

# STEPTOE & JOHNSON<sup>LLP</sup>

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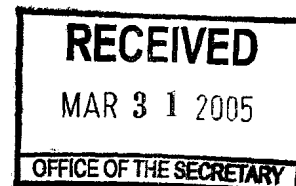
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March 30, 2005

Via HAND DELIVERY

Jonathan G. Katz  
Office of the Secretary  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, DC 20549



**Re: In the Matter of American Electric Power Company, Inc.,  
Administrative Proceeding No. 3-11616**

Dear Secretary Katz:

To correct the record, American Electric Power Company, Inc. ("AEP") hereby respectfully responds to the March 22, 2005 "statement of supplemental authority" submitted by the National Rural Electric Cooperative Association and the American Public Power Association (collectively, "Associations") in the above-referenced proceeding.

In their letter, the Associations attach an order that was issued on March 3, 2005 by the Federal Energy Regulatory Commission ("FERC"), concerning coordination between the Midwest Independent Transmission System Operator, Inc. ("MISO") and PJM Interconnection, L.L.C. ("PJM"). The Associations assert that the March 3 Order demonstrates that "a functional common market does not exist" between MISO and PJM, and that "coordination leading to a functional common market will be delayed until at least September 1, 2007." This, the Associations argue, disproves AEP's testimony at hearing that it transacts in a shared wholesale market that includes MISO and PJM.

The Associations' characterization of the March 3 Order is wrong. In fact, the Order confirms AEP's position as set forth in its testimony and on brief. The March 3 Order makes clear that the PJM and MISO markets are already operating under the Joint Operating Agreement, under which their market operations are coordinated to eliminate "seams" that act as barriers to efficient cross RTO border transactions. The "joint and common market" discussed in the Order is a FERC term-of-art that refers to the implementation of a joint, centralized bid-price market, with a common congestion management

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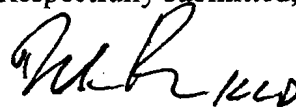
scheme based on the FERC's "Standard Market Design," which Mr. Baker discusses in his testimony. This will be the final phase of market integration between PJM and the MISO. However, the fact that PJM and MISO have not finalized their market integration does not mean that they are not part of a single wholesale market at this time.

The March 3 Order points out that the MISO is currently operating under its Phase I market design. As of April 1, 2005, the MISO will establish an RTO-run, real-time market based on the Standard Market Design, which FERC refers to as MISO's Phase 2 market. At that time, the PJM and MISO market designs will be very similar and there will be opportunities for further coordination under the Joint Operating Agreement. Once MISO's Phase 2 market is in place, the two RTOs will then begin implementing their final market integration, leading to what FERC calls a "functional common market." The March 3 Order directs PJM and MISO to provide a more detailed and aggressive schedule for achieving this final integration.

Thus, the March 3 Order emphasizes, not undermines, the fact that utilities in MISO and PJM are operating in a unified wholesale market. The FERC Order confirms precisely what AEP's testimony says: that by executing the Joint Operating Agreement providing for a coordinated set of market rules, PJM and MISO have facilitated wholesale competition between their systems.

AEP has served by e-mail and first-class mail a copy of this letter on all persons listed on the official service list compiled for this proceeding.

Respectfully submitted,



J.A. Bouknight, Jr.  
David B. Raskin

Attorneys for American Electric Power  
Company, Inc.