

**AMERICAN ELECTRIC POWER SYSTEM
PROCEDURES FOR IMPLEMENTATION OF
FERC STANDARDS OF CONDUCT**

In accordance with Rule 358.7(d) of the Federal Energy Regulatory Commission ("FERC" or "Commission"), 18 C.F.R. § 358.7(d), the following procedures have been adopted by the American Electric Power ("AEP") System to comply with the Standards of Conduct set forth in FERC Part 358 of the Code of Federal Regulations, 18 C.F.R. § 358. The FERC Standards of Conduct are specifically applicable to AEP's Transmission Function Employees and their relationships with Marketing Function Employees, A Transmission Function Employee is an employee, contractor, consultant or agent of a transmission provider who actively and personally engages on a day-to-day basis in the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests. A Marketing Function Employee is an employee, contractor, consultant or agent of a transmission provider or of an affiliate of a transmission provider who actively and personally engages on a day-to-day basis in the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, of electric energy or capacity, demand response, virtual transactions, or financial or physical transmission rights.

While the Standards of Conduct are specific to the transmission and marketing functions, it is AEP's expectation that all employees will conduct the business of the AEP Operating Companies and AEP affiliates in a manner that complies with the Standards of Conduct.

I. DESCRIPTION OF THE AEP SYSTEM

The AEP System is a multistate public utility holding company system. The AEP System consists of eleven operating companies, which provide electric service at wholesale and retail in parts of eleven states (Appalachian Power Company in West Virginia and Virginia, Indiana Michigan Power Company in Indiana and Michigan, Kentucky Power Company in Kentucky, Kingsport Power Company in Tennessee, Columbus Southern Power Company and Ohio Power Company in Ohio, Wheeling Power Company in West Virginia, AEP Texas Central Company ("TCC") in Texas, AEP Texas North Company ("TNC") in Texas, Southwestern Electric Power Company ("SWEPCO") in Louisiana, Arkansas, and Texas, and Public Service Company of Oklahoma ("PSO") in Oklahoma), as well as associated companies that engage in activities incidental to the operating companies' business.

The AEP System includes the companies of the former Central and South West System ("CSW"), which merged with the AEP System in 2000. The generating and transmission facilities of the AEP System, although owned by the operating companies, are operated and planned on an integrated basis. Integrated operation is accomplished on a centralized basis by employees of AEP Service Corporation, in accordance with the AEP System Interconnection Agreement, the AEP System Transmission Agreement, the CSW Operating Agreement, the CSW Transmission Coordination Agreement, the System Integration Agreement, and the System Transmission Integration Agreement, all of which are filed with the FERC as separate rate schedules.

II. AEP TRANSMISSION FUNCTION AND MARKETING FUNCTION.

A. Transmission Function.

Transmission Function Employees reside primarily in AEP's Transmission Division. The Transmission Division, under the direction of the Executive Vice-President - AEP Transmission, performs AEP's transmission operations and planning functions on a centralized basis. This Division is comprised of eight departments: Transmission Operations, Transmission Region Operations, Transmission Engineering & Project Services, Transmission Strategy and Business Development, Transmission Asset Strategy, Transmission Financial Analysis and Budget Planning, Electric Transmission Texas (ETT), and Transmission Reliability Compliance. The AEP Transmission System assets are planned, engineered, constructed, operated and maintained through the coordinated efforts of the Transmission Division.

The Transmission Division is responsible for the reliable operation of the entire AEP Transmission System, including the fulfillment of the AEP System's responsibility as a transmission operator consistent with North American Electric Reliability Corporation ("NERC") reliability standards and guidelines.

The AEP Transmission System is composed of two zones: the AEP East Zone and the AEP West Zone. The AEP East Zone is part of the PJM Regional Transmission Organization, which includes the integrated generation and transmission facilities operated by AEP in the historical AEP region. The AEP West Zone operates within two Regional Transmission Organizations: the Southwest Power Pool ("SPP") which includes the integrated generation and transmission facilities of PSO and SWEPCO, and the Electric Reliability Council of Texas ("ERCOT"), which includes the transmission facilities of ETT, TCC and TNC.

The functions of the Transmission Division that affect transmission capacity or system reliability are coordinated through the AEP System Control Center, which is a part of the Transmission Division under the direction of the Transmission Operations department. In addition, AEP has five Regional Transmission Dispatch Centers that are part of the Transmission Division also under the direction of the Transmission Operations department.

Transmission Region Operations is responsible for field operations, maintenance, maintenance management and physical actions needed for emergency restoration of the AEP transmission system and distribution station facilities.

Several other employees are located within or directly support the work of the Transmission Division. These employees, while not Transmission Function Employees under the Standards of Conduct, perform an important role in the operation of the Transmission Division. Due to the work performed by these employees, and the likelihood that their work makes them privy to transmission function information, employees in the groups listed below shall be subject to the provisions of Section III D (7) of these Procedures.

Transmission Engineering & Project Services is responsible for integrating the capital planning, system engineering, and maintenance management processes into a singular performance-driven strategic approach to managing transmission assets and for managing the service provider organization within the Transmission Division. The group's key activities include engineering, design, construction, and management of major Transmission projects and equipment engineering.

Transmission Strategy & Business Development is part of the Transmission Division that is comprised of the following three departments and is responsible for developing and executing transmission strategy and business development plans in alignment with AEP's corporate

strategy for the AEP Transmission Company, ETT, and AEP Operating Companies within the ERCOT, PJM and SPP RTO regions. Transmission Asset Strategy and Planning is responsible for transmission planning, advanced system studies, technology and business development. Transmission Asset Strategy is responsible for developing and implementing the transmission strategy and policy position in support of the transmission business plan. The Transmission Financial Analysis and Budget Planning group's key activities include business planning and financial analysis, transmission capital planning and effectively managing the company's interface with its corporate partners and within AEP to achieve the organization's business goals.

Electric Transmission Texas is a joint venture with MidAmerican Energy Holdings Co. that will develop transmission projects in the ERCOT area.

Transmission Reliability Compliance supports the Transmission organization by ensuring compliance with reliability standards and requirements established by NERC, regional reliability organizations, and state regulatory agencies.

B. AEP Marketing Function

AEP's marketing function engages in wholesale power marketing and trading on behalf of the AEP operating companies. The Senior Vice President - Commercial Operations is responsible for the strategic direction of these functions; transactional and operational direction for the functions is provided by the Vice President - Marketing & Asset Investment and Vice President - Energy Trading. In addition, AEP has subsidiaries that, pursuant to the FERC Standards of Conduct, perform functions that cause their employees to be considered Marketing Function Employees. These are AEP affiliates, other than the AEP operating companies, that operate in U.S. markets and engage in the procurement of transmission services; buy, sell, trade

or administer natural gas or electric energy; or engage in financial transactions relating to the sale or transmission of natural gas or electric energy. Finally, employees of certain AEP affiliates may engage in retail power marketing pursuant to state retail wheeling plans involving use of the AEP Open Access Transmission Tariff (“OATT”).

C. Bundled Retail Marketing Functions

AEP's bundled retail marketing employees are part of AEP Utilities' Customer Services, Marketing, and Distribution Services Department, which is separate from both AEP's Transmission Division and its Commercial Operations' marketing function.

D. Supervisors, Managers, Corporate Executives and Support Personnel

AEP may allow senior managers, officers, directors, or supervisors to have ultimate responsibility for both the transmission function and marketing function, as long as these persons do not actively and personally participate in the day-to-day direction, organization or execution of the transmission function or marketing function. These employees shall be subject to the provisions of Section III D (7) of these Procedures.

Likewise, there are support staff such as legal, accounting, finance, data processing, office services, human resources, information technology and risk management, who may be privy to transmission information yet who provide services to both Transmission Function and Marketing Function Employees. These employees are not considered either Transmission Function or Marketing Function employees as long as they do not actively and personally perform day-to-day transmission or marketing functions. It is expected that these employees

will, at all times, conduct their work in accordance with the provisions of Section III D (7) of these Procedures.

III. PROCEDURES FOR THE IMPLEMENTATION OF STANDARDS OF CONDUCT.

A. General Rule.

All employees of AEP and its affiliates shall abide by the Standards of Conduct set forth at 18 C.F.R. § 358 of the Commission's regulations.

B. Communication and Training.

(1) A copy of the Standards of Conduct and these Procedures will be provided to all Transmission Function Employees, Marketing Function Employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission information. This shall include, but not be limited to, each employee (other than field and maintenance employees) in the Transmission Division and each employee at the level of supervisor or above in Customer Services, Marketing and Distribution Services; each employee of Commercial Operations; each employee of any AEP affiliate; each employee of any department or division who engages in the purchase or sale of electric power or energy at wholesale or at retail pursuant to state retail wheeling programs involving use of the AEP OATT; all relevant support employees, and members of senior management who supervise such employees.

(2) Each such employee described above shall receive training in the Standards of Conduct and these Procedures and shall acknowledge by verifiable electronic means that he or

she has received such training. Training will be completed electronically and must be repeated annually. New employees in the categories described in section (1) above shall be trained on the Standards of Conduct within the first 30 days of their employment. The Office of Ethics & Compliance shall be responsible for administering the Standards of Conduct training. The Office of Ethics & Compliance shall maintain a record of the electronic signatures supplied by employees once they have completed the training.

(3) The substance of the Standards of Conduct shall be communicated annually to all AEP employees through a company-wide publication.

(4) A current copy of these Procedures will be posted on AEP.com.

C. Identification of Marketing Function and Transmission Function Employees

(1) Each employee of AEP's Commercial Operations' marketing function who is engaged in the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, of electric energy or capacity, demand response, virtual transactions, or financial or physical transmission rights shall be regarded as a Marketing Function Employee for purposes of the Standards of Conduct. In addition, each employee of Commercial Operations engaged in the sale of power or energy at retail pursuant to state retail wheeling programs involving the use of the AEP OATT shall be regarded as a Marketing Function Employee for purposes of the Standards of Conduct. Each employee of any AEP affiliate who is engaged in the purchase or sale of power or energy at wholesale; who is engaged in transmission transactions; who buys, sells, trades or administers natural gas or electric energy; or who engages in financial transactions relating to the sale or transmission of natural gas or electric energy shall be regarded as a Marketing Function Employee.

(2) Each employee who actively and personally engages on a day-to-day basis in the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests is a Transmission Function Employee for purposes of the Standards of Conduct.

(3) Included as “employees”, for purposes of the application of the Standards of Conduct, are contractors, consultants and agents.

D. Prohibited Communications/No Conduit Rule

(1) Except as may be necessary for emergency purposes, Transmission Function Employees shall not buy and sell power and energy in the hourly market or any other market. Rather, AEP’s Marketing Function Employees will perform this function.

(2) The Regulated Tariffs Department shall administer AEP's OATT or shall delegate such administration to an independent entity or Regional Transmission Organization (“RTO”). The Tariff shall, at all times, be administered in an impartial and non-discriminatory manner.

(3) PJM shall administer the Open Access Same Time Information System (“OASIS”) for the AEP East Zone. The OASIS for the AEP West Zone (SPP) will be administered by the SPP. Requests for transmission service over the AEP Transmission System made by AEP personnel in connection with the marketing function shall be made on the applicable OASIS.

(4) If a representative of a non-affiliated entity discusses possible transmission service with a Marketing Function Employee of AEP or directs inquiries regarding transmission service to a Marketing Function Employee of AEP, the Marketing Function Employee shall not state or

imply that he or she has access to information concerning the AEP Transmission System that is not available to the public.

(5) Transmission Function Employees will not share with Marketing Function employees information concerning the transmission system through non-public communications conducted off the OASIS. Examples of information that may not be shared include Available Transmission Capacity, price and rate design, curtailments, balancing, scheduling, priority, ancillary services, maintenance activity and outage schedules, transmission flows, transmission equipment status, transmission operating procedures, transmission marketing studies and costs, identification of potential generation sites based in whole or in part on transmission data, or planned or potential transmission system capital projects (expansions, upgrades, etc).

(6) Non-affiliated customer information shall not be shared with Marketing Function Employees without the customer's voluntary written consent.

(7) No employee of AEP or any of its affiliates shall disclose to any Marketing Function Employee any non-public information that an employee of AEP or its affiliates engaged in transmission functions would be prohibited from disclosing to such Marketing Function Employee under the Standards of Conduct or these Procedures.

E. Measures to Restrict Access to Facilities

(1) The AEP System Control Center and the Regional Transmission Dispatch Centers are restricted areas accessible only by secured access. AEP's IT Security Department maintains a list of employees who have authority to enter these secured areas. Employees working in these areas will meet visitors outside of the secured areas and ensure that, upon entering the area, the

visitor is escorted at all times. These measures shall be used to restrict access by all employees without secure access rights, including AEP Marketing Function Employees.

(2) All other Transmission Function Employees are located in a separate building, several miles from the building in which the Marketing Function Employees reside.

F. Measures to Restrict Access to Information

(1) Computer workstations assigned to Marketing Function Employees cannot access, view or modify any transmission information on the Supervisory Control and Data Acquisition (SCADA)/Energy Management System (EMS) computers. Only workstations assigned to transmission and regional control centers are configured to access SCADA/EMS transmission information.

(2) Marketing Function Employees and Transmission Function Employees share an energy scheduling and accounting system. Marketing Function Employees may access these systems to maintain and view their own energy accounting information, such as anticipated energy purchases/sales, and prices. On this system, Marketing Function Employees are denied access to transmission information such as transmission schedules, tie line data, and load accounting information.

(3) To further ensure separation from the marketing function, all workstations set up for Transmission Function Employees (i.e. those workstations with access to transmission information) are located in areas behind secure doors.

(4) Informational reports detailing AEP system conditions that are distributed throughout AEP are modified to remove all transmission status and transmission services information. Transmission related displays that are distributed throughout AEP for electronic

viewing (via the AEP intranet) are divided into two sets: (i) transmission-oriented displays and (ii) all other displays. AEP undertakes additional security measures to restrict access to transmission information that might be available through AEP's Local Area Network through username/password authentication techniques.

(5) All confidential customer information is maintained in an electronic database accessible only by those employees who have been given explicit permission to access the information. AEP's IT Department maintains a list of those employees with access rights to the information. Marketing Function Employees may not gain access to this information.

G. Required Internet Postings

In accordance with Part 358 of FERC's regulations and FERC Order No. 717, job titles and job descriptions for Transmission Function Employees shall be posted on AEP.com and shall be updated as necessary.

AEP's Transmission Division has primary responsibility for maintaining the postings on AEP.com and ensuring that the information is kept up to date in accordance with FERC rules. Likewise, the Transmission Division will be responsible for ensuring that all information regarding relevant employee transfer information is posted on AEP.com. Other required informational postings, such as the names and addresses of affiliates, and merger information will emanate from the AEP's Office of Ethics & Compliance and Legal Departments.

In accordance with the requirements in the Standards of Conduct, records of all internet postings are maintained for three years, except for notices of waiver of tariff provisions which shall be retained for five years. Electronic versions of both the new and previous postings are maintained, along with the date of each posting.

H. Chief Compliance Officer

AEP has appointed its Vice President – Ethics & Compliance and Chief Compliance Officer as its Chief FERC Compliance Officer. The Chief Compliance Officer, through the Office of Ethics & Compliance, oversees the company's compliance with the Standards of Conduct and these Procedures and serves as FERC's primary contact regarding Standards of Conduct issues. The Office of Ethics & Compliance is responsible for the administration of the AEP Employee Concerns Line (a tool that is managed by an independent communications firm hired by AEP to ensure the integrity and objectivity of compliance reporting); the development and administration of ethics and compliance training, including the company's Standards of Conduct training; the investigation of internal and external Standards of Conduct and state codes of conduct complaints; and administration of the ethics and compliance program at AEP.

The Chief Compliance Officer is Sandra K. Williams. Ms. Williams may be contacted by email at swilliams@aep.com and by telephone at (614) 716-2037.