

Reconciliation Guidelines

Appendix B

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 #)

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?

ACCOUNT 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?

Notice Date: MM/DD/YY

Customer Name: AEP Ohio

Invoice Number(s): 123456789

Attention Accounts Receivable – Action Required

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.

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

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

SALE/LOAN OF EQUIPMENT

KPSC Case No. 2017-00179
AG's First Set of Data Requests
Dated August 14, 2017
Item No. 44
Attachment 1
6 of 623

Form LEG-9

This section is to be completed by Originating Engineer.

The following equipment should be sold or loaned (circle one) between:

Selling/Loaning Company _____ Location _____

Purchasing/Borrowing Company _____ Location _____

Brief description of equipment to be sold or rented (including State in which located, quantity, condition, M&E Number, and S/N)

Reasons for Sale/Loan _____ For electrical equipment containing insulating fluids, have the Requirements of the current PCB policy been met?
Yes No Not Applicable

Has equipment to be sold/loaned been replaced with more adequate equipment or are there plans to do so? Yes No
(Describe replacement of why replacement is unnecessary)

Approximate Delivery Date _____

Originating Engineer's Name and Location (Please Print)

Expected Return Date (If Applicable) _____

Signature of Originating Engineer _____ Date _____

Local Management Approval (Signature) _____ Date _____

Send to: Property Accounting Manager

This section is to be completed by Property Accounting.

This transaction is to be reported to the AEPSC Legal Dept. due to its significant value as indicated below: Yes or No (circle one)

Selling Price _____

This property is:

Monthly Rental Amount (If Applicable) _____

Capitalized Spare Part

Rental Period (If Applicable) _____

Other Property

Send to: Originating Engineer
Legal Department Representative (If Applicable)

Signature of Property Accounting Manager _____ Date _____

This section is to be completed by AEPSC Legal Department:

This transaction requires regulatory approvals as
Noted in the attached memorandum:

1. FERC Approval
2. State Commission Approval
3. No Outside Authorization Required

Signature of Legal Department Representative _____ Date _____

Send to: Originating Engineer
Property Accounting Manager
Regulatory Services (If Applicable)

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

Original Material Purchase Cost (including overheads)	
Less Accumulated Depreciation	
Net Book Value	
Reusable Component Factor (see Table 1)	
Calculated Value	
Less Additional Component Damage - Repair Costs	
Total Value of Reusable Components To Be Capitalized	

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%
Total	100%	100%	100%	100%	100%	100%	100%	100%

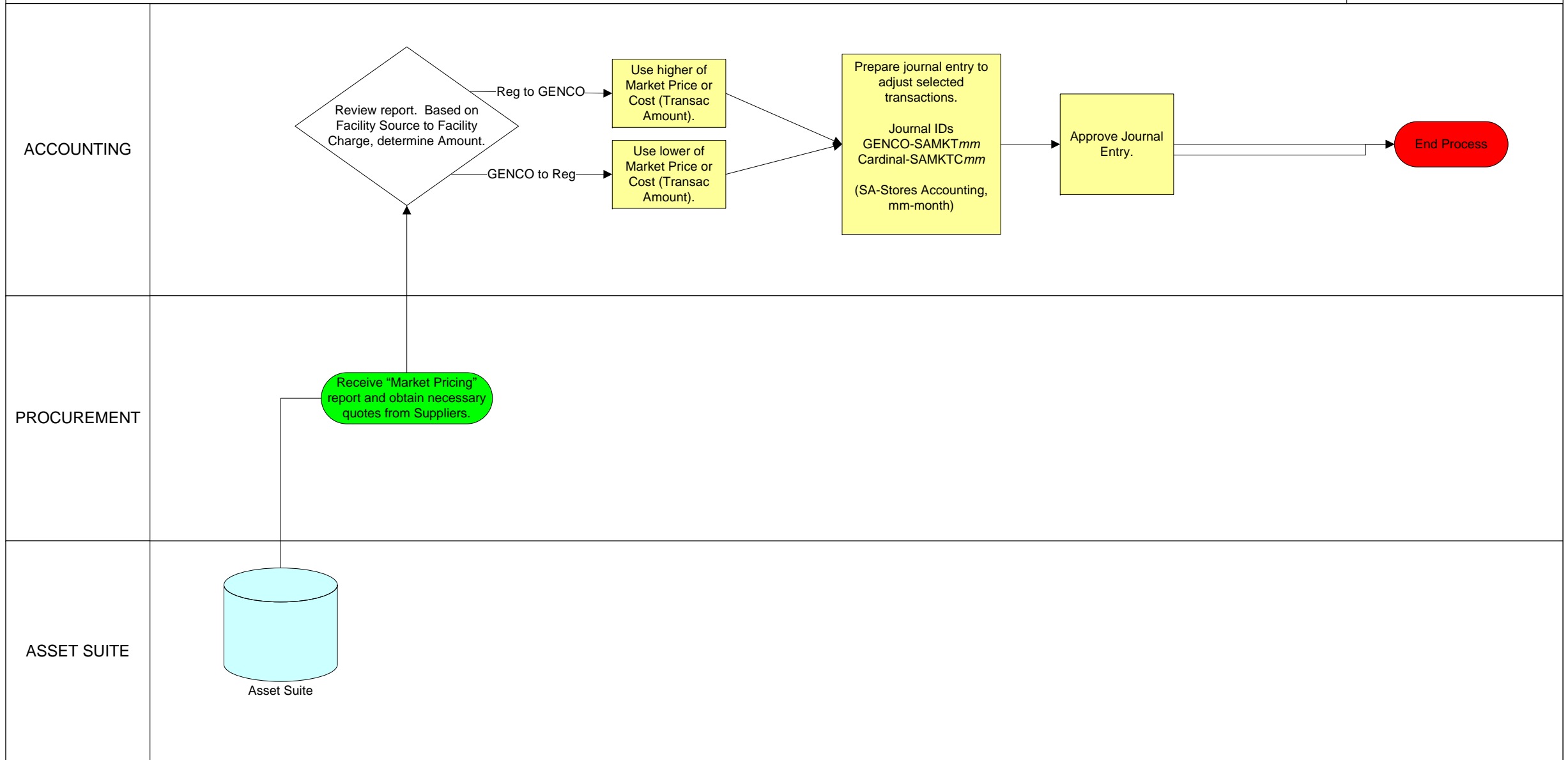
* Breakdown by Windings

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%
% Total Windings	45%	40%	45%	45%	25%	25%

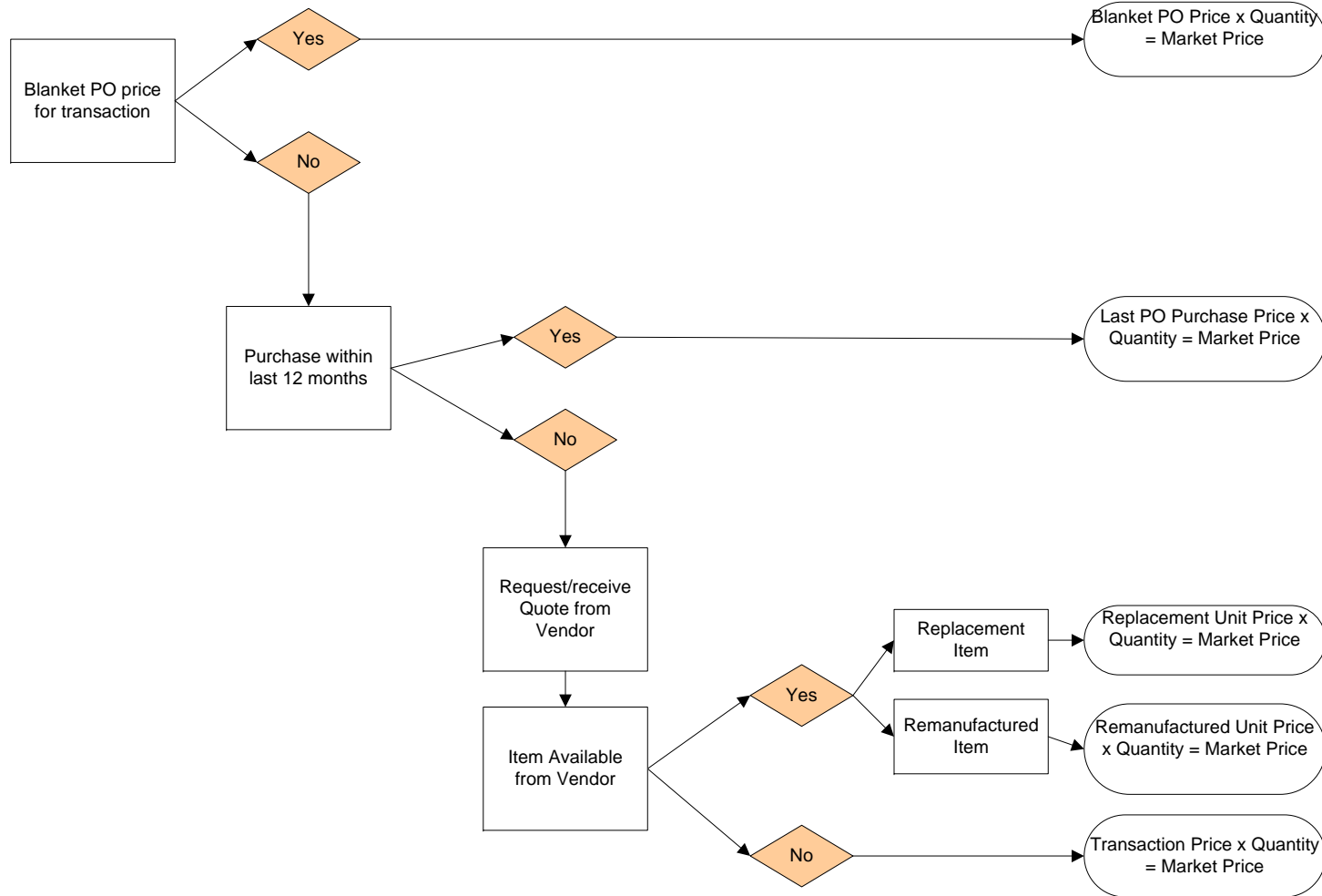
Process: Material & Supplies Market Pricing



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)

Business Area	Department	Minimal Spread-sheets in inventory	Complex Spread- sheets in inventory	Financial Spreadsheet Users/Owners
	Business Units			
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
	Finance, Accounting & Risk			
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
	TOTALS	437	202	

Spreadsheet Control
Frequently Asked Questions
FIRST RELEASE

KPSC Case No. 2017-00179
AG's First Set of Data Requests
Dated August 14, 2017
Item No. 44
Attachment 1
12 of 623

<i>Question</i>	<i>Answer</i>
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 its 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 an 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?	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. 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.

Spreadsheet Control
Frequently Asked Questions
FIRST RELEASE

KPSC Case No. 2017-00179
AG's First Set of Data Requests
Dated August 14, 2017
Item No. 44
Attachment 1
13 of 623

<i>Question</i>	<i>Answer</i>
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 (http://acctg/policies). Select the <i>Financial Spreadsheet & 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 (http://acctg/policies). Select the <i>Financial Spreadsheet & 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 & 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 & will be available at a later time.</p>

Spreadsheet Control
Frequently Asked Questions
SECOND RELEASE

KPSC Case No. 2017-00179
AG's First Set of Data Requests
Dated August 14, 2017
Item No. 44
Attachment 1
15 of 623

<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

KPSC Case No. 2017-00179
AG's First Set of Data Requests
Dated August 14, 2017
Item No. 44
Attachment 1
16 of 623

<i>Question</i>	<i>Answer</i>
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 (http://acctg/policies). Select the <i>Financial Spreadsheet & 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 http://acctg/policies (<i>Financial Spreadsheet & Database Controls folder: file name: Prodiance user project overview_070109_bjm_v1</i>). 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 http://acctg/policies (<i>select the Financial Spreadsheet & Database Controls folder</i>).

Spreadsheet Control
Frequently Asked Questions
SECOND RELEASE

KPSC Case No. 2017-00179
AG's First Set of Data Requests
Dated August 14, 2017
Item No. 44
Attachment 1
17 of 623

<i>Question</i>	<i>Answer</i>
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.



Spreadsheet & Database Control

Best Practices for Spreadsheets and Databases

Created: June 3, 2009
Version: 1.0

TABLE OF CONTENTS

1.0	<i>Spreadsheet Best Practices: Preparers</i>	5
1.1	Documentation	5
1.1.1	Author	5
1.1.2	Documentation	6
1.1.3	Revisions	6
1.1.4	Format	6
1.1.5	Headers & Footers	6
1.1.6	Comment Boxes	6
1.2	Workbook Set-up	7
1.2.1	User Name	7
1.2.2	Risk Assessment Template	7
1.3	Body of Workbook	8
1.3.1	Inputs, Calculations, & Outputs	8
1.3.2	Drop down lists.	8
1.3.3	Rounding	8
1.3.4	Range Names	9
1.3.5	Dynamic Ranges.	9
1.3.6	Multiple Sheets	12
1.3.7	"IF" Functions & Lookups	12
1.3.8	Comment Boxes	12
1.3.9	Check Logic	12
1.3.10	Formulas	12
1.3.11	Color Coding & Labels	13
1.3.12	Circular References	13
1.3.13	Hard Coding	13
1.4	Workbook Finalization	14
1.4.1	Cell/File Protection	14
1.4.2	Links	14
1.4.3	Document Printing	14
1.4.4	PivotTables	14
1.4.5	Journal Entry Support.	14
1.4.6	Large File Distribution	14
2.0	<i>Spreadsheet Best Practices: Reviewers</i>	18
2.1	Review	18
2.1.1	Tilde	18
2.1.2	Trace	18
2.1.3	Color Code for Errors	19
2.1.4	Save Different Version	19
2.1.5	Assumptions	19
2.1.6	Hidden Worksheets	19
3.0	<i>Best Practices for Databases</i>	21
3.1	Use & Review	21
3.1.1	User-level Security	21

3.1.2 Create a list box, combo box, or drop-down list box _____ 21
3.1.3 Design/Layout _____ 21
3.1.4 Validation Rules. _____ 21
3.1.5 Macros/Codes. _____ 21

Section 1.0

Best Practices for Spreadsheets (Preparers)

1.0 Spreadsheet Best Practices: Preparers

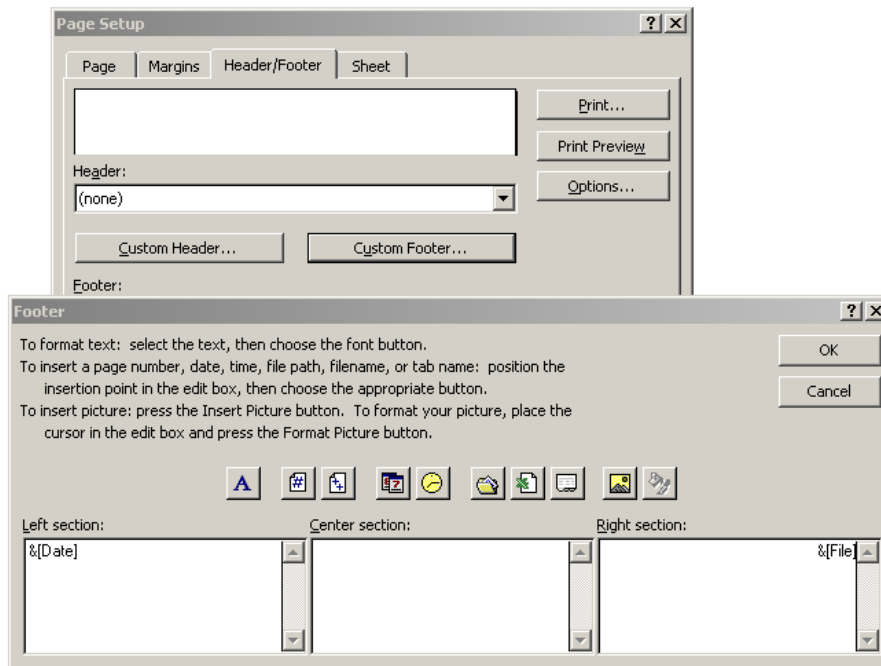
The purpose of the best practices for preparers, in conjunction with the *Financial Spreadsheet & Database Controls Policy*, is to ensure users have suggestions and recommendations on how to prevent and/or detect errors arising from the design and use of all financial spreadsheets. These best practices, 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 are empty. At the bottom, there is a checkbox for 'Save preview picture' which is unchecked, and 'OK' and 'Cancel' buttons.

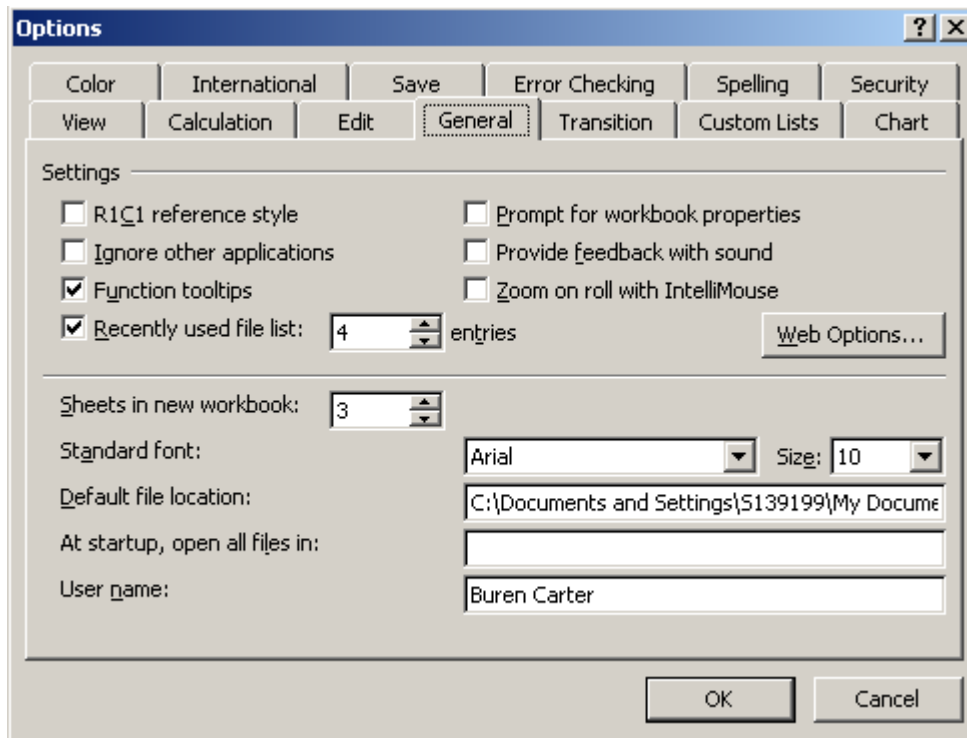
- 1.1.2 **Documentation.** Create a worksheet in each workbook for documentation purposes, and provide instructions for use of the workbook (for instance, show work on calculations and provide logic for what was created).
- 1.1.3 **Revisions.** Create a worksheet to log revisions, and describe all changes 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.

The screenshot shows an Excel spreadsheet with a dropdown list in cell F2. The dropdown list contains 'Yes' and 'No'. Below the spreadsheet, two 'Data Validation' dialog boxes are shown. The first dialog box is open to the 'Settings' tab, showing 'Any value' selected in the 'Allow' dropdown and 'Ignore blank' checked. The second dialog box is also open to the 'Settings' tab, showing 'List' selected in the 'Allow' dropdown, 'Ignore blank' and 'In-cell dropdown' checked, and 'Yes,No' entered in the 'Source' text box.

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								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								

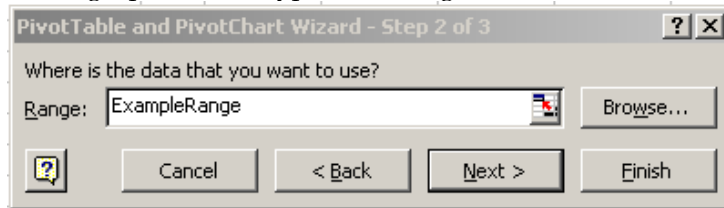
Define Name

Names in workbook:
ExampleRange

Refers to:
=OFFSET(Sheet1!\$A\$1,0,0,COUNTA(\$A:\$A),3)

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.

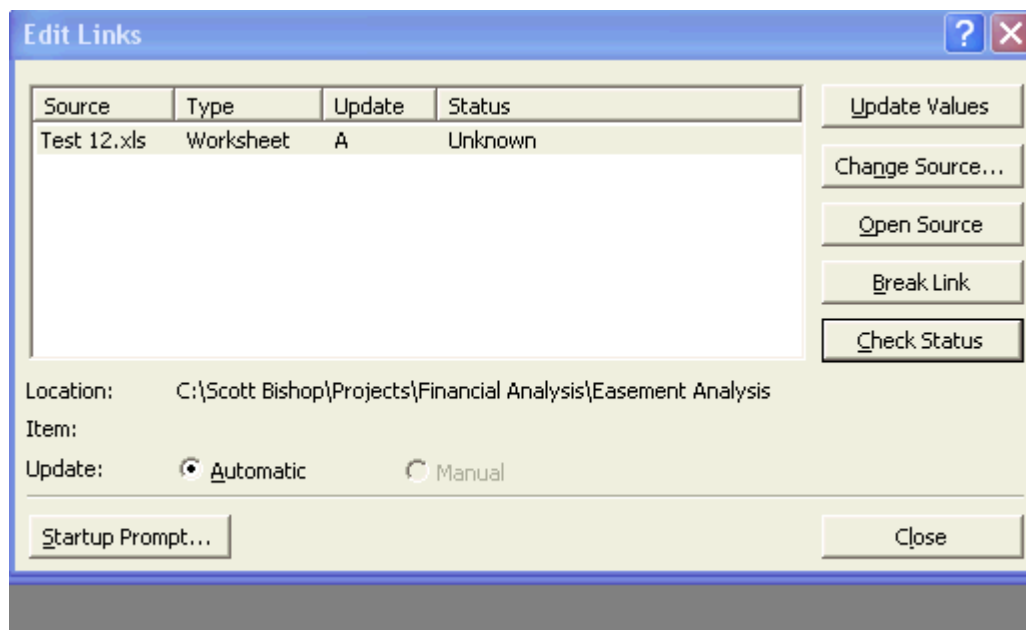
- 1.3.6 **Multiple Sheets.** When appropriate, users should use multiple sheets for data. This will allow for easy expansion of information, and will allow for similar, repeatable sections.
- 1.3.7 **“IF” Functions & Lookups.** If nested “IF” statements are used, limit to “3” in a formula....“IF” statements 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.

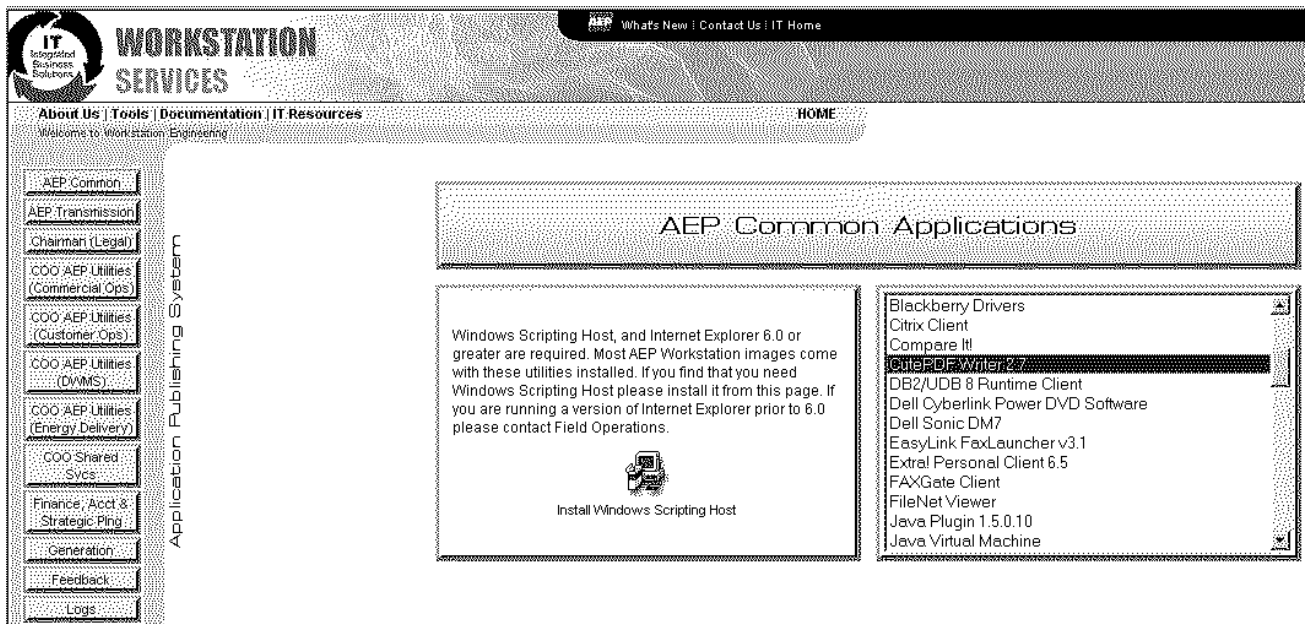
WinZip: Files can be compressed using WinZip, which is installed on most AEP computers.

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 portal. The header includes the AEP logo and navigation links: About Us, Tools, Documentation, IT Resources, and HOME. A sidebar on the left lists various services like AEP Common, Transmission, Chairman (Legal), and COO AEP Utilities. The main content area displays the 'CutePDF Writer 2.7' installation instructions. The instructions include a license statement, system requirements (signed on as administrator, 10 MB disk space, 128 MB memory), and a list of steps to follow during installation, such as clicking 'Open' or 'Run this program from its current location' and clicking 'Yes' to security warnings. A link to 'Install CutePDF Writer 2.7' is provided at the bottom of the instructions.

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)

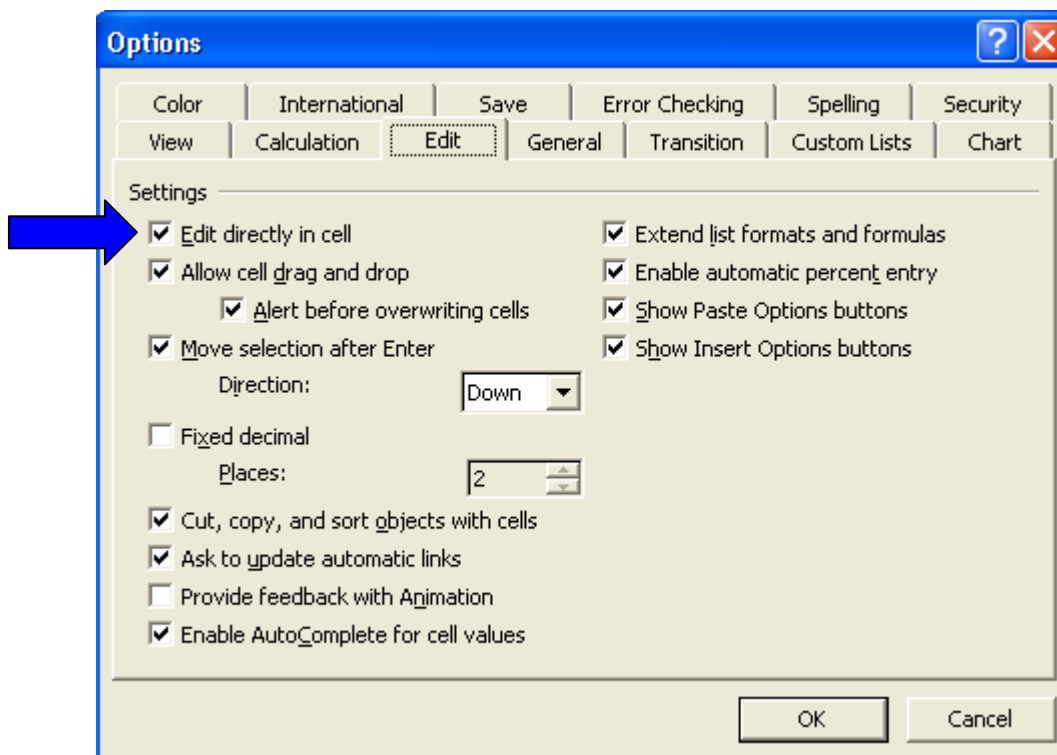
2.0 Spreadsheet Best Practices: Reviewers

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.

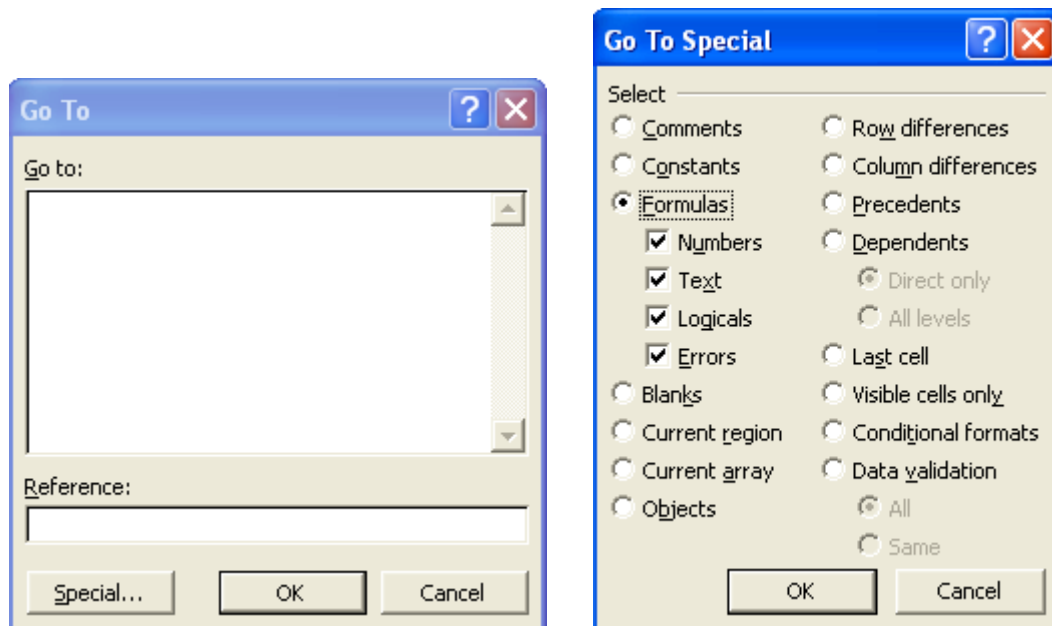
2.1 Review

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

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

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

Contents

Contents	3
1) INTRODUCTION	4
1.1) Purpose	4
1.2) Scope and Applicability	4
1.3) Policy Compliance	4
1.4) Roles and Responsibilities	4
1.5) Best Practices.....	4
2) INVENTORY LIST PROCEDURES	5
2.1) Inventory Standard	5
3) ACCESS CONTROL PROCEDURES	5
3.1) Access Controls Standard	5
3.2) Standard for Review of Access Controls.....	6
4) NAMING CONVENTION PROCEDURES	6
5) SPREADSHEET DESIGN	6
5.1) Spreadsheet Design Standard	6
6) TESTING AND CHANGE CONTROL PROCEDURES	7
6.1) Standard for Establishing Spreadsheet Baseline.....	7
6.2) Standard for Financial Spreadsheet Change Control	8
6.3) Standard for Financial Spreadsheet Testing Evidence	9
6.4) Standard for Authorization.....	9
6.5) Standard for Preventing Unauthorized Changes	9
7) DATA RETENTION AND ARCHIVAL PROCEDURES	9
8) MASTER FINANCIAL SPREADSHEET CONTROL DOCUMENT (“MASTER CONTROL DOCUMENT” / “MCD”)	10
9) IMPLEMENTATION TIMEFRAME	10
9.1) Standards due Q2 2009 “Immediate Standards”:	10
9.2) Standards due June 2010 “Mid-term Standards”:	10
10) ALTERNATIVE STANDARD	11
Definitions	11
APPROVALS	12
APPENDIX A	14
APPENDIX B	15
APPENDIX C	19
APPENDIX D	20
APPENDIX E	21
APPENDIX F	22
APPENDIX G	24
APPENDIX H	26

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

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 5th 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**

- 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 3rd and/or 4th 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.*

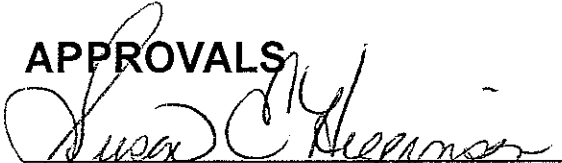
10) ALTERNATIVE STANDARD

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.

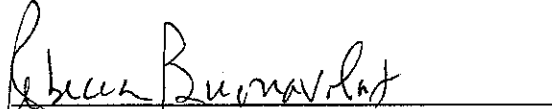
Definitions

- **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.

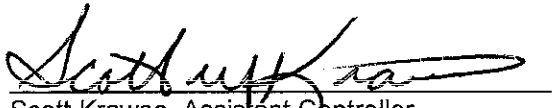
APPROVALS


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

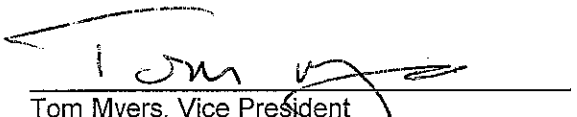
6/9/09
Date


Andy Reis, Assistant Controller
Finance

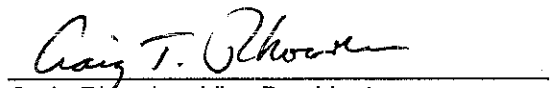
6/8/09
Date


Mark Pyle, Vice President
Tax

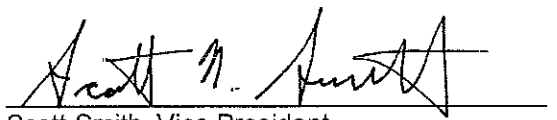
6/8/09
Date


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

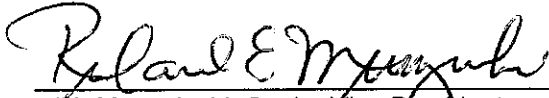
PROCEDURE STANDARDS FOR FINANCIAL SPREADSHEETS



Kevin Walker, SVP & Chief Information Officer
Information Technology

6/8/09

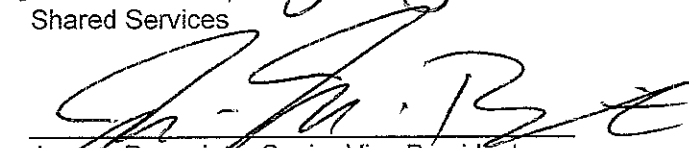
Date



Rich Munczinski, Senior Vice President
Shared Services

6/10/09

Date

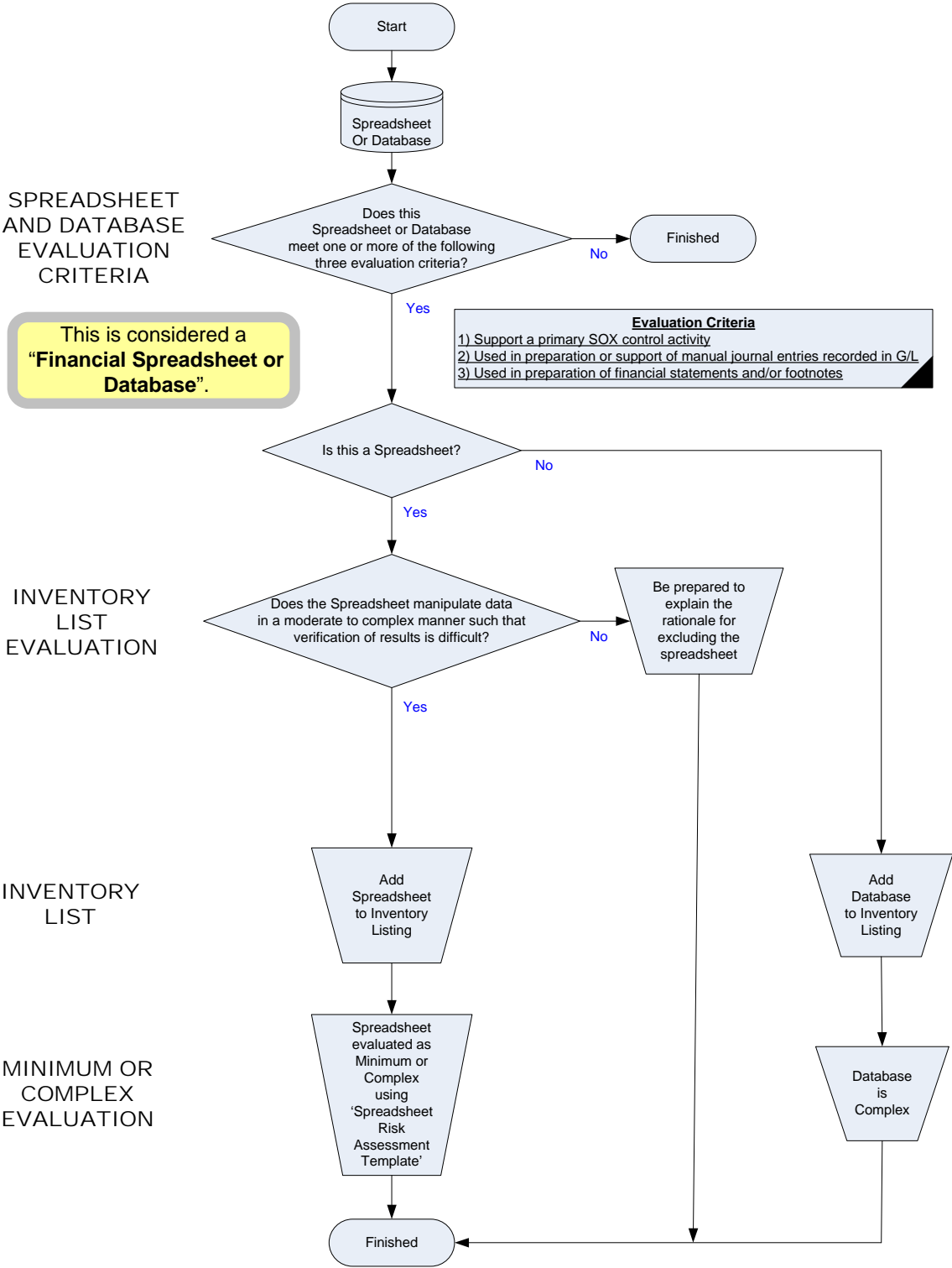


Joseph Buonaiuto, Senior Vice President
Controller and Chief Accounting Officer

6/10/09

Date

APPENDIX A



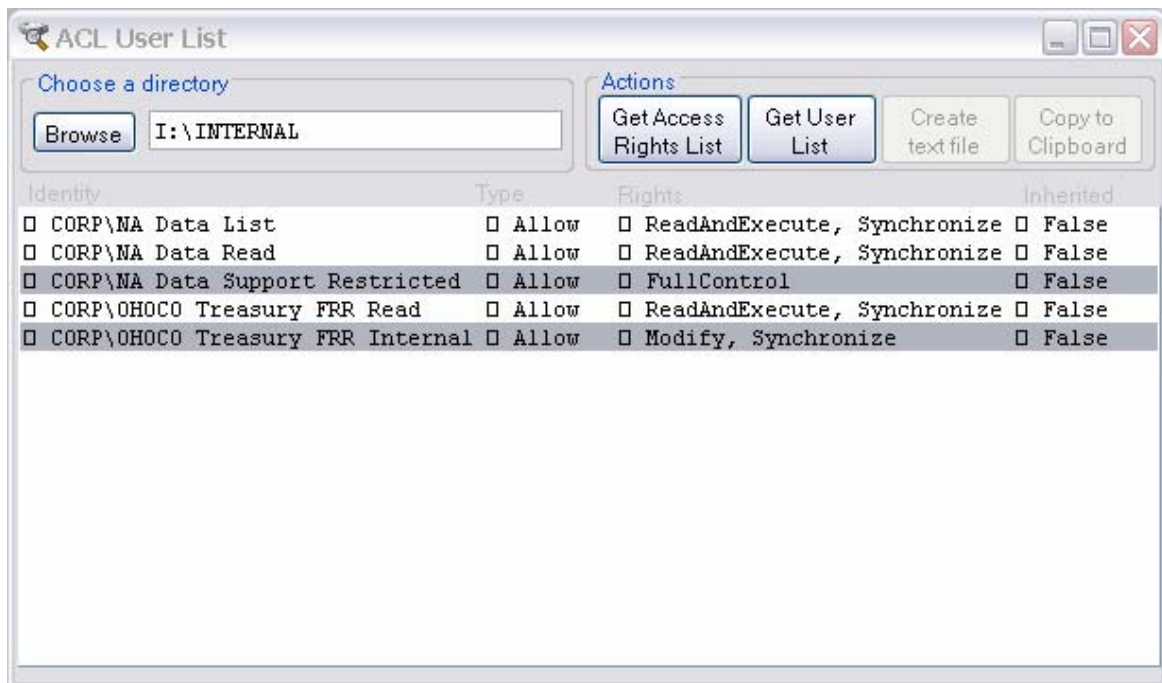
APPENDIX B

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.

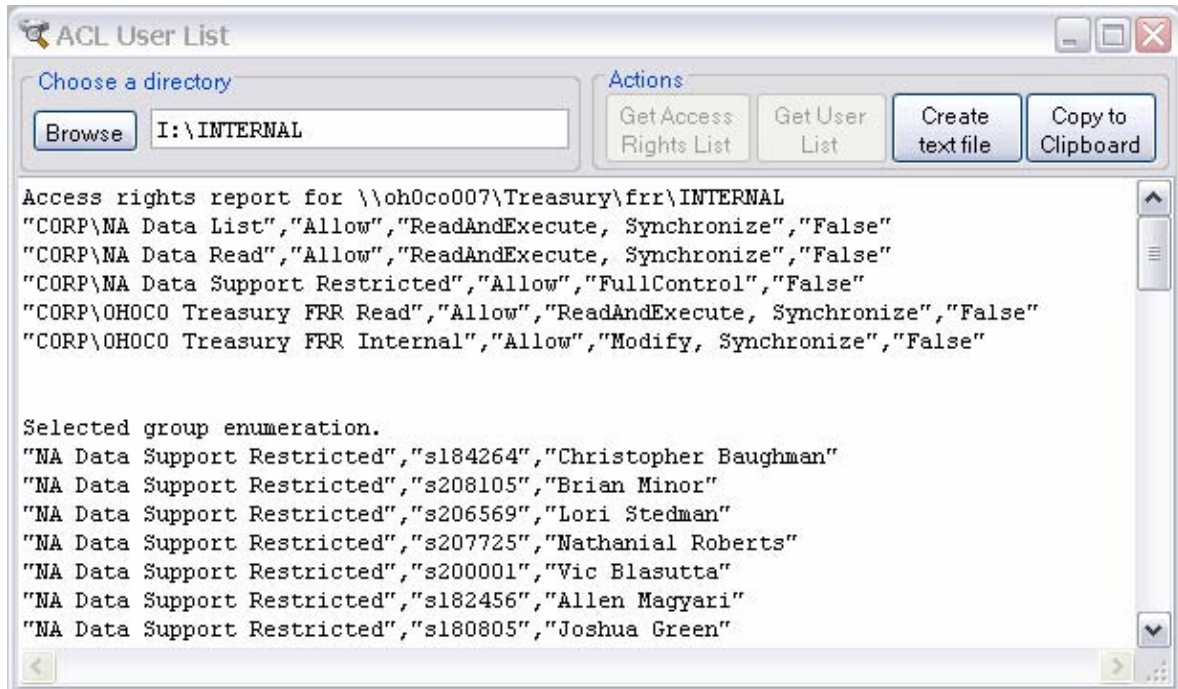
Sample Method 1 for Reviewing and Documenting Access Controls

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.

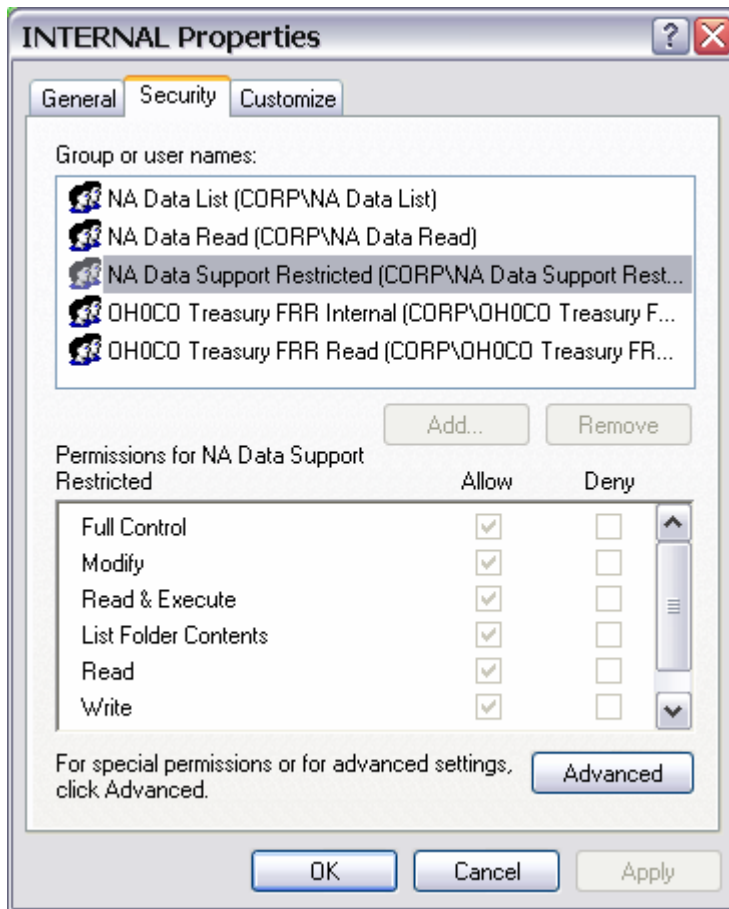
NOTE: *Using this method, it is only necessary to document groups and individuals who have Full Control or Modify access. Groups with permissions such as Read and Execute or Synchronize do not need to be noted. Nested groups will not show up in the access rights list, but the users in the group will 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.

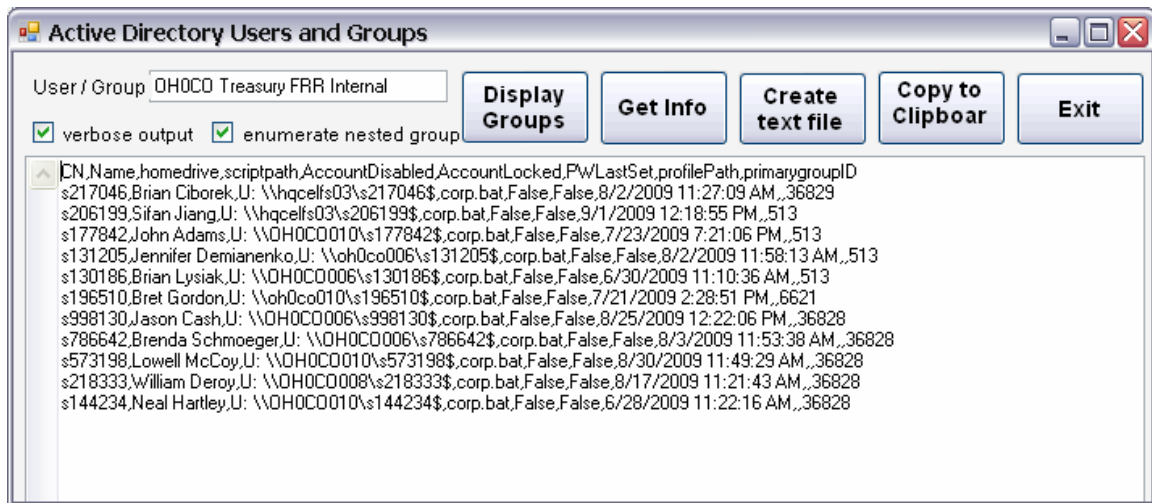


- The title bar of the window only includes the folder name, so add the full path name of the folder to the document before printing (i.e. \\oh0co007\Treasury\fr\INTERNAL).
- A printout of each group and its permissions must be kept for audit purposes. Each printout should be initialed and dated by the 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.*

APPENDIX C

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

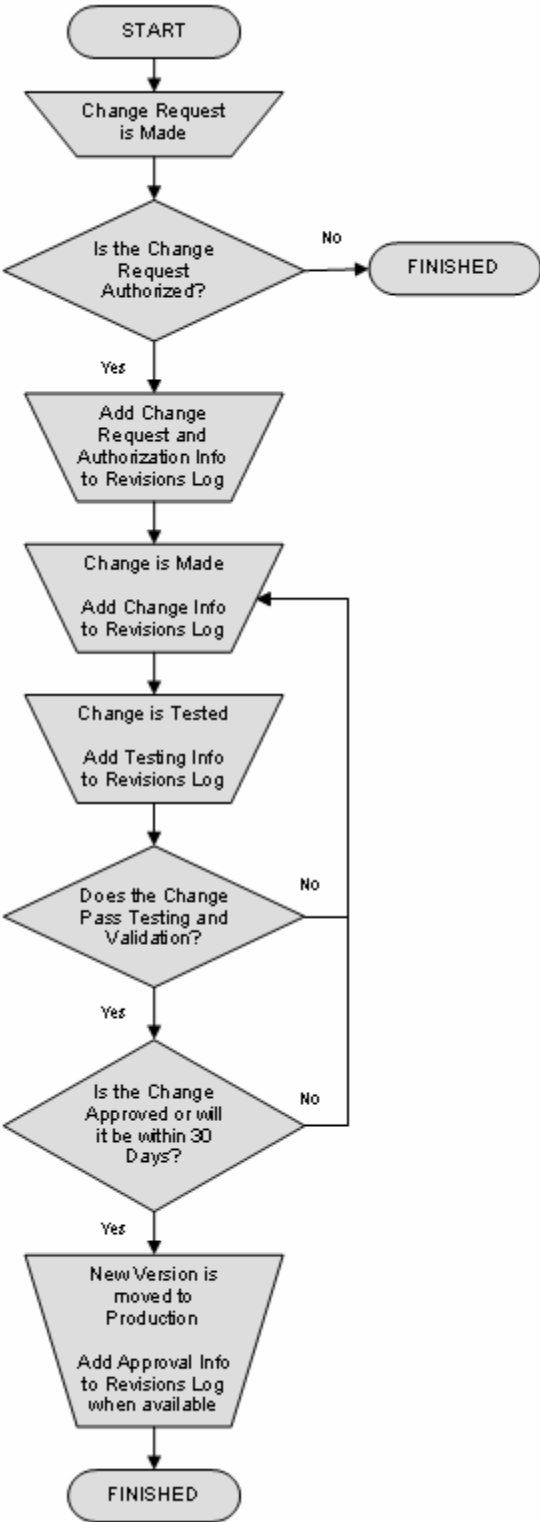
Change History (Required for Complex Spreadsheets Only)

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	\ohaephqas238\mupld\TestFiles\Template_Test1.xls

Click on link for copy of file:
[Revisions / General Info & Revisions](#)

APPENDIX D

Complex Spreadsheet Change Control Workflow



APPENDIX E



Spreadsheet/Database Control Procedures

Policy Title	Spreadsheet/Database Control Procedures	Date	<Date>
Author(s):	<Insert Name Here>	Business Unit:	<Insert Business Group Here>
Purpose			
<p>To document the requirements and responsibilities for <Insert Business Group> regarding the use of Minimum and Complex Financial Spreadsheets. This document will provide specific instructions for <Insert Business Group> on specific topics where flexibility is allowed by either the Financial Spreadsheet & Database Control Policy or the Standardized Spreadsheet Procedures Policy but is also required to be documented by <Insert Business Group>.</p>			
Policy Statement			
<ol style="list-style-type: none"> 1. Location of Master Inventory List <ol style="list-style-type: none"> a. <Insert file path of where Master Inventory List containing all spreadsheets and databases will be housed> 2. Format and Location of Access Control Documentation <ol style="list-style-type: none"> a. <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> 3. Naming Convention Standard <ol style="list-style-type: none"> a. <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> 4. Spreadsheet Design Standard <ol style="list-style-type: none"> a. <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> 5. Workflow of Change Control <ol style="list-style-type: none"> a. <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> 6. Data Retention and Archival Standard <ol style="list-style-type: none"> a. <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 > 7. Owner of the Department/Business Group's Financial Spreadsheet/Database Control Procedures <ol style="list-style-type: none"> a. <Name the person(s) who will create, maintain and enforce the Department/Business Group's Financial Spreadsheet/Database Control Procedures> 			
Approved By			
<div style="border: 1px solid black; height: 40px; width: 100%;"></div>			

APPENDIX F



Spreadsheet/Database Control Procedures

Policy Title	Spreadsheet/Database Control Procedures (EXAMPLE)	Date	<Date>
Author(s):	<Insert Name Here>	Business Unit:	<Insert Business Group Here>

Purpose

To document the requirements and responsibilities for Regulated Accounting regarding the use of Minimum and Complex Financial Spreadsheets & Databases. This document will provide specific instructions for Regulated Accounting on specific topics where flexibility is allowed by either the Financial Spreadsheet & Database Control Policy or the Procedure Standards for Financial Spreadsheets but is also required to be documented by Regulated Accounting.

Policy Statement

1. **Location of Master Inventory List**
 - a. A list of all spreadsheet and database files that meet the consideration criteria of the Financial Spreadsheet & Database Control Policy will be located under the following LAN directory and folders:
 \Voh0co007\treasury\GL\Spreadsheet Control
2. **Format and Location of Access Control Documentation**
 - 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
 - b. The location of this list will under the following directory and folders:
 \Voh0co007\treasury\GL\Spreadsheet Control
3. **Naming Convention Standard**
 - a. Each spreadsheet and database contained on the Master Inventory List will be named using the standard *Title_Reference Date_Version Number_Initials of Spreadsheet User*
 Example: OPCO_Prepaid_Insurance_033109_v3_jac.xls
 - b. The most current version a spreadsheet or database that meets the consideration criteria of the Financial Spreadsheet & Database Control Policy will be located in the following location and will be easily accessible upon request:
 \Voh0co007\treasury\GL\PROD\
4. **Spreadsheet Design Standard**
 - a. Any spreadsheet which is classified as Minimum or Complex under the Financial Spreadsheet & Database Control Policy will be designed with the following elements in mind while creating:
 - i. Spreadsheet must be password protected (Complex Only)
 - ii. Spreadsheet will describe it's purpose and use
 - 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.
 - iv. Spreadsheet will contain instructions on the use of the spreadsheet, where practical
 - v. Input cells will be a different font color as other cells containing formulas within the spreadsheet.
5. **Workflow of Change Control**
 - a. When changes are made to Complex Spreadsheets, the following practices must be administered:



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. Prodiance 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)

_____ 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 Prodiance 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.

AEP USER GUIDE FOR
**Financial Spreadsheet Controls with
SharePoint 2010**



Table of Contents

Financial Spreadsheet Control..... 4

Purpose..... 4

Financial Spreadsheet Controls Site Organization 6

 Sites, Libraries, Folders and Lists..... 6

 Site Collection 6

 Sites..... 6

 Libraries 6

 Folders 8

 Lists 9

Working with spreadsheets..... 10

 Spreadsheet Upload 10

 Check Out / Check In..... 13

 Edit Properties 14

 Spreadsheet Versions 16

 Types of Spreadsheets 17

 Linked Spreadsheets 17

 System Generated Spreadsheets..... 17

 Change Control Approval process..... 17

 Roles and Responsibilities..... 17

 Business Process..... 17

Views..... 24

 Create and Modify Private Views..... 24

Reporting 27

Financial Spreadsheet Control SharePoint User Guide

Support end users..... 29

Access Controls..... 29

 Groups and memberships..... 29

Add or modify access 30

 Create Attributes..... 32

Create and modify Public views..... 33

Delete Documents / List Items 33

Trouble Shooting Tips 34

SharePoint IT Support..... 35

 SharePoint Issues 35

 How to questions..... 35

 Support Level Agreement 35

Appendix Procedures for Financial Spreadsheets 37

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.

Financial Spreadsheet Controls Site Organization

Sites, Libraries, Folders and Lists

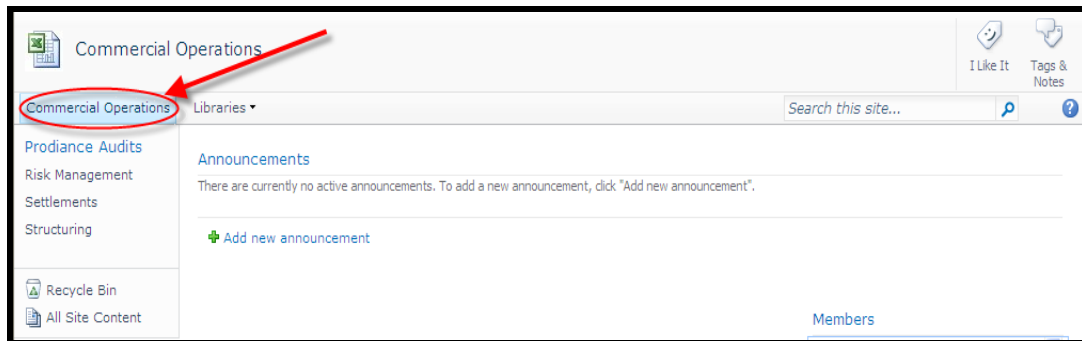
Site Collection

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.

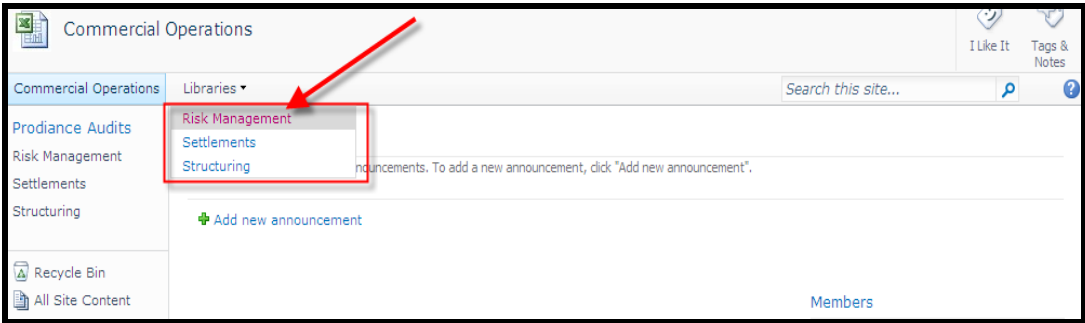


Libraries

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).

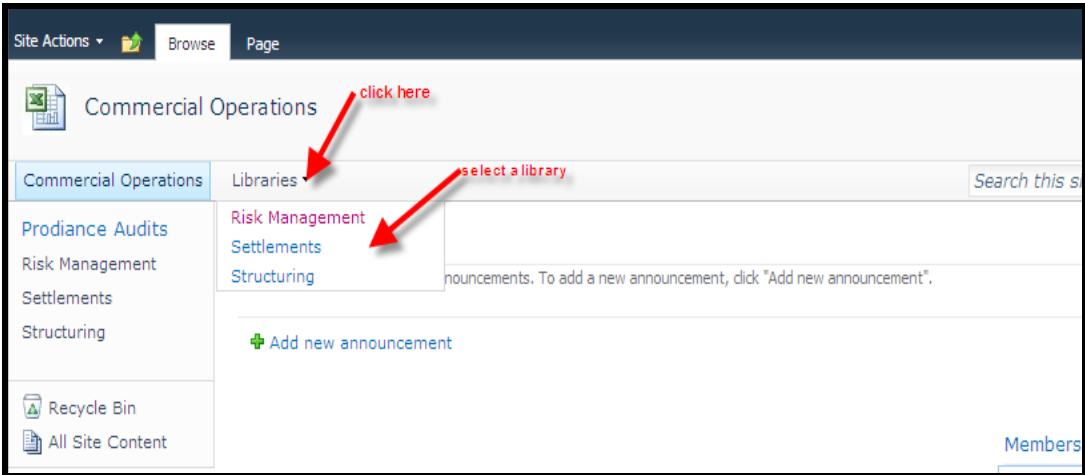
Each library is configured to allow users with read, contribute, or administrator permissions access. The following screen shot shows a user with access to the Risk Management, Settlements, and Structuring libraries in the Commercial Operations site.

Financial Spreadsheet Control SharePoint User Guide

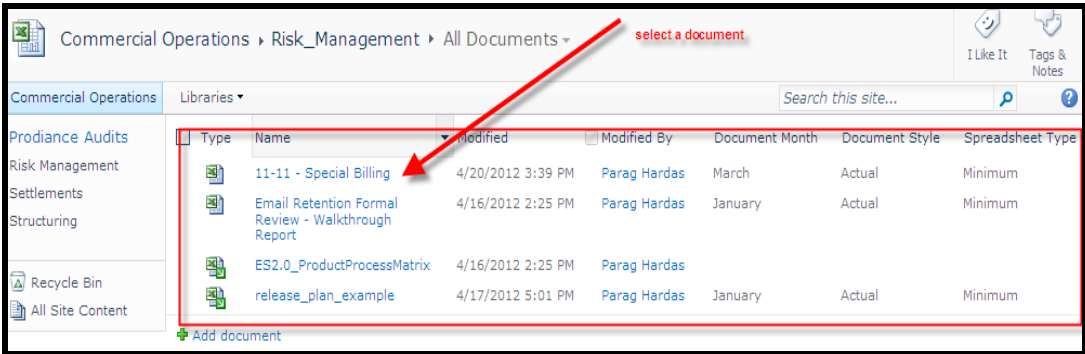


Users with read, contribute, or administrator access can navigate to site libraries by doing the following:

- 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.

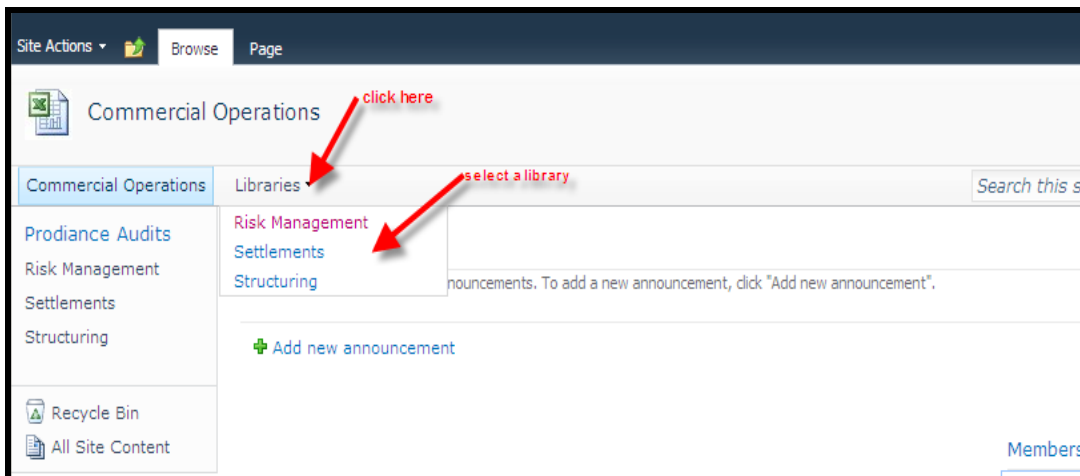


Folders

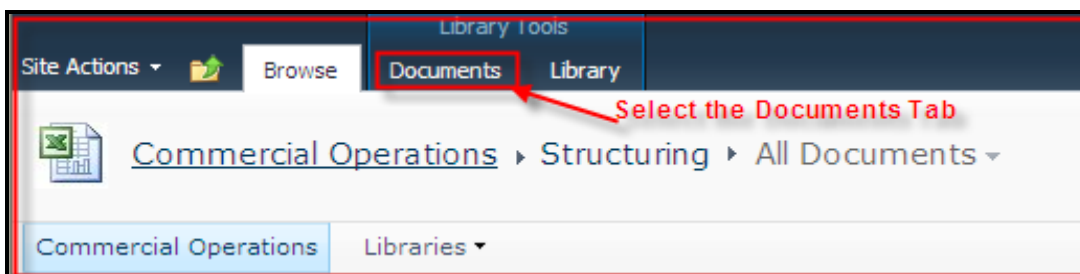
Some groups may choose to create folders within their libraries. However, folders are only recommended if you don't need security at that level otherwise management of security will become cumbersome.

Users with contribute or administrator access can create a folder by doing the following:

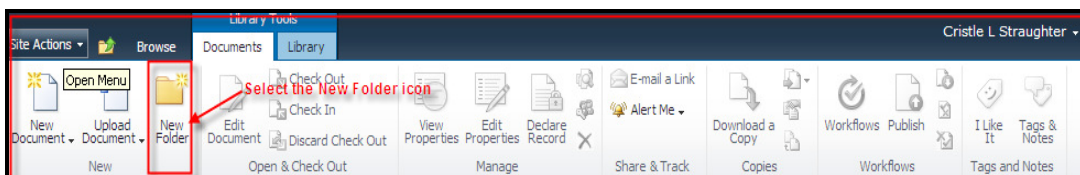
1. Hover the mouse over the library drop down arrow.
2. Select the library to navigate to the specific library of choice.



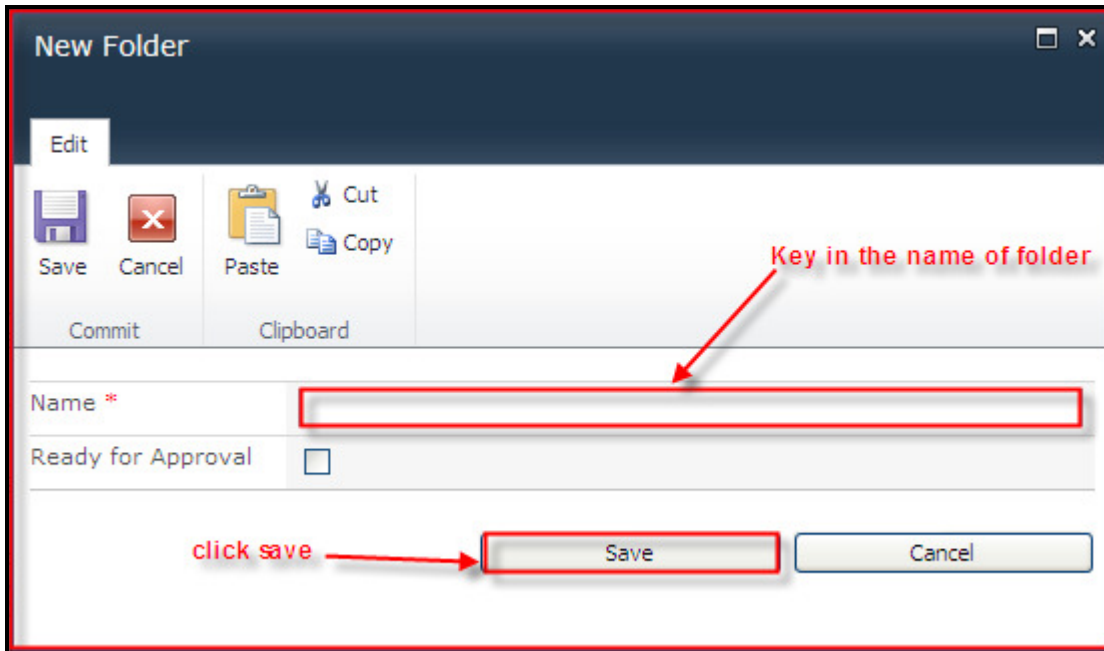
3. Select the documents Tab



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.

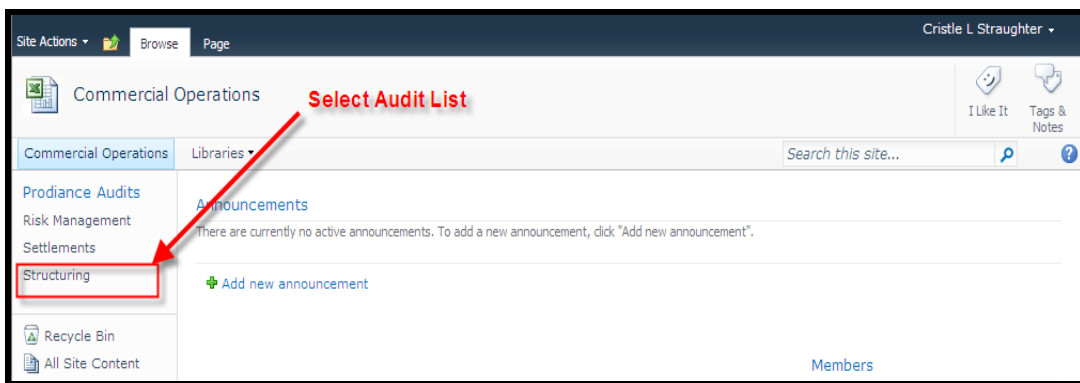


Lists

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.



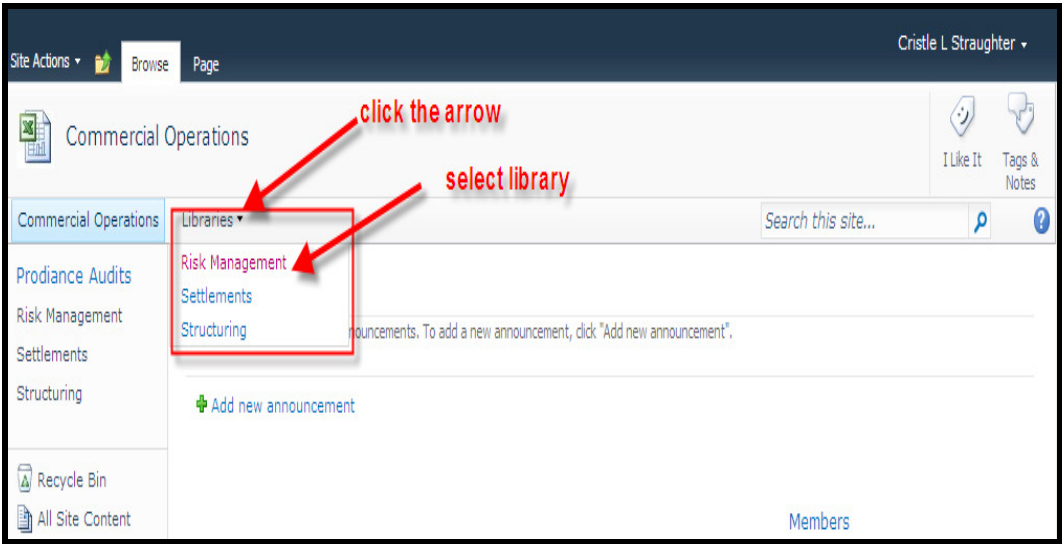
Title	Document Month	Document Style	Document Type	Organizational Group	Year	Spreadsheet Type	Document URL
Linked Sales Journal Entry	January	Actual	Financial	Structuring	2012	Complex	http://Journ
Spreadsheet A	February	Actual	Financial	Structuring	2012	Complex	http://A.xls
Linked Sales Journal Entry	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://Workd
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

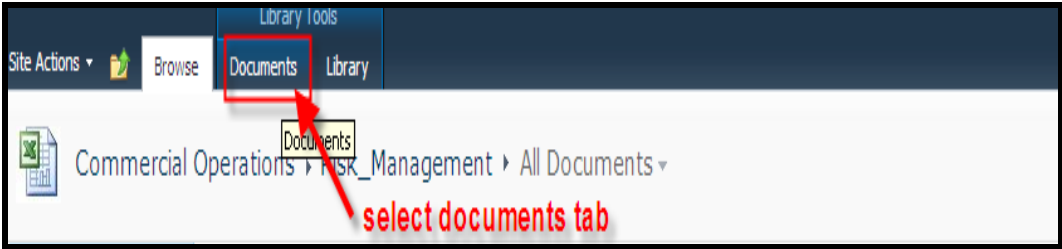
Spreadsheet Upload

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:

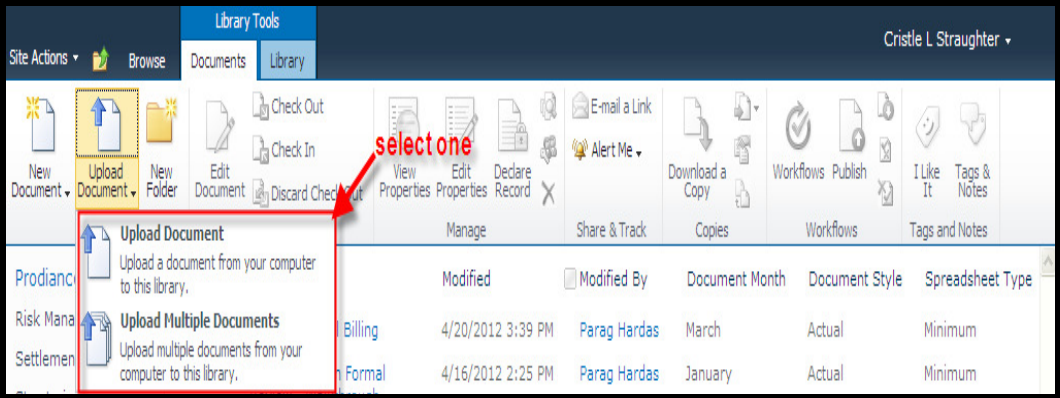
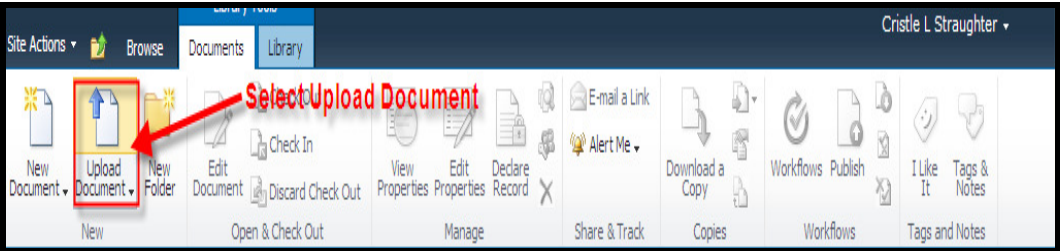
1. Navigate to the library location that you want to upload the spreadsheets by clicking on the drop down arrow and selecting the appropriate library.



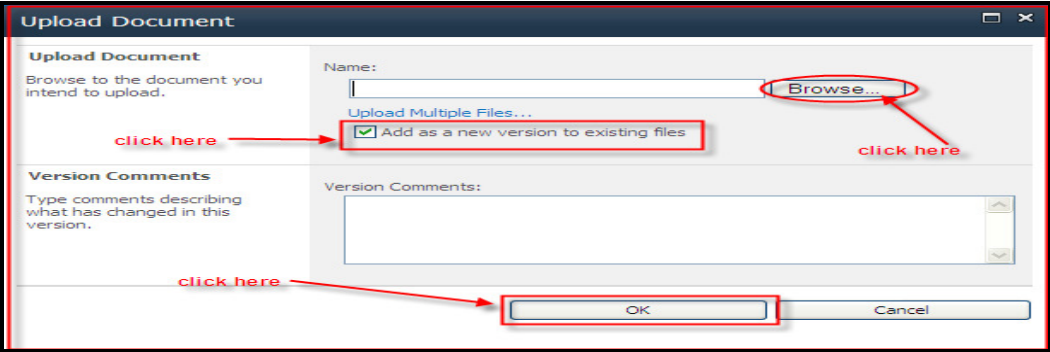
2. Select the documents tab under the library tools option.



3. Select the “upload document” icon for one document or click the arrow for multiple documents then select “upload document” or “upload multiple documents”.

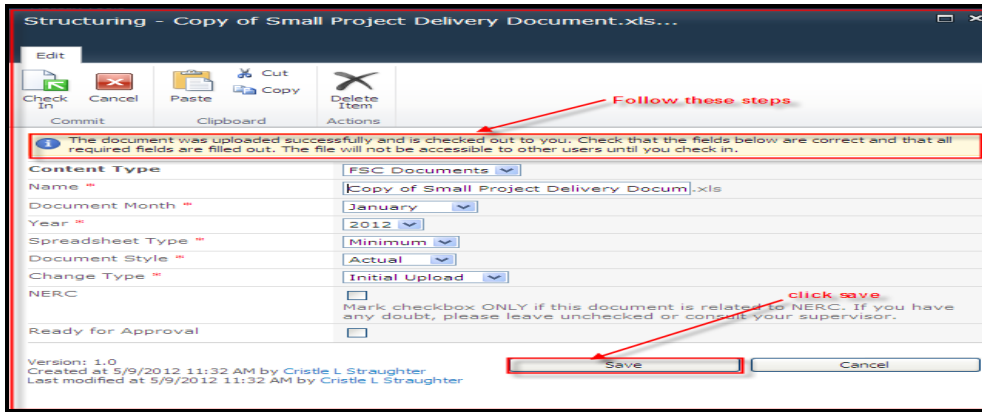


4. An upload document screen will open select the browse button to browse your computer for the file you want to upload to Sharepoint. Leave the box checked or uncheck for “Add as a new version to existing files” option. Select the ok button.



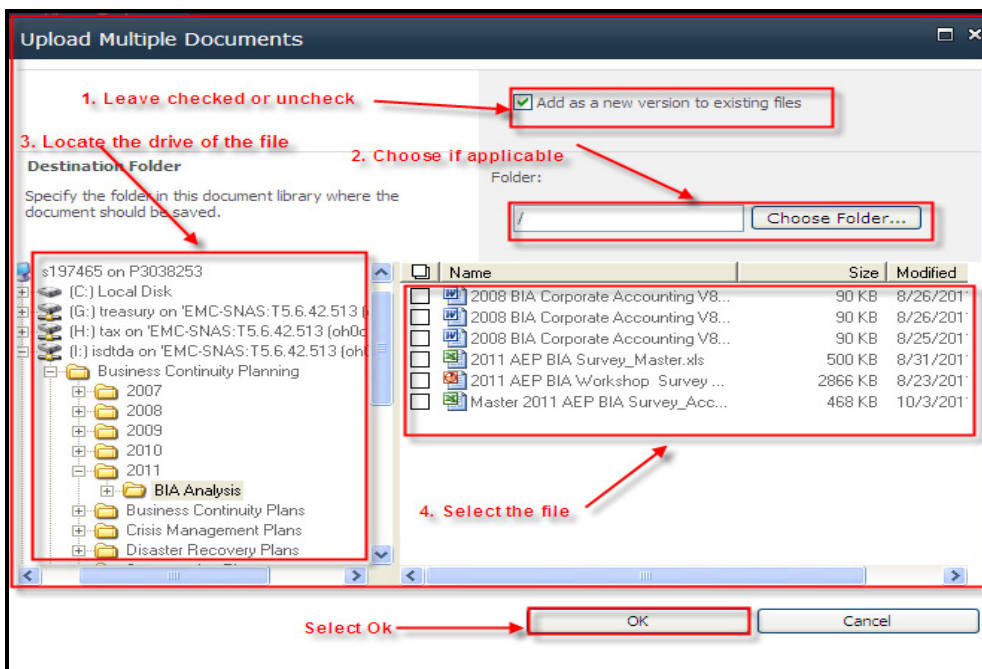
Financial Spreadsheet Control SharePoint User Guide

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.



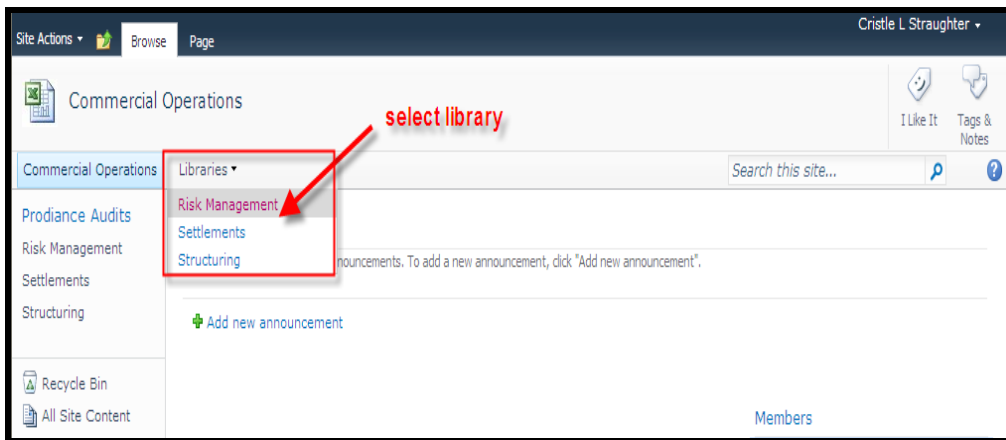
For more details on how to upload spreadsheets go to this video.

http://aepsp/sites/sphelp/training/sps2010_upload_files.wmv

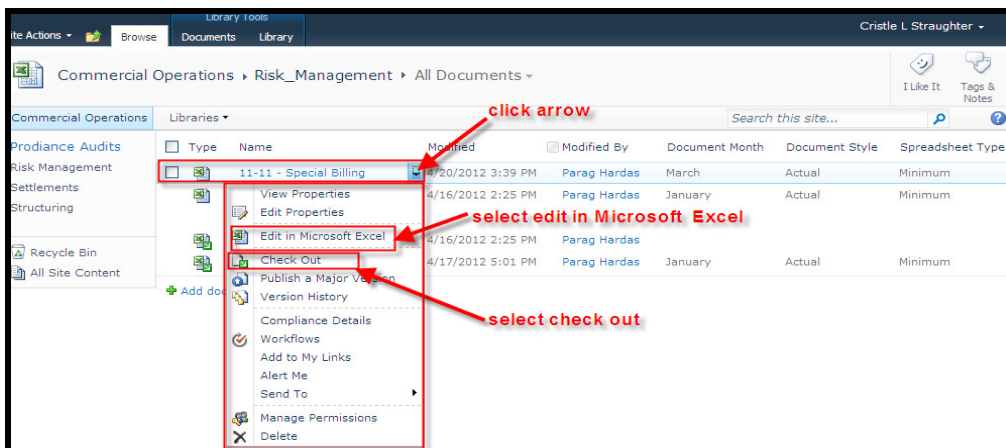
Check Out / Check In

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.

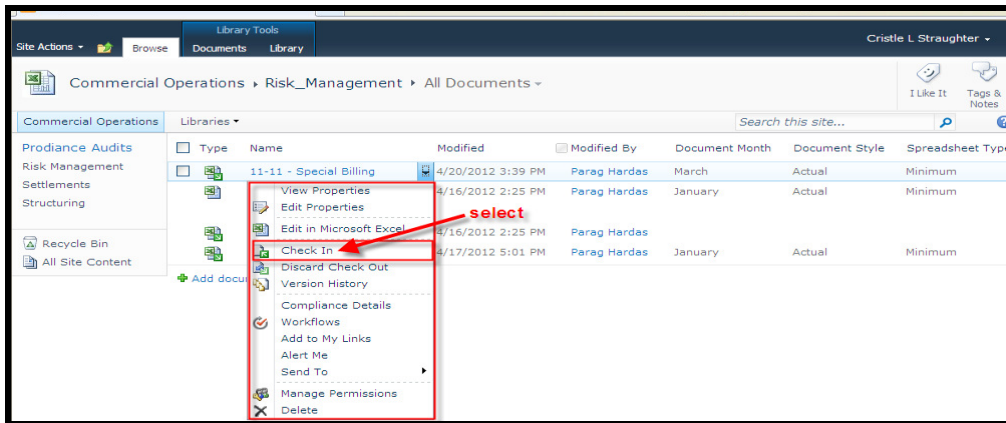


2. Click on the arrow to the right of the spreadsheet and select "Checkout".
3. Click on the arrow to the right of the spreadsheet and select "Edit in Microsoft Excel".



4. After document revision check it back in.

Financial Spreadsheet Control SharePoint User Guide



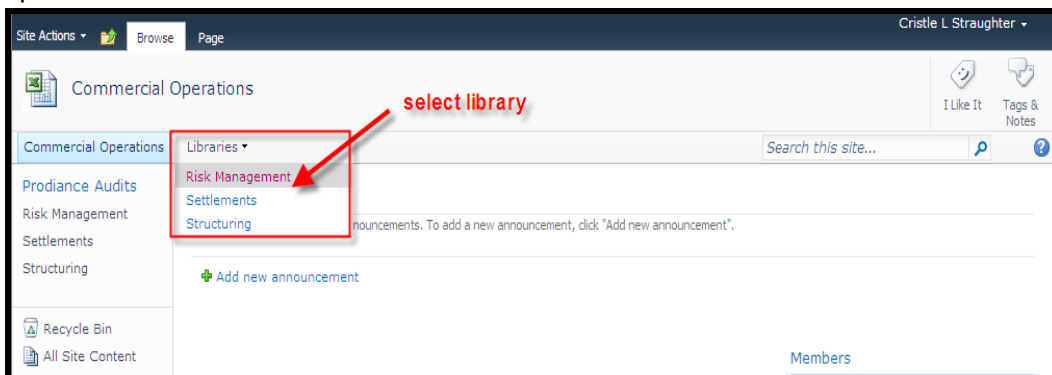
For more information on Check Out / Check In go to this video

http://aepsp/sites/sphelp/training/sps2010_checkout_files.wmv

Edit Properties

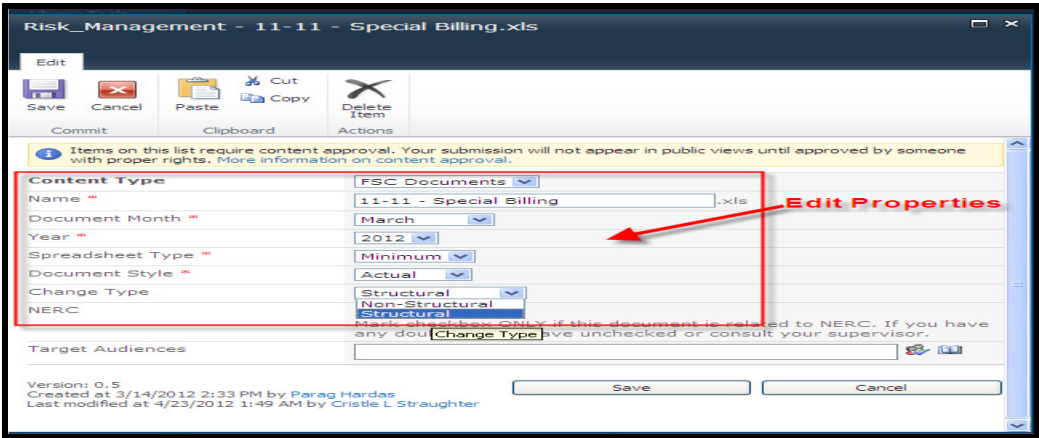
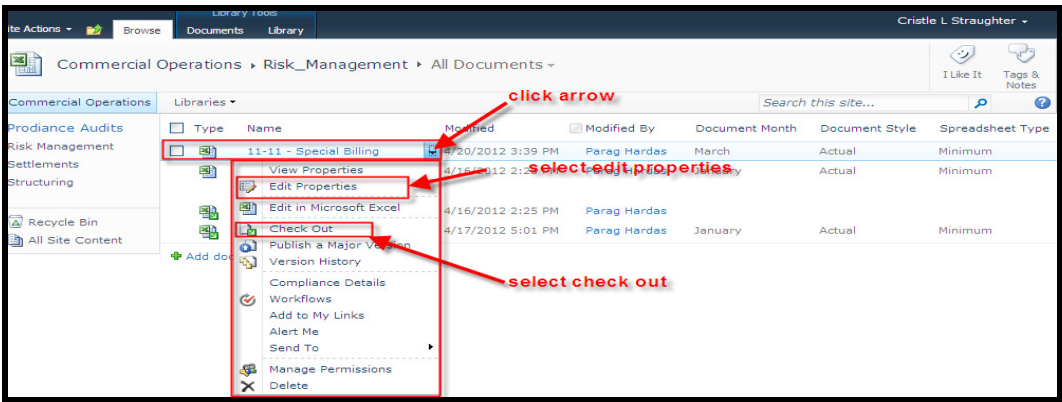
The Edit Properties screen allows users to change the properties for the spreadsheets. Users are required to check out the spreadsheet in order to edit properties. To edit properties the user will do the following:

1. Select the library location of the spreadsheet.

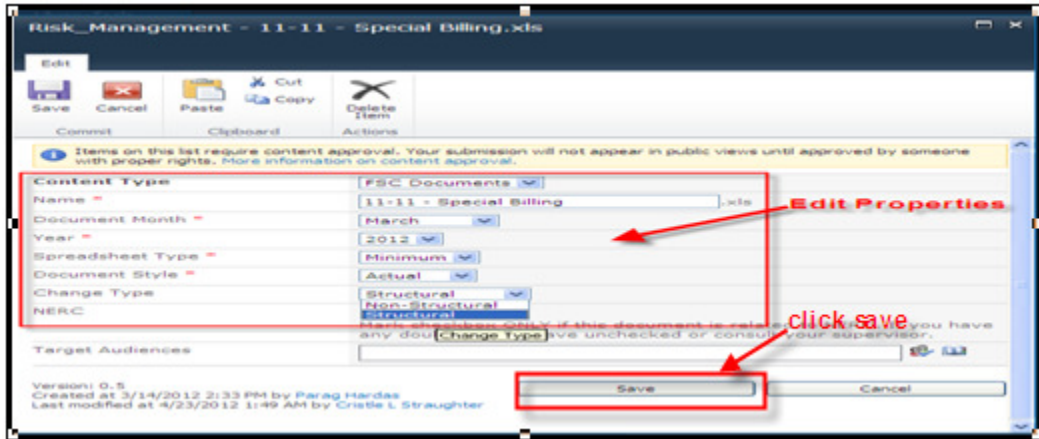


2. Click on the arrow to the right of the spreadsheet.
3. Select Checkout.
4. Click on the arrow to the right of the spreadsheet.
5. Select "Edit Properties" to revise the attribute screen.

Financial Spreadsheet Control SharePoint User Guide



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

Spreadsheet Versions

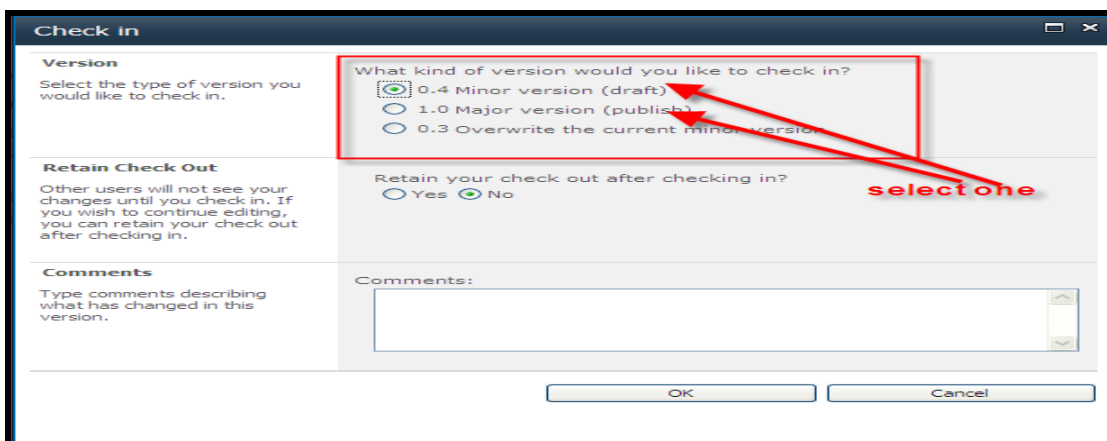
Financial spreadsheets have versions to reflect changes by users. Every spreadsheet gets a 0.1 minor version when its uploaded for the first time in SharePoint. Spreadsheets are versioned with a minor version after every change is saved. Spreadsheets are published as a major version when it becomes the 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:

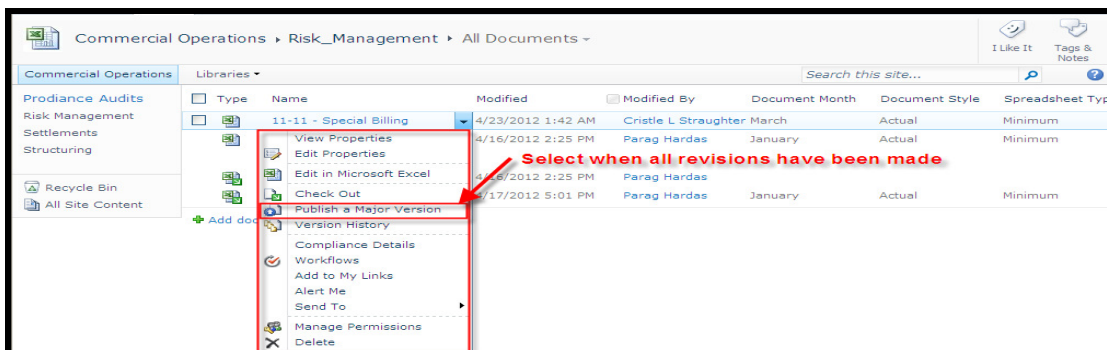
1. The user can choose to check in the document as a major version (publish) after the last revision. The minor version will go from 0.4 to a major version of 1.0

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

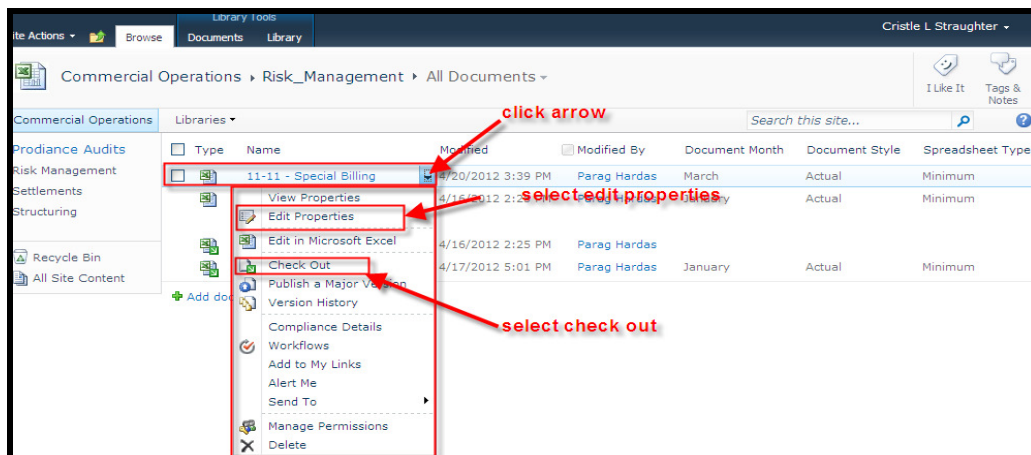
The change control workflow applies to complex spreadsheets that have structural changes. The change control process is executed by two kinds of users:

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.

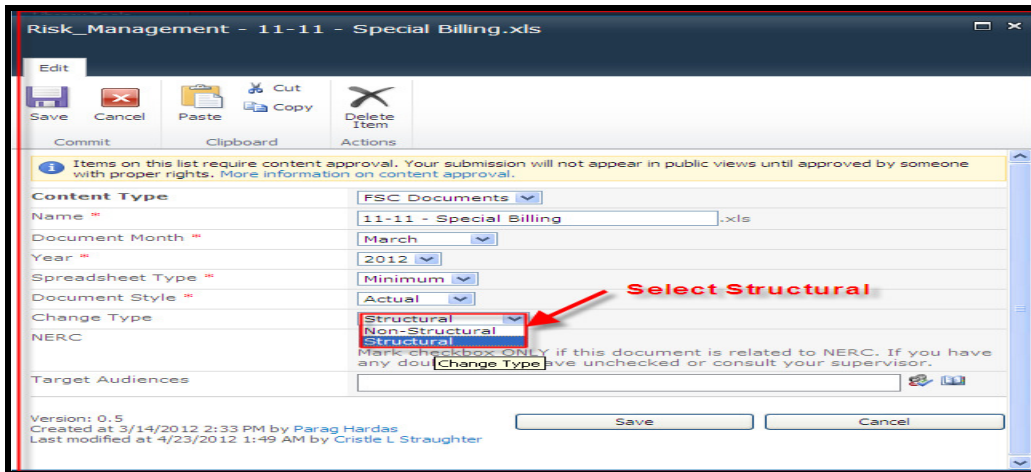
Business Process

The change control approval process has the following steps:

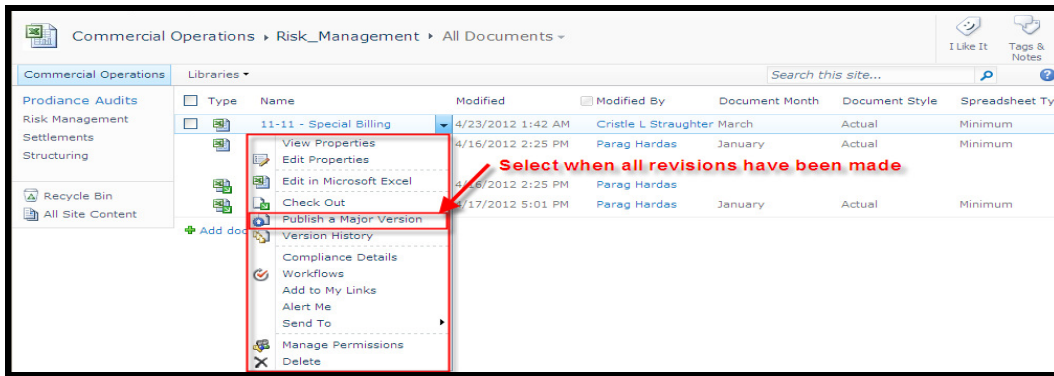
1. Check Out and edit the properties to change the value of the "Change Type" attribute to "Structural"



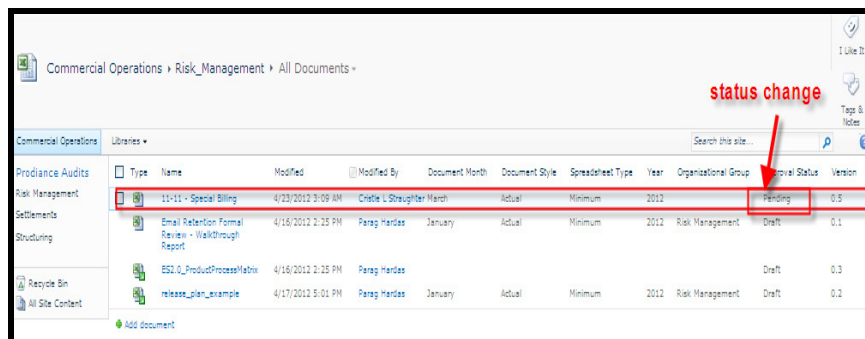
Financial Spreadsheet Control SharePoint User Guide



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.

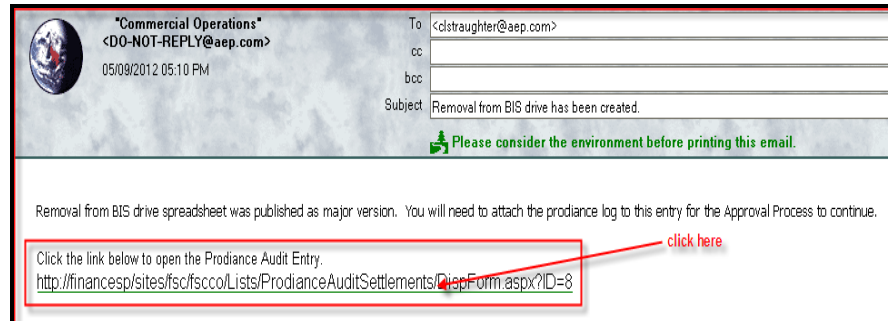


After the spreadsheet is published as a major version the value of “Approval Status” field changes from “Draft” to “Pending” as shown below:

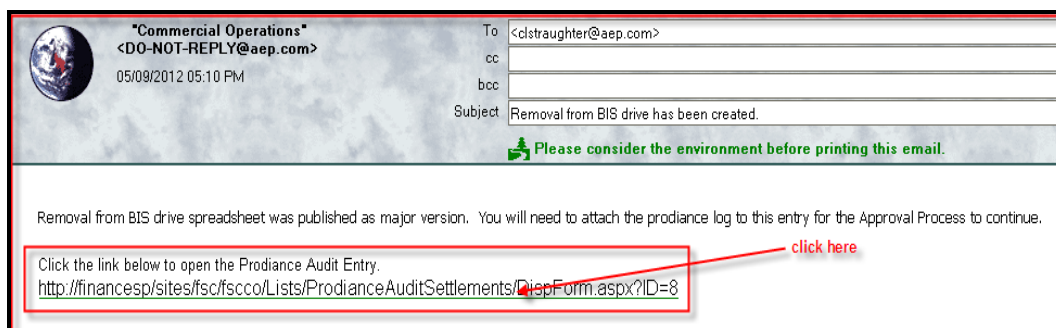


Financial Spreadsheet Control SharePoint User Guide

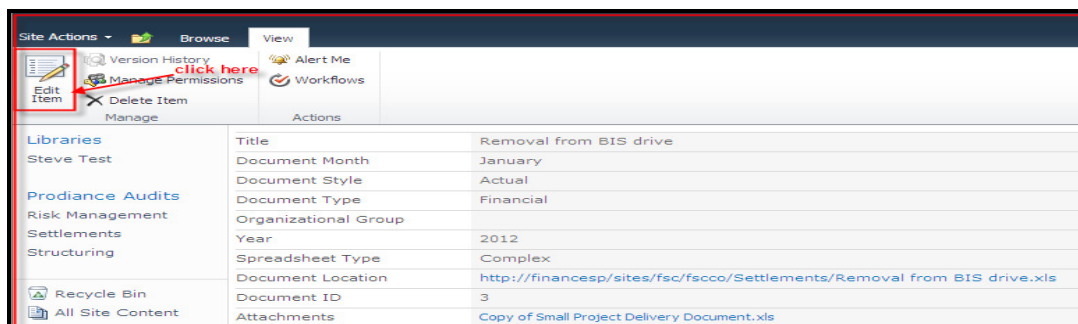
The system will send an email to the spreadsheet user with a link to the Prodiance Audit list entry to upload the Prodiance Log after it is generated as shown below.



- 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)**
- Click the link in the email previously received.

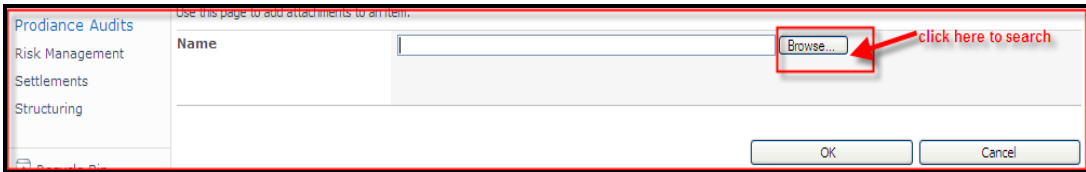
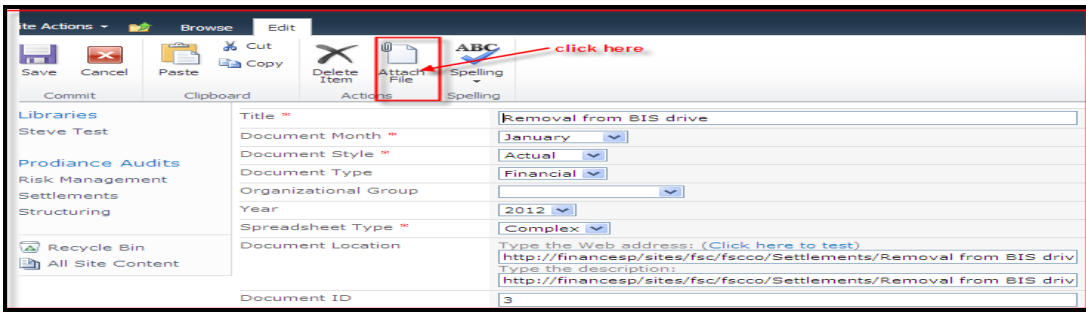


- Prodiance Audit log list is displayed select Edit Item

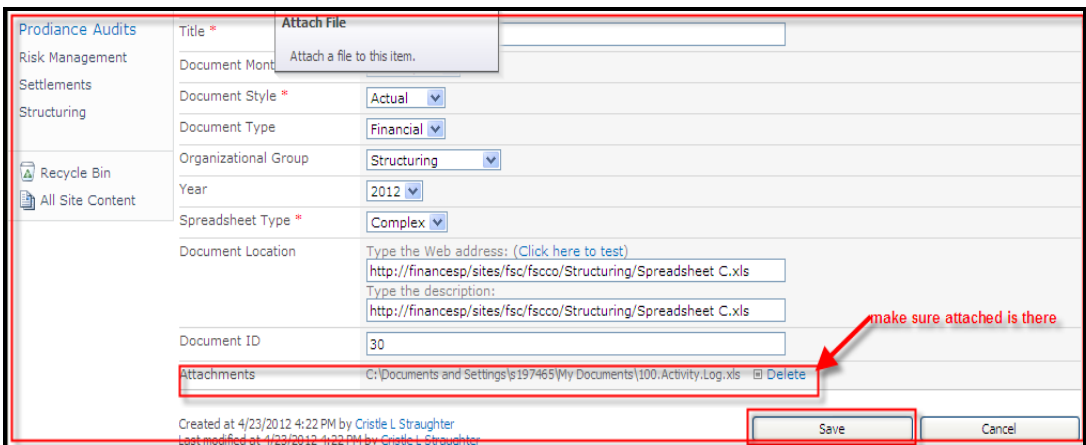


- The user will then click on the "Attach File" icon (highlighted in Red below) in the ribbon on the top to attach the Prodiance log file. The user will be given the option to browse through his computer to attach the Prodiance log

Financial Spreadsheet Control SharePoint User Guide



9. After the Prodiance log is attached, please make sure that the "Attachments" attribute shows the Prodiance log file attached to the list item.



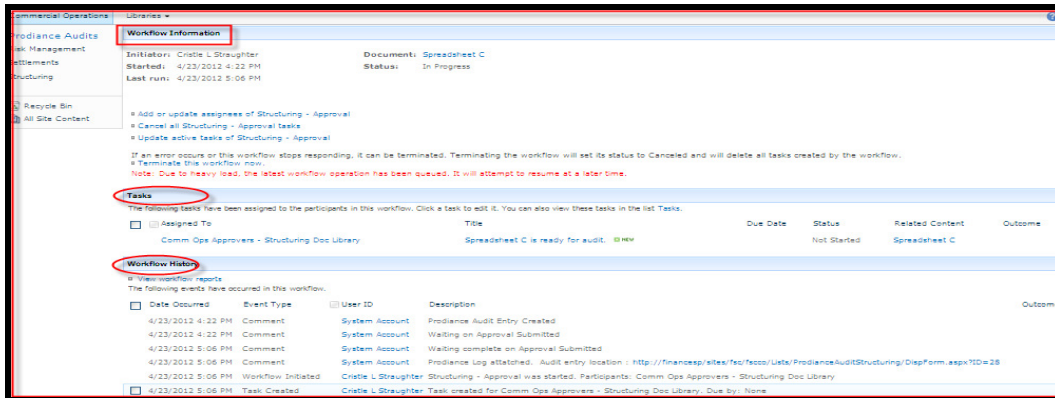
10. Once the Prodiance Log is attached, users in the Approvers group for that library get the following email asking them to approve the spreadsheet.



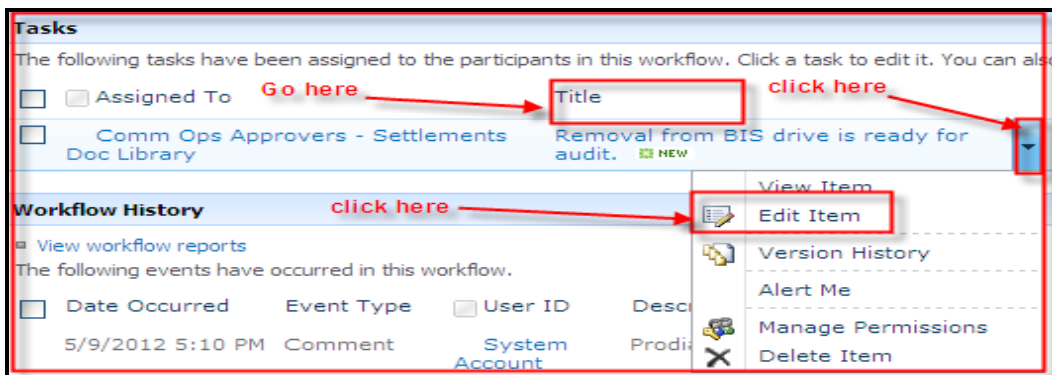
Financial Spreadsheet Control SharePoint User Guide

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.

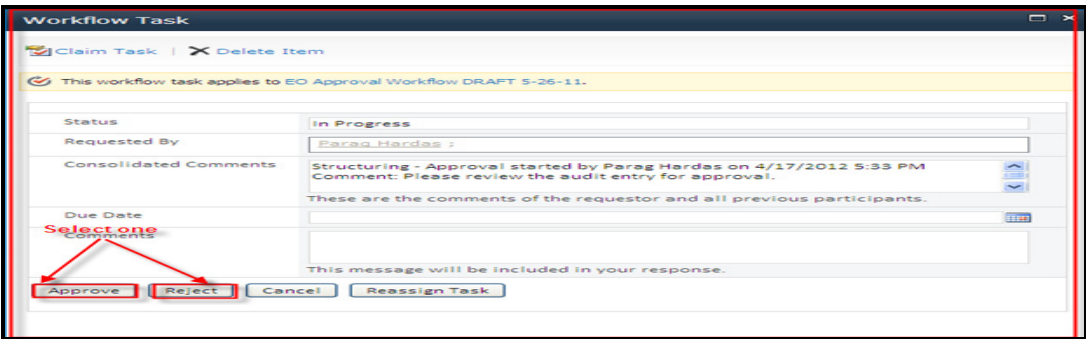


For the purposes of approval, the approver will go to the Tasks section and click on the Title field to edit the item after the spreadsheet and Prodiance log have been downloaded and reviewed.

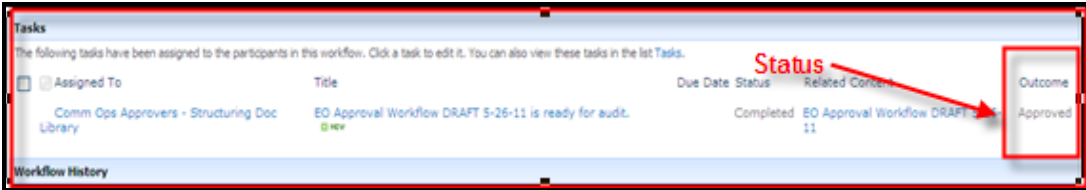


The approver can approve or reject the spreadsheet. The option to “reassign” this task is not needed because all approvers will receive the approval email.

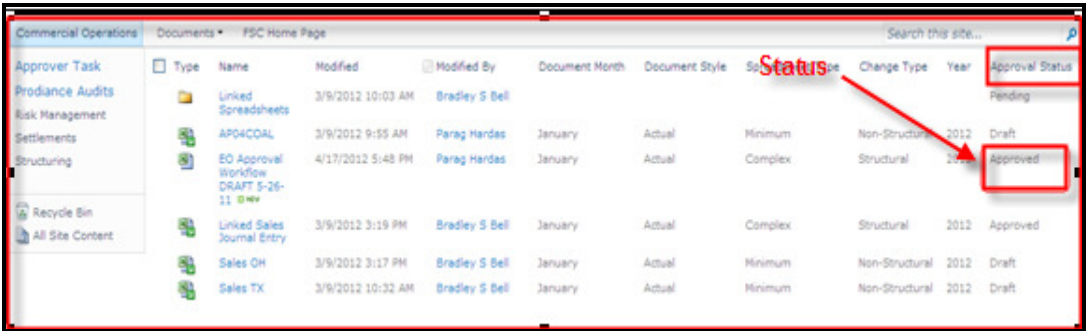
Financial Spreadsheet Control SharePoint User Guide



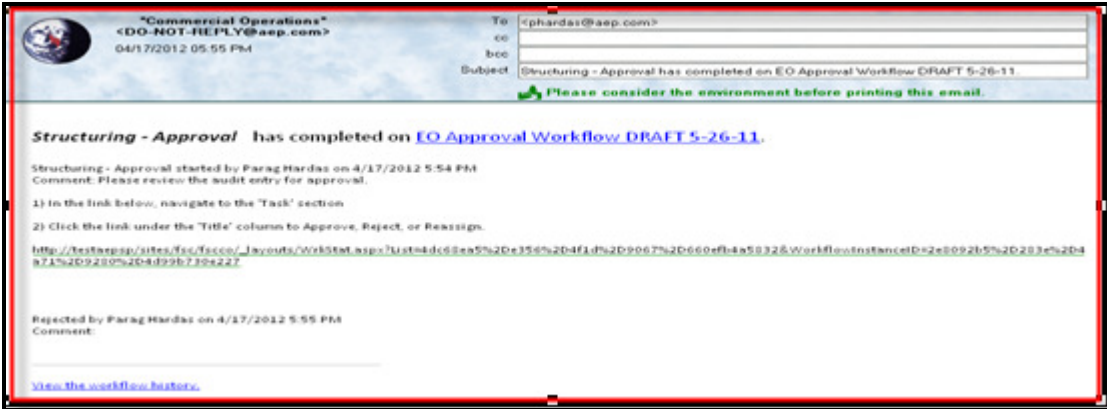
Once the spreadsheet is approved, the status field will change to "Completed" from "Not Started" and Outcome field will show "Approved".



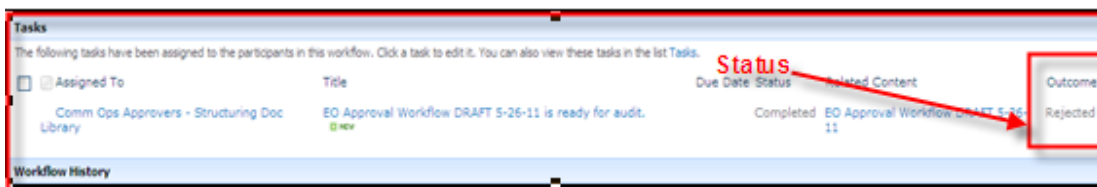
The Approval Status for the actual spreadsheet will change from "Pending" to "Approved" :



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”.



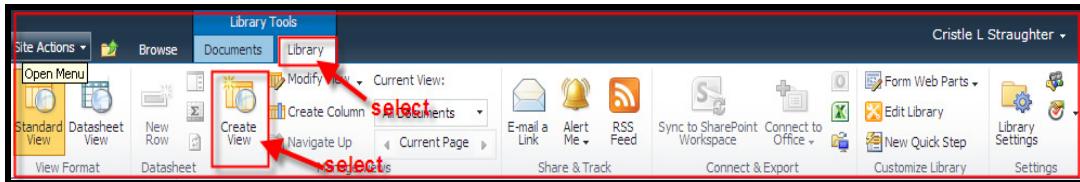
The spreadsheet will then have to be modified and routed through another cycle of the workflow process for the approval.

Views

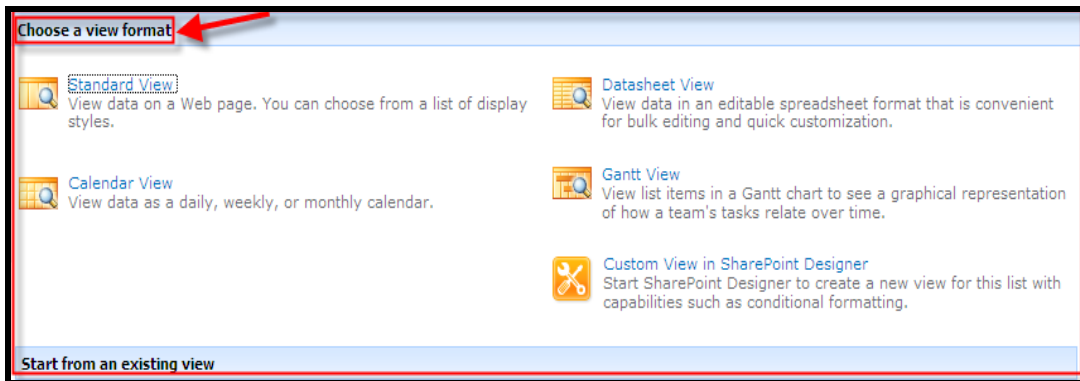
Create and Modify Private Views

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.

Financial Spreadsheet Control SharePoint User Guide

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 checked="" 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:

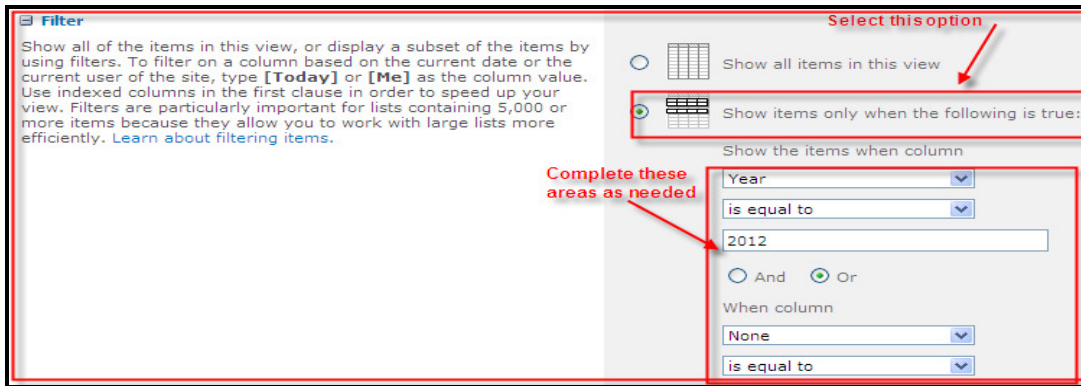
Show items in ascending order (A, B, C, or 1, 2, 3)

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..

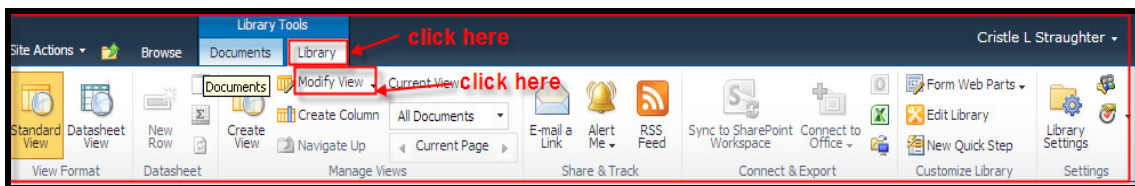
Financial Spreadsheet Control SharePoint User Guide



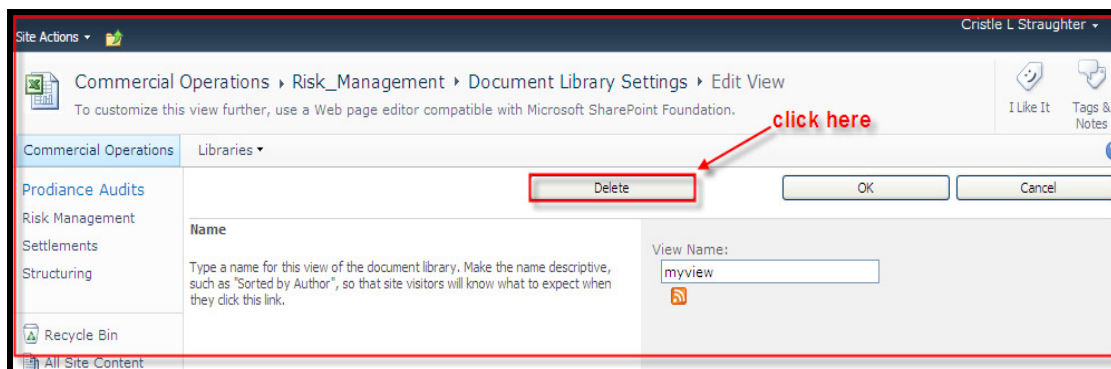
For more information on creating a custom private view go to this video

http://aepsp/sites/sphelp/training/sps2010_custom_view.wmv

4. To modify a view, click the “Library tab” on the Library Tools menu and follow steps 1 – 3 to edit the values.



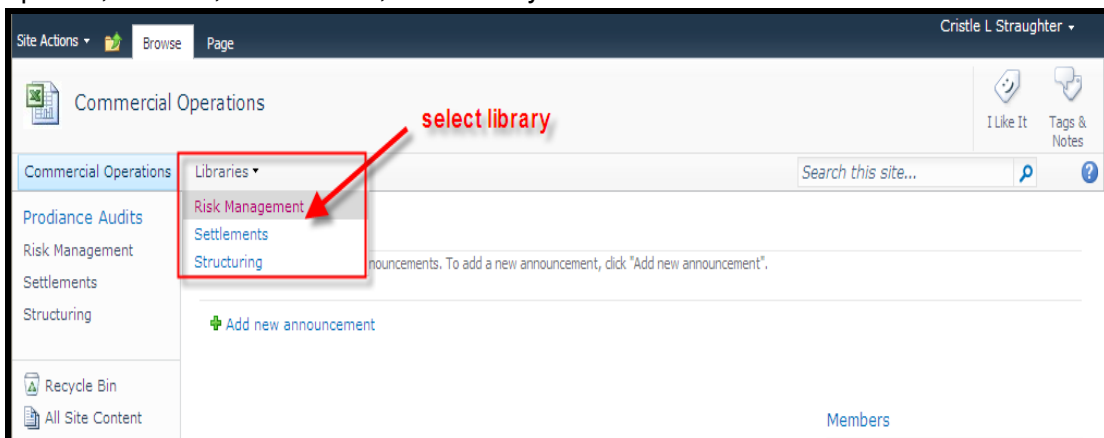
5. To delete a custom view (views created by users) follow steps 1 – 4 . The user will be presented with a delete option. Click the delete button.



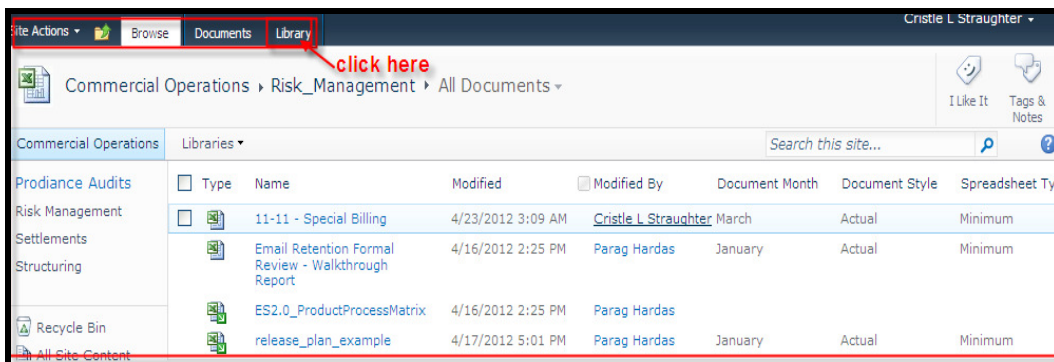
Reporting

Users can generate reports from a SharePoint library containing a list of files and their properties.

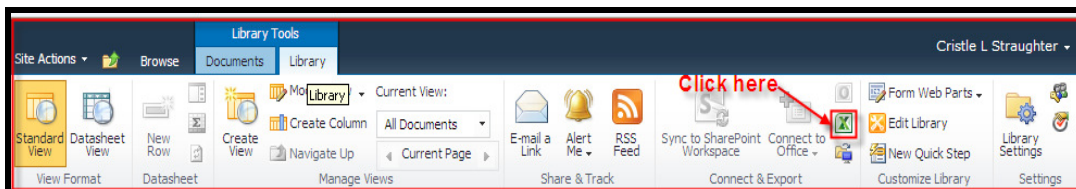
1. To generate a report, navigate to the library that you want to report on. The contents of the library will be shown in a list with the standard ribbon on the top showing the three options; Browse, Documents, and Library.



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.



Financial Spreadsheet Control SharePoint User Guide

- 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.

Name	Modified	Modified By	Document Month	Document Styl	Spreadsheet Typ	Year	Organizational Gro
11-11 - Special Billing.xls	4/23/2012 3:09	Cristle L. Straughter	March	Actual	Minimum	2012	
Email Retention Formal Review - Walkthrough Report.xls	4/16/2012 14:25	Parag Hardas	January	Actual	Minimum	2012	Risk Management
ES2.0 ProductProcessMatrix.xls	4/16/2012 14:25	Parag Hardas					
release plan example.xls	4/17/2012 17:01	Parag Hardas	January	Actual	Minimum	2012	Risk Management

Site Administration – Roles and responsibilities

Support end users

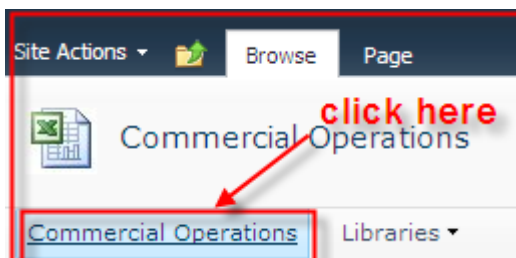
Site access managers (*power users*) are responsible to support end business users in their business unit for issues with access to spreadsheets and “How To” questions.

Access Controls

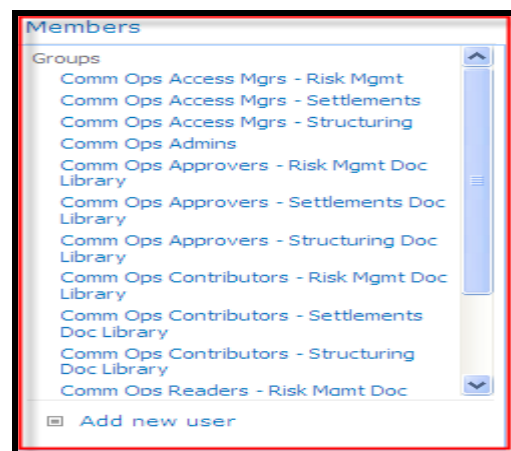
Groups and memberships

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.



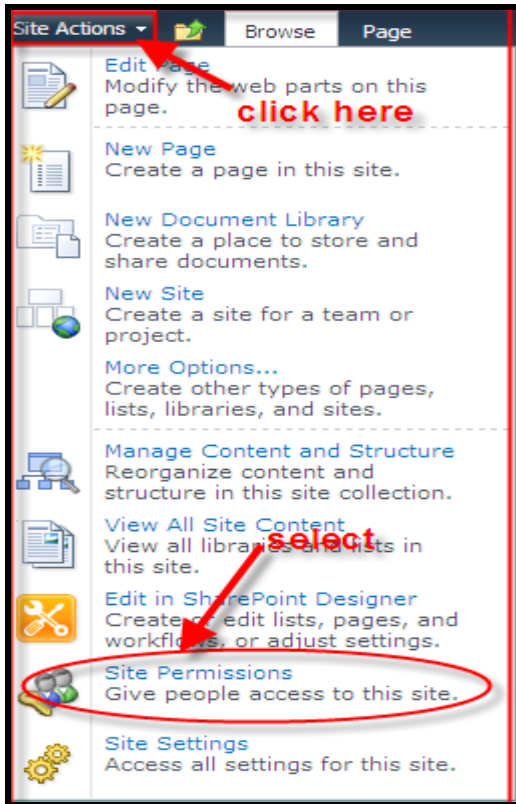
The following screen shot displays all groups configured for the Commercial Operations site. The naming convention followed for groups is [Site (acronym or short name)] [level of access] – [library name]. Business users that would contribute to the risk management library in Commercial Operations site will be in the **Comm Ops Contributors – Risk Mgmt Doc Library**.



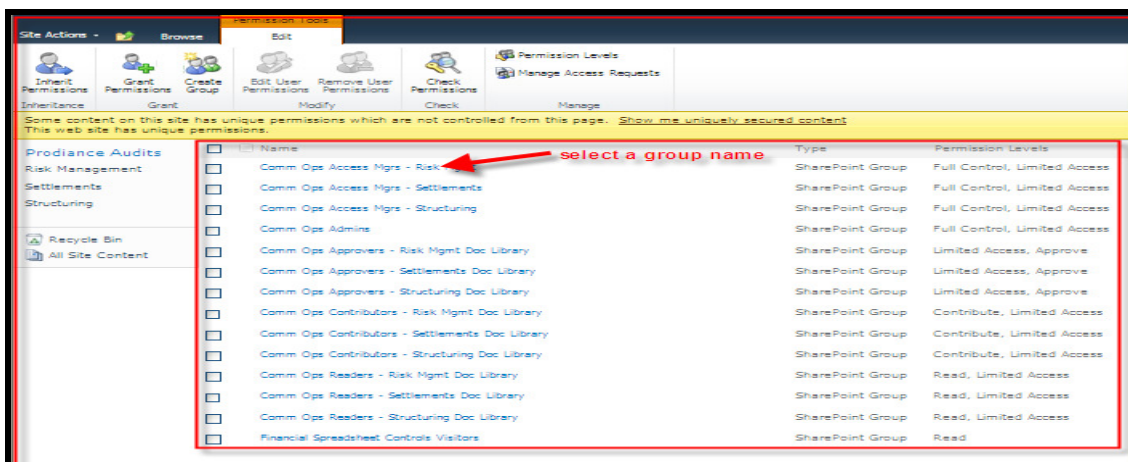
Add or modify access

Site access managers will have permissions to modify user groups for their site.

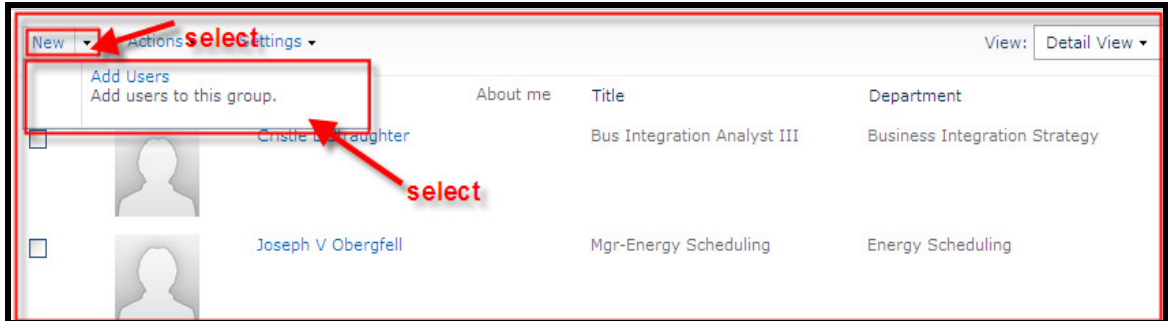
1. The permissions for a site can be managed by clicking on “*Site Actions*” on the top and choosing “*Site Permissions*” option in the drop down.



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.

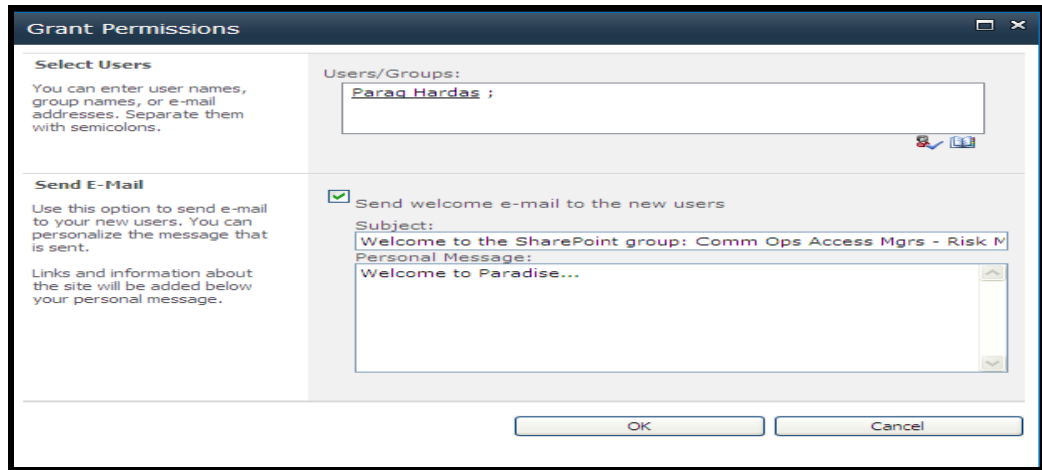


- All users belonging to the group will be displayed in a list. To add New users, click on the drop down arrow on the “New” option and then on the “Add Users “ on the top left of the users list.

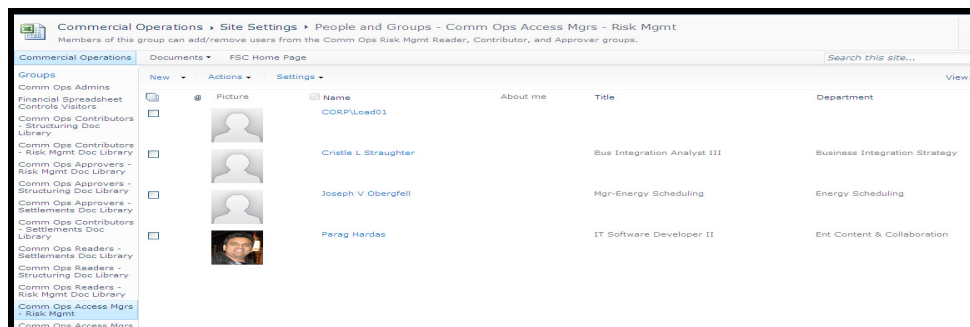


- The “Grant Permissions” screen is displayed. Type the name of the users that you want to add to the group.

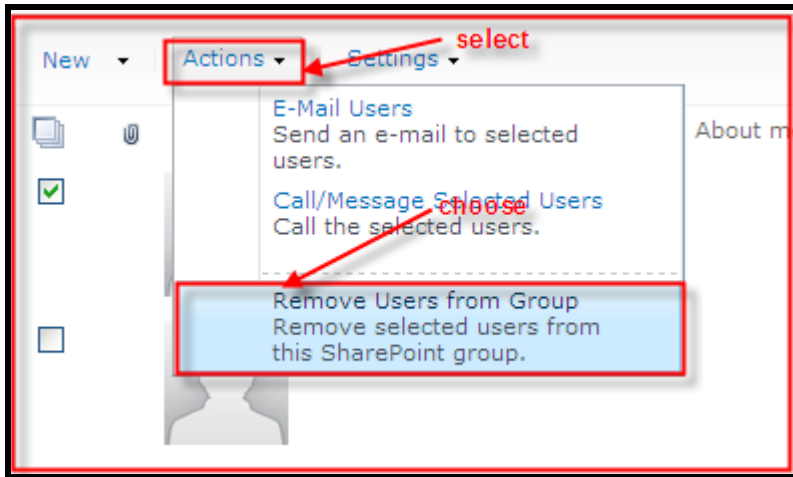
In the example below, I am trying to add “Parag Hardas” to the Comm Ops Access Mgrs – Risk Mgmt group. You can choose to send a welcome email to the person with an option for a personal message as shown below:



Click Ok to give access to Parag Hardas and once added his name will be displayed in the list of users as shown below:



- To remove users, check the user that needs to be removed and click on “Actions” / “Remove Users from Groups” as shown below:



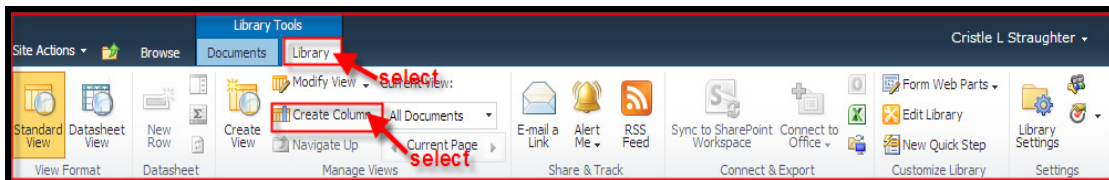
Create Attributes

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:

- System generated - Modified By, Modified etc. These are auto populated by SharePoint for all documents uploaded in libraries.
- User entered - Name, Document Month, Year, Organizational Group etc. These have been created specifically for the Financial Spreadsheets Controls process.

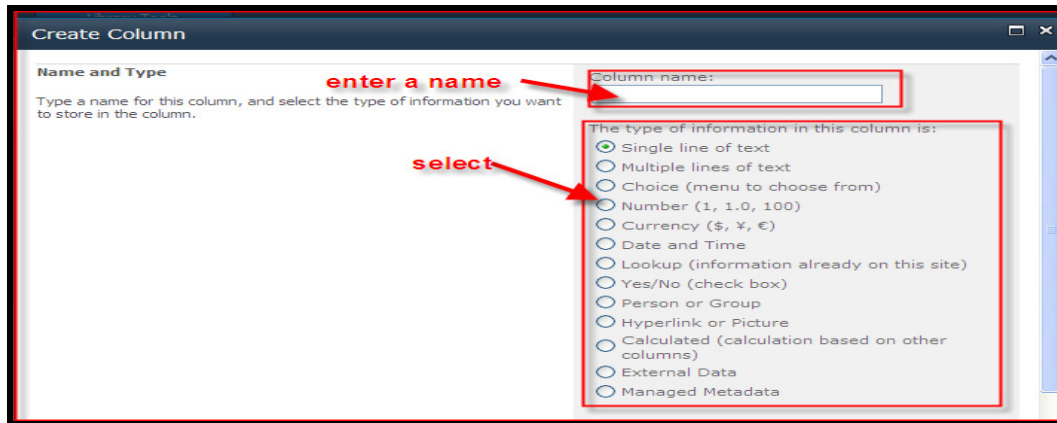
Users can add new attributes in the libraries they have access to. To add new attributes, navigate to the Library that you want to add new attributes to and click the library tab from the top menu bar then select “create column” as shown below:



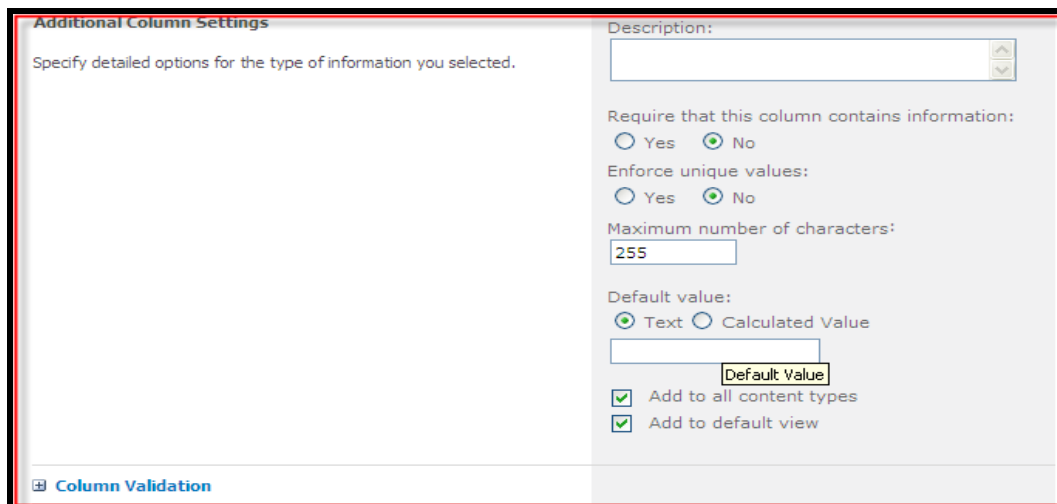
The user will be presented with the following options:

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

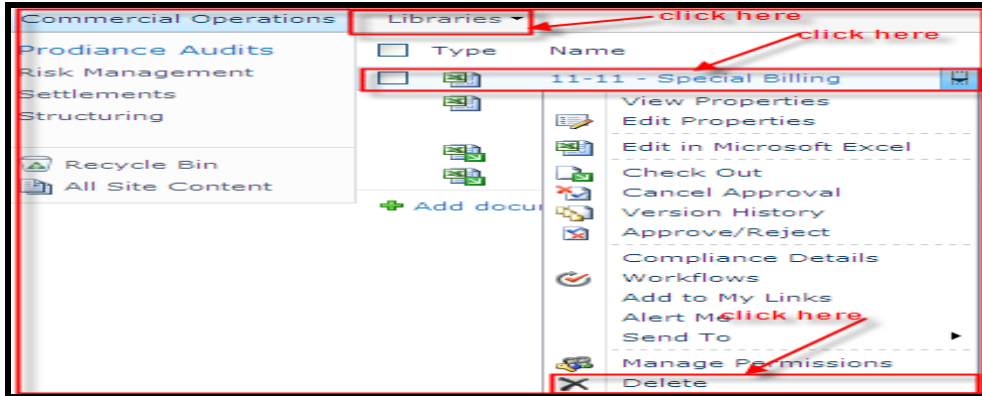
The steps to create and modify public views are the same as those for private views, however, access to create and modify them is restricted to Site Administrators i.e. users in the COMOPS Administrator group in our example.

For steps to create private views, refer to [Create and modify Private View's](#) section.

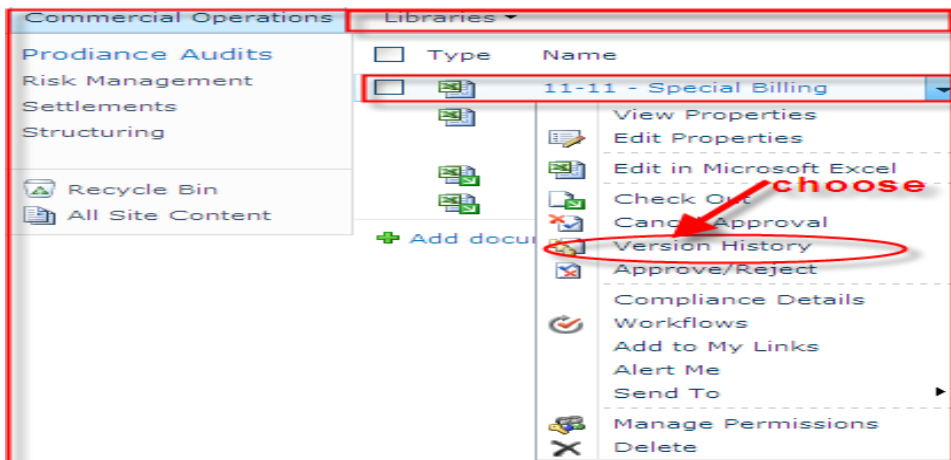
Delete Documents / List Items

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>

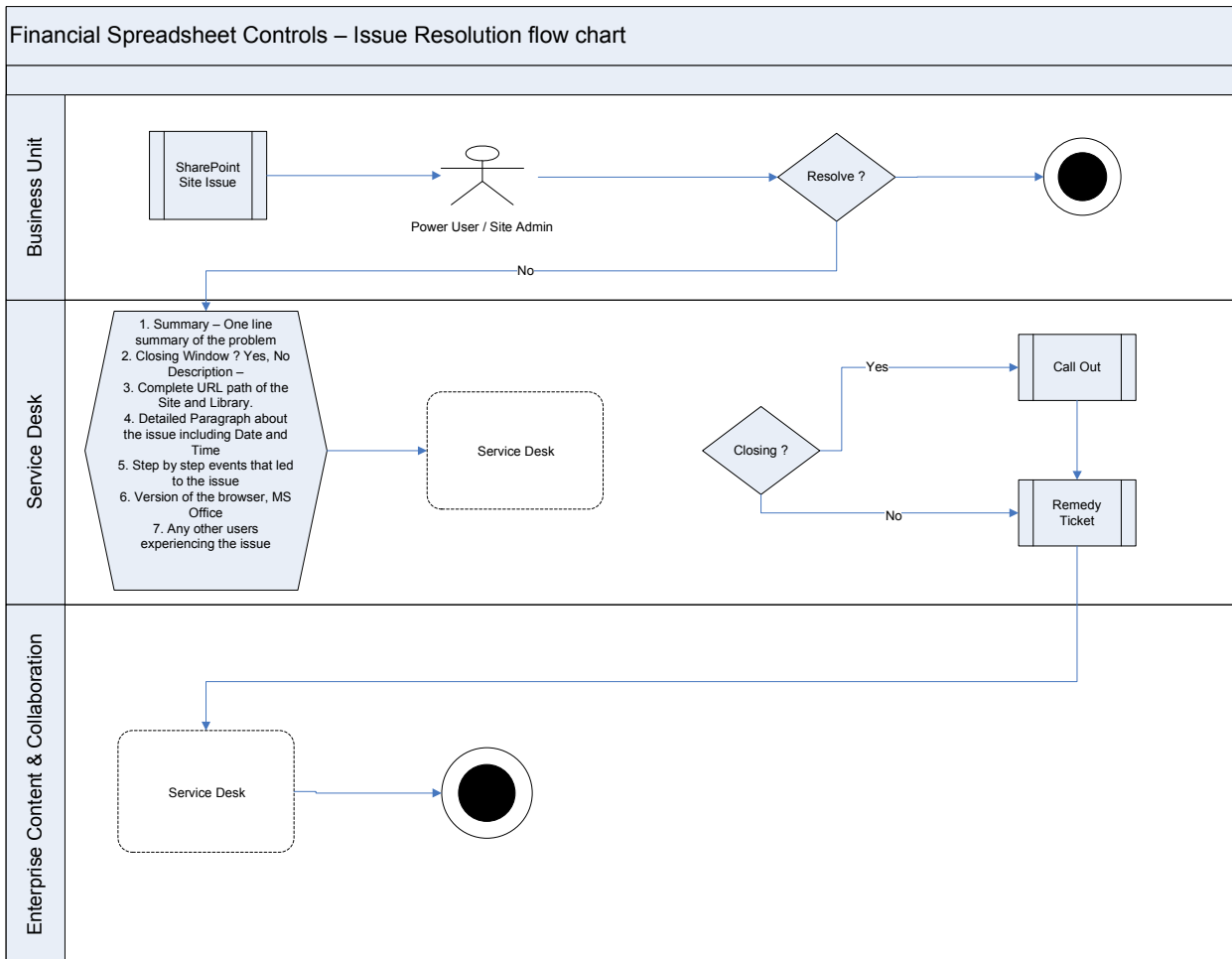
Support Level Agreement

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 Control SharePoint User Guide



Appendix Procedures for Financial Spreadsheets

A Guide to application of the FINANCIAL SPREADSHEETS & DATABASE CONTROLS POLICY

Updated: July 12, 2012

Version: 2.3

Contents

Contents..... 38

1) INTRODUCTION..... 40

 1.1) Purpose 40

 1.2) Scope and Applicability..... 40

 1.3) Policy Compliance..... 40

 1.4) Roles and Responsibilities..... 40

 1.5) Best Practices..... 41

2) **ACCESS CONTROL PROCEDURES**..... 41

 2.1) Access Controls Standard 41

 2.2) Standard for Review of Access Controls..... 42

3) SPREADSHEET DESIGN 42

 3.1) Spreadsheet Design Standard..... 42

4) TESTING AND **CHANGE CONTROL** PROCEDURES..... 43

 4.1) Standard for Establishing Spreadsheet Baseline 43

 4.2) Standard for Financial Spreadsheet Change Control..... 44

5) DATA RETENTION AND ARCHIVAL PROCEDURES 44

6) IMPLEMENTATION TIMEFRAME 45

 6.1) Standards due Q3 2012 “Immediate Standards”: 45

10) ALTERNATIVE STANDARD 45

Definitions..... 45

APPROVALS 47

APPENDIX A..... 47

APPENDIX B..... 48

Financial Spreadsheet Control SharePoint User Guide

APPENDIX C 49

APPENDIX D 50

APPENDIX E 52

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 5th 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

Financial Spreadsheet Control SharePoint User Guide

- **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

SPREADSHEET AND DATABASE EVALUATION CRITERIA

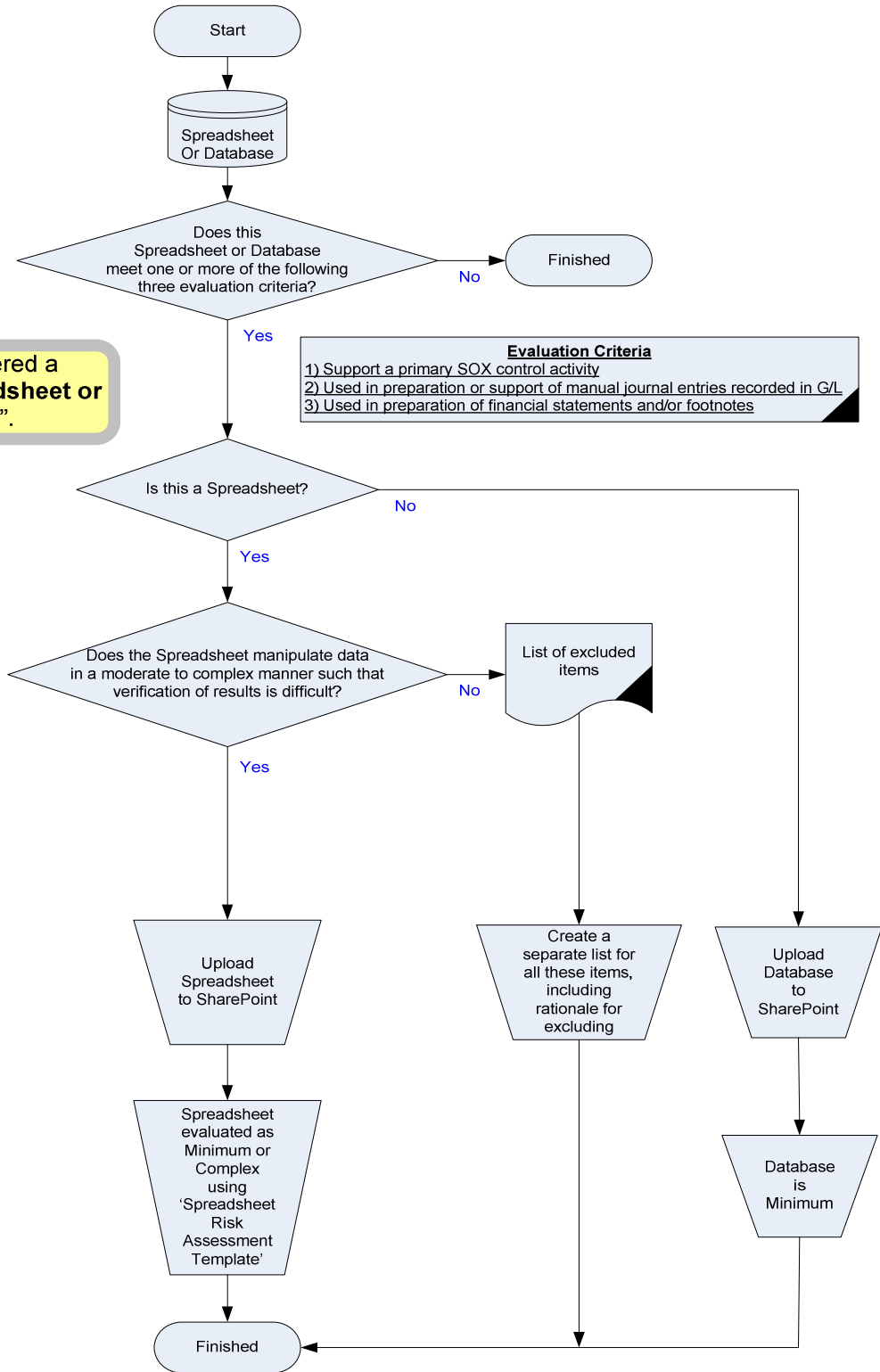
This is considered a "Financial Spreadsheet or Database".

- Evaluation Criteria**
- 1) Support a primary SOX control activity
 - 2) Used in preparation or support of manual journal entries recorded in G/L
 - 3) Used in preparation of financial statements and/or footnotes

SHAREPOINT EVALUATION

SHAREPOINT

MINIMUM OR COMPLEX EVALUATION



Financial Spreadsheet Control SharePoint User Guide

APPENDIX B

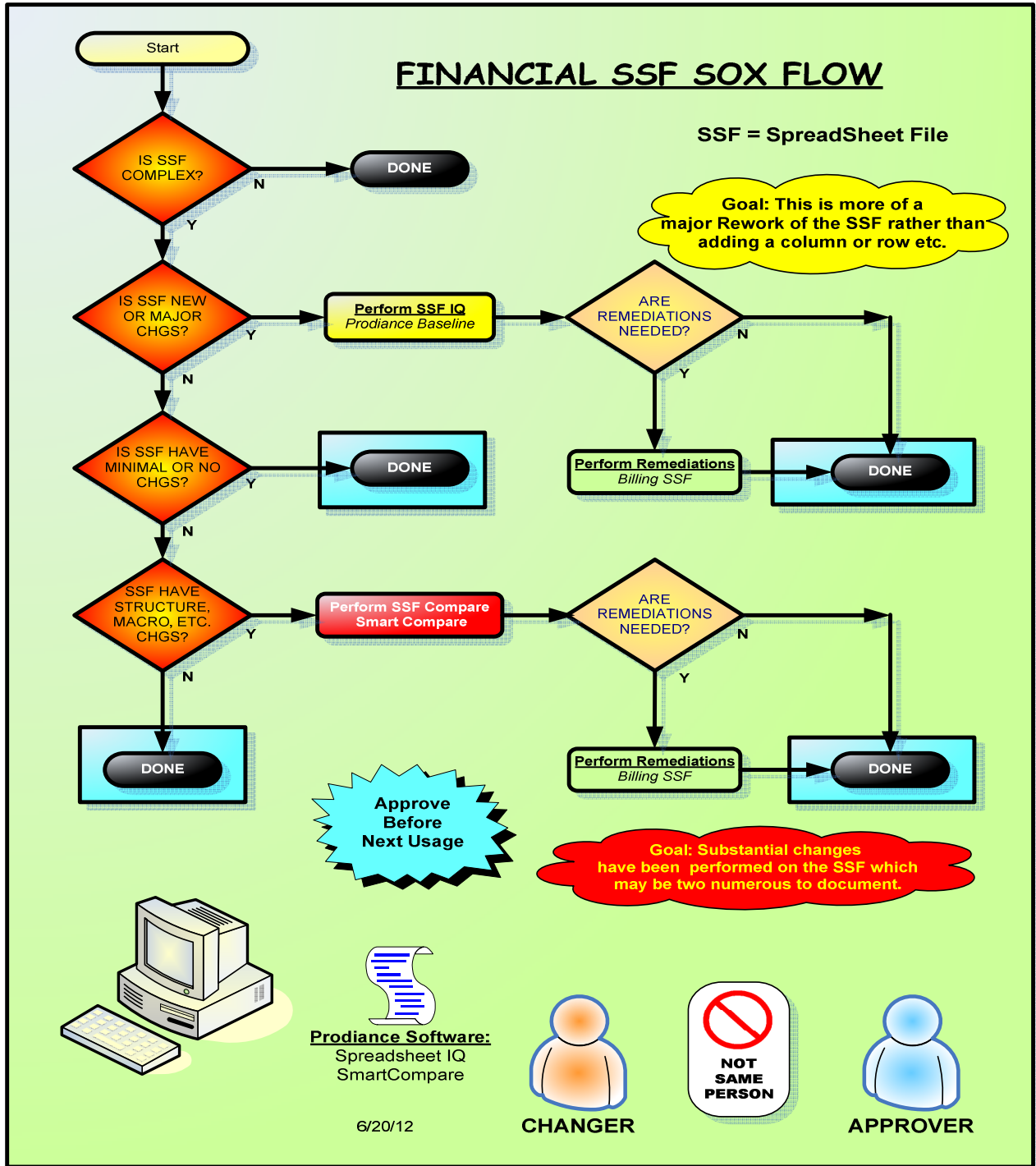
Spreadsheet Information

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	\wohaephqas238\trn\up\d\TestFiles\Template_Test1.xls

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.

Financial Spreadsheet Control SharePoint User Guide

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.

Financial Spreadsheet Database Controls Policy

Released June 2009

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
Total Score					14
Enter Minimum or Complex					
Spreadsheet Classification					
Risk Grading Scale:		Minimum = 0-5 pts	Complex = 6+ points		

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:

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)

_____ 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

Proposed Late Journal Entry

<< Description of Late Journal Entry >>

- Copy sent to Asst Controller – *Financial Reporting*
- Copy sent to Manager – *Consolidations*
- Copy sent to Director - *Tax*

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 1231XXX – Account Title <\$ X,XXX,XXX.XX>

Approved by:

Signature:

Date:

Name of Director

Name of Asst. Controller

Joseph M. Buonaiuto

Unvouchered Liabilities, Journal Entry Reclass & Work Order Cancel



How-To Instructional Guide

Updated: 3/8/2016



Table of Contents

Unvouchered Liabilities, JE Reclass and WO Cancel	2
Introduction	2
New Features	2
Noteable Policy Changes	2
Contact Information	3
Getting Started	4
Excel Upload Files, How-To Procedures and Policies	4
Security Roles	6
MyAccess Requests	7
Non-Regulated vs Regulated Employees	10
Using the Online PeopleSoft Database	11
Login and Navigation	11
Online Search Panel	12
Using the Search Panel	12
Search Field Definitions	14
Validation Status Key	17
Transaction History Panel	18
Tab and Field Definitions	18
Show All Columns Icon	21
Row / Panel Navigation Buttons	21
Downloading Data to Excel	22
Action Buttons / Transaction Totals	23
Editing / Deleting Data after Submission	25
Requirements	25
Editing Lines	25
Deleting Lines	26
Editing Another User's Transactions	27
Editing Exceptions for JE Reclass and WO Cancel	27
Add New Entry	29
Using the Add New Entry Panel	29
Posting of Submissions	33
PeopleSoft Query and Reporting	33


Unvouchered Liabilities, JE Reclass and WO Cancel

Introduction

The following documentation summarizes updates made to the Unvouchered Liability, JE Reclass and WO Cancel processes. Included is a “How To” instructional guide for navigating the newly created UVL / JE Reclass / WO Cancel Database in PeopleSoft Expense 9.2. This database will house submissions for all three processes and be a central point for researching, editing and processing transactions.

New Features

- One Excel Upload Spreadsheet is available for submitting all three 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. The new spreadsheet allows users to “Copy, Paste Special Values” their ENTIRE dataset, no longer copying and pasting column by column.

 **NOTE:** How-To Instructions for the new Excel Upload Spreadsheet are available on the “Instructions Tab” of the Spreadsheet. See the “Getting Started” section for the location of the new Upload Spreadsheet.

- The newly designed 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 then be downloaded to Excel, 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 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 will 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 the new 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 posted on the 1st of the following month, not the 15th.

Contact Information

Questions regarding the new Excel Upload Spreadsheet, the UVL/JE Reclass/WO Cancel PeopleSoft Expense 9.2 Database or policy changes, can be directed as follows:

Journal Entry Reclass = jereclass@aep.com
Charlene Longnecker: 330.438.7806 (audinet 920)
Amy Morss: 330.438.7013 (audinet 920)

Unvouchered Liabilities = unvoucheredliabilities@aep.com
Charlene Longnecker: 330.438.7806 (audinet 920)
Amy Morss: 330.438.7013 (audinet 920)

Work Order Cancel = wocancel@aep.com
Britta Adam: 330.438.7057 (audinet 920)

- Management Contact:

jkincaid@aep.com
Jack Kincaid: 330.438.7298 (audinet 920)

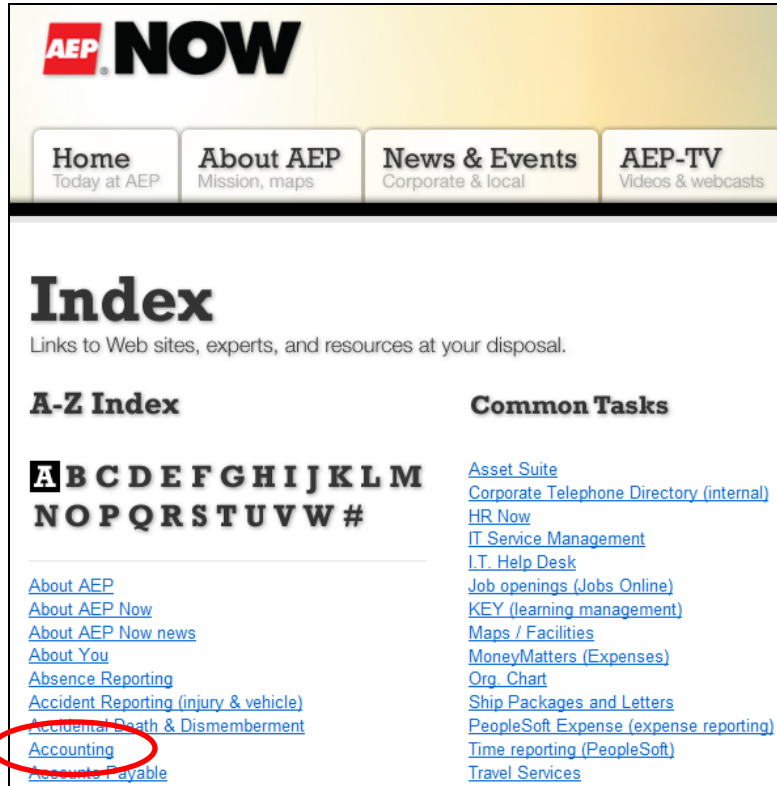


Getting Started

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 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.



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.

Journal Entry

Unvouchered Liabilities, JE Reclass and Work Order Cancel

Policies & Procedures

[How-To-Instructional Guide 030816](#)

[JE Classification Correction Policy \(April 2015\)](#)

[Unvouchered Liability Accruals Policy \(UVL\) \(April 2015\)](#)

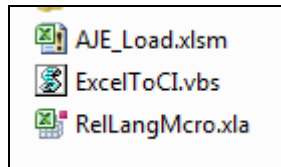
[Work Order Cancellations Policy \(April 2015\)](#)

Upload Spreadsheet (To download the **AJE_Load.zip** file, see the "**AJE_Load.zip Download Instructions**".)

[AJE_Load.zip \(Nov 2015\)](#)

[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 three process types: Unvouchered Liabilities, JE Reclass and WO Cancel. As JE 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.

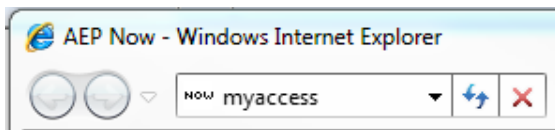
<u>Role Name</u>	<u>Access Level Description</u>
★ PeopleSoft AJE Inquiry	<u>Read-Only</u> access to the Online PeopleSoft Database and <u>Validate-Only</u> access to the Excel Upload Spreadsheet for all three transaction types
★ PeopleSoft AJE Reclass and WO Cancel Submit	Specific to JE Reclass and 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 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. The SUBMIT_UVL role must also be requested for this access.
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.

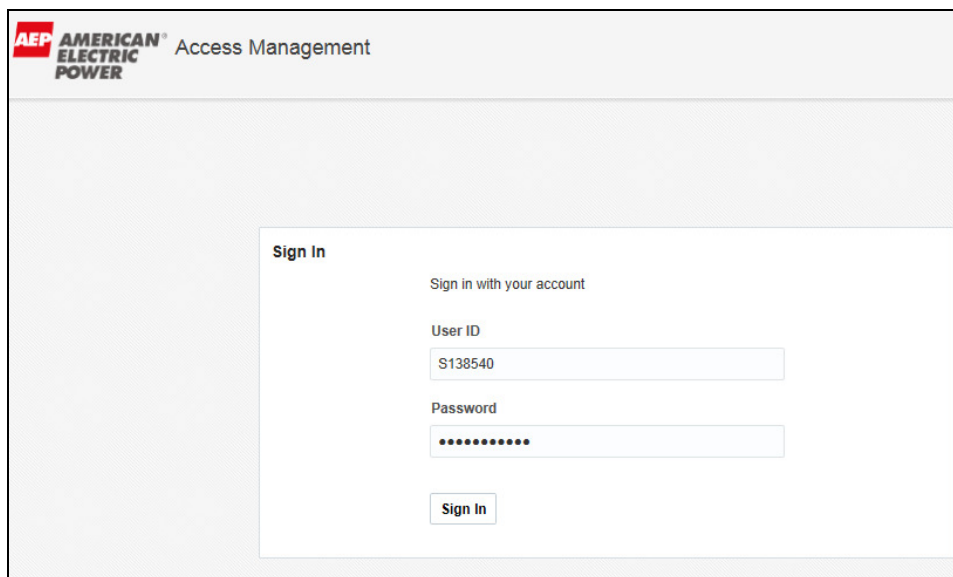
MyAccess Requests

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:

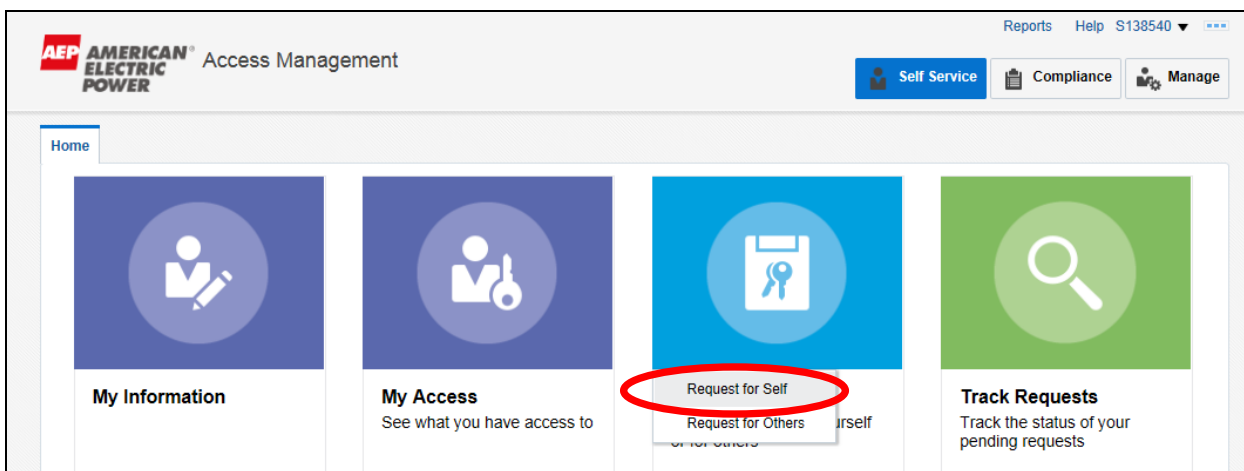
1. Open Internet Explorer. Type “MyAccess” into the web browser and hit Enter.



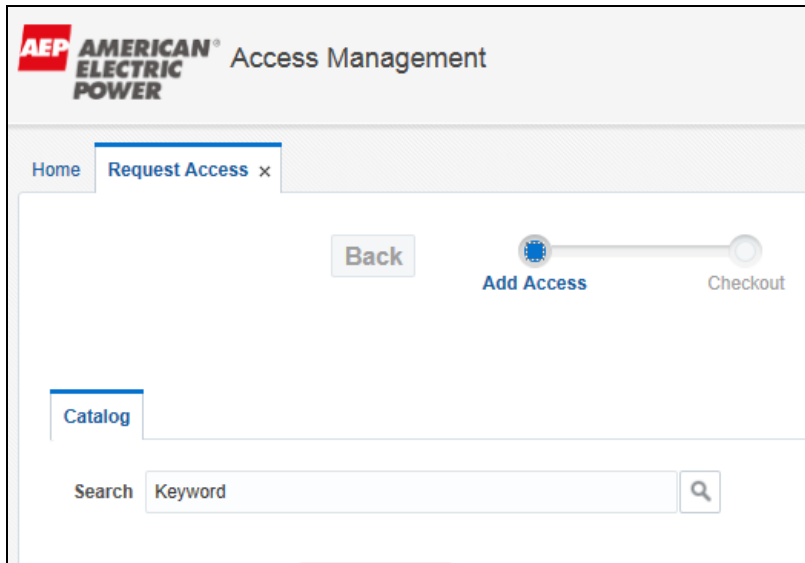
2. Type your User ID and Corporate Password into the Sign In screen then click the Sign In button.



3. Click the ‘Request Access’ box and select “Request for Self” when the drop down box appears.

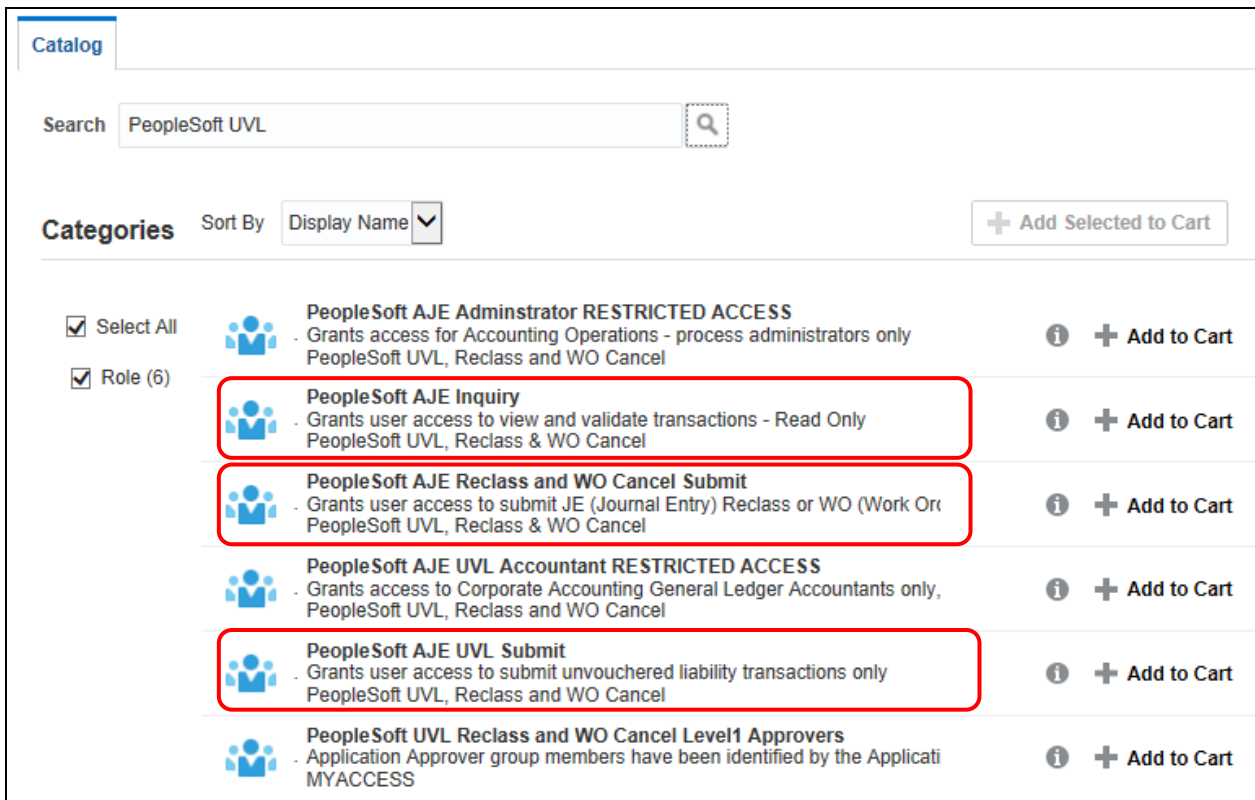


- A Catalog search will appear with a "Keyword" box available.

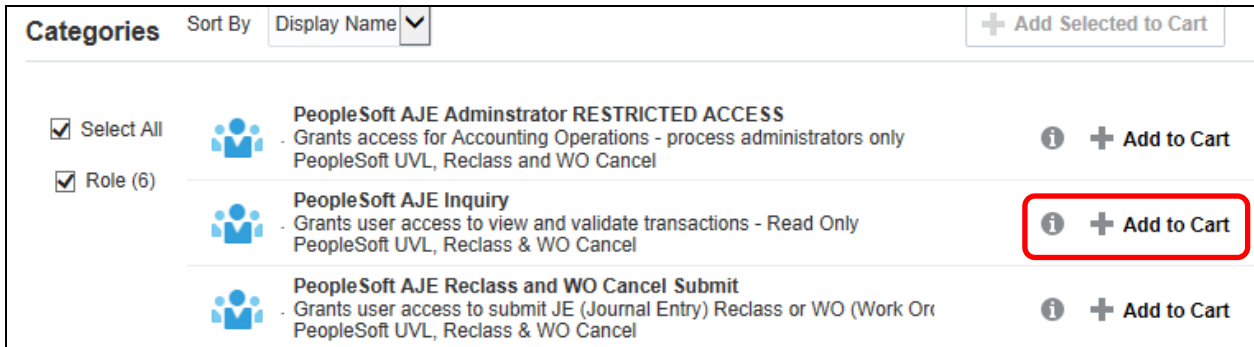


- Type "PeopleSoft UVL" in the Keyword box and click the magnifying glass to the right of the box. A list of available roles will appear. The roles blocked in red below note the roles most requested by general users.







Note: See page 6 for a description of each role.

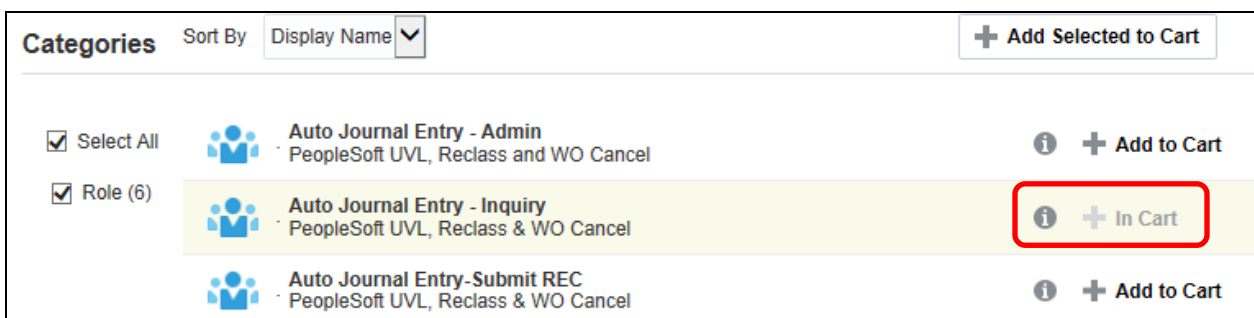


6. To request a role, click the “Add to Cart” button next to the role needed. The button will change to “In Cart” once selected.









Categories Sort By **Display Name**

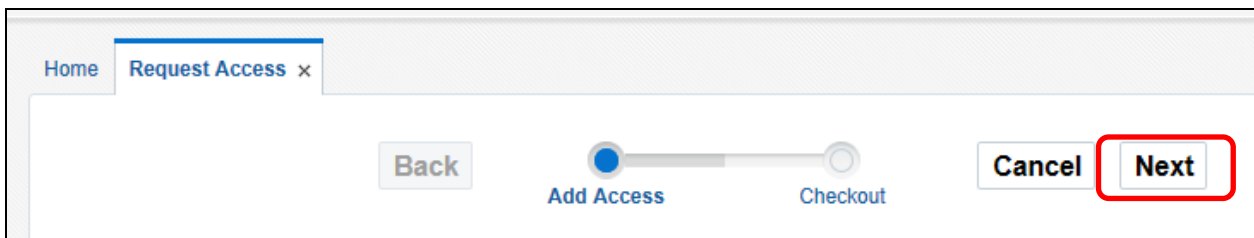
<input checked="" type="checkbox"/> Select All		PeopleSoft AJE Administrator RESTRICTED ACCESS Grants access for Accounting Operations - process administrators only PeopleSoft UVL, Reclass and WO Cancel	 <input type="button" value="+ Add to Cart"/>
<input checked="" type="checkbox"/> Role (6)		PeopleSoft AJE Inquiry Grants user access to view and validate transactions - Read Only PeopleSoft UVL, Reclass & WO Cancel	 <input type="button" value="+ Add to Cart"/>
		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	 <input type="button" value="+ Add to Cart"/>



Categories Sort By **Display Name**

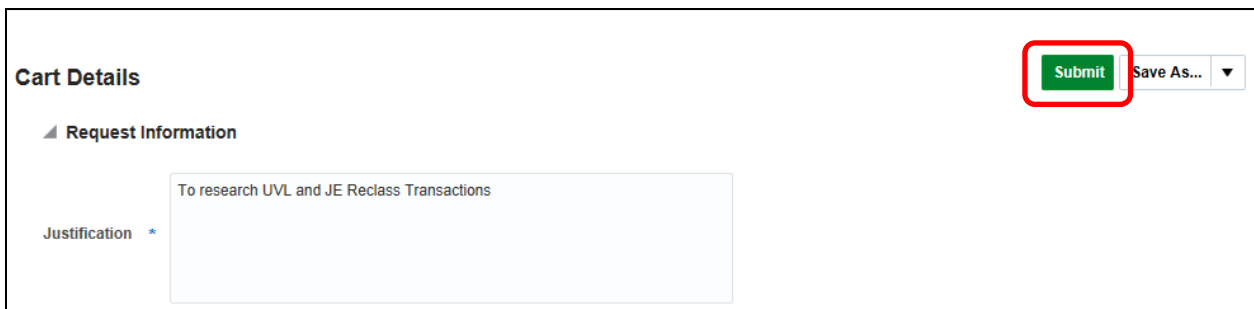
<input checked="" type="checkbox"/> Select All		Auto Journal Entry - Admin PeopleSoft UVL, Reclass and WO Cancel	 <input type="button" value="+ Add to Cart"/>
<input checked="" type="checkbox"/> Role (6)		Auto Journal Entry - Inquiry PeopleSoft UVL, Reclass & WO Cancel	 <input type="button" value="In Cart"/>
		Auto Journal Entry-Submit REC PeopleSoft UVL, Reclass & WO Cancel	 <input type="button" value="+ Add to Cart"/>

7. With the appropriate role selected, click the Next button.



Home **Request Access** x

8. Type a reason for the request in the “Justification” Box, then click the “Submit” button.



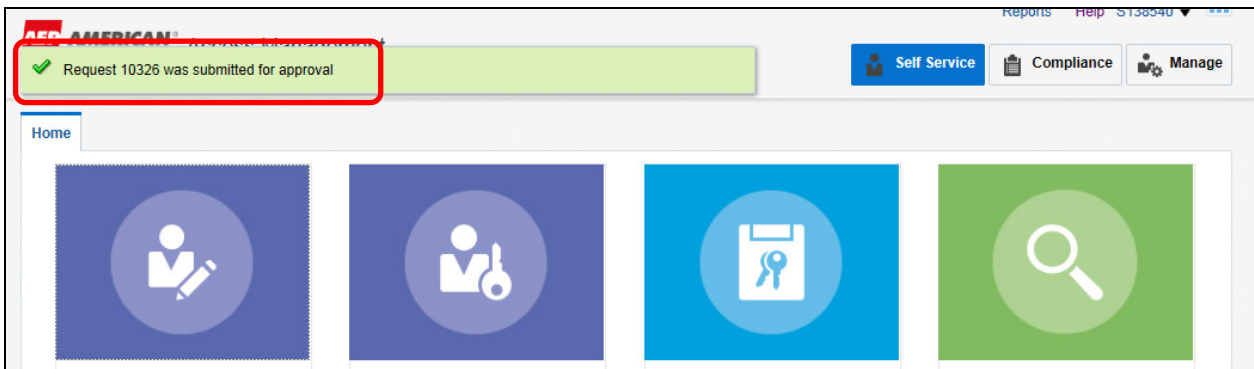
Cart Details

Request Information

Justification *



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

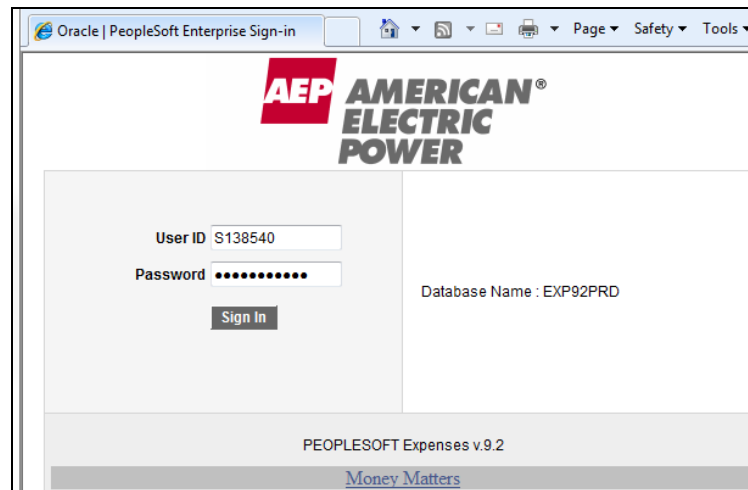
Using the Online PeopleSoft Database

The Online PeopleSoft Database is a central repository to store, access and process all Unvouchered Liability, JE Reclass and WO Cancel submissions. With proper security access, a user can research, update and submit transactions for these three processes types.

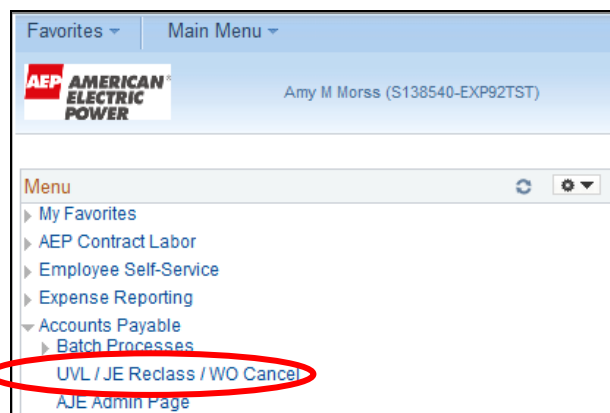
Login and Navigation

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.

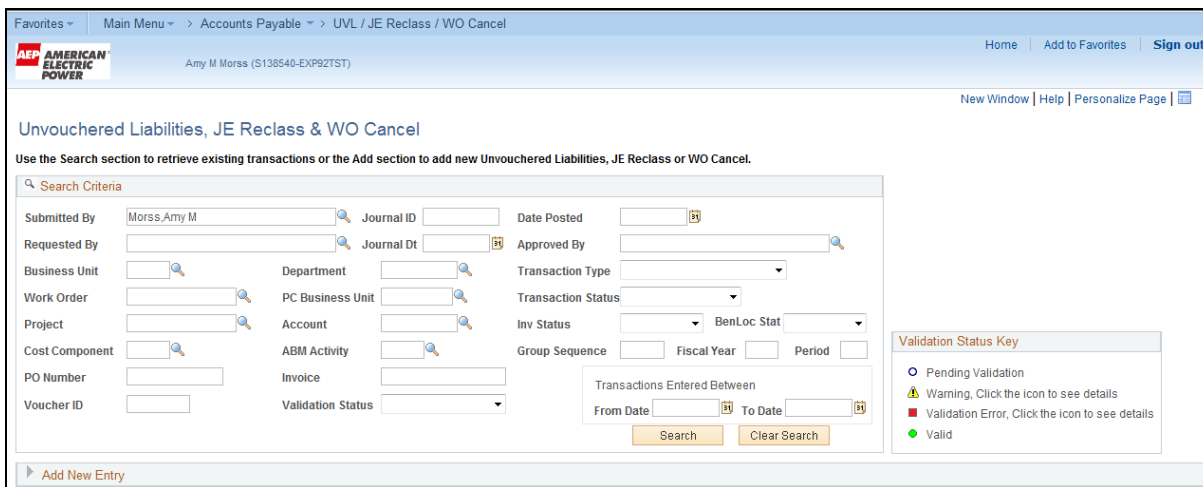


2. Under the Main Menu click through the following path: Accounts Payable > UVL / JE Reclass / WO Cancel. The Online Search Panel will appear.



Online Search Panel

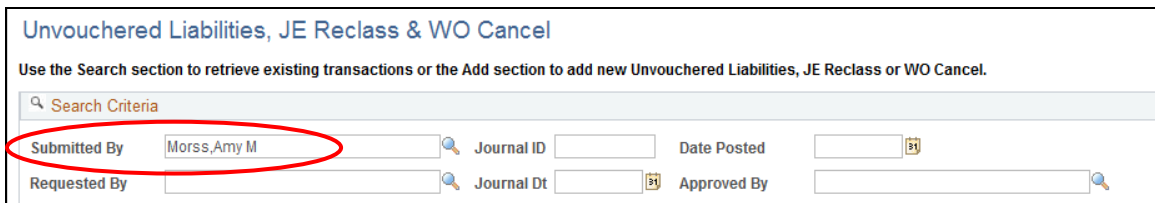
The Online Search Panel allows users to retrieve submitted transactions and review their processing status.



The screenshot shows the 'Unvouchered Liabilities, JE Reclass & WO Cancel' search panel. It includes a navigation bar with 'Favorites', 'Main Menu', and 'Accounts Payable'. The user is identified as 'Amy M Morss (S138540-EXP92TST)'. The search criteria section contains various input fields: Submitted By (Morss, Amy M), Requested By, Business Unit, Work Order, Project, Cost Component, PO Number, Voucher ID, Journal ID, Journal Dt, Department, PC Business Unit, Account, ABM Activity, Invoice, Validation Status, Date Posted, Approved By, Transaction Type, Transaction Status, Inv Status, BenLoc Stat, Group Sequence, Fiscal Year, and Period. A 'Search' button and a 'Clear Search' button are located at the bottom right. A 'Validation Status Key' is provided on the right side, indicating: Pending Validation (blue circle), Warning (yellow triangle), Validation Error (red square), and Valid (green circle).

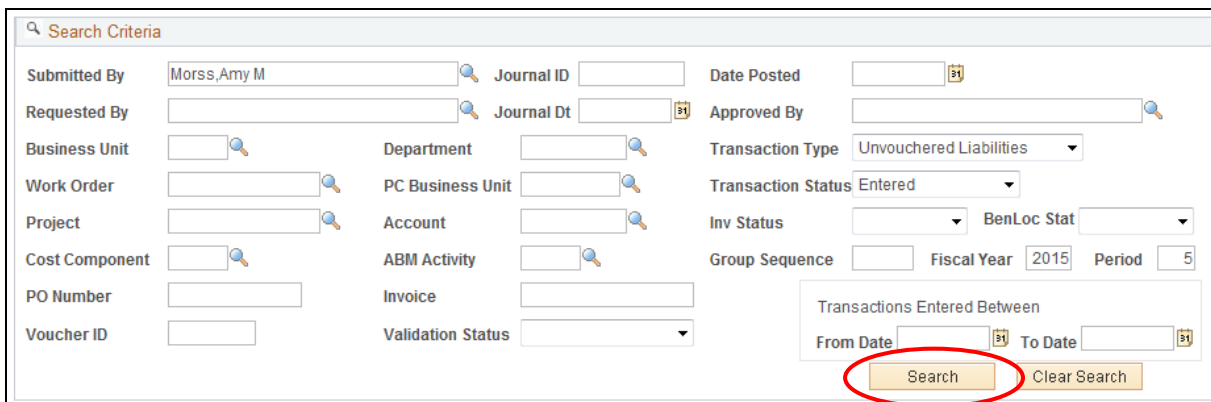
Using the Search Panel

- When accessing the search panel, the "Submitted By" field will automatically populate with the user's name. The user can delete their name if looking for submissions under other specific criteria.



This close-up screenshot shows the 'Submitted By' field in the search panel, which is populated with the text 'Morss, Amy M'. The field is circled in red to highlight it.

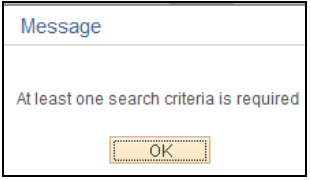
- Populate the search panel with all available criteria, and then click the Search Button.



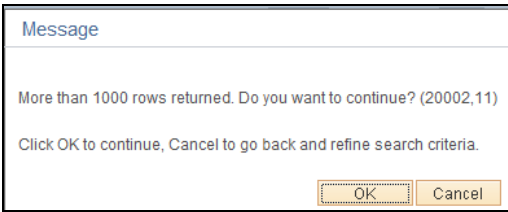
This close-up screenshot shows the search panel with various criteria populated. The 'Submitted By' field contains 'Morss, Amy M'. The 'Transaction Type' is set to 'Unvouchered Liabilities', 'Transaction Status' is 'Entered', and 'Fiscal Year' is '2015'. The 'Search' button is circled in red to indicate it should be clicked.



- 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	<input checked="" type="checkbox"/>	JER	1 Morss,Amy M	2014	12	Review Exception		\$25,000.000	
2	<input checked="" type="checkbox"/>	JER	1 Morss,Amy M	2014	12	Review Exception		-\$25,000.000	
3	<input checked="" type="checkbox"/>	JER	1 Morss,Amy M	2014	11	Posted	Test Save Changes	\$17,000.000	
4	<input checked="" type="checkbox"/>	JER	1 Morss,Amy M	2014	11	Posted	Test Save Changes	-\$17,000.000	
5	<input checked="" type="checkbox"/>	JER	1	2015	2	Entered	Test Save Changes	\$1,000	
6	<input checked="" type="checkbox"/>	JER	1	2015	2	Entered	Test Save Changes	-\$1,000	

- To clear a search and start over, click the Clear Search button.

Search Criteria

Submitted By: Morss,Amy M | Journal ID: | Date Posted: |
Requested By: | Journal Dt: | Approved By: |
Business Unit: | Department: | Transaction Type: Unvouchered Liabilities
Work Order: | PC Business Unit: | Transaction Status: Entered
Project: | Account: | Inv Status: | BenLoc Stat: |
Cost Component: | ABM Activity: | Group Sequence: | Fiscal Year: 2015 | Period: 5
PO Number: | Invoice: |
Voucher ID: | Validation Status: |
Transactions Entered Between
From Date: | To Date: |
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 beginning Journal masks for the three processes within 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

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

Name of the person who Requested the transaction



Submitted By

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. Entered Transactions can be changed by users with a SUBMIT Role.
- 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 3 processes included in the database

- 1) Journal Entry Reclass = JER
- 2) Unvouchered Liabilities = UVL
- 3) Work Order Cancel = WOC

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

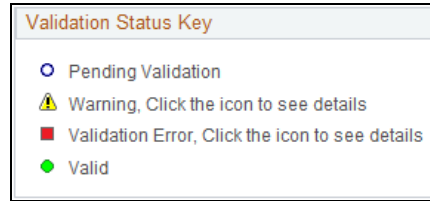
An 8-digit code assigned by Accounts Payable when an invoice is entered into the system.
Example: 01737511

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.



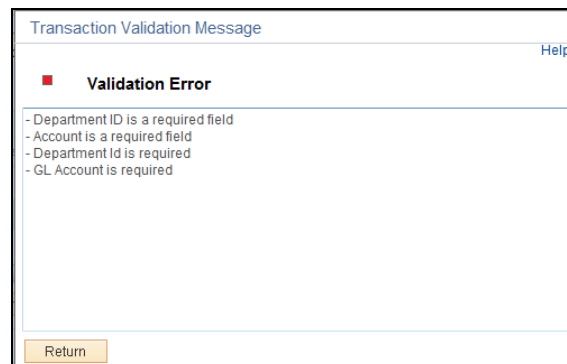
EXAMPLE:

		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.



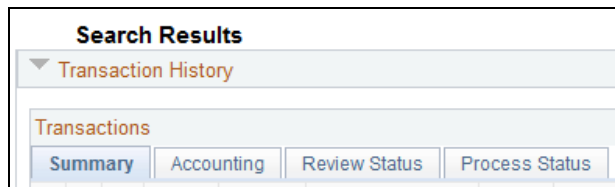
Transaction History Panel

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		\$25,000.000	
2	JER	1	Morss, Amy M	2014	12	Review Exception		-\$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.
- 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.

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.

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

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

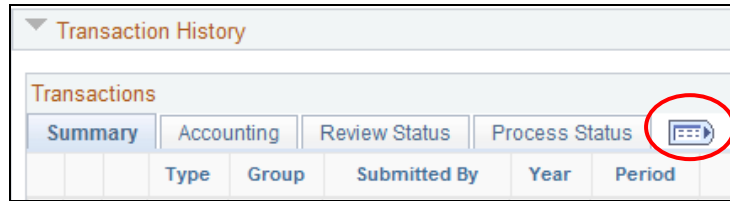
Vendor name populated by the system when performing the UVL Invoice Review.

Vendor/Contractor

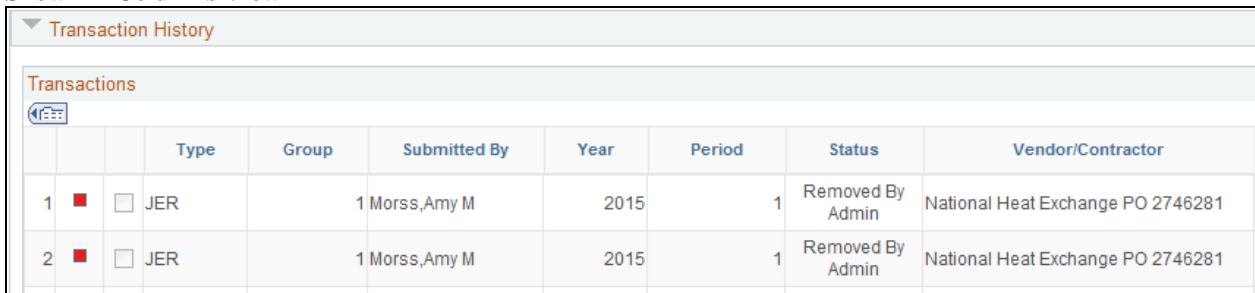
Vendor / Contractor name provided by the user on their submission.

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

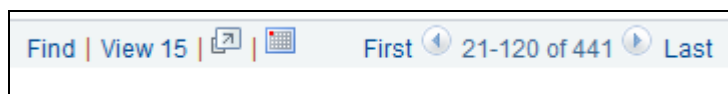


The screenshot shows the 'Transaction History' panel in 'Show All Columns View'. The 'Transactions' sub-panel is expanded to show a table with the following columns: Type, Group, Submitted By, Year, Period, Status, and Vendor/Contractor. The table contains two rows of data.

	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.

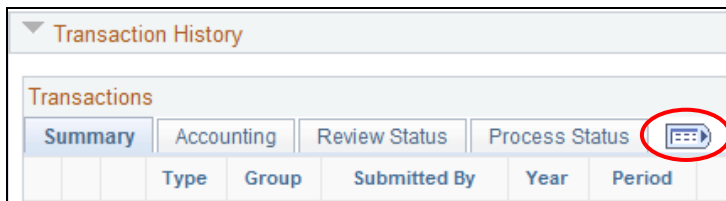


- The panel can show 15 or up to 100 rows at a time. The **View 15** link is interchangeable between **View 15** and **View All / 100**. Click these links to change how many rows are visible per panel.
- The **First** link takes the user back to the first panel of rows. The **Last** link takes the user 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.

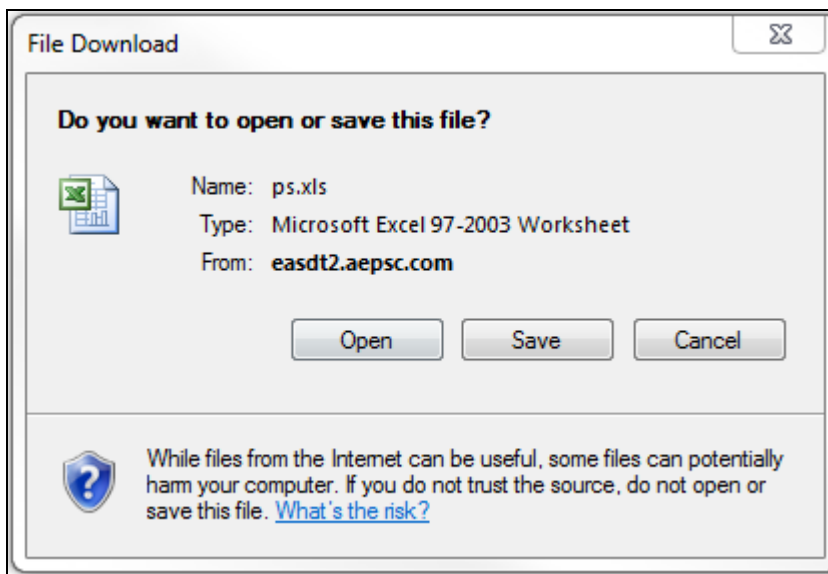
- Only the data visible on the currently selected Tab will download to Excel. If the user wants to see the data from ALL tabs, they must click the “Show All Columns” icon first. This will open all tabs and allow all data to be downloaded to excel.



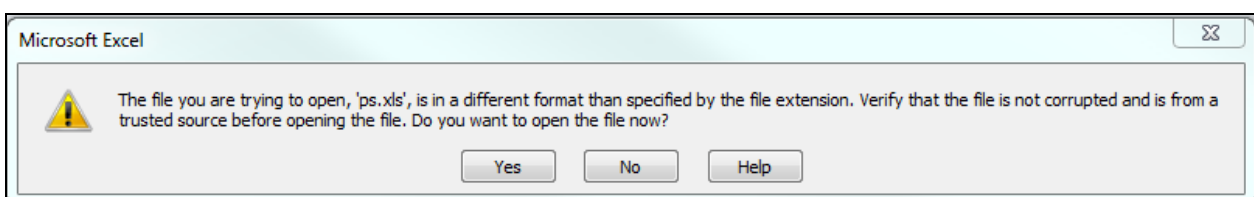
- Take the following steps to download data to Excel:
 1. Scroll to the far right of the Transaction History Panel and select the “Download” icon



2. Click the “Open” button on the File Download box



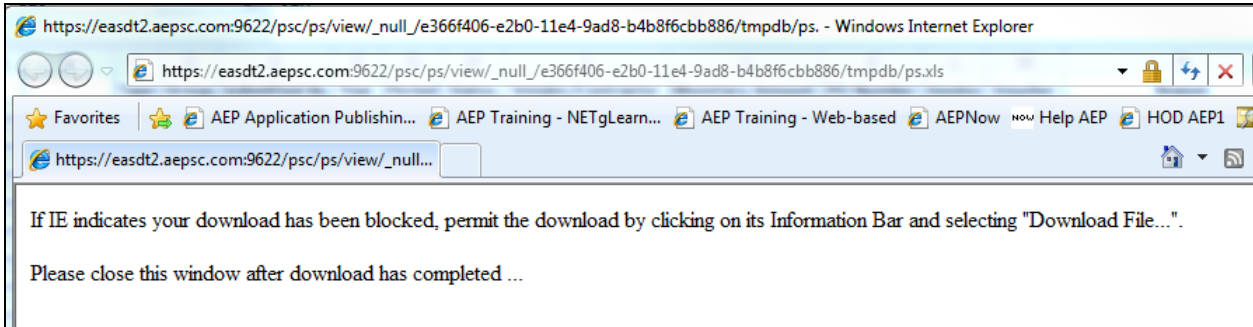
3. A Microsoft Excel warning box will appear noting the user is trying to open the 'ps.xls' file in a different format. Click the “Yes” button.



4. The downloaded data will open in Excel.

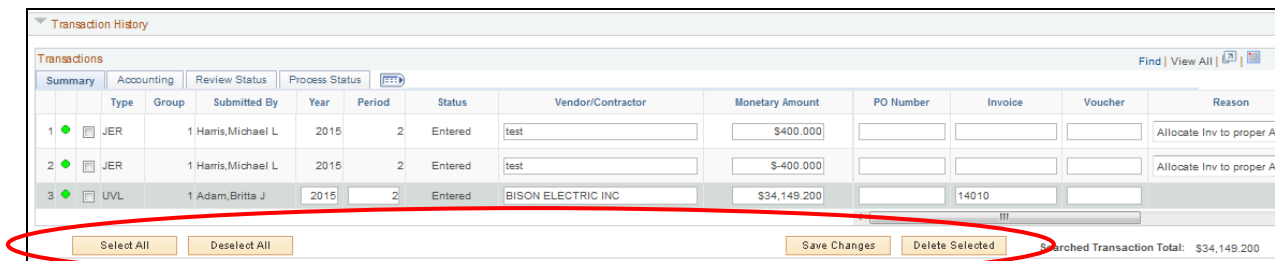
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1			Type	Group	Submitted By	Year	Period	Status	Vendor/Contractor	Monetary Amount	PO Number	Invoice	Voucher	Reason	Comments
2	Valid		JER	2	Morss,Amy M	2015	1	Posted		(\$77,376.00)				O&M WO Correction	Incorrectly charged to O&M task
3	Valid		JER	2	Morss,Amy M	2015	1	Posted		(\$9,850.00)				O&M WO Correction	Incorrectly charged to O&M task
4	Valid		JER	2	Morss,Amy M	2015	1	Posted		\$77,376.00		28028		O&M WO Correction	Incorrectly charged to O&M task
5	Valid		JER	2	Morss,Amy M	2015	1	Posted		\$9,850.00		28028		O&M WO Correction	Incorrectly charged to O&M task
6	Valid		JER	2	Morss,Amy M	2015	1	Posted		(\$49.88)				O&M WO Correction	2-FFI-220 clenaup, payroll
7	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.

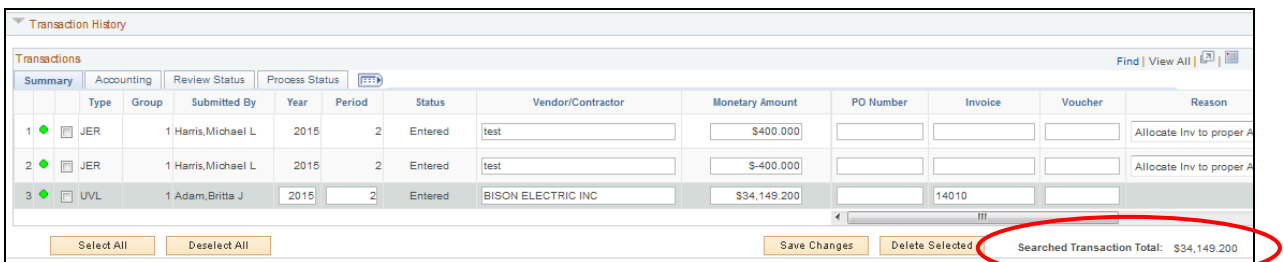


Action Buttons / Transaction Totals

- 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.

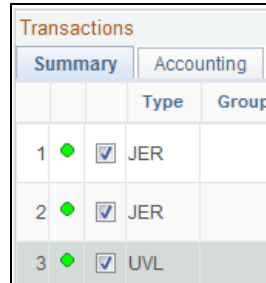


- A “Searched Transaction Total” also appears under the Transaction History panel, providing the dollar amount of all transactions pulled in the search.



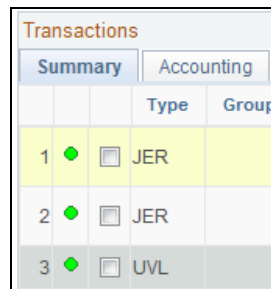
Action Button Definitions

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	

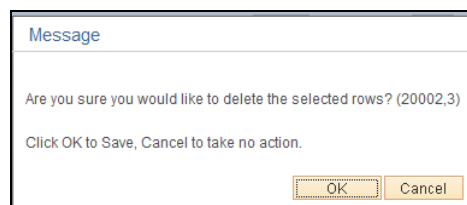
Deselect All = removes the check mark from the box at the left of each line, deselecting all lines in the transaction history panel.



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 / 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 AEP_AJE_SUBMIT_UVL can edit UVL transactions only
 - Users with AEP_AJE_SUBMIT_RECLASS can change JE Reclass and/or WO Cancel transactions only.
 - If the user has both 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.

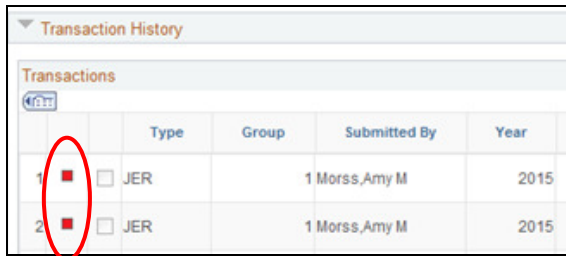
Transactions											
Summary		Accounting	Review Status	Process Status							
	Type	Group	Submitted By	Year	Period	Status	Vendor/Contractor	Monetary Amount	PO Number	Invoice	
1	JER	1	Harris, Michael L	2015	2	Entered	test	\$400.000			

- 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												
Summary		Accounting	Review Status	Process Status								
	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		

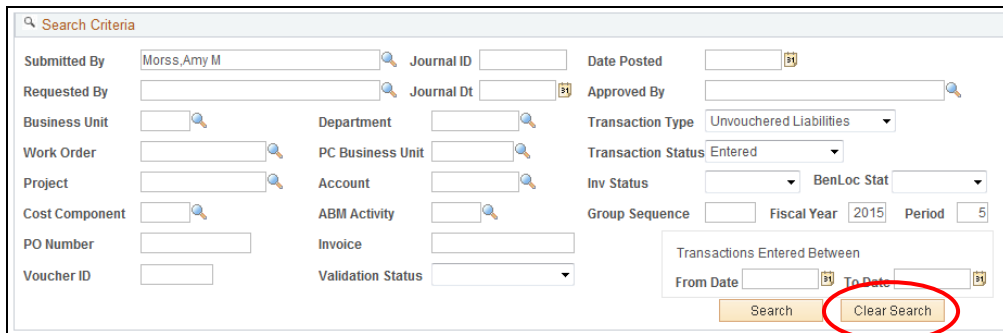
Searched Transaction Total: \$34,149.200

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.



Transaction History					
Transactions					
	Type	Group	Submitted By	Year	
1	JER		1 Morss,Amy M	2015	
2	JER		1 Morss,Amy M	2015	

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.



Search Criteria

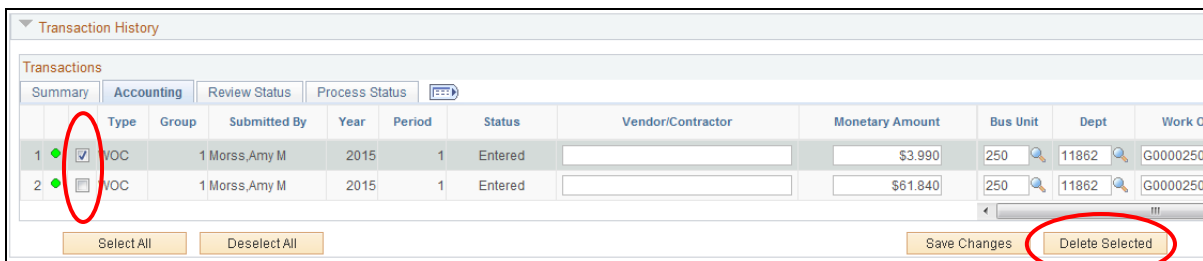
Submitted By: Morss,Amy M | Journal ID: | Date Posted: |
 Requested By: | Journal Dt: | Approved By: |
 Business Unit: | Department: | Transaction Type: Unvouchered Liabilities
 Work Order: | PC Business Unit: | Transaction Status: Entered
 Project: | Account: | Inv Status: | BenLoc Stat: |
 Cost Component: | ABM Activity: | Group Sequence: | Fiscal Year: 2015 | Period: 5
 PO Number: | Invoice: |
 Voucher ID: | Validation Status: |

Transactions Entered Between
 From Date: | To Date: |

Search Clear Search

Deleting Lines

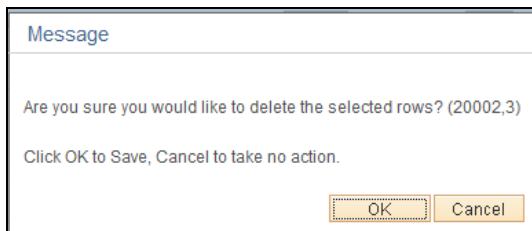
- To Delete a line, select the box to the left of the line, then click the **Delete Selected** button.



Transaction History												
Transactions												
Summary Accounting Review Status Process Status												
	Type	Group	Submitted By	Year	Period	Status	Vendor/Contractor	Monetary Amount	Bus Unit	Dept	Work O	
1	WOC		1 Morss,Amy M	2015	1	Entered		\$3,990	250	11862	G0000250	
2	WOC		1 Morss,Amy M	2015	1	Entered		\$61,840	250	11862	G0000250	

Select All Deselect All Save Changes Delete Selected

1. The following message will appear when deleting lines. Click **OK** to delete the line or **Cancel** to stop the deletion.



Message

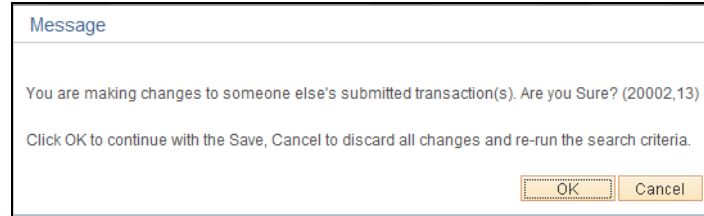
Are you sure you would like to delete the selected rows? (20002,3)


Click OK to Save, Cancel to take no action.

OK Cancel

Editing 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.



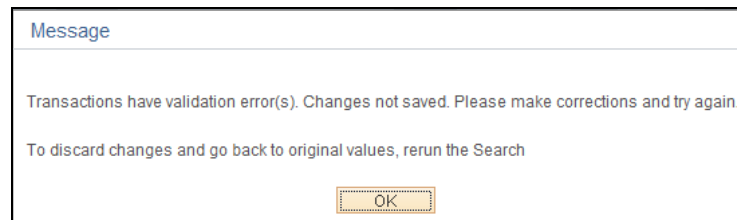
-  **NOTE:** Changes made to another user's data will be tracked in an Audit Table accessible by process Administrators only. This Audit trail provides who made the change along with the specific fields changed.

Editing Exceptions for JE Reclass and WO Cancel

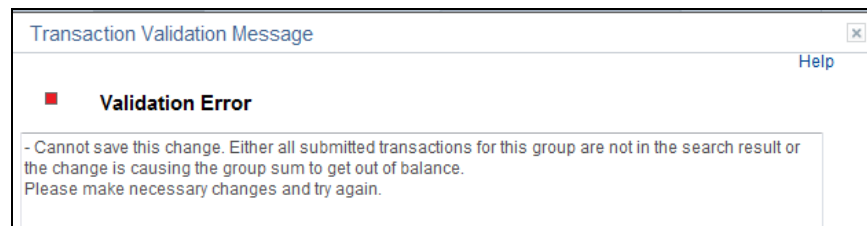
- JE Reclass and WO Cancel submissions must remain at a zero balance, even after editing or deleting lines in the Transaction History Panel. To safeguard against an out-of-balance situation, ALL lines from the original submission must be pulled into the Transaction History Panel BEFORE the change or 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 or WO Cancel without all Group lines in the Transaction History panel.

1. A message box will note validation errors, click **OK**.



2. 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, Fiscal Year and Period fields to pull in the entire submission:

Search Criteria					
Submitted By	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	1 Fiscal Year 2015 Period 2
PO Number		Invoice		Transactions Entered Between	
Voucher ID		Validation Status		From Date	To Date
Admin Search					

- 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 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 AEP_AJE_SUBMIT_UVL and/or AEP_AJE_SUBMIT_RECLASS roles can use this panel. The panel will not be visible to users with ONLY the AEP_AJE_INQUIRY role.
- As with the upload spreadsheet, users with only the AEP_AJE_SUBMIT_UVL role can submit UVL transactions only. Users with the AEP_AJE_SUBMIT_RECLASS role can submit JE Reclass and/or WO Cancel transactions only. Users with both 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	<input type="text" value="Morss, Amy M"/>	Journal ID	<input type="text"/>
Requested By	<input type="text"/>	Journal Dt	<input type="text"/>
Business Unit	<input type="text"/>	Department	<input type="text"/>
Work Order	<input type="text"/>	PC Business Unit	<input type="text"/>
Project	<input type="text"/>	Account	<input type="text"/>
Cost Component	<input type="text"/>	ABM Activity	<input type="text"/>
PO Number	<input type="text"/>	Invoice	<input type="text"/>
Voucher ID	<input type="text"/>	Validation Status	<input type="text"/>

Date Posted

Approved By

Transaction Type

Transaction Status

Inv Status BenLoc Stat

Group Sequence Fiscal Year Period

Transactions Entered Between
 From Date To Date

▶ 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 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.

▼ 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
- Unvouchered Liabilities
- WorkOrder Cancel

- Select the appropriate Transaction Type for submission and a blank submission line will appear.

▼ 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

Transactions										
	Type	Requested By	Approved By	Year	Period	Vendor/Contractor	Invoice	Voucher	Monetary Amount	
1										\$0.000

Save for Later Save and Submit

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

- 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.

Transactions										
	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

Save for Later 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.

Message

Encountered validation error(s) / warning(s). Transactions saved for later use.

OK

- Once a submission has been completed, the user can click the Save and Submit button to submit the transaction.

▼ Add New Entry

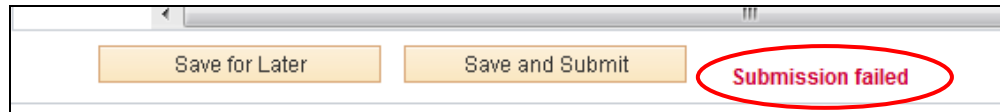
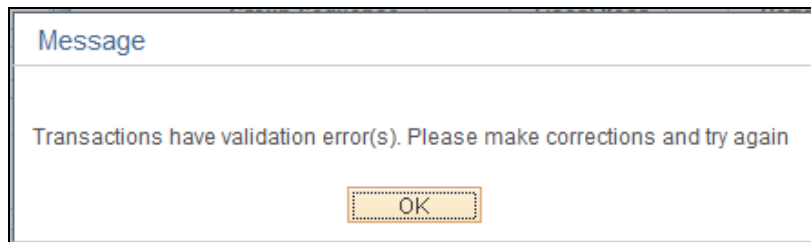
Accumulate transaction data in this area. Click 'Save for Later' to store data until it is ready to be submitted. Click 'Save and Submit' once the entry is ready for processing.

Submitted By Morss,Amy M Transaction Type Journal Entry Reclass

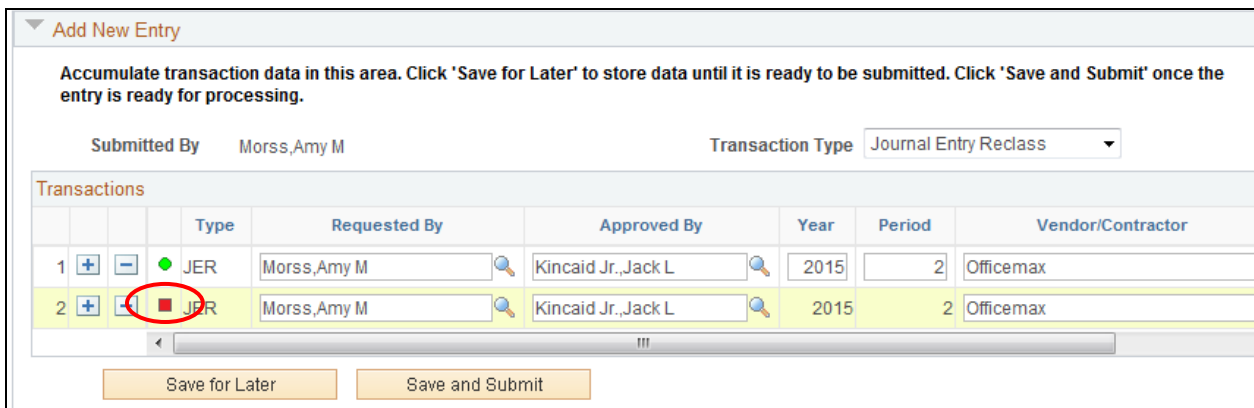
		Type	Requested By	Approved By	Year	Period	Vendor/Contractor
1	+ -	● JER	Morss,Amy M	Kincaid Jr.,Jack L	2015	2	Officemax
2	+ -	■ JER	Morss,Amy M	Kincaid Jr.,Jack L	2015	2	Officemax

Save for Later Save and Submit

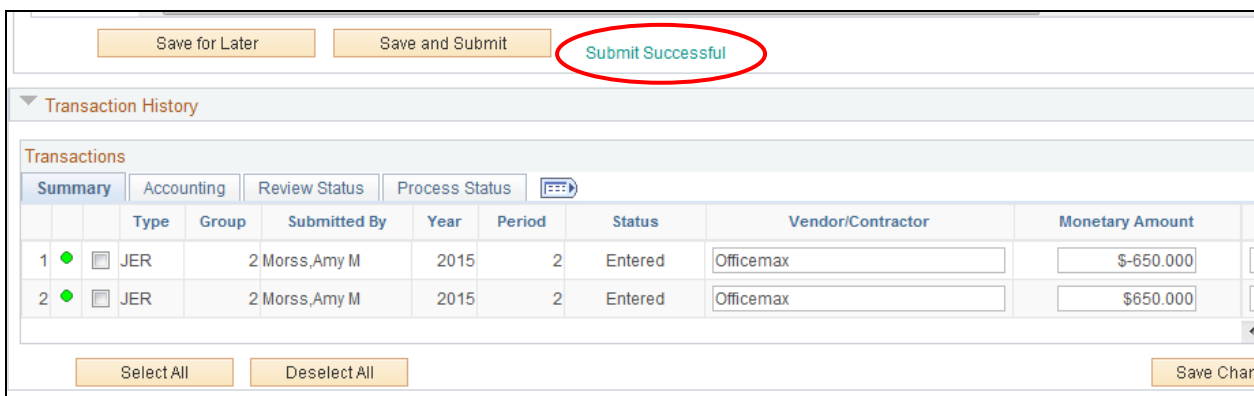
- A. If the submission contains any validation errors, an error message will be received and a Submission Failed message will appear next to the Save and Submit button.



- 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.



- C. Once the submission is valid (and balanced for JER 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 - 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	DTm	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

UVLREV% = Unvouchered Liability Reversals – these transactions will not be available in the UVL / JE 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 / 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 and WOC details.



Unvouchered Liabilities JE Reclass Upload Template & WorkOrder Cancel

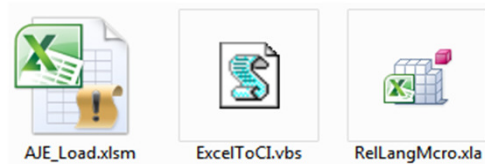
The purpose of this workbook is to upload Unvouchered Liabilities, JE Reclass or Work Order Cancel entries from Excel into the PeopleSoft Accounting system.

For additional information, reference the following policies, found on the AEP NOW Accounting website. Go to AEP NOW > A-Z Index > Accounting > Policies/Procedures > Journal Entry > Unvouchered Liabilities, JE Reclass and Work Order Cancel:

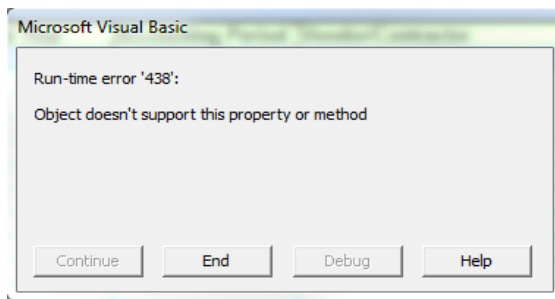
- Unvouchered Liabilities Policy
- JE Classification Correction Policy
- WO Cancellation Policy

Required Files:

- **For this upload template to work, you must save the three files below to the same folder on your local machine.** The files are located at AEP NOW > A to Z Index > Accounting > Policy/Procedures > Journal Entry > Unvouchered Liabilities, JE Reclass and Work Order Cancel:
 - AJE_Load.xlsm (can be renamed if you prefer)
 - ExcellToCI.vbs
 - RelLangMcro.xla



- Upon opening the AJE_Load.xlsm spreadsheet the first time, a pop up box could appear with a Run-time Error message similar to the one below.
 - If this message is received, follow these steps:
 - Close all Microsoft Office documents (Microsoft Outlook can remain open)
 - Go to the C:\Temp folder
 - In the Search box type: *.exd
 - Click the Search / Refresh icon
 - Delete all .exd files that are retrieved
 - Open Excel
 - Re-open the AJE_Load.xlsm spreadsheet and the Run-time Error box should no longer appear.



Template Information:

- This workbook contains macros that must be enabled to work properly.
 - If the Enable Macro bar appears at the top of the opened file, click the "Enable Content" button before continuing.
- This workbook contains hidden worksheets and protected areas needed for the proper functioning of the upload process.
- The only worksheet a user should add or edit data is the "Data Input" worksheet.
- All other worksheets are instructional or needed for the functioning of the upload process, thus should not be changed or edited.
- Changing or tampering with this template could result in it not working properly.

Data Input Worksheet:

- Enter transactions on this worksheet, inputting data into the corresponding columns for uploading into the PeopleSoft Accounting System.
- Data can be entered by keying in each cell or copying and pasting from another spreadsheet.
 - **When using copy and paste, ensure to select Paste Special and paste VALUES ONLY.**
 - Paste Special VALUES prevents other spreadsheet formats from overwriting the template format, causing improper functioning.
- This template workbook can be reused for multiple loads.
 - To reuse the spreadsheet, delete the previously loaded data to create a blank template.
 - Ignore the highlighted cells in the Status column, these will update with the new upload.
- Below are details for each of the columns on the "Data Input" worksheet:
 - **Status:**
 - This column provides feedback on the validation status of each transaction after the "validate and submit" process is initiated
 - **Do not enter or paste any values in this column**
 - The status, and its respective color, is controlled by the template and the data submission process
 - **Requested By:**
 - Corporate Login ID of the person requesting the data upload
 - The Requested By ID can be the same as the Submitter
 - **Transaction Type:**
 - This column designates the type of transaction to be submitted
 - Only one type of transaction can be processed per submission
 - Valid values are:
 - UVL - Unvouchered Liabilities
 - JER - JE Reclass
 - WOC - WO Cancel
 - **Approved By:**
 - Corporate Login ID of the person who approved the transaction before submitting for upload
 - The Approved By ID **cannot** be the same as the Submitter, but **can** be the same as the Request By ID
 - **Fiscal Year:**
 - The year the transaction needs recorded
 - There can be only one Fiscal Year per submission
 - **Accounting Period:**
 - The month the transaction needs recorded
 - There can be only one Accounting Period per submission
 - **Vendor/Contractor:**
 - Required only for Unvouchered Liabilities transactions
 - Name of the vendor/contractor to which the transaction relates
 - There is a maximum character length of 40
 - **PO Number:**
 - The purchase order number to which the invoice is related
 - If the PO Number is not known leave this field blank
 - Values with any special characters or letters, such as a dash "-" or an "x", are stripped off when submitted
 - PO Numbers are typically 6 to 8 digits long and could have an additional 4 digit release
 - There is a maximum character length of 13
 - **Invoice Number:**
 - The invoice number as provided by the supplier
 - If the Invoice Number is not known leave this field blank
 - If provided, it must match the invoice number in Accounts Payable to be recognized by UVL Duplicate Invoice Review
 - This value will be changed to uppercase and any special characters will be stripped away when submitted
 - There is a maximum character length of 30
 - **Voucher ID:**
 - This column is mainly used for JE Reclass transactions
 - If known, enter the exact Voucher ID for the specific transaction needing reclassified
 - **Monetary Amount:**
 - The dollar amount of the transaction
 - Monetary Amount cannot be \$0.00

- **Accounting Chartfields:**
 - The accounting values for the transaction
 - The accounting fields are:
 - General Ledger Business Unit
 - Department
 - Work Order
 - Project Costing Business Unit
 - Project
 - Account
 - Cost Component
 - ABM Activity
 - Subcategory
 - State Jurisdiction (Operating Unit)
 - Product
 - Affiliate

- **Reason:**
 - This column is used and required only for JE Reclass and WO Cancel transactions
 - Valid values for JE Reclass:
 - JEAB - ABM Activity Correction
 - JEAL - Allocate Invoice to Proper BU/Acctg
 - JEBU - Business Unit Correction
 - JECW - Capital WO Correction
 - JECO - Reclass - Capital/O&M Transfer
 - JECC - Cost Component Correction
 - JEDC - Department ID Correction
 - JENO - Reclass - Non Capital/O&M Transfer
 - JEOW - O&M WO Correction
 - JEOT - Other - Available reason codes do not apply
 - Valid values for Work Order Cancel:
 - WOOM - Cancel WO to O&M
 - WOSW - Cancel Section of WO
 - WOWO - Cancel WO to WO

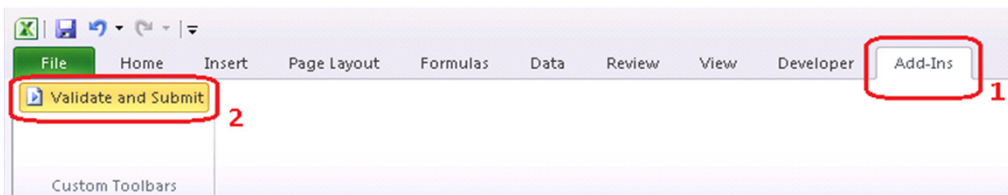
- **Comment:**
 - Any comments or descriptions the user would like to associate with the transaction
 - There is a maximum character length of 250

- **UVL Reversal:**
 - For use only with the Unvouchered Liabilities security role AEP_AJE_ACCOUNTANT (Ledger Accountants)
 - If the user does not have this security role leave the field blank

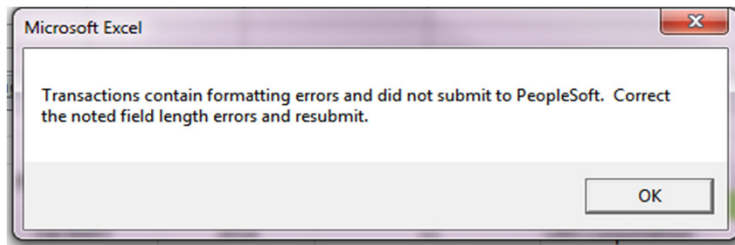
- **Add:**
 - Leave this column empty, the system will auto populate the required "Y" for each row

Validation and Submission:

- Once data is entered into the "Data Input" worksheet, click on the "Add-Ins" menu on the top right of the Excel screen.
- Under the "Add-Ins" menu, click the "Validate and Submit" button to start the validation upload process to PeopleSoft.



- The number of transactions on the "Data Input" worksheet determines how long the spreadsheet will validate and/or submit.
- While processing, the screen will temporarily go to the "Staging & Submission" worksheet where it will stage the data from the "Data Input" worksheet.
- The process first checks formatting errors. If there are any errors, the process stops and take you back to the "Data Input" tab.
 - When there are formatting errors, there will be a message box like the one below.
 - Hover the cursor over the status cells marked "Error" to determine which fields have exceeded the maximum character length.
 - Correct the noted field length errors.
 - Under the "Add-Ins" menu, click the "Validate and Submit" button to begin the process again.



- If there are no formatting errors the process continues with a Log in screen to enter your Corporate Login ID and Password.

- Once the validation process is complete you will be automatically taken back to the "Data Input" worksheet, where the result of the validation process will be posted for each transaction.
- Status results will be:
 - "OK" highlighted in green: the transaction has passed all validation
 - "Warning" highlighted in yellow: the transaction has passed validation, but warning messages were returned by the system
 - "Error" highlighted in red: the transaction has not passed validation
- Hover the cursor over the status cells marked "Warning" or "Error" to see the message explaining why the transaction is in this status.
- When a transaction is in an Error Status:
 - None of the transactions are uploaded into PeopleSoft
 - Make the necessary corrections on the "Data Input" worksheet
 - Follow the steps outlined above to "Validate and Submit" until all the rows show a status of "OK" in green.

Accessing Entries in PeopleSoft Expense:

- On the AEP NOW Index tab click on PeopleSoft Expense, **OR**
- Open web browser and type in: <https://exp92prd.aepsc.com>
 - Click on the prompt: "Please click here to PeopleSoft logon page"
- Enter your corporate User ID and password
- From the AEP Employee Expense Menu panel, click Accounts Payable
- Click on UVL/JE Reclass/WO Cancel
- Enter your search criteria into the filters on the Search Criteria panel
- Click the Search button
- Transactions will appear in the Transaction History panel
- Transactions can be edited or deleted if they are in a Transaction Status of Entered
- Adjusting entries or smaller submissions can be entered directly on the Add New Entry panel
- For more detailed instructions refer to the **Unvouchered Liabilities, Journal Entry Reclass & Work Order Cancel How-To Instructional Guide** located at AEP NOW > A to Z Index > Accounting > Policies/Procedures > Journal Entry > Unvouchered Liabilities, JE Reclass and Work Order Cancel

Security Roles:

- If you do not have access to any of the roles below, request a role through My Access.
- The MyAccess Asset ID = PeopleSoft UVL, Reclass & WO Cancel
- The four security roles are:
 - **AEP_AJE_INQUIRY**: Allows users to validate but not submit Unvouchered Liabilities, JE Reclass, and Work Order Cancel entries
 - **AEP_AJE_SUBMIT_RECLASS**: Allows users to validate and submit JE Reclass and Work Order Cancel entries
 - **AEP_AJE_SUBMIT_UVL**: Allows users to validate and submit Unvouchered Liabilities entries
 - **AEP_AJE_ACCOUNTANT**: Allows Ledger Accountants to validate and submit Unvouchered Liabilities entries with the option to by-pass the auto-reversing journal entry function

Contacts:

- Contact information:
 - Unvouchered Liabilities email address: unvoucheredliabilities@aep.com
 - JE Reclass email address: jereclass@aep.com
 - Work Order Cancel email address: wocancel@aep.com



Unvouchered Liabilities JE Reclass Upload Template & WorkOrder Cancel

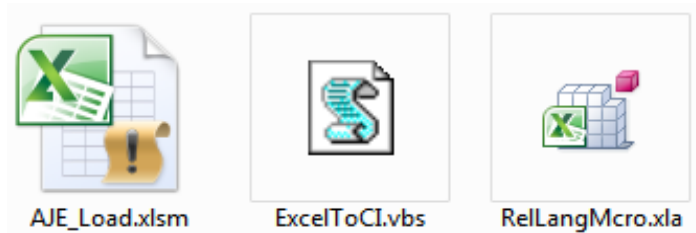
The purpose of this workbook is to upload Unvouchered Liabilities, JE Reclass or Work Order Cancel entries from Excel into the PeopleSoft Accounting system.

For additional information, reference the following policies, found on the AEP NOW Accounting website. Go to AEP NOW > A-Z Index > Accounting > Policies/Procedures > Journal Entry > Unvouchered Liabilities, JE Reclass and Work Order Cancel:

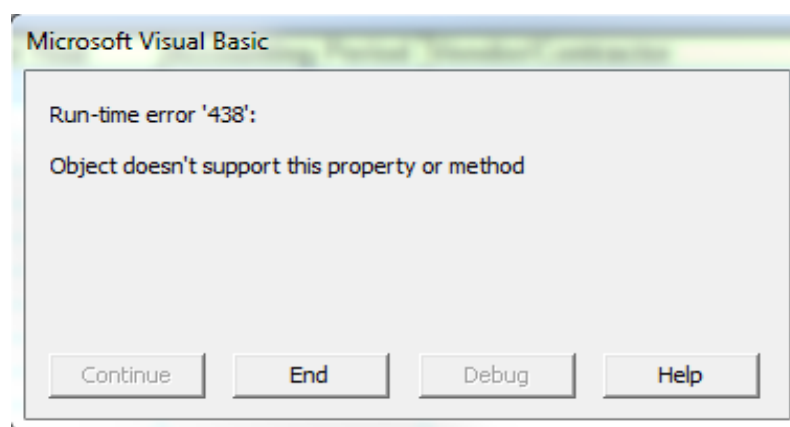
- Unvouchered Liabilities Policy
- JE Classification Correction Policy
- WO Cancellation Policy

Required Files:

- **For this upload template to work, you must save the three files below to the same folder on your local machine.** The files are located at AEP NOW > A to Z Index > Accounting > Policy/Procedures > Journal Entry > Unvouchered Liabilities, JE Reclass and Work Order Cancel:
 - AJE_Load.xlsm (can be renamed if you prefer)
 - ExcelToCI.vbs
 - RelLangMcro.xla



- Upon opening the AJE_Load.xlsm spreadsheet the first time, a pop up box could appear with a Run-time Error message similar to the one below.
 - If this message is received, follow these steps:
 - Close all Microsoft Office documents (Microsoft Outlook can remain open)
 - Go to the C:\Temp folder
 - In the Search box type: *.exd
 - Click the Search / Refresh icon
 - Delete all .exd files that are retrieved
 - Open Excel
 - Re-open the AJE_Load.xlsm spreadsheet and the Run-time Error box should no longer appear.



Template Information:

- This workbook contains macros that must be enabled to work properly.
 - If the Enable Macro bar appears at the top of the opened file, click the "Enable Content" button before continuing.
- This workbook contains hidden worksheets and protected areas needed for the proper functioning of the upload process.
- The only worksheet a user should add or edit data is the "Data Input" worksheet.
- All other worksheets are instructional or needed for the functioning of the upload process, thus should not be changed or edited.
- Changing or tampering with this template could result in it not working properly.

Data Input Worksheet:

- Enter transactions on this worksheet, inputting data into the corresponding columns for uploading into the PeopleSoft Accounting System.
- Data can be entered by keying in each cell or copying and pasting from another spreadsheet.
 - **When using copy and paste, ensure to select Paste Special and paste VALUES ONLY.**
 - Paste Special VALUES prevents other spreadsheet formats from overwriting the template format, causing improper functioning.
- This template workbook can be reused for multiple loads.
 - To reuse the spreadsheet, delete the previously loaded data to create a blank template.
 - Ignore the highlighted cells in the Status column, these will update with the new upload.
- Below are details for each of the columns on the "Data Input" worksheet:
 - **Status:**
 - This column provides feedback on the validation status of each transaction after the "validate and submit" process is initiated
 - **Do not enter or paste any values in this column**
 - The status, and its respective color, is controlled by the template and the data submission process
 - **Requested By:**
 - Corporate Login ID of the person requesting the data upload
 - The Requested By ID can be the same as the Submitter
 - **Transaction Type:**
 - This column designates the type of transaction to be submitted
 - Only one type of transaction can be processed per submission
 - Valid values are:
 - UVL - Unvouchered Liabilities
 - JER - JE Reclass
 - WOC - WO Cancel
 - **Approved By:**
 - Corporate Login ID of the person who approved the transaction before submitting for upload
 - The Approved By ID **cannot** be the same as the Submitter, but **can** be the same as the Request By ID
 - **Fiscal Year:**
 - The year the transaction needs recorded
 - There can be only one Fiscal Year per submission
 - **Accounting Period:**
 - The month the transaction needs recorded
 - There can be only one Accounting Period per submission
 - **Vendor/Contractor:**
 - Required only for Unvouchered Liabilities transactions
 - Name of the vendor/contractor to which the transaction relates
 - There is a maximum character length of 40
 - **PO Number:**
 - The purchase order number to which the invoice is related
 - If the PO Number is not known leave this field blank
 - Values with any special characters or letters, such as a dash "-" or an "x", are stripped off when submitted
 - PO Numbers are typically 6 to 8 digits long and could have an additional 4 digit release
 - There is a maximum character length of 13
 - **Invoice Number:**
 - The invoice number as provided by the supplier
 - If the Invoice Number is not known leave this field blank
 - If provided, it must match the invoice number in Accounts Payable to be recognized by UVL Duplicate Invoice Review
 - This value will be changed to uppercase and any special characters will be stripped away when submitted
 - There is a maximum character length of 30
 - **Voucher ID:**
 - This column is mainly used for JE Reclass transactions
 - If known, enter the exact Voucher ID for the specific transaction needing reclassified
 - **Monetary Amount:**
 - The dollar amount of the transaction
 - Monetary Amount cannot be \$0.00

- **Accounting Chartfields:**
 - The accounting values for the transaction
 - The accounting fields are:
 - General Ledger Business Unit
 - Department
 - Work Order
 - Project Costing Business Unit
 - Project
 - Account
 - Cost Component
 - ABM Activity
 - Subcategory
 - State Jurisdiction (Operating Unit)
 - Product
 - Affiliate

- **Reason:**
 - This column is used and required only for JE Reclass and WO Cancel transactions
 - Valid values for JE Reclass:
 - JEAB - ABM Activity Correction
 - JEAL - Allocate Invoice to Proper BU/Acctg
 - JEBU - Business Unit Correction
 - JECW - Capital WO Correction
 - JECO - Reclass - Capital/O&M Transfer
 - JECC - Cost Component Correction
 - JEDC - Department ID Correction
 - JENO - Reclass - Non Capital/O&M Transfer
 - JEOW - O&M WO Correction
 - JEOT - Other - Available reason codes do not apply
 - Valid values for Work Order Cancel:
 - WOOM - Cancel WO to O&M
 - WOSW - Cancel Section of WO
 - WOWO - Cancel WO to WO

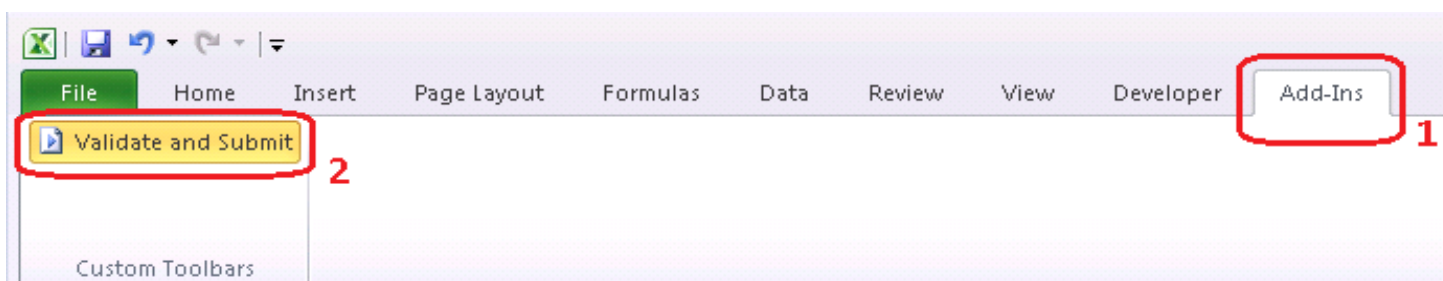
- **Comment:**
 - Any comments or descriptions the user would like to associate with the transaction
 - There is a maximum character length of 250

- **UVL Reversal:**
 - For use only with the Unvouchered Liabilities security role AEP_AJE_ACCOUNTANT (Ledger Accountants)
 - If the user does not have this security role leave the field blank

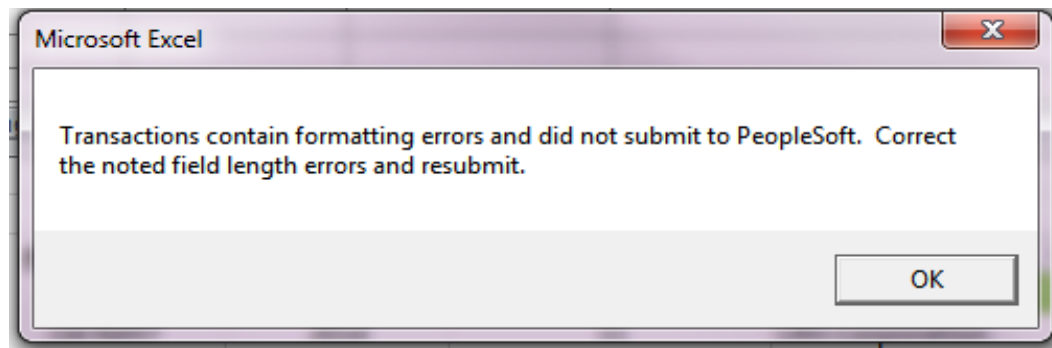
- **Add:**
 - Leave this column empty, the system will auto populate the required "Y" for each row

Validation and Submission:

- Once data is entered into the "Data Input" worksheet, click on the "Add-Ins" menu on the top right of the Excel screen.
- Under the "Add-Ins" menu, click the "Validate and Submit" button to start the validation upload process to PeopleSoft.



- The number of transactions on the "Data Input" worksheet determines how long the spreadsheet will validate and/or submit.
- While processing, the screen will temporarily go to the "Staging & Submission" worksheet where it will stage the data from the "Data Input" worksheet.
- The process first checks formatting errors. If there are any errors, the process stops and take you back to the "Data Input" tab.
 - When there are formatting errors, there will be a message box like the one below.
 - Hover the cursor over the status cells marked "Error" to determine which fields have exceeded the maximum character length.
 - Correct the noted field length errors.
 - Under the "Add-Ins" menu, click the "Validate and Submit" button to begin the process again.



- If there are no formatting errors the process continues with a Log in screen to enter your Corporate Login ID and Password.

- Once the validation process is complete you will be automatically taken back to the "Data Input" worksheet, where the result of the validation process will be posted for each transaction.
- Status results will be:
 - "OK" highlighted in green: the transaction has passed all validation
 - "Warning" highlighted in yellow: the transaction has passed validation, but warning messages were returned by the system
 - "Error" highlighted in red: the transaction has not passed validation
- Hover the cursor over the status cells marked "Warning" or "Error" to see the message explaining why the transaction is in this status.
- When a transaction is in an Error Status:
 - None of the transactions are uploaded into PeopleSoft
 - Make the necessary corrections on the "Data Input" worksheet
 - Follow the steps outlined above to "Validate and Submit" until all the rows show a status of "OK" in green.

Accessing Entries in PeopleSoft Expense:

- On the AEP NOW Index tab click on PeopleSoft Expense, **OR**
- Open web browser and type in: <https://exp92prd.aepsc.com>
 - Click on the prompt: "Please click here to PeopleSoft logon page"
- Enter your corporate User ID and password
- From the AEP Employee Expense Menu panel, click Accounts Payable
- Click on UVL/JE Reclass/WO Cancel
- Enter your search criteria into the filters on the Search Criteria panel
- Click the Search button
- Transactions will appear in the Transaction History panel
- Transactions can be edited or deleted if they are in a Transaction Status of Entered
- Adjusting entries or smaller submissions can be entered directly on the Add New Entry panel
- For more detailed instructions refer to the **Unvouchered Liabilities, Journal Entry Reclass & Work Order Cancel How-To Instructional Guide** located at AEP NOW > A to Z Index > Accounting > Policies/Procedures > Journal Entry > Unvouchered Liabilities, JE Reclass and Work Order Cancel

Security Roles:

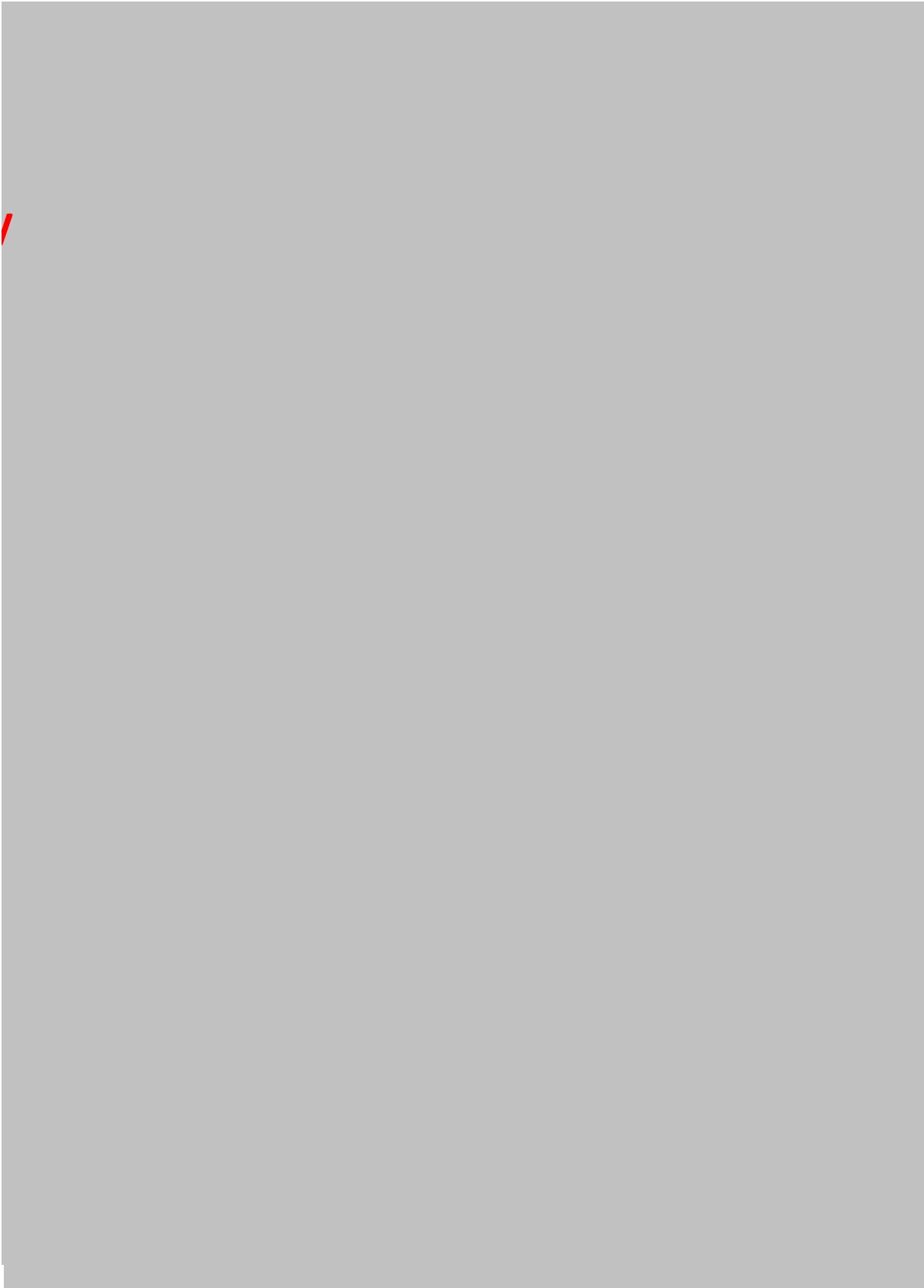
- If you do not have access to any of the roles below, request a role through My Access.
- The MyAccess Asset ID = PeopleSoft UVL, Reclass & WO Cancel
- The four security roles are:
 - **AEP_AJE_INQUIRY**: Allows users to validate but not submit Unvouchered Liabilities, JE Reclass, and Work Order Cancel entries
 - **AEP_AJE_SUBMIT_RECLASS**: Allows users to validate and submit JE Reclass and Work Order Cancel entries
 - **AEP_AJE_SUBMIT_UVL**: Allows users to validate and submit Unvouchered Liabilities entries
 - **AEP_AJE_ACCOUNTANT**: Allows Ledger Accountants to validate and submit Unvouchered Liabilities entries with the option to by-pass the auto-reversing journal entry function

Contacts:

- Contact information:
 - Unvouchered Liabilities email address: unvoucheredliabilities@aep.com
 - JE Reclass email address: jereclass@aep.com
 - Work Order Cancel email address: wocancel@aep.com

Please do not make changes to this
Also please do not make use of the

**s page or tab Needed for upload functionality
e buttons under Add-Ins menu on this tab**









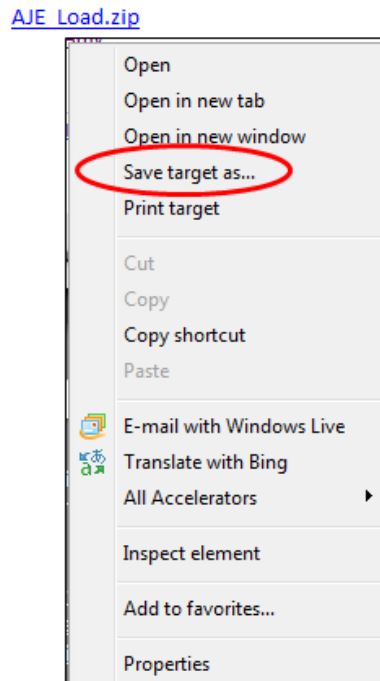
Status	Line No	Record Type	Requested By	Transaction Type	Approved By	Fiscal Year	Accounting Period	Vendor/Contractor	PO Number	Invoice Number
	5	000	START							
	6	000	END							
STOP										

[Redacted]						
State/Jurisdiction	Product	Affiliate	Reason	Comments	UVL Reversal	Add
						Y
						Y

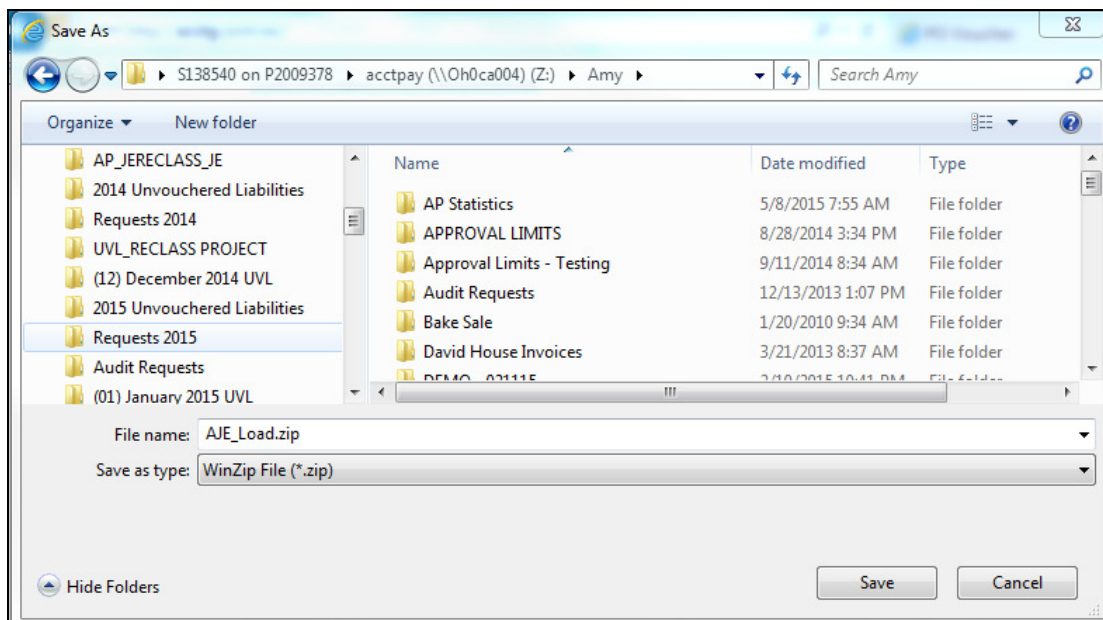
AJE_Load.zip Download Instructions

Take the following steps to download the AJE_Load.ZIP file to your computer:

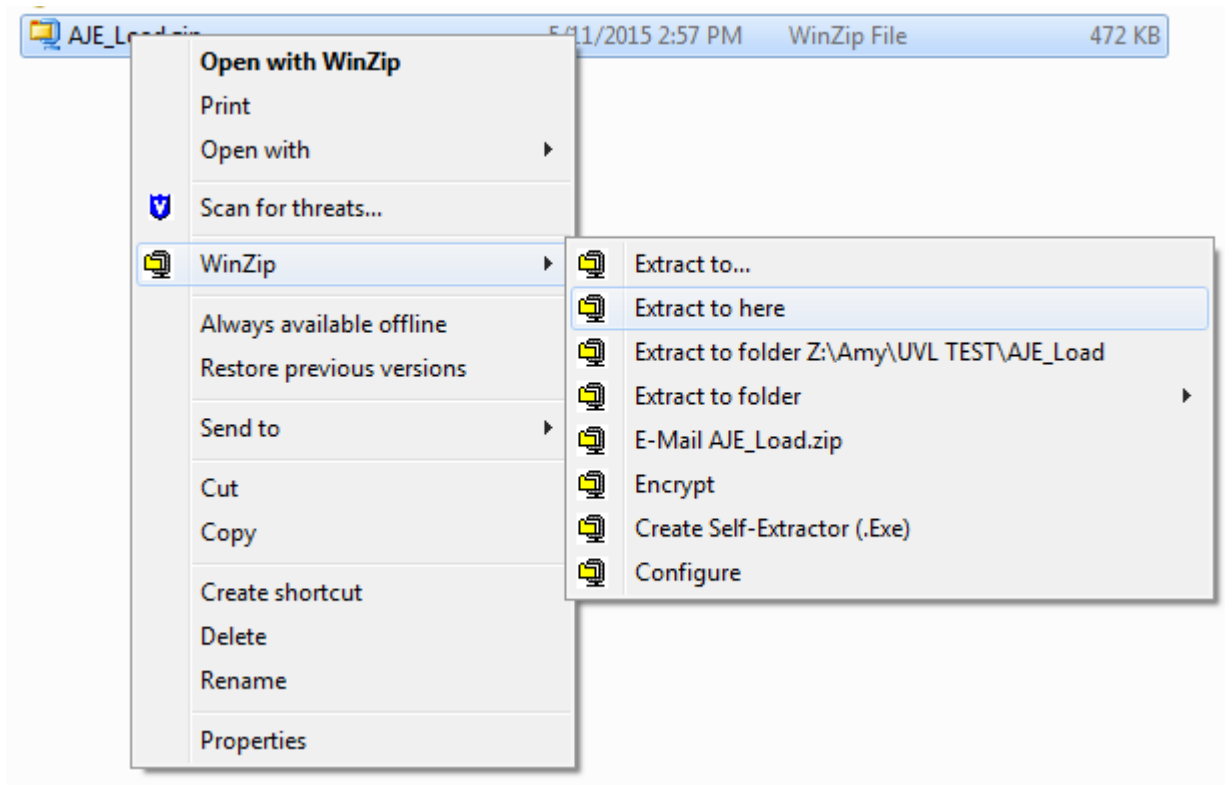
- 1.) Right Click on the AJE_Load.zip file and the following Menu will appear. Select “**Save target as...**”



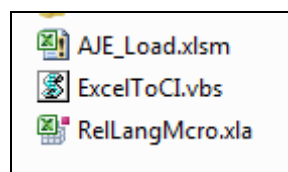
- 2.) The “Save As” box will appear. Select the location where the AJE_Load.zip file should be saved on your computer, then click the **Save** button.



- 3.) Navigate to the location on your computer where the AJE_Load.zip file was saved in Step #2. Right click on the AJE_Load.zip file. Select “**WinZip**” and then “**Extract to here**” on the menus that appear.



- 4.) The **AJE_Load.xlsm**, **ExcelToCI.vbs** and **RelLangMcro.xla** files 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 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.



- 5.) The user can delete the AJE_Load.zip file once the three files have been extracted.

MAJOR PLANT IN/OUT SERVICE REPORT
 Revised 04/13//2010 – for projects with expenditures over \$1 million



Company Name				
Location				
CI #				
Line No.	Co. No.	Work Order Number	Date In/Out Of Service	Amount In-Service
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
<u>Description / Comments</u>				
Prepared By				Date
> \$1 Million Approval				Date
> \$10 Million Approval				Date

MAJOR PLANT IN/OUT SERVICE REPORT
 Revised 04/13/2010 – for projects with expenditures over \$2 million



Company Name				
Location				
CI #				
Line No.	Co. No.	Work Order Number	Date In/Out Of Service	Amount In-Service
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
<u>Description / Comments</u>				
Prepared By				Date
> \$2 Million Approval				Date
> \$10 Million Approval				Date

MAJOR PLANT IN/OUT SERVICE REPORT
 Revised 04/13/2010 – for projects with expenditures over \$2 million



Company Name				
Location				
CI #				
Line No.	Co. No.	Work Order Number	Date In/Out Of Service	Amount In-Service
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
<u>Description / Comments</u>				
Prepared By				Date
Plant Manager Approval				Date
> \$2 Million Approval				Date
> \$10 Million Approval				Date



REQUEST TO SUSPEND WORK ORDER

WORK ORDER NUMBER	
PROJECT DESCRIPTION	
PROJECT LOCATION	
CHARGES (AT TIME OF REQUEST)	
SUSPENSION DATE	
PERSON REQUESTING SUSPENSION	
EXPLANATION FOR SUSPENSION	
ESTIMATED DATE CONSTRUCTION ACTIVITY WILL RESUME (MO/YR)	
AMOUNT AND ACCOUNTING CLASSIFICATION OF WRITE-OFF	

I attest that all of the charges in the work order have been reviewed prior to suspension and represent charges that can be properly suspended (i.e., all costs have future value and no write-offs are required, there are no assets that are already in service and should be transferred to plant in service).

Signature: _____ Date: _____
 Vice President - If expenditures exceed \$10M

Signature: _____ Date: _____
 Plant Manager or Functional BU Director - If expenditures between \$50K and \$10M

Accounting Policy & Research Approval

Signature: _____ Date: _____
 Director Accounting Policy & Research - If expenditures exceed \$10M

=====

PROPERTY ACCOUNTING USE ONLY

Date Work Order Suspended in PowerPlant: _____

Suspension Entered By: _____

Plant Manager or BU Director Requesting Un-Suspension: _____

Date Work Order Un-Suspended in PowerPlant: _____

Un-Suspension Entered By: _____

PROPERTY TRANSFER REPORT

KPSC Case No. 2017-00179
AG's First Set of Data Requests
Dated August 14, 2017
Item No. 44
Attachment 1
184 of 623

Preparer: [Redacted]
Date: [Redacted]

PTR Number: [Redacted]

TRANSACTION 1

TRANSFER FROM:

GLBU Number: [Redacted]
GLBU Name: [Redacted]
Asset Location Number: [Redacted]
Asset Location Name: [Redacted]
Asset Description: [Redacted]
Utility Account (3xx): [Redacted]
Vintage Year: [Redacted] Cat ID: [Redacted]
Original Cost: [Redacted] UTC: [Redacted]
Serial Number: [Redacted]
Assoc. Work Order: [Redacted]

TRANSFER TO:

GLBU Number: [Redacted]
GLBU Name: [Redacted]
Asset Location Number: [Redacted]
Asset Location Name: [Redacted]
Utility Account (3xx): [Redacted]
Assoc. Work Order: [Redacted]

Comments: [Redacted]

TRANSACTION 2

TRANSFER FROM:

GLBU Number: [Redacted]
GLBU Name: [Redacted]
Asset Location Number: [Redacted]
Asset Location Name: [Redacted]
Asset Description: [Redacted]
Utility Account (3xx): [Redacted]
Vintage Year: [Redacted] Cat ID: [Redacted]
Original Cost: [Redacted] UTC: [Redacted]
Serial Number: [Redacted]
Assoc. Work Order: [Redacted]

TRANSFER TO:

GLBU Number: [Redacted]
GLBU Name: [Redacted]
Asset Location Number: [Redacted]
Asset Location Name: [Redacted]
Utility Account (3xx): [Redacted]
Assoc. Work Order: [Redacted]

Comments: [Redacted]

PROPERTY TRANSFER REPORT

KPSC Case No. 2017-00179
AG's First Set of Data Requests
Dated August 14, 2017
Item No. 44
Attachment 1
185 of 623

Prepared by: Debbi Doyle
Date: 7/22/2009

PTR Number: PTR2009-8

TRANSACTION 1

TRANSFER FROM:

GLBU Number: 211
GLBU Name: TCC D
Asset Location Number: 1049
Asset Location Name: MCCOLL ROAD SUB
Asset Description: XFMR - 138KV PRI/11-13/2KV SEC. 3PH,. 20-30 MVA W/LTC - GE
Utility Account (3xx): 36200
Vintage Year: 1991
Original Cost: \$187,505.34 *
Serial Number: M162127
Assoc. Work Order: 40765443

Cat ID: 0069073345
UTC: 0000412347

TRANSFER TO:

GLBU Number: 211
GLBU Name: TCC D
Asset Location Number: 1500
Asset Location Name: RESERVE MCALLEN
Utility Account (3xx): 36200
Assoc. Work Order: 40765443

Comments:

* If a Current Day Cost is used (instead of Original Cost), provide a Comment stating Current Cost was used. Property Accounting will trend the value to the vintage year provided to determine the estimated Original Cost.

TRANSACTION 2

TRANSFER FROM:

GLBU Number:
GLBU Name:
Asset Location Number:
Asset Location Name:
Asset Description:
Utility Account (3xx):
Vintage Year:
Original Cost:
Serial Number:
Assoc. Work Order:

Cat ID:
UTC:

TRANSFER TO:

GLBU Number:
GLBU Name:
Asset Location Number:
Asset Location Name:
Utility Account (3xx):
Assoc. Work Order:

Comments:

**BLENDED VINTAGE & AMOUNT CALCULATION
RESTATED COST SPREADSHEET**

Requested By: [Redacted]
Date: [Redacted]

GLBU Number: [Redacted]
GLBU Name: [Redacted]
Asset Location Number: [Redacted]
Asset Location Name: [Redacted]
Asset Description: [Redacted]
Utility Account (3xx): [Redacted]
Cat ID: [Redacted]
UTC: [Redacted]
Serial #: [Redacted]

Original Cost: [Redacted] Vintage Year: [Redacted]
Retirement Amount: [Redacted] Retirement WO: [Redacted]
Addition Amount: [Redacted] Addition WO: [Redacted]

Comments: [Redacted]

Submit to: **Cindy Buckbee - Property Accounting - 3rd Floor - Canton Office - Canton, OH**

To be provided by Property Accounting

Blended (Restated) Cost: [Redacted]
Blended Vintage Year: [Redacted]
Prepared By: [Redacted]
Date: [Redacted]

Note: Blended data is for UTC purposes only. When requesting a NBV for this item, please reference calculation below

Prop Acctg: Paste calculation here

**SALE BETWEEN OPERATING COMPANIES
NET BOOK VALUE REQUEST**

KPSC Case No. 2017-00179
AG's First Set of Data Requests
Dated August 14, 2017
Item No. 44
Attachment 1
187 of 623

Requested By: [Redacted]
Date: [Redacted]
Request Type (1 and/or 2): [Redacted]

- 1 - Net Book Value (Complete "Transfer From" information except Assoc Work Order)
- 2 - Sale Journal Entry (Complete "Transfer From" and "Transfer To" information)

TRANSFER FROM:

GLBU Number: [Redacted]
GLBU Name: [Redacted]
Asset Location Number: [Redacted]
Asset Location Name: [Redacted]
Asset Description: [Redacted]
Utility Account (3xx): [Redacted]
Vintage Year: [Redacted] **Cat ID:** [Redacted]
Original Cost: [Redacted] **UTC:** [Redacted]
Serial Number: [Redacted]
Assoc. Work Order: [Redacted]

TRANSFER TO:

GLBU Number: [Redacted]
GLBU Name: [Redacted]
Asset Location Number: [Redacted]
Asset Location Name: [Redacted]
Utility Account (3xx): [Redacted]
Assoc. Work Order: [Redacted]

Comments: [Redacted]

Submit to: Cindy Buckbee - Property Accounting - 3rd Floor - Canton Office - Canton, OH

To be completed by Property Accounting

Net Book Value (Depreciated Value): [Redacted]
Prepared by: [Redacted]
Date: [Redacted]

Journal Entry for Sale prepared (date): [Redacted]
Prepared by: [Redacted]

**SALE BETWEEN OPERATING COMPANIES
NET BOOK VALUE REQUEST**

Requested By: Tom Sulhan
Date: 10/28/2009
Request Type (1 or 2): 2
1 - Net Book Value (Complete "Transfer From" information except Assoc. Work Order)
2 - Sale Journal Entry (Complete "Transfer From" and "Transfer To" information)

TRANSFER FROM:

GLBU Number: 150
GLBU Name: Transmission APCO
Asset Location Number: 5026
Asset Location Name: Trammel 69KV Station
Asset Description: Transformer Power 69/34.5 KV LTC
Utility Account (3xx): 35300
Vintage Year: 1986 **Cat ID:** 0069070631
Original Cost: \$116,975.00 **UTC:** 386730
Serial Number: PDS05691
Assoc. Work Order: 41354609-01

TRANSFER TO:

GLBU Number: 114
GLBU Name: Transmission PSO
Asset Location Number: 66941
Asset Location Name: Walters Junction
Utility Account (3xx): 35300
Assoc. Work Order: 41354214-01

Comments: Intercompany Sale of Transformer

Submit to: Tom Sulhan - Property Accounting - 3rd Floor - Canton Office - Canton

To be completed by Property Accounting - Canton

Net Book Value (Depreciated Value) : \$58,191.20
Prepared by: Tom Sulhan
Prepared date: 9/2/2009

Journal Entry for Sale prepared (date): September-09
Prepared by: Tom Sulhan



REQUEST TO SUSPEND WORK ORDER

WORK ORDER NUMBER	
PROJECT DESCRIPTION	
PROJECT LOCATION	
CHARGES (AT TIME OF REQUEST)	
SUSPENSION DATE	
PERSON REQUESTING SUSPENSION	
EXPLANATION FOR SUSPENSION	
ESTIMATED DATE CONSTRUCTION ACTIVITY WILL RESUME (MO/YR)	
AMOUNT AND ACCOUNTING CLASSIFICATION OF WRITE-OFF	

I attest that all of the charges in the work order have been reviewed prior to suspension and represent charges that can be properly suspended (i.e., all costs have future value and no write-offs are required, there are no assets that are already in service and should be transferred to plant in service).

Signature: _____ Date: _____
 Vice President - If expenditures exceed \$10M

Signature: _____ Date: _____
 Plant Manager or Functional BU Director - If expenditures between \$50K and \$10M

Accounting Policy & Research Approval

Signature: _____ Date: _____
 Director Accounting Policy & Research - If expenditures exceed \$10M

=====

PROPERTY ACCOUNTING USE ONLY

Date Work Order Suspended in PowerPlant: _____

Suspension Entered By: _____

Plant Manager or BU Director Requesting Un-Suspension: _____

Date Work Order Un-Suspended in PowerPlant: _____

Un-Suspension Entered By: _____



Accounting Policy/Procedure

Policy/Procedure Title	Balance Sheet Account Reconciliation	Date	9/8/2015
Author:	Callie Dunn & Russell Doyle	Status: (Draft, Under Review, Approved)	Approved

Purpose

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

Policy/Procedure Statement

Procedure

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

1. Process Maintenance

The Account Reconciliation Coordinator (ARC) will perform monthly and annual maintenance activities as outlined below 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 by the end of the second quarter of each calendar year. The Account Owner (AO) will subjectively classify an account as either "High" or "Low" risk based on quantitative and qualitative risk factors. When determining the account's classification, the AO 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 accounts classified as High risk, the AO's ledger team will be required to perform detailed monthly account reconciliations.

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 (any entity that issues stand-alone financial statements) quantitative threshold. If all of these measurement periods are below the 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.



Accounting Policy/Procedure

For accounts classified as Low risk with balances above the entity's quantitative 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 quantitative threshold (i.e. percentage of materiality of a financial statement line item) of the entity's previous GAAP report line?
- Is the account monthly variance greater than a pre-determined percentage?
- 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.

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 A. The official record for sign-off is in the PeopleSoft Account Reconciliation Database.

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 above) to identify accounts that require a detailed reconciliation
 - Based on the automated analysis, create a file to be sent to the various 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:
 - Classify accounts at inception as "High" or "Low" risk based on qualitative and quantitative risk factors.



Accounting Policy/Procedure

- 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.”

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 and reviewed 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 must be completed and reviewed before AEP's SEC filing, unless identified by management as non-critical. Non-critical accounts, identified by management, must be approved by an Accounting Director annually.

Cash Account Exception: Cash accounts reconciliations (e.g. Accounts 1310000 and 2420511) will be required to be completed and reviewed 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 reconciliations, the ARP and AO should assess whether the identified adjustment affects the yet-to-be issued SEC filings. For all periods, the ARP and AO should assess its respective significance to these financial statements, whether the posted adjustment affects any previously externally reported periods, and whether a SAB 108 entry is required.



Accounting Policy/Procedure

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 Account Reconciliation 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

The ARC 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 annually. The ARC will keep minutes to evidence the meeting occurs.

The overall Balance Sheet Account Reconciliation policy and process will be reviewed annually by the Assistant Controllers or VP of Tax.



Accounting Policy/Procedure

Approved By

Handwritten signature of Joe Buongiorno in black ink.

Joe Buongiorno
Senior Vice President- Controller and Chief Accounting Officer

9/15/15
Date

Handwritten signature of Scott Travis in blue ink.

Scott Travis
Assistant Controller

9/10/15
Date

Handwritten signature of Diana Gregory in black ink.

Diana Gregory
Assistant Controller

9/11/15
Date

Handwritten signature of Julie Williams in black ink.

Julie Williams
Assistant Controller

9/15/15
Date

Handwritten signature of Mark Pyle in black ink.

Mark Pyle
VP Tax

9/10/15
Date

Handwritten signature of Jeff Hoersdig in blue ink.

Jeff Hoersdig
Assistant Controller

9/10/15
Date



Accounting Policy

Policy Title	Balance Sheet Review	Date	8/01/11 REVISED
Author:	Jeff Hoersdig, Scott Travis	Status:	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 (See Appendix A) for which the ledger team is responsible. Monthly attendees will consist of the ledger team staff, administrator/supervisor and accounting manager. Quarterly attendees will include an accounting director or above (or a manager who reports directly to an assistant controller).

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 the date of the SEC filing, whichever is earlier.

Balance sheets to be reviewed will compare the current month balance to the prior month balance. Each account is to be reviewed and any issues raised by any attendee along with ultimate resolution of the 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:

- 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)
- Month to month variances greater than 10% and \$1,000,000
- Account balances that are unusual considering the applicable line of business
- Accounts with an extended period of inactivity

For any account that is not reconciled by the general ledger staff, an account reconciliation may be requested from the appropriate account owner, if required by Balance Sheet Account Reconciliation Policy. The status of the reconciliation for each account will be stored in a database by business unit and account owner.

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 reported to Financial Reporting as part of the SAB 108 process.

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.



Accounting Policy

Approved By



Andrew B. Reis, Assistant Controller
Regulated Accounting

7/29/11
Date



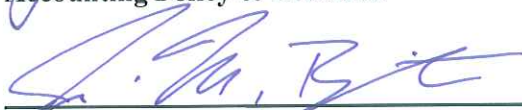
Julie Williams, Assistant Controller
Accounting Services

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

CONSOLIDATED

Name	Business Units
Appalachian Power Consolidated	125, 140, 150, 189, 215, 217, 215
AEP Coal Company Consolidated	302, 302, 305
AEP Desert Sky Wind Combined	315, 317, 341
AEP Energy Services Consolidated	185, 328, 331
AEP Generation Company Combined	153, 375, 377
AEP Investments Consolidated	196, 338
AEP ProServ Consolidated	107, 143, 319
AEP River Operations Consolidated	292, 293, 327
AEP Texas Central Consolidated	162, 169, 211, 372
AEP Texas North Consolidated	119, 166, 192
AEP Wind Holding Combined	345, 361
Columbus Southern Power Consolidated	130, 144, 220, 290
CSW Energy Services Consolidated	176, 238
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
Public Service Company of Oklahoma Consolidated	114, 167, 198
Southwestern Electric Power Consolidated	111, 159, 161, 168, 194, 358
Trent Wind Farms Combined	275, 277, 339
Wheeling Power Consolidated	200, 210

STAND ALONE – Other

Name	Business Units
AEP Company, Inc.	100
AEP C&I Company, LLC	203
AEP Credit, Inc.	154
AEP Energy Partners	175
AEP Energy Services, LTD	234
AEP Fiber Venture, LLC	193
AEP Resources, Inc.	172
AEP Retail Energy Partners, LLC	390
AEP Service Corporation	103
AEP System Pool	122
AEP T&D Services, Inc.	204
AEP Texas C&I Retail, GP	216
AEP Texas C&I Retail, LP	195
AEP Texas North Generation Co, Inc.	371
AEP Non-Utility Funding, LLC	364
AEP Utility Funding, LLC	353
CSW Energy, Inc.	171
Franklin Real Estate Company	224
Indiana Franklin Realty, Inc.	209
Mutual Energy SWEPCO, LLC	137
REP General Partner, LLC	227
REP Holdco, Inc.	174

Accounting Policy



STAND ALONE – 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

Accounting Policy



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

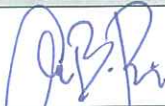
The variance reports and analyses used in the income statement review along with any supplemental reports will serve as meeting minutes. A staff member designated by the accounting director or manager will retain the pre-tax variance analysis reports and supplemental reports.

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

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



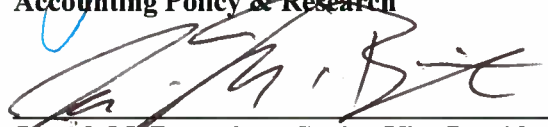
Prior to the close of business of a quarter-ending month, an income statement review and variance report analysis package for each consolidated group of non-utility companies (groupings will be deemed as appropriate) will be presented at a meeting with a Managing Director or Assistant Controller. The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

 <hr style="border: none; border-top: 1px solid black;"/> Andrew B. Reis, Assistant Controller Utility Energy & Commercial Accounting	<u>11/21/12</u> Date
 <hr style="border: none; border-top: 1px solid black;"/> John R. Huneck, Managing Director Accounting Policy & Research	<u>11/21/12</u> Date
 <hr style="border: none; border-top: 1px solid black;"/> Joseph M. Buonaiuto, Senior Vice President Controller and Chief Accounting Officer	<u>11/21/12</u> Date



Accounts Payable Process Controls Policy

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

Overview

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.



Accounts Payable Process Controls Policy

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.
 - 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.
- 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.



Accounts Payable Process Controls Policy

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.



Accounts Payable Process Controls Policy

- 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.



Accounts Payable Process Controls Policy

- **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 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.
 - 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.



Accounts Payable Process Controls Policy

- 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 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.
 - 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



Accounts Payable Process Controls Policy

- 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 Revenew 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.
 - Revenew 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.



Accounts Payable Process Controls Policy

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



Accounting Policy/Procedure

Policy/Procedure Title	Accounting for Allowance for Funds Used During Construction and Capitalized Interest	Date	7/29/13
-------------------------------	--	-------------	---------

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:



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 ($\frac{1}{2}$) 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.



Accounting Policy/Procedure

Policy/Procedure Title	Accounting for Coal Costs	Date	1/1/14
Purpose			
<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>			
Policy/Procedure Statement			
<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"> 1. Invoice price of coal, less any trade discounts. 2. Freight, switching, barging, demurrage and other transportation charges and related taxes. 3. Inventory adjustments to correct overages and shortages. 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. 5. Tipple and dumping charges regarding transfer from railroad cars to barges and other transfer activities prior to delivery at the generating plant site. 			

Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Fuel Accounting and/or Accounting Policy & Research.



Accounting Policy/Procedure

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

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
------------	--------

Average Unit Cost per ton:

Fuel Stock-Coal	\$34.579
Fuel Stock Expenses	
Undistributed –Coal	<u>.23</u>

Total	\$34.809
-------	----------

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.

Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Fuel Accounting and/or Accounting Policy & Research.

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.



Accounting Policy/Procedure

Policy/Procedure Title	Accounting for Temporary Facilities Installed to Furnish or Maintain Service	Date	11/2/12
-------------------------------	--	-------------	---------

Purpose

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”.

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. Temporary Facilities Installed for Purposes of Furnishing Service Until Permanent Facilities are Constructed or to Prevent Interruption in Service

- 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.
- 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.

II. Temporary Facilities Installed at Customers’ Request

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.

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.



Accounting Policy/Procedure

References and Links

FERC USofA

[FERC: Uniform System of Accounts - Webpage](#)

[Link to the FERC: Uniform System of Accounts - Electric](#)



Accounting Policy/Procedure

Policy/Procedure Title	Accounting for Pre-Operating Costs	Date	4/7/11
-------------------------------	------------------------------------	-------------	--------

Purpose

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."

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

Pre-Operating Costs:

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.

Costs that are only capitalized prior to the plant's commercial operating date include:

- Fuel consumed
- Fuel stocking expenses normally charged to FERC account 152
- 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.

Costs for initial stocking of necessary operating supplies and equipment should follow the normal accounting based on its nature.

- Exempt production material is expensed.
- Spare parts and equipment are capitalized if they meet the criteria in Accounting Bulletin 14.
- Controlled M&S inventory is charged to account 154 upon purchase.
- 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.).

Costs of services and consumables actually used/consumed prior to commercial operation should be charged to the capital project.

Test Generation:

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

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](#)



Accounting Policy/Procedure

Policy/Procedure Title	Accounting for Ash Disposal Costs	Date	9/10/10
-------------------------------	-----------------------------------	-------------	---------

Purpose

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.

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

Background

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.

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.

AEP currently uses (2) methods to store and dispose of ash:

1. Ash Disposal Ponds
2. Ash Disposal Landfills

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.

Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.

Accounting Policy/Procedure



®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

Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.



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.



Accounting Policy/Procedure

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](#)



Accounting Policy/Procedure

Policy/Procedure Title	Accounting for Ash Disposal Costs	Date	9/10/10
-------------------------------	-----------------------------------	-------------	---------

Purpose

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.

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

Background

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.

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.

AEP currently uses (2) methods to store and dispose of ash:

1. Ash Disposal Ponds
2. Ash Disposal Landfills

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.

Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.

Accounting Policy/Procedure



®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

Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.



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.



Accounting Policy/Procedure

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](#)



AEP: America's Energy PartnerSM

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.

TABLE OF CONTENTS

I. BACKGROUND AND PURPOSE.....	1
II. DEFINITIONS.....	1
A. Capitalized Spare Parts.....	1
B. Distribution Line Transformers and Meters.....	2
C. Other Spare Parts – Materials and Supplies (Inventory).....	2
III. ACCOUNTING INSTRUCTIONS.....	3
A. Capitalized Spare Parts.....	3
1. Purchases.....	3
2. Installation of Capitalized Spare Parts Other than Certain Distribution Equipment as Noted in Section III.B.....	3
3. Sales to Associated Companies.....	4
4. Sales to Outside Parties.....	4
5. Record Keeping and Inventories.....	4
B. Distribution Line Transformers and Meters.....	5
1. First Installation.....	6
2. Subsequent Installations.....	6
3. Removal of the Equipment.....	6
C. Other Spare Parts – Materials and Supplies (Inventory).....	6

Revised May 2012

This Bulletin may not be released to parties outside AEP without the approval of the Chief Accounting Officer.

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 ¹, 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.

¹ 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.

AEP SYSTEM ACCOUNTING BULLETIN NO. 14

ACCOUNTING FOR SPARE PARTS AND SPARE EQUIPMENT

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

AEP SYSTEM ACCOUNTING BULLETIN NO. 14

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)², retire the replaced part's original cost of installation labor. Charge the appropriate

² 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.

AEP SYSTEM ACCOUNTING BULLETIN NO. 14

ACCOUNTING FOR SPARE PARTS AND SPARE EQUIPMENT

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)², 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

AEP SYSTEM ACCOUNTING BULLETIN NO. 14

ACCOUNTING FOR SPARE PARTS AND SPARE EQUIPMENT

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.

AEP SYSTEM ACCOUNTING BULLETIN NO. 14

ACCOUNTING FOR SPARE PARTS AND SPARE EQUIPMENT

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
-------------------------------	-----------------------------------	-------------	---------

Purpose

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.

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

Background

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.

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.

AEP currently uses (2) methods to store and dispose of ash:

1. Ash Disposal Ponds
2. Ash Disposal Landfills

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.

Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.



Accounting Policy/Procedure

®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

Questions Regarding the Application of this Policy/Procedure Document Shall be Directed to Property Accounting and/or Accounting Policy & Research.



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.



Accounting Policy/Procedure

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](#)



Accounting Policy/Procedure

Policy/Procedure Title	Accounting for Sales of Utility Assets	Date	9/30/14
-------------------------------	--	-------------	---------

Purpose

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.

This policy / procedure document may not be released to parties outside AEP without the approval of the Chief Accounting Officer.

Policy/Procedure Statement

I. REGULATORY REQUIREMENTS BY COMPANY

A. All Public Utility Companies

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:

- 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;
- merge or consolidate, directly or indirectly, such facilities or any part thereof with those of any person, by any means whatsoever. (\$1 threshold)

Section 203 applies to sales of jurisdictional facilities by public utilities both to third parties and to affiliates.

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:

- 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
- 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.



Accounting Policy/Procedure

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.

Accounting Policy/Procedure



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

Accounting Policy/Procedure



G. Kingsport Power Company

Pricing:

- no state pricing requirements

Additional Requirements:

- the disposition of utility assets and affiliate transactions are subject to prudence 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.

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

Accounting Policy/Procedure



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.



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



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



Accounting Policy/Procedure

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.



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.



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.

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](#)

AFFILIATED TRANSACTIONS AGREEMENT
FOR SHARING
CAPITALIZED SPARE PARTS

This Affiliated Transactions Agreement (this “Agreement”) is made and entered into effective as of the 1st 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 1st 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.

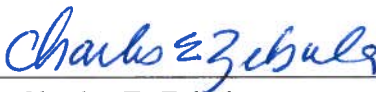
C. This Agreement shall not be effective with regard to Appalachian Power Company ("Appalachian") until such time, if ever, that it has obtained all governmental regulatory approvals necessary to participate in this Agreement. This provision shall not affect the obligations of any other party hereto. 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 of 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.

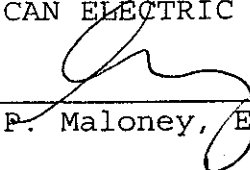
*ARTICLE XI
WITHDRAWAL AND TERMINATION*

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

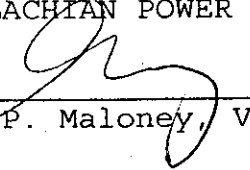
with any rule, regulation or order of the Securities and Exchange Commission issued pursuant to the provisions of the 1935 Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

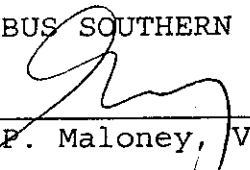
AMERICAN ELECTRIC POWER SERVICE CORPORATION

By: 
G.P. Maloney, Executive Vice President

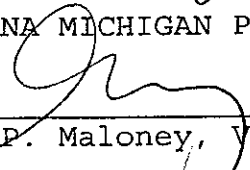
APPALACHIAN POWER COMPANY

By: 
G.P. Maloney, Vice President

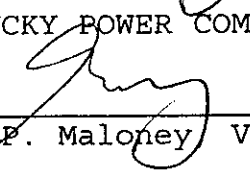
COLUMBUS SOUTHERN POWER COMPANY

By: 
G.P. Maloney, Vice President

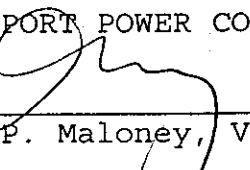
INDIANA MICHIGAN POWER COMPANY

By: 
G.P. Maloney, Vice President

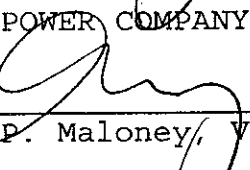
KENTUCKY POWER COMPANY

By: 
G.P. Maloney, Vice President

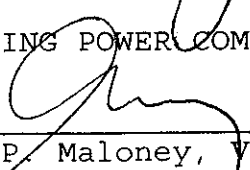
KINGSPORT POWER COMPANY

By: 
G.P. Maloney, Vice President

OHIO POWER COMPANY

By: 
G.P. Maloney, Vice President

WHEELING POWER COMPANY

By: 
G.P. Maloney, Vice President

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>	
Distribution Operations	
Distribution Operations	Number of Electric Customers
Right of Way Maintenance	Number of Electric Customers
Distribution Engineering	
Engineering & Planning	Number of Electric Customers
Distribution Data Systems	
Database Applications	Number of Electric Customers
Joint Use	Number of Electric Customers
Customer Services	
Customer Call Centers	Number of Electric Customers
<i>Energy Transmission</i>	
Transmission Regions	
Transmission Line	Tran. & Sub-Tran. Pole Miles
Protection & Control	Tran. & Sub-Tran. Pole Miles
Station	Tran. & Sub-Tran. Pole Miles
Transmission System Engineering	
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.



Accounting Policy/Procedure

Policy/Procedure Title	Accounting for Station and Plant Power Transformer Rebuilds	Date	12/10/13
-------------------------------	---	-------------	----------

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](#)



Accounting Policy/Procedure

Policy/Procedure Title	Service Corp Procedures	Date	10/11/2004
Author:	Randy Roush	Status: (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



**AEPSB 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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

5/4/2004

A.	PROCESS OVERVIEW	2
B.	GLOSSARY OF TERMS	7
C.	OVERHEAD ALLOCATIONS	8
D.	CLIENT COMPANY BILLS	21
E.	RECLASS	29
F.	PROCESS DESCRIPTION	32
G.	COMBO EDITS	35
H.	INTERFACES	36
I.	CONVERSIONS	37
J.	REPORTS	38
K.	APPENDIX A - ATTRIBUTION BASES	39
L.	APPENDIX B - SAMPLE EPM REPORTS	42
M.	APPENDIX C - SCB AUTOSYS PROCESS	50

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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:

ADGS	GS actuals to defer, DOH and Other on List
ADHR	HR actuals to defer, DOH and Other on List
ADIT	IT actuals to defer, DOH and Other on List
ADOC	OC actuals to defer, DOH and Other on List
ADSC	SC actuals to defer, DOH and Other on List
ADTC	TC actuals to defer, DOH and Other on List
BSLA	Offset to SSS DOH WO
DEFR	Deferral of Indirect Costs
DOH	Overhead – Departmental Overhead Work Orders – Non SLA
DOHX	Shared Services Strategy DOH
DSLA	Deferral of SLA
FRNG	Fringe actual costs
ISC	Internal Support Costs
MULT	Transaction that bills to multiple companies
NAC	Non Associated Company
SCA	Service Corporation Asset
SING	Transaction that bills to a single company
SLA	SLA actual costs
SLAX	SSS Unique W/O to be spread by percentage
SLGS	GS transfer costs – SLA DOH and Other on List
SLHR	HR transfer costs – SLA DOH and Other on List
SLIT	IT transfer costs – SLA DOH and Other on List
SLOC	OC transfer costs – SLA DOH and Other on List
SLSC	SC transfer costs – SLA DOH and Other on List
SLTC	TC transfer costs – SLA DOH and Other on List
SETE	Engineering, Technical & Environmental Services Work Order

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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 XXLATABLE in PeopleSoft.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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.”

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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)

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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**.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

5/4/2004

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

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

5/4/2004

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 “ Excluding Overheads from Certain Transactions ”.

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”

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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

AEPSC Billing System
 Revisions Effective January 1, 2004
 Business Process Functional Design

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

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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"**.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

5/4/2004

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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

5/4/2004

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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

5/4/2004

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

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

5/4/2004

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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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>
--

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

-
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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

-
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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

5/4/2004

H. Interfaces

A discussion of interfaces is included in the **Technical Design Document**.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

J. Reports

A number of reporting tools are available to assist the user in analyzing SCBS information.

PeopleSoft Reports

<u>Reference Number</u>	<u>Description</u>	<u>Comments</u>
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.

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

5/4/2004

K. Appendix A

Attribution Bases

Account	Description
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

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

5/4/2004

Account	Description
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

AEPSC Billing System
 Revisions Effective January 1, 2004
 Business Process Functional Design

5/4/2004

L. Appendix B

Sample EPM Reports

Report 1 – Summary Segment Report

AEPSC BILL								
SUMMARY SEGMENT REPORT								
Segment	Department	Budget	Current Month		Year-to-Date		2003	Budget
			Actual	Variance	Budget	Actual		
Transmission	Chairman							
	CP&B							
	Accounting							
	Legal							
	etc.							
	Total							

Report 2 – Summary GLBU Report

AEPSC BILL										
SUMMARY GLBU REPORT										
Segment	GLBU	Department	Budget	Current Month		Year-to-Date		2003	Budget	Budget
				Actual	Variance	Budget	Actual			
Transmission	###	Chairman								
		CP&B								
		Accounting								
		Legal								
		etc.								
		Total								
	###	Chairman								
		CP&B								
		Accounting								
		Legal								
		etc.								
		Total								
	###	Chairman								
		CP&B								
		Accounting								
		Legal								
		etc.								
		Total								

AEPSC Billing System
 Revisions Effective January 1, 2004
 Business Process Functional Design

5/4/2004

Report 3 – Summary GLBU Trend Report

AEPSC BILL							
SUMMARY GLBU TREND REPORT							
Segment	GLBU	Department	Current Month	Last Month	2 Months Prior	Average	
Transmission	###	Chairman					
		CP&B					
		Accounting					
			Legal				
			etc.				
			Total				
		###	Chairman				
	CP&B						
	Accounting						
		Legal					
		etc.					
		Total					
	###	Chairman					
CP&B							
Accounting							
		Legal					
		etc.					
		Total					

AEPSC Billing System
 Revisions Effective January 1, 2004
 Business Process Functional Design

5/4/2004

Report 4 – Summary Project Report

AEPSC BILL					
SUMMARY PROJECT REPORT					
Segment	GLBU	Project	Department	Month Actual	Year-to-Date Actual
Transmission	###	Project 1	Chairman CP&B Accounting Legal etc. Total		
		Project 2	Chairman CP&B Accounting Legal etc. Total		
		Project 3	Chairman CP&B Accounting Legal etc. Total		

AEPSC Billing System
 Revisions Effective January 1, 2004
 Business Process Functional Design

5/4/2004

Report 5 – Summary Department Report

AEPSC BILL							
SUMMARY DEPARTMENT REPORT							
Segment	GLBU	Department	Project	Month Actual	Year-to-Date Actual		
Transmission	###	Chairman	Project 1				
			Project 2				
			Project 3				
			Project 4				
			etc.				
				Total			
				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					

AEPSC Billing System
 Revisions Effective January 1, 2004
 Business Process Functional Design

5/4/2004

Report 6 – Billing Detail Report

User Prompted to Enter:
 GL/BU Number:
 Project Number:
 Year and Period:

AEPSC BILLING DETAIL REPORT

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
				WORK ORDER TOTAL	\$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
				WORK ORDER TOTAL	\$0	\$0
PROJECT TOTAL					\$0	\$0

AEPSC Billing System
 Revisions Effective January 1, 2004
 Business Process Functional Design

5/4/2004

Report 7 – Employee Labor Summary Report

User Prompted to Enter:
 Project Number:
 Year and Period:

**Service Company Labor Summary
 For (01) Jan, 2003**

Project Description	Work Order Description	Department Description	Cost Class Description	Employee Name	Hours
XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	11382 Environmental Audits	11E Exempt Labor	Employee 1	9.0
		11382 Environmental Audits	11E Exempt Labor	Employee 2	5.0
				WORK ORDER TOTAL	14.0
	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
				WORK ORDER TOTAL	473.0
PROJECT TOTAL					487.0

AEPSC Billing System
 Revisions Effective January 1, 2004
 Business Process Functional Design

5/4/2004

Report 8 – Pre-Allocated Transactions Report

User Prompted to Enter:
 Project Number:
 Year and Period:

AEPSC Pre-Allocated Transactions
 For (01) Jan, 2003

Project 000003871 Sustained Earnings Improv Init
N302387101 Sustained Earnings Improv Init

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)
Work Order Total:								(83.21)
Total for Project 000003871 Sustained Earnings Improv Init								\$ (83.21)

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

5/4/2004

Report 9 – Allocated Transactions Analysis

User Prompted to Enter:

Project Number:
Year and Period:

AEPSC Allocated Transactions
For (01) Jan, 2003

Project 00003871 Sustained Earnings Improv Init

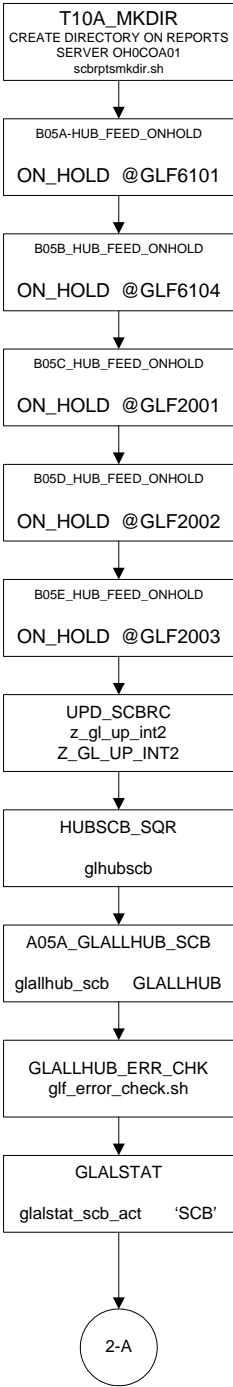
N302387101 Sustained Earnings Improv Init

Dept ID	Department Description	Cost Comp Description	Attribution Basis	Amount
----------------	-------------------------------	------------------------------	--------------------------	---------------

AEPSC Billing System
Revisions Effective January 1, 2004
Business Process Functional Design

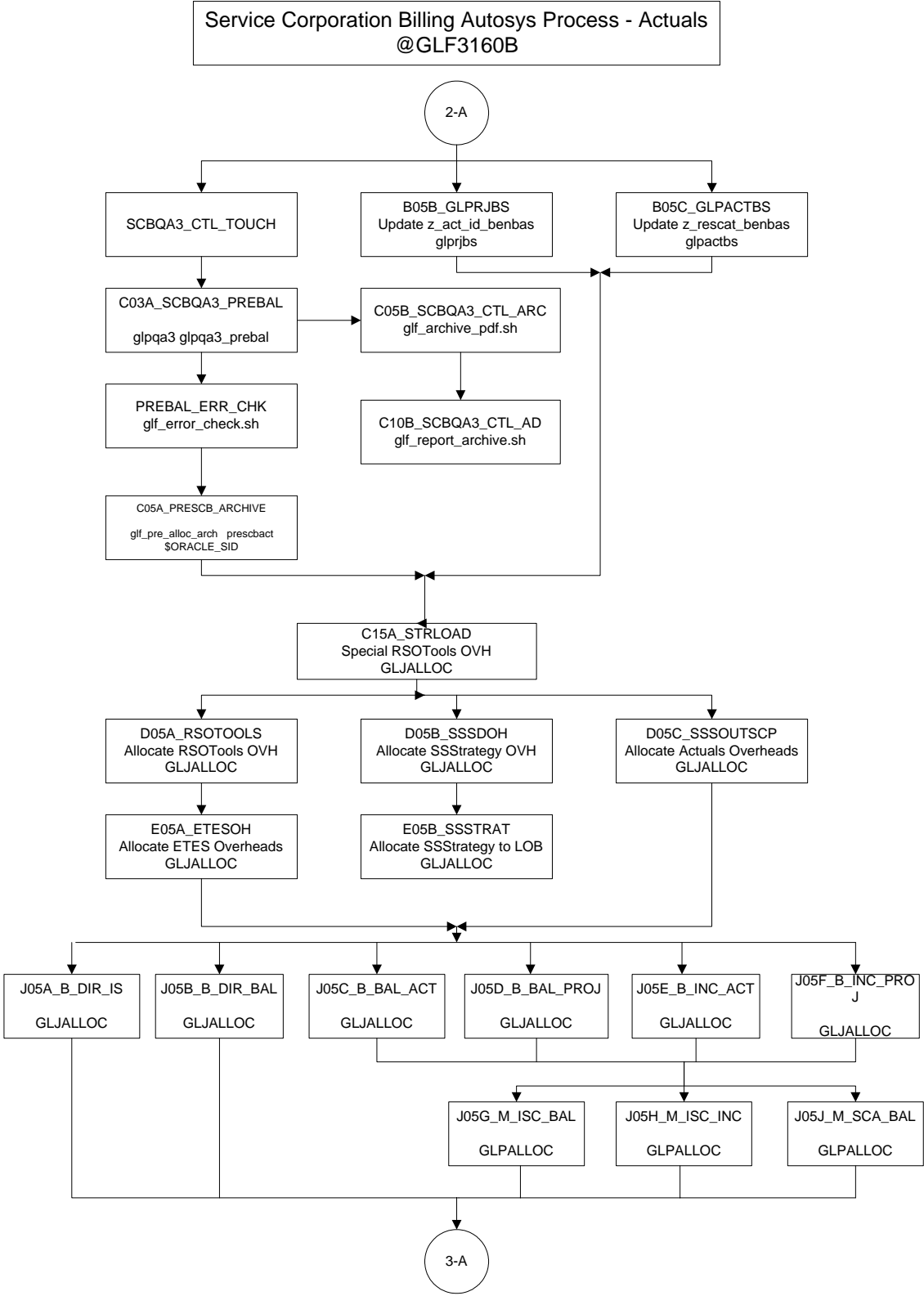
M. Appendix

Service Corporation Billing Autosys Process - Actuals
@GLF3160B



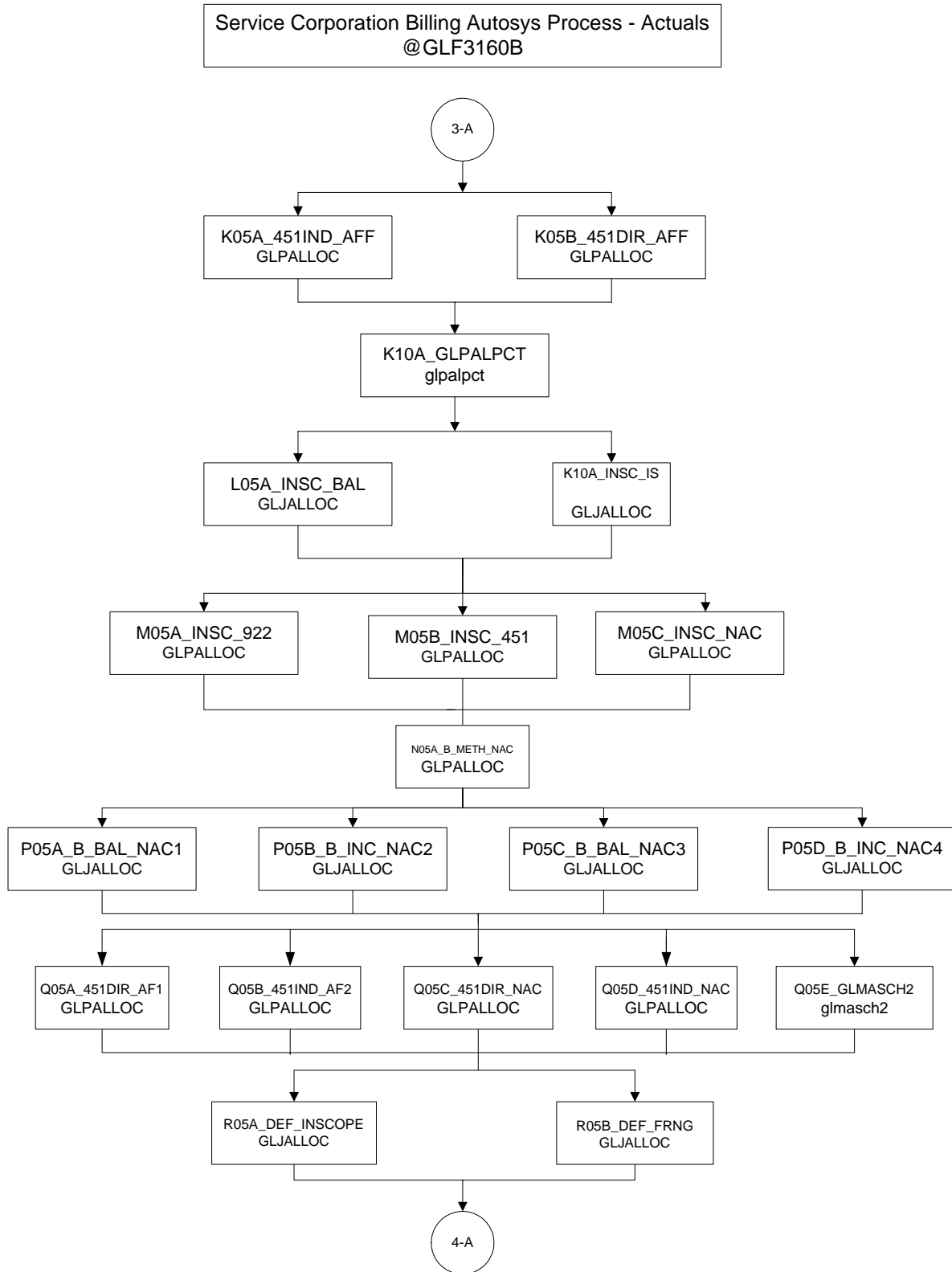
AEPS Billing System
 Revisions Effective January 1, 2004
 Business Process Functional Design

5/4/2004



AEPSC Billing System
 Revisions Effective January 1, 2004
 Business Process Functional Design

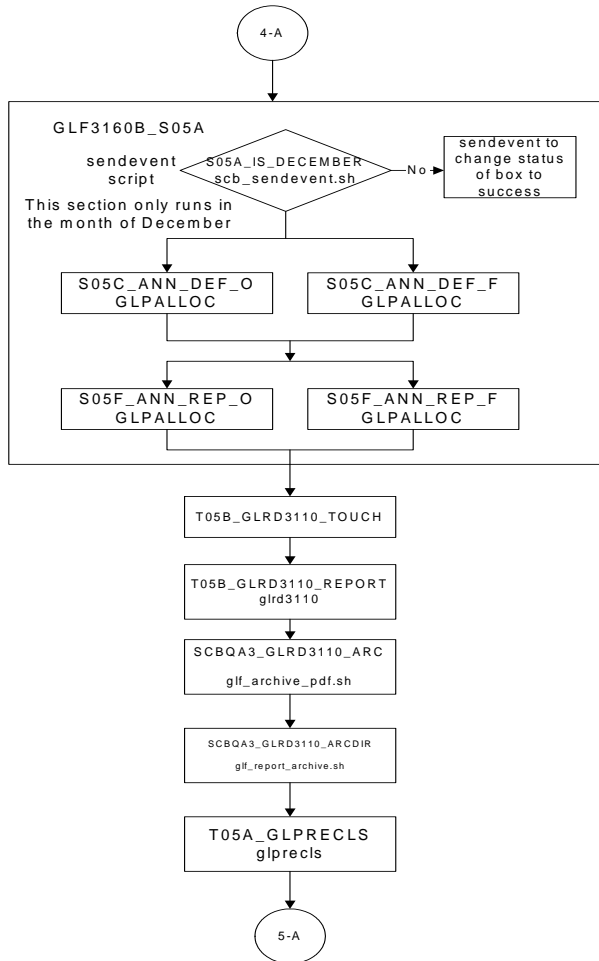
5/4/2004



AEPS Billing System
 Revisions Effective January 1, 2004
 Business Process Functional Design

5/4/2004

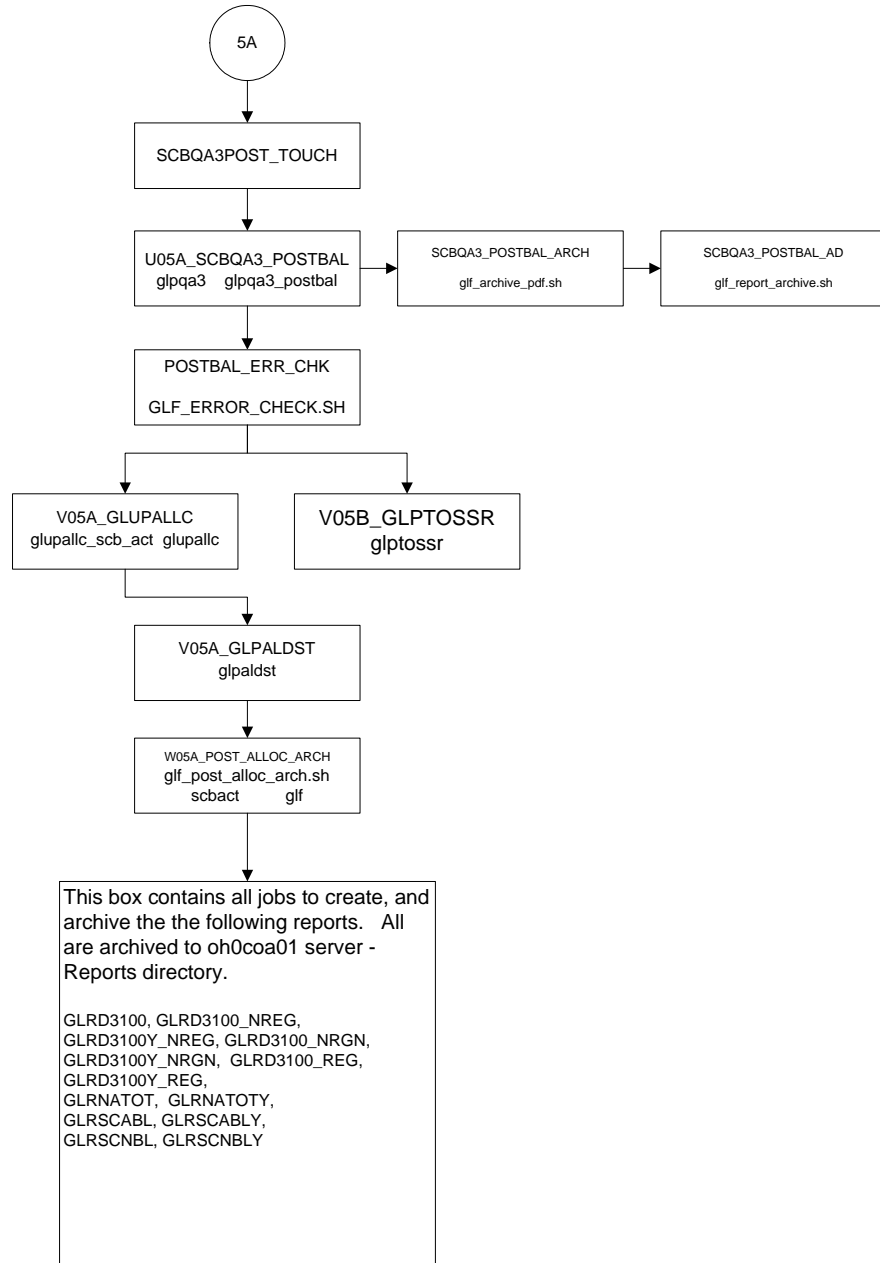
Service Corporation Billing Autosys Process - Actuals
 @ GLF3160B



AEPSC Billing System
 Revisions Effective January 1, 2004
 Business Process Functional Design

5/4/2004

**Service Corporation Billing Autosys Process - Actuals
 @GLF3160B**



Accounting Policy/Procedure



Policy/Procedure Title	AEP Ohio Telecommunications – Services and Billing to AEP Generation Resources	Date	1/1/2014
Owner:	Regulated Accounting	Status:	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**

Description	Unit 0 Benefiting Location	Benefiting Location Description	GL BU Billed	Business Unit	Project	Work Order
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 Muskingum River	1236	Kammer Plant Unit 0	181	FINAN	FANANDA	G0001236
Picway	1075	Musk River Plant Unit 0	181	FINAN	FANANDA	G0001075
Racine	1074	Picway Plant Unit 0	181	FINAN	FANANDA	G0001074
Waterford	1055	Racine Unit 0	181	FINAN	FANANDA	G0001055
Cardinal	1610	Waterford Plant Unit 0	181	FINAN	FANANDA	G0001610
	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



Policy/Procedure Title	AEP River Operations/River Transportation Division Pricing Methodology	Date	1/1/2014
Owner:	AEP River Operations	Status:	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 1/8th of the working capital requirement, real property and 1/13th 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
Total		3,333,329	100.00 %			8.13 %	11.10 %	3,228,981

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



Policy/Procedure Title	Affiliate Sales of Non-power Services	Date	1/1/2014
Owner:	Accounting	Status:	Final
Purpose			
<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>			
Policy/Procedure Statement			
<ul style="list-style-type: none"> • Services provided by American Electric Power Service Corporation to its affiliates are recorded at cost. • Services provided by and between AEP's regulated utility companies are generally recorded at cost. • 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. • Services provided by market regulated and non-utility affiliates to regulated public utilities are generally recorded at the lower of cost or market. • 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. <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"> • Urea Handling Agreement (January 1, 2014) for I&M to provide urea handling on behalf of AEP Generation Resources • Telecommunications Service Agreement (January 1, 2014) for Ohio Power Company to provide telecommunications services to AEP Generation Resources • Crewing Agreement (eff. January 1, 2014) between AEP River Operations and I&M for I&M to provide employees to crew towboats owned by AEP River Operations. • Cook Coal Terminal Transfer Agreement (January 1, 2014) for AEP Generating Company to provide coal transfer and storage services to AEP Generation Resources 			

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



Policy/Procedure Title	Cook Coal Terminal Asymmetrical Pricing Methodology	Date	1/1/2014
Owner:	Regulated Accounting	Status:	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



Policy/Procedure Title	Lakin Urea Terminal Asymmetrical Pricing Methodology	Date	1/1/2014
Owner:	AEP River Operations	Status:	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



Policy/Procedure Title	Sales of Materials and Supplies	Date	1/1/2014
Owner:	Supply Chain and Accounting	Status:	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. <div style="text-align: center;"> Journal IDs GENCO-SAMKTmm Cardinal-SAMKTCmm (SA-Stores Accounting, mm-month) </div>	Stores Accounting



Accounting Policy/Procedure

Policy/Procedure Title	Account Maintenance Policy	Date	2/05/2004
Author:	Jason Stegall	Status: (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

Policy/Procedure Title	Combination Edit Maintenance Policy	Date	03/26/04
Author:	Jason Stegall	Status: (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



Accounting Procedure

Procedure Title	PeopleSoft General Ledger Security Review	Date	2/05/2004
Author:	Jason Stegall	Status: (Draft, Under Review, Approved)	Approved

Purpose

The purpose of this procedure is to clearly define the methods for conducting the PeopleSoft General Ledger (GL) security review. It will identify the individuals responsible for this review and delineate their responsibilities. Two areas will be discussed: maintaining access for individual users and maintaining the general ledger user classes.

Procedure Statement

The first step in the procedure will be the receipt of a file provided by Financials Security that identifies each user along with the pertinent GL User Classes (GL Classes) to which they belong. This file will be provided to the Business Integration Strategy (BIS) Contact quarterly.

Maintaining General Ledger User Classes

A GL Class, also known as a PeopleSoft Role, is a collection of panels to which users have various privileges. GL Classes are typically organized around a specific function such as entering journal entries or maintaining general ledger consolidations.

The BIS Contact will go through the list of GL Classes and look for any new classes. Each new GL Class will require analysis to determine which key menus and panels are included and to determine an owner. The owner will be identified based on the functional group that owns that particular process around which the class is built. For example, since the Business Integration Strategy Team is responsible for maintaining combination edits, they will own the GL Combo Edit Maintenance class. Once an owner is identified, the BIS Contact will provide the GL Class Owner a copy of the member list for review.

The BIS Contact will review the various GL classes and compare key access from prior periods to key access in the current period to identify any changes. Key access is defined as any action which can change or add system data and is typically found in the PeopleSoft Use and Process menus. The review should also include a reasonableness evaluation including: 1) whether that group should have that access, 2) whether certain panels grouped together represent a violation of separation of duties or 3) if some access should be combined or separated. Changes will be discussed with both the GL Technical Team to determine the source of the change (new panel, security change, etc.) and with the GL class owner to ensure they are aware of the change and approve of it.

Following the review, the BIS Contact will sign a statement indicating that the review is complete and all necessary action was taken to update user access and make changes to GL Classes.

Summary of Key Role Detail

Role	Owner
GL Accountant	Buren Carter
GL Allocation	John Didlott
GL Allocation Maintenance	John Didlott
GL ChartField Maintenance	Jason Stegall/Russell Doyle
GL Combo Edit Maintenance	Jason Stegall/Russell Doyle
GL Consolidation Elimination	Bill DeRoy



Accounting Procedure

GL Financial & Reg Reporting	Bill DeRoy
GL Financial & Reg Rpt Maint	Bill DeRoy
GL Manager	Buren Carter
GL Open	Jason Stegall/Russell Doyle
GL Tree Manager	Jason Stegall/Russell Doyle

Key Contacts

PeopleSoft General Ledger Owners	Sandra Bennett/Buren Carter
BIS Contact	Jason Stegall

Maintaining General Ledger Access for Individual Users

Each GL Class will be identified as pertinent to this review if it has the ability to input or process data. GL Classes that are limited to only viewing information will be exempted from this review. Each GL Class that is subject to review has an assigned an owner (see below). The GL Class Owner will conduct the initial review of users who have been granted this access for changes in their roles at AEP and their need for this security. Examples of changes in employment status that could affect security access are: 1) contractors no longer employed by AEP, 2) employees who have left the company and 3) employees who have transferred into other positions where their need for GL access has changed. The GL Class Owner will provide a signed document to the BIS Contact which will contain a list of the names and user id's of each person whose access must be revoked. At the same time, the GL Class Owner will also certify that the other users may retain their access and this will be included in the signed statement provided to the BIS Contact.

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

Edit History

March 1, 2004 – The Summary of Key Role Detail was updated. Bill DeRoy has replaced Steve Wolfe as an owner of the Financial Reporting related roles.



FINANCIAL REPORTING nVision Change Control Procedure

Policy/Procedure Title	nVision Change Control Procedure	Date	September 2015
Owner:	Financial Reporting Consolidation and Internal Reporting Manger	Status:	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.

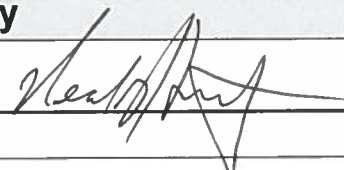
CHANGE PROCEDURE: Financial Reporting's procedure for making structural changes to the nVision templates is a multi-step process. 1.) A copy of the original nVision template is created on a non-public network drive. 2.) Modifications are made to the copied template. 3.) Once modified, the copy is tested 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

Guidelines – Page 1

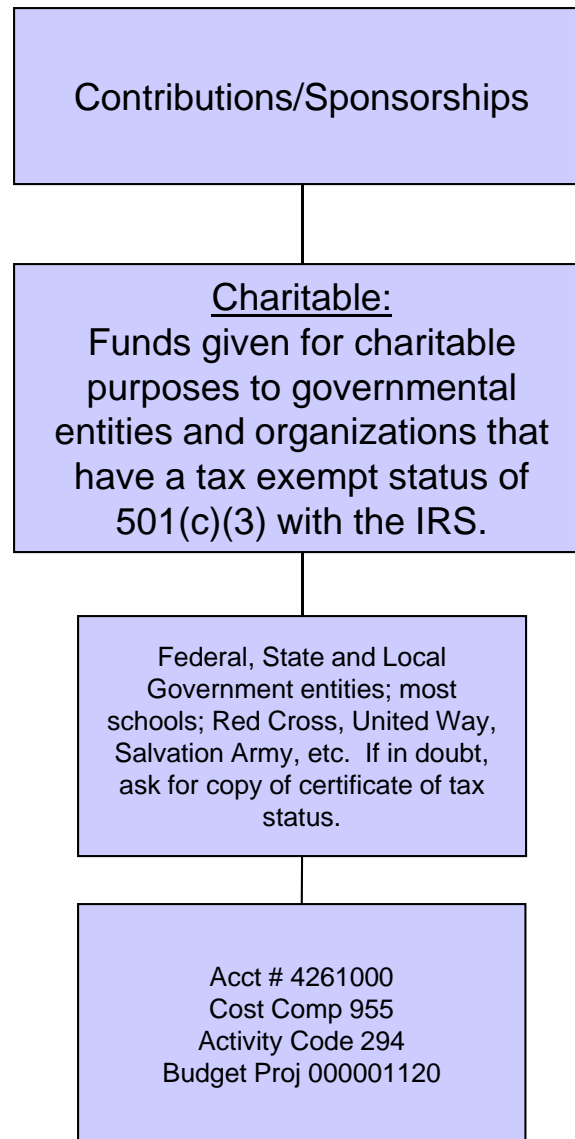
Contributions – Pages 2-4

Memberships – Page 5

Important Guidelines for Payment Processing

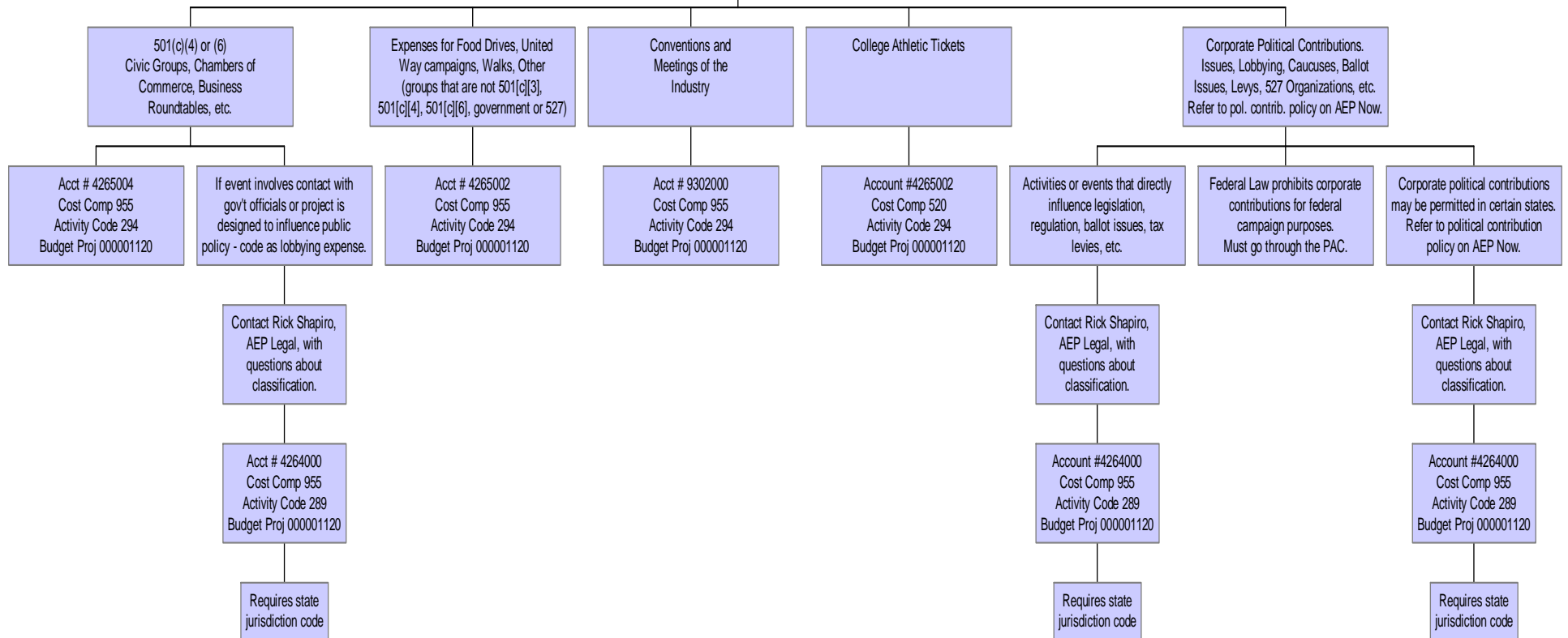
1. All contributions and corporate memberships are to be processed through Gifts Database using the proper accounting codes in this document. Records of individual memberships in country, town or dining clubs are required in Gifts. Individual civic memberships are optional in Gifts. Please forward invoices 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.



Contributions/Sponsorships
 (continued)

Non-Charitable



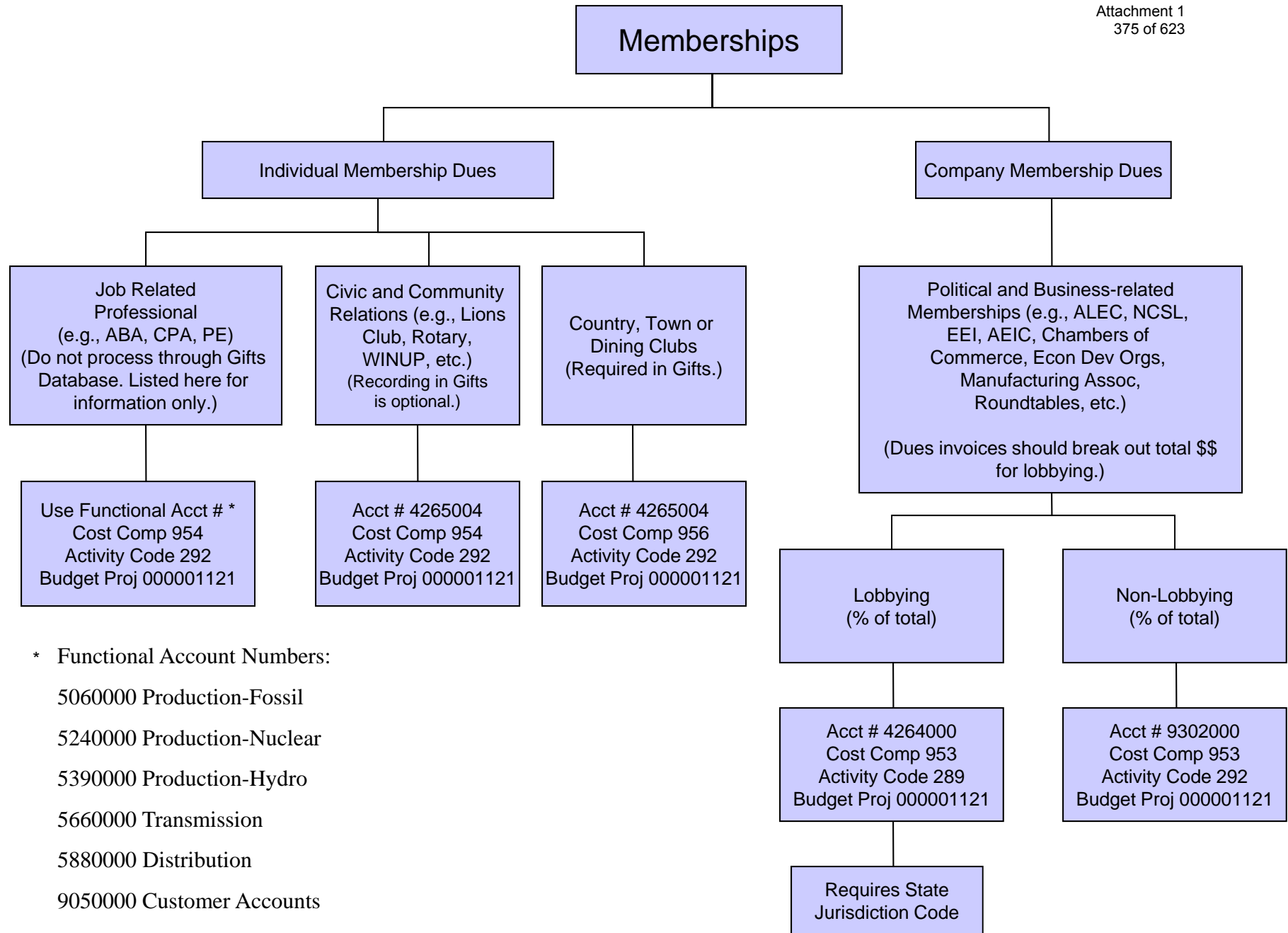
Examples of Contributions/Sponsorships

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

Policy Title	Convenience Payments Policy	Date	July 20, 2004
Policy Approved By:	Sandra Bennett	Status: (Draft, Under Review, Approved)	Approved
Policy Authored By:	Jeff Hoersdig, Brad Funk		
Distribution:	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



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

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>
1					
2					



Finance Policy

Policy Title	Payment Policy	Date	June 29, 2004
Policy Approved By:	Sandra Bennett	Status: (Draft, Under Review, Approved)	Approved
Policy Authored By:	Jeff Hoersdig, Brad Funk		
Distribution:	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



- 3. 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

<u>Control #</u>	<u>Updated By:</u>	<u>Date:</u>	<u>Control #</u>	<u>Updated By:</u>	<u>Date:</u>
------------------	--------------------	--------------	------------------	--------------------	--------------

Finance Policy



®

1					
2					



G Work Order Procedures: *Introduction to General (G) Work Orders*

July 2004





DRAFT

Contents

At the end of this presentation, you should be able to answer these questions.

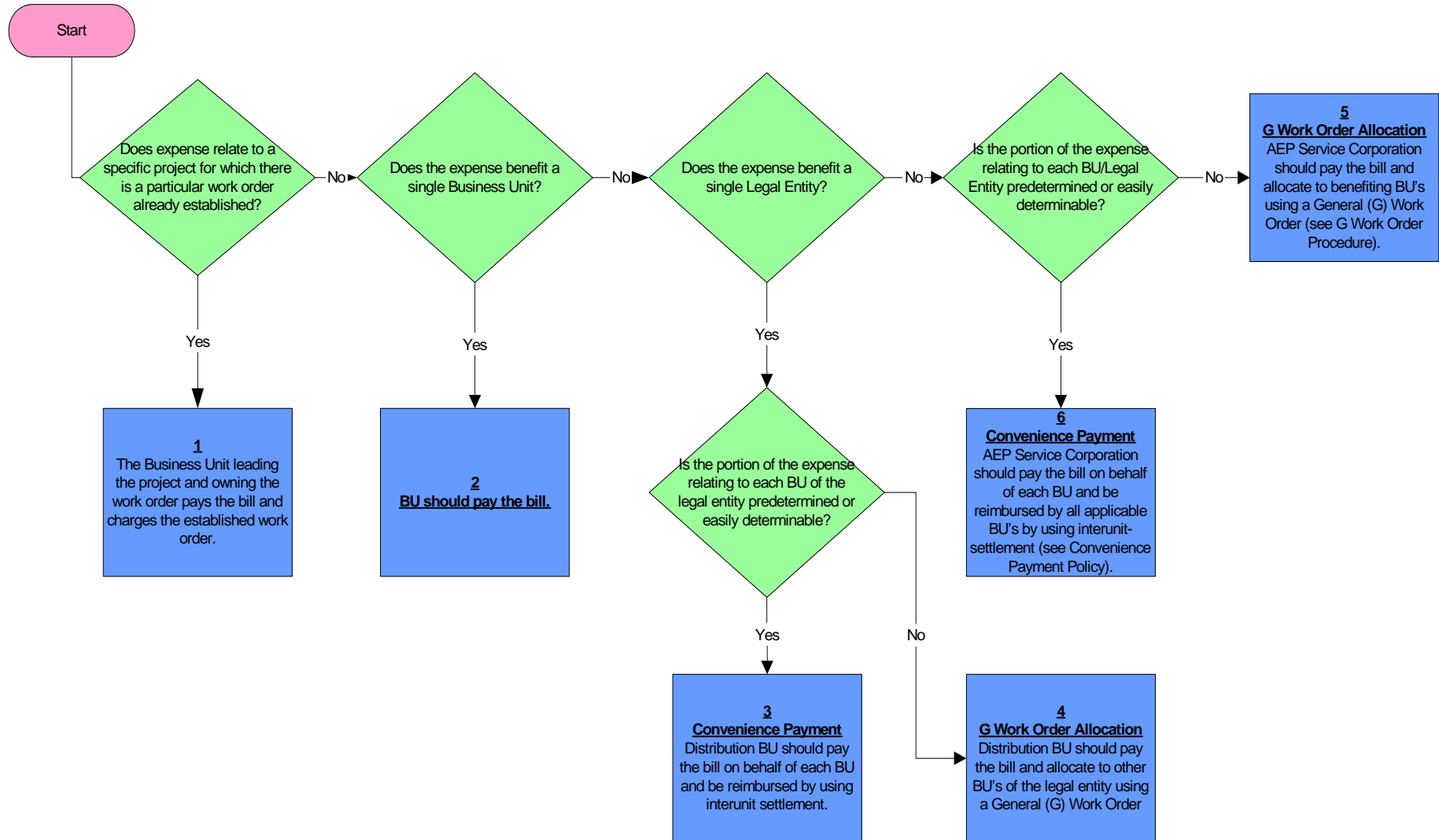
- How is the Determination of Payment Type Made?
- What is a General (G) Work Order?
- What is the difference between a G work order and “specific” work order?
- What are the rules?
- What are the common misuses of G work orders?
- What are the downstream implications of using G work order improperly?
- 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?



DRAFT

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.





DRAFT

General (G) Work Order

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.



DRAFT

G Work Order Vs. a “Specific” Work Order

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).



DRAFT

Rules

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).



DRAFT

Common Misuses of G Work Orders

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).*



DRAFT

Downstream Implications

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.



DRAFT

Use of G Work Orders

The proper uses for G work orders are listed below.

Regulated Companies

- Only use G work orders that do not bill other legal entities.

AEPSC

- Use any G work order that is appropriate for the transaction.



DRAFT

G Work Order Use

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



DRAFT

Allocation across multiple BU's

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.



DRAFT

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	Valid
APCo Generation (BU 215)	charges	Clinch River Unit 2 (G0001304)	No Inter-Company billing	Valid 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)	Valid 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)	Valid 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.



DRAFT

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	Valid 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	Valid 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	Valid 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	Valid 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.



DRAFT

Improper Use of a G Work Order

Examples of invalid uses of G work order are shown below.

Regulated Company

BU Coding Expense		BU & Work Order	Result	Notes
PSO Generation (BU 198)	charges	APCo Generation (G0000215)	Inter-Company billing	Invalid 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	Invalid 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)	Invalid 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	Invalid Only AEPSC should bill multiple legal entities.



DRAFT

Convenience Payments

- 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.



DRAFT

Rules on Convenience Payments

- 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.



DRAFT

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
 Approver Name: Bradley M Funk

AP Business Unit: 167 ← *PSO Distribution*

Zip Code: XXXXX
 Contract Number/ Purchase Order: XX

Invoice Id: XXXX

>>> SPEEDCHART: 2S134146 <<<

Accounts Payable Coding Form

Phone: XXX
 Phone: XXX

Amount 300.00

Sum of Lines 300.00
 Difference 0.00

Fwd Check to: XXX

	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

Note: The Distribution BU within the legal entity is the preferred AP BU.



DRAFT

Rules on Convenience Payments

- 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



DRAFT

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	St/J	Prod	Aff
1	250.00	210								-	-	-	-
2	250.00	140								-	-	-	-

↑
 GL BU 210 = Wheeling Distribution
 GL BU 140 = APCo Distribution



DRAFT

What are the expectations?

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





DRAFT

Glossary

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)*



Financial Spreadsheet & Database Controls Policy

Title	Financial Spreadsheet & Database Controls Policy	Date	October 1, 2014
Author:	Joe Buonaiuto Chief Accounting Officer	Sponsoring Area	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.



- 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:

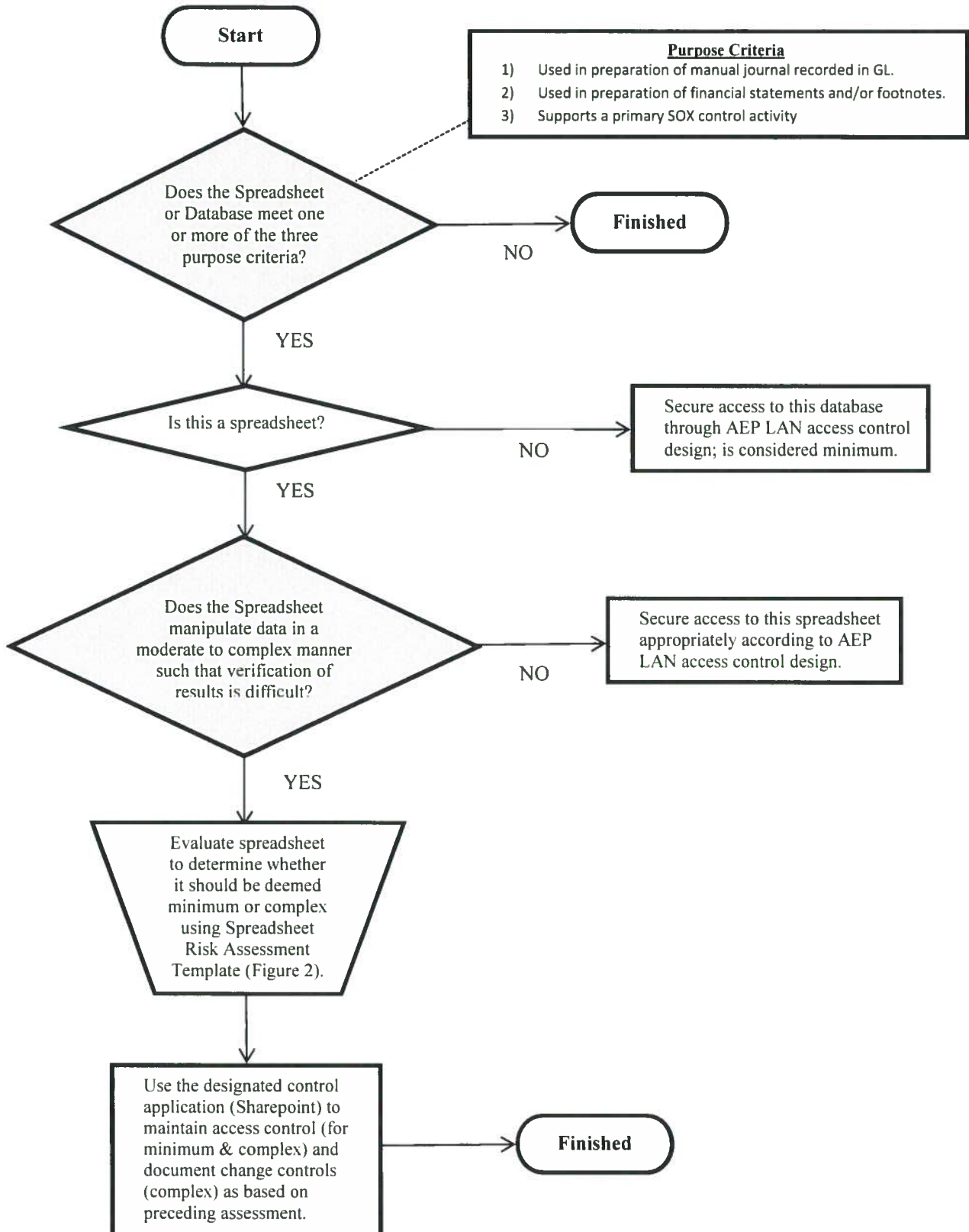
An assessment of databases will be performed using the Decision Tree (found in Figure 1)

- 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
Total Score					14
Spreadsheet Classification		Enter Minimum or Complex			
Risk Grading Scale:		Minimum = 0-5 pts		Complex = 6+ points	

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

10/22/14
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

10/22/14
Date


Eric James, Vice President
Commercial & Financial Analysis - Regulated

10/29/14
Date


Thomas Kirkpatrick, Vice President
Customer Services, Marketing & Distribution Services

10/29/14
Date


Randall Gaudio, Director-Financial Management
Generation Business Services

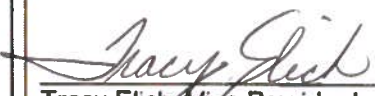
10/29/14
Date


Scott Smith, Senior Vice President
Transmission Grid Development & Portfolio Services Admin.

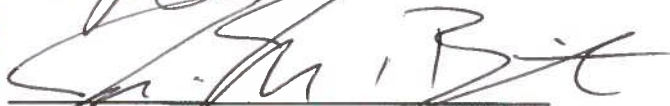
11/3/14
Date


Alberto Ruocco, VP & Chief Information Officer
Information Technology

10/30/14
Date


Tracy Elich, Vice President
Human Resources

11/3/14
Date


Joseph Buonaiuto, Senior Vice President
Controller and Chief Accounting Officer

11/3/14
Date

Review/Revision:

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.



Accounting Policy/Procedure

Policy/Procedure Title	Journal Entry Control – External Sources	Date	03/13/2006
Author:	Scott Krawec	Status: (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

® 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

Policy/Procedure Title	LATE JOURNAL ENTRIES	Date	September 12, 2013
Author:	Financial Reporting (Revised September, 2013)	Status: (Draft, Under Review, Approved)	APPROVED

Purpose

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.

Policy/Procedure Statement

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.

A journal entry is considered late if it is posted to the general ledger after the following deadlines:

- 3 p.m. on Day 3 of closing for entries affecting operation and maintenance (O&M) (valid but not posted entries excepted)
- 3 p.m. on Day 5 of closing for all other pre-tax journal entries affecting net income. Adjustments to the O&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.
- 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)
- Noon on Day 7 of closing for any balance sheet entries (5 p.m. for consolidation entries)
- 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)
- 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.

There are two alternatives for issues identified after the closing deadlines covered by this policy:

- The first are issues deemed material. The ledger is re-opened and the entries are recorded
- 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.

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



Accounting Policy

Policy Title	Journal Entry Preparation, Review, and Approval Policy	Date	12/20/2015
Author:	Craig Adelman	Status:	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.

Policy/Procedure Statement

Journal 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, 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.

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.



Accounting Policy

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.

Standard Journal Entry Listing

- Each Accounting Group responsible for recording recurring journal entries is required to maintain a Standard Journal Entry listing. Standard journals 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.). 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 (initial and date) on the completed listing, attesting to the fact that all entries on the list have been accounted for. This sign-off is in addition to the individual journal entry sign-off. This sign-off may be on a hard copy or on an electronic version of the Standard Journal Entry listing.



Accounting Policy

- 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 will be retained on site for possible review by Audit Services and external auditors for the same retention period as the signed journal entries.

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 journal entry (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.

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



Accounting Policy

Approved By

F. Scott Travis
F. Scott Travis, Assistant Controller,
Regulated Accounting

1/4/16
Date

Diana L. Gregory
Diana L. Gregory, Assistant Controller,
Commercial and Investment Accounting

1/5/16
Date

Julie Williams
Julie Williams, Assistant Controller,
Accounting Operations

1-4-16
Date

Jeffrey W. Hoersdig
Jeffrey W. Hoersdig, Assistant Controller,
Financial Reporting

1/4/16
Date

Michael A. Baird
Michael A. Baird, Assistant Controller,
Accounting Policy and Research

1/4/16
Date

Mark A. Pyle
Mark A. Pyle, Vice President,
Tax

1/4/16
Date

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

1/4/16
Date



Accounting Policy

Policy Title	Non-Recurring Journal Entry Approval	Date	8/01/11 REVISED
Author:	Scott Travis, Jeff Hoersdig	Status:	FINAL

Purpose

The purpose of this policy is to document the procedural requirements for the appropriate review and approval of all non-recurring online and upload journal entries.

Policy/Procedure Statement

Non-Recurring Journal Approval –

Any non-recurring journal entry, greater than \$1,000,000, requires approval by an Accounting Director, Tax Director or above.

Any non-recurring journal entry, greater than \$3,000,000, requires approval by an Assistant Controller, Managing Director, Vice-President of Tax or Chief Accounting Officer:

Non-recurring entries include, but are not limited to:

- Adjustments, corrections, or true-ups relating to any entries, ordinary or non-recurring.
- Transactions new to AEP or the GL Business Unit
- Proposed balance 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
- Entries that reclassify amounts from one 4-Digit FERC account to another 4-Digit FERC Account.
- Entries made to eliminate or reclassify amounts for external financial reporting for the first time. This includes reclassification made on the PeopleSoft to Financial Statement Reconciliation Spreadsheet for the first time.

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, entries that are ordinary 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.

For documentation purposes, the entry preparer should obtain the appropriate levels of approval, as outlined above, prior to the closing of the general ledger and such approval should be in the form of either: 1) a signature on the review copy of the journal entry, or 2) an e-mail approving the journal entry. If the latter, the entry preparer should attach a copy of the email approval to the journal entry for permanent retention. The same procedures should be followed for all non-recurring entries exceeding either the \$1,000,000 or \$3,000,000 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 most knowledgeable Director or Assistant Controller approve the entry. For example, a property or income tax adjustment should be approved by a Tax Director (if >\$1M) or the VP of Tax (if >\$3M). For notification purposes, a copy (or pdf) of the approved non-recurring entry should be forwarded to the Accounting Director(s) (if > \$1M) and the Assistant Controller (if > \$3M) responsible for the affected business unit(s).



Accounting Policy

Monthly, each ledger group will run queries of all journal entries over \$1,000,000 with the "NONREC" designation to review and assure that each of these entries has been properly approved. These queries should be retained as permanent documentation of the approved journals.

Ordinary entries that are over \$1,000,000 and that do not involve an adjustment, correction or true-up do NOT require special approval. These include items such as:

- 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)
- Reclassification entries within the same 4-Digit FERC account (i.e. When other chartfields such as department, cost component, ABM activity, are reclassified but the net effect on the 4-Digit FERC account is zero)
- Other entries made on a fixed time schedule (i.e. monthly, quarterly, semi-annually, annually)

This list is an example, and is not all-inclusive. If the approval requirement of an entry is unclear, the Director should be consulted. All ordinary entries should appear on the Standard Journal Entry listing that is maintained by each accounting group. These types of entries will continue to be recorded using the current approval process.

Other Notes:

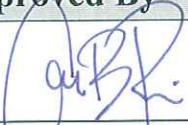
- An entry greater than \$1,000,000 is defined as any entry whose total debits or credits in any one account, regardless of number of lines, are greater than \$1,000,000 dollars (debit or credit) on the PeopleSoft JRNL_LN table. The \$3,000,000 threshold is determined in similar fashion.
- Typically, an entry should not contain both Non-Recurring items and Ordinary items. Rather, two separate entries should be made.
- In order to meet approval requirements, journal entries should have a description in the header that clearly states the purpose of the entry. The line item description should also be used, and should not default to the PeopleSoft account number description.

Any deviations from this policy must be approved by the affected Director (for \$1M entries), Assistant Controller Managing Director, Vice-President of Tax or Chief Accounting Officer (for \$3M entries).

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



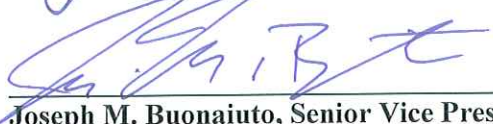
**Mark A. Pyle, Vice President of Tax
Tax**

7/29/11
Date



**John R. Huneck, Managing Director
Accounting Policy & Research**

7-29-11
Date



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

8/25/11
Date



Accounting Policy

Policy Title	SAB 108 – Passed Journal Entries	Date	January 26, 2016
Author:	Chris Roush, Neal Hartley, Jeff Hoersdig	Status:	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 (passed entries or SAB 108 entries) and their combined affect 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

For each quarter’s reporting period, the Financial Reporting group is responsible for analyzing the combined materiality of all passed entries in relation to specific financial statement line items for each of the registrant companies (AEP, APCo, I&M, OPCo, PSO, SWEPco), the deregistered companies (AEGCo, TCC, TNC 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).

All passed entries are recorded to the SAB108 ledger in the period the entry should have originally been recorded, quarterly for the two years preceding the current reporting period or annually for additional periods. The entries are reversed in the period that the journal entry will be recorded in the ACTUALS ledger.

Passed entries must be recorded to the ACTUALS ledger in the quarter following the identification of the entry. Any exception to recording the passed entry in the following quarter must receive the written approval of the Controller and Chief Accounting Officer.

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 Chief Accounting Officer.

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, or if the passed entry should remain at the AEP level for analysis purposes.

Each passed 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 distribution, continual communication with the external auditors occurs to insure that significant entries identified by both the company and entries identified by the auditors are included in the SAB 108 analysis.

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 Controller and Chief Accounting Officer’s direct reports under the Financial Reporting policy on Late Journal Entries.

Financial Reporting prepares a quarterly memo detailing significant passed entries for the balance sheets and statements of income for the current reporting periods and presents it to the Controller and Chief Accounting Officer’s direct reports. The significance of these items is determined by reviewing the entries



Accounting Policy

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 passed entries received.
- Based on that analysis, management has assessed 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.

Also, Financial Reporting prepares a financial statement analysis for passed 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 financial statement line item or combination of financial statement line items.

Approved By

**Jeffrey Hoersdig, Assistant Controller
Financial Reporting**

1/26/16
Date

**Scott Travis, Assistant Controller
Ledger Accounting**

1/26/16
Date

**Joseph Buonaiuto, Senior Vice President
Controller and Chief Accounting Officer**

1/26/16
Date



Accounting Procedure

Policy/Procedure Title	HUB Force Loading	Date	03/29/2004
Author:	Christine Butcher	Status: (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

Original Approvers	
Michael Sullivan Neil Felber Jack Kincaid Ram Sastry	
03/31/2003 Approvers	
Susan Higginson Melanie Kolp	
03/29/2004 Approvers	
Melanie Kolp	



Accounting Policy/Procedure

Policy/Procedure Title	Standardized Journal Coding of Adjusting Entries	Date	02/05/2003
Author:	Russell Doyle, Jeff Hoersdig, Jason Stegall	Status: (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

Policy/Procedure Title	Use of Seller's Rule related to InterUnit Journal Entries	Date	05/07/2003
Author:	Settlement / Inter-Company Account Balance (IAB) Teams	Status: (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 BUs 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.

Journal Entry Preparer:	
Journal ID:	
Journal Date:	
Posted Date:	

PAYING COMPANY:		
Business Unit ID	Acct #	Amount

RECEIPTING COMPANY (if applicable):		
Business Unit ID	Acct #	Amount

Reason for Exception: If appropriate, include an explanation on the measures used to avoid Inter-Company imbalances.	
--	--

Approved By: (Director Level)	
Date Approved:	



BU Journal Entry Classification Corrections Policy

Policy Title:	BU Journal Entry (JE) Classification Corrections (aka – JE Reclass)	Date	04.16.15
Owner:	Accounts Payable (AP)	Status: (Draft, Under Review, Approved)	Approved
Frequency:	Monthly		

Overview

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.



BU Journal Entry Classification Corrections Policy

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.



BU Journal Entry Classification Corrections Policy

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"> • Format changes to section headers (Overview, Objectives, Inputs, Outputs, etc.) • Moved document content to appropriate sections • Wording / sentence restructuring to fit revised format. • Added objectives. • Added purpose of submission deadline – intercompany settlements, processing efficiency. • Added verbiage regarding SAB108 process. • Added that “notifications will be emailed to JE approvers to alert them of JE posting status.” • Added “Additional process requirements and guidelines section. • Added JE Reclass Periodic Review section • Removed procedure instructions. (New procedures document created to reflect changes to the process). |
| 04.16.15 | Approved by Julie Williams – Asst Controller Accounting Operations |



Unvouchered Liabilities Accrual Policy (UVL)

Policy Title:	Unvouchered Liabilities Accrual (UVL)	Date	04.16.15
Owner:	Accounts Payable (AP)	Status: (Draft, Under Review, Approved)	Approved
Frequency:	Monthly		

Overview

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).



Unvouchered Liabilities Accrual Policy (UVL)

- 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 receipted 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.



Unvouchered Liabilities Accrual Policy (UVL)

- 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.

- AP performs a daily post period analytical review of all invoices greater than \$25k paid in a subsequent month with a prior period invoice date.
 - AP follows up on the identified invoices to determine whether or not they should have been recorded and assesses whether any exceptions (missed accruals, over/under stated accruals) require any further post-closing adjustments.
- During quarter end closing AP performs a daily review of invoices greater than \$25k with a subsequent month invoice date to determine whether said transactions should be / are included in current quarter reporting period.
- 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



Capital / Retirement / Jobbing Work Order Cancellations Policy

Policy Title:	Capital / Retirement / Jobbing Work Order Cancellations (WO Cancel)	Date	04.16.15
Owner:	Property Accounting	Status: (Draft, Under Review, Approved)	Approved
Frequency:	Monthly		

Overview

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.



Capital / Retirement / Jobbing Work Order Cancellations Policy

- 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.



Capital / Retirement / Jobbing Work Order Cancellations Policy

- 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.



Capital / Retirement / Jobbing Work Order Cancellations Policy

- 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"> • Format changes to section headers (Overview, Objectives, Inputs, Outputs, etc.) • Moved document content to appropriate sections • Wording / sentence restructuring to fit revised format. • Added objectives. • Added purpose of submission deadline – intercompany settlements, processing efficiency. • Added that “notifications will be emailed to JE approvers to alert them of JE posting status.” • Added “Additional process requirements and guidelines section. • Removed procedure instructions. (New procedures document created to reflect changes to the process). |
| 04.14.15 | Reviewed by Britta Adam and Janet Swanger |
| 04.16.15 | Approved by Julie Williams – Asst Controller Accounting Operations |



Accounting Policy/Procedure

Policy/Procedure Title	Business Unit Alignment in Reporting Trees	Date	09/29/2005
Author:	Rod Griffin	Status: (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

Policy/Procedure Title	Earnings Sheet and Consolidated Income Statement Reconciliation Policy	Date	06/24/2005
Author:	Rod Griffin	Status: (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

Policy/Procedure Title	SEC Form 10-K and 10-Q Disclosure Support Policy	Date	August 15, 2004 Revised – December 9, 2004
Author:	Julie Sherwood	Status: (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



Title:	Financial Data Archive	Date:	May 1, 2009
Owner:	Andrew Reis, Rebecca Buonavolonte, Scott Krawec,	Sponsoring Area(s):	Accounting

Policy Statement:

This policy governs the archival storage of the financial data in PeopleSoft Finance and corresponding external sources (Asset Suite, PowerPlant, etc).

Detail:

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

Archived data should follow AEP Accounting Record Retention Policy and SOX Retention Policy, see listed references below.

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

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.

The definition of the financial data – data created in PeopleSoft Finance or prepared by external sources, such as:

- journal entries that are created in PeopleSoft Finance
- journal entries that are either prepared by external source or the data used to compile the entry is provided by an external source
- all transactions in the Proj_Resource table
- other transactions (vouchers/invoices, bills, payments, etc)*

* Other transactions need to be evaluated to confirm that they can be archived based on their status and status of related transactions.

References:

- Accounting Record Retention Policy located on the Accounting Home Page
<http://acctg.aepsc.com/policies/default.asp?Dir=%5C%5Coh0co007%5Ctreasury%5Cexternal%5CPolicy+Central%5CMiscellaneous>
- SOX Retention Policy located on the Accounting Home Page
<http://acctg.aepsc.com/policies/default.asp?Dir=%5C%5Coh0co007%5Ctreasury%5Cexternal%5CPolicy+Central%5CMiscellaneous>

Review / Revision:

Assistant Controller, Utility General & Regulatory Accounting – Scott Krawec

Financial Data Archive



Signature *Scott up Kra* Date 5/8/09

Assistant Controller, Utility Energy & Commercial Accounting – Andrew Reis
Signature *AR* Date 5/12/09

Managing Director, Financial Reporting – Becky Buonavolonte
Signature *B Buonavolonte* Date 5/13/09

Managing Director, Accounting Operations – Susan Higginson
Signature *Susan C Higginson* Date 5-8-09

VP of Tax – Mark Pyle
Signature *Mark Pyle* Date 5/8/09

Director, Cash Management – Jana Soward
Signature *Jana Soward* Date 5/8/09



Accounting Policy/Procedure

Policy/Procedure Title	Consolidation Scorecard Policy	Date	06/24/2005
Author:	Intercompany Account Balance (IAB) Team	Status: (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

Policy/Procedure Title	Joint License Billing Procedure	Date	11-10-2014
Author:	Jeffrey Hoersdig Updated by Jon Holtzmuller	Status: (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 1st. 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. Holtzmuler, 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

Policy/Procedure Title	Provision for Uncollectible Receivables	Date	08/21/2015
Owner: Policy Authored By:	DeAnna Schaeffer Misc. Accounts Receivable	Status: (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.



Misc. Accounts Receivable Policy/Procedure

Reviewers

<u>Name</u>	<u>Date</u>
Julie Williams	10/15/04
Michael Sullivan	10/15/04
Tom Myers	10/22/04
Tom Mitchell	10/27/04
Larry Sullivan	10/15/04
Susan Williams	07/17/2007
Mark Rosati	07/17/2007
Dan Ernst	07/17/2007
Russell Doyle	12/31/07
Mark Rosati	10/26/10
Alex Walker	06/30/11
DeAnna Schaeffer	08/21/15

Approved By

Name	Signature	Date
Melissa Hanni	<i>Melissa Hanni</i>	8/24/15
Larry Sullivan	<i>Larry D Sullivan</i>	9/28/15
Julie Williams	<i>Julie Williams</i>	9/29/15

Edit History

--

Establishing Receivables in a Timely Manner



Title:	Recording of Receivables	Date:	3/31/09
Owner:	Russell Doyle Misc. Accounts Receivables	Sponsoring Area(s):	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 3rd 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 3rd 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



Misc. Accounts Receivable Policy/Procedure

Policy/Procedure Title	Write-Off of Uncollectible Miscellaneous Receivables	Date	08/21/2015
Owner: Policy Authored By:	DeAnna Schaeffer Misc. Accounts Receivable	Status: (Draft, Under Review, Approved)	Approved

Purpose

The purpose of this document is to establish the responsibilities, controls, authorizations and procedures for writing-off uncollectible receivables. (CA 5.03)

Procedure

This policy applies to the general ledgers for BU 103 (AEPSC), Transmission, Distribution, and Generation business units.

This policy applies to receivables recorded in account 1430023 ,1420102,1430102,1420023 and 1430081.

3.0 POLICY PRINCIPLES

3.1 Write-off 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 may result in:

- i) Business unit budget and performance reporting issues;
- ii) Internal control deficiency.

3.2 Designated business unit representatives are responsible for reviewing all open items and determining whether they will or will not be collected. If a specific item is evaluated as uncollectible, then the item shall be written-off. Business unit representatives are required to review all open items equal to or greater than 180 days and must provide specific justification if an item is not to be written-off. Open items equal to or greater than 270 days must be written-off, unless written justification is approved by the business unit Vice President or designee.

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 Receivables department shall be informed of any bills which have been deemed uncollectible or which are likely to become uncollectible. A write-off shall be recorded consistent with this policy.

4.2 The Department Manager or designee is responsible for reviewing all bills from his/her respective department to ensure all bills are collectible.



Misc. Accounts Receivable Policy/Procedure

- ®
- 4.3 Each month, business unit representatives are required to review all open receivables 270 days or more past due. The results of the review are due to the Miscellaneous Receivables department by noon of the 4th business day of the month.
- 4.4 Business unit representatives who are authorizing/approving write-offs must have dollar authorization limits meeting the write-off request. These authorization limits are published in Peoplesoft under A/P Approves limits under Good & Svcs Dismt. Anything under \$10 does not need approval
- 4.5 The Accounts Receivable Associate is responsible for estimating and preparing journal entries to record write-offs based on the requirements of this policy and the information provided to the Corporate Miscellaneous Receivables department by business unit representatives.
- 4.6 Business Unit representatives are responsible for requesting the Miscellaneous Receivables department to record provisions or write-offs as soon as they become aware of specific items deemed to be uncollectible, regardless of the age of the item.
- 4.7 The Miscellaneous Receivables Manager is responsible for reviewing and coordinating with the business units to ensure that open items are reviewed and write-offs are recorded consistent with this policy and to approve and post journal entries prepared by the AR Associate.
- 4.8 A Director of Accounting Services is responsible for reviewing the write-off activity included in the scope of this policy and assuring that the activity is consistent with this policy.

5.0 POLICY PRACTICE STATEMENT

5.1 Recording the Write-Off

The AR Associate marks the open item for write-off. The application generates the write-off journal entry based on the accounting entered.

5.2 Re-establishing a Write-Off

If a write-off item is subsequently collected, the receivable will be re-established to recognize the collection.

5.3 Coding of Write-off Entry

If the original accounting was to an income statement account, the write-off entry will debit 9040007 – Uncoll Accts - Misc Receivable and credit the original receivable account – Ex.1430023, 1430102 & 1420102 .

If the original accounting was to a balance sheet account, the write off will debit the original accounting used if still valid, if the workorder is closed have re-open credit the original receivable account – Ex.1430023, 1420102, 1430102.

For CIAC closed workorders only, apply write-off to blanket CIAC which is located on the BAR drive under collection/ misc/.

The following additional ChartFields will be used to record the write-off:

Department: Original value

Project Business Unit: Original value

Project: Original value for write-offs related to income statement accounts; see work order value for write-offs related to balance sheet accounts

Work order: Original work order

Cost Component: Original value

Activity: Original value

6.0 FORMS/DOCUMENTS



Misc. Accounts Receivable Policy/Procedure

Reviewers

<u>Name</u>	<u>Date</u>
Julie Williams	10/15/04
Michael Sullivan	10/15/04
Tom Myers	10/22/04
Tom Mitchell	10/27/04
Larry Sullivan	10/15/04
Susan Williams	07/17/2007
Mark Rosati	07/17/2007
Dan Ernst	07/17/2007
Russell Doyle	12/31/07
Melissa Hanni	06/29/11
Mark Rosati	05/26/15

Approved By

<u>Name</u>	<u>Signature</u>	<u>Date</u>
Melissa Hanni	<i>Melissa Hanni</i>	8/24/15
Larry Sullivan	<i>Larry Sullivan</i>	9/28/15
Julie Williams	<i>Julie Williams</i>	9/29/15

Edit History

Approved 10/27/2004
 Minor modifications for clarification and understanding 07/17/2007 - DEE



Accounting Policy/Procedure

Policy/Procedure Title	Policy for reserving for bad debts re Texas REPs	Date	02/10/12
Owner:	Customer Accounting - Canton	Status: (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



Accounting Policy/Procedure

Policy/Procedure Title	Accounting Record Retention Policy	Date	11/16/2004
Author:	Doreen W. Hohl	Status: (Draft, Under Review, Approved)	Approved

Purpose

The purpose of this policy is to set the preservation and destruction guidelines for the Accounting records of AEP and its Subsidiaries as prescribed and promulgated by the SEC, FERC, and the IRS.

Policy/Procedure Statement

Accounting records must be retained for time periods that comply with legal and government requirements. The guideline used to establish the retention period is the AEP System Records Retention Manual, which is an on-line database. The database is described in Exhibit A and how to use the database is described in Exhibit B. The "General Accounting Records" section of the on-line database is attached as Exhibit C.

A schedule of Accounting records and their recommended retention periods is attached as Exhibit D. The Record Custodian (IT for electronic records or Joe Buonaiuto's direct reports for paper records) must retain all records, for the recommended retention period, in the method defined on Exhibit D. Records that are not electronically retained should be kept on-site or in a company-approved off-site storage facility. Records that are electronically stored should be in compliance with the IT data retention policy, which is attached as Exhibit E.

Records exceeding their recommended retention period may be destroyed only after Accounting Services, General & Corporate Accounting, Non-Regulated Accounting, and Regulated Accounting have been notified. In no case shall records be destroyed before the recommended retention period.

Approved By

_____	_____
Sandra S. Bennett, Asst. Controller-Regulated Accounting	Date
_____	_____
Thomas M. Myers, Asst. Controller-Comm. & Investment Accounting	Date
_____	_____
Susan E. Higginson, Managing Director, Accounting Operations	Date
_____	_____
Rebecca J. Buonavolonte, Managing Director, Financial Reporting	Date
_____	_____
Joseph M. Buonaiuto, SVP-Controller & CAO	Date

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
GENERAL ACCOUNTING RECORDS			
A. General and Subsidiary Ledgers:			
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. Journals:			
01.	General and subsidiary.	NARUC 11	50 years
C. Journal Vouchers and Journal Entries Including Supporting Detail:			
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
D. Cash Books & Disbursement Ledgers:			
01.	General and subsidiary or auxiliary books.	NARUC 13(a)	10 years after close of fiscal year. (See NARUC Item 12 (A)).
E. Voucher Registers:			
01.	Voucher registers or similar records when used as a source document.	18CFR125.3 14(a) [6 years]	10 years
F. Vouchers:			
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
G. Accounts Receivable:			
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
H. Records of Securities Owned:			

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.
I. Payroll Records:			
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
J. Assignments, Attachments, and Garnishments:			
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
PLANT AND DEPRECIATION			
A. Plant Ledgers:			
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. Construction Work in Progress Ledgers, Work Orders, and Supplemental Records:			
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
C. Retirement Work in Progress Ledgers, Work Orders, and Supplemental Records:			
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
D. Summary and Distribution Sheets, Reports, and Statements:			
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
E. Appraisals and Valuations:			
F. Production Maps and Reproductions thereof:			
G. Engineering Records:			
H. Contract and Other Agreements Relating to Utility Records:			
I. Reclassification of Utility Plant Account Records:			
J. Depreciation and Depletion of Utility Plant:			
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
CUSTOMER ACCOUNTING AND COLLECTING TAX			
A. Tax Records (Income Tax Returns):			
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

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. Other Tax Records:			
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
TREASURY			
A. Statements of Funds and Deposits:			
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. Records of Deposits with Banks and Others:			
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
C. Records of Receipts and Disbursements:			
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

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
ACCOUNTING RECORDS								
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
BANK RECORDS								
Bank Reconciliations	Cash Actng	2 years	SEC	read	Cash Actng	1	na	Excel Spreadsheets
Bank Statements	Cash Actng	7 years	SEC	read	Cash Actng	1	na	Excel Spreadsheets
Canceled Checks	Cash Actng	7 years	SEC	read	Cash Actng	1	na	Excel Spreadsheets
Electronic Payment Records	AP - Canton	7 years	SEC, FERC	read	AP - Canton	2		Document Imaging System(s)
PLANT & DEPRECIATION								
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

Date	Version	Description	Author
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	

Contents

1	Overview	3
2	Functional Requirements	3
2.1	System Access and Functions for Individuals and Organizations	3
2.2	System Features	3
2.3	Quality and Performance Requirements	4
2.4	End User Training and Support Requirements	4
2.5	Deployment Requirements	4
2.6	Scheduling and Availability Requirements	4
2.7	Accessibility Requirements	4
2.8	Other Requirements	4
3	Non-Functional Requirements	5
3.1	Interfaces	5
3.2	Data Retention and Archiving	6
3.3	Security Requirements	6
3.4	Disaster Recovery Requirements	6
3.5	Applicable Standards	6
4	Supporting Information	6
4.1	Assumptions and Dependencies Used to Develop These Requirements	6
4.2	References	6
4.3	Definitions, Acronyms and Abbreviations	6

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

Date

Carolyn Jones - Project IT Champion

Date

Dave Rettig - Program Manager

Date



AMERICAN ELECTRIC POWER

SIGNIFICANT ACCOUNTING POLICIES & PROCEDURES MANUAL





TABLE OF CONTENTS

<u>FIXED ASSETS</u>	1
<u>FINANCIAL REPORTING</u>	7
<u>REGULATORY ACCOUNTING</u>	10
<u>TREASURY</u>	15
<u>REVENUE AND RECEIVABLES</u>	19
<u>SHARE-BASED PAYMENT</u>	25
<u>INTANGIBLES – GOODWILL</u>	29
<u>PENSION AND POSTRETIREMENT BENEFIT PLAN</u>	31
<u>TAX ACCOUNTING</u>	36
<u>INVENTORY</u>	39

LAST UPDATED 1/31/2013



Accounting Policy/Procedure

Policy/Procedure Title	Fixed Asset Policy and Conventions	Date	1/31/2013
Author:	Dave Hummel, Rich Williamson, Susannah Hannis, Paul Pennino	Status: (Draft, Under Review, Approved)	Approved

Purpose

Document the significant policies, procedures, authoritative guidance and conventions that support the Company's fixed asset accounting.

Policy/Procedure Statement

Accounting Policy

Fixed assets are capitalized according to their fair value. FERC reporting requires assets purchased from a third party, to be recorded at their original cost and accumulated depreciation and an acquisition adjustment booked to reflect fair value. For SEC reporting, the acquisition would be reported net for non-regulated business units. In acquisitions of generation at market prices below cost, the Company has cleared the negative acquisition adjustment to accumulated depreciation. Fixed assets are tested for recoverability and/or impairment when a triggering event occurs. Asset retirement obligations are recorded at their fair value on the date the legal obligation exists. Leases are accounted for according to ASC 840-10 *Leases* and ASC 980-10 *Regulated Operations*.

Background

Depreciation / Amortization / Depletion -

Plant, property and equipment, excluding coal-mining properties, are depreciated on a straight-line method using composite group rates by electric plant account based on the following functional classes (regulated and nonregulated):

- Production
- Transmission
- Distribution
- General
- Other – (coal mining, nuclear fuel, etc.)

Note, the cost of removal and salvage credits are included in the depreciation rates of regulated business units.

As new environmental rules and regulations are issued restricting an asset's useful life, depreciable lives are adjusted according to the jurisdictional regulatory process for regulated business units and when a determination is made by management in an unregulated environment.

Coal mining assets are depreciated, amortized and depleted over each asset's estimated useful life, or estimated life of the mine, whichever is shorter, using the straight line method for structures and equipment. The straight-line or units-of-production method is used to amortize mine development costs and deplete coal rights based on estimated recoverable tonnage.

Asset Retirement Obligations -

Upon establishment of a legal liability, ASC 410-20 *Asset Retirement Obligation* requires a corresponding asset retirement obligation (ARO) to be established, for which the asset



Accounting Policy/Procedure

retirement cost (ARC) will be depreciated over the useful life of the related asset and the liability will be accreted until settlement. The ARC is retired when the related asset is retired. When an ARO is fully settled, any gain or loss on the settlement is recognized in earnings, or recorded to Account 1080013 or regulatory asset/liability for certain regulated companies. The Company assesses ARO's annually.

A conditional ARO has an unconditional obligation to perform the asset retirement activity even though uncertainty exists about the timing and (or) method of settlement. A liability for a conditional ARO is recognized if the fair value can be reasonably estimated.

Testing for Impairment -

Quarterly the Company compiles an "Issues Book." The process involves all business units within American Electric Power, Inc. During the compilation process Accounting Policy & Research asks each business unit whether any events have occurred that may trigger impairment of long-lived assets. A recoverability test and/or an impairment test is performed when triggering events are identified. Impairment is considered according to the following guidelines:

- ASC 360-980-35 *Accounting for Abandonments* is followed for abandonments and "recently completed" regulated plants.
- ASC 360-10 *Impairment of Long Lived Assets* is followed for all non-regulated long lived assets.

Also, as part of the process, the business units are instructed to inform Accounting Policy & Research if one of the triggering events occurs outside of the formal quarterly compilation.

Allowance for Funds Used During Construction (AFUDC) and Interest Capitalization -

AFUDC represents the cost of financing construction as financed partially by borrowings and partially by equity, capitalized as part of the cost of plant and equipment pursuant to requirements of the regulator according to ASC 980-835-25 *Regulated Operations- Interest* and FERC Order No. 561. For nonregulated operations, including domestic generating assets, interest is capitalized during construction according to ASC 835-20 *Interest-Capitalization of Interest*.

Maintenance Costs -

The Company expenses maintenance costs as incurred. If it becomes probable that we will recover specifically incurred costs through future rates, we establish a regulatory asset to match the expensing of those maintenance costs with their recovery in cost-based regulatory revenues, such as nuclear fuel outages.

Leased Assets -

The Company leases plant, property and equipment for periods up to 60 years. The Company utilizes ASC 840-10-25 *Lease Classification Criteria* to determine whether a lease should be accounted for as a capital or operating lease. Capital leases for nonregulated property are accounted for as if the assets were owned and financed. For regulated property, both operating and capital leases are treated the same with regard to expense, in accordance with rate-making treatment for regulated operations. Regardless if regulated or nonregulated, capital leases are capitalized to the balance sheet as an asset and liability (refer to the regulatory policy memo for additional details).

Sale-leaseback transactions are accounted for in accordance with ASC 840-40 *Sale-Leaseback Transactions*. When a sale leaseback transaction involves real estate, the Company will follow the guidance of ASC 840-40-25 *Real Estate*.



Accounting Policy/Procedure

Capital leases are accounted for according to ASC 840-30 *Capital Leases*. Regulated business units follow ASC 840-980 *Regulated Operations* which allows the Company to record capital lease payments as expense, similar to an operating lease, in lieu of recording leased asset depreciation and interest expense. Monthly, the Company records a charge to accumulated amortization that is equal to the reduction in lease obligation so that the capital leased asset less the leased accumulated amortization will always equal the lease obligation.

Nonregulated business units, including OPCo-Gen, record capital leases in accordance with ASC 840-30 *Capital Leases*. Monthly, the Company depreciates the capital lease using straight-line depreciation over the life of the lease and records the interest expense. The difference between the accumulated depreciation expense and the actual principal payment is disclosed. Capital leases, accounted for under ASC 840-30 *Capital Leases* are depreciated using the straight-line method over the life of the lease.

Leases are subject to a Master Lease Agreement that defines the type of equipment, maximum / minimum terms and algorithms to be used to determine the interest rate at inception. Each draw against the Master Lease Agreement is governed by an Individual Lease Record that sets the lease terms for that separately identifiable transaction. Each lease is recorded when the interest rate and lease terms are known. The Company records the related short-term and long-term liabilities at the NPV of the future minimum lease payments. If the interest rate and / or terms are not known, quarterly, the Company records the lease assuming a 4-year lease life and a NPV equal to 100% of the financed amount.

Gain/Loss Recognition –

Regulated business units book retirements from the plant accounts and associated removal costs, net of salvage, is charged to accumulated depreciation. Gains and losses on disposal and sale are charged to accumulated depreciation unless an asset constituting an operating unit or system is sold, conveyed or transferred to another party where the utility will file with FERC to record proposed journal entries. Gain and loss on land sale and/or disposal is booked to the consolidated statement of income. Under FERC, gains and losses are included “below the line” in other income.

Nonregulated business units account for fixed asset retirements and disposals by removing the asset and accumulated depreciation from the consolidated balance sheet. [Note: The NBV of the retired asset remains in accumulated depreciation.] Utility fixed asset continuous interim routine replacements, under the group composite method of depreciation, are charged to accumulated depreciation at their original cost less, salvage. A gain or loss would be recorded if the retirement was not considered an interim routine replacement. Under GAAP gains and losses are included in operating income. Gains and losses are recorded in the income statement for any retirements in the AEP River Operations and Generation and Marketing segments.

Overhead Cost Capitalization -

Construction overhead charges are capitalized in steam generation, nuclear generation, hydro generation, gas generation, transmission and distribution work orders. These charges represent salaries and expenses of the Service Corporation and the Company’s administrative and general, engineering, supervision and related drafting and technical work applicable to construction but not specifically related to individual construction projects.



Accounting Policy/Procedure

® Construction overhead charges are spread on a monthly basis to all applicable construction projects in proportion to the direct costs charged to such projects.

Authoritative Guidance

Fixed assets are accounted for according to, but are not limited to, the following authoritative guidance.

- FERC *Accounting and Reporting Requirements for Public Utilities and Licenses*
 - Details FERC accounting and reporting requirements.
- CON 6 – *Elements of Financial Statements*
 - Literature for defining an asset.
- ASC 840-10 *Leases*
 - Authoritative literature establishing standards of financial accounting and reporting for leases by lessees and lessors.
- ASC 840-40 *Sale-Leaseback Transactions*
 - Authoritative literature requires the seller to recognize some profit or loss in either of the following limited circumstances: 1). If the seller retains the use of only a minor portion of the remaining use of the property sold, 2). If the seller retains more than a minor part but less than substantially all of the use of the property through the leaseback and the profit on the sale exceeds the present value of the minimum lease payments called for by the leaseback for an operating lease or the recorded amount of the leased asset for a capital lease, 3). The fair value of the property at the time of the transaction is less than its undepreciated cost, in which circumstance a loss shall be recognized immediately.
- ASC 980-360-25 *Allowance for Funds Used During Construction*
 - Authoritative literature establishes standards of financial accounting and reporting for AFUDC.
- ASC 835-20 *Capitalization of Interest*
 - Authoritative literature establishes standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets.
- ASC 980-10 *Regulated Operations*
 - Authoritative literature for measuring revenue and recognizing expenses, reimbursements, gains, losses and capitalization of an allowance for funds used during construction (AFUDC) for regulated business units.
- ASC 980-360-35 *Accounting For Abandonments*
 - Authoritative literature specifies the accounting for plant abandonments and disallowances of costs of recently completed regulated plants. It also provides guidance for the capitalization of an allowance for funds used during construction.
- ASC 840-40-25 *Real Estate*
 - Statement specifies the accounting by a seller-lessee for a sale-leaseback transaction involving real estate, including real estate with equipment.
- ASC 410-20 *Asset Retirement Obligation*
 - Authoritative literature for accruing costs associated with the retirement of a long-lived asset when a legal obligation exists.
 - Clarifies the term “conditional asset retirement obligation” used in SFAS 143.
- ASC 360-10 *Impairment of Long Lived Assets*



Accounting Policy/Procedure

- Authoritative literature for testing non-regulated fixed assets for impairment and accounting for fixed assets that are to be disposed of.
- ASC 820-10 *Fair Value Measurements*
 - Authoritative literature that defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles (GAAP).
- ASC 840-10-25 *Lease Classification Criteria*
 - Authoritative literature used to determine whether an arrangement contains a lease.
- ASC 805-20-55 *Mining Assets Acquired in a Business Combination*
 - Authoritative literature providing guidance on determining whether mineral rights are tangible or intangible assets.
- ASC 930-805-30 *Business Combinations*
 - Authoritative literature to determine whether an entity should include value beyond proven and probable reserves (VBPP) and the effects of anticipated fluctuations in the future market price of minerals when (a) allocating the purchase price of a business combination and (b) testing a mining asset for impairment.

Conventions

The following are some of the accounting conventions existing within the property, plant and equipment process.

- Fixed assets depreciation commences on the 1st of the month following their in-service transfer.
- AFUDC Conventions:
 - AFUDC is recorded after month-end based on the prior month ending CWIP balance plus one half of the current month CWIP charges.
 - Minimum dollar amount required in the estimate to calculate AFUDC is zero.
 - Minimum number of estimated months of a work order required for calculation of AFUDC is zero.
 - One half month of AFUDC is taken in the in-service month.
 - For prior period in-service dates, there is no AFUDC reversal for the in-service month (leaves the in-service month with a full month's AFUDC).
- Depreciation expense is recorded using the straight-line method, generally using composite or group rates by electric plant account and functional class.
 - Exception coal mining assets:
 - Straight-line method for mining structures and equipment.
 - Straight-line or units-of-production method to amortize mine development costs and deplete coal rights.
- The Company performs quarterly reviews of advance payment credits in jobbing work orders. If the net advance payment credit balance for any company is deemed to be material then the advance payment credits in excess of construction charges would be reclassified to a customer deposit account. This only applies to advance payments, all other credits in CWIP remain.
- Leases: If the interest rate and / or terms are not known, quarterly, the Company records the lease assuming a 4-year lease life and a NPV equal to 100% of the financed amount. This is subsequently reviewed until finalized.



Accounting Policy/Procedure

Approved By

A large, empty rectangular box with a black border, intended for a signature or approval mark.



Accounting Policy/Procedure

Policy/Procedure Title	Financial Reporting Policies and Conventions	Date	1/31/2013
Author:	Tyler Ross, Mike Baird	Status: (Draft, Under Review, Approved)	Approved

Purpose

Document the significant policies, procedures, authoritative guidance and conventions that support financial reporting.

Policy/Procedure Statement

Accounting Policy

The Company's financial reporting policies and procedures are in accordance with the requirements set forth by the Securities and Exchange Commission (SEC) Regulation S-X, the Federal Energy Regulatory Commission (FERC) and the Financial Accounting Standards Board (FASB).

Background

Principles of Consolidation -

Our consolidated financial statements include AEP and its wholly-owned and majority-owned subsidiaries and substantially-controlled variable interest entities (VIEs). The Company accounts for VIEs in accordance with ASC 810-10 *Consolidation*. Intercompany items are eliminated in consolidation. Equity investments not substantially-controlled that are 50% or less owned are accounted for using the equity method of accounting. We also have generating units that are jointly-owned with nonaffiliated companies. Our proportionate share of the operating costs associated with such facilities is included on our Consolidated Statements of Income and our proportionate share of the assets and liabilities are reflected on our Consolidated Balance Sheets.

Statement of Income -

The Company reports its period income statement using the SEC commercial form according to SEC Regulation S-X. The SEC provides public utility registrants an exception to file under FERC rules, form and regulation. The Company has elected the SEC commercial form.

Statement of Comprehensive Income -

ASU 220-10 *Comprehensive Income* requires an entity to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. The Company presents other comprehensive income in a statement of other comprehensive income immediately following the statement of net income.

Balance Sheet -

The Company reports its period balance sheet using the SEC commercial form according to SEC Regulation S-X.



Accounting Policy/Procedure

® Statement of Cash Flows -

The statement of cash flows is prepared in accordance with ASC 230-10 *Statement of Cash Flows*.

Off-balance Sheet Arrangements -

Under a limited set of circumstances, we enter into off-balance sheet arrangements for various reasons including accelerating cash collections, reducing operational expenses and spreading risk of loss to third parties. Our current guidelines restrict the use of off-balance sheet financing entities or structures to traditional operating lease arrangements and sales of customer accounts receivable that we enter in the normal course of business. We disclose all material off-balance sheet transactions, arrangements, obligations, and other relationships in accordance with SEC requirements.

Business Segments -

The Company accounts for business segments in accordance with ASC 280-10 *Segment Reporting*. We have identified 4 business segments that we consider to be representative and inclusive of our significant ongoing business activities.

- Utility Operations
- Transmission Operations
- AEP River Operations
- Generation and Marketing

Note: activities of the Company that do not fall within the above 4 business segments are presented as "All Other."

Quantifying Misstatements -

The Company performs an ASC 250-10 *Accounting Changes* analysis quarterly which includes consideration of management estimates which the Company considers significant and for which the actual amount is known prior to filing.

Authoritative Guidance

Financial reporting is performed in accordance with, but not limited to, the following authoritative guidance. (Note, other specific GAAP references, also applicable, are referred to in other policy and convention memos)

- ASC 323-10 *Equity Method and Joint Ventures*
 - Authoritative literature for accounting for investments in the common stock of entities other than subsidiaries, namely corporate joint ventures and other noncontrolled entities.
- ASC 810-10 *Consolidation*
 - Authoritative literature for consolidating financial statements.
 - Authoritative literature to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary.
 - Authoritative literature that addresses consolidation by business enterprises of variable interest entities.
- ASC 980 *Regulated Operations*
 - Authoritative literature for measuring revenue and recognizing expenses, reimbursements, gains and losses for regulated business units.
- ASC 230-10 *Statement of Cash Flows*
 - Authoritative literature that establishes standards for cash flow reporting.



Accounting Policy/Procedure

- ASC 505-50 *Equity-Based Payments for Non Employees*
 - Authoritative literature that establishes standards for which an entity exchanges goods or services with nonemployees, and is to recognize in the financial statements the most reliably measurable fair values of such transactions. In addition, concurrent disclosure about the financial statement effect of share-based payment transactions, including how such fair values were determined and their effect on cash flows, are also objectives for this accounting.
- ASC 280-10 *Segment Reporting*
 - Authoritative literature that provides guidance to public business entities on how to report certain information about operating segments in complete sets of financial statements of the public entity and in condensed financial statements of interim periods issued to shareholders. It also requires that public entities report certain information about their products and services, the geographic areas in which they operate, and their major customers.
- ASC 805-10 *Business Combinations*
 - Authoritative literature that improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects.
- ASC 250-10 *Accounting Changes*
 - Authoritative literature that provides guidance on the accounting for and reporting of accounting changes and error corrections. This guidance establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to a newly adopted accounting principle. In addition it provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable.

Conventions

The following are some of the accounting conventions existing within the financial reporting process.

- The Company files a combined 10K/10Q including all registrants. AEP is a standalone separate section. The MD&As and Financial Statements for OPCo , I&M, APCo, PSO and SWEPCo are included in separate sections. Combined footnotes and additional MD&A items for the five subsidiary registrants are included as separate sections.
- After the December 2011 redemption of preferred stock for all AEP subsidiaries, we follow reduced disclosure rules under General Instruction I. (1) (a)-(b) for 10K/10Q for qualified subsidiaries APCo, I&M, OPCo, PSO and SWEPCo.

Approved By



Accounting Policy/Procedure

Policy/Procedure Title	Regulatory Accounting Policy and Conventions	Date	1/31/2013
Author:	Tom Mitchell, Jeff Brubaker, Randall Hamlett	Status: (Draft, Under Review, Approved)	Approved

Purpose

Document the significant policies, procedures, authoritative guidance and conventions that support the regulatory accounting process.

Policy/Procedure Statement

Accounting Policy

The Company accounts for rate-regulated transactions according to the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USofA) and the Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards (SFAS) as codified in the FASB Accounting Standards Codification (ASC) manual and SEC pronouncements. The Company's mostly cost-based regulated business units practice regulatory accounting to reflect the economics of cost based regulation in its financial statements. The Company's regulatory accounting is based on ASC 450 *Contingencies*, ASC 980 *Regulated Operations* ASC 980-340 *Other Assets and Deferred Costs*, ASC 980-20 *Discontinuation of Rate-Regulated Accounting*, ASC 360 *Property, Plant, and Equipment* ASC 840-40-55 *Sale-Leaseback Transactions*>*Implementation Guidance and Illustrations*, ASC 980-605-25 *Revenue Recognition*, ASC 980-715 *Retirement Benefits*, ASC 980-715-25-8 *Accounting for Regulatory Assets when Criteria Are Met in a Subsequent Period*, ASC 980-20-35 *Discontinuation of Rate-Regulated Accounting*>*Subsequent Events*. Where the FERC accounting principles differ from those of the FASB the Company reports to the SEC and the investing public in accordance with GAAP as promulgated by the FASB and the SEC and reports to the FERC and state Commissions in accordance with the FERC USofA.

Background

GAAP Regulatory Accounting -

AEP's electric operating companies, or just their Transmission and Distribution business units if their generation/supply business unit is not cost-based regulated and the AEP Service Corp (AEPSC) are cost-based regulated and, therefore, meet the criteria in ASC 980 *Regulated Operations* to practice regulatory accounting, in order to reflect the economics of the ratemaking process in the Company's financial statements. This is accomplished in ASC 980 *Regulated Operations* by matching in the same accounting period, incurred costs and income/refunds with the regulated revenues recovering those incurred costs or refunding that income. The matching is accomplished by deferring incurred expenses and incurred losses that are probable of recovery in the future, as regulatory assets and amortizing those regulatory assets to expense in future accounting period(s) commensurate with their recovery in regulated revenues and by deferring income and other amounts to be refunded to customers as regulatory liabilities to be amortized and recognized when regulated revenues are reduced in the future to refund the regulatory liabilities.

Accounting Policy/Procedure



In order for a cost to be deferred as a regulatory asset it must be an incurred cost. However, ASC 980-605-25 *Revenue Recognition* permits the Company to defer as regulatory assets non-incurred costs, such as lost revenues under demand side management programs and incentive revenues under certain incentive ratemaking plans provided such revenues will be recovered automatically within 24 months of the end of the period in which the deferral is recorded. If the Company does not initially meet the criteria established in ASC 980-715-25 for postretirement benefit costs, but meets them in a subsequent period, ASC 980-715-25-8 permits the Company to recognize a regulatory asset when the criteria are met. The Company reviews its regulatory assets for probability of recovery at every balance sheet date in accordance with ASC 980 *Regulated Operations*. If, due to new events, the future recovery or refund becomes impaired, i.e. is no longer probable, the impaired portion of the subject regulatory asset or regulatory liability is reversed and recognized in earnings.

The Company records provisions for losses or refunds when it is probable, under ASC 450 *Contingencies*, that it has a liability or a loss. The provision can result in a regulatory liability if it is probable that a refund to customers will be required.

With regard to regulatory asset impairments the Company follows ASC 980-340-35-1 *Effect of Rate Action on Asset Value*, which indicates that if the rate actions of a regulator reduces or eliminates the value of an asset, for example by excluding its recovery as an allowable cost in setting rates, the carrying amount of the asset shall be reduced to the extent of the excluded cost. Whether other assets have been impaired is judged in the same manner as for an enterprise in general, ASC 360 *Property, Plant, and Equipment* applies. However, there is one exception, i.e. if a regulator allows recovery of a cost previously disallowed (excluded from allowable costs for ratemaking purposes) the Company would recognize a new asset to the extent it is probable that it will be recovered in future regulated rates.

In accordance with ASC 980 *Regulated Operations*, the Company accrues a debt and equity allowance to finance construction called an Allowance for Funds Used During Construction (AFUDC) if the cost of the plant is probable to be recovered in cost-based regulated rates when it goes in service through allowable depreciation expense.

Also in accordance with ASC 980 *Regulated Operations*, the Company does not eliminate inter-company profit on affiliated goods and services if the regulated sales price is reasonable (acceptable to the regulator) and if it is probable that it will be recovered through the ratemaking process.

In addition, the company recognizes lease payments as lease expense in determining earnings under capital leases when the regulator includes the lease payments in allowable costs for ratemaking purposes, in lieu of expensing the depreciation of the capitalized lease assets and the interest on the lease. Assets under capital leases are capitalized at the Net Present Value of the remaining lease payments, along with the obligation. We amortize the capital asset at the same amount as the principal reduction of the capital lease obligation.

In accordance with ASC 980-360 *Property, Plant, and Equipment*, the Company discounts any regulatory asset using allowable cash flows at the incremental borrowing rate to recover abandoned, disallowed, or cancelled plant costs. In accordance with ASC 980-340 *Other Assets and Deferred Costs*, the company would not defer, as a regulatory asset, allowable costs for future recovery by the regulator pursuant to a phase-in plan (ASC 980-340-25-2) of newly completed plant expenses even if they were deferred for ratemaking purposes and are probable of recovery in future regulated rates. However, regulatory assets are appropriate in

Accounting Policy/Procedure



certain cases involving newly completed plant before a rate order is issued (ASC 980-340-55-21 through 27). Also, in accordance with ASC 980-340 *Other Assets and Deferred Costs*, the Company does not record a regulatory asset nor recognize in income the equity component of a carrying cost regulatory asset until the carrying cost is billable to customers except during construction.

When business units are no longer cost-based regulated or when they start a transition to non-cost based rate regulation per ASC 980-20-35 *Discontinuation of Rate-Regulated Accounting; Subsequent Measurement*, the Company discontinues ASC 980 *Regulated Operations* regulatory accounting in accordance with ASC 980-20 *Discontinuation of Rate-Regulated Accounting*. ASC 980-20 requires recognition, as an extraordinary loss, of an impairment of regulatory assets and plant costs if it is probable that they are, or will no longer be recoverable in cost-based regulated rates. If a regulatory liability is no longer refundable to customers it is also written-off as an extraordinary item.

If a business unit which is no longer cost based regulated, is returned to cost based regulation, the Company reapplies ASC 980 *Regulated Operations* regulatory accounting. If ASC 980 is reapplied, the Company is required to recognize regulatory assets and / or recognize regulatory liabilities, and the Company would charge or credit an extraordinary item consistent with ASC 980-20 *Discontinuation of Rate-Regulated Accounting*.

FERC / GAAP (FASB) Differences –

The FERC is an independent federal agency that, among other things administers accounting and reporting to the FERC in the wholesale jurisdiction and in those state retail jurisdictions that have adopted the FERC USofA. AEP's eleven state retail Commissions have adopted the FERC USofA. For the most part the FERC USofA is consistent with Generally Accepted Accounting Principles (GAAP). However, the FERC's guidance, rulemakings and accounting releases, as codified in the FERC USofA, may result in recording certain transactions in a different manner than required by GAAP as administered by the FASB and the SEC. For example, gains and losses from the sale of assets are recorded in operating income for GAAP purposes and in other income for FERC purposes. Another difference is that FERC Form 1 financial statements are on the equity basis, i.e. they are not consolidated as required by GAAP. The Company's account structure allows for both FERC and GAAP reporting where differences exist.

Authoritative Guidance

Regulatory transactions are recorded according to, but not limited to, the following authoritative guidance.

- Code of Federal Regulations, Subchapter C- Accounts Federal Power, Part 101- Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act (The FERC USofA)
- ASC 450– *Contingencies*
 - Authoritative literature that establishes standards of financial accounting and reporting for loss contingencies.
- ASC 980– *Regulated Operations*
 - Authoritative literature for measuring revenue and recognizing expenses, reimbursements, gains and losses for regulated business units.
- ASC 980-360 – *Regulated Operations – Property, Plant, and Equipment*

Accounting Policy/Procedure



- Authoritative literature that specifies the accounting for plant abandonments and disallowances of costs of recently completed plants. It also provides guidance for the capitalization of an allowance for funds used during construction.
- Authoritative literature for testing fixed assets for impairment and accounting for fixed assets that are to be disposed of.
- ASC 980-340 – *Regulated Operations – Other Assets and Deferred Costs*
 - Authoritative literature for accounting for regulator phase-in plans for recovery of allowable costs of a new plant and provides guidance on timing of negotiation of equity returns.
- ASC 980-20 – *Regulated Operations - Discontinuation of Rate-Regulated Accounting*
 - Authoritative literature specifying how an enterprise that ceases to meet the criteria for application of ASC 980, to all or part of its operations, should account for and report that event in its external financial statements.
- FASB ASC 840-40-55 – *Sale-Leaseback Transactions-Implementation Guidance and Illustrations*
- ASC 980-605-25– *Revenue Recognition*
- ASC 980-715– *Compensation-Retirement Benefits*
 - Authoritative literature for accounting for regulatory assets related to ASC 340 costs for rate-regulated enterprises meeting the criteria of ASC 980.
 - Refer to “Pension and OPEB” policy memo.
- ASC 980-715-25-8– *Accounting for Regulatory Assets when Criteria Are Met in a Subsequent Period*
 - Authoritative literature conceding that a cost that does not meet the asset recognition criteria in ASC 980-340-25-1 *Recognition of Regulatory Assets* at the date the cost is incurred should be recognized as a regulatory asset when it does meet those criteria at a later date.
- ASC 980-20-35– *Discontinuation of Rate=Regulated Accounting-Subsequent Measurement*

Conventions

The following are some of the accounting conventions existing within the regulatory accounting process.

- When establishing a regulatory asset with numerous different expense accounts being deferred, we generally credit the expense accounts with the largest amounts being deferred.
- When recording a provision for refund, only prior year amounts are recorded to the provision for refund account. Current year amounts are recorded in the normal revenue accounts.
- Deferred fuel accounting entries follow a history that is consistent with each jurisdiction’s preferences. Thus, actual accounts used to record deferred fuel may differ between jurisdictions. However, for SEC purposes beginning in 2008, these over/under revenues are presented as fuel expense.
- For multi-jurisdictional utilities such as APCo and SWEPCO, AFUDC equity is based on a blended ROE rate granted by the different jurisdictions. For I&M, the Indiana equity is used for the total company amount since Indiana is the major jurisdiction.



Accounting Policy/Procedure

- For multi-jurisdictional utilities such as APCo, I&M and SWEPCO, depreciation expense is calculated using a blended depreciation rate based on the different depreciation rates ordered by the various jurisdictions.
- When carrying charge regulatory assets include a debt and equity component, the debt portion of the weighted average cost of capital (WACC) used to calculate the carrying charge is equivalent to the nominal cost of debt. The equity portion of the WACC is the difference between the overall pre-tax WACC and the nominal debt cost.
- Amortization of capital leases assets is recorded at the same amount as the reduction in principal.
- Regulatory assets and liabilities are generally classified as long-term except for under/over recovery of fuel which is generally classified as current unless there is a phase-in plan.

Approved By



Accounting Policy/Procedure

Policy/Procedure Title	Treasury Policies and Conventions	Date	1/31/2013
Author:	Scott Travis, Russell Doyle, Eric Thiergartner	Status: (Draft, Under Review, Approved)	Approved

Purpose

Document the significant policies, procedures, authoritative guidance and conventions that support the treasury process.

Policy/Procedure Statement

Accounting Policy

Cash and cash equivalents include temporary cash investments with original maturities of three-months or less. Other temporary cash investments include marketable securities which the Company intends to hold for < 1 year and funds held by trustees primarily for the payment of debt. Term debt is classified in the Consolidated Balance Sheet according to its maturity date, current = < 1 year and long-term = > 1 year. If it is the Company's intention to refinance a debt issue, and we have the ability to refinance on a long term basis, that obligation that may be due within 1-year is classified as a long-term liability.

Background

Cash & Cash Equivalents -

Cash and cash equivalents are temporary investments with maturities of 3 months or less.

Trust Accounts -

Cash deposits held in trusts are reflected as restricted cash until the requirements as set forth in the trust are met.

Equity Investments-Foreign Currency Translation -

Any investments outside the U.S. that are accounted for under the equity method of accounting are measured using the local currency as the functional currency and are translated into U.S. dollars in accordance with ASC 830 *Foreign Currency*. Revenues and expenses are translated at monthly average FX rates, unless a specific rate can be identified through an event. Assets and liabilities are translated at the period end FX rate. Currency translation gain and loss adjustments are recorded in AOCI.

Other Temporary Investments (OTI) -

This investment classification includes marketable securities that the Company intends to hold for < 1 year and funds held by trustees primarily for the payment of debt. Investments in marketable securities are classified as available-for-sale or held-to-maturity, in accordance with ASC 320-10 *Investments*. Available-for-sale securities in OTI are held at fair value. Unrealized gain or loss is reported net of tax in other comprehensive income, realized gains and losses are reported in earnings, according to ASC 320-10 *Investments*. Held-to-maturity securities in OTI are carried at amortized cost. The cost of securities sold is based on specific identification or the weighted average cost method.

If the Company determines a decline in the fair value of an available-for-sale or held-to-maturity investment is other than temporary, the cost basis of the individual security will be

Accounting Policy/Procedure



® written down to fair value as a new cost basis and the amount of the write-down is included in earnings.

Nuclear Decommissioning Trust Fund (NDTF) and Spent Nuclear Fuel Trust Fund Investments -

We record securities held in these trust funds as Spent Nuclear Fuel and Decommissioning Trusts on our Consolidated Balance Sheets. We record these securities at market value and classify them in the trust funds as available-for-sale, due to their long-term purpose. In accordance with ASC 320-10-35-30 *Investments – Debt and Equity Securities*, we consider all NDTF and spent nuclear fuel trust fund investments in unrealized loss positions to be other-than-temporary impairments because we do not have unilateral discretion to hold or sell the securities.

Thus, effective in 2006, the other-than-temporary impairments are considered realized losses and will reduce the cost basis of the securities which will affect any future unrealized gain or realized gains or losses. We record unrealized gains and other-than-temporary impairments from securities in these trust funds as adjustments to the regulatory liability account for the nuclear decommissioning trust funds and to regulatory assets or liabilities for the spent nuclear fuel disposal trust funds in accordance with their treatment in rates.

Valuation of Nonderivative Instruments -

The book values of Cash and Cash Equivalents, Accounts Receivable, Short-term Debt and Accounts Payable approximate fair value because of the short-term maturity of these instruments. The book value of the pre-April 1983 spent nuclear fuel disposal liability approximates the best estimate of its fair value.

Term Debt –

Lines of Credit and Short-Term Debt

- The corporate borrowing program is used to meet the short-term borrowing needs of our subsidiaries. The Company uses credit facilities including commercial paper and lines of credit to support the short-term corporate borrowing program. Term debt payments due within 1 year are classified as short-term. Note: regulatory orders limit the amount of corporate borrowings and external borrowings a subsidiary may enter into.

Long-Term Debt

- Term debt principal payments due greater than 1 year into the future are classified as long-term. Note: regulatory orders limit the amount of corporate borrowings and external borrowings a subsidiary may enter into.

Debt Discount or Premium and Issue Costs

- The Company generally elects to amortize these using the straight-line method as we have determined it approximates the effective interest method and it is consistent with the treatment in rates for regulated operations. Amortization expense is included in interest expense. According to ASC 835-30-35 *Accounting for Debt Discounts and Issuance Costs on Callable Debt* issue costs are deferred and amortized over the life of the debt.

Gains and Losses on Reacquisition

- (Regulated) The Company amortizes the deferral of reacquisition gains and losses over the remaining term of the reacquired debt unless the debt is refinanced. If debt is refinanced, the refinancing costs of the business subject to cost-based regulatory



Accounting Policy/Procedure

accounting are generally deferred and amortized over the term of the replacement debt consistent with its recovery in rates, noting some jurisdictions may require different treatment.

- (Non-regulated) The Company reports gains and losses on reacquisition of debt in interest expense. Accounting for debt refinancing, as well as any deferred debt issue costs and balance of premium or discount is performed in accordance with ASC 470-50 *Modifications and Extinguishments*.

Debt Covenants

- The Corporate Finance Group performs the required debt covenant calculations quarterly to ensure compliance with the Company's debt agreements.

Hybrid Debt Instruments -

Hybrid debt instruments include items such as preferred stock and convertible debt instruments, which are accounted for according to ASC 480 *Distinguishing Liabilities from Equity*. In December 2011, AEP's subsidiaries with preferred stock redeemed all of their outstanding preferred shares.

Cash Flow Hedging -

Certain qualifying wholesale marketing and risk management derivative transactions are designated as hedges of variability in future cash flows as a result of forecasted transactions (cash flow hedge). We initially record the effective portion of the cash flow hedge's gain or loss as a component of Accumulated Other Comprehensive Income (Loss) (AOCI). When the forecasted transaction is realized and affects earnings, we subsequently reclassify the gain or loss in AOCI on the hedge into revenues or expenses on the Consolidated Statements of Income, within the same financial statement line item as the forecasted transaction. We recognize the ineffective portion of the gain or loss in revenues or expense, depending on the specific nature of the associated hedged risk, on our Consolidated Statements of Income immediately, except in those jurisdictions subject to cost-based regulation. In those regulated jurisdictions we defer the ineffective portion as regulatory assets (for losses) and regulatory liabilities (for gains).

Fair Value Measurement of Assets and Liabilities –

We utilize our trustee's external pricing service in our estimate of the fair value of underlying investments held in the benefit plan and nuclear trusts. Our investment managers review and validate the prices utilized by the trustee to determine fair value. We perform our own valuation testing to verify the fair values of the securities. We receive audit reports of our trustee's operating controls and valuation processes. The trustee uses multiple pricing vendors for the assets held in the plans. Equities are classified as Level 1 holdings if they are actively traded on exchanges. Fixed income securities do not trade on an exchange and do not have an official closing price. Pricing vendors calculate bond valuations using financial models and matrices. Fixed income securities are typically classified as Level 2 holdings because their valuation inputs are based on observable market data. Observable inputs used for valuing fixed income securities are benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. Other securities with model-derived valuation inputs that are observable are also classified as Level 2 investments. Investments with unobservable valuation inputs are classified as Level 3 investments. Benefit plan assets included in Level 3 are real estate and private equity investments that are valued using methods requiring judgment including appraisals.



Accounting Policy/Procedure

[®] Authoritative Guidance

Treasury transactions are accounted for according to, but are not limited to, the following authoritative guidance.

- CON 6 – *Elements of Financial Statements*
 - Literature for defining assets and liabilities.
- ASC 835-30-35 *Accounting for Debt Discounts and Issuance Costs on Callable Debt*
 - Authoritative literature that discusses interest on receivables and payables and the FASB Board's opinion regarding the accounting for such items.
- ASC 470-10-45 *Debt > Other Presentation*
 - Authoritative literature that specifies the correct classification of short-term obligations and short-term obligations that are expected to be refinanced.
- ASC 440-10-50-2 *Unconditional Purchase Obligations*
 - Authoritative literature that requires that an enterprise disclose its commitments under unconditional purchase obligations that is associated with suppliers' financing arrangements.
- ASC 830 *Foreign Currency Matters*
 - Authoritative literature that establishes revised standards of financial accounting and reporting for foreign currency transactions and translating foreign currency financial statements.
- ASC 980 *Regulated Operations*
 - Authoritative literature for measuring revenue and recognizing expenses, reimbursements, gains and losses for regulated business units.
- ASC 320-10 *Investments*
 - Authoritative literature addressing the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities.
- ASC 480 *Distinguishing Liabilities from Equity*
 - Authoritative literature for determining how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity.
- ASC 470-50 *Modifications and Extinguishments*
 - Authoritative literature for determining if an exchange or modification of debt instrument(s) should be accounted for using modification or extinguishment accounting or both.

Conventions

The following are some of the accounting conventions existing within the treasury process.

- Nuclear Decommissioning Trust and Spent Fuel Trust account balances are closed based on the prior month's statements, due to timing of receipt of the trust statements.

Approved By



Accounting Policy/Procedure

Policy/Procedure Title	Revenue and Receivables Policies and Conventions	Date	1/31/13
Author:	Charles Oberlin, Diana Gregory, Russell Doyle, Andrew Reis, Eric Thiergartner, Rich Williamson, Brian Dunaway	Status: (Draft, Under Review, Approved)	Approved

Purpose

Document the significant policies, procedures, authoritative guidance and conventions that support the revenue and receivables process.

Policy/Procedure Statement

Accounting Policy

Revenue is recognized when the earning process is complete according to the guidelines set forth in the appropriate authoritative literature.

Background

Overview -

The earnings process is determined according to the transaction in question.

- Traditional electric supply and delivery revenue is earned when delivery occurs.
- Regulated business units will recognize expenses, reimbursements, gains and losses in the same period as the related revenue.
- Energy marketing and risk management revenue is earned based on the following:
 - Derivative – MTM until settlement.
 - Derivative (Normal) - when delivered.
 - Derivative (Cash flow hedge) – MTM in OCI, then in earnings when the hedged item affects earnings
 - Non-Derivative – when delivered.
- Purchased power and sale contracts are accounted for using MTM, hedge or accrual accounting depending on the type of contract and how it is settled (similar to risk management revenue above).
- Barging activities revenue is earned according to the percentage-of-completion of contracts (in miles).
- Construction project revenue is earned when costs are incurred based on percentage-of-completion accounting.
- The FERC regulated Power Pools, System Integration Agreement (SIA) and the System Interim Allowance Agreement allocate shared system costs and revenues to each of the utility subsidiaries that are parties to the respective agreements.
- PJM is the Regional Transmission Organization (RTO) operating in the East service territory, which functions as an exchange. Power is sold to the RTO and purchased back to supply the Company's load. These power sales and purchases are reported on a net basis.

Regulatory Accounting -

The Company recognizes regulatory assets (deferred expenses to be recovered in the future) and regulatory liabilities (deferred future revenue reductions or refunds) for the economic effects of regulation. Specifically, we match the timing of our expense recognition with the



Accounting Policy/Procedure

recovery of such expenses in regulated revenues. Likewise, we match income with the regulated revenues from our customers in the same accounting period. We also record regulatory liabilities for refunds, or probable refunds, to customers that have not been made.

Unbilled Revenue -

The Company records revenues when energy is delivered to the customer. The determination of sales to individual customers is based on the reading of their meters, which we perform on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the last meter reading are estimated and the corresponding unbilled revenue accrual is recorded. The estimate is reversed in the following month and actual revenue is recorded based on meter readings. Recordation of the fuel portion of unbilled revenue is in accordance with the applicable state commission regulatory treatment, for example various jurisdictions do not allow for the fuel portion to be included in unbilled revenue.

Estimated Receivables -

Estimated billed revenues are recorded for large commercial and industrial customer billings that were not entered into the Customer Information System (CIS) before the end of the month cutoff day. (These differ from unbilled revenues in that the meters are read and billings are to be rendered prior to closing).

Power Pool Activity -

The FERC regulates the activity of the East (AEP System Power Pool "Interconnection Agreement"), West ("CSW Operating Agreement") and the System Integration Agreement (SIA). The SIA integrates and coordinates internal sales and expenses between the East and West Pools. Internal costs and revenues allocated within and between the East and West Pools are accounted for as related party transactions and are eliminated in total in AEP's consolidated revenues and expenses.

Revenues and costs arising from certain 3rd party wholesale sales are generally shared within the respective pools that serve those sales. East Pool sales are allocated based on member load ratios (MLR's). West Pool sales are shared based on specific participation in each sale. Sales not dedicated to either pool or to a specific operating company are shared in accordance with the SIA, as modified April, 2006.

Revenues and costs may also be dedicated to a specific East or West operating company. These transactions are entered into as dedicated versus as an East transaction based on MLR's or West transaction based on peak load ratios. These transactions normally are entered as dedicated because the sale or purchase is being modeled against a specific supply or demand need for an operating company.

Transmission Agreements -

The AEP System Transmission Integration Agreement serves to integrate and coordinate the planning, operation and maintenance of the transmission facilities within the East and West companies. The agreement governs the allocation of transmission costs and revenues and the allocation of third-party transmission costs and revenues and System dispatch costs.

The Company integrates and coordinates the planning, operation, and maintenance of the transmission facilities within the East and West companies. The East companies operate under the "Amended Transmission Agreement" which was recently approved by the FERC effective November 1, 2010. Under this agreement, transmission revenues are allocated by



Accounting Policy/Procedure

revenue requirement and transmission costs mainly by 12 coincident peak. Under the previous agreement, the East companies' settled the cost of capital associated with one member having surplus transmission investment that aids another member of the pool who is in a deficit position compared to their MLR. The West companies are part of the "Transmission Coordination Agreement" which allows the West companies to share transmission revenue based on the Southwest Power Pool (SPP) Open Access Transmission Tariff (OATT).

PJM and the Southwest Power Pool (SPP) -

PJM and SPP operate the transmission grid for the East and West Pools. The Companies within the Pools pay PJM and SPP for transmission service for internal load and receive back, on an allocated basis, transmission revenues. The PJM settlement is recorded net in revenues for transmission surplus companies and net in operating expense for transmission deficit companies. The SPP settlement is recorded net in revenues for transmission surplus companies and net in operating expense for transmission deficit companies.

Accounting for Derivative Instruments –

The Company recognizes revenues and expenses from wholesale marketing and risk management transactions that are not derivatives upon delivery of the commodity. We use MTM accounting for wholesale marketing and risk management transactions that are derivatives unless the derivative is designated in a qualifying cash flow or fair value hedge relationship, or as a normal purchase or sale. We include the unrealized and realized gains and losses on wholesale marketing and risk management transactions that are accounted for using MTM in Revenues on a net basis. In jurisdictions subject to cost-based regulation, we defer the unrealized MTM amounts as regulatory assets (for losses) and regulatory liabilities (for gains).

Certain qualifying wholesale marketing and risk management derivative transactions are designated as hedges of variability in future cash flows as a result of forecasted transactions (cash flow hedge) or as hedges of a recognized asset, liability or firm commitment (fair value hedge). We recognize the gains or losses on derivatives designated as fair value hedges in revenues in the period of change together with the offsetting losses or gains on the hedged item attributable to the risks being hedged. For derivatives designated as cash flow hedges, we initially record the effective portion of the cash flow hedge's gain or loss as a component of Accumulated Other Comprehensive Income (Loss). When the forecasted transaction is realized and affects earnings, we subsequently reclassify the gain or loss in Accumulated Other Comprehensive Income (Loss) on the hedge into revenues or expenses on the Consolidated Statements of Income, within the same financial statement line item as the forecasted transaction. We recognize the ineffective portion of the gain or loss in revenues or expense, depending on the specific nature of the associated hedged risk, on our Consolidated Statements of Income immediately, except in those jurisdictions subject to cost-based regulation. In those regulated jurisdictions we defer the ineffective portion as regulatory assets (for losses) and regulatory liabilities (for gains).

Reserve for Bad Debts –

The Company has the following bad debt reserve policies:

- Utility Receivables – Reserves are only applied to receivables generated within Wheeling Power and the West Virginia portion of Appalachian Power, TCC and TNC; all other A/R is factored (refer below). The West Virginia reserves are calculated based on a rolling 2-year average of write-off to gross accounts receivable.



Accounting Policy/Procedure

TCC and TNC reserves are calculated using the specific identification of receivables greater than 120 days delinquent.

- Miscellaneous Receivables – A reserve may be established for receivables in AEPSC, Transmission, Distribution, and Generation companies for accounts 1430023, 1430123 and 1430081. Items open 180 days or greater will be automatically reserved at 100% unless the originating business unit specifies otherwise or requests the balance be written-off. Also, items open less than 180 days may be reserved using specific identification by the business unit responsible for the receivable.

Factoring of Receivables –

AEP Credit has a receivables securitization agreement with bank conduits. Under the securitization agreement, AEP Credit receives financing from the bank conduits for the interest in the receivables AEP Credit acquires from affiliated utility subsidiaries. AEP Credit continues to service the receivables. These securitized transactions allow AEP Credit to repay its outstanding debt obligations, continue to purchase our operating companies' receivables and accelerate AEP Credit's cash collections.

Note: Regulatory authority is required to permit factoring of subsidiaries arising from a regulated jurisdiction. Miscellaneous accounts receivable are fully retained and not securitized.

AEP Credit purchases 100% of the receivable balances without recourse from the participating operating companies. Based on the agency agreement between the operating companies and AEP Credit, the operating companies retain the responsibility for collection of the receivable balances. AEP Credit pays the operating companies an agency fee in the amount of 2% of receivables purchased for servicing the purchased receivables. On a monthly basis, a bad debt discount rate is calculated based on a 12-month average of bad debt written off as a percentage of total receivables purchased during the same time period for each operating company. This discount rate is then applied to future receivables purchased to determine the bad debt expense. The amount of bad debt expense based on this calculation is recorded on AEP Credit's general ledger. The operating companies record the gross receivables sold in a contra accounts receivable account and AEP Credit records the gross receivables purchased as accounts receivable factored.

Fair Value

For our commercial activities, exchanged traded derivatives, namely future contracts, are generally recorded at fair value based on unadjusted quoted prices in active markets and are classified as Level 1. Level 2 inputs primarily consist of OTC broker quotes in moderately active or less active markets, as well as exchange traded contracts where there is insufficient market liquidity to warrant inclusion in Level 1. We verify our price curves using broker quotes and classify these fair values within Level 2 when substantially all of the fair value can be corroborated. We typically obtain multiple broker quotes, which are non-binding in nature, but are based on recent trades in the marketplace. When multiple broker quotes are obtained, we average the quoted bid and ask prices. In certain circumstances, we may discard a broker quote if it is a clear outlier. We use a historical correlation analysis between the broker quoted location and the illiquid locations and if the points are highly correlated we include these locations within Level 2 as well. Certain OTC and bilaterally executed derivative instruments are executed in less active markets with a lower availability of pricing information. Long-dated and illiquid complex or structured transactions and FTRs can introduce the need for internally developed modeling inputs based upon extrapolations and

Accounting Policy/Procedure



® assumptions of observable market data to estimate fair value. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized as Level 3.

Government Grants

We receive federal stimulus grants for certain projects. For each project the Company is reimbursed by the Department of Energy for allowable costs incurred during the billing period. These reimbursements result in the reduction of Other Operation and Maintenance expenses on our Consolidated Statements of Income or a reduction in Construction Work In Progress.

Authoritative Guidance

Revenue is recognized according, but is not limited to, the following authoritative guidance.

- ASC 605-10-S99-1 *Revenue Recognition*
 - General revenue recognition model, revenue is realized or realizable and earned when all the following are met:
 1. Persuasive evidence of an arrangement exists,
 2. Delivery has occurred or services have been rendered,
 3. The seller's price to the buyer is fixed or determinable, and
 4. Collectibility is reasonably assured.
- ASC 980 *Regulated Operations*
 - Authoritative literature for measuring revenue and recognizing expenses, reimbursements, gains and losses for regulated business units.
- ASC 860 *Transfers and Servicing*
 - Authoritative literature providing accounting and reporting standards for transfers and servicing of financial assets.
- ASC 405-20 *Extinguishments of Liabilities*
 - Authoritative literature providing accounting and reporting standards for extinguishments of liabilities based on application of a *financial-components approach*.
- ASC 815-10-15-96 *Initial Net Investments*
 - Authoritative literature amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts.
- ASC 605-35 *Construction-Type and Production-Type Contracts*
 - Authoritative literature on the accounting for the performance of contracts for which specifications are provided by the customer for the construction of the facilities or the production of goods or for the provisions of related services.
- ASC 605-45 *Principal Agent Considerations*
 - Authoritative literature that provides guidance as to whether an entity should report revenues gross or net of certain amounts paid to others.
- ASC 815 *Derivatives and Hedging*
 - Authoritative literature addressing certain issues related to energy trading activities, including (a) gross versus net presentation in the income statement, (b) whether the initial fair value of an energy trading contract can be other than the price at which it was exchanged, and (c) additional disclosure requirements for energy trading activities.



Accounting Policy/Procedure

- Authoritative literature providing guidance on the appropriate level of income statement summarization of a derivative's realized gains and losses and whether those should be gross or net.
- Authoritative literature for identifying, valuing and accounting for derivative instruments and activity.
- ASC 210-10 *Offsetting*
 - Authoritative literature defining right of setoff and what conditions must be met to have that right. It also addresses the applicability of that general principle to forward, interest rate swap, currency swap, option, and other conditional or exchange contracts and clarifies the circumstances in which it is appropriate to offset amounts recognized for those contracts.
- ASC 815-10-45 *Netting Cash Collateral Receivables or Payables with Derivatives under a Master Netting Agreement*
 - Authoritative literature that addresses whether a reporting entity that is party to a master netting arrangement can offset fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against FV amounts recognized for derivative instruments that have been offset under the same master netting arrangement in accordance with ASC 210.

Conventions

The following are some of the accounting conventions existing within the revenue and receivables process.

- Accounts receivable are written-off according to the following:
 - Electric non-factored receivables – write-off occurs only after the account has been closed and has been inactive for 4 months. On occasion, early write-offs can occur with the appropriate management approvals.
 - Miscellaneous receivables – A balance is written off after 270 days unless the originating business unit requests otherwise and is approved by a Vice President responsible for that business unit. The VP can request the full balance remain an active receivable or request that the balance remain with a continued reserve.
- The Company reclassifies credit balances in accounts receivable according to the following:
 - Electric - Credit balances are reclassified either to customer advance payments or accounts payable, as appropriate. Credit balances less than \$100,000 are reclassified monthly to the customer advance payment account. Those greater than \$100,000 are reclassified monthly either to the customer advance payment account or accounts payable, as appropriate.
 - Miscellaneous Receivables – Credit balances are reclassified either to customer advance payments or accounts payable, as appropriate. Balances over \$100,000 are reclassified monthly and all balances are reviewed at quarter end.
- Percentage-of-completion accounting is used to recognize revenue on long-term (> 1 year) construction contracts for outside parties (based on cost incurred to date and total estimated cost).

Approved By



Accounting Policy/Procedure

Policy/Procedure Title	Share-based Payment Policy and Conventions	Date	1/31/2013
Author:	Susannah Hannis, Russell Doyle and Andy Carlin	Status: (Draft, Under Review, Approved)	Approved

Purpose

Document the significant policies, procedures, authoritative guidance and conventions that support the Company's share based payment accounting.

Policy/Procedure Statement

Accounting Policy

The cost of employee share-based payment equity awards is measured at grant-date fair value and recognized over the vesting period. Liability awards are remeasured at fair value until settlement.

Background

The Amended and Restated American Electric Power System Long-Term Incentive Plan (LTIP) authorizes the use of 20,000,000 shares of AEP common stock for various types of stock-based compensation awards, including stock options, to employees. A maximum of 10,000,000 shares may be used under this plan for full value share awards, which include performance units, restricted shares and restricted stock units. The Board of Directors and shareholders both adopted the original LTIP in 2000 and approved the amended and restated version most recently in 2010.

Restricted Shares

The Board of Directors granted 300,000 restricted shares to the Chairman, President and CEO on January 2, 2004 upon the commencement of his AEP employment. Of these restricted shares, 50,000 vested on January 1, 2005, 50,000 vested on January 1, 2006, 66,666 vested November 30, 2009, 66,667 vested on November 30, 2010 and 66,667 vested November 30, 2011. Compensation cost for restricted shares was measured at fair value on the grant date and recorded over the vesting period. Fair value was determined by multiplying the number of shares granted by the grant date closing market price. The Board of Directors has not granted other restricted shares. Dividends on these restricted shares were paid in cash.

Effective January 1, 2009, the restricted shares were included in the basic EPS calculation, instead of diluted EPS.

Restricted Stock Units

Restricted stock units (RSUs) generally vest, subject to the participant's continued employment, over at least three years in approximately equal annual increments on the anniversaries of the grant date. Amounts equivalent to dividends paid on RSUs accrue as additional RSUs and vest on the last vesting date associated with the underlying units. Compensation cost is measured at fair value on the grant date and recorded over the vesting period. Fair value is determined by multiplying the number of units granted by the grant date closing market price.

Accounting Policy/Procedure



Upon adoption of SFAS 123R, AEP elected to account for share-based payment awards with graded vesting and a service condition only on a straight-line basis over the requisite service period for the entire award. General & Corporate Accounting monitors the expense recognized to ensure the amount of compensation cost recognized at any date at least equals the portion of the grant-date value of the award that is vested at that date.

Performance Units

Performance units are typically granted to certain employees each year in December, with a three-year performance and vesting period beginning the following January 1. Performance units are equal in value to the market value of shares of AEP common stock. At the end of the performance period, the number of performance units held is multiplied by a performance score to determine the actual number of performance units realized. The performance metrics that determine the score include both performance and market conditions, established for each grant within the first 90 days of the performance period by the Human Resources Committee of the Board of Directors. The score can range from 0 percent to 200 percent.

Performance units are generally paid in cash at the end of the three-year vesting period, except to the extent that they are needed to satisfy a participant's stock ownership requirements, in which case they are mandatorily deferred as AEP Career Shares, a form of phantom stock units, until after the end of the participant's AEP career. AEP Career Shares have a value equivalent to the market value of shares of AEP common stock shares and are paid in cash after the participant's termination of employment. Amounts equivalent to cash dividends on both performance units and AEP Career Shares accrue as additional units.

We record compensation cost for performance units over the three-year vesting period. The liability for both the performance units and AEP Career Shares is adjusted for changes in value. The fair value of performance unit awards is based on the estimated performance score and the current 20-day average closing price of AEP common stock at the date of valuation.

Historically, performance units were paid in cash or stock at the employee's election, and were included in the diluted EPS calculation until settlement. Awards granted in December 2007 and subsequent years require payment in cash, and are not included in the diluted EPS calculation.

Stock Options

The exercise price of all outstanding stock options equaled or exceeded the market price of AEP's common stock on the date of grant. All outstanding stock options were granted with a ten-year term and generally vested, subject to the participant's continued employment, in approximately equal 1/3 increments on January 1st of the year following the first, second and third anniversary of the grant date. Since adoption of SFAS 123R effective January 1, 2006, we record compensation cost for stock options over the vesting period based on the fair value on the grant date. The terms of the LTIP do not allow stock options to be granted "in-the-money", and they cannot be repriced downward without shareholder approval. Only non-qualified stock options have been granted.

AEP Co. Directors' Stock Units

The Stock Unit Accumulation Plan for Non-Employee Directors provides each non-employee director with AEP stock units as a substantial portion of their quarterly compensation for their services as a director. Amounts equivalent to cash dividends on the stock units accrue as additional AEP stock units. The stock units are not subject to vesting conditions and are, therefore, vested at the time they are awarded. Stock units are paid in cash upon termination



Accounting Policy/Procedure

of board service or up to 10 years later if the participant so elects. Cash payments for stock units are calculated based on the average closing price of AEP common stock for the 20 trading days immediately preceding the payment date.

We recorded the compensation cost for stock units when the units are awarded and adjusted the liability for changes in value based on the current 20-day average closing price of AEP common stock at the date of valuation.

Issuance of Shares

Our practice is to use authorized but unissued shares to fulfill share commitments for stock option exercises and RSU vesting. Although we do not currently anticipate any changes to this practice, we could use reacquired shares, shares acquired in the open market specifically for distribution under the LTIP or any combination thereof for this purpose.

Classification

ASC 718-10-35-35-15, *Change in Classification Due to Change in Probable Settlement Outcome*, requires liability and mark-to-market accounting for equity awards (issued as employee compensation) with a cash settlement provision that is contingent upon an event outside the employee's control when that event is probable. All outstanding AEP employee stock options contain a cash settlement provision if a change in control occurs. Therefore, AEP's outstanding stock options would be classified as a liability only if a change in control becomes probable (generally when the parties have entered into a change in control agreement).

SEC registrants must consider the guidance in ASR 268, which requires options and similar instruments subject to mandatory redemption requirements or whose redemption is outside the control of the issuer to be classified outside permanent equity. Related guidance includes ASC 480-10-S99-S99-3A, *SEC Staff Announcement: Classification and Measurement of Redeemable Securities*. AEP restricted stock units have a cash settlement provision that could be triggered in the event of a change in control. S99-3A, paragraph 11, clarifies that if the decision to merge with or be consolidated into another company requires approval of the board of directors, it is within the control of the issuer. AEP's Legal Department confirmed that in addition to AEP's Articles of Incorporation, the New York Business Corporation Law requires that "(T)he board of each corporation proposing to participate in a merger or consolidation under section 901..shall adopt a plan of merger or consolidation..." {Section 902}. Section 902 goes on to describe the elements of the plan of merger which must be approved. In addition, Section 903 then requires the merger or plan of consolidation to be approved by the shareholders of the corporation. Because a change in control is not outside the control of AEP, restricted stock units are appropriately classified in permanent equity. AEP's outstanding restricted shares have no mandatory redemption requirements so they are also appropriately classified in permanent equity.

Authoritative Guidance

Share-based payments are accounted for according to, but not limited to, the following authoritative guidance.

- ASC 718, *Stock Compensation*
 - Establishes standards for the accounting for share-based payment transactions with employees.
- SEC Staff Accounting Bulletin 107
 - Expresses views of the staff regarding interaction between SFAS 123R and certain SEC rules and regulations.



Accounting Policy/Procedure

- ASC 260-10, *Earnings per share*
 - Establishes standards for computing and presenting earnings per share and diluted earnings per share.

Conventions

The following are some of the accounting conventions existing within the share-based payment process.

- Upon adoption of EITF 06-11 effective January 1, 2008, the realized income tax benefit from all dividend equivalents on restricted stock units (including unvested prior year dividend equivalents), is recognized as an increase to additional paid-in capital. The consensus in EITF 06-11 called for prospective application to income tax benefits of dividends declared beginning in 2008.
- General & Corporate Accounting determines if an estimate of forfeitures is appropriate, based on the size and distribution of awards.

Approved By



Accounting Policy/Procedure

Policy/Procedure Title	Intangibles - Goodwill and Other Policy and Conventions	Date	1/31/2013
Author:	Paul Pennino	Status: (Draft, Under Review, Approved)	Approved

Purpose

Document the significant policies, procedures, authoritative guidance and conventions that support the goodwill and intangible asset process.

Policy/Procedure Statement

Accounting Policy

When the Company acquires a business, we record the fair value of all the assets and liabilities, including intangible assets. Goodwill is measured as the extent that the total consideration given exceeds the fair value of the identified net assets. Goodwill and other intangible assets are tested for impairment at least annually as of December 31st, or when a triggering event occurs during the interim period. Finite lived intangibles are amortized over their estimated useful lives.

Background

Goodwill -

Goodwill is tested for impairment at the reporting unit level as defined in ASC 350-30-20. The fair values of the reporting units with goodwill are estimated using cash flow projections and, when necessary, other market value indicators.

ASC 350, *Intangibles – Goodwill and Other* defines a reporting unit as an operating segment or one level below an operating segment.

ASC 280, *Segment Reporting* defines an operating segment as a component of a public entity that has all of the following characteristics:

- a. It engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same public entity),
- b. Its operating results are regularly reviewed by the public entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- c. Its discrete financial information is available.

The Company has identified (2) reporting units meeting the above criteria, with respect to goodwill:

1. **Utility Operations** – Represents a group of operating segments meeting the requirements of ASC 280 listed above. This reporting unit consists of APCo, OPCo, KYPCo, and I&M.
2. **AEP River Operations** - Meets all the requirements of ASC 280 listed above and is reviewed separately from the Utility Operations.



Accounting Policy/Procedure

Other Intangible Assets -

Other intangible assets are tested for impairment at the asset level.

Intangible assets that have finite lives are amortized over their respective estimated lives, to their estimated residual values, if any. The Company reviews the lives of the finite lived intangible assets on an annual basis. Intangible assets without finite lives are not amortized until a finite life is determined in accordance with ASC 350.

Authoritative Guidance

Goodwill and other intangibles are recorded according, but not limited to, the following authoritative guidance.

- ASC 805 – *Business Combinations*
 - Authoritative literature to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects.
- ASC 350 – *Intangibles - Goodwill and Other*
 - It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition, and also how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements.
- ASC 280 – *Segment Reporting*
 - Authoritative literature establishing standards for the way that public entities report information about operating segments in annual financial statements and requires that those entities report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers.
- ASC 820 – *Fair Value Measurements and Disclosures*
 - Defines fair value, sets out a framework for measuring fair value, which refers to certain valuation concepts and practices and requires certain disclosures about fair value measurements.

Conventions

The Company has not identified any general accounting conventions existing within the goodwill and other intangible asset process.

Approved By



Accounting Policy/Procedure

Policy/Procedure Title	Pension and Postretirement Benefit Plan Policies and Conventions	Date	1/31/2013
Author:	Hugh McCoy	Status: (Draft, Under Review, Approved)	Approved

Purpose

Document the significant policies, procedures, authoritative guidance and conventions that support the pension and postretirement benefit plan process.

Policy/Procedure Statement

Accounting Policy

The Company accounts for pension and postretirement benefit plans in accordance with the requirements set forth by the Department of Labor (DOL), the Employment Retirement Income Security Act of 1974 (ERISA), the Internal Revenue Service (IRS), the Pension Benefit Guaranty Corporation (PBGC), the Securities and Exchange Commission (SEC), the Federal Energy Regulatory Commission (FERC) and the Financial Accounting Standards Board (FASB).

Background

Defined Benefit Pension Plans -

The Company sponsors both qualified and nonqualified pension plans (as defined by ERISA).

Defined Benefit Other Postretirement Benefit Plans -

The Company sponsors postretirement benefit plans to provide medical and life insurance benefits to retired employees.

Pension Cost –

The Company determines its pension expense or income using a market-related valuation of assets, recognizing investment gains and losses over a 5-year period from the year in which they occur. Investment gains and losses are calculated as the difference between the expected return calculated using the market-related value of assets and the actual return.

Pension and Postretirement Benefits Assumptions –

The Company has a formal Pension and Postretirement Benefits Accounting Assumptions Policy that specifies how each assumption is selected at the end of each year. See attachment to file.

Defined Benefit Plans Funded Status –

At the end of each year, the Company marks-to-market an asset for a pension plan's or a postretirement benefit plan's overfunded status or a liability for a plan's underfunded status. We measure the plan's assets and obligations that determine the funded status annually as of the end of our fiscal year. The changes in the funded status of the plan during the year are recognized in other comprehensive income. Pretax Accumulated Other Comprehensive Income (AOCI) is adjusted at the end of each year for both the underfunded and overfunded defined benefit pension and other postretirement employee benefit plans to an amount equal to the remaining unrecognized deferrals for unamortized actuarial losses or gains, prior service costs and transition obligations.



Accounting Policy/Procedure

Regulated Operations –

The Company records a regulatory asset or liability for a funded status mark-to-market adjustment that for ratemaking purposes will be deferred for future recovery, thereby reducing the portion of the adjustment affecting pre-tax AOCI.

Fair Value Measurement of Assets and Liabilities –

We utilize our trustee's external pricing service in our estimate of the fair value of underlying investments held in the benefit plan. Our investment managers review and validate the prices utilized by the trustee to determine fair value. We perform our own valuation testing to verify the fair values of the securities. We receive audit reports of our trustee's operating controls and valuation processes. The trustee uses multiple pricing vendors for the assets held in the plans. Equities are classified as Level 1 holdings if they are actively traded on exchanges. Fixed income securities do not trade on an exchange and do not have an official closing price. Pricing vendors calculate bond valuations using financial models and matrices. Fixed income securities are typically classified as Level 2 holdings because their valuation inputs are based on observable market data. Observable inputs used for valuing fixed income securities are benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. Other securities with model-derived valuation inputs that are observable are also classified as Level 2 investments.

Authoritative Guidance

Pension and postretirement benefit plan transactions are recorded according to, but not limited to, the following authoritative guidance.

- ASC 980 *Regulated Operations*
 - Authoritative literature for measuring revenue and recognizing expenses, reimbursements, gains and losses for regulated business units.
 - Authoritative literature for accounting for regulatory assets related to pension and postretirement benefit costs for rate-regulated enterprises.
- ASC 715 *Compensation – Retirement Benefits*
 - Authoritative literature for accounting for single employer defined benefit pension plans as well as defined contribution pension plans.
 - Authoritative literature establishing accounting standards principally focused on postretirement health care benefits, but also including life insurance benefits.
 - Authoritative literature requiring employers to fully recognize the overfunded or underfunded status of a single employer defined benefit plan as an asset or liability with changes to the funded status in comprehensive income.
- FERC Docket No. AI07-1-000 – *Commission Accounting and Reporting Guidance to Recognize the Funded Status of Defined Benefit Postretirement Plans*
 - Chief Accountant's guidance on implementation of a funded status mark-to-market adjustment, which requires that a plan's overfunded status be recorded in Account 129 (Account 128 for centralized service companies).



Accounting Policy/Procedure

Conventions

The following are some of the accounting conventions existing within the pension and postretirement benefit plan accounting process.

- The postretirement benefit transition obligation was deferred and was amortized annually through 2011 (2012 for UMWA plan).
- Pension cost is based on a market-related valuation of assets that recognizes investment gains or losses versus expected returns over the subsequent five years.
- Pension and postretirement benefit mark-to-market adjustments and benefit plans footnote disclosures are based on preliminary, estimated market values of pension and postretirement benefit funds. When the actual final market value amounts become available two or three weeks after closing the books, Accounting Policy and Research compares the actual values to the estimated amounts and addresses whether or not the change is sufficient enough to require the recording of an adjustment.
- Regulatory assets or liabilities are recorded for all of AEPSC's funded status mark-to-market adjustment. An offsetting reduction is recorded in consolidation to the extent that AEPSC's labor costs were distributed to nonregulated operations for the previous twelve months ended November.

Approved By



Accounting Policy/Procedure

ATTACHMENT

AEP System Policy Pension and Postretirement Benefit (OPEB) Accounting Assumptions Year-End 2012

General Policy

In selecting the appropriate assumptions for recording and reporting pension and postretirement benefits (OPEB) in accordance with generally accepted accounting principles, it shall be the general policy of American Electric Power Company to regularly update its assumptions by applying methods that are consistent from update to update and by using the most recently available applicable data for each assumption from data sources that are consistent from update to update.

Specific Policy

This policy shall be applied to specific assumptions as listed below.

The Discount Rate assumption for each plan shall be updated annually as of the close of business on the final business day of the calendar year based on a study of the composite yield of a duration-based portfolio of corporate Aa rated noncallable bonds. The discount rate shall be computed by the Company's actuary under the BOND:Link methodology by identifying a theoretical settlement portfolio of high quality corporate bonds sufficient to provide for each plan's projected benefit payments. This analysis will be performed separately for the qualified pension plan, the non-qualified pension plan, and for each OPEB plan (Non-UMWA Plan and UMWA Plan). The final rate for the OPEB plans is a weighted average based on the relative size of each plan's obligations. Each final rate is rounded to the nearest 5 basis points.

The Rate of Return on Plan Assets assumption shall be updated annually in the fourth quarter by applying each plan's portfolio investment mix to an analysis of consensus estimates of future market returns for each investment class and giving consideration to historic AEP plan returns over the past ten years and historic broad-based index returns over the past 30 to 50 years.

The Health Care Cost Trend Rate assumption shall be updated annually in the fourth quarter based on the Company's actuary's analysis of (i) historic plan health care cost increases, and (ii) national health care trend information provided by Towers Watson's Annual Health Care Cost Survey.

The Annual Per Capita Health Care Cost assumptions shall be updated annually in the fourth quarter based on the Company's actuary's analysis of each postretirement welfare plan's actual paid claims costs. Due to the relative size of the population covered by each of our OPEB plans, this analysis shall be based on the past year of information for the Non-UMWA OPEB Plan and the last three years of information for the UMWA OPEB Plan.

Each year's actual Cash Balance Crediting Rate is based on the average 30-year Treasury Bond rate for November of the previous plan year. The Cash Balance Crediting Rate assumption shall be updated annually in the fourth quarter based on the company's long-term forecast of expected future 30-year Treasury Bond yields.



Accounting Policy/Procedure

The Lump Sum Conversion Rate shall be updated in the fourth quarter based on the Company's expectation of long-term corporate bond rates. This rate is used in converting either (a) a cash balance lump sum benefit to an annuity or (b) a final average pay annuity benefit to a lump sum.

The Social Security Wage Base is used in the calculation of grandfathered benefits in the pension plan. The Social Security Wage Base assumption shall be updated annually in the fourth quarter based on historical data available from the Social Security Administration.

The Rate of Compensation Increase assumption, the Termination Rate assumption, the Retirement Rate assumption, and the Health Plan Participation Rate assumption shall be based on a periodic study of AEP actual experience to be performed by the Company's actuary. This study shall be updated every five years. An earlier update should occur whenever there are believed to be circumstances that challenge the continuing viability of the current assumption. Triggers for such earlier update would include:

- A change in company policy or economic trends that would significantly affect the assumption.
- A significant change in the underlying plan population.
- An emerging pattern of consistent actuarial gains or losses.

The Mortality Rate assumption shall be updated annually in the fourth quarter. In making this update, AEP will give consideration to the most current mortality tables prescribed by the IRS for funding purposes in accordance with the Pension Protection Act of 2006.

The Disability Rate assumption shall remain the same unless underlying job conditions change significantly. Since enough disability incidence is not available to determine specific rates based on AEP's actual experience, a standard table issued by the Society of Actuaries is assumed.

The Form of Payment assumption is used to project the incidence of participants' lump sum elections versus benefits paid periodically as an annuity. This assumption shall be updated annually in the fourth quarter based on AEP's actual historic election percentages and shall include the expected effects of any future events that may alter future benefit elections.

The Percent Married assumption shall be updated annually in the fourth quarter based on AEP's actual historic information.

The Spouse Age assumption is used to forecast the age of a future retiree's spouse at the time of retirement. This assumption shall remain unchanged (i.e., wives are three years younger) to be consistent with standard actuarial industry practice. The actual age of a retiree's spouse is used upon benefit commencement.

The Disabled Mortality assumption shall be updated annually in the fourth quarter to conform to the most current rate study by the Society of Actuaries.



Accounting Policy/Procedure

Policy/Procedure Title	Tax Accounting Policy and Conventions	Date	1/31/2013
Author:	Mark Pyle, Jeff Bartsch	Status: (Draft, Under Review, Approved)	Approved

Purpose

Document the significant policies, procedures, authoritative guidance and conventions that support accounting for taxes.

Policy/Procedure Statement

Accounting Policy

The Company accounts for taxes in accordance with ASC 330 *Inventories*, ASC 740 *Income Taxes*, ASC 980 *Regulated Operations* and other financial standards referencing tax accounting provisions. In additions, the FERC and state regulatory commissions specify tax accounting requirements with respect to their jurisdictions. Also, the Internal Revenue Code (IRC), Treasury Regulations and other official IRS tax guidance, dictate certain tax accounting treatment with respect to deferred taxes and deferred investment tax credits.

Background

Income Taxes -

Generally, the Company follows the liability method of accounting for income taxes, under ASC 740. This method provides deferred income taxes for all temporary differences that result in a future tax consequence.

Federal Income Taxes (FIT) –

Current and deferred Federal income taxes are calculated and recorded monthly through the tax provision system based on current month information. FIT returns are filed on a consolidated basis. When determining income tax expense at the subsidiary level, the benefit resulting from current tax losses are allocated to the subsidiaries that gave rise to such losses. The tax benefit of loss of the parent company is allocated to subsidiaries with taxable income. With the exception of the loss of the parent company, the allocation method reflects a separate return result for each subsidiary. Refer to the “Tax Agreement Regarding Method of Allocating Consolidated Income Taxes” for specific application of this rule on Federal and State income taxes. The tax agreement discusses the allocation of the consolidated annual net current FIT liability and / or benefit, as well as State income tax liabilities and / or benefits.

State and Local Income Taxes -

Current and deferred State and local income taxes are calculated and recorded monthly through the tax provision system based on current month information. State income tax filing requirements vary depending on state jurisdiction. Some state income tax returns are filed on a consolidated tax basis, whereas others are filed on a separate or combined basis.

Other –

Several jurisdictions require the flow through method of accounting for income taxes. Under this requirement, deferred federal and state income taxes are recorded on the flow through

Accounting Policy/Procedure



temporary differences with a corresponding regulatory asset or liability. A regulatory asset or liability gross-up is then recorded along with an offsetting deferred tax asset or liability.

Uncertain Tax Positions -

The Company accounts for uncertainty in income taxes under ASC 740. Interest accruals related to income tax positions are recorded in interest income or expense and penalties are recorded in other operation and maintenance for SEC reporting purposes.

Investment Tax Credits -

The Company uses the flow-through method to account for investment tax credits. An exception may occur where a regulatory commission reflects investment tax credits in rates on a deferral basis. Deferred investment tax credits are amortized over the life of the plant investment.

Excise Taxes -

The Company acts as an agent for some state and local governments by collecting taxes from our customers on behalf of those government bodies. The taxes collected are not recognized as revenue or expenses, we account for them only on the balance sheet.

Property Taxes –

The Company uses the deferral method to account for property taxes. The liability is accrued on the property tax lien date along with a corresponding deferral. The deferral is then amortized ratably to expense over the privilege year.

Authoritative Guidance

Tax transactions are recorded according to, but not limited to, the following authoritative guidance.

- ASC 330 *Inventories*
 - Addresses the accounting principles and reporting practices applicable to inventory.
- ASC 980 *Regulated Operations*
 - Authoritative literature for measuring revenue and recognizing expenses, reimbursements, gains and losses for regulated business units.
- ASC 740 *Income Taxes*
 - Authoritative literature establishing financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. It requires an asset and liability approach for financial accounting and reporting.
 - Authoritative literature that addresses the accounting for uncertainty in income taxes. This literature prescribes a recognition threshold and measurement attribute for measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.
- IRC Sections 46(f), 167(l), 168 and 203(e) of the Tax Reform Act of 1986
 - The rules under these sections require normalization method of tax accounting for deferred taxes related to depreciable property and deferred investment tax credits.



Accounting Policy/Procedure

[®] Conventions

The following are some of the accounting conventions existing within the tax accounting process.

- ASC 740 Federal Regulatory Assets/Liabilities are grossed-up by dividing the preliminary Regulatory Asset/Liability amount (Flow-thru Schedule M times the Federal Tax Rate) by one minus the Federal Income Tax.
- ASC 740 State Regulatory Assets/Liabilities are grossed-up using the same accounting methodology as Federal, except that the net State Regulatory Asset is grossed-up using the overall effective deferred state income tax rate.

Approved By



Accounting Policy/Procedure

Policy/Procedure Title	Inventory	Date	1/31/2013
Author:	Tim Dooley, Mike Baird	Status: (Draft, Under Review, Approved)	Approved

Purpose

Document the significant policies, procedures, authoritative guidance and conventions that support the Coal Inventory accounting process.

Policy/Procedure Statement

Accounting Policy

Coal inventories are generally carried at average cost.

Background

We use the following FERC accounts to classify the more significant items of coal cost: Account 151, *Fuel Stock*; Account 152, *Fuel Stock Expenses Undistributed*; Account 501, *Fuel*; and Account 502, *Steam Expenses*.

ACCOUNT 151, *FUEL STOCK-COAL*

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.

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).

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*. In addition, this account shall include, on a direct charge basis, the cost of labor, supplies used and expenses incurred for preparing and maintaining coal records and reports of coal consumed, testing refuse ash and refuse to determine characteristics and properties, consultants' fees and expenses applicable to fuel consumed, disposal expenses regarding cinders, fly ash and other residuals (less any sales proceeds derived from the disposal thereof) and information services and usage charges in connection with monitoring of coal shipments en route and reporting of coal shipments received. 501 may include debits/credits related to settled coal hedging

Accounting Policy/Procedure



activity reclassified from Accumulated Other Comprehensive Income. 501 may also include gains and losses on the sale of coal procured for the coal-fired generating facilities which are subject to fuel clause mechanisms. Also transfer gains/losses, as defined in the CCD gains and losses agreement, may be recorded by OPCo to 501.

ACCOUNT 502, STEAM EXPENSES

This account shall include the cost (labor, supplies, and expenses) operating air pollution control equipment located outside the boiler plant, e.g., fly ash bins, silos and pump houses, operating water pollution control equipment in the ash disposal system, 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) and operating coal conveying, storage, weighing and processing equipment within the boiler plant.

Authoritative Guidance

- FERC Uniform System of Accounts
- ASC 330 *Inventory*

Conventions

An annual physical inventory of coal piles shall be conducted at each coal burning power plant. 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. For surveys completed prior to a quarter-end, the report should be distributed no later than the first work day of the following month so adjustments can be recorded in the same quarter. For surveys completed during the last week of a quarter-end month, whereby the completion of the 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.

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.

AEP Corporate Policy/Procedure



Title:	SOX Retention Policy	Date:	02/24/2005
Owner:	Susan Tomasky, Chief Financial Officer	Sponsoring Area(s):	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

Policy/Procedure Title	Transmission and Distribution Perpetual (Blanket) Work Order Limits	Date	February 26, 2015
Owner(s):	Tax – Vice President - Tax	Status: (Draft, Under Review, Approved)	Approved

Purpose

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&D) Perpetual (Blanket) Work Order(s).

Procedure

General:

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&D work orders must be written and adhered to by the Company.

This procedure does not change AEP's Capitalization Policy which provides the appropriate capital versus expense guidance for book purposes.

Perpetual (Blanket) Work Orders:

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.

<u>Work Order #</u>	<u>Long Description</u>
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

Charging Perpetual (Blanket) Work Orders:

Perpetual (Blanket) Work Orders, established by Transmission and Distribution, can only be used for individual jobs if the **total installed cost** of the job does not exceed \$50,000 upon completion.



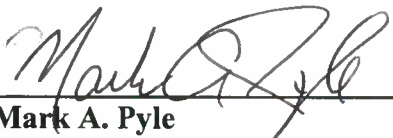
Property Accounting Policy/Procedure

®
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

AEP USER GUIDE FOR

Financial Approval Procedures



*Information
Technology*

Intranet: <http://ittraining>
8-200-1656 or 614-716-1656
Lotus Notes Address: IT Training

Instructions for using this file

- For assistance with these Financial Approval Procedures, contact the Corporate Accounts Payable Department via an e-mail message to accounts_payable@aep.com or call the Accounts Payable Assistance number 920-7102 or 1-330-438-7102.
- To access any section of this document, click the appropriate topic in the **Table of Contents** and you will be taken to that topic.
- At the end of each topic, click the **Back-to-TOC** link to move back to the **Table of Contents**.

Contents

Help Resources iii

Objectives iii

Document Conventions iii

Introduction to Financial Approvals 1

 About Financial Approvals 2

 Financial Approval User Roles 3

 Approver Authority Options by Role 4

 Financial Approval Transaction Types 5

Financial Approvals 6

 Accessing Financial Approvals 7

 Find A Manager 9

 Organization List 13

Navigating Through an Organization List 13

 Assign Limits, Manager Limits 15

Viewing Approval Limits 15

Assigning/ Delegating/Updating a Subordinate's Approval Limits 17

 Maintain Alternate(s) Access 21

Authorize Financial Approvals Access for a Manager or Employee 21

E-mail Notifications Summary 23

 E-mail Notification Messages 24

Appendix 26

 Sample E-mail Notification Messages 27

E-mail Example # 1: Alternate Reporting Relationship Change 27

E-mail Example #2: Employee Cost Ctype and Reporting Relationship Change – May Impact System Access and/or Authority 28

E-mail Example #3: Employee Cost Ctype and/or Reporting Relationship Change – May Impact System Access and/or Authority 29

E-mail Example #4: Employee on Leave - Financial Transaction Authority Removed 30

E-mail Example #5: Employee Reporting Relationship Change – May Impact System Access and/or Authority 31

E-mail Example # 6: Financial Approval Authority Change Notification 32

E-mail Example #7: Financial Transaction Authority Changed by Alternate 33

E-mail Example # 8: Financial Transaction Authority Deleted by Alternate 34

E-mail Example # 9: Financial Transaction Authority Inactivated by Alternate 35

 Glossary 36

Confidentiality Notice: This document is intended for use solely by American Electric Power employees. This document may contain information that is privileged or confidential. It is not to be sold or distributed outside of American Electric Power.

PeopleSoft is a registered trademark of PeopleSoft, Inc.

Tell Us What You Think!

The IT Training team is committed to providing each customer the best service possible. This document is designed to meet the specific needs of our customers and their constituents. Every effort is made to make this guide as accurate and complete as possible.

We value your opinion and welcome your feedback. The IT Training team encourages you to contact us via our Intranet Website (<http://ittraining>) or phone us (8-200-1656 or 614-716-1656) to provide feedback about the contents of this document as well as suggestions on how this document could be improved.

Help Resources

AEP Help Services is available 24 hours a day, seven days a week. 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 866-835-3050.

Objectives

In this document you will:

- Learn about Financial Approvals and the various Financial Approvals User Roles.
- Assign approval limits to an alternate approver.
 - Designate a manager with reports as an alternate approver.
 - Authorize an alternate approver to approve transactions for disbursement.
 - Authorize an alternate approver to assign approval limits to subordinate alternate approvers.
- Discuss Financial Approval E-mail notification messages.

Document Conventions

Every document produced by the IT Training team adheres to a standardized set of document conventions. These conventions provide consistent communication of commands, keystrokes, and steps.



Notes contain valuable supplemental information needed to take action or make a decision.



This icon indicates areas where readers may have trouble. It provides information to avoid problems.




The clock icon denotes a timesaving tip that helps the reader apply techniques and understand the benefit or capabilities of the product.

Each script where the detailed instructions are being given will start by a black box containing the name of the procedure, followed by the instructions, as shown in the example below.

Step-by-step instructions follow this box:

1. From the **Tools** menu, select **Options**.
2. On the **General** tab, type "5" in the **Recently Used File List** field.
–Or–
3. Using the **spin** buttons, change the value to "5".

 In order to make using and following step-by-step instructions easier, written document conventions, such as those listed below, are also used.

Convention	Explanation
ALT File, Open OK User tab OK button	Objects in the application are bolded. For example: <ul style="list-style-type: none"> • Keyboard keys • Menu commands • Application buttons • Tabs
Click	“Click” indicates an action using the mouse. Single-click the primary mouse button unless otherwise noted. (For example: buttons, hyperlinks, and drop down arrows are clicked.)
Select	“Select,” indicates an action using either the mouse or keyboard. (For example: text, menu items, and values in a drop down field are selected.)
Press	“Press” indicates that the keyboard buttons should be pressed to complete an action.
Type	Use the keyboard to type the value.
Edit, Copy	Selections that are performed in sequence are in bold and separated by a comma. An Edit, Copy command indicates you should first select Edit and then select Copy .
<i>“Jeff”</i> <i>“Friday”</i>	Values to be typed or selected in fields are in quotation marks.
ALT + C	Keys that need to be pressed simultaneously are bold, and are separated with a plus sign.
-Or-	This command indicates two alternatives for the same step.
< <i>password</i> >	Italicized font with chevrons indicates a value that should be typed. Because this value is different for every person, the specific value is not typed in the text.
Bold type	When you are instructed to use the mouse to select something, that object will be named in bold type.

[Back-to-TOC](#)

Introduction to Financial Approvals

In this chapter you will...

- Discuss Financial Approvals Policy.
- Identify and discuss financial approval user roles.
- Identify and discuss financial approval transaction types.

[Back-to-TOC](#)

About Financial Approvals

The **Financial Approval** functionality has been developed to automate checking of approval limits and to increase understanding and transparency of approval requirements for **PeopleSoft Accounts Payable disbursements** as well as **Capital (CI) / Lease(LI) and Commitment Limits** . Users will be responsible for maintaining these approval limits in the **PeopleSoft HR module**.

All users who are currently assigning approval limits to their subordinate employees and/or approving financial transactions as noted above will be using this functionality.

More Details about the Financial Approval Policy

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 approvals 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 occurred and has resulted in fraud and the dismissal of the employees involved.

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

- Delegate a specific financial approval authority to a subordinate employee.
- or*
- Establish an alternate approver for those occasions when the financial 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 financial 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. Financial approvers who delegate their approval authority are accountable for all of the actions performed by subordinate financial approvers with that authority, even if the financial approver claims they were not aware of the subordinate's actions. As such, financial approvers should periodically monitor and review the actions performed by subordinate financial approvers with their delegated financial approval authority.

[Back-to-TOC](#)

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.

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.

Approver without Direct Reports

- Approval authority is based on the delegated transaction types and their dollar amount.

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.

Alternate to Approver without Direct Reports

- Assumes full approval authority as an alternate approver from the person for whom they are an alternate.
-

[Back-to-TOC](#)

Approver Authority Options by Role

Action	Approver with Reports	Alternate to Approver with Reports	Approver without Reports	Alternate to Approver without Reports
Permitted to review assigned approval limits	Yes	Yes (during Approval Delegation)	Yes	No
Permitted to review subordinates' approval limits	Yes	Yes	N/A	N/A
Permitted to approve financial transactions	Yes	Yes (if this option was selected)	Yes	Yes (if this option was selected)
Permitted to delegate approval limits to subordinates	Yes	Yes (if this option was selected)	No	No
Permitted to edit subordinates' approval limits	Yes	Yes (if this option was selected)	No	No
Permitted to assign an alternate approver who can only delegate approval authority	Yes	N/A	No	N/A
Permitted to assign an alternate approver who can only approve financial transactions	Yes	N/A	Yes	N/A
Permitted to assign an alternate who can delegate approval authority and approve financial transactions	Yes	N/A	No (only the Approve Financial Transactions option will work)	N/A

[Back-to-TOC](#)

Financial Approval Transaction Types

The categories in the table below are used to classify vendor transactions based on vendor and transaction type.

Summary of Transaction Types

Transaction Type	Description
Goods & Svcs Disbmt	Advertising, Construction, Contractors, Health Service Providers, Lease Vendors, Manufacturing, Agriculture, Outside Services, Retail Trade, Utility, Freight, Affiliate Company, and Wholesale Trade payments
Contrib & Due Disbmt	Charitable Contributions, Dues, Memberships, and Subscription payments
Fin/Invmt/Tax Disbmt	Public excl. Tax & Environmental, Tax, and Environmental Regulatory authority payments
Fuel Disbmt	Coal, Gas, Fuel Oil Deliveries, Gasoline or Diesel Delivery payments
Customer Disbmt	Customer – One Time Payments, Customer Refund payments
Employee Disbmt	Reimbursements to employees for tuition, education, etc.
HRMS Disbmt	Use limited to payroll for payments of payroll taxes and other payroll-related payments
Legal Disbmt	Attorney and other legal expenses and fees payments
Trading Disbmt	Trading Counter Parties for gas, coal, power trading transaction payments
CI/ LI	Capital and Lease Improvement Requisitions
Goods & Svcs Contr	Contract for general goods and services and material requests for which financial approval authorization can be delegated to one's direct manager
Fuel / Emis Contr	Emission, Coal Gas, Fuel Oil Deliveries, Gasoline or Diesel Contracts
Lease Contr	Contracts to lease land and buildings
Real Estate Purch	Contracts to purchase land and buildings
Other Contr	Contracts to lease or purchase computer equipment, barges, rail cars, telecom equipment, etc.

[Back-to-TOC](#)

Financial Approvals

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

In this chapter you will:


- Access the **Financial Approvals** page.
- Navigate a manager's **Organization List**.
- View the approval limits of an employee in your hierarchy.
- Update and delete the approval limits of a manager.
- Assign alternate approvers for transaction approvals.
- Establish approval limits for an alternate approver.

[Back-to-TOC](#)

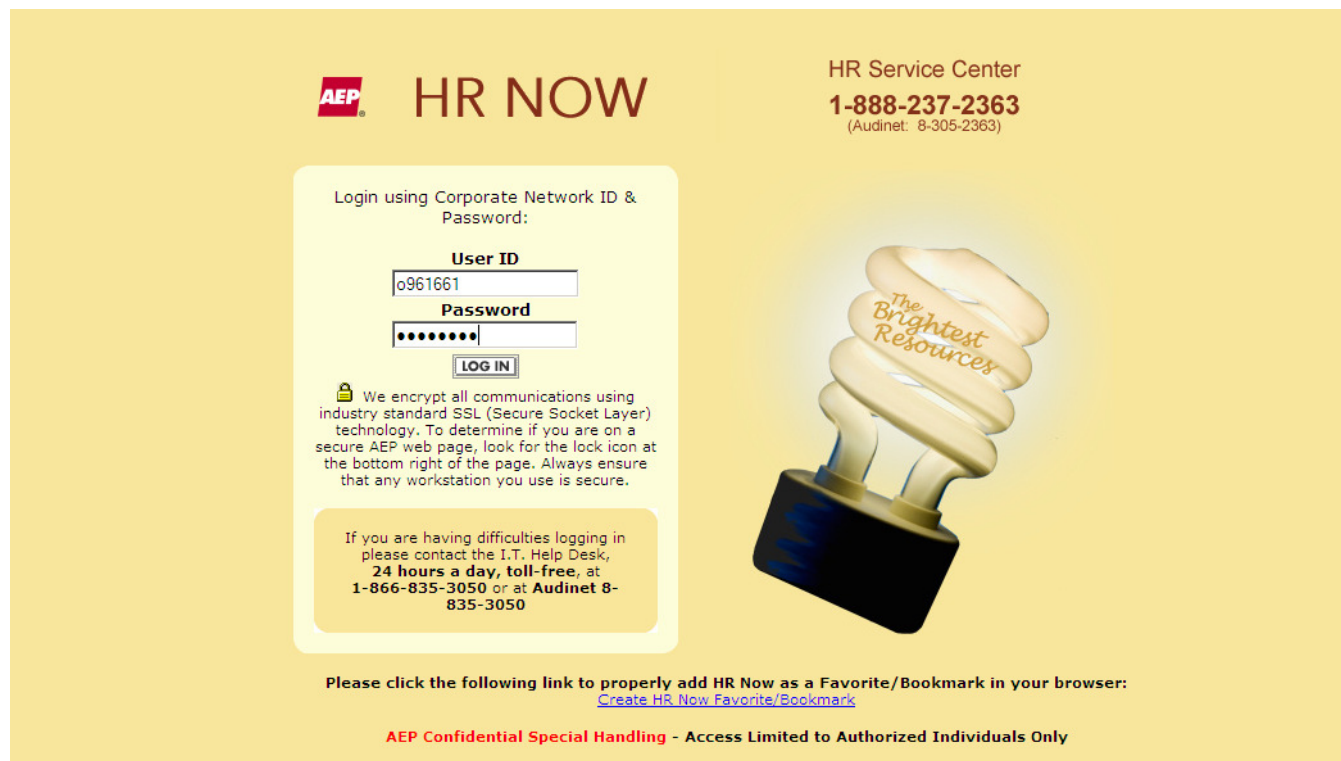
Accessing Financial Approvals

To open Financial Approvals

1. Start **Internet Explorer** and open the **PeopleSoft Human Resources Sign In** page using any one of the following methods:
 - Open the **Human Resources Application Web** page by typing “//pshrWeb.aep.com” in the **Internet Explorer Address** field. Click the link to access the Human Resources site.
 - Open the **AEP Now A-Z Index Web** page by typing “http://aepnow/alphaindex/” in the **Internet Explorer Address** field. Click the **HRMS** link.
 - Open the **AEP Now A-Z Index Web** page by typing “http://aepnow/alphaindex/” in the **Internet Explorer Address** field. Click the **Manager Self Service** link.
 - Open a web browser and type **HRMS** in the subject line.
2. On the **AEP PeopleSoft HR Sign In** page, type your <User ID> and <password> in the appropriate fields and click **Log In**.

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

The **PeopleSoft** 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


HR Service Center
1-888-237-2363
(Audinet: 8-305-2363)

Login using Corporate Network ID & Password:

User ID
o961661

Password

LOG IN

 We encrypt all communications using industry standard SSL (Secure Socket Layer) technology. To determine if you are on a secure AEP web page, look for the lock icon at the bottom right of the page. Always ensure that any workstation you use is secure.

If you are having difficulties logging in please contact the I.T. Help Desk, **24 hours a day, toll-free**, at **1-866-835-3050** or at **Audinet 8-835-3050**

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

AEP Confidential Special Handling - Access Limited to Authorized Individuals Only

3. The **Home** page appears.

HR NOW
 The Brightest Resources

HR Service Center
1-888-237-2363
 (Auidinet: 8-305-2363)

Welcome, Julie Williams (O961661 - EPS89PRD) Home | Sign out

AEP Confidential Special Handling - Access Limited to Authorized Individuals Only

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

Notices from HR
 You have no HR notices at this time.

Enter or Verify My Own Time
[PeopleSoft Time Entry](#)
 Use this if you are reporting time in PeopleSoft or verifying previously entered time from any system for ARRA projects. For ARRA time verification, follow the instructions in the email you received.

View My Paychecks
 Note: To print these advices you should modify your internet browser margin settings under 'File - Page Setup'

08/27/2010	Aug 27, 2010 BiWeekly	View Paycheck
08/13/2010	Aug 13, 2010 BiWeekly	View Paycheck
07/30/2010	Jul 30, 2010 BiWeekly	View Paycheck
07/16/2010	Jul 16, 2010 BiWeekly	View Paycheck
07/02/2010	Jul 02, 2010 BiWeekly	View Paycheck

<< Prior 5 Paychecks Next 5 Paychecks >>

Home Quick Links

- [Employee Handbook](#)
- [AEP Mgmt Info & Policy Manual](#)
- [Workplace Aggression Policy](#)
- [Apply Educ Awards Scholarship](#)
- [AEPwell.com](#)
- [Become a wellness volunteer](#)
- [AEP Wellness Program](#)
- [Work/Life Resources Guide](#)
- [HR News and Information](#)
- [Get employee discounts](#)
- [My Total Rewards Statement](#)
- [SkillSoft Quick Reference](#)

IMPORTANT NOTE: If you were hired in the current calendar year, you will not have access to this information. Please contact the HR Service Center (1-888-AEP-2363) if you have any questions.

[SkillSoft Online Learning](#)

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

Talent Solutions

[Performance Coaching](#)
 Access Performance Coaching tools for performance planning, ongoing coaching, and performance reviews.

[Compensation](#)
 Access Compensation tools for salary determination, incentive compensation plan (ICP), and long-term incentive (LTI).

[Talent Planning](#)
 Access Talent Planning tools for targeted development and employee profiles.

Financial Approvals

[Financial Approvals](#)
 Add, change, or review the financial approval limits granted to a member of your organization.

Assign or Change Alternates

[Maintain Alternate\(s\) Access](#)
 Add, review, or update your alternate(s) access in Peoplesoft.

positions.

[Create/Review Job Requisition](#) [JOBS Online](#) [Externally Posted Jobs at AEP](#)

View Your Employees' Info

[Employee Job and Personal Info](#)
 Review job and personal information for your employees.

[View Employee VAC/PDO](#)
 Manager's view of employee vacation and PDO balances

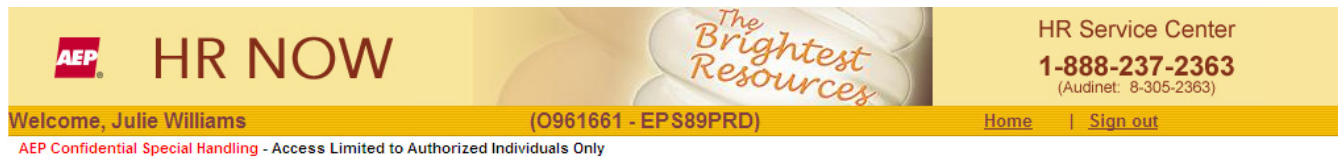
[Background Check Status](#)

Attendance Management

[Attendance Mgmt by Employee](#)
 View attendance information on your employees

[Attendance Mgmt by Org](#)
 View combined attendance information for your organization

5. Click on Financial Approvals.



Financial Approvals

Find A Manager (click Search for a list)


Find an Existing Value

Search by: begins with

[Advanced Search](#)

[Back-to-TOC](#)

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

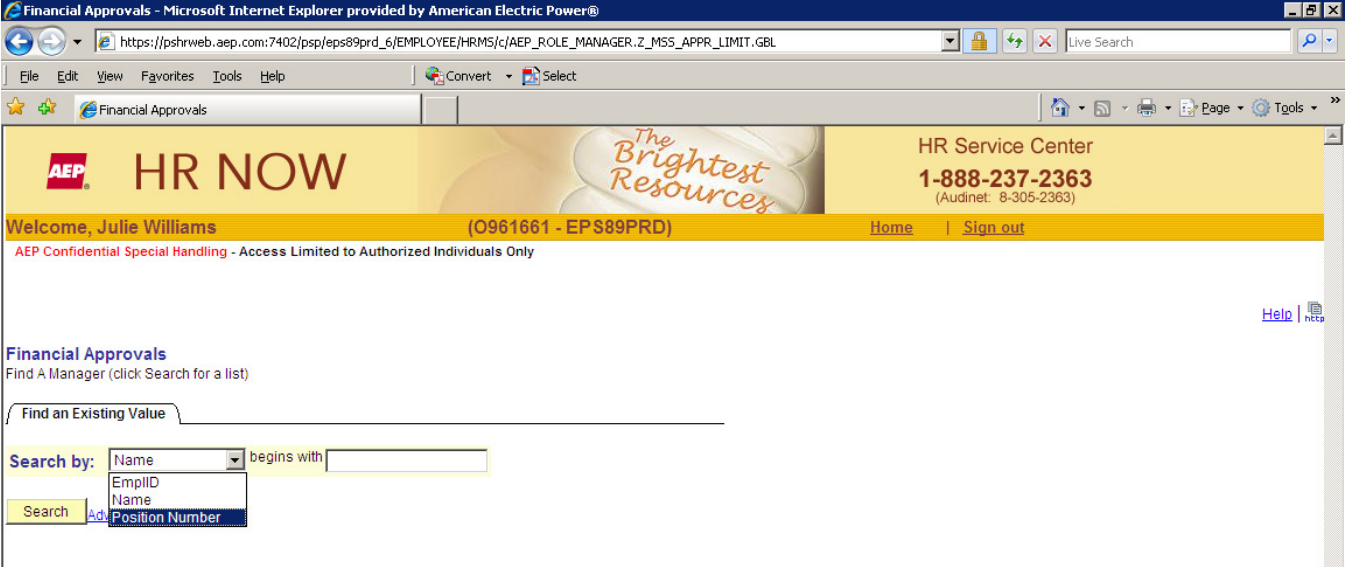
The Financial Approvals page is used to search, select, and view your **Organization List** page.

 You can search by:

- Name
- Employee ID (not User ID)
- Position Number



To use the Search options:

1. Click the **down arrow** to select a search option. The most common search method is to search by **Name**.



 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.



  HR Service Center
1-888-237-2363
(Audinet: 8-305-2363)





Welcome, Julie Williams (0961661 - EPS89PRD) Home | Sign out

AEP Confidential Special Handling - Access Limited to Authorized Individuals Only

Financial Approvals

Organization List

Click Assign Limits or   to navigate

Assign Limits	Position Number	Down	Job Title	Name	HR Department	EmpID
	00110774		Asst Controller Acctg Ops	Williams,Julie	Accounting Operations	4210113
Assign Limits	00126688		Manager Assets & Receivables	Sullivan,Larry D	Property Accounting	4211003
Assign Limits	00127130		Manager Corporate Accounting	Scalzo,John J	Corporate Accounting	9100300
Assign Limits	00110620		Mgr Payables/Inventory Acctg	Kincaid Jr.,Jack L	Accounts Payable	4202785
Assign Limits	00108150		Mgr Revenue & Remittance	Sohovich,Gregory P	Remittance Processing	4213465

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

  HR Service Center
1-888-237-2363
(Audinet: 8-305-2363)

Welcome, Julie Williams (0961661 - EPS89PRD) Home | Sign out


AEP Confidential Special Handling - Access Limited to Authorized Individuals Only


Financial Approvals

Find A Manager (click Search for a list)

Find an Existing Value

Search by: Name [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: "English,Carl".

 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.

Welcome, Julie Williams (0961661 - EPS89PRD) Home | Sign out
AEP Confidential Special Handling - Access Limited to Authorized Individuals Only

Financial Approvals

Organization List

Click Assign Limits or to navigate

Assign Limits	Position Number	Down	Job Title	Name	HR Department	EmplID
	00110774		Asst Controller Acctg Ops	Williams,Julie	Accounting Operations	4210113
Assign Limits	00126688		Manager Assets & Receivables	Sullivan,Larry D	Property Accounting	4211003
Assign Limits	00127130		Manager Corporate Accounting	Scalzo,John J	Corporate Accounting	9100300
Assign Limits	00110620		Mgr Payables/Inventory Acctg	Kincaid Jr.,Jack L	Accounts Payable	4202785
Assign Limits	00108150		Mgr Revenue & Remittance	Sohovich,Gregory P	Remittance Processing	4213465


4. 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.

- To search by **employee ID number**, type the <Employee ID Number> in the **EmplID** field and click **Search**.
- To search by **Position Number**, type the <Position Number> in the **Position Number** field and click **Search**.


[Back-to-TOC](#)

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 a **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

To move through an Organization List:

1. Click the green **Down** arrow .







HR Service Center
1-888-237-2363
(Audinet: 8-305-2363)





Welcome, Julie Williams
(O961661 - EPS89PRD)
Home | Sign out



AEP Confidential Special Handling - Access Limited to Authorized Individuals Only

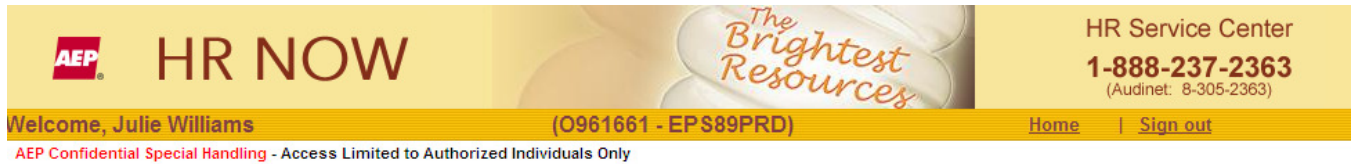
Financial Approvals

Organization List

Click Assign Limits or   to navigate

Assign Limits	Position Number	Up	Down	Job Title	Name	HR Department	EmplID
Assign Limits	00126688			Manager Assets & Receivables	Sullivan,Larry D	Property Accounting	4211003
Assign Limits	00105671			Manager Allocations	Liggett,Shannon D	Expense Allocations	4210172
Assign Limits	00106947			Mgr Leased Assets&Receivables	Doyle,Russell G	Property Accounting	4216550
Assign Limits	00128230			Mgr Property Accounting	Swanger,Janet E	Property Accounting	4214032



- 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**.







Welcome, Julie Williams (O961661 - EPS89PRD) [Home](#) | [Sign out](#)
 AEP Confidential Special Handling - Access Limited to Authorized Individuals Only

Financial Approvals

Organization List

Click **Assign Limits** or   to navigate

Assign Limits	Position Number	Up	Down	Job Title	Name	HR Department	EmpID
Assign Limits	00126688			Manager Assets & Receivables	Sullivan,Larry D	Property Accounting	4211003
Assign Limits	00105671			Manager Allocations	Liggett,Shannon D	Expense Allocations	4210172
Assign Limits	00106947			Mgr Leased Assets&Receivables	Doyle,Russell G	Property Accounting	4216550
Assign Limits	00128230			Mgr Property Accounting	Swanger,Janet E	Property Accounting	4214032



- 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**.







Welcome, Julie Williams (O961661 - EPS89PRD) [Home](#) | [Sign out](#)
 AEP Confidential Special Handling - Access Limited to Authorized Individuals Only

Financial Approvals

Organization List

Click **Assign Limits** or   to navigate

Assign Limits	Position Number	Up	Down	Job Title	Name	HR Department	EmpID
Assign Limits	00126688			Manager Assets & Receivables	Sullivan,Larry D	Property Accounting	4211003
Assign Limits	00105671			Manager Allocations	Liggett,Shannon D	Expense Allocations	4210172
Assign Limits	00106947			Mgr Leased Assets&Receivables	Doyle,Russell G	Property Accounting	4216550
Assign Limits	00128230			Mgr Property Accounting	Swanger,Janet E	Property Accounting	4214032

[Back-to-TOC](#)

Assign Limits, Manager Limits

The **Manager Limits** page allows a manager to view, update, or assign (delegate) approval limits for his or her subordinates, or for the subordinates of the employee for whom you are acting as an alternate approver.



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.

Viewing Approval Limits

To view an approval limit:

Open the **Manager Limits** page for the subordinate whose approval limit you want to see by clicking the **Assign Limits** link.

AEP HR NOW *The Brightest Resources* HR Service Center
1-888-237-2363
 (Audinet: 8-305-2363)
 Welcome, Julie Williams (0961661 - EPS89PRD) Home | Sign out
 AEP Confidential Special Handling - Access Limited to Authorized Individuals Only

Financial Approvals

Organization List

Click Assign Limits or to navigate

Assign Limits	Position Number	Down	Job Title	Name	HR Department	EMPLID
	00110774		Asst Controller Acctg Ops	Williams,Julie	Accounting Operations	4210113
Assign Limits	00126688		Manager Assets & Receivables	Sullivan,Larry D	Property Accounting	4211003
Assign Limits	00127130		Manager Corporate Accounting	Scalzo,John J	Corporate Accounting	9100300
Assign Limits	00110620		Mgr Payables/Inventory Acctg	Kincaid Jr.,Jack L	Accounts Payable	4202785
Assign Limits	00108150		Mgr Revenue & Remittance	Sohovich,Gregory P	Remittance Processing	4213465



HR NOW



552 of 623
 HR Service Center
1-888-237-2363
(Audinet: 8-305-2363)

Welcome, Julie Williams (O961661 - EPS89PRD) [Home](#) | [Sign out](#)

AEP Confidential Special Handling - Access Limited to Authorized Individuals Only

Manager Limits

Kincaid Jr., Jack L

User ID: 0478497
 Employee Status: Active
 Business Unit: ON103 AEP Service Corporation
 Financial Department: 10265 Payables & Projects

Manager's Limits			
			Customize Find First <input style="width: 40px;" type="text" value="1-6 of 6"/> Last
Transaction Type	Date of action	Status	Approval Limit
Contributions & Dues	03/05/2010	A	\$10,000.00
Customer	03/05/2010	A	\$200,000.00
Employee	03/05/2010	A	\$10,000.00
Finance/Investment/Tax	03/05/2010	A	\$50,000,000.00
Fuel	03/05/2010	A	\$50,000.00
Goods & Services	03/05/2010	A	\$400,000.00

Employee Limits			
			Customize Find First <input style="width: 40px;" type="text" value="1-5 of 5"/> Last
Transaction Type	*Date of action	*Status	Approval Amount
<input type="checkbox"/> Contributions & Dues	07/10/2007	I	
<input type="checkbox"/> Employee	05/02/2008	A	\$10,000.00
<input type="checkbox"/> Finance/Investment/Tax	05/24/2006	I	
<input type="checkbox"/> Fuel	07/22/2008	A	\$30,000.00
<input type="checkbox"/> Goods & Services	04/01/2009	A	\$100,000.00

The **Manager's Limits** section displays the financial approval limits that you can assign to a subordinate.

The current limits of the selected employee are displayed in the **Employee Limits** section underneath the **Manager's Limits**.

[Back-to-TOC](#)

Assigning/ Delegating/Updating a Subordinate's 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.

To maintain a subordinate's approval limits:

1. Open the **Manager Limits** page for the subordinate to whom you want to assign (delegate) or update approval limits.

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

Manager's Limits			
Transaction Type	Date of action	Status	Approval Limit
Contributions & Dues	03/05/2010	A	\$10,000.00
Customer	03/05/2010	A	\$200,000.00
Employee	03/05/2010	A	\$10,000.00













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

Manager Limits


Kincaid Jr., Jack L

User ID: 0478497
 Employee Status: Active
 Business Unit: ON103 AEP Service Corporation
 Financial Department: 10265 Payables & Projects

Manager's Limits			
Transaction Type	Date of action	Status	Approval Limit
Contributions & Dues	03/05/2010	A	\$10,000.00
Customer	03/05/2010	A	\$200,000.00
Employee	03/05/2010	A	\$10,000.00
Finance/Investment/Tax	03/05/2010	A	\$50,000,000.00
Fuel	03/05/2010	A	\$50,000.00
Goods & Services	03/05/2010	A	\$400,000.00

Employee Limits			
Transaction Type	*Date of action	*Status	Approval Amount
  Contributions & Dues	07/10/2007	I	
  Employee	05/02/2008	A	\$10,000.00
  Finance/Investment/Tax	05/24/2006	I	
  Fuel	07/22/2008	A	\$30,000.00
  Goods & Services	04/01/2009	A	\$100,000.00
  <input type="text"/>	<input type="text" value="08/17/2010"/>	<input type="text" value="A"/>	<input type="text"/>

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

 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 but with the **Date of Action** set to the following day. Contact Accounts Payable Help (see page ii) for extreme cases where a row must be removed.

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



HR NOW
 Welcome, Julie Williams (0961661 - EPS89PRD) Home | Sign out
 HR Service Center
 1-888-237-2363
 (Audinet: 8-305-2363)
 AEP Confidential Special Handling - Access Limited to Authorized Individuals Only

Look Up Approval Transaction Type

Search by: Description begins with

Look Up Cancel [Advanced Lookup](#)

Search Results

View All First 1-9 of 9 Last

- Description**
- Contributions & Dues
- Customer
- Employee
- Finance/Investment/Tax
- Fuel
- Goods & Services
- HRMS
- Legal
- Trading Counter Parties

Manager Limits

Kincaid Jr., Jack L

User ID: 0478497
 Employee Status: Active
 Business Unit: ON103 AEP Service Corporation
 Financial Department: 10265 Payables & Projects

Manager's Limits			
Transaction Type	Date of action	Status	Approval Limit
Contributions & Dues	03/05/2010	A	\$10,000.00
Customer	03/05/2010	A	\$200,000.00
Employee	03/05/2010	A	\$10,000.00
Finance/Investment/Tax	03/05/2010	A	\$50,000,000.00
Fuel	03/05/2010	A	\$50,000.00
Goods & Services	03/05/2010	A	\$400,000.00

Employee Limits			
Transaction Type	*Date of action	*Status	Approval Amount
Contributions & Dues	07/10/2007	I	
Employee	05/02/2008	A	\$10,000.00
Finance/Investment/Tax	05/24/2006	I	
Fuel	07/22/2008	A	\$30,000.00
Goods & Services	04/01/2009	A	\$100,000.00
Legal	08/17/2010	A	1000.00

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

Save Notify



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 the following error message:

Manager Limits
 Kincaid Jr., Jack L


User ID: 0478497
 Employee Status: Active
 Business Unit: ON103 AEP Service Corporation
 Financial Department: 10265 Payables & Projects

Transaction Type	Date of action	Status	Approval Limit
Contributions & Dues	07/10/2007	I	
Customer			
Employee	05/02/2008	A	\$10,000.00
Finance/Investment/Tax	05/24/2006	I	
Fuel	07/22/2008	A	\$30,000.00
Goods & Services	04/01/2009	A	\$100,000.00
Legal	08/17/2010	A	1000.00

Windows Internet Explorer
 Manager is not authorized to assign the selected transaction type. (24002,38)
 OK


Close Window Click the Save button before closing the window or changes will be lost.

Save Notify

- 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.
 - To schedule an approval limit to take effect at a future date — type the appropriate start date in the **Date of Action** field.
 - To delete an approval limit that is scheduled to take effect at a future date — click the  button 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. Click **Lookup**  or type the appropriate letter in the **Status** field (“**A**” for **Active** or “**I**” for **Inactive**):
- *To assign or change an approval limit* — type “**A**” to activate the approval limit as of the specified effective date.
 - *To remove a current approval limit* — change the **Status** field from “**A**” for **Active** to “**I**” for **Inactive** to remove the assigned approval limit as of the specified effective date.

Manager Limits

Kincaid Jr., Jack L


User ID: 0478497
 Employee Status: Active
 Business Unit: ON103 AEP Service Corporation
 Financial Department: 10265 Payables & Projects


Manager's Limits			
Transaction Type	Date of action	Status	Approval Limit
Contributions & Dues	03/05/2010	A	\$10,000.00
Customer	03/05/2010	A	\$200,000.00
Employee	03/05/2010	A	\$10,000.00
Finance/Investment/Tax	03/05/2010	A	\$50,000,000.00
Fuel	03/05/2010	A	\$50,000.00
Goods & Services	03/05/2010	A	\$400,000.00

Employee Limits			
Transaction Type	*Date of action	*Status	Approval Amount
Contributions & Dues	07/10/2007	I	
Employee	05/02/2008	A	\$10,000.00
Finance/Investment/Tax	05/24/2006	I	
Fuel	07/22/2008	A	\$30,000.00
Goods & Services	04/01/2009	A	\$100,000.00
Employee	08/17/2010	I	

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

6. In the **Approval Amount** field, type the transaction dollar amount that the subordinate will be limited to for approvals:
- *To assign a new approval limit* — type the appropriate dollar amount in the **Approval Amount** field and click **Save** to save and activate the new approval limit as of the specified effective date.
 - *To change an existing approval limit* — type the changes to the dollar amount in the **Approval Amount** field and click **Save** to save and activate the new approval limit as of the specified effective date.


 You may only assign a subordinate an approval limit less than or equal to your own. If you try to assign a dollar amount that is greater to your own approval limit, you will receive an error message.

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

[Back-to-TOC](#)

Maintain Alternate(s) Access

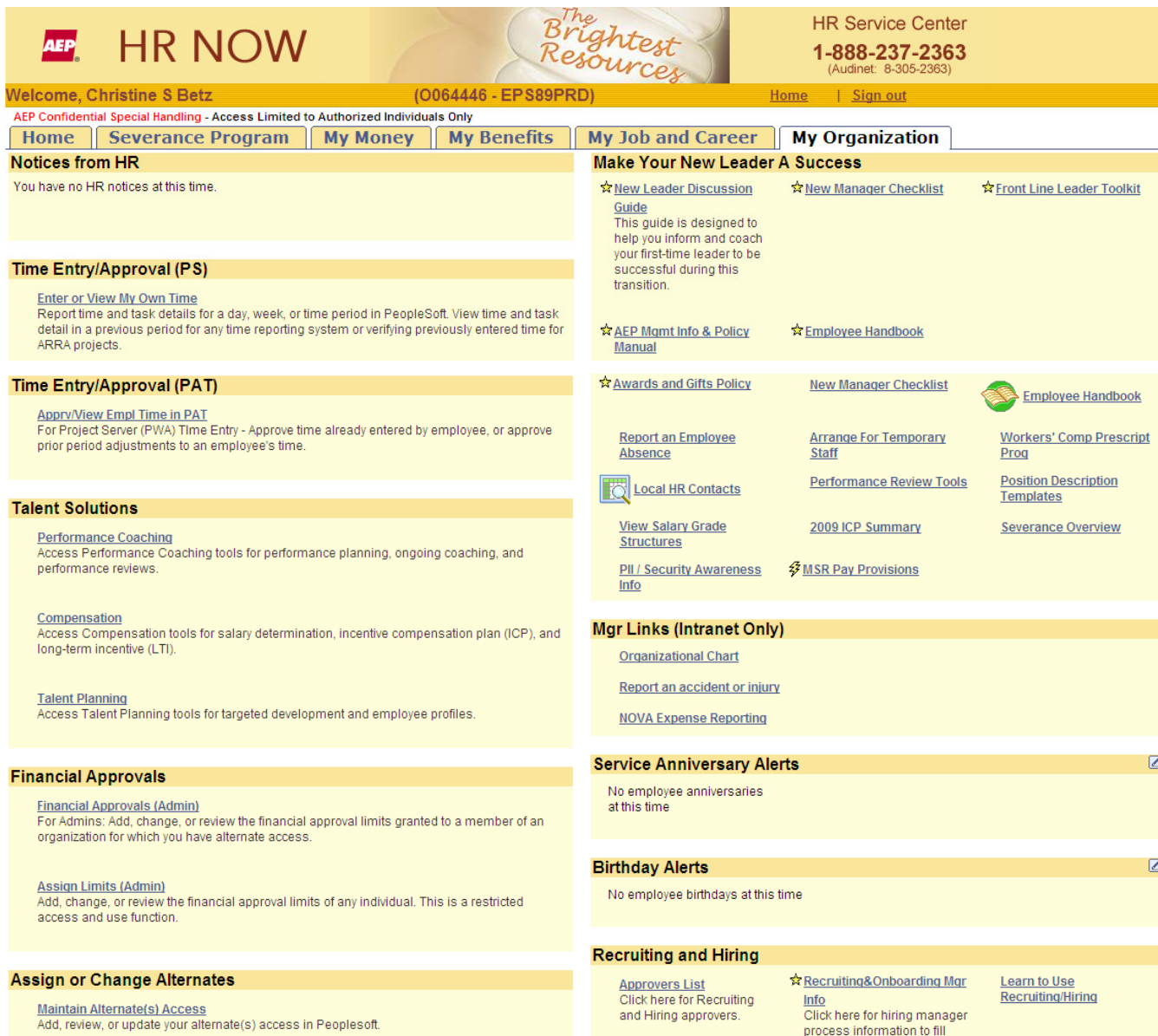
You can use the **Maintain Alternate(s) Access** page to authorize another user to act on your behalf as an alternate approver to approve invoices and/or assign approval limits with the same access as yourself.

 If you are acting on behalf of another employee, you cannot authorize another employee as an alternate approver for that manager.

Authorize Financial Approvals 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 and scrolling to the very bottom left of the page to **Maintain Access**.



The screenshot displays the HR NOW portal interface. At the top, there is a header with the AEP logo, "HR NOW", and "The Brightest Resources" tagline. The user is identified as Christine S Betz (O064446 - EPS89PRD). Navigation tabs include Home, Severance Program, My Money, My Benefits, My Job and Career, and My Organization. The main content area is divided into several sections:

- Notices from HR:** You have no HR notices at this time.
- Time Entry/Approval (PS):** Includes links for "Enter or View My Own Time" and "Apprv/View Empl Time in PAT".
- Time Entry/Approval (PAT):** Includes a link for "Apprv/View Empl Time in PAT".
- Talent Solutions:** Includes sections for "Performance Coaching", "Compensation", and "Talent Planning".
- Financial Approvals:** Includes "Financial Approvals (Admin)" and "Assign Limits (Admin)".
- Assign or Change Alternates:** Includes a link for "Maintain Alternate(s) Access".
- Make Your New Leader A Success:** Includes links for "New Leader Discussion Guide", "New Manager Checklist", "Front Line Leader Toolkit", "AEP Mgmt Info & Policy Manual", and "Employee Handbook".
- Mgr Links (Intranet Only):** Includes "Organizational Chart", "Report an accident or injury", and "NOVA Expense Reporting".
- Service Anniversary Alerts:** No employee anniversaries at this time.
- Birthday Alerts:** No employee birthdays at this time.
- Recruiting and Hiring:** Includes "Approvers List", "Recruiting&Onboarding Mgr Info", and "Learn to Use Recruiting/Hiring".

2. Click the **Maintain Alternate(s) Access** link. The following page opens:

HR NOW
Welcome, Julie Williams (O961661 - EPS89PRD) [Home](#)
AEP Confidential Special Handling - Access Limited to Authorized Individuals Only

Alternate Managers

Name: Williams, Julie EmplID: 4210113
Print **View Printer Friendly Instructions** **View** **Online Instructions**
Position Number: 00110774 Asst Controller Acctg Ops **Expand All**

Manager Direct Access Security Access Find First 1-4 of 4 Last

Search *User ID 0478497 Kincaid Jr., Jack L
▸ Security Roles Assigned

Search *User ID 0834969 Sohovich, Gregory P
▸ Security Roles Assigned

Search *User ID 0868814 Sullivan, Larry D
▸ Security Roles Assigned

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 (Online instructions or Printer Friendly instructions, circled above) will provide guidance on how to:

- Authorize Financial Approvals Access for a Manager or Employee
- Remove an Alternate Approver to a Manager or Employee

[Back-to-TOC](#)

E-mail Notifications Summary

Certain tasks performed on the **Financial Approvals** pages automatically generate and send e-mail messages to you or your manager's **Lotus Notes** mailbox.

In this chapter you will...

- Identify and discuss e-mail notification messages.

[Back-to-TOC](#)

E-mail Notification Messages


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 a financial approver's Financial Approvals workflow or PeopleSoft system access. When these types of events occur, PeopleSoft automatically sends an e-mail message notifying the appropriate user(s) of the event and if they are required to take any action. A summary of the PeopleSoft events that trigger e-mail notifications to Financial Approvals users are described in the table below.

PeopleSoft E-mail Notification Messages

#	E-mail Subject	E-mail Trigger	Who Receives E-mail (To:)	Additional Comments About E-mail
1.	Alternate Approver Reporting Relationship Change	A change in the alternate approver's reporting position	Manager or employee with the designated alternate approver	New HR MS e-mail notification generated during a nightly batch process
2.	Employee Cost Ctype and Reporting Relationship Change – May Impact System Access and/or Authority	The employee's Cost Ctype (Financial Dept) and organizational reporting relationship has been changed in PeopleSoft Human Resources	The employee's manager	Existing HR MS e-mail notification modified to include Financial Approval information
3.	Employee Cost Ctype and/or Reporting Relationship Change – May Impact System Access and/or Authority	The employee's Cost Ctype (Financial Dept) and/or reporting relationship has been changed in PeopleSoft Human Resources	The employee's manager	Existing HR MS e-mail notification modified to include Financial Approval information
4.	Employee On Leave – Financial Transaction Authority Removed	The employee is updated/corrected with an Action of LOA – Leave of Absence or PLA – Paid leave of Absence AND the employee has Active Financial Approval transaction limits	The employee's manager	New HR MS e-mail notification

PeopleSoft E-mail Notification Messages, *continued*

#	E-mail Subject	E-mail Trigger	Who Receives E-mail (To:)	Additional Comments About E-mail
5.	Employee Reporting Relationship Change – May Impact System Access and/or Authority	The employee's organizational reporting relationship has been changed in PeopleSoft Human Resources	The employee's manager	Existing HR MS e-mail notification modified to include Financial Approval information
6.	Financial Approval Authority Change Notification	The manager or alternate approver Adds/Updates/Corrects approval limits for their subordinate	The higher up Manager	New HR MS e-mail notification generated during a nightly batch process
7.	Financial Transaction Authority Changed by Alternate	The alternate approver Adds/Updates/Corrects approval limits for a manager's direct reports	The manager with the designated alternate approver	New HR MS e-mail notification
8.	Financial Transaction Authority Deleted by Alternate	The alternate approver deletes one or more approval limits for a manager's direct reports	The manager with the designated alternate approver	New HR MS e-mail notification
9.	Financial Transaction Authority Inactivated by Alternate	The alternate approver inactivates one or more approval limits for a manager's direct reports	The manager with the designated alternate approver	New HR MS e-mail notification

 Accounts Payable Admin group will receive a copy of the e-mails listed in the above table. If the manager position is **Vacant** on any response, an e-mail message will be sent to the Accounts Payable Admin group.

[Back-to-TOC](#)

Appendix

[Back-to-TOC](#)

Sample E-mail Notification Messages

E-mail Example # 1: Alternate Reporting Relationship Change

SUBJECT: Alternate Reporting Relationship Change

Please Do Not Reply to This Message

Brian Henderson,

Timothy Matczak, who is set up as an alternate for your position, is now reporting to position number XYZ & NAME. (If not Vacant)

This alternate currently has the access checked below.

- Time Entry
- Time Approval
- Time SYSGN E-mail
- Time Approval E-mail
- Attendance Tracking

Alternate access has been removed for all items checked below.

- Salary Forecasting
- Employee Information WITH Compensation
- Employee Information WITH OUT Compensation
- Approve Financial Transactions
- Set Up Financial Transaction Authority Limits

Alternate access can be modified from what is listed above by logging into **PeopleSoft** and following the Maintain Alternate Access procedures

If you have any questions about alternate access please contact the Help Desk, 8-835-3050.

[Back-to-TOC](#)

E-mail Example #2: Employee Cost Ctype and Reporting Relationship Change – May Impact System Access and/or Authority

SUBJECT: Employee Cost Ctype and Reporting Relationship Change – May Impact System Access and/or Authority

The following employee's Cost Ctype (Financial Dept) and organizational reporting relationship has been changed in the **PeopleSoft** Human Resource system. Please note this change and take any appropriate action.

EmpIID: 4010982

Employee Name: Sammons, Perry L

Position Number: 00120537

New Cost Ctype: 10915

New Reporting relationship: Polasek, Mary C (Position ? is a Vacant Position)

Effective Date of this change: 2003-03-28

This employee previously reported to position number: 00115216

This employee previously reported to: Nowell, Joe A

Please do not respond to this message. If you have questions, contact your local HR representative.

ONLINE USER ACCESS MAINTENANCE

The employee listed in this notification will be reporting to a different supervisor and their system access may need to be changed. Please submit an Online User Registration (OUR) request to remove, add, or update the employee's access by clicking on the OUR hyperlink below. If you have trouble using the OUR hyperlink or system, please contact the AEP Help Desk at 8-835-3050.

Typically, there should be two OUR requests submitted, one from the sending supervisor to remove access, and one from the receiving supervisor to add access. This notice is being sent to both supervisors, so please take the appropriate action.

notes://DSAPP1OR/DATABASE/IT/appdlvry/SASRQ01A.NSF

FINANCIAL TRANSACTION AUTHORITY

With the above change, this employee no longer has authority to approve financial transactions. To view or update the financial transaction authority for this employee, click on the following link <http://myinfo/> or type it in your browser. Once you have logged in, navigate to Financials Approvals or Maintain Alternate Access based upon the required changes.

If you have questions about financial transaction authority, please click on the following link to send an e-mail message to the Corporate Accounts Payable group, mailto:accounts_payable@aep.com or call the Accounts Payable Assistance number 920-7102. (em1)or (em3)

[Back-to-TOC](#)

E-mail Example #3: Employee Cost Ctype and/or Reporting Relationship Change – May Impact System Access and/or Authority

SUBJECT: Employee Cost Ctype and/or Reporting Relationship Change – May Impact System Access and/or Authority

The following employee's Cost Ctype (Financial Dept) and/or reporting relationship has been changed in the **PeopleSoft** Human Resource system. Please note this change and take appropriate action.

EmpID: 9100832
Employee Name: Wilson Jr., Donald W
New Cost Ctype: 10074
New Reporting relationship: Polasek, Mary C
Effective Date of this change: 2003-03-31

Please do not respond to this message. If you have questions, contact your local HR representative.

ONLINE USER ACCESS MAINTENANCE

The employee listed in this notification will be reporting to a different supervisor and their system access may need to be changed. Please submit an Online User Registration (OUR) request to remove, add, or update the employee's access by clicking on the OUR hyperlink below. If you have trouble using the OUR hyperlink or system, please contact the AEP Help Desk at 8-835-3050.

Typically, there should be two OUR requests submitted, one from the sending supervisor to remove access, and one from the receiving supervisor to add access. This notice is being sent to both supervisors, so please take the appropriate action.

notes://DSAPP1OR/DATABASE/IT/appdlvry/SASRQ01A.NSF

FINANCIAL TRANSACTION AUTHORITY

With the above change, this employee no longer has authority to approve financial transactions. To view or update the financial transaction authority for this employee, click on the following link <http://myinfo/> or type it in your browser. Once you have logged in, navigate to Financials Approval (Admin) or Assign Limits (Admin), based upon the required changes.

If you have questions about financial transaction authority, please click on the following link to send an e-mail message to the Corporate Accounts Payable group, mailto:accounts_payable@aep.com or call the Accounts Payable Assistance number 920-7102 (em 6)

[Back-to-TOC](#)

E-mail Example #4: Employee on Leave - Financial Transaction Authority Removed

SUBJECT: Employee On Leave - Financial Transaction Authority Removed

The following employee is now on leave of absence and their financial disbursement approval transaction will be inactivated effective tomorrow.

EmplID:4205012

Employee Name: Shomper, Shelley M

Position Number: 00999999

Effective Date of this Change: YYYY-MM-DD

Please do not respond to this message. If you have questions about financial transaction authority, please click on the following link to send an e-mail message to the Corporate Accounts Payable group, mailto:accounts_payable@aep.com or call the Accounts Payable Assistance number 920-7102

[Back-to-TOC](#)

E-mail Example #5: Employee Reporting Relationship Change – May Impact System Access and/or Authority

SUBJECT: Employee Reporting Relationship Change – May Impact System Access and/or Authority

The following employee's organizational reporting relationship has been changed in the **PeopleSoft** Human Resource system, please confirm that the employee's Cost Ctype (Financial Dept) is correct. Please note this change and take any appropriate action.

EmpID: 2753609

Employee Name: Rodriguez, Federico

Position Number: 00120542

Cost Ctype: 11706

New Reporting relationship: Stiltner, Larry G

Effective Date of this change: 2003-01-05

This employee previously reported to position number: 00118794

This employee previously reported to: Bledsoe Jr., James F

Please do not respond to this message. If you have questions, contact your local HR representative.

ONLINE USER ACCESS MAINTENANCE

The employee listed in this notification will be reporting to a different supervisor and their system access may need to be changed. Please submit an Online User Registration (OUR) request to remove, add, or update the employee's access by clicking on the OUR hyperlink below. If you have trouble using the OUR hyperlink or system, please contact the AEP Help Desk at 8-835-3050.

Typically, there should be two OUR requests submitted, one from the sending supervisor to remove access, and one from the receiving supervisor to add access. This notice is being sent to both supervisors, so please take the appropriate action.

notes://DSAPP1OR/DATABASE/IT/appdlvry/SASRQ01A.NSF

FINANCIAL TRANSACTION AUTHORITY

With the above change, this employee no longer has authority to approve financial transactions. To view or update the financial transaction authority-for this employee, click on the following link <http://myinfo/> or type it in your browser. Once you have logged in, navigate to Financials Approvals or Maintain Alternate Access based upon the required changes.

If you have questions about financial transaction authority, please click on the following link to send an e-mail message to the Corporate Accounts Payable group, [mailto: accounts_payable@AEP.com](mailto:accounts_payable@AEP.com) or call the Accounts Payable Assistance number 920-7102.(em5)

[Back-to-TOC](#)

E-mail Example # 6: Financial Approval Authority Change Notification

SUBJECT: Financial Approval Authority Change Notification

Financial transaction authority has been modified for the following employee(s):

Reporting to Brian F Henderson
Thornton, Thomas W

Reporting to Mary G Cofer
Bagnoli, Jim E

Please review the listed employee(s) to assure their financial approval modifications are consistent with corporate and business unit guidelines and proper segregation of duties has been maintained.

To view the financial transactions approval modifications, click on the following link <http://myinfo/> or type it in your browser. Once you have logged in, navigate to Financials Approvals or Maintain Alternate Access based upon the required changes.

Please do not respond to this message. If you have questions about financial transaction authority, please click on the following link to send an e-mail message to the Corporate Accounts Payable group, mailto:accounts_payable@aep.com or call the Accounts Payable Assistance number 920-7102

[Back-to-TOC](#)

E-mail Example #7: Financial Transaction Authority Changed by Alternate

SUBJECT: Financial Transaction Authority Changed by Alternate

The following employee's authority to approve financial transactions has been modified by alternate –
Mary C Polasek

Please do not respond to this message. If you have questions about financial transaction authority,
please click on the following link to send an e-mail message to the Corporate Accounts Payable group,
mailto:accounts_payable@aep.com or call the Accounts Payable Assistance number 920-7102

The record listed below was modified by the alternate, please review the changes, and contact the
Alternate if changes were incorrectly applied.

EmplID: 4010982

Employee Name: Sammons, Perry L

Financial Dept: 10915

Transaction Type: O & M

Effective Date: 2003-03-28

Status: Active

Limit Old: 0

Limit New: 50,000

[Back-to-TOC](#)

E-mail Example # 8: Financial Transaction Authority Deleted by Alternate

SUBJECT: Financial Transaction Authority Deleted by Alternate

The following employee's authority to approve financial transactions has been modified by alternate – Mary C Polasek

Please do not respond to this message. If you have questions about financial transaction authority, please click on the following link to send an e-mail message to the Corporate Accounts Payable group, mailto:accounts_payable@aep.com or call the Accounts Payable Assistance number 920-7102

The record listed below was deleted by the alternate, please review the changes, and contact the Alternate if changes were incorrectly applied.

EmplID: 4010982

Employee Name: Sammons, Perry L

Financial Dept: 10915

Transaction Type: O & M

Effective Date: 2003-03-28

Status: DELETED

[Back-to-TOC](#)

E-mail Example # 9: Financial Transaction Authority Inactivated by Alternate

SUBJECT: Financial Transaction Authority Inactivated by Alternate

The following employee's authority to approve financial transactions has been modified by alternate – Mary C Polasek

Please do not respond to this message. If you have questions about financial transaction authority, please click on the following link to send an e-mail message to the Corporate Accounts Payable group, mailto:accounts_payable@aep.com or call the Accounts Payable Assistance number 920-7102

The record listed below was inactivated by the alternate, please review the changes, and contact the Alternate if changes were incorrectly applied.

EmplID: 4010982

Employee Name: Sammons, Perry L

Financial Dept: 10915

Transaction Type: O & M

Effective Date: 2003-03-28

Status: Inactive

[Back-to-TOC](#)

Glossary

Approver

An authorized manager or employee who reviews and authorizes financial transactions for payment.

Alternate approver

Manager or employee acting on an employee's behalf to review and authorize financial transactions for payment; the alternate approver assumes the same authority as the employee for whom he or she is an alternate approver.

Assign Limits for a transaction type to a user

When a manager authorizes any of their subordinate managers or employees within their organization reporting structure to approve financial transactions for disbursement; an employee can assign (delegate) to any employee within their reporting structure any or all of the limits and transaction types for which they have financial approval authority.

Backup approver

See *Alternate approver*.

Description, Vendor Classification

See *Transaction Type*.

Maintain Alternate(s) Access

Used by managers and employees to view, grant, modify, or remove access to employees to view or update financial approval information with the same access as the manager or employee.

Set up an Alternate Approver

Manager or employee can be set up as an alternate approver to act on an employee's behalf to review and authorize financial transactions for payment; the alternate approver assumes the same authority as the employee for whom he or she is an alternate approver. An alternate approver can only be assigned if the manager has financial transaction approval authority. A existing alternate approver for a manager or employee cannot set up another alternate approver, which will have access to that manager's approval authority.

Transaction Type

A group of pre-defined classes that are used to categorize financial transaction based on vendor type; provides the ability to grant differing approval authorities to different types of disbursement transactions.

Vendor Classification, Description

See *Transaction Type*.

[Back-to-TOC](#)



Remittance Processing Policy/Procedure

Policy/Procedure Title	Payments	Date	October 27, 2010
Owner: Policy Authored By:	Remittance Processing Charlene Longnecker	Status: (Draft, Under Review, Approved)	Approved

Purpose

The purpose of this procedure is to document the instructions for processing payments received for miscellaneous non electric bills.

Procedure

In order to insure prompt and accurate processing of payments received for miscellaneous non electric bills, please verify that all payments are mailed directly to:

American Electric Power
 PO Box 24404
 Canton, OH 44701-4404

Please do not have customers remit payments to other locations. Exceptions to this requirement should be approved by the Assistant Controller – Accounting Services. 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 customers do remit payments to other locations, forward these checks to the location listed above. When sending checks in the intercompany mail, you should address the envelope to “Remittance Processing - Canton.”

An invoice should be entered into PeopleSoft to properly record the receipt of the payment. If this has not been completed, send the necessary information along with the check to Remittance Processing. You should include the accounting distribution for proper posting of the payment.

Any questions regarding this procedure should be directed to Remittance Processing.

Review / Revision:

Reviewed by Greg Sohovich 10/28/10



Property Accounting Policy/Procedure

Policy/Procedure Title	Capitalization Policy	Date	Oct 17, 2012, Rev. 3
Owner:	Property Accounting	Status: (Draft, Under Review, Approved)	Approved

Purpose

The purpose of this corporate procedure is to formalize guidelines for classifying expenditures as capital for AEP's utility subsidiaries.

Certain AEP investment/non-regulated companies such as MEMCO have their own capitalization policy.

Procedure

General

AEP's utility companies follow Federal Energy Regulatory (FERC) guidelines to determine when expenditures should be classified as capital and considered additions or retirements of electric plant. FERC guidelines state that all property shall be considered as consisting of retirement units and minor items of property.

FERC guidelines also dictate that each utility shall use a list of retirement units and provide some discretion in permitting each utility to define the units.

The assistant controller must approve all deviations from this policy.

Retirement Units

Retirement Units are items of plant that are capitalized when added to electric plant and retired when removed from electric plant. Retirement units are generally costly and long-lived. In addition, when new retirement units are established, they should not be an integral part of an existing retirement unit.

With the exception of transmission and distribution equipment retirement units, AEP does not permit capitalization of a retirement unit that has a per unit material value of less than \$1,000. Transmission and distribution equipment does not have a dollar limit for capitalization but instead uses the retirement unit designation to determine when to capitalize property additions.

Capital Software projects must have a value of at least \$1,000 to qualify for capitalization. Where major capital software project costs are spread to individual AEP subsidiaries, any company receiving less than \$1,000 of the allocated cost should charge their share of the cost to expense.



Property Accounting Policy/Procedure

® Additions to AEP's retirement unit listing may be made by written request to Property Accounting that includes a description of the proposed new unit, its estimated useful life and the approximate cost of the item. Business unit representatives, Property Accounting and Accounting Policy and Research will review the requested additions to determine if it is appropriate to make the revision to AEP's retirement unit listing.

Minor Items of Property

Minor items of property are all items that are not defined as retirement units. They are generally less than \$1,000 and may be a part of a related retirement unit. In many cases, they are subject to frequent replacement and may therefore have shorter lives than a related retirement unit.

It is generally AEP's policy that unless a minor item of property is being added or removed along with a related retirement unit, the cost to add or remove a minor item of property should be charged to the appropriate maintenance account.

Betterment

Betterment represents an improvement or enlargement of existing depreciable electric plant property by the replacement of minor items of property independent of the retirement units of which they are a part.

Betterment should only be considered as a reason for capitalization when there is no retirement unit being installed by the applicable project.

Betterment permits capitalization of the difference between the current material costs of the betterment parts over the current material costs of the replaced parts. No labor or other type costs can be capitalized using these criteria.

Betterment will only be considered as a reason for capitalization when a substantial addition such as \$500,000 or greater, results.

In addition, betterment should only be used as a reason for capitalization when there is an improvement or enlargement of existing depreciable electric plant where the improvement has the effect of **significantly** extending the original life or increasing the capacity or lowering the operating cost of the retirement unit affected.

Any capitalization of betterment costs requires written approval from Property Accounting and Accounting Policy and Research.



Property Accounting Policy/Procedure

Reviewers

Name	Initials	Date
James Henderson	JEH	4/19/04
Thomas Mitchell	TEM	4/19/04
Julie Williams	JW	4/20/04
Michael Sullivan	MJS	4/21/04
Sandra Bennett	SSB	6/14/04
Thomas M. Myers	TMM	5/24/04
Susan Higginson	SEH	6/17/04
Nancy Roby	NNR	5/27/2011

Approved By

Approver Name: Approved by J. M. Buonaiuto on 7/13/04 – signature on file in Property Accounting

Edit History

Edited on 12/23/04 – for Jason Stegall to add “The assistant controller must approve all deviations from this policy.”
Edited on 1/18/06 – under Purpose to indicate that certain AEP subsidiaries such as MEMCO follow their own capitalization Policy.
Edited on 10/17/12 – by Dave Hummel to add the language “It is generally” at the beginning of the second paragraph under the Minor Items of Property section.



Accounting Policy/Procedure

Policy/Procedure Title	CCD Non-Operated Plants Billing Review	Date	6/1/2005
Author:	Fran Armatas Dave Hummel Joe Emberger	Status: (Draft, Under Review, Approved)	Approved

Purpose

To document the procedures to be followed by Fuel and Contract Accounting-Canton, Property Accounting and Joint Venture Operations when reviewing billings from CCD non-operated plants.

Policy/Procedure Statement

Background:

Columbus Southern Power Co. (CSP) participates in a joint venture with Cincinnati Gas & Electric Company (CG&E) and Dayton Power & Light Company (DP&L). The joint venture is commonly referred to as 'CCD'. The Plant Operator and Plant Owner Percentages of the CCD plants are summarized in the following table.

Plant Operator	PLANT	OWNER NAME	%
CSP	CONESVILLE UNIT 4	COLUMBUS SOUTHERN POWER	43.50%
		DAYTON POWER AND LIGHT	16.50%
		CINCINNATI GAS & ELECTRIC	40.00%
			100.00%
DP&L	STUART	COLUMBUS SOUTHERN POWER	26.00%
		DAYTON POWER AND LIGHT	35.00%
		CINCINNATI GAS & ELECTRIC	39.00%
			100.00%
CG&E	BECKJORD - UNIT 6	COLUMBUS SOUTHERN POWER	12.50%
		DAYTON POWER AND LIGHT	50.00%
		CINCINNATI GAS & ELECTRIC	37.50%
			100.00%
CG&E	ZIMMER	COLUMBUS SOUTHERN POWER	25.40%
		DAYTON POWER AND LIGHT	28.10%
		CINCINNATI GAS & ELECTRIC	46.50%
			100.00%

Stuart, BJ6 and Zimmer are the non-operated plants. The plant operators bill CSP monthly for CSP's share of fuel, O&M, and construction costs. The Fuel and O&M billings are received and journalized by Fuel and Contract Accounting – Canton (F&CA). The construction billing is received and journalized by Property Accounting. The Joint Venture Operations section reviews and approves all of the invoices for payment. In April 2004, the partners signed a netting agreement whereby the invoices issued by the operators are netted and thus one settlement is with each partner. Each type of invoice is netted by itself, i.e. three settlements are made monthly: Fuel, O&M and Construction.



Accounting Policy/Procedure

Fuel and Contract Accounting – Canton Procedures

The Fuel and O&M Billings are sent by the plant operator to F&CA in Canton.

The fuel bill with supporting detail is typically received on the 4th business day and is recorded in the current month's business. F&CA reviews the invoice for completeness and ensures that journal entries created from the supporting schedules tie to the summary. The fuel detail is also entered on CSP's monthly fuel and inventory consumption reports ("Page 24 report") and tied back to the invoice.

The O&M bill is typically received by the 20th calendar day of the month and is recorded in the following month's business. F&CA reviews the invoices and ensures that journal detail ties to the invoice amount. F&CA contacts the operator for an explanation of any new or unusual items.

The bills are netted with the Conesville Unit 4 bills and forwarded to Joint Venture Operations personnel for further review and approval. Joint Venture Operations personnel review fuel bills with regard to inventory change, unit pricing and a comparison of consumption and net generation. O&M bills are reviewed relative to budget adherence considering execution of planned/unplanned outage work and pertinent operational strategies. Fuel bills settle on the 15th calendar day of the month and O&M bills settle on the last day of the month.

F&CA exchanges quarterly account confirmations with the partners of inventory, prepay and deferral, receivable/payable account balances. Any account balance discrepancies between partners are researched and reconciled.

Property Accounting Procedures

The Capital Construction Billings are sent by the plant operator to Property Accounting in Canton.

The capital bills & associated Construction Expenditure Reports (CER's) are normally received anytime between the 18th and 28th calendar day of the month and are recorded in the following month's business. DP&L's bill is recorded on journal OAADPLSTU and CG&E's bill is recorded on OAACGZM (Zimmer) and OAACGBJ (Beckjord).

Property Accounting reviews the invoices and ties the CER billing detail to the invoice amounts. Property Accounting contacts the operator for an explanation of any unusual items.

The bills are netted with the CV4 capital bill and forwarded to Joint Venture Operations personnel for further review and approval. Joint Venture Operations personnel review capital bills for adherence to budget based on known progress of approved projects. Capital bills settle on the 10th calendar day of the month.

Property Accounting exchanges quarterly account confirmations with the partners of receivable/payable account balances.



Accounting Policy/Procedure

Approved By

Thomas Myers, Assistant Controller
Commercial and Investment Accounting

Date

Susan E. Higginson, Managing Director,
Accounting Services and Special Projects

Date

Joseph M Buonaiuto
Senior Vice President-Controller and Chief Accounting Officer

Date

William L. Sigmon
Senior Vice President-Fossil and Hydro Generation

Date



Property Accounting Policy/Procedure

Policy/Procedure Title	Distribution Perpetual Work Order Review Process – Field Review	Date	4/23/2010
Owner:	Property Accounting	Status: (Draft, Under Review, Approved)	Approved

Purpose

The following instructions establish a uniform procedure for monitoring perpetual work order charges. This procedure is intended to ensure that charges to the perpetual work orders are appropriate and that as built data is provided for any work performed using the perpetual work orders.

Procedure

General

In order to comply with FERC regulations, it is necessary to perform certain reviews on perpetual work orders to ensure that expenditures and quantities are properly recorded in the Property Record and that proper capital versus expense accounting is followed.

Definitions of Perpetual Work Orders

Perpetual work orders were established to account for certain Customer Service and Asset Improvement jobs. Work done on the perpetual work orders should be limited to only these types of jobs. Work not covered by the Customer Service and Asset Improvement categories (see pages 5-8 of procedure) must be handled on separate work orders.

Perpetual work orders are not to be used for:

- Major storms
- Reimbursable jobs such as Damages by Outside Parties (DOP)
- Make-Ready work

Contributions in Aid of Construction (CIAC) may be recorded on perpetual work orders if the work performed is also charged to the perpetual work order.

Perpetual work orders are not closed; they are used continuously to record expenditures charged to each work order.

There are generally 8 perpetual work orders for each operating company and state. Four work orders are established for customer service under the Customer Service Blanket Requisition, one work order is established for Service Restoration Non-Major Event, and 3 work orders are established for failed equipment under the Asset Improvement Blanket Requisition. The Ohio companies have one additional work order under the Customer Service Blanket Requisition for multi-family dwellings. For the list of eligible jobs to be performed on the perpetual work orders, please reference pages 5-8 of this procedure.

Property Accounting Policy/Procedure



There are multiple work requests established under the perpetual work orders. Each work request represents a particular job that has been requested by a customer for outage or failed equipment work. Each work request has a related Job Type and Job Code. These values are used to identify the type of work being performed. In some cases, the work order number is mapped based on the Job Type while in other cases, the as built data is mapped based on the Job Code.

Process Overview

The following steps detail the perpetual work order process:

- Work requests are established under the perpetual work orders.
- Material is issued to the designated work order and the work is performed.
- As work requests are completed, a file of compatible units is interfaced with PowerPlant. This data is sometimes called the as built information.
- The first completed work request (with asset units) will change the status of the work order from open to in-service and the work order will remain in-service.
- During the quarterly work order closing process, the as built information is used to unitize any dollars that have been charged to the capital/retirement work order in that quarter.
- The as built data determines the percentage to be used to spread the labor dollars to capital, removal and expense. It is spread each pay period based on the percentages determined by the allocation process. Currently, the allocation of labor is based on the as built information that has been received for each work order during the prior 90 days.
- Material is charged directly to the construction or maintenance section of the work order, whichever is appropriate.

NOTE: Material should never be charged to the zero section of the work order.

Appropriate Charges

Perpetual work orders should only contain company/contract labor, material and employee expense charges for the type of work as defined by the perpetual work order (reference pages 5-8 of this procedure for guidelines).

- Perpetual work orders are not to be used as a catch all to true up material inventories or for labor charges that are inappropriate for the perpetual work order.
- Charges to perpetual work orders have to be accounted for by field personnel who provide unit installation data for all work performed either through accounting that is defaulted thru job codes, units reported through estimates, spectrum time reporting, or by paper unit material sheets.
- All expenditures must be properly accounted for in order to reflect the cost of our facilities.

Property Accounting Policy/Procedure



- Perpetual work orders should not be used to account for safety meetings or training. Safety meetings, training, exercising, and any safety topics discussed at the service center should be charged to expense. However, it is appropriate to include on-site job specific safety briefings within the perpetual work orders.
- The only labor charged to the perpetual work orders should be direct labor. Indirect labor should not be charged to the perpetual work orders.

Example: Crews performing the actual work should charge time to the perpetual work orders. Support personnel should not charge time to the perpetual work orders.

As Built Data

The as built information is used to record, by retirement unit, FERC account, state and operating company, any dollars that have been charged to the capital/retirement perpetual work orders.

- The as built data should reflect what has been installed, replaced, or retired for all work performed using the perpetual work orders.
- When a work request is completed, the as built data is sent to PowerPlant and used in the next quarterly closing process.
- If the as built data is not provided, expenditures in the work order will not be transferred and retirements will not be processed.
- All expenditures in a given quarter will be transferred based on the as built data received in that quarter. In the event a portion of the as built data is not received, then all the expenditures will be recorded against the as built data that was received.

Example: In the quarter ending month, there are 20 work requests established against a perpetual work order. Twelve of the work requests are completed and the others are not. The charges in the work order for the current quarter will be unitized based on the as built data for the twelve work requests completed in that quarter. All work requests should be completed in a timely fashion to ensure inclusion in the proper quarter.

- The allocation of labor is also based upon the compatible units entered into the as built estimate. Therefore, it is critical that all compatible units (asset and minor units as well as labor units) are entered into the as built estimate.
- Each work request has a job type which may be mapped to the perpetual work order number and also has a job code which may have the as built data mapped behind the scenes for proper as built information. However, if the as built data is not mapped, a Field Report or similar form is required in order to account for the equipment/facilities that were installed/replaced/repared. The Field Report or similar form should



Property Accounting Policy/Procedure

include both asset and maintenance units in order to allocate the labor properly.

- The failed equipment work order (Failed Equipment – No Interruption-Overhead/Underground) requires a Field Report Form for any work performed on it. The unit sheet must contain every compatible unit that was installed/removed/transferred on each work request.

Monitoring Procedures

The Information Section is responsible for reviewing the expenditures in the perpetual work orders on a quarterly basis to determine if charges are appropriate for the type of work that the work order is established to capture. This review should take place prior to the quarterly transfer of charges to Electric Plant in Service, allowing enough time for correcting entries if necessary. The work order review process should be complete no later than the 15th of the review month. The work order closing process will begin on or around the 20th of each month.

- Review asset material charged to each perpetual work order for the review period. This can be done by running a material report out of Business Objects.
 - Verify that material for major items charged to the work orders is correctly charged to the appropriate perpetual work order.
 - Verify that no material was charged to the 0 section of the work order.
 - Open stock items such as water, boots, rain gear, hats, small tools etc. should not be charged to perpetual work orders.
 - Class 87 truck stock should not be direct issued to perpetual work orders.
 - Program work such as inspections or find and fix should not be charged to perpetual work orders.
- Review minor items associated with the installation of overhead lights and ensure the quantities installed are within a 15% tolerance of the major items charged.

Example: 15 lights/heads, 20 lamps, and 25 photo controls were charged to a perpetual work order. The number of lamps and photo controls charged to capital must be within 15% of the number of lights/heads charged. Adjustments should be made to the M section of the perpetual work order.

- Review employee expenses on each perpetual work order and verify they are charged appropriately.
- Review labor expenses charged by other operating companies and reclassify as necessary.

Property Accounting Policy/Procedure



- Once review is complete, make any necessary adjustments to the expenditures. For material corrections, utilize the JE Lite Panel, create a journal entry, or process a storeroom adjustment. For other corrections, utilize the JE Classification Correction process.
- The maintenance work order established for material adjustments as a result of the Work Order Closing Audits should be used for adjusting any material discrepancies found during this monitoring process only if investigation cannot determine the correct work order for these material charges.
- A record of each quarterly review must be kept for a two-year period by the Information Section to verify that the review was performed. Attach copies of any correcting entries to this document or reference correction information within the review form (examples include JE Lite number, journal entry ID, or storeroom adjustment number).

NOTE: See Exhibit 1 for a sample of the review form.

List of Work to be Performed on Perpetual Work Order Types

Customer Service Residential–New–Overhead/Underground

This work order is used to install new overhead/underground residential customer services and area lights. Below is a list of work that can be performed on this perpetual:

1. Install/remove overhead (OH) single-phase & 3-phase service up to 336 mcm service conductor.
2. Install underground (UG) single/3-phase service not to exceed 600 volts (removals may be shown retired in place).
3. Service fed from a riser pole, pedestal, padmount transformer or meter pedestal.
4. Conduit used on the riser pole for the service described above.
5. Install/remove D/D (area) light and D/D (area) light fed from underground conductor.
6. One span of secondary for a new service or D/D (area) light.
7. One pole if associated with new service or D/D (area) light.
8. Anchor and guy, if it is for new single/3-phase service or D/D (area) light.
9. Transformer when needed to serve new customer or D/D (area) light.
10. Cutout, arrester, riser and ground, if transformer is used for installation of new service or D/D (area) light.

Property Accounting Policy/Procedure



Customer Service Residential–Upgrade–Overhead/Underground

This work order is used to upgrade overhead/underground residential customer service facilities. Below is a list of work that can be performed on this perpetual:

1. Upgrade OH single-phase & 3-phase service up to 336 mcm service conductor.
2. Upgrade UG single/3-phase service not to exceed 600 volts (removals may be shown retired in place – also called abandoned).
3. Upgrade service fed from a riser pole, pedestal, padmount transformer, or meter pedestal.
4. Conduit used on the riser poles for the upgrade described above.
5. Upgrade of a D/D (area) light and upgrade D/D (area) light fed from underground conductor.
6. One span of secondary for upgrading facility.
7. One pole if associated with upgrading facility.
8. Anchor and guy, if it is for upgrading single/3-phase service.
9. Transformer when needed in order to upgrade facility.
10. Cutout, arrester, riser and ground, if transformer is used for upgrading facility.

Customer Service CI–New–Overhead/Underground

This work order is used to install new overhead/underground commercial & industrial customer services and new area lights. Below is a list of work that can be performed on this perpetual:

1. Install/remove overhead (OH) single-phase & 3-phase service up to 336 mcm service conductor.
2. Install underground (UG) single/3-phase service not to exceed 600 volts (removals may be shown retired in place).
3. Service fed from a riser pole, pedestal, padmount transformer or meter pedestal.
4. Conduit used on the riser pole for the service described above.
5. Install/remove D/D (area) light and D/D (area) light fed from underground conductor.
6. One span of secondary for a new service or D/D (area) light.
7. One pole if associated with new service or D/D (area) light.
8. Anchor and guy, if it is for new single/3-phase service or D/D (area) light.
9. Transformer when needed to serve new customer or D/D (area) light.
10. Cutout, arrester, riser and ground, if transformer is used for installation of new service or D/D (area) light.
11. NO STREET LIGHTS.



Property Accounting Policy/Procedure

Customer Service CI–Upgrade–Overhead/Underground

This work order is used to upgrade overhead/underground commercial & industrial customer service facilities. Below is a list of work that can be performed on this perpetual:

1. Upgrade OH single-phase & 3-phase service up to 336 mcm service conductor.
2. Upgrade UG single/3-phase service not to exceed 600 volts (removals may be shown retired in place – also called abandoned).
3. Upgrade service fed from a riser pole, pedestal, padmount transformer, or meter pedestal.
4. Conduit used on the riser poles for the upgrade described above.
5. Upgrade of a D/D (area) light and upgrade D/D (area) light fed from underground conductor.
6. One span of secondary for upgrading facility.
7. One pole if associated with upgrading facility.
8. Anchor and guy, if it is for upgrading single/3-phase service.
9. Transformer when needed in order to upgrade facility.
10. Cutout, arrester, riser and ground, if transformer is used for upgrading facility.
11. NO STREET LIGHTS.

Service Restoration–Non Major Event

This work order is intended to capture the costs associated with responding to any non-major outage situation(s). The work associated with this work order would include responding to and correcting any non-major event outage situation such as small local weather events, equipment failure, etc. In order to use this work order there must have been an outage to one or more AEP customers. It is typically used to record capital, retirement and maintenance expenditures for failed equipment that is being replaced.

It is critical that all material and labor units installed/removed/transferred or expenses are identified to insure the time is correctly allocated to capital/removal/expense. This data is passed to Power Plant to be used to record the facilities installed and/or removed on the books. It is imperative that the books reflect the facilities installed/removed/transferred in the field.

Failed Equipment–No Interruption–Overhead/Underground

This work order is used to replace failed overhead/underground equipment that did not cause a customer outage.



Property Accounting Policy/Procedure

Failed Equipment–Streetlights

This work order is used to replace failed streetlights. The material cost of replacement of lamps (bulbs) or controls replaced independent of the head should always be charged to expense. The labor is allocated based on the units that have been reported.

Failed Equipment–Area Lights

This work order is used to replace failed area lights. The material cost of replacement of lamps (bulbs) or controls replaced independent of the head should always be charged to expense. The labor is allocated based on the units that have reported.

Customer Service–Residential–New–Multi–Overhead & Underground (Ohio only)

This work order is used to install new overhead/underground residential customer services for multi-family dwellings.

Reviewers

Mike Lamantia, Information Supervisors, Dave Hummel

Approved By

Approver Name: _____ Date: _____
Julie Williams
Assistant Controller, Accounting Operations

Edit History

4/23/10: Removed reference to field report form 5220IS0507 on pg. 3 and modified wording to "Field Report or similar form"



Property Accounting Policy/Procedure

Exhibit 1 Distribution Perpetual Work Order Review

Review of all perpetual work orders is required each quarter. The review should be performed prior to the Property Accounting work order closing process in order to make any necessary correcting entries or as built corrections to record the expenditures accurately. The work order closing process usually begins on or around the 20th of the each month. Therefore in the quarter end month, please have your corrections processed prior to the 20th of the quarter end month.

Work Orders Reviewed	Adjustments Processed*				As Built Corrections	Date Processed
	Material	Labor	Accounts Payable	Other		

*Indicate with a Y (in appropriate column) if adjustments were processed and provide date processed. Attach a copy of the adjustments to this review form or reference correction information within the review form (examples include JE Lite number, journal entry ID, or storeroom adjustment number). If no adjustments were required, enter N/A in the date processed column for that particular work order. If the as built estimate is changed, attach a copy of the revised as built to this form.

Comments:

Date of Review: _____ Reviewer: _____

Verified by: _____ Date: _____
 Information Supervisor



Policy/Procedure Title	DWMS Allocation Work Order Policy	Date	2-24-2009
Policy Approved By	Julie Williams	Status: (Draft, Under Review, Approved)	Approved
Policy Authored By	Nancy Roby		
Distribution	Allen Glassburn, Linda Moore, David Sartin, Matthew Kyle, Thomas Brice, Ronald Ford, Ranie Wohnhas, Mike Lamantia		

Purpose

This policy provides guidelines for classifying charges on Distribution Work Management System (DWMS) work orders to the allocation work order.

Policy/Procedure Statement

General

The Work Request is the basic unit of work management in DWMS. A single Work Request creates one or more work orders depending on the type of work being done – construction, retirement or O&M expense/billing. Additionally, an allocation work order is created. The 4th digit of the work order number designates its accounting classification according to the work being performed. The characters used are: 0 = allocating, 7 = construction, 8 = retirement, M = O&M expense/billing. Below is an example of the work orders and assigned GL accounts.

Work Request	Work Order	Account
22080132	DAP0120831	1860092
22080132	DAP7120831	1070001
22080132	DAP8120831	1080005
22080132	DAPM120831	1860007

When a transaction is charged to the allocation work order, it is initially recorded in account 1860092, Compatible Units System Clearing. In a process that runs bi-weekly for labor and at month-end for other transactions, the charges are cleared from this account and allocated to the other work orders. The basis for the allocation is the estimate of labor in DWMS, established according to the Compatible Units used in the Work Request design.

Use of the Allocation Work Order

This allocation procedure was created for time entry by the Distribution line crews. Crews are assigned and scheduled by Work Request and it is desirable that they report their time worked in the same units. The Spectrum time entry system used by work crews sends time reported for each Work Request to the allocation work order. It is subsequently allocated as described above.

The use of the allocation work order for other types of charges is not prevented by any system constraints. In many cases classifying charges, other than labor, to the allocation work order is convenient and results in the correct accounting. However, indiscriminate use of the allocation work order may result in charges being misclassified.



Guidelines

The allocation or "0" work order should only be used for charges that can properly be allocated to the other work orders based on the DWMS estimate of labor for that Work Request. In general, non-material charges may be recorded to the allocation work order if the charge was included in the estimate of labor or if the allocation based on labor estimates will result in the correct accounting

The following guidelines illustrate the correct use of the allocation work order for common transactions.

Labor

Labor from the Distribution line crew will be charged to the allocation work order. Typically other employees charging to a DWMS job should use specific work orders (construction, retirement or O&M expense/billing). However, if the work performed by the other employees can be allocated in the same proportion as the line crew then the allocation work order may be used.

Material

Material issued from inventory or purchased for the job should always be charged directly to a specific work order, usually construction. This includes Accounts Payable transactions which should not use the allocation work order with a 3XX series cost component.

Employee Expenses

Employee expenses, such as meals and hotels, may be charged to the allocation work order if they are incurred by the employees who are included in the labor estimate on the Work Request. Other employees whose labor is allocated in the same proportion as the line crew may also use the allocation work order for charging employee expenses.

Contractor/Outside Services Invoices

Contractor invoices may be charged to the allocation work order if these costs are specifically included in the labor estimate on the Work Request. If not included in the estimate, these invoices should be charged directly to the specific work orders.

CIAC

CIAC that is calculated automatically in the JERI system is coded to the allocation work order. Using the allocation work order for allocating CIAC ignores material costs which are primarily charged to the construction work order. This can result in CIAC being under allocated to the construction work order. This automated process is being reviewed to determine the dollar impact of the under allocation to construction work orders and evaluate the options for changing the affected systems. CIAC that is manually calculated should be allocated to the specific work orders (construction, retirement or O&M expense/billing) in the ratio of each component's estimated cost to the total estimated cost of the project.



Review of Charges to the Allocation Work Order

Due to the procedures in place for creating estimates, updating estimates to actual as-built results and reviewing work order charges, the coding of non-material charges to the allocation work order will result in the correct allocation of these charges to the component work orders. These procedures are followed by Distribution Operations, according to the DWMS Red-Lining instructions, and by the Distribution Business Operations Support/Information Groups during the review and completion of the work order.

Since material is the charge type that should *not* be classified to the allocation work order, the review process will focus on identifying improperly classified material charges. A report of material (3XX series of cost components) charged to account 1860092 was developed by Utility Business Services in AEP Utilities. The report was provided to the Directors of Business Operations Support or their designees to run monthly and review results. The review process will focus on identifying the cause or source of improperly classified material charges and informing users of the correct procedures. Transactions that cause a significant misstatement between the construction, retirement and O&M expense/billing work orders will be corrected.

Reviewed By

Mike Lamantia, Hurschel Harrison, Dave Hummel

Approved By

Approver Name: _____ Date: _____
Julie Williams – Director, Accounting Operations



Property Accounting Policy/Procedure

Policy/Procedure Title	Inactive Work Order Review	Date	May 23, 2011 Rev 3
Policy Approved By:	Julie Williams	Status: (Draft, Under Review, Approved)	Approved
Policy Authored By:	Janet Swanger		
Distribution:	Mike Lamantia, Lee McGuire, Roger Rickman, Pamela Belcher, David Ferguson		

Purpose

The purpose of this procedure is to provide review and documentation processes for inactive construction and retirement work orders for the AEP System. This is an internal control procedure which will be tested during Sarbanes-Oxley testing.

Policy/Procedure Statement

General

Construction and retirement work orders are issued by AEP's Generation, Transmission, Distribution and Shared Services organizations on a daily basis. With the exception of blanket work order type jobs, work orders are associated with specific projects that have a life span that corresponds with the construction activity. Key indicators of the work order life span are in-service and completion dates that also trigger financial accounting transactions including cessation of AFUDC, booking original cost retirements, starting depreciation and transferring property to plant in-service. Accordingly, non-blanket work orders need to be opened, placed in-service and completed on a timely basis to correctly reflect AEP's financial position.

AEP companies incur costs related to thousands of individual construction projects. Along with other factors, the sheer number of projects can cause the in-service and completion of work orders to be delayed and untimely. A delay of in-service or completion reporting for projects can have undesirable financial consequences including over accrual and reversal of AFUDC, depreciation expense adjustments, over payment of property taxes, untimely retirements of plant and incorrect balance sheet presentation.

This policy outlines an inactive work order review process to minimize the delay in reporting work orders in-service and completing work orders.

This policy is not meant to cover suspended work orders. There is a separate policy for suspending work orders entitled "Work Order Suspension".

Key Work Order Status Changes

A typical work order has four major status changes that relate to the life of the construction project:

1. Open – the project has started and charges will be applied to construction work in-progress or retirement work in-progress
2. In-service – an in-service date entered for a work order by the constructing business unit, indicates that the facility or item being constructed began

Property Accounting Policy/Procedure



performing the intended function on this date. A work order will still accept charges after the in-service date is entered. In general, the in-service date triggers the cessation of AFUDC, original cost retirement and the beginning of depreciation.

3. Completion – a completion date entered for a work order by the constructing business unit indicates that charges to the project are complete and the work order can be closed and inactivated. After the completion date is entered the PowerPlant software keeps the work order active for a period of 90 days to ensure that all charges are applied to the work order before inactivation.
4. Posted to CPR – after the 90 day wait period mentioned in item 3. above, the work order is inactivated, unitized and transferred to plant in-service account 101. After this change in status, it is no longer possible to post charges to the work order and any trailing charges (if material) will need to be processed by opening a new work order.

Inactive Work Order Reports

If a work order is not closed in a timely fashion, a key indicator that this situation exists is the lack of charge activity. Open and in-service work orders that have charges, but charges stop for a period of time, indicate projects that need to be reviewed to determine: 1) if the work orders are complete and need to have the in-service and/or completion dates entered or 2) if there is a valid business reason for the work orders to remain open.

Property Accounting has developed an inactive work order report to use in reviewing open and/or in-service work orders with charges but no activity for 6 months or more. This report has a column which indicates the number of months a work order has been inactive (see Exhibit 1).

Inactive Report Reviews

Inactive report reviews for Generation, Transmission, Distribution and Shared Services work orders require the following actions:

1. Each generating plant, transmission region, distribution region or shared services line of business will designate a responsible group or individual to perform the inactive work order review.
2. A list of employees responsible for the inactive work order review will be maintained by the Generation, Transmission, Distribution and Shared Services organizations.
3. Each of the responsible employees will select the applicable work orders (for their generating plant or region) and obtain the PowerPlant report (see Exhibit 1) on a quarterly basis. Typically this report will be furnished by the business unit's financial budgeting or business services group.
4. The inactive report will be reviewed with notations added to indicate the action taken as follows:
 - a. IS – Placed the work order in-service.
 - b. CP – Completed the work order.

Property Accounting Policy/Procedure



- c. CA – Canceled the work order. NEVER cancel a work order with charges. First transfer the charges to O&M or to another work order (whichever action is appropriate) and then cancel the work order when the charges equal zero.
 - d. SU – Suspended the work order. The Company's work order suspension policy should be reviewed to determine if the work order qualifies for suspension.
 - e. If the reviewer believes a work order inactive more than 12 months should remain open, a written explanation detailing the reasons why the work order should remain open is required.
5. After the inactive report has been reviewed and notations made, the responsible employee will initial, date and submit the report to the applicable Director of Business Operations (T&D), Plant Manager (Generation) or Line of Business Director (Shared Services) for review and sign-off. **THE REPORTS WILL THEN BE ROUTED TO THE APPLICABLE BUSINESS UNIT VICE PRESIDENT OR EQUIVANT (if a Vice President is not included in the reporting line) FOR REVIEW AND SIGN-OFF.** The reports will be filed and retained for a two-year period. Inactive work order reports will be subject to review by internal and external auditing groups. The inactive report is issued monthly for review; however, the submission to Property Accounting is only required on a quarterly basis.
6. A copy of the inactive report will be sent to a budget coordinator/accountant in the Utility Group Planning & Budgeting Section (T&D), the Generation Business Services Group (Generation), the Cook Nuclear Business Services Group or the Shared Services Strategy Group who will review the report and explanations for reasonableness. A copy of the inactive report will also be sent to Property Accounting who will review the explanations for reasonableness and monitor the action taken (indicated in 4.a. through 4.d., above) to ensure the work order status changes are made timely. The written response should be supplied to Property Accounting as soon as possible, no later than 45 days after receipt of the quarterly report so that Property Accounting can complete the final review within 60 days of quarter end.
7. Work orders with charges that are inactive for more than 12 months will be closed unless the business unit Vice President provides Property Accounting with a written explanation of the valid business reason for the work order to remain open. This explanation will be reviewed by Property Accounting and, if deemed appropriate, by Accounting Policy & Research for validity.
8. Property Accounting will use the following process for closing work orders that are inactive for more than 12 months without a valid business reason from the business unit Vice President (see 7., above).
 - a. Open inactive work orders with charges that are below the designated threshold for each organization (\$5,000 for Distribution and Shared Services, \$20,000 for Transmission and \$50,000 for Generation) will be placed in service, completed and unitized.
 - b. In service inactive work orders will be completed and unitized.
 - c. Open inactive work orders that exceed the designated dollar thresholds will be expensed using individual department ID's. The amount expensed will include construction overheads and AFUDC.



Property Accounting Policy/Procedure

- d. Public Project Relocation billing work orders are excluded from this process. CIAC and Make Ready work orders are not excluded.
- e. Property Accounting will inform a representative in the applicable business unit before a work order is closed or written-off.

Exhibit 1

Inactive Work Order Report #8052 More Than 6 Months

Last Activity	Work Order No.	Funding Project	Dept.	Description	In Service Date	Months Inactive	Total Expended
2022/03	04990401	X00000289	13211109	IFS ACCT TRANSFERS 107 TO 106, 101		59	\$1,723
2002/12	W0008739	X00000117	13299990	Floating Office Barge		59	\$1,050,834
2003/12	04501534	X00000003	13211158	Sales for Breed Plant		38	(562,290)
2004/08	W9107132	X00000299	13210182	Transfer from 107/106/101		39	\$0
2005/10	49525031	X00000003	13211109	RK CIA 2005 & 2006 GAS FAN DUS		16	\$7
2005/03	40649520	BRPACM001	13211108	CJ HIGH ENERGY PIPING ACM ABAT		11	\$45,834
2005/03	W0012577	X00000563	13299990	2005 Com Ops Cap Software BM		11	\$6,296
2006/07	4753336	X00000003	13211109	RK PPS 08 U3 REPLACE EXPANSION		7	\$2,900
2006/07	W0013314	X00000117	13210005	Sale of 81 acres		7	(\$10)
2006/08	40681367	X00000003	13210224	TC4 INSTALL "M" LOW PRESSURE		6	\$4,446
2006/08	40756876	X00000003	13210224	TC2 REPLACE O2 PROBES & CONTR		6	\$41,165
2006/08	40808038	X00000003	13211109	RKPPB/U3 REVERSE OSMOSIS PUMP		6	\$4,016
Total Dollars:							\$1,094,719
Total Number:							11

Revised By:

Julie A. Myers – 5/25/11
 David G. Hummel – 11/01/06

Reviewed By:

Janet Swanger –
 David A. Davis – 3/22/05
 Julie Williams – 11/27/06



Property Accounting Policy/Procedure

Approved By:

Approver Name: Julie Williams Date: 6/1/11

Julie Williams

Larry Sullivan Date: 6/1/11

Larry Sullivan

Julie Williams – 3/24/05
Julie Williams – 11/27/06
Susan Higginson – 11/27/06

Edit History:

5/24/11 by Julie Myers:

- Changed Inactive Report Reviews 4e, 7, and 8 from “12 months or more” to “more than 12 months”
- Additions
 - o Inactive Report Reviews 5 “The inactive report is issued monthly for review; however, the submission to Property Accounting is only required on a quarterly basis.”
 - o Inactive Report Reviews 6 “The written response should be supplied to Property Accounting as soon as possible, no later than 45 days after receipt of the quarterly report so that Property Accounting can complete the final review within 60 days of quarter end.”



Property Accounting Policy/Procedure

Policy/Procedure Title	Retirement Review – Field Review	Date	June 30, 2005
Owner:	Property Accounting	Status: (Draft, Under Review, Approved)	Approved

Purpose

The purpose of this procedure is to detail field review and documentation for original cost retirements for the AEP System.

Procedure

General:

Generation, Transmission, Distribution and other groups issue Construction and Retirement work orders (WO's) monthly. Retirement work orders are issued to account for costs required to remove property (deregulated generation companies charge removal costs to expense), salvage proceeds and original cost retirements.

Recording original cost retirements is an important financial activity for several reasons. Property no longer in-service should be removed from the Company's property records. If a replacement transaction doesn't include a retirement, the old and new properties are both included in the Company's records. When retirements are not recorded, the Company's depreciation expense will be too high and property taxes will be paid on plant investment that has been removed. Any rate proceeding where one of our state commissions discovers that we are not accurately recording retirements will cast doubt on the accuracy of the Company's records and decrease the likelihood of a favorable rate outcome.

Original cost retirements must be recorded accurately and timely to ensure financial reporting accuracy and to permit Company management to receive correct financial results.

Detecting original cost retirement errors requires that review procedures be adopted and that documentation of the review be maintained.

This procedure outlines the minimum original cost retirement review and documentation requirements for AEP Generation, Transmission and Distribution business units. Additional documentation can be kept if desired by business unit management.

Review procedures will differ for Generation, Transmission and Distribution business units because of the differences in work management systems and in the nature of Generation and Transmission projects versus Distribution projects.

Retirements for Generation and Transmission projects are entered in the INDUS work management system and are generally based on estimates using current day costs of the new property being added to replace the property being removed. The current day cost is trended in the PowerPlant system to the vintage year entered by the person who enters the retirement amount.



Property Accounting Policy/Procedure

Retirements for Distribution projects are entered in the Severn Trent work management system and are based on quantities of retirement unit property being removed. The retirement quantities are priced by the PowerPlant system using a retirement curve and average installed costs for the retirement unit for the vintage year selected by the curve.

Note: The assistant controller or managing director must approve all deviations from this policy.

Generation and Transmission Original Cost Retirement Review:

Generation and Transmission use the INDUS work management system to establish new construction and retirement work orders. INDUS has mechanical preventative controls to ensure that retirements are made. The controls require that an original cost retirement amount and a vintage year be input when a retirement job type is selected. While this control will assist in making certain that retirements are recorded, it depends on the correct selection of the job type. Also, the original cost retirement amount entered could be unreasonable in relation to the property being retired. For these reasons, retirements need to be reviewed on a monthly basis. This procedure provides for a review of a sample of original cost retirements.

Generation and Transmission construction projects are generally more costly and fewer in number than Distribution projects. Original cost retirement reviews should focus on large construction projects and also include a random sampling of additional work orders.

The following review is recommended for Generation, Distribution Station and Transmission work orders:

1. Generation and Transmission (including Distribution Station) will designate a responsible group or individuals to perform the original cost retirement review
2. A list of Generation and Transmission (including Distribution Station) employees responsible for the original cost retirement review will be maintained by GBS Financial Budgeting Plants and Transmission Business Planning and Analysis
3. All work orders in-service during the review month with total construction and retirement charges over \$1,000,000 will be reviewed at a 100% level
4. In addition, Generation (each plant) and Transmission will select for review at least 10 work orders in-service during the review month with accumulated charges over \$50,000, or if there are not 10 work orders with charges of \$50,000 each, the 10 largest work orders should be reviewed.
5. The original cost retirement review will include:
 - b. Determining if an original cost retirement is required (some projects analyzed will be new construction where there should be no retirement)
 - c. Analyzing if the original cost retirement amount is reasonable when compared to the property being added
 - d. Correcting the retirement amount if it is unreasonable or if a retirement amount needs to be added to the work order
 - e. Completing, initialing, dating and filing the attached form **Exhibit 1** (original cost retirement review spreadsheets should be printed and maintained for two years)



Property Accounting Policy/Procedure

6. Where the retirement review indicates that corrections are appropriate the following actions should be taken:
 - b. If it is determined that a retirement amount needs to be added to the work order or that the amount of the retirement is too small, then a new work order should be opened in INDUS to process the correct retirement amount. The retirement review should note that this action has been taken and document the new work order number.
 - c. If it is determined that the retirement amount was too large, Property Accounting should be contacted. When contacting Property Accounting, be prepared to supply the following information: 1) Work order number, 2) Original retirement amount and 3) Revised retirement amount

Distribution Original Cost Retirement Review:

Distribution construction projects are generally less costly but many in number. Original cost retirement reviews should still focus on large dollar construction projects and also include a random sampling of additional work orders.

For Distribution work orders the following original cost retirement review is recommended:

1. Each distribution region will designate a responsible group or individual to perform the original cost retirement review
2. A list of distribution region employees responsible for the retirement review will be maintained by Utility Business Services
3. Work orders completed during the prior month with accumulated charges with total construction and retirement cost over \$50,000 will be reviewed at a 100% level
4. Each distribution region will also randomly review at least 10 work orders completed in the prior month with accumulated costs over \$1,000 (smaller dollar amounts should be used only if required)
5. The original cost retirement review will include:
 - a. Determining if an original cost retirement is required (some projects analyzed will be new construction where there should be no retirement)
 - b. Analyzing if the original cost retirement **quantity** is reasonable when compared to the property being added
 - c. Correcting the retirement **quantity** if it is unreasonable or if a retirement quantity needs to be added to the work order
 - d. Completing, initialing, dating and filing the attached form **Exhibit 2** (original cost retirement review spreadsheets should be printed and maintained for two years)
6. Where the retirement review indicates that quantities are incorrect and corrections are appropriate, the following actions should be taken:
 - a. If it is determined that a retirement quantity needs to be added to the work order or that the quantities on the retirement work order are too small, then a new work order should be opened in STS to process the correct retirement quantity. The



Property Accounting Policy/Procedure

retirement review should note that this action has been taken and document the new work order number.

- b. If it is determined that the retirement quantity was too large, Property Accounting should be contacted. When contacting Property Accounting, be prepared to supply the following information: 1) Work order number, 2) Original retirement quantity and 3) Revised retirement quantity

Effective Date:

Original cost retirement data will be reviewed monthly. This procedure is effective beginning June 30, 2005.



Property Accounting Policy/Procedure

Exhibit 1

WORK ORDER ORIGINAL COST REVIEW GENERATION AND TRANSMISSION SPREADSHEET

A spreadsheet of work orders reported in service in prior month will include the following fields:

<u>Field Name</u>	<u>Explanation</u>
▪ Company Name	Provided in spreadsheet
▪ Work Order Number	Provided in spreadsheet
▪ Work Order Description	Provided in spreadsheet
▪ In Service Date	Provided in spreadsheet
▪ Work Order Total Charges	Provided in spreadsheet
▪ Original Cost Retirement	Provided in spreadsheet
▪ Orig Cost Amount Reasonable Yes/No Explain	Indicated yes or no and give brief explanation of reasonableness results
▪ Correction Needed – Detail Steps	Indicate steps taken if correction needed
▪ Testing performed by (initials and date)	Enter initials and date of review

Steps for Work Order Original Cost Review

1. Receive monthly spreadsheet of work orders reported in service (prior month) and delete any companies that are not your responsibility.
2. Select all work orders with capital and retirement expenditures greater than \$1 million. Next select 10 additional work orders to review with expenditures greater than \$50,000 and less than \$1 million.
3. Determine if there should be any retirements based on the work order description and/or tasks established.
4. If retirement indicated, review the Passport Property panel to determine if the amount in the current value field is reasonable compared to the estimate to install the replacement item. Also verify that the vintage year is reasonable.
5. If retirement estimate is incorrect, follow process on Page 3, No. 6, a. or b. of Retirement Review procedures
6. Indicate yes or no to whether the Original Cost Retirement is reasonable and provide explanation.
7. Define action taken if Original Cost Retirement is not reasonable.
8. Print spreadsheet with selections reviewed; initial and date and maintain a file for 2 years.



Property Accounting Policy/Procedure

EXAMPLE

WORK ORDER ORIGINAL COST RETIREMENT REVIEW -GENERATION/TRANSMISSION										
<u>Company Name</u>	<u>Work Order Number</u>	<u>Work Order Description</u>	<u>In Service Date</u>	<u>Work Order</u>	<u>Total Charge</u>	<u>Original Cost</u>	<u>Orig Cost Retirement Reasonable</u>	<u>Amt No Explain</u>	<u>Correction Needed - Detail Steps</u>	<u>Testing performed by (Initials and date)</u>
AEP Texas Central Co - Distr	40375232	SOUTH MISSION UPGRADE STATION	05/13/2005	STELLBUF	1,678,402.79	0.00	No - 2 transformers replaced	Yes - New Construction	Est work order 40591367 to retire 2 transformers and reclassify appropriate labor from construction to removal	gjt 6/10/05
AEP Texas Central Co - Transm	40155850	CONVERT MISSION TO 138KV	05/13/2005		1,347,002.46	0.00				gjt 6/10/05
AEP Texas Central Co - Transm	T0005046	LON HILL #1 345KV AUTO TRF 70	05/23/2005		74,082.18	3.72				
AEP Texas Central Co - Transm	40247651	FRONTERA TO JL BATES	05/09/2005		61,670.24	26,430.77				
AEP Texas Central Co - Transm	40261366	LAPALMA 138 KV RELAY UPGRADE	05/02/2005		35,728.14	0.00				
AEP Texas Central Co - Transm	T0027750	RIO HONDO SW STA - REPLACE OPE	05/03/2005		9,463.31	5,670.00				
AEP Texas Central Co - Transm	T0036549	RAYMONDVILLE #2 - REPLACE POLY	05/03/2005		9,080.98	8,068.50	Yes - Vintage year 1999		None	gjt 6/10/05
AEP Texas Central Co - Transm	40261369	RIO HONDO 138 KV RELAY UPGRADE	05/02/2005		8,171.46	0.00				
AEP Texas Central Co - Transm	T0040222	MILITARY HIGHWAY - REPLACE BAT	05/03/2005	GONZALE	7,923.06	5,670.00				
AEP Texas Central Co - Transm	T0036548	LON HILL- REPLACE 138KV CCVT-O	05/02/2005		4,146.10	3,812.72				
AEP Texas Central Co - Transm	T0034635	RINCON - INSTALL 3-69KV LIGHTN	05/02/2005		3,995.06	372.58				
AEP Texas Central Co - Transm	T0034638	RINCON - INSTALL 3-69KV LIGHTN	05/02/2005		3,663.80	372.58				
AEP Texas Central Co - Transm	T0034639	RINCON - INSTALL 3-69KV LIGHTN	05/01/2005		3,201.81	372.58				
AEP Texas Central Co - Transm	40420976	PURCHASE: VACUUM PUMP KIT FOR	05/13/2005		2,195.92	0.00				
AEP Texas Central Co - Transm	40553172	SAN MIGUEL - LAREDO (HWY 59) T	05/01/2005	STELLBUF	1,707.66	0.00				
AEP Texas Central Co - Transm	T0035890	KOCH UP RIVER-REPLACE 2 AIR CO	05/01/2005		1,407.48	1,757.19				
AEP Texas Central Co - Transm	40441869	SOUTH MCALLEN RELAYING	05/15/2005		501.86	0.00				



Property Accounting Policy/Procedure

Exhibit 2

WORK ORDER ORIGINAL COST REVIEW DISTRIBUTION SPREADSHEET

A spreadsheet of all completed work orders, in prior month, will include the following fields:

<u>Field Name</u>	<u>Explanation</u>
▪ Company Name	Provided in spreadsheet
▪ Work Order Number	Provided in spreadsheet
▪ Work Order Description	Provided in spreadsheet
▪ In Service Date	Provided in spreadsheet
▪ Work Order Total Charges	Provided in spreadsheet
▪ Original Cost Retirement	Provided in spreadsheet
▪ Orig Cost Amount Reasonable Yes/No Explain	Indicate yes or no and give brief explanation of reasonableness results
▪ Correction Needed – Detail Steps	Indicate steps taken if correction needed
▪ Testing performed by (initials and date)	Enter initials and date of review

Steps for Work Order Original Cost Review

1. Receive monthly spreadsheet of work orders completed in prior month and delete any companies that are not your responsibility.
2. Select all work orders with capital and retirement expenditures greater than \$50,000. Next select 10 additional work orders to review with expenditures greater than \$1,000 and less than \$50,000.
3. Determine if there should be any retirements based on the work order description and/or DWMS estimates established.
4. Review the actual retirement unit material charged to the construction work order to determine if the retirement unit material equals estimate. If yes, and the equipment removed appears reasonable to the construction material installed, no further review is needed. If no, review the foreman's copy of the work order to determine the work performed, and make adjustments accordingly.
5. If retirement estimate is incorrect, follow process on Page 4, No. 6, a. or b. of Retirement Review procedures
6. Indicate yes or no to whether the Original Cost Retirement is reasonable and provide explanation.
7. Define action taken if Original Cost Retirement is not reasonable.
8. Print spreadsheet with selections reviewed; initial and date and maintain a file for 2 years.



Property Accounting Policy/Procedure

EXAMPLE

WORK ORDER ORIGINAL COST RETIREMENT REVIEW - DISTRIBUTION												
Work Order Number	Work Order Description	Completion Date	Work Order Initiator	Retirement Unit	Qty 107	Qty 108	Amount 107	Amount 108	Total Amount	Orig Cost Retirement Qty Reasonable Yes/No Explain	Correction Needed - Detail Steps	Testing performed by (Initials and date)
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005			0	0	172,928.61	-48,118.04	124,810.57	Yes - Conductor installed should be 900 ft. Retirement qty correct	Contact PA to correct conductor footage on As build estimate	git 6/10/05
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Pole_Wood	3	0	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Pole_Wood	0	1	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Arrester	36	0	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Arrester	0	2	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Cutout or Fuse Mounting	37	0	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Cutout or Fuse Mounting	0	9	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Conductor	5	0	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Conductor	0	850	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Recloser	10	0	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Recloser	0	7	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Switch (s) - All Types	9	0	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Grounding - Complete	20	0	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Arrester	6	0	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Arrester	1	0	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Cutout or Fuse Mounting	1	0	0.00	0.00	0.00			
DAP0032357	3230259-SECTIONALIZING HASH R	05/25/2005		Cutout or Fuse Mounting	0	1	0.00	0.00	0.00			
DAP0037330	6165785-ASSET IMPROVEMENT-OLD	05/04/2005			0	0	73,906.40	1,803.26	75,709.66	No - Conductor removed should be 20,000 ft	Established WO DAP0052446 to retire additional 16,000 ft conductor	git 6/10/05
DAP0037330	6165785-ASSET IMPROVEMENT-OLD	05/04/2005		Pole_Steel	1	0	0.00	0.00	0.00			
DAP0037330	6165785-ASSET IMPROVEMENT-OLD	05/04/2005		Pole_Wood	1	0	0.00	0.00	0.00			
DAP0037330	6165785-ASSET IMPROVEMENT-OLD	05/04/2005		Pole_Wood	0	2	0.00	0.00	0.00			
DAP0037330	6165785-ASSET IMPROVEMENT-OLD	05/04/2005		Cutout or Fuse Mounting	2	0	0.00	0.00	0.00			
DAP0037330	6165785-ASSET IMPROVEMENT-OLD	05/04/2005		Conductor	20129	0	0.00	0.00	0.00			
DAP0037330	6165785-ASSET IMPROVEMENT-OLD	05/04/2005		Conductor	0	4023	0.00	0.00	0.00			
DAP0037330	6165785-ASSET IMPROVEMENT-OLD	05/04/2005		Grounding - Complete	0	1	0.00	0.00	0.00			
DAP0037330	6165785-ASSET IMPROVEMENT-OLD	05/04/2005		Grounding - Complete	15	0	0.00	0.00	0.00			
DAP0051445	8202782-Relocate pole in slip,	05/18/2005			0	0	9,251.58	2,026.87	11,278.45	Yes - checked foreman's copy of work order and 2 poles were removed	None	git 6/10/05
DAP0051445	8202782-Relocate pole in slip,	05/18/2005		Pole_Wood	1	0	0.00	0.00	0.00			
DAP0051445	8202782-Relocate pole in slip,	05/18/2005		Pole_Wood	0	2	0.00	0.00	0.00			
DAP0051445	8202782-Relocate pole in slip,	05/18/2005		Conductor	157	0	0.00	0.00	0.00			
DAP0051445	8202782-Relocate pole in slip,	05/18/2005		Conductor	0	100	0.00	0.00	0.00			
DAP0051445	8202782-Relocate pole in slip,	05/18/2005		Switch (s) - All Types	3	0	0.00	0.00	0.00			
DAP0051445	8202782-Relocate pole in slip,	05/18/2005		Grounding - Complete	4	0	0.00	0.00	0.00			
DAP0051445	8202782-Relocate pole in slip,	05/18/2005		Grounding - Complete	0	6	0.00	0.00	0.00			

Reviewers

Chris Mayne Stroud, David P Sartin, James L Hicks, Michael F Lamantia, Kenneth J DeLuca, Kevin R Lemasters, Linda L Moore, Ranie K Wohnhas, Rocky R Miracle, Roger L Heslep, Sandra L Schlemmer, Thomas P Brice, Tim M Abbott, William N D'Onofrio, Thomas J Festi, Melvin O Snoke, John A Hoover, Michael D Riggins



Property Accounting Policy/Procedure

Approved By

David A. Davis -	June 16, 2005
Julie Williams -	June 16, 2005
Michael J. Sullivan -	June 16, 2005
Susan E. Higginson -	June 30, 2005
William N. D'Onofrio -	June 23, 2005

Edit History



Property Accounting Policy/Procedure

Policy/Procedure Title	Storm Work Order Procedure – Field Review	Date	February 1, 2011 Rev.1
Owner:	Property Accounting	Status: (Draft, Under Review, Approved)	Approved

Purpose

The purpose of this procedure is to detail field review and documentation for Distribution Storm Work Orders for the AEP System. This procedure is intended for major storms with expenditures over \$1M. Transmission is excluded from this procedure since the transmission group issues specific or defined scope work orders for repairing storm damage (not generic storm work orders as issued by Distribution).

Procedure

Storm Work Order Review

Storm restoration work orders have always presented a challenge to properly account for costs as capital or expense. During an emergency situation, such as a storm, work orders need to be issued quickly to charge costs but the appropriate split between capital and expense is not known until well after the storm restoration work is completed.

Since the split between capital and expense is not immediately known, a review of storm related work orders is required to verify the appropriate classification of expenditures between expense and capital.

To address this issue and help insure consistent treatment of storm costs, the Accounting Department and AEP Utilities Planning and Budgeting have worked together to develop standard procedures for reviewing and tracking major storm costs. The Utilities Planning and Budgeting Group has issued instructions that includes the definition of a major storm event and establishes a standard cost reporting and tracking system.

Establishing Work Orders

Utilities Planning and Budgeting has issued instructions regarding the establishment of work orders and a Budget Project Number for each Major Storm. Accounting Services recommends that each Distribution Operating Company establish at least three Budget Project Numbers in advance to quickly facilitate capturing charges when a major storm occurs.

These storm work orders should be established in DWMS using estimate percentages provided by AEP Utilities Planning and Budgeting.

Based on historical storm data, the following percentages are *guidelines* that should be used in initially establishing a work order in DWMS for storm restoration. **Once an assessment of the damage is performed by the Operating Company and prior to the recordation of the initial storm accrual cost estimate, the percentage splits should be changed as necessary to reflect the restoration work activities performed based on the type of**



Property Accounting Policy/Procedure

damage incurred- (replacing broken poles vs. re-stringing conductor). The change must be approved by the Vice President of Distribution Region Operations prior to updating DWMS.

Storm Type	O&M %	Capital %	Removal %
Wind	75	20	5
Moderate Ice(< 1/2")	90	8	2
Severe Ice(> 1/2")	75	20	5
Severe Ice – Structural Damage	50	42	8
Snow	85	10	5
Thunderstorm	92	7	1
Tornado	30	60	10
Hurricane	75	20	5
Major Hurricane – Structural Damage	60	35	5

Notes: These percentages are guidelines based on past storms; however, since no two storms are alike and the damage can vary widely based on the type of terrain, severity of ice, wind, weight of snow (wet / dry), etc., the final percentage split of the actual restoration work could vary from these guidelines.

The Hurricane storm type should only be used by locations directly hit by a moderate or major hurricane. Typically, a hurricane has been downgraded to a Tropical Storm (Wind) by the time it moves inland.

The percentages used should be reviewed at least every third year by AEP Utilities Planning and Budgeting to determine if the percentages continue to reflect actual experience.

Once the work order has been established, notification of the work order and work request numbers should be issued to all appropriate Distribution and Storeroom personnel. When the work order is completed, the as built estimates (pole sheets) should be provided to identify all major items that were installed and removed. (It is not necessary to provide the construction units for O&M material items.)

The Storm Work Order should be reported in service when all services have been restored.

Storm Work Order Charges

All material (used for the restoration of the storm) must be accounted for in the capital or maintenance work order section. Material should never be charged to the “0” control of the work order. It should be charged to either the 7 control (capital) or the M control (maintenance). If material from the “Quick Pick” area or truck stock was used during the storm restoration effort, the storm work order (control 7 or M) should be charged, when replenishing the Quick Pick area or truck stock.

The work request number should be used for labor that is entered into Spectrum or STS. Labor entered directly into PeopleSoft should be charged to the “0” control of the work order. Contract labor invoices should be charged to the “0” control of the work order. Charges for meals and lodging that are directly attributable to the storm recovery work should also be made to the “0” control of the work order.



Property Accounting Policy/Procedure

Monitoring Storm Work Orders

All distribution storm work orders that have accumulated total capital and removal costs of \$1,000,000 or more should be analyzed for reasonableness (as presented below) to determine if costs are appropriately capitalized.

All storm restoration work activities, including clean-up, must be completed within 60 days after all services have been restored. Exceptions to the 60-day limit will be made for catastrophic damage to the distribution system. The work order may remain open for up to 6-months to allow for final contractor invoices and resolution of disputes.

The Utilities Planning and Budgeting organization will generate a report that should be used to select the proper storm work orders to determine if all charges in the work order are appropriate. All material, labor and other costs should be reviewed to determine that they have been properly classified between capital and O&M. The amount of retirement unit material charged to the capital work order should be sufficient to support the total cost charged to capital. If it does not support the total cost charged to capital, then a reclassification between capital, removal and O&M may be needed. The JE Classification Correction process should be used for any reclassification that may be required as a result of the review.

The amount that should remain in the capital work order can be determined by using the Calculated Capital Costs Based on Retirement Unit Materials spreadsheet (See Exhibit 1 attached). The average installed cost and labor percentage will be provided by Property Accounting for each Operating Company on an annual basis. The areas of the spreadsheet shaded in gray will require user input. As-built quantities that are entered on the spreadsheet are multiplied by the average installed cost. That cost is then allocated between Labor and Material/Transportation costs using the labor percentage provided by Property Accounting. The labor component is multiplied by the appropriate multiplier from the table below

Type of Storm	Multiplier
Expenditures Less Than \$5M	1.75
Expenditures Great Than \$5M	2.00
Severe Icing	2.25

If the event is catastrophic, the multiplier should be reviewed and adjusted accordingly to take into account the magnitude of the restoration effort. The difference between the total construction and removal costs charged to the storm work order and the calculated construction and removal costs should be reclassified to either O&M or capital, depending on whether the difference is positive or negative. You cannot reclassify more than what was actually charged to capital or O&M. A copy of the Calculated Capital Costs Based on Retirement Unit Materials spreadsheet should be retained for 2 years.

Storm retirement work orders should also be reviewed to insure all retirement unit items that were removed are included in the estimate. The amount of removal labor charged to the



Property Accounting Policy/Procedure

storm work order should also be reviewed. The removal labor should be compared to the compatible unit labor standards for removal of retirement unit items.

Typically, review of storm work orders should begin 60 days following the storm. At that time, as built information should be entered into DWMS for all major units installed and removed during the storm. **All labor and contractor invoices should be booked by this time. If there are still outstanding contract labor invoices to be paid, do not enter the as built estimates until they are paid.**

In addition, Business Operations Support organization will monitor major storm work orders to ensure these procedures are being followed and work orders are closed in a timely fashion.

Closing Storm Work Orders

The retirement units (major) installed and removed are the only units required for the as built estimate. Once this data has been entered into DWMS, the storm work order should be closed.

Effective Date:

Storm work order reviews will be performed monthly. This procedure is effective beginning February 1, 2011.

Revision 1

Reviewers

Andy Murphree, Dave Hummel, Information Section Supervisors, Mike Lamantia

Approved By

Janet Swanger
Larry Sullivan
Julie Williams

Edit History

Rev.1 Effective 2/01/2011 - This is a revision to the original procedure that was issued in June, 2005. Changes made by in this revision are include:

- The Increased the threshold for applying the procedure has been revised from major storms costing over to be implemented from \$100K to major storms costing over \$1M.
- The approver for deviations from the percentage splits listed in the table has been changed from Changed who can approve changing the %'s used on the storm work orders from the Assistant Controller to the Vice President VP of Distribution Region Operations.



Property Accounting Policy/Procedure

- Updated The percentage splits between O&M, capital and removal have been updated in the table to reflect %'s used for the storm work order templates current experience.
- The 2.5 Changed the multiplier previously from 2.5 applied to material and labor charges was revised to a variable multiplier based on the type of storm which is applied to labor charges only. ~~all charges to a multi-tier application based upon total expenditures that will be applied only to labor.~~

Exhibit 1

CALCULATED CAPITAL COSTS BASED ON RETIREMENT UNIT MATERIALS

TOTAL CONSTRUCTION MATERIALS	\$ 507,800.28
TOTAL CONSTRUCTION COSTS	\$ 2,774,977.87

Work Order Number	wor#	wrt#	title
	DOP0133607		Hurricane IKE

Retirement Unit Description	Installed Cost Year	Average Installed Cost	Quantity	Total Avg Install Cost	Labor %	Material and Transp Cost	Labor	2.0 Multiplier	Calculated Capital Costs
Poles	2007	1,334	464	618,948	47.38%	325,795.28	293,152.88	2.0	912,101.04
Arresters	2007	140	423	59,212	57.74%	25,022.39	34,189.15	2.0	93,400.89
Cutouts	2007	202	667	134,741	50.04%	67,315.61	67,425.06	2.0	202,165.73
Conductor	2007	3	93,689	290,436	66.23%	98,082.77	192,353.13	2.0	482,789.03
Conduit	2007	8	572	4,639	50.00%	2,319.46	2,319.46	2.0	6,958.38
Cross Arms	2007	68	630	42,575	51.74%	20,548.50	22,026.90	2.0	64,602.30
Lights	2007	262	37	10,418	47.64%	5,454.51	4,963.21	2.0	15,380.93
Grounds	2007	44	101	4,366	50.38%	2,182.06	2,215.46	2.0	6,613.00
Reclosers	2007	3,730	1	3,730	19.65%	2,996.89	733.09	2.0	4,463.07
Switches	2007	835	18	15,035	31.47%	10,302.52	4,731.98	2.0	19,766.48
Regulators	2007	8,227	2	16,455	16.67%	13,711.67	2,743.25	2.0	19,198.17
S/L Conductor	2007	0	-	0				2.0	0
S/L Poles-Concrete	2007								0
Calculated Construction Costs									1,827,439

Removal Cost Calculation:

estimated removal cost	Labor/Overhead Transportation	\$ From As Built Report	\$ 100,000
Calculated Removal Cost	100,000	Multiplier for Removal	2.0
Total Calculated Costs			200,000

	CONSTRUCTION	REMOVAL	
Total Charges in work order	2,774,978	679,873	
Known Required Transfers			
Total Cost	2,774,978	679,873	
less Calculated Capital Costs	1,827,439	200,000	
Amount over Capitalized	947,539	479,873	
Less Construction Overheads	85,884	39,459	
Amount to Transfer from O&M	861,655	440,414	1,302,069

Overhead Calculation

Total Cost	2,774,978	679,873
Overhead Charges	251,523	55,904
Average Overhead Rate	0.09	0.08

Overheads to remaining costs	85,884	39,459
------------------------------	--------	--------



Property Accounting Policy/Procedure

Policy/Procedure Title	Work Order Charge Review – Field Review	Date	December 23, 2004
Owner:	Property Accounting	Status: (Draft, Under Review, Approved)	Approved

Purpose

The purpose of this procedure is to detail field review and documentation for construction and retirement work order charges for the AEP System.

Procedure

General:
 Generation, Transmission, Distribution and other groups issue Construction and Retirement work orders (WO’s) monthly. After issuance, these WO’s begin receiving charges from various sources including labor, materials, accounts payable, accounts receivable, AFUDC and others.

Charges can be posted to incorrect WO’s requiring reclassification to transfer the charges to correct WO’s or to O&M expense.

Classification errors need to be corrected on a timely basis to ensure financial reporting accuracy and to permit Company management to receive correct financial results.

Detecting classification errors requires that review procedures be adopted and that documentation of the review be maintained.

This procedure outlines the minimum charge review and documentation requirements for AEP Generation, Transmission and Distribution business units. Additional documentation can be kept if desired by business unit management.

Review procedures will differ for Generation, Transmission and Distribution business units because of the difference in the nature of Generation and Transmission projects versus Distribution projects.

The assistant controller must approve all deviations from this policy.

Generation and Transmission Project Charge Review:

Generation established a work order charge review procedure titled “Accuracy of Work Order Charges”. The procedure provides for a review of all current month charges on selected work orders and was made effective April 1, 2004. Generation will follow this work order charge review procedure.

Transmission construction projects are generally more costly and fewer in number than Distribution projects. Charge reviews should focus on large dollar charge amounts and also include a random sampling of additional charges.



Property Accounting Policy/Procedure

Since it is not uncommon for Transmission work orders to receive large dollar value charges the following review is recommended:

1. Each transmission department will designate a responsible group or individuals to perform the charge review
2. A list of Transmission employees responsible for the charge review will be maintained by Roger Heslep
3. All individual charges over \$100,000 will be reviewed at a 100% level
4. In addition, the Transmission Services and Transmission Capital Improvements departments will randomly review at least 10 charges over \$10,000 per month; the Transmission Operations and Transmission Asset Management departments will randomly review at least 5 charges over \$10,000 per month (for all departments). Smaller dollar amounts should be used only if required.
5. Charge review will include:
 - a. Analyzing if the amount in question is correctly classified as capital
 - b. Determining if the amount is charged to the correct work order
 - c. Completing, initialing, dating and filing the attached form **Exhibit 1** (charge review forms should be maintained for two years)

Distribution Project Charge Review:

Distribution construction projects are generally less costly but many in number. Charge reviews should still focus on large dollar charge amounts and also include a random sampling of additional charges. Large dollar amounts for distribution are considerably smaller than for generation or transmission.

For Distribution work orders the following charge review is recommended:

1. Each individual distribution region will designate a responsible group or individual to perform the charge review
2. A list of distribution region employees responsible for the charge review will be maintained by Roger Heslep
3. All individual charges over \$25,000 will be reviewed at a 100% level
4. Each distribution region will also randomly review at least 10 charges over \$1,000 per month (smaller dollar amounts should be used only if required)
5. Charge review will include:
 - a. Analyzing if the amount in question is correctly classified as capital
 - b. Determining if the amount is charged to the correct work order
 - c. Completing, initialing, dating and filing the attached form **Exhibit 1** (charge review forms should be maintained for two years)



Property Accounting Policy/Procedure

Exhibit 1

WORK ORDER CHARGE REVIEW FORM

Company:

Month/Year of Review:

Work Order Number:

Work Order Title:

Amount of Transaction:

Transaction Description:

Reason for Capital Determination:

Correction Needed (detail if reclassification is required):

Testing Performed By (Initials and date):

Reviewers

John Torpey, Mel Snoke, Traci Bellis, Roger Heslep

Approved By

David A. Davis, Manager, Property Accounting -----June 25, 2004

Edit History

8/26/04 changed Generation's charge review procedure to note that it is documented by a procedure written by Generation titled "Accuracy of Work Order Charges"
10/3/04 revised Transmission's review to be 100% of charges over \$100,000 and include departments doing charge review – revisions requested by Chris Stroud
Edited on 12/23/04 – for Jason Stegall to add "The assistant controller must approve all deviations from this policy."



Policy/Procedure Title	In Service Procedure	Date	Dec. 4, 2008 Rev 3
Policy Approved By:	Susan Higginson	Status: (Draft, Under Review, Approved)	Approved
Policy Authored By:	David G. Hummel		
Distribution:	Mike Lamantia, Mel Snoke, Roger Rickman, Jeffrey Parlet		

Purpose

The purpose of this procedure is to define the proper process for in service date entry for construction and retirement work orders for the AEP System.

Policy/Procedure Statement

General

Plant in service dates on construction work orders signify that the facilities being constructed are in place, fully tested and being used for their intended purpose. In service dates for retirement work orders initiate the retirement of original cost amounts from AEP's property records.

In addition, in service date entry initiates a transfer of property from construction work in progress to plant in service, stops AFUDC from accruing, prevents future AFUDC reversals and starts depreciation.

Note that a construction/retirement work order will continue to accumulate charges and is not inactivated by entry of the in service date.

In Service Date Entry

In service dates must be entered in the accounting system where the work order was initiated. For AEP's current accounting systems, in service dates for Transmission, Steam/Hydro/Gas Generation and Nuclear should be entered in INDUS, in service dates for Distribution should be entered in Severn Trent and other work orders (initiated in PowerPlant) should be placed in service in PowerPlant. In Service date entry is the responsibility of the department that initiated or requested initiation of the construction/retirement work order.

In service dates should be entered within 30 days of the actual in service date except for projects over \$100 million which should have their in service dates entered the same month.

In the case of major projects, in service dates are entered when the entire project begins being used for its intended purpose. The only exception is where certain pieces of equipment have dual uses and the equipment begins being used for its alternate use in advance of the in service of the entire project. Separate work orders need to be established when separate in service dates are appropriate.

Major Plant In Service

A November 14, 2008 letter from Joseph M. Buonaiuto revised the major plant in service reporting procedure. Under this revised procedure, work orders initiated by Distribution or Shared Services that have accumulated \$1 million or more in construction expenditures prior



to being placed in service require senior management approval on a Major Plant In Service Form. Work orders initiated by Transmission, Steam/Hydro/Gas Generation or Nuclear that have accumulated \$2 million or more in construction expenditures prior to being placed in service require senior management approval on a Major Plant In Service Form. Property Accounting maintains a list of persons eligible to approve Major Plant In Service Forms.

When the department that initiated or requested initiation of the work determines that a construction work order with expenditures over the threshold specified for that organization (\$1 or \$2 million) is ready to be placed in service, the project engineer or other responsible party enters the in service date, prepares a Major Plant In Service Form and sends the form to Property Accounting. Property Accounting will then send the in service form with a cover letter to the appropriate approver. When the approved in service form is returned, Property Accounting will notify the person requesting the in service status that the in service form has been approved. If the in service date was not previously entered by the responsible party, it will be entered at this time. The approved in service form will be filed and retained by Property Accounting. This paragraph applies to Distribution, Transmission and Shared Services work orders.

For a Steam/Hydro/Gas Generation or Nuclear construction work order with expenditures over \$2 million a Major Plant In Service Form will be prepared and routed to the applicable Plant Manager. The Plant Manager sign-off on the in service form will be the authorization for entering the in service date. After the in service date is entered, the in service form will be sent to Property Accounting. Property Accounting will verify that the appropriate in service date is in PowerPlant and then send the in service form with a cover letter to the appropriate approver. When the approved in service form is returned, Property Accounting will notify the person requesting the in service status that the in service form has been approved. The approved in service form will be filed and retained by Property Accounting.

Attachments

- Major Plant In Service Form – Excel File
- Revised Major Plant in Service Letter

Approved By:

David A. Davis – Property Accounting Manager 7/14/04
Revised by David A. Davis – Property Accounting Supervisor 11/3/05
Revised by David G. Hummel – Property Accounting Manager 2/05/07
Revised by David G. Hummel – Property Accounting Manager 12/04/08

Version Control

Control #	Updated By:	Date:	Control #	Updated By:	Date:
1	David Davis	12/9/03			
2	David Davis	11/3/05			
3	David Hummel	2/05/07			
4	David Hummel	12/04/08			



Major Plant In Service Approval Letter Rev 2.doc

Date: November 14, 2008

Subject: Revision to the Senior Management Major Plant In-Service Approval Procedure

From: Joseph M. Buonaiuto

To: Carl L. English
Nicholas K Akins
Susan Tomasky
Dennis E. Welch

The purpose of this memo is to revise, where necessary, certain functional senior management approval limits to place major plant in-service. The revisions follow a review of the approval limits and are intended to reduce the administrative burden associated with these approvals.

Background

In 1992, a policy was issued for major plant in-service approvals to ensure timeliness and appropriateness of in-service transfers of major property. The policy required that work in progress costing over \$1 million be approved by a responsible Service Corporation senior manager.

In 2007, Property Accounting issued a major plant in-service procedure to address a Sarbanes-Oxley remediation item to ensure that in-service property is recorded in a timely fashion. The procedure continued to require AEP management approval to place a project in-service where work order expenditures were in excess of \$1 million.

Discussion

Recently, Property Accounting performed a review of the major plant in-service procedure to determine if the \$1 million management approval level should be revised to consider inflation since 1992 and to consider the burden resulting from the larger number of in-service reports meeting the \$1 million threshold since the policy was originally issued 16 years ago.

The table below details statistics regarding major plant in-service forms approved by AEP management during the 12 month period ended April 2008. The table indicates that 116 major in-service reporting forms were approved by Generation (including Nuclear) out of a total of 6,011 work orders that were placed in service, while Transmission approved 95 reports out of a total of 3,437 work orders placed in service.

**Major Plant In-Service Statistics
May 2007 to April 2008**



Function	Major Plant In Service Reports Processed Over \$1 million	Total Work Orders Placed In Service
Distribution	64	109,628
Transmission	95	3,437
Generation (including Nuclear)	116	6,011
Building Services and Other	<u>3</u>	<u>1,587</u>
TOTAL	278	120,663

In-Service Procedure Revision

Considering the number of reports processed by each function and inflation in construction costs since the procedure was originally issued, we recommend that the \$1 million Major Plant in Service approval limit for the Transmission, and Generation (including Nuclear) functions be increased to \$2 million to reduce the administrative burden (by approximately 55 reports per year for Transmission and by approximately 20 reports per year for Generation). A revision in the Distribution limit is not required at this time due the larger number of Distribution approvers and the lower number of \$1 million approvals required. Similarly, the low number of Building Services and Other approvals indicate that there is no need for a revised dollar limit for these functions.

Effective with this letter, the \$1 million approval limit for Transmission and Generation (including Nuclear) major plant in-service approvals will be raised to \$2 million. The limit for the other business functions will remain unchanged at \$1 million. We have discussed the new limit with Transmission and Generation personnel who concur.

It is important to note that the major plant in-service approval forms should be signed by a senior member of the Business unit management team on a Vice President or higher level (where possible) and that they should be approved in a timely basis (in the same month that the asset is placed in-service). The approval should not be delegated to the Project Manager. Attached is a list by business function of senior managers currently authorized to approve major plant in-service reports. If you wish to change the senior managers in your business function authorized to approve the major in-service reports please notify David Hummel in the Canton Property Accounting Section. The revised major plant in-service approval procedure has been updated on AEP's website under "Accounting".



Attachments

cc: Leonard V. Assante
Karl G. Boyd
Stephen W. Burge
Deloitte & Touche
John E. Ehler
Paul W. Franklin
Harry R. Gordon
James E. Henderson
Michael Heyeck
Susan E. Higginson
David G. Hummel
John R. Huneck
Preston S. Kissman
Gary C. Knight
Holly K. Koepfel
Jeffery D. LaFleur
Thomas E. Mitchell
Richard A. Mueller
Richard E. Munczinski
Jeffrey S. Parlet
Mark A. Peifer
Everett G. Phillips
Robert P. Powers
Michael W. Rencheck
A. Wade Smith
Albert M. Smoak
Larry D. Sullivan
William F. Vineyard
Kevin E. Walker
Julie Williams
Phillip A. Wright



Property Accounting Policy/Procedure

Policy/Procedure Title	Work Order Suspension	Date	August 13, 2015
Policy Approved By:	Julie Williams	Status: (Draft, Under Review, Approved)	Approved
Policy Authored By:	Greg Keller		
Distribution:	Mike Lamantia, Robert Carroll, Ginger Hartman, Randy Gaudio, Randy Ware, Kevin Fairchild		

Purpose

The purpose of this procedure is to establish a process to suspend construction work orders by setting parameters for the suspension, establishing appropriate controls and approvals and preparing documentation to support and monitor suspended work orders. This is an internal control procedure which will be tested during Sarbanes-Oxley testing.

Policy/Procedure Statement

General

When a work order is suspended AFUDC/capitalized interest stops until the work order is un-suspended, at which time AFUDC/capitalized interest will resume. A suspended work order will still accept charges during the suspension period.

This policy is not meant to cover inactive work orders. There is a separate policy for reviewing inactive work orders entitled "Inactive Work Order Review".

To be considered eligible for suspension a construction project must meet the following criteria.

- If work order charges are over \$3 million:
 - a) Be accompanied by a completed "Request to Suspend Work Order" form.
 - b) All significant engineering and construction activities will be abated for a period of at least 60 days.
 - c) Vice President approval from the functional business unit.
 - d) Accounting Policy and Research approval.

- If work order charges are between \$1 million and \$3 million:
 - a) Be accompanied by a completed "Request to Suspend Work Order" form.
 - b) All significant engineering and construction activities will be abated for a period of at least 90 days.
 - c) Plant Manager or Director level approval from the functional business unit.

- If the work order charges are less than \$1 million:
 - a) Be accompanied by a completed "Request to Suspend Work Order" form.
 - b) All significant engineering and construction activities will be abated for a period of at least 120 days.
 - c) Plant Manager or Director level approval from the functional business unit.



Property Accounting Policy/Procedure

- If the work order charges are less than \$50 thousand:
 - a) Work Order will not be suspended.
 - b) Work Order should be reviewed to determine proper accounting (example: take no action, expense, close existing charges and open new work order for additional charges, etc.).

Documentation

In order to ensure timely stoppage of AFUDC/capitalized interest, the Request to Suspend Work Order form (Exhibit 1) should be submitted to Property Accounting in the same month the project is suspended. The form will be on file in Property Accounting and will include the following data.

- Initial suspension:
 - a) The work order number.
 - b) A description of the project.
 - c) The location of the project.
 - d) The accumulated charges at the time of suspension.
 - e) The suspension date.
 - f) The name of the person requesting the suspension.
 - g) An explanation for cessation of construction activity.
 - h) The estimated date the construction activity is to resume.
 - i) The dollar amount of any charges that due to the suspension have been identified as being of no value and the accounting classification for the write-off.
 - j) The signature of the person approving the request (approval limit based on total work order charges at the time of suspension). **Note:** The person signing the form is attesting that all of the charges in the work order have been reviewed prior to suspension and represent charges that can be properly suspended (i.e., all costs have future value and no write-offs are required, there are no assets that are already in service and should be transferred to plant in service).
 - k) If the charges in the work order exceed \$3 million, the signature of the Assistant Controller, Accounting Policy & Research, is also required.
 - l) The date the status of the work order is changed to Suspended.
 - m) The name of the person changing the work order status to Suspended.
- When Un-suspended:
 - a) The name of the Plant Manager or BU Director requesting the un-suspension.
 - b) The date the status was changed from Suspended.
 - c) The name of the person un-suspending the work order.



Property Accounting Policy/Procedure

Review

Property Accounting will perform periodic reviews of the status of suspended work orders as detailed below:

- a) Quarterly (in March, June, September, and December) a query will be run to identify suspended work orders that received charges during the prior 3 months. The project manager/engineer in charge of each project that received charges will be contacted for an explanation of the charges and a status update on the project.
- b) Semiannually (in March and September) the information contained on the Request to Suspend Work Order form for each suspended work order (except those noted in Item c, below) will be emailed to the applicable Plant Manager or BU Director. The Plant Manager or BU Director will reaffirm that the estimated restart date is still correct and that the work order charges still have value and no write-off is required. A response reaffirming the above or indicating a new estimated restart date or the amount and classification of any charges to be written-off should be emailed to the sender within 30 days of receipt of the form. A file of the responses will be maintained by Property Accounting.
- c) Annually (in September) each suspended work order whose estimated restart date is more than 24 months in the future will be reviewed. This review will follow the same process used for the semiannual review.

Property Accounting will contact the project manager/engineer in charge of the project when the estimated restart date for the work order has passed and no action to un-suspend the work order has been taken.

A work order will be un-suspended by written request from the applicable Plant Manager or BU Director.



Property Accounting Policy/Procedure

®
Exhibit 1

REQUEST TO SUSPEND WORK ORDER

WORK ORDER NUMBER	
PROJECT DESCRIPTION	
PROJECT LOCATION	
CHARGES (AT TIME OF REQUEST)	
SUSPENSION DATE	
PERSON REQUESTING SUSPENSION	
EXPLANATION FOR SUSPENSION	
ESTIMATED DATE CONSTRUCTION ACTIVITY WILL RESUME (MO/YR)	
AMOUNT AND ACCOUNTING CLASSIFICATION OF WRITE-OFF	

I attest that all of the charges in the work order have been reviewed prior to suspension and represent charges that can be properly suspended (i.e., all costs have future value and no write-offs are required, there are no assets that are already in service and should be transferred to plant in service).

Signature: _____ Date: _____
 Vice President - If expenditures exceed \$3M

Signature: _____ Date: _____
 Plant Manager or Functional BU Director - If expenditures between \$50K and \$3M

Accounting Policy & Research Approval

Signature: _____ Date: _____
 Assistant Controller, Accounting Policy & Research - If expenditures exceed \$3M

=====

PROPERTY ACCOUNTING USE ONLY

Date Work Order Suspended in PowerPlant: _____

Suspension Entered By: _____

Plant Manager or BU Director Requesting Un-Suspension: _____

Date Work Order Un-Suspended in PowerPlant: _____

Un-Suspension Entered By: _____



Property Accounting Policy/Procedure

Prepared By

Greg Keller, Accountant Assoc., Property Accounting 9/15/2015

Reviewed By

Janet Swanger, Manager, Property Accounting 9/15/2015

Approved By

Larry Sullivan, Accounting Operations Sr. Mgr. 9/15/2015

Julie Williams, Asst. Controller 9/16/2015

Edit History

8/13/2015 by Greg Keller: Added language regarding capitalized interest stopping upon suspension of a work order. Also, the threshold for Vice President approval has been adjusted from \$10M to \$3M, with work being abated for at least 60 days. The threshold for Plant Manager or Director level approval has been adjusted from \$1M - \$10M, to \$1M - \$3M, with work being abated for at least 90 days. The threshold requiring a signature from the Assistant Controller, and Accounting Policy and Research, has been adjusted from \$10M to \$3M.

11/23/09 by Tom Sulhan: Added language regarding the new attest statement that was inserted in the Work Order Suspension form based on a recommendation made by Audit Services in a memorandum dated 11/10/09. Added language regarding AP&R's signature requirement. Added language clarifying when the quarterly review queries would be run and what type of information would be emailed during the semiannual reviews.