

2. The limit is then placed on Hold by this manager in the system and an email is sent to the requestor.

 **Request for more information regarding approval limit exception**  
0317831 to: 0317831, approval\_limits 08/03/16 02:13 PM  
[Hide Details](#)

From: 0317831@AEP.COM  
To: 0317831@AEP.COM, approval\_limits@aep.com

---

An exception Approver has requested more information related to the exception below.

The following employee's authority to approve financial transactions exceeds the amount allowed by the policy for his/her salary grade. In accordance with procedures this delegation requires approval from Accounting Operations and the Chief Procurement Officer and is only permitted when supported by evidence that such delegation is necessary due to unique circumstances.

Please click on the link  
[https://easdt4.aepsc.com:7402/psp/ps/EMPLOYEE/HRMS/c/AEP\\_ROLE\\_MANAGER.2\\_AL\\_EXC\\_APPRV.GBL?Page=2\\_AL\\_EXCEPTS\\_PG&Action=U&7\\_MGR\\_OPRID=0317831&OPRID=S007022&2\\_FIN\\_TRAN\\_TYPE=C&ACTION\\_DATE=2016-08-03](https://easdt4.aepsc.com:7402/psp/ps/EMPLOYEE/HRMS/c/AEP_ROLE_MANAGER.2_AL_EXC_APPRV.GBL?Page=2_AL_EXCEPTS_PG&Action=U&7_MGR_OPRID=0317831&OPRID=S007022&2_FIN_TRAN_TYPE=C&ACTION_DATE=2016-08-03) to review the exception. Please do not forward. This link will not work if forwarded.

Please do not respond to this message. If you have questions about financial transaction authority, please refer to the authorization policy <http://money/matters/Authorization Limits Policy REV01 Signed Copy.pdf> or click on the following link to send an email message to the Accounts Payable group, [mailto:approval\\_limits@aep.com](mailto:approval_limits@aep.com)

The exception below needs approval:

Emplid: 4201727  
Employee Name: Longnecker, Charlene A  
Financial Dept: 10265

Transaction Type: Customer Diskmt  
Amount: \$15,000.00

3. The requestor can click on the link in the email or navigate in HR Now to the **Approval Limit Exceptions** link. Click **Search** and select the row in question.

**Longnecker,Charlene A** [Help](#)

User ID: S007022 Employee ID: 4201727  
Transaction Type: Customer Disbmt  
Financial Approval Limit: \$15,000.00  
Date of action: 08/03/2016  
Requester: Genetin,Donald J

**Transaction Type: Customer Disbmt    Date of Action: 8/3/2016**

If you have questions about financial transaction authority, please refer to the [Authorization Policy](#) or click [here](#) to send an email message to the Accounts Payable group.

**Fin Approval Limit Approval**

▼ **Longnecker,Charlene A:Awaiting Further Approvals** [View/Hide Comments](#)

Fin Approval Limit Approval

**On Hold**  
Kincaid Jr.,Jack L  
Manager Above Grade  
08/03/16 - 2:13 PM

**Information Request**  
Genetin,Donald J  
Information Request

**Not Routed**  
Multiple Approvers  
Accounts Payables Admins

**Not Routed**  
Rhoades,Craig T  
Chief Procurement Officer

▼ **Comments**

**Kincaid Jr.,Jack L at 08/03/16 - 2:13 PM**  
Who is she replacing?

**Genetin,Donald J at 08/03/16 - 9:37 AM**  
Amount needed because taking on responsibilities for an employee that is leaving the company.

**Comments**

She is replacing Joe Smith, and therefore, must approve the invoices he was approving.

**Submit Information**

[Return to Search](#) [Previous in List](#) [Next in List](#)

4. The requestor can review the **Comments**, enter a new **Comment**, and click **Submit Information**.

5. An email will be sent to the manager that has the limit on hold so that he/she can review the additional information in the comments and approve or deny.

## ***Recertification Process***

Annual recertification of approval limits is necessary to verify that the limits that your direct reports have are still needed. Managers that have employees reporting to them who have active approval limits will receive an email indicating that limits are about to expire and require recertification. Below are the steps to take to recertify your employees' limits.

1. Log in to **HR Now**.
2. Click on the **My Organization** Tab.



3. Click on the **Financial Approvals** Link (Lower left corner of page).



4. Click **Search** to view your organization.
5. If you are an alternate for others, select the name for which to perform recertify process.

### Financial Approvals

Find A Manager (click Search for a list)

Find an Existing Value

Search Criteria

Position Number:

Empl ID:

Name:

**Search** Clear Basic Search Save Search Criteria

### Search Results

View All First 1-4 of 4 Last

Position Number	Job Title	Name
<a href="#">00110353</a>	<a href="#">Accounts Payable Mgr</a>	<a href="#">Genetin,Donald J</a>
<a href="#">00110620</a>	<a href="#">Accounting Operations Sr Mgr</a>	<a href="#">Kincaid Jr.,Jack L</a>
<a href="#">00114329</a>	<a href="#">Accounts Payable Supv</a>	<a href="#">Cowley,Matthew R</a>
<a href="#">00145761</a>	<a href="#">Accounts Payable Mgr</a>	<a href="#">Williams,Susan E</a>

6. Select the **Assign Limits** link to select the individual record you wish to update.
7. Select the arrows if needed to review additional employees.

Financial Approvals

### Organization List

Click Assign Limits or to navigate

Assign Limits	Position Number	Down	Job Title	Name	HR Department	Empl ID
<a href="#">Assign Limits</a>	00110620		Accounting Operations Sr Mgr	Kincaid Jr.,Jack L	Accounts Payable	4202785
<a href="#">Assign Limits</a>	00109397		Accountant Prin	Betz,Christine S	Accounts Payable	4207067
<a href="#">Assign Limits</a>	00128228		Accountant Prin	Humphreys,Timothy J	Accounts Payable	4208638
<a href="#">Assign Limits</a>	00110353		Accounts Payable Mgr	Genetin,Donald J	Accounts Payable	4210689
<a href="#">Assign Limits</a>	00145761		Accounts Payable Mgr	Williams,Susan E	Accounts Payable	4203220
<a href="#">Assign Limits</a>	00114329		Accounts Payable Supv	Cowley,Matthew R	Accounts Payable	9103373

8. On the **Manager Limits** page, check the box in the column **"Recertify?"** that appears by the Active Status rows in the **Employee Limits Section**. (You can select the **Select all Active Rows** button to recertify multiple records at once.)

9. Click **Submit & Save**. (See screen print below.)



Do not forget to click **Submit & Save**!

**Financial Approval Authorization Limits** [Help](#)

**Genetin, Donald J**

User ID: O317831  
 Employee Status: Active  
 Business Unit: ON103 AEP Service Corporation  
 Financial Department: 10265 Payables & Projects

**Limits Status Key**

Click icons on transaction for detail

- Current Approval Limit
- New Approval Limit Entry
- ✓ New Limit Valid and Approved
- ⚠ Limit in Exception needs Approval
- Validation Error

Manager's Limits - Kincaid Jr., Jack L			
Transaction Type	Date of action	Status	Approval Limit
Contrib & Due Disbmt	06/10/2016	Active	\$10,000.00
Customer Disbmt	05/25/2016	Active	\$100,000.00
Employee Disbmt	05/02/2008	Active	\$10,000.00
Fuel Disbmt	07/22/2008	Active	\$30,000.00
Goods & Svcs Contr	12/03/2010	Active	\$50,000.00
Goods & Svcs Disbmt	04/19/2013	Active	\$50,000.00
Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	01/23/2013	Active	\$5,000,000.00
Trading Disbmt	04/19/2013	Active	\$10,000.00

[Transaction Type Description Help](#)    [Show Spending History](#)    [Recertify All Active Rows](#)

Employee Limits										
*Transaction Type	*Date of action	*Status	Approval Amount	Recertify?	Certified Date	Certified By Opid	Reactivated Same Day	Reactivate Same Day		
<span style="color: blue;">○</span> Customer Disbmt	08/03/2016	A	\$25,000.00	<input checked="" type="checkbox"/>	08/03/2016	O478497	<input type="checkbox"/>	<input type="button" value="Reactivate"/>	<input type="button" value="+"/>	<input type="button" value="-"/>
<span style="color: green;">●</span> Employee Disbmt	04/19/2013	I		<input type="checkbox"/>			<input type="checkbox"/>	<input type="button" value="Reactivate"/>	<input type="button" value="+"/>	<input type="button" value="-"/>
<span style="color: green;">●</span> Fuel Disbmt	04/19/2013	I		<input type="checkbox"/>			<input type="checkbox"/>	<input type="button" value="Reactivate"/>	<input type="button" value="+"/>	<input type="button" value="-"/>
<span style="color: green;">●</span> Goods & Svcs Contr	04/19/2013	I		<input type="checkbox"/>			<input type="checkbox"/>	<input type="button" value="Reactivate"/>	<input type="button" value="+"/>	<input type="button" value="-"/>
<span style="color: blue;">○</span> Goods & Svcs Disbmt	11/12/2014	A	\$10,000.00	<input checked="" type="checkbox"/>	08/03/2016	O478497	<input type="checkbox"/>	<input type="button" value="Reactivate"/>	<input type="button" value="+"/>	<input type="button" value="-"/>

[Submit & Save](#)

10. Click on the **Close Window** link to return to the search page.



All employees must have their limits recertified within a year of the previous Certification Date or the limits will go inactive. If this occurs, new limits must be established. See page 10 for instructions



Click on the **Assign Limits History** Tab to review previous limits.

## ***Maintain Alternate(s) Access***

You can use the Maintain Alternate(s) Access page to authorize another user to act on your behalf as an alternate approver to approve invoice and/or assign approval limits with the same access as yourself.



If you are acting on behalf of another employee, you cannot authorize another employee as an alternate approver for that manager.

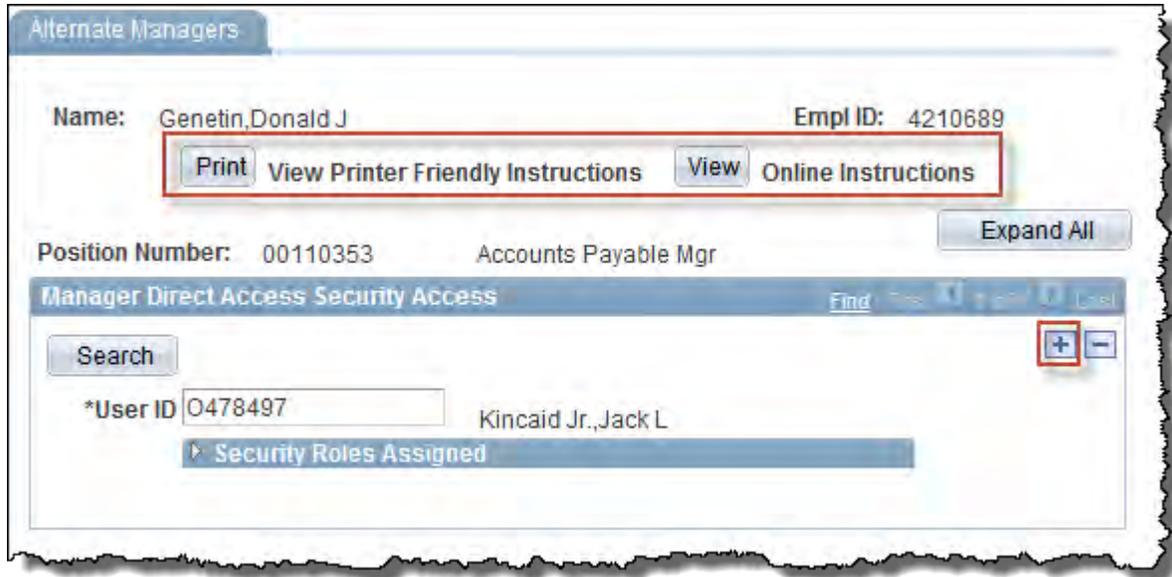
## **Authorize Financial Approval Access for a Manager or Employee**

To grant your approval level authority to a manager or employee:

1. Open the **Maintain Alternate(s) Access** page by clicking on the **My Organization** tab,
2. Scroll to the very bottom left of the page to **Maintain Alternate(s) Access**.



3. Click the **Maintain Alternate(s) Access** link. The following page opens:



Notice the two different types of instructions that can be accessed from the page above. Using either set will provide the same result. The embedded Job Aid (View Printer Friendly Instructions or Online Instructions) will provide guidance on how to:

- Authorize Financial Approval Access for a Manager or Employee
- Remove an Alternate Approver to a Manager or Employee

4. Click the **plus** icon to add an alternate.

5. Enter the **User Id** or other Search Criteria and click **Search**.

### Alternate Manager Oprid Search

Enter any information you have and click Search. Leave fields blank for a list of all values.

Find an Existing Value

Search Criteria

User ID: begins with

Name: begins with

Empl ID: begins with

[Basic Search](#)

6. Click on the drop-down box to select the Security Role.

### Alternate Managers

Name: Genetin,Donald J Empl ID: 4210689

[View Printer Friendly Instructions](#)  [Online Instructions](#)

Position Number: 00110353 Accounts Payable Mgr

#### Manager Direct Access Security Access

Find First 1-2 of 2 Last

\*User ID  Kincaid Jr.,Jack L

---

\*User ID  Longnecker,Charlene A

7. Click the **plus** icon to add more roles.
8. Click **Save**.

The screenshot displays the 'Alternate Managers' interface. At the top, it shows the user's name 'Genetin, Donald J' and 'Empl ID: 4210689'. Below this are buttons for 'Print View Printer Friendly Instructions' and 'View Online Instructions'. The 'Position Number' is '00110353' and the title is 'Accounts Payable Mgr'. An 'Expand All' button is visible on the right.

The main section is titled 'Manager Direct Access Security Access'. It contains two search results:

- Search 1:** \*User ID O478497, Kincaid Jr., Jack L. A dropdown menu for 'Security Roles Assigned' is expanded, showing a list of roles.
- Search 2:** \*User ID S007022, Longnecker, Charlene A. A dropdown menu for 'Security Roles Assigned' is expanded, showing two roles: 'Finance - Set Up \$\$ Limits' and 'Finance - Apprvl Limit Excepts'. The 'Finance - Apprvl Limit Excepts' role is highlighted in blue.

At the bottom of the interface, there are three buttons: 'Save' (highlighted with a red box), 'Notify', and 'Refresh'.

## Review Request Status

### Home Tab - View Links

All employees have access to the View Only links on the Home Tab of HR Now for Approval Limits Review. These links are helpful to view the approval limits for any person or group. You can also view the status of approval limits that are in the exception approval process.

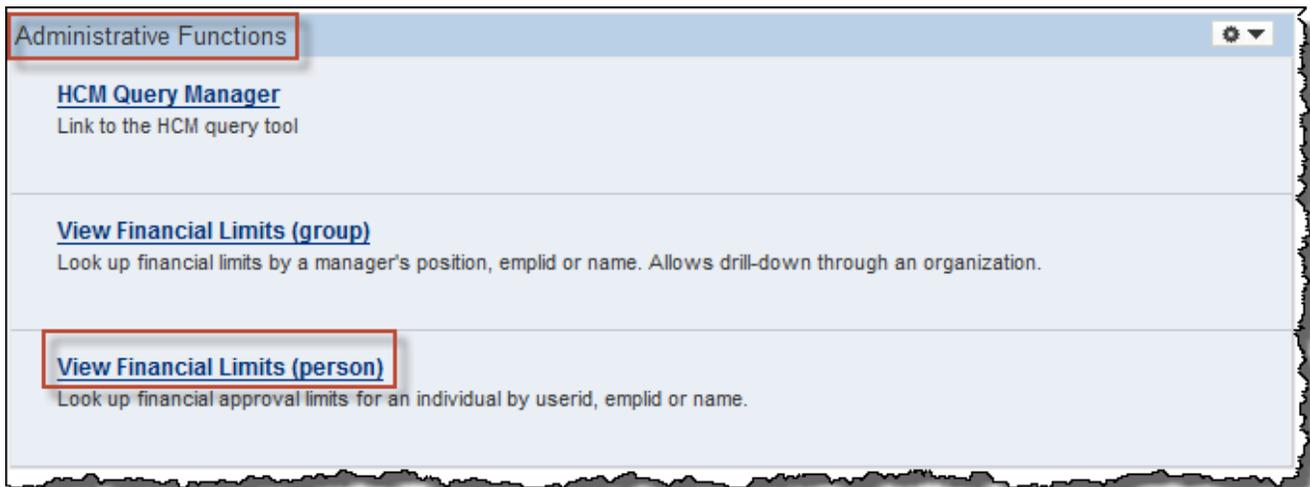
### Instructions

#### View Financial Limits (person)

1. Log in to **HR Now** using our Corporate User Id and Password.
2. Scroll to the bottom left corner of the **Home Tab, Administrative Functions** section.



3. Click on **View Financial Limits (person)**.



4. Enter **Search Criteria** such as User Id. (Can enter your own or other employee's criteria.)
5. Click **Search**.

## View Financial Limits (Person)

Find A Manager (click Search for a list)

Find an Existing Value

### Search Criteria

User ID:	begins with	▼	S007022
Empl ID:	begins with	▼	
Empl Record:	=	▼	
Name:	begins with	▼	
Last Name:	begins with	▼	
Alternate Character Name:	begins with	▼	

Case Sensitive

Search

Clear

[Basic Search](#)



[Save Search Criteria](#)

**Financial Approval Authorization Limits**

**Longnecker, Charlene A**

User ID: S007022  
Employee Status: Active  
Business Unit: ON103 AEP Service Corporation  
Financial Department: 10265 Payables & Projects

**Limits Status Key**  
Click icons on transaction for detail  
 ● Current Approval Limit  
 ○ New Approval Limit Entry  
 ✓ New Limit Valid and Approved  
 ⚠ Limit in Exception needs Approval  
 ■ Validation Error

**Manager's Limits - Genetin, Donald J**

Transaction Type	Date of action	Status	Approval Limit
Customer Disbmt	08/03/2016	Active	\$25,000.00
Employee Disbmt	04/19/2013	Inactive	\$0.00
Fuel Disbmt	04/19/2013	Inactive	\$0.00
Goods & Svcs Contr	04/19/2013	Inactive	\$0.00
Goods & Svcs Disbmt	11/12/2014	Active	\$10,000.00

**Employee Limits**

Transaction Type	Date of action	Status	Approval Amount	Recertify?	Certified Date	Certified By Opid	Reactivated Same Day	Reactivate Same Day
● Goods & Svcs Disbmt	08/02/2016	A	\$5,000.00	<input type="checkbox"/>	08/02/2016	0478497	<input type="checkbox"/>	<input type="button" value="Reactivate"/>
● Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	09/10/2008	I		<input type="checkbox"/>			<input type="checkbox"/>	<input type="button" value="Reactivate"/>

**Approval Limit Exceptions**

Transaction Type	Date of action	Approval Status	Approval Amount	Comments	Approval Status Details
Customer Disbmt	08/03/2016	In Approval Process	\$15,000.00	Amount needed because taking on responsibilities for an employee that is leaving the company.	<input type="button" value="Details"/>

[Close Window](#)

6. The detail page that appears has several sections.
  - a. Two tabs at the top to view current access or history.
  - b. **Manager Limits** Section details the approved limits of the employee's direct manager.
  - c. **Employee Limits** Section details the current approval limits for the employee.
  - d. **Approval Limit Exceptions** Section details exception limits that are in approval process or had the approval process completed. (Delegation of authorization authority exceeding \$10,000 shall only be made to employees at or above salary grade 9 in the new SP20 salary structure, effective January 2, 2015, or at or above salary grade 24 in the EXEM structure. Delegations in excess of \$10,000 to employees below this level require approval review by the Chief Procurement Officer (CPO) as delegated by the

Chief Financial Officer (CFO) and will only be permitted when supported by evidence that such delegation is necessary due to unique circumstances. )

7. Click on the **Details** button beside approval exception limits to view the workflow diagram and review the status of the request.
8. View the **Comments** Section for more information.

Approval Limit Exceptions <span style="float: right;">Find <input type="text"/> First 1 of 1 Last</span>					
Transaction Type	Date of action	Approval Status	Approval Amount	Comments	Approval Status Details
Customer Disbmt	08/03/2016	In Approval Process	\$15,000.00	Amount needed because taking on responsibilities for an employee that is leaving the company.	<a href="#">Details</a>

**Transaction Type: Customer Disbmt    Date of Action: 8/3/2016**

If you have questions about financial transaction authority, please refer to the [Authorization Policy](#) or click [here](#) to send an email message to the Accounts Payable group.

**Fin Approval Limit Approval**

▼ **Longnecker, Charlene A: Pending** [View/Hide Comments](#)

Fin Approval Limit Approval

Pending

Kincaid Jr, Jack L  
Manager Above Grade

→

Not Routed

Multiple Approvers  
Accounts Payables Admins

→

Not Routed

Rhoades, Craig T  
Chief Procurement Officer

▼ **Comments**

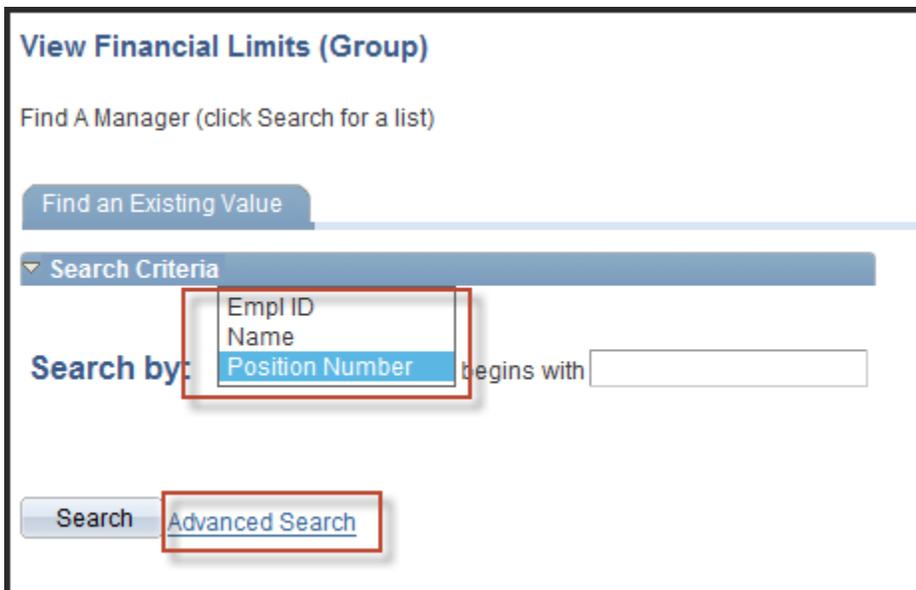
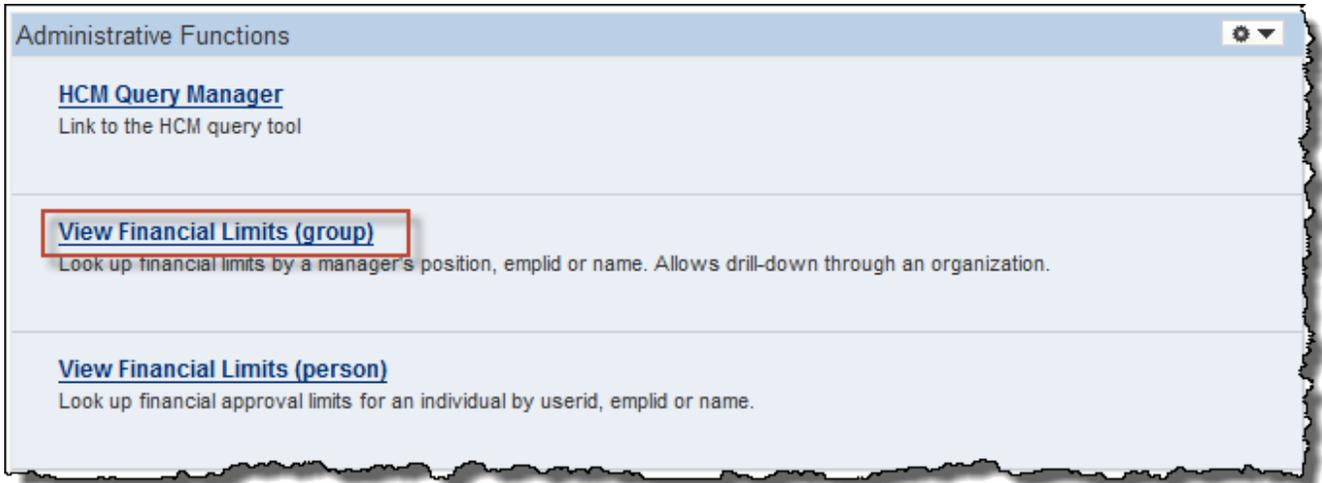
**Genetin, Donald J at 08/03/16 - 9:37 AM**  
 Amount needed because taking on responsibilities for an employee that is leaving the company.

[Close Window](#)

[Return to Search](#)

## View Financial Limits (group)

1. Log in to **HR Now** using our Corporate User Id and Password.
2. Scroll to the bottom left corner of the **Home** Tab, **Administrative Functions** section.
3. Click on **View Financial Limits (group)**.



4. Click on the arrow beside **Search by** or click **Advanced Search**.
5. Enter the **Search Criteria** for a manager/director, and click **Search**.
6. The **Organization List** will appear for the manager/director selected.
7. Click on the **Assign Limits** link or click on the **arrows** to navigate through the organization.

Accounting Policies on Policy Central  
Corporate Accounting Policies & Procedures  
Accounts Payable

Financial Approvals

### Organization List

Click Assign Limits or   to navigate

Assign Limits	Position Number	Down	Job Title	Name	HR Department	Empl ID
<a href="#">Assign Limits</a>	00110620		Accounting Operations Sr Mgr	Kincaid Jr.,Jack L	Accounts Payable	4202785
<a href="#">Assign Limits</a>	00109397		Accountant Prin	Betz,Christine S	Accounts Payable	4207067
<a href="#">Assign Limits</a>	00128228		Accountant Prin	Humphreys,Timothy J	Accounts Payable	4208638
<a href="#">Assign Limits</a>	00110353		Accounts Payable Mgr	Genetin,Donald J	Accounts Payable	4210689
<a href="#">Assign Limits</a>	00145761		Accounts Payable Mgr	Williams,Susan E	Accounts Payable	4203220
<a href="#">Assign Limits</a>	00114329		Accounts Payable Supv	Cowley,Matthew R	Accounts Payable	9103373

8. Similar to the previous instructions for View Financial Limits (person), the detail screen shows the current limits and any exception limit workflows.

Home My Money My Benefits My Job and Career My Organization Severance Program

Assign Limits (Admin) Assign Limits History

### Financial Approval Authorization Limits

Genetin,Donald J

User ID: 0317831  
Employee Status: Active  
Business Unit: ON103 AEP Service Corporation  
Financial Department: 10265 Payables & Projects

**Limits Status Key**

Click icons on transaction for detail

-  Current Approval Limit
-  New Approval Limit Entry
-  New Limit Valid and Approved
-  Limit in Exception needs Approval
-  Validation Error

Manager's Limits - Kincaid Jr.,Jack L

Transaction Type	Date of action	Status	Approval Limit
Contrib & Due Disbmt	06/10/2016	Active	\$10,000.00
Customer Disbmt	05/25/2016	Active	\$100,000.00
Employee Disbmt	05/02/2008	Active	\$10,000.00
Fuel Disbmt	07/22/2008	Active	\$30,000.00
Goods & Svcs Contr	12/03/2010	Active	\$50,000.00
Goods & Svcs Disbmt	04/19/2013	Active	\$50,000.00
Pmt to Fin Inst, Lse Vndrs, Govt for ST/FED/LCL Taxes	01/23/2013	Active	\$5,000,000.00
Trading Disbmt	04/19/2013	Active	\$10,000.00

Transaction Type Description Help

Employee Limits

Transaction Type	Date of action	Status	Approval Amount	Recertify?	Certified Date	Certified By Oprid	Reactivate Same Day	Reactivate Same Day
 Customer Disbmt	08/03/2016	A	\$25,000.00	<input type="checkbox"/>	08/03/2016	0478497	<input type="checkbox"/>	<input type="button" value="Reactivate"/>
 Employee Disbmt	04/19/2013	I		<input type="checkbox"/>			<input type="checkbox"/>	<input type="button" value="Reactivate"/>
 Fuel Disbmt	04/19/2013	I		<input type="checkbox"/>			<input type="checkbox"/>	<input type="button" value="Reactivate"/>
 Goods & Svcs Contr	04/19/2013	I		<input type="checkbox"/>			<input type="checkbox"/>	<input type="button" value="Reactivate"/>
 Goods & Svcs Disbmt	11/12/2014	A	\$10,000.00	<input type="checkbox"/>	08/28/2015	0478497	<input type="checkbox"/>	<input type="button" value="Reactivate"/>

Approval Limit Exceptions

Transaction Type	Date of action	Approval Status	Approval Amount	Comments	Approval Status Details
Customer Disbmt	08/03/2016	All Approved	\$25,000.00	Amount needed because taking over responsibilities for a different user who's leaving	<input type="button" value="Details"/>

## ***Email Notifications Summary***

Certain tasks performed on the **Financial Approvals** pages automatically generate and send email messages to you or your manager's mailbox.

Sometimes performing a single task in one area of the PeopleSoft system will result in multiple processes communicating with each other throughout the system on your behalf. Some of these communications may make changes to an approver's Financial Approvals workflow or PeopleSoft system access. When these types of events occur, PeopleSoft automatically sends an email message notifying the appropriate user(s) of the event and if they are required to take any action.

## Gift Card Purchases

### Overview

Gift Card Purchases must be properly documented in the PeopleSoft Expense System because certain purchases may result in imputed income to the recipient. AEP’s Payroll Department reviews reports from Expense to verify potential taxable transactions. Please also review the Awards and Gifts Tax Policy before purchasing gift cards to understand the tax implications when deciding to purchase gift card(s), <http://hr/money/awardsandgiftspolicy.aspx>.

Entering Gift Card Purchases in PS Expense ..... 1

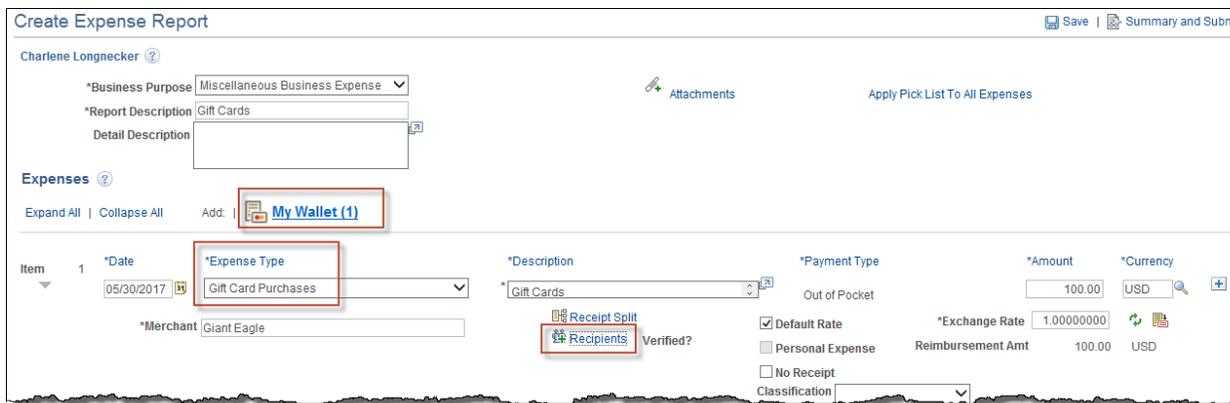
Entering Gift Card Purchases using a spreadsheet upload ..... 5

Splitting a Transaction Line with various Expense Types ..... 11

Query Instructions..... 14

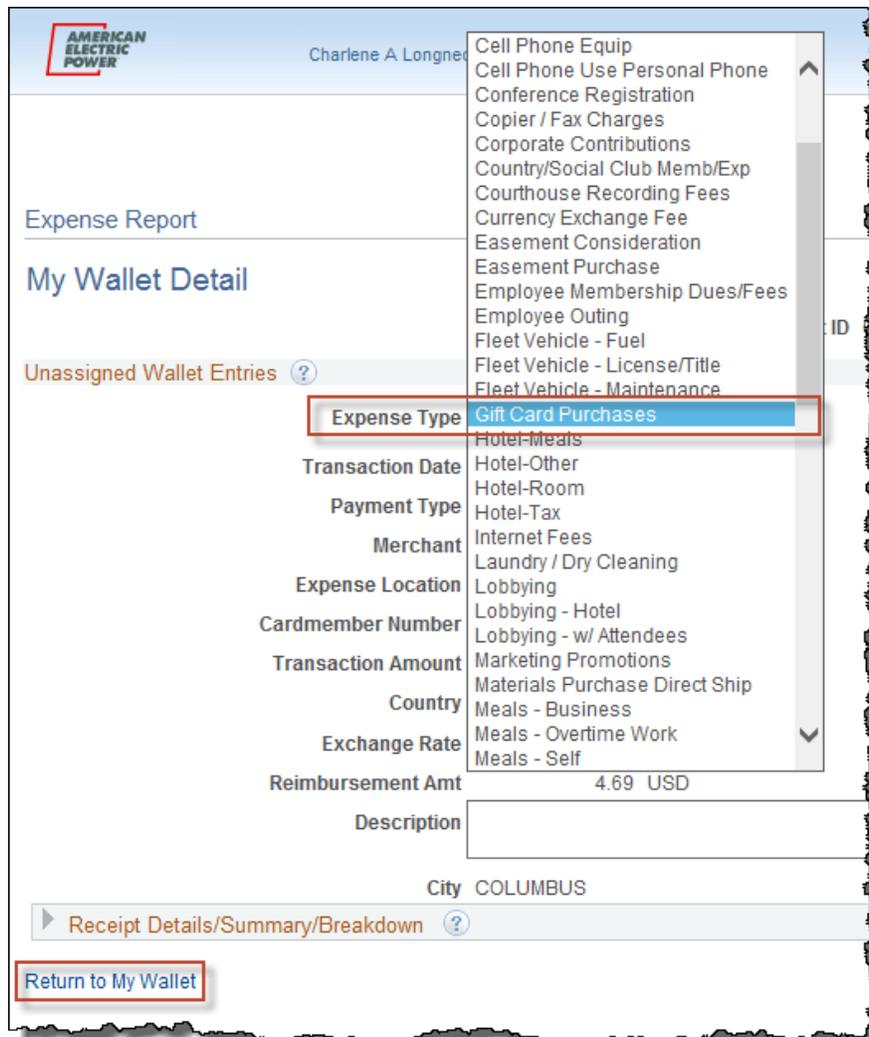
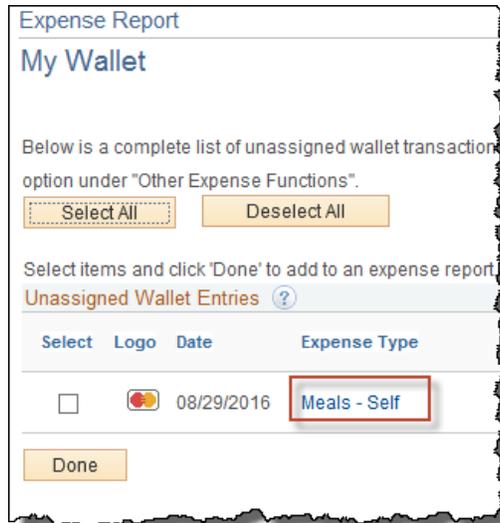
### Entering Gift Card Purchases in PS Expense

1. Log into PeopleSoft Expense (type ‘exp’ in an internet browser when connected to the AEP Network) and enter your **User Id** and **Password**.
2. Click the **Create/Modify** link to start a new expense report.
3. If the Gift Card transactions were charged to the Corporate Credit Card, click the **My Wallet** link on the Expense Report.



4. When in the My Wallet page, verify that the Expense Type is **Gift Card Purchases**. If it is not, revise it by clicking on the Expense Type (Result: a new page appears). Select the **Gift Card Purchases** Expense Type from the drop-down box.

5. Click **Return to My Wallet**.



6. **Check** the selection box by the transaction and click the **“Done”** button.

Expense Report

### My Wallet

Below is a complete list of unassigned wallet transactions. You can select a transaction and click 'Done' to add it to an expense report. You can also click 'Select All' or 'Deselect All' to select or deselect all transactions.

Select All      Deselect All

Select items and click 'Done' to add to an expense report.

#### Unassigned Wallet Entries ?

Select	Logo	Date	Expense Type
<input checked="" type="checkbox"/>		08/29/2016	Gift Card Purchases

Done

7. If the transaction was not on the Corporate Credit Card, complete the fields on a blank line on the expense report. The **Payment Type** should read, **Out of Pocket**. If you need to add a blank line, click the plus icon on the right of your last line. (Don't complete the Accounting Details yet.)

Item	*Date	*Expense Type	*Description	*Payment Type
1	05/30/2017	Gift Card Purchases	Gift Cards	Out of Pocket

*Amount	*Currency
100.00	USD

+ -

8. **Save** the report (upper or lower right corner ). You will receive errors, but it is important to save often.
9. Click the **Recipients** link on the line.

The screenshot shows a software interface for recording a gift card purchase. The form includes the following elements:

- Item:** 2
- Date:** 08/29/2016
- Description:** Gift Card Purchases
- Merchant:** AEP 60011822
- Buttons:** Receipt Split, Recipients (highlighted with a red box), Verified?
- Checkboxes:** Default Rate, Personal Expense
- Text:** BAML Card

10. Complete the required fields on the pop-up page.

- a. **Check** the box stating that you understand that providing the details is an IRS requirement.
- b. Enter the **Employee Id** (Empl ID) for the person receiving the gift card. If you do not know the Empl ID, you may use the **Lookup** icon. A query is also available in **PeopleSoft Finance** called **Z\_EMPL\_DATA\_BY\_DEPT**.
- c. Enter the **Reason for Purchase** of the gift card such as Project Award, Recognition for job well done, etc.
- d. Enter the **Gift Card Merchant**. Please note this may not be the same as the merchant on the transaction line. For example, you may have purchased gift cards at a local grocery store for various gift card merchants such as Starbucks, Target, Olive Garden, etc.
- e. Enter the **Amount** of each individual gift card. These amounts should total to the transaction line amount. This will be validated upon submission of the expense report.

Recipients

Create Expense Report

Recipients

Charlene Longnecker Report ID NEXT

Please list the recipient(s) associated with this gift card expense. All fields below are required. Per the Awards and Gifts Tax Policy, certain gift card purchases will result in imputed income to the recipient. This policy and training documentation can be found under the Help link in the upper right corner of the Expense Report.

I understand this as an IRS requirement

Recipients Data ?

*Empl ID	*Reason for Purchase	*Gift Card Merchant	*Amount	
4208569	Project Award	STARBUCKS	20.000	+ -
				+ -

OK



If the Accounting Details are completed before the Receipts Link, the accounting will be cleared out when the receipt link is completed. Therefore, try to complete all of the details on the transaction level before going to the Accounting Details.

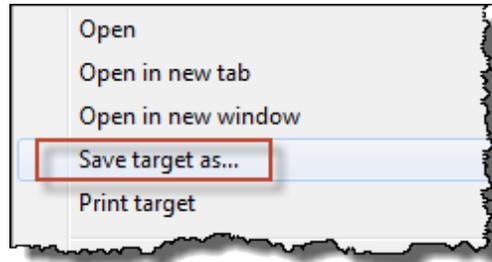
### ***Entering Gift Card Purchases using a spreadsheet upload***



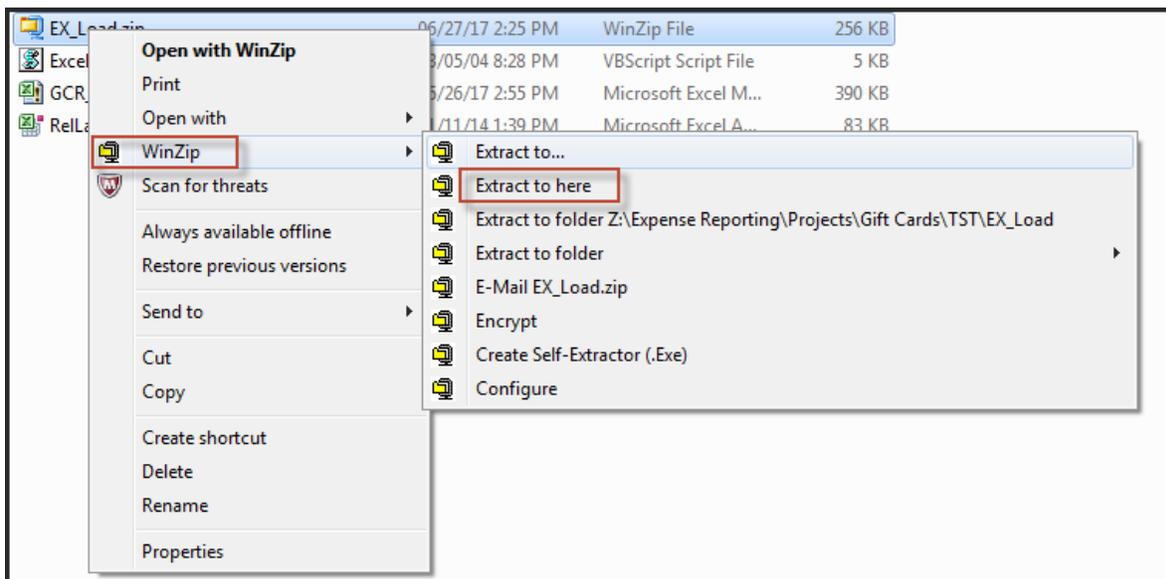
If one transaction represents the purchase of numerous gift cards, there is an option to use a spreadsheet upload process to record the details required for the Recipient Page.

1. First, you must create the expense report, apply the transaction line to the report, and Save the Pending report, before you use the spreadsheet upload. Therefore, complete steps 1-8 above. Verify that the report saved and generated a Report Id in the Header. Note the Line/Item Number of the gift card purchase.
2. Rather than manually completing the Recipients link in the system, you will complete a spreadsheet which can be downloaded from the Money Matters website. Navigate to [Money Matters, Expense Related Policies](#), and follow the instructions below for the Zip File.
3. Zip File Instructions:

- a) Right Click on the EX\_Load.zip file and the following Menu will appear. Select “**Save target as...**”



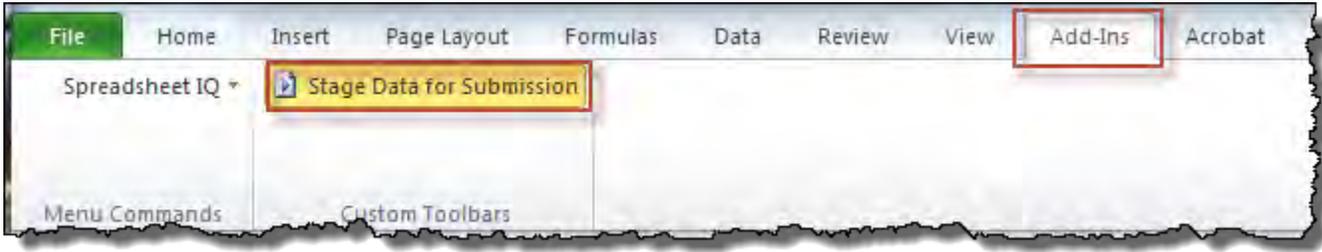
- b) The “Save As” box will appear. Select the location where the EX\_Load.zip file should be saved on your computer, then click the **Save** button.
- c) Navigate to the location on your computer where the EX\_Load.zip file was saved in Step #3b. Right click on the EX\_Load.zip file. Select “**WinZip**” and then “**Extract to here**” on the menus that appear.



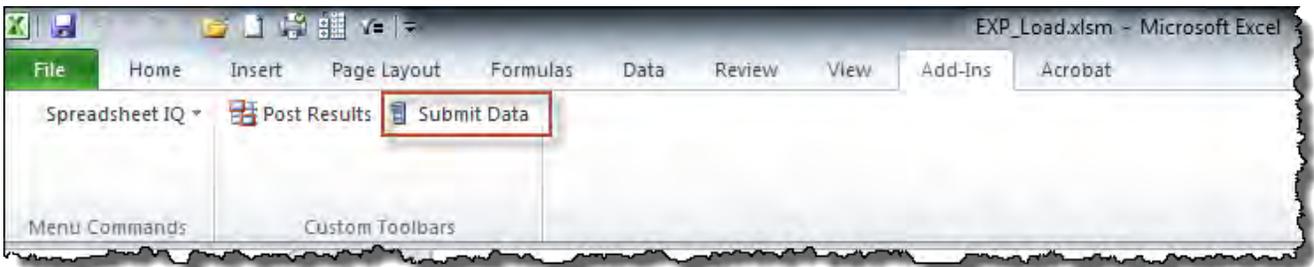
- d) Three files that end in **.xlsm**, **.vbs** and **.xla** will be extracted. These three files **MUST** be saved together in the **SAME** folder. The ExcelToCI.vbs and RelLangMcro.xla files are functional and must be present for the .xlsm file to work properly. Once saved to the user’s computer, the EX\_LOAD file can be renamed as needed, but the two functional files must always accompany the renamed file. See the “Instructions” tab on the EX\_LOAD file for more details.
- e) The user can delete the EX\_Load.zip file once the three files have been extracted.

4. Once you have extracted all three files from the zip file and saved them on your computer, you can open the **EX\_Load.xlsm** file.
5. Complete the **Data Input** tab only. **Do Not** make any changes to the other tabs.
  - a. Enter the **Report Id** from the expense report you saved as Pending. Do not copy and paste this from the expense report because it will change the format of the cell. Make sure to include the leading zeros.
  - b. Enter the **Line/Item Number** of the Gift Card Purchases line on the report. The line number must have the Expense Type equal to Gift Card Purchases.
  - c. Enter the **Empl IDs** for the employees receiving the gift cards. A query is also available in **PeopleSoft Finance** called **Z\_EMPL\_DATA\_BY\_DEPT**.
  - d. Enter the **Reason for Purchase** of the gift card such as Project Award, Recognition for job well done, etc.
  - e. Enter the **Gift Card Merchant**. Please note this may not be the same as the merchant on the transaction line. For example, you may have purchased gift cards at a local grocery store for various gift card merchants such as Starbucks, Target, Olive Garden, etc.
  - f. Enter the **Amount** of each individual gift card. These amounts should total to the transaction line amount. This will be validated upon submission of the expense report.



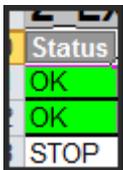


8. Click **Submit Data**.



9. Enter your **User Id** and **Password** for the Expense system. Click OK.

Results: The **Staging and Submission** Tab will appear with a status similar to below if there are no errors.



Do not Submit Data again after receiving the green OK Status or you will duplicate the rows.

Results: If there are errors, the page will look similar to below. Hover over the red box to see the error message. None of the data will load when there are any errors. Correct the errors and Submit Data again.



If the statuses are green and no errors, the detail will load to the Recipients link.

- If you were in the expense report when you loaded the details, you will need to get out of it and back into it to see the updated detail. Navigate to **Home > Create/Modify > Find Existing Value Tab; click Search.**

The screenshot shows the 'Recipients' dialog box for an expense report. The dialog title is 'Recipients' and it contains the following information:

- Expense Report: Charlene Longnecker
- Report ID: 0000123622
- Instructions: Please list the recipient(s) associate with this gift card expense. All fields below are required. Per the Awards and Gifts Tax Policy, certain gift card purchases will result in imputed income to the recipient. This policy and training documentation can be found under the Help link in the upper right corner of the Expense Report.
- Checkbox:  I understand this as an IRS requirement
- Section: Recipients Data

*Empl ID	*Reason for Purchase	*Gift Card Merchant	*Amount
4208569	Project Award	STARBUCKS	25.000
4202785	Job Well Done	OLIVE GARDEN	50.000

Buttons: OK, Drag to move

- Click on the **Recipients** link. **Check** the box, “I understand this is an IRS requirement.” Review data loaded.
- If any errors were made, you can edit the data on the Recipients page (or you can delete the rows in the page in the system and load them again).



The file can be duplicated if you click Submit Data more than once. This will be caught with an error when you attempt to submit the expense report. Click on the Recipients link to correct by deleting the duplicated rows.

- Enter Accounting Details, attach receipts, and complete all required fields on the expense report.
- Save** after any updates.
- Submit the expense report when it is completed. See the **Help** link in Expense for more instructions including how to attach receipts.

### ***Splitting a Transaction Line with various Expense Types***

1. If you have a Corporate Credit Card charge that includes multiple transaction types (such as a cake and gift cards), you will need to use the Receipt Split link to create separate lines on the expense report.
2. Click the **Receipt Split** link:

The screenshot shows a form for an expense report item. The form has several fields and options:

- Item**: 1
- \*Date**: 08/29/2016
- \*Expense Type**: Gift Card Purchases
- \*Description**: (empty)
- \*Payment Type**: BAML Card
- \*Amount**: 46.17
- \*Merchant**: #3 CAP CITY GRANDVIEW
- \*Exchange Rate**: 1.00000000
- Reimbursement Amt**: 46.17
- Classification**: (dropdown menu)
- Options**:
  - Default Rate
  - Personal Expense
  - No Receipt
- Buttons**: Accounting Details (with help icon), Split Formula
- Links**: Receipt Split (highlighted with a red box), Recipients Verified?

3. Select the correct **Expense Type** for the additional line.
4. Click the **Split** button.

Expense Report

### Receipt Detail for Expense Gift Card Purchases - Total 46.17 USD

Report ID 0000123595

Steps for splitting a receipt

- 1.) Select an Expense Type for the drop-down box at the bottom of the screen.
- 2.) Click the Split button.
- 3.) Enter an amount for the selected Expense Type in the Amount Spent field.
- 4.) Click Update.
- 5.) Click Done.

**Expense Information** ⓘ

\*Expense Date: 08/29/2016  
\*Payment Type: BAML Card  
\*Billing Type: Internal

\*Merchant (Choose One)  
Non-preferred: #3 CAP CITY GRANDVIEW  
\*Description:

No Receipt  
[Add Additional Recipients](#)

\*Amount Spent: 46.17  
\*Currency: USD  
\*Exchange Rate: 1.00000000  
 Default Rate

Reimbursement Amt: 46.17 USD Update

**Current Expenses on Receipt** ⓘ

Date	Type	Amount
08/29/2016	<a href="#">Gift Card Purchases</a>	46.17 USD
Current Total		46.17 USD
Receipt Total		USD46.17
Balance		0.00 USD

**Split With Another Expense** ⓘ

Expense Type: Meals - Work Location Split

Split with another expense will subtract from original expense while leaving current total unchanged.

Done

5. Enter the amount of the cake or other item in the **Amount Spent** field.
6. Click **Update**.
7. Click **Done**.

**Expense Information** [?](#) **Current Expenses on Receipt** [?](#)

Expense Gift Card Purchases 46.17 USD is being split with this expense, Meals - Work Location.

\*Expense Date: 08/29/2016  
 \*Payment Type: BAML Card  
 \*Billing Type: Internal

\*Merchant (Choose One)  
 Non-preferred: #3 CAP CITY GRANDVIEW  
 Description:

No Receipt  
[Add Additional Attendees](#)

\*Amount Spent: 16.17    
 \*Currency: USD  
 \*Exchange Rate: 1.00000000  
 Default Rate

Reimbursement Amt: 0.00 USD

**Split With Another Expense** [?](#)  
 Expense Type:

Split with another expense will subtract from original expense while leaving current total unchanged.

Date	Type	Amount
08/29/2016	<a href="#">Gift Card Purchases</a>	46.17 USD
08/29/2016	<a href="#">Meals - Work Location</a>	0.00 USD
Current Total		46.17 USD
Receipt Total		USD46.17
Balance		0.00 USD

Result: The expense report now contains two rows for the transaction.

Item	*Date	*Expense Type	Description	*Payment Type	*Amount
1	08/29/2016	<input type="text" value="Gift Card Purchases"/>	<input type="text"/>	BAML Card	30.00
		*Merchant: #3 CAP CITY GRANDVIEW	<a href="#">Receipt Split</a> <a href="#">Recipients</a> Verified?	<input type="checkbox"/> Default Rate <input type="checkbox"/> Personal Expense <input type="checkbox"/> No Receipt Classification: <input type="text"/>	*Exchange Rate: 1.00000000 Reimbursement Amt: 30.00
		<a href="#">Accounting Details</a> <a href="#">?</a>	<input type="button" value="Split Formula"/>		
2	08/29/2016	<input type="text" value="Meals - Work Location"/>	<input type="text"/>	BAML Card	16.17
		*Merchant: #3 CAP CITY GRANDVIEW	<a href="#">Receipt Split</a> <a href="#">Attendees</a> Verified?	<input type="checkbox"/> Default Rate <input type="checkbox"/> Personal Expense <input type="checkbox"/> No Receipt Classification: <input type="text"/>	*Exchange Rate: 1.00000000 Reimbursement Amt: 16.17

8. Enter the Accounting details and other required fields for each line.
9. **Save** after any updates.
10. Submit the expense report when it is completed. See the Help link in Expense for more instructions including how to attach receipts.

## Query Instructions



There are several queries in PeopleSoft Expense that can be used to review gift card purchase data.

1. Navigate in PeopleSoft Expense to **Main Menu > Reporting Tools > Query > Query Manager (or Query Viewer)**.
2. Enter a portion of the query name and click **Search**.

Query Manager

Enter any information you have and click Search. Leave fields blank for a list of all values.

Find an Existing Query | Create New Query

\*Search By  begins with

**Search Results**

\*Folder View

\*Action

Query	Personalize	Find	View All	First	1 of 1	Last			
Select	Query Name	Descr	Owner	Folder	Edit	Run to HTML	Run to Excel	Run to XML	Schedule
<input type="checkbox"/>	EXQ_RECIPIENTS_DTL	Gift Card Recipients Detail	Public		Edit	HTML	Excel	XML	Schedule

3. There are several queries available for gift card purchases.
  - a. EXQ\_RECIPIENTS\_DTL - Provides the recipient detail for a given period (prompt is Approval Date Greater Than) for approved expense reports. Payroll is the primary user.
  - b. EXQ\_RECIPIENTS\_REPORT – Provides recipient detail for a specific expense report id.
  - c. EXQ\_RECIPIENTS\_WO – Provides recipient detail for a specific work order based on approved expense reports.
  - d. EXQ\_RECIPIENTS\_ALL\_DATE – All recipient detail for a period regardless of expense report status.
4. Click the **Excel** link.
5. Enter the required prompts.
6. Click **View Results**.

7. Click **Open**.

**EXQ\_RECIPIENTS\_DTL - Gift Card Recipients Detail**

Date Greater Than:  

[View Results](#)

Report ID	Line Number	Empl Id
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# **American Electric Power**

## **Travel and Entertainment**

### **Policy Guide**

August 2015

The information in this publication is subject to change and product improvement.

Copies of this and other publications can be obtained through the Workplace Services' travel department, a part of Environmental, Safety, Health & Facilities. Address comments to:

AEP Travel Services  
1 Riverside Plaza, 16<sup>th</sup> Floor  
Columbus, Ohio 43215  
614.716.1882

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## Travel and Entertainment Policy Guide

### Overview

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**Introduction** This manual provides detailed information on AEP's Travel and Entertainment Policy Guide.

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**In This Guide** This guide contains the following topics:

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## Purpose

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### **Statement of Purpose**

AEP's Travel and Entertainment (T&E) Policy is to provide employees(authorized to travel on the Company's behalf) with reasonable transportation, lodging, meals, and other services necessary to conduct official business. This policy applies only to travel and entertainment expenses. The Company's policy is also to reimburse employees for all reasonable expenses they incur on business in a timely manner.

Since every situation encountered while traveling on business cannot be anticipated, each employee shall exercise good judgment and fiscal responsibility when doing business for the Company.

Whenever possible, employees should obtain prior management approval for any expenditures not specifically covered in the policy. Exceptions to this policy require prior approval from the employee's immediate supervisor. It is the responsibility of all managers to ensure that employees who travel are aware of and adhere to this policy.

*For the intent of this policy, the reference to employee includes both employees and contractors directed to travel on company business.*

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### **Contact Information**

Any questions regarding business travel should be referred to Workplace Services in Columbus (200-6840 or 614-716-6840).

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## Responsibilities

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### **Introduction**

Each individual who incurs business expenses must be guided by the policies stated herein and is responsible for adhering to these policies. Individuals who are authorized to approve travel, entertainment, and related expenses are responsible for the effective administration of this T&E policy. Individuals who administer Company resources used for travel and entertainment are responsible for their proper control and accountability.

In addition to complying with each provision of this T&E policy, each employee who incurs business expenses is also responsible for obtaining the approvals required by this policy.

Employees must use the corporate credit card and the AEP travel department for all business travel arrangements.

Contractors will use an AEP corporate credit card if provided, otherwise, reimbursement will be provided per the agreement with the contracting agency.

---

**What are my  
Responsibilities**

It is the responsibility of each employee to ensure that an expense report is prepared and submitted for T&E business expenses incurred by them on behalf of the Company. An expense report should be approved within 30 days of the transaction. It is the employee's responsibility and the approving supervisor's responsibility to ensure all required receipts are attached, that there is proper accounting of expenses and to ensure that all applicable codes of conduct are followed.

Individuals administering this policy are also responsible for ensuring that their subordinates are aware of the extent and limitations of its provisions before travel and entertainment are undertaken. Furthermore, the responsible administrator must determine that the travel or entertainment is necessary to accomplish a legitimate business purpose and that the modes of transportation, type and extent of entertainment, accommodations, etc., are appropriate for that purpose.

Charging another department in an expense account other than the employee's department is permitted only when authorized by the department being charged with the expense. According to AEP budget control practices, expected travel and entertainment expenses should be in the budget of the department that will incur the expenses. Effective budget control and supervisory approval rests within the department incurring the expenses. The employee should limit expense account reports to charges for a single department and submit them to an approving supervisor authorized for the department being charged. The approving supervisor is responsible for reviewing account distribution and receipts.

Employees who use or administer Company funds, assets, and other resources used for travel and entertainment purposes are responsible for ensuring that any use of these resources has been properly authorized, proper receipts are provided, and that adequate records are maintained to ensure that use of these resources is properly controlled and accounted for.

## Corporate Charge Card

---

### Objectives

AEP's objectives for T&E activities are to:

1. Obtain as much value as possible from travel expenditures,
2. Reduce the out-of-pocket burden employees bear from paying business-related travel expenses, and
3. Streamline the accounting process for classifying, paying, and reporting T&E expenses.

To meet these objectives, AEP has implemented PeopleSoft Expense the electronic expense reporting system. A major component of PeopleSoft Expense is the Corporate Card, a Company charge card issued to an employee to facilitate Company business. Supply Chain administers the card program, while Corporate Accounting administers all expense related issues. Corporate Card charges will be posted to PEOPLESOFT for classification. This card program is Corporate Liability/Corporate Pay and the Company pays the balance in full bimonthly.

**The Corporate Card is intended for business use only.**

AEP Procurement Policy governs use of the Corporate Charge Card for procurement activities.

---

### Proper Use

See the table below for an outline of proper Corporate Card use.

Corporate Card Approval	Employees who will be traveling on Company business should obtain a Corporate Card by completing a new card application found by using the link found on Money Matters website. All employees issued a Corporate Card must ensure that the card is used <b><u>solely for Company business purposes</u></b> on their behalf. Loss of a card is to be promptly reported to the credit card issuing company and to Credit Card Administrator – 200-6764 or 614-716-6764
Cash Expenditures	Some travel expenses may require cash payment (toll roads, bridge fees, parking fees, etc.). For these expenses, employees may obtain a cash advance using the Corporate Card. However, these advances should be of a nominal amount. Employees should check with their supervisor/manager for specific guidelines and limits.

Personal Use	<p>The Corporate Card is issued to an employee to facilitate <b><u>Company business only</u></b>. If a Corporate Card is inadvertently used for any personal expenses, the employee must designate these charges as personal on a PeopleSoft expense report. If the report is approved with a personal expense, the employee will be billed and is liable for reimbursing the Company for these charges. Under no circumstances should the employee attempt to pay the corporate card issuing company.</p>
--------------	--

## General Travel Arrangements

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### **Travel Arrangements/ AEP Travel**

All reservations for airline tickets, car rentals and hotels, per AEP Corporate Policy, are required to be made through AEP Travel. Domestic travel is to be booked on-line using AEP's booking tool, Concur while international travel should be booked by calling AEP Travel directly. Booking travel exclusively through AEP Travel is essential to maximizing AEP's ability to negotiate favorable discounts with airlines and travel service providers.

AEP Travel – 24/7 Service

General Travel Information – Audinet 8.200.3332 or 8.200.3333

Toll-free – 888.237.7008

Direct – 614.716.3332

Fax – 614.716.1188

Email address: [aepttravel@AEP.com](mailto:aepttravel@AEP.com)

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### **Traveler Profile**

Each employee will access their personal profile already created in Concur, which is found on the travel web page. The employee should continue to update the travel profile online with relevant business and personal information.

Access AEP e-travel to make any changes to your travel profile. Keeping your profile updated is important to ensure accurate travel reservations.

---

### **Internet Bookings**

Booking air, car and hotel on-line, using any site other than Concur, is not allowed for the following reasons:

- Internet fares are highly restrictive and lack flexibility to change/credit.
  - Emergency travel assistance and traveler tracking ability are lost.
  - Travel data collection and management reports are compromised.
  - Commissions, rebates and contract incentives are lost.
-

## Air Transportation

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### **Air Transportation**

Air travel is authorized only for business destinations that require more than four hours by car, unless otherwise approved by the employee's supervisor. Due to increased time required by airport security measures and the increased cost of air travel, common sense and good judgment should be used to determine if it is more time-efficient or economical to drive or take an alternate method of transportation.

Employees are expected to use the lowest logical airfare available. Advance booking of travel is key to obtaining the lowest airfares and securing the traveler's preferred schedule. Ideally, all reservations should be made at least seven days in advance, with greater cost savings opportunities possible with fourteen or twenty-one day advance purchases.

All first class travel should have the prior written approval of an employee's supervisor.

Each manager is responsible for preventing key people from traveling on the same flight to avoid severe repercussion to the Company in the event of an accident.

When reconciling the flight charge for the corporate credit card, include a copy of the emailed itinerary which details charges as your receipt.

---

### **International Reservations**

All international travel requires Executive Council approval and must be made by calling AEP Travel directly. International flights will be booked in coach class unless the duration of the flight exceeds seven hours from the gateway city. In those cases, business class may be requested.

AEP Travel provides assistance in obtaining passports and visas. Travelers will also be advised of the proper documentation necessary for each destination. Passports and visas require 2 or more week's lead-time, depending on the country of destination.

---

### **Corporate Aircraft**

An employee may travel on corporate aircraft on company business with approval by a member of the Executive Council or his/her designee. The expenses for the use of corporate aircraft are billed to the requesting department via the SSA (Shared Service Agreement). Refer to the [Corporate Aviation policy](#) found on the travel web page for information on corporate aircraft.

---

*Continued on next page*

## Air Transportation, Continued

### Air Transportation Details

See details of air transportation in the table below.

1	<p>Obtaining the lowest logical fare may require one or more of the following: (1) Use of one-stop or connecting flights, (2) Use of alternative airport, (3) Selection of a flight within a two-hour time window (one hour on each side of the requested departure/arrival time).</p> <p>Refusal of a lower-cost itinerary will be indicated on exception reports and sent to appropriate business units.</p>
2	<p>Any chargeable upgrade such as for premium seating will be at the expense of the employee.</p>
3	<p>If changes are necessary after airline tickets have been issued or while you are in route, call AEP Travel (24/7 Service) and you will be advised of the best procedure to handle the change.</p>
4	<p>If you have to cancel a trip with a nonrefundable airline ticket, in most cases the value can be applied towards future travel on the same airline within one year of purchase (minus the airline's administrative fee). To maximize the value of the original ticket, apply it towards a ticket of equal or greater value. Contact AEP Travel to discuss.</p>
5	<p>In the event an employee loses or misplaces an airline ticket, report this loss immediately to AEP Travel so a replacement ticket can be issued. A lost ticket application will be completed by AEP Travel and forwarded to the appropriate airline for processing and reimbursement to AEP. A lost ticket fee will be incurred. Most tickets are now electronic, but an airline could issue a ticket for various reasons.</p>
6	<p>AEP Travel should be notified of all unused airline tickets (paper or electronic) for a refund. Tickets are negotiable documents and refunds cannot be credited until the ticket is returned to AEP Travel. Credits may not be reflected on credit card statements for up to 10 weeks.</p>
7	<p>Frequent flyer or other incentive programs should never influence airline choices when an acceptable alternative exists at a lower cost.</p>
8	<p>Occasionally, a trip may combine business and personal travel, as in the case of extending a business trip to include vacation. Prior approval by the employee's supervisor is required whenever business and personal travel is combined. On these approved trips, the cost of the airline ticket is a justifiable expense provided it does not increase the cost of airfare. If the cost of the airline ticket increases as a result of personal travel, the employee will be responsible for the cost difference. AEP Travel will inform you of the cost of the business portion of the trip and the cost of the overall trip.</p>

---

**Air Transportation Details** (continued)

9	An employee may, with supervisory permission, extend the duration of a trip over a Saturday night to qualify for a lower airfare on condition that the additional cost of hotel, meals, and ground transportation is less than airfare savings. The employee is to expense the lesser of the following: (1) regular lowest logical fare, or (2) the lower-cost airfare with the Saturday night stay plus additional expenses including lodging, car rental, and meals.
10	Personal travel expenses for family members who accompany employees while on Company business are generally not reimbursable. On rare occasions, there may be an explicit business necessity for spouses or other family members to accompany employees on a business trip. Travel expenses for family members will be reimbursed in this situation only if authorization has been obtained from the employee's supervisor.  AEP Travel may make personal travel arrangements for accompanying family/friends; however, the related expenses must be billed directly to the employee.
11	AEP Travel provides assistance in obtaining passports and visas. Travelers will also be advised of the proper documentation necessary for each destination. Passports and visas require 2 or more weeks lead-time, depending on the country of destination.

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**Rail Transportation**

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**Rail  
Transportation**

For rail trips of less than six-hours duration, coach seats should be secured. A roomette or single duplex may be used on longer-distance trips. Tickets may be purchased at train stations or through AEP Travel.

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## Ground Transportation

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### Ground Transportation

Travelers should use the most effective and efficient ground transportation. Enterprise Rent-a-Car (AEP's Preferred **local** car rental agency) provides rental vehicles in AEP's 11 states. Call Enterprise directly to make reservations. Phone numbers are available under Resources, "Ground Transportation" in the Travel web page. National and Thrifty will continue to be used for all airport rentals. AEP Travel will reserve airport rentals. Hotel van, limo, and taxi services should be selected on a cost-effective basis.

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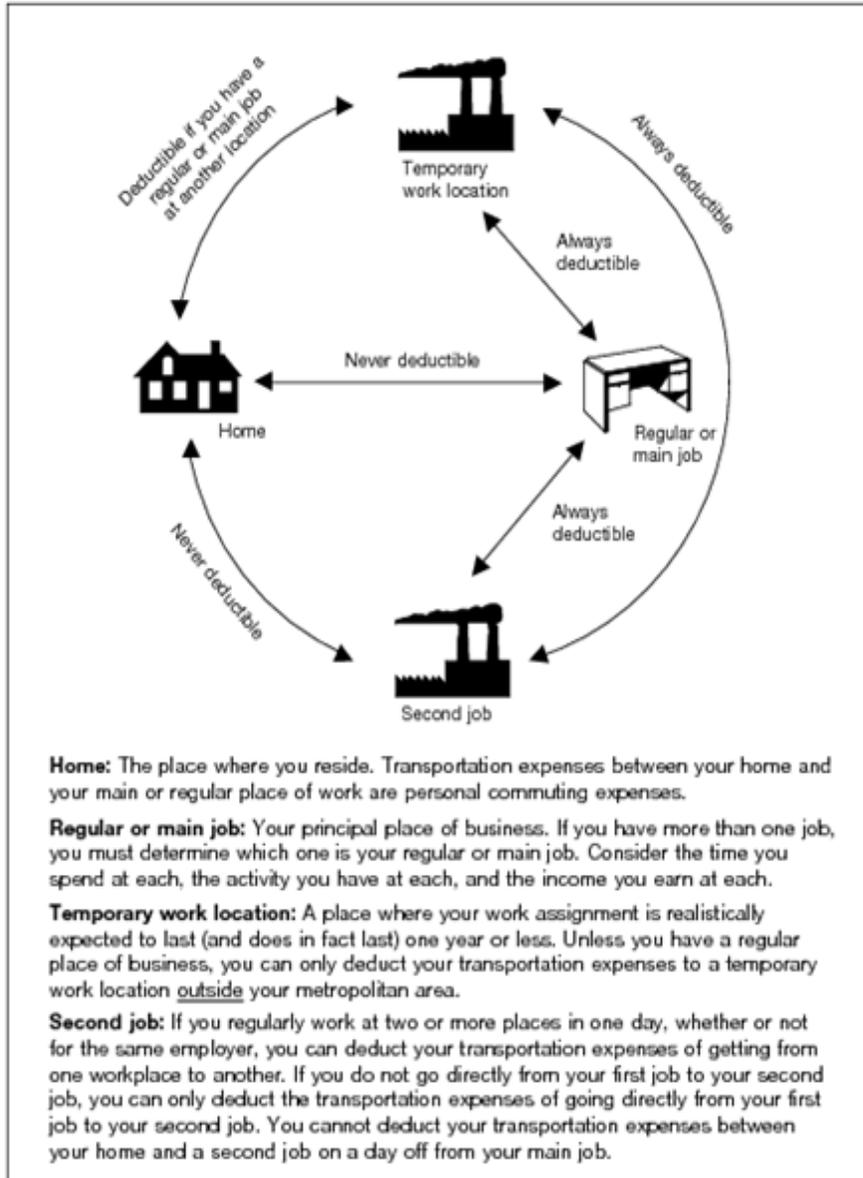
### Personal Car Use

Employees using a personal vehicle for business purposes must maintain a safe operating vehicle that projects the appropriate Company image. Employees using personal vehicles will need to verify proof of sufficient insurance coverage once a year. Verification can be made through a link on the Fleet website. Company requires that employees carry minimum liability insurance limits of \$100,000 / \$300,000 / \$50,000. Reimbursement will be made on a mileage basis at the appropriate rate as provided by the Internal Revenue Service. The AEP standard mileage rate is included in PeopleSoft Expense. Refer to the [Transportation section](#) on the Travel web page on use of personal vehicle for Company business for additional details.

Employees should check with their automobile insurance agent or insurance carrier to understand their personal liability for use of their personal vehicle on company business. In the event that the employee's insurance does not cover the extent of the liability, then the remaining liability will be borne by the company, however, the company will not reimburse the employee for any deductibles described in the employee's coverage, nor for any damage to the employee's vehicle.

Use of personal vehicles on company business is viewed as a convenience to the employee (in lieu of using a rental vehicle). AEP's liability coverage is secondary to the employee's personal automobile liability insurance, but does cover amounts greater than the employee's coverage (minimum limits noted above). AEP provides no comprehensive, collision, or deductible coverage for use of personal vehicles.

For questions regarding what is acceptable mileage to claim for reimbursement, please see diagram below:



## Car Rentals

Car rental arrangements (except local Enterprise rentals) are required to be made through AEP Travel to ensure that the applicable corporate rate will be utilized. AEP has negotiated car rental rates with major suppliers. Employees are encouraged to plan their travel to return the rental car to the renting location to avoid unnecessary drop-off charges.

Employees should rent intermediate or mid-size cars. Arrangements for a larger vehicle may be necessary if three or more employees are traveling together or to accommodate equipment and luggage being transported.

Employees must use the Corporate card when renting to make sure they are covered for collision. (*See Collision Damage Waiver below.*)

Receipts are required for car rentals. Unless you are an Emerald Club member for National/Enterprise, you will need to request a receipt at the close of a rental transaction. This can be done one of three ways:

1. If an Emerald Club member, select email receipt in your profile
2. Call the branch from which you rented and request a receipt
3. Download your receipt from the following link:

[https://www.enterprise.com/car\\_rental/ticketReceiptRequest.do](https://www.enterprise.com/car_rental/ticketReceiptRequest.do)

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## Collision Damage Waiver

Car rental insurance is included in the rate with our preferred providers, National, Enterprise and Thrifty. However, when renting a car from another rental company one of the benefits of the Corporate card is that it provides the collision coverage insurance for AEP Rental Vehicles (i.e., for damage to the rental car itself). This is an extremely important benefit, as AEP **does not** provide this coverage.

Employees must use the Corporate card when renting vehicles. Otherwise, if there is damage to the rental vehicle, the employee will not be able to take advantage of the insurance benefit.

Additionally, the employee's personal automobile insurance coverage may have to respond (and cover the damage to the rental car itself), just as when an employee is driving his/her personal vehicle on Company business.

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## International Ground Transportation

Employees should accept all insurance coverage when renting vehicles outside of the United States.

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## Authorized Drivers

Only AEP employees may drive an AEP rental vehicle. AEP's car rental agreements state authorized operators of a rental vehicle as the employee signing the contract. If additional AEP employees are driving the car then their names need to be added to the rental agreement to ensure that all drivers are insured under our Corporate card collision damage insurance program.

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**Personal Use of  
Business Rental  
Vehicles**

Employees who may be combining a scheduled vacation with a business trip may **NOT** use the business rental car for that purpose. The employee **must** return the business rental and obtain a separate rental with a new rental contract in his/her own name.

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*Continued on next page*

## Ground Transportation, Continued

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### Drinking & Driving Prohibited

Operating a vehicle on company business while under the influence of alcohol or drugs is absolutely against Company policy and is prohibited. Additionally, rental and other insurance coverage may be invalidated if the driver has been drinking. The driver may be personally responsible for damages.

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### Refuel Rental Cars

All rental cars should be returned to the agency with a full tank of fuel since the rate charged for refueling by the car rental agency is significantly higher than at the pump.

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### What To Do In Case Of an Accident

The following information pertains to domestic car rental. International renters should obtain this information from the rental agency when the vehicle is obtained.

#### **POLICE REPORT REQUIRED.**

- The police **MUST BE NOTIFIED** of **any** accident involving a rental car. There are no exceptions.
  - Do not admit fault.
  - Sign no statements except for the police or rental car company.
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### Liability: Automobile Accidents Involving Injury or Damage to the Public

AEP's Risk & Insurance Management Public Liability Claim Staff will respond to, and handle, any claims by the public for property damage or injuries as a result of an automobile accident. Therefore, the Claim Staff **must be notified immediately** (as soon as the police have cleared the accident scene) of any automobile accident in which the AEP driver is at fault, or where it is unclear or in dispute as to the cause of the accident. If in doubt, please report the accident to your R&IM Claim staff.

It is the responsibility of the driver of the rental vehicle (and the renter if a fellow employee was driving) to obtain the following information while at the scene of the accident:

- Name, address and phone number of other driver(s) and any passengers
- Year, make and model of other vehicle(s) involved
- Extent and location of damage to other vehicle (s) involved
- Name, address and phone number of any witnesses
- Name, address and phone number of the police department and the report number

**WHO TO CALL:** (1) Micky Davis @ 614-716-2147 or (2) Janice Thompson @ 614.716.2365

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*Continued on next page*

## Ground Transportation, Continued

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### **Collision Damage**

AEP **does not** provide coverage for the rental vehicle itself, and damage to the rental car itself is not handled by AEP's Risk & Insurance Management Public Liability Claim Staff.

When an employee rents a vehicle from Enterprise, National or Thrifty, insurance is included in the rate and all damage and accident claims must be processed through the specified rental company. Claims for damage on rental cars from other car rental companies need to be processed through our corporate credit card. Decline additional insurance coverage for all business car rentals.

The only time to accept collision coverage from the rental car company is when you rent a truck, 15-passenger-van, cargo van or if you are driving or parking off-road. Always decline insurance for other car categories (unless it is for an international rental) and always use the corporate card for all rentals.

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### **Filing the Claim Through MasterCard**

All AEP employees received the "Guide to Benefits: MasterCard Corporate Payment Solutions Guide to Benefits" when they received their corporate MasterCard.

The following information, taken from that Guide, explains (the basics of) what the employee must do in order to file the insurance claim with the Corporate MasterCard for repairs to the rental vehicle. It is found on the bottom, left hand side of Page 2 of the Guide.

1. *Call 1.800.MC.ASSIST to obtain a claim form. You must report the claim within 30 days of the incident or we will not be able to honor your claim.*
2. *Complete and sign the claim form. Attach all documentation, including a copy of:*
  - a. *Your MasterCard receipt*
  - b. *The rental agreement (front and back)*
  - c. *An accident report or the police report*
  - d. *The repair estimate from the rental company*
  - e. *The rental company's Fleet Utilization Log if 'Loss of use' is claimed*
3. *Submit documents to the MasterCard Assistance Center within 90\*\* days of the incident, or the claim will not be honored. (\*\*Note: The rental company will not wait 90 days for their money-submit this ASAP.)*

**Local Car  
Rentals**

Enterprise Rent-A-Car Company provides local rental vehicles to employees for business purposes. The Enterprise Rent-A-Car agreement covers all Enterprise locations in AEP's 11 states and adjoining states. Employees, with their supervisor's approval, will still have the option of using an appropriate personal vehicle for business purposes and receiving a mileage reimbursement equal to the current IRS standard mileage rate. At airports, due to a negotiated corporate rate, employees traveling on business should continue to use National or Thrifty (both of which include collision damage insurance).

The following are required when renting an Enterprise vehicle:

- AEP corporate code number: **XZ38023**
- Driver's license number of person renting
- AEP OneCard number
- Business Address
- Office phone number

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*Continued on next page*

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Refer to the [Travel website](#) for additional information. Reservations are to be made directly with Enterprise.

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**Car Expenses**

Expenses incurred as a result of a traffic violation are not reimbursable.

Parking fees and toll charges are reimbursable expenses.

Expenditures that cannot be charged to the Corporate Card should be paid in cash, and settlement will take place through PeopleSoft Expense.

Gas should not be charged on the Corporate Card when claiming mileage for reimbursement.

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## Lodging

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**Accommodations /Reservations** Reservations for overnight accommodations are to be made at moderately priced hotels within a reasonable distance from the travel destination. Preferred AEP hotels are listed in the Hotel Database found by accessing the Travel web page.

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**Making Hotel Reservations** Hotel reservations are required to be made through the AEP Travel by using Concur. Booking through one source will enable us to negotiate volume rates. Travelers should choose moderately priced hotels. Hotels used most often by employees are listed as Preferred AEP hotels in the Hotel Database found by accessing the Travel web page.

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**Billing** Employees should arrange to pay their hotel bill at checkout. Payment is required to be made utilizing the AEP corporate card. The hotel bill must be scanned and attached to the expense report submitted and approved through PeopleSoft Expense.

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**Cancellations** Employees are responsible for canceling a hotel reservation that has been guaranteed for late arrival or for notifying AEP Travel to cancel the reservation. A record of all such cancellations, referring to the cancellation number and name of the hotel employee taking the cancellation, should be kept for a minimum of 90 days to resolve any "no show" disputes.

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**Convention or Seminar Bookings** Employees may book through a convention or seminar's housing bureau to obtain the convention/seminar discount. Employees will advise AEP Travel of the hotel name/address, so the information can be added to their reservation record.

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## Business Meals

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### Overview

In general, meal expenses are reimbursable when the employee is on overnight travel status. Where possible, employees shall use their Corporate Card for meal costs. Employees should select restaurants that are reasonably priced for the locality and conducive to the purpose of business to be conducted. Employees are not to charge meals that are lavish or otherwise extravagant.

Meal expenses may also be charged if the expenses incurred are for business entertainment purposes or for meals while working overtime. Individual luncheon expenses incurred on other than overnight trips are not to be charged except when incurred while dining with others for business purposes. Employees should check with their supervisor for specific guidelines.

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### Meals Among Employees

Employees at the same location are not to entertain one another at the Company's expense. However, if it is necessary for a group of employees to dine together for business purposes, the cost of these meals can be charged. Prior approval for these types of meals should be obtained from the appropriate supervisor. The highest level employee should assume responsibility for the total expense. All employees present at the meal must be listed within the PeopleSoft Expense report (or a list may be attached to the expense report) including the business reason for the meal.

Meal receipt must be attached to the expense report if the total is \$26 or greater. A Summarized receipt is acceptable as long as it includes merchant name and total amount including tip. Exception: If a meal is to be billed to a third party (mutual assistance storm billing) then the itemized receipt is required.

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### Meal Tips and Other Gratuities

Tips may be included as part of the total meal cost. Other gratuities can be included when confined to reasonable limits as determined by the services required and received.

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## Laundry Service

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**Expenses  
Associated  
With Laundry  
Service**

Laundry and cleaning/valet service expenses for business trips consisting of five or more consecutive days should be charged to a Corporate Card. Laundry and cleaning expenses must be reasonable and not exorbitant.

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## Business Entertainment

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### **Business Entertainment Expenses**

Each employee will need to review with their supervisor the specific guidelines and procedures for business entertainment as it applies to their business unit. These instructions will provide guidance in making reasonable, informed, and ethical decisions regarding these types of expenses.

Most business entertainment will consist of business lunches and dinners. Employees providing these meals should make sure expenses are reasonable and not extravagant. This entertainment should not become repetitious or excessive with the same party. Care should be exercised in the frequency of using a lunch or dinner to discuss business with customers.

If other types of entertainment--like theater or sporting event tickets--are provided, caution must be used so these will not be construed to improperly influence or raise questions as to the intended effect on the recipient. In particular, if the entertainment were to involve government employees, violations of the law could come into effect.

Travel or entertainment involving political candidates or public office holders requires prior review by the Legal Department. Under no circumstances will any travel or entertainment be accorded to persons actively campaigning for federal, state, or local office.

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### **Business Gifts**

Acceptable business gift amounts that are given and received are clarified in the AEP Code of Conduct. Gifts should be nominal and have approval from the business unit manager.

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## Per Diem Allowances

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### **Per Diem Allowances**

Employees temporarily assigned to locations or areas remote from their home office may, with the endorsement of the associated department supervisor, request a per diem allowance in lieu of accounting for expenses as incurred. The per diem allowance will be determined on the basis of recent cost experience in the area of temporary assignment, and must be approved in advance by a department supervisor. The per diem allowance must not exceed IRS guidelines. IRS per diem rates can be found by accessing the IRS web page at [www.gsa.gov](http://www.gsa.gov).

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## Spouse/Family Expenses as Authorized Business Expenses

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**Spouse/Family  
Expense as  
Authorized  
Business  
Expenses**

Expenses incurred by spouses (or other family members) accompanying employees on Company business will be reimbursed only if there is an explicit business necessity for their presence with the employee, and written authorization has been obtained from immediate supervisor.

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## Travel Club Memberships

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**Travel Club  
Memberships**

The Company will not reimburse dues or fees for memberships in first class, executive or "red carpet" airline clubs or any other travel clubs.

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## Non-Reimbursable Expenses

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### **Non-Reimbursable Expenses**

The following list is not all-inclusive; however, these expenses are usually considered non-reimbursable. Any exceptions or unusual circumstances should be detailed on the electronic expense report, and must be approved by the employee's immediate supervisor.

- Personal Care Items
- Barber/Hair Stylist
- Shoe Shine
- Toiletries
- Personal Entertainment
- Books/Magazines
- Sporting Events
- Theater Tickets
- Personal Losses
- Baby Sitting
- Gifts
- Pet Care
- Personal Property Insurance
- Travel Insurance

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Note: Losses of a personal nature, sustained as a result of travel on Company business, are not reimbursable. The traveler should notify the airline, car rental agency, or hotel and employee's personal insurance carrier as soon as the loss/damage occurs.

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## Personal Business

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### **Personal Business**

Occasionally, a trip may combine personal and Company business purposes. In such instances, the Company will reimburse all properly authorized, business-related expenses; all additional expenses in excess of what would otherwise have been charged for purely business purposes will be borne by the employee. The Corporate Card should not be used for any personal charges. Employees should make every effort to make sure personal and business expenses are separated appropriately.

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## Group and Meeting Travel

**Group and Meeting Travel** Any business unit planning to sponsor meeting travel or that has a group of 10 or more people traveling to the same destination and needing off-site (hotel, conference center, etc.) facilities should contact our Travel & Workplace Programs Coordinator at audinet 200 6840 or 614-716-6840 Refer to the travel web page, meeting section, for additional information.

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## Miscellaneous

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**Miscellaneous Expenses**

Minor expenses of a business nature, not normally incurred by an employee except when traveling and not specifically covered elsewhere in this guide, will be reimbursed. These expenses must be explained on the PeopleSoft Expense report.

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## Documentation

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### **Proper Documentation**

Travel and/or entertainment expenses must be documented by submitting an expense report. Receipts for all lodging and any service \$26 and greater as well as any purchased materials foreign travel expenses, and individual cash expenditures of \$26 and greater must be scanned and attached to the PeopleSoft Expense expense report.

Receipts required – Expense over \$26 and greater:

- Airfare – found on emailed itinerary
- Rental Car
- Meals
- Hotel Stays –detailed receipts to breakdown expenses
- Taxi/Shuttle
- Gas for Rental Car
- Parking

Exception: Travel related Per Diem does not require receipts

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### **VAT Reclaim**

Value Added Taxes may be “reclaimed” for certain business expenses incurred overseas, particularly in Europe and Canada.

Only original receipts are acceptable for VAT reclamation purposes. Charge/credit card statements are not acceptable. **Under NO circumstances should an employee prepare and submit a VAT refund form!** Scan and attach all international receipts to PeopleSoft Expense expense report.

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## Travel and Entertainment Forms

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**Corporate Card Request** An employee designated to receive a Corporate Card must complete an electronic Corporate Card Request Form and submit it to their immediate supervisor for approval. The online Corporate Card Request Form is found on AEPNOW under the [Credit Card Center](#).

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**Electronic Expense Report** PeopleSoft Expense reports should be approved within 30 after the transaction. The completed expense report must be submitted as designated by the employee's business unit procedures. PeopleSoft Expense can be accessed through AEPNow, A-Z Index and under Common Tasks. All expenses reported should be detailed by day except for: 1) airline and rail transportation which should be reported with the first day's expenses, 2) car rental charges which should be noted on the day the billing is rendered to the employee, and 3) Hotel/Motel charges. Taxes, phone charges, parking, etc. can all be categorized as "Room Rate" in the hotel folio, if the Department/Business Unit allows. The Internal Revenue Service **with the exception** of meal(s) charged to the room does not require itemization.

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**Traveler Profiles** Each AEP employee has a travel profile already created in Concur. It is the employees' responsibility to review and update profile information to ensure accurate travel reservations.

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## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Accounting for Allowance for Funds Used During Construction and Capitalized Interest	<b>Date</b>	7/29/13
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### Purpose

This accounting policy / procedure memo serves to update and replace AEP Accounting Bulletin 1, “Accounting for Allowance for Funds Used During Construction.” This document outlines AEP’s procedures for computing and capitalizing allowance for funds used during construction and capitalized interest. Additionally, the underlying principles governing the accounting for this construction cost factor are presented.

*This policy / procedure document may not be released to parties outside AEP without the approval of the Chief Accounting Officer.*

### Policy/Procedure Statement

#### **I. Summary of Principles Permitting Allowance for Funds Used During Construction (AFUDC) and Capitalized Interest**

##### A. FERC Uniform System of Accounts

Effective January 1, 1977, the FERC ordered new accounting procedures for AFUDC (Order No. 561 issued February 2, 1977).

AFUDC as provided in the Uniform System of Accounts is a two-part allowance. It includes:

1. An allowance for other funds used during construction, which includes the cost of common equity and preferred stock when so used, and;
2. An allowance for borrowed funds used during construction, which includes the cost of short-term debt and long-term debt when so used.

AFUDC is capitalized on the company’s books by charging Account 107, Construction Work in Progress, as a component of construction cost and crediting Other Income, Account 419.1 – Allowance for Other Funds Used During Construction and/or crediting Interest Charges, Account 432 – Allowance for Borrowed Funds Used During Construction – Credit, as appropriate.

##### B. Generally Accepted Accounting Principles

###### Capitalization of Interest

Accounting Standards Codification (ASC) 835-20, Capitalization of Interest, permits capitalization of interest by all entities; however, such costs are limited to actual interest expense incurred for borrowed funds, imputed interest on certain payables and interest related to capital leases. AEP applies capitalized interest to its non-regulated subsidiaries in accordance with ASC 835-20.

The capitalization period begins when expenditures for the asset have been made, activities necessary to get the asset ready for its intended use are in progress, and interest cost is being incurred. Interest capitalization continues as long as those three conditions are present. If substantially all activities related to the construction of the asset are suspended, interest capitalization should cease until activities are resumed.

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

The amount capitalized in an accounting period is determined by applying the capitalization rate to the average amount of accumulated expenditures for the asset during the period. The capitalization rates are the prior month's weighted average debt cost for the applicable AEP subsidiary. The total amount of interest cost capitalized in an accounting period should not exceed the total amount of interest cost incurred in that period.

The capitalization period ends when the asset is substantially complete and ready for its intended use.

ASC 835-20 recognizes that regulated entities capitalize both a cost of debt and a cost of equity capital during the construction period in accordance with ASC 980-835.

### AFUDC

ASC 980-835, Regulated Operations, Interest, addresses cases where a regulator requires an entity to capitalize the cost of financing construction as financed partially by borrowings and partially by equity (AFUDC). In such cases, the amounts capitalized for rate-making purposes as part of the cost of acquiring the assets shall be capitalized for financial reporting purposes instead of the amount of interest that would be capitalized in accordance with ASC 835-20.

AEP applies AFUDC to its regulated subsidiaries in accordance with ASC 980-835. The prior month's weighted average debt cost and equity cost for the applicable AEP subsidiary are used to determine the AFUDC rate.

With the exception of the rate calculation, procedures to apply capital interest are the same as used for AFUDC unless indicated.

## **II. Rate for Computing AFUDC**

### **A. Authorization of Rate for Computing AFUDC**

The FERC has granted permission to utilities to calculate the AFUDC rate on a monthly basis instead of annually as specified in Electric Plant Instruction No. 3, Item 17. This change enables a utility to calculate AFUDC using the maximum allowed rate on a monthly basis and avoids the need for a retroactive adjustment of AFUDC to the maximum allowed rate.

AEP uses the monthly methodology for calculating AFUDC rates. The balances for long-term debt, preferred stock, common stock and construction work in progress are the actual book balances at the end of the prior month. The interest rate for long-term debt and the cost rate for preferred stock are based on the prior month's costs. The cost rate for common stock is the rate of return granted common equity in the last approved rate proceeding. The balance for short-term debt is the average daily balance for the prior month and the related interest rate is the average rate for the prior month.

### **B. Formula and Elements for Computing the Monthly Maximum Allowable Rate**

Separate monthly rates for each company are developed using the formula and elements for the computation of AFUDC as contained in Electric Plant Instruction No. 3, Item 17, of the Uniform System of Accounts adjusted for the requirements of FERC Accounting Release AR-13 effective May 1, 1983. The formula and elements are as follows:

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

$$A_i = s \left( \frac{S}{W} \right) + d \left( \frac{D}{D + P + C} \right) \left( 1 - \frac{S}{W} \right)$$

$$A_e = \left[ 1 - \frac{S}{W} \right] \left[ p \left( \frac{P}{D + P + C} \right) + c \left( \frac{C}{D + P + C} \right) \right]$$

$A_i$  = Gross allowance for borrowed funds used during construction rate

$A_e$  = Allowance for other funds used during construction rate

$S$  = Average short-term debt

$s$  = Short-term debt interest rate

$D$  = Long-term debt (including use-restricted debt)

$d$  = Long-term debt interest rate (including rate of use-restricted debt)

$P$  = Preferred stock

$p$  = Preferred stock cost rate

$C$  = Common equity

$c$  = Common equity cost rate

$W$  = Average balance in construction work in progress plus nuclear fuel in process of refinement, conversion, enrichment and fabrication, less asset retirement costs related to plant under construction

The rate for computing AFUDC as outlined above represents a maximum monthly, simple interest rate which cannot be exceeded without prior Commission approval.

### C. Compounding of AFUDC

In Order No. 561, FERC noted that compounding of AFUDC would be permitted, but no more frequently than semiannually.

AEP uses a compounded rate for AFUDC based on semiannual compounding. The rate is developed and applied to construction on a monthly basis.

### **III. Charges Exempt from Application of AFUDC**

AFUDC is to be applied on all construction expenditures with the following exceptions:

1. Meter and transformer blanket work orders.
2. Electric plant purchased.
3. Most work orders with a general plant work order type (general plant work orders mapped to account 397, communication equipment, have AFUDC applied to construction expenditures).
4. Work orders for acquiring land and land rights where new facilities are not being constructed on the land. See Item VI, below.
5. Any portion of construction work in progress which should be excluded from the application of AFUDC as a consequence of compensatory rate relief.
6. Ongoing landfill preparation activities where work may be done intermittently over several years.
7. Certain charge types such as unvouchered liabilities and billing credits.

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

### **IV. Method for Accruing AFUDC**

AFUDC is to be computed by applying the applicable monthly rate to the previous month's closing balance in the work order (including AFUDC), plus one-half ( $1/2$ ) of the current month's additions, less any unpaid retained percentages under contracts and any unpaid invoices included therein.

The computed base multiplied by the applicable monthly rate equals the AFUDC for the current month that is to be charged to the work order.

### **V. Period for Capitalization of AFUDC**

#### **A. Commencement**

##### **1. FERC Interpretation**

FERC Accounting Release AR-5 (Revised) effective February 20, 1968 states that; "Interest during construction may be capitalized starting from the date that construction costs are continuously incurred on a planned progressive basis." Release AR-5 also states that; "No interest should be accrued during the period of interrupted construction unless the company can justify the interruption as being reasonable under the circumstances."

##### **2. AEP System Implementation**

AFUDC is to be capitalized, in accordance with the instructions contained in this policy / procedure memo, commencing with the month of the first charges to an eligible work order.

In the case of interrupted construction a project must meet the criteria specified in the AEP Work Order Suspension Policy to be considered eligible for suspension. Suspended work orders cease accruing AFUDC from the month the work order is suspended until the month the work order is reopened.

The accrual of AFUDC will automatically cease if a work order has no direct charges (labor, material, outside services, etc.) for a period exceeding 6 months.

#### **B. Cessation**

##### **1. FERC Interpretation**

FERC Accounting Release AR-5 (Revised) states that; "Capitalization of interest stops when the facilities have been tested and are placed in or ready for service. This would include those portions of construction projects completed and put into service although the project is not fully completed."

##### **2. AEP System Implementation**

The cessation of AFUDC is dependent upon the month of the in-service date of the facilities as reported in accordance with AEP's In Service Procedure.

The in-service date shall correspond to the first commitment to permanent use of the facilities in the performance of their intended functions (e.g., when electrical equipment is energized and permanently connection to the system). Temporary or limited operations for testing or for construction purposes are not construed as in-service.

A half-month of AFUDC will be calculated in the in-service month. If an in-service date is reported after the fact, any AFUDC calculated after the in-service month will be automatically reversed in the current month.

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

### **VI. AFUDC Applied to Land and Land Rights**

The accrual of AFUDC on expenditures for land and land rights shall begin at the commencement of the related construction project.

AFUDC on land and land rights is part of the cost of constructing a new facility, and as such, these costs should be capitalized as part of the construction cost of the facility to be recovered through depreciation rather than as part of the cost of the land which is not depreciated. Accordingly AFUDC accrued on the cost of land and land rights shall be transferred to the related construction project as part of the cost of the facility constructed. This transfer will be made when the facility being constructed is placed in-service.

**Questions Regarding the Application of this Policy/Procedure Document Shall  
be Directed to Property Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Accounting for Costs of Clearing Land and Rights-of-Way and Trimming Trees	<b>Date</b>	March 1, 2017
<b>Author:</b>	Accounting Policy & Research	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### Purpose

This accounting policy / procedure memo serves to update and replace AEP Accounting Bulletin 2, “Accounting for Costs of Clearing Land and Rights-of-Way and Trimming Trees” and the “Clarifications and Interpretations of Accounting Bulletin #2” document which followed the originally issued bulletin. These instructions are primarily intended to define costs of clearing land and rights-of-way and trimming trees properly chargeable to construction or maintenance.

*This policy / procedure document may not be released to parties outside AEP without the approval of the Chief Accounting Officer.*

### Policy/Procedure Statement

#### Accounting Policy

##### I. GENERAL RULE

Costs of initial or original clearing of land and rights-of-way and pruning trees are to be charged to appropriate electric plant capital accounts.

##### "INITIAL OR ORIGINAL" CLEARING

- a. The “initial or original” clearing includes the initial application of herbicide:
  - i. Delayed initial herbicide applications where the applicable construction work order has been closed
    - 1) Planned two-herbicide application method (with approximate intervals of from one to three years between first and second applications) designed to control stump sprouting species with the first application and root suckering species with the second. Effective control of both types of growth by this method requires different materials which are not miscible and some regrowth of root suckers before the second application.
    - 2) Where root suckering is not a problem, the second application will occur after the normal maintenance interval

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## Accounting Policy/Procedure

(approximately four to six years) and is to be charged to appropriate maintenance accounts.

- ii. Initial application of Tree Growth Regulator (TGR) and associated costs.

### II. OTHER CAPITALIZABLE COSTS

- a. Costs of clearing portions of existing rights-of-way not previously cleared.
  - i. Costs of removing trees greater than (or equal to) 18" in diameter from previously cleared rights-of-way after the line is in operation
  - ii. Costs to include:
    - a. Felling and disposal
    - b. Stump grinding
    - c. Herbicide treatment of the stump
- b. Widening - Costs of clearing newly acquired easements that widen existing, previously cleared rights-of-way and/or widen previously cleared rights-of-way that were established around center-line easements or through franchise agreements.
  - i. Distances of 1 span or more
  - ii. Costs to include:
    - a. Removal of trees and brush
    - b. Herbicide applications as described in sections (I.a.)
  - iii. Only costs associated with widening which result in an increase in the ground distance measured from edge to edge may be capitalized.
- c. Initial costs of trimming trees bordering newly widened rights-of-way.
  - i. Removal of overhanging limbs protruding through or into the newly widened rights-of-way
  - ii. Scattered clearing and pruning of portions of rights-of-way not previously cleared (e.g. structurally unsound trees that are capable of striking electric supply lines or structures upon failure, also known as "hazard trees")
    - a. Costs of removing trees greater than 4" in diameter from outside the previously cleared rights-of-way after the line is in operation

#### Discussion:

Classifying, as capital, certain tree removals after the first clearing has been completed is based on the premise that smaller diameter trees were not removed during the first clearing, and those smaller diameter trees that have grown to 18" or larger in diameter are being initially cleared and this initial clearing cost should be capitalized. Specifying a diameter for use in determining Capital or Expense is



## Accounting Policy/Procedure

a method to distinguish between "original" trees and those that have grown since a power line was constructed. An 18" diameter measure will encompass many trees\* that are approximately 22 yrs. or older.

*\*based on sample using silver maple, white pine, black cherry, black locust, tulip poplar, white oak, and red maple, according to Distribution personnel*

### III. ACCOUNT CLASSIFICATION FOR INITIAL COSTS OF CLEARING LAND AND RIGHTS-OF-WAY, AND TRIMMING TREES CHARGEABLE TO ELECTRIC PLANT

#### a. Transmission

- i. Charge Account 356, Overhead Conductors and Devices whether or not deeds or easements are secured for a consideration, except for costs of removing stumps, grading, excavating, etc., incident to the preparation of foundations for towers or other structures (charge Account 352, Structures and Improvements) or to the construction of roads, trails and bridges (charge Account 359, Roads and Trails).

#### b. Distribution

- i. Charge Account 365 Overhead Conductor and Devices whether or not deeds or easements are secured for a consideration, except for clearing that is directly related to the building of a structure (charge Account 361, Structures and Improvements) or the installation of street lighting (charge Account 373, Street Lighting and Signal Systems).

### IV. MAINTENANCE COSTS

- a. Costs of pruning trees, removing trees less than 18" in diameter (see II a) and clearing brush and other refuse from previously cleared rights-of-way.
  - i. Costs are chargeable to applicable FERC account 571, Maintenance of Overhead Lines (Transmission) or 593, Maintenance of Overhead Lines (Distribution)
- b. Costs of subsequent clearing or pruning of a previously cleared portion of right-of-way done in conjunction with a capital construction project or in conjunction with the work performed that is deemed capital by this policy.

NOTE: Where trimming of previously cleared portions is affected in conjunction with trimming and/or clearing occasioned by activities that are deemed capital by this policy, a reasonable allocation should be made to ensure capitalization of only the previously uncleared portion.

- c. Clearing or trimming that is performed as a result of service restoration (whether classified as either major event, major storm event or non-major

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## Accounting Policy/Procedure

event service restoration) should be charged to maintenance, unless the work being performed meets the conditions for capitalization as stated in this policy.

- d. Removal of overhanging limbs without the removal of the tree(s).
- e. Subsequent applications of herbicides and TGR.

### References and Links

FERC USofA

[FERC: Uniform System of Accounts - Webpage](#)

[Link to the FERC: Uniform System of Accounts - Electric](#)



## Accounting Policy/Procedure

### Illustrations

#### Classification depends on type of work performed



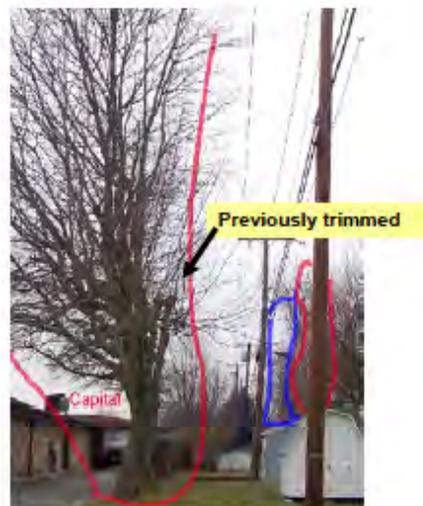
- Trimming is an O&M expenditure
- Removal is a Capital expenditure (if tree is larger than 18" dia. or is part of initial clearing or widening)

Note – to our knowledge, this tree is not on the AEP system

#### “Trimming to Heights not Previously Trimmed”

##### Capital? Or O&M?

- Accounting Bulletin #2 classifies as O&M
- Trimming, only, will be O&M;
- Tree Removal will be Capital (based on location and size)

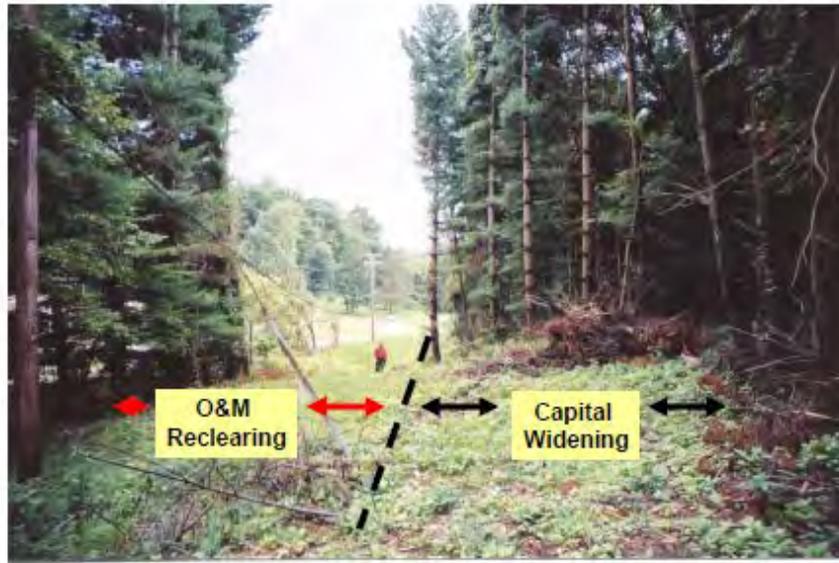


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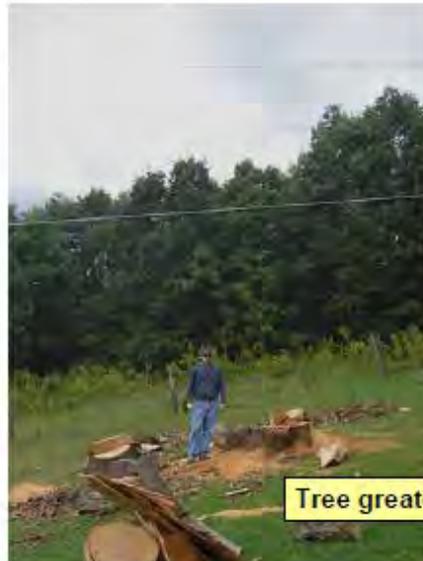


## Accounting Policy/Procedure

### Capital Widening and O&M Reclearing



### Capital Tree Removal – In the ROW



Tree greater than 18" dia.

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## Accounting Policy/Procedure

### Capital Tree Removal – In the ROW



### Capital & O&M Tree Removal In the ROW



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## Accounting Policy/Procedure



### O&M Tree Removal – In the ROW



### Capital & O&M Tree Removal In & Out of the ROW



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## Accounting Policy/Procedure

Policy/Procedure Title	Accounting for Coal Costs	Date	1/1/14
<b>Purpose</b>			
<p>This accounting policy / procedure memo serves to update and replace AEP Accounting Bulletin 4, “Accounting for Coal Costs.” The detailed instructions that follow have been developed for the purpose of establishing System uniformity in the classification of the more significant items of coal cost among Account 151, Fuel Stock; Account 152, Fuel Stock Expenses Undistributed; Account 501, Fuel; and Account 502, Steam Expenses.</p> <p>This Bulletin also outlines the physical inventory process and the procedures for recognizing coal inventory adjustments.</p> <p>Fossil fuel inventories are generally carried at weighted average cost with the exception of AGR and TNC-EP which are carried at the lower of average cost or market. Coal mine inventories are also carried at the lower of cost or market.</p> <p><i>This policy / procedure document may not be released to parties outside AEP without the approval of the Chief Accounting Officer.</i></p>			
<b>Policy/Procedure Statement</b>			
<p>I. <u>ACCOUNT 151, FUEL STOCK-COAL</u></p> <p>This account, as it applies to coal, shall include the invoice cost of coal, freight, switching, demurrage, barging, excise taxes, insurance, and other purchase and transportation related costs. <u>Exclude</u> from this account all costs of labor and other expenses of unloading coal at the generating plant site and handling in storage, as provided in “Account 152, Fuel Stock Expenses Undistributed.”</p> <p>Items:</p> <ol style="list-style-type: none"><li>1. Invoice price of coal, less any trade discounts.</li><li>2. Freight, switching, barging, demurrage and other transportation charges and related taxes.</li><li>3. Inventory adjustments to correct overages and shortages.</li><li>4. Excise taxes, purchasing agents’ commissions, liability insurance on cargo and barge operations, other insurance and expenses directly related to the purchase and transportation of coal.</li><li>5. Tipple and dumping charges regarding transfer from railroad cars to barges and other transfer activities prior to delivery at the generating plant site.</li></ol>			

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Fuel Accounting and/or Accounting Policy & Research.**



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6. Operating, maintenance and depreciation expenses and ad valorem taxes on utility-owned transportation equipment used to transport coal anywhere between the point of acquisition and the generating plant unloading point.
7. Lease or rental costs of transportation equipment used to transport coal anywhere between the point of acquisition and the generating plant unloading point.

### II. ACCOUNT 152, FUEL STOCK EXPENSES UNDISTRIBUTED-COAL

This account, as it applies to coal, shall include the cost of labor and supplies used and expenses incurred in procuring coal, in unloading coal from the shipping medium at the generating plant site and in handling coal prior to use.

Amounts included herein shall be charged monthly to Account 501, Fuel, based on the product of the accumulated average handling costs per ton (as of the close of the current month) and the tons of coal consumed. The balance maintained in this account shall not exceed the expenses attributable to the inventory of fuel on hand (therefore, inventory adjustments to correct overages and shortages should include a proportionate share of the expenses included in Account 152, see Section V. C.)

#### Labor:

1. Procurement activities performed by AEP System personnel, including investigation of sources of coal supply and the negotiation of contracts.
2. Unloading coal shipments from rail cars, barges or trucks into storage.
3. Weighing and recording coal.
4. Fuel accounting activities performed by AEP System personnel, including the processing of invoices and related records for coal placed in stock would be included in Account 152.
5. Moving of coal in storage pile; e.g., movement for fire prevention purposes and transferring from one station to another.
6. Packing coal pile.
7. Checking moisture content of coal pile.
8. Controlling dust from coal in storage.
9. Cleaning coal bunkers separate from boiler-house structure to prevent or release jams.
10. Routine analysis of coal before being consumed.
11. Routine testing and calibrating of coal conveyor scales located outside of the boiler-house structure.

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Fuel Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

12. Handling coal from shipping medium and storage to the first bunker in the boiler-house structure.
13. Conducting a physical inventory of the coal pile, including vendor costs. (See Section V. B. for recordation of adjustments.)

### Supplies and Expenses:

1. Expenses associated with procurement activities performed by AEP System personnel, including investigation of sources of coal supply and negotiation of contracts.
2. Oil for thawing coal in coal cars or barges at the plant site.
3. Rent of leased coal handling and storage equipment.
4. Transportation and other expenses in moving coal in storage and from plant to plant.
5. Stores expenses applicable to coal.
6. Tools, lubricants, fuel and miscellaneous supplies used in connection with analyzing coal, dust control, packing and inventorying the coal pile and operating coal handling equipment.

### NOTES:

- (A) Maintenance of fuel handling equipment located within the boiler plant shall be charged to Account 512.0, Maintenance of Boiler Plant.
- (B) Fuel oil not used in the generation of electricity should be classified to account 152000, Fuel Stock Expenses Undistributed.

### III. ACCOUNT 501, FUEL

This account, as it applies to coal, shall include the cost of coal used in the production of steam for the generation of electricity, including expenses in unloading coal from the shipping media and handling thereof up to the point where it enters the boiler-house structure.

Costs shall be charged to this account from Accounts 151, Fuel Stock, and 152, Fuel Stock Expenses Undistributed, as provided in Sections I. and II. above.

In addition, this account shall include, on a direct charge basis, the cost of labor, supplies used and expenses incurred for:

1. Preparing and maintaining coal records and reports of coal consumed.
2. Testing refuse ash and refuse to determine characteristics and properties (when related to disposal of residuals).

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Fuel Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

3. Consultants' fees and expenses applicable to fuel consumed.
4. Disposal expenses regarding cinders, fly ash and other residuals after they are accumulated at a generating plant site, less any sales proceeds derived from the disposal thereof.
5. Information services and usage charges in connection with monitoring of coal shipments en route and reporting of coal shipments received.
6. Other significant fuel related activities with review of AEPSC Accounting Policy and Research.

### IV. ACCOUNT 502, STEAM EXPENSES

The cost (labor, supplies, and expenses) of the following activities shall be charged to Account 502, Steam Expenses:

1. Operating air pollution control equipment located outside the boiler plant, e.g., fly ash bins, silos and pump houses.
2. Operating water pollution control equipment in the ash disposal system, i.e., checking, adjusting, cleaning and lubricating motors and related equipment of the bottom ash pond reclaim water system.
3. Operating ash-handling equipment outside of the boiler plant. Testing refuse ash and refuse to determine characteristics and properties (when related to other than disposal of residuals).
4. Operating coal conveying, storage, weighing and processing equipment within the boiler plant.

### V. COAL INVENTORY ADJUSTMENTS

#### A. Procedures for Determining the Amount of the Adjustment

##### 1. Frequency of Inventories

- a. An annual physical inventory of coal piles shall be conducted at each coal burning power plant. The results of this inventory shall be reported by each plant, using form 0955A-Coal Storage Inventory Report, in accordance with Circular Letter CI-O-CL-008 as developed by the Civil Engineering Lab. Civil Engineering will provide an updated copy of the coal pile inventory schedule to Accounting when changes are made. The schedule will include deadlines for Coal Pile Inventory (CPI) report distribution (density and volume of coal) and the 0955A report distribution (tons of coal). Accounting will review the deadlines and will follow up with the plants as necessary, if a report is not received on schedule. For surveys completed prior to a quarter-end, the 0955A report should be distributed no later than the first work day of the following month so adjustments can be recorded in the same quarter.

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Fuel Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

For surveys completed during the last week of a quarter-end month, whereby the completion of the CPI and 0955A reports by the first work day of the following month is not feasible, the reports should be completed as soon as possible and the results provided to Accounting immediately. Accounting will assess the materiality of the survey adjustment to determine if the books should be reopened to record the survey adjustment.

(i) As set out in Circular Letter CI-O-CL-008, if, as the result of a physical inventory, the difference between the book inventory and the physical inventory as a percent of the coal consumed is greater than the established tolerance, currently +/- 2%, an investigation will be conducted to determine the cause of the difference, a plan will be developed to correct the cause and an additional, special, physical inventory will be performed within six months to measure and record the results of the corrective action.

b. An annual physical inventory at Cook Coal Terminal will not be required as long as the coal pile has been physically depleted and adjustments made in accordance with Section V. B. 2. of this bulletin at least once every year.

### 2. Acceptance of the physical inventory

a. A coal pile inventory is considered technically acceptable if, after a careful review of the measurements and computations by the AEP Civil Engineering Lab and/or a competent third party, the measurements are deemed to have been taken in accordance with the instructions in circular letter CI-O-CL-008 and that no significant errors exist in the inventory computations.

b. If the results of the physical inventory are still deemed to be unacceptable by either the Plant Manager or the Regional Director of Fossil & Hydro Operations, an additional physical inventory shall be conducted as soon as possible.

### 3. Calculation of Adjustments

a. Based on an evaluation of the results of the annual or special physical inventory, adjustments will be made to the coal inventory accounts for differences between the physical inventory and the perpetual inventory records. Adjustments will be recorded as expeditiously as possible after receipt of the inventory report. Prior to being recorded, adjustments will be reviewed for mathematical accuracy by accounting and the variance explanation will be reviewed for reasonableness.

b. Inventory adjustments to be recorded for tonnage overages or shortages will be determined as follows:

(i) Corrections to the book tonnages resulting from any physical inventory will be recorded to the extent of 100 percent of the discrepancy between the physical inventory and the perpetual inventory records. (See NOTES.)

(ii) Before computation of the discrepancy from a physical inventory, the perpetual inventory records shall reflect any previous inventory adjustment.

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Fuel Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

- (iii) Before computation of the discrepancy from a physical inventory, the perpetual inventory records shall reflect the passed through effect of a coal pile adjustment at the Cook Coal Terminal for plants receiving such coal, provided an inventory was required and performed at the Cook Coal Terminal.

### NOTES:

- (A) In cases of joint ownership of generating plants, a single method of adjusting tonnage must be used for the entire coal inventory regardless of ownership.
- (B) At multiunit plants that feed different units from the same pile the amount of the adjustment shall be apportioned to each unit based on the coal consumed by each unit. The coal consumption data used to determine the ration between units shall be taken from the Fuel Data Reporting System (FDR). The reporting period for this calculation shall be from the close of business on the date of previous inventory to the close of business for the current inventory.

#### 4. Records and Reports Generated from Physical Inventories

- a. The Materials Handling Section and the Civil Engineering Lab Section of the Civil & Mining Engineering Division shall maintain a database of coal pile inventory results.
- b. The data base of coal pile inventory results shall include the following statistics:
  - (i) Percent Difference of Physical Inventory as compared to Book Inventory.
  - (ii) Percent Difference of Physical Inventory as compared to Coal Consumed during the period between inventories.
- c. The data base of coal pile inventory results will be compiled as quickly as possible after receipt of 0955A reports and made available to plant managers and others.

#### 5. Elimination of Coal in Inventory

Periodically, a coal inventory may be physically depleted, particularly at the Cook Coal Terminal. Any perpetual inventory balance at that time (including any deficit) shall be adjusted to eliminate the book balance. Such an adjustment will be recorded in the month in which the physical inventory is depleted.

At the time of physical depletion of the coal there may be unusable coal remaining in the coal yard. The depleted coal pile should be mapped to establish a revised base map of the coal yard for use in future inventories.

#### B. Recordation

##### 1. Generating Plants

Account 151, Fuel Stock-Coal, and 152, Fuel Stock Expenses Undistributed-Coal, are to be charged (if the results of the physical inventory exceed the recorded amounts) or credited (if the results of the physical inventory are less than the

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## Accounting Policy/Procedure

recorded amounts) with an appropriate offset to Operating Expense Account 501, Fuel.

Overages or shortages will be priced at the average unit cost per ton during the months that the adjustments are recorded.

Unusually large total company adjustments are to be promptly reported (before recordation) to the attention of AEPSC Accounting Policy and Research for consideration.

The Cardinal, Conesville, Oklaunion, Pirkey, and Flint Creek Plants maintain separate coal piles of different quality. As a result, System companies reflect a different fuel cost per ton from that of the non-associated owner companies.

### 2. Cook Coal Terminal

Adjustments will be prorated to the recipients of all AEP coal shipments from Cook Coal Terminal since the later of either the last coal inventory or the establishment of the present coal pile.

### C. Example

#### Annual Inventory Results

Physical Inventory	625,000 tons
Perpetual Inventory	<u>600,000</u>
Overage	<u>25,000</u>

Adjustment	25,000
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Average Unit Cost per ton:

Fuel Stock-Coal	\$34.579
Fuel Stock Expenses	
Undistributed –Coal	<u>.23</u>

Total	\$34.809
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#### Entry

Account 151, Fuel Stock -Coal	\$864,475	
Account 152-Fuel Stock Expenses Undist. Coal	\$ 5,750	
Account 501, Fuel		\$870,225

To record, in accordance with AEP System Accounting Bulletin No. 4, the coal inventory overage disclosed by the Annual coal pile inventory at the \_\_\_\_\_ plant.

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## Accounting Policy/Procedure



### D. Coal Storage Inventory Reports

Copies of the completed form 0955A-Coal Storage Inventory Reports are to be sent to the AEPSC Internal Auditing Department, the Performance Engineering Division of the AEPSC Fossil Plant Operations Department, and other personnel as specified by the circular letter CI-O-CL-008.

**Questions Regarding the Application of this Policy/Procedure Document Shall  
be Directed to Fuel Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Accounting for Temporary Facilities Installed to Furnish or Maintain Service	<b>Date</b>	11/2/12
<b>Purpose</b>			
<p>Property installed for temporary use in electric service may be necessitated by construction, maintenance or customer requests for temporary service. This accounting bulletin covers the prescribed accounting classifications for each of these situations and serves to update and replace AEP System Accounting Bulletin 7 “Accounting for Temporary Facilities Installed to Furnish or Maintain Service”.</p> <p><i>This policy / procedure document may not be released to parties outside AEP without the approval of the Chief Accounting Officer.</i></p>			
<b>Policy/Procedure Statement</b>			
<p><b>Accounting Policy</b></p> <p><b>I. Temporary Facilities Installed for Purposes of Furnishing Service Until Permanent Facilities are Constructed or to Prevent Interruption in Service</b></p> <p>A. When temporary facilities are installed a) for the purpose of furnishing service until permanent facilities may be constructed in lieu thereof, or b) in order to maintain or upgrade service without interruption by new construction or replacement construction, the net cost of the temporary facilities shall be charged to the cost of the new construction or replacement construction.</p> <p>B. When temporary facilities are installed in order to maintain service while maintenance work is performed on existing property, the net cost of the temporary facilities shall be charged to maintenance.</p> <p><b>II. Temporary Facilities Installed at Customers’ Request</b></p> <p>The cost of temporary facilities (material and labor) installed to provide temporary service to building contractors, road contractors, trailer parks, carnivals, etc., for which the customer is normally billed and which can be reasonably expected to be in utility service for periods of less than one year are to be initially charged to Temporary Facilities (Account 185). Property Accounting clears the charges to Account 185 on a monthly basis to Account 451, Miscellaneous Service Revenues. Billings to customers for this service are credited directly to Account 451, Miscellaneous Service Revenues.</p>			

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

Where such facilities can reasonably be expected to be in utility service for one year or more, they are to be accounted for in the manner prescribed for electric plant in service, i.e., the installed cost shall be initially capitalized and subsequently retired when removed from service.

### III. Accumulation and Disposition of Costs

The net cost of temporary facilities, when referred to in the preceding instructions, means the cost of the materials and equipment plus labor involved in installing and removing temporary facilities less salvage realized upon their removal. In the case of temporary facilities installed at the customers' request, as covered by Section II., it also includes applicable payments received from customers.

### IV. Examples of Classification of Costs of Temporary Facilities Installed to Furnish or Maintain Service Necessitated by Construction or Maintenance

#### A. Cost of Temporary Facilities Capitalizable

- A temporary mobile transformer is installed to maintain service while the capital replacement of a transformer is performed. The cost of installing the temporary service is capitalized as part of the cost of the capital replacement of the transformer.
- A substation is being upgraded to provide increased capacity to support new load. The net cost of the temporary facilities is capitalized as part of the cost of the capital project to upgrade the substation.
- A permanent station is being constructed to serve a customer but the customer requires service before the permanent station can be energized. A temporary station (perhaps using a portable transformer) is installed to provide service. The temporary station shall be capitalized as a cost of constructing the permanent station.

#### B. Cost of Temporary Facilities Not Capitalizable

- While maintenance is being performed in a station, temporary facilities are installed to avoid interruption of service. The cost of installing the temporary facilities is chargeable to maintenance.
- A mobile substation is installed and removed on a seasonable basis to support or stabilize load. This is a temporary installation lasting less than one year and should be charged to expense.

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

### References and Links

FERC USofA

[FERC: Uniform System of Accounts - Webpage](#)

[Link to the FERC: Uniform System of Accounts - Electric](#)

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Accounting for Pre-Operating Costs	<b>Date</b>	4/7/11
<b>Purpose</b>			
<p>This accounting policy / procedure memo provides guidance for the accounting treatment of pre-operating costs of production plants and serves to update and replace AEP Accounting Bulletin 9, 9a and 9b, “Accounting for Pre-Operating Costs.”</p> <p><i>This policy / procedure document may not be released to parties outside AEP without the approval of the Chief Accounting Officer.</i></p>			
<b>Policy/Procedure Statement</b>			
<b>Accounting Policy</b>			
<p><u>Pre-Operating Costs:</u></p> <p>Pre-operating costs are defined as those costs incurred prior to commercial operation in placing units in a condition of readiness to perform their intended functions. The types of pre-operating costs that may be considered for capitalization are included in “Components of Construction Cost” that are described in detail within the FERC USofA Electric Plant Instructions, section 3.</p> <p>Costs that are only capitalized prior to the plant’s commercial operating date include:</p> <ul style="list-style-type: none"> <li>• Fuel consumed</li> <li>• Fuel stocking expenses normally charged to FERC account 152</li> <li>• Training costs for regulated operations when employees are being trained to operate or maintain plant facilities that are not conventional in nature or are new to AEP’s operations. Training costs incurred relative to a conventional facility of a design with which any System company is familiar are to be charged to operating expense. Training costs for common activities such as fire or hazmat emergencies, electrical certification, etc. should be charged to operating expense. For non-regulated operations, all training costs are charged to operating expense.</li> </ul> <p>Costs for initial stocking of necessary operating supplies and equipment should follow the normal accounting based on its nature.</p> <ul style="list-style-type: none"> <li>• Exempt production material is expensed.</li> <li>• Spare parts and equipment are capitalized if they meet the criteria in Accounting Bulletin 14.</li> <li>• Controlled M&amp;S inventory is charged to account 154 upon purchase.</li> <li>• For initial stocking of non-inventory retirement unit items, the \$1,000 threshold for capitalization is applied to the items as a group (i.e., office furniture would be treated as a lot, laboratory equipment would be treated as a lot, etc.).</li> </ul> <p>Costs of services and consumables actually used/consumed prior to commercial operation should be charged to the capital project.</p> <p><u>Test Generation:</u></p> <p>The earnings from test period generation are to be credited to pre-operating costs, in conformity with FERC USofA Electric Plant Instructions, section 3, paragraph 18. Test generation shall be valued at its fair market value as determined by the price it was sold at. If no market is available, its fair value is considered to be its cost which is calculated by multiplying the net kilowatt-hours</p>			

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.**



## Accounting Policy/Procedure

generated for each month during the test period by the respective company's average fuel cost per kwh determined for the prior month (displacement theory).

Prior to the current RTO's, such as PJM, the Company valued all test power sold based on average cost. This was considered the appropriate value as the test generation was not considered reliable and, as a result, not marketable for sale to third parties. However, if markets exist today (day ahead, spot, etc.) where the power is sold directly, it should be valued at its sale price.

Note: The cost of nuclear fuel should be valued at the AEP system's average cost of nuclear fuel. Pumped storage conversion plants (hydro) must utilize a conversion factor to value test period generation. The conversion factor is designed to achieve equality between kwh's received at the project and delivered from the project

The accounting for test generation would be:

Dr. Other Expense (557)

Cr. Construction Work in Progress (107)

### References and Links

FERC USofA

[FERC: Uniform System of Accounts - Webpage](#)

[Link to the FERC: Uniform System of Accounts - Electric](#)

**Questions Regarding the Application of this Policy/Procedure Document Shall  
be Directed to Property Accounting and/or Accounting Policy & Research.**



# ***AMERICAN ELECTRIC POWER***

## **AEP SYSTEM ACCOUNTING BULLETIN NO. 14**

### **ACCOUNTING FOR SPARE PARTS AND SPARE EQUIPMENT**

Revised May 2012

*This Bulletin may not be released to parties outside AEP without the approval of the Chief Accounting Officer.*

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## AEP SYSTEM ACCOUNTING BULLETIN NO. 14

### ACCOUNTING FOR SPARE PARTS AND SPARE EQUIPMENT

#### I. BACKGROUND AND PURPOSE

Electric utilities must purchase and maintain inventories of essential spare parts and spare equipment in order to ensure continued, reliable operations. The useful life of such spare equipment will in many cases depend more upon the remaining useful life of the related facility than upon their own physical condition or extent of usage. Accordingly, certain major spare parts and spare equipment should be added to the cost of electric plant (capitalized) and depreciated.

This Accounting Bulletin classifies electric utility spare parts and spare equipment as either Capitalized Spare Parts, which are charged to Account 101, Electric Plant in Service, or as Materials and Supplies, which are charged to Account 154, Plant Materials and Operating Supplies. Other spare materials (such as meters and line transformers) should also be capitalized in Account 101 when the FERC Uniform System of Accounts specifically provides for capitalization.

#### II. DEFINITIONS

##### A. Capitalized Spare Parts

A Capitalized Spare Part (CSP) is equipment purchased and stored at a facility to have for use in the event of an emergency that requires an immediate need for equipment in order to ensure continued, reliable operations. Capitalized Spare Parts serve to ensure against extended interruptions of service caused by mechanical and electrical failures. They are often purchased with the original facilities and are generally manufactured on special order.

In order for a spare part to be capitalized, an item of property must meet all of the following criteria:

1. It must be a retirement unit <sup>1</sup>, which (a) can replace one or more retirement units presently in service and (b) is held available for replacement as an alternate in case of emergency needs.
2. It must be associated with specific electric plant.

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<sup>1</sup> A retirement unit is defined as a single piece of equipment or a specific "System". Retirement units are specifically identifiable items of relatively costly and long-lived property, which have been designated as retirement units within the AEP System Retirement Unit Manual.

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3. It cannot be subject to frequent use for normal periodic replacements. This does not exclude spare parts and spare equipment, which contain components that are subject to frequent wear and replacement. Periodic Replacement is linked to those items that are replaced routinely in the course of doing business and as defined here, that limitation is set at (5) years. If the item is used routinely (i.e.- every 5 years), it would not qualify.
4. It must require a long lead-time to obtain. The lead time to purchase a full replacement or purchase components for a repair plus time required to do the repair work must generally equal (12) weeks or longer.
5. It must have a unit cost of at least \$50,000.

The determination as to whether a spare part should be capitalized should be applied on a consistent basis.

Capitalized Spare Parts are generally stored at or near the related facility. An exception is some large items in transmission and distribution which are not easily moved and therefore are not stored near the related facility. As long as such items meet the other criteria noted above, they would also be capitalized.

All questions of eligibility and identification of Capitalized Spare Parts should be directed to Accounting Services, Property Accounting for final determination.

#### **B. Distribution Line Transformers and Meters**

In accordance with FERC guidelines, Distribution Line Transformers and Meters are to be included in Electric Plant Accounts 368 and 370 respectively, whether actually in service or held in reserve.

#### **C. Other Spare Parts - Materials and Supplies (Inventory)**

All spare parts and spare equipment which do not meet the above criteria are considered Materials and Supplies and are to be charged to Account 154, Plant materials and Operating Supplies. Account 154 generally includes materials, supplies and repair parts held in inventory to meet recurring general requirements.

### III. ACCOUNTING INSTRUCTIONS

#### **A. Capitalized Spare Parts**

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### ACCOUNTING FOR SPARE PARTS AND SPARE EQUIPMENT

#### 1. Purchases

The cost of capitalized Spare Parts includes the following components, as applicable:

- a. Purchase price
- b. Special test prior to acceptance
- c. Loading and unloading charges
- d. Freight
- e. Excise and other applicable taxes
- f. Company Construction Overheads
- g. Allowance for Funds Used During Construction (regulated companies) or Capitalized Interest (non-regulated companies)
- h. Other properly assignable charges

Allowance for Funds Used During Construction (AFUDC) should be accrued for the Capitalized Spare Part while it is recorded in Account 107, Construction Work in Progress – Electric. The Capitalized Spare Part should not be reported in service prior to the commercial operating date of the owning company's first applicable generating unit or switchyard facility which can utilize the spare parts.

The owning company should depreciate Capitalized Spare Parts, which are recorded in Account 1010, Electric Plant in Service, at the appropriate depreciation rate.

#### 2. Installation of Capitalized Spare Parts Other than Certain Distribution Equipment as Noted in Section III. B.

Replace an in-service part with a Capitalized Spare Part

- a. Capitalize the installation labor cost only of the Capitalized Spare Part. The Material cost of the Capitalized Spare Part has already been capitalized.
- b. If the replaced part is repaired and becomes a Capitalized Spare Part, charge the appropriate retirement work order with the cost of removal (if applicable)<sup>2</sup>, retire the replaced part's original cost of installation labor. Charge the appropriate

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<sup>2</sup> Removal cost for regulated companies is charged to the retirement work order, which is mapped to account 1080005. Removal cost **for non-regulated generating plants** is charged directly to expense account 5060003.

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maintenance account with the cost of repairing the replaced part.

- c. If the replaced part is not repaired, retire the replaced part, at its original cost of installation labor and material and charge the appropriate retirement work order with the cost of removal (if applicable)<sup>2</sup>, less any salvage.
- d. If a new Capitalized Spare Part is purchased, capitalize in accordance with Section III. A. 1.

#### **3. Sales to Associated Companies**

Accounting instructions for sales to associated companies are included in AEP System Accounting Bulletin No. 21, "Sales of Material and Equipment Between Associated Companies."

#### **4. Sales to Outside Parties**

Accounting instructions for sales to outside parties are included in AEP System Accounting Bulletin No. 21A, "Sales of Facilities to Outside Parties."

#### **5. Record Keeping and Inventories**

All Capitalized Spare Parts are to be recorded in the appropriate primary electric plant account. Material Services/Supply Chain is responsible for tracking capitalized spare parts. The value of the Capitalized Spare Part will not be included in the Material & Supplies Account 1540 even though it may be tracked in the inventory system.

The following data is needed for proper accounting of capitalized spare parts:

- a. Total capitalized value of the CSP
- b. Primary electric plant account (utility account)
- c. Vintage Year (date capitalized)
- d. Work Order or PTR number

In order to comply with standard inventory control procedures, an identification tag will be attached to each

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Capitalized Spare Part. The tag will remain on the spare part, even if the part is in service, if possible.

A Capitalized Spare Parts Report should be processed at least quarterly for proper control. This report should include data as to appropriately account for Capitalized Spare Parts by Material Services Facility. It shall include such items as total capital value, vintage year, utility account, work order number (or PTR number), etc. It is the responsibility of Material Services to process the Capitalized Spare Parts Report and verify its accuracy. In the event of discrepancies, Material Services will resolve and account for the Capitalized Spare Parts accordingly.

A complete physical inventory of Capitalized Spare Parts is to be taken every two years and reconciled with the Capitalized Spare Parts Report in order to comply with standard inventory controls.

#### **B. Distribution Line Transformers and Meters**

Distribution line transformers, voltage regulators and meters have special accounting requirements mandated by the FERC Uniform System of Accounts as follows:

##### **1. First Installation**

The original cost of installation is capitalized for these items. This capitalization installation cost will remain identified with the equipment until the property is permanently removed from service.

##### **2. Subsequent Installations**

Charge the appropriate maintenance account with the cost of installing the equipment.

##### **3. Removal of the Equipment**

- a. If the replaced equipment is to be repaired, charge the appropriate maintenance account with the cost of removal and repair.
- b. If the replaced equipment is to be retired, charge the appropriate retirement work order with the cost of removal, less any salvage, and retire the replaced equipment at its original cost including the original capitalized installation costs.

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#### **C. Other Spare Parts – Materials and Supplies (Inventory)**

The cost of all spare parts designated as Materials and Supplies is chargeable to Account 1540, Plant Materials and Operating Supplies, and accounting therefore will be similar to that accorded all other regular materials and supplies items.



## Accounting Policy/Procedure

Policy/Procedure Title	Accounting for Ash Disposal Costs	Date	9/10/10
<b>Purpose</b>			
<p>This accounting policy / procedure memo serves to update and replace AEP Accounting Bulletin 16, “Accounting for Ash Disposal Costs.” This document addresses circumstances under which ash disposal costs should be capitalized versus expensed and when capitalized facilities cost should be retired.</p> <p><i>This policy / procedure document may not be released to parties outside AEP without the approval of the Chief Accounting Officer.</i></p>			
<b>Policy/Procedure Statement</b>			
<p><b>Accounting Policy</b></p> <p><b><u>Background</u></b></p> <p>FERC acct 501 (Fuel), item 15 states, “residual disposal expenses less any proceeds from sale of residuals,” should be classified to that account. Past FERC audits have concluded that “residual disposal expenses” includable in Account 501 are limited to “the additional expenses of disposing of ashes after they are accumulated at a generating plant.” All other costs of operating and maintaining ash collecting, storage and handling equipment classified to Account 312, Boiler Plant Equipment, should be charged to either 502, Steam Expenses, or 512, Maintenance of Boiler Plant, regardless if equipment is located inside or outside of the generating plant building.</p> <p>If a legal obligation to remediate the land upon closure exists, an asset retirement obligation (ARO) shall be set-up as of the date of first use of the disposal site. This is done by debiting 101, ARO asset and crediting 230, ARO liability for the fair value of the obligation. The asset is then depreciated over its useful life and the liability accreted to the settlement date. The Property Accounting department shall be consulted to determine (with AEP Legal’s approval) whether an ARO shall be set-up and as to the correct valuation and accounting.</p> <p>AEP currently uses (2) methods to store and dispose of ash:</p> <ol style="list-style-type: none"> <li>1. Ash Disposal Ponds</li> <li>2. Ash Disposal Landfills</li> </ol> <p>An ash disposal pond is an impoundment formed by constructing either a dam across a valley or dikes around a specified area (flat site). Residuals from burning coal are transported to the disposal pond as a slurry from an associated plant. The residuals settle within the pond and the transport water is decanted into a stream. Sluicing operations continue until the pond is filled or the plant is retired. Generally, activities such as draining, regrading, placing an earth cover over the facility and vegetating the area are initiated only in connection with final closure.</p>			

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.**



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®A landfill is a filling operation conducted at a site which could be a valley, side of a hill or flat area. Residuals (including fly ash, bottom ash, gypsum and other FGD waste) from burning coal are moistened to the consistency of wet sand and transported by truck to engineered and licensed fill sites. The residual is spread and compacted by earth-moving equipment to established lines and grades. A temporary earth cover is placed on slopes and surfaces in which work must be postponed for an extended period of time due to the predetermined sequence of constructing the fill. As the landfill is progressively filled, a permanent earth cover is placed on the final exterior slopes and surface.

### Accounting Treatment

#### Ash Transportation and Disposal, Site & Ash Equipment Maintenance, Including Sales

##### Account 501, Fuel

- Any costs and revenues associated with permanent disposal or utilization by others of ash prior to the final closing of an ash disposal site, regardless of how or where such disposal takes place.
- Permanent disposal is only present when there is a high probability that the ash will never be moved again.
- Moving and stockpiling costs associated with an AEP System construction project.
- Costs incurred to market ash or subsidize ash utilization by others. This includes moving and stockpiling costs incurred to facilitate the sale of ash.
- The ongoing cost of temporarily covering a landfill with earth and seeding, unrelated to the final closing. Includes costs to develop and/or reclaim a borrow area if it is not part of a construction or retirement project.
- Cessation costs incurred prior to the final closing.

##### Account 502, Steam Expenses

- All costs associated with operating ash collecting, storage and handling equipment classified to Account 312, Boiler Plant Equipment, including the ash disposal site itself, except for permanent disposal and site closure.
- Expense of moving ash within an existing disposal facility which does not represent permanent disposal or an increase in the capacity of that disposal facility.

##### Account 512, Maintenance of Boiler Plant

- All costs associated with maintaining ash disposal equipment classified to Account 312, Boiler Plant Equipment, unless such equipment is dedicated to a disposal site closure.

##### Account 107, CWIP

- With regard to those circumstances where ash is used for an internal AEP System construction project and the normal operations of the ash disposal facility would ultimately have required removal of the ash, then the cost of excavating and hauling the ash to the construction site should be charged to

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## Accounting Policy/Procedure

Account 501, unless the construction site is more than five travel miles further away than the normal ash disposal site.

- Capitalize incremental costs incurred for transportation of ash for use in an internal AEP System construction project if the additional transportation distance exceeds five travel miles from the normal ash disposal site. For example, if the normal ash disposal site is three travel miles from the plant, incremental costs can only be capitalized if the construction site is more than eight travel miles from the plant (three miles plus five miles). The incremental cost to be capitalized is the additional cost of hauling the ash more than the normal three miles in this example.
- When the removal is necessitated by construction activity at the disposal site and the removal would not have been required otherwise, the full cost should be charged as site preparation to the construction project.

### Disposal Site Construction

The following costs should be capitalized in Account 312, Boiler Plant Equipment. Service life must be greater than 1 year for capitalization, otherwise costs should be charged to Account 502 or if the costs related to permanent disposal, 501.

- Costs associated with the initial construction of a pond or landfill prior to the initial receipt of ash, including any initial costs to develop a borrow area as part of the construction project.
- Subsequent expansions of capacity.
- Subsequent site preparation such as the clearing and grading of land associated with the progressive development of a contiguous area.
- Cost of acquiring or constructing long-lived retirement unit assets to perform closing activities.
- Cost of converting a site for disposal of an alternate type of ash.

### Disposal Site Retirement

A disposal site should be retired when it has been filled to its intended capacity and/or is no longer used and useful. The book cost of the ash disposal facility should be credited to Account 101, Plant in Service and charged to Account 108, Accumulated Provision for Depreciation of Plant.

If an ARO has been established,

- Closure costs are initially charged to the ARO settlement work order established for the particular ash disposal facility and cleared monthly to Account 230, Asset Retirement Obligations.

If an ARO has not been established,

- For regulated facilities, closure costs are charged to Account 108.
- For non-regulated facilities, closure costs are charged to Account 5060003.

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Closure costs include:

- Cost of final closing activities, such as covering with earth and seeding. If applicable, include costs to develop a borrow area and/or reclaim a borrow area if it will not be used for future projects.
- Cost of post closure monitoring and maintenance of the closed facility, as required by the applicable environmental regulations (such as monitoring/testing wells, maintaining fence, mowing the closed disposal site and turf repair). After the required post closure monitoring period, such items would be charged to maintenance expense.
- Cost of operating and maintaining capitalized equipment dedicated to an ash disposal site closure (such as repair of monitoring wells).

### **Guidelines for Classification of Ash Disposal Costs**

- Costs incurred in moving and stockpiling ash between the pond and a temporary stockpile should be charged to Account 502.
- Costs incurred in moving and stockpiling ash between the pond and a permanent disposal site should be charged to Account 501.
- Costs incurred in moving and stockpiling ash between the pond and an AEP System construction project should be charged to Account 501 unless the five mile criterion applies then the incremental costs should be charged to Account 107.
- Cost incurred in moving and stockpiling ash between one temporary stockpile and another temporary stockpile should be charged to Account 502.
- Costs incurred in moving and stockpiling ash between a temporary stockpile and a permanent disposal site should be charged to Account 501.
- Costs incurred in moving and stockpiling ash between a permanent disposal site and an AEP System construction project should be charged to Account 107.

### **References and Links**

FERC USofA

[FERC: Uniform System of Accounts - Webpage](#)

[Link to the FERC: Uniform System of Accounts - Electric](#)

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## Accounting Policy/Procedure

Policy/Procedure Title	Accounting for Ash Disposal Costs – Interpretive Guidance	Date	4/13/18
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FERC account 501 (Fuel), item 15 states, “residual disposal expenses less any proceeds from sale of residuals,” should be classified to that account. Accounting Bulletin 16, Accounting for Ash Disposal Costs, provides the following additional guidance:

Past FERC audits have concluded that “residual disposal expenses” includable in Account 501 are limited to “the additional expenses of disposing of ashes after they are accumulated at a generating plant.” All other costs of operating and maintaining ash collecting, storage and handling equipment classified to Account 312, Boiler Plant Equipment, should be charged to either 502, Steam Expenses, or 512, Maintenance of Boiler Plant, regardless if equipment is located inside or outside of the generating plant building.

The “residuals” referred to above may include fly ash, bottom ash, flue gas desulfurization material or other scrubber residues. Whether the residuals make it to the final ash disposal site through the normal process or whether they collect at some point along the way and have to be vacuumed, broken up or otherwise removed, is not relevant to the classification as 501 fuel. If the activity is being performed to remove and dispose of residuals at a final ash disposal site, the cost is appropriately included in Account 501.

To promote consistent accounting across plants, illustrative examples are provided below. Use of the term ash in these examples is intended to encompass both ash and other by-products from burning coal.

**Account 501 (Fuel)**

- 1 – Transportation to and placement of ash at a final ash disposal site
- 2 – Removal and disposal of ash that has collected in the flue gas ductwork
- 3 – Removal and disposal of ash located in the collection hoppers (precipitator, economizer, or baghouse)
- 4 – Breakup and removal of clinkers in the boiler ash hopper
- 5 – Internal boiler ash vacuuming (including the penthouse)

**O&M – Account 502, Steam Expenses or 512, Maintenance of Boiler Plant**

- 1 – Cost of operating air pollution control equipment, including operation of fly ash bins, silos and pump houses
- 2 – Cost of operating water pollution control facilities in the ash disposal system, including the costs of checking, adjusting, clearing and lubricating motors and related equipment of the bottom ash pond reclaim water system
- 3 – Cost of operating ash handling equipment
- 4 – Boiler deslag activities
- 5 – Vacuuming other miscellaneous waste (such as insulation)

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Accounting Policy & Research.**



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Accounting for Sales of Utility Assets	<b>Date</b>	9/30/14
<b>Purpose</b>			
<p>This accounting policy / procedure memo serves to update and replace AEP Accounting Bulletins 21, “Accounting for Sales of Material and Equipment Between Associated Companies” and 21A, “Sales of Facilities to Outside Parties.” The purpose of this Accounting Bulletin is to clarify AEP System policy regarding the sale or transfer of utility assets, including materials and supplies, capitalized spare parts and other tools or equipment (hereinafter referred to as “utility assets”), and to establish AEP System uniformity regarding the accounting classifications pertaining to such sales and the pricing determination between affiliated utility companies.</p> <p><i>This policy / procedure document may not be released to parties outside AEP without the approval of the Chief Accounting Officer.</i></p>			
<b>Policy/Procedure Statement</b>			
<p><b>I. REGULATORY REQUIREMENTS BY COMPANY</b></p> <p>A. <u>All Public Utility Companies</u></p> <p>1. Section 203 of the Federal Power Act states that no public utility shall, without first having secured an order of the Federal Energy Regulatory Commission (FERC) authorizing it to do so:</p> <ul style="list-style-type: none"> <li>• sell, lease or otherwise dispose of the whole of its facilities subject to the jurisdiction of FERC, or any part thereof with a value in excess of \$10 million;</li> <li>• merge or consolidate, directly or indirectly, such facilities or any part thereof with those of any person, by any means whatsoever. (\$1 threshold)</li> </ul> <p>Section 203 applies to sales of jurisdictional facilities by public utilities both to third parties and to affiliates.</p> <p>2. Regulations in 18 CFR 35.44(b) and 18 CFR 35.39(e) provide pricing requirements for sales of non-power goods or services between franchised public utilities and market-regulated (competitive) power sales affiliates:</p> <ul style="list-style-type: none"> <li>• sales of non-power goods or services by franchised public utilities to market-regulated power sales affiliates must be at the higher of cost or market price</li> <li>• sales of non-power goods and services by a market-regulated power sales affiliate to an affiliated franchised public utility may not be at a price above market.</li> </ul>			

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These pricing requirements exist in many states as well, and are referred to throughout this policy as the “asymmetric pricing rules.”

3. The relevant state public utilities commissions have approved the following affiliate agreements that authorize certain transfers of utility assets between Appalachian Power Company (APCo), Indiana Michigan Power Company (I&M), Kentucky Power Company (KPCo), Ohio Power Company (OPCo), AEP Generating Company (AEPGCo), Kingsport Power Company (Kingsport), Wheeling Power Company (Wheeling) (collectively, the AEP East Utility Companies) and AEP Generation Resources (AEPGR).

- a. Affiliated Transactions Agreements for Sharing Capitalized Spare Parts (January 1, 2014) governs sales of Capitalized Spare Parts (“CSP”) between AEPGR and APCo, I&M, KPCo or AEPGCo. Sales of CSP will be at net book value.
- b. Affiliated Transactions Agreement for Sharing Materials and Supplies (January 1, 2014) governs sales of Materials and Supplies (“M&S”) between AEPGR and APCo, I&M, KPCo, OPCo or AEPGCo. Sales from AEPGR will be at lower of cost or market. Sales to AEPGR will be at higher of cost or market.
- c. Affiliated Transaction Agreement (December 31, 1996) governs the sales of M&S between the AEP East Utility Companies which will be priced at cost.
- d. AEPSC Service Agreements, under which AEPSC provides goods and services at cost.

Affiliate transactions that are not governed by the agreements listed above are subject to state regulations set out below. At this time, the AEP state transmission companies (transcos) are not parties to the affiliate agreements, and the following state requirements apply to transactions involving the transcos.

**B. Appalachian Power Company, AEP Appalachian Transmission Company and AEP West Virginia Transmission Company**

West Virginia pricing and approval requirements:

- Sales of utility assets with a book value in excess of \$50,000 require West Virginia Public Service Commission (WVPSC) approval if sold to a competitive affiliate or to a non-affiliate.
- Sales of utility assets with a book value under \$1 million do not require WVPSC approval if sold at book value to a regulated utility affiliate.

Virginia pricing and approval requirements:

- Virginia State Corporation Commission (VSCC) approval is required for all affiliate transactions.

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Additional requirements:

- All affiliate sales are required to be tracked and reported to the VSCC and WVPSC annually.

C. Wheeling Power Company

Any sale of utility assets must be approved by the WVPSC.

D. Indiana Michigan Power Company and AEP Indiana Michigan Transmission Company

Michigan pricing:

- asymmetrical pricing rules apply to transactions with any affiliate

Additional requirements:

- sales of utility assets with original book value in excess of \$50 million must be approved by the Michigan Public Service Commission

Indiana pricing:

- no state pricing or approval requirements

Additional requirements:

- all affiliate agreements must be filed with the Indiana Utility Regulatory Commission in advance of the date the agreement takes effect

E. Ohio Power Company and AEP Ohio Transmission Company

Pricing:

- reasonable and non-discriminatory

Additional requirements:

- affiliate transactions must be recorded and reported annually in the Cost Allocation Manual
- transactions between OPCo and AEP Ohio Transco must be approved by the Public Utilities Commission of Ohio

F. Kentucky Power Company and AEP Kentucky Transmission Company

Pricing:

- asymmetrical pricing rules apply to transactions with any affiliate

Additional requirements:

- any sale of utility assets with original book value of more than \$1 million must be approved by the Public Service Commission of Kentucky

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G. Kingsport Power Company

Pricing:

- no state pricing requirements

Additional Requirements:

- the disposition of utility assets and affiliate transactions are subject to prudency review in base rate cases
- the purchase or sale of substantial utility asset(s) is subject to prior approval by the Tennessee Regulatory Authority

H. AEP Texas North Company and AEP Texas Central Company (AEP Texas) and Electric Transmission Texas (ETT)

Pricing:

- fair and reasonable to customers, generally represented by fully allocated costs

Additional requirements:

- Any sale or acquisition of utility assets owned by AEP Texas or ETT as an operating unit or system for a total consideration of more than \$10 million must be subsequently reported to the Public Utility Commission of Texas (PUCT) for review.
- Any transfer of utility assets to a competitive affiliate with a per unit value of \$75,000 or a total value of \$1 million must be the result of a fair, competitive bidding process formalized in a contract as required by the PUCT's competitive bidding rule. The competitive bidding requirement also applies to the purchase of utility assets by AEP Texas or ETT from a competitive affiliate.

I. Southwestern Electric Power Company and AEP Southwestern Transmission Company

Texas Pricing: see AEP Texas discussion, above.

Arkansas and Louisiana pricing:

- asymmetrical pricing rules apply to transactions with any affiliate

Additional requirements:

- Louisiana commission approval is required for transfers involving 1% or more of SWEPCo or Southwestern Transco's net assets.

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## Accounting Policy/Procedure

J. Public Service Company of Oklahoma and AEP Oklahoma Transmission Company

Pricing:

- asymmetrical pricing rules apply to transactions with any affiliate

K. AEP Generation Resources Inc.

1. Materials and Supplies

Sales of M&S from AEPGR to an AEP East Utility Company will be at the lower of fully allocated cost or prevailing market prices, including actual transportation costs. For transactions where market is lower than cost, the difference will be charged to account 4560001, Oth Elect Rev – Affiliated, on AEP Generation Resources and credited to account 5060002, Misc Steam Power Exp – Assoc, on the AEP East Utility Company.

Sales of M&S from an AEP East Utility Company to AEPGR will be at the higher of fully allocated cost or prevailing market prices, including actual transportation costs. For transactions where market is higher than cost, the difference will be charged to account 5060002, Misc Steam Power Exp – Assoc, on AEP Generation Resources and credited to account 4560001, Oth Elect Rev – Affiliated, on the AEP East Utility Company.

The market price will be determined as follows:

- a. If the item exists on a blanket, use the blanket purchase order price, else
- b. Use the previous purchase price if one exists within 12 months prior, else
- c. Obtain a quote to determine market price.

2. Capitalized Spare Parts

Capitalized spare parts will continue to be transferred between AEP East Utility Companies and AEPGR at net book value, as allowed by FERC waiver.

3. Other Utility Assets

There are no state pricing or approval requirements governing AEPGR's sale of utility assets to affiliates; however, the regulations governing the affiliate purchasing such assets will apply. Purchases by AEPGR from affiliates will also be governed by the regulations that apply to the selling affiliate.

L. Buckeye Power, Inc.

Buckeye Power has certain contractual rights to use Major Spare Parts, the billing for which is set out in Article 4 of Amendment 12 of the Station Agreement

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between AEPGR, Buckeye Power, and Cardinal Operating Company. (January 1, 2014).

With the exception of transactions involving Major Spare Parts, Buckeye Power is considered a non-affiliate for purposes of this policy.

### M. Ohio Valley Electric Corporation

OVEC is generally treated as a franchised public utility affiliate of the AEP Utility Companies for purposes of federal and state rules governing affiliate transactions. AEP Legal should be consulted for sales of utility assets involving OVEC.

## II. BILLING PRICE AND REPORTING REQUIREMENTS

### A. Sales Between Affiliates

Prior to negotiating the sale of utility assets to an affiliate: (1) ownership should be verified with the appropriate plant accounting personnel, and (2) applicability of regulatory transfer price and approval requirements should be verified with the appropriate Accounting, Supply Chain or Legal Department personnel.

Sales of utility assets between affiliated public utility companies are priced subject to the regulatory requirements described in Section I. Units that are jointly owned by AEPGR and a regulated utility affiliate are treated as regulated for purposes of pricing. See Section I.K, above, for discussion of pricing for sales between regulated utilities and AEPGR.

### B. Sales to Non-Affiliates

1. Prior to negotiating the sale of an item to a non-affiliate: (1) ownership should be verified with the appropriate plant accounting personnel, and (2) applicability of regulatory approval requirements should be verified with the appropriate Legal Department personnel, particularly for sales of generation, transmission or substation assets that are in operation.

2. Sales to non-affiliates should generally not be done at less than net book value (NBV). A sale at less than NBV requires a valid business reason and management approval.

3. Sales of utility assets to non-affiliates are often subject to state and/or local sales taxes. Such taxes shall be included in the selling price as a separate item and collected from the buyer, unless the buyer qualifies for exemption from the particular tax and presents evidence of such exemption.

4. Any questions as to the appropriate Federal income tax treatment to be applied to gains or losses incurred as a result of sales of facilities to non-affiliates should be directed to the Tax Department.

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Property Accounting and/or Accounting Policy & Research**



## Accounting Policy/Procedure

### C. Sales Price Determination Date

The sales price shall be calculated as of the month the sale is recorded. The retirement date for any capital equipment sold should be the same as the date used to calculate its selling price (i.e., no accumulated book depreciation may be excluded from the billing computation).

### D. Notification of Affiliate Transactions

A Net Book Value/Sale Request Form must be initiated by the engineer or other employee requesting the transfer of utility assets between companies and forwarded to Property Accounting.

Additionally, Form LEG-9 must also be completed and submitted to Property Accounting for all sales of utility assets above \$50,000 or in any instance requiring asymmetric pricing.

Property Accounting will review and approve the forms. Property Accounting will forward any request that does not fall within the pre-approved transactions discussed above (certain M&S, CSP transactions) to AEP Legal – Regulatory to coordinate any required regulatory filings. A complete and approved copy of the form will be filed in Property Accounting.

## **III. COST FACTORS CONSIDERED IN ESTABLISHING BILLING PRICE FOR SALES BETWEEN AFFILIATED COMPANIES**

Subject to the regulatory transfer price and approval requirements set forth in Section I, this section describes general principles for determining the net book value/cost based price of items of utility assets sold by one affiliate to another under this policy.

### A. Material Cost

#### 1. Certain Distribution Equipment

Certain distribution equipment not individually identified in the plant records, but instead valued at a cumulative average price for all property with the same material and equipment number is to be valued at the average stock ledger price in effect at the time of sale (this relates to such items as poles, conductor and line hardware). In the case of line transformers and meters, applicable overheads, stores expense and depreciation, should be included in the billing price.

#### 2. Minor Items of Property

Minor items of property classified to Account 154, Plant Materials and Operating Supplies are to be valued at the average stock ledger price in effect at the time of sale. Additional stores expense charges should not be included in the selling price.

#### 3. Major Project Construction Property & Equipment

All property (including “mass” property) associated with the construction of

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## Accounting Policy/Procedure

major generating stations or other major construction projects, as well as any construction equipment purchased for use in such construction activity, and charged directly to Account 107, Construction Work in Progress, at time of purchase is to be valued at original material cost, estimated if not known, or cost of most recent purchase for “mass” property items. Such cost includes invoice price of the property (less discounts), original inward transportation and haulage charges, and directly assigned taxes. Accumulated book depreciation on capitalized equipment should be deducted from this selling price. Any AFUDC recorded should remain associated with the construction project, not the construction equipment.

#### 4. Miscellaneous Retirement Unit Property

For retirement unit property, material cost shall be based on original cost less accumulated depreciation, estimated if not known. Such cost includes the invoice price of the property (less any discounts), any applicable construction overheads, AFUDC, or stores expense originally charged to the purchase, and when directly charged to such property, the original inward transportation and haulage charges to the initial destination on the selling company’s property, directly assigned taxes, and any assembly or testing costs incurred, where applicable.

Material cost does not include installation costs or handling expenses associated with moving the item(s) from one location to another on the selling company’s own premises.

#### B. Depreciation

##### 1. Definitions

- a. Book Depreciation - cumulative depreciation actually recorded for an item of property computed from the month following the in-service date (reasonably estimated if not ascertainable) at the appropriate composite depreciation rate used to record book depreciation. Accumulated depreciation for property written off due to a plant retirement or other similar reason is to be determined as of the date the write-off was recorded.
- b. Observed Depreciation - the portion of the original cost of an item of property consumed due to action of the elements (i.e., physical deterioration resulting from environmental conditions) and wear and tear due to use.

Observed depreciation may be considered for items of property which are not depreciated for book purposes and for capitalized minor items of property which would otherwise be sold at original cost.

##### 2. Basis for Determining Observed Depreciation

Whenever the current accumulated book depreciation (based on composite depreciation rates) is deemed to require upward adjustment for billing purposes due to excessive wear and tear, action of the elements or an economic life

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which is materially less than the average economic life of all items of property which comprise the composite group, consideration of book depreciation may be replaced with observed (actual physical) depreciation. A reduction in previously recorded accumulated depreciation is not permitted for purposes of determining an intercompany selling price for retirement unit property.

Observed depreciation may also be employed in regard to property which is not depreciated for book accounting purposes, such as equipment used in major construction projects. Engineering shall provide the amount of observed depreciation, as determined by a non-affiliated expert. Observed depreciation may not be employed in the determination of the selling price of land.

Non-depreciated property with a diminutive value may be valued at a percentage of original cost based on its condition as follows:

### Physical Condition Valuation Percentage

Excellent	100%
Good	75%
Fair	50%
Poor	25%

If the application of the above appropriate percentage results in a selling price of more than \$10,000 for any item, the value of such an item shall not be considered diminutive. The price of such an item must instead be based on original cost less observed depreciation as determined by a non-affiliated expert.

### C. Stores, Handling and Packing Expenses, and Transportation Charges

The purchasing company is to assume all handling, packing and transportation charges incurred in moving the property from the seller's premises to that of the purchaser. Title should transfer at the point of shipment. The purchasing company shall include a stores expense charge on all material purchased from an affiliate where applicable (the type of stores expense code used is dependent on involvement of operating company's stores personnel).

### D. Repairs, Refurbishing and Reconditioning Expenses

#### 1. "Acceptable Condition"

Property sold to an affiliated company must be in "acceptable condition" unless otherwise indicated. In the absence of specific disclosure to the contrary, the following representations will be presumed to be implicitly made by the selling company:

- a. New or Unused Property - represented to be in both excellent operating and physical condition.
- b. Used Property - represented to be capable of operating efficiently and properly for its intended use.

**Direct Any Questions Regarding the Application of this Policy/Procedure to  
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## Accounting Policy/Procedure

### 2. Assignment of Expenses

It is the responsibility of each operating company to maintain their property in “acceptable condition” at all times.

If the selling company has been negligent in maintaining property in such condition, then any necessary repair costs will be paid by the selling company at the time of sale.

However, if the purchasing company desires to have certain repairs and refurbishing work done which is above normal operating requirements, then such costs will be paid by the purchasing company and charged to the appropriate construction work order or in Account 154, Plant Materials and Operating Supplies, or other appropriate accounts, as applicable.

From time to time there will be circumstances in which the owning company does not maintain property under the “acceptable condition” criteria described above (i.e., retired unit property). In these circumstances the selling company should disclose that the property is not in “acceptable condition” and the purchasing company shall pay the repair costs if they want the property as disclosed.

If property arrives at its destination in other than the prescribed condition, the purchasing company may notify the selling company about the nature and extent of necessary repairs, and thereafter restore such property to “acceptable condition” and charge the selling company for the costs incurred. However, if damage occurs in shipment, the purchasing company shall file appropriate claims for damage and/or losses against the carrier(s). If a dispute arises regarding the condition of property or the allocation of repairs/costs, such dispute shall be resolved by management in the appropriate shared services departments.

## IV. ACCOUNTING CLASSIFICATIONS

Once an item is sold, the selling and purchasing companies should reflect the sale in their accounting records as follows.

### A. Selling Company

#### 1. Operating Units or Systems

All charges and credits for sold electric plant which constitutes an operating unit or system should initially be recorded in Account 102, Electric Plant Purchased or Sold. Proposed journal entries to clear Account 102 should be provided to Accounting Policy & Research for review prior to filing with the FERC (see Electric Plant Instruction No. 5 of the FERC USofA) or if required, the appropriate state commissions. Any questions regarding what property would be considered an operating unit or system should be addressed to Accounting Policy & Research.

**Direct Any Questions Regarding the Application of this Policy/Procedure to  
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## Accounting Policy/Procedure

### 2. Non-Operating Unit or System Retirement Unit Property

All charges and credits for property retired, including all those identified herein as Cost Factors (Section III) assignable to the selling company are to be recorded in an appropriate retirement work order.

No loss is to be recorded for depreciable property sold at less than net book value (i.e., sold at original cost less observed depreciation). The difference between the selling price and original cost is to be recorded as a debit to Account 108, Accumulated Provision for Depreciation of Electric Utility Plant, unless such accounting would distort the reserve account for that particular class of asset, in which case Property Accounting should be contacted to determine the proper accounting treatment.

### 3. Property in Account 154, Plant Materials and Operating Supplies

#### a. Material Cost

Record as a credit to Account 154.

#### b. Depreciation

Observed depreciation relating to property salvaged in connection with maintenance work or never issued from stock is to be charged to the maintenance account to which the property would have been charged when used, or to Account 163, Stores Expense Undistributed, if the former classification does not apply.

Note - If it is believed that a charge to Account 163 would cause undue distortion of the stores loading rate, the matter should be referred to Expense Allocations for consideration.

#### c. Repairs Refurbishing and Reconditioning Expenses

i. For property salvaged in connection with maintenance work, applicable costs are to be charged to the same maintenance account credited when the property was salvaged.

ii. For property never issued from stock, applicable costs are to be charged to Account 163, Stores Expense Undistributed.

iii. For property previously retired from service, refurbishing and reconditioning expenses are charged to M&S Inventory.

Note - If such work done by fixed classification stores personnel is relatively minor, it may be impractical to classify their time to accounts other than Account 163.

### 4. Major Generating Unit Construction Property

The net proceeds for property sold shall be credited to the applicable construction work order as reductions in the total cost of the unit.

**Direct Any Questions Regarding the Application of this Policy/Procedure to  
Property Accounting and/or Accounting Policy & Research**



## Accounting Policy/Procedure

### B. Purchasing Company

#### 1. Material Cost (Net of Depreciation) Plus Transportation Charge, Stores Expense (If Applicable) and Other Handling Expenses

##### a. Operating Units or Systems

The cost of electric plant acquired as an operating unit or system should initially be recorded in Account 102, Electric Plant Purchased or Sold. Proposed journal entries to clear Account 102 should be provided to Accounting Policy & Research for review prior to filing with the FERC (see Electric Plant Instruction No. 5 of the FERC Uniform System of Accounts) or, if required, with the appropriate state commissions. Any questions regarding what property would be considered an operating unit or system should be addressed to Accounting Policy & Research.

##### b. Non-Operating Unit or System Retirement Unit Purchases

The net cost of the retirement unit property plus any related transportation or handling expenses should be recorded to the appropriate construction work order.

For a parent or subsidiary company (does not include sales between affiliated operating companies) the original cost to the selling company of retirement unit property acquired which does not constitute an operating unit or system, plus any related transportation or handling expenses, shall be charged to the appropriate construction work order. The difference between the original cost and the purchase price shall be credited to Account 108, Accumulated Provision for Depreciation of Electric Utility Plant.

##### c. Other Property Purchased

Charge the appropriate construction work order, maintenance account, or Account 154, Plant Materials and Operating Supplies, as applicable, with the purchase price, plus transportation charges, stores expense (if applicable) and other handling expenses.

Where it is not practical to identify and directly assign transportation charges to particular property purchased, they shall be charged to Account 163, Stores Expense Undistributed.



## Accounting Policy/Procedure

### References and Links

#### Internal

[Affiliated Transactions Agreements for Sharing Capitalized Spare Parts](#)(January 1, 2014)

[Affiliated Transactions Agreement for Sharing Materials and Supplies](#) (January 1, 2014)

[Affiliated Transaction Agreement](#) (December 31, 1996)

#### Accounting Procedures

- [Sales of Materials and Supplies](#) (January 1, 2014)
  - [Sales of Materials and Supplies pricing diagrams](#)
- [Affiliate Sales of Non-power Services](#) (January 1, 2014)

#### External

#### FERC USofA

[FERC: Uniform System of Accounts - Webpage](#)

**Direct Any Questions Regarding the Application of this Policy/Procedure to  
Property Accounting and/or Accounting Policy & Research**



**AFFILIATED TRANSACTIONS AGREEMENT**  
**FOR SHARING**  
**CAPITALIZED SPARE PARTS**

This Affiliated Transactions Agreement (this “Agreement”) is made and entered into effective as of the 1<sup>st</sup> day of January, 2014, by and among American Electric Power Service Corporation, a New York corporation, as agent for Appalachian Power Company, a Virginia corporation; Indiana Michigan Power Company, an Indiana corporation; Kentucky Power Company, a Kentucky corporation; and AEP Generating Company, an Ohio corporation (collectively referred to as “AEP Utility Companies”), and AEP Generation Resources Inc., a Delaware corporation (referred to as “AEP Generation Resources”).

**WITNESSETH**

**WHEREAS**, the AEP Utility Companies own and/or operate multiple electric generating units that use and share with each other various capitalized spare parts (“Capitalized Spares”); and

**WHEREAS**, Ohio Power Company, an affiliate of the AEP Utility Companies, also owns through December 31, 2013 multiple electric generating units that use Capitalized Spares and share them with the AEP Utility Companies; and

**WHEREAS**, the program for sharing Capitalized Spares (the “Program”) among the individual AEP Utility Companies and Ohio Power Company has existed since the mid-1980’s or longer; and

**WHEREAS**, the plants owned and/or operated by the AEP Utility Companies and Ohio Power Company are unique in the industry, in that many units of the same or similar size and design were built to allow parts to be shared among the units; and

**WHEREAS**, in the event of equipment failure in a Capitalized Spare, the Program allows each of the participant companies to get access to a replacement Capitalized Spare much quicker than if such participant company were required to start and follow a competitive bidding process at the time of the Capitalized Spare failure; and

**WHEREAS**, the Program allows each participant company to lower its costs by maintaining a smaller inventory of Capitalized Spares than it would have to maintain if it were not a participant company in the Program; and

**WHEREAS**, the Program results in substantial savings in cost and time to each of the participant companies; and

**WHEREAS**, effective December 31, 2013, Ohio Power Company will transfer to AEP Generation Resources numerous electric generating units; and

**WHEREAS**, both the AEP Utility Companies and AEP Generation Resources desire to continue the Program for sharing Capitalized Spares following the transfer of certain generating assets from Ohio Power Company to AEP Generation Resources; and

**WHEREAS**, for the reasons set forth above, this Agreement is in the public interest;

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants, agreements and representations set forth herein, the parties intending to be legally bound hereby agree as follows:

**Article 1**  
**THE PROGRAM**

A. The Program for sharing Capitalized Spares applies to sales of plant and equipment (but not materials and supplies) from one AEP Utility Company to another AEP Utility Company or to AEP Generation Resources, and from AEP Generation Resources to an AEP Utility Company. This Agreement, however, relates only to sales of Capitalized Spares from an AEP Utility Company (individually a “Party”) to AEP Generation Resources and from AEP Generation Resources (also a “Party”) to an AEP Utility Company; it does not apply to sales between two AEP Utility Companies.

B. In the event that one of the Parties needs a Capitalized Spare that another Party has in inventory, the Party that needs the Capitalized Spare (the “Receiving Party”) can request that the Capitalized Spare be made available to it. Each Party agrees that if it has a Capitalized Spare that another Party requests, it (the “Delivering Party”) will provide the Capitalized Spare under the terms and conditions set forth in this Agreement, and each Receiving Party agrees to pay the Delivering Party the cost of such Capitalized Spare as provided herein.

C. A part that is replaced by a Capitalized Spare will be repaired and refurbished if possible and become a part of the Capitalized Spares inventory of the Receiving Party.

**Article 2**  
**COST**

A. Sales of Capitalized Spares under this Agreement will be at book value, net of accumulated depreciation, except as permitted by any other applicable order filed with FERC or required by applicable state rule.

**Article 3**  
**REPRESENTATIONS, WARRANTIES AND REMEDIES, AND**  
**LIMITATIONS OF LIABILITY**

A. Unless otherwise disclosed, a Delivering Party warrants that, at the time of transfer, the Capitalized Spare shall be capable of performing its intended function. If the Capitalized Spare fails to meet this standard and if the manufacturer's warranty does not cover the defect, then the Delivering Party shall, at its expense, repair or replace the Capitalized Spare, or may elect to refund the Receiving Party's payments and take back the Capitalized Spare.

B. Except as expressly provided herein, each Receiving Party acknowledges that the Delivering Party has not made any representation, warranty or covenant with respect to merchantability, condition, quality or durability of the Capitalized Spare, or any other representation, warranty or covenant of any kind or character, expressed or implied, with respect to the Capitalized Spare.

C. No Party hereunder shall be liable to any other Party for any special, indirect, incidental, punitive or consequential damages that may arise from participation in the Program.

**Article 4**  
**BILLING OF COSTS AND PAYMENTS**

A. Costs allocated to a Receiving Party shall be billed within 30 days of the end of each month. All amounts billed under this Agreement shall be paid by the Receiving Party within 15 days after receipt of the invoice.

**Article 5**  
**AMENDMENTS**

A. This Agreement may be amended from time to time by agreement of the Parties.

**Article 6**  
**WITHDRAWAL AND TERMINATION**

A. Any Party may withdraw from this Agreement upon not less than 180 days written notice to the other Parties, in which case this Agreement shall continue in effect after such withdrawal with respect to those Parties that do not withdraw. This Agreement may be terminated without notice if performance hereunder conflicts with any applicable rule, regulation or order of a governmental entity having authority over the Parties.

B. This Agreement shall not be effective with regard to Indiana Michigan Power Company until the later of January 1, 2014 or the date upon which it is filed with the Indiana Utility Regulatory Commission.

C. This Agreement shall not be effective with regard to Appalachian Power Company ("Appalachian") until such time, if ever, that it has obtained all governmental regulatory approvals necessary to participate in this Agreement. This provision shall not affect the obligations of any other party hereto. If this Agreement becomes effective as to Appalachian, it shall terminate as to Appalachian on the fifth anniversary of its receipt of any regulatory approvals.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed effective as of January 1, 2014.

**AMERICAN ELECTRIC POWER  
SERVICE CORPORATION, As Agent  
For Appalachian Power Company,  
Indiana Michigan Power Company,  
Kentucky Power Company, and  
AEP Generating Company**

**AEP GENERATION RESOURCES INC.**

By:   
Mark C. McCullough  
Executive Vice President -  
Generation

By:   
Charles E. Zebula  
President

**AFFILIATED TRANSACTIONS AGREEMENT**  
**FOR SHARING**  
**MATERIALS AND SUPPLIES**

This Affiliated Transactions Agreement (this “Agreement”) is made and entered into effective as of the 1<sup>st</sup> day of January, 2014, by and among American Electric Power Service Corporation, a New York corporation, as agent for Appalachian Power Company, a Virginia corporation; Indiana Michigan Power Company, an Indiana corporation; Kentucky Power Company, a Kentucky corporation; Ohio Power Company, an Ohio corporation; and AEP Generating Company, an Ohio corporation (collectively referred to as “AEP Utility Companies”), and AEP Generation Resources Inc., a Delaware corporation (referred to as “AEP Generation Resources”).

**WITNESSETH**

**WHEREAS**, the AEP Utility Companies own and/or operate multiple electric generating units and transmission and distribution systems that use and share with each other various materials and supplies (collectively “Materials”); and

**WHEREAS**, the program for sharing Materials (the “Program”) among the individual AEP Utility Companies has existed since the mid-1980’s or longer; and

**WHEREAS**, the plants and systems owned and/or operated by the AEP Utility Companies allow Materials to be shared among the plants and systems; and

**WHEREAS**, in the event of failure or shortfall in Materials, the Program allows each of the participant companies to get access to replacement Materials much quicker than if such participant company were required to start and follow a competitive bidding process at the time of the failure or shortfall; and

**WHEREAS**, the Program allows each participant company to lower its costs by maintaining a smaller inventory of Materials than it would have to maintain if it were not a participant company in the Program; and

**WHEREAS**, the Program results in substantial savings in cost and time to each of the participant companies; and

**WHEREAS**, effective December 31, 2013, Ohio Power Company will transfer to AEP Generation Resources numerous electric generating units; and

**WHEREAS**, both the AEP Utility Companies, including Ohio Power Company, and AEP Generation Resources desire to continue the Program for sharing Materials following the transfer of certain assets from Ohio Power Company to AEP Generation Resources; and

**WHEREAS**, for all of the reasons set forth above, this Agreement is in the public interest;

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants, agreements and representations set forth herein, the parties intending to be legally bound hereby agree as follows:

**Article 1**  
**THE PROGRAM**

A. The Program for sharing Materials covers sales of Materials from one AEP Utility Company to another AEP Utility Company or to AEP Generation Resources, and from AEP Generation Resources to an AEP Utility Company. This Agreement, however, relates only to sales of Materials from an AEP Utility Company (individually a “Party”) to AEP Generation Resources and from AEP Generation Resources (also a “Party”) to an AEP Utility Company; it does not apply to sales between two AEP Utility Companies, and the Affiliated Transaction Agreement dated December 31, 1996 related to such sales is not superseded hereby.

B. In the event that one of the Parties needs Materials that another Party has in inventory or available to it, the Party that needs such Materials (the “Receiving Party”) can request that the Materials be made available to it. Each Party agrees that if it has Materials that another Party requests, it (the “Delivering Party”) will provide the Materials under the terms and conditions set forth in this Agreement, and each Receiving Party agrees to pay the Delivering Party for such Materials as provided herein.

**Article 2**  
**PRICE**

A. Sales of Materials under this Agreement from AEP Generation Resources to an AEP Utility Company will be at the lower of fully allocated cost or prevailing market prices, including actual transportation costs, unless another pricing mechanism is directed or approved by an appropriate regulator.

B. Sales of Materials under this Agreement from an AEP Utility Company to AEP Generation Resources will be at the higher of fully allocated cost or prevailing market prices,

including actual transportation costs, unless another pricing mechanism is directed or approved by an appropriate regulator.

**Article 3**  
**REPRESENTATIONS, WARRANTIES AND REMEDIES, AND**  
**LIMITATIONS OF LIABILITY**

A. Unless otherwise disclosed, a Delivering Party warrants that, at the time of transfer, the Materials shall be capable of performing their intended function. If the Materials fail to meet this standard and if the manufacturer's warranty does not cover the defect, then the Delivering Party shall, at its expense, repair or replace the Materials, or may elect to refund the Receiving Party's payments and take back the Materials.

B. Except as expressly provided herein, each Receiving Party acknowledges that the Delivering Party has not made any representation, warranty or covenant with respect to merchantability, condition, quality or durability of the Materials, or any other representation, warranty or covenant of any kind or character, expressed or implied, with respect to the Materials.

C. No Party hereunder shall be liable to any other Party for any special, indirect, incidental, punitive or consequential damages that may arise from participation in the Program.

**Article 4**  
**BILLING OF COSTS AND PAYMENTS**

A. The price of Materials allocated to a Receiving Party shall be billed within 30 days of the end of each month. All amounts billed under this Agreement shall be paid by the Receiving Party within 15 days after receipt of the invoice.

**Article 5**  
**AMENDMENTS**

A. This Agreement may be amended from time to time by agreement of the Parties.

**Article 6**  
**WITHDRAWAL AND TERMINATION**

A. Any Party may withdraw from this Agreement upon not less than 180 days written notice to the other Parties, in which case this Agreement shall continue in effect after such withdrawal with respect to those Parties that do not withdraw. This Agreement may be terminated without notice if performance hereunder conflicts with any applicable rule, regulation or order of a governmental entity having authority over the Parties.

B. This Agreement shall not be effective with regard to Indiana Michigan Power Company until the later of January 1, 2014 or the date upon which it is filed with the Indiana Utility Regulatory Commission.

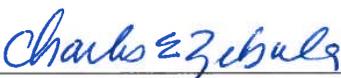
C. This Agreement shall not be effective with regard to Appalachian Power Company ("Appalachian") until such time, if ever, that it has obtained all governmental regulatory approvals necessary to participate in this Agreement. This provision shall not affect the obligations of any other party hereto. If this Agreement becomes effective as to Appalachian, it shall terminate as to Appalachian on the fifth anniversary of its receipt of any regulatory approvals.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed effective as of January 1, 2014.

**AMERICAN ELECTRIC POWER  
SERVICE CORPORATION, As Agent  
For Appalachian Power Company,  
Indiana Michigan Power Company,  
Kentucky Power Company, Ohio Power  
Company, and AEP Generating Company**

**AEP GENERATION RESOURCES INC.**

By:   
\_\_\_\_\_  
Mark C. McCullough  
Executive Vice President -  
Generation

By:   
\_\_\_\_\_  
Charles E. Zebula  
President

AFFILIATED TRANSACTIONS AGREEMENT

This AGREEMENT is made and entered into as of the 31st day of December, 1996, by and among American Electric Power Service Corporation, a New York corporation; Appalachian Power Company, a Virginia corporation; Columbus Southern Power Company, an Ohio corporation; Indiana Michigan Power Company, an Indiana corporation; Kentucky Power Company, a Kentucky corporation; Kingsport Power Company, a Virginia corporation; Ohio Power Company, an Ohio corporation; and Wheeling Power Company, a West Virginia corporation (each, a "Company" and collectively, the "Companies").

W I T N E S S E T H :

WHEREAS, the Companies are associate companies in the American Electric Power Company System which comprises American Electric Power Company, Inc. and its subsidiary companies; and

WHEREAS, the Companies have determined that significant operational efficiencies can be achieved by realigning their operations on a regional basis; and

WHEREAS, the Companies desire, where appropriate in certain limited situations, to provide services, sell goods and make facilities and vehicles available to each other;

NOW, THEREFORE, in consideration of such premises, the Companies hereby agree as follows:

ARTICLE I

AGREEMENT TO PROVIDE SERVICES, SELL GOODS AND  
MAKE FACILITIES AND VEHICLES AVAILABLE AND TO SHARE COSTS

Each Company (a "Delivering Company") agrees to provide services, sell goods and make facilities and vehicles available to the other Companies (a "Receiving Company"), if available, at the Receiving Company's request, upon the terms and conditions set forth in this Agreement. Each Receiving Company agrees to pay to the Delivering Company the cost of services, goods, facilities or vehicles received in accordance with Rules 90 and 91 of the Rules and Regulations of the Securities and Exchange Commission promulgated pursuant to the Public Utility Holding Company Act of 1935, upon the terms and conditions set forth in this Agreement.

ARTICLE II

ALLOCATION OF COSTS RELATING TO SERVICES

A. Costs relating to services which are provided by a Delivering Company to a Receiving Company shall be accumulated and allocated to the Receiving Company using accounts, work orders or other billing indicators. Labor costs, to the extent practicable, shall be allocated to the Receiving Company or Companies on the

basis of time records. Other costs which can be directly identified with services for a Receiving Company shall be allocated to that Company. Labor costs and other costs that cannot be directly identified with a Receiving Company but which benefit two or more Receiving Companies shall be allocated to the Receiving Companies based upon the ratios set forth in Schedule A to this Agreement or otherwise agreed to in writing between the Companies. The costs of outside services shall be charged directly by the vendor or supplier to the Receiving Company to the extent practicable.

B. Labor costs include (i) the costs of salaries, computed on the basis of each employee's hourly rate, and (ii) payroll-related expenses, overheads and other indirect expenses, allocated in the same proportion as the salaries are allocated.

*ARTICLE III  
ALLOCATION OF COSTS RELATING TO GOODS*

A. Costs related to materials and supplies sold by a Delivering Company to a Receiving Company shall include their book value plus a stores overhead charge for direct and indirect costs associated with purchasing and maintaining the inventory of materials and supplies. The overhead charge will not include investment carrying charges allocated as set forth in Paragraph B of this Article.

B. If a Delivering Company maintains inventory for a Receiving Company, costs associated with the Delivering Company's investment carrying charges for the stores facilities and the inventory will be allocated to the Receiving Company based on a ratio the numerator of which is the total dollar value of inventory issued from the facility to Receiving Company during the last twelve months and the denominator of which is the sum of the total dollar value of the inventory issued to all applicable Companies during the same twelve months. This ratio will be revised semi-annually. The costs also shall include an amount to compensate the Delivering Company for income taxes and other taxes to the extent applicable to such payments for such costs. Inventories at stores facilities will be owned by the Delivering Company.

C. Costs related to capitalized spare parts sold by a Delivering Company to a Receiving Company shall be their book value, net of accumulated depreciation.

*ARTICLE IV  
ALLOCATION OF COST OF FACILITIES AND VEHICLES*

Costs related to a facility of a Delivering Company used directly by a Receiving Company, including depreciation, property taxes, and investment carrying charges (or lease expense, if applicable) will be allocated to the benefitting Company as rent expense based on square footage occupied. Costs relating to a vehicle of the Delivering Company used directly by a Receiving

Company will be allocated to the Receiving Company based on the amount of time that it is used. These cost allocations also shall include an amount to compensate for income taxes and other taxes to the extent applicable.

*ARTICLE V  
INVESTMENT CARRYING CHARGES*

"Investment carrying charges," as used for purposes of Articles III and IV, shall employ the Delivering Company's weighted cost of capital, based on capital structure ratios and embedded costs of long-term debt and preferred stock as of the end of the prior year and the allowed return on common equity capital most recently authorized by a state commission having jurisdiction over the Company's retail rates.

*ARTICLE VI  
TRANSFER OF EMPLOYEES*

When an employee of one Company is transferred to another Company, the Company that receives the employee shall pay directly or indirectly all of the relocation expenses of the transferring employee. The Receiving Company shall assume the liability for accrued compensation owed to the transferring employee at the time of transfer and the sending Company shall reimburse the receiving Company for the payment of such liability.

*ARTICLE VII  
REPRESENTATIONS, WARRANTIES AND REMEDIES,  
LIMITATIONS OF LIABILITY AND INDEMNIFICATION*

A. Unless otherwise disclosed, any Company selling goods to another Company warrants that, at the time of transfer, the good, if new or unused, shall be free from defects in material and workmanship, and, if used, shall be capable of performing its intended function. If any good fails to meet the standards set forth above and if the manufacturer's warranty does not cover the defect, the Delivering Company shall, at its expense, repair or replace the good.

B. Any Company performing services for another Company warrants that it will exercise due care to assure that the services are performed in a workmanlike manner and comply with applicable standards of law and regulations. However, failure to meet these obligations shall in no event subject the Delivering Company to any claims or liabilities other than to reperform the work.

C. Except as expressly provided in this Article, each Receiving Company acknowledges and agrees that the Delivering Companies have not made and do not make any representation, warranty or covenant with respect to merchantability, condition, quality or durability of the goods or services in any respect or in connection with, or for the purpose or use of the Receiving

Company, or any other representation, warranty or covenant or any kind or character expressed or implied with respect thereto.

*ARTICLE VIII  
BILLING OF COSTS AND PAYMENTS*

Costs allocated to a Receiving Company as described in this Agreement shall be billed to the Company within 30 days of the end of each month. Costs may be billed based upon estimates, if (a) such costs are reasonable estimates of expected actual costs, (b) the estimated costs are adjusted at least once annually to the level of actual costs, unless the difference between the estimated and actual costs is insignificant, and (c) both the estimated costs and actual costs are allocated as provided in this Agreement. All amounts billed under this Agreement shall be paid by the Receiving Companies within 15 days after the receipt of each invoice.

*ARTICLE IX  
EXCLUDED SERVICES, GOODS, AND FACILITIES;  
TERMINATION OF AGREEMENTS*

This Agreement shall not apply to: (1) services performed by American Electric Power Service Corporation for the Companies; (2) sales of electric power, provision of transmission services and operation of generating facilities; (3) services, goods, or facilities in connection with the transportation or sale of coal; (4) services provided under the Central Machine Shop Agreement dated January 1, 1979; (5) services, goods or facilities provided under the Mutual Assistance Agreement dated as of July 30, 1987; and (6) services, goods or other matters governed by the Services Agreement between the Cincinnati Gas & Electric Company, Columbus Southern Power Company, The Dayton Power and Light Company and American Electric Power Service Corporation for the Wm. H. Zimmer Generating Station. The Cost Sharing Agreement, dated as of July 1, 1993, between Columbus Southern Power Company and Ohio Power Company and the Lease Agreement, dated May 1, 1995, between American Electric Power Service Corporation and Ohio Power Company are terminated and superseded.

*ARTICLE X  
AMENDMENTS*

This Agreement may be amended from time to time by agreement of the parties hereto.

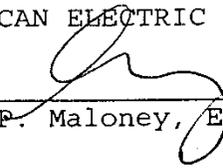
*ARTICLE XI  
WITHDRAWAL AND TERMINATION*

Any Company may withdraw from this Agreement upon not less than 180 days' written notice to the other Companies; this Agreement shall continue in effect after such withdrawal with respect to all Companies that do not withdraw. This Agreement may be terminated without notice if performance hereunder conflicts

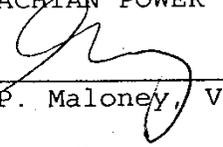
with any rule, regulation or order of the Securities and Exchange Commission issued pursuant to the provisions of the 1935 Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

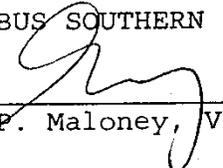
AMERICAN ELECTRIC POWER SERVICE CORPORATION

By:   
G.P. Maloney, Executive Vice President

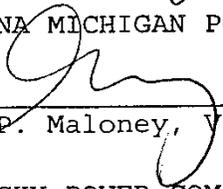
APPALACHIAN POWER COMPANY

By:   
G.P. Maloney, Vice President

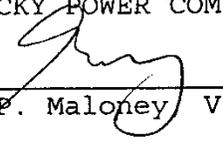
COLUMBUS SOUTHERN POWER COMPANY

By:   
G.P. Maloney, Vice President

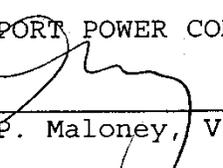
INDIANA MICHIGAN POWER COMPANY

By:   
G.P. Maloney, Vice President

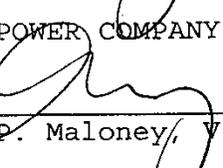
KENTUCKY POWER COMPANY

By:   
G.P. Maloney, Vice President

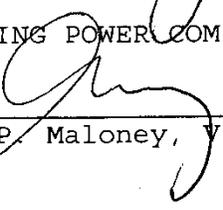
KINGSPORT POWER COMPANY

By:   
G.P. Maloney, Vice President

OHIO POWER COMPANY

By:   
G.P. Maloney, Vice President

WHEELING POWER COMPANY

By:   
G.P. Maloney, Vice President

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SCHEDULE A

*DESCRIPTION OF SERVICES AND DESIGNATION OF METHODS OF ALLOCATION*

A general description of the services which may be performed from time to time by one Company and the method of allocation to be used for costs of services that benefit other Companies, but cannot be specifically identified to a Company, are set forth below:

<u>SERVICES</u>	<u>COST SHARING METHOD</u> *
<i>Marketing</i>	
Consumer Marketing . . . . .	Number of Electric Customers
Key Accounts . . . . .	Number of Electric Customers
Economic Development . . . . .	Number of Electric Customers
Business Services . . . . .	Number of Electric Customers
Marketing Support Services . . . . .	Number of Electric Customers
<i>Distribution Regions</i>	
Managerial . . . . .	Number of Electric Customers
Customer Services . . . . .	Number of Electric Customers
Eng. - Engineering & Planning . . . . .	Number of Electric Customers
Eng. - Information & Drafting . . . . .	Number of Electric Customers
Operations - Administrative . . . . .	Number of Electric Customers
Operations - Meter . . . . .	Number of Electric Customers
Operations - Line . . . . .	Number of Electric Customers
<i>Energy Distribution Support</i>	
<i>Distribution Operations</i>	
Distribution Operations . . . . .	Number of Electric Customers
Right of Way Maintenance . . . . .	Number of Electric Customers
<i>Distribution Engineering</i>	
Engineering & Planning . . . . .	Number of Electric Customers
<i>Distribution Data Systems</i>	
Database Applications . . . . .	Number of Electric Customers
Joint Use . . . . .	Number of Electric Customers
<i>Customer Services</i>	
Customer Call Centers . . . . .	Number of Electric Customers
<i>Energy Transmission</i>	
<i>Transmission Regions</i>	
Transmission Line . . . . .	Tran. & Sub-Tran. Pole Miles
Protection & Control . . . . .	Tran. & Sub-Tran. Pole Miles
Station . . . . .	Tran. & Sub-Tran. Pole Miles
<i>Transmission System Engineering</i>	
Line Engineering . . . . .	Tran. & Sub-Tran. Pole Miles
Line Engineering/Right of Way . . . . .	Tran. & Sub-Tran. Pole Miles
Line Engineering/Survey . . . . .	Tran. & Sub-Tran. Pole Miles
Protection & Control Eng. . . . .	Tran. & Sub-Tran. Pole Miles
Station Engineering . . . . .	Tran. & Sub-Tran. Pole Miles
<u>SERVICES</u>	<u>COST SHARING METHOD</u> *

Station Construction, O&M Admin. System Maint., Tools & Equip. . . . .	Tran. & Sub-Tran. Pole Miles
Operations Center . . . . .	Kwh Sales
<i>Energy Delivery Support</i>	
Measurements & Customer Support	
Measurements Eng. & Support . . . . .	Kwh Sales
Meter Operations . . . . .	Kwh Sales
Telecommunications	
Telecommunications Engineering . . . . .	Number of Employees
Telecommunications Operations . . . . .	Number of Employees
Operations Improvement	
Land Management - Forestry . . . . .	Kwh Sales
Land Management - Real Estate . . . . .	Kwh Sales
Operations Analysis . . . . .	Kwh Sales
<i>Administrative Support</i>	
Administrative	
State Pres./Envir. & Gov't. Aff . . . . .	Kwh Sales
Corporate Communications . . . . .	Kwh Sales
Rates . . . . .	Kwh Sales
Accounting	
Administrative . . . . .	Kwh Sales
Accounts Payable . . . . .	Number of Invoices Processed
Cash Management . . . . .	Kwh Sales
Centralized Cash . . . . .	Number of Electric Customers
Customer Accounting . . . . .	Number of Electric Customers
Data Processing . . . . .	Kwh Sales
Electric Plant . . . . .	Net Plant Investment
General Records . . . . .	Kwh Sales
Reports . . . . .	Kwh Sales
Systems and Procedures . . . . .	Kwh Sales
Corporate Services	
Corporate Services-Admin . . . . .	Kwh Sales
State Taxes . . . . .	Kwh Sales

\*1. Kwh Sales Ratio

A ratio the numerator of which is the total Kwh sales of the benefitting Company, both billed and unbilled, during the last twelve months and the denominator of which is the sum of the Kwh sales, both billed and unbilled, of all applicable Companies during the same twelve months. Firm intra-System sales, exclusive of the Interchange Power Pool, between the Companies shall be eliminated from a Company's Kwh sales. This ratio will be revised semi-annually, based on figures as of March 31 and September 30.

2. Number of Electric Customers Ratio

A ratio the numerator of which is the number of firm electric customers of the benefitting Company and the denominator of which is the sum of the number of firm electric customers of all applicable Companies. This ratio will be revised semi-annually, based on figures at March 31 and September 30.

3. Number of Employees Ratio

A ratio the numerator of which is the number of employees (exclusive of certain union employees, where applicable) of the benefitting Company and the denominator of which is the sum of the number of employees (exclusive of certain union employees, where applicable) of all applicable Companies. This ratio will be revised semi-annually, based on figures at March 31 and September 30.

4. Net Plant Investment Ratio

A ratio the numerator of which is the investment in utility plant of the benefitting Company (including capital leases and coal mining assets), net of accumulated provisions for depreciation, depletion and amortization, and the denominator of which is the sum of such net investments of all applicable Companies. This ratio will be revised semi-annually, based on figures at March 31 and September 30.

5. Transmission and Sub-Transmission Pole Miles Ratio

A ratio the numerator of which is the transmission and sub-transmission pole miles of the benefitting Company and the denominator of which is the sum of the transmission and sub-transmission pole miles of all applicable Companies. This ratio will be revised annually, based on figures at September 30.

6. Number of Invoices Processed Ratio

A ratio the numerator of which is the number of invoices processed for a benefitting Company during the last twelve months and the denominator of which is the sum of the number of invoices processed for all applicable Companies during the same twelve months. This ratio will be revised semi-annually, based on figures as of March 31 and September 30.

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## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Accounting for Station and Plant Power Transformer Rebuilds	<b>Date</b>	12/10/13
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### Purpose

This accounting policy / procedure memo serves to update and replace AEP Accounting Bulletin 22A and attachments, “Accounting for Station and Plant Power Transformer, EHV Reactor and EHV Current Transformer Rebuilds.” The purpose of this document is to provide a policy on how to determine if certain costs incurred to rebuild station and plant power transformers (with a purchase price of \$10,000 or more), EHV reactor and EHV current transformers should be capitalized or expensed. Only those costs which are not absorbed by a manufacturer warranty or insurance should be considered. This document shall also apply to 765kV voltage control shunt reactors, 138-765kV circuit breakers and associated current transformers at 345 and 765kV.

*This policy / procedure document may not be released to parties outside AEP without the approval of the Chief Accounting Officer.*

### Policy/Procedure Statement

#### Accounting Policy

Maintenance:

- Costs incurred to make minor repairs or improve the physical condition.

Capital:

Failed equipment that is substantially rebuilt shall be considered for capitalization.

- All the following must be met:
  1. A significant component of the transformer or reactor must be replaced (i.e. a complete winding)
  2. Cost must be greater than or equal to 50% of the equipment’s original cost excluding any overhead and/or installation costs.
  3. Rebuilt equipment must be restored at a minimum to its pre-failure state and be of sufficient quality to be considered comparable to new.
- All costs associated with the rebuild (material, labor, overheads, assembly, installation, testing and shipping) are capitalizable, less any warranty or insurance reimbursements.
- A value should be assigned to any reusable components (including oil) and should be included in the cost of the rebuilt equipment. The value will be computed based on a percentage (by major category) of the present net book value of the failed equipment. Refer to “Table 1” for percentages. Note the percentages in “Table 1” shall be monitored by the Transmission Dept. for accuracy and Accounting Policy & Research and Property Accounting should be advised of any necessary changes.
- If additional component damage is found during the repair of equipment, the additional repair costs should be subtracted from the previously calculated reusable component value. The total quoted repair costs can be added in and recapitalized. Attachment A is a form for calculating the value of reusable components.

Attachment A and a NBV Request form should be submitted to Property Accounting for any rebuild determined to qualify for capital treatment.

**Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.**

## Accounting Policy/Procedure



### References and Links

FERC USofA

[FERC: Uniform System of Accounts - Webpage](#)

[Link to the FERC: Uniform System of Accounts - Electric](#)

**Questions Regarding the Application of this Policy/Procedure Document Shall  
be Directed to Property Accounting and/or Accounting Policy & Research.**

**Attachment A**  
**AEP System Accounting Bulletin No. 22A**

**Station and Plant Power Transformer, EHV Reactor and  
EHV Current Transformer Rebuilds**

**Calculation of Reusable Component Value**

<b>Original Material Purchase Cost</b> (including overheads)	
<b>Less Accumulated Depreciation</b>	
<b>Net Book Value</b>	
<b>Reusable Component Factor</b> (see Table 1)	
<b>Calculated Value</b>	
<b>Less Additional Component Damage - Repair Costs</b>	
<b>Total Value of Reusable Components To Be Capitalized</b>	

**Table 1**  
**AEP System Accounting Bulletin No. 22A**

**Power Equipment Component Groups**  
**Reusable Component Value**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Major Equipment Components	2-Wdg w/o LTC	2-Wdg w/LTC	3-Wdg Auto/EHV	GSU EHV	Mobile Transf. w/o LTC	Mobile Transf. w/LTC	EHV Reactor	EHV Current Transf (CTs)
Trailer	N/A	N/A	N/A	N/A	14.5%	19.5%	N/A	N/A
Tank	17%	12.5%	15%	15%	6%	6%	17%	20%
Porcelain/Insulation	N/A	N/A	N/A	N/A	N/A	N/A	20%	26%
Core	17%	12.5%	17%	17%	16%	16%	17%	8%
Aux. Equip.	16%	16%	20%	20%	37%	17%	21%	N/A
LTC Mech.	N/A	15%	N/A	N/A	N/A	15%	N/A	N/A
Oil	5%	4%	3%	3%	1.5%	1.5%	5%	1%
* All Wdgs.	45%	40%	45%	45%	25%	25%	20%	45%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Breakdown by Windings

HV Wdgs.	25%	10%	20%	25%	13%	10%
LV Wdgs.	20%	7.5%	15%	20%	12%	6.5%
RV Wdgs.	N/A	7.5%	N/A	N/A	N/A	4%
TV Wdgs.	N/A	N/A	10%	N/A	N/A	N/A
Series Wdgs.	N/A	10%	N/A	N/A	N/A	2.5%
P.A. Wdgs.	N/A	5%	N/A	N/A	N/A	1.5%
Aux. Wdgs.	N/A	N/A	N/A	N/A	N/A	0.5%
<b>% Total Windings</b>	<b>45%</b>	<b>40%</b>	<b>45%</b>	<b>45%</b>	<b>25%</b>	<b>25%</b>



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Service Corp Procedures	<b>Date</b>	10/11/2004
<b>Author:</b>	Randy Roush	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### Purpose

The purpose of these procedures is to document the steps taken each month to help ensure that the allocation results of the AEPSC Billing System (SCBS) are reasonably accurate.

All deviations from this policy must be approved by the Assistant Controller – Regulated Accounting.

### Policy/Procedure Statement

#### Background:

There are currently 75 Attribution Bases (billing factors) approved by the Securities and Exchange Commission (SEC) for utilization by American Electric Power Service Corporation (AEPSC) to allocate costs to client companies. AEPSC is not using all 75 billing factors at this time. The statistics for these billing factors are updated monthly, quarterly, semi-annually and annually, as applicable. Regulated Accounting adheres to the update frequency schedule as filed with the SEC, except in some instances where updates are done more frequently when deemed appropriate. Individuals in other groups provide most of the statistics to Regulated Accounting. These individuals are in the best position to provide the most accurate information, and therefore, they have been assigned with the responsibility to gather the statistics. These groups initially review the information they provide or review the information provided to them for reasonableness prior to submission to Regulated Accounting.

#### Gathering and Reviews of Statistics by Regulated Accounting:

Standardized spreadsheet templates have been created for many of the statistics to facilitate providing this information and to eliminate/minimize re-keying data. This makes the process more efficient and minimizes the possibility of errors.

Once received by Regulated Accounting, the statistics are stored in a directory on the “Treasury oh0co007” drive. The specific folders that contain these spreadsheets are restricted so only certain individuals in Regulated Accounting have access to the information. The Manager-Regulated Accounting controls the individuals who have this access.

Currently, Patrick Wilson is the accountant in Regulated Accounting who is primarily responsible for assuring the statistics are gathered and updated on the prescribed time schedule. He sends out reminders to the providers concerning when the next update of statistics is required. He transfers the statistics into the assigned folder as mentioned



## Accounting Policy/Procedure

above. A major aspect of his responsibilities is to review and compare the statistics as provided against prior periods for reasonableness. Statistics are compared to one another, as appropriate, such as comparing the number of cell phones by company versus the number of employees by company to see if the relationship appears reasonable.

If reviews performed by Regulated Accounting result in questions based on previously provided information or information Regulated Accounting is aware of via AEP news updates, etc., the original provider of the statistical information is contacted to resolve the matter. The replies to the questions are reviewed to confirm that the responses and/or revised statistics are reasonable.

All E-mails submitted to Regulated Accounting regarding statistics are filed in Lotus Notes folders each month as a matter of documentation. To further enhance the documentation process, Patrick Wilson also transfers into writing in Lotus Notes any pertinent telephone conversations directly related to statistics used for billing.

### Input of Statistics to PeopleSoft:

Monthly, after completing the review, Patrick Wilson prepares journal entries, via spreadsheet uploads, into the PeopleSoft Statistical Ledger. There are separate Statistical Account Numbers for each Attribution Basis. Next, another accountant in Regulated Accounting, Jim Carlson, is notified the statistics are ready for review.

### Billable Business Units:

While the statistical information is being gathered and loaded into PeopleSoft, Jim Carlson prepares a list to identify the billable General Ledger Business Units (GLBU's). Currently, there are 217 active GLBU's in PeopleSoft. Since the AEPSC billing process would only allocate miniscule amounts to some of these subsidiary GLBU's, AEPSC only bills the higher-level parent GLBU's under certain circumstances. To accomplish this, the non-billable subsidiary GLBU's statistics are rolled up to its billable parent.

The resulting list of billable GLBU's is reviewed and updated monthly. Acquisitions, mergers, restructuring, sales and dissolutions of GLBU's necessitate the review of the list on a monthly basis. When a new GLBU is created, it is reviewed to determine if it is directly billable or if its statistical information should be applied to a billable parent.

Monthly, prior to the SCBS processing, Jim Carlson releases the billable GLBU list to appropriate individuals for review.

### Benefiting Location Codes:

Jim Carlson also reviews multi-company Benefiting Location codes for accuracy to ensure that the description of the applicable GLBU's and the billable GLBU's listed match.

### Additional Review of Statistics:

After the statistical journal entry has been completed, Jim Carlson runs a monthly query to copy the statistical information from PeopleSoft to an Excel spreadsheet. This



## Accounting Policy/Procedure

facilitates Jim's review utilizing Pivot Tables, etc. His review includes answering the following questions:

- Are all of the statistical accounts loaded?
- Are statistics for all of the Billable GLBU's loaded?
- Is the rollup statistical information loaded to the correct Billable Business Unit?
- Is the total number of rows comparable to the prior month?
- Is Cardinal Operating Company included in any of the X statistics?
- Are the changes, if any, reasonable when compared to the prior month's statistics?
- Do any of the statistics appear to be unusual or is any information missing?

Any identified irregularities are questioned and corrected, if necessary, and the process is repeated.

### Posting of Statistical Journal Entries:

After any open items are fully resolved, Jim Carlson notifies Vicky Williams (Administrator-Regulated Accounting) or Randy Roush (Manager-Regulated Accounting) that the statistical journal entries are ready to be posted.

Also, these statistical entries have a pre-assigned Journal ID and another accountant, Kathy Messer, reviews this listing prior to running the SCBS to assure all applicable, pre-assigned entries have been posted.

### Preview of Billing Processing:

After the statistical data is posted, a process is run to identify potential errors. A report is generated that identifies AEPSC transactions to work orders that will not bill due to inadequate statistical information (Report GLUNBILT) or invalid reclassification or mapping information (Report GLVALRCS). Jim Carlson investigates all items on this report and the appropriate corrective action is taken prior to the current month SCBS processing.

### Verification of Net Income:

AEPSC's monthly net income must be zero, and procedures are in place to assure this happens. The review discussed above in "Preview of Billing Processing" identifies potential, unbillable transactions, which helps assure all of AEPSC's expenses are billed out properly and the offsetting revenue is recorded. However, several situations can occur that prevent AEPSC's net income from being zero, including:

- Transactions coming into the SCBS can contain fractional cents. However, the billings passed to AEPSC's client companies are rendered in whole cents. This "rounding" generally results in a couple of hundred of dollars difference each month.
- If expenses are charged to a Departmental Overhead work order for a department that did not have any labor that particular month, the transactions have no basis for allocation and strand/do not bill.

The dollar amount of these exceptions are minor, and are simply deferred in the current month to assure AEPSC's monthly net income is zero. The deferrals are cleared in the following month.



## Accounting Policy/Procedure

Transactional Testing:

Monthly, after closing, a Regulated Accountant manually traces two independent transactions through the SCBS allocation process and compares the results to the automated allocation to assure proper system functionality.

Signed paper copy to be retained by the Accounting Department.

### Approved by:

*In Review:*

\_\_\_\_\_  
**Randy Roush, Manager**  
**Regulated Accounting**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Kevin Bethel, Director**  
**Regulated Accounting**

\_\_\_\_\_  
**Date**



# AEPSC Billing System Revisions Effective January 1, 2004 Business Process Functional Design

## APPROVAL SIGNATURES

Team Co-Lead: ..... Date: .....  
 Team Co-Lead: ..... Date: .....

## REVISION RECORD SECTION

<u>Version</u>	<u>Author</u>	<u>Status</u>	<u>Date</u>	<u>Description of Change</u>
1.0	Design Doc Team	Draft	4/03	
2.0	Design Doc Team	Draft	5/13/03	Eliminated reference to CRUs; revised "Overhead Allocations" section.
3.0	Design Doc Team	Draft	5/14/03	Additional changes to "Overhead Allocations"; miscellaneous changes.
4.0	Design Doc Team	Draft	5/16/03	Added "Excluding Overheads from Certain Transactions".
5.0	Design Doc Team	Draft	5/21/03	Minor revisions.
6.0	Randy Roush	Draft	5/29/03	Additional changes to "Overhead Allocations".
7.0	Randy Roush, Mary Folz	Draft	6-9-2003	ETES Information
8.0	Pam Lifland	Draft	7-11-2003	XXNANDA Work Orders changed to SSXXNANDA
9.0	Mary Folz	Final	3-10-2004	Miscellaneous changes to complete the document.

**AEPSB Billing System**  
Revisions Effective January 1, 2004  
Business Process Functional Design

5/4/2004

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## A. Process Overview

American Electric Power Service Corporation (AEPSC) is organized under the Securities and Exchange Commission (SEC) Public Utility Holding Company Act of 1935 to provide certain services to the AEP System Affiliates. Services include accounting, engineering, finance, human resources, legal, marketing, production, and other professional services. The SEC requires that service companies “establish a system to accumulate reimbursable costs and charges to customers,” and when appropriate, that the AEPSC directly bill the subsidiary that benefits from the service instead of allocating costs to several subsidiaries.

The AEPSC Billing System (SCBS) guidelines were established to:

- Ensure that all AEPSC costs, including labor and other charges, are accurately and appropriately accounted for and billed, at cost, to all client companies, in a timely, cost-efficient manner.
- Develop standards to use, maintain, and close Activities, Benefiting Locations, and Work Orders.

The SCBS has two types of Work Orders. Project Work Orders are used for services related to a specific job or project. These Work Orders begin with various letters or numbers other than “E” or “G”. The billing for these Work Orders is based on the Attribution Basis and the Benefiting Location associated with the Work Order. A second type of Work Order has been established for functional services of a general nature. These Work Orders begin with the letter “G”. (The letter “E” has been reserved for the same type of function, but is not being used at this time.) The charges associated with these Work Orders are billed according to the Attribution Basis associated with the Activity and the Benefiting Location associated with the Work Order.

Additional information is available in the **Functional Requirements Specification Document** for the AEPSC Billing Project.

As revised, the SCBS continues to rely on five key concepts: Attribution Basis, Activity, Benefiting Location, Account, and Work Order. A discussion of each of these concepts follows.

### **Attribution Basis**

An Attribution Basis is a statistic or volume used to allocate/attribute costs following a reasonable method to client companies. Attribution Bases are assigned according to the most relevant cost driver associated with the service performed. The Attribution Basis, tied to an Activity or Work Order, dictates how the costs are allocated among these selected client companies.

The requestor of a new Activity or Work Order suggests the appropriate Attribution Basis since he/she has the most knowledge as to the type of work being performed. Accounting and

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Corporate Planning & Budgeting review the Attribution Basis assigned. The SEC must authorize any new Attribution Basis before it may be used.

Refer to **Appendix A** for a list of currently approved Attribution Bases, which includes such measures as Number of Employees, Tons of Fuel Acquired, Number of Transmission Pole Miles, and Number of Customers.

### **Activity**

All charges incurred by AEPSC are billed to the client companies based on the nature and scope of the service provided. An Activity is used to broadly define work performed and services provided. In addition, Activities are used to budget and track costs to properly manage not only AEPSC, but also all of the AEP system companies.

All Activities and Work Orders (except "G" Work Orders) are assigned an appropriate Attribution Basis. All Activities and Work Orders have the possibility of being direct billed to one company if a Benefiting Location is used that represents 100% to one client company.

Once Corporate Planning & Budgeting approves the need for a new Activity, the request is forwarded to AEPSC Accounting personnel to add the Activity and the corresponding Attribution Basis to PeopleSoft. An e-mail notification is automatically sent to the appropriate individuals via a Lotus Notes mail group to advise them of new Activities. This mail group includes personnel from Corporate Planning & Budgeting, and Corporate Accounting, including AEPSC Accounting personnel.

### **Benefiting Location**

The Activity and/or Work Order define what work was performed and what Attribution Basis is used. The Benefiting Location, which is an attribute of the Work Order, defines which companies benefit from the work performed. The Benefiting Location denotes a single client company or multiple client companies.

The requester of a new Work Order suggests a Benefiting Location. Please note that the "G" Work Orders represent Benefiting Locations only. The "G" Work Order indicates whom to bill, and the Attribution Basis attached to the Activity indicates how to bill. Once Corporate Planning & Budgeting approves the need for a new Benefiting Location, they add the Benefiting Location to PeopleSoft. The Benefiting Location table in PeopleSoft indicates which companies benefit from the work performed.

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## Account

The Account entered on the original AEPSC transaction carries through to the associated Client Company general ledgers in most cases. See **Section E - Reclass**, for a summary of the exceptions.

## Work Order

Work Orders are used to track costs associated with specific work performed. Work Orders begin with an alpha or a numeric prefix. In order for a Work Order to be unique, it requires a Project Costing Business Unit and a Budget Project. An Attribution Basis is also assigned to each Work Order. The Attribution Basis on the Work Order overrides the Attribution Basis assigned to an Activity, except in the case of "G" Work Orders. "G" Work Orders use the Attribution Basis assigned to the Activity to bill costs.

A request for a new Work Order is generally necessary when a new service is identified or a new affiliated company is acquired or formed.

## Customization Summary

The allocation process has been customized using PeopleSoft allocation functions. The process was built to accommodate SEC requirements, using a series of custom extracts, panels, SQRs, and other reports. (See **Technical Design Document** for detail.) The custom tables used by this allocation process are as follow:

**Z\_ALLOC\_STAT** - This table houses statistical information extracted from the HUB (the data repository) used in the SCBS allocation process.

**Z\_SCB\_EXC\_COM** - This table houses information that should go through our allocation process, but fails because it contains errors. The transactions on the table must be corrected via a journal entry to enable all the transactions to process through the allocations.

**Z\_SCB\_TRN\_ERR** - This table contains the error messages associated with the Z\_SCB\_EXC\_COM table.

**Z\_ACT\_ID\_BENBAS** - This table is built using custom SQR to provide a basis for the allocation steps that bill multiple companies utilizing Work Orders (other than "G" and "E" Work Orders).

**Z\_RESCAT\_BENBAS** - This table is built using custom SQR to provide a basis for the allocation steps that bill multiple companies utilizing "G" and "E" Work Orders.

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**Z\_SCB\_TRANSCT** - This table houses information that is extracted from the HUB throughout the month and is used in the allocation process.

**Z\_ALLOC\_TRANSCT** - This is a temporary table that is used to run all allocation processes. No data permanently resides in this table.

**Z\_SCBACT\_REPORT** - This table stores the results of the SCBS monthly billing.

Custom SQR was written to extract the SCBS transactions from the HUB to the custom allocation table. (See Technical Design document for the SQR.) The functional description of the SQR is as follows. The SQR extracts data from the HUB where transactional data meets the following criteria:

- General Ledger Business Unit (GLBU) is equal to “103”;
- Accounts are values within the HUB\_TO\_SCB\_EXTRCTS node on the SCB\_ACCOUNT tree.

A marking program is used by the SCBS whereby information is pulled to the custom allocation table. During this process, the data receives a series of markings in the Z\_TRANS\_TYPE field. These markings indicate which allocation step uses the transactional data. Descriptions of the markings follow:

<b>ADGS</b>	GS actuals to defer, DOH and Other on List
<b>ADHR</b>	HR actuals to defer, DOH and Other on List
<b>ADIT</b>	IT actuals to defer, DOH and Other on List
<b>ADOC</b>	OC actuals to defer, DOH and Other on List
<b>ADSC</b>	SC actuals to defer, DOH and Other on List
<b>ADTC</b>	TC actuals to defer, DOH and Other on List
<b>BSLA</b>	Offset to SSS DOH WO
<b>DEFR</b>	Deferral of Indirect Costs
<b>DOH</b>	Overhead – Departmental Overhead Work Orders – Non SLA
<b>DOHX</b>	Shared Services Strategy DOH
<b>DSLA</b>	Deferral of SLA
<b>FRNG</b>	Fringe actual costs
<b>ISC</b>	Internal Support Costs
<b>MULT</b>	Transaction that bills to multiple companies
<b>NAC</b>	Non Associated Company
<b>SCA</b>	Service Corporation Asset
<b>SING</b>	Transaction that bills to a single company
<b>SLA</b>	SLA actual costs
<b>SLAX</b>	SSS Unique W/O to be spread by percentage
<b>SLGS</b>	GS transfer costs – SLA DOH and Other on List
<b>SLHR</b>	HR transfer costs – SLA DOH and Other on List
<b>SLIT</b>	IT transfer costs – SLA DOH and Other on List
<b>SLOC</b>	OC transfer costs – SLA DOH and Other on List
<b>SLSC</b>	SC transfer costs – SLA DOH and Other on List
<b>SLTC</b>	TC transfer costs – SLA DOH and Other on List
<b>SETE</b>	Engineering, Technical & Environmental Services Work Order

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**STLS**          RSO Tooling Work Order

It is likely that additional Z\_TRANS\_TYPES will be identified as the allocation steps are written. For a complete list of Z\_TRANS\_TYPES, query the XXLTABLE in PeopleSoft.

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## B. Glossary of Terms

Explanation as to the definition and use of certain abbreviations and terms found in this document is provided below:

**AEPSC** – American Electric Power Service Corporation

**GLBU** – General Ledger Business Unit

**PCBU** – Project Costing Business Unit

**SCBS** – Service Corporation Billing System

**SLA** – Service Level Agreement

**SQR** – Structured Query Report

**SSR** – Shared Services Repository

\* \* \* \* \*

### **In-Scope Lines of Business:**

**GS** – General Services

**HR** – Human Resources

**IT** – Information Technology

**OC** – Office of the Chair

**SC** – Supply Chain

**TC** – Telecommunications

\* \* \* \* \*

**Associated Company** – refers to a company that is part of the AEP System.

**Nonassociated Company** – refers to a company that is not part of the AEP System or AEP's ownership interest is such that it is not included in AEP's consolidation.

\* \* \* \* \*

### **Activity**

- This document uses the term “Activity” to represent the ChartField value of what has previously been called “ABM Activity.”
- The former ABM Activity values are contained in the PeopleSoft ChartField named “Resource Category.”
- The PeopleSoft ChartField “Activity ID” contains Work Order values and should not be confused with “ABM Activity.”

### **Work Order**

- This document uses the term “Work Order” generically to represent capital, R&D, INDUS, AEPSC, and other work order types.
- The Work Order values are contained in the PeopleSoft ChartField named “Activity ID.”

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## C. Overhead Allocations

### Introduction

AEPSC accumulates costs and allocates overheads on a monthly basis. AEPSC overhead costs are applied to Activities and Work Orders as part of the SCBS processing.

Overhead costs are accumulated and corresponding rates are calculated on a departmental or total company basis, as applicable. Each rate is based on projected costs for the upcoming period(s) and/or prior year's actual charges. The rate is applied monthly and monitored against the actual costs. Periodically, each rate is reviewed to determine if an adjustment in the rate is needed. At year-end, any over- or under-applied balances are billed to client companies using Attribution **Basis 37, AEPSC Past 3 Months Total Bill.** (See **Appendix A** for a list of Attribution Bases.)

### Excluding Overheads from Certain Transactions

In 1998, the AICPA issued SOP 98-1, which required the capitalization of internally developed software, but prohibited the capitalization of certain, related overheads. In addition, it is desirable to omit the loading of overheads onto certain other transactions such as Federal Income Taxes, accounting reclassification journal entries, et al.

Therefore, a procedure is necessary to NOT load Departmental Overheads or Internal Support Cost Overheads on these capitalized software and other identified transactions. There are currently two established methods to identify these transactions:

- Listing specific Work Order values on a PeopleSoft tree to identify those Work Orders that should not be loaded.
- Utilizing Journal ID "SCBSNOL%".

The allocation steps to allocate the Departmental Overheads and Internal Support Costs must comply with this requirement.

### Labor Overheads

The labor overheads (i.e., fringes) are calculated and applied to actual transactional lines in the Time and Labor allocation module. The Time and Labor processing, via allocation steps, creates a journal entry to debit each labor transaction and credit the payroll clearing account as follows:

**DR** Labor Transactions  
**CR** Account 1840040 (Undist Labor Fringe Benefit Clr)

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The SCBS processing defers the actual fringe costs that are accumulated in Work Order SCFRINGE01 via the following journal entry:

**DR** Account 1860071 (Ovhd Rate Over/Under Applied)  
**CR** Account 9220005 (Expenses Transferred - Overhead Loadings)

The rate applied through Time and Labor should clear these costs over the course of the year. The transfer of actual costs to a deferral account facilitates the comparison of dollars applied using a rate to the dollars actually incurred.

At year-end, any balances in the deferral account are cleared as discussed later in this section (see **“Annual Clearing of Deferral Account”**). The balance in Account 1860071 for Cost Component 120 (Labor Fringes) must be zero.

### **Occupancy Overheads**

The occupancy overheads, which are accumulated in Project SCBLDG, include expenses associated with providing office space to employees and others, such as rent, facility and fixtures, depreciation, related real and personal property taxes, cafeteria services, maintenance, parking, insurance, security, utilities, and other related costs.

NOTE: Some items previously accounted for in the occupancy overhead pool are now being accounted for in separate overhead pools and are being allocated with more appropriate cost drivers.

While these more detailed allocations were previously included in the Shared Services SLA Chargeback System, the primary purpose of the revisions (effective January 1, 2004) to the SCBS, is to include these SLA-type costs in the SCBS.

The rows that represent Occupancy overhead charges, as well as other General Services SLA-type costs, will come from the Shared Services Repository (SSR).

### **“In-Scope” Groups**

The in-scope groups are the Shared Services lines of business (General Services, Human Resources, Information Technology, Supply Chain) and Telecom. Unless otherwise stated, reference to “Shared Services” will include the Telecom organization. Issues unique to each of the in-scope groups are discussed in **Section 2.2.2** of the **Functional Requirements Specification Document**.

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## Departmental Overheads

New Departmental Overhead Work Orders will be established. As used here, a “Department” will generally include each group in the office of the chairman as well as one level below Executive Vice President. The AEPSC Work Order value that will be utilized by most departments to accumulate their Departmental Overheads is as follows:

**SDOH999901**

- S** = system prefix requirement
- DOH** = Departmental Overhead
- 9999** = Fixed value
- 01** = system suffix requirement.

This Departmental Overhead concept is a change from the previous billing system where many overheads were charged on a total company basis to the Internal Support Cost overhead pool, or charged to each respective area’s functional Work Orders that were billed to All Distribution Companies, All Generating Companies, All Domestic Companies, etc.

Departmental Overhead Work Orders will receive two types of charges as follows:

- Allocated costs will be charged to the applicable AEPSC Departmental Overhead Work Order from the Shared Services groups based on the statistics and allocations generated by the SLA processes.
- Direct departmental costs, such as office supplies, training, and other departmental expenses, may also be charged to a Departmental Overhead Work Order.

Charges to Departmental Overhead Work Orders will generally be cleared following each Department’s labor (i.e., GLBU 103 charges to Cost Components 11E, 11N, 11S, 13E, 13N, 13S and 190).

### Engineering, Technical, and Environmental Services (ETES)

As explained above, for purposes of allocating Departmental Overheads, departments include one level below Executive Vice President. However, the ETES department has requested modifications to the allocation routine for their departmental overhead costs due to the nature of the services provided by this group and their organizational structure.

#### A. ETES East RSO Tooling

The expenses incurred by the East RSO Tooling group need to be allocated to various billable work orders following the nonexempt/physical labor costs (i.e., Cost Components 11N and 13N) of the individuals in Department ID 12213 and 10191.

A new AEPSC Work Order will be established to accumulate these tooling expenses as follows:

**SRSOETLS01**

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**S** = system prefix requirement  
**RSO** = Regional Service Organization  
**E** = East  
**TLS** = Tools  
**01** = system suffix requirement.

NOTE: It is important that Work Order SRSOETLS01 is allocated prior to the allocations of other ETES Departmental Overhead Work Orders (discussed below).
---

The detailed information required by PeopleSoft to perform the necessary allocations is as follows:

Pool: BUSINESS\_UNIT\_GL = 103  
Z\_TRANS\_TYPE = STLS  
Z\_ALLOC\_TYPE = SCB  
Using WORK ORDER "SRSOETLS01"

Basis: BUSINESS\_UNIT\_GL = 103  
Z\_TRANS\_TYPE = ISC, MULT, NAC, SCA, SING, ISC  
Z\_ADJ = ""  
RESOURCE\_TYPE = 11N, 13N  
DEPTID = 12213, 10191

Target: BUSINESS\_UNIT\_GL = 103  
DEPTID = from Basis  
ACCOUNT = from Basis  
BUSINESS\_UNIT\_PC = from Basis  
PROJECT\_ID = from Basis  
WORK ORDER = from Basis  
ACTIVITY = from Basis  
COST\_COMPONENT = 740  
Z\_BU\_UNIT\_GL\_CHRG = from Basis  
Z\_TRANS\_TYPE = from Basis

Offset: BUSINESS\_UNIT\_GL = 103  
DEPTID = 11795  
ACCOUNT = from Pool  
BUSINESS\_UNIT\_PC = SHSVC  
PROJECT\_ID = SSNANDA  
WORK ORDER = SPOFFSET01  
ACTIVITY = 953  
COST\_COMPONENT = 740  
Z\_TRANS\_TYPE = BSLA

---

## B. ETES Other Departmental Overheads

The ETES organization currently includes seven groups under the ETES Senior Vice President. Certain groups within the ETES organization need to be treated as a separate “department” for departmental overhead allocation purposes. Therefore, the “Departmental Overheads” for these groups will be identified at a level lower than SVP.

The charges for these lower level groups’ “Departmental Overheads” can use Work Order SDOH999901 just like other departments (which is discussed in further detail below in the section “**Other Groups’ Departmental Overheads**”). Expenses charged to the ETES groups’ SDOH999901 work order are allocated following the labor within each of these lower level groups, using the same routine used for departmental overheads. Since each transaction is marked as it enters the SCBS, the organizational tree will be able to control to which “group” (i.e., which overhead pool) these charges relate. No special allocation step will be required for this exception, but rather will be controlled via the organizational tree and the marking of the records, and will utilize the allocation step indicated in the section “**Other Groups’ Departmental Overheads**” below.

In addition, certain groups within the ETES organization need the functionality to have certain of their costs allocated across all other groups within the ETES organization. Therefore, a special AEPSC Departmental Overhead Work Order will be established to accumulate these common expenses as follows:

### **SDOHETES01**

**S** = system prefix requirement

**DOH** = Departmental Overhead

**ETES** = Engineering, Technical, & Environmental Services

**01** = system suffix requirement.

A special allocation step will be written to allocate all expenses charged to this work order to the other ETES groups’ Departmental Overhead Work Order SDOH999901.

NOTE: It is important that Work Order SDOHETES01 is allocated prior to the allocations of Departmental Overhead Work Orders SDOH999901 (discussed in a later section).

The detailed information required by PeopleSoft to perform the necessary allocations is as follows:

Pool: BUSINESS\_UNIT\_GL = 103  
Z\_TRANS\_TYPE = SETE  
Z\_ALLOC\_TYPE = SCB  
Using WORK ORDER “SDOHETES01”

Basis: BUSINESS\_UNIT\_GL = 103  
Z\_TRANS\_TYPE = ISC, MULT, NAC, SCA, SING, ISC

---

Z\_ADJ = “ “  
RESOURCE\_TYPE = 11E, 11N, 11S, 13E, 13N, 13S  
Z\_DEPT\_GRP = 392, 393, 394, 396,397  
Z\_ALLOC\_TYPE = SCB

Target: BUSINESS\_UNIT\_GL = 103  
DEPTID = from Basis  
ACCOUNT = from Basis  
BUSINESS\_UNIT\_PC = from Basis  
PROJECT\_ID = from Basis  
WORK ORDER = from Basis  
ACTIVITY = from Basis  
COST\_COMPONENT = 766  
Z\_BU\_UNIT\_GL\_FROM = from Basis  
Z\_TRANS\_TYPE = from Basis

Offset: BUSINESS\_UNIT\_GL = 103  
DEPTID = 11795  
ACCOUNT = 9220005  
BUSINESS\_UNIT\_PC = SHSVC  
PROJECT\_ID = SSLNANDA  
WORK ORDER = SPOFFSET01  
ACTIVITY = 953  
COST\_COMPONENT = 766  
Z\_TRANS\_TYPE = BSLA

Shared Services Strategy Departmental Overhead Work Order (SDOHSSSS01)

Departmental Overhead costs are defined above in the “**Departmental Overheads**” section and will be allocated following departmental labor. Due to the AEPSC Work Order SSSSTRAT01 discussed in the following section, it is important that the Shared Services Strategy group’s Departmental Overhead Work Order charges are allocated prior to SSSSTRAT01.

NOTE: Be sure the allocation steps below meet the requirements discussed above in “ <b>Excluding Overheads from Certain Transactions</b> ”.
---

The detailed information required by PeopleSoft to perform the necessary allocations is as follows:

Pool: BUSINESS\_UNIT\_GL = 103  
Z\_TRANS\_TYPE = DOHX  
Z\_ALLOC\_TYPE = SCB  
Using WORK ORDER “SDOHSSSS01”

---

Basis: BUSINESS\_UNIT\_GL = 103  
Z\_TRANS\_TYPE = ISC, MULT, NAC, SCA, SING, SLAX  
Z\_ADJ = “ “  
RESOURCE\_TYPE = 11E, 11S, 11N, 13E, 13S, 13N  
DEPTID-11286

Target: BUSINESS\_UNIT\_GL = 103  
DEPTID = from Basis  
ACCOUNT = from Basis  
BUSINESS\_UNIT\_PC = from Basis  
PROJECT\_ID = from Basis  
WORK ORDER = from Basis  
ACTIVITY = from Basis  
COST\_COMPONENT = 766  
Z\_BU\_UNIT\_GL\_FROM = from Basis  
Z\_TRANS\_TYPE = from Basis

Offset: BUSINESS\_UNIT\_GL = 103  
DEPTID = 11795  
ACCOUNT = 9220005  
BUSINESS\_UNIT\_PC = SHSHC  
PROJECT\_ID = SSNANDA  
WORK ORDER = SPOFFSET01  
ACTIVITY = 953  
COST\_COMPONENT = 766  
Z\_TRANS\_TYPE = BSLA

### Shared Services Strategy

Costs incurred by the Shared Services Strategy group generally will be charged to a special Overhead Work Order, SSSSTRAT01. These costs will subsequently be allocated to the four Shared Services groups' Departmental Overhead Work Orders monthly using a percentage determined annually which is based on budgeted labor. It has been decided that the amounts attributable to Telecom are immaterial and, therefore, will be excluded from this allocation at this time. Since these overheads will be included in the overall product pricing, these charges will be deferred as described above.

Actual charges are accumulated in Work Order SSSSTRAT01 and are spread to the four Shared Services Departmental Overhead Work Orders.

The detailed information required by PeopleSoft is as follows:

Pool: BUSINESS\_UNIT\_GL = 103

---

Z\_TRANS\_TYPE = SLAX  
Z\_AALOC\_TYPE = SCB  
Using WORK ORDER "SSSTRAT01"

Basis: Z\_SSS\_BASIS table with a fixed percentage to each Departmental Overhead Work Order

Target: BUSINESS\_UNIT\_GL = 103  
DEPTID = Unique Shared Service LOB Department  
ACCOUNT = 1860125-1860129  
Z\_TRANS\_TYPE = DEFR

Offset: BUSINESS\_UNIT\_GL = 103  
DEPTID = 11795  
ACCOUNT = 9220125-9220130  
BUSINESS\_UNIT\_PC = SHSVC  
PROJECT\_ID = SSNANDA  
WORK ORDER = SPOFFSET01  
ACTIVITY = 953  
COST\_COMPONENT = 739  
Z\_TRANS\_TYPE = BSLA

### In-Scope Groups' Departmental Overhead Work Orders

The charges to the in-scope groups' Departmental Overhead Work Orders includes transfer costs from the SSR. The SSR furnishes these charges via a journal entry that debits and credits Account 9220125-9220130 by Cost Component.

Direct departmental costs are also charged to the in-scope groups' Departmental Overhead Work Orders. The SCBS defers both SSR and direct charges to the in-scope groups' Departmental Overhead Work Orders as follows:

<u>SLA Departmental Overhead Work Order</u>	<u>Deferral Account</u>	<u>Transfer Account</u>
SDOHSSGS	1860125	9220125
SDOHSSHR	1860126	9220126
SDOHSSIT	1860127	9220127
SDOHSSSC	1860128	9220128
SDOHSSTC	1860129	9220129
SDOHSSOC	1860130	9220130

---

The amount over- or under-applied is deferred monthly. Periodically, the rate is reviewed and adjusted, as necessary. At year-end, any balances in the deferral account are cleared as discussed later in this section (see **“Annual Clearing of Deferral Account”**).

In-scope Departmental Overhead transfer costs come from the SSR. All SSR charges to Departmental Overhead Work Orders are marked with unique Z\_TRANS\_TYPES like “SLXX,” where “XX” represents the Shared Services line of business:

- SLGS – General Services
- SLHR – Human Resources
- SLIT – Information Technology
- SLSC – Supply Chain
- SLTC – Telecom
- SLOC – Shared Services Office of Chair

The SCBS also defers the direct charges to the in-scope groups’ Departmental Overhead Work Orders. These costs are identified by unique Z\_TRANS\_TYPES:

- ADGS – General Services
- ADHR – Human Resources
- ADIT – Information Technology
- ADSC – Supply Chain
- ADTC – Telecom
- ADOC – Shared Service Office of Chair

**NOTE:** Be sure the allocation steps below meet the requirements discussed above in **“Excluding Overheads from Certain Transactions”**.

There is one step for each Z\_TRANS\_TYPE to provide for deferring to the appropriate account. The detailed information required by PeopleSoft for this process is as follows:

Pool: BUSINESS\_UNIT\_GL = 103  
ACCOUNT = INCOME STATEMENT ACCOUNTS  
Z\_ALLOC\_TYPE = SCB  
Z\_TRANS\_TYPE = SLGS, SLHR, SLIT, SLSC, SLTC, SLOC ADGS, ADHR, ADIT, ADSC, ADTC, ADOC  
Using WORK ORDER like “SDOHSS” and other work orders on “the list to be deferred”

Basis: Z\_SSS\_BASIS table with a fixed percentage to each Departmental Overhead Work Order

Target: BUSINESS\_UNIT\_GL = 103

---

ACCOUNT = 1860125-1860130  
DEPTID = Unique Shared Service LOB Department  
Z\_TRANS\_TYPE from Pool

Offset: BUSINESS\_UNIT\_GL = 103  
DEPTID = 11795  
ACCOUNT = 9220125-9220130  
BUSINESS\_UNIT\_PC = SHSVC  
PROJECT\_ID = SSNANDA  
WORK ORDER = SPOFFSET01  
ACTIVITY = 953  
COST\_COMPONENT = 766  
Z\_TRANS\_TYPE = DSLA

#### Other Groups' Departmental Overheads

The SSR will furnish Departmental Overhead charges via the following journal entry:

DR Account 922012X (Work Order SDOH999901, by Cost Component)  
CR Account 186012X (Overhead Rate over/under applied)

NOTE: There will be separate 186012X and 922012X Accounts for each of the five in-scope groups, as listed in the **“In-Scope Groups’ Departmental Overhead Work Orders”** section above.

The SCBS will allocate the total charges to each Department following labor charges (i.e., GLBU 103 charges to Cost Components 11E, 11N, 11S, 13E, 13N, and 13S) via the following journal entry:

DR Labor Transactions (Cost Component “SLA” should be used)  
CR Account 9220005 (Expenses Transferred - Overhead Loadings)

NOTE: The ChartField Product will be left blank.

The amount over- or under-applied is deferred monthly. Periodically, the rate is reviewed and adjusted, as necessary. At year-end, any balances in the deferral account are cleared as discussed later in this section (see **“Annual Clearing of Deferral Account”**).

Certain Departmental Overhead costs will come from the SSR, while other costs will be charged directly. All charges to Departmental Overhead Work Orders will be marked with a unique Z\_TRANS\_TYPE of “DOH”. The SCBS will take the total charges to each Departmental Overhead Work Order and spread the costs to labor charges within the Department.

NOTE: Be sure the allocation steps below meet the requirements discussed above in **“Excluding Overheads from Certain Transactions”**.

The detailed information required by PeopleSoft for this process is as follows:

Pool: BUSINESS\_UNIT\_GL = 103  
Z\_ALLOC\_TYPE = SCB  
Z\_TRANS\_TYPE = DOH  
Using WORK ORDER "SDOH999901"

Basis: BUSINESS\_UNIT\_GL = 103  
Z\_TRANS\_TYPE = ISC, MULT, NAC, SCA, SING  
Z\_ADJ = " " (This field is used to stop overheads on certain transactions, i.e.,  
JRNL\_ID like "SCBSNOLOAD". It is marked with an "x" if overheads are not  
applicable.)  
RESOURCE\_TYPE = 11E, 11S, 11N, 13E, 13N, 13S and 190

Target: BUSINESS\_UNIT\_GL = 103  
Z\_DEPTID\_GRP = Group by Pool and Basis  
ACCOUNT = from Basis  
BUSINESS\_UNIT\_PC = from Basis  
PROJECT\_ID = from Basis  
WORK ORDER = from Basis  
ACTIVITY = from Basis  
COST\_COMPONENT = 766  
DEPTID = from Basis  
Z\_TRANS\_TYPE = from Basis

Offset: BUSINESS\_UNIT\_GL = 103  
DEPTID = 11795  
ACCOUNT = 9220005  
BUSINESS\_UNIT\_PC = SHSVC  
PROJECT\_ID = SSNANDA  
WORK ORDER = SPOFFSET01  
ACTIVITY = 953  
COST\_COMPONENT = 766  
Z\_TRANS\_TYPE = DEFR

### **Internal Support Cost Overheads**

Internal support cost overheads include those costs directly attributable to the operation of AEPSC and are charged to Benefiting Location 103. These costs could include such expenditures as company-wide training and maintaining AEPSC's General Ledger and SCBS.

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These costs exclude transactions that relate to other types of overheads (e.g., fringe, Shared Services/SLA, departmental overheads, et al.).

AEPSC is included in volumes/statistics where a Benefiting Location of all companies, or various subsets, is chosen. Therefore, after the first pass of the billing, expenses are allocated to AEPSC representing the cost associated with supporting AEPSC. Examples of these types of costs include amounts associated with Accounts Payable and Payroll activities. The AEPSC portion of these costs is also included in the Internal Support Cost Overhead pool.

The allocation of internal support cost overheads takes the total dollars described above to form a total company internal support cost pool. These dollars are allocated over billable transactions and non-billable transactions brought into the SCBS for processing (such as construction Work Orders, Account 184 clearing accounts, etc.).

NOTE: While these support costs are generally expense accounts associated with the Income Statement, billable Balance Sheet accounts are also included in this pool. For loadings to AEPSC asset accounts (SCAs), the credit is to Account 9220005, Expenses Transferred – Overhead Loadings, instead of Account 451, Revenues.

NOTE: Be sure the allocation steps below meet the requirements discussed above in **“Excluding Overheads from Certain Transactions”**.

There are two allocation steps associated with internal support costs: one for Income Statement accounts and the other for Balance Sheet accounts. The following example relates to the Income Statement. The detailed information required by PeopleSoft is as follows:

Pool: BUSINESS\_UNIT\_GL = 103  
Z\_TRANS\_TYPE = ISC, ISC1

Basis: BUSINESS\_UNIT\_GL = 103  
Z\_TRANS\_TYPE = NAC, SCA, SCA1, BIL1, BIL2  
Z\_ADJ = “ “ (This field is used to stop overheads on certain transactions, i.e. JRNL\_ID like “SCBSNOL”.)

Target: BUSINESS\_UNIT\_GL = from Basis  
DEPTID = 99900  
ACCOUNT = from Basis  
BUSINESS\_UNIT\_PC = from Basis  
PROJECT\_ID = from Basis  
WORK ORDER = from Basis  
ACTIVITY = Fixed to 997  
COST\_COMPONENT = Fixed to 780  
Z\_RES\_TYPE\_FROM = Fixed to 760

---

Z\_TRANS\_TYPE = from Basis

Offset: BUSINESS\_UNIT\_GL = 103  
DEPTID = 99900  
ACCOUNT = 451X (for IS accounts, original acct for BS accts)  
BUSINESS\_UNIT\_PC = NONBU  
PROJECT\_ID = GLNANDA  
WORK ORDER = GREVENUE  
ACTIVITY = 997  
COST\_COMPONENT = REV for IS accounts, 781 for BS accounts)  
Z\_TRANS\_TYPE = REV

### **Deferral of Non-billable Activity Charges**

Each month, information is brought into the SCBS custom allocation tables that will not bill during the month because certain Work Orders have become inactivated or because the combination of Activity and Benefiting Location is invalid. These costs are deferred each month into Account 1860002, Deferred Expenses. The charges are to be investigated and corrected in the following month via a journal entry.

### **Annual Clearing of Deferral Account**

This annual routine consists of two entries. The first entry clears the remaining balance in Account 18600XX (Overhead Rate Over/Under Applied) annually back to expense Account 9220005 (Expenses Transferred - Overhead Loadings) as part of the December SCBS processing. This will be a manual process in PeopleSoft8 because the ledger does not carry Cost Component. The Cost Component field is necessary to determine if it is an occupancy or labor overhead. This information is pertinent when determining the type of Revenue (direct or indirect). The second entry will record billings to associated companies only based on Attribution Basis 37, AEPSC Past 3 Months Total Bill.

THE ABOVE SECTION WILL BE REVIEWED AND REVISED MID-YEAR 2004.

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## **D. Client Company Bills**

### **Introduction**

Transactions are created to record the AEPSC bill onto each client company's books. Creation of the bill involves a number of steps. First, transactions are created for each company based on the Benefiting Location associated with the Work Order on the record. Some Benefiting Locations include multiple client companies and may include AEPSC. Since AEPSC is included in the attribution bases volumes, billing transactions are created for GLBU 103. These transactions represent the cost to support AEPSC and are allocated as internal support costs mentioned above. Therefore, once all the allocations are performed, each transaction that represents an original charge to the client includes all applicable overhead loadings. Associated accounts payables on each affiliate company's books are created as a result of the SCBS processing. A revenue amount and the corresponding receivable are created on AEPSC's books.

A billing statement (report) is created that summarizes the amounts billed to each company monthly, similar to the current format. This report is only printed on an as-needed basis since it can be viewed on-line. The detailed transactional information is available in the SCBS and can also be queried.

### **Create Client Company Bill Transactions**

Creating the journal entry transactions for each client company involves applying the applicable Attribution Basis from the underlying Work Order and Benefiting Location. Depending on the ChartField, the classification of the original AEPSC transaction detail may be carried through the allocation to the client company.

See **Section E - Reclass**, for further information.

### **Billings Based on 100% Benefiting Locations - Associated Companies**

This allocation creates the journal entries to record the billings that are generated based on Work Orders with Benefiting Locations attached that represent "Direct" or 100% billings to an associated company, including "G" Work Orders. The following example excludes Work Orders billed to nonassociated companies. There are two allocation steps for 100% billings: one for Income Statement accounts and the other for Balance Sheet accounts. The following example relates to the Income Statement:

Pool:            BUSINESS\_UNIT\_GL = 103  
                  WORK ORDER = Using "Direct" Benefiting Locations (except  
                                  BUSINESS\_UNIT\_GL 103)  
                  Z\_TRANS\_TYPE = SING

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**Basis:** This is a copy allocation from GLBU 103 to the GLBU applicable to the customer company of the Benefiting Location on the Z\_BEN\_BU\_TABLE.

**Target:** BUSINESS\_UNIT\_GL = Z\_BU\_UNIT\_GL\_CHRG from Pool  
DEPTID = 99900  
ACCOUNT = from Pool  
BUSINESS\_UNIT\_PC = from Pool  
PROJECT\_ID = from Pool  
WORK ORDER = from Pool  
ACTIVITY = 997  
COST\_COMPONENT = 780  
Z\_TRANS\_TYPE = BIL1  
APPL\_JRNL\_ID = HUBSCBBIL

**Target**

**Balance:** BUSINESS\_UNIT\_GL = Z\_BU\_UNIT\_GL\_CHRG from Basis  
DEPTID = 99900  
ACCOUNT = 2340029  
AFFILIATE = 103  
Z\_TRANS\_TYPE = AP  
APPL\_JRNL\_ID = HUBSCBBIL

**Offset**

**Balance:** BUSINESS\_UNIT\_GL = 103  
DEPTID = 99900  
ACCOUNT = 1460008  
AFFILIATE = Z\_BU\_UNIT\_GL\_CHRG from Basis  
Z\_TRANS\_TYPE = AR  
APPL\_JRNL\_ID = HUBSCBBIL

**Offset:**

BUSINESS\_UNIT\_GL = 103  
DEPTID = 99900  
ACCOUNT = from Pool  
BUSINESS\_UNIT\_PC = from Pool  
PROJECT\_ID = from Pool  
WORK ORDER = from Pool  
ACTIVITY = from Pool  
COST\_COMPONENT = from Pool  
Z\_TRANS\_TYPE = BAL  
APPL\_JRNL\_ID = blank on Income Statement accounts

In a subsequent allocation, direct and indirect revenues are created out of these BAL Z\_TRANS\_TYPE of Income Statement accounts. This Offset Balance line is created to enable balancing of the report table, but the lines are not returned to the ledger. The Balance Sheet accounts are returned to the ledger as offsets.

---

## **Billings Based on Combinations of Activities and “G” Work Orders/Benefiting Locations – Multiple Associated Companies**

This allocation creates the journal entries to record the billings that are generated based on the combination of the Activity and Benefiting Location whenever a “G” Work Order is used.

There are two allocation steps for this type of billing: one for Income Statement accounts and the other for Balance Sheet accounts. The following example relates to the Income Statement:

Pool: BUSINESS\_UNIT\_GL = 103  
Z\_TRANS\_TYPE = MULT  
Z\_TRNS\_ADJ = A

Basis: Z\_RESCAT\_BENBASIS

Target: BUSINESS\_UNIT\_GL = from Basis  
DEPTID = from Pool  
ACCOUNT = from Pool  
BUSINESS\_UNIT\_PC = from Pool  
PROJECT\_ID = from Pool  
WORK ORDER = from Pool  
ACTIVITY = group by Pool and Basis  
BENEFIT\_LOC = group by Pool and Basis  
COST\_COMPONENT = from Pool  
Z\_TRANS\_TYPE = BIL2

Target  
Balance: BUSINESS\_UNIT\_GL = BUSINESS\_UNIT\_GL from Basis  
DEPTID = 99900  
ACCOUNT = 2340029  
AFFILIATE = 103  
Z\_TRANS\_TYPE = AP

Offset  
Balance: BUSINESS\_UNIT\_GL = 103  
DEPTID = 99900  
ACCOUNT = 1460008  
AFFILIATE = BUSINESS\_UNIT\_GL from Basis  
Z\_TRANS\_TYPE = AR

Offset: BUSINESS\_UNIT\_GL = 103  
DEPTID = 99900  
BUSINESS\_UNIT\_PC from Pool  
PROJECT\_ID = from Pool  
WORK ORDER = from Pool

---

ACCOUNT = from Pool  
Z\_TRANS\_TYPE = BAL  
APPL\_JRNL\_ID = blank

In a subsequent allocation, direct and indirect revenues are created out of these BAL Z\_TRANS\_TYPE for Income Statement accounts. This Offset Balance line is created to enable balancing of the report table, but the lines are not returned to the ledger. The Balance Sheet Accounts are returned to the ledger as offsets.

### **Billings Based on Work Order – Multiple Associated Companies**

This allocation creates the journal entries to record the billings that are generated based on the Work Order billed to multiple associated companies, excluding “G” Work Orders.

There are two allocation steps for this type of billing: one for Income Statement accounts and the other for Balance Sheet accounts. The following example relates to the Income Statement:

Pool: BUSINESS\_UNIT = 103  
Z\_TRANS\_TYPE = MULT  
Z\_TRNS\_ADJ = B

Basis: Z\_ACT\_ID\_BENBAS

Target: BUSINESS\_UNIT\_GL = from Basis  
DEPTID = from Pool  
ACCOUNT = from Pool  
PROJECT\_ID = Group by Pool and Basis  
BUSINESS\_UNIT\_PC = Group by Pool and Basis  
WORK ORDER = Group by Pool and Basis  
ACTIVITY = from Pool  
COST\_COMPONENT = from Pool  
Z\_TRANS\_TYPE = BIL2

Target  
Balance: BUSINESS\_UNIT\_GL= AFFILIATE from Basis  
DEPTID = 99900  
ACCOUNT = 2340029  
AFFILIATE = 103  
Z\_TRANS\_TYPE = AP

Offset  
Balance: BUSINESS\_UNIT\_GL = 103  
DEPTID = 99900  
ACCOUNT = 1460008

---

AFFILIATE = BUSINESS\_UNIT\_GL from Basis  
Z\_TRANS\_TYPE = AR

Offset: BUSINESS\_UNIT\_GL = 103  
DEPTID = 99900  
ACCOUNT = from Pool  
BUSINESS\_UNIT\_PC = from Pool  
PROJECT\_ID = from Pool  
BUSINESS\_UNIT\_PC = from Pool  
WORK ORDER = from Pool  
ACTIVITY = from Pool  
COST\_COMPONENT = REV  
Z\_TRANS\_TYPE = BAL

In a subsequent allocation, direct and indirect revenues are created out of these BAL Z\_TRANS\_TYPE for Income Statement accounts. This Offset Balance line is created to enable balancing of the report table, but the lines are not returned to the ledger. The Balance Sheet accounts are returned to the ledger as offsets.

### **Billings for Capitalized Software – Associated Companies**

Generally, the cost of capitalized software is billed to associated companies to be capitalized by them, and the statistics applicable to AEPSC are simply excluded from the billing allocation since management has decided to not retain capitalized software investments on AEPSC's books. However, AEPSC has a large percentage of the employees in the AEP System. Consequently, special routines have been established to achieve more equitable billing results than simply excluding GLBU 103 from the Benefiting Location. A two-step allocation routine was developed to handle Capital Software billings in those situations where Number of Employees is the Attribution Basis. Two accounts were established to accommodate this routine, 1070910 and 1070920.

The process, in those situations where Number of Employees is the Attribution Basis, works as follows:

- These Capital Software Work Orders are mapped to Account 1070910.
- Transactions are brought into the SCBS billing module.
- If the Benefiting Location associated with these Work Orders includes AEPSC, a portion of the charges is allocated back to AEPSC (GLBU 103).
- Since these charges should not go into internal support costs, (as do most allocated charges associated with GLBU 103), a routine has been added to move AEPSC's share of these costs to Account 1070920. This entry basically acts as a temporary deferral of the charges.

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The allocation creates the following GLBU 103 journal entry:

**DR** Account 1070920 (Capitalized Software Billings – Step 2)

**CR** Account 1070910 (Capitalized Software Billings – Step 1)

Each month after the SCBS runs, the portion allocated to AEPSC resides in Account 1070920. A manual entry is made in the following month to credit Account 1070920 and debit account 1070000 with an AEPSC Work Order using Attribution Basis Number 37, AEPSC Past Three Months Total Bill Dollars.

The detailed information required by PeopleSoft is as follows:

Pool: BUSINESS\_UNIT\_GL = 103  
Z\_TRANS\_TYPE = ISC, ISC1  
ACCOUNT = 1070910

Basis: This is a copy allocation.

Target: BUSINESS\_UNIT\_GL = from Basis  
DEPTID = 11795  
ACCOUNT = 1070910  
BUSINESS\_UNIT\_PC = NONBU  
PROJECT\_ID = GLNANDA  
WORK ORDER = G0000103  
ACTIVITY = 954  
COST\_COMPONENT = 760  
Z\_TRANS\_TYPE = from Pool

Offset: BUSINESS\_UNIT\_GL = 103  
DEPTID = from Pool  
ACCOUNT = from Pool  
BUSINESS\_UNIT\_PC = from Pool  
PROJECT\_ID = from Pool  
WORK ORDER = from Pool  
ACTIVITY = from Pool  
COST\_COMPONENT = from Pool  
Z\_TRANS\_TYPE = ISC

### **Billings to Nonassociated Companies for “SNA” Work Orders**

These allocations create the journal entries to record the billings that are generated based on the Work Order billed to one or more nonassociated companies.

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The allocations below are based on the current projects for AEPSC, which fall into the following categories:

- Direct, 100% to one nonassociated company
- Equal share to multiple nonassociated companies.

This step creates an allocation of the total charges to “SNA” Work Orders to the appropriate nonassociated companies based on the percentages calculated from the Projects Bill Basis set-up panel.

The following example relates to the Income Statement:

Pool: BUSINESS\_UNIT\_GL = 103  
Z\_TRANS\_TYPE = NAC

Basis: Work Order = Like SN%

Target: BUSINESS\_UNIT = from Basis  
DEPTID = 99900  
ACCOUNT = 1430071  
ACTIVITY = from Pool  
PROJECT\_ID = group by  
BUSINESS\_UNIT\_PC = group by  
WORK ORDER = group by  
ACTIVITY = from Pool  
COST\_COMPONENT = from Pool  
TRACKING\_CODE = from Pool (denotes outside company)  
Z\_TRANS\_TYPE = NAC2

Offset: BUSINESS\_UNIT = from Basis  
DEPTID = 99900  
ACCOUNT = 4510005, 4510007 (Direct and Indirect Revenue)  
PROJECT\_ID = GLNANDA  
BUSINESS\_UNIT\_PC = NONBU  
WORK ORDER = GREVENUE  
ACTIVITY = 997  
COST\_COMPONENT = REV  
STATE/JURISDICTION = OH  
Z\_TRANS\_TYPE = REV

### **Billings to Associated Companies for “SNA” Work Orders**

This allocation creates the journal entries to record the billings to associated companies that are generated based on “SNA” Work Orders. Currently there are no projects that fall into this category.

NOTE: The intent of the allocations below is to establish billings to associated companies for their portion of costs charged to "SNA" Work Orders, if applicable. At this time, this situation does not exist.

Target: BUSINESS\_UNIT\_GL = from Pool  
DEPTID = 99900  
ACCOUNT = from Pool  
BUSINESS\_UNIT\_PC = Blank  
PROJECT\_ID = Blank  
WORK ORDER = Blank  
Z\_TRANS\_TYPE = BIL3  
APPL\_JRNL\_ID = HUBSCBBIL

Target  
Balance: BUSINESS\_UNIT\_GL = from Pool  
DEPTID = 99900  
ACCOUNT = 2340029  
AFFILIATE = 103  
Z\_TRANS\_TYPE = AP  
APPL\_JRNL\_ID = HUBSCBBIL

Offset  
Balance: BUSINESS\_UNIT\_GL = 103  
DEPTID = 99900  
ACCOUNT = 1460008  
AFFILIATE = BUSINESS\_UNIT\_GL  
Z\_TRANS\_TYPE = AR  
APPL\_JRNL\_ID = HUBSCBBIL

Offset: BUSINESS\_UNIT\_GL = 103  
DEPTID = 99900  
ACCOUNT = from Pool  
BUSINESS\_UNIT\_PC = from Pool  
PROJECT\_ID = from Pool  
WORK ORDER = from Pool  
ACTIVITY = from Pool  
COST\_COMPONENT = pool  
Z\_TRANS\_TYPE = BAL  
APPL\_JRNL\_ID = blank on Income Statement accounts, HUBSCBBIL on Balance Sheet accounts.

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## **E. Reclass**

An electronic journal entry is created by the SCBS to record the accounts receivables and revenues on AEPSC's books, and to record the corresponding distribution and accounts payable on the associated company's books (for those associated companies using PeopleSoft). The journal entry should carry the ChartField values listed below.

### Account Number

Generally, the FERC Account used by AEPSC (i.e., the "as incurred" Account) is the same Account (i.e., the "as billed" Account) used on the associated company's books. However, there are exceptions to this general rule as summarized in the table at the end of this section.

### Activity (Resource Category)

The original value in this field is carried through to the end of the SCBS process for reporting, tracking, and reconciliation purposes. However, when the detail billing transactions are passed back to the HUB for subsequent posting to the client company's books, the fixed value of 997, NA-Process AEPSC Bills, is assigned.

### Affiliate Code

The Affiliate Code field is generally left blank. The electronic journal entry that is created by the SCBS to record the accounts receivables and revenues on AEPSC's books, and to record the corresponding distribution and accounts payables on the associated company's books, provides the applicable Affiliate Code, as necessary.

### Cost Component

The original value in this field is carried through to the end of the SCBS process for reporting, tracking, and reconciliation purposes. However, when the detail billing transactions are passed back to the HUB for subsequent posting to the associated company's books, the fixed value of 780, AEPSC Charges, is assigned.

### Department ID

The original value (i.e., at the Roll/Department level) is carried through to the end of the SCBS process for reporting, tracking, and reconciliation purposes. However, when the detail billing transactions are passed back to the HUB for subsequent posting to the associated company's books, the fixed value of 99900, Billings Under the Service Agreement, is assigned.

### General Ledger Business Unit (GLBU)

As journal entry transactions are created by the SCBS, each applicable GLBU ChartField value is used.

### Product

The original value in this field is carried through to the end of the SCBS process for reporting, tracking, and reconciliation purposes. However, when the detail billing transactions are passed

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back to the HUB for subsequent posting to the associated company's books, this field is left blank.

Project Costing Business Unit (PCBU)

Generally, the PCBU used by AEPSC (i.e., the "as incurred" PCBU) is the same PCBU (i.e., the "as billed") used by the associated company. However, there are exceptions to this general rule as summarized in the table at the end of this section.

Project ID

Generally, the Project ID used by AEPSC (i.e., the "as incurred" Project ID) is the same Project ID (i.e., the "as billed") used by the associated company. However, there are exceptions to this general rule as summarized in the table at the end of this section.

Resource Sub-Category (Equipment Class, Tracking Code, etc.)

The original value in this field is carried through to the associated company's books.

State/Jurisdiction (Operating Unit)

The original value in this field is carried through to the associated company's books.

Work Order (Activity ID)

Many of the Work Order values used by AEPSC are really the associated company's Work Order values. Therefore, the original values are generally carried through to the associated company's books. However, several exceptions exist, including indirect (allocated) billings to the non-regulated companies, as summarized in the table at the end of this section. Also, those Work Order values that are AEPSC Project types (i.e., SCNM and SCWO) are not carried through to the associated company's books.

The following Work Order values are valid for utilization by AEPSC in the SCBS:

**Associated Company Work Orders:**

1. Operating co. construction Work Orders (this is a random numbering scheme)
2. Operating co. retirement Work Orders (this is a random numbering scheme)
3. Associated Business Development
4. INDUS Work Orders
5. Non-regulated direct billings (N following by random numbering scheme)
6. Research & Development
7. Information Technology projects/Work Orders
8. Nonassociated company billings
9. "G" Work Orders
10. Other Specific Projects

<p>NOTE: The AEPSC type Work Order values are not valid on the client companies' books, and therefore, these values cannot be passed on to the client companies.</p>
--

**NOTE:** For Joint Book and Fuel Accounting, ideally a Work Order is used that indicates the power plant or even the specific generating unit. However, the amounts charged to these Work Orders are simply billed at the GLBU level. Therefore, manual accounting routines are required by the operating companies in order to track costs by power plant or specific generating unit.

The following is a functional explanation of the Reclass program (GLPRECLS):

**Step one:** Information is first taken from the Z\_SCP\_OCP\_MAP table. It is not a requirement that all fields be populated on the reclass panel. SQR is used to compare the billing transaction line with the reclass panel, and the SQR logic overwrites the original information with information from the Z\_SCP\_OCP\_MAP table.

**Step two:** For transactional information with an AEPSC Work Order beginning with “S” and the business unit type of “NREG,” the following information is reclassified: BUSINESS\_UNIT\_PC to “CRPDV”, PROJECT\_ID to “CDN100934”, WORK ORDER to “NSCOHEAD01”, and ACCOUNT to “9230003”.

**Step three:** For transactional information with an AEPSC Work Order beginning with “S”, the Account equal an expense Account, and business unit type of “NRGN” or “REG,” the following information is reclassified: BUSINESS\_UNIT\_PC to “NONBU”, PROJECT\_ID to “GLNANDA”, and WORK ORDER to “G0000 + BUSINESS\_UNIT\_GL”.

**Step four:** For transactional information with a Work Order beginning with something other than “S” or “N” where the Account is not a Balance Sheet account, if the business unit type is equal to “NREG,” the following information is reclassified: BUSINESS\_UNIT\_PC to “CRPDV,” PROJECT\_ID to “CDN100934,” WORK ORDER to “NSCOHEAD01,” and ACCOUNT to “9230003”.

**Step five:** For inactive coal companies (125, 189, 217, 225, 121, 202), Expense accounts are changed to 4265002. Balance Sheet accounts remain unchanged.

**Step six:** Certain A&G Overheads -- Depreciation, Amortization of Ltd Plant Amortization and Other Income Taxes, Interest on Long Term Debt, etc., FERC Accounts like 403, 404, 405, 409, 410, 411, 427, 428, 429, 430 and 431 and 922 -- are reclassified to Account 9230003 for all companies except inactive coal companies.

Each reclassification rule must be mutually exclusive in order to maintain the integrity of the “from” fields. That is, any given ChartField should only be reclassified a maximum of one time.

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## F. Process Description

The following process description includes the entire run used for SCBS processing using data from the Z\_SCB\_TRANSCT table. A process diagram depicting the SCB Autosys Process is included as **Appendix M**.

1. The Interface ID is updated. (UPD\_SCBRC)
2. Custom SQRS extracts information from the HUB to the custom allocation table, Z\_SCB\_TRANSCT. A custom marking program places values in the Z\_\_TRANS\_TYPE field to indicate in which allocation step the transactional line is used. Custom SQR takes transactions that will not bill and places them into a Z\_SCB\_TRN\_EXC table. Transactions on this table indicate either out of period transactions or invalid ChartFields. This table should be reviewed before the allocation run for the current month takes place. (GLHUBSCB)
3. Custom SQRS extracts the information from the Z\_SCB\_TRANSCT table to the Z\_ALLOC\_TRANS table. The Z\_DEPTID\_GRP field is also updated. (GLALLHUB)
4. Statistics are added to the Statistics Ledger for the current month. These statistics are gathered for the SCBS and used for INTERCOMPANY, R&D, AEPSC, and the CMS billing processes. These statistics are entered into the Z\_ALLOC\_STAT table. (GLASTAT)
5. A balancing report is run to determine if all costs in the Z\_ALLOC\_TRANSCT are equal to the ledger rows associated with SCBS processing. (SCBQA3)
6. The Z\_ACT\_ID\_BENBAS table is built. This table is used as a basis for the allocation steps that bill costs to multiple companies based on the Benefiting Location and Attribution Bases attached to the Work Order. (GLPACTBS)
7. The Z\_RESCAT\_BENBAS table is built. This table is used as a basis for the allocation steps that bill costs to multiple companies based on the Benefiting Location and the Attribution Bases attached to the Activity. (GLPRJBS)
8. The allocation step STRLOAD is run. This step allocates stores expense to certain cost components based on a rate.
9. The allocation step RSOTOOLS is run. This step allocates everything in work order SRSOETLS01 to department 12213.
10. The allocation step SSSDOH is run. This step allocates everything in work order SDOHSSSS01 to charges in department 11286.
11. The allocation step OUTSCP is run. This step allocates all other Departmental Overhead Work Orders SDOH999901 to charges within their departments.
12. The allocation step ETESOH is run. This step allocates everything in work order SDOHETES01 to ETES departmental groups. The groups are 392, 393, 394, 395 and 396.
13. The allocation step SSSTRAT is run. This step allocates everything in the work order SSSSTRAT01 to the Shared Services LOB based on a fixed percentage.
14. The allocation steps B\_DIR\_IS and B\_DIR\_BAL are 100% billings to one company, based on a Work Order that assigns a Benefiting Location of one company. The allocation is broken into two allocation steps, one for Income Statement Accounts and the other for Balance Sheet Accounts.

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15. The allocation steps B\_BAL\_ACT and B\_INC\_ACT are billings to more than one company based on the Benefiting Location and Attribution Basis assigned to an Activity. This processing is applicable to Work Orders that begin with an "E" or a "G".
  16. The allocation steps B\_INC\_PROJ and B\_BAL\_PROJ are billings to more than one company based on the Benefiting Location and Attribution Basis assigned to a Work Order. This processing is applicable to Work Orders that do not begin with an "E" or a "G".
  17. The allocation step M\_ISC\_BAL changes information that is billed to GLBU 103 to an Internal Support Cost. This marking is for Balance Sheet Accounts only.
  18. The allocation step M\_ISC\_INC changes information that is billed to GLBU 103 to an Internal Support Cost. This marking is for Income Statement Accounts only.
  19. The allocation step M\_SCA\_BAL changes the information on the non-billable Balance Sheet node to a Service Corporation Asset.
  20. The allocation step 451IND\_AFF creates indirect revenue from the billing information.
  21. The allocation step 451DIR\_AFF creates direct revenue from the billing information.
  22. The GLPALPCT SQR is run to add a rate for cents minimization.
  23. The allocation group INSC\_BAL is comprised of three steps. The first step, INSC\_107, defers costs in Account 1070910 to Account 1070920 on GLBU 103's books. The second step, INSC\_BAL1, takes the remaining dollars puts them in Account 1860071. The last step spreads the amount in Account 1860071 to all the bills created.
  24. The allocation step INSC\_IS spreads the Income Statement Accounts information labeled as Internal Support Costs to all the bills created.
  25. The allocation step INSC\_922 creates expenses on GLBU 103's books where Internal Support Costs were charged to Service Corporation Assets for Non-Associated billings.
  26. The allocation step INSC\_451 creates revenues on GLBU 103's books where Internal Support Costs were charged to Operating Company billing.
  27. The allocation step INSC\_NAC remarks the Cost Component to "706" on all NAC billings created from the Internal Support Cost allocation.
  28. The allocation step B\_METH\_NAC remarks the Z\_TRANS\_TYPE to "MNAC" on NAC billings.
  29. The allocation step B\_BAL\_NAC1 creates an entry to Account 1430071, non-associated billing, on GLBU 103's books for Balance Sheet transactions and offsets the original transaction.
  30. The allocation step B\_INC\_NAC2 creates an entry to Account 1430071, non-associated billing, on GLBU 103's books for Income Statement Account transactions and offsets the original transaction.
  31. The allocation step B\_BAL\_NAC3 creates an entry to an associated company for non-associated billing on GLBU 103's books for Balance Sheet transactions and offsets the original transaction. (Currently, there are no transactions that meet this criterion.)
  32. The allocation step B\_INC\_NAC4 creates an entry to an associated company for non-associated billing on GLBU 103's books for Income Statement Account transactions and offsets the original transaction. (Currently, there are no transactions that meet this criterion.)
  33. The allocation step 451DIR\_AF1 creates direct revenue for NAC billings. (Currently, there are no transactions that meet this criterion.)
  34. The allocation steps 451IND\_AF2 creates indirect revenue for NAC billings. (Currently, there are no transactions that meet this criterion.)
  35. The allocation step 451DIR\_NAC creates direct revenue for NAC billings.

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36. The allocation step 451IND\_NAC creates indirect revenue for NAC billings.
  37. There is a mass change that receivables and payable set up on GLBU 103 with an affiliate of 103. (GLMASCH2)
  38. The allocation step INSCOPE defers the Shared Service LOB work orders to the appropriate 186 and 922 accounts.
  39. The allocation step DEF\_FRNG defers actual Fringe costs, as fringes are loaded through the Time and Labor System.
  40. The report for balancing 3110 is run. (GLR3110).
  41. The Reclass Program is run. (GLPRECLS)
  42. A post SCB balancing report is run. (SCBQA3)
  43. An SQR is run to move information into the Z\_ALLOC\_DISTR table. (GLPALDST)
  44. An SQR is run to update the Analysis Type and the Ledger Group (GLUPALC)
  45. An augmentation program is run. (Still in progress.)
  46. A pull is performed to take this information to the Z\_SCB\_XXX\_REPORT table. (GLF\_POST\_ALLOC\_ARCH)
  47. Reports are run. (GLXXXXXX)
- There is a special routine run in December to clear the SS LOB'S and the FRINGE deferral accounts. This routine is not reflected in this verbal outline.

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## G. Combo Edits

The following is a list of combo edits currently in effect. It is likely that additional combo edits will be identified as the allocation steps are written. For a current list of combo edits, contact the Business Integration section of Accounting.

ACCT\_ACTID – Certain Accounts require a specific type of Project (RD and ABD) Accounts – 1070000, 1070001, 1080000, 1080005, 1210003, 1220003, and 1240009.

ACCT\_AFF – Specific Accounts require a blank affiliate code.

ACCT\_AFFIN – Specific Accounts cannot have a blank Affiliate code.

ACCT\_DEPT – Department is required on all monetary amounts

ACCT\_OUNIN – Specific Accounts cannot have a blank operating unit code.

ACCT\_OUNIT – Validation of Accounts that require a blank or error Operating unit value.

ACCT\_PRJRE – All Revenue and Expense Accounts require a project.

ACCT\_PROJ – Billable balance sheets require a project.

ACCT\_RESUB – Tracking codes are required on certain Accounts.

ACCT\_WO – Accounts 107, 108, 121, 122, 124 require a project with type OPWO, SCCR and SCWO. This edit is done in People code.

ACTID\_RT – AEPSC labor related projects must have labor cost components. AEPSC non-labor specific projects must have non-labor costs components.

ANALYS\_RT – Restricts non Shared Service transactions from using Shared Service Analysis types.

BL\_ZACCT – Where the Work Order represents Benefiting Location, the attribute on the Resource Category must be valid in combination with Benefiting Location (these are not budget Work Orders and SCNM Work Orders)

DEPT103 – This allows only certain departments within certain BU\_GLs to use the specific Account of 1840029.

INVALID – Invalid Account is not valid with any DEPTID.

PCBU\_RC – The business units that require an N type Work Order cannot use a G type Work Order.

PCBU\_RT – Resource type is required for those transactions that have a Project. All Projects have a PC BU, so that is the field that is used to minimize rows on the combo edit table.

## **H. Interfaces**

A discussion of interfaces is included in the **Technical Design Document**.

## **I. Conversions**

The existing AEPSC Work Orders need to be reviewed to determine if they are necessary in the new SCBS. This activity is the responsibility of the Regulated Accounting - AEPSC Ledger Team.

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## **J. Reports**

A number of reporting tools are available to assist the user in analyzing SCBS information.

### **PeopleSoft Reports**

<b><u>Reference Number</u></b>	<b><u>Description</u></b>	<b><u>Comments</u></b>
GLRD3100	Total Services Rendered by REG and NRGN Companies	REG and NRGN
GLRD3100	Total Services Rendered by NREG Companies	NREG
GLRD3100	Total Services Rendered to Associated Companies	ALL
GLRNATOT	Total Services Rendered to Nonassociated Companies	Bills to nonassociated companies
GLRD3110	AEPSC Reconciliation	Balancing report
GLRACBIL	Total Bills by Company, Activity then Work Order REG and NRGN and NONRG	Total by company
GLRNABIL	Total Bills by SNA Work Order NON_ASSOC	Total by nonassociated company
GLRACSER	Total Bills by Activity, by Company, REG and NRGN and NONRG	Total by Work Order
GLRNASER	Total Bills by SNA Work Order NON_ASSOC	Total by nonassociated work order
GLRSCABL	Total Bills by Direct or Non Direct REG NRGN AND NONRG	Revenue by company
GLRSCNBL	Total Bills by Direct or Non Direct NON_ASSOC	Revenue by nonassociated

### **PeopleSoft Query**

GLR6989Q SCB transaction detail

### **EPM Reports**

With input from senior management and various business units, new EPM reports were developed to assist users in viewing SCBS information. EPM report designs are included as **Appendix B**.

### **Shared Services Repository (SSR)**

As reporting requirements and detailed data available are more clearly defined, user reports will be developed to access information in the SSR. Such reports will be accessed through EPM.

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## **K. Appendix A**

### **Attribution Bases**

<b>Account</b>	<b>Description</b>
ZS001	Number of Bank Accounts
ZS002	Number of Call Center Telephones
ZS003	Number of Cell Phones/Pagers
ZS004	Number of Checks Printed
ZS005	Number of CIS Customers Mail
ZS006	Number of Commercial Customers
ZS007	Number of Credit Cards
ZS008	Number of Electric Retail Customers
ZS008L	Payroll - Num Electric Ret Customers
ZS008R	No. Electric Retail Customers - TX REPS
ZS009	Number of Employees
ZS010	Number of Generating Plant Employees
ZS011	Number of GL Transactions
ZS012	Number of Help Desk Calls
ZS013	Number of Industrial Customers
ZS015	Number of NON_UMWA Employees
ZS016	Number of Phone Center Calls
ZS017	Number of Purchase Orders
ZS018	Number of Radios (B/M/HH)
ZS019	Number of Railcars
ZS020	Number of Remittance Items
ZS021	Number of Remote Terminal Units
ZS022	Number of Rented Water Heaters
ZS023	Number of Residential Customer
ZS024	Numbers of Routers
ZS026	Number of Stores Transactions
ZS027	Number of Telephones
ZS028	Number of Trans Pole Miles
ZS028L	Payroll - Num Trans Pole Miles
ZS029	Number of Transtext Customers
ZS030	Number of Travel Transactions
ZS031	Number of Vehicles
ZS032	Number of Vendor Invoice Pay
ZS033	Number of Workstations
ZS034	Active Owned or Leased Channel
ZS035	Average Peak Load 3 Yrs
ZS036	Coal Company Combination
ZS037	AEPSC Past 3 Months Total Bill
ZS038	AEPSC Last Month Total Bill
ZS039	100% to One Company

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<b>Account</b>	<b>Description</b>
ZS040	Equal Share Ratio
ZS041	Fossil Plant Combo (Capital & Outages)
ZS042	Functional Departments Past 3 Mo bills
ZS043	KWH Sales
ZS044	Level of Const-Distribution
ZS045	Level of Const-Production
ZS046	Level of Const-Transmission
ZS047	Level of Construction - Total
ZS048	MW Generating Capability
ZS048L	Payroll - MW Generating Capacity
ZS048N	MW Total Gen Capacity including Nuclear
ZS048T	PJM MW Gen Capability
ZS049	MWH'S Generation
ZS050	Overhead Clearing
ZS051	Past 3 Mo MMBTU'S Burned (Tot)
ZS052	Past 3 Mo MMBTU Burned (Coal)
ZS053	Past 3 Mo MMBTU (Gas)
ZS054	Past 3 Mo MMBTU Burned (Oil)
ZS055	Past 3 MMBTU Burned (Solid)
ZS056	Peak Load/Average Customer/KWH Sales
ZS057	Tons of Fuel Acquired
ZS058	Total Assets
ZS059	(Not Used)
ZS060	AEPSC Bill less Indirect and Interest
ZS060L	Payroll - AEPSC less Indirect & Interest
ZS061	Total Fixed Assets
ZS062	Total Gross Revenue
ZS063	Total Gross Utility Plant
ZS064	Member/Peak Load
ZS065	Hydro MW Generating Capability
ZS066	Number of Forest Acres
ZS067	No Contracts & Service Order Written – Not Used
ZS068	Number of Dams
ZS069	Number of Licenses Obtained
ZS070	No NON-ELECTRIC OAR Invoices
ZS071	Number of Transformer Transact
ZS072	Tons of FGD Material
ZS073	Tons of Limestone Received
ZS074	Tot Assets + Total Revenue + Total Payroll
ZS075	Total Leased Assets
ZS076	Number of Banking Transactions

## L. Appendix B

### Sample EPM Reports

#### Report 1 – Summary Segment Report

AEPSC BILL									
SUMMARY SEGMENT REPORT									
Segment	Department	Budget	Current Month		Budget	Year-to-Date		2003	Budget
			Actual	Variance		Actual	Variance		
Transmission	Chairman								
	CP&B								
	Accounting								
	Legal								
	etc.								
	Total								

#### Report 2 – Summary GLBU Report

AEPSC BILL									
SUMMARY GLBU REPORT									
Segment	GLBU	Department	Budget	Current Month		Budget	Year-to-Date		2003
				Actual	Variance		Actual	Variance	
Transmission	###	Chairman							
		CP&B							
		Accounting							
		Legal							
		etc.							
		Total							
	###	Chairman							
		CP&B							
		Accounting							
		Legal							
		etc.							
		Total							
	###	Chairman							
		CP&B							
		Accounting							
		Legal							
		etc.							
		Total							

**Report 3 – Summary GLBU Trend Report**

<b>AEPSB BILL</b>							
<b>SUMMARY GLBU TREND REPORT</b>							
<b>Segment</b>	<b>GLBU</b>	<b>Department</b>	<b>Current Month</b>	<b>Last Month</b>	<b>2 Months Prior</b>	<b>Average</b>	
Transmission	###	Chairman					
		CP&B					
		Accounting					
		Legal					
			etc.				
			Total				
		###	Chairman				
	CP&B						
	Accounting						
Legal							
		etc.					
		Total					
	###	Chairman					
CP&B							
Accounting							
Legal							
		etc.					
		Total					

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**Report 4 – Summary Project Report**

<b>AEPSB BILL</b>					
<b>SUMMARY PROJECT REPORT</b>					
<b>Segment</b>	<b>GLBU</b>	<b>Project</b>	<b>Department</b>	<b>Month</b>	<b>Year-to-Date</b>
Transmission	###	Project 1	Chairman CP&B Accounting Legal etc. Total	<b>Actual</b>	<b>Actual</b>
		Project 2	Chairman CP&B Accounting Legal etc. Total		
		Project 3	Chairman CP&B Accounting Legal etc. Total		

**Report 5 – Summary Department Report**

<b>AEPSC BILL</b>					
<b>SUMMARY DEPARTMENT REPORT</b>					
<b>Segment</b>	<b>GLBU</b>	<b>Department</b>	<b>Project</b>	<b>Month</b>	<b>Year-to-Date</b>
Transmission	###	Chairman	Project 1 Project 2 Project 3 Project 4 etc. Total	<b>Actual</b>	<b>Actual</b>
		CP&B	Project 1 Project 2 Project 3 Project 4 etc. Total		
		Accounting	Project 1 Project 2 Project 3 Project 4 etc. Total		
		Legal	Project 1 Project 2 Project 3 Project 4 etc. Total		
		Etc.	Project 1 Project 2 Project 3 Project 4 etc. Total		

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**Report 6 – Billing Detail Report**

**AEPSC BILLING DETAIL REPORT**

User Prompted to Enter:  
 GL/BU Number:  
 Project Number:  
 Year and Period:

GL/BU: XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Project Description	From Work Order	From PCBU	From Dept (Lowest Level)	From Cost Component	Current Month Billed Amount	YTD Billed Amount
XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	CHAIR	XXXXXXXXXXXXXXXXXXXX	11E Exempt Labor	\$0	\$0
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	CHAIR	XXXXXXXXXXXXXXXXXXXX	120 Labor Fringes (Straight Time)	\$0	\$0
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	CHAIR	XXXXXXXXXXXXXXXXXXXX	125 Payroll Dist Non-Productive	\$0	\$0
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	CHAIR	XXXXXXXXXXXXXXXXXXXX	510 Busin Exp 100% Deduct Gen	\$0	\$0
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	CHAIR	XXXXXXXXXXXXXXXXXXXX	390 Direct Purchases - Other than	\$0	\$0
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	CHAIR	XXXXXXXXXXXXXXXXXXXX	706 Occupancy Loading	\$0	\$0
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	CHAIR	XXXXXXXXXXXXXXXXXXXX	760 AEPSC Support Loading	\$0	\$0
				<b>WORK ORDER TOTAL</b>	\$0	\$0
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	ACCTG	XXXXXXXXXXXXXXXXXXXX	11E Exempt Labor	\$0	\$0
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	ACCTG	XXXXXXXXXXXXXXXXXXXX	120 Labor Fringes (Straight Time)	\$0	\$0
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	ACCTG	XXXXXXXXXXXXXXXXXXXX	125 Payroll Dist Non-Productive	\$0	\$0
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	ACCTG	XXXXXXXXXXXXXXXXXXXX	510 Busin Exp 100% Deduct Gen	\$0	\$0
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	ACCTG	XXXXXXXXXXXXXXXXXXXX	390 Direct Purchases - Other than	\$0	\$0
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	ACCTG	XXXXXXXXXXXXXXXXXXXX	706 Occupancy Loading	\$0	\$0
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	ACCTG	XXXXXXXXXXXXXXXXXXXX	760 AEPSC Support Loading	\$0	\$0
				<b>WORK ORDER TOTAL</b>	\$0	\$0
<b>PROJECT TOTAL</b>					<b>\$0</b>	<b>\$0</b>

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**Report 7 – Employee Labor Summary Report**

<b>Project Description</b>	<b>Work Order Description</b>	<b>Department Description</b>	<b>Cost Class Description</b>	<b>Employee Name</b>	<b>Hours</b>
<b>Service Company Labor Summary</b>					
<b>For (01) Jan, 2003</b>					
<div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">                     User Prompted to Enter:                      Project Number:                      Year and Period:                 </div>					
XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	11382 Environmental Audits	11E Exempt Labor	Employee 1	9.0
		11382 Environmental Audits	11E Exempt Labor	Employee 2	5.0
				<b>WORK ORDER TOTAL</b>	<b>14.0</b>
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	10434 Legal Real Estate	11E Exempt Labor	Employee 1	38.0
		10782 Central Coal Laboratory	11E Exempt Labor	Employee 2	9.0
		10911 Non Regulated Accounting	11E Exempt Labor	Employee 3	80.0
		11178 Tax Accounting & Regulatory	11E Exempt Labor	Employee 4	3.5
		11333 Investment Accounting West	11E Exempt Labor	Employee 5	48.0
		11333 Investment Accounting West	U3E Exempt Uncompensated Labor	Employee 5	3.5
		11405 Office of Chief Accting Office	11E Exempt Labor	Employee 6	5.0
		11405 Office of Chief Accting Office	11E Exempt Labor	Employee 7	104.0
		11405 Office of Chief Accting Office	U3E Exempt Uncompensated Labor	Employee 7	37.0
		11405 Office of Chief Accting Office	11E Exempt Labor	Employee 8	80.0
		11412 Mining Operations	11E Exempt Labor	Employee 9	24.0
		11412 Mining Operations	11E Exempt Labor	Employee 10	16.0
		11748 IT Shared Technologies	U3E Exempt Uncompensated Labor	Employee 11	1.0
		12182 Credit Fuel & Transportation	11E Exempt Labor	Employee 12	16.0
		12182 Credit Fuel & Transportation	U3E Exempt Uncompensated Labor	Employee 12	8.0
				<b>WORK ORDER TOTAL</b>	<b>473.0</b>
<b>PROJECT TOTAL</b>					<b>487.0</b>

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**Report 8 – Pre-Allocated Transactions Report**

AEPSC Pre-Allocated Transactions For (01) Jan, 2003									
<div style="border: 1px solid black; padding: 2px; display: inline-block; width: 100px;">                     User Prompted to Enter:                      Project Number:                      Year and Period:                 </div>									
<b>Project 00003871 Sustained Earnings Improv Init</b>									
<b>N302387101 Sustained Earnings Improv Init</b>									
Jrnl Date	Jrnl ID	Account Description	Department Description	Cost Comp Description	Description	Invoice #	Vendor/Employee Name	Amount	
1/1/2003	RVR0118772	9200000 Administrative & Gen Salaries	10178 IPP Accounting	1AB Labor Accrual Reversals	REVERSE LABOR ACCRUALS			(18.62)	
1/1/2003	RVR0118772	9200000 Administrative & Gen Salaries	11405 Office of Chief Accting Office	1AB Labor Accrual Reversals	REVERSE LABOR ACCRUALS			(53.68)	
1/31/2003	SCBEST4543	9200000 Administrative & Gen Salaries	10178 IPP Accounting	706 Occupancy Loading				(2.34)	
1/31/2003	SCBEST4543	9200000 Administrative & Gen Salaries	11405 Office of Chief Accting Office	706 Occupancy Loading				(8.58)	
<b>Work Order Total:</b>								<b>(83.21)</b>	
<b>Total for Project 00003871 Sustained Earnings Improv Init</b>								<b>\$ (83.21)</b>	

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**Report 9 – Allocated Transactions Analysis**

User Prompted to Enter:

Project Number:  
Year and Period:

**AEPSC Allocated Transactions**  
**For (01) Jan, 2003**

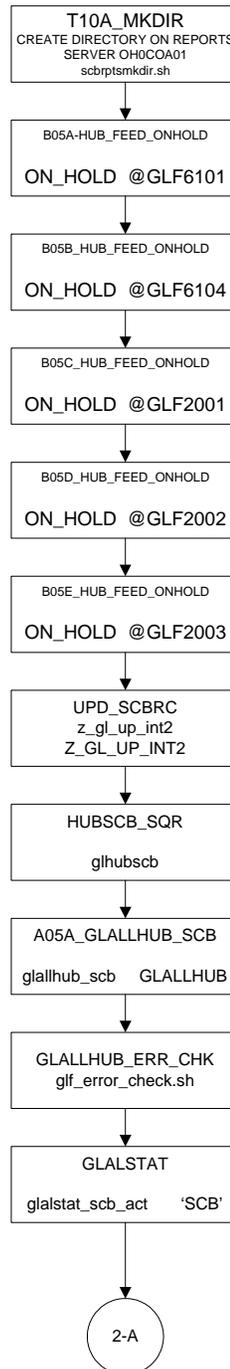
**Project 000003871 Sustained Earnings Improv Init**

**N302387101 Sustained Earnings Improv Init**

<u>Dept ID</u>	<u>Department Description</u>	<u>Cost Comp Description</u>	<u>Attribution Basis</u>	<u>Amount</u>
----------------	-------------------------------	------------------------------	--------------------------	---------------

## M. Appendix

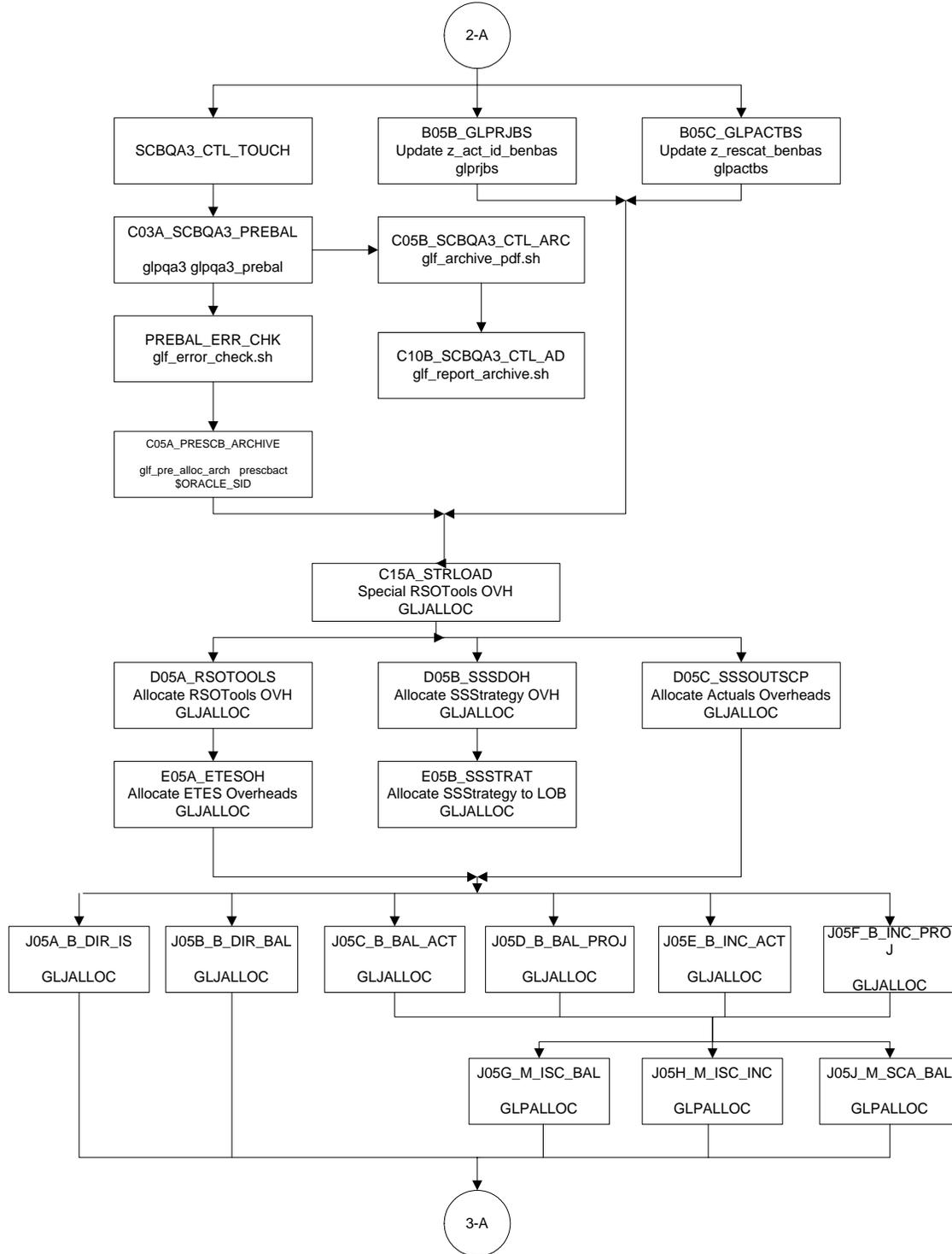
Service Corporation Billing Autosys Process - Actuals  
@GLF3160B



**AEpsc Billing System**  
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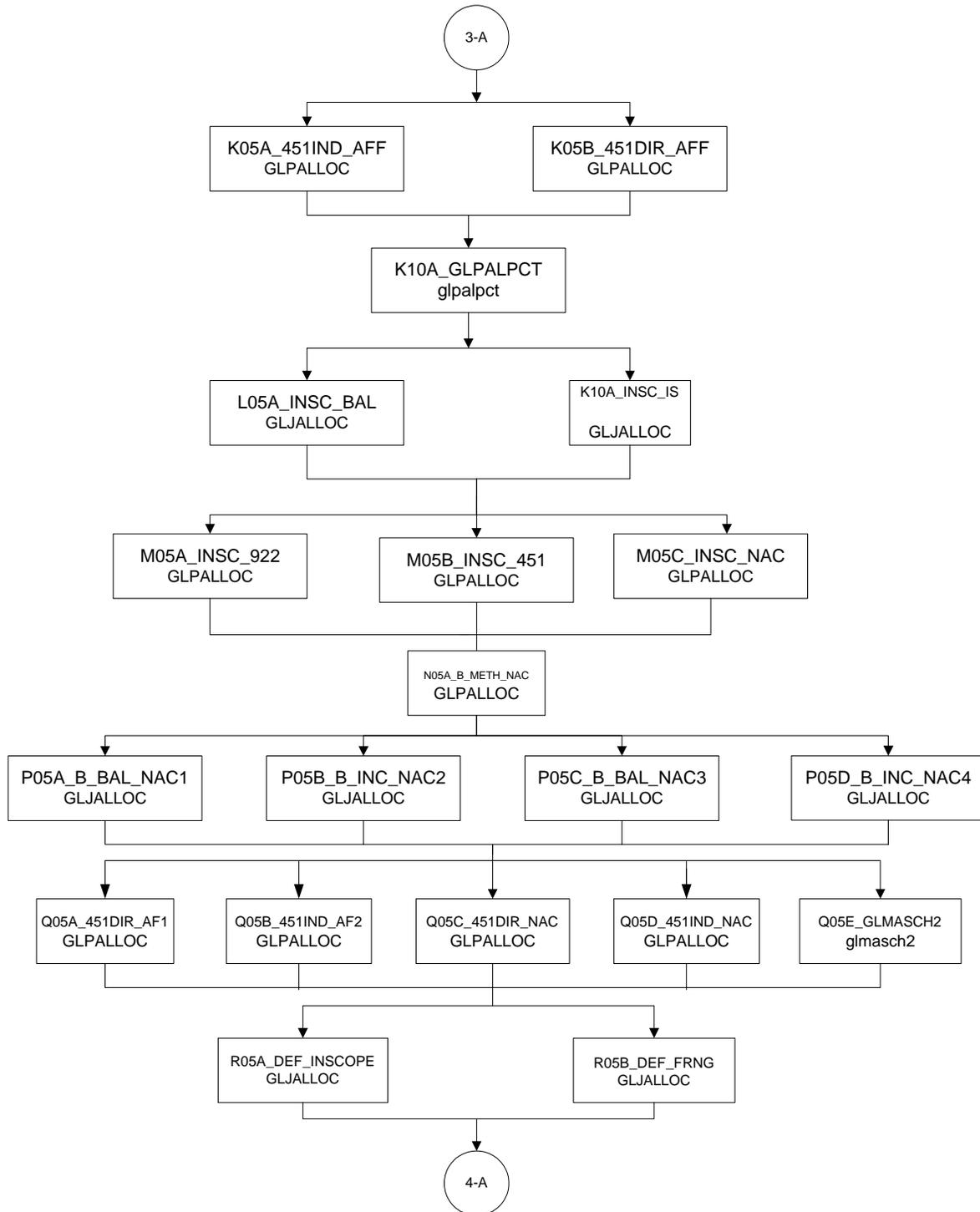
**Service Corporation Billing Autosys Process - Actuals  
 @GLF3160B**



**AEpsc Billing System**  
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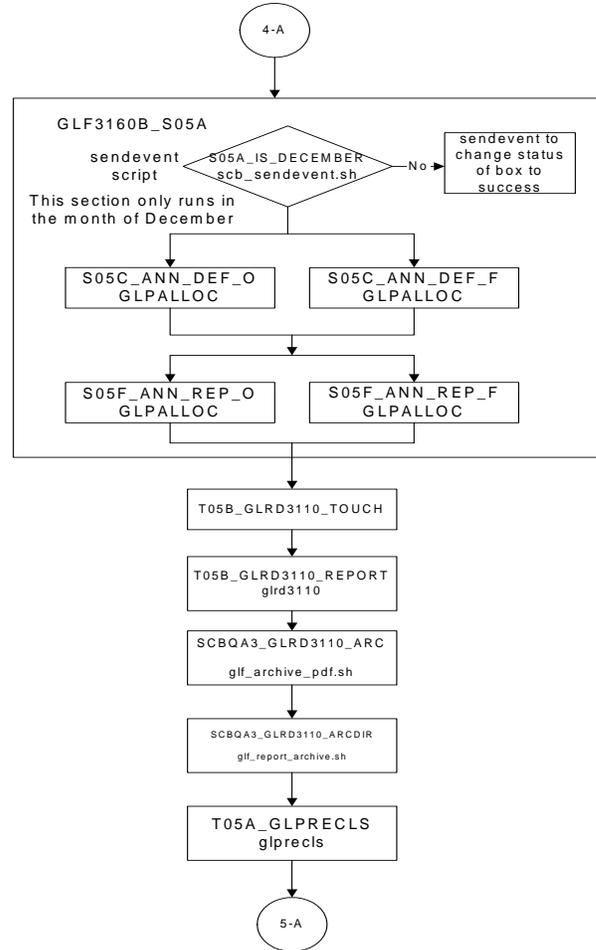
Service Corporation Billing Autosys Process - Actuals  
@GLF3160B



**AEPSC Billing System**  
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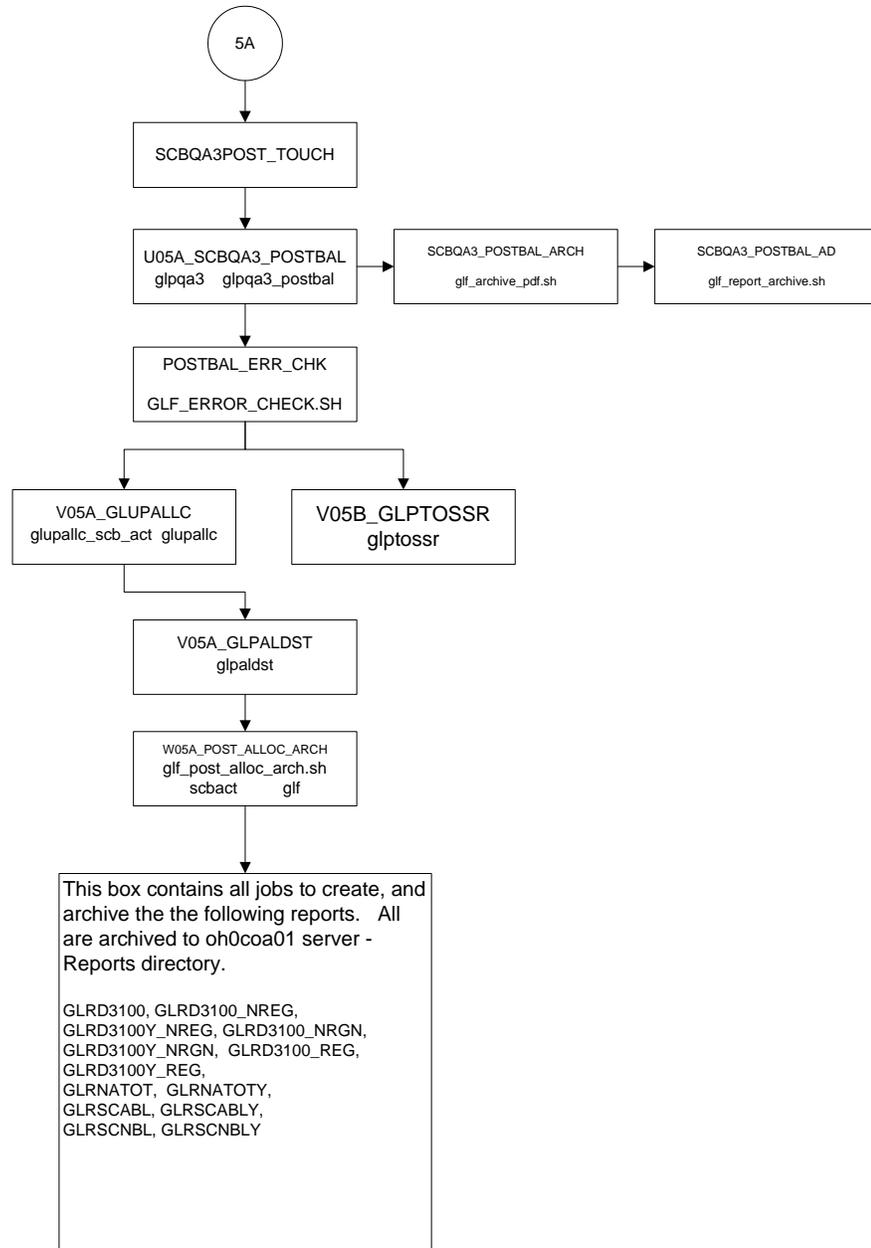
Service Corporation Billing Autosys Process - Actuals  
@ GLF3160B



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Service Corporation Billing Autosys Process - Actuals  
@GLF3160B





## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	AEP Ohio Telecommunications – Services and Billing to AEP Generation Resources	<b>Date</b>	1/1/2014
<b>Owner:</b>	Regulated Accounting	<b>Status:</b>	Final

### Purpose

Document the procedure for billing Ohio Power Telecommunications services to AEP Generation Resources Inc.

### Policy/Procedure Statement

AEP Ohio has historically provided telecommunication voice and data services to the various business units within the Ohio footprint. AEP Ohio provides both the network connectivity and maintenance labor and material to keep the network reliable.

#### **Procedure for Billing Ohio Power Telecommunications Services to AGR**

Effective January 1, 2014, AEP Generation Resources, Inc. (AGR) has contracted with Ohio Power Company (OPCo) to continue providing telecommunications services post corporate separation. These services provided by OPCo are to be billed to AGR under the asymmetrical pricing rules, which state that they will be billed at the higher of cost or market rate. Refer to the Telecommunications Service Agreement for further details. Any services provided by AEPSC employees will continue to be billed directly to AGR at AEPSC’s cost. Services provided by AEPSC do not fall under the asymmetrical pricing rules.

Services/Products that may be provided under the Agreement:

- Bandwidth
- Local Phone Service
- Services to maintain telecommunications equipment owned by AGR

#### **Billing**

Of the three services/products listed above, Bandwidth and Services will be itemized on the bill to AGR. Bandwidth Service will be an annual charge, amortized monthly, and the Services provided by OPCo will be collected in work orders and billed monthly (see Appendix A). The Services will be billed based on the number of hours collected in the telecommunications work orders and the contracted hourly rate for the particular service provided. Labor will be charged on an “as needed basis” to properly maintain the AGR telecommunications equipment to meet



## Accounting Policy/Procedure

their requirements. The local phone service will be provided by and billed directly to the plants by the local telecommunications company. The annual charges for Bandwidth and Local Phone Service and the hourly labor rates for services performed by OPCo are detailed in the Telecommunications Service Agreement.

### Accounting

Monthly, the East Regulated Accounting Department will calculate and communicate the billing amount to AGR for the Telecommunication Services provided by OPCo. The billing and payment of the bill will be accomplished through the intercompany billing process, where Accounting will record the following entries on OPCo (BU250) and AGR (BU181). The actual journal entries will be recorded at plant level detail. See Appendix B.

JE #1	BU	Account	Description	Debit	Credit
	250	1460001	A/R Assoc Co - InterUnit G/L	1000	
	250	4560001	Oth Elect Rev - Affiliated		1000
	181	9350025	Maint of Cmmncation Eq - Affil	1000	
	181	2340001	A/P Assoc Co - InterUnit G/L		1000

To record telecommunication services provide to AGR by OPCo

JE #2	BU	Account	Description	Debit	Credit
	250	1460001	A/R Assoc Co - InterUnit G/L	1000	
	250	4560001	Oth Elect Rev - Affiliated		1000
	181	9210002	Off Supl & Exp - Associated	1000	
	181	2340001	A/P Assoc Co - InterUnit G/L		1000

To record Bandwidth Services provide to AGR by OPCo

These entries will be recorded using a standard Journal ID of "TELECOMM" and will be calculated and prepared by the East Regulated Accounting Department.

### Cost versus Market Comparison

Telecommunication services provided to AGR in 2014 and 2015 will more than likely be performed at market, which will almost certainly exceed cost.



## Accounting Policy/Procedure

On a semi-annual basis (May and November business), an analysis will be completed to verify that the higher of cost or market is being used to bill the telecommunications services provided by OPCo, to AGR. The AEP IT Telecommunications group will provide:

- The latest available hourly market prices for the telecommunications services performed by OPCo. Refer to Appendix C.
- The latest available broadband costs, both internal and market.

The market data provided will be sourced from the two year refresh cycle that is completed by AEP for labor and contract purposes and the latest available data will be used for this semi-annual analysis. Separate/new bids will not be obtained for this analysis.

Accounting will compare the actual costs incurred by OPCo for the telecommunication and broadband services to the market prices provided by AEP IT Telecommunications.

- Telecommunications Services – The aggregate costs of supplying all the services outlined in the Telecommunications Services Agreement will be compared with the market price. Each individual service will not be analyzed. If it is determined that in aggregate, the higher of cost or market price was not used to bill these services, an adjustment will be made to the billing to bring the six month period under review up to the higher of cost or market.
- Broadband - The internal cost of supplying broadband services will be compared against the market price of supplying the same service. If it is determined that the higher of cost or market price was not used to bill these services, an adjustment will be made to the billing to bring the six month period under review up to the higher of cost or market.

AEP has two methods to determine the market for telecommunication services. First, AEP currently has third party contracts in place to maintain telecommunications equipment that can be used by the operating companies. Second, AEP has bid the transport network bandwidth service with other third party carriers and compared these to internal costs. These contracts will be utilized to establish and monitor the market pricing for such services.

### **The following procedures were implemented effective November 1, 2013:**

During the AEP Scheduled Budgeting Cycle the budgeted transfer rate will be established as the benchmark rate for comparison with the market rates in order to evaluate the asymmetrical pricing rates effective January 1 of the following calendar year. The rates will include all associated costs allowed for in the Telecommunications Service Agreement. This bandwidth rate establishment will be the responsibility of the management staff of IT Telecommunications.



## Accounting Policy/Procedure

Market Rates will be evaluated during the same budgeting cycle for comparison. The market rates will be evaluated utilizing both internal and external transfer agreements.

### **Internal Agreements**

Internal Agreements are defined as an executed transfer agreement for third party customers through IT Telecommunications. The agreement must have been bid and executed in the previous or current calendar year and have rates for the calendar year being evaluated. An extended agreement may only be used if the rates were adjusted as part of the extension of such agreement.

### **External Agreements**

External Agreements are defined as an executed transfer agreement between AEP and any transfer terminal performing transfer services on behalf of AEP. The market rate must represent all components of the transfer pricing including transferring, storage, and harbor services. The agreements will be required to meet the timeframes included in the Internal Agreement definition. An extended agreement may only be used if the rates were adjusted as part of the extension of such agreement.

### **Labor Market Price**

The labor market price will be based upon the 4 different technologies that AGR will require to maintain the telecommunications equipment. The labor market rates are based on established 2 year service agreements that AEP has with outside parties versus the cost of internal labor. The higher of cost or market will be utilized by the unregulated companies for budgeting purposes. These rates will be provided by the AEP IT Telecommunications group.



## Accounting Policy/Procedure

### ® Appendix A – Utility Work Orders:

W/O	Descr	Project	Unit	Activity	Bill to
UTTELBJC01	TCOMM-Cabling Prgm-Beckjord	ECNMTPT01	TCOMM	DSCWO	250
UTTELCDC01	TCOMM-Cabling Prgm-Cardinal	ECNMTPT01	TCOMM	DSCWO	250
UTTELCNC01	TCOMM-Cabling Prgm-Conesville	ECNMTPT01	TCOMM	DSCWO	250
UTTELDRC01	TCOMM-Cabling Prgm-Darby	ECNMTPT01	TCOMM	DSCWO	250
UTTELGVC01	TCOMM-Cabling Prgm-Gavin	ECNMTPT01	TCOMM	DSCWO	250
UTTELKMC01	TCOMM-Cabling Prgm-Kammer	ECNMTPT01	TCOMM	DSCWO	250
UTTELMIC01	TCOMM-Cabling Prgm-Mitchell	ECNMTPT01	TCOMM	DSCWO	117
UTTELMRC01	TCOMM-Cabling Prgm-Muskingum	ECNMTPT01	TCOMM	DSCWO	250
UTTELPCC01	TCOMM-Cabling Prgm-Picway	ECNMTPT01	TCOMM	DSCWO	250
UTTELRAC01	TCOMM-Cabling Prgm-Racine	ECNMTPT01	TCOMM	DSCWO	250
UTTELWAC01	TCOMM-Cabling Prgm-Waterford	ECNMTPT01	TCOMM	DSCWO	250
UTTELBJN01	TCOMM-Network Equip- Beckjord	ECNMLWN01	TCOMM	DSCWO	250
UTTELCDN01	TCOMM-Network Equip- Cardinal	ECNMLWN01	TCOMM	DSCWO	250
UTTELCNN01	TCOMM-Network Equip- Conesvill	ECNMLWN01	TCOMM	DSCWO	250
UTTELDNR01	TCOMM-Network Equip- Darby	ECNMLWN01	TCOMM	DSCWO	250
UTTELGVN01	TCOMM-Network Equip- Gavin	ECNMLWN01	TCOMM	DSCWO	250
UTTELKMN01	TCOMM-Network Equip- Kammer	ECNMLWN01	TCOMM	DSCWO	250
UTTELMIN01	TCOMM-Network Equip- Mitchell	ECNMLWN01	TCOMM	DSCWO	117
UTTELMRN01	TCOMM-Network Equip- Muskingum	ECNMLWN01	TCOMM	DSCWO	250
UTTELPCN01	TCOMM-Network Equip- Picway	ECNMLWN01	TCOMM	DSCWO	250
UTTELRAN01	TCOMM-Network Equip- Racine	ECNMLWN01	TCOMM	DSCWO	250
UTTELWAN01	TCOMM-Network Equip- Waterford	ECNMLWN01	TCOMM	DSCWO	250
UTTELMRR01	TCOMM-Radio Prgm- Muskingum	ECNMRDO01	TCOMM	DSCWO	250
UTTELPCR01	TCOMM-Radio Prgm- Picway	ECNMRDO01	TCOMM	DSCWO	250
UTTELRAR01	TCOMM-Radio Prgm- Racine	ECNMRDO01	TCOMM	DSCWO	250
UTTELWAR01	TCOMM-Radio Prgm- Waterford	ECNMRDO01	TCOMM	DSCWO	250
UTTELBJR01	TCOMM-Radio Prgm-Beckjord	ECNMRDO01	TCOMM	DSCWO	250
UTTELCDR01	TCOMM-Radio Prgm-Cardinal	ECNMRDO01	TCOMM	DSCWO	250
UTTELCNR01	TCOMM-Radio Prgm-Conesville	ECNMRDO01	TCOMM	DSCWO	250
UTTELDRR01	TCOMM-Radio Prgm-Darby	ECNMRDO01	TCOMM	DSCWO	250
UTTELGVR01	TCOMM-Radio Prgm-Gavin	ECNMRDO01	TCOMM	DSCWO	250
UTTELKMR01	TCOMM-Radio Prgm-Kammer	ECNMRDO01	TCOMM	DSCWO	250
UTTELMIR01	TCOMM-Radio Prgm-Mitchell	ECNMRDO01	TCOMM	DSCWO	117
UTTELBJT01	TCOMM-Transport Prgm-Beckjord	ECNMTPT01	TCOMM	DSCWO	250
UTTELCDT01	TCOMM-Transport Prgm-Cardinal	ECNMTPT01	TCOMM	DSCWO	250
UTTELCNT01	TCOMM-Transport Prgm-Conesvill	ECNMTPT01	TCOMM	DSCWO	250
UTTELDRT01	TCOMM-Transport Prgm-Darby	ECNMTPT01	TCOMM	DSCWO	250
UTTELGVT01	TCOMM-Transport Prgm-Gavin	ECNMTPT01	TCOMM	DSCWO	250
UTTELKMT01	TCOMM-Transport Prgm-Kammer	ECNMTPT01	TCOMM	DSCWO	250
UTTELMIT01	TCOMM-Transport Prgm-Mitchell	ECNMTPT01	TCOMM	DSCWO	117
UTTELMRT01	TCOMM-Transport Prgm-Muskingum	ECNMTPT01	TCOMM	DSCWO	250
UTTELPCT01	TCOMM-Transport Prgm-Picway	ECNMTPT01	TCOMM	DSCWO	250
UTTELRAT01	TCOMM-Transport Prgm-Racine	ECNMTPT01	TCOMM	DSCWO	250
UTTELWAT01	TCOMM-Transport Prgm-Waterford	ECNMTPT01	TCOMM	DSCWO	250



## Accounting Policy/Procedure

### Appendix B – Plant Level Detail

#### AEP Generation Resources Plant Reporting

#### Summary of Proposed Default Plant Level FINAN G Work Orders

<b>Description</b>	<b>Unit 0 Benefiting Location</b>	<b>Benefiting Location Description</b>	<b>GL BU Billed</b>	<b>Business Unit</b>	<b>Project</b>	<b>Work Order</b>
Conesville	1000	Conesville Plant Unit 0	181	FINAN	FANANDA	G0001000
Darby	1674	Darby Plant	181	FINAN	FANANDA	G0001674
Gavin	1198	Gavin Plant Unit 0	181	FINAN	FANANDA	G0001198
Kammer	1236	Kammer Plant Unit 0	181	FINAN	FANANDA	G0001236
Muskingum River	1075	Musk River Plant Unit 0	181	FINAN	FANANDA	G0001075
Picway	1074	Picway Plant Unit 0	181	FINAN	FANANDA	G0001074
Racine	1055	Racine Unit 0	181	FINAN	FANANDA	G0001055
Waterford	1610	Waterford Plant Unit 0	181	FINAN	FANANDA	G0001610
Cardinal	1355	Cardinal Plant Unit 0	104	FINAN	FANANDA	G0001355



## Accounting Policy/Procedure

### Appendix C – Labor Rates

Transport Electronics Related Work	\$225 per hour
Radio Shop Related Work	\$105 per hour
Fiber Cabling & Splicing Related Work	\$54 per hour
Routers and SCADA Related Work *	\$125 per hour
Telephony Related Work *	\$125 per hour

\* Note: Routers and Telephony fall under the Network Equipment Work Orders



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	AEP River Operations/River Transportation Division Pricing Methodology	<b>Date</b>	1/1/2014
<b>Owner:</b>	AEP River Operations	<b>Status:</b>	Final

### Purpose

Document the affiliate pricing procedures AEP River Operations and River Transportation Division.

### Policy/Procedure Statement

#### River Transportation Division

River Transportation Division (RTD) is an operating division of Indiana Michigan Power Company (I&M), a regulated public utility and subsidiary of American Electric Power. RTD's main objective is to deliver coal and consumables to AEP owned and affiliated power plants on the Ohio and Kanawha Rivers. These plants include Cardinal, Gavin, Kammer, Mitchell, Muskingum, Mountaineer, Rockport, Sporn and Tanners Creek plants on the Ohio River, and the Amos and Kanawha River plants on the Kanawha River.

#### Rates

The rates charged by RTD to AEP's regulated companies (Ohio Power Company, Appalachian Power Company and AEP Generating Company) are governed by a Barge Transportation Agreement dated May 1, 1986. This rate structure was approved by the Securities and Exchange Commission in 1986 under the relevant provisions of Public Utility Holding Company Act of 1935. Rates are based on the principle that over time revenues earned by RTD from barge operations should offset the expenses of RTD's operations. The agreement will be amended to terminate Ohio Power's participation effective January 1, 2014.

In addition to recovering costs, the Barge Transportation Agreement allows RTD to earn a return on investment annually. The investment base includes 1/8<sup>th</sup> of the working capital requirement, real property and 1/13<sup>th</sup> of personal property. The barge and boat operation before tax weighted average rate of return is currently 11.10% (see appendix A).

#### Billing/Quarterly True Ups

Freight is billed to the regulated plants monthly on a rate per ton basis for the tons shipped. The rates used for each origin/destination pair, are based on budgeted costs including the allowed return on investment. Costs include all charges and expenses directly attributable to the performance of service and an allocation of other RTD charges and expenses. Quarterly,



## Accounting Policy/Procedure

costs are “trued up”. If actual costs are greater than the amounts billed, an invoice is issued to the affiliated plants. Conversely, if actual costs are less than the amounts billed, a credit is issued to the affiliated plants.

### AEP River Operations LLC (Commercial)

AEP River Operations LLC (“River Ops”) is a wholly owned subsidiary of American Electric Power Company acquired in 2001. River Ops, a commercial operation, serves a wide variety of industries throughout the inland waterways system with primary traffic patterns on the Ohio, Mississippi and Illinois Rivers, and along the Gulf Coast.

### Billing

As River Ops serves third party customers, barge freight contracts are executed to address items such as the term of the contracts, billing and payment terms, tonnages, origins and destinations. Rates are based on market.

### After Corporate Separation

In summary, RTD will continue to deliver coal and consumables to AEP’s regulated plants. The rates charged by RTD to AEP’s remaining barge served regulated companies will still be governed by the Barge Transportation Agreement dated May 1, 1986. (Ohio Power Company has issued a termination notice to withdraw from participation in the Barge Transportation Agreement effective January 1, 2014.) Billing, budgeting and financial reporting will continue to be performed locally in the Chesterfield office.

A new commercial barge freight contract between AEP River Operations LLC and AEP Generation Resources will be executed. Rates will be market based. Since neither entity is a franchised public utility with captive customers, asymmetrical pricing rules do not apply. Billing, budgeting and financial reporting will continue to be performed locally in the Chesterfield office.

### Urea Terminal

The Urea Terminal is located at Lakin, WV and is operated by RTD. Urea is shipped to the terminal by barge. The employees of the terminal are responsible for unloading the urea from the barge, storing it in the urea dome and loading it into trucks to be transported to the plants. The plants served by the urea unloading terminal include Amos, Mountaineer, Gavin, Muskingum, Mitchell, Big Sandy and Kyger Creek.

The rates charged by the Urea Terminal to AEP’s regulated plants follow the guidance of the Barge Transportation Agreement dated May 1, 1986. However, in August 2013, a new Urea Handling Agreement was written and will be executed between Indiana Michigan Power



## Accounting Policy/Procedure

Company, Appalachian Power Company and Kentucky Power Company. Terminal operations and billing remain the same under the new agreement.

### Billing

Handling charges are billed to the regulated plants monthly on a rate per ton basis for the tons handled. The rates used are based on budgeted costs including the allowed return on investment. Quarterly, costs are “trued up”. If actual costs are greater than the amounts billed, an invoice is issued to the affiliated plants. Conversely, if actual costs are less than the amounts billed, a credit is issued to the regulated plants.

A new urea handling agreement will be written between I&M and AEP Generation Resources, a market-regulated power sales affiliate.

### Market Rates

Under the Affiliate Restrictions of the Federal Energy Regulatory Commission, any transloading of urea for AEP Generation Resources will be performed at the higher of cost or market. The market for urea terminals is limited; however, two internal contracts exist for similar services at other locations. The market rates for urea handling (for terminaling services only) will be provided by the AEP Regulated Consumables Logistics Group, based on the terminaling component included in these two internal contracts. The comparison will be performed with input from RTD, Regulated Fuel, Emissions and Logistics, and the appropriate regulated accounting group. The higher of cost or market will be utilized by I&M for transactions with AEP Generation Resources, subject to the true-up as described above.

Billing, budgeting and financial reporting will continue to be performed locally in the Chesterfield office.

### Cross Chartering – AEP River Operations

RTD provides the base level of barge capacity to ensure AEP’s plants receive safe, reliable and cost effective barge transportation for the volumes of coal and consumables moving to AEP’s generation plants under typical operating conditions. Although AEP River Operations primarily transports goods for third party shippers, it adds value by providing a ready source of barge capacity that can be utilized to meet peak plant needs and provides backhaul opportunities that reduce RTD’s costs.

RTD’s ability to utilize AEP River Operations’ equipment reduces RTD’s cost and at the same time provides the only access that RTD can feasibly use to obtain additional barge and boat capacity at reasonable prices when peak demand or operational disruptions require additional equipment. And, RTD’s ability to rely on AEP River Operations to use RTD’s excess equipment, during which AEP River Operations becomes responsible for the operating costs of that equipment, provides the only access that RTD can feasibly use to



## Accounting Policy/Procedure

increase the utilization of its excess equipment in order to reduce its overall costs of barge and boat service.

AEP River Operations manages and tracks the location of each barge and towboat in the combined fleets in near real-time, through a software program. Barge days (a barge day is one barge operating one day) are maintained in the system by operating company.

### Pricing—Barge Rates

Monthly, RTD recognizes revenue for barges cross-chartered to River Ops, based on the number of barge days RTD barges operate in River Ops' service, while River Ops recognizes a similar expense. Conversely, River Ops recognizes revenue for barges cross-chartered to RTD, based on the number of barge days River Ops' barges operate in RTD's service, while RTD recognizes a similar expense.

All of the barges of AEP's regulated operating companies are chartered (i.e., leased) from third parties on a long term basis. Thus, the daily charter rate shall be based on RTD's weighted average daily charter rate for all barges in RTD's service chartered by the AEP regulated operating companies from a third party as of January 1 of the applicable year, subject to the true-up process as described below.

Prior to the end of each quarter, cross-charter days will be evaluated to determine the net position for the quarter. Unless the quarterly net position results in a significant adjustment, in which case the true up will be booked at the end of the quarter, true-ups will be booked prior to the end of the year. To the extent more RTD barges are cross-chartered to AEP River Operations, a "true-up" will be booked, if needed, to adjust the daily rate to the higher of cost or market on the barge day differential. If more AEP River Operations barges are cross-chartered to RTD, a "true-up" will be booked, if needed, to adjust the daily rate to the lower of cost or market on the barge day differential.

A significant portion of River Ops' fleet (approximately one-third) is comprised of barges chartered from third parties for a term of ten years or less. The market price shall be defined as the AEP River Operations weighted average daily charter rate for all barges chartered or renewed during the current year from third parties.

### Pricing—Boat Rates

Towing rates are developed based on ton-mile costs for each river segment. Ton-mile cost is the cost to move one ton one mile and can be different for each river segment, based on the tow size, size of the river and other river conditions. Towing ton-miles by boat by river segment are maintained by RTD. Monthly, RTD recognizes revenue for towing of AEP River Operations' barges, based on the ton-miles towed and the rate per ton-mile, while River Ops recognizes a similar expense. Conversely, AEP River Operations recognizes



## Accounting Policy/Procedure

revenue for towing of RTD's barges, based on the ton-miles towed and the rate per ton-mile, while RTD recognizes a similar expense.

The rate per ton-mile used is based on RTD's budgeted costs per river segment, adjusted for the price of boat fuel (diesel) for that river segment from the previous month.

Prior to the end of the each quarter, towing ton-miles will be evaluated to determine the net position for the quarter. Unless the quarterly net position results in a significant adjustment, in which case the true up will be booked at the end of the quarter, true-ups will be booked prior to the end of the year. To the extent RTD performs more towing of River Ops' barges, a "true-up" will be booked, if needed, to adjust the ton-mile rate to the higher of cost or market on the ton-mile differential. If River Ops performs more towing of RTD's barges, a "true-up" will be booked, if needed, to adjust the daily rate to the lower of cost or market on the ton-mile differential. The market rates shall be defined as the rates published by third party towing companies for the river segment. If no third party towing is offered on the river segment, no "true-up" will be needed.

The calculations for the "true-up" will continue to be performed locally in the Chesterfield office.

In summary, this process follows the asymmetrical pricing rules, helps RTD adapt flexibility to increases or decreases to RTD's fleet and helps RTD to meet the barge transportation demands of AEP's power plants while minimizing its operating cost through effective utilization of its equipment.



## Accounting Policy/Procedure

### Appendix A

Component		Capitalization @12/31/XX (000)	Percent of Total	Annual Cost		After-Tax Rate of Return	Before-Tax	
							Weighted Percent	In Dollars
Long Term Debt	A	1,532,198	45.97 %	5.70%	C	2.62 %	2.62 %	762,465
Preferred Stock		0	0.00 %	0.00%	C	0.00 %	0.00 %	0
Common Stock	B	1,801,131	54.03 %	10.20%	D	5.51 %	8.48 %	2,466,517
<b>Total</b>		<b>3,333,329</b>	<b>100.00 %</b>			<b>8.13 %</b>	<b>11.10 %</b>	<b>3,228,981</b>

The amounts above are examples and should be updated as specified below.

A) Includes long term debt due in one year and is net of unamortized debt premium and discount, unamortized debt expense and losses on re-acquired debt. It excludes spent nuclear fuel disposal costs. This figure should be updated annually using actual data from the I&M General Ledger.

B) Common equity includes premium on preferred stock and excludes undistributed subsidiary earnings. This figure should be updated annually using actual data from the I&M General Ledger.

C) Annual cost of Long-Term Debt is updated annually using actual data from the I&M General Ledger.

D) Based on I&M return on equity in effect as determined by the Indiana Utility Regulatory Commission from time to time (e.g. upon resolution of a base rate case, etc.)

E) Includes FIT adder (i.e. "gross-up") calculated at the prevailing statutory tax rate (currently 35%).



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Affiliate Sales of Non-power Services	<b>Date</b>	1/1/2014
<b>Owner:</b>	Accounting	<b>Status:</b>	Final
<b>Purpose</b>			
<p>Document the transfer pricing policy for affiliate sales of non-power services.</p> <p><i>This policy / procedure document may not be released to parties outside AEP without the approval of the Chief Accounting Officer.</i></p>			
<b>Policy/Procedure Statement</b>			
<ul style="list-style-type: none"> <li>• Services provided by American Electric Power Service Corporation to its affiliates are recorded at cost.</li> <li>• Services provided by and between AEP’s regulated utility companies are generally recorded at cost.</li> <li>• Services provided by AEP’s regulated public utilities to AEP’s market regulated power sales affiliates and non-utility affiliates are generally recorded at the higher of cost or market.</li> <li>• Services provided by market regulated and non-utility affiliates to regulated public utilities are generally recorded at the lower of cost or market.</li> <li>• The cost of services are initially recorded at cost and periodic reviews are performed no less than annually to compare cost to market and record an adjustment to market if market is determined to be lower than cost.</li> </ul> <p>As part of corporate separation, the following new affiliate agreements were executed for services that require “asymmetric” pricing:</p> <ul style="list-style-type: none"> <li>• Urea Handling Agreement (January 1, 2014) for I&amp;M to provide urea handling on behalf of AEP Generation Resources</li> <li>• Telecommunications Service Agreement (January 1, 2014) for Ohio Power Company to provide telecommunications services to AEP Generation Resources</li> <li>• Crewing Agreement (eff. January 1, 2014) between AEP River Operations and I&amp;M for I&amp;M to provide employees to crew towboats owned by AEP River Operations.</li> <li>• Cook Coal Terminal Transfer Agreement (January 1, 2014) for AEP Generating Company to provide coal transfer and storage services to AEP Generation Resources</li> </ul>			



## Accounting Policy/Procedure

- Kammer Operating Agreement (January 1, 2014) under which employees of Kentucky Power operate the Kammer Plant on behalf of AEP Generation Resources through the plant's anticipated retirement in 2015

The following new affiliate agreements, each effective January 1, 2014, were executed or assigned for services that do not require asymmetric pricing, pursuant to FERC and/or state orders that authorize such pricing:

- Mitchell and Sporn Operating Agreements allow for operating company employees to operate co-owned AEP Generation Resources facilities on behalf of AEP Generation Resources at cost
- Assignment of Central Machine Shop Agreement dated January 1, 1979 from Ohio Power to AEP Generation Resources, authorizes APCo to provide machine shop services to AEP Generation Resources at cost

### Resources

- Cook Coal Terminal Asymmetric Pricing Methodology
- AEP Ohio Telecommunications: Services and Billing to AEP Generation Resources
- Lakin Urea Terminal Asymmetric Pricing Methodology
- Accounting Bulletin 21, *Accounting for Sales of Material and Equipment* - sales of property, including materials and supplies, capitalized spare parts and other tools/equipment
- Service Agreement between AEPSC and AEP Generation Resources
- Affiliated Transaction Agreement (December 31, 1996) governs the provision of non-power services between AEP East utility companies.
- *American Electric Power Service Corporation*, 145 FERC ¶ 61,268 (2013) for Sporn Operating Agreement, machine shop services
- *American Electric Power Service Corporation*, 145 FERC ¶ 61,269 (2013) for Mitchell Operating Agreement



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Cook Coal Terminal Asymmetrical Pricing Methodology	<b>Date</b>	1/1/2014
<b>Owner:</b>	Regulated Accounting	<b>Status:</b>	Final

### Purpose

Document the procedure for applying asymmetric pricing rules in connection with the Cook Coal Terminal Transfer Agreement between AEP Generating Company and AEP Generation Resources Inc.

### Policy/Procedure Statement

This Cook Coal Terminal Asymmetrical Pricing Methodology shall be used by AEP Generating Company (“AEPGCo”) for purposes of complying with the FERC asymmetrical pricing rules in connection with the Cook Coal Terminal Transfer Agreement between AEPGCo and AEP Generation Resources Inc., dated effective January 1, 2014 (the “Agreement”). Capitalized terms that are not defined herein shall have the meaning assigned to them in the Agreement.

Annually during the AEP Scheduled Budget Cycle process for an upcoming calendar year (June, July and August), Cook Coal Terminal management shall establish the (i) the Coal Transfer Estimated Fully Loaded Cost Rate effective as of the following January 1 and (ii) the current Average Market Rate (the “Initial AMR Determination”) for purposes of complying with the FERC asymmetrical pricing rules and determining the Coal Transfer Services Fee for the following calendar year. AEPGCo shall perform a second determination of the Average Market Rate in December of each calendar year (the “Final AMR Determination”) using the same methodology set forth below for purposes of verifying the Initial AMR Determination. If the Final AMR Determination is different than the Initial AMR, the Final AMR Determination shall be used for the Average Market Rate for purposes of determining the Coal Transfer Services Fee.

The Initial AMR Determination and the Final AMR Determination will each be determined utilizing both “internal” and “external” agreements for coal transfer services as set forth below. The rates in the internal and external agreements will not be disclosed to AEP Generation Resources Inc.

All rates will be evaluated on a per ton basis.

#### Internal Agreements

An “Internal Agreement” is an executed agreement between AEP Generating Company and a non-affiliated party for coal transfer services through Cook Coal Terminal. The Internal Agreement shall have been bid and executed in the same or prior calendar year as the AEP



## Accounting Policy/Procedure

Scheduled Budget Cycle evaluation and have rates for the ensuing calendar year being evaluated. An extension period of an Internal Agreement, where the extension was bid and executed in the same or prior calendar year as the AEP Scheduled Budget Cycle evaluation, will be used if the rates were adjusted as part of the agreement extension.

### **External Agreements**

An “External Agreement” is an executed agreement between an AEP Operating Company and a non-affiliate party providing coal transfer services at a coal transfer terminal. The External Agreement rate must represent all components of the trans-loading pricing including transferring and harbor services. The External Agreement must have been bid and executed in the same or prior calendar year as the AEP Scheduled Budget Cycle evaluation and have rates for the ensuing calendar year being evaluated. An extension period of an External Agreement, where the extension was bid and executed in the same or prior calendar year as the AEP Scheduled Budget Cycle evaluation, will be used if the rates were adjusted as part of the agreement extension.

### **Average Market Price**

If three or more Internal Agreements are identified, the Average Market Rate will be the average of the rates in such Internal Contracts. If three Internal Agreements are not identified, then External Agreements will also be used to determine Average Market Rate.



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Lakin Urea Terminal Asymmetrical Pricing Methodology	<b>Date</b>	1/1/2014
<b>Owner:</b>	AEP River Operations	<b>Status:</b>	Final

### Purpose

Document the procedure for applying asymmetric pricing rules in connection with the Lakin Handling Agreement between Indiana Michigan Power Company and AEP Generation Resources Inc.

### Policy/Procedure Statement

This Lakin Urea Terminal Asymmetrical Pricing Methodology shall be used by Indiana Michigan Power Company (“I&M”) for purposes of complying with the FERC asymmetrical pricing rules in connection with the Lakin Handling Agreement between I&M and AEP Generation Resources Inc., dated effective January 1, 2014 (the “Agreement”). Capitalized terms that are not defined herein shall have the meaning assigned to them in the Agreement.

Annually during the AEP Scheduled Budget Cycle process for an upcoming calendar year (June, July and August), Lakin Urea Terminal management shall establish the (i) the Estimated Fully Loaded Cost Rate effective as of the following January 1 and (ii) the current Average Market Rate (the “Initial AMR Determination”) for purposes of complying with the FERC asymmetrical pricing rules and determining the Urea Handling Services Fee for the following calendar year. I&M shall perform a second determination of the Average Market Rate in December of each calendar year (the “Final AMR Determination”) using the same methodology set forth below for purposes of verifying the Initial AMR Determination. If the Final AMR Determination is different than the Initial AMR, the Final AMR Determination shall be used for the Average Market Rate for purposes of determining the Urea Handling Services Fee.

The Initial AMR Determination and the Final AMR Determination will each be determined utilizing both “internal” and “external” agreements for urea handling services as set forth below. The rates in the internal and external agreements will not be disclosed to AEP Generation Resources Inc.

All rates will be evaluated on a per ton basis.

#### **External Agreements**

An “External Agreement” is an executed agreement between an AEP Operating Company and a non-affiliate party providing urea handling services at a urea terminal. The External Agreement rate must represent all components of the trans-loading pricing including transferring and harbor services. The External Agreement must have been bid and executed in the same or prior calendar year as the AEP Scheduled Budget Cycle evaluation and have rates for the ensuing calendar year being evaluated. An extension period of an External Agreement, where the



## Accounting Policy/Procedure

extension was bid and executed in the same or prior calendar year as the AEP Scheduled Budget Cycle evaluation, will be used if the rates were adjusted as part of the agreement.

### **Internal Agreements**

An “Internal Agreement” is an executed agreement between I&M and a non-affiliated party for urea handling services through the Lakin Urea Terminal. The Internal Agreement shall have been bid and executed in the same or prior calendar year as the AEP Scheduled Budget Cycle evaluation and have rates for the ensuing calendar year being evaluated. An extension period of an Internal Agreement, where the extension was bid and executed in the same or prior calendar year as the AEP Scheduled Budget Cycle evaluation, will be used if the rates were adjusted as part of the agreement extension.

### **Average Market Price**

If two or more External Agreements are identified, the Average Market Rate will be the average of the rates in such Internal Contracts. If two External Agreements are not identified, then Internal Agreements will also be used to determine Average Market Rate.



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Sales of Materials and Supplies	<b>Date</b>	1/1/2014
<b>Owner:</b>	Supply Chain and Accounting	<b>Status:</b>	Final

### Purpose

Document the procedure for sales of materials and supplies between AEP Generation Resources and regulated utility affiliates, in accordance with Accounting Bulletin 21, *Accounting for Sales of Material and Equipment*.

### Policy/Procedure Statement

Sales of materials and supplies from AEP Generation Resources to an AEP East Utility Company (Appalachian Power Company, Indiana Michigan Power Company, Kentucky Power Company, Ohio Power Company, and AEP Generating Company) will be at the lower of fully allocated cost or prevailing market prices, including actual transportation costs. Sales of materials and supplies from an AEP East Utility Company to AEP Generation Resources will be at the higher of fully allocated cost or prevailing market prices, including actual transportation costs. AEP Generation Resources transactions with AEP Service Corporation and Central Machine Shop will be recorded at cost.

There are to be no sales of materials and supplies between AEP Generation Resources and the West Utility Companies (AEP Texas Central Company, AEP Texas North Company, Public Service Company of Oklahoma and Southwestern Electric Power Company) unless there is an emergency situation and Legal approval is obtained.

Guidelines for determining the market price (reference the attachment for a flow diagram of this process):

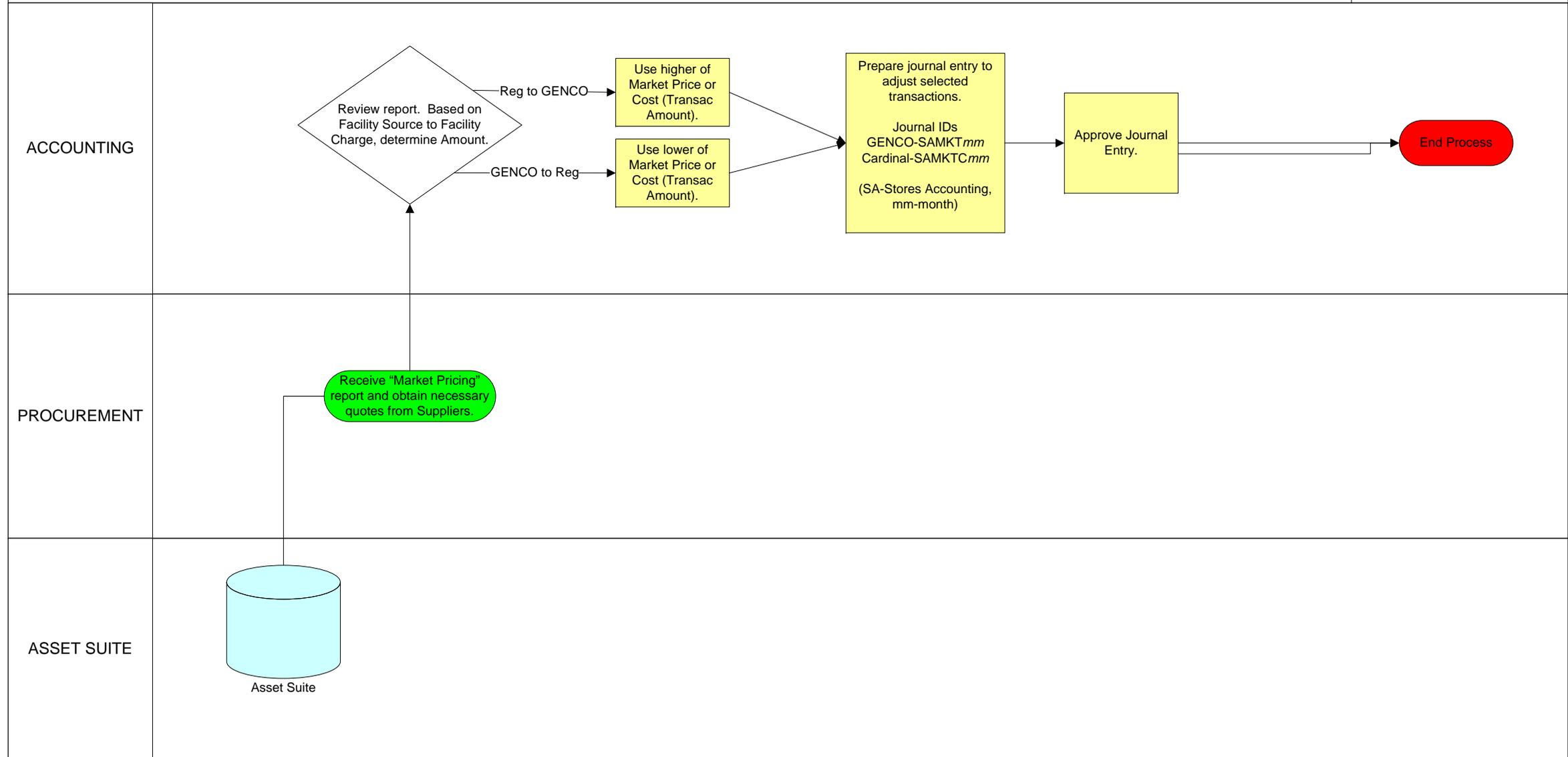
1. If the item exists on a blanket, use the blanket purchase order price, else
2. Use the last purchase price if one exists within the 12 months prior, else
3. Obtain a vender quote (if a replacement item is not available, a remanufactured item price may be used, if it is an equivalent item), else
4. If the item is no longer available, use transaction price (cost).

	Process Description	Organization
1	Run report of M&S transactions between AEP Generation Resources and regulated utility companies. Report is delivered to shared drive in Procurement Organization.	COE
2	Report is opened and filtered to show which transactions need quotes. Buyer filters on column W, "Additional Pricing Required" to see what quotes are needed.	Gen Procurement
3	Quotes are obtained by Buyer.	Gen Procurement
4	Buyer updates report (excel file). Buyer enters quoted amount * quantity in column V, "Market Price". Buyer then updates column Y, "Price Variance", with formula column U-V, "Transac Amt" less "Market Price".	Gen Procurement
5	Buyer emails updated report (excel file) to Stores Accounting.	Gen Procurement
6	Stores Accounting creates necessary journal entries. Journal IDs GENCO-SAMKTmm Cardinal-SAMKTCmm (SA-Stores Accounting, mm-month)	Stores Accounting

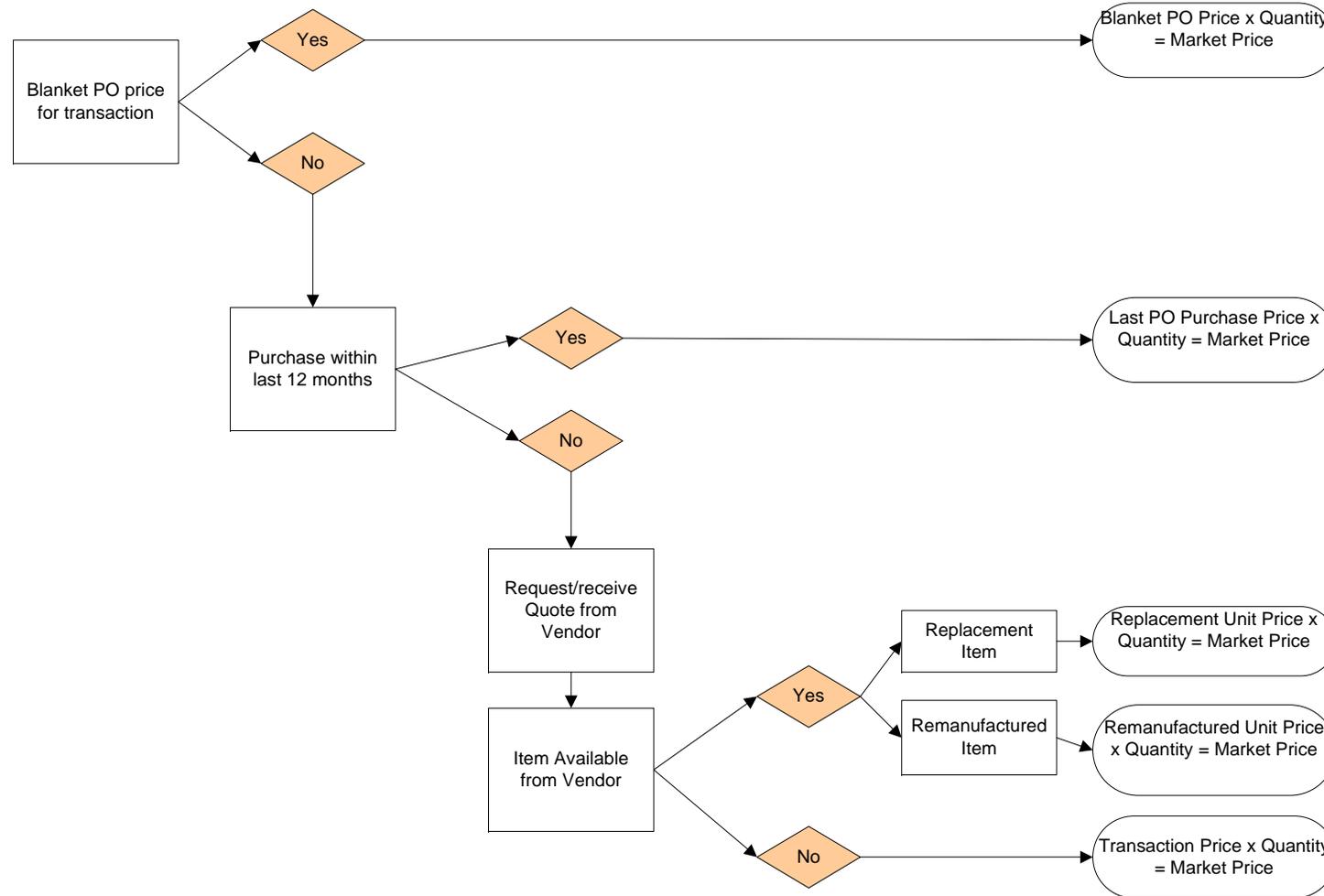
**Process: Material & Supplies Market Pricing**



AEP: America's Energy Partner®



## Market Pricing Process – Decision Matrix for determining Market Price



**Note:**

Reg to GENCO- use higher of Market Price or Cost (Transac Amount)

GENCO to Reg- use lower of Market Price or Cost (Transac Amount)



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Account Maintenance Policy	<b>Date</b>	2/05/2004
<b>Author:</b>	Jason Stegall	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### Purpose

The purpose of this policy is to identify the standard procedures required for the addition, update and inactivation of the existing PeopleSoft Account ChartField only. This policy specifically excludes the other ChartFields (e.g. Business Unit, Department, ABM Activity) that will be covered in other policies.

### Policy/Procedure Statement

The Lotus Notes ChartField Request Database (the Database) is the official tool to request additions, changes and deletions to the AEP Chart of Accounts. The Database has a built in approval process ensuring all requests have been reviewed by multiple groups inside and outside of the Accounting Department. Once a request has been approved, it will be processed within five workdays or the requester will be notified of the delay including its cause. The Business Integration Strategy group will make all account changes in PeopleSoft and, aside from the members of Corporate Planning and Budgeting who maintain budget related ChartFields and members of AEPSC Accounting who maintain the ABM Activity ChartField, should be the only individuals with ChartField maintenance access in PeopleSoft.

#### ChartField Approvers by Group

Group	Individual Approvers
Regulated Accounting	Donald Hayes Jeff Hoersdig Monica Parker
Unregulated Accounting	LeRoy Griffin Chris Gadfield
EPM – Budgets	Darryl Lynch Janet Frazier Jim Tucker Pat Guy
Corporate Accounting	Bobbi Epley Christine Butcher
AEPSC Accounting	Vicky Williams Randy Roush
Consolidation Accounting	Adam Poland Charles Vest Bill Deroy

#### Adding Accounts

Before an account is added, both the requester and the chartfield maintenance administrator of Corporate Accounting will check for an existing account that can fill the requestor's needs. Should a similar account be identified, the request will be withdrawn or updated to indicate why the existing account is insufficient.



## Accounting Policy/Procedure

Once the new account has been entered into PeopleSoft, the chartfield maintenance administrator will ensure the account has been added to the appropriate reporting and combination edit trees. To ensure the account has been added, the following reviews must be made:

- The requester should review financial reports to ensure the new account is included in the appropriate reports,
- The chartfield maintenance administrator should review the trees for any missing accounts on a biweekly basis and
- The ledger accountants should review the built-in, financial statement error checks.

Since all reporting trees require every account value to be included, the trees will be invalid if an account value is excluded. Each financial report has a built in feature that compares the summary nodes at higher levels with the subtotal of nodes at the next level down and displays an error message if the two do not agree. For example, if Production Plant, CWIP and Accumulated Depreciation do not equal the Net Plant in Service subtotal, the report will indicate that an error exists.

If an account necessitates the creation of a new node on a reporting tree, the addition must be documented in accordance with the Change Control Policy and a change request should be submitted so the General Ledger Report Administrator can update the appropriate reports.

If the account is an affiliated account, the Consolidation Accounting group will review the request to identify any potential consolidation and elimination issues. These issues will be resolved prior to the issuance of Consolidation Accounting approval. The approver for Consolidation Accounting has discretion to request any additional information from the requester as needed.

All checks and reviews will be documented using the checklist provided in the Lotus Notes form. By marking each item complete, the chartfield maintenance administrator is ensuring that the appropriate checks and reviews were performed. Lotus Notes requires each item to be marked complete prior to the request being marked complete.

When considering where to record account detail, the user should determine if the transactions need to be recorded in a separate account or in a multi-use account of the appropriate FERC range. If the transaction is a one time transaction or does not warrant individual reporting, then a multi-use account is acceptable. If the detail needs to be displayed on the financial statements, it should be assigned a new account.

### **Account Changes**

All change requests for PeopleSoft accounts (i.e. description changes, combination edit changes, etc.) will be requested through the Database. Combination edit changes are subject to the Combination Edit Maintenance Policy. Changes to accounts in Lotus Notes that are not made in PeopleSoft, such as the 'Description of Charges' field, are not subject to the procedures of the Database.

Accounts will not be re-activated with a different purpose. To ensure that account activity is reported correctly, re-activated accounts must contain the same detail as before they were inactivated. If the intended use of the account has changed, a new account will be established and the inactive account will remain closed.

### **Inactivating Accounts**

Prior to inactivating an account, both the requester and the chartfield maintenance administrator must run a query to check for balances in the account. The completion of this review will be indicated on the Lotus Notes form prior to the request being marked complete. The chartfield maintenance administrator will only inactivate an account when all balances are zero.



## Accounting Policy/Procedure

All accounts should be inactivated as of the beginning of the next calendar month. Accounts will not be inactivated in the past.

Quarterly, a review will be performed by the chartfield maintenance administrator to look for accounts that should be inactivated due to inactivity. Any account that has not had a charge for a period of 13 months or greater should be reviewed and considered for inactivation. The account will remain in PeopleSoft and can always be re-activated later if it is needed.

### Request Completion

Each account request will be completed within two business days following the completion of all prerequisite tasks by the requester and previous approvers. If the request can not be fulfilled within two business days, the chartfield maintenance administrator will notify the requester immediately.

The requester will be notified of account changes via the standard features in the Database. The Database automatically emails a completion notification to the requester, all approvers and any additional people identified on the request once the chartfield maintenance administrator marks the request complete. On a daily basis, AEP uses PeopleSoft functionality to email chartfield changes stored in a PeopleSoft database named Z\_CF\_CHANGES to identified users on a mailing list, also stored in PeopleSoft. The chartfield maintenance administrator maintains this mailing list.

### Approved By

Jack Kincaid \_\_\_\_\_ Date 4-2-04  
Manager, Corporate Accounting

Susan Higginson Susan Higginson Date 4-2-04  
Managing Director, Accounting Operations

### Edit History

#### 04/07/2004

Language was added to the "Adding Accounts" section to specifically identify the role of Financial Reporting in setting up affiliated accounts.

If the account is an affiliated account, the Consolidation Accounting group will review the request to identify any potential consolidation and elimination issues. These issues will be resolved prior to the issuance of Consolidation Accounting approval. The approver for Consolidation Accounting has discretion to request any additional information from the requester as needed.

#### 11/18/2005

The policy was updated to include a section for not recycling account numbers and changing the use of an account. The policy was also updated to discuss how and when to use multi-use accounts. And the policy was updated to include procedures for reviewing the account listing quarterly to see if any accounts should be inactivated due to inactivity.

Also, the names in the Approvers groups were updated.



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Combination Edit Maintenance Policy	<b>Date</b>	03/26/04
<b>Author:</b>	Jason Stegall	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### Purpose

A combination edit is the part of PeopleSoft validation that determines specifically identifies combinations of chart field values that are either valid or invalid. This policy defines the procedures governing a combination edit through its entire life cycle. The policy identifies who will perform the actual combination edit work, who can request additions and changes and who can approve the changes.

### Policy/Procedure Statement

Combination edit maintenance is the responsibility of the Business Integration Strategy (BIS) Team. A BIS Analyst with the appropriate PeopleSoft access will make the changes after all required steps are performed.

The ACCT COMBO EDIT CHANGES Lotus Notes mail group will be used to disseminate information regarding the status of combination edits. The BIS Team maintains this mail group and all requests for changes should be forwarded to that team.

NOTE: Custom combination edits that are not maintained through PeopleSoft panels are subject to the Finance Change Control Policy.

#### Adding a Combination Edit

The request for a new combination edit can originate with any group currently using PeopleSoft Financials and is initiated by presenting a business case to the BIS Team. The purpose of the business case is to provide enough information for the BIS Analyst to identify the business need, the groups affected, the cost of not implementing the edit and the basics of the edit so that testing can begin. It is the responsibility of the BIS Analyst to contact all affected groups to inform them of the pending edit prior to the start of development and testing. The BIS Analyst has discretion to request any further information as needed for purposes of justifying the edit or creating it for testing purposes.

Once management reviews the business case, the BIS Analyst will create the edit in the PeopleSoft Testing environment. Testing will be performed to identify the number of rows added to the COMBO\_DATA\_TBL, the effect on existing combination edits and the effectiveness of the new edit. The BIS Analyst has discretion to perform any tests deemed necessary to evaluate the new edit, which may include testing by the requester.

Should issues be identified during testing, the requester should be notified so that the business case can be adjusted to reflect resolution to the identified issues or the request should be withdrawn. All testing performed by the BIS Analyst will be retained along with the original business case and other detailed design documentation.

Once testing has been completed, the new edit will be brought to the Change Control Board (CCB) for final approval and communication across all applications that use PeopleSoft validation services. Once the edit has CCB approval, it will then be created in production and all users included in the Lotus Notes group ACCT COMBO EDIT CHANGES will be notified of the new edit via email prior to its implementation. The BIS Analyst will coordinate the timing of implementation to minimize the effect on PeopleSoft, possibly at the end of a calendar month or the end of a pay period.

#### Changing a Combination Edit



## Accounting Policy/Procedure

Changes can be grouped into three categories: detail value changes, business unit attachment changes and structural changes.

Detail value changes reflect a change in the edits associated with a specific chart field value. These changes will be processed through the Lotus Notes ChartField Request Database and subject to all approvals required by that database. It is the responsibility of the BIS Analyst to ensure that no change will be implemented if it will strand balances in chart field combinations where it cannot be cleared. All changes will await confirmation from the requester that balances have been cleared and the edit is ready to be changed.

Attachment changes reflect changes in the application of an existing edit to a specific business unit. Should a user request that an edit be removed or added to a specific business unit, the request will be recorded in Remedy and, if the change is permanent or affects more than one system, an email will be sent to the ACCT COMBO EDIT CHANGES Notes group to allow for objections to be raised. If objections are raised, they will be dealt with prior to a change in attachment. The BIS Analyst has discretion to determine the appropriate amount of response time to raise objections.

Structural changes reflect changes in the way the edit operates, specifically changes in the scope of the edit. One example is a combination edit requiring a group of accounts to use a resource subcategory in a specific range of values being expanded to require a second group of accounts to use a resource subcategory in a different range. Structural changes will first be recorded in Remedy and then follow the same procedures as new combination edits.

### **Periodic Review of Combination Edits**

Combination edits should be reviewed on a semiannual basis. The review will be performed by the BIS Analyst and requires review of existing functional documentation and follow-up with the original requester as needed. Edits no longer in use will be removed in accordance with the attachment changes procedures identified above.

### **Approved By**

Melanie Kolp Melanie Kolp Date 4-2-04  
Manager, Business Integration Strategy

Susan Higginson Susan Higginson Date 4-2-04  
Assistant Controller, Accounting Services and Special Projects



BOUNDLESS ENERGY

## Accounting Policy

<b>Policy Title</b>	PeopleSoft General Ledger Segregation of Duties	<b>Date</b>	3/20/2018
<b>Author:</b>	Hillary Fraley	<b>Status:</b>	Final
<b>Purpose</b>			
<p>The purpose of this policy is to define segregation of duties (SOD) requirements as it relates to recording journal entries in the general ledger.</p> <p>This policy supports the following internal controls, which function to ensure that segregation of duties violations related to preparation and posting of journal entries to the general ledger do not occur, and to ensure that privileged access is monitored.</p> <p><b>FR.AS.SM.CO1.R1.CA1.1 – PeopleSoft Journal Entry Prepare/Post Role Configuration</b></p> <p>When prepare or post privileges are requested to be added or removed from roles, Business Integration Strategy reviews these changes and ensures they do not create a segregation of duties violation as defined by Regulated Accounting. This is performed on an “as-needed” basis.</p> <p><b>FR.AS.SM.CO1.R1.CA1.6 – Privileged Access Monitoring</b></p> <p>Business Integration Strategy, with the assistance of IT, monitors roles with privileged access to PeopleSoft General Ledger data. Activity performed by users with privileged access affecting PeopleSoft General Ledger data is captured and subjected to independent review. This is performed on an “as-needed” basis.</p> <p><b>FR.AS.SM.CO1.R1.CA1.2 - FRASSM1_2 PeopleSoft GL Quarterly Access Review</b></p> <p>Quarterly, a Business Integration Strategy employee with access to the PeopleSoft SC Query Manager role reviews the Project Costing and General Ledger access to the PeopleSoft Financials application. A query is run on the PSROLEUSER table to display the existing PeopleSoft access. The reviewer confirms that the roles are appropriate, and notes any exceptions. This is evidenced by the electronic workpapers maintained by Business Integration Strategy.</p>			
<b>Definitions</b>			
<p><b>User Profiles</b> – Defines access that individual users have within PeopleSoft applications.</p> <p><b>Roles</b> – Roles are assigned to PeopleSoft user profiles. Roles are made up of one or many permission lists.</p> <p><b>Permission Lists</b> – Permission lists provide the page/panel access within PeopleSoft applications and are assigned to a role.</p> <p><b>Journal Preparation</b> – The ability granted in a permission list that is assigned to a role, which allows a user to create and edit a journal entry within the PeopleSoft application.</p> <p><b>Journal Post</b> – The ability granted in a permission list that is assigned to a role, which allows a user to post an existing journal entry within the PeopleSoft application.</p> <p><b>Privileged Access</b> – Access to a role(s) that gives the user prepare and post permissions simultaneously.</p>			
<b>Policy Statement</b>			
<p>To ensure proper segregation of duties regarding journal entries in the general ledger, Accounting has defined that individuals should not simultaneously have the permissions to both prepare and post journal entries. This is managed via role-based access to PeopleSoft. Certain roles are required to have both prepare and post permission for system administration purposes. If it is necessary for a user to obtain a role with privileged access (contains permissions to both prepare and post), the activity performed by the user while having that role must be monitored and subjected to change control to ensure the activity</p>			



BOUNDLESS ENERGY

## Accounting Policy

performed is proper. Access requests to PeopleSoft roles are subject to the Information Technology General Controls (ITGCs) (GCC.PR01.SP01.CO01.RK01.CA01 – New Access, and GCC.PR01.SP01.CO06.RK01.CA01 – User Access Review).

### Application of Policy

#### Identification of Roles with Prepare or Post

The Business Integration Strategy (BIS) team has performed procedures to identify roles with prepare or post permissions for journal entries. See the BIS team's procedure documents detailing these procedures at:

\\oh0co01\isdttda\ Acctg Info Systems\Security\FR.AS.SM.CO1.R1.CA1.1 - JE Create and Post Security Policy and Procedure

These procedures identified the following roles with prepare or post permissions:

#### PeopleSoft Roles With Prepare or Post

Role Name	Prepare Permission	Post Permission	Privileged Access Y/N
GL Accountant	X		No
GL Manager		X	No
GL NonReg Accountant	X		No
GL NonReg Manager		X	No
GL Batch Operator	X	X	Yes**

\*\* A defined batch process is executed (AEP Service Corporation allocation process, Project Allocations process, etc.), which results in transactions that need to be created in the General Ledger. The GL Batch Operator role uses the Journal Generation process to create and post these transactions/journal entries to the General Ledger. If there is a change needed to either the defined batch process or the journal generation process, then it goes through a change control process (GCC.PR01.SP02.CO02.RK01.CA09 - PeopleSoft Change Testing and Approval)

PeopleSoft role configurations are subject to the ITGCs, which include change control and a requirement that the BIS team approve changes to PeopleSoft role configurations as they relate to prepare or post permissions. Additionally, the BIS group will perform a quarterly review to ensure PeopleSoft role configurations are in compliance with this policy.

The PeopleSoft role configurations above are validated quarterly via the following primary SOX control:

#### FR.AS.SM.CO1.R1.CA1.1 – PeopleSoft Journal Entry Prepare/Post Role Configuration

When prepare or post privileges are requested to be added or removed from roles, Business Integration Strategy reviews these changes and ensures they do not create a segregation of duties violation as defined by Accounting.

Roles including both prepare and post abilities are monitored quarterly through the following primary SOX control:

#### FR.AS.SM.CO1.R1.CA1.6 – Privileged Access Monitoring

Business Integration Strategy, with the assistance of IT, monitors roles with privileged access to PeopleSoft General Ledger data. Activity performed by users with privileged access affecting PeopleSoft General Ledger data is captured and subjected to independent review.

Documentation of these controls will be maintained in accordance with the Company's SOX requirements.



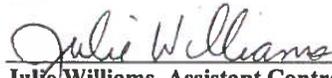
BOUNDLESS ENERGY

## Accounting Policy

### Approved By

  
\_\_\_\_\_  
Jeff Hoersdig, Assistant Controller  
Regulated Accounting

3/20/18  
Date

  
\_\_\_\_\_  
Julie Williams, Assistant Controller  
Accounting Operations

3/20/18  
Date

  
\_\_\_\_\_  
Gil Borlaza, Senior Manager  
Business Integration Strategy

4/2/18  
Date



## FINANCIAL REPORTING nVision Change Control Procedure

<b>Policy/Procedure Title</b>	<b>nVision Change Control Procedure</b>	<b>Date</b>	September 2015
<b>Owner:</b>	Financial Reporting Consolidation and Internal Reporting Manger	<b>Status:</b>	Approved

### Purpose

The purpose of this document is to define the change management process used by Financial Reporting to maintain nVision Financial Reports templates.

### Procedure

#### Background:

The PeopleSoft Accounting software has a built-in reporting system termed nVision. nVision templates are used to generate specific financial reports for a given entity, organizational level, and time frame. nVision reports are similar to the query functions but are stored inside an excel-style workbook. Although nVision templates can be stored on any network drive and can be modified by any user, Financial Reporting has controlled the access to the "public" templates available to all users of nVision. These public templates are the basis for all official report generation, or can be copied by an individual user to provide a starting point for specialized reporting, similar to public queries modified into private queries.

**ACCESS CONTROL:** Access to view or copy the public reports is controlled by the LAN group "nVision". Access to change public reports is controlled by the LAN groups "GL\_RPTS\_NVISION" and "FRR\_RPTS\_NVISION". The membership to these LAN groups is limited to only 7 accounting employees. IT has access to change public reports through their support LAN group "NA DATA SUPPORT RESTRICTED" which currently has 31 employees assigned to it.

**CHANGE CONTROL:** Changes to nVision templates by Financial Reporting are documented in each individual template on a tab labeled "Modification History". This tab may be hidden. Only changes to the financial report's structure are documented. Structural changes are defined as any change to the row line totals or a change in the summary of a series of rows. An example of a structural change is adding rows to the Income Statement to break Industrial Revenue into two sub-totals: Industrial Revenue Affiliated and Industrial Revenue NonAffiliated. Changes to the templates for non-structure changes are not recorded on the "Modification History" tab. For example: changes for timespans, fonts, titles, or reporting entity, need not be documented.

**CHANGE PROCEDURE:** Financial Reporting's procedure for making structural changes to the nVision templates is a multi-step process. 1.) A copy of the original nVision template is created on a non-public network drive. 2.) Modifications are made to the copied template. 3.) Once modified, the copy is tested to ensure it produces the expected results. 4.) The original template is replaced with the modified template in production.

The results of the testing are not retained outside of the template since each template has formulas built into the spreadsheet to cross check any mathematical computations when appropriate. Further, IT can reinstate any previous versions of the nVision templates as required.

### Reviewers

### Approved By

Approver Name: \_\_\_\_\_

Date: \_\_\_\_\_

9/24/2015

# Accounting Codes Flowchart for Contributions and Memberships

Revised 1/31/13  
(to reflect change of contact only)

Prepared and approved by Accounting Policy and Research, Corporate Communications, Tax, Legal, Corporate Planning & Budgeting, Utility General & Regulatory Accounting, Corporate HR Payroll, HR Compensation & Executive Benefits departments

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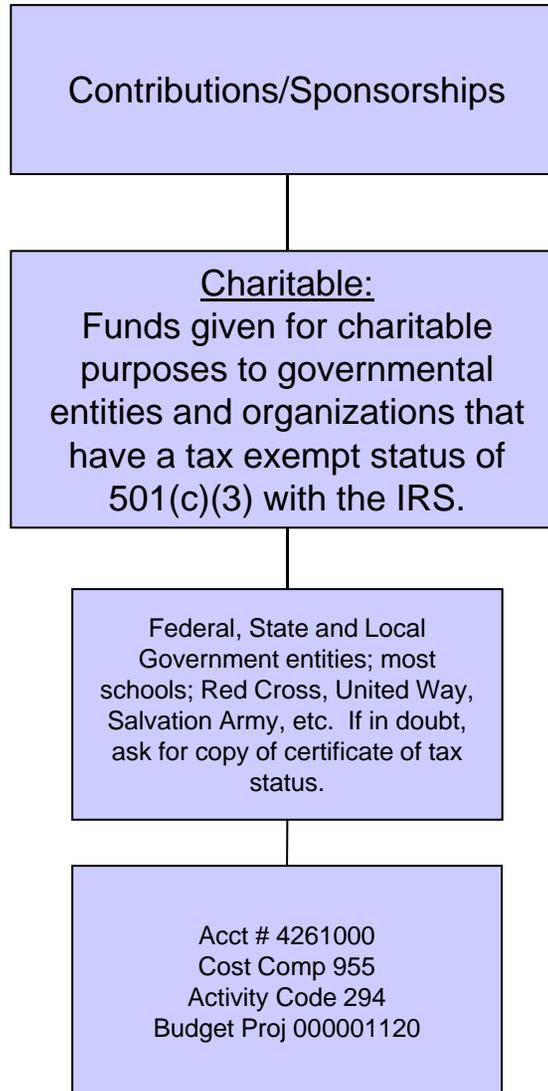
Contributions – Pages 2-4

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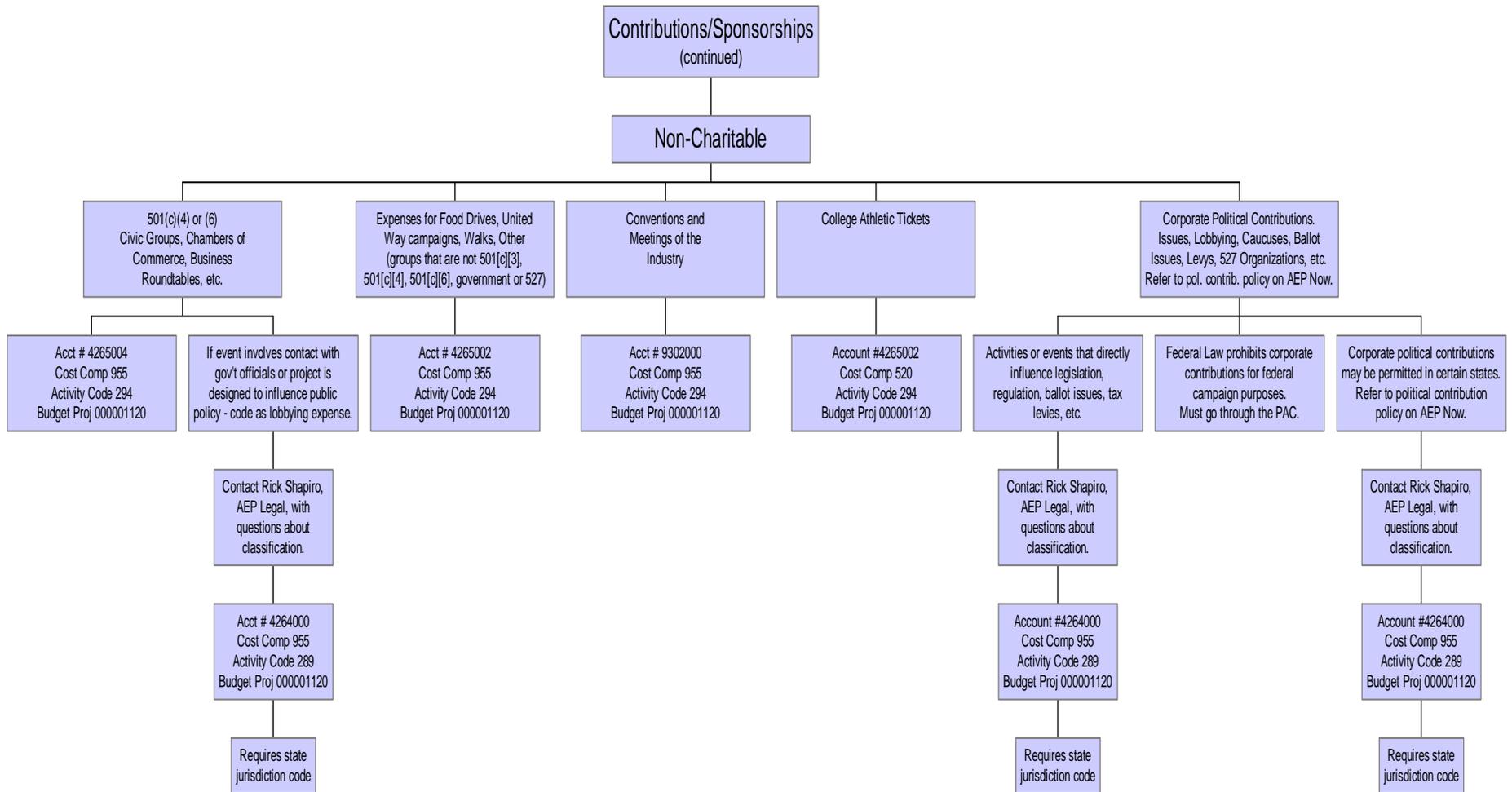
# Important Guidelines for Payment Processing

1. All contributions and corporate memberships are to be processed through Gifts Database using the proper accounting codes in this document. Records of individual memberships in country, town or dining clubs are required in Gifts. Individual civic memberships are optional in Gifts. Please forward invoices or requests for required payments to your local Gifts User. For a current list of Gifts Users, please contact Barry Schumann by email or at Aud. 200-1668.
2. Verify and enter tax status (e.g., 501[c][3], 501[c][4], 501[c][6], Governmental, 527, Other) in Gifts and select accounting codes appropriate for tax status.
3. Payment should be made using the proper GLBU and work order number of the company or companies that benefit. Use the department ID where funds are budgeted. AEPSC (GLBU 103) should only be used when all companies benefit.
4. Ensure the correct work order number is used so that costs are allocated to the appropriate companies. Contributions/Sponsorships made by AEPSC (GLBU 103) on behalf of the whole company should be classified to Work Order SP01103801 to bill payments to all AEP Companies.
5. Please ensure tax acknowledgements, including any value received, are returned to Tax Department (1RP 27).

***For more information about Gifts Database or this document, please contact Barry Schumann, Corporate Communications Community Relations, by email or at Aud. 200-1668.***



Accounting Policies on Policy Central  
 Corporate Accounting Policies & Procedures  
 Coding - Classification



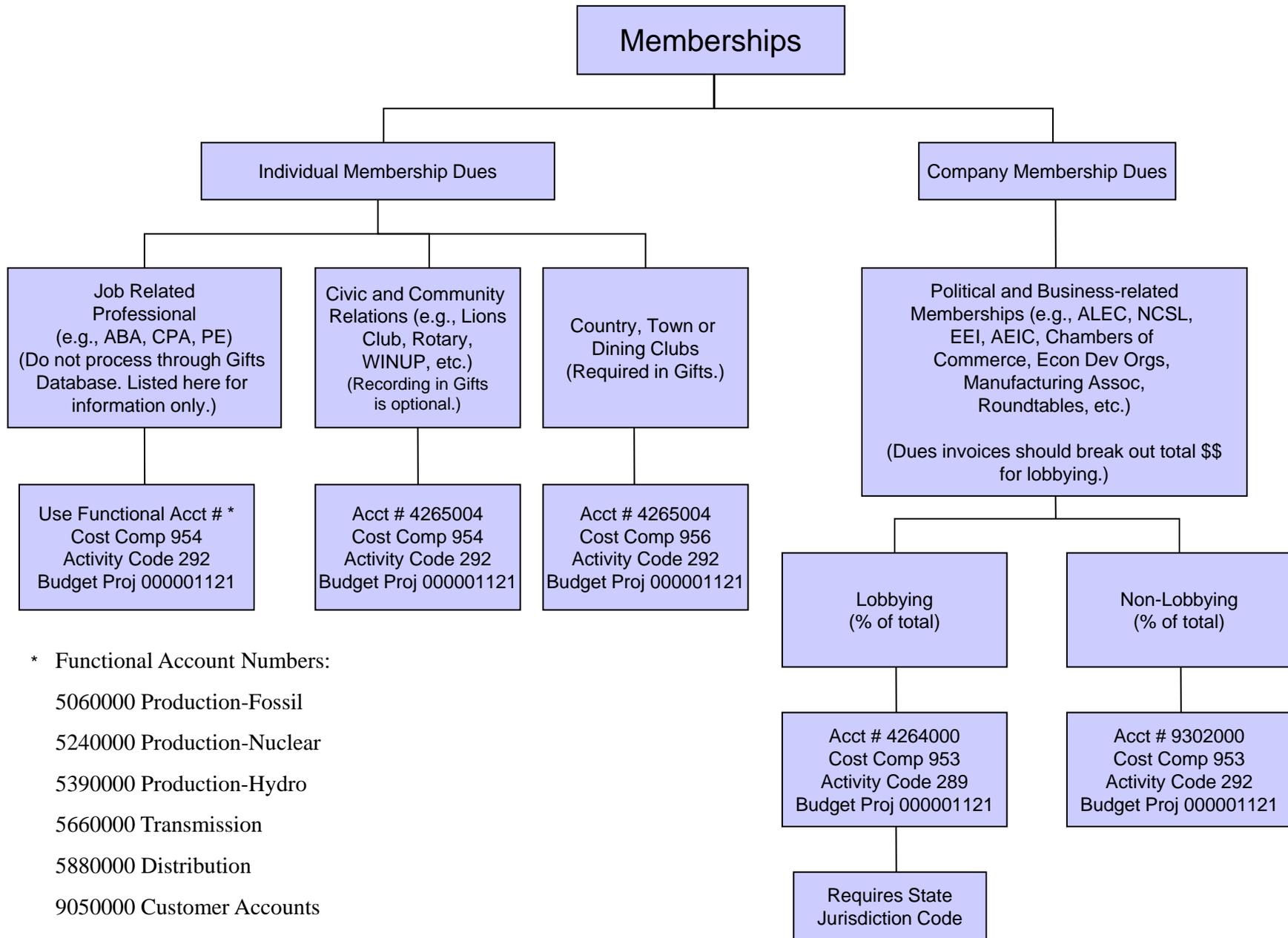
# Examples of Contributions/Sponsorships

## **Charitable Contributions/Sponsorships**

- Table at a meeting, reception or other event for a 501(c)(3) organization
- Ad or logo in event program, sign or banner that is part of sponsorship package paid to a 501(c)(3) organization
- Science competitions on behalf of schools
- Community activities and festivals
- Foursome for golf or hole at golf outing that benefits a 501(c)(3) organization and is paid to that charitable organization
- Chamber of commerce foundation scholarships, awards or educational programs (assuming the foundation has 501(c)(3) designation)

## **Non-Charitable Contributions/Sponsorships**

- Inaugural or retirement events for public officials
- Support of industry conferences or annual meetings
- Expenses to run an internal AEP campaign or host a team at an event
- Chamber of commerce annual meeting or legislative reception
- Purchase of tickets for business entertainment
- Business Roundtable tax study initiative
- Government association sponsorships (i.e. Interstate Oil and Gas Compact Commission welcome reception or Regional Development Commission conference)
- Professional association meetings (i.e. Public Expenditure Council meetings, Regional Planning Commission meetings)



\* Functional Account Numbers:

- 5060000 Production-Fossil
- 5240000 Production-Nuclear
- 5390000 Production-Hydro
- 5660000 Transmission
- 5880000 Distribution
- 9050000 Customer Accounts
- 9160000 Sales
- 9210001 Admin & General



## Finance Policy

Revised: 8/19/2004

<b>Policy Title</b>	Convenience Payments Policy	<b>Date</b>	July 20, 2004
<b>Policy Approved By:</b>	Sandra Bennett	<b>Status:</b> (Draft, Under Review, Approved)	Approved
<b>Policy Authored By:</b>	Jeff Hoersdig, Brad Funk		
<b>Distribution:</b>	Sandra S Bennett, Susan Higginson, Melanie A Kolp		

### **Purpose**

The purpose of this policy is to identify what companies are authorized to make convenience payments on behalf of other business units (BU's).

#### **Convenience Payments**

Convenience payments are payments made through Accounts Payable that benefit BU's in addition to the one making the payment, where the exact amount owed by each BU is known. They occur for payments such as insurance, when one company pays the bill and then bills the other applicable business units for their shares. Convenience payments are settled the next day via inter-unit processing.

### **Policy Statement**

*This Policy should be read in conjunction with the Payment Decision Tree (Convenience Payments\_payment\_decision\_tree\_062904\_mh\_final.ppt)*

#### **Who is authorized to make convenience payments?**

With the following exceptions, AEP Service Corporation (AEPSC) is the only company authorized to make convenience payments. Any other BU's are not authorized to make convenience payments unless approved by an Assistant Controller prior to the payment being made.

#### **Exceptions**

There have been some exceptions identified and approved that allow BU's other than AEPSC to make convenience payments. They are listed below.

##### **Parent Company**

1. Weekly AETNA medical costs
2. Weekly reimbursement claims for prescriptions costs (Caremark)
3. Monthly AETNA administration fees
4. Monthly dental plan fees (Provident)
5. Quarterly insurance payments
6. Quarterly bank fees
7. Yearly Federal income tax payments
8. Yearly Federal income tax refunds
9. Corporate Owned Life Insurance
10. Pension Contributions

##### **Operating Companies**

1. When an expense is incurred that benefits multiple BU's within a single legal entity and the amount to be paid by each BU is known, the Distribution BU within that legal



## Finance Policy

Revised: 8/19/2004

entity should pay the bill and be reimbursed by the Transmission and/or Generation/Nuclear BU's, where applicable.

2. When an expense is incurred for a business unit that has a documented relationship with another business unit (i.e. Ohio Power making tax payments on behalf of Cardinal Power Plant or a non-regulated company making a payment on behalf of one of their subsidiaries).

### How to make a convenience payment

If the payment is for the convenience of a single legal entity (see process 3 on payment determination chart) use the Distribution BU of the legal entity as the AP business unit. In the accounting distribution, charge each BU its share of the payment along with the appropriate accounting data. The AP business unit will pay the bill and will be reimbursed by each BU in the accounting distribution the day following the payment.

If the payment is for the convenience of multiple legal entities (see process 6 on payment determination chart) then use AEP Service Corporation (BU 103) as the AP business unit. In the accounting distribution, charge each applicable BU its share of the payment along with the appropriate accounting data. BU 103 will pay the bill and will be reimbursed by each BU in the accounting distribution the day following the payment.

### Contact Information

If you have general coding questions, contact your Budget Coordinator. If you have questions regarding this policy please contact: **Senior Accountant – Regulated Accounting**

#### Roles as of Policy Date

Assistant Controller – Regulated Accounting	Sandra Bennett
Senior Accountant – Regulated Accounting	Jeff Hoersdig

### Signatures:

**Assistant Controller – Regulated Accounting – Sandra Bennett**

Signature Signature on File \_\_\_\_\_ Date \_\_\_\_\_

**Assistant Controller – Commercial and Investment Accounting – Tom Myers**

Signature Signature on File \_\_\_\_\_ Date \_\_\_\_\_



## Finance Policy

Revised: 8/19/2004

**Managing Director Accounting Operations – Susan Higginson**

*Signature* Signature on File \_\_\_\_\_ *Date* \_\_\_\_\_

**Senior VP – Controller and Chief Accounting Officer – Joe Buonaiuto**

*Signature* Signature on File \_\_\_\_\_ *Date* \_\_\_\_\_

### Version Control

<u>Control #</u>	<u>Updated By:</u>	<u>Date:</u>	<u>Control #</u>	<u>Updated By:</u>	<u>Date:</u>
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## Finance Policy

Revised: 8/19/2004

<b>Policy Title</b>	Payment Policy	<b>Date</b>	June 29, 2004
<b>Policy Approved By:</b>	Sandra Bennett	<b>Status:</b> (Draft, Under Review, Approved)	Approved
<b>Policy Authored By:</b>	Jeff Hoersdig, Brad Funk		
<b>Distribution:</b>	Sandra S Bennett, Susan Higginson, Melanie A Kolp		

### Purpose

The purpose of this policy is to standardize, clarify, and provide the guidelines to AEP Business Units (BU) for the remittance of payments through Accounts Payable. The overriding intention is to ensure that each AEP Business Unit pays its own bills whenever possible.

Payment of invoices that benefit multiple legal entities, other than those billed through SEC approved procedures by AEP Service Company (AEPSC) or via a specific work order setup for billing charges, are no longer acceptable.

For the purposes of this policy, the following definitions are used:

**Business Unit (BU)** – An entity for which a general ledger has been established. Business units may represent legal entities (BU 185- AEP Energy Services) or divisions of legal entities (BU 140- ApCo Distribution)

**Legal Entity** - An AEP business unit that is a legally recognized entity. There is not necessarily a one to one relationship between a BU and a legal entity. For example, the regulated utilities are split between functions and therefore have multiple business units that represent one legal entity. Appalachian Power Company (the consolidated Transmission, Distribution, and Generation segments) is an example of a legal entity.

### Policy Statement

*This Policy should be read in conjunction with the Payment Decision Tree (Convenience Payments\_payment\_decision\_tree\_062904\_mh\_final.ppt)*

There are three methods that may be used to make payments. The decision as to which method to use should be considered in order as follows.

1. Each AEP business unit should, whenever possible, directly pay invoices for expenses it incurs. Direct payment of invoices provides a clear audit trail and eliminates the need to allocate costs and perform inter-company cash transfers. This method is also preferred from a regulatory and cost recovery perspective.
2. When an expense is incurred that benefits multiple BU's within a single legal entity, a BU within that legal entity should pay the bill and allocate the costs to the other benefiting BU's.



## Finance Policy

Revised: 8/19/2004

- When an expense is incurred that benefits multiple legal entities, the invoice must be paid by AEPSC. AEPSC will either directly bill the costs using a convenience payment (when the exact amount owed by each BU is known) or will allocate the costs using a general (G) work order (when the exact amount owed by each BU is not known).

For detailed information on when to make and the exceptions as to who may make a convenience payment, see the **Convenience Payment Policy** located on the accounting website (<http://acctg/XXX.doc>).

For detailed information on how to use G work orders, see the **G Work Order Procedure** located on the accounting website (<http://acctg/XXX.doc>).

### Contact Information

If you have questions regarding this policy please contact: **Senior Accountant – Regulated Accounting**

#### Roles as of Policy Date

Assistant Controller – Regulated Accounting	Sandra Bennett
Senior Accountant – Regulated Accounting	Jeff Hoersdig

### Signatures:

#### Assistant Controller – Regulated Accounting – Sandra Bennett

Signature Signature on File \_\_\_\_\_ Date \_\_\_\_\_

#### Assistant Controller – Commercial and Investment Accounting – Tom Myers

Signature Signature on File \_\_\_\_\_ Date \_\_\_\_\_

#### Managing Director Accounting Operations – Susan Higginson

Signature Signature on File \_\_\_\_\_ Date \_\_\_\_\_

#### Senior VP – Controller and Chief Accounting Officer – Joe Buonaiuto

Signature Signature on File \_\_\_\_\_ Date \_\_\_\_\_

### Version Control

Control #	Updated By:	Date:	Control #	Updated By:	Date:
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## Finance Policy

Revised: 8/19/2004

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## *G Work Order Procedures:* *Introduction to General (G) Work Orders*

*July 2004*





***DRAFT***

## *Contents*

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*At the end of this presentation, you should be able to answer these questions.*

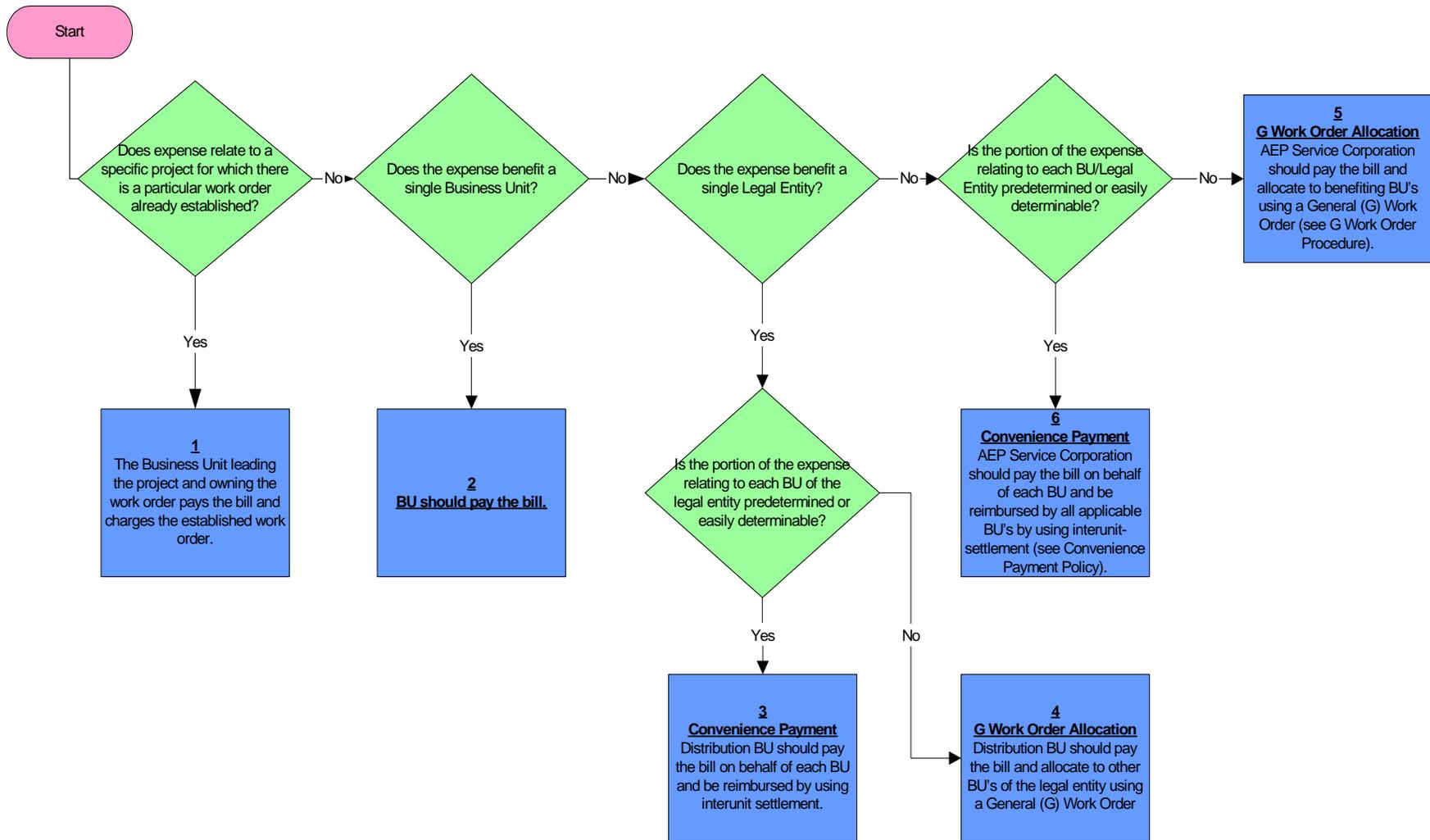
- How is the Determination of Payment Type Made?
- What is a General (G) Work Order?
- What is the difference between a G work order and “specific” work order?
- What are the rules?
- What are the common misuses of G work orders?
- What are the downstream implications of using G work order improperly?
- Who should use G work orders?
- When should a G work order be used?
- How are charges allocated across multiple BU's?
- How do G work orders create intercompany billings?
- What are the expectations?



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## Determination of the Payment Type

*This diagram can be used as a reference for determining which BU should make a particular payment and how that payment should be made.*



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## *General (G) Work Order*

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***A general (G) work order is one method that can be used to inter-company bill one or more business units for services that another business unit provided.***

### Characteristics of G work orders:

- Replaced benefiting locations when we converted to PeopleSoft.
- Charge one or more business units (BUs).
- Work orders that bill more than one BU are appropriate for use only when there is a single cost to be shared by multiple BUs.
- All regulated companies have BU level G work orders, as do each plant and other major assets owned by the business unit.
- Settlement of G Work Orders occurs early in the month following the entry.



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## *G Work Order Vs. a “Specific” Work Order*

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*Some of the differences between G work orders and specific work orders are highlighted below.*

- “Specific” work orders are created and used for a defined project for a finite period of time.
  - Billing methodology for each of these specific work orders is predetermined (i.e. defined when the work order is set up) and distinct as to who is going to be charged.

*Example: If CSP line crews help APCo repair lines after a winter storm, a specific work order should be set up for these charges. A G work order should not be used.*
- G work orders are for costs not associated with a particular project.
  - Billing methodology for these types of work orders is dependent upon the activity performed (ABM Activity).



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*Rules*

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***There are several rules that affect the use of G work orders.***

- G work orders can only be used by regulated companies and the Service Corporation (AEPSC). Combination edits (validation rules in PeopleSoft) prevent unregulated companies from using them.
- AEPSC and regulated companies can charge non-regulated companies using G work orders, even though non-regulated companies cannot use G work orders.
- G work orders are only to be used when no specific project work orders are available and the amount to be billed to each BU is not known.
- Only AEPSC should use G work orders that bill multiple legal entities. Regulated Companies should not use G work orders that bill multiple legal entities.
- Intra-legal entity G work orders are acceptable for use by regulated companies (i.e. APCO D can charge APCO T).



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## *Common Misuses of G Work Orders*

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***G work orders are often misused due to the lack of understanding of the implications of their use.***

- Users may not understand who is “benefiting” and who is getting charged when a G work order is used.
- Regulated company expenses may be coded incorrectly with a G work order that create billings to other legal entities.
- Expenses are sometimes coded with G work orders that bill multiple BU’s even though the amount to be billed to each BU is known\*.
- Expenses are charged using G work order even though a specific work order has been set up or should be set up.

*\*In this case a convenience payment should be used (see payment determination slide).*



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## *Downstream Implications*

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*There are several ramifications that result from the misuse of G work orders.*

- BU's can improperly bill costs to affiliates.
- Can lead to disallowance of expenses in cost of service by regulatory commissions.
- May result in improper cross-subsidization from one BU to another.
- May impair the ability to track costs related to a specific task or initiative.



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## *Use of G Work Orders*

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*The proper uses for G work orders are listed below.*

### **Regulated Companies**

- Only use G work orders that do not bill other legal entities.

### **AEPS**

- Use any G work order that is appropriate for the transaction.



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## *G Work Order Use*

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***G work orders are to be used only when no specific project and work order are available.***

**Regulated Companies** Expenses of a general nature incurred for the regulated company by a regulated company employee.

1. Location (Plant) level → G0001304 – Clinch River Plant Unit 2
2. Business Unit level → G0000215 – APCo Generation
3. Legal Entity → G0001082 – APCo All Business Units

**AEPSC** Expense of a general nature incurred for one or more BU's.

1. G0001077 → All East Transmission and Distribution Companies
2. G0001113 → AEPTC Transmission and Distribution Companies
3. G0001114 → AEPTC All Business Units



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## *Allocation across multiple BU's*

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***G work orders that bill multiple companies are comprised of three main components that determine how the charges are allocated across each BU.***

1. The G work order itself via the Benefiting Location (BenLoc) used by the work order.
2. The activity based management (ABM) activity code, which identifies the Attribution Basis that will be used to allocate the costs.
3. Attribution Basis – Governed by the SEC and identified during the setup of the ABM code to give the statistics used to create the appropriate allocations among the business units.



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*Proper Use of a G Work Order*

*Examples of valid uses of G work order are shown below.*

**Regulated Company**

BU Coding Expense	Activity	BU & Work Order	Result	Notes
APCo Generation (BU 215)	charges	APCo Generation (G0000215)	No Inter-Company billing	<b>Valid</b>
APCo Generation (BU 215)	charges	Clinch River Unit 2 (G0001304)	No Inter-Company billing	<b>Valid</b> Clinch River Unit 2 belongs to APCo Generation
APCo Generation (BU 215)	charges	APCo Transmission (G0000150)	Inter-company process bills 100% of the amount to APCo Transmission (BU 150)	<b>Valid</b> APCo Generation and Transmission are both within the same legal entity
APCo Generation (BU 215)	charges	All APCo BU's (G0001082)	Inter-company process bills 100% of the amount to APCo T, D, and G (BU's 140, 150, and 215)	<b>Valid</b> APCo T, D, and G are all within the APCo legal entity

*All of these transactions are acceptable if the benefiting BU's are correct and there is no specific project and work order available.*



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*Proper Uses of a G Work Order (cont.)*

**AEPSC**

AEPSC (BU 103)	charges	Clinch River Unit 2 (G0001304)	Service Company Bill- Clinch River Unit 2 billed	<b>Valid</b> AEPSC is the only BU permitted to bill other legal entities using G work orders.
AEPSC (BU 103)	charges	APCo Generation (G0000215)	Service Company Bill- APCo Generation (BU 215) billed	<b>Valid</b> AEPSC is the only BU permitted to bill other legal entities using G work orders.
AEPSC (BU 103)	charges	All APCo BU's (G0001082)	Service Company Bill- All APCo BU's billed	<b>Valid</b> AEPSC is the only BU permitted to bill other legal entities using G work orders.
AEPSC (BU 103)	charges	All East Generation BU's (G0001176)	Service Company Bill- All East Gen. BU's billed	<b>Valid</b> AEPSC is the only BU permitted to bill multiple legal entities using G work orders.

*All of these transactions are acceptable if the benefiting BU's are correct and there is no specific project and work order available.*



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*Improper Use of a G Work Order*

*Examples of invalid uses of G work order are shown below.*

**Regulated Company**

<b>BU Coding Expense</b>		<b>BU &amp; Work Order</b>	<b>Result</b>	<b>Notes</b>
PSO Generation (BU 198)	charges	APCo Generation (G0000215)	Inter-Company billing	<b>Invalid</b> APCo and PSO are separate legal entities and should not bill each other using G work orders.
PSO Generation (BU 198)	charges	Clinch River Unit 2 (G0001304)	Inter-Company billing	<b>Invalid</b> Clinch River Unit 2 is not within the PSO legal entity..
PSO Generation (BU 198)	charges	All APCo BU's (G0001082)	Inter-company process bills 100% of the amount to APCo T, D, and G (BU's 140, 150, and 215)	<b>Invalid</b> APCo and PSO are separate legal entities and should not bill each other using G work orders.
PSO Generation (BU 198)	charges	All East Generation BU's (G0001176)	Inter-company process bills 100% of the amount to All East Generation BU's	<b>Invalid</b> Only AEPSC should bill multiple legal entities.



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## *Convenience Payments*

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- Convenience Payments occur when a single vendor sends one invoice to AEP for pre-determined dollar amounts belonging to more than one business unit. Rather than each business unit remitting individual payment to the vendor, a single business unit pays the entire amount and is reimbursed by the other business units.
- Coding a Convenience Payment:
  - The AP Business Unit is the Business Unit that actually pays the vendor that issued the invoice.
  - The GL Business Unit(s) is the BU to whom the expense truly belongs. Each GL BU will reimburse the AP Business unit for the amount paid on the GL BU's behalf.



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## *Rules on Convenience Payments*

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- If an invoice contains pre-determined amounts belonging only to business units within the same legal entity, a single business unit within that legal entity shall act as the AP Business Unit. That is, the AP BU will pay the total invoice amount on behalf of itself and the other GL BU's.
  - Example:
    - PSO T, D, and G (all within the same legal entity) are each billed \$100 on the same invoice. PSO Distribution will pay the \$300 to the vendor, and will be coded as the AP Business Unit on the coding form.
    - In addition, PSO T, D, and G will each be listed on the Accounts Payable coding form as a GL BU, with \$100 assigned to each.
    - The day after the coding form is processed by Accounts Payable, PSO T and G will each reimburse PSO Distribution for the \$100. This is accomplished through the Inter-unit settlement process already in place.
- See example of Accounts Payable Coding Form on next slide

Note: The Distribution BU within the legal entity is the preferred AP BU.



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*Intra-Legal Entity Paid Convenience Pmt Coding Form*

- In this example, PSO Distribution (GL BU 167) acted as the AP Business Unit. PSO-D paid the amounts on behalf of itself, PSO-T, and PSO-G, since all 3 GL BU's are within the same legal entity. PSO-T and PSO-G will reimburse PSO-D after processing.

Created by Bradley M Funk on 07/22/2004

Approver Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Description: TEST- DO NOT PROCESS  
 Classified By: Bradley M Funk Phone: XXX  
 Approver Name: Bradley M Funk Phone: XXX

AP Business Unit: 167 ← PSO Distribution Amount 300.00

Zip Code: XXXXX Sum of Lines 300.00  
 Contract Number/ Purchase Order: XX Difference 0.00

Invoice Id: XXXX Fwd Check to: XXX

>>> SPEEDCHART: 2S134146 <<<

	Amt	GL	PC BU	Project	Workorder	Account	Dept	CC	Act	Sub	St/J	Prod	Aff
1	100.00	114								-	-	-	-
2	100.00	167								-	-	-	-
3	100.00	198								-	-	-	-

↑  
 GL BU 114 = PSO Transmission  
 GL BU 167 = PSO Distribution  
 GL BU 198 = PSO Generation

Accounts Payable Coding Form

Note: The Distribution BU within the legal entity is the preferred AP BU.



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## *Rules on Convenience Payments*

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- If an invoice contains pre-determined expenses belonging to GL BU's within multiple legal entities, AEP Service Corporation shall act as the AP Business Unit. That is, AEPSC will pay the total invoice amount on behalf of the GL BU's.
  - Example:
    - APCo D and Wheeling D (BU's in separate legal entities) are each billed \$250 on the same invoice. AEPSC will pay the \$500 to the vendor, and will be coded as the AP Business Unit on the coding form.
    - APCo D and Wheeling D will each be listed on the Accounts Payable coding form as a GL BU, with \$250 assigned to each.
    - The day after the coding form is processed by Accounts Payable, APCo D and Wheeling D will each reimburse AEPSC for the \$250. This is accomplished through the Inter-unit settlement process already in place.
- See example of Accounts Payable Coding Form on next slide



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## AEPSC-paid Convenience Pmt Coding Form

- In this example, AEP Service Corporation (GL BU 103) acted as the AP Business Unit. AEPSC paid the amounts on behalf of Wheeling Distribution and APCo Distribution, since those GL BU's are within separate legal entities.

Created by Bradley M Funk on 07/22/2004

Accounts Payable Coding Form

Approver Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Description: TEST- DO NOT PROCESS  
 Classified By: \_\_\_\_\_ Phone: XXX  
 Approver Name: \_\_\_\_\_ Phone: XXX

AP Business Unit: 103 ← AEP Service Corp Amount 500.00  
 Zip Code: XXXXX Sum of Lines 500.00  
 Contract Number/ XX Difference 0.00  
 Purchase Order: \_\_\_\_\_  
 Invoice Id: XXXX Fwd Check to: XXX

>>> SPEEDCHART: 1S134146 <<<

	Amt	GL	PC BU	Project	Workorder	Account	Dept	CC	Act	Sub	S/J	Prod	Aff
1	250.00	210								-	-	-	-
2	250.00	140								-	-	-	-

↑  
 GL BU 210 = Wheeling Distribution  
 GL BU 140 = APCo Distribution



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*What are the expectations?*

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***There are opportunities for everyone to help make sure that G work orders are being used properly.***

- For questions related to G work orders, contact Jeff Hoersdig (200-2686)



## Q&A





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## *Glossary*

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**General (G) Work Order** *A method used to inter-company bill one or more business units for services that another business unit provided.*

**InterCompany billing** *A method used to transfer funds from company to another on a monthly basis.*

**InterUnit billing** *Functionality built into PeopleSoft for recording intercompany transactions. InterUnit accounting automatically generates the “Due From/To” account entries for all the GL Business Units associated with the transaction.*

**Legal Entity** *An AEP business unit that is a legally recognized entity. There is not necessarily a one to one relationship between a BU and a legal entity. For example, the regulated utilities are split between functions and therefore have multiple business units that represent one legal entity. Appalachian Power Company (the consolidated Transmission, Distribution, and Generation segments) is an example of a legal entity .*

**Business Unit (BU)** *An entity for which a general ledger has been established. Business units may represent legal entities (BU185 - AEP Energy Services) or divisions of legal entities (BU140 - ApCo – Distribution)*

Accounting Policies on Policy Central  
Corporate Accounting Policies & Procedures  
Financial Spreadsheets & Database Controls

Business Area	Department	Minimal Spreadsheets in inventory	Complex Spreadsheets in inventory	Financial Spreadsheet Users/Owners
	<b>Business Units</b>			
1	Transmission	18	2	Carole Myser
2	Generation (incl. Fuel & Logistics)	17	0	Dave Paul
3	Distribution - System Forestry	0	6	Amy P Jones/Chris Gadsfield
	Utility - APCO Regulatory Services - WV ENEC	1	1	John Scalzo, Steve Ferguson, Stephen Hornyak
	B&CO (Special Billing & Translation)	5	99	Stacey Gabbard
4	Commercial Operations - Energy Settlements	13	5	Joseph Kluczynski/Michael Martin
	Commercial Operations - Commodity Settlements West	131	55	Susan Demoen
	Commercial Operations - Structuring	3	0	Patricia Krejci
	Commercial Operations - Risk Management	2	4	Terry Turpen/Adam Kirk
5	Shared Services - Business Services - HR	1	1	Stephanie Bowman
	<b>Finance, Accounting &amp; Risk</b>			
6	Accounting Operations - Canton Assets & Receivables	36	0	Larry Sullivan
	Accounting Operations - Canton Payable/Inventory Accounting	1	0	Amy Morss
	Accounting Operations - Revenue & Remittance	20	0	Greg Sohovich
	Corporate Accounting - PR/HR	0	5	Tracy Harger
7	External Financial Reporting	1	0	Sheila Balster
	Internal Financial Reporting	0	1	Bill DeRoy
8	Tax - Federal	25	0	Denise Torrell
	Tax - State & Local	0	0	David Moore
9	Commercial & Investment Acctg	89	20	Mike Giardina
10	Transmission Accounting	13	0	Jason Cash
11	Regulated Accounting	38	2	Donald Robertson
12	Utility General & Regulated Accounting	7	0	Dora Campbell
	Utility General & Regulated Accounting	3	1	Julie Lloyd
13	Treasury/Cash Mgt/AEP Credit	2	0	Rick Gray
	Treasury Investor Relations - Corporate Finance	6	0	Shari Weber
14	Trusts & Investments	1	0	Steve Messner
	Credit Risk Mgt.	4	0	Tracy McLaughlin
	<b>TOTALS</b>	<b>437</b>	<b>202</b>	

***Spreadsheet Control  
 Frequently Asked Questions  
 FIRST RELEASE***

	<b><i>Question</i></b>	<b><i>Answer</i></b>
1	Why does AEP have an improvement initiative for financial spreadsheet control?	AEP's financial spreadsheets are audited in four categories: design; inventory; access control; and change control. Increased concern has been placed on these controls as historical failures have been elevated to the Board's Audit Committee in recent years. AEP's Board Audit Committee is responding with a top-down approach to implementing the required changes.
2	What are the risks/ramifications of not being in compliance?	The new "Financial Spreadsheet & Database Controls Policy" and "Procedure Standards for Financial Spreadsheets" documentation goal is to reduce the risk of significant deficiencies pertaining to financial controls during the audit cycle. Failure to comply with the policy and standards documentation could cause our external auditors to issue an escalated deficiency finding. The potential financial impact on AEP of receiving an adverse audit finding could subject it to a reduction in it's credit rating and an increased risk of legal liability.
3	What is a SOX 404 Control Activity?	SOX 404 Control Activity is any key process/control used to help ensure the accuracy of AEP's financial statements.
4	Why has the policy changed?	The Financial Spreadsheet & Database Controls Policy that went into effect December 1, 2008, was not consistently understood or applied, and AEP failed testing once again. The 2009 revision has few material changes but focuses mainly on adding clarity to the policy. In addition, a new "Procedure Standards for Financial Spreadsheets" document was created as in interpretive tool to eliminate confusion regarding application of the policy.
5	Why change the policy now?	AEP has had an obligation to implement spreadsheet controls since the first Sarbanes Oxley legislation took effect. AEP's original Financial Spreadsheet & Database Controls Policy was released in 2006. However, AEP has failed audit reviews regarding Financial Spreadsheet controls over the past few years. These continual failures have raised the awareness of the problem to the Board's Audit Committee.
6	How do I determine if my group is affected by the spreadsheet control policy?	<p>Your department is affected if you own or rely on financial spreadsheets or databases that meet one or more of the following criteria: used to support a primary SOX 404 control activity; used in the preparation or support of manual journal entries recorded in the general ledger; and/or used in the preparation of financial statements or footnotes.</p> <p>Each department's Sarbanes Oxley contact person is responsible for ensuring the changes are completed by the target dates. Each department will also need to create or update its "Master Control Document" that will outline its change control workflow, the naming convention and owner of its Financial Spreadsheet Control Procedures.</p>

**Spreadsheet Control**  
**Frequently Asked Questions**  
**FIRST RELEASE**

	<b>Question</b>	<b>Answer</b>
7	What is driving the short time line?	AEP is trying to implement the critical aspects of the Procedure Standards before the external Audit cycle begins for 2009. It is the audit committee's hope that implementation of these changes will improve AEP's compliance with the Financial Spreadsheet controls.
8	Will Prodiance eventually be rolled out to all users who use spreadsheets that fall under the spreadsheet control policy?	If management determines additional licenses are needed, an OUR will need to be completed and approved. There is no immediate plan to roll out the software to all spreadsheet users.
9	How do I request access to the Prodiance software?	An OUR will need to be completed and approval granted by your department.
10	What changes were made to the Financial Spreadsheet & Database Controls policy?	The policy released in June 2009 was aimed at improving clarity throughout the document; removing all optional items; and updating the risk assessment template.
11	How do I obtain a copy of the latest policy? Where is it located?	The Financial Spreadsheet & Database Controls Policy dated 6/3/09 can be located on the accounting website ( <a href="http://acctg/policies">http://acctg/policies</a> ). Select the <i>Financial Spreadsheet &amp; Database Controls</i> folder.
12	What is the purpose of the Procedure Standards for Financial Spreadsheets?	The Procedure Standards was created to provide an overview of the policy, describing the policy requirements in detail. Timeframes relating to the implementation can also be found within the Procedure Standards.
13	How do I obtain a copy of the procedures & best practices documents?	The Procedure Standards for Financial Spreadsheets dated 6/3/09 can be located on the accounting website ( <a href="http://acctg/policies">http://acctg/policies</a> ). Select the <i>Financial Spreadsheet &amp; Database Controls</i> folder.
14	What does "baseline testing" mean?	Baseline testing is the process of verifying the spreadsheet is designed and functioning as intended. The Prodiance software, Spreadsheet IQ, is used to automatically identify potential and real issues (formulas with errors, broken links, references to blank or text cells) within the workbook. Once an effective baseline is established, effective change controls should maintain the spreadsheet integrity going forward.
15	Will "baseline testing" be required on all spreadsheets, or just the ones assessed as complex?	Baseline testing will be required on all minimum and complex spreadsheets. Baseline testing should be completed by 8/31 for "Complex" and "Minimum" spreadsheets.
16	What tasks can wait a little while? (mid-term concerns)	1) Creation of department's Naming Convention standards; 2) Creation of department's Spreadsheet design standards; 3) Creation of Data Retention Standards that comply with AEP Corporate standards; 4) Creation or update of department's Master Control Document.  These mid-term standards may be adopted throughout the coming months, and must be fully integrated into Minimum and Complex Financial Spreadsheets and Databases by June 2010.

***Spreadsheet Control  
 Frequently Asked Questions  
 FIRST RELEASE***

	<i>Question</i>	<i>Answer</i>
17	What tasks do I need to focus on right now? (immediate concerns)	<p>1) Review spreadsheets that were scored "minimum" on previous Risk Assessment. Nested IF statements, Lookups, and external data sources may have changed the scoring of these spreadsheets from minimum to complex risk level. Complex spreadsheets are subject to Change Control as well as Inventory and Access Controls.</p> <p>2) Check department's spreadsheet inventory to ensure all relevant financial spreadsheets and databases are on the list.</p> <p>3) Access Controls for financial spreadsheets and databases need to be reviewed and evidence of quarterly review of access controls need to be on file.</p> <p>4) Baseline testing of Minimum and Complex financial spreadsheets utilizing the Prodiance software and the related documentation of this process is also needed.</p> <p>5) "Revision" log/ tab needs to be on all "complex" financial spreadsheets. The revision tab is to be used for tracking changes to complex financial spreadsheets and should be immediately effective.</p>
18	How do I get technical support for the Prodiance software?	For technical support, users should contact the AEP Help Desk to open a remedy ticket. Users can also access the on-line Help tutorial that is provided within the software.
19	Are spreadsheets associated with one-time Journal Entries within the scope of this Policy?	Yes. Anytime a new financial spreadsheet is created, it should be evaluated using the Decision Tree to determine if it is within the scope of the Financial Spreadsheet Policy. If it is within scope, it must be further evaluated to identify if it is Minimum, Complex, or Excluded from the inventory, and handled accordingly.
20	If my database is managed by IT, do I need to list it?	If your group only has "Read Only" access and the database is stored on a secure location, the database would not need to be included. However, just because IT maintains the database does not preclude someone in a group from making modifications without their knowledge.
21	Who should we contact for additional user licenses for Prodiance spreadsheet products?	<p>There are currently a few extra licenses available. These licenses can be obtained by contacting Sheryl Harshaw (IT Finance &amp; HR Planning group) via e-mail.</p> <p>Once these extra licenses have been released, groups will need to access the Computer On-line Store (AEPNow, A-Z index) to purchase additional licenses. Instructions for using the Computer On-line store is being developed &amp; will be available at a later time.</p>

*Spreadsheet Control*  
*Frequently Asked Questions*  
**SECOND RELEASE**

	<i>Question</i>	<i>Answer</i>
1	Please explain the software we've purchased and how it fits into the Procedures Standards we are to follow.	We have two software products from Prodiance, both are Excel-based applications: Spreadsheet IQ & Spreadsheet Compare software. Section 6 of the Procedure Standards describes the requirements for using the software. Spreadsheet IQ plays a key role in spreadsheet baseline testing, which is required for all minimum and complex spreadsheets. Spreadsheet Compare is an important tool for the Change Control process mandated for all Complex spreadsheets. Section 6 describes the requirement for using the compare tool once a quarter requirement for verifying no unauthorized changes occur. Users may also find the Spreadsheet IQ tool useful for analyzing spreadsheet contents for other requirements such as the design standards or the risk assessment process.
2	Will every data change on a financial spreadsheet have to be captured in change control?	Change controls are not required for minimum spreadsheets and changing the data set in a complex spreadsheet does not trigger spreadsheet controls. Keep in mind that while data changes do not illicit change control, any modification to the logic or structure of the spreadsheet does. Section 6.2 of the Procedure Standards provides more detail on the types of changes that warrant change controls.
3	If a query is run out of PeopleSoft and is saved as a query file as support for checking a journal entry, will a reason need to be provided on why it was excluded?	The manager that uses a PS query as part of the review and approval for an entry submitted by another accountant does not need to inventory their query; it is part of quality assurance, not the basis for the journal entry. It is presumed the accountant making the journal entry will inventory any of his or her own spreadsheets that is the basis for this entry according to the requirements of the decision tree.
4	I create approximately 100 spreadsheets monthly to prepare journal entries; do they all have to be listed in my inventory, even if they do not meet minimum or complex requirements set forth by the Spreadsheet Control policy?	Only items that are assessed Minimal or Complex must be listed in the inventory submitted to Financial Reporting. However, spreadsheets that are excluded from the inventory are subject to auditor inquiry. Owners of excluded spreadsheets must be able to substantiate the rationale for exclusion. To ease that process, you may wish to keep a listing of the excluded items. If you have several like items that are excluded for the same reasons, you may choose to capture a single exclusion explanation for the category or folder listing of these like items. Contact ASD for more information.
5	Is baseline testing only for complex worksheets?	No. Baseline testing will need to be performed on both minimum and complex spreadsheets.
6	Should files provided to other groups who make journal entries be included on the inventory listings?	Typically the group who originates the spreadsheet is responsible for listing it in inventory, especially if the receiving group does not modify the spreadsheet, but simply uses it as basis for making a journal entry. If you have questions about a particular scenario that you believe should be an exception to this standard, you should contact ASD for direction.

**Spreadsheet Control**  
**Frequently Asked Questions**  
**SECOND RELEASE**

	<b>Question</b>	<b>Answer</b>
7	Where can I find information related to the baseline testing deadline?	The deadline for baseline testing of both minimum and complex spreadsheets is August 31st. A copy of the policy, and procedure standards can be found at the accounting website ( <a href="http://acctg/policies">http://acctg/policies</a> ). Select the <i>Financial Spreadsheet &amp; Database Controls</i> folder.
8	Will it be a problem if the naming convention of the file does not fit in the software (example: "our naming convention is 12-31-2009; but the document storage system will translate to 122009).?	No. ASD has indicated that this is rather reasonable and still indicates the relevant month; therefore it is not a concern from audits standpoint.
9	Existing access controls failed because IT had access. How do I know which IT people are supposed to have SOX control access?	Each department is required to document the groups and individuals who have access to each folder containing any Minimum or Complex Financial Spreadsheet. An access review must occur and be documented on a quarterly basis on the same three month cycle that External Financial Reporting uses to inventory spreadsheets. The process for reviewing and documenting access controls can be obtained in Appendix B of the Procedures Standards. Users can also contact Internal Audits for questions pertaining to who should have access.
10	Will additional training on use of the Prodiance tools be held?	Advanced training will be held in July. Approximately 40 users have been identified to attend the training.
11	Was the initial training on the use of the Prodiance tools recorded? Can others view the recorded training?	Yes. The initial training was recorded & can be accessed at <a href="http://acctg/policies">http://acctg/policies</a> ( <i>Financial Spreadsheet &amp; Database Controls</i> folder: <u>file name: Prodiance user project overview_070109_bjm_v1</u> ). The link to the system functional training video can be found on the last page of the presentation.
12	Is the use of the Prodiance software a requirement for baseline testing?	Yes. All minimum and complex financial spreadsheets need to be baselined using the Prodiance software.
13	If a user/department deviates from one of the requirements listed in the procedures standards, would the rationale for the deviation need to be documented?	Yes. Please refer to Section 10 of the Procedure Standards document which addresses how alternate standards should be applied.
14	Can a financial spreadsheet be excluded based on its materiality level?	No. The decision tree does not allow for omission from inventory based on a materiality threshold for the file. The decision tree allows exclusion of spreadsheets based on the level of data manipulation.
15	How do I find out who in my group has been given access to the Prodiance tools purchased by the company?	You should be able to contact the SOX representative in your group (refer to contact list).
16	If financial spreadsheets have already been given a rating of minimum or complex, will they need to be re-evaluated?	Minimum spreadsheets will need to be reassessed using the Financial Spreadsheet Risk Assessment template found in Figure 2 of the Policy. Some scoring criteria have changed and may cause some sheets to be reclassified as Complex. This tool is available as an excel file in the folder at <a href="http://acctg/policies">http://acctg/policies</a> (select the <i>Financial Spreadsheet &amp; Database Controls</i> folder).

***Spreadsheet Control***  
***Frequently Asked Questions***  
***SECOND RELEASE***

	<b><i>Question</i></b>	<b><i>Answer</i></b>
17	What type of information will Spreadsheet IQ provide?	Spreadsheet IQ will provide statistical analysis of workbooks, design/logic feedback, error detection, fraud detection, relationship diagrams, etc. Spreadsheet IQ will also be used to automatically identify potential and real issues within the workbook, such as formulas with errors, inconsistent/duplicate/negative/unique formulas, broken links, references to blank, hidden or text cells, and formulas with nested IFs or numeric constants.
18	Is there a way that the Prodiance software could streamline the risk assessment process?	At this time, the risk assessment template provided in the Spreadsheet Control Policy has components that the software cannot assess, such as whether or not the users have had proper training. Users should provide feedback on how to improve the procedures going forward, which could include looking into acquiring the Prodiance software that attempts to gauge spreadsheet risk levels.

AEP USER GUIDE FOR  
**Financial Spreadsheet Controls with  
SharePoint 2010**



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## Financial Spreadsheet Control

### Purpose

To establish the requirements for the access controls, and change controls for “Financial Spreadsheets” that meet one or more of the following three criteria:

- Spreadsheet is used to support a primary SOX 404 control activity;
- Spreadsheet is used in the preparation or support of manual journal entries recorded in the general ledger; or
- Spreadsheet is used in the preparation of financial statements and/or footnotes.

These criteria are designed to prevent and/or detect errors arising from the design and use of Financial Spreadsheets across the enterprise.

A policy was created to ensure that the following controls are in place, as applicable to Financial Spreadsheets. Compliance with the policy is mandatory.

### Measure 1 - Access Control (Minimum & Complex)

The existing IT Information Security Policy and associated Access Controls Standard remain in effect.

Additionally:

- Spreadsheets must be located in the Financial Spreadsheet Control SharePoint sites which only the owner and designated changers can modify the file.
- Adequate protection of Financial Spreadsheets must be used to prevent unauthorized or unintentional updates or changes.
- The owner is also responsible for ensuring that the applicable controls have been implemented.
- The owner is responsible for ensuring that the appropriate access control reviews have been performed and that any necessary remediation is carried out in a timely manner.

### Measure 2 - Change Control (Complex Only)

- A complete review including testing of the formulas and logic is required after the creation of a new Financial Spreadsheet that meets the complex criteria and before it is used for its intended purpose.
- A formal change control process is required each time substantive changes are made to Financial Spreadsheets – anything impacting logic, structure, or output of the spreadsheet.
- Formal approval through SharePoint’s change control process is required to validate that the change is functioning as intended before its next usage in production.

**Measure 3 – General Spreadsheet Control (Minimum & Complex)**

- Departments must define and employ consistent attributes for all Minimum or Complex spreadsheets located in SharePoint.
- Financial Spreadsheets must conform to the design standards defined in the Procedures Standards for Financial Spreadsheets.
- Departments must ensure all data retention and archival requirements are met.
- Departments must maintain central documentation of procedures used to meet Financial Spreadsheet requirements. This documentation must be available for review upon request.

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## Financial Spreadsheet Controls Site Organization

### *Sites, Libraries, Folders and Lists*

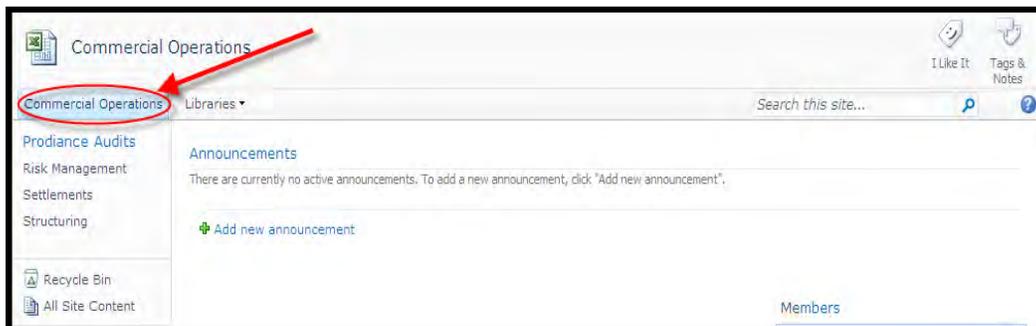
#### Site Collection

The Financial Spreadsheet Controls SharePoint implementation consists of a collection of fourteen sites; one for each business area. The site collection can be accessed by browsing to the following URL;

<http://financesp/sites/fsc/SitePages/Home.aspx>

#### Sites

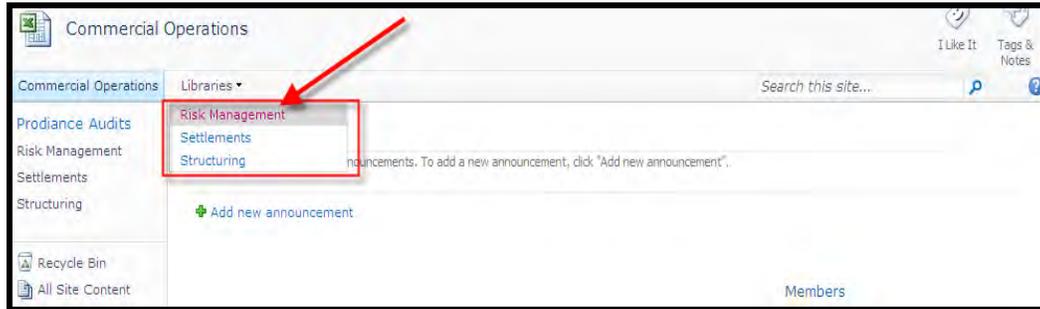
The individual sites are configured so members will only see the site specific to their business area. For instance, Commercial Operation's members will only see the Commercial Operation site.



#### Libraries

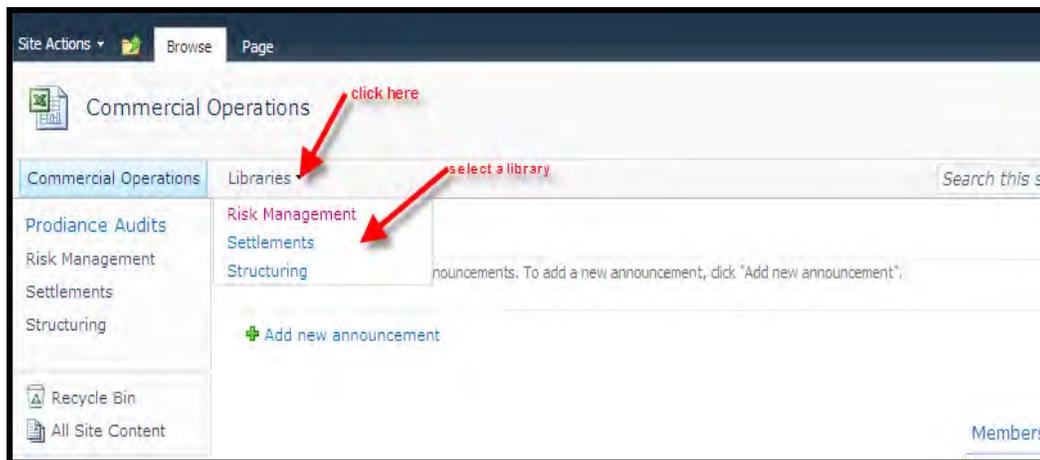
Each Site contains libraries corresponding to functions within the business area. Each library holds spreadsheets belonging to a specific group within the business area and contains a list for Prodiance audit log entries. Libraries contain two kinds of components; documents (Financial spreadsheets) and a list (Prodiance Audit).

Each library is configured to allow users with read, contribute, or administrator permissions access. The following screen shot shows a user with access to the Risk Management, Settlements, and Structuring libraries in the Commercial Operations site.

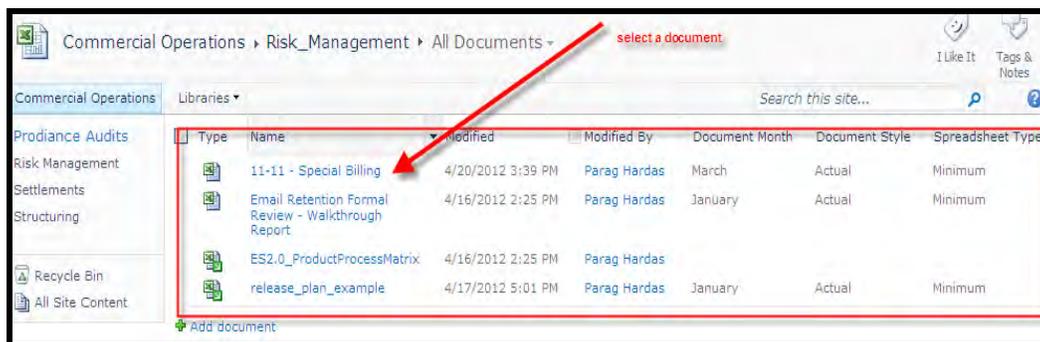


Users with read, contribute, or administrator access can navigate to site libraries by doing the following:

1. Hover the mouse over the library drop down arrow.
2. Select the library to navigate to the specific library of choice.



The following screen shot shows the contents of the Risk Management library. The financial spreadsheet documents are displayed in the main area towards the right of the launch.

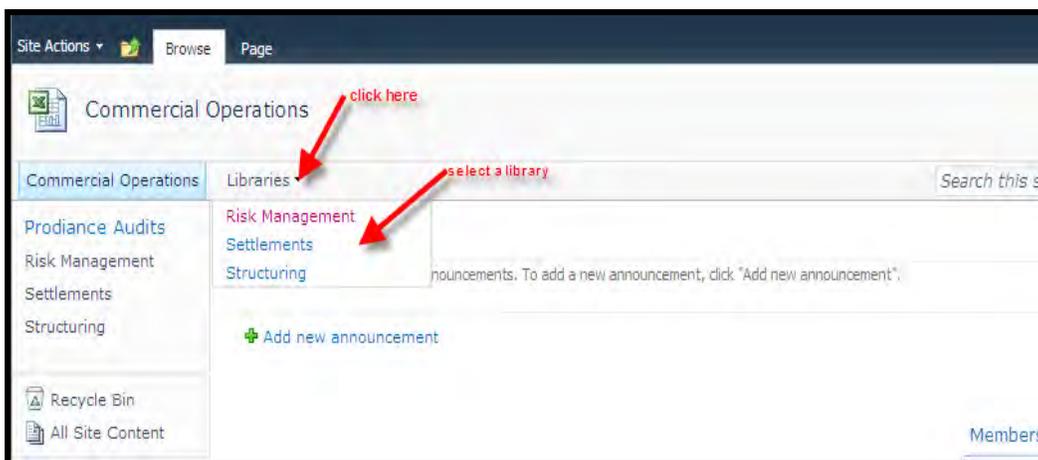


## Folders

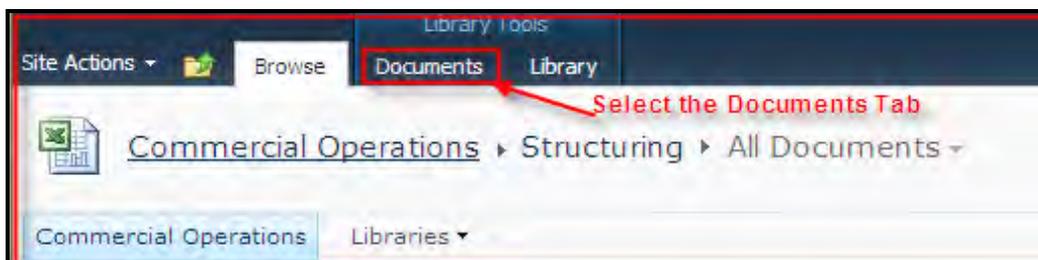
Some groups may choose to create folders within their libraries. However, folders are only recommended if you don't need security at that level otherwise management of security will become cumbersome.

Users with contribute or administrator access can create a folder by doing the following:

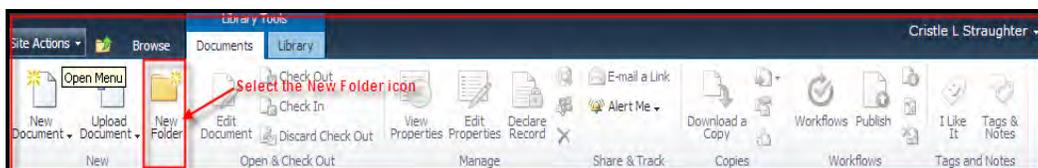
1. Hover the mouse over the library drop down arrow.
2. Select the library to navigate to the specific library of choice.



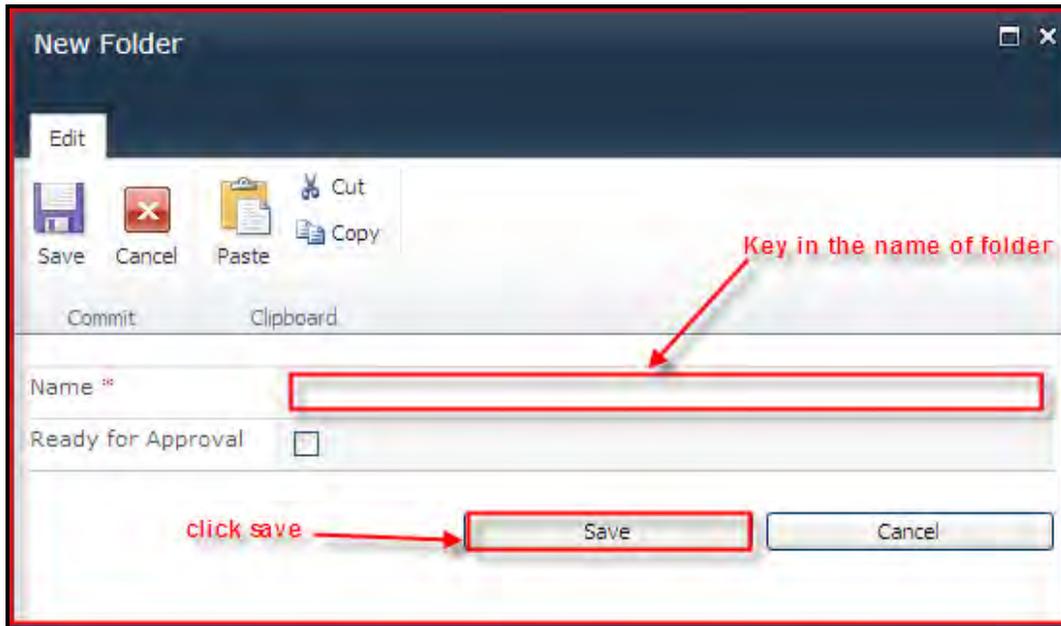
3. Select the documents Tab



4. Select the New Folder icon



5. Type in the name of the folder and click save. The new folder will appear in the document stage area.

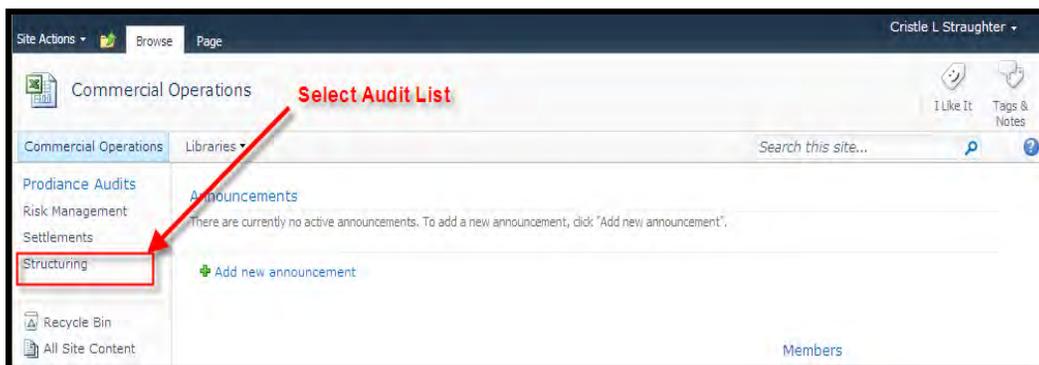


## Lists

The Change control process for complex spreadsheets has been implemented as a document approval workflow in SharePoint. This process will utilize lists to attach Prodiance Logs to spreadsheets that have been submitted for approval.

Users with read, contribute, or administrator access can navigate to list by doing the following :

1. Select the library.
2. Select the list under the Prodiance Audits.



Libraries ▾ **Prodiance Audit List** Search this site...

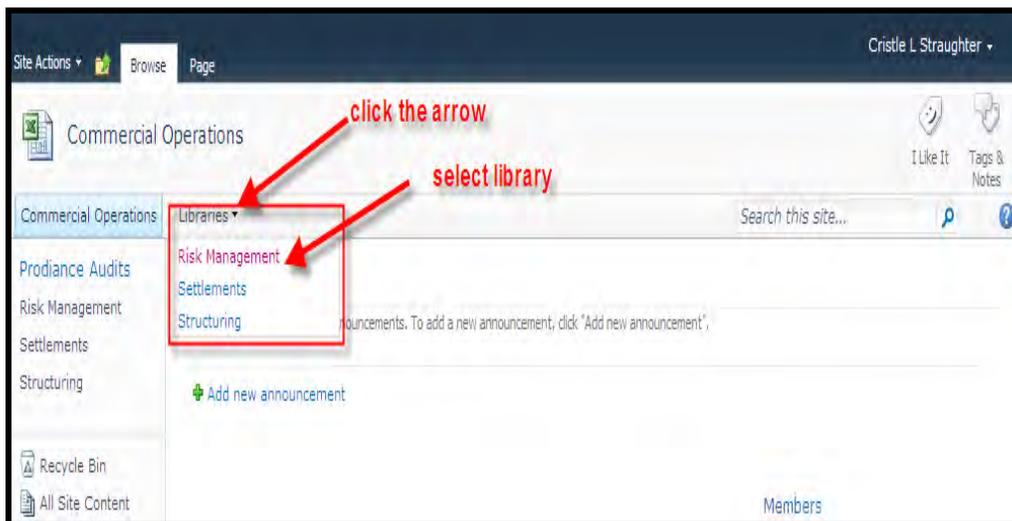
Title	Document Month	Document Style	Document Type	Organizational Group	Year	Spreadsheet Type	Docu
Linked Sales Journal Entry	January	Actual	Financial	Structuring	2012	Complex	http://Journ
Spreadsheet A	February	Actual	Financial	Structuring	2012	Complex	http://A.xls
Linked Sales Journal Entry	January	Actual	Financial	Structuring	2012	Complex	http://Journ
Linked Sales Journal Entry	January	Actual	Financial	Structuring	2012	Complex	http://Journ
Spreadsheet A	February	Actual	Financial	Structuring	2012	Complex	http://A.xls
Steve Test	March	Actual	Financial	Structuring	2012	Complex	http://Test.>
EO Approval Workflow DRAFT 5-26 -11	January	Actual	Financial	Structuring	2012	Complex	http://Workl
Spreadsheet C	January	Actual	Financial	Structuring	2012	Complex	http://C.xls
Spreadsheet C	January	Actual	Financial	Structuring	2012	Complex	http://C.xls

## Working with spreadsheets

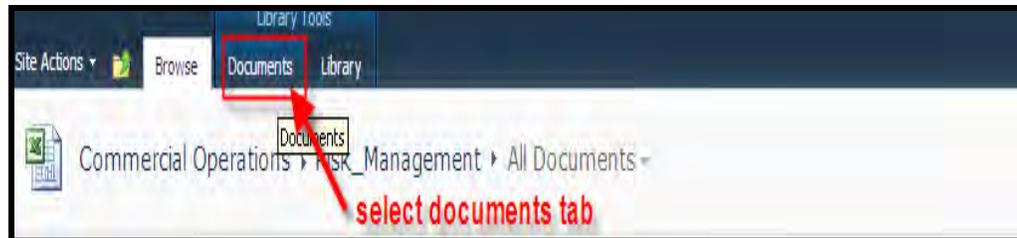
### Spreadsheet Upload

Users with contribute permissions can upload multiple spreadsheets at one time to SharePoint libraries. To upload spreadsheets to the SharePoint site the user will do the following:

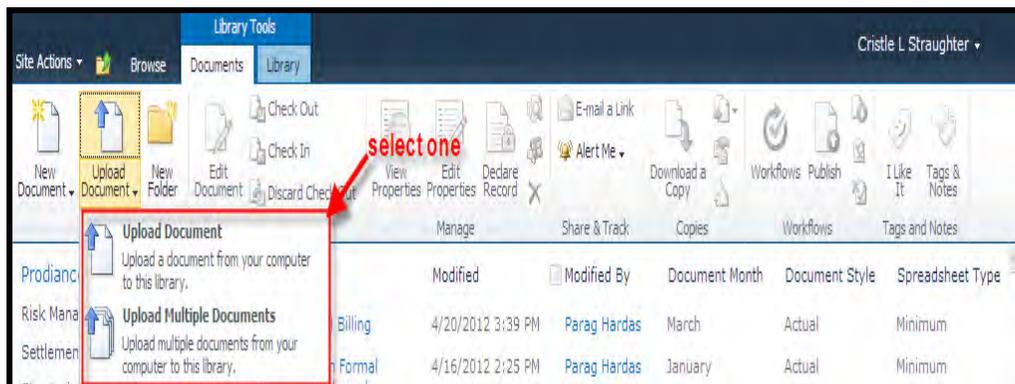
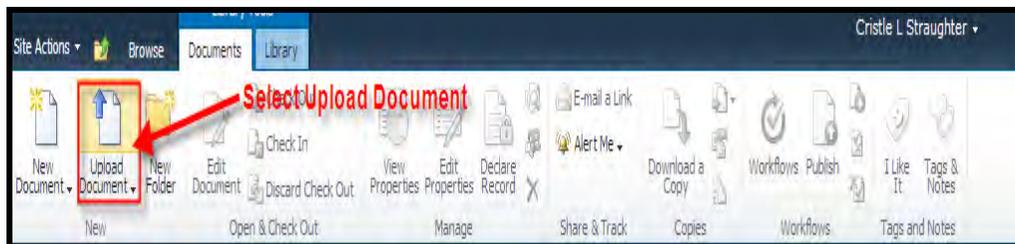
1. Navigate to the library location that you want to upload the spreadsheets by clicking on the drop down arrow and selecting the appropriate library.



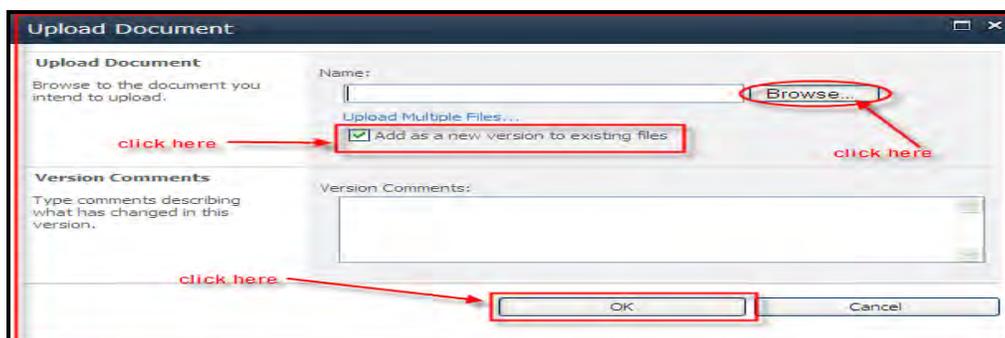
2. Select the documents tab under the library tools option.



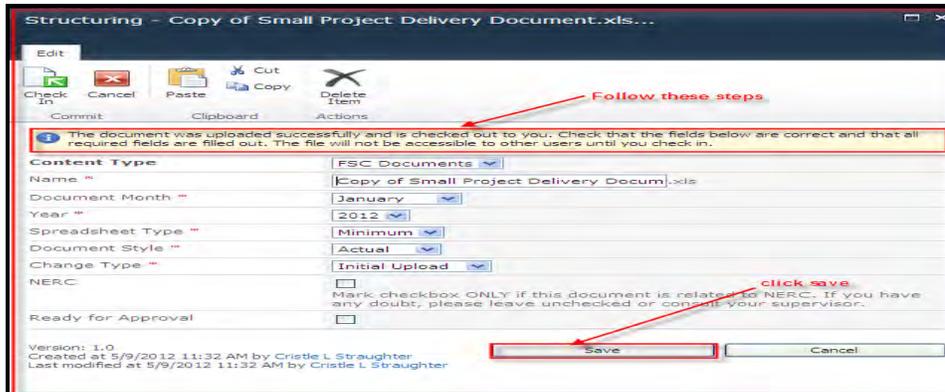
3. Select the "upload document" icon for one document or click the arrow for multiple documents then select "upload document" or "upload multiple documents".



4. An upload document screen will open select the browse button to browse your computer for the file you want to upload to Sharepoint. Leave the box checked or uncheck for "Add as a new version to existing files" option. Select the ok button.

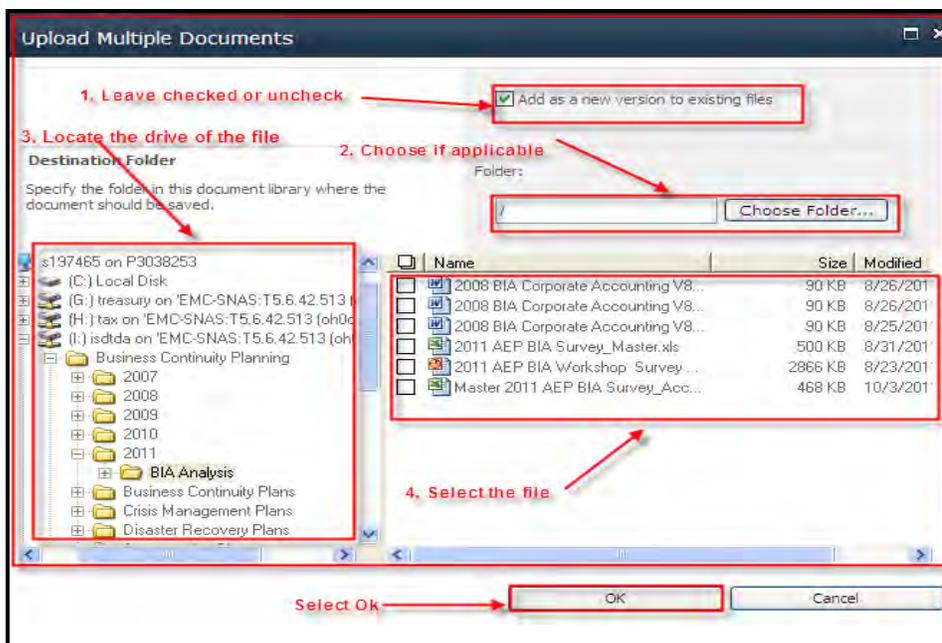


5. The Edit properties screens opens. Verify attributes and make changes as needed then click the save button.



**For multiple files the following screen will appear. Follow these steps:**

1. Leave the box checked or uncheck for the “Add as a new version to existing files” option.
2. If applicable choose a SharePoint folder location.
3. Locate the file on your network drive.
4. Select the files to upload to SharePoint and click ok.
5. Complete step 5 above for all documents uploaded.



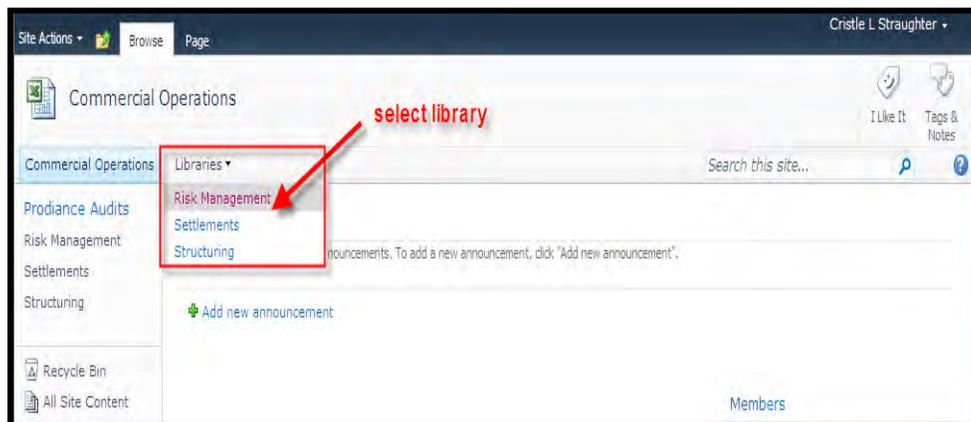
For more details on how to upload spreadsheets go to this video.

[http://aepsp/sites/sphelp/training/sps2010\\_upload\\_files.wmv](http://aepsp/sites/sphelp/training/sps2010_upload_files.wmv)

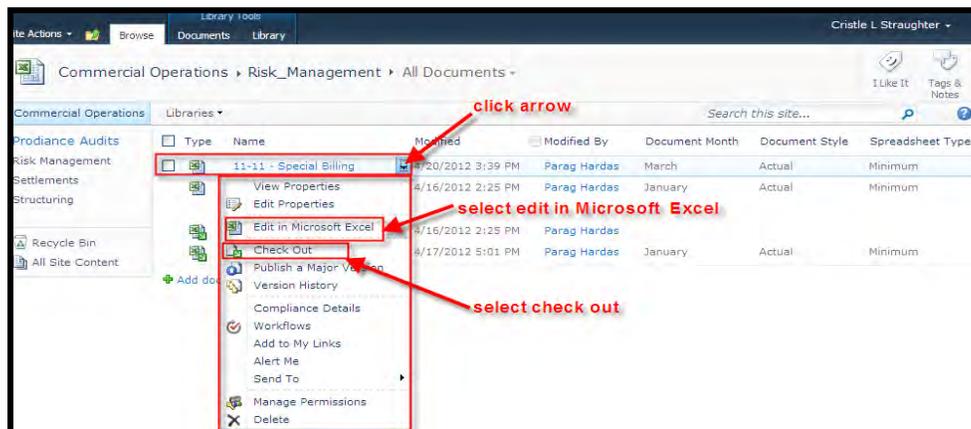
## Check Out / Check In

Users will checkout a spreadsheet every time the content, attributes, or the structure of the spreadsheet needs to change. This is important to maintain document integrity while still allowing multiple users to work on the same spreadsheet. To check out and check in a document the user will do the following:

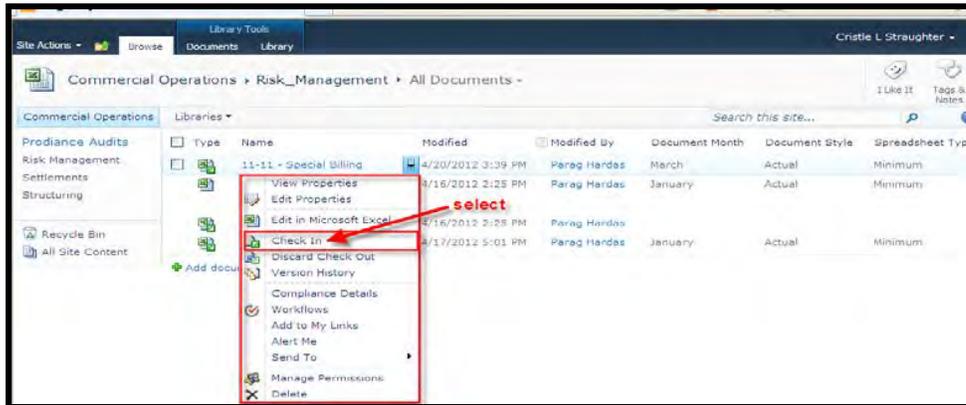
1. Select the library location of the spreadsheet.



2. Click on the arrow to the right of the spreadsheet and select "Checkout".
3. Click on the arrow to the right of the spreadsheet and select "Edit in Microsoft Excel".



4. After document revision check it back in.



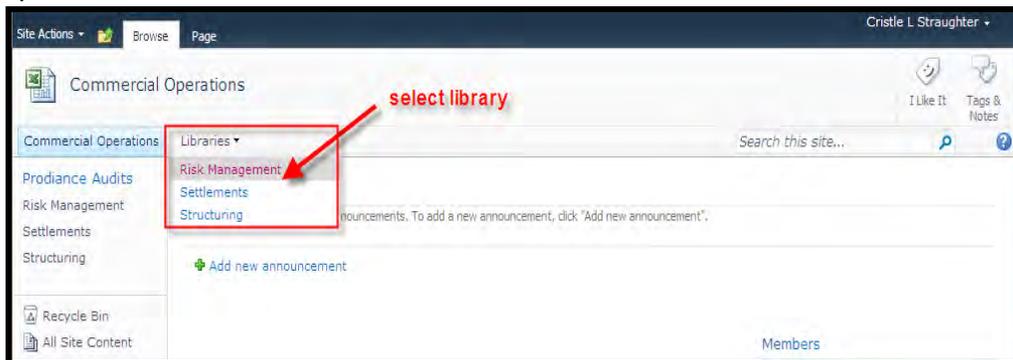
For more information on Check Out / Check In go to this video

[http://aepsp/sites/sphelp/training/sps2010\\_checkout\\_files.wmv](http://aepsp/sites/sphelp/training/sps2010_checkout_files.wmv)

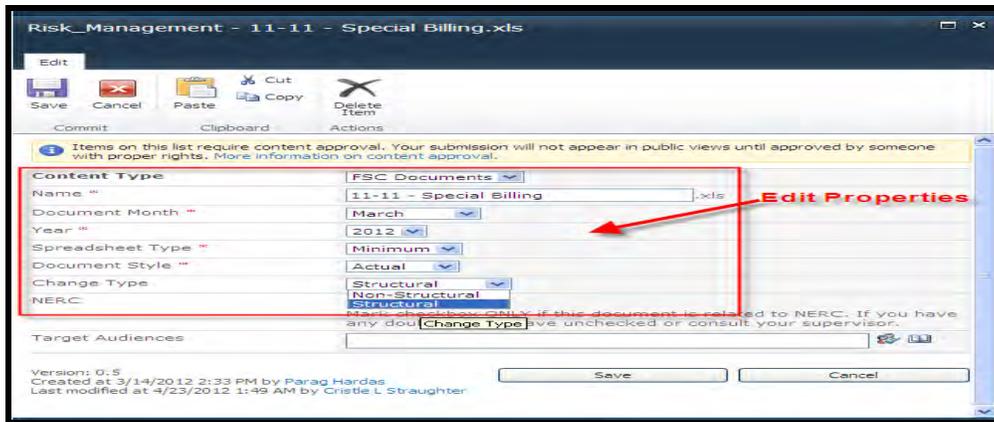
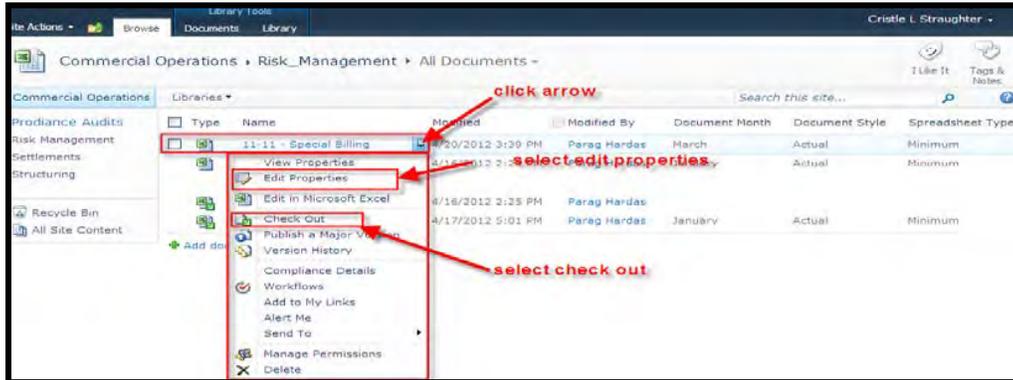
## Edit Properties

The Edit Properties screen allows users to change the properties for the spreadsheets. Users are required to check out the spreadsheet in order to edit properties. To edit properties the user will do the following:

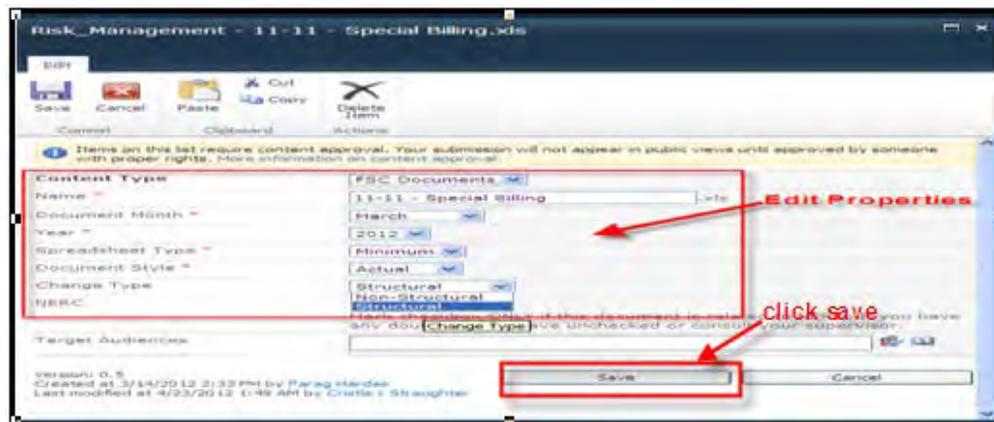
1. Select the library location of the spreadsheet.



2. Click on the arrow to the right of the spreadsheet.
3. Select Checkout.
4. Click on the arrow to the right of the spreadsheet.
5. Select "Edit Properties" to revise the attribute screen.



6. After "Edit Properties" is complete check it back in and click save.



For more information on editing file properties go to this video

[http://aepsp/sites/sphelp/training/sps2010\\_file\\_properties.wmv](http://aepsp/sites/sphelp/training/sps2010_file_properties.wmv)

## Spreadsheet Versions

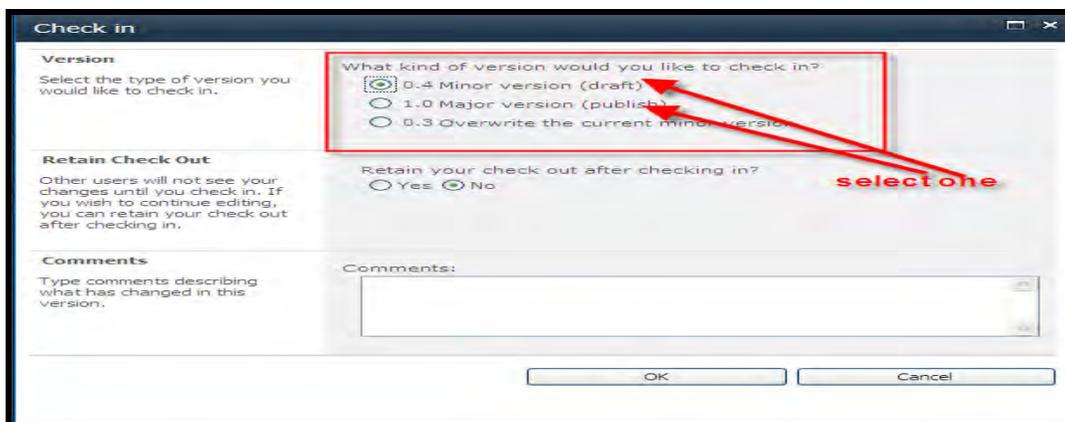
Financial spreadsheets have versions to reflect changes by users. Every spreadsheet gets a 0.1 minor version when its uploaded for the first time in SharePoint. Spreadsheets are versioned with a minor version after every change is saved. Spreadsheets are published as a major version when it becomes the final record.

A spreadsheet could get revised four times before it becomes a record. The first revision will reflect as 0.1 version, each preceding version will increase by 0.1. The fourth version will reflect a 0.4. At this point, the user has two options:

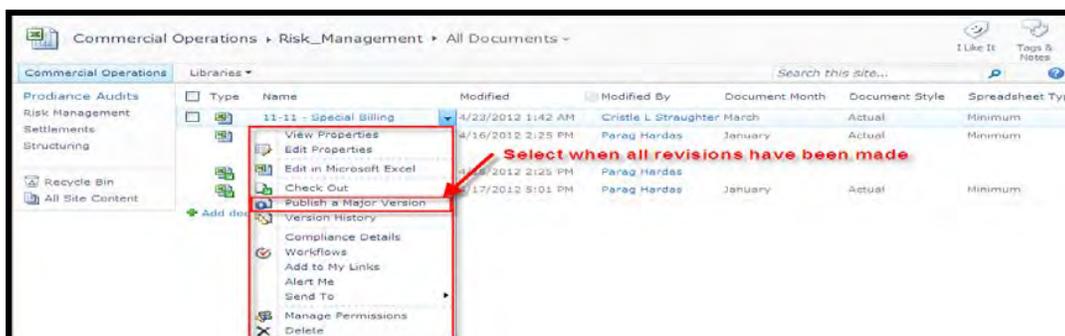
1. The user can choose to check in the document as a major version (publish) after the last revision. The minor version will go from 0.4 to a major version of 1.0

or

2. The user can choose to check in the document as a minor version.



After all document revisions are complete the user can choose to publish the document as a major version using the “Publish as a Major Version” option on the document drop down arrow or check it in as a “Major Version (publish)”.



## Types of Spreadsheets

### Linked Spreadsheets

Spreadsheets that have links to other spreadsheets should be placed in the same library within SharePoint. However, folders maybe created within libraries to store Linked Spreadsheets. If Linked Spreadsheets are stored in folders or different libraries then the links need to be edited to point to the new location within SharePoint.

### System Generated Spreadsheets

Spreadsheets that are generated from another system will be uploaded to SharePoint as they are created. This process is identical to uploading a spreadsheet from your LAN Share to SharePoint.

## Change Control Approval process

### Roles and Responsibilities

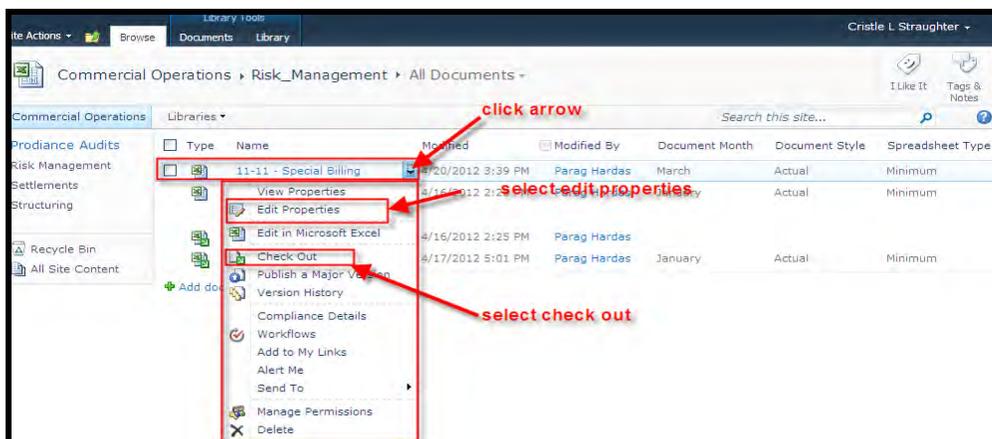
The change control workflow applies to complex spreadsheets that have structural changes. The change control process is executed by two kinds of users:

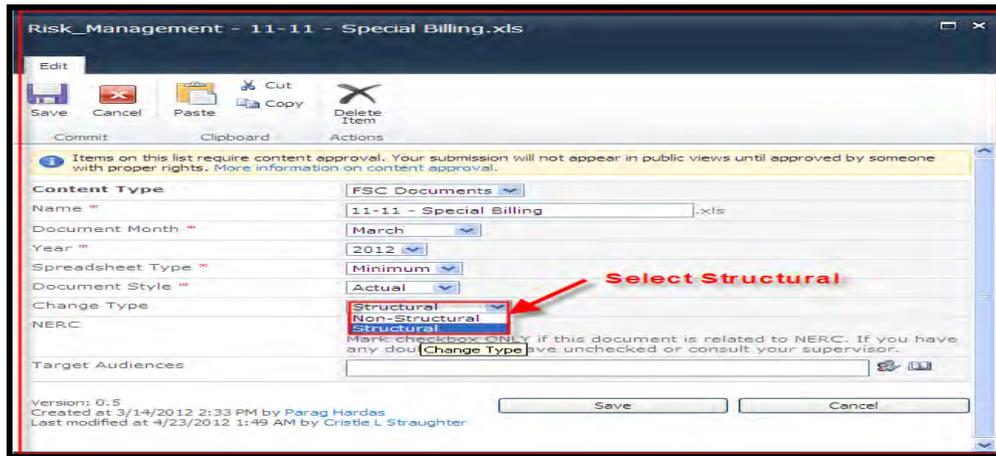
1. Contributors: Users in the Contributor role are responsible to make changes to spreadsheets and initiate the workflow process.
2. Approvers: Users in this role are responsible to approve complex spreadsheets to complete the workflow process.

### Business Process

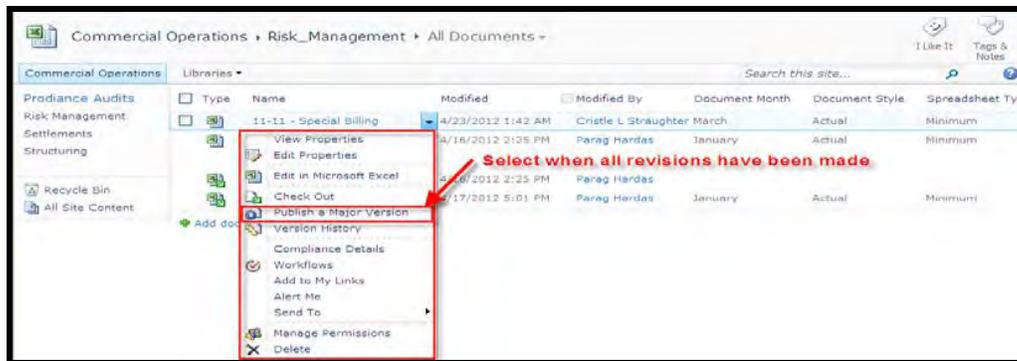
The change control approval process has the following steps:

1. Check Out and edit the properties to change the value of the “Change Type” attribute to “Structural”

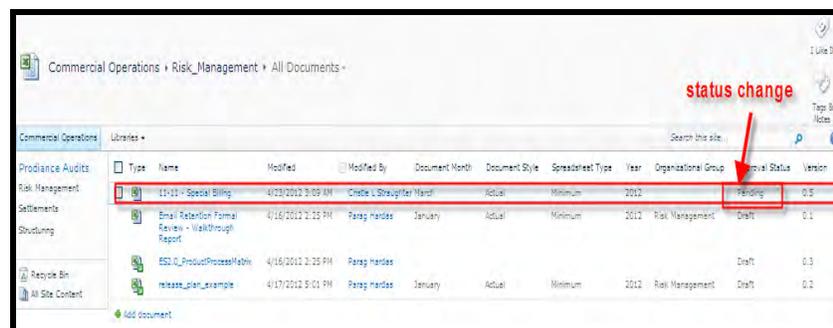




2. The user will make structural changes to a spreadsheet by adding rows, columns, adding or making changes to macros or formulas.
3. The user can check the document back in as a minor version or as a major version and publish.
4. If checked back in as a minor version select *“publish as a major version”* to initiate the workflow.



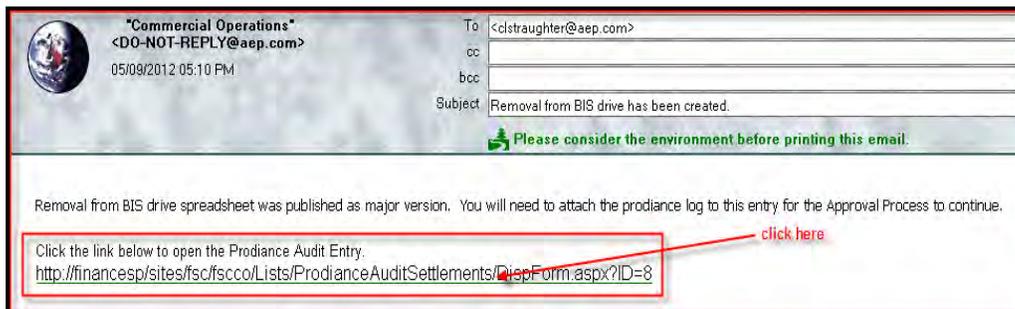
After the spreadsheet is published as a major version the value of “Approval Status” field changes from “Draft” to “Pending” as shown below:



The system will send an email to the spreadsheet user with a link to the Prodiance Audit list entry to upload the Prodiance Log after it is generated as shown below.



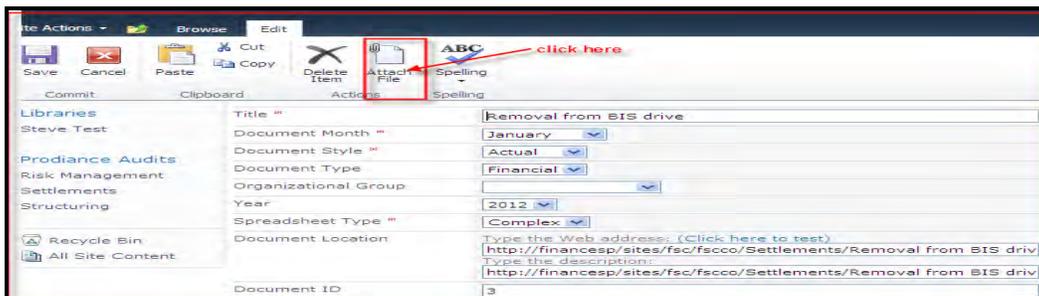
5. Download the current version of spreadsheet and the last major version and run through Prodiance Spreadsheet Compare. The Prodiance log should be saved on the user's computer. **(Reminder: Delete copy from local machine after this process)**
6. Click the link in the email previously received.



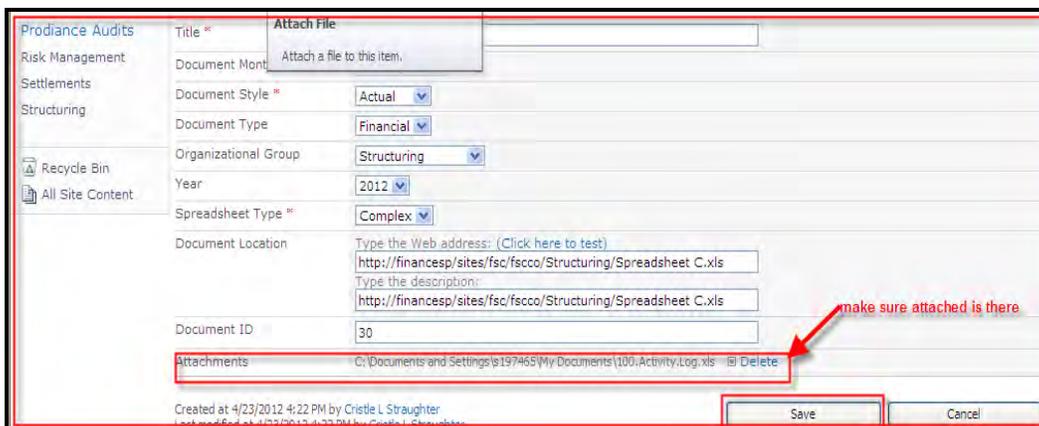
7. Prodiance Audit log list is displayed select Edit Item



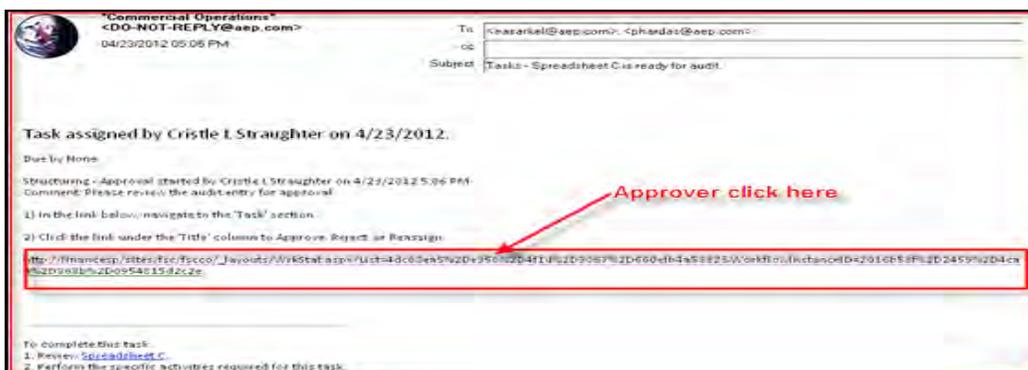
8. The user will then click on the "Attach File" icon (highlighted in Red below) in the ribbon on the top to attach the Prodiance log file. The user will be given the option to browse through his computer to attach the Prodiance log



9. After the Prodiance log is attached, please make sure that the “Attachments” attribute shows the Prodiance log file attached to the list item.

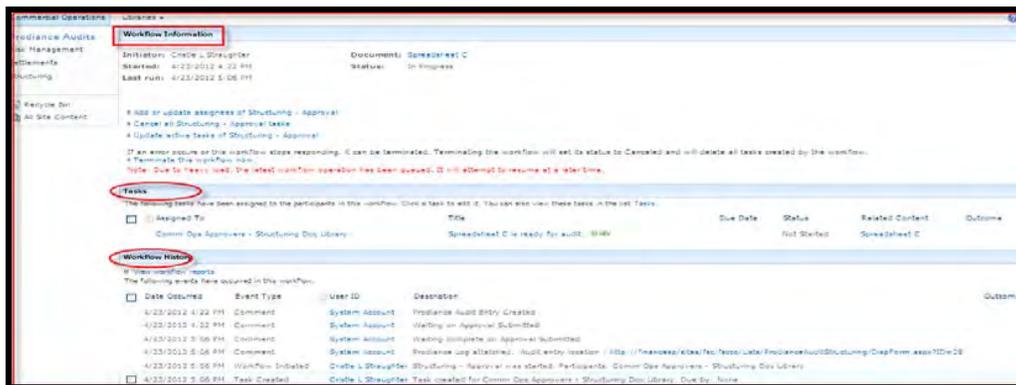


10. Once the Prodiance Log is attached, users in the Approvers group for that library get the following email asking them to approve the spreadsheet.

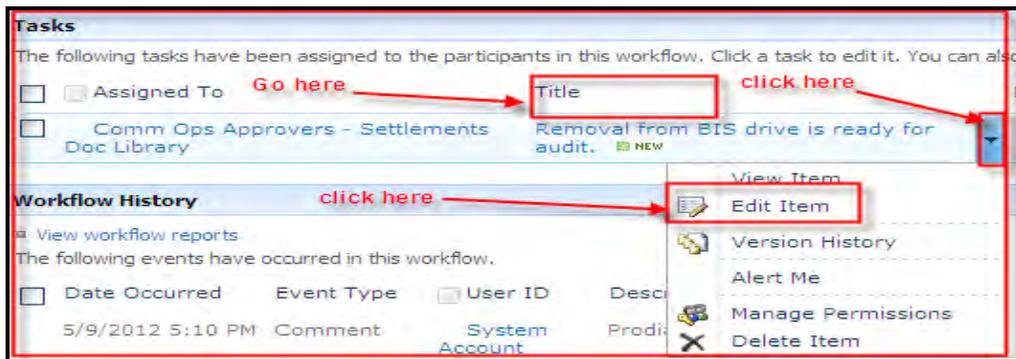


The link in the email takes the approver to the following workflow screen containing three sections:

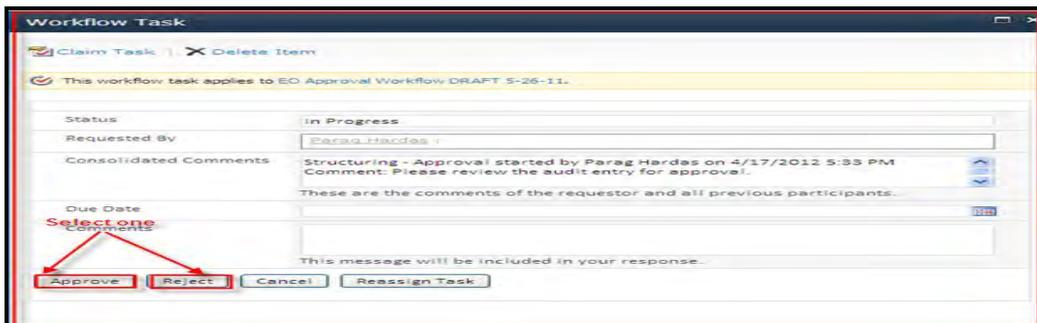
1. Workflow Information: provides information about the initiator, a link to the actual spreadsheet that needs approval and date timestamps for the workflow process.
2. Tasks: provides status and timeline information about assigned tasks in the workflow.
3. Workflow History: provides information about all activity with respect to the workflow.



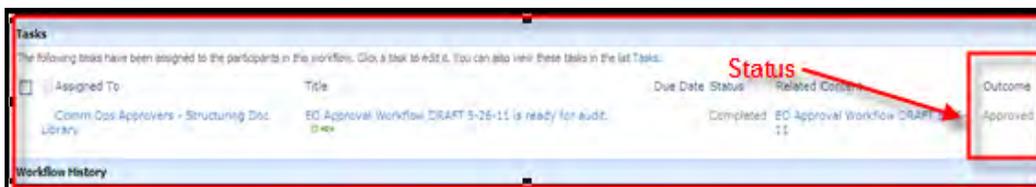
For the purposes of approval, the approver will go to the Tasks section and click on the Title field to edit the item after the spreadsheet and Prodiance log have been downloaded and reviewed.



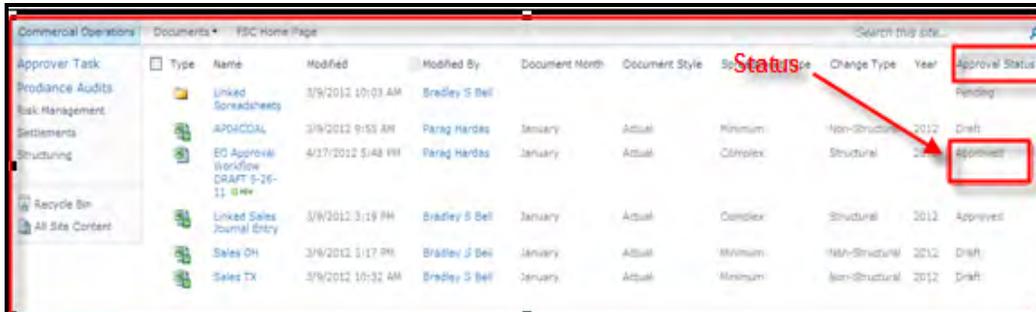
The approver can approve or reject the spreadsheet. The option to “reassign” this task is not needed because all approvers will receive the approval email.



Once the spreadsheet is approved, the status field will change to “Completed” from “Not Started” and Outcome field will show “Approved”.



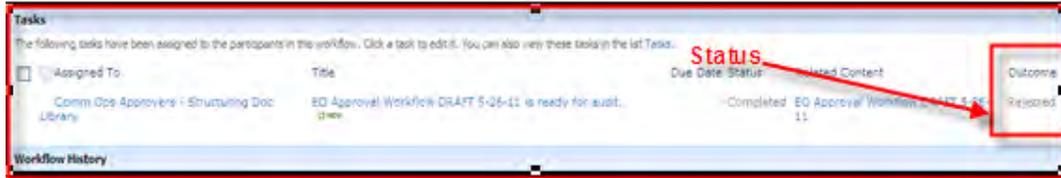
The Approval Status for the actual spreadsheet will change from “Pending” to “Approved” :



The user that initiated the approval process will get an email with information that the spreadsheet has been approved.



In the event that the spreadsheet is rejected, the Workflow will show as “Complete” and the outcome field will show that the spreadsheet was “Rejected”.



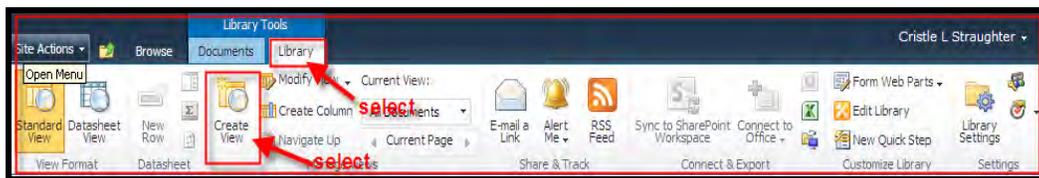
The spreadsheet will then have to be modified and routed through another cycle of the workflow process for the approval.

## Views

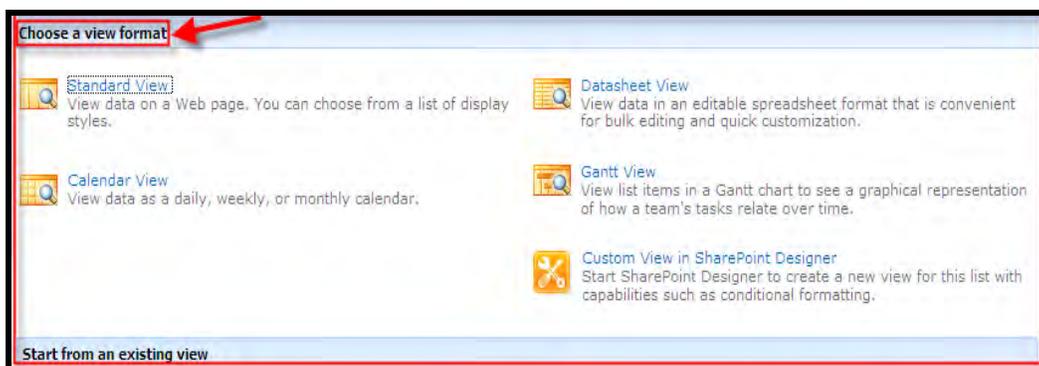
### Create and Modify Private Views

Users can create or modify views based on certain attribute values or a combination of attributes to find documents in a library faster. For Example a user can create or modify a view that will show documents with Year as “2012” and Document Month as “February”.

1. To create a private view navigate to the “*Library tab*” on the Library Tools menu. Select “*Create View*”.



2. Choose a format for the new view. Select “*Standard View*” as the format as shown below



3. The following sections need to be populated:

Name – Input a title in the “View Name” box.

Audience – Users will be able to create Public views only if they have Admin level permissions on the Site. All contributors will be able to create Personal views in their library.

**Name**  
Type a name for this view of the document library. Make the name descriptive, such as "Sorted by Author", so that site visitors will know what to expect when they click this link.

View Name:

Make this the default view  
(Applies to public views only)

**Audience**  
Select the option that represents the intended audience for this view.

View Audience:

Create a Personal View  
Personal views are intended for your use only.

Create a Public View  
Public views can be visited by anyone using the site.

Columns – User will be able to check the columns that should be displayed in the custom view and also specify the order in which they would be displayed.

**Columns**  
Select or clear the check box next to each column you want to show or hide in this view of this page. To specify the order of the columns, select a number in the Position from left box.

Display	Column Name	Position from Left
<input checked="" type="checkbox"/>	Type (icon linked to document)	1
<input checked="" type="checkbox"/>	Name (linked to document with edit menu)	2
<input checked="" type="checkbox"/>	Modified	3
<input checked="" type="checkbox"/>	Modified By	4
<input checked="" type="checkbox"/>	Document Month	5
<input checked="" type="checkbox"/>	Document Style	6
<input checked="" type="checkbox"/>	Spreadsheet Type	7
<input checked="" type="checkbox"/>	Year	8
<input checked="" type="checkbox"/>	Organizational Group	9
<input checked="" type="checkbox"/>	Approval Status	10
<input checked="" type="checkbox"/>	Version	11
<input checked="" type="checkbox"/>	Risk Management	12
<input checked="" type="checkbox"/>	Generate Email - Risk Management	13
<input type="checkbox"/>	Approval Submitted	14
<input type="checkbox"/>	Approver Comments	15
<input type="checkbox"/>	BU Entity	16
<input type="checkbox"/>	Business Unit	17
<input type="checkbox"/>	Change Type	18
<input type="checkbox"/>	Check In Comment	19
<input type="checkbox"/>	Checked Out To	20
<input type="checkbox"/>	Classification	21

Sort – Users can choose to sort results in a view by columns. Column values can be alphabetically or numerically sorted in ascending as well as descending order.

**Sort**  
Select up to two columns to determine the order in which the items in the view are displayed. [Learn about sorting items.](#)

First sort by the column:

Show items in ascending order  
(A, B, C, or 1, 2, 3)

Show items in descending order  
(C, B, A, or 3, 2, 1)

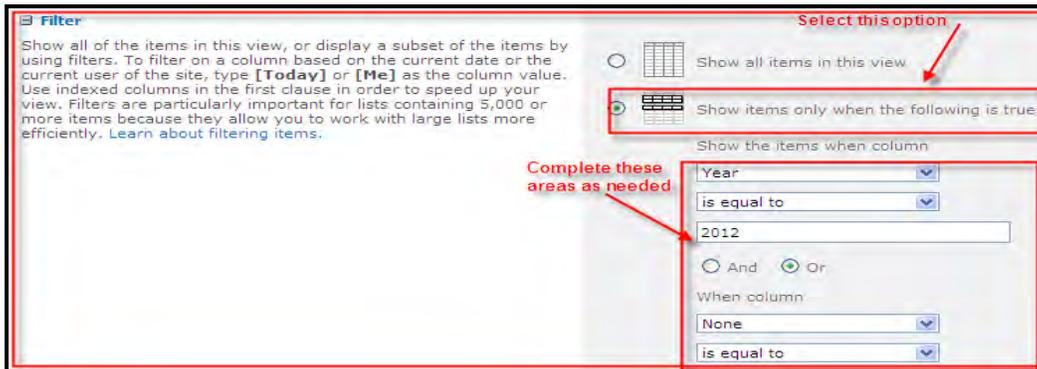
Then sort by the column:

Show items in ascending order  
(A, B, C, or 1, 2, 3)

Show items in descending order  
(C, B, A, or 3, 2, 1)

Sort only by specified criteria (folders may not appear before items)

Filter – User can filter the documents shown in the view by specifying conditions for the various columns. Complete the sections outlined in red below..



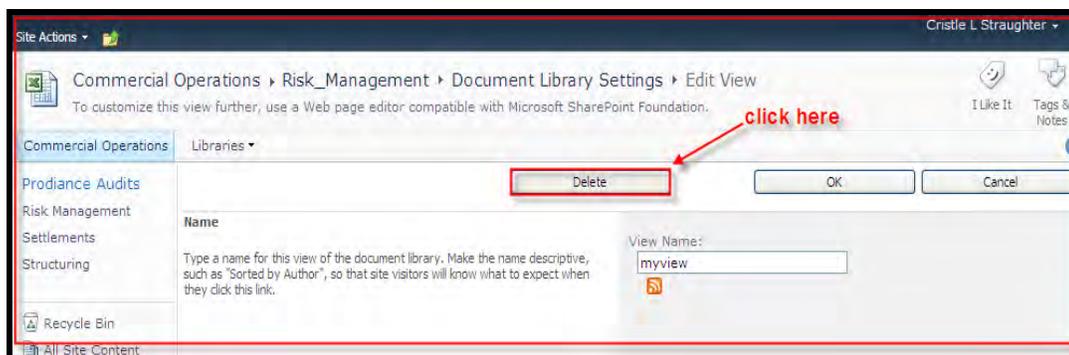
For more information on creating a custom private view go to this video

[http://aepsp/sites/sphelp/training/sps2010\\_custom\\_view.wmv](http://aepsp/sites/sphelp/training/sps2010_custom_view.wmv)

- To modify a view, click the “Library tab” on the Library Tools menu and follow steps 1 – 3 to edit the values.



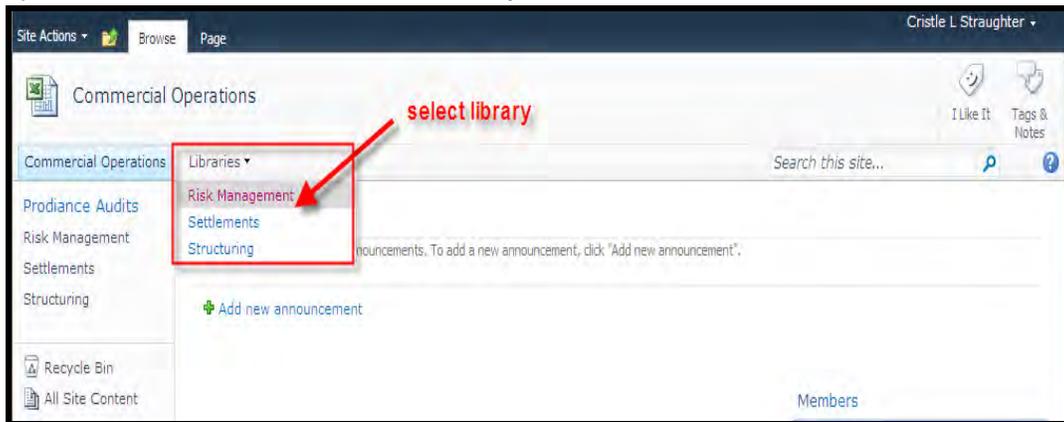
- To delete a custom view (views created by users) follow steps 1 – 4 . The user will be presented with a delete option. Click the delete button.



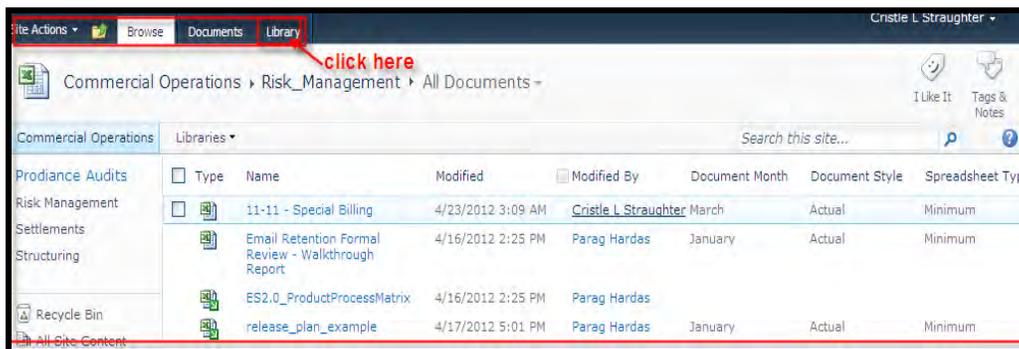
## Reporting

Users can generate reports from a SharePoint library containing a list of files and their properties.

1. To generate a report, navigate to the library that you want to report on. The contents of the library will be shown in a list with the standard ribbon on the top showing the three options; Browse, Documents, and Library.



2. The default view of the library is displayed.



3. Click on the Library tab to display the expanded ribbon. Click the Excel Icon to export the list items to an excel spreadsheet containing all the files in the current view along with all attributes.



4. The report exported from a library will contain all documents i.e. items displayed in the All Documents view. Reports can be generated for any private or public views configured on the library.

ID	Name	Modified	Modified By	Document Month	Document Style	Spreadsheet Type	Year	Organizational Group
1	<a href="#">11-11 - Special Billing.xls</a>	4/23/2012 3:09	Cristle L. Straughter	March	Actual	Minimum	2012	
2	<a href="#">Email Retention Formal Review - Walkthrough Report.xls</a>	4/16/2012 14:25	Parag Hardas	January	Actual	Minimum	2012	Risk Management
3	<a href="#">ES2.0 ProductProcessMatrix.xls</a>	4/16/2012 14:25	Parag Hardas					
4	<a href="#">release plan example.xls</a>	4/17/2012 17:01	Parag Hardas	January	Actual	Minimum	2012	Risk Management

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## Site Administration – Roles and responsibilities

### **Support end users**

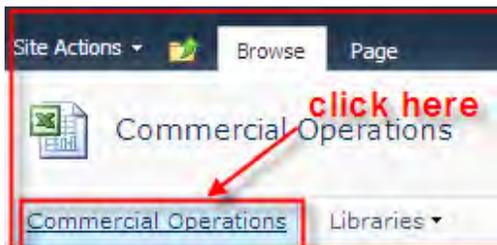
Site access managers (*power users*) are responsible to support end business users in their business unit for issues with access to spreadsheets and “How To” questions.

### **Access Controls**

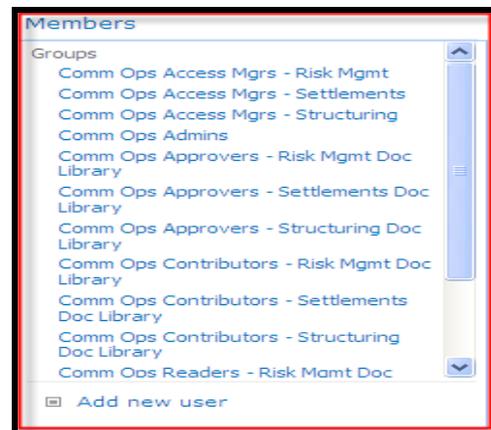
#### **Groups and memberships**

Access is controlled in SharePoint by groups that are configured on the basis of sites and libraries and required levels of access. If a site has three libraries and users need read, contribute, and approve levels of access, it would contain 3(libraries) X 3 (levels of access) = 9 groups.

Each site has one Access group for each of it's libraries. The Access group will have permissions for all groups in that library. The groups are configured at the site level and can be viewed by clicking on the name of the site.



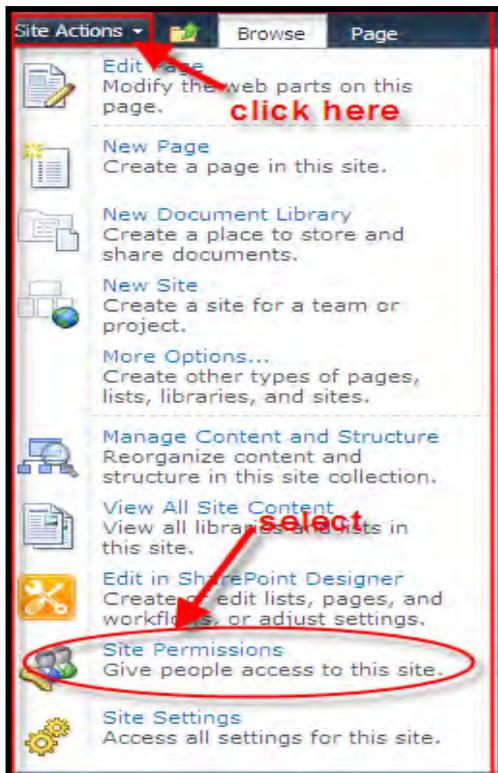
The following screen shot displays all groups configured for the Commercial Operations site. The naming convention followed for groups is [Site (acronym or short name)] [level of access] – [library name]. Business users that would contribute to the risk management library in Commercial Operations site will be in the **Comm Ops Contributors – Risk Mgmt Doc Library**.



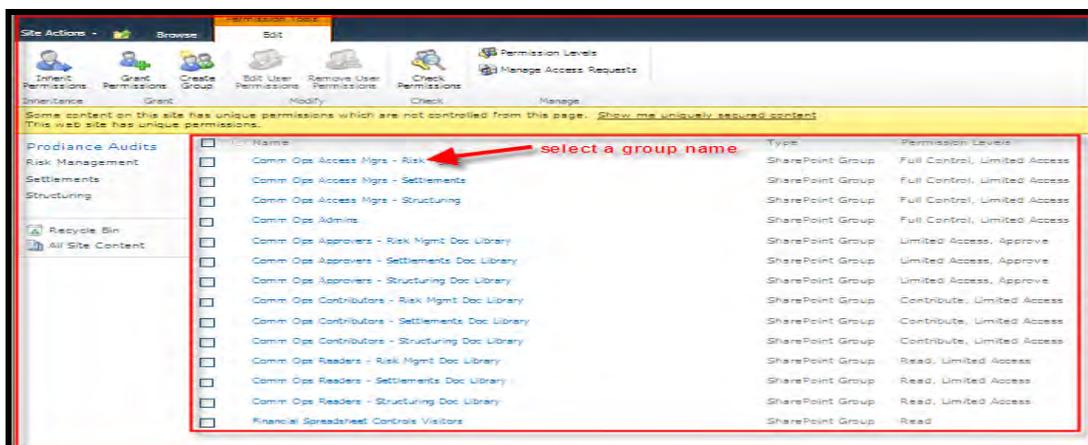
## Add or modify access

Site access managers will have permissions to modify user groups for their site.

1. The permissions for a site can be managed by clicking on “*Site Actions*” on the top and choosing “*Site Permissions*” option in the drop down.



2. All groups for the site with details of their level of access will be displayed in a list. To get to the list of users in a particular group, click on the group name.

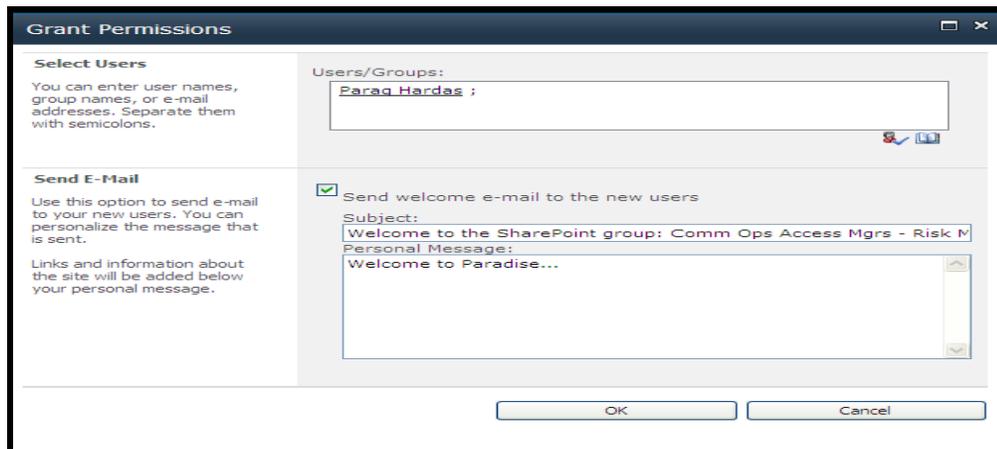


- All users belonging to the group will be displayed in a list. To add New users, click on the drop down arrow on the “New” option and then on the “Add Users “ on the top left of the users list.

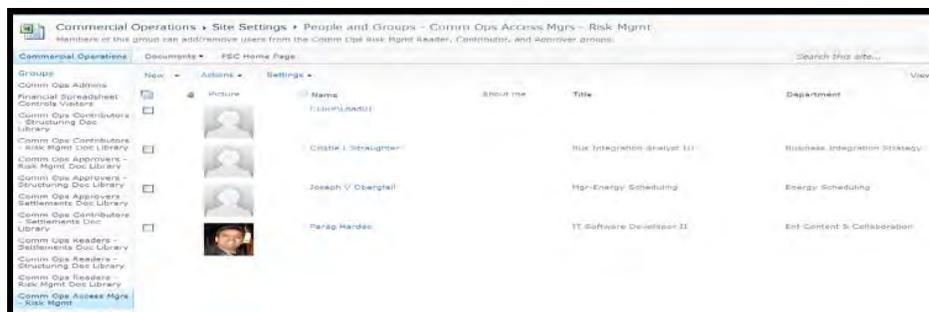


- The “Grant Permissions” screen is displayed. Type the name of the users that you want to add to the group.

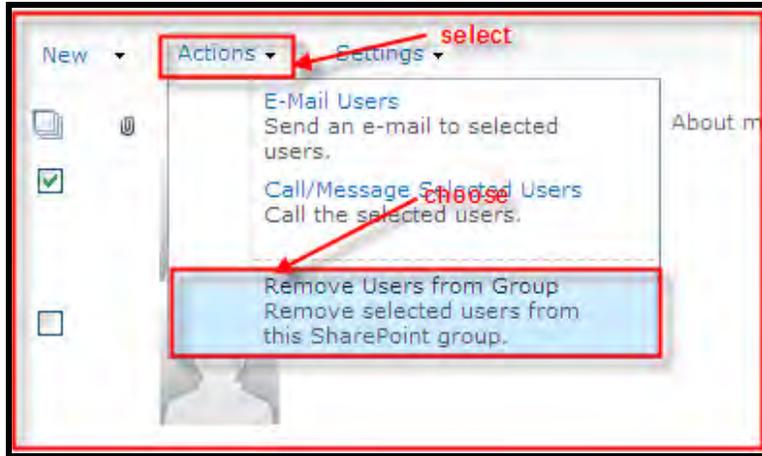
In the example below, I am trying to add “Parag Hardas” to the Comm Ops Access Mgrs – Risk Mgmt group. You can choose to send a welcome email to the person with an option for a personal message as shown below:



Click Ok to give access to Parag Hardas and once added his name will be displayed in the list of users as shown below:



5. To remove users, check the user that needs to be removed and click on “Actions” / “Remove Users from Groups” as shown below:



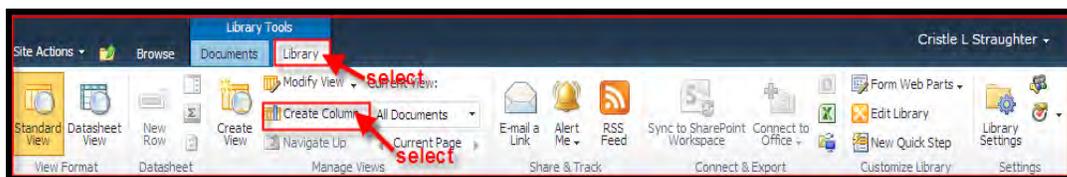
## Create Attributes

The top row in the documents area represents the attributes configured for the library. Each document contains entries for all attributes that are populated with values and includes blanks for attributes that did not have any values.

The two kinds of attributes are:

1. System generated - Modified By, Modified etc. These are auto populated by SharePoint for all documents uploaded in libraries.
2. User entered - Name, Document Month, Year, Organizational Group etc. These have been created specifically for the Financial Spreadsheets Controls process.

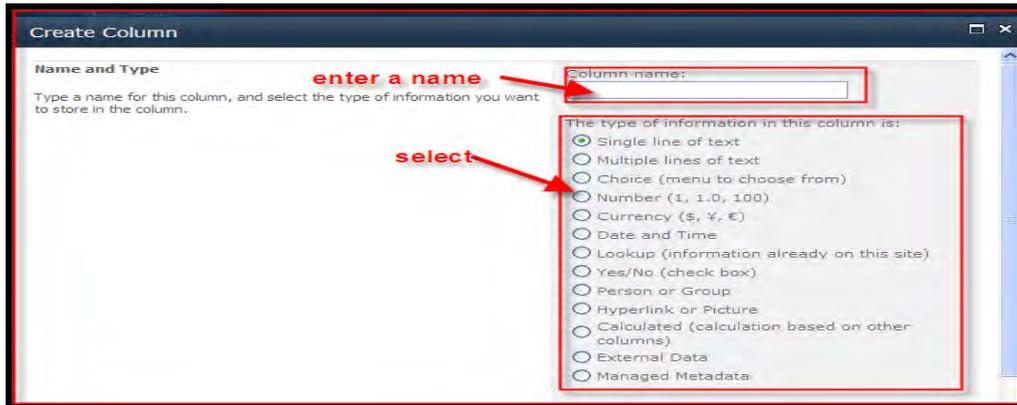
Users can add new attributes in the libraries they have access to. To add new attributes, navigate to the Library that you want to add new attributes to and click the library tab from the top menu bar then select “create column” as shown below:



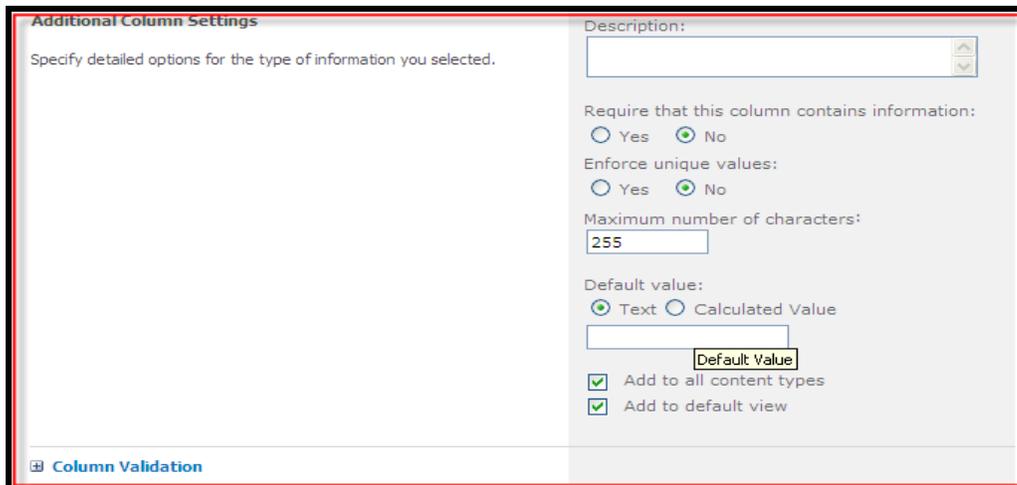
The user will be presented with the following options:

Name and Type – Admins will specify a name for the column. In the type field, specify if the column is going to be a user entered field with single or multiple lines of text, a picklist (choice field), a number etc. The following screen shot shows the various available options.

**Reminder:**  
The name has to be unique



Additional column settings – Admins can provide a description about the field and specify whether the field is mandatory or optional and should have unique values. User can also specify a default value for the field.



## **Create and modify Public views**

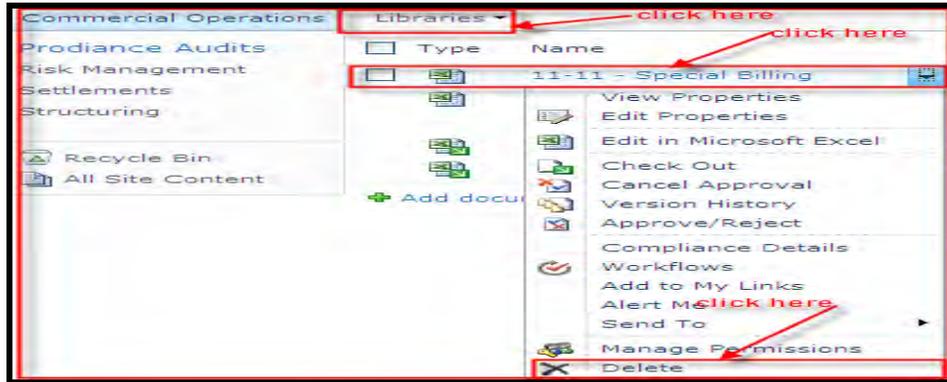
The steps to create and modify public views are the same as those for private views, however, access to create and modify them is restricted to Site Administrators i.e. users in the COMOPS Administrator group in our example.

For steps to create private views, refer to [Create and modify Private View's](#) section.

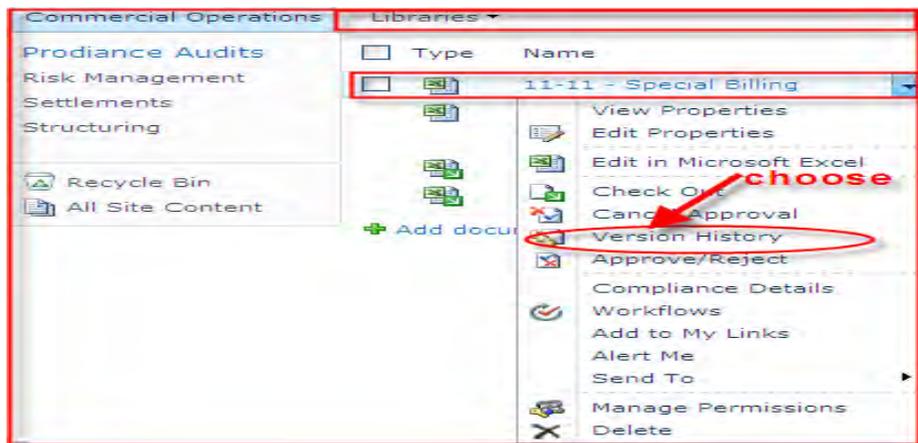
## **Delete Documents / List Items**

SharePoint has been configured to retain all major and minor versions of spreadsheet. Users are not expected to have to delete spreadsheets at any given point in time. However, if required, as a business process exception, Administrators can delete all or some versions of spreadsheets that are no longer required to retain.

1. To delete a spreadsheet, click on the drop down that appears when you hover on the name of the spreadsheet. Select the “Delete” option to delete the entire spreadsheet with all its versions.



2. To delete a certain version of the spreadsheet, click the “Version History” option



## Trouble Shooting Tips

SharePoint activeX controls need to be downloaded and installed by the user to be able have complete functionality on the site. To insure all activeX controls are installed do the following:

1. Click on Tools in your internet browser
2. Select “Manage Add-ons”
3. View Status column for any add-ons that are not enabled.
4. Click the enable button for disabled add-ons

## SharePoint IT Support

### ***SharePoint Issues***

The SharePoint IT team will provide support for all issues that cannot be handled by the Site Administrators from the business area. Please contact IT service desk to trouble shoot issues if the SharePoint site is unavailable.

### ***How to questions***

Site Administrators are encouraged to familiarize themselves with the training material and assist end business users for their “*How To*” questions in SharePoint. However, if a certain “*How To*” question cannot be resolved by the Site administrator, the site administrator or the business user should contact IT support by calling the IT service desk.

For more information on the support process for SharePoint refer to:

<http://aepsp/sites/sphelp/Pages/Requests.aspx>

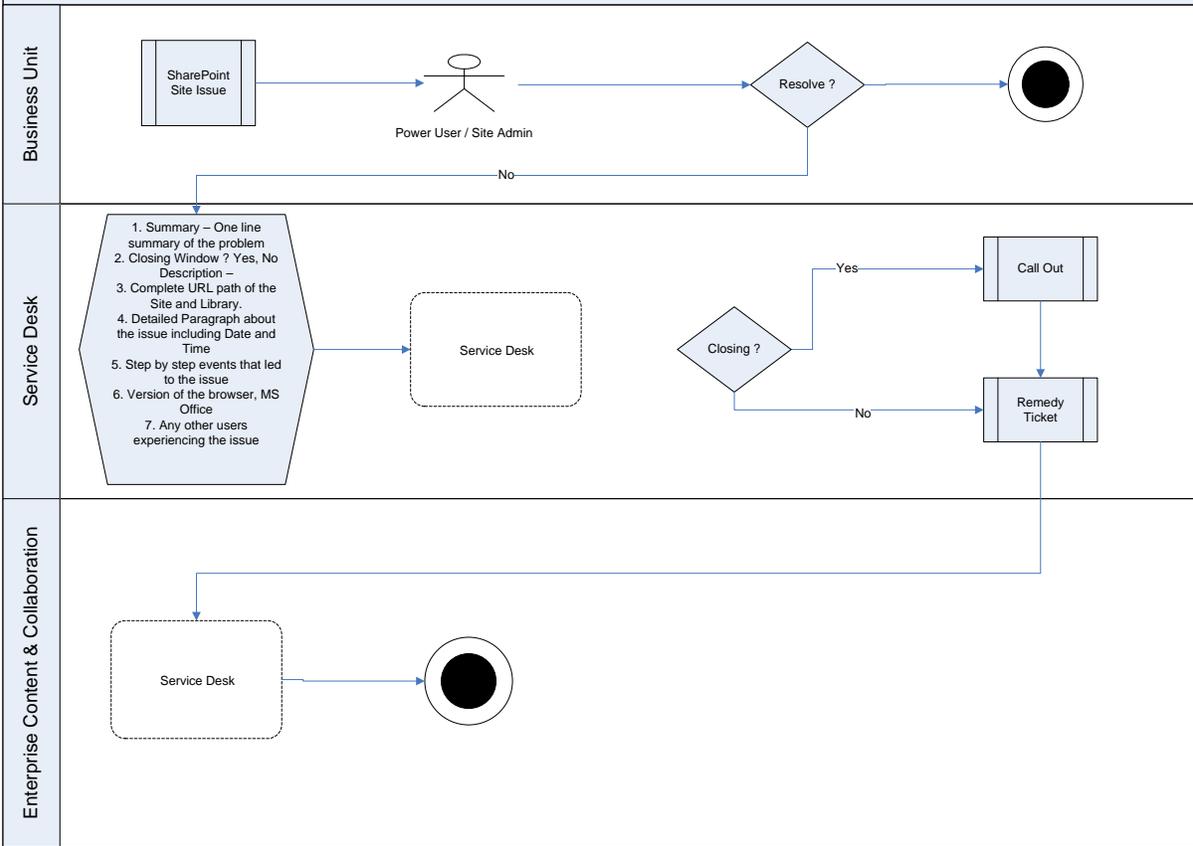
### ***Support Level Agreement***

The Financial spreadsheet controls site will be supported by the SharePoint IT team within the following timeframes:

1. Closing Period: During the closing process, which is usually the first and last 5 business days of a month, the SharePoint site will be supported 24 hours a day and 7 days a week.
2. Non Closing Period: IT support will be available between 8 AM to 5 PM during the rest of the month.

See below: [Issue Resolution Process Flow](#)

Financial Spreadsheet Controls – Issue Resolution flow chart



## **Appendix Procedures for Financial Spreadsheets**

# A Guide to application of the FINANCIAL SPREADSHEETS & DATABASE CONTROLS POLICY

Updated: July 12, 2012

Version: 2.3

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## 1) INTRODUCTION

### 1.1) Purpose

This Procedure Standards for Financial Spreadsheets document (“Financial Spreadsheet Standards”) is issued to interpret and apply the provisions set forth in the AEP Financial Spreadsheet & Database Controls Policy (“Financial Spreadsheet Policy”).

The primary emphasis of this Financial Spreadsheet Standards is to provide the correct, appropriate and balanced set of procedures which will continue to uphold the confidentiality, integrity and availability of the AEP’s information and information assets.

- **Confidentiality** – Requires that information is accessible only to authorized users as determined by operational or business need.
- **Integrity** – Integrity is the principle that data, systems, and processes retain their authenticity and are only intentionally modified by authorized users or processes.
- **Availability** – Requires that authorized users have appropriate access to information and systems in the performance of their responsibilities.
- **Procedures** – Provides that consistent appropriate spreadsheet naming and design structures are utilized, verifiable change processes are established, and consistent applicable procedures are utilized to provide secure data.

### 1.2) Scope and Applicability

The Financial Spreadsheet Standards covers the entire AEP organization, including its operating subsidiaries and affiliates. It applies to all authorized users with access to any “Financial Spreadsheet”, defined as any spreadsheet meeting one or more of the three evaluation criteria as defined in the Financial Spreadsheet Policy. This standards document also covers employees, individual consultants, and contractors to AEP.

### 1.3) Policy Compliance

Compliance with the AEP Financial Spreadsheet Policy is mandatory.

### 1.4) Roles and Responsibilities

Senior management is responsible for ensuring all individuals are aware of and understand their roles and responsibilities for accessing AEP Financial Spreadsheets. The following definitions will be used:

#### Spreadsheet Owners

The term "Spreadsheet Owners" refers to individuals assigned ownership responsibilities for any Financial Spreadsheet. The "Spreadsheet Owners" will have the role of primary compliance oversight for the business unit. This responsibility primarily belongs to the business unit management team.

#### Spreadsheet Changers

Spreadsheet Changers are individuals who create, use, or modify Financial Spreadsheets and provide other support services for owners and users of information.

#### Spreadsheet Testers

The term "Spreadsheet Testers" is given to individuals assigned the responsibilities for providing the testing as defined herein per this document and as designated by the Spreadsheet Owners.

### **1.5) Best Practices**

A separate document has been created to provide industry best practices which may be beneficial for further enhancing the use and management of spreadsheets. It is available at the accounting website:

<http://acctg/policies/>

## **2) ACCESS CONTROL PROCEDURES**

The existing IT Information Security Policy and associated Access Controls Standard remain in effect. This section describes specific requirements and responsibilities for controlling access to both Minimum and Complex Financial Spreadsheets.

### **2.1) Access Controls Standard**

All Minimum and Complex spreadsheets beginning with July 2012 date must be located in SharePoint site for Financial Spreadsheets. Legacy documents maybe stored in SharePoint but it is not a requirement.

The following access controls must be applied to every library containing a Minimum or Complex spreadsheet.

- Write/Modify (Contributors and Administrators) access must be restricted to the owner and changers of the spreadsheet/database. The number of individuals with change access should be limited to the smallest feasible number.
- All other groups (Visitors and Approvers) requiring access to the spreadsheet can only be assigned read-only permissions.

## 2.2) Standard for Review of Access Controls

Each department is required to document the groups and individuals who have access to each library containing any Minimum or Complex Financial Spreadsheet(s). An access review must occur and be documented on a quarterly basis.

## 3) SPREADSHEET DESIGN

This Spreadsheet Design Standard describes the design requirements for Minimum and Complex spreadsheets. This requirement shall apply to current period, future, and modified files. Spreadsheets previously created and no longer in use for current periods are not required to comply with this standard.

### 3.1) Spreadsheet Design Standard

The Design Standard for Financial Spreadsheets will include the following items:

- a) **Use of a “General Documentation” worksheet or similar solution.** Elements 1-4 below are required to be present, the 5<sup>th</sup> item may increase usability:

1. Description of the purpose/use of this spreadsheet/workbook (e.g. this workbook calculates the amortized value(s) of prepaid insurance)
2. Listing of all linked data sources for the workbook
3. Listing of Spreadsheet/Workbook Owner and Spreadsheet Changer(s)
4. Date of most recent design verification through use of analysis tool such as Prodiance Spreadsheet IQ (more details exist in section 4); also list the name of the individual responsible for verification and oversight of any necessary remediation
5. If desired, include detailed instructions on how to use the spreadsheet, or specify the location of additional user details (such as desktop procedures)

**NOTE:** *Compliance with the required contents of Item a above can be achieved in a multitude of ways, so long as all described elements are present. The department may elect to comply with this standard through the use of a single Notes & Revisions worksheet, as documented in the sample template located in Appendix B, or through another means that is deemed equally clear and apparent by the auditors.*

- b) **Cell entries consist of a number or a formula but not both** – calculations that require constants should be referenced to an input area or another cell.

**NOTE:** *Certain Unit-of-Measure conversions can be acceptable in a formula cell, such as conversion to kWh, etc. Also, constants defining formula parameters as with “round” are okay.*

- c) **Spreadsheets printed for documentation purposes must contain a footer** that includes the file name and path as well as the date and time printed.
- d) **Entry fields and formulas must be labeled to clearly define the cell values** for those using the spreadsheet and/or reviewing the logic within.

**NOTE:** Like cells can be identified by a single label such as column or row headers, inclusion of Comments or Notes, etc.

## 4) TESTING AND CHANGE CONTROL PROCEDURES

The following standards apply to those within the business groups that own one or more Financial Spreadsheet, and pertain to:

- **Testing of New and Existing Financial Spreadsheets and Templates** using Prodiance software. Required Prodiance applications include Spreadsheet IQ which performs a qualitative analysis reporting various errors or potential problems within a spreadsheet or group of spreadsheets, and Prodiance SmartCompare that performs a comparison analysis and report of formulas, structure, data, etc. that have changed among two worksheets or workbooks.
- **Current, future, and modified files.** This shall not be required for files on a retroactive basis but shall not exclude users and groups from applying this standard on a global retroactive basis.

Testing performed on each new file that is created provides the necessary integrity baseline. Testing performed on files in which critical changes occur provides the on-going integrity audit security.

### 4.1) Standard for Establishing Spreadsheet Baseline

All Minimum or Complex Financial Spreadsheets require a thorough initial assessment to ensure that the spreadsheet is functioning as intended.

Utilization of the standard AEP spreadsheet analysis software tool Prodiance Spreadsheet IQ is required. The Spreadsheet Owner will be responsible for substantiating that proper testing and validation of the spreadsheet baseline has occurred.

Items that should be identified in the baseline testing are:

- a) Formula Issues
- b) Structural Issues
- c) Code/Script Module Issues
- d) Data Connection Issues
- e) Calculated Value Issues
- f) Cell issues

**See Appendix E for a detailed listing of the Spreadsheet IQ functions that should be selected to complete the baseline testing.**

**NOTE:** Any errors detected during this analysis are to be properly remediated by the business group. The Standard for Financial Spreadsheet Change Control is required only for Complex spreadsheets.

## 4.2) Standard for Financial Spreadsheet Change Control

This standard applies to all Complex spreadsheets. Prodiance Compare is required to be used for the change control process. Change controls are only required for changes to the structure, formulas, macros, etc. which may impact the spreadsheet results. It is not required when making simple formatting changes or when simply using the spreadsheet for different input values or periods.

### 1) Change is executed

- Spreadsheet Changer makes modification to spreadsheet and performs initial testing.

### 2) Change is verified and sent for approval

- Change is validated by a designated Spreadsheet Tester by using Prodiance Spreadsheet Compare.
- Spreadsheet Tester sends the Prodiance Change log to the Spreadsheet Changer to upload to SharePoint site.
- Spreadsheet Changer published spreadsheet as a major version.
- Results of failed testing should also be kept.

### 3) Change is approved

- Approver receives email to perform the approval process.
- Approval is received from a designated individual (not the person who modified the file) via the SharePoint site by email to the SharePoint Changer.
- Approval is required within the next usage of the revised file being used in production.

### 4) Change is rejected

- Spreadsheet changes that are rejected by the approver will occur via SharePoint site by email to the SharePoint Changer. The Spreadsheet Changer must make modification and resubmit for approval.

A workflow diagram for this change control process is available in Appendix C

## 4.3) Standard for Financial Spreadsheet Testing Evidence

This section provides additional details related to baseline testing as described in section 4.1 and on-going change control testing as described in section 4.2 (step 2).

Business Unit testers must document the appropriate and necessary testing evidence to substantiate that proper testing and validation of the spreadsheet has occurred. Effective testing will accomplish the following objectives:

- a) Evidence that testing has occurred
- b) Evidence that the testing performed is appropriate

- c) Evidence that the Spreadsheet Approver is a different individual than the Spreadsheet Changer

## 5) DATA RETENTION AND ARCHIVAL PROCEDURES

This section reminds owners and users of Financial Spreadsheets that all applicable retention requirements (including corporate, state, and federal) must be obliged. *No document(s) should be deleted without express approval from the Spreadsheet Owner, assuring any additional requirement to preserve the document is upheld (i.e. pending litigation, open tax review periods, etc.)*

## 6) IMPLEMENTATION TIMEFRAME

### 6.1) Standards due Q3 2012 “Immediate Standards”:

These are not new requirements; they interpret and apply the requirements of the Financial Spreadsheet Policy released June 2009 and should already be incorporated into on-going operations. Some of the standards have been modified to comply with the use of the new “SharePoint 2010”:

- 1) Access Controls Standard
- 2) Testing & Change Control Standards (Described in section 4 of this document)
- 3) Spreadsheet Design Standard Items a - d
- 4) Data Retention

**NOTE:** Access Controls will apply to SharePoint only starting with July 2012 Spreadsheets. It will not apply on a retroactive basis. *An optional user tool is included in Appendix D. It is a checklist that may be used to help track compliance with actionable items defined in this document. Utilizing this tool provides no guarantee of achieving positive results in financial spreadsheet control testing.*

## 7) ALTERNATIVE STANDARD

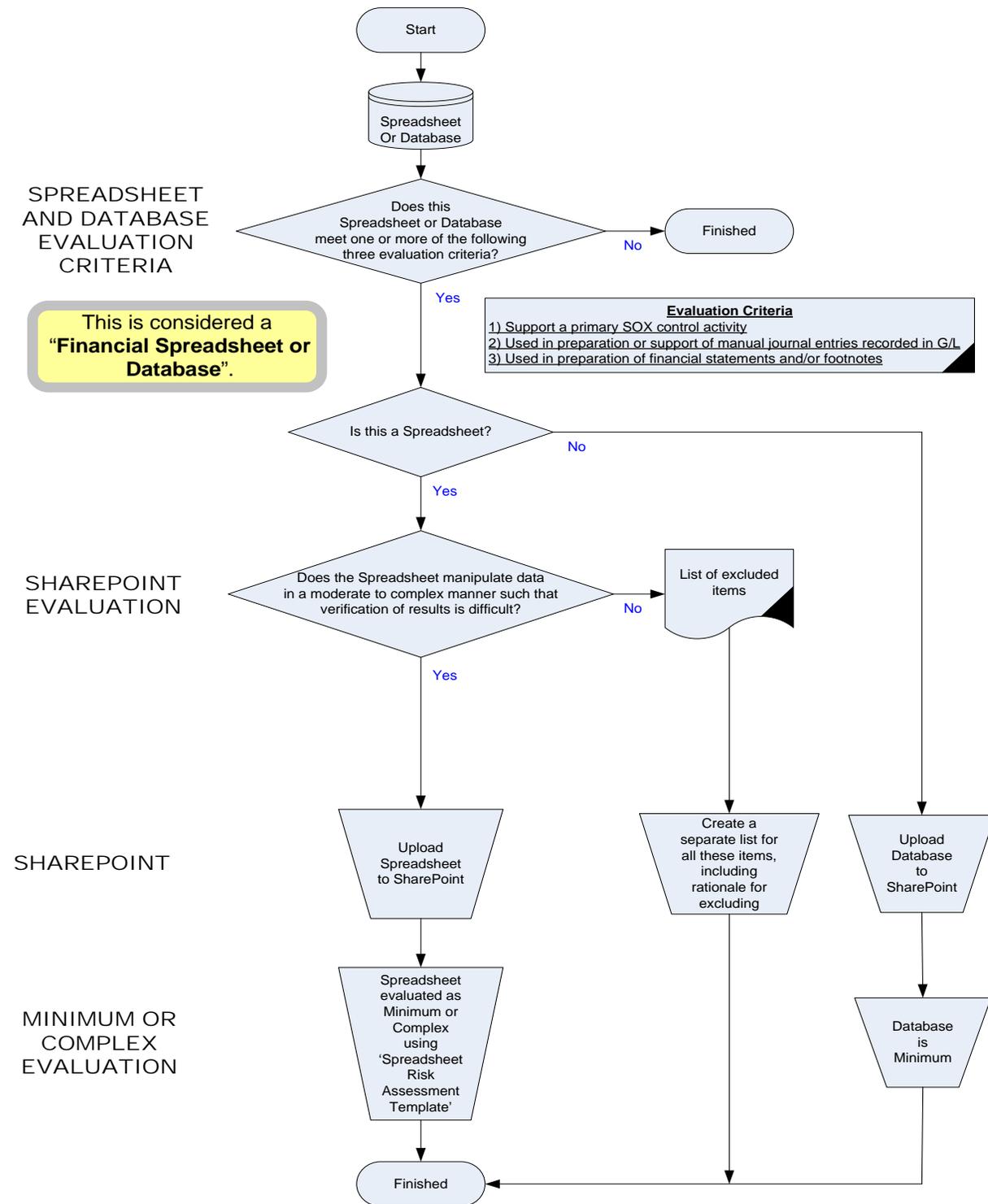
Any business unit seeking an exemption from compliance with these standards must work directly with the Audit Services Department (ASD) and the Security Engineering group. Documentation of any approved alternative means or exemption should be retained for future reviews.

## Definitions

- **Business Group:** a functional portion of the business unit given responsibility to manage and define its own processes for complying with the Financial Spreadsheet Policy.
- **Change Control:** a set of procedures put in place to ensure that any substantive changes to Financial Spreadsheets or Databases are authorized and properly tested before being put into production; also used to ensure that only those changes explicitly authorized and approved are made.
- **Departmental:** Business function classification that indicates that the data or software supports or affects activities of only one group or business organization.
- **Guidelines:** Information and suggested actions to take in particular circumstances

- **Policies:** state directions or positions that guide present and future actions. They are AEP's highest-level objectives, restrictions, and requirements as established by AEP management.
- **Procedures:** step-by-step "how-to" instructions that are conducted in sequence to accomplish tasks. These also inherently include processes and tasks which systematically are used to accomplish a desired goal.
- **Standards:** specific rules established to conform to policies.
- **Sarbanes-Oxley:** A law passed in 2002 by the US Congress designed to provide greater transparency and protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws.
- **Testing:** The use of scripts, data structures, documentation, processes, procedures, and applications to perform designated tasks to identify potential risks, errors, issues and problems.

## APPENDIX A



## APPENDIX B

### Spreadsheet Information

**Name of File:** U:\[Spreadsheet Information Template.xls]Sheet1  
**Spreadsheet Owner:** Bret Gordon  
**Business Unit/Department:** Internal Financial Reporting

**Description/Purpose of File:** Calculation of the monthly amortization amounts of Prepaid Insurance for Ohio Power

**Instructions on Using Spreadsheet (optional):** Enter amounts of any new policies into Column D.

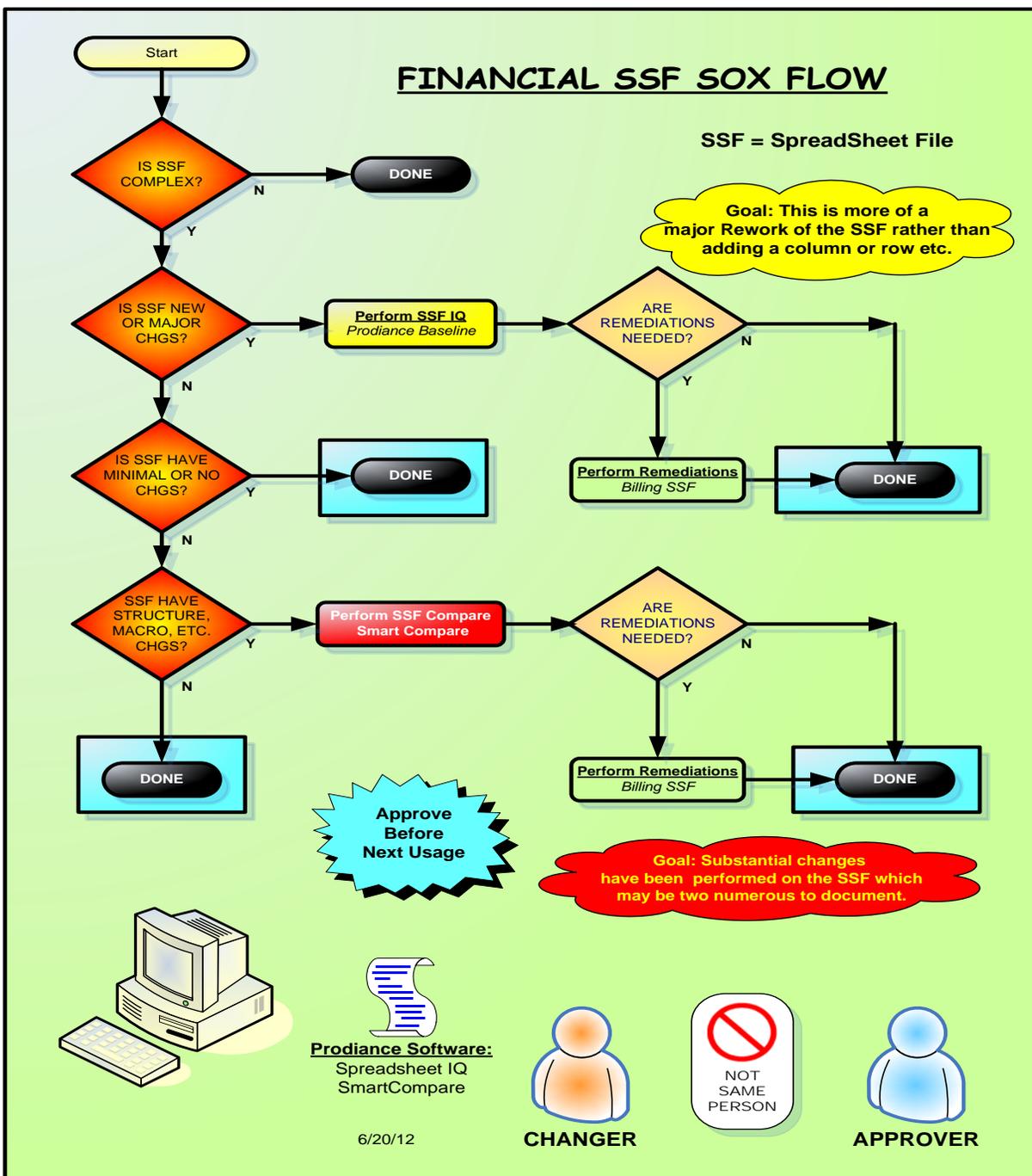
**Location of other files linked to this spreadsheet:** C:\Documents and Settings\S998130\Desktop\OPCO Prepaid Policies.xls

**Retention Period (optional):** Keep for 1 Year following the end of latest policy issued

#### Change History (Required for Complex Spreadsheets Only)

Name of Employee Requesting Change	Reason for Change	Name of Employee Authorizing Change	Authorization Date	Name of Employee Making Change	Name of Employee Approving Change	Approval Date	Use of Prodiance IQ or Spreadsheet Compare During Review?	New Active Filename/Version and Location of File	Location of Testing Details
Jason Cash	Formulas need updated to include new insurance policy effective 5/1/2009	Neal Hartley	4/28/2009	Bret Gordon	Neal Hartley	4/29/2009	4/29/2009	C:\Documents and Settings\S998130\Desktop\Template v2.xls	<a href="#">\choaephgas238\jrn\up\id\Test Files\Template Test1.xls</a>

## APPENDIX C



## APPENDIX D

### Section 2 - Access Control

Do only the owner and changers have write/modify access to Financial Spreadsheets?  
\_\_\_\_\_

Have other groups/users that utilize Financial Spreadsheets been granted read-only access?  
\_\_\_\_\_

Have access controls been reviewed, documented, and remediated as necessary.  
\_\_\_\_\_

### Section 3 - Spreadsheet Design

Use of a "General Documentation" worksheet with the following information:  
\_\_\_\_\_

\_\_\_\_\_ Description of the purpose/use of the spreadsheet/workbook

\_\_\_\_\_ Listing of all linked data sources for the workbook

\_\_\_\_\_ Listing of Spreadsheet/Workbook Owner and Spreadsheet Changer(s)

\_\_\_\_\_ Date of most recent design verification and person responsible

\_\_\_\_\_ User instructions (optional)  
\_\_\_\_\_

Do cell entries consist of a number or a formula, but not both (unit of measure conversions excluded)?  
\_\_\_\_\_

Do spreadsheets printed for documentation purposes contain a footer that includes the file name, path, and date/time printed?  
\_\_\_\_\_

Are entry fields and formulas clearly labeled?  
\_\_\_\_\_

## Section 4 - Testing and Change Control

Has initial baseline testing been performed with Prodiance Spreadsheet IQ on all Minimum and Complex Spreadsheets to be sure they are functioning as intended?

\_\_\_\_\_

Are change control standards in place and being used on all Complex Spreadsheets?

\_\_\_\_\_

Has evidence of baseline and change control testing been documented?

\_\_\_\_\_

Has approval been granted before it's next usage of the version being used in production

\_\_\_\_\_

## Section 5 - Implementation Timeframe

Are standards for the following items currently in place?

\_\_\_\_\_

\_\_\_\_\_ Access Controls

\_\_\_\_\_ Testing & Change Controls

\_\_\_\_\_ Data Retention

\_\_\_\_\_

Are standards for the following items on pace to be implemented by August 2012?

\_\_\_\_\_

\_\_\_\_\_ Spreadsheet Design

\_\_\_\_\_

## APPENDIX E

The following elements must be tested and/or reviewed using Prodiance Spreadsheet IQ (SSIQ) to complete the baseline testing for financial spreadsheets as addressed in section 4.1 of this Procedures Standards document.

Items that should be identified in the baseline testing are:

**a) Formula Issues**

- i. Inconsistent Formulas
- ii. Duplicate Formulas
- iii. Negative Defined
- iv. Referencing External Workbooks
- v. Formulas Referencing Text Cells
- vi. Formulas Referencing Hidden Cells
- vii. Without Cell References
- viii. With Nested IF Statements
- ix. With Textual Constants
- x. With Numeric Constants
- xi. With Textual Values
- xii. With Logical Values
- xiii. With Errors
- xiv. Array formulas
- xv. Range Diagnostics for Named Items (found in the “Ranges” selection area in SSIQ)

**b) Structural Issues**

- i. Applied Color Scheme version of workbook
- ii. Range Diagnostics for Hidden Rows & Columns
- iii. Worksheet Relationship Diagram

**c) Code/Script Module Issues**

- i. Warnings

**d) Data Connection Issues**

- i. Workbook Relationship diagram

**e) Calculated Value Issues**

- i. See Formula Issues above.

**f) Cell Issues**

- i. Unused input cells for data omission errors
- ii. Invisible cells
- iii. With numerics stored as text
- iv. With conditional formatting
- v. With validation criteria
- vi. With dependents that contain formulas

**NOTE:** Any errors detected during this analysis are to be properly remediated by the business group.

*Baseline testing for new financial spreadsheets should demonstrate a review of all items listed in sections a-f above. Significantly redesigned/re-engineered spreadsheets shall be treated as new spreadsheets. Check with ASD if you have questions.*



# Spreadsheet & Database Control

## *Best Practices for Spreadsheets and Databases*

Created: June 3, 2009  
Version: 1.0

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## **Section 1.0**

# **Best Practices for Spreadsheets (Preparers)**

# 1.0 Spreadsheet Best Practices: Preparers

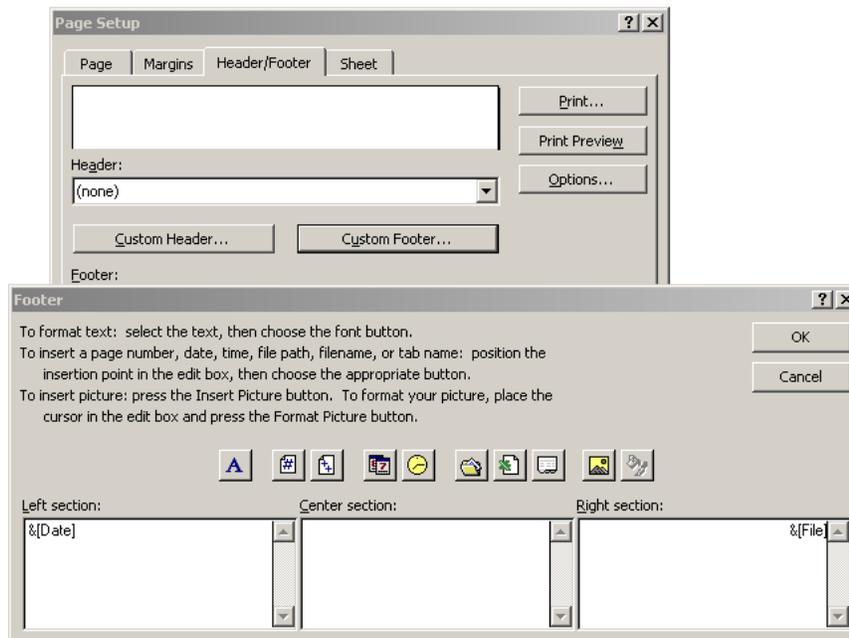
The purpose of the best practices for preparers, in conjunction with the *Financial Spreadsheet & Database Controls Policy*, is to ensure users have suggestions and recommendations on how to prevent and/or detect errors arising from the design and use of all financial spreadsheets. These best practices, some of which have been identified as a requirement for minimum or complex spreadsheets in the Standards & Procedures documents, will provide users with ways all spreadsheets (including spreadsheets not covered by the policy) can be improved for quality and efficiency.

## 1.1 Documentation

- 1.1.1 **Author.** Update the Properties via File/Properties. Change the automatic default setting for the “Author” and “Company” information. The remaining cells can be filled in by the user to help identify who created the document, etc. The “Author” information is based upon the information provided on the general tab [shown in Section 1.2].

The image shows a screenshot of the 'Book1 Properties' dialog box in Microsoft Excel. The 'General' tab is selected. The 'Author' field contains the text 'Buren Carter' and the 'Company' field contains 'AEP-IT-CPS 4/30/3-(8-835-3050)'. Other fields such as Title, Subject, Manager, Category, Keywords, Comments, and Hyperlink base are empty. At the bottom left, there is a checkbox labeled 'Save preview picture' which is currently unchecked. The 'OK' and 'Cancel' buttons are at the bottom right.

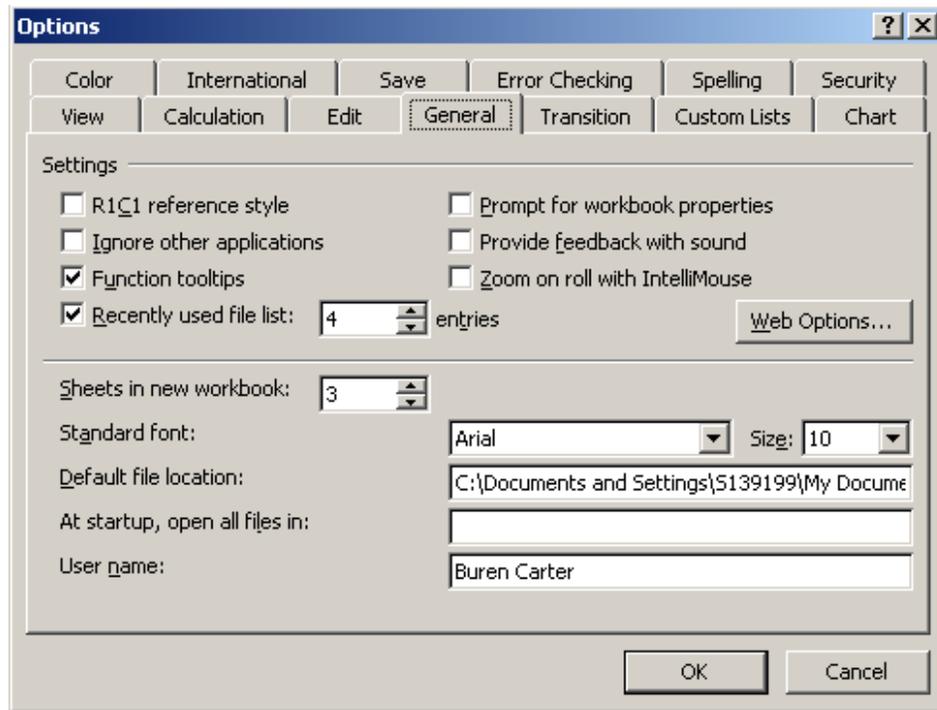
- 1.1.2 **Documentation.** Create a worksheet in each workbook for documentation purposes, and provide instructions for use of the workbook (for instance, show work on calculations and provide logic for what was created).
- 1.1.3 **Revisions.** Create a worksheet to log revisions, and describe all changes made to the spreadsheet.
- 1.1.4 **Format.** Use consistent designs for workbooks and sheets, whenever practical. Keep layouts and formats consistent.
- 1.1.5 **Headers & Footers.** In the footer section, include the file name and date. Use an automatic footer to keep information current.



- 1.1.6 **Comment Boxes.** In cells where “comments” have been added, color code the comment box background to draw emphasis to the comment and/or distinguish the type of comment (passing comment, formula explanation, source data explanation, etc). For instances where color coding is used, the user should include a legend to indicate what each color represents.

## 1.2 Workbook Set-up

- 1.2.1 **User Name.** This feature will help identify the name of the user who creates (or is responsible for) the spreadsheet, and will require a one-time setup by the user. By completing this option, it would allow “user names” to be associated with who has the file open. To use this feature, enter the User Name via Tools/Options/General tab. Change the “User Name” default from “AEP”.



- 1.2.2 **Risk Assessment Template.** For each workbook, insert the “Spreadsheet/Database Risk Assessment Template” to use for determining the audit criticality level.

### 1.3 Body of Workbook

1.3.1 **Inputs, Calculations, & Outputs.** Use separate areas of the Workbook for Input, Calculations, and Output.

- ❖ Do not intermingle values & formulas within one cell
- ❖ For large complex workbooks, use separate tabs (sheets)
- ❖ Inputs, Calculations, and Outputs in the same sheet should be in separate, distinct areas of the sheet
- ❖ Distinct areas of the workbook should be color-coded/highlighted using a standard scheme for easy identification
- ❖ All areas except Inputs should be protected

1.3.2 **Drop down lists.** Use drop down lists to help control data input (validation tools). Listed below is a simple example showing how to limit the input to cell F2 to either Yes or No.

	A	B	C	D	E	F	G	H	I	J	K
1											
2	Do you know how to use a DropDown List in a cell?										
3						Yes					
4						No					
5											
6	Click on the cell; select Data/Validation from the menu bar:										
7											
8											
9											
10											
11											
12											
13											
14											
15											
16											
17											
18											
19											
20	From the DropDown box, select "List". Users will be able to type the parameters directly into the "Source" box (as										
21	shown below), or reference a cell range containing the applicable values.										
22											
23											
24											
25											
26											
27											
28											
29											
30											
31											
32											
33											
34											
35											

1.3.3 **Rounding.** When using rounded numbers, use the “Round” function, if appropriate. Don’t just display rounded values. [This will help to eliminate fractional cents when uploading information to the ledger.]

- 1.3.4 **Range Names.** Whenever practical, name a single cell or a group of cells. Simply highlight the cell or group of cells and type the name in the Name Box at the upper left of the spreadsheet matrix, as shown below.

Revenue		fx 1000	
	A	B	C
1			
2			
3	Revenue	1,000	
4	Expense	800	
5	Net Income	200	

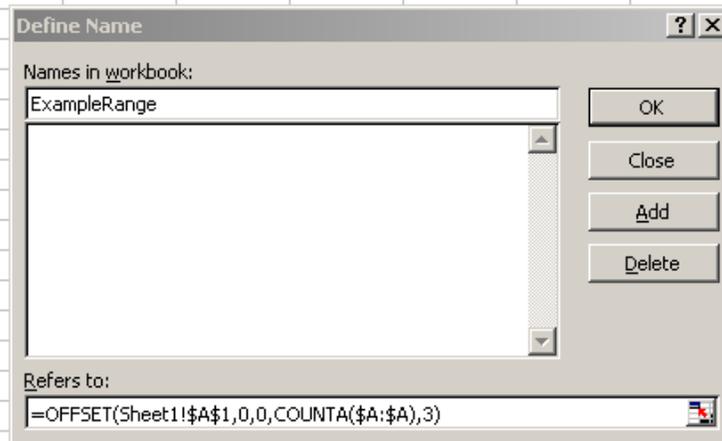
Your formulas become easier to understand, as shown in the simple examples below.

NetIncome		fx =+Revenue-Expense		
	A	B	C	D
1	Revenue	1,000		
2	Expense	800		
3	Net Income	200		

B3		fx =+B1-B2	
	A	B	C
1	Revenue	1,000	
2	Expense	800	
3	Net Income	200	
4			

- 1.3.5 **Dynamic Ranges.** When a range of data used in a Pivot Table or Lookup function is likely to change each time a spreadsheet is used, creating a dynamic range will allow the function to refresh without the need to manually change the range boundaries. As new line items are added or deleted, the dynamic range automatically adjusts the boundaries. To create a dynamic range, choose Insert>Name>Define. Name the range in the top box. In the "Refers to:" bottom box, use the Offset function to type the dynamic range description. For example:

	A	B	C	D	E	F	G	H
1	ITEM	COST	PERIOD					
2	APPLE	\$ 0.20	1					
3	PEAR	\$ 0.10	1					
4	SHOVEL	\$ 1.10	1					
5	RAKE	\$ 0.80	1					
6	APPLE	\$ 0.25	2					
7	PEAR	\$ 0.05	2					
8	SHOVEL	\$ 2.00	2					
9	RAKE	\$ 1.10	2					
10								
11								
12								
13								
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15								
16								
17								
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26								
27								



Anchors the top left cell with 0 offset rows and 0 offset columns  
 Height of range calculated using COUNTA function  
 Width of range (three columns)

This newly defined range can be used in Pivot or Lookup functions. For example, when creating a pivot table, type in the range name as follows:



The pivot could appear as follows:

	A	B	C
1	ITEM	COST	PERIOD
2	APPLE	\$ 0.20	1
3	PEAR	\$ 0.10	1
4	SHOVEL	\$ 1.10	1
5	RAKE	\$ 0.80	1
6	APPLE	\$ 0.25	2
7	PEAR	\$ 0.05	2
8	SHOVEL	\$ 2.00	2
9	RAKE	\$ 1.10	2
10			
11			
12		Sum of COST	
13		ITEM	Total
14		APPLE	\$0.45
15		PEAR	\$0.15
16		RAKE	\$1.90
17		SHOVEL	\$3.10
18			

If a row was added, for example adding row 10, the pivot could be refreshed without adjusting the boundaries. It could appear as follows:

	A	B	C
1	ITEM	COST	PERIOD
2	APPLE	\$ 0.20	1
3	PEAR	\$ 0.10	1
4	SHOVEL	\$ 1.10	1
5	RAKE	\$ 0.80	1
6	APPLE	\$ 0.25	2
7	PEAR	\$ 0.05	2
8	SHOVEL	\$ 2.00	2
9	RAKE	\$ 1.10	2
10	RAKE	\$ 1.10	2
11			
12		Sum of COST	
13		ITEM	Total
14		APPLE	\$0.45
15		PEAR	\$0.15
16		RAKE	\$3.00
17		SHOVEL	\$3.10
18			

Similarly, rows could be deleted and the pivot could be refreshed without adjusting the boundaries. It could appear as follows:

	A	B	C
1	ITEM	COST	PERIOD
2	APPLE	\$ 0.20	1
3	PEAR	\$ 0.10	1
4	SHOVEL	\$ 1.10	1
5	RAKE	\$ 0.80	1
6	APPLE	\$ 0.25	2
7	PEAR	\$ 0.05	2
8	SHOVEL	\$ 2.00	2
9			
10			
11			
12		Sum of COST	
13		ITEM	Total
14		APPLE	\$0.45
15		PEAR	\$0.15
16		RAKE	\$0.80
17		SHOVEL	\$3.10
18			

A dynamic range can also be used in a Lookup function. For example:

E4		fx =VLOOKUP(D4,ExampleRange,2,FALSE)				
	A	B	C	D	E	F
1	ITEM	COST				
2	APPLE	\$ 0.20				
3	PEAR	\$ 0.10				
4	SHOVEL	\$ 1.10		AX	\$ 0.05	
5	RAKE	\$ 0.80				
6	HAMMER	\$ 0.25				
7	AX	\$ 0.05				
8	TURBINE	\$ 2.00				

Whatever item name is entered into cell D4, the Vlookup will return the result in cell E4. As line items are added or deleted to the range table, the range boundaries used in the lookup function will be automatically adjusted.

As a note of caution, the range height is being automatically adjusted using the COUNTA function applied to a particular column. In other words, it is counting the number of non-blank cells in the column you choose. If your spreadsheet uses that column for other unrelated data, it will affect the dynamic range boundaries.

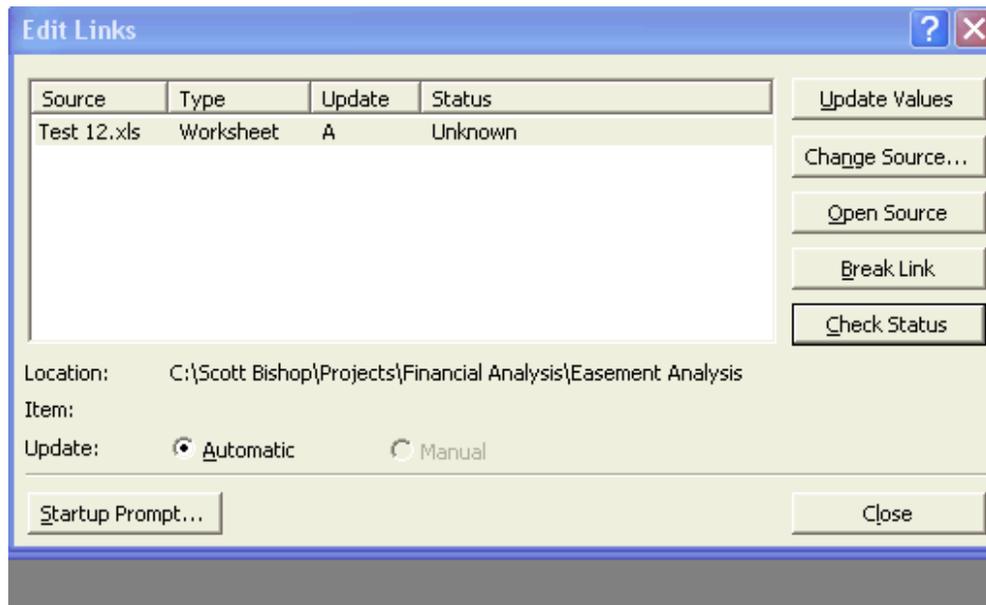
- 1.3.6 **Multiple Sheets.** When appropriate, users should use multiple sheets for data. This will allow for easy expansion of information, and will allow for similar, repeatable sections.
- 1.3.7 **“IF” Functions & Lookups.** If nested “IF” statements are used, limit to “3” in a formula....“IF” statements can become too cumbersome if more than “3” are used. Alternatives include:
  - ❖ Use “V” and/or “H” lookups to pull in data (department IDs, etc.)
  - ❖ Separate “IF” formulas into multiple columns
- 1.3.8 **Comment Boxes.** Use the “cell” comment function in spreadsheet to provide information related to the formula and/or information provided.
- 1.3.9 **Check Logic.** Create “check logic” formulas to check for errors. This can take a variety of forms. You may want to build in simple checks for debit = credits, or subtotals that should cross-foot; maybe check that totals from a pivot table equals totals from the source data. Test for any assumptions that should remain true throughout data manipulation. Have the check cells display a message indicating test results. Alternatively, you might consider having all test cells produce a 0 if true and a 1 if false, then add all test cells together and if the result is greater than 0, cause an error message to display in a prominent place.
- 1.3.10 **Formulas.** Use a single formula for an entire row. Do not change the formula mid-row because something changes for that time period. Also, refrain from building formulas that take up several lines in the Excel formula bar. Break the formulas into more manageable and easily understood steps.

Keep in mind a business rule that changes during the year (for instance, mid-year) would require a logic change for the following months. If this happens, a comment should be added where the formula was changed. This will allow the user to be aware of the change.

- 1.3.11 **Color Coding & Labels.** Use colors, labels and borders to make the model as clear to read as possible. Include a legend to indicate what each color represents.
- 1.3.12 **Circular References.** Avoid circular references. If a circular reference is encountered, please make every effort to “fix” the reference prior to finalizing the spreadsheet.
- 1.3.13 **Hard Coding.** When appropriate, avoid using numerical values in formulas (eg. =sale/12). This is referred to as “hard coding.”

## 1.4 Workbook Finalization

- 1.4.1 **Cell/File Protection.** To ensure spreadsheet data doesn't get changed, users can protect the data by using either the cell and/or sheet protection function. If appropriate, spreadsheet files may be saved as either read-only or password protected.
- 1.4.2 **Links.** Don't send out spreadsheets with links embedded – break the links prior to e-mailing the file. From the main menu, select Edit, Links. If there are links within the spreadsheet, the user will be able to select “links” to view them. If there are no links within the document, “links” will be grayed out.



- 1.4.3 **Document Printing.** Check “print range” before distributing file. Make sure file is set up correctly to allow for printing.
- 1.4.4 **PivotTables.** A PivotTable report is an interactive table that quickly combines and compares large amounts of data. You can rotate its rows and columns to see different summaries of the source data, and you can display the details for areas of interest.
- 1.4.5 **Journal Entry Support.** Data that is to be entered as journal entries must be formatted and printed in journal entry form before it is put into the accounting software. This summary should rely on cell references to generate the data versus manual input to reduce errors and to produce consistent results.
- 1.4.6 **Large File Distribution.** When distributing large files, users can (1) convert the file to .PDF using MFD scanning or CutePDF Writer, (2) compress the file using WinZip, or (3) save the file into a shared location.

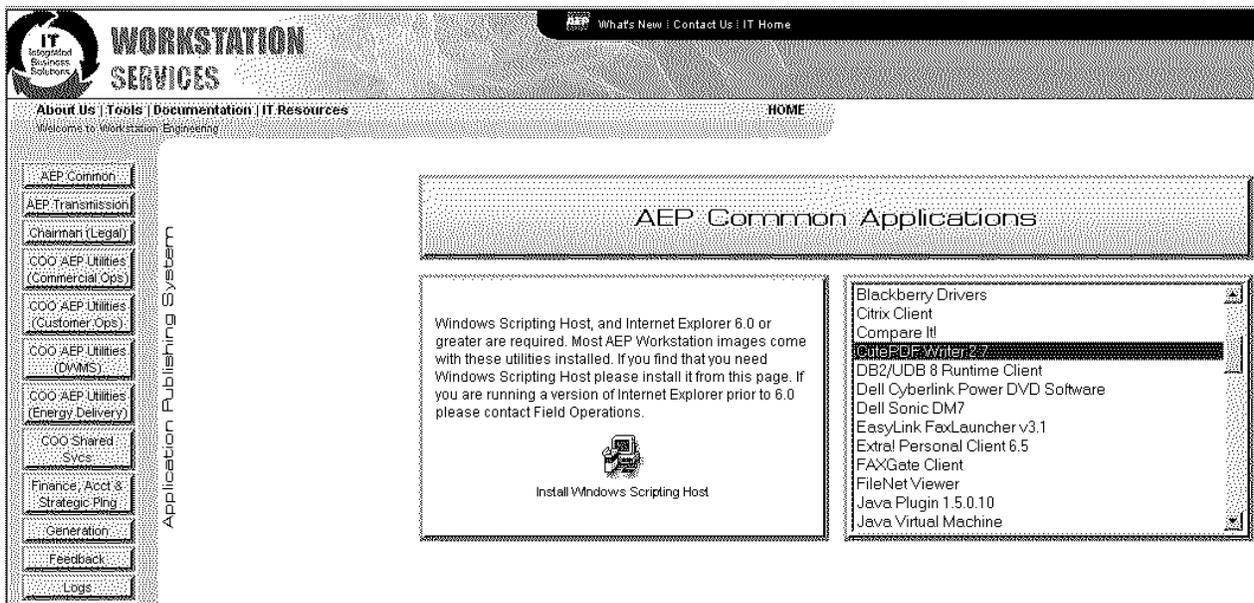
WinZip: Files can be compressed using WinZip, which is installed on most AEP computers.

MFD machines: From time to time, some users may need to scan documents using the MFD's to create PDF files. To do this, users will need to print the file; scan the file on one of the MFD machines; and then access the Document Service function of the MFD to retrieve the PDF file.

CutePDF Writer: As a short cut, a .PDF version of the file (Excel, Word, etc.) can be created on your workstation using CutePDF Writer. This method will avoid the unnecessary steps required when using the scanning function of a MFD machine.

To install the CutePDF Writer onto your workstation, follow these instructions.

1. Type APS in your Web Browser address box; then click on the AEP Common button on the left of the screen shown below; then click on CutePDF Writer 2.7 in the list of applications at the right of that screen.



2. Click on [Install CutePDF Writer 2.7](#) on the next screen, shown below

The screenshot shows the AEP Workstation Services website. The header includes the logo and navigation links: "About Us | Tools | Documentation | IT Resources" and "HOME". A sidebar on the left lists various application categories under "Application Publishing System". The main content area displays the "CutePDF Writer 2.7" installation page, which includes a license statement, system requirements, and detailed instructions for installation.

**CutePDF Writer 2.7**

This application can be safely installed by all AEP employees. For questions or problems, contact your Field Services team, your Infrastructure Coordinator or IT Help Services at audinet 635-3050 (Toll Free 1-866-835-3050).

**License:** This application is licensed for use on all AEP Workstations.

**System Requirements**

- You must be signed onto your machine with administrator privileges
- 10 MB disk space for Local Install
- 128 MB of memory to run the program
- [View your system info](#)
- [View Technotes & Tips](#)

**Instructions**

Review the following steps, then follow the directions below to begin the installation process.

- Please read all instructions before continuing.
- Click on a hyper link below.
- At the "File Download" prompt select "Open" or "Run this program from its current location"
- Click "OK"
- At the "Security Warning" prompt click "Yes"

• [Install CutePDF Writer 2.7](#)

### 3. Follow the instructions below to create PDF files.

**\*\*Do not look for any application to run. Just print the document using CutePDF Writer (the printer) to get PDF output.**

- 1) From the File menu, select **Print** to bring up the Print dialog box;
- 2) Select CutePDF Writer as the Printer to print (**DO NOT select "Print to File"** option)
- 3) A "Save As" dialog box will pop up for saving/creating the PDF file. Select a folder to Save file, enter a file name, and click on Save.
- 4) Go to that folder to find the PDF file.

### 4. To uninstall CutePDF Writer:

Activate the Control Panel, double click Add/Remove Programs, and double click on the CutePDF Writer list box entry.

## **Section 2.0**

# **Best Practices for Spreadsheets (Reviewers)**

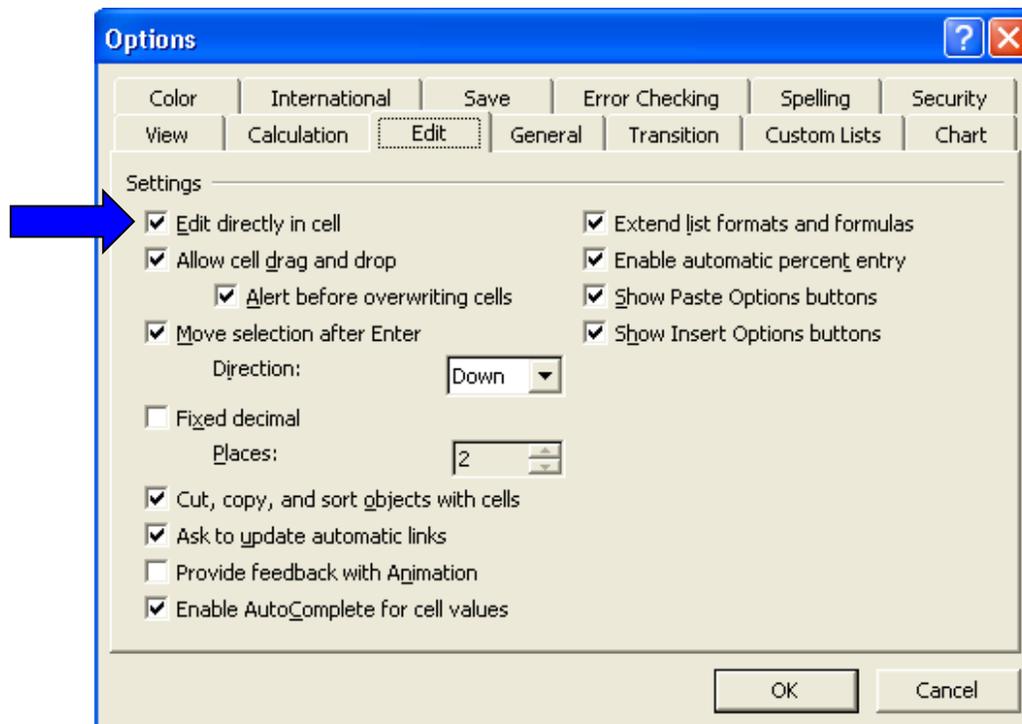
## 2.0 Spreadsheet Best Practices: Reviewers

The purpose of the best practices for reviewers is to provide suggestions and recommendations on ways to improve the review of financial spreadsheets. These best practices will provide spreadsheet reviewers with options on how to make the review of spreadsheets more efficient and effective.

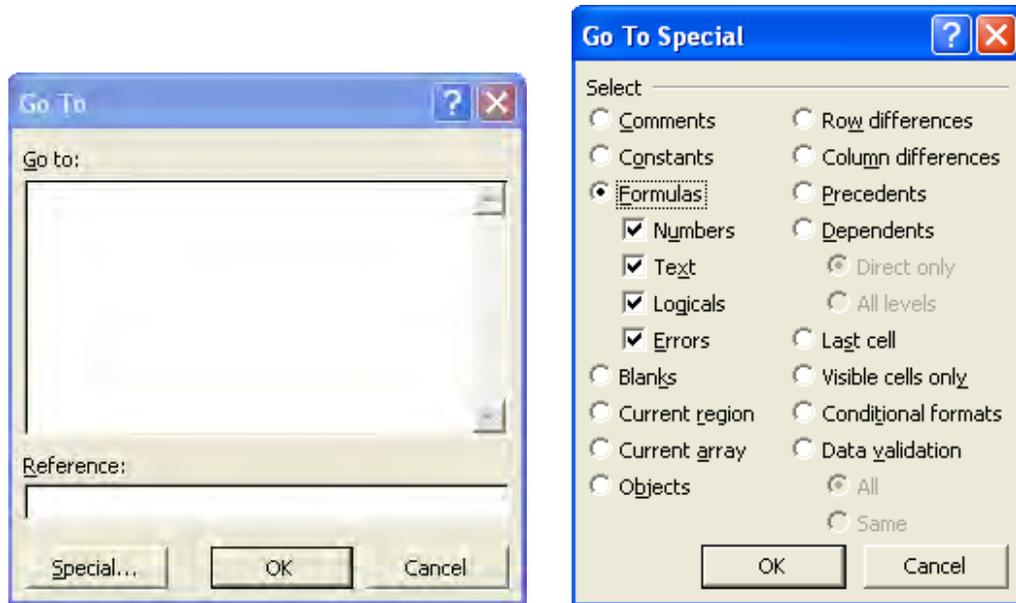
### 2.1 Review

2.1.1 **Tilde.** When reviewing spreadsheets, use the “Tilde” function [*hold down control button + ~ keys*]. This will allow the reviewer to see all formulas without having to click on individual cells. This can also help detect cells with both hard coded numbers & formulas.

2.1.2 **Trace.** Trace Cell dependencies using the “Trace Precedents” icon . You might consider putting this icon on your Standard Toolbar. You can also trace “input” data to the original source directly via mouse click (very helpful in multiple worksheets/tabs, etc.) To do this, click on Tools/Options/Edit tab & uncheck the “Edit directly in cell” setting. You can then trace input by double clicking cell. Excel will move to the first input listed in a cell’s formula. Note this does not work if the input cell is located on a hidden worksheet.



- 2.1.3 **Color Code for Errors.** Map portions of workbook that should be formulas and color code the cells to allow errors to stand out. Do this by going to the Edit tab/Go To / Special, then select the “formula box”



- 2.1.4 **Save Different Version.** Prior to reviewing the spreadsheet, it's recommended the file be copied and saved under a different version or date. To help ensure the correct file is being reviewed, the reviewer's initials and date reviewed can be added to the file name. The file can also be saved to a non-production folder, etc.
- 2.1.5 **Assumptions.** Check for unused assumptions. An unused assumption increases the possibility that an incorrect assumption is mistakenly being used in financial model calculations. To check for unused assumptions, use the “trace dependences” audit button on the “formula auditing” toolbar. If the assumption does NOT have a cell dependent, then it wasn't used in the financial model. Hence, revealing it was an unused assumption.
- 2.1.6 **Hidden Worksheets.** Look for hidden worksheets. To do this, choose Format – Sheet – Unhide. If the Unhide option is grayed out, then there are no worksheets to unhide.

## **Section 3.0**

# **Best Practices for Databases**

## 3.0 Best Practices for Databases

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The purpose of the best practices for databases, in conjunction with the *Financial Spreadsheet & Database Controls Policy*, is to provide suggestions and recommendations on how to prevent and/or detect errors arising from the design and use of financial databases. In most cases, the use of a spreadsheet or IT-controlled database is preferable to a user-created Access database. However, a database user and reviewer would be expected to acquire the appropriate expertise to create & maintain these databases. These best practices will provide users with ways databases can be improved for efficiency & quality.

### 3.1 Use & Review

- 3.1.1 **User-level Security.** User-level security is the most flexible and extensive method of security a Microsoft Access database. Security can be set up on the database to require users to log on to get the database.
- 3.1.2 **Create a list box, combo box, or drop-down list box.** A list box, combo box, or drop-down list box can be a bound or unbound control, and it can look up values in a fixed list or in a table or query. To create a box that looks up values in a table or query, make sure the form or data access page is based on a record source that includes a foreign key field or look-up field.
- 3.1.3 **Design/Layout.** To ensure consistency, users should apply uniform design layouts for forms. In general, a simple design, applied consistently across databases, will allow the user to have easier maintenance and sustainability of the form and will allow new forms to be added or edited very easily.
- 3.1.4 **Validation Rules.** To help prevent or eliminate data entry errors, set up validation rules to restrict what type of data information can be entered into the input fields. A message box can be used to show the user what type of data is needed.
- 3.1.5 **Macros/Codes.** For documentation purposes, all fields should have a brief explanation about the type of data requested, how it should look, and what not to enter into a particular field. Users will enter this information when in design mode & ultimately will be displayed on the bottom of the screen during actual input.



# Procedure Standards for Financial Spreadsheets

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A Guide to application of the  
**FINANCIAL SPREADSHEETS &  
DATABASE CONTROLS POLICY**

Created: June 3, 2009  
Version: 1.3

## Revision History

Date	Version	Description	Author
06/03/2009	1.0	Release of Procedure Standards for Financial Spreadsheets	Brenda Ritchie
6/8/09	1.1	Modify due date in section 6.4 for Baseline Testing for Complex spreadsheets	Bethany McCrea
7/14/09	1.2	Add ListACLs method to Appendix B as Sample Method 1; modify version, Table of Contents, & section 3.2 accordingly. Previous method is now Sample Method 2.	Bethany McCrea
8/10/09	1.3	Add Appendix H and reference statement for Appendix H in section 6.1. Modify 6.1.f. and expand note in 5.1.c.	Bethany McCrea

PROCEDURE STANDARDS FOR FINANCIAL SPREADSHEETS

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# 1) INTRODUCTION

## 1.1) Purpose

This Procedure Standards for Financial Spreadsheets document ("Financial Spreadsheet Standards") is issued to interpret and apply the provisions set forth in the AEP Financial Spreadsheet & Database Controls Policy ("Financial Spreadsheet Policy").

The primary emphasis of this Financial Spreadsheet Standards is to provide the correct, appropriate and balanced set of procedures which will continue to uphold the confidentiality, integrity and availability of the AEP's information and information assets.

- **Confidentiality** – Requires that information is accessible only to authorized users as determined by operational or business need.
- **Integrity** – Integrity is the principle that data, systems, and processes retain their authenticity and are only intentionally modified by authorized users or processes.
- **Availability** – Requires that authorized users have appropriate access to information and systems in the performance of their responsibilities.
- **Procedures** – Provides that consistent appropriate spreadsheet naming and design structures are utilized, verifiable change processes are established, and consistent applicable procedures are utilized to provide secure data.

## 1.2) Scope and Applicability

The Financial Spreadsheet Standards covers the entire AEP organization, including its operating subsidiaries and affiliates. It applies to all authorized users with access to any "Financial Spreadsheet", defined as any spreadsheet meeting one or more of the three evaluation criteria as defined in the Financial Spreadsheet Policy. This standards document also covers employees, individual consultants, and contractors to AEP.

## 1.3) Policy Compliance

Compliance with the AEP Financial Spreadsheet Policy is mandatory.

## 1.4) Roles and Responsibilities

Senior management is responsible for ensuring all individuals are aware of and understand their roles and responsibilities for accessing AEP Financial Spreadsheets. The following definitions will be used:

### Spreadsheet Owners

The term "Spreadsheet Owners" refers to individuals assigned ownership responsibilities for any Financial Spreadsheet. The "Spreadsheet Owners" will have the role of primary compliance oversight for the business unit. This responsibility primarily belongs to the business unit management team.

### Spreadsheet Changers

Spreadsheet Changers are individuals who create, use, or modify Financial Spreadsheets and provide other support services for owners and users of information.

### Spreadsheet Testers

The term "Spreadsheet Testers" is given to individuals assigned the responsibilities for providing the testing as defined herein per this document and as designated by the Spreadsheet Owners.

## 1.5) Best Practices

A separate document has been created to provide industry best practices which may be beneficial for further enhancing the use and management of spreadsheets. It is available at the accounting website: <http://acctg/policies/>

## 2) INVENTORY LIST PROCEDURES

This section describes the procedures for the quarterly process of identifying Financial Spreadsheets. Documentation pertaining to the Inventory List location shall be located in the departmental Master Financial Spreadsheet Control Document, known as "Master Control Document" or "MCD" going forward. (described in section 8)

### 2.1) Inventory Standard

- On a quarterly basis Financial Reporting will send out an email to designated recipient(s) in relevant business groups within the business units to request their list of Minimum and Complex Financial Spreadsheets/databases. The designated recipients shall be responsible for distributing this request to the respective Financial Spreadsheet owners within their business groups if needed.
- Each designated recipient must provide a response to Financial Reporting, regardless of whether their business group has any applicable spreadsheets. Individuals copied on the email from Financial Reporting (cc or bcc) who are not designated recipients do not need to reply. The Financial Spreadsheet owners are responsible for responding to any email from their business group's designated recipient requesting their quarterly review. The designated recipients shall be responsible for reporting to Financial Reporting any changes to the email distribution list.
- The inventory list submitted to Financial Reporting must utilize the template provided by Financial Reporting.
- In addition to providing Financial Reporting an inventory of Minimum and Complex spreadsheets/databases, **each department must be prepared to present the rationale for any financial spreadsheet that has been excluded from the inventory submitted to Financial Reporting.**
  - In the Financial Spreadsheet Policy Figure 1 - Decision Tree ("Decision Tree") there is a decision point that asks "Does the spreadsheet/database manipulate data in a moderate to complex manner such that verification of results is difficult?" Any file with a "No" answer may be excluded from the inventory list. A copy of this Decision Tree can be found in Appendix A of this document.
  - Completeness of the inventory listing provided to Financial Reporting is subject to audit review.
- Use the following guidelines for new or updated spreadsheets:
  - Anytime a new spreadsheet is created it should be evaluated using the Decision Tree to determine if it is within the scope of the Financial Spreadsheet Policy. If it is within scope, it must be further evaluated to identify if it is Minimum, Complex, or excluded from the inventory, and handled accordingly.
  - Anytime a Financial Spreadsheet is modified it must be re-assessed using the Decision Tree.

## 3) ACCESS CONTROL PROCEDURES

The existing IT Information Security Policy and associated Access Controls Standard remain in effect. This section describes specific requirements and responsibilities for controlling access to both Minimum and Complex Financial Spreadsheets. Documentation describing how the department will provide and monitor appropriate levels of access to a minimum of three distinct groups of users will be maintained in the Master Control Document (described in section 8).

### 3.1) Access Controls Standard

All Minimum and Complex spreadsheets must be located in a restricted-access LAN directory or document management system (Documentum, OWM, etc.).

The following access controls must be applied to every folder containing a Minimum or Complex spreadsheet.

- Write/Modify access must be restricted to the owner and changers of the spreadsheet/database. The number of individuals with change access should be limited to the smallest feasible number.
- All other groups requiring access to the spreadsheet can only be assigned read-only permissions.
- IT is responsible for administering LAN servers and directories; therefore they require full access to every directory. However, full access must be limited to the 'NA Data Support Restricted' group. This is a group of core administrators that is much smaller than the general 'NA Data Support' group that typically has full permission of LAN directories. Internal Audit will assume the responsibility of testing access to the 'NA Data Support Restricted' group to ensure it does not grow unwieldy.

Appendix B contains additional details on Access Controls.

### 3.2) Standard for Review of Access Controls

Each department is required to document the groups and individuals who have access to each folder containing any Minimum or Complex Financial Spreadsheet(s). An access review must occur and be documented on a quarterly basis on the same three month cycle that External Financial Reporting uses to inventory spreadsheets.

It is only necessary to document groups and individuals who have been granted more privileges than "Read" or "Execute" for the folder containing any Financial Spreadsheet(s). Groups with Read, Read & Execute, or List Folder Contents do not need to be examined under this standard.

Two proven methods for satisfying this requirement for Financial Spreadsheets stored in the LAN drive are shown in Appendix B.

## 4) NAMING CONVENTION PROCEDURES

Business groups with Minimum and/or Complex Financial Spreadsheets must establish and apply a consistent strategic method for naming the folders and files that contain Financial Spreadsheets. The chosen method must be documented in the business group's Master Control Document, as described in section 8. The business group's naming convention should prevent a past version or not-yet-approved version of a Financial Spreadsheet from being erroneously used.

## 5) SPREADSHEET DESIGN

This Spreadsheet Design Standard describes the design requirements for Minimum and Complex spreadsheets. This requirement shall apply to current period, future, and modified files. Spreadsheets previously created and no longer in use for current periods are not required to comply with this standard.

### 5.1) Spreadsheet Design Standard

The Design Standard for Complex Financial Spreadsheets will include items a-e below, while Minimum Financial Spreadsheets must adhere only to items b-e below:

- a) **Use of a "Revisions Log" worksheet** which users will log all appropriate changes to the spreadsheet. Use of this Revisions Log is required for all Complex spreadsheets and is highly recommended for use on all other spreadsheets. Elements required to be recorded in this Revisions Log include:
  1. Name of person requesting change
  2. Name of person authorizing the change
  3. Purpose of the Change
  4. Name of person making the change
  5. Location of testing details/evidence
  6. Name of tester/approver
  7. Date approved

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PROCEDURE STANDARDS FOR FINANCIAL SPREADSHEETS

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8. New active filename/version.

- b) **Use of a “General Documentation” worksheet or similar solution.** Elements 1-4 below are required to be present, the 5<sup>th</sup> item may increase usability:
1. Description of the purpose/use of this spreadsheet/workbook (e.g. this workbook calculates the amortized value(s) of prepaid insurance)
  2. Listing of all linked data sources for the workbook
  3. Listing of Spreadsheet/Workbook Owner and Spreadsheet Changer(s)
  4. Date of most recent design verification through use of analysis tool such as Prodiance Spreadsheet IQ (more details exist in section 6); also list the name of the individual responsible for verification and oversight of any necessary remediation
  5. If desired, include detailed instructions on how to use the spreadsheet, or specify the location of additional user details (such as desktop procedures)

**NOTE:** *Compliance with the required contents of Items a & b above can be achieved in a multitude of ways, so long as all described elements are present. The department may elect to comply with this standard through the use of two separate worksheets as outlined here, by a single Notes & Revisions worksheet, as documented in the sample template located in Appendix C, or through another means that is deemed equally clear and apparent by the auditors.*

- c) **Cell entries consist of a number or a formula but not both** – calculations that require constants should be referenced to an input area or another cell.

**NOTE:** *Certain Unit-of-Measure conversions can be acceptable in a formula cell, such as conversion to kWh, etc. Also, constants defining formula parameters as with “round” are okay.*

- d) **Spreadsheets printed for documentation purposes must contain a footer** that includes the file name and path as well as the date and time printed.

- e) **Entry fields and formulas must be labeled to clearly define the cell values** for those using the spreadsheet and/or reviewing the logic within.

**NOTE:** *Like cells can be identified by a single label such as column or row headers, inclusion of Comments or Notes, etc.*

## 6) TESTING AND CHANGE CONTROL PROCEDURES

The following standards apply to those within the business groups that own one or more Financial Spreadsheet, and pertain to:

- **Testing of New and Existing Financial Spreadsheets and Templates** using Prodiance software. Required Prodiance applications include Spreadsheet IQ which performs a qualitative analysis reporting various errors or potential problems within a spreadsheet or group of spreadsheets, and Prodiance SmartCompare that performs a comparison analysis and report of formulas, structure, data, etc. that have changed among two worksheets or workbooks.
- **Current, future, and modified files.** This shall not be required for files on a retroactive basis but shall not exclude users and groups from applying this standard on a global retroactive basis.

Testing performed on each new file that is created provides the necessary integrity baseline. Testing performed on files in which critical changes occur provides the on-going integrity audit security.

Documentation pertaining to the specific departmental Testing and Change Control Procedures shall be located in the Master Control Document (described in section 8).

### 6.1) Standard for Establishing Spreadsheet Baseline

All Minimum or Complex Financial Spreadsheets require a thorough initial assessment to ensure that the spreadsheet is functioning as intended.

Utilization of the standard AEP spreadsheet analysis software tool Prodiance Spreadsheet IQ is required. The Spreadsheet Owner will be responsible for substantiating that proper testing and validation of the spreadsheet baseline has occurred.

Items that should be identified in the baseline testing are:

- a) Formula Issues
- b) Structural Issues
- c) Code/Script Module Issues
- d) Data Connection Issues
- e) Calculated Value Issues
- f) Cell issues

**See Appendix H for a detailed listing of the Spreadsheet IQ functions that should be selected to complete the baseline testing.**

**NOTE:** *Any errors detected during this analysis are to be properly remediated by the business group. Changes made to a Complex spreadsheet to remediate baseline errors must be captured in the Revisions Log; the Standard for Financial Spreadsheet Change Control is required only for Complex spreadsheets.*

## 6.2) Standard for Financial Spreadsheet Change Control

This standard applies to all Complex spreadsheets. Change controls are only required for changes to the structure, formulas, macros, etc. which may impact the spreadsheet results. It is not required when making simple formatting changes or when simply using the spreadsheet for different input values or periods.

The following steps must be followed when making changes:

**1) Change request is made** [it is conceivable that any person in the business unit might suggest a change to a Financial Spreadsheet the business group uses]

**2) Change request is authorized**

- Person requesting change and reason for change are noted in the Revisions Log.
- Person granting authorization is recorded in the Revisions Log.

**NOTE:** *It is up to each business group's management to determine which individual(s) within that hierarchy has approval authorization to initiate or give final approval of changes to Financial Spreadsheets.*

**3) Change is executed**

- Spreadsheet Changer makes modification to spreadsheet and performs initial testing.
- Spreadsheet Changer is documented in the Revisions Log.
- The change must not be made in a production area where it could inadvertently be used by end users.

**4) Change is verified**

- Change is validated by a designated Spreadsheet Tester (not the person who modified the file).
- Spreadsheet Tester and location of test results is noted in the Revisions Log.
- Results of failed testing should also be kept.
- Prodiance tools should be utilized for testing spreadsheets.

**NOTE:** *Prodiance Spreadsheet IQ performs a qualitative analysis of the spreadsheet for numerous error types, including those items described in section 6.1. Prodiance Spreadsheet Compare will help to confirm that all authorized changes were made, and only those changes that were planned and authorized were made.*

**5) Change is approved**

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PROCEDURE STANDARDS FOR FINANCIAL SPREADSHEETS

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- Approval is received from a designated individual (not the person who modified the file).
- Person granting approval and date of approval is noted in the Revisions Log.
- Approval is required within 30 days of the revised file being used in production.

**6) New version is migrated to production**

- Updated spreadsheet/database is moved to the production LAN directory for business use.
- The New Active Filename/Version is recorded in the Revisions Log.
- Ensure that the previous version is identified as past version and will not mistakenly be used in a current or future period.
- Each department should adhere to its data retention/archival obligations.

A workflow diagram for this change control process is available in Appendix D.

### 6.3) Standard for Financial Spreadsheet Testing Evidence

This section provides additional details related to baseline testing as described in section 6.1 and on-going change control testing as described in section 6.2 (step 4).

Business Unit testers must document the appropriate and necessary testing evidence to substantiate that proper testing and validation of the spreadsheet has occurred. Effective testing will accomplish the following objectives:

- a) Evidence that testing has occurred
- b) Evidence that the testing performed is appropriate
- c) Evidence that the Spreadsheet Tester is a different individual than the Spreadsheet Changer

### 6.4) Standard for Authorization

This section provides additional details related to baseline testing as described in section 6.1, and on-going change control testing as described in section 6.2 (step 5).

Review and confirmation of spreadsheet integrity is necessary within 30 days of the version being used in production.

**NOTE:** *It is recognized that baseline testing for existing spreadsheets will likely exceed this 30-day threshold; initial baseline testing and remediation for all existing Complex and Minimum spreadsheets is to be completed no later than August 31, 2009.*

The designated departmental authority shall provide signoff authorization once he or she is satisfied that proper testing was conducted and appropriate evidence exists to substantiate that conclusion.

### 6.5) Standard for Preventing Unauthorized Changes

Owners of Complex spreadsheets must establish a controlled environment that prevents the occurrence of unauthorized or unintentional changes to these files. This may be achieved through:

- **Highly restricted access** so that only the Spreadsheet Owner can modify the spreadsheets,  
**OR**
- **Detective controls** using the Prodiance SmartCompare product on a periodic basis. For 2009, in the introductory year for this standard, business groups must run this detective control in advance of using the spreadsheet for close of the 3<sup>rd</sup> and/or 4<sup>th</sup> quarter financials.

## 7) DATA RETENTION AND ARCHIVAL PROCEDURES

This section reminds owners and users of Financial Spreadsheets that all applicable retention requirements (including corporate, state, and federal) must be obliged. *No document(s) should be deleted without*

*express approval from the Spreadsheet Owner, assuring any additional requirement to preserve the document is upheld (i.e. pending litigation, open tax review periods, etc.)*

## **8) MASTER FINANCIAL SPREADSHEET CONTROL DOCUMENT (“MASTER CONTROL DOCUMENT” / “MCD”)**

Business groups with Minimum and/or Complex Financial Spreadsheets must create a document detailing how the business group fulfills the various requirements within the Financial Spreadsheet Standards with respect to access control, change control, file paths, etc. This document shall be identified and stored in a departmental shared drive and accessible by audit upon request.

A recommended MCD template is provided in Appendix E, however, the actual type of document utilized (application i.e. MS Word, MS Excel, MS PowerPoint, Adobe, etc.), format and structure will be determined by each originating business group. The global information that is to be contained in this document is as follows:

- a) **Location of Master Inventory** of all Financial Spreadsheets
- b) **Format/location of Access Control review documentation**
- c) **Naming Convention** Standard detail requirement information
- d) **Spreadsheet Design** Standard detail requirement information (confirming approach to Revisions Log and General Documentation design elements, also listing any optional department-specific design standards)
- e) **Change Control workflow** details and owner/approvers
- f) **Name of the Owner of the department’s Financial Spreadsheet Control Procedures**

**NOTE:** This is a single document for the business group. Appendix F contains a sample completed MCD template.

## **9) IMPLEMENTATION TIMEFRAME**

### **9.1) Standards due Q2 2009 “Immediate Standards”:**

These are not new requirements; they interpret and apply the requirements of the Financial Spreadsheet Policy released October 2008 and should already be incorporated into on-going operations:

- 1) Inventory Standard
- 2) Access Controls Standard
- 3) Testing & Change Control Standards (Described in section 6 of this document)
- 4) Data Retention

**NOTE:** Baseline testing with Prodiance Tools is a new method for automating a previously manual process.

### **9.2) Standards due June 2010 “Mid-term Standards”:**

The Mid-term Standards may be adopted throughout the coming months, and must be fully integrated into Minimum and Complex Financial Spreadsheets by June 2010. This requirement shall apply to current period, future, and modified files. Spreadsheets previously created and no longer in use for current periods are not required to comply with this standard.

For clarification purposes, the following are part of the **Mid-term Standards**:

- 1) Naming Conventions
- 2) Spreadsheet Design Standard Items b-e (Item a: Revisions Tab is Immediately-effective in Complex spreadsheets)
- 3) Master Control Document

**NOTE:** *An optional user tool is included in Appendix G. It is a checklist that may be used to help track compliance with actionable items defined in this document. Utilizing this tool provides no guarantee of achieving positive results in financial spreadsheet control testing.*

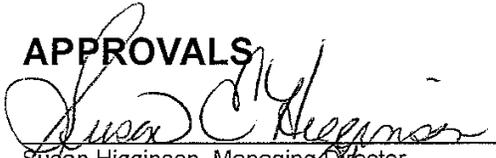
## 10) ALTERNATIVE STANDARD

Any business unit seeking an exemption from compliance with these standards must work directly with the Audit Services Department (ASD) and the Security Engineering group. Documentation of any approved alternative means or exemption should be retained for future reviews.

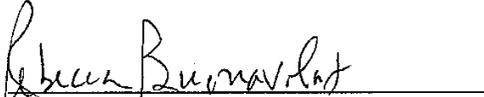
### Definitions

- **Business Group:** a functional portion of the business unit given responsibility to manage and define its own processes for complying with the Financial Spreadsheet Policy.
- **Change Control:** a set of procedures put in place to ensure that any substantive changes to Financial Spreadsheets or Databases are authorized and properly tested before being put into production; also used to ensure that only those changes explicitly authorized and approved are made.
- **Departmental:** Business function classification that indicates that the data or software supports or affects activities of only one group or business organization.
- **Guidelines:** Information and suggested actions to take in particular circumstances
- **Policies:** state directions or positions that guide present and future actions. They are AEP's highest-level objectives, restrictions, and requirements as established by AEP management.
- **Procedures:** step-by-step "how-to" instructions that are conducted in sequence to accomplish tasks. These also inherently include processes and tasks which systematically are used to accomplish a desired goal.
- **Standards:** specific rules established to conform to policies.
- **Sarbanes-Oxley:** A law passed in 2002 by the US Congress designed to provide greater transparency and protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws.
- **Testing:** The use of scripts, data structures, documentation, processes, procedures, and applications to perform designated tasks to identify potential risks, errors, issues and problems.

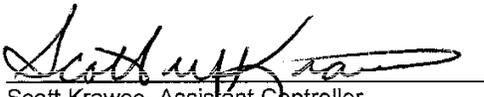
**APPROVALS**

  
Susan Higginson, Managing Director  
Accounting Operations

6-5-09  
Date

  
Rebecca Buonavolonte, Managing Director  
Financial Reporting

6/5/09  
Date

  
Scott Krawec, Assistant Controller  
Finance

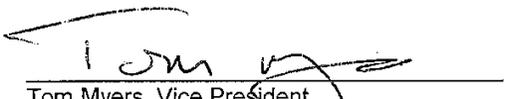
6/9/09  
Date

  
Andy Reis, Assistant Controller  
Finance

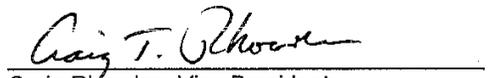
6/9/09  
Date

  
Mark Pyle, Vice President  
Tax

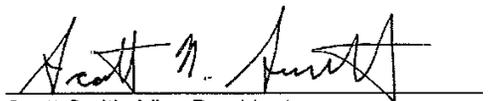
6/8/09  
Date

  
Tom Myers, Vice President  
Commercial & Financial Analysis

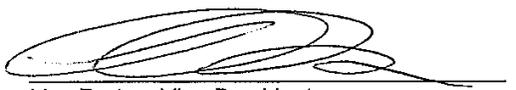
6/5/09  
Date

  
Craig Rhoades, Vice President  
Customer Services, Marketing & Distribution Services

6/5/09  
Date

  
Scott Smith, Vice President  
Generation Business Services

6/9/09  
Date

  
Lisa Barton, Vice President  
Transmission Strategy and Business Development

6-5-09  
Date

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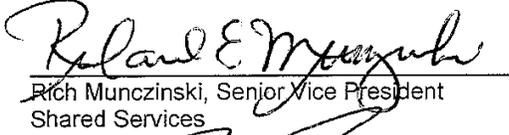
PROCEDURE STANDARDS FOR FINANCIAL SPREADSHEETS

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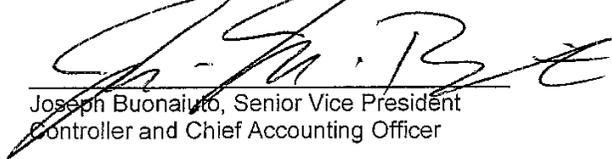
Kevin Walker, SVP & Chief Information Officer  
Information Technology

6/8/09  
Date



Rich Munczinski, Senior Vice President  
Shared Services

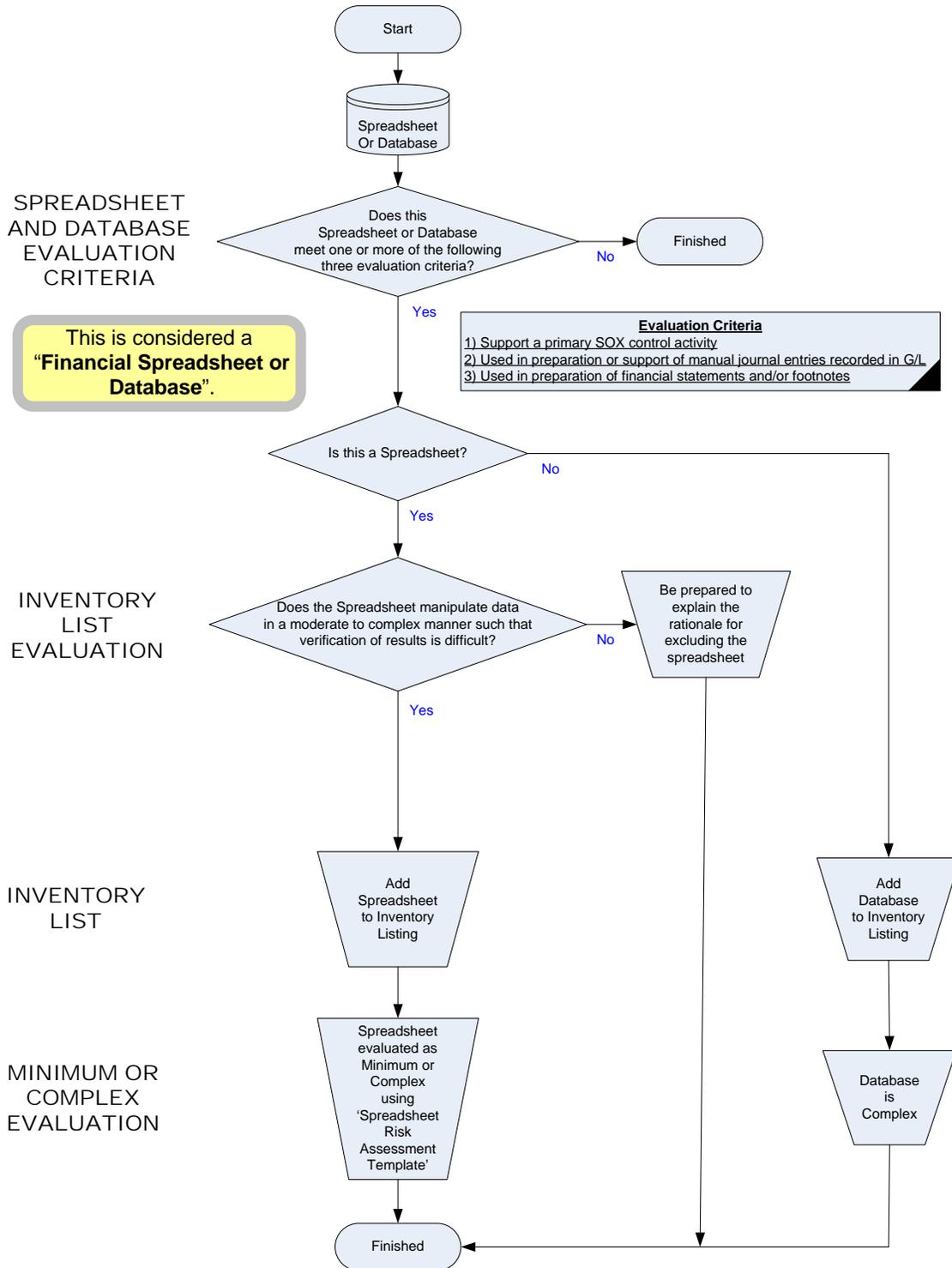
6/10/09  
Date



Joseph Buonaiuto, Senior Vice President  
Controller and Chief Accounting Officer

6/10/09  
Date

# APPENDIX A



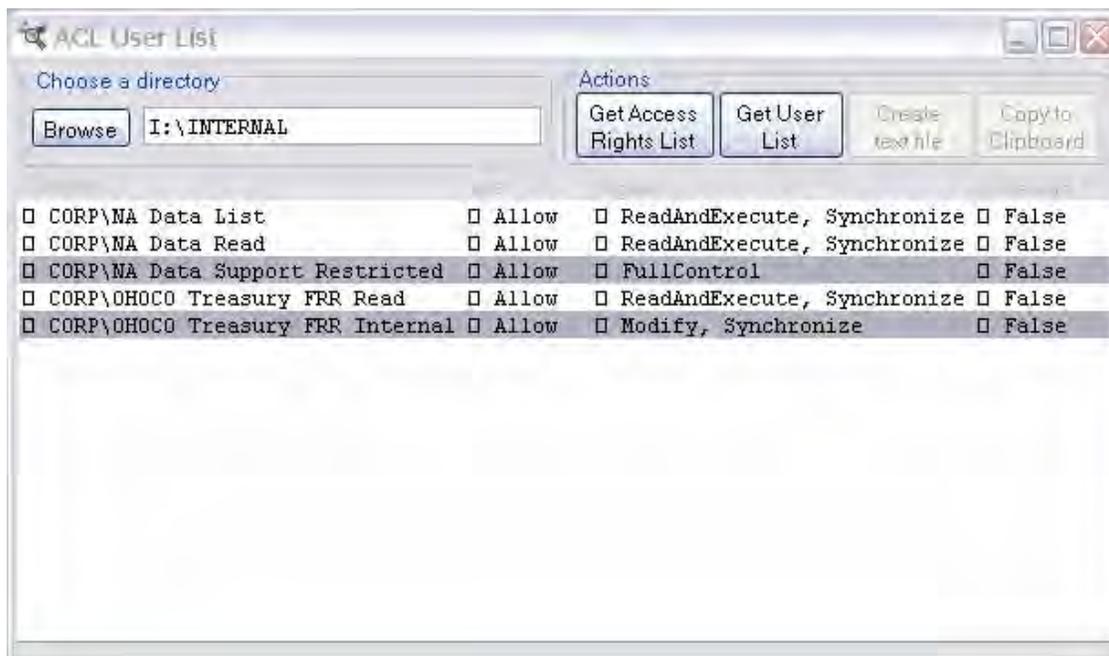
## APPENDIX B

The ListACLs and ADUG utilities described in this section can be downloaded from the Application Publishing System (APS) website. As of July 2009, they are located at <http://apsv3>. From the left hand menu choose the link for Client Apps and then Shared Services.

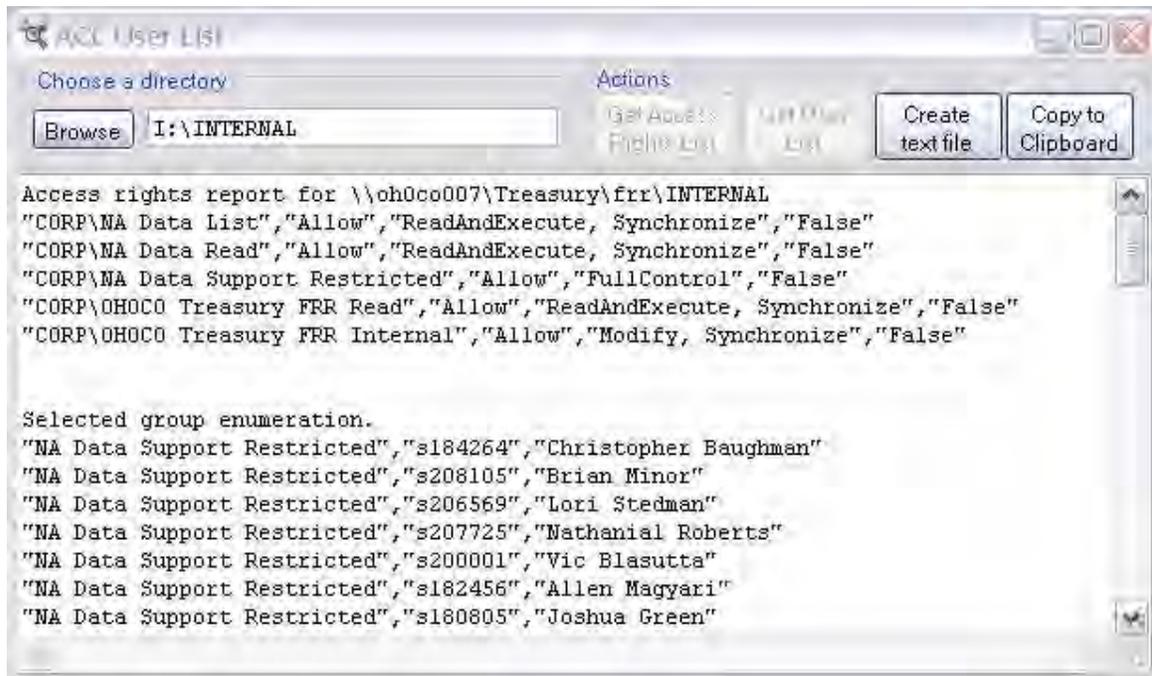
### Sample Method 1 for Reviewing and Documenting Access Controls

Steps for documenting group/user access and the users belonging to a group:

- A software application called ACL User List (ListACLs) can be utilized to capture this information.
- Launch ACL User List.
- Browse to (or type the name of) the directory that contains Financial Spreadsheets.
- Click the “Get Access Rights List” button to display the list of groups/users with access.
- Highlight all groups/users with **Full Control** or **Modify** access (use the Ctrl key to select multiple groups).



- Click the “Get User List” button to display the list of users belonging to each group.



- A screen print of the window can be taken (multiple screen shots may be needed to capture every username) or the list can be exported to a text file (“Create text file” button) or copied to the clipboard (“Copy to Clipboard” button) and pasted into another document.
- A printout of the users belonging to each group must be kept for audit purposes. Each printout should be initialed and dated by the person conducting the security review.
- Any individuals identified who no longer require access to the group must have their modify access revoked. Evidence of the access change should be documented.
- Repeat the steps above for each group with change access to a folder containing a Minimum or Complex spreadsheet.

**As a reminder:**

Each department is required to document the groups and individuals who have access to each folder containing a Minimum or Complex spreadsheet/database. The reviewer is expected to confirm appropriateness of all privileges assigned. Documentation must occur on a quarterly basis on the same three month cycle that External Financial Reporting uses to inventory spreadsheets.

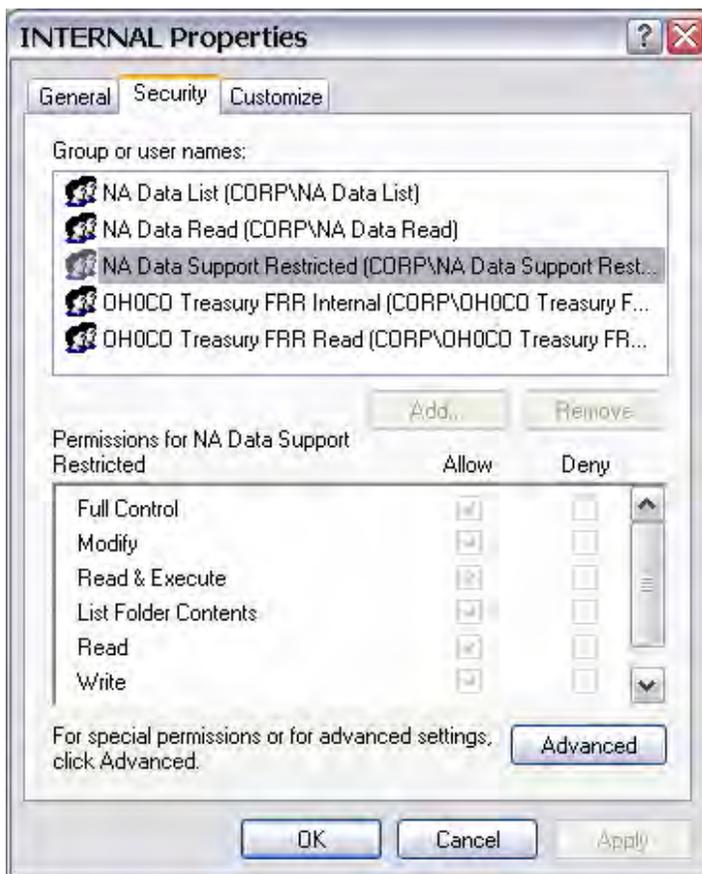
**NOTE:** *Using this method, it is only necessary to document groups and individuals who have Full Control or Modify access. Groups with permissions such as Read and Execute or Synchronize do not need to be noted. Nested groups will not show up in the access rights list, but the users in the group will display if you highlight the group and get the user list.*

## Sample Method 2 for Reviewing and Documenting Access Controls

Documenting this information is usually a two step process, in which the groups belonging to a folder are first identified and then the individuals belonging to each group are listed. The steps below serve as a guideline for how this information can be gathered.

### Steps for documenting the groups/users with access to a folder:

- Using Windows Explorer, navigate to the LAN directory containing the Minimum or Complex spreadsheet.
- Right click on the folder name and choose Properties.
- In the window that appears, choose the Security tab.
- Click on each group/user listed and look at its permissions.
- For each group/user with Full Control, Modify, Write, or Special Permissions, document their access by capturing a snapshot of the window (see below) or by typing this information into another document.

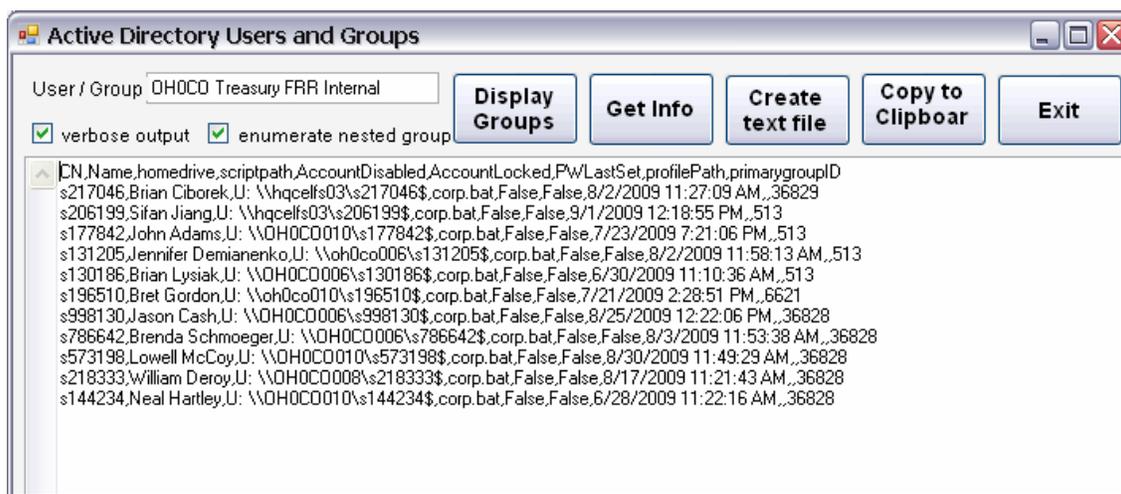


- The title bar of the window only includes the folder name, so add the full path name of the folder to the document before printing (i.e. \\oh0co007\Treasury\fr\INTERNAL).
- A printout of each group and its permissions must be kept for audit purposes. Each printout should be initialed and dated by the person conducting the security review.
- Repeat the steps above for each folder containing a Minimum or Complex spreadsheet.

Steps for documenting the users belonging to a group:

- Once all the groups with write/modify privileges have been found, the individuals belonging to each of these groups must be documented.
- A software application called Active Directory Users and Groups (ADUG) can be utilized to capture this information.
- Launch ADUG and check the boxes next to 'verbose output' and 'enumerate nested group'.
- Type in the exact name of the LAN group and choose 'Get Info'.
- Or -

Choose 'Display Groups' and scroll down the list to find your group name. It may take a minute for the complete list to load. Highlight the group name and click 'Get Info'.



- The list of users belonging to the group will populate. A screen print of the window can be taken (multiple screen shots may be needed to capture every username) or the list can be exported to a text file or copied to the clipboard and pasted into another document.
- If the list contains another group name, then the users belonging to that group must be identified as well. Each level of nested groups (groups belonging within other groups) and its users must be documented.
- A printout of the users belonging to each group must be kept for audit purposes. Each printout should be initialed and dated by the person conducting the security review.
- Any individuals identified who no longer require access to the group must have their modify access revoked. Evidence of the access change should be documented.
- Repeat the steps above for each group with change access to a folder containing a Minimum or Complex spreadsheet.

**As a reminder:**

Each department is required to document the groups and individuals who have access to each folder containing a Minimum or Complex spreadsheet/database. The reviewer is expected to confirm appropriateness of all privileges assigned. Documentation must occur on a quarterly basis on the same three month cycle that External Financial Reporting uses to inventory spreadsheets.

**NOTE:** *It is only necessary to document groups and individuals who have Full Control, Modify, Write, or Special Permissions privileges. Groups with Read, Read & Execute, or List Folder Contents do not need to be examined.*

PROCEDURE STANDARDS FOR FINANCIAL SPREADSHEETS

## APPENDIX C

**Spreadsheet Information**

**Name of File:** U:\Spreadsheet Information Template.xlsx\Sheet1  
**Spreadsheet Owner:** Bret Gordon  
**Business Unit/Department:** Internal Financial Reporting

**Description/Purpose of File:** Calculation of the monthly amortization amounts of Prepaid Insurance for Ohio Power

**Instructions on Using Spreadsheet (optional):** Enter amounts of any new policies into Column D.

**Location of other files linked to this spreadsheet:** C:\Documents and Settings\S998130\Desktop\OPCO Prepaid Policies.xls

**Retention Period (optional):** Keep for 1 Year following the end of latest policy issued

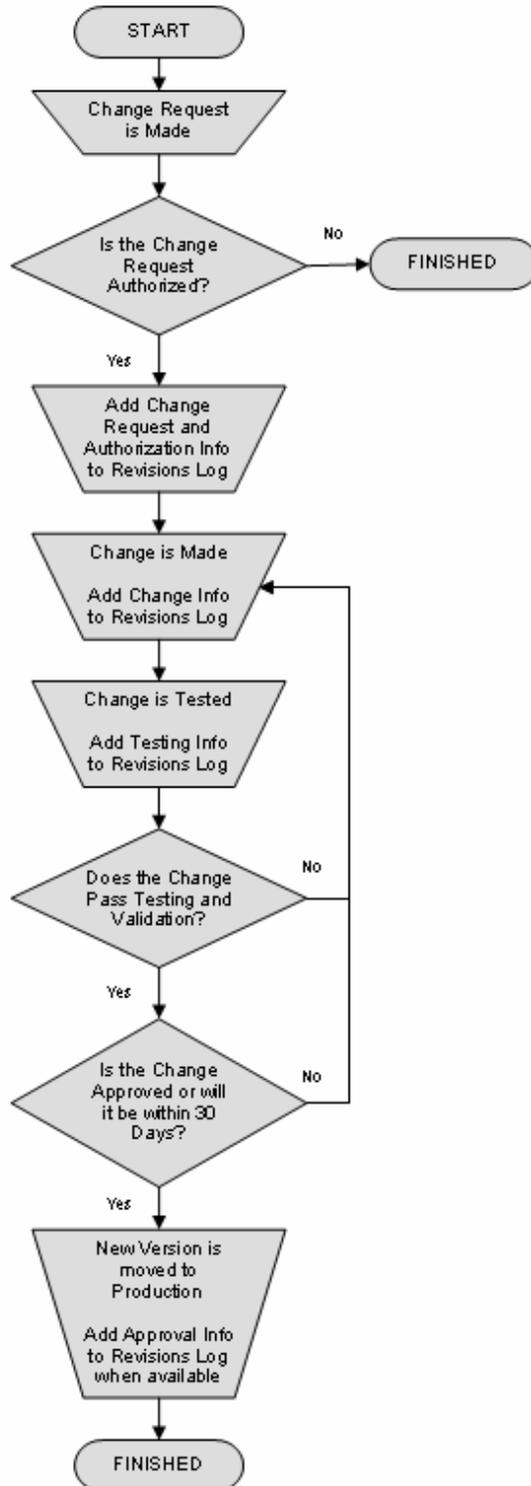
**Change History (Required for Complex Spreadsheets Only)**

Name of Employee Requesting Change	Reason for Change	Name of Employee Authorizing Change	Authorization Date	Name of Employee Making Change	Name of Employee Approving Change	Approval Date	Use of Prodiance IQ or Spreadsheet Compare During Review?	New Active Filename/Version and Location of File	Location of Testing Details
Jason Cash	Formulas need updated to include new insurance policy effective 5/1/2009	Neal Hartley	4/28/2009	Bret Gordon	Neal Hartley	4/29/2009	4/29/2009	C:\Documents and Settings\S998130\Desktop\Template v2.xls	<a href="#">\wohaephqas238\jmlupldhTestFiles\Template Test.xls</a>

Click on link for copy of file:  
[Revisions / General Info & Revisions](#)

## APPENDIX D

### Complex Spreadsheet Change Control Workflow



PROCEDURE STANDARDS FOR FINANCIAL SPREADSHEETS

# APPENDIX E



## Spreadsheet/Database Control Procedures

<b>Policy Title</b>	<b>Spreadsheet/Database Control Procedures</b>	<b>Date</b>	<Date>
<b>Author(s):</b>	<Insert Name Here>	<b>Business Unit:</b>	<Insert Business Group Here>
<b>Purpose</b>			
<p>To document the requirements and responsibilities for &lt;Insert Business Group&gt; regarding the use of Minimum and Complex Financial Spreadsheets. This document will provide specific instructions for &lt;Insert Business Group&gt; on specific topics where flexibility is allowed by either the Financial Spreadsheet &amp; Database Control Policy or the Standardized Spreadsheet Procedures Policy but is also required to be documented by &lt;Insert Business Group&gt;.</p>			
<b>Policy Statement</b>			
<ol style="list-style-type: none"> <li>1. <b>Location of Master Inventory List</b> <ol style="list-style-type: none"> <li>a. &lt;Insert file path of where Master Inventory List containing all spreadsheets and databases will be housed&gt;</li> </ol> </li> <li>2. <b>Format and Location of Access Control Documentation</b> <ol style="list-style-type: none"> <li>a. &lt;Describe the file format (MS Excel, MS Word, etc.) and list the file path of list which contains the names of users who have change access within folder(s) housing Minimum and Complex Spreadsheets/Databases&gt;</li> </ol> </li> <li>3. <b>Naming Convention Standard</b> <ol style="list-style-type: none"> <li>a. &lt;Define the naming convention standard that users of spreadsheets/databases within the business group should follow. Also describe the convention in which folders will be used and applied within the business group to ensure the most current version of a spreadsheet/database is being used&gt;</li> </ol> </li> <li>4. <b>Spreadsheet Design Standard</b> <ol style="list-style-type: none"> <li>a. &lt;Describe or list elements that should be included in the design of spreadsheets/databases to be used by the business group which are not specifically noted in the Standardized Procedure Policy or are included in the Standardized Procedure Policy&gt;</li> </ol> </li> <li>5. <b>Workflow of Change Control</b> <ol style="list-style-type: none"> <li>a. &lt;Define and list the steps that must be taken when making a change to a spreadsheet/database and define who within the business group can authorize and approve changes to spreadsheets/databases&gt;</li> </ol> </li> <li>6. <b>Data Retention and Archival Standard</b> <ol style="list-style-type: none"> <li>a. &lt;Define the business group's policy on how long a spreadsheet/database file should be kept after it is no longer in use, and what should be done with the file once the relevant retention period has passed &gt;</li> </ol> </li> <li>7. <b>Owner of the Department/Business Group's Financial Spreadsheet/Database Control Procedures</b> <ol style="list-style-type: none"> <li>a. &lt;Name the person(s) who will create, maintain and enforce the Department/Business Group's Financial Spreadsheet/Database Control Procedures&gt;</li> </ol> </li> </ol>			
<b>Approved By</b>			

## APPENDIX F



### Spreadsheet/Database Control Procedures

<b>Policy Title</b>	<b>Spreadsheet/Database Control Procedures (EXAMPLE)</b>	<b>Date</b>	<Date>
<b>Author(s):</b>	<Insert Name Here>	<b>Business Unit:</b>	<Insert Business Group Here>
<b>Purpose</b>			
<p>To document the requirements and responsibilities for Regulated Accounting regarding the use of Minimum and Complex Financial Spreadsheets &amp; Databases. This document will provide specific instructions for Regulated Accounting on specific topics where flexibility is allowed by either the Financial Spreadsheet &amp; Database Control Policy or the Procedure Standards for Financial Spreadsheets but is also required to be documented by Regulated Accounting.</p>			
<b>Policy Statement</b>			
<ol style="list-style-type: none"> <li>1. <b>Location of Master Inventory List</b> <ol style="list-style-type: none"> <li>a. A list of all spreadsheet and database files that meet the consideration criteria of the Financial Spreadsheet &amp; Database Control Policy will be located under the following LAN directory and folders:                      \Voh0co007\treasury\GL\Spreadsheet Control</li> </ol> </li> <li>2. <b>Format and Location of Access Control Documentation</b> <ol style="list-style-type: none"> <li>a. A listing of all users having modify access to the GL folder within the \Voh0co007\treasury LAN directory will be kept and maintained as a MS Excel Spreadsheet</li> <li>b. The location of this list will under the following directory and folders:                      \Voh0co007\treasury\GL\Spreadsheet Control</li> </ol> </li> <li>3. <b>Naming Convention Standard</b> <ol style="list-style-type: none"> <li>a. Each spreadsheet and database contained on the Master Inventory List will be named using the standard <i>Title_Reference Date_Version Number_Initials of Spreadsheet User</i>                      Example: OPCO_Prepaid_Insurance_033109_v3_jac.xls</li> <li>b. The most current version a spreadsheet or database that meets the consideration criteria of the Financial Spreadsheet &amp; Database Control Policy will be located in the following location and will be easily accessible upon request:                      \Voh0co007\treasury\GL\PROD\</li> </ol> </li> <li>4. <b>Spreadsheet Design Standard</b> <ol style="list-style-type: none"> <li>a. Any spreadsheet which is classified as Minimum or Complex under the Financial Spreadsheet &amp; Database Control Policy will be designed with the following elements in mind while creating:                             <ol style="list-style-type: none"> <li>i. Spreadsheet must be password protected (Complex Only)</li> <li>ii. Spreadsheet will describe it's purpose and use</li> <li>iii. Spreadsheet will contain a log which records all changes made. A template will be provided to capture all necessary information when recording any changes.</li> <li>iv. Spreadsheet will contain instructions on the use of the spreadsheet, where practical</li> <li>v. Input cells will be a different font color as other cells containing formulas within the spreadsheet.</li> </ol> </li> </ol> </li> <li>5. <b>Workflow of Change Control</b> <ol style="list-style-type: none"> <li>a. When changes are made to Complex Spreadsheets, the following practices must be administered:</li> </ol> </li> </ol>			

PROCEDURE STANDARDS FOR FINANCIAL SPREADSHEETS



Spreadsheet/Database Control Procedures

- i. Changes to Complex Spreadsheets must be recorded within the Revisions Log of such spreadsheet. A template will be provided to capture all necessary information when recording any changes to Complex Spreadsheets.
  - ii. Names of person(s) requesting, authorizing, testing and approving changes must be recorded within the Revisions Log.
  - iii. Changes to Complex Spreadsheets can be requested by anyone within the group
  - iv. All changes to Complex Spreadsheets must be authorized by the person who maintains the spreadsheet. If the person who maintains the spreadsheet is also the person requesting the change, authorization to make the change must be received by his or her direct report.
  - v. Changes to Complex Spreadsheets will be made by the person who maintains the spreadsheet.
  - vi. Testing of changes to Complex Spreadsheets will be performed by someone other than the person making the change.
    - 1. Proliance IQ or Spreadsheet Compare will be used to test any changes within the spreadsheet whenever necessary.
    - 2. All testing results (pass or fail) will be kept for documentation purposes and will be readily available upon request. Location of such results is to be documented within the Revisions Log.
  - vii. Final Approval of any changes to a Complex Spreadsheet will be required by the direct report of the person making the change prior to any use of the spreadsheet.
- b. When changes are made to Databases classified as Complex, the following practices must be administered:
- i. Changes to Databases can be requested by anyone within the group
  - ii. All changes to Databases must be authorized by the person who maintains the spreadsheet. If the person who maintains the database is also the person requesting the change, authorization to make the change must be received by his or her direct report.
  - iii. Changes to Databases will be made by the person who maintains the database.
  - iv. Testing of changes to Databases will be performed by someone other than the person making the change.
    - 1. All testing results (pass or fail) will be kept for documentation purposes and will be readily available upon request.
  - v. Final Approval of any changes to a Database will be required by the direct report of the person making the change prior to any use of the spreadsheet.
6. **Data Retention and Archival Standard**
- a. Any spreadsheet or database used to produce information which impacted the financial statements and is no longer in use will be kept for a minimum of 7 years after the date in which it was last used.
  - b. Any spreadsheet or database used to produce information which impacted the financial statements and is no longer in use will be located in the following location and will be easily accessible upon request:  
\\oh0co007\treasury\GL\ARCHIVE\
7. **Owner of the Department/Business Group's Financial Spreadsheet/Database Control Procedures**
- a. Euren Carter & Jason Cash will be responsible for creating, maintaining and enforcing the Financial Spreadsheet/Database Control Procedures set forth by Regulated Accounting.

Approved By

## APPENDIX G

### Section 2 - Inventory Procedures

\_\_\_\_\_ Has a list of Minimum and Complex Financial Spreadsheets been provided to Financial Reporting when requested? Groups without spreadsheets must still provide a response to Financial Reporting.

\_\_\_\_\_ Have new spreadsheets been evaluated to determine if they are within the scope of the Financial Spreadsheet Policy? If yes, they must be further evaluated to identify if they are Minimum, Complex, or excluded from the inventory.

\_\_\_\_\_ Have existing spreadsheets that have been modified been re-assessed using the Figure 1 - Decision Tree?

### Section 3 - Access Control

\_\_\_\_\_ Do only the owner and changers have write/modify access to Financial Spreadsheets?

\_\_\_\_\_ Have other groups/users that utilize Financial Spreadsheets been granted read-only access?

\_\_\_\_\_ Has IT access been limited to "NA Data Support Restricted"?

\_\_\_\_\_ Have access controls been reviewed, documented, and remediated as necessary on the same quarterly cycle as used to inventory spreadsheets?

### Section 4 - Naming Conventions

\_\_\_\_\_ Has the business group established and documented a naming convention?

### Section 5 - Spreadsheet Design

\_\_\_\_\_ Use of a "Revisions Log" worksheet for Complex Spreadsheets with the following information:

- \_\_\_\_\_ Name of person requesting change
- \_\_\_\_\_ Name of person authorizing the change
- \_\_\_\_\_ Purpose of the change
- \_\_\_\_\_ Name of person making the change
- \_\_\_\_\_ Location of testing details
- \_\_\_\_\_ Name of tester/approver
- \_\_\_\_\_ Date approved
- \_\_\_\_\_ New active filename/version

\_\_\_\_\_ Use of a "General Documentation" worksheet with the following information:

- \_\_\_\_\_ Description of the purpose/use of the spreadsheet/workbook
- \_\_\_\_\_ Listing of all linked data sources for the workbook
- \_\_\_\_\_ Listing of Spreadsheet/Workbook Owner and Spreadsheet Changer(s)
- \_\_\_\_\_ Date of most recent design verification and person responsible
- \_\_\_\_\_ User instructions (optional)

PROCEDURE STANDARDS FOR FINANCIAL SPREADSHEETS

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- \_\_\_\_\_ Do cell entries consist of a number or a formula, but not both (unit of measure conversions excluded)?
  
- \_\_\_\_\_ Do spreadsheets printed for documentation purposes contain a footer that includes the file name, path, and date/time printed?
  
- \_\_\_\_\_ Are entry fields and formulas clearly labeled?

### **Section 6 - Testing and Change Control**

- \_\_\_\_\_ Has initial baseline testing been performed with Prodiance Spreadsheet IQ on all Minimum and Complex Spreadsheets to be sure they are functioning as intended?
  
- \_\_\_\_\_ Are change control standards in place and being used on all Complex Spreadsheets, including the utilization of a Revisions Log?
  
- \_\_\_\_\_ Has evidence of baseline and change control testing been documented?
  
- \_\_\_\_\_ Has authorization been granted within 30 days of the version being used in production (Baseline testing for pre-existing financial spreadsheets must be done by August 31, 2009 for both Complex and Minimum)?

### **Section 8 - Departmental Master Financial Spreadsheet Control Document**

- \_\_\_\_\_ Has a Master Control Document been created with the following information?:
  - \_\_\_\_\_ Location of Master Inventory of all Financial Spreadsheets
  - \_\_\_\_\_ Format/location of Access Control review documentation
  - \_\_\_\_\_ Naming Convention standards
  - \_\_\_\_\_ Spreadsheet Design standards
  - \_\_\_\_\_ Change Control workflow details and owner/approvers
  - \_\_\_\_\_ Name of the Owner of the department's Financial Spreadsheet Control Procedures

### **Section 9 - Implementation Timeframe**

- \_\_\_\_\_ Are standards for the following items currently in place?
  - \_\_\_\_\_ Inventory
  - \_\_\_\_\_ Access Controls
  - \_\_\_\_\_ Testing & Change Controls
  - \_\_\_\_\_ Data Retention
  
- \_\_\_\_\_ Are standards for the following items on pace to be implemented by June 2010?
  - \_\_\_\_\_ Naming Conventions
  - \_\_\_\_\_ Spreadsheet Design (except Revisions tab which is effective immediately)
  - \_\_\_\_\_ Master Control Document

## APPENDIX H

The following elements must be tested and/or reviewed using Proliance Spreadsheet IQ (SSIQ) to complete the baseline testing for financial spreadsheets as addressed in section 6.1 of this Procedures Standards document. **See note below for requirement details for testing that will be completed prior to 9/1/09.**

Items that should be identified in the baseline testing are:

**a) Formula Issues**

- i. Inconsistent Formulas
- ii. Duplicate Formulas
- iii. Negative Defined
- iv. Referencing External Workbooks
- v. Formulas Referencing Text Cells
- vi. Formulas Referencing Hidden Cells
- vii. Without Cell References
- viii. With Nested IF Statements
- ix. With Textual Constants
- x. With Numeric Constants
- xi. With Textual Values
- xii. With Logical Values
- xiii. With Errors
- xiv. Array formulas
- xv. Range Diagnostics for Named Items (found in the "Ranges" selection area in SSIQ)

**b) Structural Issues**

- i. Applied Color Scheme version of workbook
- ii. Range Diagnostics for Hidden Rows & Columns
- iii. Worksheet Relationship Diagram

**c) Code/Script Module Issues**

- i. Warnings

**d) Data Connection Issues**

- i. Workbook Relationship diagram

**e) Calculated Value Issues**

- i. See Formula Issues above.

**f) Cell Issues**

- i. Unused input cells for data omission errors
- ii. Invisible cells
- iii. With numerics stored as text
- iv. With conditional formatting
- v. With validation criteria
- vi. With dependents that contain formulas

**NOTE:** *Any errors detected during this analysis are to be properly remediated by the business group. Changes made to a Complex spreadsheet to remediate baseline errors must be captured in the Revisions Log; the Standard for Financial Spreadsheet Change Control is required only for Complex spreadsheets.*

*For the transition period leading to SOX Spreadsheet Controls testing in September 2009, only items i-xv in section a) above are required. Beginning 9/1/09, any baseline testing for new financial spreadsheets should demonstrate a review of all items listed in sections a-f above. Significantly redesigned/re-engineered spreadsheets shall be treated as new spreadsheets. Check with ASD if you have questions.*



# Addendum: Procedure Standards for Financial Databases

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## Revision History

Date	Version	Description	Author
02/01/2010	1.0	Release of Procedure Standards for Financial Databases	Bethany McCrea
03/17/2010	2.0	Modifications made based on input from team members.	Brenda Ritchie
04/13/2010	3.0	Transformed to Addendum to Procedure Standards for Financial Spreadsheets in response to team meeting	Kristen Schmid
04/15/2010	4.0	Incorporated Brenda's feedback	Kristen Schmid
04/22/2010	5.0	Minor grammar changes, established owner	Kristen Schmid
05/04/2010	6.0	Removed owner; marked final	Kristen Schmid

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## 1) INTRODUCTION

This addendum to the Procedure Standards for Financial Spreadsheets, entitled Procedure Standards for Financial Databases (“Financial Database Standards”) is issued to interpret and apply the provisions set forth in the AEP Financial Spreadsheet & Database Controls Policy (“Financial Spreadsheet Policy”) as it applies to AEP’s smaller financial databases. For the purpose of this document, “Financial Database” is defined as any MS Access application used for the processing or synthesis of critical financial data, data that is ultimately used for updating the ledger.

At AEP, MS Access has been implemented for the automated processing of financial data, not for data storage and retention. Therefore, manual review or modification of data can only be done outside of the Financial Database. In the event that MS Access begins to be used for data transformation and retention, data modification and maintenance should follow the guidelines delineated for spreadsheets with the Financial Spreadsheet Policy until this document is updated accordingly.

## 2) ACCESS CONTROL PROCEDURES

The existing IT Information Security Policy and associated Access Controls Standard remain in effect. Write/Modify access must be restricted to those responsible for development or modification of the Financial Database (“Database Administrators”). The number of individuals with developer access should be limited to the smallest feasible number. Each department is required to document the groups and individuals who have access to modify any Financial Database(s). An access review must occur and be documented on a quarterly basis on the same three month cycle that External Financial Reporting uses to inventory databases.

## 3) TESTING AND CHANGE CONTROL PROCEDURES

The following standards apply to those within the business groups that own one or more Financial Databases. Each business unit will be responsible to perform a qualitative analysis reporting various errors or potential problems within a database or group of databases.

### 3.1) Standard for Establishing Database Baseline

All Financial Databases require an initial assessment to ensure that the database is functioning as intended. The individual(s) with primary compliance oversight for the business unit utilizing the Financial Database (i.e. the “Database Owner”) will be responsible for substantiating that the Financial Database is performing as expected and its output is accurate.

An overview of the application shall also be documented for future use in maintenance and auditing of the database. The following detail shall be included:

- A high level description of the Financial Database to include its intended purpose.
- A high level flow of the data processed by the Financial Database depicting input(s) along with origin, summarized processing steps, and output(s) with intended use by the receiver(s),
- A business summary of the logic the Financial Database follows during its processing.

Baseline testing and Financial Database overviews are required initially for both new and existing databases. Baseline testing must follow the standards noted in section 3.3. Financial Database overviews should be kept in the same location as the MCD described in section 4.

### 3.2) Standard for Financial Database Change Control

This standard applies to all Financial Databases. Change controls are required for any change to the Financial Database affecting critical data elements. Changes to the database shall be entered in a centralized log ("Change Log") which can be made accessible to audit upon request. Logging of changes is not required when making simple formatting changes or when using the Financial Databases for different input values or periods.

The following steps must be followed when making changes:

**1) Change request is made** [it is conceivable that any person in the business unit might suggest a change to a Financial Database the business group uses]

**2) Change request is authorized**

- Person requesting change and reason for change are noted in the Change Log.
- Person granting authorization is recorded in the Change Log.

**NOTE:** *It is up to each business group's management to determine which individual(s) within that hierarchy has approval authorization to initiate or give final approval of changes to Financial Databases.*

**3) Change is executed**

- Database Administrator makes modification to database and performs initial testing.
- Database Administrator changes are documented in the Change Log.
- Database Administrator and Owner update overview documentation in accordance with version control standards.

**4) Change is verified**

- Change is validated by a designated Business Unit database tester (not the person who modified the file).
- Database tester name and the location of test results are noted in the Change Log (results of failed testing should also be kept).

**5) Change is approved**

- Approval is received from a designated individual (not the person who modified the Financial Database).
- Person granting approval and date of approval is noted in the Change Log.
- Approval is required within 30 days of the Financial Database being used in production.

**6) New version is placed in production**

- Updated Financial Database is renamed in the production LAN directory for business use.
- New Active Name/Version is recorded in the Change Log.
- Previous version is identified as a past version and placed in a separate directory so it will not be used mistakenly in a current or future period.
- Each department should adhere to its data retention/archival obligations.

### 3.3) Standard for Financial Database Testing Evidence

This section provides additional details related to baseline testing as described in section 3.1 and on-going change control testing as described in section 3.2 (step 4).

Business Unit testers must document the appropriate and necessary testing evidence to substantiate that proper testing and validation of the Financial Database has occurred. Effective testing will accomplish the following objectives:

- a) Evidence that testing has occurred
- b) Evidence that the testing performed is appropriate
- c) Evidence that the tester is a different individual than the Database Administrator

### 3.4) Standard for Authorization

This section provides additional details related to baseline testing as described in section 3.1, and on-going change control testing as described in section 3.2 (step 5).

Review and confirmation of database integrity is necessary within 30 days of the version being used in production.

The designated departmental authority shall provide signoff authorization once he or she is satisfied that proper testing was conducted and appropriate evidence exists to substantiate that conclusion.

### 3.5) Standard for Preventing Unauthorized Changes

Owners of Financial Databases must establish a controlled environment that prevents the occurrence of unauthorized or unintentional changes to these files. This may be achieved through:

- **Highly restricted access** so that only the Database Administrator can modify the databases,  
**OR**
- **Detective controls** using the other analysis tools on a periodic basis.

## 4) MASTER FINANCIAL DATABASE CONTROL DOCUMENT ("MASTER CONTROL DOCUMENT" / "MCD")

Business groups with Financial Databases must create a document detailing how the business group fulfills the various requirements within the Financial Databases Standards with respect to access control, change control, file paths, etc. This document shall be identified and stored in a departmental shared drive and accessible to audit upon request.

The global information that is to be contained in this document is as follows:

- a) **Location of Master Inventory** of all Financial Databases
- b) **Format/location of Access Control review documentation**
- c) **Naming Convention** Standard detail requirement information
- d) **Change Control workflow** details and owner/approvers
- e) **Name of the Owner of the department's Financial Database Control Procedures**

## 5) IMPLEMENTATION TIMEFRAME

The standards described in this document may be adopted throughout the coming months, and must be fully integrated into Financial Databases by September 2010. This requirement shall apply to current period, future, and modified Databases. Databases previously created and no longer in use for current periods are not required to comply with these standards.

A summary of specific documentation to be completed by September 2010 includes:

- Revise and document secured access to comply with Access Control Procedures (Sec. 2)
- Complete and document baseline testing (Sec. 3)
- Document the application overview (Sec. 3)
- Document the MCD (Sec. 4)
- Develop and utilize Change Log (Sec. 3)



## Financial Spreadsheet & Database Controls Policy

<b>Title</b>	Financial Spreadsheet & Database Controls Policy	<b>Date</b>	October 1, 2014
<b>Author:</b>	Joe Buonaiuto Chief Accounting Officer	<b>Sponsoring Area</b>	Accounting

### Purpose

To establish the requirements for 1) Access controls, and 2) Change controls for "Financial Spreadsheets and Access Databases" that meet one or more of the following three criteria:

- Spreadsheet or database is used to support a primary SOX 404 control activity;
- Spreadsheet or database is used in the preparation or support of manual journal entries recorded in the general ledger; or
- Spreadsheet or database is used in the preparation of financial statements and/or footnotes.

and which "manipulates data in a moderate to complex manner such that verification of results is difficult". See page 4 – Figure 1. Access and change controls are designed to prevent and/or detect errors arising from the design and use of Financial Spreadsheets and Financial Databases across the enterprise. The selection of subject spreadsheet and database files reflects a risk-based approach.

### Policy Statement:

#### **POLICY:**

The purpose of this policy is to ensure that the following controls are in place, as applicable to Financial Spreadsheets (Microsoft Excel spreadsheets or similar applications) and Financial Databases (Microsoft Access databases or similar user-controlled applications – excludes those that are centrally controlled by IT such as SQL Server, DB2, or Oracle databases).

This policy applies to Financial Spreadsheets and Databases as defined within, and represents a risk-based approach. If the Business Unit determines that these manipulate data in a moderate to complex manner, then the Sharepoint application should be used for access and change controls. If the spreadsheet and database files do not manipulate data in a moderate to complex manner then access should be appropriately controlled through the Business Unit's normal secured file server locations.

Compliance with this policy is mandatory.

#### **Measure 1 - Access Control (Minimum & Complex)**

The existing IT Information Security Policy and associated Access Controls Standard remain in effect.

Additionally:

- Spreadsheets located in SharePoint must be reviewed quarterly to ensure that only the owner and designated changers can modify files.
- Databases must be located in a network folder in which only the owner and designated changers can modify the file.



## Financial Spreadsheet & Database Controls Policy

- Adequate protection of Financial Spreadsheets/Databases must be used to prevent unauthorized or unintentional updates or changes.
- The Business Unit owner is responsible for ensuring that the applicable controls have been implemented, including timely access control review and any necessary remediation
- **NOTE:** For further details on how to achieve this, reference the Procedure Standards for Financial Spreadsheets and Financial User-Controlled Databases.

### Measure 2 - Change Control (Complex Only)

- A formal change control process is required each time substantive changes are made to Financial Spreadsheets– anything impacting logic, structure, or output of the spreadsheet.
- Formal sign-off is required to validate that the change is functioning as intended within the spreadsheet's next usage in production.

**NOTE:** For further details on how to achieve this, reference the Procedure Standards for Financial Spreadsheets.

### Measure 3 – General Spreadsheet/Database Control (Minimum & Complex)

- Financial Spreadsheets should conform to the design standards defined in the Procedures Standards for Financial Spreadsheets.
- Financial Databases should conform to the design standards defined in the Procedures Standards for Financial User-Controlled Databases.
- Departments must ensure all data retention and archival requirements are met.

**NOTE:** For further details on how to achieve this, reference the AEP User Guide For Financial Spreadsheet Controls with SharePoint 2010.

Procedures for the above measures will go into effect for business activity going-forward as of the release of this policy update.

### SPREADSHEET REVIEW & CLASSIFICATION:

A two pronged, risk-based assessment of spreadsheets will be performed using the Decision Tree (found in Figure 1) and the corresponding Spreadsheet Risk Assessment Template in Figure 2. It is the responsibility of the spreadsheet owner to classify the spreadsheet as either Minimum or Complex, if the evaluation results require.

- A complete review including testing of the formulas and logic is required after the creation of a new Financial Spreadsheet/Database and before it is used for its intended purpose.
- The spreadsheet risk assessment template (Figure 2) should be used to classify spreadsheets as Minimum or Complex, as needed. If the business group elects to default a spreadsheet to Complex it is not necessary to complete the Risk Assessment Template for that file.
- A spreadsheet will be considered Complex unless there is evidence to support only the Minimum standards apply as supported by the spreadsheet risk assessment template.



## Financial Spreadsheet & Database Controls Policy

- The application of these standards should be evaluated on a reasonable basis by the owner. The owner may elect Minimum standards regardless of the graded score; however, rationale for such election for spreadsheets with a score of 6+ must be documented along with the template.
- If the spreadsheet is modified significantly, the owner must utilize the spreadsheet risk assessment template (Figure 2) to re-classify the spreadsheet as either Minimum or Complex.
- Each department must be prepared to present the rationale for any financial spreadsheet that has been excluded from being covered by the policy.

### **DATABASE REVIEW & CLASSIFICATION:**

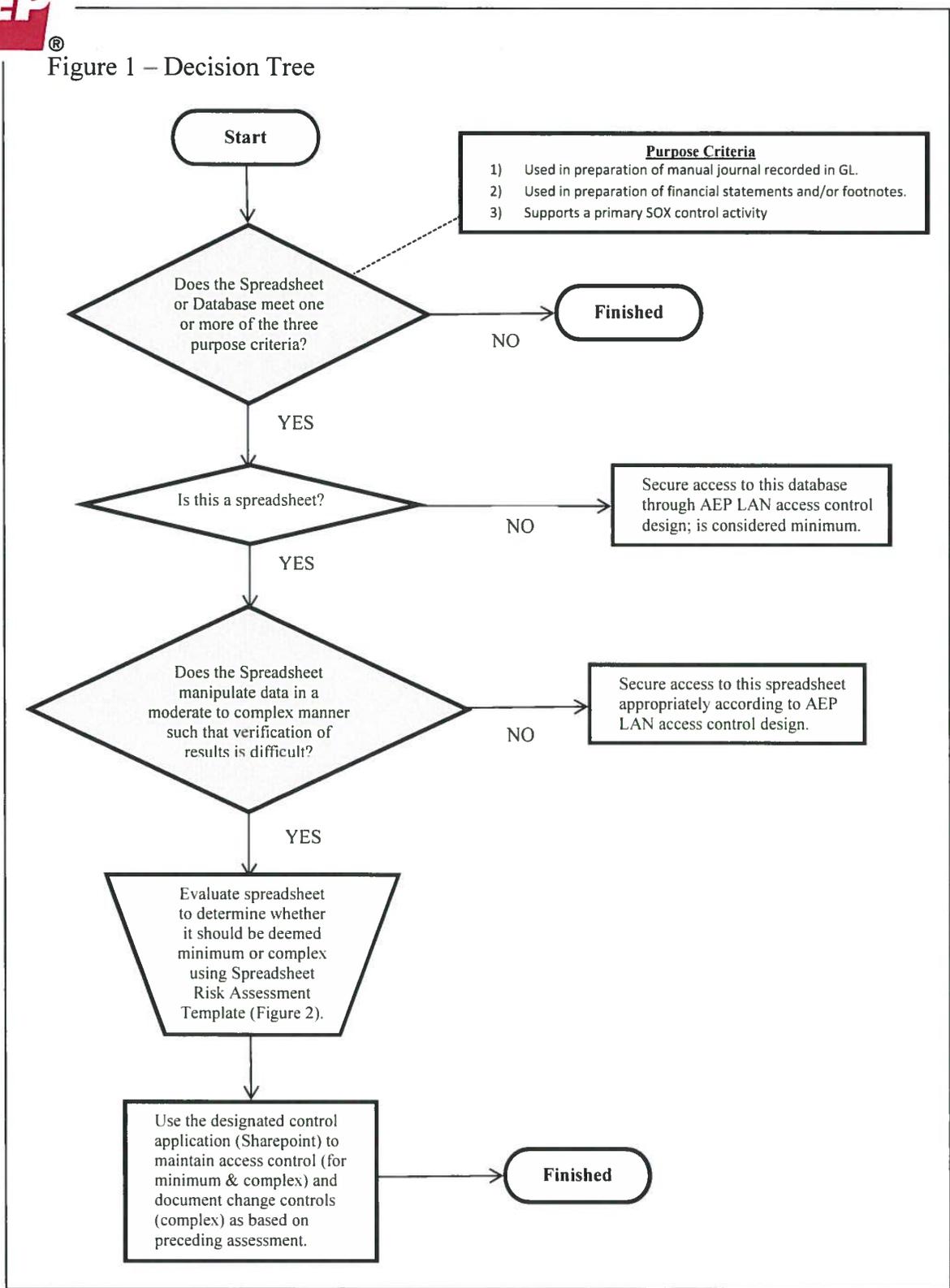
An assessment of databases will be performed using the Decision Tree (found in Figure 1)

- A complete review including testing of the formulas and logic is required after the creation of a new Financial Database and before it is used for its intended purpose.
- All user-controlled Financial Databases will be considered Minimum.
- Each department must be prepared to present the rationale for any financial database that has been excluded from being covered by the policy.



## Financial Spreadsheet & Database Controls Policy

Figure 1 – Decision Tree





## Financial Spreadsheet & Database Controls Policy

**Figure 2 - Financial Spreadsheet Risk Assessment Template**

			Risk Values		
	Risk Factors	Comments	Response	Score	Maximum Score
1	Is the spreadsheet used as a model or for modeling? (model variables are input in order to attempt to predict a future result)	Yes = 1 point No = 0 points			1
2	Does the spreadsheet contain data-transforming macros? (Excluding Print Macros)	Yes = 2 points No = 0 points			2
3	Does the spreadsheet contain V-lookups or H-look-ups?	Yes = 1 point No = 0 points			1
4	Does the spreadsheet contain IF statements?	Yes, Nested = 2 pts Yes = 1 point No = 0 points			2
5	Does the spreadsheet have links between its own worksheets?	Yes = 1 point No = 0 points			1
6	Is the spreadsheet linked to another data source?	Yes = 1 point No = 0 points			1
7	Does the spreadsheet contain information considered material?	Yes = 2 points No = 0 points			2
8	Has adequate training been provided for the person who owns/supports the spreadsheet?	Yes = 0 point No = 1 points			1
9	How often are modifications made to the formulas or macros within the spreadsheet?	Annually = 0 points Quarterly = 1 point Monthly = 2 points Weekly = 3 points			3
<b>Total Score</b>					<b>14</b>
<b>Spreadsheet Classification</b>		Enter Minimum or Complex			
Risk Grading Scale:		<b>Minimum = 0-5 pts</b>	<b>Complex = 6+ points</b>		

Path & Name of File Assessed: \_\_\_\_\_

Assessment Date: \_\_\_\_\_

Assessor's Name: \_\_\_\_\_

If the spreadsheet evaluates to Complex, but you choose a Minimum Classification, explain your reasoning here:



## Financial Spreadsheet & Database Controls Policy

### Definitions:

**Owner:**

The term "Owner" refers to individuals assigned ownership responsibilities for any Financial Spreadsheet or Database. The Owners will have the role of primary compliance oversight for their business group. This responsibility primarily belongs to the business group management team.

**Changer:**

Changers are individuals who create or modify Financial Spreadsheets or Databases and provide other support services for owners and users of information.

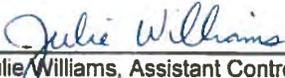
**Change Control:**

Change Control is a set of procedures put in place to ensure that any substantive changes to Financial Spreadsheets or Databases are authorized and properly tested before being put into production; also used to ensure that only those changes explicitly authorized and approved are made.

**Nested IFs:**

Nested IFs refers to a coding design in which an IF function is used as one of the arguments of another IF function. There can be multiple layers of nesting. Any spreadsheet containing more than one IF layer should be scored as nested.

### Approved By:

  
Julie Williams, Assistant Controller

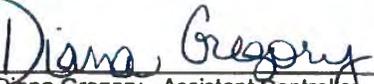
10/22/14  
Date

  
Tom Mitchell, Managing Director  
Regulatory Accounting Services

10/29/14  
Date

  
F. Scott Travis, Assistant Controller

10/28/14  
Date

  
Diana Gregory, Assistant Controller

10/23/14  
Date

  
Jeffrey Hoersdig, Assistant Controller

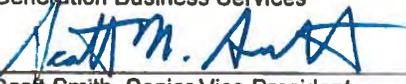
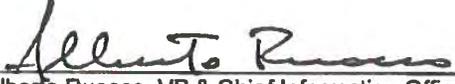
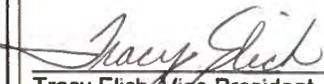
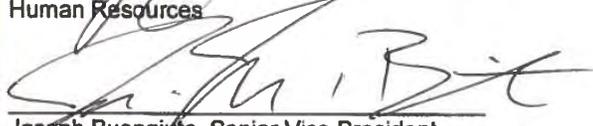
10/28/14  
Date

  
Mark Pyle, Vice President  
Tax

10/29/14  
Date



## Financial Spreadsheet & Database Controls Policy

 Tom Myers, Vice President Commercial & Financial Analysis - Competitive	<u>10/22/14</u> Date
 Eric James, Vice President Commercial & Financial Analysis - Regulated	<u>10/29/14</u> Date
 Thomas Kirkpatrick, Vice President Customer Services, Marketing & Distribution Services	<u>10/29/14</u> Date
 Randall Gaudio, Director-Financial Management Generation Business Services	<u>10/29/14</u> Date
 Scott Smith, Senior Vice President Transmission Grid Development & Portfolio Services Admin.	<u>11/3/14</u> Date
 Alberto Ruocco, VP & Chief Information Officer Information Technology	<u>10/30/14</u> Date
 Tracy Elich, Vice President Human Resources	<u>11/3/14</u> Date
 Joseph Buonaiuto, Senior Vice President Controller and Chief Accounting Officer	<u>11/3/14</u> Date
<b>Review/Revision:</b>	
Draft Created by Ram Sastry on 5/18/2006. Modified on 10/15/08 based upon the SOX Spreadsheet Control project that started in the Spring of 2008. Policy was modified and re-written based on the project's activities and feedback from the core project team, Governance Board, and Executive Sponsors On 6/3/2009, a new policy was finalized by the project team and Governance Board, aimed at adding clarity and improved applicability. Modified on 5/7/12 based upon the SOX Spreadsheet Control project that was started in Spring 2011. Policy was modified based on the project's activities related to moving all Financial Spreadsheet to SharePoint and feedback from members of the project team, Audit, and Executive Sponsors. Update drafted in September 2014 to sync up Figure 1 with policy language. In October 2014, updated policy was finalized by the project team and approved by Executive Sponsors.	

**Figure 2 - Financial Spreadsheet Risk Assessment Template**

Figure 2 - Financial Spreadsheet Risk Assessment Template					
			Risk Values		
	Risk Factors	Comments	Response	Score	Maximum Score
1	Is the spreadsheet used as a model or for modeling? (model variables are input in order to attempt to predict a future result)	Yes = 1 point No = 0 points			1
2	Does the spreadsheet contain data-transforming macros? (Excluding Print Macros)	Yes = 2 points No = 0 points			2
3	Does the spreadsheet contain V-lookups or H-look-ups?	Yes = 1 point No = 0 points			1
4	Does the spreadsheet contain IF statements?	Yes, Nested = 2 pts Yes = 1 point No = 0 points			2
5	Does the spreadsheet have links between its own worksheets?	Yes = 1 point No = 0 points			1
6	Is the spreadsheet linked to another data source?	Yes = 1 point No = 0 points			1
7	Does the spreadsheet contain information considered material?	Yes = 2 points No = 0 points			2
8	Has adequate training been provided for the person who owns/supports the spreadsheet?	Yes = 0 points No = 1 point			1
9	How often are modifications made to the formulas or macros within the spreadsheet?	Annually = 0 points Quarterly = 1 point Monthly = 2 points Weekly = 3 points			3
<b>Total Score</b>					<b>14</b>
<b>Spreadsheet Classification</b>		Enter Minimum or Complex			
Risk Grading Scale:		<b>Minimum = 0-5 pts</b>		<b>Complex = 6+ points</b>	

Path & Name of File Assessed: \_\_\_\_\_

Assessment Date: \_\_\_\_\_

Assessor's Name: \_\_\_\_\_

If the spreadsheet evaluates to Complex, but you choose a Minimum Classification, explain your reasoning here:



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Journal Entry Control – External Sources	<b>Date</b>	03/13/2006
<b>Author:</b>	Scott Krawec	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### Purpose

This policy governs the control over journal entries that are either prepared by an external source, or the data used to compile the entry is provided by an external source, excluding data provided from AEP systems.

### Policy/Procedure Statement

The general policy is as follows:

Journal entries proposed by external sources are independently reviewed by the provider's Supervisor, Manager or other knowledgeable independent reviewer, before they are processed by ledger accountants and G/L Supervisors or Managers. Evidence of supervisory sign-off is maintained with the journal entry support provided to the ledger accountants as defined below. Sign-off is not required if a separate control activity governs the provider's proposed journal entry or the journal entry is documented as an immaterial process. Evidence of these exclusions must be maintained on standard journal listings maintained by the ledger groups. Immateriality is based on the ledger group's judgment considering qualitative and quantitative factors including the results of the SOX 404 risk assessment.

The definition of an external source is any person within AEP that is outside of your particular accounting group. Third parties outside of AEP do not fall under this policy.

Process for compliance:

- 1) Maintain updated standard JE list.
- 2) Identify which JEs meet the criteria as being supplied by "external sources".
- 3) Identify which of the outside JEs can be considered immaterial.
- 4) Of the remaining JEs, identify the SOX control activity, if any, around the entry and/or data. Incorporate the SOX control activity within the standard JE list.
- 5) Of the JEs that have no control activity, identify the supervisor/manager/other knowledgeable independent reviewer that will be required to provide sign-off. Incorporate the reviewer name within the standard JE list.
- 6) Establish procedure with supervisor/manager/other knowledgeable independent reviewer to obtain sign-off monthly. Having the external source include a "cc" to a supervisor/manager/other knowledgeable independent reviewer when they send the JE/data would suffice.
- 7) Maintain sign-off evidence in the ledger group.



## Accounting Policy/Procedure

<sup>®</sup> Compliance timeline:

- Compliance around JEs provided directly by external sources – December 2005 closing.
- Compliance around data provided by external sources – March 2006 closing.

### Approved By

**Assistant Controller, Utility General & Regulatory Accounting – Sandra Bennett**

*Signature* *Signature on file* \_\_\_\_\_ *Date* \_\_\_\_\_

**Assistant Controller, Utility Energy & Commercial Accounting – Tom Myers**

*Signature* *Signature on file* \_\_\_\_\_ *Date* \_\_\_\_\_

**Managing Director, Accounting Operations – Susan Higginson**

*Signature* *Signature on file* \_\_\_\_\_ *Date* \_\_\_\_\_

**Managing Director, Financial Reporting – Becky Buonavolonte**

*Signature* *Signature on file* \_\_\_\_\_ *Date* \_\_\_\_\_

**Senior Vice President and Chief Accounting Officer – Joe Buonaiuto**

*Signature* *Signature on file* \_\_\_\_\_ *Date* \_\_\_\_\_



## Accounting Policy Procedure

<b>Policy/Procedure Title</b>	LATE JOURNAL ENTRIES	<b>Date</b>	September 12, 2013
<b>Author:</b>	Financial Reporting (Revised September, 2013)	<b>Status:</b> (Draft, Under Review, Approved)	APPROVED
<b>Purpose</b>			
<p>This policy/procedure has been established to facilitate the evaluation of issues that occur after the initial closing deadlines. This will ultimately result either a late journal entry or a passed adjustment. A late journal entry is defined as any entry recorded to the PeopleSoft "ACTUALS" General Ledger after pre-established closing deadlines which are described in more detail below. This policy also describes the process around gathering information on all adjustments being passed by accounting if the potential entry(s) is deemed as not being material. The passed adjustments will be reviewed individually and aggregated for review in total in accordance with the Financial Reporting materiality assessment policy to ensure that the financial statements properly reflect the results of operations for all reporting entities. These items will be reviewed for assessment of quantitative or qualitative factors as described below.</p>			
<b>Policy/Procedure Statement</b>			
<p>Approval by the Controller and Chief Accounting Officer (CAO) needs to be obtained to book a late journal entry or to not record the entries that were accumulated and passed on for a given reporting period.</p> <p>A journal entry is considered late if it is posted to the general ledger after the following deadlines:</p> <ul style="list-style-type: none"> <li>• 3 p.m. on Day 3 of closing for entries affecting operation and maintenance (O&amp;M) (valid but not posted entries excepted)</li> <li>• 3 p.m. on Day 5 of closing for all other pre-tax journal entries affecting net income. Adjustments to the O&amp;M Day 3 close will be recorded and should generally be the result of additional information becoming available such as but not limited to the PJM bill, ETCRR results or other estimates used to book Day 3 entries.</li> <li>• 6 p.m. on Day 5 of closing for all tax entries affecting net income (3 p.m. on Day 6 for December closing only)</li> <li>• Noon on Day 7 of closing for any balance sheet entries (5 p.m. for consolidation entries)</li> <li>• Exceptions will be allowed for 1) unforeseen delays in the overall closing schedule as determined by the Manager of Consolidations (e.g., system, weather, business continuity, Feeder system delays, etc.) and 2) year-end entries which are iterative and must be preceded by a preliminary net income calculation (e.g., incentive compensation adjustment).</li> <li>• The ICP accrual is based off the final EPS and thus makes the accrual and the final EPS number an iterative process. If the recorded ICP accrual is outside a plus or minus \$5 million pre-tax difference after the initial Day 5 close, the accrual will be adjusted via a late entry.</li> </ul> <p>There are two alternatives for issues identified after the closing deadlines covered by this policy:</p> <ul style="list-style-type: none"> <li>• The first are issues deemed material. The ledger is re-opened and the entries are recorded</li> <li>• Second are those issues that are initially passed, due to immateriality. Those issues will be summarized and recorded in the next month's closing cycle.</li> </ul>			



## Accounting Policy Procedure

Items determined to be material will be recorded to the financial statements.

The individual and aggregated immaterial items that were initially not recorded will also be subject to a qualitative review. A small misstatement should be recorded if it meets the following considerations:

- Whether the misstatement masks a change in earnings or other trends.
- Whether the misstatement hides a failure to meet analysts' consensus expectations for the enterprise.
- Whether the misstatement changes a loss into income or vice versa.
- Whether the misstatement concerns a segment or other portion of the registrant's business that has been identified as playing a significant role in the registrant's operations or profitability.
- Whether the misstatement affects the registrant's compliance with regulatory requirements.
- Whether the misstatement affects the registrant's compliance with loan covenants or other contractual requirements.
- Whether the misstatement has the effect of increasing management's compensation — for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the misstatement involves concealment of an unlawful transaction.

This is not an exhaustive list of the circumstances that may impact the materiality of a relatively small misstatement.

For those items deemed material or preferable, by an accounting or tax group manager, the following procedures will be followed.

- The proposed late journal entry should be sent to the appropriate accounting department head (Assistant Controller) with a copy sent to the Manager of Consolidations, the Director of Management Reporting and the Director-Tax Accounting & Regulatory Support.
- The email must include a brief description of the proposed entry, the entity(s) affected, the account(s) involved and the dollar amount as presented on the proposed late journal entry template (below).
- When reviewed and approved by an Assistant Controller, the proposed late journal entry will be presented by the Assistant Controller to the CAO with explanation of why the proposed entry should be considered and all the pertinent information.
- When reviewed and approved by the CAO, the Assistant Controller will send an email to the Manager of Consolidations, the Director of Management Reporting and Director-Tax Accounting & Regulatory Support, communicating his or her approval.
- The accounting period will be reopened and the late journal entry(s) will be posted in the PeopleSoft General Ledger. The Manager of Consolidations will re-run the consolidations if appropriate.

The following procedure will be followed if a potential late entry is initially passed, due to immateriality. When a potential adjustment is identified, the accounting or tax manager shall keep a summary of each item, by subsidiary, and communicate the potential adjustment(s) to External Financial Reporting. External Financial Reporting will consolidate the adjustments, by subsidiary, to assess the materiality by subsidiary and AEP consolidated, as outlined in the External Financial Reporting materiality assessment policy.

Each adjustment submitted to External Financial Reporting shall include a brief description of the proposed entry, the entity(s) affected, the account(s) involved, and the dollar amount as presented on the proposed late journal entries template (below). As guideline item, the minimum dollar amount of each adjustment should be \$100,000 for an income statement item, and \$1



## Accounting Policy Procedure

million for a balance sheet item. These minimum guidelines are not applicable to AEG; all items for AEG should be submitted for review. These guidelines are subject to change; External Financial Reporting shall communicate changes to any guideline.

The items aggregated by Financial Reporting will be evaluated in total and compared to the applicable company's materiality threshold and qualitative factors outlined above.

If collectively the adjustments are deemed material to an entity by External Financial Reporting, the procedures to process the entries (bulleted steps noted above) shall be followed.

If collectively the adjustments are deemed immaterial to an entity by External Financial Reporting, the CAO will then review and approve not recording the aggregated entries prior to finalizing and filing the financial statements. Finally this approval will then be presented to the CFO and CEO during the Certification Meeting at quarter and year-ends for their concurrence.

### TEMPLATE FOR PROPOSED LATE JOURNAL ENTRY

The proposed late journal entry should contain all of the information below:

- Business Unit(s) Affected
- Account Number
- Account Description
- Debits
- Credits
- Amount
- Brief Description of proposed late journal entry

Example:

<u>BU</u>	<u>Account</u>	<u>Acct. Description</u>	<u>Amount</u>	
			<u>Debit</u>	<u>Credit</u>
215	1430087	PJM A/R Accrual	2,000,000.00	
215	4470101	PJM FTR Revenue		2,000,000.00

To accrue additional amounts associated with PJM FTR Revenues based on the PJM actual bill received on xx/xx/xx.



## Accounting Policy Procedure

### Approved by

#### Approval Signatures:

Handwritten signature of Andrew Reis in blue ink.

Andrew Reis, Assistant Controller

9/2013

Date

Handwritten signature of Mark Pyle in blue ink.

Mark Pyle, Vice President, Tax

9/12/13

Date

Handwritten signature of Julie Williams in blue ink.

Julie Williams, Assistant Controller

9/12/13

Date

Handwritten signature of John Huneck in blue ink.

John Huneck, Managing Director AP&R

9/12/13

Date

Handwritten signature of Joseph Buonaiuto in blue ink.

Joseph Buonaiuto, Controller & Chief Accounting Officer

9/12/13

Date

- Copy sent to Asst Controller – Financial Reporting
- Copy sent to Manager – Consolidations
- Copy sent to Director - Tax

## Proposed Late Journal Entry

<<Description of Late Journal Entry>>

Today's Date: January 31,20xx  
Proposed Date of Journal Entry: December 31, 20xx

Purpose of entry: To record . . .

**Journal ID:** \_\_\_\_\_ **Journal Date:** December 30, 20xx  
**Business Unit Number/Name:** << BUxxx>> << BU Name >>

Debit	219xxxx – Account Title	\$ x,xxx,xxx.xx
Credit	123xxxx – Account Title	(\$ x,xxx,xxx.xx)

In addition, consolidation and elimination entries will be made in conjunction with this late entry

*Reminder: Account Reconciliations and BS Reviews will need to be re-assessed.*

Approved by:	Signature:	Date:
Name of Director	_____	_____
Name of Asst. Controller	_____	_____
Joseph M. Buonaiuto	_____	_____



## Accounting Policy

<b>Policy Title</b>	Journal Entry Preparation, Review, and Approval Policy	<b>Date</b>	11/25/19
<b>Author:</b>	Jeffrey Hoersdig, Scott Travis	<b>Status:</b>	FINAL

### **Purpose**

The purpose of this policy is to document the requirements for preparation, review, and approval of online and upload journal entries recorded in the “Actuals” ledger.

This policy supports the following internal controls, which function to mitigate the risk that journal entries may be inaccurate or incomplete:

**FC.TRANS.STDJE.028 Approval of High-Risk Journal Entries**

*All manual PeopleSoft journal entries designated as high-risk are independently reviewed and approved by an applicable AEP accountant, supervisor, or manager prior to posting. In addition, standard journal entry listings are maintained, per the Journal Entry Preparation, Review and Approval policy, by each Accounting Manager, Supervisor or Administrator to ensure all standard journal entries have been posted.*

**FC.TRANS.STDJE.034 Approval of Low-Risk Journal Entries**

*All manual PeopleSoft journal entries designated as low-risk are independently reviewed and approved by an applicable AEP or Accenture accountant, supervisor or manager prior to posting. In addition, standard journal entry listings are maintained, per the Journal Entry Preparation, Review and Approval policy, by each Accounting Manager, Supervisor or Administrator to ensure all standard journal entries have been posted.*

### **Policy/Procedure Statement**

**Journal Entry Preparation and Supporting Documentation**

The journal entry should include:

- A journal entry header description that fully explains the purpose of the journal entry. The header capacity of 250 characters provides ample space to accommodate a full description.
- A designation in the journal header Reference Number field indicating whether the entry is recurring (“REC”) or non-recurring (“NONREC”), in accordance with the Non-Recurring Journal Entry Approval policy.
- Appropriate documentation supporting the amounts and/or rationale for the journal entry. Documentation may include, but is not limited to, information provided by outside sources, computations and schedules prepared by AEP employees or their designee, spreadsheets, copies of previous journal entries, or internal documents such as memos or emails.
- The effective date of the entry, including an indication as to whether the entry is reversing or non-reversing. If reversing, the entry should indicate the date of reversal.

When deemed appropriate, though not a requirement, a preparer may also consider including a concise, meaningful journal line description to facilitate account analysis and account reconciliation.



## Accounting Policy

After the preparer has input the entry (either manually or via upload), the system combo edit/validation process should be run. Any necessary changes should be made in order to allow the entry to pass validation.

When the journal entry is complete, correct and valid, the preparer should take one of the following actions:

- Print a copy of the entry, sign it, then submit the entry along with supporting data to the approving manager or supervisor for further review, approval and posting.
- Create an electronic version (e.g. pdf file) of the entry and forward to the appropriate personnel responsible for further review, approval, and posting. (Electronic signatures, in the form of the user id and time/date stamp recorded in PeopleSoft at the time of entry creation and posting, will serve as a substitute to physical signatures provided on printed journal entries.)
  - Supporting detail may be included within the email, or a reference to where the data is electronically stored may be provided.

### Approval and Posting

- The approver shall review the entry to determine whether the entry is appropriate and correct in all aspects. Any identified deficiencies must be remedied by the preparer prior to approval. Once all deficiencies have been corrected, the approver shall sign the entry. (Electronic signatures, in the form of the user id and time/date stamp recorded in PeopleSoft at the time of entry creation and posting, will serve as a substitute to physical signatures provided on printed journal entries.)
- The approver may then post the entry, or mark it for posting, unless the entry requires additional approval as described in the Non-Recurring Journal Entry Approval policy. If additional approval is necessary, it should be obtained prior to posting and in the manner set forth in the Non-Recurring Journal Entry Approval policy. In certain circumstances, especially when time is of the essence, an entry may be posted prior to obtaining the additional approval(s). In all circumstances, these approvals must be subsequently obtained.
- Posting the entry or marking the entry for posting signifies agreement that all preparation, documentation and approval requirements have been met.
- Generally, journal entries should only be posted or marked for posting by the group responsible for the entry.
- Recurring and Non-recurring journal entries classified as “High Risk” are subject to control FC.TRANS.STDJE.028 Approval of High-Risk Journal Entries and require review, approval and posting by an AEP accountant, supervisor or manager.
- Recurring and Non-recurring journal entries classified as “Low Risk” are subject to control FC.TRANS.STDJE.034 Approval of Low-Risk Journal Entries and require review, approval, and posting by either an AEP or an Accenture accountant, supervisor or manager.
- Non-recurring journal entries over a certain company-specific threshold are subject to additional approval requirements. Refer to Non-Recurring Journal Entry Approval policy for complete information.



## Accounting Policy

### **Standard Journal Entry Listing**

- Each Accounting Group responsible for recording recurring journal entries is required to maintain a Standard Journal Entry Listing. Standard journal entries are defined as recurring entries that do not meet the definition of a non-recurring journal entry. Standard journal entries should be labeled by the entry preparer in the journal header Reference Number field as “REC”. Conversely, non-recurring entries should be labeled as “NONREC.” Refer to the Non-Recurring Journal Entry Approval Policy.
- The Standard Journal Entry listing must contain all recurring entries, whether on a monthly, quarterly or yearly basis. The listing should indicate the due date (and time if applicable) for each entry to ensure that the entries are posted prior to any dependencies (O&M deadline, Joint Books processing deadline, Net Income deadline, etc.). The listing should also indicate the journal entries risk classification as either “High” or “Low.” Additional information regarding the entries, such as source information, responsible accountant, GLBU, etc. can be added as deemed necessary. In addition to the recurring journal entries, the Standard Journal Entry list may include (but not a requirement) reminders that alert the preparer of items that require further consideration such as the reclassification of a regulatory asset to a regulatory liability or the reclassification of an asset or liability from long-term to short-term.
- On a monthly basis, the manager/supervisor responsible for maintaining the Standard Journal Entry listing must verify that all journal entries on the listing have been recorded or a notation made that one is not required. Upon verification, the manager/supervisor is required to sign off on each Journal Entry within the listing or on the completed listing, attesting to the fact that all entries on the list have been accounted for. This sign-off may be on a hard copy or on an electronic version of the Standard Journal Entry listing.
- New journal entries that will ultimately be recurring entries are labeled as “NONREC” in the initial month/period they are recorded and procedures outlined in the Non-Recurring Journal Entry Approval policy should be followed. In subsequent months/periods, these entries will be labeled as “REC” and included on the Standard Journal Entry list. Each month’s completed Standard Journal Entry list (printed or electronic) will be retained on site for possible review by Audit Services and external auditors for the same retention period as the signed journal entries.

### **Document Retention**

- The journal entry (printed or electronic), complete with all supporting documentation will be retained in accordance with department filing procedures and the Accounting Record Retention Policy.

Any deviations from this policy must be approved by the affected Assistant Controller.



## Accounting Policy

### Approved By

Joseph M. Buonaiuto, Senior Vice President  
Controller and Chief Accounting Officer

12/5/19  
Date

Jeffrey W. Hoersdig, Assistant Controller,  
Corporate Accounting

11/25/19  
Date

Michael D. Piatt, Assistant Controller,  
Financial Reporting

11/26/19  
Date

Marc B. Hunter, Assistant Controller,  
Accounting Policy and Research

11/28/19  
Date

James X. Llende, Vice President,  
Tax

12/2/19  
Date

F. Scott Travis, Assistant Controller,  
Controls and Compliance

11/25/19  
Date

Diana Gregory, Managing Director,  
Regulatory Accounting Services

11/25/19  
Date



BOUNDLESS ENERGY™

## Accounting Policy

<b>Policy Title</b>	Non-Recurring Journal Entry Approval	<b>Date</b>	9/29/17
<b>Author:</b>	Jeff Hoersdig	<b>Status:</b>	FINAL

### Purpose

The purpose of this policy is to document the procedural requirements for the appropriate review, approval and documentation of non-recurring online and upload journal entries.

This policy supports the following internal control, which functions to mitigate the risk that journal entries may be inaccurate or incomplete:

**FR.TP.NRJ.CO2.R14.CA1**

All non-recurring journal entries exceeding established thresholds are reviewed and physically approved, via signature or email, by either (1) a Director, or (2) an Assistant Controller, Managing Director, Vice President of Tax or Chief Accounting Officer.

The established thresholds requiring the review and approval of non-recurring entries, as well as the review and documentation procedures are maintained within the “Non-Recurring Journal Entry Approval” policy.

**FR.TP.NRJ.CO2.R14.CA1.1**

Each month after the general ledger close, a Director will confirm all applicable non-recurring journal entries were approved by the appropriate level of management.

The established thresholds requiring the review and approval of non-recurring entries, as well as the review and documentation procedures are maintained within the “Non-Recurring Journal Entry Approval” policy.

### Definitions

**Recurring Journal Entry** – Any manual journal entry (online or upload) included on a standard journal entry checklist. Examples of recurring journal entries include, but are not limited to:

- Revenue/System Sales
- Fuel and Purchased Power
- Wire transfers
- Plant in Service transfers from CWIP
- Depreciation
- Interest on LTD
- Trading Activity
- A/R Factoring
- Coal Pile Survey Inventory adjustment (annual and/or semiannual)
- Other entries made on a fixed time schedule (i.e. monthly, quarterly, semi-annually, annually)



BOUNDLESS ENERGY

## Accounting Policy

**Non-Recurring Journal Entry** – Any manual journal entry (online or upload) not included on a standard journal entry checklist. Examples of non-recurring journal entries include, but not limited to:

- Adjustments, corrections, or true-ups relating to any previous entries, whether recurring or non-recurring
- Transactions new to AEP or the GL Business Unit
- Write-offs
- New GAAP or change in existing GAAP
- Recording the sale or purchase of bonds or other financings
- Adjustments to tax accrual amounts
- Reclassification of debt from Long-Term to Short-Term, or vice-versa
- Reclassifications from one account to another account
- Entries made to eliminate or reclassify amounts for external financial reporting for the first time (including reclassifications made on the PeopleSoft to Financial Statement Reconciliation Spreadsheet for the first time)
- Other entries as determined by management to be unusual and infrequent in nature

### Policy/Procedure Statement

#### **Non-Recurring Journal Identification**

All entries meeting the non-recurring criteria, regardless of dollar amount, should be labeled by the entry preparer in the Journal Header “TRANS\_REF\_NUM” (Reference Number) field as “NONREC.” Conversely, all entries meeting the recurring criteria, i.e. any entry included on a standard journal entry checklist, should be labeled as “REC” signifying that the entry is of a recurring, ordinary nature. In short, every online or upload entry should have one and only one of these two labels in the Journal Header “TRANS\_REF\_NUM” (Reference Number) field.

It is critical that journal entry preparers and reviewers confirm the accuracy of the REC/NONREC values populated in the “TRANS\_REF\_NUM” field.

An entry should not contain both non-recurring and recurring items. Rather, two separate entries should be created.

Any entry identified as non-recurring resulting from an estimate-to-actual true-up or the correction of an error should be assessed for inclusion in the SAB108 ledger, as required by the SAB 108 – Passed Journal Entries policy.

#### **Non-Recurring Journal Approval**

Any non-recurring journal entry that exceeds the Level 1 approval threshold, as provided on Appendix I, requires approval by an Accounting Director, Tax Director or above.

Any non-recurring journal entry that exceeds the Level 2 approval threshold, as provided on Appendix I, requires approval by an Assistant Controller, Managing Director, Vice-President of Tax or Chief Accounting Officer.

### Documentation

For documentation purposes, the non-recurring entry preparer should obtain the appropriate levels of approval, as outlined above, prior to the closing of the general ledger or as soon as is administratively feasible. Such approval should be in the form of either: 1) a signature on the review copy of the journal entry, 2) a reviewer stamp on an electronic version of the journal entry, or 3) an email approving the journal entry. If an email approval, the entry preparer should attach a copy of the email approval to the journal entry



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for permanent retention. The same approval documentation process should be followed for all non-recurring entries exceeding either the Level 1 or Level 2 approval threshold.

When administratively feasible, the required approval(s) should be obtained from the appropriate individual(s) within the department that originated the entry. The intent is to have the Director or Assistant Controller most familiar with the underlying transaction approve the entry. For example, a property tax or income tax adjustment should be approved by a Tax Director (if above the Level 1 approval threshold) or the VP of Tax (if above the Level 2 approval threshold). If not administratively feasible, another Director or Assistant Controller, as appropriate, can approve the entry. As a best practice, a copy (or pdf) of the approved non-recurring entry should be (but not required) forwarded to the Accounting Director(s) (if above the Level 1 approval threshold) and the Assistant Controller (if above the Level 2 approval threshold) responsible for the affected business unit(s).

In order to effectively assert to the operating effectiveness of the documented control, the documentation steps within the process flow provided on Appendix II should be followed. This process flow will verify that all applicable non-recurring entries have been subject to the additional management review as required.

As a key internal control, the completeness and existence of the appropriate signatures and evidence of management review will be subject to SOX 302 and 404 procedures and testing. Control is evidenced by a signed cover sheet stating all NONREC entries were appropriately reviewed as well as the documentation supporting the assertion.

### Threshold Updates

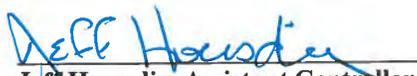
The Level 1 and Level 2 approval thresholds should be reviewed and re-confirmed or re-established on an annual basis, or more frequently when a material transaction or business change warrants re-assessment of the thresholds. The annual update will be applied January 1 of each calendar year. The thresholds should be set in order to (1) provide reasonable assurance that all material non-recurring journal entries have been subject to additional management review and (2) assure that an adequate portion of the total population of non-recurring journal entries have been subject to additional management review.



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## Accounting Policy

### Approved By

  
\_\_\_\_\_  
Jeff Hoersdig, Assistant Controller  
Regulated Accounting

9/29/17  
Date

  
\_\_\_\_\_  
Diana Gregory, Assistant Controller  
Comm. Derivative & Energy Accounting

9/29/17  
Date

See next page  
\_\_\_\_\_  
Julie Williams, Assistant Controller  
Accounting Services

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Mark A. Pyle, Vice President  
Tax

9/29/17  
Date

  
\_\_\_\_\_  
Mike Piatt, Assistant Controller  
Corporate Financial Reporting

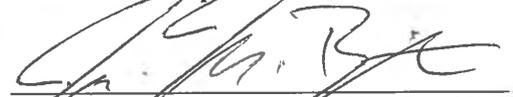
9-29-17  
Date

  
\_\_\_\_\_  
Marc Hunter, Assistant Controller  
Accounting Policy & Research

9/29/17  
Date

  
\_\_\_\_\_  
Scott Travis, Assistant Controller  
Controls & Compliance

9/29/17  
Date

  
\_\_\_\_\_  
Joseph M. Buonaiuto, Senior Vice President  
Controller and Chief Accounting Officer

9/29/17  
Date



BOUNDLESS ENERGY

## Accounting Policy

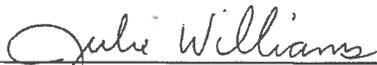
### Approved By

\_\_\_\_\_  
Jeff Hoersdig, Assistant Controller  
Regulated Accounting

\_\_\_\_\_  
Date

\_\_\_\_\_  
Diana Gregory, Assistant Controller  
Comm. Derivative & Energy Accounting

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Julie Williams, Assistant Controller  
Accounting Services

\_\_\_\_\_  
9-29-17  
Date

\_\_\_\_\_  
Mark A. Pyle, Vice President of Tax  
Tax

\_\_\_\_\_  
Date

\_\_\_\_\_  
Mike Piatt, Assistant Controller  
Corporate Financial Reporting

\_\_\_\_\_  
Date

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Marc Hunter, Assistant Controller  
Accounting Policy & Research

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Date

\_\_\_\_\_  
Scott Travis, Assistant Controller  
Controls & Compliance

\_\_\_\_\_  
Date

\_\_\_\_\_  
Joseph M. Buonaiuto, Senior Vice President  
Controller and Chief Accounting Officer

\_\_\_\_\_  
Date

**American Electric Power  
Non-Recurring Journal Entry Approval Threshold  
As of August 2017**

The thresholds included below apply to any entry whose total debits or credits in any one 7-digit account, regardless of the number of lines, are greater than the amount listed (debit or credit) on the PeopleSoft JRNL\_LN table.

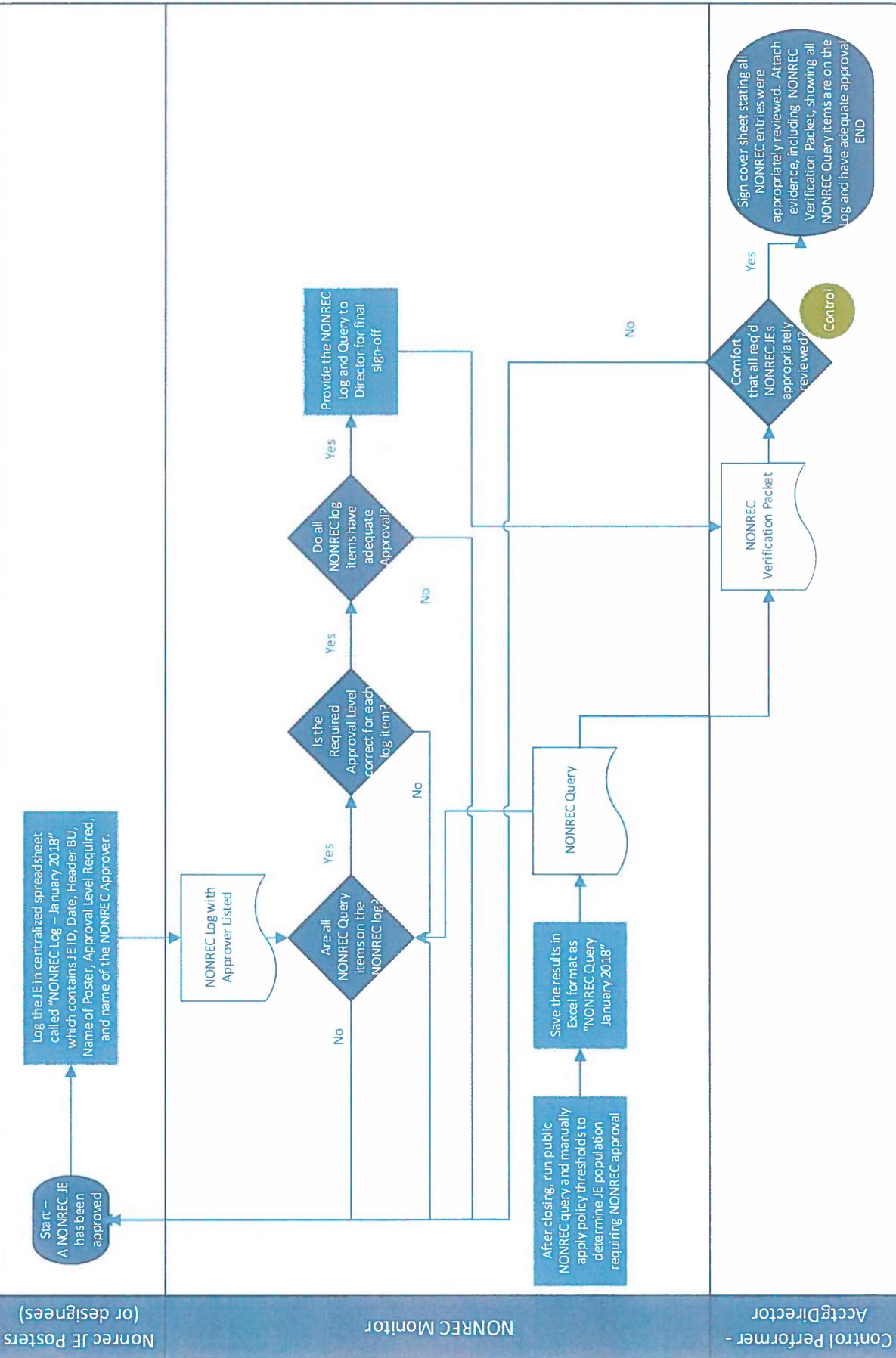
Company	Business Units	Level 1	Level 2
<b><i>AEP Consolidated and Registrant Subsidiaries</i></b>			
AEP Consolidated	N/A <sup>(1)</sup>	\$ 1,000,000	\$ 3,000,000
Appalachian Power Company and Subsidiaries	215, 150, 140, 410, 225, 217, 125, 132, 120, 170, 190, 280, 121, 202,	\$ 1,000,000	\$ 3,000,000
Indiana Michigan Power Company and Subsidiaries	387, 391, 392, 394, 406, 411	\$ 1,000,000	\$ 3,000,000
Ohio Power Company and Subsidiaries	130, 160, 220, 250, 408, 409	\$ 1,000,000	\$ 3,000,000
Public Service Company of Oklahoma	198, 114, 167	\$ 1,000,000	\$ 3,000,000
Southwestern Electric Power Company Consolidated	111, 159, 161, 168, 194, 358	\$ 1,000,000	\$ 3,000,000
AEP Transmission Company, LLC	370	\$ 1,000,000	\$ 3,000,000
AEP Ohio Transmission Company, Inc.	380	\$ 1,000,000	\$ 3,000,000
AEP Appalachian Transmission Company, Inc.	382	\$ 1,000,000	\$ 3,000,000
AEP West Virginia Transmission Company, Inc.	383	\$ 1,000,000	\$ 3,000,000
AEP Kentucky Transmission Company, Inc.	384	\$ 1,000,000	\$ 3,000,000
AEP Indiana Michigan Transmission Company, Inc.	385	\$ 1,000,000	\$ 3,000,000
AEP Oklahoma Transmission Company, Inc.	386	\$ 1,000,000	\$ 3,000,000
AEP Southwestern Transmission Company, Inc.	388	\$ 500,000	\$ 1,000,000
<b><i>Other GAAP Reporting Companies</i></b>			
	169, 211, 119, 166, 192, 162, 372,		
AEP Texas and Subsidiaries	395, 371, 101	\$ 1,000,000	\$ 3,000,000
Kentucky Power Company	117, 110, 180	\$ 1,000,000	\$ 3,000,000
AEP Generating Company	153, 377, 270	\$ 1,000,000	\$ 3,000,000
Wheeling Power Company	200, 210, 413	\$ 500,000	\$ 1,000,000
Kingsport Power Company	230, 260	\$ 500,000	\$ 1,000,000
Transource Energy, LLC	403, 407, 415, 423, 424	\$ 1,000,000	\$ 3,000,000
AEP Credit, Inc.	154	\$ 1,000,000	\$ 3,000,000
Dolet Hills Lignite Company, LLC	245	\$ 1,000,000	\$ 3,000,000
Cardinal Operating Company	104	\$ 1,000,000	\$ 3,000,000
Electric Transmission Texas, LLC	374	\$ 1,000,000	\$ 3,000,000
<b><i>FERC-only Reporting Companies</i></b>			
Transource Missouri	407	\$ 1,000,000	\$ 3,000,000
Transource West Virginia	415	\$ 500,000	\$ 1,000,000
Transource Maryland	424	\$ 500,000	\$ 1,000,000
Transource Pennsylvania	423	\$ 500,000	\$ 1,000,000

<sup>(1)</sup> Any other business unit that is not part of a stand-alone GAAP audit will share the AEP Consolidated threshold.

All Other BU's	N/A	\$ 1,000,000	\$ 3,000,000
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Process for NONREC Approval Verification. Diagram begins after NONREC approval and uses January 2018 as the example month.

Appendix II





## Accounting Policy

<b>Policy Title</b>	SAB 108 – Passed Journal Entries	<b>Date</b>	July 12, 2017
<b>Author:</b>	Chris Roush, Neal Hartley, Jeff Hoersdig	<b>Status:</b>	Final

### Purpose

The purpose of this policy is to document the procedures for the quarterly review of journal entries not recorded to the ACTUALS ledger in the appropriate period and their impact, individually and in the aggregate, on the presented financial statements of AEP and its various reporting entities in accordance with Staff Accounting Bulletin No. 108 (SAB 108).

### Policy/Procedure Statement

**Definitions:**

*Passed entry* – any journal entry (including estimate-to-actual true-ups and corrections of errors) not recorded to the ACTUALS ledger in the appropriate period.

*SAB108 entry* – any passed entry that exceeds the SAB108 posting threshold, based on both quantitative and qualitative factors.

**Policy:**

For each quarter’s reporting period, Financial Reporting is responsible for analyzing the combined materiality of all SAB 108 entries in relation to specific financial statement line items for each of the registrant companies (AEP, AEPTCo, APCo, I&M, OPCo, PSO, SWEPCo), the deregistered companies (AEGCo, AEP Texas and KPCo) and any other AEP subsidiary or equity investment that is required to present financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Any passed entry above AEP’s SAB 108 posting threshold (see discussion below) is required to be recorded to the SAB108 ledger (SAB 108 entries) in the period the entry should have originally been recorded. SAB 108 entries should be posted quarterly for the two years preceding the current reporting period and annually for any additional prior periods. All SAB108 entries should be reversed in the period in which the correcting entries are recorded in the ACTUALS ledger.

AEP’s SAB 108 posting threshold is based on both quantitative and qualitative factors. The quantitative threshold will be established annually based on each reporting entity’s materiality and aggregation factors. This quantitative threshold shall serve as the initial step in determining whether a passed entry is required to be recorded in the SAB 108 ledger.

From a quantitative perspective, a passed entry exceeds the SAB 108 posting threshold, and is to be recorded to the SAB108 ledger, if the aggregate of any 4 digit FERC account within a single journal entry exceeds the amounts listed on Appendix I for each reporting entity.

Note: Passed entries related to AEPSC will be analyzed at the AEP level. A review of AEPSC passed entries by the AEPSC ledger team will determine if any passed entry should be manually allocated to the respective benefiting affiliates.

For any passed entry that does not exceed the SAB 108 quantitative threshold, there are qualitative factors that should be considered before determining that the passed entry will not be recorded to the SAB108 ledger. The SEC provides guidance on qualitative factors that could result in a quantitatively small misstatement becoming material. These factors are to be considered for any passed entry that is below the quantitative threshold. If any of the factors discussed below are present, the passed entry is to be recorded to the SAB108 ledger:

- Whether the misstatement masks a change in earnings or other trends;
- Whether the misstatement hides a failure to meet analysts’ consensus expectations for the enterprise;



## Accounting Policy

- Whether the misstatement changes a loss into income or vice versa;
- Whether the misstatement concerns a segment or other portion of a registrant's business that has been identified as playing a significant role in the registrant's operations or profitability;
- Whether the misstatement affects the registrant's compliance with regulatory requirements;
- Whether the misstatement affects the registrant's compliance with loan covenants or other contractual requirements;
- Whether the misstatement has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation; and
- Whether the misstatement involves concealment of an unlawful transaction.

In addition to these qualitative considerations, there are additional practical factors to consider, including, but not limited to:

- Whether the passed entry includes multiple 4 digit FERC accounts that map to the same SEC financial statement line item that in the aggregate exceed the quantitative threshold;
- Whether the passed entry impacts multiple business units within the same legal entity and the aggregation of accounts for all business units may exceed the quantitative threshold; and
- Whether the passed entry is indicative of a larger control issue that should be identified and documented for control remediation purposes.

While subjective in nature, the qualitative analysis is intended to bring into consideration all relevant circumstances related to each passed entry. If any of these conditions are present, the passed entry should be recorded to the SAB108 ledger.

Any passed entry that does not exceed the quantitative threshold and does not adversely affect the qualitative factors discussed above will not be posted to the SAB 108 ledger and will not be included within the quarterly analysis of the combined materiality of all SAB 108 entries.

### Procedure:

For all SAB 108 entries, the following procedures are to be followed:

- SAB 108 entries must be recorded to the ACTUALS ledger in the quarter following the identification of the entry. Any exception to recording the SAB 108 entry in the following quarter must receive the written approval of the Chief Accounting Officer (CAO).
- Entries entered into the SAB108 ledger must follow similar control procedures to those followed in the ACTUALS ledger. Specifically:
  - Any passed journal entry, greater than \$1,000,000, requires approval by an Accounting Director, Tax Director or above.
  - Any passed journal entry, greater than \$3,000,000, requires approval by an Assistant Controller, Managing Director, Vice-President of Tax or CAO.
- Each SAB 108 entry must be flagged to indicate whether it is due to an estimate-to-actual true-up or the correction of an item not recorded in the appropriate period. For estimate-to-actual true-ups, the letter "A" is placed in the Reference Number field on the journal entry header and the letter "B" is used for all other entries.
- Up to the date of filing or date that the current report is available for issuance, continual communication with both the external and internal auditors occurs to ensure that significant entries identified by both the company and entries identified by the auditors are included in the SAB 108 analysis.

Note: Certain estimates with annual updates are periodically reviewed to ensure the estimate is still reasonable. If the estimate changes based upon the availability of information, but is below the materiality level to record in the ACTUALS ledger, no passed entry is required for the change in estimate. If,



## Accounting Policy

However, the estimate changes due to an error in the information used or in the calculation process, the change should go through the passed entry analysis process described above.

If an entry (or group of entries) is considered potentially material and should be reviewed for recording in the current period, consideration is made by the CAO's direct reports pursuant to the Financial Reporting policy on Late Journal Entries.

Financial Reporting prepares a quarterly memo detailing significant SAB 108 entries for the balance sheets and statements of income for the current reporting periods and presents it to the CAO's direct reports. The significance of these items is determined by reviewing the entries and their associated materiality against materiality thresholds established annually. This memo signals to the internal auditors and management alike, that:

- An analysis has been made with consideration to all SAB 108 entries received.
- Based on that analysis, management asserts that in consideration of all identified misstatements for the periods currently included in the financial reports, these misstatements are qualitatively and quantitatively immaterial when considered in total for AEP consolidated, each of the registrant subsidiaries and each of the deregistered subsidiaries.
- Corrections for the items are not required in the current reporting period.

In addition, Financial Reporting prepares a financial statement analysis for all SAB 108 entries related to other AEP subsidiaries that are required to prepare GAAP financial statements. Similar to the entities discussed above, this financial statement analysis is used to determine if any single entry or combination of entries is needed to more accurately/materially represent any significant statement line item or combination of line items.



## Accounting Policy

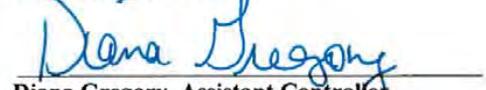
### Approved By

  
Jeffrey Hoersdig, Assistant Controller  
Financial Reporting

7/12/17  
Date

  
Scott Travis, Assistant Controller  
Regulated Accounting

7/12/17  
Date

  
Diana Gregory, Assistant Controller  
Commercial Accounting

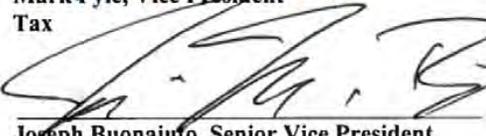
7-12-17  
Date

  
Julie Williams, Assistant Controller  
Accounting Services

7/13/17  
Date

  
Mark Pyle, Vice President  
Tax

7/13/17  
Date

  
Joseph Buonaiuto, Senior Vice President  
Controller and Chief Accounting Officer

7/14/17  
Date

**American Electric Power  
SAB108 Quantitative Posting Threshold  
As of June 2017**

**A passed entry exceeds the quantitative posting threshold, and is to be recorded to the SAB108 ledger, if the aggregate of any 4 digit FERC account within a single journal entry exceeds the amounts below.**

**NOTE: Qualitative factors, as discussed in the policy document, should be considered before determining not to post the passed entry to the SAB108 ledger.**

Company	Business Units	Quantitative Threshold
<b><i>AEP Consolidated and Registrant Subsidiaries</i></b>		
AEP Consolidated	N/A <sup>(1)</sup>	\$ 1,500,000
Appalachian Power Company and Subsidiaries	215, 150, 140, 410, 225, 217, 125 132, 120, 170, 190, 280, 121, 202,	\$ 500,000
Indiana Michigan Power Company and Subsidiaries	387, 391, 392, 394, 406, 411	\$ 250,000
Ohio Power Company and Subsidiaries	130, 160, 220, 250, 408, 409	\$ 500,000
Public Service Company of Oklahoma	198, 114, 167	\$ 125,000
Southwestern Electric Power Company Consolidated	111, 159, 161, 168, 194, 358	\$ 250,000
AEP Transmission Company, LLC	370	\$ -
AEP Ohio Transmission Company, Inc.	380	\$ 250,000
AEP Appalachian Transmission Company, Inc.	382	\$ -
AEP West Virginia Transmission Company, Inc.	383	\$ 40,000
AEP Kentucky Transmission Company, Inc.	384	\$ -
AEP Indiana Michigan Transmission Company, Inc.	385	\$ 90,000
AEP Oklahoma Transmission Company, Inc.	386	\$ 60,000
AEP Southwestern Transmission Company, Inc.	388	\$ -
<b><i>Other GAAP Reporting Companies</i></b>		
	169, 211, 119, 166, 192, 162, 372,	
AEP Texas and Subsidiaries	395, 371, 101	\$ 250,000
Kentucky Power Company	117, 110, 180	\$ 112,500
AEP Generating Company	153, 377, 270	\$ 37,500
Wheeling Power Company	200, 210, 413	\$ 52,500
Kingsport Power Company	230, 260	\$ 7,500
Transource Energy, LLC	403, 407, 415, 423, 424	\$ 25,000
AEP Credit, Inc.	154	\$ 15,000
Dolet Hills Lignite Company, LLC	245	\$ -
Cardinal Operating Company	104	\$ -
Electric Transmission Texas, LLC	374	\$ 200,000
<b><i>FERC-only Reporting Companies</i></b>		
Transource Missouri	407	\$ 25,000
Transource West Virginia	415	\$ -
Transource Maryland	424	\$ -
Transource Pennsylvania	423	\$ -

<sup>(1)</sup> Any other business unit that is not part of a stand-alone GAAP audit will share a threshold that is 1/3 of the AEP Consolidated threshold.

All Other BU's	N/A	\$	500,000
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## Accounting Procedure

<b>Policy/Procedure Title</b>	HUB Force Loading	<b>Date</b>	03/29/2004
<b>Author:</b>	Christine Butcher	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### Purpose

This policy describes the process and documentation requirements to ensure that a controlled process and audit trail exist for force loaded batches of data to the HUB. All deviations from this policy must be approved by the Managing Director of Accounting Operations

### Background

During the monthly accounting close, the allocation processes and Service Corp. Billing process must occur in a specific order within a scheduled time. When a batch of transactions related to these processes exceeds its error threshold, the close process comes to a standstill.

The force loading process is one that provides a method for transaction batches that have exceeded the error threshold to be processed successfully, allowing the monthly close process to continue. The invalid chartfield values are suspended and corrected by the individual business units after the books have been closed. This utility allows the time schedule of the closing process to be met.

This process is not to be used (and will not work) on batches of transactions that have encountered fatal errors, a status signifying that the batch is missing key information required to process.

### Policy/Procedure Statement

#### Security

A limited number of individuals have been granted the authority to approve a force load. These individuals are:

- Assistant Controller – Michael Sullivan
- General Accounting Supervisor – Shannon Liggett
- Senior Accountant in charge of Expense Allocation Process – Christine Betz
- Senior Accountant in charge of Joint Books Allocation Process – John Didlott
- Senior Staff Accountant in charge of Service Corporation Billing – Mary Folz
- IT Leader II for Budgeting & Reporting Services – Venkat Miriyala

A limited number of IT individuals have the PeopleSoft security and training required to execute a force load. These individuals are:

- IT Leader II in charge of General Ledger and HUB support – Bruce Pecci
- IT Architect Senior in charge of General Ledger support – Kathy Miller
- IT Architect II in charge of HUB support – Eric Pierce
- Software Developer in charge of HUB support – Ed Richardson
- Software Developer in charge of GL support – Alex Hellstrom



## Accounting Procedure

### Process

Approved Requestor should create a Service Delivery Request (SDR) in Remedy requesting a Force Load using the Category / Type / Item designation listed below. This CTI will automatically assign the SDR to an approved list of IT individual with the authority to execute the force load.

Category: Application Management

Type: Finance

Item: Force-Load

The Description field under the General tab of the SDR must contain the following information about the batch to be force loaded.

- Interface ID
- System Source
- Analysis Type
- Reason for Force Load
- Likely Cause of Errors
- SDR number(s) of any other investigations that are required to determine the root cause of and prevention steps for the errors causing the force load.
- Monetary value of transactions in error

The SDR Number and the complete text of the Description field will be copied into the Batch Comments section of the force load panel in PeopleSoft. This will provide auditable documentation of the circumstances that led to the force load's necessity. When the force load has been successfully executed, the IT individual that did so will set the SDR status to Resolved.

Investigation into the root cause of the errors may lead to additional SDR tickets being created as a means to correct the original cause of the errors and prevent them in the future. These SDRs will follow the normal Change Control Policy requiring an approved Business Case, IT Proposal, prioritization, and BU approval prior to the migration of a change into the production environment.

### Suspense Account Monitoring

The system that generated the original transaction causing the error is typically responsible for the correction of the transactions that have been set to suspense values. An exception is the correction of validation errors that are generated via the Projects allocation are performed by the respective ledger groups. During the month end closing process, business unit accountants review the status of the suspense account, and work with the feeder system to correct the transactions on a monthly basis. The suspense account must be zeroed on a quarterly basis.

As a monitoring mechanism, a monthly report documenting the 1860999 (suspense account) balances by business unit will be sent to Directors of Regulated Accounting - Scott Krawec & Neil Felber, Manager of Energy Company Ledgers - Bob Costanzo, Manager of Investment Accounting - Mark Leskowitz and Director of IPP/Investment Accounting Kevin Bethel. These individuals have the responsibility to take actions necessary to correct the suspended values and keep a zero balance on the 1860999 account.



## Accounting Procedure

*(Note: this report has not yet been designed or built, report will be created using queries in the mean time.)*

### Approved By

<b>Original Approvers</b>	
Michael Sullivan Neil Felber Jack Kincaid Ram Sastry	
<b>03/31/2003 Approvers</b>	
Susan Higginson Melanie Kolp	
<b>03/29/2004 Approvers</b>	
Melanie Kolp	



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Standardized Journal Coding of Adjusting Entries	<b>Date</b>	02/05/2003
<b>Author:</b>	Russell Doyle, Jeff Hoersdig, Jason Stegall	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### Purpose

Internal Audits has just completed a review of our Peoplesoft system and issued the Accounting organization a list of concerns or areas for improvement. One of the improvements they would like to see is the accounting organization to standardize the coding of Adjusting Entries.

### Policy/Procedure Statement

All adjusting entries should use a Journal ID mask of **AJE...** to begin the journal entry name. Provided below are the guidelines as to which entries should use the AJE mask and which should not.

Should use the AJE.... Journal Entry Mask

- Corrections to feeder systems should use the AJE mask and include a code it identify the feeder system (SCB – Service Corp Bill, PAY – Payroll, AP – Accounts Payable, etc) to make corrections easier to interpret.
- Corrections to allocations should use the AJE mask. This includes AEPSC bill, Projects allocations and Joint Books.
- Corrections to write off balances in accounts should use the AJE mask

Should NOT use the AJE.... Journal Entry Mask

- Adjusting a Standard journal entry - corrections or adjustments to a standard journal entry should use the same Journal ID as the original entry with a different Journal Date. This includes current and prior period adjustments. (example - Adjusting Worker's Comp)
- Recurring adjustments from Accounting Policy and Research should use the same Journal ID across all companies, but should not use the AJE mask (Severance Accruals for example)
- Recording a one time nonrecurring **material** special item from Accounting Policy and Research or other external source should use the same Journal ID across all companies, but should not use the AJE mask (December write-offs or directive from State Commission for example)
- Intercompany Billing corrections should continue to use their coding scheme of IAB\_Date\_Initials, not AJE...

By using AJE in the journal ID, it will allow us to easily identify these adjustments across all companies. It is preferred that the journal entries begin with AJE, but as long as AJE is included in the journal ID somewhere, we can still track the entries.

Several Examples are



## Accounting Policy/Procedure

- AJE0000001
- AJE\_NUKE\_CH
- IPPAJE9001
- GL0255AJE ....

All of these are acceptable. To query and see the AJE entries, you would use the following criteria, JOURNAL\_ID LIKE %AJE% which will pull any journal ID that contains AJE. Please do not use AJE in your entries unless you are doing an adjusting entry that meets the above criteria.

### Approved By

ACCT CLOSING GROUP Lotus Notes Distribution List



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Use of Seller's Rule related to InterUnit Journal Entries	<b>Date</b>	05/07/2003
<b>Author:</b>	Settlement / Inter-Company Account Balance (IAB) Teams	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### Purpose

InterUnit Accounting functionality facilitates the process of settling transactions between two or more AEP Business Units (BUs). The settlement process becomes necessary when one Business Unit (BU) provides a product or service to another Business Unit or when one BU makes or receives payment on behalf of another. InterUnit Accounting functionality ensures that the related transactions are properly recorded on each BU's books.

InterUnit journal entries provide an automated approach to record transactions that impact multiple GLBUs. Any InterUnit journal entry that contains a BU number in the journal line detail other than the BU in the header record will be considered as an InterUnit transaction. The BU in the header record retains the associated receivable and the subsequent BUs has an associated payable automatically established. As such, InterUnit journal entries require no direct classification to the associated receivable and payable accounts. Accounts 1460001 (A/R Assoc Co InterUnit G/L) and 2340001 (A/P Assoc Co InterUnit G/L) have been designed to receive all reciprocal "System Generated InterUnit Journal Entry Transactions" through the mechanized InterUnit process.

To ensure proper and consistent use of InterUnit Accounting, this policy document outlines the general rules for use of InterUnit journal entries.

### Policy/Procedure Statement

To realize the benefits listed below, the PeopleSoft delivered InterUnit Accounting function should be the required method of recording reciprocal Receivables (Sales) and Payables (Purchases) between associated companies.

*Benefits of InterUnit Accounting:*

1. Ensures timely and efficient settlement and reconciliation of Associated Company Receivables and Payables.
2. Minimizes human error, such as unbalanced entries, account and affiliate code discrepancies.
3. Ensures accurate consolidated financial statements, by forcing balanced and reciprocal associated transactions.
4. Reduces the risk of ongoing inter-company out-of-balance conditions.

*Key Definitions for the Purposes of this Policy Statement:*

1. **Buyer** – Business Unit *making* payment in an InterUnit transaction.
2. **Seller** – Business Unit *receiving* payment in an InterUnit transaction.

*General Rules for Using InterUnit Accounting:*

1. With minimal exceptions, InterUnit journal entries should be created to account for associated sales and purchases.
2. Efficient and timely communication channels between the selling and purchasing company must be established.
  - a. The **Buyer** must supply the required accounting classification (i.e., Accounts, Chartfields, Transaction Amounts) via an e-mail attachment to the **Seller**. The standard file will be in Excel format and replicate all the fields from the PeopleSoft upload template.
  - b. Upon mutual agreement on the details of a transaction, the **Seller** must initiate the required InterUnit accounting entries for both the associated company sale and associated company purchase (i.e., normally a Debit to purchaser's expense and a Credit to seller's revenue). If mutually agreed upon by the **Buyer** and **Seller**, the **Buyer** may assume this responsibility.
  - c. In cases where "Actual" transaction amounts cannot be determined (e.g., disputes over quantity and/or pricing), a reasonable and fair "Estimate," mutually agreed upon by the **Buyer** and **Seller**, must be recorded for the current period. The **Seller** must prepare the required InterUnit journal entry using this "Estimate." Accordingly, using InterUnit Accounting the **Seller** must prepare the subsequent months



## Accounting Policy/Procedure

- “Actual” amounts. **NOTE:** All InterUnit journal entries for “Estimates” must be designated to auto-reverse. If the auto-reverse feature is not used, the “Estimate” will be settled.
- d. If the **Buyer** and **Seller** cannot agree on a reasonable and fair “Estimate” for the InterUnit journal entry within two days of the journal entry deadline, they must follow these guidelines to further resolve the dispute and ensure that at least an “Estimate” is booked in the current period:
    - i. Disputes between BUs should be resolved by the respective Assistant Controller(s) for the Ledger Group(s) involved. For example, the Assistant Controllers should resolve disputes between a Regulated BU and an Unregulated BU for Regulated and Unregulated Accounting.
    - ii. Disputes that cannot be resolved by the respective General Ledger Assistant Controllers should be taken to the Assistant Controller for Corporate Accounting.
  - e. In cases where specific transactions have **contractual** settlement dates (e.g., quarterly), the following procedures must be followed:
    - i. The **Seller** must prepare and post the required monthly InterUnit journal entries.
    - ii. A unique Journal ID must be used consistently each month.
    - iii. The unique Journal ID and required periodic settlement date(s) must be supplied to the Settlement Group to assure proper tracking and settlement.
  - g. The **Seller** must initiate any other required adjustments to previous InterUnit transactions through InterUnit accounting. **NOTE: NO** adjustments can be made without utilizing the InterUnit journal entry function, as it will create an out of balance situation.
3. The journal entry **Posted Date** will determine the day of settlement (i.e., posted date plus 1 day). Therefore, the **Seller** must post both the **Seller** and **Buyer’s** individual InterUnit journal entry transactions on the same day in order to facilitate the settlement process. To facilitate this posting rule, the **Seller** should use the PeopleSoft “Batch” posting feature that allows posting of entries that are Journal ID and Journal Date specific for all GLBUs applicable to the InterUnit journal entry.
- a. Example: APCO-Generation’s receivable from OPCO-Generation should share the same posted date as OPCO-Generation’s payable to APCO-Generation in order for these charges to be settled.
  - b. The posting of the InterUnit accounting entries will complete the journal entry process as well as initiate the settlement request process.
  - c. The Associated Company Settlement Group will quantify the daily Settlement for all GLBUs and coordinate the necessary process with the Treasury Group.
  - d. The Associated Company Settlement Group will subsequently relieve the 1460001 receivable and 2340001 payable accounts.
4. The InterUnit Accounting function can also be used with a balanced transaction, which does not use the default accounts of 1460001 and 2340001 (e.g. InterUnit interest on a loan). If an InterUnit entry is made and both sides balance, the system will not create the balancing entries to 1460001 and 2340001. However, all sides of the entry will have the same Journal ID and Journal Date, and all lines will appear with the Header.

Those posting journal entries (Managers, Supervisors, and Administrators) will be responsible for ensuring the implementation of this InterUnit policy. In other words, these individuals should only post a journal entry that references accounts 146 or 234 if it is InterUnit or the respective General Ledger Director approves the exception.

### *Exception Tracking:*

1. The journal entry preparer should document any exceptions to this InterUnit policy in the “*InterUnit Policy Exception Form*.” This form can be found on the accounting website. A copy of the form is attached to this document.
2. All exceptions must then be approved by the respective General Ledger Director before posting.
3. Please submit completed “*InterUnit Policy Exception Forms*” to the Settlement Group prior to or on the day of posting the journal entry.
  - a. The approving General Ledger Director may send the completed form via e-mail to the Settlement Accounting Group. This e-mail will replace a written signature of approval.
  - b. The form may be completed by hand and sent to the Settlement Accounting Group via FAX (8-200-2683). This method requires a written signature from the appropriate General Ledger Director.
4. As supporting documentation, the journal entry preparer should attach a copy of this form to his/her copy of the printed journal entry.
5. Exceptions to this policy will be monitored by the Settlement Group on a regular basis.



## Accounting Policy/Procedure

### Approved By

**Jim Deidiker – Vice-President, Gas Holdings Mid-Office**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_

**Brent Price – Vice-President, Mid-Office**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_

**Doreen Hohl – Director, Corporate Accounting**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_

**John Boardman – Assistant Controller, Corporate Accounting**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_

**Sandra Bennett – Assistant Controller, Regulated Accounting**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_

**Tom Myers – Assistant Controller, Unregulated Accounting**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_

**Mike Sullivan – Assistant Controller, Accounting Services**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_

**Todd Rimmer – Director, Financial Reporting**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_

**John Huneck – Managing Director, Accounting Policy & Research**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_

**Susan Higginson – Managing Director, Accounting Services & Special Projects**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_

**Joe Buonaiuto – Controller, Chief Accounting Officer**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_

## InterUnit Policy Exception Form

Please complete the shaded boxes below to document an exception to the InterUnit policy.  
 All exceptions must be approved by the respective General Ledger Director before posting.  
 The approving Director should send the completed forms prior to or on the day of posting the journal entry:  
 a) via e-mail to the Settlement Accounting Group. This e-mail will replace a written signature approval.  
 b) via FAX (8-200-2683) to the Settlement Accounting Group with a hand-written signature.

Note: As supporting documentation, the journal entry preparer should attach a copy of this form to his/her copy of the printed journal entry.

<b>Journal Entry Preparer:</b>	
<b>Journal ID:</b>	
<b>Journal Date:</b>	
<b>Posted Date:</b>	

<b>PAYING COMPANY:</b>		
Business Unit ID	Acct #	Amount

<b>RECEIPTING COMPANY (if applicable):</b>		
Business Unit ID	Acct #	Amount

<b>Reason for Exception:</b> If appropriate, include an explanation on the measures used to avoid Inter-Company imbalances.	
--	--

<b>Approved By:</b> (Director Level)	
<b>Date Approved:</b>	

# Unvouchered Liabilities, Journal Entry Reclass, JE Lite Reclass & Work Order Cancel



## How-To Instructional Guide

Updated: 07/18/2019

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## **Unvouchered Liabilities, JE Reclass, JE Lite Reclass and WO Cancel**

### **Introduction**

The following documentation summarizes updates made to the Unvouchered Liability, JE Reclass, JE Lite Reclass and WO Cancel processes. Included is a “How To” instructional guide for navigating the UVL / JE Reclass / JE Lite Reclass / WO Cancel Database in PeopleSoft Expense 9.2. This database houses submissions for all four processes and is a central point for researching, editing and processing transactions.

### **New Features**

- One Excel Upload Spreadsheet for submitting all four process types. The spreadsheet features a “Validate and Submit” button, allowing users to submit transactions directly into PeopleSoft instead of emailing submissions to the individual process mailboxes.



**NOTE:** How-To Instructions for the Excel Upload Spreadsheet are available on the “Instructions Tab” of the Spreadsheet. See the “Getting Started” section for the location of the Upload Spreadsheet.

- The PeopleSoft Expense 9.2 Database contains an “Add New Entry” panel, allowing users to submit smaller submissions directly online. Users can update/change submissions in an “ENTERED” status within the system. A search panel is available for researching and reviewing transactions. Searched data can be downloaded to Excel which is a helpful tool for reporting purposes.

### **Noteable Policy Changes**

- Submissions must be properly approved by representatives designated by each business unit. Although there is no workflow, security role or approval authorization limits tied to this approval process, each transaction must include the Approver ID of the individual responsible for the approval. It is the responsibility of the Business Units to maintain proof of approvals for auditing purposes.
- Notifications will be emailed to approvers and submitters alerting them when transactions they have approved/submitted have been posted.
- Journal Entry Reclass, JE Lite Reclass and Work Order Cancel transactions are due by the End of Business on the third to last Workday (-3) of the month.
- Unvouchered Liability Accruals are due by the End of Business on the last Workday of the month.
- Submissions turned in after the noted due dates **may not** be booked from a budget reporting perspective, but submitted to Financial Reporting through the SAB108 Entries Passed process. SAB108 entries are accumulated by Financial Reporting for reflection on Financial Statements only. SAB108 adjustments will be reported on a Quarterly basis ONLY. Exceptions must be approved by the Assistant Controller of Accounting Operations.

- Specific accounts and other accounting chartfields have been restricted in this process. An error message with information related to the restriction and how to proceed will be noted. (Example: Accounts 1840040, 1840041 and 1860092 will no longer be valid through these processes.)
- Unvouchered Liability Reversals will generate automatically and post on the 1<sup>st</sup> of the following month, not the 15<sup>th</sup>.
- Effective September 2017, new fields will be required for the JE Reclass submissions. Due to this change, a new version of the spreadsheet must be used.
- Effective July 2019, the JE Lite Reclass process has been added to the system. Distribution business rules for the JE Lite Spreadsheet Process are as follows:
  - One work order per file.
  - Each file must be balanced both in dollar amounts and quantities.
  - Total credit dollars for the spreadsheet cannot exceed the operating company threshold (\$1M for all operating companies, except \$600K for Kentucky, Kingsport and Wheeling Distribution).
  - Quantities will be entered into the Statistic Amount field.
  - Asset Suite CatIDs (Maximo Item #) will be entered into the Journal Line Reference field with leading 0's to build a 10-digit number (this data will not be validated against Asset Suite or Maximo).
  - There are three security groups:
    - Inquiry – user can enter and validate data but cannot submit data to PeopleSoft.
    - Submitter – user can enter, validate, and submit data to PeopleSoft.
    - Sys Admin – PeopleSoft Admin who can update operating company dollar thresholds.

## Contact Information

Questions regarding the Excel Upload Spreadsheet, the UVL/JE Reclass/JE Lite Reclass/WO Cancel PeopleSoft Expense 9.2 Database or policy changes, can be directed as follows:

Journal Entry Reclass = [jereclass@aep.com](mailto:jereclass@aep.com)  
JE Lite Reclass = [jereclass@aep.com](mailto:jereclass@aep.com)  
Unvouchered Liabilities = [unvoucheredliabilities@aep.com](mailto:unvoucheredliabilities@aep.com)  
Work Order Cancel = [wocancel@aep.com](mailto:wocancel@aep.com)

- Management Contact:

Journal Entry Reclass, JE Lite Reclass and Unvouchered Liabilities:

Amy Morss: 330.438.7013 (audinet 920)  
[ammorss@aep.com](mailto:ammorss@aep.com)

Work order Cancel:

Tom Sulhan: 330.438.7284 (audinet 920)  
[tjsulhan@aep.com](mailto:tjsulhan@aep.com)

## Getting Started

### Excel Upload Files, How-To Procedures and Policies

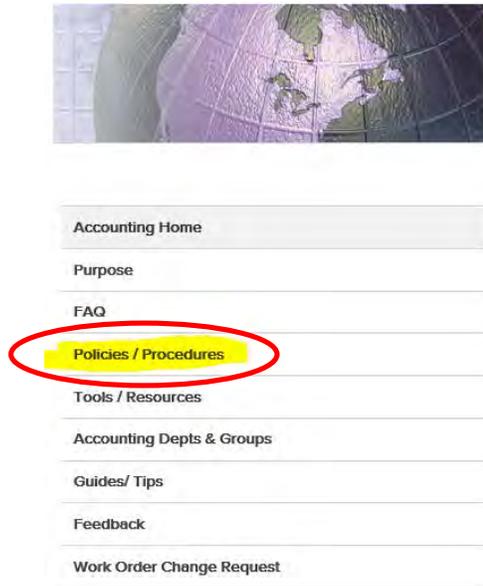
The Excel Upload Spreadsheet, related functionality files, How-To Procedures and updated Policies for Unvouchered Liabilities, JE Reclass, JE Lite Reclass and WO Cancel are available on the Accounting Website. Take the following steps to access the Accounting Website:

1. Go to the A-Z Index on AEP Now and click the “Accounting” link.

The screenshot shows the AEP NOW website's A-Z Index page. The navigation bar includes 'About AEP', 'News & Events', 'AEP TV', and 'The Agora'. Below the navigation bar, there are three tabs: 'Tasks & Tools', 'Electrical Terms', and 'Outage Terms'. The main content area is divided into two columns: 'A-Z Index' and 'Common Tasks'. The 'A-Z Index' column contains a grid of letters from A to Z, with 'A' highlighted in blue. Below the grid is a list of links, with 'Accounting' highlighted in yellow and circled in red. The 'Common Tasks' column contains a list of links, including 'Access Management (MyAccess)', 'Asset Suite', 'Corporate Telephone Directory (Internal)', 'Expense Reporting (PeopleSoft Expense)', 'HR Now', 'IT Service Management', 'IT Service Desk', 'Job openings (Jobs Online)', 'KEY (learning management)', 'Maps / Facilities', 'MoneyMatters (Expense Info)', 'Org. Chart', 'SecurID Request', and 'Ship Packages and Letters'.

A-Z Index	Common Tasks
<a href="#">A</a>	<a href="#">Access Management (MyAccess)</a>
<a href="#">B</a>	<a href="#">Asset Suite</a>
<a href="#">C</a>	<a href="#">Corporate Telephone Directory (Internal)</a>
<a href="#">D</a>	<a href="#">Expense Reporting (PeopleSoft Expense)</a>
<a href="#">E</a>	<a href="#">HR Now</a>
<a href="#">F</a>	<a href="#">IT Service Management</a>
<a href="#">G</a>	<a href="#">IT Service Desk</a>
<a href="#">H</a>	<a href="#">Job openings (Jobs Online)</a>
<a href="#">I</a>	<a href="#">KEY (learning management)</a>
<a href="#">J</a>	<a href="#">Maps / Facilities</a>
<a href="#">K</a>	<a href="#">MoneyMatters (Expense Info)</a>
<a href="#">L</a>	<a href="#">Org. Chart</a>
<a href="#">M</a>	<a href="#">SecurID Request</a>
<a href="#">N</a>	<a href="#">Ship Packages and Letters</a>
<a href="#">O</a>	
<a href="#">P</a>	
<a href="#">Q</a>	
<a href="#">R</a>	
<a href="#">S</a>	
<a href="#">T</a>	
<a href="#">U</a>	
<a href="#">V</a>	
<a href="#">W</a>	
<a href="#">Z</a>	
<a href="#">#</a>	

2. Click the “Policies / Procedures” link found at the right of the Accounting home page.



3. Scroll down to the **Journal Entry** section and find the “Unvouchered Liabilities, JE Reclass and Work Order Cancel” heading. The policies, procedures and necessary Upload Spreadsheet files will be available for download.

#### Unvouchered Liabilities, JE Reclass and Work Order Cancel

##### Policies & Procedures

[How-To-Instructional Guide \(Aug 2017\)](#)

[Details of Sept. 2017 Updates](#)

[Tips for New JE Reclass Fields \(Sept 2017\)](#)

[Error Fixes \(Jan 2018\)](#)

[JE Classification Correction Policy \(April 2015\)](#)

[Unvouchered Liability Accruals Policy \(UVL\) \(Feb 2019\)](#)

[Unvouchered Liability Accruals Post Accrual Review \(UVL\) \(Feb 2019\)](#)

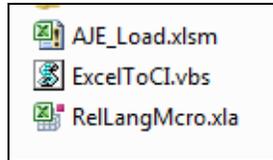
[Work Order Cancellations Policy \(April 2015\)](#)

**Upload Spreadsheet** (To download the AJE\_Load.zip file, see the "AJE\_Load.zip Download Instructions".)

[AJE\\_Load.zip \(Nov 2017\)](#)

[AJE\\_Load.zip Download Instructions](#)

4. The **AJE\_Load.zip** file must be downloaded to the user's computer. Use the "AJE\_Load.zip Download Instructions" to download the file. Contained in the ZIP file are three files: AJE\_Load.xlsm, ExcelToCI.vbs and RelLangMcro.xla. These files **MUST** be saved together in the **SAME** folder. The ExcelToCI.vbs and RelLangMcro.xla files are functional and must be present for the AJE\_LOAD file to work properly. Once saved to the user's computer, the AJE\_LOAD file can be renamed as needed, but the two functional files must always accompany the renamed file. See the "Instructions" tab on the AJE\_LOAD file for more details.



## Security Roles

Five security roles have been established to provide segregation between the four process types: Unvouchered Liabilities, JE Reclass, JE Lite Reclass and WO Cancel. As JE Reclass, JE Lite Reclass and WO Cancel are similar in function, these process types have been combined for security purposes. The summary below notes the available Security Roles and their access levels.

<u>Role Name</u>	<u>Access Level Description</u>
★ PeopleSoft AJE Inquiry	<u>Read-Only</u> access to the Online PeopleSoft Database and <u>Validate-Only</u> access to the Excel Upload Spreadsheet for all three transaction types
★ PeopleSoft AJE Reclass and WO Cancel Submit	Specific to JE Reclass and WO Cancel, access includes: Submit & Change ability for the Online PeopleSoft Database; Validate & Submit access to the Excel Upload Spreadsheet.
★ PeopleSoft AJE UVL Submit	Specific to Unvouchered Liabilities, access includes: Submit & Change ability for the Online PeopleSoft Database; Validate & Submit access to the Excel Upload Spreadsheet.
★ PeopleSoft AJE JE Lite Submit	Specific to JE Lite, access includes: Submit & Change ability for the Online PeopleSoft Database; Validate & Submit access to the Excel Upload Spreadsheet.
PeopleSoft AJE UVL Accountant RESTRICTED ACCESS	Specific to Unvouchered Liabilities and available only to designated <u>Ledger Accountants</u> , access includes: Submit & Change ability for the Online PeopleSoft Database; Validate & Submit access to the Excel Upload Spreadsheet. Allows the option to by-pass the auto-reversing journal entry function. <b>The SUBMIT_UVL role must also be requested for this access.</b>
PeopleSoft AJE Administrator RESTRICTED ACCESS	ALL ACCESS - Specific to process Administrators ONLY.

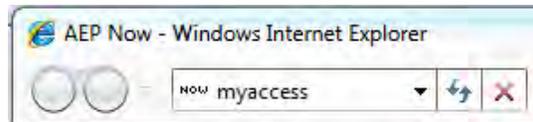
★ These roles can be interchangeable. If a user needs SUBMIT access for one process type, but Read & Validate Only for another, the INQUIRY role can also be requested.

**NOTE:** The INQUIRY and SUBMIT roles will fulfill the needs for general users. The ACCOUNTANT and ADMIN roles are for specific users only.

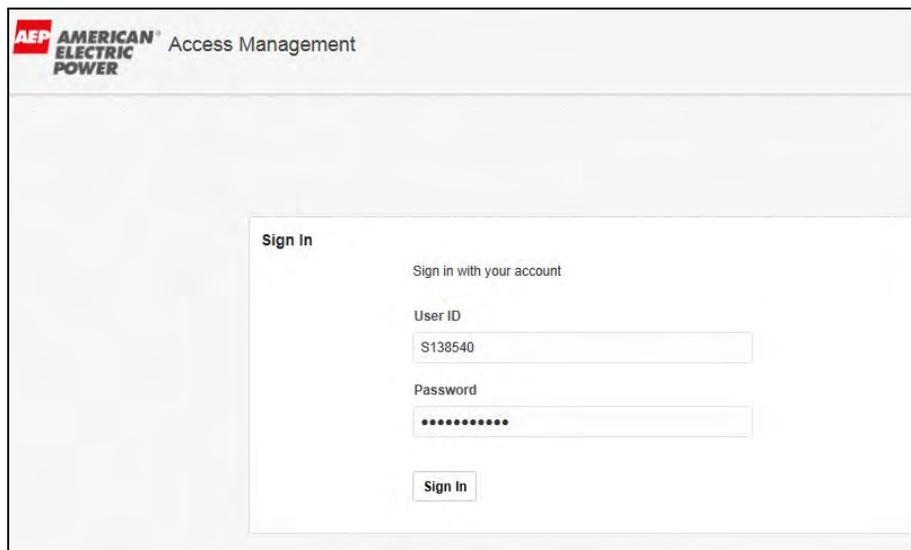
## MyAccess Requests

Security roles for using the Online PeopleSoft Database and Excel Spreadsheet Upload must be requested through the MyAccess System. Take the following steps to request this security:

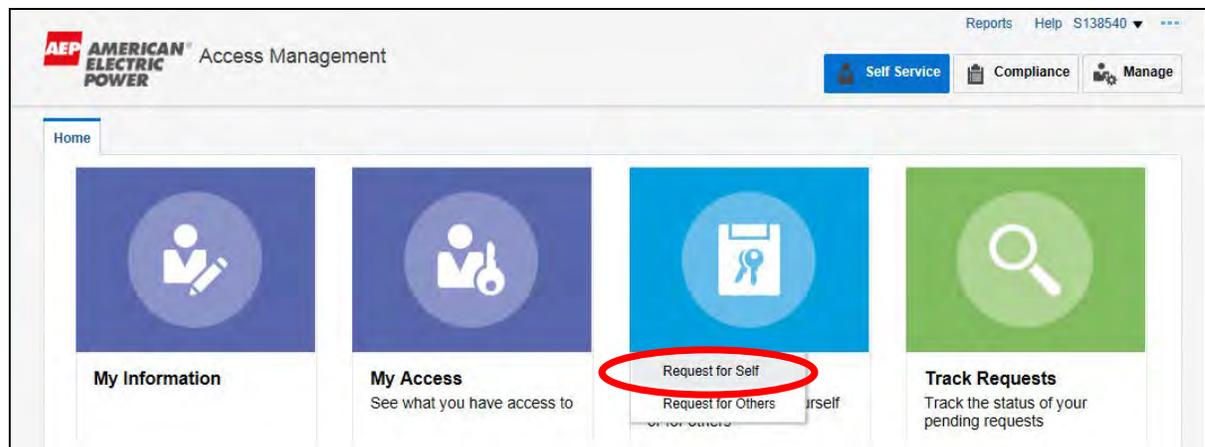
1. Open Internet Explorer. Type “MyAccess” into the web browser and hit Enter.



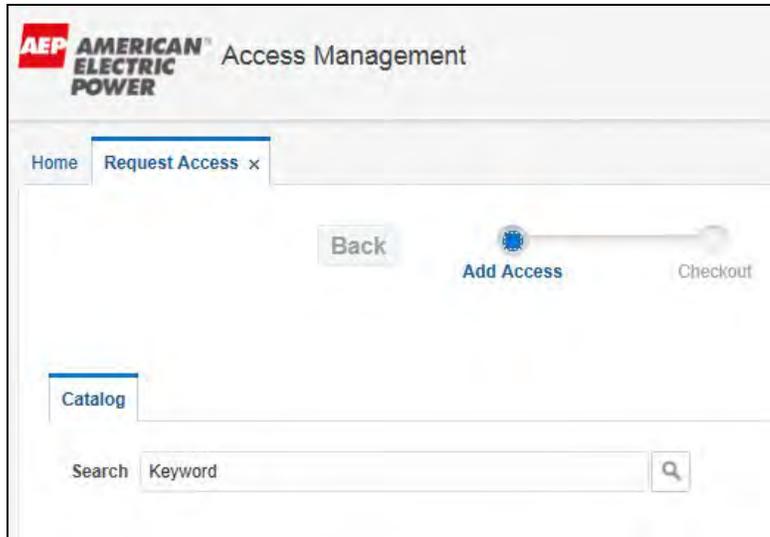
2. Type your User ID and Corporate Password into the Sign In screen then click the Sign In button.

A screenshot of the "AMERICAN ELECTRIC POWER Access Management" sign-in page. The page has a header with the AEP logo and the text "Access Management". Below the header is a "Sign In" section with the instruction "Sign in with your account". There are two input fields: "User ID" containing the text "S138540" and "Password" containing a series of dots. A "Sign In" button is located below the password field.

3. Click the 'Request Access' box and select “Request for Self” when the drop down box appears.

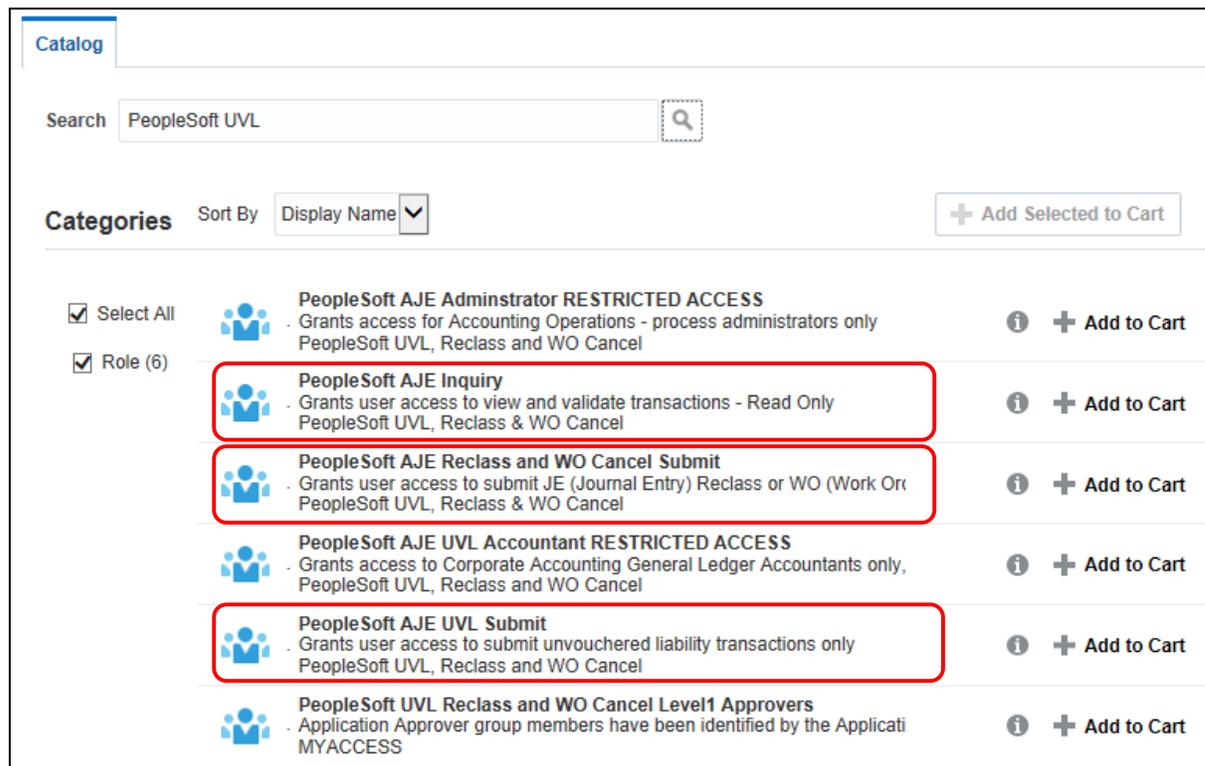


4. A Catalog search will appear with a “Keyword” box available.



5. Type “PeopleSoft UVL” in the Keyword box and click the magnifying glass to the right of the box. A list of available roles will appear. The roles blocked in red below note the roles most requested by general users.

**Note:** See page 6 for a description of each role.



- To request a role, click the “Add to Cart” button next to the role needed. The button will change to “In Cart” once selected.

The screenshot shows a list of roles under the heading 'Categories'. At the top right is a button '+ Add Selected to Cart'. The roles listed are:

- Select All
- Role (6)
- PeopleSoft AJE Administrator RESTRICTED ACCESS**  
Grants access for Accounting Operations - process administrators only  
PeopleSoft UVL, Reclass and WO Cancel
- PeopleSoft AJE Inquiry** (highlighted)  
Grants user access to view and validate transactions - Read Only  
PeopleSoft UVL, Reclass & WO Cancel
- PeopleSoft AJE Reclass and WO Cancel Submit**  
Grants user access to submit JE (Journal Entry) Reclass or WO (Work Or  
PeopleSoft UVL, Reclass & WO Cancel

The 'Add to Cart' button for the 'PeopleSoft AJE Inquiry' role is highlighted with a red box.

The screenshot shows a list of roles under the heading 'Categories'. At the top right is a button '+ Add Selected to Cart'. The roles listed are:

- Select All
- Role (6)
- Auto Journal Entry - Admin**  
PeopleSoft UVL, Reclass and WO Cancel
- Auto Journal Entry - Inquiry** (highlighted)  
PeopleSoft UVL, Reclass & WO Cancel
- Auto Journal Entry-Submit REC**  
PeopleSoft UVL, Reclass & WO Cancel

The 'Add to Cart' button for the 'Auto Journal Entry - Inquiry' role is highlighted with a red box.

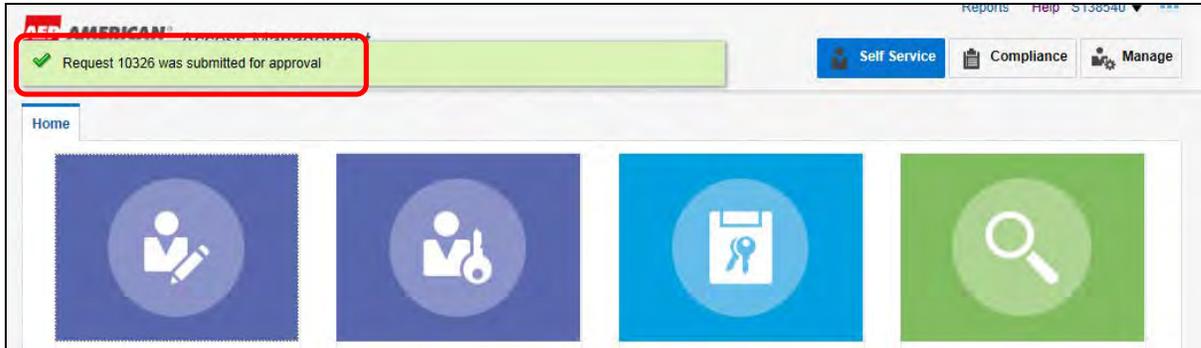
- With the appropriate role selected, click the Next button.

The screenshot shows a progress bar for 'Request Access'. The progress bar is partially filled with a blue circle. Below the progress bar are buttons for 'Back', 'Add Access', and 'Checkout'. To the right are buttons for 'Cancel' and 'Next'. The 'Next' button is highlighted with a red box.

- Type a reason for the request in the “Justification” Box, then click the “Submit” button.

The screenshot shows the 'Cart Details' form. At the top right is a green 'Submit' button highlighted with a red box, and a 'Save As...' dropdown menu. Below is a section for 'Request Information' with a 'Justification' field containing the text 'To research UVL and JE Reclass Transactions'.

9. Once submitted, the home page will appear noting the Request number for the submission.



### Non-Regulated vs Regulated Employees

Due to Standard-of-Conduct rules put in place by FERC, Non-Regulated or Market affiliated employees, are unable to view information related to Regulated or Non-Market affiliated companies. Thus, the Online PeopleSoft Database and Excel Spreadsheet Upload have “behind the scenes” security that limits what a Non-Regulated employee can Validate, Submit, Change and View. The following error message will appear when a Non-Regulated employee tries to process or view data for a Regulated company:

Errors:  
- You are identified as a member of competitive group, cannot submit transactions with this BU

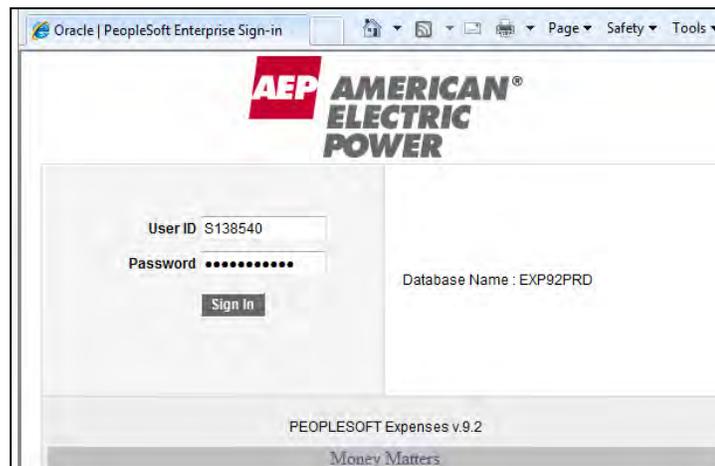
## Using the Online PeopleSoft Database

The Online PeopleSoft Database is a central repository to store, access and process all Unvouchered Liability, JE Reclass, JE Lite Reclass and WO Cancel submissions. With proper security access, a user can research, update and submit transactions for these four processes types.

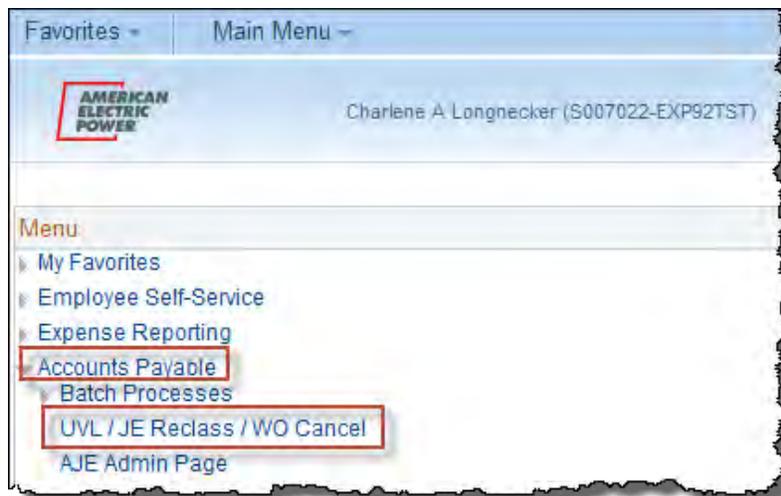
### Login and Navigation

1. To access the Online PeopleSoft Database, go to the A-Z Index on AEP Now and select “PeopleSoft Expense”. The PeopleSoft Expense Login Screen will appear. Enter your corporate **User ID** and **Password** then, click the **Sign In** button.

**Note:** Users can also type “EXP” in their internet explorer browser to retrieve the PeopleSoft Database.



2. Under the Main Menu click through the following path: *Accounts Payable > UVL / JE Reclass / WO Cancel*. The Online Search Panel will appear.



## Online Search Panel

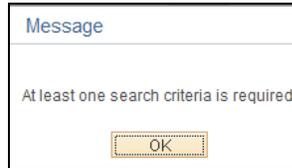
The Online Search Panel allows users to retrieve submitted transactions and review their processing status.

## Using the Search Panel

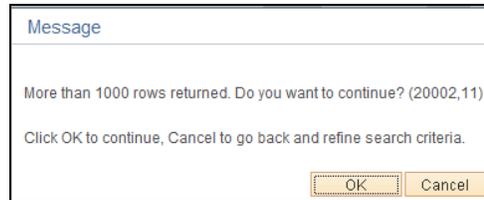
- When accessing the search panel, the “Submitted By” fields will automatically populate with the employee’s User Id and Name. The user can delete their User Id and Name if looking for submissions under other specific criteria.

- Populate the search panel with all available criteria, and then click the **Search** Button.

- At least ONE search criteria must be entered before clicking the search button, or the following error message will be received. The more criteria entered, the more defined the search.



- A warning message appears when the search results contain more than 1,000 rows. This warning allows the user to cancel the search and re-define their results to return fewer rows. However, if the user expects a large row return, click OK and the results will appear. Larger search results will take longer to appear.



- Search Results will appear in the "Transaction History" panel. (See the "Transaction History Panel" portion of this documentation for more information on using this panel).

Search Results									
Transaction History									
Transactions									
Summary   Accounting   Review Status   Process Status									
	Type	Group	Submitted By	Year	Period	Status	Vendor/Contractor	Monetary Amount	
1	UVL	1	Longnecker,Charlene A	2017	5	Posted	Experian	\$20,000.000	
2	UVL	1	Longnecker,Charlene A	2017	5	Posted	Prince Parker Associates	\$15,000.000	
3	UVL	1	Longnecker,Charlene A	2017	5	Posted	Mercantile	\$25,000.000	

- To clear a search and start over, click the **Clear Search** button.

Search Criteria

Submitted By: S007022 Longnecker,Charlene A Journal ID: Date Posted: [BT]

Requested By: Journal Dt: [BT] Approved By:

Business Unit: Department: Transaction Type: [v]

Work Order: PC Business Unit: Transaction Status: [v]

Project: Account: Inv Status: [v] BenLoc Stat: [v]

Cost Component: ABM Activity: Group Sequence: Fiscal Year: Period:

PO Number: Invoice:

Voucher ID: Validation Status: [v]

Admin Search: [v]

Transactions Entered Between From Date: [BT] To Date: [BT]

[Main Content] [Search] [Clear Search]

 **NOTE:** This database contains only **15 months of submissions**. Transactions older than 15 months are moved to an archive table, which is accessible **ONLY** by process Administrators. If data older than 15 months is needed, email the specific group mailbox noted in the “Contact Information” section.

## Search Field Definitions

The following summary defines the fields available within the search panel.

### ABM Activity

This 2 or 3-digit code identifies the process each transaction supports. Example: 412 – Purchase Property

### Account

Generally 7-digits in length, account determines the type of transaction, such as revenue, expense, asset, liability or equity. Example: 1070001 – CWIP Project Detail

### Approved By

Name of the person who Approved the transaction

### BenLoc Stat

This field contains a drop down list of Benefitting Location Statuses. These statuses are used by process Administrators to ensure work orders are being processed with proper Business Units.

Invalid	=	The Benefitting Business Unit tied to the Work Order does not match the GL Business Unit on the transaction.
JointBooks	=	The Work Order has a Joint Books Benefitting Location thus will allocate through the Joint Books allocation process.
Multiple	=	The Work Order has multiple Benefitting Business Units tied to it, thus will allocate during Project Allocations.
NoBenRev	=	The Benefitting Location review was not performed on this transaction.
Quad Error	=	The Benefitting Business Unit tied to the Work Order does not match the GL Business Unit on the transaction, thus will create an incorrect balance in the 1070000 or 1080000 accounts.
Valid	=	The Benefitting Business Unit tied to the Work Order matches the GL Business Unit on the transaction.

### Business Unit

This 3-digit code represents a Legal or General Ledger AEP entity. It is also called “Company Number” or GLBU. Example: 103 – AEP Service Corp

### Cost Component

This 3-digit code defines the type of transaction, such as Labor, Materials, etc.  
Example: 210 – Contract Labor

### Date Posted

The posting date of the transactions. This date **DOES NOT** represent the month/year the transactions hit the general ledger/budget, but the actual day posting occurred.

**Department**

This 5-digit code provides an organizational structure and divides business into functional groups (engineering, accounting, etc.). Example: 12097 – Special Projects Team

**Fiscal Year**

The accounting / budgetary year the transactions are recorded to the general ledger.

**Group Sequence**

A Group Sequence number is assigned to each submission, allowing transactions sent on the same submission to be identified together. This number is also used to determine the number of submissions sent by each individual Submitter. Group Sequence numbers are assigned by Submitter, Fiscal Year and Period. Numbers start at 1 and start over on a monthly basis.

**Inv Status**

This field contains a drop down list of Invoice Statuses. These statuses are used by process Administrators when performing an Invoice Review specific to the Unvouchered Liability process. If an invoice number is listed on a UVL submission, the system will compare this invoice to the Accounts Payable system to ensure the invoice has not already been entered. Invoices that have already been Posted in Accounts Payable will be removed to ensure no duplication occurs.

- Amt Review = Amount Review - the invoice number was found in the Accounts Payable system but the dollar amount does not match the submission.
- Multiple = The invoice number matches numerous items in Accounts Payable.
- No Match = The invoice number was not found in Accounts Payable.
- Posted = The invoice number and submission amount matches an invoice in Accounts Payable that has already posted to the system.

**Invoice**

The number assigned by the vendor on each invoice.

**Journal Dt**

Journal Date is the accounting / budgetary date the transaction is recorded to the general ledger.

**Journal ID**

Journal ID identifies which process the transactions relate to. Below are the Journal masks for the four processes in this database. All journal masks will be followed by a system generated sequential number.

- AJEREC% = Journal Entry Reclass
- UVLACC% = Unvouchered Liabilities
- AJECAN% = Work Order Cancel
- AJEJEM% = “JE Lite” Reclass

**PC Business Unit / PCBU**

The Project Costing Business Unit is a 5-letter code used to indicate the functional organization managing the project. Example: SHSVC – Shared Services

**Period**

The accounting / budgetary period the transactions are recorded to the general ledger.

**PO Number**

The Purchase Order or Contract number tied to an invoice. PO / Contract numbers are generally 6-8 digits and can have a 4 digit release (some PO / Contracts can be up to 13-digits in length).  
Example: 026867391322

**Project**

This 9-character code provides for further breakdown of work grouped by Work Order.  
Example: LGN102537 – Internal Communications

**Requested By**

User Id and Name of the person who Requested the transaction

**Submitted By**

User Id and Name of the person who Submitted the transaction

**Transactions Entered Between / Date Entered**

This field represents the date a submission was entered/submitted into the database. The user can select an entry/submission date range using the **From Date** and **To Date** fields.

**Transaction Status**

This field contains a drop down list of Transaction Statuses. These statuses allow the user and/or process Administrators to see the processing status of a transaction.

Deleted	=	Transactions have been deleted by a user.
Entered	=	Transactions have been submitted but have not been reviewed by Process Administrators. <u>Entered Transactions can be changed by users with a SUBMIT Role.</u>
Error	=	The transaction Errored during the posting process and did not post
Hold by Admin	=	The process Administrator has placed the transaction on Hold.
Posted	=	The transaction has been posted to the General Ledger.
Processed	=	The transaction is processing but has yet to post to the General Ledger.
Ready to Post	=	The transaction has been validated and is ready to post.
Removed by Admin	=	The process Administrator has Removed the transaction.
Review Exception	=	The transaction ran through an Admin review process and has an exception needing reviewed by the process Administrator.
SAB108	=	The transaction was submitted past the submission due date and has been turned into Financial Reporting for Financial Statement consideration, but will NOT be booked from a budget reporting perspective.

**Transaction Type**

Identifies the 4 processes included in the database:

- 1) Journal Entry Reclass = JER
- 2) Unvouchered Liabilities = UVL
- 3) Work Order Cancel = WOC
- 4) JE Lite Reclass = JEM

**Validation Status**

This field contains a drop down list of Validation Statuses. These statuses allow the user and/or process Administrators to know the validation state of each transaction. See the definitions for each Validation Status noted in the following “Validation Status Key” section.

**Voucher ID**

An 8-digit code assigned by Accounts Payable when an invoice is entered into the system.

Example: 01737511

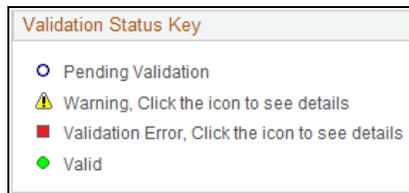
**Work Order**

Typically 10-characters in length, this code allows work to be grouped into common purposes.

Example: G0001060 – All Companies

**Validation Status Key**

A box containing the Validation Status Key is located to the right of the Search Panel. This box notes the 4 validation symbols and their meanings. When using the Add New Entry and Transaction History Panel, these symbols will appear at the beginning of each transaction line, noting their validation status. These statuses also link to the Validation Status drop down box on the Search Panel.



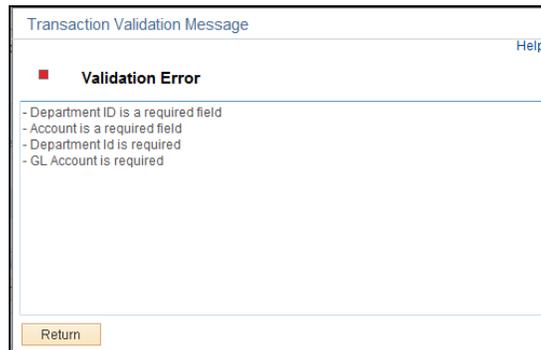
**EXAMPLE:**

Transactions							
		Type	Requested By	Approved By	Year	Period	
1		 JER	Morss,Amy M	Kincaid Jr.,Jack L	2015	2	
2		 JER	Morss,Amy M	Kincaid Jr.,Jack L	2015	2	
3		 JER	Morss,Amy M	Kincaid Jr.,Jack L	2015	2	

**Validation Status Definitions**

- Pending Validation** = Transaction has not been validated
- Warning** = Transaction has passed Validation but the system returned a processing warning. Warnings do NOT hold up transactions from being saved or submitted.
- Validation Error** = Transaction has accounting validation or processing errors.
- Valid** = Transaction has passed all validation and is clear to submit and/or save.

- Click the symbol when transactions have a Yellow Warning or a Red Validation Error and a message will note the Warning or Error. The user can then correct or make changes to the transactions based on these messages.



**Transaction History Panel**

The Transaction History Panel displays results from the Search Panel. Here users and process Administrators can research, update and monitor the status of transactions. Those with SUBMIT and ADMIN security roles have the ability to edit transactions before they are posted. Transactions must be in an ENTERED status to be available for editing by a user with a SUBMIT role.

Search Results									
Transaction History									
Transactions									
Summary	Accounting	Review Status	Process Status						
	Type	Group	Submitted By	Year	Period	Status	Vendor/Contractor	Monetary Amount	
1		JER	1 Morss, Amy M	2014	12	Review Exception	<input type="text"/>	\$25,000.000	
2		JER	1 Morss, Amy M	2014	12	Review Exception	<input type="text"/>	\$-25,000.000	
3		JER	1 Morss, Amy M	2014	11	Posted	Test Save Changes	\$17,000.000	
4		JER	1 Morss, Amy M	2014	11	Posted	Test Save Changes	\$-17,000.000	
5		JER	1	2015	2	Entered	Test Save Changes	\$1,000	
6		JER	1	2015	2	Entered	Test Save Changes	\$-1,000	

## Tab and Field Definitions

- Data results are categorized into 4 tabs: **Summary**, **Accounting**, **Review Status** and **Process Status**. The tabs assist the user in looking at specific sections of a transaction.



- The first 8 fields on each tab are the same, providing a common comparison point for all tabs: Transaction Type, Group Number, Submitted By, Year, Period, Transaction Status, Vendor/Contractor, Monetary Amount.

### Tab Definitions

- Summary** = Provides Non-Accounting submission fields: PO Number, Invoice Number, Voucher ID, Reason Code, Comments, Requested By, Approved By
  - Accounting** = Provides all Accounting Chartfields populated on the transaction: Business Unit, Dept ID, Work Order, PC BU, Project, Account, Cost Comp, ABM Activity, Subcategory, State Jurisdiction, Product, Affiliate, UVL Reversal, Original Journal ID, Original Journal Date, Org Jrnl Source Ind., Statistics Code, Statistic Amount, Jrnl Line Ref
  - Review Status** = Shows results of the Invoice and Benefitting Location Reviews performed by process Administrators: APBU-Voucher ID, Vendor Name, Invoice Date, Document ID, Inv Status, Business Unit, Ben Loc, Ben BU, Ben Loc Status, Review Comments.
  - Process Status** = Provides processing dates and Journal posting information: Date Entered, Last Upd User, Last Upd DtTm, Journal BU, Journal ID, Journal Date, Journal Line, Date Posted.
- Most fields listed within the Transaction History Tabs are defined in the Search Field Definition section of this documentation. However, below are additional definitions for fields found only within the Transaction History Panel.

### Transaction History Panel Field Definitions

#### Affiliate

A 3-digit business unit receiving or benefiting from the transaction. Example: 215 – APCo Gen

#### APBU-Voucher ID

A combination of the Accounts Payable Business Unit and Voucher ID, this field returns a value when the UVL Invoice Review finds the invoice to be Posted in Accounts Payable.

#### Ben BU

Benefitting Business Unit is the specific business unit tied to the Benefitting Location and transaction.

**Ben Loc**

A 3-4 digit code, the Benefitting Location determines the company(s) tied to the transaction.

**Comments**

This field is available to the user at the time of submission, to note any descriptions or other information regarding the transaction.

**Document ID**

An 8-9 digit number assigned to the invoice image, this number aids in viewing images in docserver.

**Invoice Date**

The invoice date provided by the vendor.

**Journal BU**

The General Ledger Business Unit the transaction was booked to.

**Journal Line**

The specific line number the transaction was booked to on the General Ledger journal.

**Jrnl Line Ref**

Journal Line Reference, this field is the ten-digit Asset Suite inventory category ID (CatID) number for inventory items moved via journal entry (for example, between work orders or GL accounts, etc). This is a required field for JE Lite transactions. Example: 0047051601

**Last Upd DtTm**

Last Updated Date and Time stamp, this field notes the specific date and time the transaction was last updated.

**Last Upd User**

Notes the User ID of the last person to update the transaction.

**Monetary Amount**

Dollar amount of the transaction.

**Original Journal Id**

The Original Journal Id is required for JE Reclass Only. It must represent the valid Journal Id that you are reclassifying.

**Original Journal Date**

The Original Journal Date is required for JE Reclass Only. It consists of the date of the original journal entry.

**Org Jrnl Source Ind**

The Original Journal Date is required for JE Reclass Only. Enter "Y" to indicate that the accounting for this line was on the original journal, or enter "N" to indicate that this is the line with the corrected accounting.

**Product**

A 2-5 character code that provides additional details about a transaction.  
Example: S029 – IT Special Services

### **Reason Code**

Journal Entry Reclass and Work Order Cancel entries require the Reason Code be populated with one of the available drop down selections. This Reason Code provides a high level reason why the entry is being made.

#### 1. Reason Codes for JE Reclass

JEAB	=	ABM Activity Correction
JEAL	=	Allocate Invoice to Proper BU/Acctg
JEBU	=	Business Unit Correction
JECW	=	Capital WO Correction
JECO	=	Capital/O&M Transfer
JECC	=	Cost Component Correction
JEDC	=	Dept ID Correction
JENO	=	Non Capital/O&M Transfer
JEOW	=	O&M WO Correction
JEOT	=	Other- Reasons do not apply

#### 2. Reason Codes for WO Cancel

WOOM	=	Cancel WO to O&M
WOSW	=	Cancel Section of WO
WOWO	=	Cancel WO to WO

### **Review Comments**

Comment field for use by process Administrators only. Allows Admins to note why a transaction was changed. System review comments are also noted in this field.

### **State Jurisdiction**

A 2-5 letter code for recording the state, jurisdiction or location details. Example: TX – Texas

### **Statistics Amount**

Number of inventory units moved via journal entry with inventory category ID (CatID) listed in 'Jrnl Line Ref' field. It may be a positive or negative number. This is a required field for JE Lite transactions.

### **Statistics Code**

Unit of measure for inventory items moved via journal entry with inventory category ID (CatID) listed in 'Jrnl Line Ref' field. Example: UNT – unit. This is a required field for JE Lite transactions.

### **Subcategory**

A 2-5 character code that describes the product or service supplied.  
Example: 868 – Shreveport General Office

### **UVL Reversal**

Available only to Ledger Accountants with the ACCOUNTANT role. This field allows an Accountant to by-pass the auto-reversing journal entry function.

### **Vendor Name**

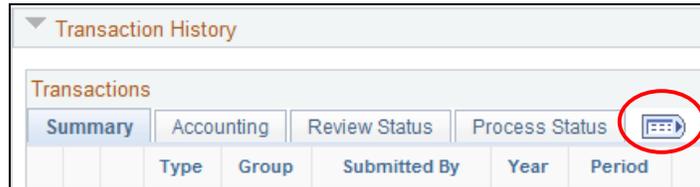
Vendor name populated by the system when performing the UVL Invoice Review.

### **Vendor/Contractor**

Vendor / Contractor name provided by the user on their submission.

### Show All Columns Icon

If a user does not like the four tab categorization of data, the “Show all Columns” icon can be clicked to view all data in one long panel. The user can click this icon to go back and forth between the two views.



### Show All Columns View

Transaction History								
Transactions								
<span>☐</span> <span>☐</span> <span>☐</span> <span>☐</span> <span>☐</span>								
		Type	Group	Submitted By	Year	Period	Status	Vendor/Contractor
1	<input checked="" type="checkbox"/>	JER		1 Morss,Amy M	2015	1	Removed By Admin	National Heat Exchange PO 2746281
2	<input checked="" type="checkbox"/>	JER		1 Morss,Amy M	2015	1	Removed By Admin	National Heat Exchange PO 2746281

### Row / Panel Navigation Buttons

The following navigational buttons are available at the far right of the Transaction History panel. Use these buttons to change how many rows are visible or to move forward and backward from one panel of rows to the next.

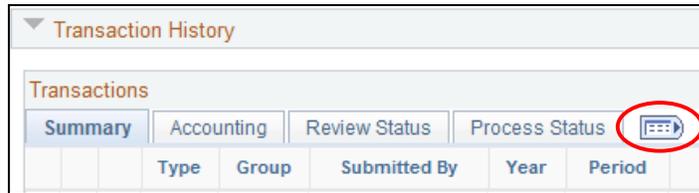


- The panel can show 15 or up to 100 rows at a time. The **View 15** link is interchangeable between **View 15** and **View All / 100**. Click these links to change how many rows are visible per panel.
- The **First** link takes the user back to the first panel of rows. The **Last** link takes the user to the last panel of rows.

### Downloading Data to Excel

Searched data pulled into the Transaction History panel can be downloaded into Excel and used as a reporting tool.

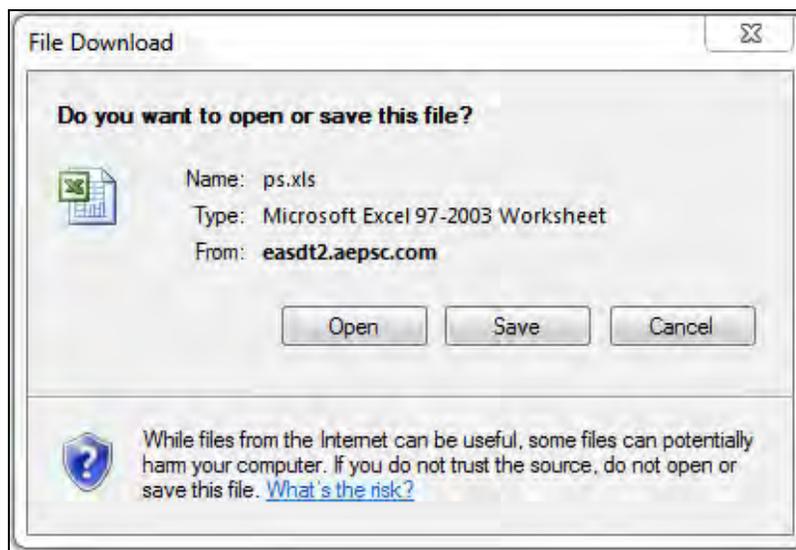
- Only the data visible on the currently selected Tab will download to Excel. If the user wants to see the data from ALL tabs, they must click the “Show All Columns” icon first. This will open all tabs and allow all data to be downloaded to excel.



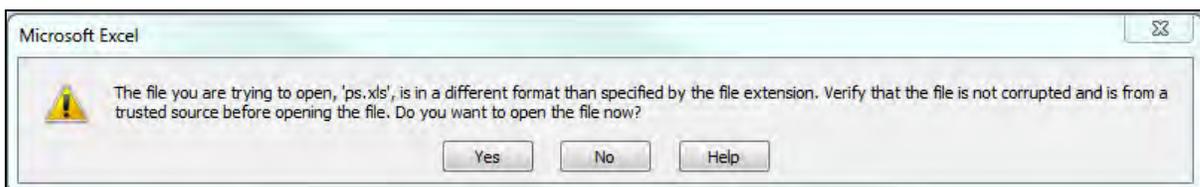
- Take the following steps to download data to Excel:
  1. Scroll to the far right of the Transaction History Panel and select the “Download” icon



2. Click the “Open” button on the File Download box



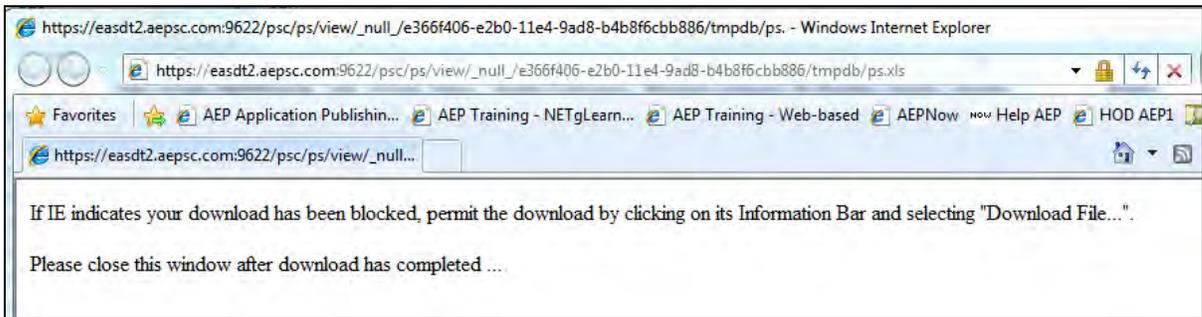
3. A Microsoft Excel warning box will appear noting the user is trying to open the 'ps.xls' file in a different format. Click the “Yes” button.



4. The downloaded data will open in Excel.

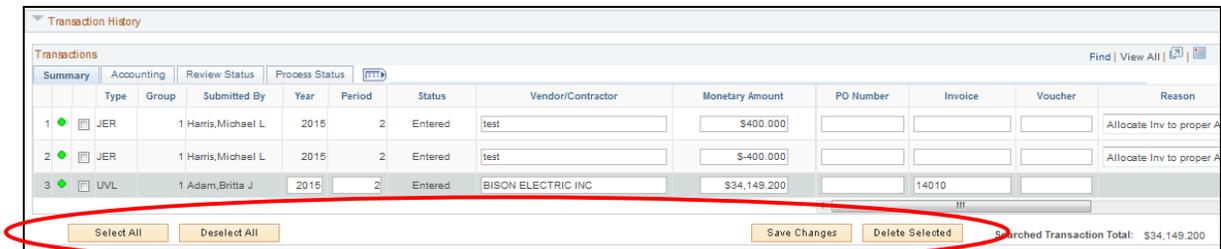
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Type	Group	Submitted By	Year	Period	Status	Vendor/Contractor	Monetary Amount	PO Number	Invoice	Voucher	Reason	Comments	
1	Valid	JER	2	Morss,Amy M	2015	1	Posted		(\$77,376.00)				O&M WO Correction	Incorrectly charged to O&M task	
2	Valid	JER	2	Morss,Amy M	2015	1	Posted		(\$9,850.00)				O&M WO Correction	Incorrectly charged to O&M task	
3	Valid	JER	2	Morss,Amy M	2015	1	Posted		\$77,376.00		28028		O&M WO Correction	Incorrectly charged to O&M task	
4	Valid	JER	2	Morss,Amy M	2015	1	Posted		\$9,850.00		28028		O&M WO Correction	Incorrectly charged to O&M task	
5	Valid	JER	2	Morss,Amy M	2015	1	Posted		(\$49.88)				O&M WO Correction	2-FFI-220 clenaup, payroll	
6	Valid	JER	2	Morss,Amy M	2015	1	Posted		(\$12.89)				O&M WO Correction	2-FFI-220 clenaup, payroll	

5. When downloading data from PeopleSoft to Excel, the following Internet Explorer panel will appear with a download message. Once the file is downloaded, this file can be closed.

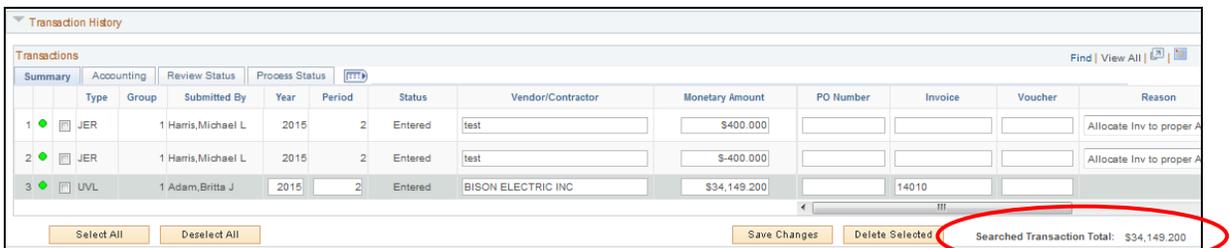


### Action Buttons / Transaction Totals

- When a user has a SUBMIT role, a row of action buttons appear at the bottom of the Transaction History panel when search results are pulled. These buttons are used to Select, Deselect, Save and Delete rows.



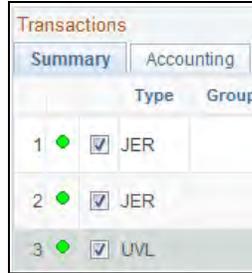
- A “Searched Transaction Total” also appears under the Transaction History panel, providing the dollar amount of all transactions pulled in the search.



### **Action Button Definitions**

Select All

= puts a check mark in the box to the left of each line, selecting all lines in the transaction history panel.



Transactions			
Summary		Accounting	
	Type	Group	
1	<input checked="" type="checkbox"/>	JER	
2	<input checked="" type="checkbox"/>	JER	
3	<input checked="" type="checkbox"/>	UVL	

Deselect All

= removes the check mark from the box at the left of each line, deselecting all lines in the transaction history panel.



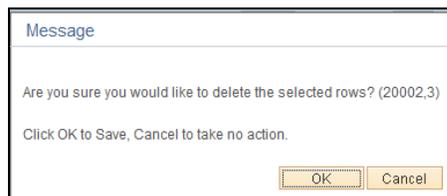
Transactions			
Summary		Accounting	
	Type	Group	
1	<input type="checkbox"/>	JER	
2	<input type="checkbox"/>	JER	
3	<input type="checkbox"/>	UVL	

Save Changes

= click this button to save any changes made to a transaction.

Delete Selected

= after marking the boxes to the left of each line needing deleted, click this button to delete the selected transactions. Upon selecting the "Delete Selected" button, the following message box will appear ensuring the rows should be deleted.



Message

Are you sure you would like to delete the selected rows? (20002,3)

Click OK to Save, Cancel to take no action.

OK Cancel

## Editing / Deleting Data after Submission

### Requirements

- Transactions submitted into the UVL / JE Reclass / JE Lite Reclass / WO Cancel database can be edited or deleted, but only when the following requirements are met:
  - A. ONLY users with a SUBMIT or ADMIN role can edit transactions.
    - Users with PeopleSoft AJE UVL Submit can edit UVL transactions only
    - Users with PeopleSoft AJE Reclass and WO Cancel Submit can change JE Reclass and/or WO Cancel transactions only.
    - Users with PeopleSoft AJE JE Lite Submit can change JE Lite transactions only.
    - If the user has all SUBMIT roles, all transaction types can be changed.
  - B. Users with ONLY the AEP\_AJE\_INQUIRY role **cannot** change submitted transactions.
  - C. ONLY transactions in an **ENTERED** Transaction Status can be edited by users with SUBMIT roles. Once a line is in any other Transaction Status, only process Administrators can make further changes.
  - D. The user changing the transaction **cannot** also be the approver.

### Editing Lines

- Editable fields will be identified by an open box around the field value. All other un-editable fields will be grayed out.

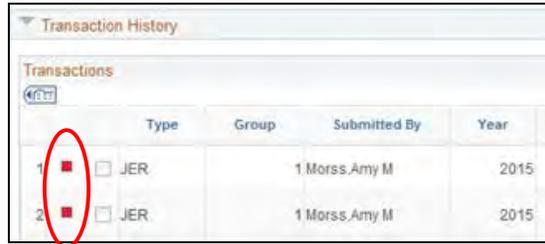
Transactions										
Summary   Accounting   Review Status   Process Status   [Filter]										
	Type	Group	Submitted By	Year	Period	Status	Vendor/Contractor	Monetary Amount	PO Number	Invoice
1	JER	1	Harris, Michael L	2015	2	Entered	test	\$400.000		

- Use the Search Panel to pull up specific transactions needing edited. After editing the fields within a line, click the **Save Changes** button to save the change.

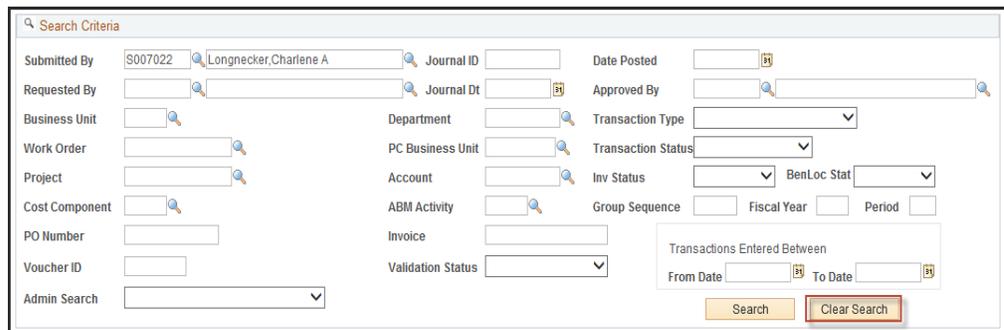
Transaction History												
Transactions   Find   View All   [Filter]												
	Type	Group	Submitted By	Year	Period	Status	Vendor/Contractor	Monetary Amount	PO Number	Invoice	Voucher	Reason
1	JER	1	Harris, Michael L	2015	2	Entered	test	\$400.000				Allocate Inv to proper A
2	JER	1	Harris, Michael L	2015	2	Entered	test	\$-400.000				Allocate Inv to proper A
3	UVL	1	Adam, Britta J	2015	2	Entered	BISON ELECTRIC INC	\$34,149.200		14010		

Searched Transaction Total: \$34,149,200

1. If an error message is received when saving the changed data, click the Red Square Validation box to see the cause of the error.

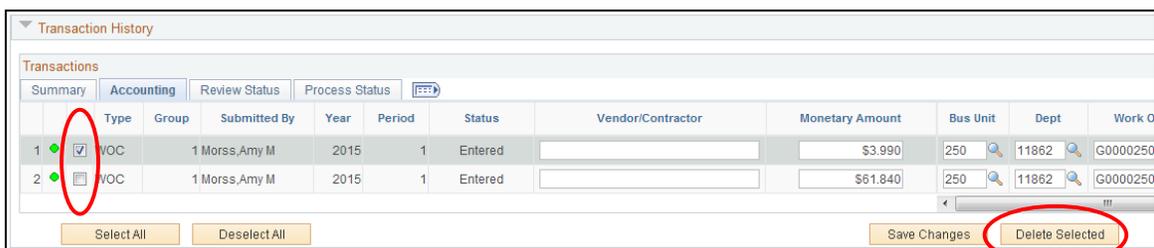


2. If a user wants to clear an error upon trying to save OR not save any changes made, click the Clear Search button to clear the panel. The change will not be saved.

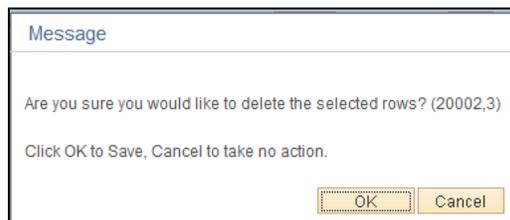


**Deleting Lines**

- To Delete a line, select the box to the left of the line, then click the **Delete Selected** button.

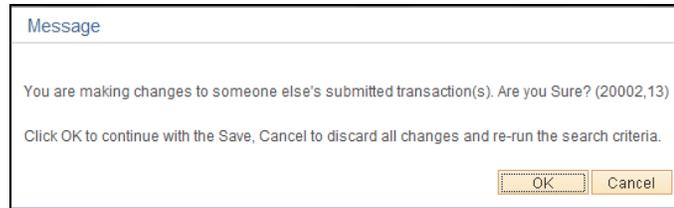


1. The following message will appear when deleting lines. Click **OK** to delete the line or **Cancel** to stop the deletion.



### Editing Another User's Transactions

- To allow for vacations / sickness, a user with a SUMBIT role does have the ability to change another user's transaction. Upon Editing or Deleting another user's transaction, the following message will appear. The user can click "CANCEL" to stop the change or "OK" to accept the change.



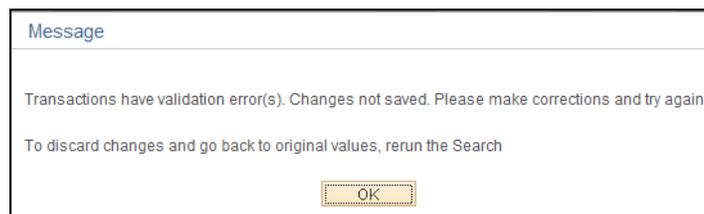
- NOTE:** Changes made to another user's data will be tracked in an Audit Table accessible by process Administrators only. This Audit trail provides who made the change along with the specific fields changed.

### Editing Exceptions for JE Reclass, JE Lite Reclass and WO Cancel

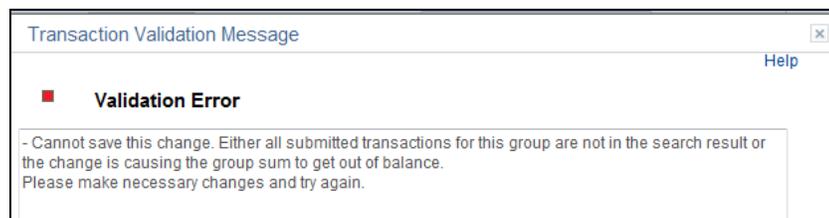
- JE Reclass, JE Lite Reclass and WO Cancel submissions must remain at a zero balance, even after editing or deleting lines in the Transaction History Panel. To safeguard against an out-of-balance situation, ALL lines from the original submission must be pulled into the Transaction History Panel BEFORE the change or deletion can be saved. This allows the system to ensure the overall submission balance stays at zero.

A. The following error messages will be received when trying to save a JE Reclass, JE Lite Reclass or WO Cancel without all Group lines in the Transaction History panel.

- A message box will note validation errors, click **OK**.



- Click the Red Validation Error icon at the left of the line. The following Error message will appear, noting all Group lines must be in the Search Results to save the change.



- To pull all Group lines, note the Group number, Submitter, Fiscal Year and Period assigned to the Transaction. Update the Search Panel to pull all lines for that Submitter name and Specific Group Number.

Transaction History						
Transactions						
Summary		Accounting	Review Status	Process Status		
	Type	Group	Submitted By	Year	Period	Status
1	JER	1	Harris, Michael L	2015	2	Entered

**Use the Group Sequence, Submitted By (User Id or Name), Fiscal Year, and Period fields to pull in the entire submission:**

**Search Criteria**

Submitted By	S009971 Harris, Michael L	Journal ID	Date Posted	
Requested By		Journal Dt	Approved By	
Business Unit		Department	Transaction Type	
Work Order		PC Business Unit	Transaction Status	
Project		Account	Inv Status	BenLoc Stat
Cost Component		ABM Activity	Group Sequence	Fiscal Year
PO Number		Invoice	1	2015
Voucher ID		Validation Status	Period	2
Admin Search			Transactions Entered Between	
			From Date	To Date

- Once all Group/Submission lines are available in the search results, as long as the change being made does not cause the submission to be out-of-balance, the change will be saved.

## Add New Entry

The Add New Entry panel allows users to submit UVL, JE Reclass, JE Lite Reclass and WO Cancel transactions directly online, by-passing the upload spreadsheet. This Entry panel is intended for small submissions as it is very manual in nature. Each field must be typed in, thus it is NOT recommended for processing large submissions. The upload spreadsheet is more flexible and easier to use for larger submissions.

- Only users with the PeopleSoft AJE UVL Submit, PeopleSoft AJE Reclass and WO Cancel Submit and PeopleSoft AJE JE Lite Submit roles can use this panel. The panel will not be visible to users with ONLY the PeopleSoft AJE Inquiry role.
- As with the upload spreadsheet, users with only the PeopleSoft AJE UVL Submit role can submit UVL transactions only. Users with the PeopleSoft AJE Reclass and WO Cancel Submit role can submit JE Reclass and/or WO Cancel transactions only. Users with the PeopleSoft AJE JE Lite Submit role can submit JE Lite transactions only. Users with all SUBMIT roles can submit for all transaction types.

## Using the Add New Entry Panel

- The Add New Entry Panel is located directly below the Search Criteria Panel.

**Note:** This Panel will not be visible to those with ONLY an INQUIRY role.

**Unvouchered Liabilities, JE Reclass & WO Cancel**  
 Use the Search section to retrieve existing transactions or the Add section to add new Unvouchered Liabilities, JE Reclass or WO Cancel.

**Search Criteria**

Submitted By: S007022 Longnecker, Charlene A Journal ID: [ ] Date Posted: [ ]  
 Requested By: [ ] Journal Dt: [ ] Approved By: [ ]  
 Business Unit: [ ] Department: [ ] Transaction Type: [ ]  
 Work Order: [ ] PC Business Unit: [ ] Transaction Status: [ ]  
 Project: [ ] Account: [ ] Inv Status: [ ] BenLoc Stat: [ ]  
 Cost Component: [ ] ABM Activity: [ ] Group Sequence: [ ] Fiscal Year: [ ] Period: [ ]  
 PO Number: [ ] Invoice: [ ]  
 Voucher ID: [ ] Validation Status: [ ]  
 Admin Search: [ ]  
 Transactions Entered Between: From Date: [ ] To Date: [ ]  
 Search Clear Search

**Add New Entry**

- Click the arrow next to Add New Entry and the panel will open with the user's name populated in the Submitted By field.

**Add New Entry**

Accumulate transaction data in this area. Click 'Save for Later' to store data until it is ready to be submitted. Click 'Save and Submit' once the entry is ready for processing.

Submitted By: Morss, Amy M Transaction Type: [ ]

- A Transaction Type box is available to the right. Click the Dropdown arrow and the available transaction types will appear. The Transaction Type listing will change based on the user's security role access.

The screenshot shows the 'Add New Entry' form. At the top, it says 'Accumulate transaction data in this area. Click 'Save for Later' to store data until it is ready to be submitted. Click 'Save and Submit' once the entry is ready for processing.' Below this, 'Submitted By' is 'Morss, Amy M'. To the right, 'Transaction Type' is a dropdown menu that is open, showing three options: 'Journal Entry Reclass', 'Unvouchered Liabilities', and 'WorkOrder Cancel'.

- Select the appropriate Transaction Type for submission and a blank submission line will appear.

The screenshot shows the 'Add New Entry' form with 'Transaction Type' set to 'Journal Entry Reclass'. Below the form header is a table titled 'Transactions'. The table has columns for 'Type', 'Requested By', 'Approved By', 'Year', 'Period', 'Vendor/Contractor', 'Invoice', 'Voucher', and 'Monetary Amount'. The first row is highlighted and contains a '1' in the 'Type' column, a search icon in 'Requested By', a search icon in 'Approved By', and '\$0.000' in 'Monetary Amount'. Below the table are 'Save for Later' and 'Save and Submit' buttons. At the bottom right, it says 'Monetary Amount Total: \$0.000'.

- Fill in all Required Fields and necessary accounting for the submission. Below are the required fields for all Transaction Types. Though some fields may not be required, a user can still use the field if the information is available.

**Required Fields – ALL Transaction Types**

Transaction Type (field will self-populate)  
 Requested By  
 Approved By  
 Year  
 Period  
 Monetary Amount  
 Business Unit  
 Department ID  
 Account

**Required Field – JE Reclass & WO Cancel ONLY**

Reason

**Required Field – UVL ONLY**

Vendor / Contractor

**Required Fields – JE Reclass ONLY**

Original Journal ID  
 Original Journal Date  
 Org Jrnal Source Ind

**Required Fields – JE Lite ONLY**

Statistics Code  
 Statistics Amount  
 Journal Line Reference

- Additional submission rows can be added or deleted by using the **+** or **-** signs to the left of each row. When adding a new row, the Transaction Type, Requested By, Approved By, Year, Period and Reason fields (JER and WOC only) will carry forward from the prior row.

	Type	Requested By	Approved By	Year	Period	Vendor/Contractor	Invoice
1	JER	Williams, Susan E	Kincaid Jr., Jack L	2015	2	Revenew International	AEP15678
2	JER	Williams, Susan E	Kincaid Jr., Jack L	2015	2		

- A user has the ability to **Save for Later** an incomplete submission. Should the user need to stop inputting the submission or has incomplete data, the **Save for Later** button can be pushed and the incomplete data will be saved.

**Add New Entry**

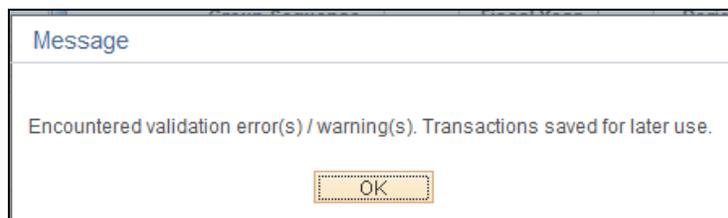
Accumulate transaction data in this area. Click 'Save for Later' to store data until it is ready to be submitted. Click 'Save and Submit' once the entry is ready for processing.

Submitted By: Morss, Amy M      Transaction Type: Journal Entry Reclass

	Type	Requested By	Approved By	Year	Period	Vendor/Contractor
1	JER	Morss, Amy M	Kincaid Jr., Jack L	2015	2	Officemax
2	JER	Morss, Amy M	Kincaid Jr., Jack L	2015	2	Officemax

Buttons: **Save for Later** (circled in red), Save and Submit

**NOTE:** An error message will be received upon saving, noting the transaction has errors, however, the data will still be saved and will remain in the Add New Entry panel until the user deletes or submits the transaction.



- Once a submission has been completed, the user can click the Save and Submit button to submit the transaction.

**Add New Entry**

Accumulate transaction data in this area. Click 'Save for Later' to store data until it is ready to be submitted. Click 'Save and Submit' once the entry is ready for processing.

Submitted By: Morss, Amy M      Transaction Type: Journal Entry Reclass

		Type	Requested By	Approved By	Year	Period	Vendor/Contractor
1		JER	Morss, Amy M	Kincaid Jr., Jack L	2015	2	Officemax
2		JER	Morss, Amy M	Kincaid Jr., Jack L	2015	2	Officemax

Save for Later      **Save and Submit**

- A. If the submission contains any validation errors, an error message will be received and a Submission Failed message will appear next to the Save and Submit button.

**Message**

Transactions have validation error(s). Please make corrections and try again

OK

Save for Later      Save and Submit      **Submission failed**

- B. The user must click the Red Validation icon at the left of each invalid line to determine the error. Correct the errors, then click the **Save and Submit** button again.

**Add New Entry**

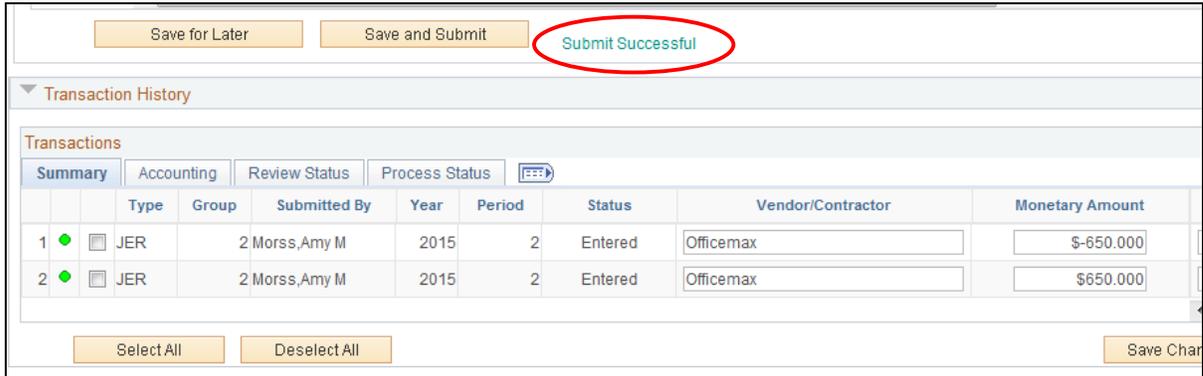
Accumulate transaction data in this area. Click 'Save for Later' to store data until it is ready to be submitted. Click 'Save and Submit' once the entry is ready for processing.

Submitted By: Morss, Amy M      Transaction Type: Journal Entry Reclass

		Type	Requested By	Approved By	Year	Period	Vendor/Contractor
1		JER	Morss, Amy M	Kincaid Jr., Jack L	2015	2	Officemax
2		JER	Morss, Amy M	Kincaid Jr., Jack L	2015	2	Officemax

Save for Later      Save and Submit

- C. Once the submission is valid (and balanced for JER, JEM and WOC), upon clicking the **Save and Submit** button the transactions will submit and appear in the Transaction History panel. A **Submit Successful** message will also appear next to the Save and Submit button.



### Posting of Submissions

- Posting of Submissions will be based on the Transaction Type.
  - A. Journal Entry Reclass and JE Lite- posted throughout the month, generally once or twice a week
  - B. Unvouchered Liabilities – posted on Day 1 Close
  - C. Work Order Cancel – posted at month end
- Email notification will be sent to the Approver and Submitter once the transactions have been posted.
- Once posted, the Transaction Status of the line will note Posted. Also, the Process Status tab within the Transaction History panel will note the Journal Information.

Year	Period	Status	Vendor/Contractor	Monetary Amount	JDTm	Journal BU	Journal ID	Journal Date	Journal Line	Date Posted
2015	1	Posted	E Source Companies LLC	-\$217,000.000		250	AJEREC5725	01/15/2015	7	04/17/2015
2015	1	Posted	E Source Companies LLC	\$217,000.000		250	AJEREC5725	01/15/2015	8	04/17/2015
2015	1	Posted	PeopleFacts LLC	-\$513.850		103	AJEREC5723	01/15/2015	1	04/17/2015
2015	1	Posted	PeopleFacts LLC	\$9.100		250	AJEREC5725	01/15/2015	9	04/17/2015
2015	1	Posted	PeopleFacts LLC	\$95.000		250	AJEREC5725	01/15/2015	10	04/17/2015

- The following notes the Journal ID masks for each process. Each journal will be followed by an auto-populate 4-digit number.

AJEREC%	=	Journal Entry Reclass
UVLACC%	=	Unvouchered Liabilities
AJECAN%	=	Work Order Cancel
AJEJEM%	=	JE Lite Reclass
UVLREV%	=	Unvouchered Liability Reversals – these transactions will not be available in the UVL / JE Reclass / JE Lite Reclass / WO Cancel database and will reside only in the Z_AJE_DISTRIB table in PeopleSoft Finance.

### PeopleSoft Query and Reporting

- All UVL / JE Reclass / JE Lite Reclass / WO Cancel data available within PeopleSoft Expense can be downloaded using the **Download to Excel** feature on the Transaction History Panel.

Within the PeopleSoft Finance system, the **Z\_AJE\_DISTRIB** table is available. This table can be queried directly or can be joined to other tables, such as Journal Header/Journal Line tables in order to pull in UVL, JER, JEM and WOC details

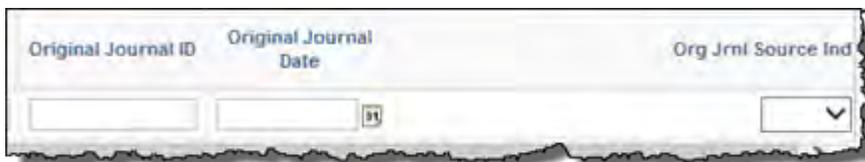


## Details of JE Reclass / UVL / WO Cancel Enhancements (Sept. 2017)

- Effective September 8<sup>th</sup> a new upload spreadsheet must be used to submit JE Reclass, UVL, and WO Cancel entries.
- The new zip file must be saved and the files extracted from the Accounting Website.
- Three new fields will be required for JE Reclass submissions.
- Various other improvements have been made to the JE Reclass, UVL, and WO Cancel process.

In an effort to improve controls and the ability to respond to audit requests, three new fields will be required for JE Reclass submissions beginning on **September 8, 2017**. The new zip file must be saved and the files extracted from the [Accounting Website under Policies / Procedures](#). Scroll about halfway down on this page to review the updated **How-To-Instructional Guide, Tips Document, and download the new zip file**. (The updated zip file will not be available on the website until September 8.)

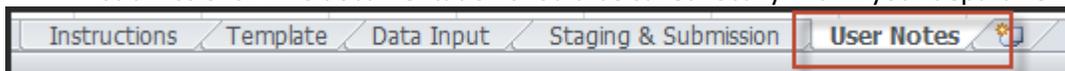
New fields required for JE Reclass:



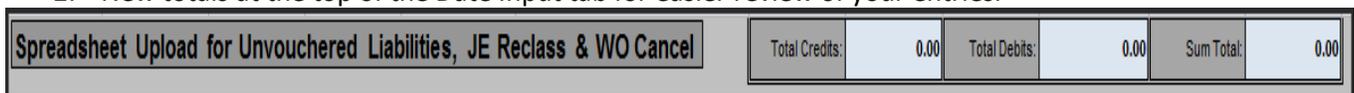
A screenshot of a spreadsheet header with three columns: 'Original Journal ID', 'Original Journal Date', and 'Org Jrnl Source Ind'. The 'Original Journal ID' and 'Original Journal Date' columns have empty input boxes. The 'Org Jrnl Source Ind' column has a dropdown menu with a downward arrow.

**This new AJE Load spreadsheet must be used for all three types of submissions even though the new fields are only required for JE Reclass.** You will notice additional improvements that will be migrated in September:

1. New blank tab on the spreadsheet. This can be used to save approval documentation for the submissions. This documentation should be saved locally within your department.



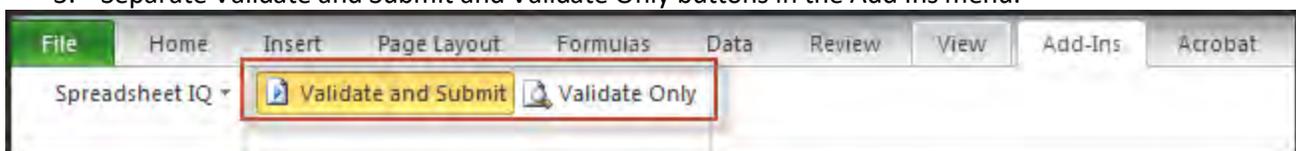
2. New totals at the top of the Date Input tab for easier review of your entries.



A screenshot of the spreadsheet header showing a title bar and a summary table. The title bar reads 'Spreadsheet Upload for Unvouchered Liabilities, JE Reclass & WO Cancel'. The summary table has three columns: 'Total Credits', 'Total Debits', and 'Sum Total', each with a value of 0.00.

Spreadsheet Upload for Unvouchered Liabilities, JE Reclass & WO Cancel					
Total Credits:	0.00	Total Debits:	0.00	Sum Total:	0.00

3. Separate Validate and Submit and Validate Only buttons in the Add Ins menu.



4. Additional details added to notification emails sent from the system.

5. Added User Id fields to the search panel in the system to improve search capabilities.

The screenshot shows a web application interface for 'Unvouchered Liabilities, JE Reclass & WO Cancel'. The search criteria section is highlighted with a red border. The fields in the search criteria section are: Submitted By (S007022), Requested By, Journal ID, Date Posted, Journal Dt, Approved By, Business Unit, Department, Transaction Type, Work Order, PC Business Unit, Transaction Status, Project, Account, Inv Status, BenLoc Stat, Cost Component, ABM Activity, Group Sequence, Fiscal Year, Period, PO Number, Invoice, Voucher ID, and Admin Search. The Submitted By, Requested By, and Approved By fields are highlighted with red boxes. The interface also includes a 'Search' button and a 'Clear Search' button.

Please contact Charlene Longnecker (Canton Accounts Payable, 920-7806) or email [jereclass@aep.com](mailto:jereclass@aep.com) with any questions.

## Tips for New JE Reclass Fields

### Overview

Beginning in September 2017, new fields will be required for JE Reclass entry. These three new fields are Original Journal ID, Original Journal Date, and Original Journal Source Indicator. They are only required on JE Reclass and not for UVL and WO Cancel. There are some public **PeopleSoft Finance Queries** that can be used to assist with finding the data for these fields. If you do not have access, a My Access request can be entered for the following roles: **PS AP Query Manager** and **GL Query Manager**. You may need to request Regulated and Non-Regulated roles if appropriate.

### Original Journal ID and Original Journal Date

Users may be unsure of the Original Journal ID and Date for the entry that they need to correct. For example, the entry may be needed to correct an expense report, invoice accounting classifications, or work order charges. Included here are some **PeopleSoft Finance Queries** that may be helpful.

1. **VOUCHER\_ACCTG\_EXP** – This query will display the details from a specific expense report number. The detail provided will include the Journal Id, Date, and Accounting. Enter the Invoice Id prompt and run to Excel. The Invoice Id for expense reports is equal to the employee’s **Vendor Id + EX + Expense Report Number**. For example, see below for the query for Invoice Id equal to 0000121008EX0000437020.

**VOUCHER\_ACCTG\_EXP - Voucher Accounting**

Invoice:  x

[View Results](#)

Download results in : [Excel Spreadsheet](#) [CSV Text File](#) [XML File](#) (5 kb)

[View All](#)

Doc Id	AP Unit	Ledger	Vendor Name	GL Unit	Acctg Date	Voucher	Invoice	Origin	Dept	Invoice Date	Journal ID	Affl
1	PSEXPNSE	103	ACTUALS	BANK OF AMERICA	103	03/31/2017	02057659	0000121008EX0000437020	EXP	99910	03/31/2017	APACC58111
2	PSEXPNSE	103	ACTUALS	BANK OF AMERICA	103	03/31/2017	02057659	0000121008EX0000437020	EXP	10265	03/31/2017	APACC58111
3	PSEXPNSE	103	ACTUALS	BANK OF	103	03/31/2017	02057659	0000121008EX0000437020	EXP	10265	03/31/2017	APACC58111

- a. If you do not know the employee’s Vendor Id, run the query **EXQ\_SEARCH\_ID\_BY\_EMPLID**. In this query, enter the prompt for either the User Id or Empl Id.

EXQ\_SEARCH\_ID\_BY\_EMPLID - Srch EmplID's by Login or HRid

SXXXXXX (Enter % otherwise):

HR EmployeeID (Enter % otherwi:

Name	HR ID	Emplid	Vendor	Vendor Name	Vendor Status	Class
------	-------	--------	--------	-------------	---------------	-------

2. **VOUCHER\_ACCTG\_VCHRID** - This query will display the details from a specific voucher id. The detail provided will include the Journal Id, Date, and Accounting. Enter the AP Business Unit and the Voucher Id in the prompts. This can be used to research invoice payment reclassifications.

VOUCHER\_ACCTG\_VCHRID

BUSINESS\_UNIT:

VOUCHER\_ID:

3. **JOURNAL\_DETAILS\_WO** - This query will display the details for a specific work order number. Enter the Journal Date range and work order number in the prompts. This can be used in researching work order corrections.

JOURNAL\_DETAILS\_WO

Journal Date From:

Journal Date To:

W/O:

### ***Original Journal Source Indicator***

The valid values for this field are Y, N, or blank.

1. Enter Y to indicate that accounting for this line was on the original journal entry.
2. Enter N to indicate that this is the line with the corrected accounting.
3. The field will be blank for UVL and WO Cancel entries.

<b>Policy Title:</b>	BU Journal Entry (JE) Classification Corrections (aka – JE Reclass)	<b>Date</b>	04.16.15
<b>Owner:</b> <b>Frequency:</b>	Accounts Payable (AP) Monthly	<b>Status:</b> (Draft, Under Review, Approved)	Approved
<b>Overview</b>			

The BU JE Classification Correction process (JE Reclass) provides the BU's with a mechanism to request corrections to transactions recorded in error. While the goal is to process the original transactions accurately, it is recognized that errors and misclassifications to construction, retirement, jobbing or expense work orders do occur. This policy identifies the process and establishes the controls to be followed to correct such transactions.

- This policy **does not** include reclassifications or adjustments that are recorded by the General Ledger Accounting teams through the Adjusting JE (AJE) process.
- This policy **does not** include the process to correct work orders which are cancelled.
  - Cancelled work order corrections should be submitted following the guidelines outlined in the Work Order Cancellation Corrections Policy and process documentation.
- Transactions found to be incorrect should be corrected at the originating source of data whenever practical.
  - **e.g. – PeopleSoft HR has a prior period process to accommodate time reporting corrections.**
- AP, Accounts Receivable (AR), Material Adjustments (described below), PeopleSoft Expense (Exp) and Property Accounting transaction reclassifications as well as others that cannot be corrected at the originating source are addressed by this document.

### Objective

- To assure the financial records of AEP are accurate.
- To provide a standard, efficient, and controlled process.
- To reduce the risk of financial reporting misstatement due to the misclassification of transactions.
- To comply with Generally Accepted Accounting Principles (GAAP), regulatory and reporting requirements.
- To avoid significant control deficiencies under the Sarbanes Oxley Act (SOX).

### Inputs

- Correction requests are to be submitted to Accounting Operations via the established JE Reclass process.
- Correction requests should follow the guidelines and procedures provided by the respective BU's and AP.
- **All requests are due to AP in final approved status prior to end of business on the third to last work day of the month.**
  - This allows for the proper current month settlement of intercompany payables / receivables which may result in some transactions.
  - Provides an efficient and streamlined process by reducing the effort required to generate multiple entries.
- Requests received beyond the deadline of the third to last work day of the month will be subject to further review by Accounting Operations and **may not be** posted to the GL within the normal closing process.
  - i.e. – subject to materiality thresholds, requests may be passed and included only within the SAB108 (entries passed) quarterly process.
    - In this manner such submissions will be included in the Financial Reporting process; however they **will not** be available from a budget reporting perspective.

### Outputs

- AJEREC#### - JE Classification Corrections Entries posted to the PeopleSoft GL.
- SAB108 GL quarterly entries to account for missed / passed transactions not included within the normal closing process.

## Controls

- **Requests must be properly reviewed and approved by the respective BU representatives (e.g. Regional Budget Coordinators) designated for such purpose prior to submission.**
  - Sound financial controls require segregation of duties between the preparers / submitters and approvers of transactions.
    - Approvers are to be designated by the business units as defined within their respective process.
    - Notifications will be emailed to JE approvers to alert them of JE posting status.
    - Business units are responsible to maintain proof of approvals for auditing purposes.
- Several requirements (described below) have been established within the process to ensure downstream processes are not negatively impacted resulting in additional analysis, journal entries, monthly closing delays, etc. (e.g.- allocations, account balance and reconciliations, financial & budgetary reporting, audit compliance).
- The Accounting Operations Assistant Controller must approve all deviations from this policy.

## Dollar Thresholds for JE Classification Corrections

BU representatives should use sound business sense when submitting JE classification corrections.

- **The general guidance for classification corrections is a minimum of \$1,000 per transaction.**
  - It is recognized that there may be exceptions to this threshold. (e.g. – capital work order corrections where several transactions greater than \$1,000 are reclassified).
  - This threshold was established to recognize it is not cost effective to record journal entries for insignificant dollars and pennies.
- **Transactions greater than \$1 million will be flagged and further reviewed prior to being posted to the General Ledger.**
  - Follow up with the BU for further clarification and understanding as to the nature of the correction may be necessary.

## Additional process requirements and guidelines

- The following additional requirements have been established within the JE Reclass process:
  - All requests must have an explanation that clearly states the reason for the reclassification.
  - The appropriate Department ID should be used when creating transactions.
    - DeptID 99990 (Misc/Unallocated) should not be used on any JE Reclass transactions.
  - System validations specific to certain accounts and chartfield values have been carried forward from the prior manual process and /or established within the new mechanized process to ensure proper accounting and reclassification of transactions.
- The following additional guidelines must be followed:
  - If the correction request is between O&M accounts, the original transactions must have been posted in the current year.
    - Generally, prior year transactions between O&M accounts will not be processed since the original entries are not in the current year accounting records.
  - If the correction request is between O&M accounts and capital/retirement work orders, the requestor should be aware of the impact it will have on financial reporting and budgeting.
    - Compliance to the rules regarding the recording of capital and O&M transactions is mandatory.
    - Submit corrections for direct charges only.
      - For this purpose direct charges are defined as all transactions other than:
        - Construction overheads (cc 020), AFUDC (cc 023, 024), Sales tax (cc 393)
  - Correct stores expense transactions (cc32X) by reversing the expense amount to the appropriate 163XXXX T&D stores expense account.

## Material Adjustments – Ventyx Asset Suite (AS) / (formerly Indus Passport)

The integration of the AS and PS AP systems has resulted in a significant amount of overlap for processing materials transactions. In order to assure that corrections are made only once, and in the appropriate system, please process as follows:

- Reclassification of material issued to stock inventory.
  - For material that was held in a stock inventory account (1540001 & 1540004) and issued to a valid chartfield classification with an issue document (transaction type ISSSTK), the correct way to reclassify this material is through this process (JE Reclass). These corrections will not be interfaced to the AssetSuite inventory system.
- AssetSuite unvouchered liabilities correction process.
  - The receipt and/or direct charge of catalog material to an account/work order other than 1540001 (ISSDIR, RECDIR) and the receipt of non-catalog material (ISSNCA), establishes an unvouchered liability. When the invoice is paid the unvouchered liability is reversed with an offsetting AssetSuite transaction. The AssetSuite journal entries should net to zero for direct material purchases, if not please contact Stores Accounting for correction.
- Excess material returns or additional materials issued.
  - Regular AssetSuite issues and returns functionality should be used.
  - This JE Reclass process should not be used in any way to account for these transactions.

## JE Reclass Periodic Review

Whereas the JE Reclass process provides the mechanism to correct transactions recorded in error, it should not become the means to continuously address / resolve such inaccuracies. As stated in the overview section, transactions found to be incorrect should be corrected at the originating source of data whenever practical (e.g. – time entry, material issues). To ensure this process is being utilized for its intended purpose, Accounting Operations will from time to time conduct periodic reviews of the transactions submitted. Among other analytics, the following will be studied:

- Volume and dollar amount of transactions submitted by requestors / approvers / business units.
- Nature and frequency of corrections (e.g. - # of transactions related to dept id, cc, account type corrections, etc).
- Origin and root cause of error.

Periodic reviews and the resulting process improvements to reduce the volume of errors and reclassification of transactions will serve to facilitate compliance to this policy.

## Document History (Approved, Reviewed, Revised)

06.17.04	Original Issue Date – Approved by Susan Higginson
06.22.04	Revised cc instructions for labor corrections – Gayle Thomasson
01.06.05	Revised to include “Assistant controller must approve all deviations from this policy.” – Jason Stegall
02.06.15	Revised to incorporate the following changes: <ul style="list-style-type: none"><li>• Format changes to section headers (Overview, Objectives, Inputs, Outputs, etc.)</li><li>• Moved document content to appropriate sections</li><li>• Wording / sentence restructuring to fit revised format.</li><li>• Added objectives.</li><li>• Added purpose of submission deadline – intercompany settlements, processing efficiency.</li><li>• Added verbiage regarding SAB108 process.</li><li>• Added that “notifications will be emailed to JE approvers to alert them of JE posting status.”</li><li>• Added “Additional process requirements and guidelines section.</li><li>• Added JE Reclass Periodic Review section</li><li>• Removed procedure instructions. (New procedures document created to reflect changes to the process).</li></ul>
04.16.15	Approved by Julie Williams – Asst Controller Accounting Operations

<b>Policy Title:</b>	JE LITE - BU Journal Entry (JE) Classification Corrections	<b>Date</b>	07.18.19
<b>Owner:</b> <b>Frequency:</b>	Accounts Payable (AP) Monthly	<b>Status:</b> (Draft, Under Review, Approved)	Approved
<b>Overview</b>			

The “JE LITE” - BU Journal Entry Classification Correction process provides the BU’s with a mechanism to request corrections to transactions recorded in error. While the goal is to process the original transactions accurately, it is recognized that errors and misclassifications to construction, retirement, jobbing or expense work orders do occur. This policy identifies the process and establishes the controls to be followed to correct such transactions.

- This policy **does not** include reclassifications or adjustments that are recorded by the General Ledger Accounting teams through the Adjusting JE (AJE) process.
- Transactions found to be incorrect should be corrected at the originating source of data whenever practical.
  - **e.g. – PeopleSoft HR has a prior period process to accommodate time reporting corrections.**
- AP, Accounts Receivable (AR), Material Adjustments (described below), PeopleSoft Expense (Exp) and Property Accounting transaction reclassifications as well as others that cannot be corrected at the originating source are addressed by this document.

**Objective**

- To assure the financial records of AEP are accurate.
- To provide a standard, efficient, and controlled process.
- To reduce the risk of financial reporting misstatement due to the misclassification of transactions.
- To comply with Generally Accepted Accounting Principles (GAAP), regulatory and reporting requirements.
- To avoid significant control deficiencies under the Sarbanes Oxley Act (SOX).

**Inputs**

- Correction requests are to be submitted to Corporate Accounting via the established JE LITE process.
- Correction requests should follow the guidelines and procedures provided by the respective BU’s and AP.
- **All requests are due to AP in final approved status prior to end of business on the third to last work day of the month.**
  - This allows for the proper current month settlement of intercompany payables / receivables which may result in some transactions.
  - Provides an efficient and streamlined process by reducing the effort required to generate multiple entries.
- Requests received beyond the deadline of the third to last work day of the month will be subject to further review by Corporate Accounting and **may not be** posted to the GL within the normal closing process.
  - i.e. – subject to materiality thresholds, requests may be passed and included only within the SAB108 (entries passed) quarterly process.
    - In this manner such submissions will be included in the Financial Reporting process; however they **will not** be available from a budget reporting perspective.
- An Excel template is used to validate and submit the corrections to PeopleSoft Expense before being approved and then posted to PeopleSoft GL via jobs – see “How-To Instructional Guide” (for Journal Entries).

**Outputs**

- AJEJEM#### - JE Classification Corrections Entries posted to the PeopleSoft GL via the “JE Lite” template and PeopleSoft Expense.

## Controls

- **Requests must be properly reviewed and approved by the respective BU representatives (e.g. Regional Budget Coordinators) designated for such purpose prior to submission.**
  - Sound financial controls require segregation of duties between the preparers / submitters and approvers of transactions.
    - Approvers are to be designated by the business units as defined within their respective process.
    - Notifications will be emailed to JE approvers to alert them of JE posting status.
    - Business units are responsible to maintain proof of approvals for auditing purposes.
- Several requirements (described below) have been established within the process to ensure downstream processes are not negatively impacted resulting in additional analysis, journal entries, monthly closing delays, etc. (e.g.- allocations, account balance and reconciliations, financial & budgetary reporting, audit compliance).
- The Corporate Accounting Assistant Controller must approve all deviations from this policy.

## Dollar Thresholds for JE Classification Corrections

BU representatives should use sound business sense when submitting JE classification corrections.

- **The general guidance for classification corrections is a minimum of \$1,000 per transaction[s].**
  - It is recognized that there may be exceptions to this threshold. (e.g. – capital work order corrections where several transactions greater than \$1,000 are reclassified).
  - This threshold was established to recognize it is not cost effective to record journal entries for insignificant dollars and pennies.
- **Total credit dollars for the spreadsheet cannot exceed the operating company threshold (\$1M for all operating companies, except \$600K for Kentucky, Kingsport and Wheeling Distribution).**
  - Follow up with the BU for further clarification and understanding as to the nature of the correction may be necessary.

## Additional process requirements and guidelines

- The following additional requirements have been established within the JE Reclass process:
  - All requests must have an explanation that clearly states the reason for the reclassification.
  - The appropriate Department ID should be used when creating transactions.
    - DeptID 99990 (Misc/Unallocated) should not be used on any JE Reclass transactions.
  - System validations specific to certain accounts and chartfield values have been carried forward from the prior manual process and /or established within the new mechanized process to ensure proper accounting and reclassification of transactions.
- The following additional guidelines must be followed:
  - If the correction request is between O&M accounts, the original transactions must have been posted in the current year.
    - Generally, prior year transactions between O&M accounts will not be processed since the original entries are not in the current year accounting records.
  - If the correction request is between O&M accounts and capital/retirement work orders, the requestor should be aware of the impact it will have on financial reporting and budgeting.
    - Compliance to the rules regarding the recording of capital and O&M transactions is mandatory.
    - Submit corrections for direct charges only.
      - For this purpose direct charges are defined as all transactions other than:
        - Construction overheads (cc 020), AFUDC (cc 023, 024), Sales tax (cc 393)
  - Correct stores expense transactions (cc32X) by reversing the expense amount to the appropriate 163XXXX T&D stores expense account.

- Distribution business rules for JE Lite Spreadsheet Process:
  - One work order per file.
  - Each file is expected to be balanced both in dollar amounts and quantities.
  - Total credit dollars for the spreadsheet cannot exceed the operating company threshold (\$1M for all operating companies, except \$600K for Kentucky).
  - Quantities will be entered into the Statistic Amount field.
  - Asset Suite CatIDs (Maximo Item #) will be entered into the Journal Line Reference field with leading 0's to build a 10-digit number (this data will not be validated against Asset Suite or Maximo).

### **Material Adjustments – Ventyx Asset Suite (AS) / (formerly Indus Passport)**

The integration of the AS and PS AP systems has resulted in a significant amount of overlap for processing materials transactions. In order to assure that corrections are made only once, and in the appropriate system, please process as follows:

- Reclassification of material issued to stock inventory.
  - For material that was held in a stock inventory account (1540001 & 1540004) and issued to a valid chartfield classification with an issue document (transaction type ISSSTK), the correct way to reclassify this material is through this process (JE Reclass). These corrections will not be interfaced to the AssetSuite inventory system.
- AssetSuite unvouchered liabilities correction process.
  - The receipt and/or direct charge of catalog material to an account/work order other than 1540001 (ISSDIR, RECDIR) and the receipt of non-catalog material (ISSNCA), establishes an unvouchered liability. When the invoice is paid the unvouchered liability is reversed with an offsetting AssetSuite transaction. The AssetSuite journal entries should net to zero for direct material purchases, if not please contact Stores Accounting for correction.
- Excess material returns or additional materials issued.
  - Regular AssetSuite issues and returns functionality should be used.
  - This JE Reclass process should not be used in any way to account for these transactions.
- Asset Suite CatIDs (Maximo Item #) will be entered into the Journal Line Reference field on the JE Lite spreadsheet with leading 0's to build a 10-digit number (this data will not be validated against Asset Suite or Maximo).

### **JE Reclass Periodic Review**

Whereas the JE Reclass process provides the mechanism to correct transactions recorded in error, it should not become the means to continuously address / resolve such inaccuracies. As stated in the overview section, transactions found to be incorrect should be corrected at the originating source of data whenever practical (e.g. – time entry, material issues). To ensure this process is being utilized for its intended purpose, Corporate Accounting will from time to time conduct periodic reviews of the transactions submitted. Among other analytics, the following will be studied:

- Volume and dollar amount of transactions submitted by requestors / approvers / business units.
- Nature and frequency of corrections (e.g. - # of transactions related to dept id, cc, account type corrections, etc).
- Origin and root cause of error.

Periodic reviews and the resulting process improvements to reduce the volume of errors and reclassification of transactions will serve to facilitate compliance to this policy.

### **Document History (Approved, Reviewed, Revised)**

- 07.10.19 Original Document created – Kim Bothager
- 07.18.19 Revised policy details – Amy Morss
- 07.18.19 Approved by Jack Kincaid – Director Accounting

<b>Policy Title:</b>	Unvouchered Liabilities Accrual (UVL)	<b>Date</b>	04.16.15
<b>Owner:</b> <b>Frequency:</b>	Accounts Payable (AP) Monthly	<b>Status:</b> (Draft, Under Review, Approved)	Approved
<b>Overview</b>			

The Unvouchered Liabilities Accrual process (UVL) records the value of AEP's current liability for materials received / services rendered and not yet invoiced and / or otherwise posted to the general ledger (GL). The current reporting guidelines require at a minimum all such liabilities (single invoice amounts) greater than or equal to \$25,000 be included in the monthly UVL journal entry (JE) process. (Note: some business units may establish lower thresholds to reduce the risk of reporting misstatement).

### Objective

- To assure the financial records of AEP are timely and accurate.
- To record / match expenses to the period in which materials are received and/or services are performed.
- To reduce the risk of financial reporting misstatement due to missed / inaccurate unvouchered accruals.
- To comply with Generally Accepted Accounting Principles (GAAP), regulatory and reporting requirements.
- To avoid significant control deficiencies and /or material weaknesses under the Sarbanes Oxley Act (SOX).

### Inputs

- AEP employees in all business units are required to submit to AP UVL transactions for which they are accountable.
- Monthly submissions should follow the guidelines and procedures provided by the respective business units and AP.
- All submissions should be processed by AP. No submissions should be processed by the General Ledger teams.
- **All submissions are due to AP in final approved status prior to end of business on the last workday of each month.**
- Submissions received beyond the end of business on the last workday deadline will be subject to further review by Accounting Operations and may not be posted to the GL within the normal closing process.
  - i.e. – subject to materiality thresholds, submissions may be passed and included only within the SAB108 quarterly process.
    - In this manner such submissions will be included in the Financial Reporting process; however they **will not** be available from a budget reporting perspective.

### Outputs

- JE UVLACC#### - Monthly UVL Accrual Entry posted to the PeopleSoft GL.
- JE UVLREV#### - Monthly reversal of previous months UVLACC#### entry posted to the PeopleSoft GL.
- SAB108 GL quarterly entries to account for missed / passed transactions not included within the normal closing process.
- Post Period UVL Review – Missed Accruals.

### SOX Controls

- Activity EXP.AP.AP.CO12.R28.CA11.21A – Review and posting of monthly UVL entry.
- Activity EXP.AP.AP.CO12.R28.CA11.21B – Post period UVL review.

### UVL Defined – To UVL or not to UVL?

- When determining whether to submit a UVL through the AP UVL process the primary consideration is whether the transaction in question has resulted in a liability for AEP that has not yet been recorded to the general ledger (GL). Generally such transactions are defined as materials received and /or services rendered but not yet invoiced and / or otherwise posted to the general ledger (GL).

- The following guidelines should be considered:
  - Goods & Materials
    - When did AEP become liable for the materials?
      - For the majority of materials, liability is passed when materials are delivered to AEP property.
      - Shipped goods (in transit) subject to terms FOB Shipping Point, indicate that the buyer must pay to get the goods delivered. In this case the title typically passes to the buyer at the shipping point.
    - Report only that portion of goods that have been legally or constructively received before month-end.
      - **Do not** report M&S Stock transactions (account 1540001) or direct purchase transactions that have been received for in AssetSuite. There is a mechanized procedure in place to capture these liabilities monthly.
        - Do report transactions for which a receipt has not yet been entered.
      - **Do not** report amounts pertaining to items that will be leased such as personal computers, office and telecommunications equipment.
      - Do report a UVL for transactions related to Catalog ID items that have been designated as Pre-Cap in the individual facility and charged to a specific work order and account. AssetSuite does not accrue Pre-Cap amounts through the mechanized process.
  - Services
    - AEP is generally liable when services are completed.
      - In some cases services may include progress payments which would create a liability upon completion of established milestones.
    - Report only the portion of services rendered that has been legally or constructively received before month-end.
      - Do not report a UVL for services or milestone payments approved as a Payment Authorization within AssetSuite prior to month end. There is a mechanized procedure in place to capture these liabilities monthly.
  - An open purchase order (PO), contract, or service order **does not** represent a liability without receipt of goods or performance of the service.
  - Report transactions that were submitted in prior periods, but remain outstanding and have yet to be invoiced and posted to the GL.
    - All UVL entries will reverse in the following month's business. No transactions are "carried over" and automatically re-established in subsequent month's business.
  - Transactions should not be included or excluded from being reported as an UVL for purposes of meeting budgetary targets or other motivations that are not consistent with this policy and the underlying goal of assuring that reported financial statements are materially correct.

## AP UVL Review

Accounts Payable completes a review of all UVL submissions prior to posting the entries to the GL. The intent of this review is as follows:

- **To ensure all transactions have been properly approved by the representatives of each group designated for such purpose.**
  - Sound financial controls require segregation of duties between the preparers / submitters and approvers of transactions.
    - Approvers are to be designated by the business units as defined within their respective UVL reporting process.
    - Notifications will be emailed to JE approvers to alert them of JE posting status.
    - Business units are responsible to maintain proof of approvals for auditing purposes.

- To avoid duplicate recording of the transactions by eliminating submissions already vouchered within the AP system.
  - This review is limited to those submissions for which an invoice # has been provided.
  - This limited review should not be considered a “fail safe” approach to assuring all unvouchered liabilities have been properly recorded.
  - The ultimate responsibility to assure UVL’s have been properly recorded remains with each AEP employee involved with the transacting of business.

### **Post Accrual Review**

It is important for all AEP employees who authorize expenditures to understand the criticality of recording UVL estimates. AEP is under close scrutiny to monitor the completeness, effectiveness and accuracy of this process. As such the post period accrual review control was established to determine the reasonableness of the unvouchered liability balance.

- Each quarter, Accounts Payable performs a post accrual review period of the population of payments made subsequent to the balance sheet date and prior to the SEC filing date to evaluate the established unvouchered liability balance in accordance with the thresholds established in the Post Accrual Review policy.
- AP submits quarterly SAB108 “Entries Passed” adjusting entries to account for missed and over/understated accruals for purposes of inclusion in the Financial Reporting process.

AEP internal and external auditors review this process frequently to assure compliance to this policy.

### **Document History (Approved, Reviewed, Revised)**

- 02.03.15 Original document created – Jack L. Kincaid Jr.
- 03.14.15 Revised policy details – Jack L. Kincaid Jr.
- 04.16.15 Approved by Julie Williams – Asst Controller Accounting Operations
- 02.07.19 Revised policy details – Jack L. Kincaid Jr.
  - Revised policy details regarding Post Accrual Review procedure.
  - This change was agreed upon by AEP and PWC in May of 2018.

<b>Policy Title:</b>	Unvouchered Liabilities Accruals (UVL) – Post Accrual Review	<b>Date</b>	12.19.15
<b>Owner:</b> <b>Frequency:</b>	Accounts Payable (AP) / Quarterly (SAB108)	<b>Status:</b> (Draft, Under Review, Approved)	Approved
<b>Overview</b>			

It is important for all AEP employees who authorize expenditures to understand the criticality of recording UVL estimates. AEP is under close scrutiny to monitor the completeness, effectiveness and accuracy of this process. As such the post period accrual review control was established to determine the reasonableness of the unvouchered liability balance.

- Each quarter, Accounts Payable performs a post accrual review period of the population of payments made subsequent to the balance sheet date and prior to the SEC filing date to evaluate the established unvouchered liability balance in accordance with the thresholds established below:
  - BU’s 376, 378, 388, 423, 424 – all invoices greater than or equal to \$0.
  - BU’s 382 – 386, 403, 407, 415 – all invoices greater than or equal to \$25k.
  - All other BU’s – all invoices greater than or equal to \$100,000.
- AP submits quarterly SAB108 “Entries Passed” adjusting entries to account for missed and over/understated accruals for purposes of inclusion in the Financial Reporting process.

AEP internal and external auditors review this process frequently to assure compliance to this policy.

**Objective**

- To assure the financial records of AEP are timely and accurate.
- To record / match expenses to the period in which materials are received and/or services are performed.
- To reduce the risk of financial reporting misstatement due to missed / inaccurate unvouchered accruals.
- To comply with Generally Accepted Accounting Principles (GAAP), regulatory and reporting requirements.
- To avoid significant control deficiencies and /or material weaknesses under the Sarbanes Oxley Act (SOX).

**Inputs**

- Query results from **AP\_DAILY\_ACCRUAL\_REVIEW\_NEW**.
- Current month Post Accrual Review file.
- Email responses sent to the payment originators and/or respective manager / group contacts requesting verification for those accruals reviewed and believed to be missed.

**Outputs**

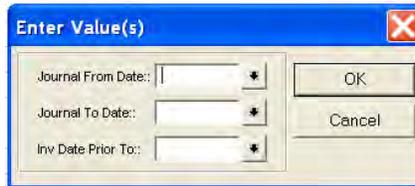
- Email’s sent to the payment originators and/or respective manager / group contacts requesting verification for those accruals reviewed and believed to be missed.
- Unaccrued invoices are compiled on a “Missed” report and sent to the management of each business segment (Trans, Dist, Gen, Other) for review.
- SAB108 GL quarterly entries to account for missed / passed transactions not included within the normal closing process.

**SOX Controls**

- Activity EXP.AP.AP.CO12.R28.CA11.21B – Post period UVL review.

**Quarterly Unvouchered Liabilities Post Accrual Review Procedure**

- 1) Run the following query to Excel daily: **AP\_DAILY\_ACCRUAL\_REVIEW\_NEW**
  - a) At the prompt, enter the prior day journal date in the “From Date” and “To Date” box. Also enter the first day of the current month in the “Inv Date Prior To” box. Then click the OK button.



- 2) Take the following steps to format the query results:
  - a) Convert the Unit, GL Unit and Account columns to a Number (columns A, B & K).
  - b) Sort the file by: Vendor Name – PO – Invoice – GL Unit
  - c) Add a blank column after the Account column (column K).
- 3) Open the current month Post Accrual Review file found in the following location.

**File Location:** acctpay \ internal \ Unvouchered Liabilities \ YYYY Unvouchered Liabilities \ Monthly UVL Review \ Daily UVL \ Post Accrual Review

**File Name:** (MM) Month Year Post Accrual Review for Month Year Invoices

{ }  
 Current Month
 

 { }  
 Prior Month

- 4) Copy and Paste the query results at the bottom of the “Query Results” tab within the current month Post Accrual Review file.
  - a) Copy and Paste down the formula in Column L (B/S or I/S) for the new data.
  - b) Copy and Paste down the formula in Column AE (Over/Under) for the new data.
- 5) Compare the new data on the Query Results tab to the information on the Upload Tab. The Upload tab represents the manual Unvouchered Liability Accruals booked through the AP UVL accrual process for the prior month.
  - a) Compare the two tabs by reviewing the vendor name, invoice number, GL BU, PO/Contract number, work order, project and dollar amount. Sometimes this information may not match the accrual exactly as details were not known at the time the accrual was made. If in doubt, contact the person who submitted the accrual to verify.
    - (1) If Invoices were accrued through the manual AP UVL accrual process, update Columns AA, AB and AC on the Query Results tabs with the month accrued, the dollar amount accrued and who accrued the item. If items were partially accrued, note the status as “UNDER ACCRUED”, providing the under accrued amount in column AB. See Examples below. Also update Columns H, I or J on the Upload tab with the dollar amount matched to the invoice. A running balance is tracked in Column K to show how much of the accrual dollars are left for matching purposes.

AA Status	AB Accrual Amou	AC Accrued For By	AD Notes	AE Over/Under
NOVEMBER 2015 ACCRUAL	5,816.64	Patton, Kevin B		-
UNDER ACCRUED	524.87	Patton, Kevin B		6,198.77

- (2) If an invoice was not accrued in the prior month, view a copy of the invoice (if available) to determine if the goods or services were received / occurred in the prior period. If goods or services relate to a prior period, an accrual should have been booked. If the goods or services relate to current month, an accrual would not be required. If an accrual was not required, update column AA with “ACCRUAL NOT REQUIRED”, column AB with the amount of the invoice and column AD with the reason the accrual was not required. See Example below.

AA	AB	AC	AD	AE
Status	Accrual Amou	Accrued For By	Notes	Over/Under
ACCRUAL NOT REQUIRED	337,318.18		December 2015 Invoice	-

- (3) For invoices with an Origin Code of “PPP”, use the Contract number to see if a Payment Authorization was approved in AssetSuite in the prior month. If a Payment Authorization was approved, an accrual is not required as AssetSuite would have accrued for the invoice through an INDUS% entry. See Example Below. If a Payment Authorization was not approved in the prior month, a manual accrual should have been submitted.

Status	Accrual Amou	Accrued For By	Notes
ACCRUAL NOT REQUIRED	330,288.12		INDUS ENTRY DATED: 11/25/2015

- 6) For invoices not accrued and have a blank status in Column AA of the Query Results tab, copy and paste the lines at the bottom of the “UNACCRUED INVOICES” tab, starting with Column B. Copy the formula in Column A down, noting each item’s Business Unit Segment.
- 7) Using Email Stationary within the AP Accrual Post Review Mailbox, send an email to the originator, approver and /or group contact, requesting verification if each invoice was accrued. Record the person and date emailed in columns AB and AC of the UNACCRUED INVOICES tab.

The invoice referenced below has a November 2015 invoice date but was vouchered in Accounts Payable during December 2015. Since this invoice is equal to or greater than \$25,000, an Unvouchered Liability form should have been submitted to the Unvouchered Liability mailbox in November 2015. Accounts Payable was unable to find this invoice on the Unvouchered Liabilities report. Did you submit an Unvouchered Liability Form for this expense in November 2015? If yes, please provide the Vendor Name and BU under which it was accrued. If no, please provide a brief reason. An email reply is required for auditing purposes.

**\*\*\*Please send your reply to the "AP Accrual Post Review" mailbox.\*\*\***

Un	GL U	Def	PO No.	Accts Da	Voucher	Line Amou	Invoice	Vendor Name	Project ID	Proj Type	W/O	Orig	Invoice Dat
103	103	13260		2015-12-16	01890698	25,000.00	1002	REGIONAL GROWTH PARTNERSHIP	ECDEVPROG	BSDEV	G0000250	R/N	2015-11-30



## INVOICE

Regional Growth Partnership  
300 Madison Ave Suite 270  
Toledo, OH 43604  
Phone 419-252-2700

DATE: November 30, 2015  
INVOICE #: 1002  
FOR: Sponsorship

- a) Email responses are recorded in Column AD of the UNACCRUED INVOICES tab. Emails can be saved in the current month folder within the AP Accrual Post Review Mailbox.
- i) If items were accrued, update the Query Results and Upload tab with the proper accrual match, then move the item on the UNACCRUED INVOICES tab to the top of the page, un-highlighting the item. This signifies the item was not missed.
  - ii) If items are confirmed as missed, highlight the line in Red and move it up to the Red “missed” section.
  - iii) If a response to the email has not been received, the invoice is highlighted in Green and will be considered missed.
- 8) Once the month is completed, a summary of all missed accruals is compiled and sent to Generation, Transmission and Distribution groups from the AP Accrual Post Review mailbox.

9) As a result of the Quarter End Reviews, all missed and under accrued invoices are compiled for booking as a SAB108 Post Closing Adjustment Entry.

a) Entries are compiled in the following location and file name.

**File Location:** acctpay \ internal \ Unvouchered Liabilities \ YYYY Unvouchered Liabilities \ Summary of Passed Entries \ XXX Qtr YYYY

**File Name:** Passed JEs\_XXX qtr YYYY\_XXX Submission\_MMDDYY

b) The files contain numerous tabs, providing missed and under accrued items from various aspects of the quarterly accrual review. All items are compiled on the “Cumulative Entries – UVL” tab.

c) Approval is received from Julie Williams before booking to the SAB 108 ledger.

d) Multiple entries are completed throughout the quarterly review and final entries are coordinating with Financial Reporting.

#### **Document History (Approved, Reviewed, Revised)**

- 12.18.15 Original document created – Amy Morss
- 12.19.15 Revised document format, minor changes to wording and layout – Jack L. Kincaid Jr.
- 12.21.15 Approved by Julie Williams – Asst Controller Accounting Operations
- 02.08.19 Revised to account for change to quarterly review only, and provided the thresholds for review based on the BU #.
  - o These changes were agreed upon by AEP and PWC in May 2018.

<b>Policy Title:</b>	Capital / Retirement / Jobbing Work Order Cancellations (WO Cancel)	<b>Date</b>	04.16.15
<b>Owner:</b> <b>Frequency:</b>	Property Accounting Monthly	<b>Status:</b> (Draft, Under Review, Approved)	Approved
<b>Overview</b>			

The Capital / Retirement / Jobbing Work Order Cancellations process (WO Cancel) provides the BU's with a mechanism to request corrections to transactions recorded to such work orders that will be cancelled. While the goal is to establish the original work orders accurately, it is recognized that errors and misclassifications to construction, retirement, jobbing or expense work orders do occur. This policy identifies the process and establishes the controls to be followed to clear such transactions and allow for the work orders to be cancelled.

- Typically three situations require the need for the entire work order to be cancelled.
  - When the work order is established and it is later determined that the work will not be performed.
  - When a work order is established with incorrect data, such as Budget Project ID.
  - When duplicate work orders are established for the same project.
- This policy **does not** include the process to correct transactions to work orders which are **not cancelled**.
  - Such corrections should be submitted following the guidelines outlined in the BU Journal Entry Classifications Corrections Policy and process documentation.
- This policy **does not** include the process to cancel work orders that do not have any charges. Such work orders should be cancelled within the appropriate work management system.

**Objective**

- To assure the financial records of AEP are accurate.
- To provide a standard, efficient, and controlled process.
- To reduce the risk of financial reporting misstatement due to the misclassification of transactions.
- To comply with Generally Accepted Accounting Principles (GAAP), regulatory and reporting requirements.
- To avoid significant control deficiencies and /or material weaknesses under the Sarbanes Oxley Act (SOX).

**Inputs**

- Correction requests are to be submitted to Property Accounting via the established WO Cancel process.
- Correction requests should follow the guidelines and procedures provided by the respective BU's and Property Accounting.
- **All requests are due to Property Accounting in final approved status prior to end of business on the third to last work day of the month.**
  - This allows for the proper current month settlement of intercompany payables / receivables which may result in some transactions.
  - Provides an efficient and streamlined process by reducing the effort required to generate multiple entries.

**Outputs**

- AJECAN##### - Capital / Retirement / Jobbing Work Order Cancellations Entries posted to the PeopleSoft GL.

**Controls**

- **Requests must be properly reviewed and approved by the respective BU representatives (e.g. Regional Budget Coordinators) designated for such purpose prior to submission.**
  - Sound financial controls require segregation of duties between the preparers / submitters and approvers of transactions.

- Approvers are to be designated by the business units as defined within their respective process.
- Notifications will be emailed to JE approvers to alert them of JE posting status.
- Business units are responsible to maintain proof of approvals for auditing purposes.
- **Transactions greater than \$1 million will be flagged and further reviewed prior to being posted to the General Ledger.**
  - Follow up with the BU for further clarification and understanding as to the nature of the correction may be necessary.
- All charges must be cleared from cancelled work orders before it can be closed.
- Several requirements (described below) have been established within the process to ensure downstream processes are not negatively impacted resulting in additional analysis, journal entries, monthly closing delays, etc. (e.g. - allocations, account balance and reconciliations, financial & budgetary reporting, audit compliance).
- The Accounting Operations Assistant Controller must approve all deviations from this policy.

### Additional process requirements and guidelines

- The following additional requirements have been established within the WO Cancel process:
  - All requests must have an explanation that clearly states the reason for the cancellation.
  - The appropriate Department ID should be used when creating transactions.
  - Cost component 999 should not be used when charging O&M.
  - System validations specific to certain accounts and chartfield values have been carried forward from the prior manual process and /or established within the new mechanized process to ensure proper accounting and reclassification of transactions.
- The following additional guidelines should also be followed:
  - Work orders are removed from the PeopleSoft validation table at the time of cancellation; therefore, it is essential that all charges be cleared prior to cancellation.
    - There may be some instances within the Work Management Systems when the system will not allow the work order to be cancelled, even though all charges have been cleared to zero. If this occurs, the only option is to mark the work order as “complete” instead of cancelling it.
  - **If a work order is being cancelled due to work not being performed.**
    - All charges, including labor, labor overheads, material, stores expense, construction/retirement overheads and AFUDC in the work order should be cleared to the appropriate O&M accounts.
    - The preparer of the work order cancellation spreadsheet should email the "WO Cancel" mailbox identifying the capital/retirement work order(s) to be excluded from overheads and AFUDC.
      - The subject line of the email should read "Stop Calculation of Overheads and AFUDC".
      - This should be done prior to submitting the WO Cancel submission for approval.
      - Property Accounting will then change the overhead and AFUDC indicators on the work order(s) to "exclude" so credit overheads and AFUDC will not be calculated on the charges cleared.
    - Storeroom material charged to a cancelled work order must be returned to stock.
    - Direct purchase material should be returned to stock. If non-stock item, and used on another capital project, reclassify to appropriate work order.
      - If material cannot be used on another project or returned to stock, it must be charged to expense.
    - Cancel any stores documents for material that has not yet been issued to a cancelled work order.
    - Cancel any outstanding purchase orders that were issued against a cancelled work order.
  - **If a work order is being cancelled due to incorrect Budget Project ID or a duplicate work order being established.**
    - Establish work order with the correct Budget Project ID.
    - Transfer all charges (including labor, labor overheads, material, stores expense and AFUDC), except construction/retirement overheads to the new work order.

- PowerPlant will apply credit overheads to the charges credited to the old work order and debit overheads to the charges debited to the new work order.
  - It is not necessary to manually transfer construction/retirement overheads.
  - The overhead rate used in the reclassification month is not the same as the overhead rate used in the charge months.
  - Residual overheads will be left in the old work order which will be cleared by Property Accounting the following month.
- To facilitate the clearing of charges, the preparer of the work order cancellation spreadsheet should email the "WO Cancel" mailbox identifying the capital work order(s) to be excluded from AFUDC.
  - The subject line of the email should read "Stop Calculation of AFUDC".
  - This should be done prior to submitting the spreadsheet for approval.
- Requestor may sum transactions by cost component and department, if desired, or list each individual transaction.
- Cancel any stores documents for material that has not yet been issued to the work order being cancelled.
- Revise any outstanding purchase orders that were issued to the work order being cancelled.
- **If a work order section (Construction, Retirement, Jobbing) is established in error.**
  - This situation occurs generally with Retirement and Jobbing work order sections.
  - When a work order section has been established in error, make sure all charges in that section have been cleared before the work order is reported in service (AssetSuite work orders) or completed (Severn Trent work orders).
    - In AssetSuite, the retirement or jobbing task should be canceled.
    - In Severn Trent; delete the compatible units established under the retirement or jobbing section of the work order. This will prevent the retirement of assets that have been related to the retirement.
  - Transfer charges, as appropriate (following the guidelines on Page 2.), to the correct work order section or O&M account.
    - Generally, if a jobbing section was established in error, the charges should be transferred to O&M.
    - If a retirement section was established in error, transfer to the construction work order may be appropriate, if not then transfer to O&M.
    - Any charges should be reclassified to the appropriate work order section or O&M account.
  - If the construction / retirement sections of the work order are active, report the work order in service at the appropriate time, however, it should not be marked as complete until the transactions for the section established in error have been cleared to zero.
- **Work orders reported in service but should have been cancelled.**
  - Follow the steps below if a Severn Trent Distribution work order is reported in service but it should have been cancelled:
    - Clear charges from the work order as appropriate.
    - Create an As Built estimate in Severn Trent. The estimate should include an Asset construction unit such as CON-2-AAA-1-B with a quantity of "1" for each control section (construction, retirement, jobbing) established on the original estimate.
    - Once all charges have been cleared from work order (following guidelines on Page 2.), complete the work order in Severn Trent.
  - Follow the steps below if an AssetSuite work order is reported in service but it should have been cancelled:
    - Clear charges from the work order as appropriate.
    - Once all charges have been cleared from work order (following the guidelines on Page 2.), complete the work order in AssetSuite.
- **Other Considerations**
  - All work order sections (construction, retirement, jobbing) are cancelled when a work order is cancelled.
  - If a work order section was established in error, it can close with a zero balance.

- Do not cancel a billing work order if an Accounts Receivable billing has been issued and classified to the work order.
  - Investigate to determine what action should be taken to clear the work order.
    - Should billing be cancelled?
    - Is customer due a refund?
    - Was billing classified incorrectly?
    - If work was performed, work order should not be cancelled.
- Construction/retirement overheads and AFUDC will be cleared to expense if the work order cancellation is due to the work not being performed.
- Construction/retirement overheads and AFUDC cleared to expense will be done using individual Department ID's.

### Document History (Approved, Reviewed, Revised)

06.17.04	Original Issue Date – Approved by Susan Higginson
06.22.04	Revised cc instructions for labor corrections – Gayle Thomasson
01.06.05	Revised to include “Assistant controller must approve all deviations from this policy.” – Jason Stegall
11.09.05	Revised to incorporate several changes – Gayle Thomasson
11.12.06	Revised to indicate OH's and AFUDC will be cleared to can wo's when work not performed – Dave Hummel
07.23.06	Revised to include language regarding feeder systems not able to cancel wo; cc added to list – G. Thomasson
01.29.08	Revised procedure for clearing cancelled work orders – Dave Hummel
03.14.15	Revised to incorporate the following changes: <ul style="list-style-type: none"><li>• Format changes to section headers (Overview, Objectives, Inputs, Outputs, etc.)</li><li>• Moved document content to appropriate sections</li><li>• Wording / sentence restructuring to fit revised format.</li><li>• Added objectives.</li><li>• Added purpose of submission deadline – intercompany settlements, processing efficiency.</li><li>• Added that “notifications will be emailed to JE approvers to alert them of JE posting status.”</li><li>• Added “Additional process requirements and guidelines section.</li><li>• Removed procedure instructions. (New procedures document created to reflect changes to the process).</li></ul>
04.14.15	Reviewed by Britta Adam and Janet Swanger
04.16.15	Approved by Julie Williams – Asst Controller Accounting Operations



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Business Unit Alignment in Reporting Trees	<b>Date</b>	09/29/2005
<b>Author:</b>	Rod Griffin	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### Purpose

This policy identifies when it is appropriate to change the Business Unit alignment in reporting trees.

### Policy/Procedure Statement

Business Unit alignment within the reporting trees (legal and regional) will not change without notification from the Senior Vice President and Chief Accounting Officer. Changes to the legal tree will only occur when the legal structure of the organization is modified, which will be validated by data from the tax or legal department. Changes to the regional structure will only occur when deemed appropriate by senior management (SVP & Chief Accounting Officer or SVP Corporate Planning & Budgeting).

### Approved By

**Manager, Consolidations & Internal Reporting– Rod Griffin**

*Signature* *Signature on file* \_\_\_\_\_ *Date* \_\_\_\_\_

**Director, Management Reporting – Greg Adams**

*Signature* *Signature on file* \_\_\_\_\_ *Date* \_\_\_\_\_

**Managing Director, Financial Reporting – Becky Buonavolonte**

*Signature* *Signature on file* \_\_\_\_\_ *Date* \_\_\_\_\_

**Senior Vice President and Chief Accounting Officer – Joe Buonaiuto**

*Signature* *Signature on file* \_\_\_\_\_ *Date* \_\_\_\_\_

**Senior Vice President and Treasurer – Stephen P. Smith**

*Signature* *Signature on file* \_\_\_\_\_ *Date* \_\_\_\_\_



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Earnings Sheet and Consolidated Income Statement Reconciliation Policy	<b>Date</b>	06/24/2005
<b>Author:</b>	Rod Griffin	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### Purpose

This policy identifies procedures for reconciling the consolidated income statement to the Earnings (formerly Treasury) Sheet, procedures for correcting any imbalances and thresholds to determine what action should be taken and in what accounting period.

### Policy/Procedure Statement

After the books have closed and the corporate consolidations have run, a reconciliation is performed to ensure that the consolidation is correct. If the amount of difference is less than \$5,000, then the Manager of Consolidations and Internal Reporting can clear the closing process by emailing the accountant in charge of the closing process who sends out an email to declare that accounting is closed so that the data warehouse for planning and budgeting can be updated and to begin analysis.

The consolidation accountant reviews the difference with the Manager of Consolidations and Internal Reporting. If the difference is greater the \$5,000 then the GLBU that is causing the out of balance condition is contacted to correct either the Earnings Sheet (Net Income for the period is adjusted) or GLBU (making an entry to the GL deferring the net income effect). If the difference is less than \$5,000, it is corrected in the following month.

### Approved By

**Manager, Consolidations & Internal Reporting– Rod Griffin**

*Signature On File* \_\_\_\_\_ *Date* \_\_\_\_\_

**Director, Management Reporting – Greg Adams**

*Signature On File* \_\_\_\_\_ *Date* \_\_\_\_\_

**Managing Director, Financial Reporting – Becky Buonavolonte**

*Signature On File* \_\_\_\_\_ *Date* \_\_\_\_\_

**Managing Director, Accounting Services & Special Projects – Susan Higginson**

*Signature On File* \_\_\_\_\_ *Date* \_\_\_\_\_



## Accounting Policy/Procedure

**Assistant Controller, Regulated Accounting – Sandra Bennett**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_

**Assistant Controller, Commercial & Investment Accounting – Tom Myers**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_

**Senior Vice President and Chief Accounting Officer – Joe Buonaiuto**

*Signature* \_\_\_\_\_ *Date* \_\_\_\_\_



## Finance Group Policy/Procedure

<b>Policy/Procedure Title</b>	SEC Form 10-K and 10-Q Disclosure Support Policy	<b>Date</b>	August 15, 2004 Revised – December 9, 2004
<b>Author:</b>	Julie Sherwood	<b>Status:</b> (Draft, Under Review, Approved)	APPROVED

### Purpose

The purpose of this policy is to outline the documentation required to be maintained by Form 10-Q and 10-K content providers to support numerical data contained within AEP's quarterly and annual SEC financial statements and footnotes in accordance with requirements of Section 404 of the Sarbanes-Oxley Act.

Note: This policy specifically applies to numerical data provided for inclusion in the financial statements, footnotes and management's discussion and analysis sections of the Form 10-Qs and 10-Ks.

### Policy/Procedure Statement

The External Financial Reporting department is responsible for preparing and filing the SEC financial statements and footnotes on a quarterly and annual basis. During the preparation process numerous individuals throughout AEP are solicited as content providers and subject matter experts for each section of the financial statements, footnotes and management's discussion and analysis. This policy outlines the documentation that must be maintained by those content providers in order to support the applicable disclosure of numerical data. This documentation will be subject to review periodically by internal and external audit professionals in order to support management's assessment of the effectiveness of internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

When information to support a financial statement or footnote amount is sent to the External Financial Reporting department the information should explicitly state the following:

- The name of the preparer
- The name of the reviewer, if applicable
- The source of the information

All information submitted to External Financial Reporting must be reviewed prior to submission, as appropriate. Typically, the preparer's manager should perform this review. The individual or department submitting the information must maintain evidence of this review (i.e. signature), as well as applicable support for the information. The preferred source of information is an automated system that has been subject to testing by internal and external audit. If this is not possible, then there should be sufficient documentation of the source of information so that an independent person can recreate the data.

It is expected that content providers will periodically be contacted by internal audit or our external auditors who will be performing reviews or audits of the data, information and/or systems supporting the data or information.

While Section 404 of the Sarbanes-Oxley Act only applies to the financial statements and footnotes and not specifically to management's discussion and analysis, it is expected that the same procedures and documentation requirements will be followed for all Form 10-Q and 10-K content.

This policy is effective September 1, 2004. All deviations from this policy must be approved by the Managing Director of Financial Reporting.

### Approved By

Signature on file  
 \_\_\_\_\_  
 Julie A. Sherwood, Director – External Financial Reporting

Signature on file  
 \_\_\_\_\_  
 Rebecca J. Buonavolonte, Managing Director – Financial Reporting



## Earnings Offsets Policy for O&M Expenses

<b>Title</b>	Earnings Offsets Policy for O&M Expenses	<b>Date</b>	06/17/2011
<b>Author:</b>	Joe Buonaiuto, Chief Accounting Officer Lonni Dieck, SVP of Corporate Planning & Budgeting	<b>Sponsoring Area(s)</b>	Accounting, Corporate Planning & Budgeting

### Purpose

Due to the growing materiality and variety of items identified as “Earnings Offset” or in the “blue list”, and the continued interest in quantifying these "offset" expenses both internally and externally, there is desire to achieve consistent definition and practical treatment for what is meant by "Offset". The new Earnings Offset policy and the EO status categories that will flag certain Project IDs in PeopleSoft (and carry to Business Objects) provide a means of tracking and reporting these items within our systems.

### Policy Statement

#### 1. Background

##### 1.1 Definition

Earning Offsets (EO) are approved operation and maintenance (O&M) expenses that have specific offsets in the income statement (primarily in revenue lines) resulting in no impact on AEP’s earnings. For this policy, O&M is defined consistently with GAAP/SEC guidelines.

##### 1.2 Purpose

The intended purpose of this policy is to define standards for:

- consistently assigning EO status for analysis & reporting of O&M budget variances
- the creation of SEC Management Discussion & Analysis (MD&A) commentary
- the management of investor relations inquiries.

The EO status designation of O&M expenses is necessitated by the growing desire over the past few years to explain that certain changes in O&M expenses are directly attributable to corresponding changes in revenues from recovery mechanisms (See Section 1.3) and should not be viewed as negative financial indicators for the corporation.

##### 1.3 Qualifying Items:

Generally, EO status may be granted for costs that have a specific offsetting recovery mechanism. Recovery mechanisms may include, but are not limited to:

- Regulatory recovery – Evidence exists that the cost is recovered by a regulatory-approved tariff (e.g. rider, tracker, surcharge, etc.). See Sections 1.4 and 2.1.
- Certain billings to third parties – Cost is recovered, in full, by billings to non-affiliated third parties. Only third-party billings specifically listed in this policy as EO will qualify. See Section 2.2.
- Certain billings to affiliates – Some O&M costs incurred by an AEP company providing service(s) that are billed to an AEP affiliate who has an approved recovery mechanism qualify for EO status for the original billing company. See Section 2.3.

Refer to section 4 for documentation requirements needed to establish EO status.



## Earnings Offsets Policy for O&M Expenses

### 1.4 Evidence of Regulatory Recovery

Evidence of regulatory recovery may take one or more of the following forms:

- Regulatory order or settlement containing specific language allowing recovery of the cost item
- Discussions during settlement negotiations having specifically addressed recovery of the cost item
- Lack of opposition of recovery in settlement negotiations or in docket records may be evidence of allowance of recovery
- Internal legal opinion supporting recovery conclusion

### 1.5 Non-Qualifying Items:

Items generally excluded from EO status are costs that:

1. Lack evidence of specific recovery, OR
2. Items for which we have no obligation in a regulatory order to spend the specified amount nor record a regulatory liability for each dollar not spent for that purpose

The underlying premise is that these non-qualifying items are ongoing, customary costs of doing business which can be managed to affect earnings and should not be granted EO status.

## 2. Overview of Qualifying Items

### 2.1 Regulatory Recovery Items:

Items which have been granted recovery by a regulatory-approved tariff (e.g. rider, tracker, surcharge, etc.) may be granted EO status, as indicated in the Offset Status Decision Tree (see Exhibit 1).

As stated in Section 1.5, items that can be managed to impact earnings for that period are generally excluded. Items that generally qualify are described in sections 2.1.1, 2.1.2, and 2.1.3 below.

#### 2.1.1 Specific Recovery through Tariff

When an item is specifically granted recovery by a regulatory commission through a non-base-rate tariff (e.g. rider, tracker, surcharge), the item generally qualifies for EO status. EO status would apply to both the ACTUAL costs being incurred AND any expense adjustment being recorded as a result of any over/under accounting. The general premise for this offset group is that the commission has provided a specific recovery mechanism for the cost and that recovery is reasonably assured.

#### 2.1.2 Recovery or Assumed Recovery through Base Rates



## Earnings Offsets Policy for O&M Expenses

When an item is specifically granted recovery by a regulatory commission through base rates, the item generally qualifies for EO status. In addition, there may be instances where the utility assumes there is recovery based on evidence as defined previously in this policy (See Section 1.4 for discussion of Evidence).

- Amortization of Regulatory Assets:

When a previously deferred regulatory asset is amortized as a result of being deemed “recovered” through base rates, the amortization expense qualifies for EO status. The amortization must be charged to a project with EO status. Generally, EO status for regulatory asset amortization should coincide with the trigger for the commencement of amortization. Upon full amortization of the regulatory asset designated as an EO item, the related project id will be closed.

- Items with Committed Future Incremental Spending:

When a company proposes to spend an incremental amount for a particular program or goal, the granting of recovery through base rates generally would allow the incremental amount to qualify for EO status. The underlying premise is that the incurred costs are “controllable” and would only be incurred if regulatory recovery is granted.

- ▲ Example: Proposing \$15 million in incremental vegetation management and being granted recovery as part of the base rate would result in the following EO status(es):
  - The regulator-approved incremental spend portion and any expense adjustment being recorded as a result of any over/under accounting authorized is designated with EO status. This status expires with the termination of the incremental recovery or the commencement of new base rates from a subsequent rate case.
  - The embedded ongoing base level (non-incremental) is not EO.

Note: Spending that exceeds the approved incremental recovery ceiling is NOT eligible for EO status.

### 2.1.3 Items with both a Base Rate and Rider Component

When an expense type has both a base rate component and a rider component:

- The base rate component would NOT qualify for EO status. The underlying premise is that this type of cost has become an ongoing, customary cost of operating a utility.
- The rider component would qualify for EO status. See 2.1.1 “Specific Recovery through Tariff” above. The underlying premise is that the commission has accepted that the cost category is ongoing, but that the amount above the base level expenditure is either:
  - not controllable by the utility and that recovery for the incremental portion should be granted, OR



## Earnings Offsets Policy for O&M Expenses

- produces a known value to ratepayers and should be specifically tracked by the utility and trued-up to the revenues provided through the commission-approved tariff.
- ▲ Example: Indiana PJM administrative costs. In Indiana, a base level of PJM administrative costs is included in base rates. Any incremental portion incurred is recovered through a separate surcharge. In this case:
  - The base level of costs in base rates does not qualify for EO status.
  - The rider portion of costs does qualify for EO status, since the commission approved a surcharge specifically for recovering such costs.

EO status is tied to the effective period of the supporting rate mechanism. Therefore, when the base rate or special tariff that established the EO item expires, the item may no longer qualify for EO status. Project IDs with EO status must be closed when the offset expires.

### **2.2 Billings to Third Parties:**

There are a limited number of items that qualify for EO status through billings to third parties. The eligible items are described in sections 2.2.1 and 2.2.2 below. Any business unit seeking EO status for other types of expenses related to third party billings will need to substantiate their claim that this expense qualifies for EO status per this policy. See section 3 for details on how to obtain approval for EO status.

#### 2.2.1 Associated Business Development (ABD) Costs

Work performed for third parties such as design and engineering work or relocation of a third party's existing electric facilities for which revenues are recorded concurrently with expenses generally qualify for EO status. Revenues recorded must meet or exceed the costs incurred in order to qualify. The underlying premise is that the costs are incurred because of reasonably assured revenue from a third party, and thus are elective and revenue-generating.

#### 2.2.2 Barging, Transloading, Repairs Performed for Third Parties

Work performed for third parties for barging, transloading or repair work for which revenues are recorded generally qualify for EO status. Revenues received must meet or exceed the costs incurred in order to qualify. The underlying premise is that the costs are incurred due to an opportunity to produce margins or obtain recovery of non-incremental/ fixed costs.

### **2.3 Billings to Affiliates:**

Certain items that are billed to affiliates who have recovery of the expense are granted EO status on the company originally making the expenditure. Since the revenue on the billing company and the expense on the billed company are both eliminated in consolidation, the expense that remains on a consolidated income statement is on the company originally making



## Earnings Offsets Policy for O&M Expenses

the expenditure and is, therefore, the company which should record the cost in an EO project. (Refer to Exhibit 1) Examples of qualifying items are provided in section 2.3.1.

### 2.3.1 Fuel Handling Performed for Affiliates

Fuel handling services performed by affiliates generally qualifies for EO status for the company providing the work. The underlying premise is that:

- the fuel handling company recovers its costs through billing affiliates and recording revenue, AND
- the affiliate receiving the service has recovery of the costs (generally via a fuel surcharge, adjustment clause or other recovery mechanism)

#### Examples:

- ▲ River Transportation Division: Barging services performed by I&M River Transportation Division (RTD) for the AEP operating companies generally qualifies for EO status for I&M. RTD recovers its costs through billing affiliates, who in turn recover their cost via fuel recovery mechanisms.
- ▲ Cook Coal Terminal Handling: Terminal handling service performed by Ohio Power's Cook Coal Terminal for the AEP operating companies generally qualifies for EO status for Ohio Power. Ohio Power recovers its costs through billing affiliates, who in turn recover their cost via fuel recovery mechanisms.

**Note:** AEP Credit expenses do not qualify for EO status.

### 3. Approval of EO Status:

In order for a project to be granted EO status, the item must go through an approval process. The approval process is as follows:

The EO Request Form must be submitted via Documentum. (For a copy of the EO Request Form and instructions on accessing, completing, and submitting it, see Appendix A.)

The original request must include items a-h below:

- a. Company or companies involved
- b. Project ID(s) to be used for requested item
- c. Annual amount of spending/recovery (amount authorized and/or projected)
- d. Timeframe of recovery (approved or expected beginning/ending dates)
- e. Reference to supporting section of EO policy (which type of recovery is involved – tracker/rider, amortization, third party billings, etc.)
- f. Documentation of recovery (i.e., regulatory orders/settlements, accounting implication memos, or other documentation explaining how the spending is recovered)
- g. EO Category code requested (which code should be applied)
- h. Primary contact person



## Earnings Offsets Policy for O&M Expenses

In the event that a project needs to be coded as a “pending” EO status to allow budgeted dollars to be identified as an EO status project prior to receipt of a regulatory order/settlement, the request must indicate the regulatory plans for such item. To carry a “pending” EO status, the project ID must remain in a “9 Budget Only” status until such time that an order has been received and spending and recovery can commence. When the project can be opened for charges, a second request would need to be sent through for approval to change the status from a “pending” EO status to an “active” EO status.

The approvals required are:

- Operating Company Business Operations Director
- Primary Budget Coordinator
- Corporate Budgeting Manager
- Regulatory Accounting Services Director
- Regulated Accounting Director

Once all approvals have been obtained, it will be the responsibility of Corporate Planning & Budgeting to apply the code to the projects in PeopleSoft. Security to apply the EO status will be available to designated Corporate Planning & Budgeting staff only.

Refer to section 6 of this document for details on the dispute resolution process.

#### **4. Documentation of EO Status:**

For items whose recovery is through a regulatory mechanism, the documentation of an item as qualifying for EO status should be recorded in the Accounting Implications Memo issued as a result of the regulatory proceeding.

For items whose recovery is through another means, the documentation from the approval process is sufficient. Refer to section 3 of this document for details on the approval process.

#### **5. Enforcing EO Project ID's:**

Once a project is coded with an EO status and budgets and actuals are being recorded to the project ID, various groups will have continuing responsibilities to maintain the integrity of the EO tracking process. These are summarized in the following table.



## Earnings Offsets Policy for O&M Expenses

Group	Responsibility
OpCo Business Ops	Ensure that the activity in the projects is reviewed regularly to verify that <u>only</u> recovered costs are recorded to the project
OpCo Business Ops	Ensure that the EO project IDs are closed at the end of the recovery period to ensure that costs are not coded as EO when the recovery no longer exists or the spending no longer qualifies for the EO status
OpCo Business Ops	Work with field personnel to ensure appropriate projects are used on timesheets, invoices, etc during recovery and that EO projects are discontinued upon the end of the recovery period
OpCo Business Ops Regulated Accounting	Work together as the end of the recovery period approaches/occurs to ensure that journal entries use the appropriate projects during and after the transition which ends the EO status/recovery
Regulatory Accounting Services	Include the EO status implications in Accounting Implications Memos related to regulatory orders/settlements
Corp Planning & Budgeting	Complete periodic reviews of EO Project ID's and confirm that projects coded as EO continue to meet the policy requirements and that the recovery periods have not expired (reviews to occur at least annually)
Corp Planning & Budgeting	Maintain available EO status codes & apply codes to projects in PeopleSoft after all approvals have been obtained

### 6. Dispute Resolution:

In instances where the business unit seeking EO status for a set of O&M expenses is not satisfied with the interpretation and application of this Policy and the Decision Tree in Exhibit 1, a final ruling will be made by a panel comprising of:

- the Chief Accounting Officer
- the SVP of Corporate Planning and Budgeting
- and/or their appointee(s).

This will be done in consultation with Regulatory and/or Legal Counsel or others as needed.

Persons seeking to have an issue reviewed by the stated panel should reference sections 3 and 4 for information regarding the documentation and approval procedures to ensure they have followed the prescribed process, and then notify the Corporate Budgeting Manager, in CP&B of their desire for an executive review. Further instructions will be given then.

### 7. Policy Implementation:

The original effective date of this policy is August 1, 2011.



### Earnings Offsets Policy for O&M Expenses

#### Approved By

##### Accounting

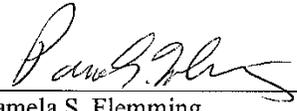
##### Corporate Planning and Budgeting

  
\_\_\_\_\_  
Andrew B. Reis  
Assistant Controller

6/17/11  
Date

  
\_\_\_\_\_  
Thomas E. Mitchell  
Managing Dir Regulatory Accounting Services

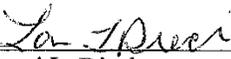
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\_\_\_\_\_  
Pamela S. Flemming  
Managing Dir. Corp. Budgeting & Reporting

6/17/11  
Date

  
\_\_\_\_\_  
Joseph M. Buonaiuto  
Chief Accounting Officer

6/17/11  
Date

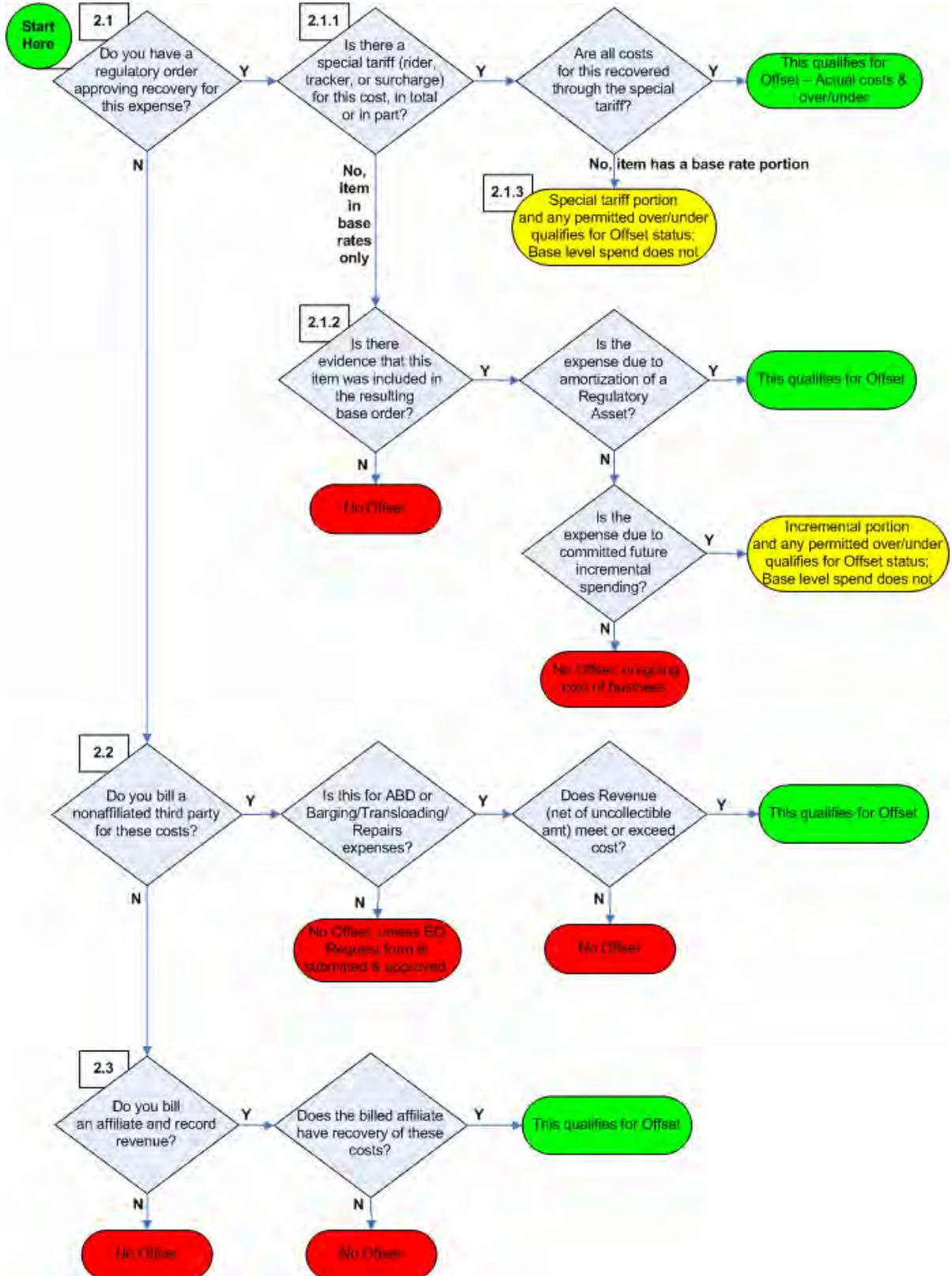
  
\_\_\_\_\_  
Lonni L. Dieck  
SVP Corporate Planning & Budgeting

6/17/11  
Date



## Earnings Offsets Policy for O&M Expenses

**Exhibit 1 – Offset Status Decision Tree**  
 (policy references in small white boxes)





## Earnings Offsets Policy for O&M Expenses

### APPENDIX A

The Earnings Offset Request Form, as shown below, is available at the Accounting website (<http://acctg/policies/>) and at the CP&B website (<http://cpb/par/reporting.htm>).

### Earnings Offset Request Form

**Purpose:**

Earning Offsets (EO) are approved operation and maintenance (O&M) expenses that have specific offsetting benefits (most typically revenue) resulting in no **impact** on AEP's earnings. For this policy, O&M is defined consistently with GAAP/SEC guidelines. Use Earnings Offset Request Form to request approved EO status.

**Name of Company & GLBU Associated with Earnings Offset Item:**

Company Name	GLBU
<input type="text"/>	<input type="text"/>

**Project ID Value & Project to which the Earnings Offset Status is to be Applied:**

Project ID Value	Project Description
<input type="text"/>	<input type="text"/>

**Amount Applied to Earnings Offset Status:**

Authorized Spend/Recovery   Monthly  
 Projected Spend/Recovery  Yearly  
 In Total

**Expected Timeframe of Recovery:**

to

**Will all Charges for the Project ID be Recoverable through the Specified Recovery Mechanism?**

Yes  No

If No, please provide details:

**Applicable Section of Earnings Offset Policy:**

**Earnings Offset Category Requested:**

**Primary Contact Information:**

Name:  Audinet Number:

*\*\*\*Attach Available Documentation Explaining how the Spend is Recovered. Examples include: Regulatory Orders/Settlements, Accounting Implication Memos, or Other Documentation Explaining how the Spend is Recovered*

Additional Notes:

Instructions for completing and submitting the form will be available along with the form.



**Financial Data Archive**

<b>Title:</b>	Financial Data Archive	<b>Date:</b>	May 1, 2009
<b>Owner:</b>	Andrew Reis, Rebecca Buonavolonte, Scott Krawec,	<b>Sponsoring Area(s):</b>	Accounting
<b>Policy Statement:</b>			
This policy governs the archival storage of the financial data in PeopleSoft Finance and corresponding external sources (Asset Suite, PowerPlant, etc).			
<b>Detail:</b>			
<p>PeopleSoft Finance is required to maintain at the minimum current year plus preceding 5 calendar years worth of financial data online for query and reporting Any data that is older than 5 preceding calendar years can be archived External sources are required to maintain at the minimum current year plus preceding 3 calendar years worth of financial data Any data that is older than 3 preceding calendar years can be archived from an external source. EPM data archival process should follow PeopleSoft Finance data archival process</p> <p>Archived data should follow AEP Accounting Record Retention Policy and SOX Retention Policy, see listed references below.</p> <p>Archived data needs to be easily accessible. Users should be able to either access the data on their own (run reports, view data, etc) or know how to request archived data</p> <p>The definition of an external source is any system/data record within AEP that is outside of PeopleSoft Finance. Third parties outside of AEP do not fall under this policy .</p> <p>The definition of the financial data – data created in PeopleSoft Finance or prepared by external sources, such as:</p> <ul style="list-style-type: none"> <li>- journal entries that are created in PeopleSoft Finance</li> <li>- journal entries that are either prepared by external source or the data used to compile the entry is provided by an external source</li> <li>- all transactions in the Proj_Resource table</li> <li>- other transactions (vouchers/invoices, bills, payments, etc)*</li> </ul> <p>* Other transactions need to be evaluated to confirm that they can be archived based on their status and status of related transactions.</p> <p><b>References:</b></p> <ul style="list-style-type: none"> <li>• Accounting Record Retention Policy located on the Accounting Home Page <a href="http://acctg.aepsc.com/policies/default.asp?Dir=%5C%5Coh0co007%5Ctreasury%5Cexternal%5CPolicy+Central%5CMiscellaneous">http://acctg.aepsc.com/policies/default.asp?Dir=%5C%5Coh0co007%5Ctreasury%5Cexternal%5CPolicy+Central%5CMiscellaneous</a></li> <li>• SOX Retention Policy located on the Accounting Home Page <a href="http://acctg.aepsc.com/policies/default.asp?Dir=%5C%5Coh0co007%5Ctreasury%5Cexternal%5CPolicy+Central%5CMiscellaneous">http://acctg.aepsc.com/policies/default.asp?Dir=%5C%5Coh0co007%5Ctreasury%5Cexternal%5CPolicy+Central%5CMiscellaneous</a></li> </ul>			
<b>Review / Revision:</b>			
<b>Assistant Controller, Utility General &amp; Regulatory Accounting – Scott Krawec</b>			

Financial Data Archive



Signature	<u><i>Scott upkorn</i></u>	Date	<u>5/8/09</u>
<b>Assistant Controller, Utility Energy &amp; Commercial Accounting – Andrew Reis</b>			
Signature	<u><i>AR</i></u>	Date	<u>5/12/09</u>
<b>Managing Director, Financial Reporting – Becky Buonavolonte</b>			
Signature	<u><i>B Buonavolonte</i></u>	Date	<u>5/13/09</u>
<b>Managing Director, Accounting Operations – Susan Higginson</b>			
Signature	<u><i>Susan C Higginson</i></u>	Date	<u>5-8-09</u>
<b>VP of Tax – Mark Pyle</b>			
Signature	<u><i>Mark Pyle</i></u>	Date	<u>5/8/09</u>
<b>Director, Cash Management – Jana Soward</b>			
Signature	<u><i>Jana Soward</i></u>	Date	<u>5/8/09</u>



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Consolidation Scorecard Policy	<b>Date</b>	06/24/2005
<b>Author:</b>	Intercompany Account Balance (IAB) Team	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### **Purpose**

The purpose of this policy is to identify and define the procedures surrounding the review of the intercompany scorecards – Balance Sheet, Income Statement and Owners’ Investment - prepared monthly by Management Reporting (Consolidations Manager). This policy will identify the procedures for evaluating and reviewing the scorecards, identifying known imbalances and correcting imbalances.

### **Policy/Procedure Statement**

Management Reporting will prepare two sets of scorecards: detailed scorecards for the Intercompany Account Balance Team (IAB Team) and summary scorecards for Accounting Department Management. Management Reporting will provide the members of IAB Team copies of the detailed scorecards within one workday of the finalization of consolidations. The summary scorecard will be distributed after the IAB Team completes their analysis and review of the detail scorecards.

#### **Evaluating and Reviewing the Scorecards**

Once the detailed scorecards are prepared, the imbalances will be evaluated for their significance. The following standards apply to all Business Unit to Business Unit relationships, including the Total line. Should a BU-to-BU relationship or the Total line exceed the tolerance amount, it must be investigated. Based on the results of the investigation, Accounting Department Management will decide if the General Ledger needs to be reopened or if a correction can be made in the subsequent month.

Scorecard	Line Item Tolerance
Balance Sheet	\$100,000
Income Statement	\$100,000
Owners’ Investment	\$100,000

NOTE: These tolerances may be adjusted in the future as dictated by Accounting Department Management.

#### **Identifying Known Imbalances**

The summary scorecards should provide to Accounting Department Management the overall Intercompany out-of-balance conditions including details relating to significant BU to BU balances. The summary scorecard is presented net of known imbalance items. The purpose of the summary scorecard is to provide management with a summation of the unidentified imbalances.

#### **Correcting Imbalances**

Should the analysis of the BU-to-BU relationship reveal errors, the impact of the errors on the consolidated financial statements must be determined. If the Consolidations Manager determines that the errors have a significant impact on the financial statements, a correction should be made before the books are closed. If the error does not have a significant impact on the financial statements closing can proceed.



## Accounting Policy/Procedure

**NOTE:** The Consolidations Manager prepares the detailed scorecards during the closing process to monitor the out-of-balance conditions and follow-up with the appropriate accounting personnel regarding the variances before the books are closed.

The various general ledger groups in the Accounting Department are responsible for making correcting journal entries for any items that exceed the accepted tolerance levels. Corrections that exceed \$100,000 must be coordinated with the IAB team.

An accountant for the unregulated company will make corrections for imbalances between regulated and unregulated companies. If the correction is not greater than \$10,000, an unregulated accountant can make the correction and inform the regulated accountant after the fact. If the correction is greater than \$10,000, it can only be made after coordinating with the appropriate accountant for the regulated company. Should the correction exceed \$100,000 limit, the correction must be brought to the attention of the IAB team.

Group	Key Contacts
Accounting Department Management	SVP-Controller, CAO (Currently Joe Buonaiuto) Assistant Controller, Regulated Accounting (Currently Sandra Bennett) Assistant Controller, Commercial and Investment Accounting (Currently Tom Myers) Managing Director, Accounting Operations (Currently Susan Higginson) Managing Director, Financial Reporting (Currently Becky Buonavolonte)
Intercompany Account Balance (IAB) Team	Manager, Consolidations and Internal Reporting (Currently Rod Griffin)

### Approved By

**Rebecca Buonavolonte** On File \_\_\_\_\_ **Date:** \_\_\_\_\_  
Managing Director, Financial Reporting

**Susan Higginson** On File \_\_\_\_\_ **Date:** \_\_\_\_\_  
Managing Director, Accounting Services and Special Projects

**Sandra Bennett** On File \_\_\_\_\_ **Date:** \_\_\_\_\_  
Assistant Controller, Regulated Accounting

**Thomas Myers** On File \_\_\_\_\_ **Date:** \_\_\_\_\_  
Assistant Controller, Commercial and Investment Accounting

**Joseph M. Buonaiuto** On File \_\_\_\_\_ **Date:** \_\_\_\_\_  
SVP and Chief Accounting Officer

Signed paper copy to be retained by the Accounting Department.

### Edit History

Date	Version	Description	Author
6-24-05	1.0	Revision	Rod Griffin



## Joint License Billing Procedure

<b>Policy/Procedure Title</b>	Joint License Billing Procedure	<b>Date</b>	11-10-2014
<b>Author:</b>	Jeffrey Hoersdig Updated by Jon Holtzmuller	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### **Purpose**

To provide guidance on the billing of cost related to the use of assets included in joint license agreements.

### **Policy/Procedure Statement**

#### **Scope or Eligibility**

This procedure applies to the billing of costs for assets included in a company's rate base (owning company) that are being jointly used by an affiliated company (occupying company). The affiliates involved in the sharing of assets should have an active joint license agreement as a basis for the billings. This procedure primarily relates to transactions between operating companies and the Transco companies in their respective service territories.

#### **Procedure**

The joint license billing is intended to compensate the owning company for the cost of carrying assets, including depreciation expense, property taxes, interest expense, return on equity, and income taxes. The trigger for the billings will be the in-service date of the occupying company assets that utilize owning company assets. The billings may also include other operations and maintenance expenses that cannot be discretely charged to either the owning or occupying company. The billed cost will be recorded as affiliated revenue by the owning company and as affiliated operations expense by the occupying company. Each component of the billing is discussed in further detail in the sections that follow.

The journal entries will be entered by the appropriate ledger accounting group, and will be reviewed by transmission accounting as appropriate. The affiliated revenue recorded by the owning company will be charged to account 4560017 - Oth Elect Rev-Trans-Affil. The affiliated expense recorded by the occupying company will be charged to account 5670002 - Rents-Associated. This affiliated revenue and expense will eliminate on an AEP consolidated basis.

At the end of each quarter, a summary report will be provided to management of both the owning and occupying companies, primarily operating company management and transmission management. Both parties will provide an approval of the transactions for the quarter, and the approvals will be maintained by the appropriate ledger accounting group.

#### **Jointly Used Assets**

Property accounting will provide a report each month containing information regarding all assets of the owning company being used, in full or in part, by the occupying company. The information to be recorded in the current month will be based upon prior month property values and will include the asset location, owning company, GL account, property account, vintage, quantity, book cost, allocated reserve, and net book value (book cost less allocated reserve). The data provided will be used in the calculation of the various components of the joint license billing.



## Joint License Billing Procedure

### Calculation of Percentage of Assets Shared

Where available, Transmission Services will provide the percentage of each asset used by the occupying company. In many instances, this information will not be readily determinable, so an approximation will be calculated using a reasonable allocation methodology. For example, the percentage use of an owning companies substation by an occupying company may be approximated by calculating the percentage of station equipment owned by the occupying company versus the total station equipment in the substation (including both assets of owning company and occupying company). The need for an allocation methodology will be determined on an asset-by-asset basis. This type of information will be provided by property accounting and will be updated no less than quarterly, or whenever additional assets become shared.

### Depreciation Expense

The calculation of monthly depreciation expense will be based upon the book cost of any depreciable assets of the owning company used by the occupying company. The book cost will be multiplied by the appropriate monthly depreciation rate and will then be multiplied by the percentage of the asset used by the occupying company. The book value will be provided in the monthly property accounting report discussed in the "Jointly Used Assets" section above. In addition, property accounting will provide the appropriate depreciation rate for any assets included in this calculation. The percentage of the asset used by the occupying company will be applied using the methodology described in the "Calculation of Percentage of Assets Shared" section of this procedure document.

### Property Taxes

Calculation of monthly property tax expense will be based upon an annual analysis performed by property tax by June 1<sup>st</sup>. Prior to that, a file will be provided to property tax with the book cost of all assets shared with occupying company. The property tax group will calculate a tax rate that can be applied to the book cost of the shared assets to determine annual property taxes. This amount will be spread over a twelve month period to be included in the monthly billing process. The percentage of each asset used by the occupying company will be applied using the methodology described in the "Calculation of Percentage of Assets Shared" section of this procedure document. If new assets are shared during the year, they will use the same property tax valuation methodology currently in place for the year. Any such updates can be provided to property tax for their review.

### Interest Expense/Return on Equity

Calculation of monthly interest expense and return on equity will be based upon the most current weighted average cost of capital (WACC) for the owning company. The WACC will be separated between the weighted average cost of debt (WACD) and the weighted average cost of equity, made up of the weighted average cost of preferred stock (WACPS) and weighted average cost of common equity (WACCE) as appropriate. The calculation of monthly interest expense will consist of the monthly WACD multiplied by the current month net book value of the shared assets. The calculation of monthly return on equity will consist of the monthly WACPS and WACCE multiplied by the current month net book value of the shared assets. The net book value of the shared assets will be provided in the monthly property accounting report discussed in the "Jointly Used Assets" section above. The percentage of each asset used by the occupying company will be applied using the methodology described in the "Calculation of Percentage of Assets Shared" section of this procedure document.



## Joint License Billing Procedure

### Income Taxes

Calculation of monthly income taxes will be based upon the most current tax "gross-up" factor for the owning company. The gross-up factor will be multiplied by the current month return on equity to provide the income tax expense for the month. The gross-up factor will be updated whenever there are changes in tax rates for the owning company.

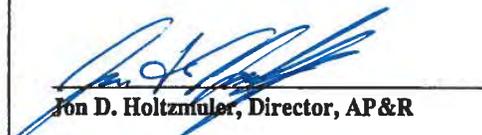
### Other Operations and Maintenance Expenses

In general, operations and maintenance (O&M) expenses incurred in support of joint licensed assets will be billed to the appropriate companies through the intercompany billing process. The Transmission organization will create work orders to appropriately bill these expenses. However, in cases where the O&M charges cannot be charged through intercompany billings, they may be added to the joint license billing and allocated using the most appropriate method available in the "Calculation of Percentage of Assets Shared" section of this procedure document.



## Joint License Billing Procedure

### Approved by

 Jon D. Holtzmueller, Director, AP&R	<u>11/12/14</u> Date
 Scott Travis, Assistant Controller, Regulated Accounting	<u>11/12/14</u> Date
 Jeff Hoersdig, Assistant Controller, Financial Reporting	<u>11/12/14</u> Date
 Mark Pyle, VP, Tax	<u>11/17/14</u> Date
 Julie Williams, Assistant Controller, Accounting Operations	<u>11/12/14</u> Date
 Rod Griffin, Director, Transmission Accounting	<u>11/12/14</u> Date



## Misc. Accounts Receivable Policy/Procedure

<b>Policy/Procedure Title</b>	Provision for Uncollectible Receivables	<b>Date</b>	08/21/2015
<b>Owner: Policy Authored By:</b>	DeAnna Schaeffer Misc. Accounts Receivable	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### Purpose

The purpose of this document is to establish the responsibilities, controls, authorizations and procedures for estimating and recording the provision for uncollectible miscellaneous (non-electric) receivables. (CA 5.01)

### Procedure

This policy applies to the general ledgers for BU 103 (AEPSC), Transmission, Distribution, and Generation business units.

All other general ledger business units are excluded.

This policy applies to receivables recorded in accounts 1420102, 1430102, 1430023, and 1430081.  
 All other receivable accounts are excluded.

### 3.0 POLICY PRINCIPLES

#### 3.1 Provision for Uncollectible Accounts

The Company maintains its financial records in accordance with the accounting profession's Generally Accepted Accounting Principles ("GAAP") for accrual based accounting records. Failure to follow this process under GAAP may result in:

- i) Overstatement of the Company's assets due to the failure to record a provision for an uncollectible item;
- ii) Misstatement of the Company's earnings due to the failure to write-off of an uncollectible item.

#### 3.2 The provision is estimated based on a review of the following receivable items:

- Items past due less than 180 days may have a provision established at the request of business unit personnel.
- Items past due greater than or equal to 180 days that are evaluated by business unit personnel and deemed to be uncollectible if the open item had an original accounting distribution affecting the income statement.
- Items past due 270 days or more may be excluded if justification for exclusion is prepared by business unit personnel and authorized by the responsible business unit Vice President and by an Assistant Controller, Managing Director in Accounting or the Chief Accounting Officer.

#### 3.3 Exceptions

Exceptions to this policy must be submitted for approval to the Corporate Miscellaneous Receivables manager and for approval by an Accounting services director and an Assistant Controller. Any questions or issues on this policy should be submitted to the Corporate Miscellaneous Receivables manager.

### 4.0 RESPONSIBILITIES

4.1 All employees/departments preparing bills for entry and processing in the financial system must ensure the bills are collectible. The Corporate Miscellaneous Receivable department shall be informed of any bills which have been deemed uncollectible or which are likely to become uncollectible.



## Misc. Accounts Receivable Policy/Procedure

4.2 The Department Manager or designee is responsible for reviewing all bills from his/her respective department to ensure all bills are collectible.

4.3 The Accounts Receivable Associate is responsible for estimating and preparing journal entries to record provisions and to reverse prior month's provisions based on the guidelines set forth in this policy and the information provided to the Corporate Miscellaneous Receivables department by business unit representatives.

4.4 The Miscellaneous Accounts Receivable Manager is responsible for reviewing and coordinating with the business units to ensure that open items are reviewed and provisions are recorded consistent with this policy and to approve and post journal entries prepared by the AR Associate.

4.5 The Director of Accounting Services is responsible for reviewing the value of outstanding receivables included in the scope of this policy and ensuring that the value is consistent with this policy and appears to be fairly stated.

### 5.0 POLICY PRACTICE STATEMENT

#### 5.1 Recording the Provision

The AR Associate prepares monthly journal entries to record the setup of the current month's provision. The provision is recorded no later than the due date for entries affecting net income as outlined per the closing schedule issued by the Corporate Finance and Accounting department.

#### 5.2 Recording the Provision Reversal

The AR Associate prepares monthly journal entries to reverse the prior month's provision. Therefore, any item previously provided for but subsequently cleared will be excluded from the current month's provision. The prior month's provision reversal is normally recorded on the first workday of the month.

#### 5.3 Coding of Entry

Provision journal entries debit account 9040007 - Uncoll Accts - Misc Receivable and credit account 1440002 - Uncoll Accts-Other Receivables.

The following additional ChartFields are used on the entry:

Department: 99990

Project Business Unit: NONBU

Project: GLNANDA

Work order: G0000xxx (where xxx represents the GLBU the provision is being recorded for).

Cost Component: 999

Activity: 338

#### 5.4 Uncollectible Bills

Bills determined to be uncollectible shall not be cancelled or adjusted. Reducing or canceling bills and related receivables determined to be uncollectible distorts and incorrectly reports the uncollectible provision and activity. Uncollectible bills shall be written-off according to the Write-Off of Uncollectible Miscellaneous Receivables Policy.



**Establishing Receivables in a Timely Manner**



<b>Title:</b>	Recording of Receivables	<b>Date:</b>	3/31/09
<b>Owner:</b>	Russell Doyle Misc. Accounts Receivables	<b>Sponsoring Area(s):</b>	Miscellaneous Accounts Receivable

**Policy Statement:**

This policy will increase the quality of AEP's financial reporting by ensuring receivables are recorded in the proper accounting period and that cash equivalents received are promptly converted for AEP use.

**Detail:**

After an event occurs that will result in AEP receiving cash from a third party, the employee who has knowledge of the event should initiate an invoice in PeopleSoft Billing or request that an invoice be created. By promptly creating an invoice, a receivable will be established for the 3<sup>rd</sup> Party and AEP will accurately report accounts receivable balances for monthly reporting.

The party billed should be instructed to remit the cash in accordance with the instruction on the bill. In order to insure the prompt and accurate processing of payments received for miscellaneous non electric bills, please adhere to the following procedure. All payments from customers are to be mailed directly to:

American Electric Power  
 PO Box 24404  
 Canton OH 44701-4404

Customers should not remit payments to other locations. Exceptions to this requirement must be approved by the Managing Director – Accounting Operations. By having all payments sent to the address above, it will insure that payments are handled in a controlled and consistent manner resulting in the prompt posting of the payment to the customer's account, timely deposit of the proceeds, and the prompt recording of the transaction in AEP's financial systems.

If a payer is going to remit funds without receiving an invoice from AEP, then the 3<sup>rd</sup> Party should remit the cash as stated in the policy with reference to a knowledgeable contact in AEP. The AEP contact should create an invoice or request that an invoice be created as soon as they are aware of the event. It is critical for AEP financial reporting, as well as customer aging reports, that receivables be established in a timely manner.

All miscellaneous checks received by the remittance processing group will be promptly deposited based on the information provided. Remittance will provide copies of all checks, correspondence, remittance advices and a control listing to the Miscellaneous Accounts Receivable (MAR) department. The MAR department will apply the cash to identified receivables and resolve any transactions that are identified to established receivables.

Monthly, MAR will generate a report showing receivables established after payments have been received. MAR will contact the initiators of these invoices to document the reason the receivable had not been established prior to the payment and stress future compliance with this policy.

**Review / Revision:**

Reviewed by Russell Doyle      3/26/2009



Exhibit A

**Section** Chapter 6 - Details on Records Retention Manual DB  
**Subsection** 2  
**Title** About System Records Retention Manual

---

## **For Database Users**

### **What does this database do?**

This Notes database is designed to be used as a resource at all locations, not solely at Records Retention Centers. The main headings in the manual, for instance "Corporate," "Legal," "Environmental," **do not refer to** departments within the Company. Rather, they refer to a **type of record**. Retention guidelines are based on the Federal and State Regulatory Agencies listed below. Agencies with longest retention periods are listed in the catalog. However, any **ongoing litigation** will supersede these guidelines.

Corporate policy is to "*destroy all records except those specifically authorized to be preserved*" Those records "*authorized to be preserved*" are listed in the attached schedules. Retention periods are as short as possible in order to keep down our records inventory. The longer periods are based upon legal, audit, or management requirements. The mere fact that a record is **potentially useful** in the event of a lawsuit does **not** constitute a legal requirement.

**Vital Records:** Vital records shall include any document or information, regardless of format, that, if lost or destroyed would 1) prevent or greatly hinder the operation of the company **and**, 2) would be impossible or very expensive to duplicate or rebuild. To be considered vital, both criteria must be met. The essence of vital records is that they are essential for the continued, economical operation of the company.

**Determination of Vital Records:** The determination of which records are to be designated "vital" will be the primary responsibility of the owning department, in consultation with the RIMS committee. Each department's designated records specialists, at the time the department records are classified according to the Uniform Record Retention Manual, shall recommend to the RIMS committee which records, if any, of the department should be classified as vital records. The committee shall review each such recommendation critically and come to an agreement with the department records specialists on which records are vital.

**Vital Records Center:** A vital records center shall be established in a location separate from the other company records centers to ensure that a single disaster will not destroy all copies of vital records.

**Handling of Vital Records:** Any record designated "vital" shall have an original and one backup copy. Unless the vital record is already backed up and protected through another acceptable means, such as electronic storage, as determined by the department and the RIMS committee, the owning department shall copy and forward the original, or, if the original is needed in the department, the copy, to the Vital Records Center where the record will be maintained for its designated retention period. The department's copy shall be retained in the department or in records storage in accordance with the standard procedures for records retention and storage.

**Vital Record Indication:** A vital record is indicated by a "**yes**" in the vital record column in the Records Retention Manual.

### Legend of Titles & Agencies

ANSI	American National Standards Institute
CFR	Code of Federal Regulations:
	Title 10 Energy - Nuclear Regulatory Commission (NRC)
	Title 17 Securities and Exchange Commission (SEC)
	Title 18 Federal Energy Regulatory Commission (FERC)
	Title 26 Internal Revenue Service (IRS)
	Title 26 United States Code (USC)
	Title 29 Equal Employment Opportunity Commission (EEOC)
	Occupational Safety and Health Administration (OSHA)
	Title 40 Environmental Protection Agency (EPA) (Using GRR VOL. 2 702.331)
	Title 49 Department of Transportation (DOT)
IRC	Internal Revenue Code
NARUC	National Association of Regulatory Utility Commissioners (Revision May 1985/Current)
ODOL	Ohio Department of Labor
ODOT	Ohio Department of Transportation

#### Who will use this database?

Anyone in the AEP System may use this database.

#### When to use this database?

Use this database when sending records to a retention center or to decide if a record should be kept pursuant to a regulatory citation.

Exhibit B

**Section** Chapter 6 - Details on Records Retention Manual DB  
**Subsection** 1  
**Title** Using System Records Retention Manual

---

**How to Use:**

**A. Requesting a Change in an Existing Document**

1. Double-click on the Record Retention Manual icon.
2. Database will appear in Main View
3. Locate appropriate document in right pane.
4. Double-click on selection.
5. Either click on the field with the left mouse button or tab from field to field, to enter the required information into the form.
6. Single-click Action Button, "Request Change"

If at any time you wish to cancel this document, you may press the "exit document" button. This will not save the document but will allow you to escape out of the document.

7. Complete information in applicable fields.  
"Explanation for Requested Change" is the only required field.
8. Press "Submit Request" action button.
9. Request is sent via E-mail to the RIMS Administrators.
10. Suggestion for change is reviewed by the RIMS Administrators.
11. A response will be forwarded within 2-3 working days.

**B. Requesting a New Series.**

1. Double-click on the Record Retention Manual icon.
2. Go to Main Menu Bar at top of page.
3. Select "Create"
4. Select "1." or highlight "1. New Series" and click left mouse button.
5. Enter appropriate information by pressing the "tab" key to reach each field. Include any detail which is pertinent to the new series.

Note:  denotes required information that must be entered to complete the request.

 denotes a keyword field.

If at any time you wish to cancel this document, you may press the "exit document" button. This will not save the document but will allow you to escape out of the document.

- a. Record Series field - This is a "key word" field and completion is required.  
Click on key word arrow and select the Record Series.  
(Note: This list does not represent Departments, only Record Series.)  
Click on the OK button when finished.
- b. Record Type - This is a required field and is a short summary of the record.
- c. Description - Should be a detailed summary of the record.
- d. Retention Period - This is a required field and indicates how long the record should be kept.
- e. Regulatory Citation - This is not a required field. Provide governing body. For instance: NARUC, CFR, etc.

- f. Vital Record - This is a required field. Provide Yes or No. An explanation is necessary if the answer is "Yes".
- g. Comments - This is not a required field. Provide comments that pertain **only** to the record.
- h. Explanation for Request - This is a required field. You must provide a reason for the requested new series.

6. Press "Submit Request" action button.
7. Request is sent via E-mail to the RIMS Administrators.
8. The request for new series is reviewed by the RIMS Administrators.
9. A response will be forwarded within 2-3 working days.

### **C. Searching the Records Retention Manual.**

1. Searching in this database requires the use of the search bar. If the search bar is not showing on the screen, go to View, Search Bar. An arrow will appear next to the words "Search Bar" which indicates the search bar has been chosen. The search bar will then appear on the screen underneath the SmartIcon toolbar.
2. Place the cursor in the search bar and type in the word or words you want to search.
3. Press the enter key or press the search key to the right of the search bar.
4. The search results will then show on the screen. The number of documents found with the search word will show on the bottom of the screen.
5. Scroll through search results until you locate the document you want.
6. You must double-click on the document to open it to find out what Record Series this document is assigned to.  
Notes will highlight the search word it found in each document.

### **How to Use as an Administrator:**

#### **A. New Series requests**

As the Administrator for the Records Retention Manual, you will be in charge of approving or rejecting all new requests. An End User will complete a New Series form and will then press the submit button. The new request is added to the All Requests View under New; 1. New Series.

#### **B. Request for Change**

As the Administrator for the Records Retention Manual, you will be in charge of approving or rejecting all requests for change to the existing manual entries. An End User will complete a Request for Change form and will then click the submit button. The new request is added to the All Requests View under New; Update Request.

#### **C. Approving New Series' Requests Submitted to an Administrator**

You may approve a request through the Retention Manual database in the All Requests view.

##### **All Requests approval.**

1. Open Records Retention Manual database.
2. Go to All Requests View.

3. Go to New category
4. Double-click on document that you want to review.
5. Click on the edit document button to put form in edit mode.
6. Verify that this request has not already been processed by looking at Status field on bottom of form. If it says "New" then proceed with the following steps. If it does not say "New", this request has already been processed and you should exit this document.
  - a. Make sure there are no misspellings.
  - b. Verify that the correct Record Series was chosen.
  - c. Make sure the correct Record Type has been chosen.
  - d. Click on the Edit Document button to put the form in edit mode and add the next sequential Record Number.
  - e. The description should fully describe the record and be clear and concise.
  - f. Make sure the Record Retention information is correct.
  - g. The Regulatory Citation is not a required field. If added, verify the citation.
  - h. The default for Vital Record is "No". If "Yes" is chosen, verify the comment.
  - i. The Comments section is for the End User to include any details about the record.
  - j. Make sure the Explanation for Request is valid.
7. When all changes are complete, click the Apply Change button.
8. An E-mail will be sent to the End User stating that the request for a New Series has been approved and completed. The request will automatically be stored in the All Requests view under Approved; 1. New Series.
9. The change will automatically be made to the retention manual.

#### **D. Rejecting New Series' Requests**

You may reject a request through the Retention Manual database in the All Requests view.

##### **All Requests rejection.**

1. Open Records Retention Manual database.
2. Go to All Requests View.
3. Go to New category.
4. Double-click on document that you want to review.
5. Verify that this request has not already been processed by looking at Status field on bottom of form. If it says "New" then proceed with the following steps. If it does not say "New", this request has already been processed and you should exit this document.
  6. Click the Reject Request button.
  7. Enter reason for rejecting request.
  8. Click the OK button.
  9. An E-mail will be sent to the End User stating that the request for a New Series has been rejected and the reason for rejection will be included. The request will automatically be stored in the All Requests view under Rejected; 1. New Series.

#### **E. Approving Request for Change as an Administrator**

You may approve a Request for Change through the Retention Manual database in the All Requests view.

**All Requests approval:**

1. Open Records Retention Manual database.
2. Go to All Requests View.
3. Go to New category.
4. Double-click on document that you want to review.
5. Verify that this request has not already been processed by looking at Status field on bottom of form. If it says “New” then proceed with the following steps. If it does not say “New”, this request has already been processed and you should exit this document.
  - a. Make sure there are no misspellings.
  - b. Verify that the requested change is appropriate and needed.
6. When all changes are complete, click the Apply Change button.
7. An E-mail will be sent to the End User stating that the Request for Change has been approved and completed.
8. The change will automatically be made to the retention manual. The request will automatically be stored in the All Request view under Approved; Update Request.

**NOTE: This will change the actual database entry. Once this change is made, the original entry is replaced.**

**F. Rejecting Request for Change as an Administrator**

You may reject a request through the Retention Manual database in the All Requests view.

**All Requests rejection:**

1. Open Records Retention Manual database.
2. Go to All Requests View.
3. Go to New category.
4. Double-click on document that you want to review.
5. Verify that this request has not already been processed by looking at Status field on bottom of form. If it says “New” then proceed with the following steps. If it does not say “New”, this request has already been processed and you should exit this document.
6. Click the Reject Request button.
7. Enter reason for rejecting request.
8. Click the OK button.
9. An E-mail will be sent to the End User stating that the request for change has been rejected and the reason for the rejection is included. The request will automatically be stored in the All Requests view under Rejected; Update Request.

**G. Creating New Series as an Administrator**

As an Administrator, you are able to create a New Series request. To do so, follow these steps:

1. Open Records Retention Manual database.
2. Go to Menu Bar and choose “Create”

3. Select "1. New Series"
4. Enter appropriate information by pressing the "tab" key to reach each field. Include any detail which is pertinent to the new series.

Note:  denotes required information that must be entered to complete the request.  
 denotes a keyword field.

If at any time you wish to cancel this document, you may press the "exit document" button. This will not save the document but will allow you to escape out of the document.

- a. If you wish to add a new record series, first bring up the keywords box for the record series field. Under "New Keywords", begin with the next sequential, 2-digit number; followed by a period (.), then a space, so that it will sort numerically. Enter the series in all capital letters. Click the OK button.
  - b. Record Type - This is a required field and is a short summary of the record.
  - c. Record No. - This should always be entered as 01.
  - d. Description - Should be a detailed summary of the record.
  - e. Retention Period - This is a required field and indicates how long the record should be kept.
  - f. Regulatory Citation - This is not a required field. Provide governing body. For instance: NARUC, CFR, etc. Refer to an existing document to maintain data entry consistency.
  - g. Vital Record - This is a required field. Provide Yes or No. An explanation is necessary if the entry is Yes.
  - h. Comments - This is not a required field. Provide comments that pertain **only** to the record.
  - i. Explanation for Request - This is a required field. I suggest adding "new document".
  - j. Go to "Status" field and choose "Approved".
5. Click the save and close button. This entry will automatically be added to the retention manual and will be placed in the All Requests view under Approved; 1. New Series.

#### H. Edit Current Document

1. Go to document and click on edit document button.
2. Make changes to document.
3. Click the save and close button.

## Exhibit C

	Description	Regulatory Citation	Retention Period
<b>GENERAL ACCOUNTING RECORDS</b>			
<b>A. General and Subsidiary Ledgers:</b>			
01.	General ledgers.	NARUC 10(a)(1)	50 years
01.a.	Ledgers subsidiary or auxiliary to general ledgers except ledgers provided for elsewhere.	NARUC 10(a)(2)	50 years
02.	Indexes to general ledgers.	NARUC 10(b)(1)	50 years
02.a.	Indexes to subsidiary ledgers except ledgers provided for elsewhere.	NARUC 10(b)(2)	50 years
03.	Trial balance sheets of general and subsidiary ledgers.	NARUC 10(c)[2 years]	14 years
<b>B. Journals:</b>			
01.	General and subsidiary.	NARUC 11	50 years
<b>C. Journal Vouchers and Journal Entries Including Supporting Detail:</b>			
01.	Journal vouchers and journal entries.	NARUC 12(a)	50 years
02.	Analyses summarizations distributions and other computations which support journal vouchers and journal entries charging plant accounts.	18CFR125.3 12(b)1 [6 years]	50 years
02.a.	Charging all other accounts.	NARUC 12(b)(2) [6 years]	50 years
<b>D. Cash Books &amp; Disbursement Ledgers:</b>			
01.	General and subsidiary or auxiliary books.	NARUC 13(a)	10 years after close of fiscal year. (See NARUC Item 12 (A)).
<b>E. Voucher Registers:</b>			
01.	Voucher registers or similar records when used as a source document.	18CFR125.3 14(a) [6 years]	10 years
<b>F. Vouchers:</b>			
01.	Paid and canceled vouchers (1 copy-analysis sheets showing detailed distribution of charges on individual vouchers and other supporting papers).	NARUC 15(a) [6 years] [See 18CFR125.2(j) regarding records]	25 years for Texas, 10 years all other states
02.	Original bills and invoices for materials services etc. paid by vouchers.	NARUC 15(b) [6 years] [See 18CFR125.2(j) regarding records related to plant.]	10 years
03.	Paid checks and receipts for payments by voucher or otherwise.	NARUC 15(c) [6 years] [See 18CFR125.2(j) regarding records related to plant.]	10 years
04.	Authorization for the payment of specific vouchers.	NARUC 15(d) [6 years] [See 18CFR125.2(j) regarding records related to plant.]	10 years
05.	List of unaudited bills (accounts payable) lists of vouchers transmitted and memoranda regarding changes in unaudited bills.	NARUC 15(e)	destroy at option
06.	Voucher indexes.	NARUC 15(f)	destroy at option
<b>G. Accounts Receivable:</b>			
01.	Records of accounts receivable pertaining to sales of utility plant.	NARUC 16(a) [destroy at option]	after plant retires
02.	Record or register of accounts receivable and indexes thereto and summaries of distribution.	NARUC 16(b)	3 years after settlement.
03.	Accounting department copies of invoices issued and supporting papers which do not accompany the original invoices and authorizations for charges including supporting papers.	17(CFR)257.2 9(b)	3 years after settlement
04.	Periodic statements of settled accounts except trial balances.	NARUC 16(d)	destroy at option
05.	Other Accounts Receivable bills - Electronic version	N/A	7 years
05.a.	Paper originals retained at plant	N/A	3 years
<b>H. Records of Securities Owned:</b>			

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01.	Records of securities owned in treasury or with custodians (excluding temporary investment of cash).	NARUC 17(a)	3 years after disposal of the investment.
<b>I. Payroll Records:</b>			
01.	Payroll sheets or registers of payments of salaries and wages.	NARUC 18(a) [3 years] [See NARUC general instructions paragraph J.]	7 years
02.	Records showing the distribution of salaries and wages paid and summaries or recapitulation statements of such distribution.	NARUC 18(b) [3 years]	7 years
03.	Time tickets time sheets time booked-time cards workmen's reports and other records showing hours worked description of work and accounts to be charged; when used as basis for payment of salaries and wages and records described in (01.) above are not maintained.	NARUC 18(c)(1)	3 years [All other states]; 7 years [Ohio]
03.a.	When solely as basis for supporting time records described in (02.) above (example - EIS).	NARUC 18(c)(2)	destroy at option
04.	Paid checks receipts for wages paid in cash and other evidences of payments for services rendered by employees.	NARUC 18(d)	3 years
05.	Applications and authorizations for changes in wage and salary rates summaries and reports of changes in payrolls and similar records.	NARUC 18(e)	3 years
06.	Applications for payroll changes not authorized.	NARUC 18(f)	destroy at option
07.	Payroll authorizations and records of authorized positions.	NARUC 18(g)	3 years
08.	Records of deductions from payrolls.	29CFR516.6(a) [2 years]	3 years
09.	Costs/charges affecting payroll wage deductions.	29CFR516.6	2 years
10.	Payroll deductions for savings plan.	N/A	7 years
11.	Comparative or analytical statements of payrolls.	29CFR516.6	2 years
12.	Employees individual earnings record.	NARUC 18(j)	3 years
13.	Basis for payment of any wage differential to employees of the opposite sex in the same establishment.	29CFR1620.32(c)	2 years
14.	Labor management vouchers supporting records.	29CFR405.9	5 years
15.	Employee information; name address birth date rate of pay.	29CFR1620.32(a)	3 years
16.	Collective bargaining agreements.	29CFR516.5	3 years
17.	Employee information.	29CFR516.5	3 years
18.	Year-to-date (YTD) earnings records.	29CFR516.6 [2 years] ODOL [6 years]	10 years
19.	Wage rates.	29CFR516.6	2 years
20.	Work schedules.	29CFR516.6	2 years
21.	Basic employment and earnings.	29CFR516.6(a)1	2 years
22.	Age certificates.	29CFR570.2	At termination of employment.
23.	Employment contracts.	29CFR516.5	3 years
<b>J. Assignments, Attachments, and Garnishments:</b>			
01.	Records of assignments attachments and garnishments of employees' salaries including files of notices etc.	NARUC 19(a) [destroy at option]	4 years after final withholding
02.	Minor's salary releases.	NARUC 19(a)	destroy at option
<b>PLANT AND DEPRECIATION</b>			
<b>A. Plant Ledgers:</b>			
01.	Ledgers of utility plant accounts including land and other detailed ledgers showing the cost of utility plant by classes.	NARUC 30(a)	50 years
02.	Continuing plant inventory ledger book or card records showing description location quantities cost etc. of physical units (or items) of the utility plant owned.	18CFR125.3 30(b)	6 years
<b>B. Construction Work in Progress Ledgers, Work Orders, and Supplemental Records:</b>			
01.	Construction Work in Progress Ledgers.	NARUC 31(a)	10 years

02.	Work order sheets to which are posted in summary form or in detail the entries for labor materials and other charges for utility plant additions and the entries closing the work orders to utility plant in service at completion.	NARUC 31(b)	10 years
03.	Authorizations for expenditures for additions to utility plant including memoranda showing the detailed estimates of cost and the basis therefore (including original and revised or subsequent authorizations). example - Capital Improvement Requisitions	NARUC 31(c)[10 years]	life of corporation
04.	Requisitions and registers of authorizations for utility plant expenditures.	NARUC 31(d)	10 years
05.	Completion or performance reports showing comparison between authorized estimated and actual expenditures for utility plant additions.	NARUC 31(e)	10 years
06.	Analysis or cost reports showing quantities of materials used unit costs number of man-hours etc. in connection with completed construction project.	NARUC 31(f)	10 years
07.	Records and reports pertaining to progress of construction work, the order in which jobs are to be completed, and similar records which do not form a basis of entries to the accounts.	NARUC 31(g)	destroy at option
<b>C. Retirement Work in Progress Ledgers, Work Orders, and Supplemental Records:</b>			
01.	Work order sheets to which are posted the entries for removal costs materials recovered and credits to utility plant accounts for cost of plant retired.	NARUC 32(a)	10 years
02.	Authorizations for retirement of utility plant including memoranda showing the basis for determination of cost of plant to be retired and estimates of salvage and removal costs.	NARUC 32(b)	10 years
03.	Registers of retirement work orders.	NARUC 32(c)	10 years
<b>D. Summary and Distribution Sheets, Reports, and Statements:</b>			
01.	Summary and Distribution Sheets Reports and Statements and papers directly supporting debits and credits to utility plant accounts not covered by Construction or Retirement Work Orders and their supporting records.	NARUC 33	10 years
<b>E. Appraisals and Valuations:</b>			
<b>F. Production Maps and Reproductions thereof:</b>			
<b>G. Engineering Records:</b>			
<b>H. Contract and Other Agreements Relating to Utility Records:</b>			
<b>I. Reclassification of Utility Plant Account Records:</b>			
<b>J. Depreciation and Depletion of Utility Plant:</b>			
01.	Records of accumulated provisions for and supporting computation of expense. Detailed records or analysis sheets segregating the accumulated depreciation according to functional classification of plant.	NARUC 38(a)	25 years
02.	Records of accumulated provisions for and supporting computation of expense. Records reflecting the service life of property and the percentage of salvage and cost of removal for property retired from each account for depreciable utility plant.	18CFR125.3 39(b)	25 years
<b>CUSTOMER ACCOUNTING AND COLLECTING</b>			
<b>TAX</b>			
<b>A. Tax Records (Income Tax Returns):</b>			
01.	Supporting documentation for returns.	NARUC 57(a)(1) [7 years after settlement]	life of corporation [1 copy of filed original to be kept for historical documentation]
02.	Income tax collection at source on wages (withholding).	26CFR31.6001-1 (e)[4 years]	7 years

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03.	Withholding exemption certificate (Forms W-4 W-2 and W-E) filed with the employer.	26USC6501 (e) [6 years]	7 years
04.	Federal unemployment tax act records.	26CFR31.6001-1 (e) [4 years]	7 years
05.	State unemployment tax returns.	IRC 121:2501 [4 years]	8 years
06.	State income tax report.	IRC 121:2501 [4 years]	7 years
07.	Workers compensation reports.	IRC 121:2501 [4 years]	8 years
08.	Federal & State withholding forms.	IRC 121:2501	4 years
09.	Property tax returns.	18CFR125.3 57(a)2 [2 years after settlement]	life of corporation, 1 copy of filed original to be kept for historical documentation.
<b>B. Other Tax Records:</b>			
01.	Sales and use taxes.	NARUC 57(a)(3)[3 years]	4 years
02.	Other taxes.	NARUC 57(a)(4)	2 years after settlement
03.	Excise tax on use of certain highway motor vehicles (excess of 26 000 pounds).	26CFR31.6001-1 (d)	4 years
04.	Agreements between associate companies as to allocation of consolidated income taxes.	NARUC 57(a)(5)	7 years after settlement
05.	Schedule of allocation of consolidating federal income taxes among associated companies.	NARUC 57(a)(6)	7 years after settlement
06.	Summaries of taxes paid.	NARUC 57(b)	destroy at option
07.	Filings with taxing authorities to qualify employee benefit plans.	NARUC 57(c)	7 years after settlement
08.	Information returns and reports to taxing authorities.	NARUC 57(d)	3 years
<b>TREASURY</b>			
<b>A. Statements of Funds and Deposits:</b>			
01.	Summaries and periodic statements of cash balances on hand and with depositories.	NARUC 58(a)	destroy at option
02.	Statement of managers' and agents' cash balances on hand and with depositories.	NARUC 58(b)	destroy at option
03.	Authorizations for and statements of transfer of funds from one depository to another.	NARUC 58(c)	destroy at option
04.	Requisitions and receipts for funds furnished managers agents and others.	NARUC 58(d)	destroy at option after funds have been returned or accounted for
05.	Records of fidelity bonds of employees and others responsible for funds of the utility.	NARUC 58(e)	destroy at option after funds have been returned or accounted for
06.	Reports and estimates of funds required for general and special purposes.	NARUC 58(f)	destroy at option
<b>B. Records of Deposits with Banks and Others:</b>			
01.	Copies of bank deposit slips.	NARUC 59(a)	destroy at option after completion of annual audit by independent accountants
02.	Advice of deposits made when information has been transcribed on other records which are retained.	NARUC 59(b)	destroy at option after completion of annual audit by independent accountants

03.	Statements from depository showing the details of funds received disbursed transferred and balances on deposit.	NARUC 59(c)	destroy at option after completion of annual audit by independent accountants
04.	Bank reconciliation papers.	NARUC 59(d)	destroy at option after completion of annual audit by independent accountants
05.	Statements from banks of interest credits.	NARUC 59(e)	destroy at option after completion of annual audit by independent accountants
06.	Check stubs registers or other records of checks issued.	NARUC 59(f)	6 years
07.	Correspondence and memoranda relating to the stopping of payment of bank checks and the issuance of duplicate checks.	NARUC 59(g)	6 years, or destroy at option after check is recovered
<b>C. Records of Receipts and Disbursements:</b>			
01.	Daily or other periodic statements of receipts or disbursements of funds.	NARUC 60(a)	destroy at option after completion of annual audit by independent accountants
02.	Periodic statements of outstanding vouchers checks drafts etc. issued and not presented.	NARUC 60(b)	3 years
03.	Reports of associates showing working fund transactions and summaries thereof.	NARUC 60(c) [destroy at option]	destroy at option after completion of annual audit by independent accountants
04.	Reports of revenue collections by field cashiers pay stations etc.	NARUC 60(d) [destroy at option]	destroy at option after completion of annual audit by independent accountants

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Record Retention Guidelines for Accounting Records - Exhibit D

Record Type	Data Owner	Retention Period	To Meet This Legal Requirement NARUC, FERC, SEC, IRS	Retention Requirement	Record Keeper	Retention Method #	Standard Retrieval Tool (SQL or BO)	Current Electronic Location of Data
<b>ACCOUNTING RECORDS</b>								
General Ledgers	GL - Various	50 Years	SEC	read	IT	1 & 3	PS or SQL	PeopleSoft LEDGER table
Subsidiary Ledgers	GL - Various	50 Years	SEC	read	IT	1 & 3	PS or SQL	PeopleSoft LEDGER table
Journal Entries	GL - Various	50 Years	SEC	read	IT	1 & 3	PS or SQL	PeopleSoft JRNL_HEADER and JRNL_LN
Journal Entry Supporting Documents	GL - Various	50 Years	SEC	read	Accounting & IT	1, 2 & 3	PS or SQL	Excel spreadsheets & PS Allocation Logs Z_SCBACT_REPORT Z_SCBACT_RESCAT Z_SCBACT_ACT_ID Z_PRJACT_REPORT Z_FLTACT_REPORT Z_GLACT_REPORT Z_LD_TRAN_ARCH Z_LD_TL_ARCHIVE HR_ACCTG_LINE
List of Standard Journal Entries	GL - Various	Current List	SEC	read	Accounting	1 & 2	na	Excel Spreadsheets
Trial Balance - Gen. & Sub. Ledgers	GL Various	14 years	SEC	read	IT	1 & 2		Excel spreadsheets
Accounts Payable Vouchers/Invoices	AP - Canton	6 Years	SEC, FERC	read	AP - Canton	2		Document Imaging System(s)
Accounts Payable Vouchers Register	AP - Canton	6 Years	SEC, FERC	read	IT	3	PS or SQL	PeopleSoft Accounts Payable System
Accounts Payable Vouchers Records from Interfacing Systems	AP - Canton	6 Years	SEC, FERC	read	Accounting & IT	1, 2 & 3	Various	Various
Accounts Receivable	AR - Canton	7 years	SEC, FERC	read	IT		PS or SQL	PeopleSoft AR tables
Audit Reports	Various	50 Years	SEC	read	Accounting	1	na	na
Chart of Accounts	GL - Various	50 Years	SEC, FERC	read	IT	1 & 3	PS or SQL	PeopleSoft GL_ACCOUNT_TBL
Annual Financial Statements	FRR	50 Years	SEC	read	IT	2		Excel spreadsheets
FERC Form 1	GL - Various	50 Years	FERC & SEC	read	Accounting	1 & 5		Application provided by FERC
Reports to SEC (10K, 10Q, etc)	FRR	50 Years	SEC & FERC	read	Accounting	1 & 5		EDGAR data
Insurance Records	Risk Mgmt	6 Years after exp. of policy	SEC	read	Risk Mgmt	1	na	Backup for journal entries
Financial Report Page 24 (Fuel)	GL - Various	50 Years	SEC	read	Accounting	1	na	Excel Spreadsheets
Expense Reports	AP - Canton	7 years	SEC, FERC	read	AP - Canton	2		Document Imaging System(s)
Fixed Asset Purchases	AP - Canton	50 Years	SEC	read	Accounting	1	na	Journal Entry Detail
Inventory Records	Stores - Canton	6 Years	SEC, FERC	read	IT	3		Passport table: Passbook
Loan Payment Schedules	GL - Various	50 Years	SEC	read	Accounting	1	na	Backup for Journal Entries
<b>BANK RECORDS</b>								
Bank Reconciliations	Cash Accting	2 years	SEC	read	Cash Accting	1	na	Excel Spreadsheets
Bank Statements	Cash Accting	7 years	SEC	read	Cash Accting	1	na	Excel Spreadsheets
Canceled Checks	Cash Accting	7 years	SEC	read	Cash Accting	1	na	Excel Spreadsheets
Electronic Payment Records	AP - Canton	7 years	SEC, FERC	read	AP - Canton	2		Document Imaging System(s)
<b>PLANT &amp; DEPRECIATION</b>								
Continuing Property Records	PA - Canton	6 years after disposition	SEC, FERC	read	IT	3	BO	PowerPlant & legacies
CWIP & RWIP Records	PA - Canton	10 Yr after cleared to Plant	SEC, FERC	read	IT	3	BO	PowerPlant & legacies
Depreciation Records	PA - Columbus	25 years	SEC, FERC	read	PA - Columbus	1	na	Spreadsheets, paper files
Capital Lease Records	PA - Canton	6 years after disposition	SEC, FERC	read	IT	3	BO	PowerPlant Lease System
Operating Lease Records	PA - Canton	3 years after final settlement	SEC, FERC	read	IT	3	BO	PowerPlant Lease System

This column refers to your actual requirements for that data if you have to retrieve it (read-fully searchable, ability to run reports, etc)

IT should provide their technical knowledge for columns F and G to help identify practicable and doable solutions  
1 = Paper  
2 = Electronically stored image  
3 = Electronically stored data as the database  
4 = Electronically stored data as a flat file  
5 = Electronically stored fully functional application

BO = Business Objects  
PS = PeopleSoft  
SQL = Structured Query Language  
(standard interactive and programming language for getting information from and updating a database)

## Exhibit E



# *AEP: America's Energy Partner*®

## **American Electric Power Requirements Specification Prepared For Financial Data Archiving**

**Version 2.1**

### **Revision History**

<b>Date</b>	<b>Version</b>	<b>Description</b>	<b>Author</b>
02/15/05	1.0	First draft	Rebecca Madigan
07/25/05	2.0	Updated to reflect addition of mainframe data that must be archived and included in the reporting environment	Rebecca Madigan
08/10/05	2.1	Updated to reflect GL, AP, and PO scope for Phase I	

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# Requirements Specification

## 1 Overview

**Purpose:**

The Requirements document defines the functional and technical requirements for producing the project product or service. High-level requirements are captured to develop the proposal, and are refined during the Plan Phase for input to detail planning and design. Typically, the customer provides the functional requirements and IT develops the technical requirements, which are based on the functional requirements, to complete the information that is input to the design effort.

**Author:** Project Manager

**Audience:** Project Sponsors or representatives, IT Champion, and other stakeholders as required

**Approvals Required:** Project Sponsor or representative, Program Manager, and IT Champion

## 2 Functional Requirements

- Facilitate AEP's data retention standards for General Ledger, Accounts Payable, and Purchasing applications
- Comply with Sarbanes-Oxley data retention/archival requirements
- Provide historical/archival reporting capabilities to facilitate financial audits, rate case research, trend analysis, etc.
- Reduce risk of losing business continuity due to unsupported applications
- Improve application performance and availability
- Reduce the historical data in the operation system to facilitate normal operations and provide system performance improvements
- Ensure the archive process maintains the system integrity from a technical and business perspective.
- Archive all appropriate high volume historical transactions from AEP's General Ledger, Accounts Payable, and Purchasing applications
- Ensure the archived data is properly stored, appropriately accessible and purged from the production system.

### 2.1 System Access and Functions for Individuals and Organizations

Archived data will be available to current users of PeopleSoft reporting tools. Access to archived data will be administered via the existing OUR process.

### 2.2 System Features

PeopleSoft- specific and generic archiving  
Active Archive, PeopleSoft edition  
Active Archive for Servers

### **2.3 Quality and Performance Requirements**

- Reduce the historical data in the operation system to facilitate normal operations and provide system performance improvements.
- Ensure the archive process maintains the system integrity from a technical and business perspective.
- Ensure the archived data is properly stored, appropriately accessible and purged from the production system.

### **2.4 End User Training and Support Requirements**

Beacon Application Services Corporation will provide training at the beginning of each deployment to affected project team members and will provide training and knowledge transfer on the administration and maintenance of the PeopleSoft solution.

End user training will be provided as needed to support the use of the reporting tools chosen to meet AEP's reporting needs.

### **2.5 Deployment Requirements**

Deployment will be scheduled to avoid any conflict with monthly and quarterly accounting closing scheduled.

### **2.6 Scheduling and Availability Requirements**

Archived data will be available for reporting according to the existing schedule for production data availability.

### **2.7 Accessibility Requirements**

There are no special accessibility requirements.

### **2.8 Other Requirements**

There are no additional functional requirements not stated above.

### **3 Non-Functional Requirements**

- Non-vendor-specific file storage protocol
  - XML
  - Compressed
- Multi-platform support
  - UNIX
  - NT
  - Mainframe
  - Windows
- Multi-database support
  - All databases
- Non-vendor specific reporting tools
  - All ODBC-compliant reporting tools

#### **3.1 Interfaces**

##### **3.1.1 User Interfaces**

The Princeton Softech product will provide the user interface.

##### **3.1.2 Hardware Interfaces**

No interfaces are included in this solution. Data will be moved from the production environment to the archive environment via the Princeton Softech product.

##### **3.1.3 Software Interfaces**

No interfaces are included in this solution. Data will be moved from the production environment to the archive environment via the Princeton Softech product.

##### **3.1.4 Communication Interfaces**

No interfaces are included in this solution. Data will be moved from the production environment to the archive environment via the Princeton Softech product.

##### **3.1.5 Data and Data Validation Requirements**

Data integrity will be maintained via the Princeton Softech product using the data entity mappings for the General Ledger, Accounts Payable, and Purchasing modules.

##### **3.1.6 Input Requirements**

Data will be archived from PeopleSoft General Ledger, Accounts Payable, and Purchasing modules, versions 8 and 7, from Geac General Ledger and Accounts Payable.

##### **3.1.7 Output Requirements**

Archived data will be available to current users of PeopleSoft reporting tools. A reporting environment will be established as part of the project.

##### **3.1.8 Exception Processing Requirement**

There are no requirements for exception processing.

##### **3.1.9 Identity Management and Privacy Requirements**

Individual names, addresses, account numbers, SSN, etc. will not be stored in the data archive.

##### **3.1.10 Error Handling, Logging**

There are no requirements for error handling and logging beyond the relationship rules setup in the Princeton Softech product.

### **3.2 Data Retention and Archiving**

The objective of this project is to archive financial data per the AEP documented data retention strategy and plan.

### **3.3 Security Requirements**

Archived data will be available to current users of PeopleSoft reporting tools. Access to archived data will be administered via the existing OUR process.

### **3.4 Disaster Recovery Requirements**

There are no unique disaster recovery requirements for this application. Existing data backup and offsite storage policies and procedures will apply.

### **3.5 Applicable Standards**

#### **3.5.1 Standards Compliance**

The AEP data retention strategy and plan will direct the implementation of the data archive.

#### **3.5.2 Standards Exemptions**

No standards exemptions will be requested for this implementation.

## **4 Supporting Information**

### **4.1 Assumptions and Dependencies Used to Develop These Requirements**

- The architectural design for the production data archival environment will provide independence from the current production processing environments for the financial applications.
- No modifications will be made to the Princeton Softech software. AEP requirements will be met by configuring the software using delivered options.
- Beacon Application Services will provide data entity mappings for PeopleSoft Financials modules versions included within the scope of this project.
- Data from ERA/EPM and SSR, since they are data warehouses, is assumed to not have a defined data retention requirement. The source financial data will be archived from the initial source tables and not from the data warehouse.
- This archival solution does not include the data retention for point-in-time snapshots of any financial system.

### **4.2 References**

PMDocs Proposal OP\_05\_00098\_00  
PMDocs Project PR\_05\_00033  
CI 000006195  
LI 000010829  
Project ID 000006195  
Work Order SITC424701  
Remedy Task TSK000000803942

### **4.3 Definitions, Acronyms and Abbreviations**

None

## Signatures of Approval:

### Approval Signatures

---

Sandra Bennet - Project Sponsor

---

Date

---

Susan Higginson - Project Sponsor

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Date

---

Carolyn Jones - Project IT Champion

---

Date

---

Dave Rettig - Program Manager

---

Date



## Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Policy for reserving for bad debts re Texas REPs	<b>Date</b>	02/10/12
<b>Owner:</b>	Customer Accounting - Canton	<b>Status:</b> (Draft, Under Review, Approved)	Approved

### **Purpose**

Document the policy for determining the provision for uncollectible accounts associated with wires charges billed to the Texas Competitive Retailers (REPs) for AEP Texas Central and Texas North Companies.

### **Policy**

Policy for Reserving for Bad Debts:

The company has adopted a policy of specific identification when determining the provision for bad debts based on interpretation of the Texas rules regarding collections of wires charges.

A monthly review of delinquent accounts receivable balances will be performed by Competitive Retail Relations (CRR) employees. The manager of CRR, or a delegate, will recommend to the Manager of Revenue Accounting (CA) a specific provision for uncollectible accounts. This recommendation will be based upon a review of a REP's creditworthiness and probability of recovery of delinquent account balances (for example, lowered credit ratings and/or bankruptcy filings). The recommendation will include the REPs name and amount of provision to be recorded.

CA will monitor the monthly aging reports and will require feedback from CRR when unpaid REP account balances exceed four months (120 days). Unless probability of these four-month delinquent account balances is assured, an uncollectible REP provision will be recorded by CA for the entire amount greater than 120 days delinquent.

The provision will be reversed and reestablished each month, as appropriate. If the delinquent accounts subsequently become uncollectible, normal charge-off procedures will be followed.

Additional Information

Billing disputes may arise; however; no deductions are permitted for non-payment by the REPs' retail customers (i.e., the REPs absorb all retail bad debts). Delinquencies may arise from time to time due to technical difficulties or rejected invoices. These types of issues would not be a cause for a provision for an uncollectible amount unless the REP did not pay the invoice due to financial difficulty, in accordance with the above policy. Adjustments of disputed charges would be reversed against revenues.

Determining a historical or mathematical based reserve is difficult. There is a limited number of REPs certified to do business in Texas and AEP's receivable vary significantly in amount from REP to REP making it difficult to apply a percentage to the overall receivable balance that will result in a logical reserve balance.

The company has adopted this policy of specific identification when determining the provision for bad debts due to the Texas rules regarding collections of wires charges and the infrequency of REPs with poor credit worthiness.

Accounting entries:

The following accounting entries would record the provision for bad debts:



## Accounting Policy/Procedure

DR 9040007	Uncollectible Accounts Expense – Miscellaneous Receivables	XXX	
CR 1440002	Uncollectible Accounts – Other Receivables		XXX

The following account entries would record the uncollectible account charge-off of the REP invoice from the Miscellaneous Receivables System:

DR 1440002	Uncollectible Accounts – Other Receivables	XXX	
CR 1430023	Accounts Receivable – PeopleSoft Billing System		XXX

### Documentation Retained:

The Customer Accounting Manager will retain all documentation provided by CRR in regard to provisions for bad debts.

### Reviewers

Charles Oberlin, Customer Accounting Manager – Canton  
Matthew Gerick, Manager of Competitive Retail Relations – Corpus Christi  
Greg Sohovich, Manager – Revenue & Remittance – Canton  
Julie Williams, Director of Accounting Services- Canton

### Approved By

Julie Williams\_\_signature on file\_\_\_\_\_ Date: \_\_03/08/12\_\_\_\_\_

### Edit History

Updated February, 2012



## Accounting Policy/Procedure

03-11-04	Draft Policy
03-22-04	Mitchell & Jobes Edits
3-29-04	Laine Edits
3-31-04	Oberlin edits
3-31-04	Laine edits
4-14-04	Sullivan\Oberlin edits



**EPM Employee Level Detail Approval Policy**

<b>Title:</b>	EPM Employee Level Detail Approval Policy	<b>Date:</b>	November 19, 2019
<b>Owner:</b>	Oliver J Sever Jr. SVP – Corporate Planning & Budgeting	<b>Sponsoring Area(s):</b>	Corporate Planning & Budgeting
<b>Policy Statement:</b>			
<p>The current policy described below governs the approval process for granting EPM users access to employee level information, which shall be classified as AEP Confidential Special Handling. Individuals granted this access are responsible for ensuring the confidentiality of AEP’s information. Access shall be limited to the required purpose and requires employees to receive CFO authorization before access may be granted.</p>			
<b>Detail:</b>			
<ul style="list-style-type: none"> <li>Once a request is submitted, personnel within Corporate Planning &amp; Budgeting will review each request before its submittal to the CFO for approval.</li> <li>All access must be approved by the CFO. Access will be based on a strong business case that clearly demonstrates the need for employee level information (e.g. third party billing with contractual obligations).</li> <li>All users granted access must keep the employee level information regarding hourly rates confidential.</li> <li>Requests for off-line financial reports with employee information from CP&amp;B or Accounting requires the same level of approval as cited above.</li> <li>Confidentiality requires that information is accessible only to authorized users as determined by operational or business need.</li> </ul>			
<b>Compliance:</b>			
<ul style="list-style-type: none"> <li>Policy compliance is mandatory and failure to comply could result in disciplinary action up to and including termination of employment or contract.</li> <li>Periodic internal audits will be conducted by Corporate Planning &amp; Budgeting to ensure access provided to each user remains appropriate.</li> </ul>			
<b>Approved by:</b>			
Oliver J Sever Jr. <u>Oliver J Sever Jr.</u> SVP – Corporate Planning & Budgeting		Date <u>11/19/2019</u>	
<b>Review / Revision:</b>			
<p>Original dated 09/15/2005                  Revised 02/13/2006 – Added the following statement to the Detail section: The EVP or Senior Manager can delegate this authority to another individual(s) within their organization.                  Revised 05/10/2007 – Changed approver to Pamela S. Flemming from Mark Marano.                  Revised 01/20/2012 – Changed the following sentences under the Detail section: All access must be approved by the group’s EVP or a Senior Manager reporting directly to the Chairman-CEO, who The EVP or Senior Manager can delegate this authority to another individual(s) within their organization.                  Revised 05/01/2013 – Added confidentiality wording and changed approver to Lonni L Dieck.                  Revised 11/08/2019- Change the following sentences under Policy and Detail Statement: Access shall be limited to the required purpose and requires employees to receive EVP CFO authorization before access may be granted. All access must be approved by the group’s EVP CFO reporting directly to the CEO, who can delegate this authority to another individual(s) within their organization. access for any other reason must be explicitly approved by the group’s EVP CFO reporting directly to the CEO, who can delegate this authority to another individual(s) within their organization. If a user has Corporate EPM security, then access to Employee Level Detail must be approved by the CFO. Change the owner and approver to Oliver J Sever Jr. from Lonni L Dieck.</p>			

**AEP Corporate Policy/Procedure**



<b>Title:</b>	SOX Retention Policy	<b>Date:</b>	02/24/2005
<b>Owner:</b>	Susan Tomasky, Chief Financial Officer	<b>Sponsoring Area(s):</b>	Audits Services, Corporate Accounting

**Policy Statement:**

The purpose of this policy is to set the retention guidelines for the preservation of Sarbanes-Oxley (SOX) 404 records of AEP and its Subsidiaries. This policy applies to all process owners. Process owners (Certification Providers) are those individuals who sign the management certification of controls.

**Detail:**

SEC rules under 404 require that the “registrant must maintain evidential matter, including documentation, to provide reasonable support for management’s assessment of the effectiveness of the registrant’s internal control over financial reporting.”

The following retention periods must be adhered to by all process owners:

- SOX control documentation - 7 years
  - Includes flow charts, narratives, policies, procedures, control matrixes, etc.
- SOX certification support - 7 years
  - Includes management testing (i.e., pass/fail) documentation
- SOX evidence of controls – minimum 2 years
  - Includes any document with evidence of a control on it, such as, a signed journal entry, a daily interface total report, an account reconciliation, etc.

Each process owner is responsible for maintaining the “control documentation” and “certification support” records in a central location (i.e., one file cabinet exclusively for the retention of SOX documentation). If the documents are in an electronic format, the file cabinet should contain a listing of the drive paths (i.e., Treasury on ‘1RP Corporate File Server’ (oh0co007)/external/Corp & Gen Acct/Policies & Procedures) for the electronic documents or a CD-Rom with the electronic documents. The central location of the records should be noted on the bottom of all test documentation and should be verified annually.

Each process owner is responsible for ensuring that “evidence of controls” are easily accessible and are retained in accordance with the Corporate Record Retention policy (e.g., journal entries must be retained for 50 years).

Records exceeding their recommended retention period may be destroyed only after approval from both Internal Audits and Corporate Accounting. In no case shall records be destroyed before the recommended retention period.

**Review / Revision:**

Draft	Doreen W. Hohl	_____	02/24/2005
Draft Review	Susan Higginson	_____	02/24/2005
Approval	Joseph M. Buonaiuto	_____	06/07/2005
Approval	Susan Tomasky	_____	07/11/2005



## Property Accounting Policy/Procedure

<b>Policy/Procedure Title</b>	Transmission and Distribution Perpetual (Blanket) Work Order Limits	<b>Date</b>	February 26, 2015														
<b>Owner(s):</b>	Tax – Vice President - Tax	<b>Status:</b> (Draft, Under Review, Approved)	Approved														
<b>Purpose</b>																	
<p>The purpose of this procedure is to comply with prescribed IRS rules by establishing a maximum dollar limit of \$50,000 for individual capital jobs performed on Transmission and Distribution (T&amp;D) Perpetual (Blanket) Work Order(s).</p>																	
<b>Procedure</b>																	
<p><b><u>General:</u></b></p> <p>The IRS has prescribed a simplified approach in regards to its tax repair method that permits taxpayers to treat qualifying costs used to repair property as a business expense. For AEP to make use of the prescribed IRS rules, a formal policy that establishes a maximum dollar limit for T&amp;D work orders must be written and adhered to by the Company.</p> <p>This procedure does not change AEP’s Capitalization Policy which provides the appropriate capital versus expense guidance for book purposes.</p> <p><b><u>Perpetual (Blanket) Work Orders:</u></b></p> <p>Perpetual (Blanket) Work Orders are used by Transmission and Distribution business units where there is a large volume of individual jobs that are minor in nature. These jobs typically take less than one month to complete and charges to the perpetual (blanket) work orders are closed to plant in service on a monthly basis. Below is a sample list of perpetual (blanket) work orders.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><b><u>Work Order #</u></b></th> <th style="text-align: left;"><b><u>Long Description</u></b></th> </tr> </thead> <tbody> <tr> <td>BIM0000001</td> <td>Customer Service – Residential – New Service – Overhead</td> </tr> <tr> <td>BIM0000002</td> <td>Customer Service – Residential – Upgrade – Overhead</td> </tr> <tr> <td>BIM0000003</td> <td>Customer Service – C&amp;I – New Service – Overhead</td> </tr> <tr> <td>BIM0000004</td> <td>Customer Service – C&amp;I – Upgrade – Overhead</td> </tr> <tr> <td>BIM0000012</td> <td>Service Restoration Non Major Event</td> </tr> <tr> <td>BIM0000018</td> <td>Failed Overhead Equipment No Outage</td> </tr> </tbody> </table> <p><b><u>Charging Perpetual (Blanket) Work Orders:</u></b></p> <p>Perpetual (Blanket) Work Orders, established by Transmission and Distribution, can only be used for individual jobs if the <b>total installed cost</b> of the job does not exceed \$50,000 upon completion.</p>				<b><u>Work Order #</u></b>	<b><u>Long Description</u></b>	BIM0000001	Customer Service – Residential – New Service – Overhead	BIM0000002	Customer Service – Residential – Upgrade – Overhead	BIM0000003	Customer Service – C&I – New Service – Overhead	BIM0000004	Customer Service – C&I – Upgrade – Overhead	BIM0000012	Service Restoration Non Major Event	BIM0000018	Failed Overhead Equipment No Outage
<b><u>Work Order #</u></b>	<b><u>Long Description</u></b>																
BIM0000001	Customer Service – Residential – New Service – Overhead																
BIM0000002	Customer Service – Residential – Upgrade – Overhead																
BIM0000003	Customer Service – C&I – New Service – Overhead																
BIM0000004	Customer Service – C&I – Upgrade – Overhead																
BIM0000012	Service Restoration Non Major Event																
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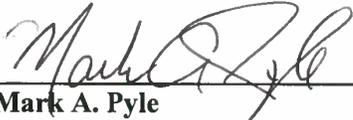
## Property Accounting Policy/Procedure

®  
While the upper limit of this procedure should be followed, individual business units/departments within Transmission and Distribution have the authority to establish limits at their discretion which are lower than the \$50,000 limit set forth in this policy.

**Effective Date:**

This procedure is effective beginning March 1, 2015 and any deviations from this procedure must have written approval from the Vice President - Tax.

**Approved By**

  
\_\_\_\_\_  
Mark A. Pyle  
Vice President - Tax

2/26/2015  
Date



## Prepaid Insurance Premium Accounting Policy

<b>Policy Title:</b>	Prepaid Insurance Premium Accounting Policy	<b>Date</b>	9/8/16
<b>Author:</b>	Russell Doyle, Jon Holtzmuller and Scott Travis	<b>Status:</b> (Draft, Under Review, Approved)	Final

### Purpose

The purpose of this policy is to establish accounting guidelines related to the prepayment of insurance premiums. This policy documents AEP's criteria for the establishment of a prepaid asset and the applicable period of amortization.

*Note: This policy does not apply to insurance premiums related to AEP's Owner Controlled Insurance Program for contractors' worker compensation insurance.*

### Policy/Procedure Statement

Prepaid insurance is defined as the portion of an insurance premium that has been paid for insurance coverage that has not yet expired. Under the matching principle, these types of payments should be expensed in the accounting period(s) in which the coverage expires. The portion of the advanced insurance payment that has not expired, at the balance sheet date, should be recorded as an asset. AEP's Insurance Management & Enterprise Risk (IMER) department negotiates and procures insurance policies that cover areas such as property, liability, director and officer and casualty insurance. Through IMER, AEP and subsidiaries enter into insurance policy agreements with a protected cell of Energy Insurance Services, Inc.<sup>1</sup> (EIS), and other third party insurance companies.

For insurance premiums benefiting a single company, IMER will code the accounts payable (AP) voucher directly to that company's Prepaid Insurance (Accounts 1650001/1650021<sup>2</sup>). Based on established thresholds (see below), the business unit (BU) ledger accountant will either amortize the premium on a straight-line basis over the applicable policy period or expense the premium in the current period.

For insurance premiums benefiting multiple companies, IMER will code the payment to AEP Parent Company's (BU 100) Insurance Clearing (Account 1840054) and provide General & Corporate Accounting (GCA) with a Benefiting BU Allocation Schedule. IMER will use AEPSC attribution factors, as maintained in the PeopleSoft ledger, to determine the amount of the premium to be allocated to each benefiting BU. IMER will provide the benefiting BU allocation schedule to GCA at least 2 business days before the last business day of the month so the intercompany allocations can settle through the intercompany settlements process prior to month-end. Once the premium has been allocated, GCA will transfer the Insurance Clearing balance to the applicable BU ledger pursuant to the Benefiting BU Allocation Schedule (see following paragraph) using journal id PPINSUR. In addition, GCA will email the prepaid balances and amortization details to the responsible BU ledger accountant. Based on established thresholds (see below), the responsible ledger accountant will either amortize the premium on a straight-line basis over the applicable policy period or expense the premium in the current period.

<sup>1</sup> EIS is a segregated-cell captive insurance facility which AEP uses to procure various lines of insurance coverage. AEP participates in Mutual Business Program No. 3 (MBP 03) of the EIS. AEP management has concluded that AEP is the primary beneficiary of MBP 03 and is required to consolidate this variable interest entity into AEP's consolidated financial statements.

<sup>2</sup> Account 1650001 relates to premiums paid to non-affiliated entities. Account 1650021 relates to premiums paid to EIS. If the prepaid insurance covers a period greater than 12 months, the unexpired premium greater than 12 months from the balance sheet date should be recorded to a Non-Current Prepaid Insurance account.



## Prepaid Insurance Premium Accounting Policy

To eliminate the need to amortize insignificant premiums, AEP has established the following thresholds to allow companies to expense the entire insurance premium in the current period.

For single company premium payments:

- Provided the threshold is not material to the reporting entity, insurance premiums less than \$12,000 may be expensed when invoiced. The BU ledger accountant will be responsible for expensing the premium in the current period.
- If the annual premium is \$12,000 or greater, the BU ledger accountant should verify the appropriate premium period and the premium amount recorded by IMER to Prepaid Insurance (Account 1650001/1650021) and amortize the amount on a straight-line basis over the applicable policy period.

For multi-company premium payments:

- Provided the threshold is not material to the reporting entity, a multi-company premium less than \$50,000 may be expensed when invoiced. GCA will expense the allocated premium on the appropriate entities ledger when allocated.
- If the total insurance premium is greater than \$50,000, GCA will record the premiums on the applicable reporting entity's ledger using the following criteria:
  - Provided the threshold is not material to the reporting entity, allocated insurance premiums less than \$12,000 may be expensed when invoiced. This threshold determination will be made on an entity by entity basis.<sup>3</sup> GCA will expense the allocated premiums to the appropriate BU's ledger when invoiced.
  - For allocated premiums \$12,000 or greater (see AEPSC exception below), GCA will record the premiums to Prepaid Insurance (Account 1650001/1650021) on the appropriate BU. In addition, GCA will email the prepaid balances and amortization details to the responsible BU ledger accountant. Each BU ledger accountant will be responsible for amortizing the premiums on a straight-line basis over the applicable policy period.
  - AEPSC Exception: For premiums allocated to AEP Service Corporation (AEPSC - BU 103), the expense threshold is increased from \$12,000 to \$50,000.

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<sup>3</sup>For a complete listing of the current legal BU structure, please refer to the "Legal BU Report Listing" published by Financial Reporting on the [HTTP://ACCTG/TOOLS](http://acctg/tools) website.



## Prepaid Insurance Premium Accounting Policy

### Approved By

*F. Scott Travis*

F. Scott Travis, Assistant Controller  
Regulated Accounting

*9/8/16*

Date

*Diana L. Gregory*

Diana L. Gregory, Assistant Controller  
Commodity & Fuel Accounting

*9/13/16*

Date

*Michael A. Baird*

Michael A. Baird, Assistant Controller  
Financial Reporting

*9/8/16*

Date

*Jeffrey W. Hoersdig*

Jeffrey W. Hoersdig, Assistant Controller  
Financial Reporting

*9/8/16*

Date

*Joseph M. Buonaiuto*

Joseph M. Buonaiuto, Senior Vice President  
Controller and Chief Accounting Officer

*9/13/16*

Date

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**6/1/2020 10:15:37 AM**

**in**

**Case No(s). 20-0585-EL-AIR, 20-0586-EL-ATA, 20-0587-EL-AAM**

Summary: Application -Application continued. (Part 6 of 16) electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company