



American Electric Power  
1 Riverside Plaza  
Columbus, OH 43215-2373  
www.aep.com

**Richard A. Mueller, CPA**  
Vice President  
Audit Services

614-716-2610  
Fax 614-716-2099

October 21, 2005

Mr. Jonathan G. Katz  
Secretary, Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-9303

Subject: Comment letter regarding AEP's opinion related to Section 404 requirements for non-accelerated filers. File number S7-06-03.

Dear Mr. Katz:

#### Executive Summary

American Electric Power Company, Inc. (AEP) appreciates the opportunity to comment regarding implementing the Section 404 (404) requirements for non-accelerated filers. AEP, a Columbus, Ohio based energy company, is one of the largest investor-owned utilities operating in the United States, with revenues of over \$14 billion and more than 19,000 employees. We provide energy to approximately 5 million customers in Arkansas, Indiana, Kentucky, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia and West Virginia.

We support the Commission's efforts in improving the reliability, accuracy and integrity of financial reporting of publicly traded companies. We understand that the purpose of the Sarbanes-Oxley Act of 2002 (the Act) is to help restore investor confidence and are in agreement with that principle. We believe implementation of the Act has improved corporate governance in this country. AEP has successfully complied with Section 404 as an accelerated filer at the AEP Parent level for the year ended 12/31/04. AEP has ten other wholly owned subsidiary registrants that are non-accelerated filers. Our comments in this letter are specifically related to these ten non-accelerated filers.

In answer to your question, "Should there be a different set of internal control over financial reporting requirements that applies to smaller

companies than applies to larger companies?"; we believe there should be a less stringent standard for smaller companies that relies more heavily on the public accountant's financial statement audit and the company's 302 certification. As to whether "there should be a different set of requirements for companies that are not accelerated filers, (and) what should those requirements be?"; we suggest the SEC exempt wholly owned subsidiaries (which are non-accelerated filers) of an accelerated filer. Following are our comments relative to this exemption.

#### Detailed Recommendation

Remove the 404 requirements for certain non-accelerated filers that are wholly owned subsidiaries of an accelerated filer.

We believe the 404 legislation in its current form imposes an inappropriately heavy administrative burden on certain non-accelerated Securities and Exchange Commission (SEC) registrants. In AEP's case, compliance with the legislation at the individual subsidiary registrant level is arduous and not cost-beneficial to our shareholders or the general investing public. Our estimated fee to our public accountant for performing the attestation on the non-accelerated filers is \$1.5 million. This does not include our internal costs of performing our management assessment or supporting the public accountant's attestation.

The only AEP registrant that is as an accelerated filer, as defined in Rule 12b-2 of the Exchange Act, is the parent company, AEP. The other ten registrants are wholly owned subsidiaries of AEP, which qualified as non-accelerated filers because they had less than a \$75 million public float. Therefore, the 100% wholly owned AEP subsidiaries do not have to comply with the 404 standard until after July 15, 2007. All of these subsidiaries currently comply with Section 302 disclosure controls and procedures. The ten wholly owned AEP subsidiaries are listed below:

1. AEP Generating Company (An Ohio Corporation)
2. AEP Texas Central Company (A Texas Corporation)
3. AEP Texas North Company (A Texas Corporation)
4. Appalachian Power Company (A Virginia Corporation)
5. Columbus Southern Power Company (An Ohio Corporation)
6. Indiana Michigan Power Company (An Indiana Corporation)
7. Kentucky Power Company (A Kentucky Corporation)
8. Ohio Power Company (An Ohio Corporation)
9. Public Service Company of Oklahoma (An Oklahoma Corporation)
10. Southwestern Electric Power Company (A Delaware Corporation)

AEP and its subsidiaries operate as an integrated system with many operational synergies. AEP designed and implemented highly centralized processes, systems, and controls that function universally across all eleven registrants. Through our compliance with the accelerated filer 404 requirements, AEP has effectively tested and validated a significant portion of the non-accelerated processes, systems, and controls. For instance, AEP utilizes the following centralized processes across all eleven registrants:

- External Financial Reporting function
- Tax Planning function
- Information Technology function
- Risk Management function
- General Accounting function
- Retail Customer Billing function
- Supply Chain function (Procurement and Materials Management processes)
- Accounts Payable and Cash Disbursement functions
- Treasury and Cash Management functions
- Human Resources and Payroll functions

The remaining untested portion of the subsidiaries' processes, systems, and controls has a minimal impact on AEP's non-accelerated filers, except for certain centralized corporate allocations. These allocations would need to be added to the scope of AEP's accelerated filer review.

Even though AEP and many other companies have subsidiaries that are SEC registrants, the SEC has granted certain exemptions regarding the requirement that companies need to have audit committees at both the parent and subsidiary registrant levels. The rationale for this exemption is provided in SEC Release No. 33-8220; 34-47654 dated April 9, 2003 under the heading, F2, Application and Implementation of the Standards, Securities Affected, Multiple Listings. Qualification for the above exemption allows AEP to have one audit committee at the parent level. AEP firmly believes that a parallel can be drawn between the above SEC position and our position that there does not need to be a 404 management assessment or independent audit attestation at the individual wholly owned subsidiary registrant level.

As an accelerated filer, AEP has successfully complied with 404 at the parent level. The control structures between the parent and the wholly owned subsidiary levels are very similar since our company is highly centralized from a process, system, and a corporate governance and control activity perspective. There is limited incremental

benefit in implementing 404 at the wholly owned individual subsidiary registrant level since the benefits are derived at the consolidated level. The performance of a management assessment and an independent auditor attestation for all ten non-accelerated registrants is not cost-beneficial to AEP, our shareholders, or the general investing community.

We agree that 404 should apply at the parent company level. However, we believe that the standard in its current form will impose an inappropriately large administrative burden on non-accelerated SEC filers. Specifically, we recommend that the SEC remove the 404 compliance requirements at the individual registrant level for non-accelerated filers if the following criteria are met:

The parent company registrant has successfully complied with the 404 standards and Section 302 standards in the past [and is expected to be compliant in future years].

The non-accelerated registrant is a wholly owned subsidiary of the parent company.

The non-accelerated registrant meets the SEC audit committee exemption.

The accelerated filer has included in their management assessment those corporate allocation processes, systems, and controls that significantly impact the non-accelerated subsidiary filers.

Sincerely,

A handwritten signature in cursive script that reads "Richard A. Mueller".

Richard A. Mueller  
Vice President  
Audit Services