



January 27, 2011

Technical Director
File Reference No. 1890-100
Financial Accounting Standards Board
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Norwalk, CT 06856-5116

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Subject: Comment Letter Regarding Effective Dates and Transition Methods

Dear Director:

American Electric Power Company, Inc. (AEP) appreciates the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) Discussion Paper (DP) on Effective Dates and Transition Methods, dated October 19, 2010. AEP, a Columbus, Ohio based energy company, is one of the largest investor-owned utilities operating in the United States, with revenues of over \$13 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 believe it is critical that enough time be allowed for due process prior to the issuance of final standards, due to the magnitude of the changes proposed in the Exposure Drafts. Many key principles, including transition methods, have not been finalized and will significantly impact the amount of time needed for implementation. In general, we support prospective application of the new standards, with comparative disclosures provided as information is available. This would shorten the time required for implementation and reduce costs by eliminating the need to keep two sets of financial data for comparative reporting.

We support a sequential adoption approach with an extended implementation period, which we believe will allow for a more thorough and accurate implementation and reduce the risk of potential restatements. A sequential approach provides for more efficient use of both internal and external resources and spreads the cost and time required over the years.

Even though the DP instructed comments to disregard the possible adoption of IFRS, we believe final implementation plans must consider the impact and timing of any potential adoption of IFRS.

The specific questions in the DP that are relevant to our company are addressed below.

Q1. Please describe the entity (or the individual) responding to this Discussion Paper. For example:

- a. Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.*
- b. If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.*
- c. If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.*
- d. If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.*
- e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).*

AEP is a preparer of financial information in accordance with U.S. GAAP. We are one of the largest investor-owned utilities operating in the United States, with revenues of over \$13 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.

Leases are commonly used as a financing mechanism within the utility industry and the new standard will significantly impact our business. As discussed further in Question 3 below, our adoption of the lease standard will be further complicated by the impact of rate regulation on our business.

We have concerns about the impact the revenue recognition standard may have on certain aspects of our business because of the unique nature of our product. There are several areas that we believe are subject to interpretation and the full impact can not be assessed until a final standard is issued and discussed fully within the industry and among the audit firms.

The financial instruments standard increases complexity and will impact us in several areas, including the measurement and presentation of our own debt, and hedge accounting. One particular area of concern is the inability to dedesignate a hedging relationship. It is common within our industry to dedesignate and redesignate hedges and many risk management strategies would no longer qualify for hedge accounting.

We do not expect the statement of comprehensive income or insurance contracts standards to have a significant impact.

Deliberations on financial statement presentation and financial instruments with characteristics of equity have been suspended, so we have not discussed them in this letter.

Q2. Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?

b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

These standards will require a significant amount of time and resources to implement. It is too early in the process to calculate a specific time requirement, until final standards are issued. Based on past experience, issues arise throughout the period from issuance of the final standard until the adoption is complete and the audit is final. The implementation effort will include identifying all contracts and transactions that will be affected, modifying information systems and business processes, developing and implementing new internal controls, and regulatory impacts.

Due to the magnitude of the changes proposed in these Exposure Drafts, we suggest they be re-exposed to ensure the final standards are fully vetted and reduce the number of implementation issues and potential post-adoption standards updates.

Q3. Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

As a public utility, we are regulated by state public utility commissions and the Federal Energy Regulatory Commission. We prepare our quarterly and annual financial statements in accordance with GAAP, and are also required to account for transactions in accordance with the FERC Uniform System of Accounts and orders received from the state commissions. The adoption of these new standards, in particular *Leases*, will be more complex because of the impact of rate regulation on our business.

Q4. In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

We believe the standard on leases should be implemented using a prospective approach by applying the new measurement standards and new footnote disclosures to all outstanding leases from the effective date of the new standard and forward.

We support prospective adoption of the revenue recognition standard. It could involve substantial information system changes that would make retrospective implementation overly burdensome.

We believe the standard on financial instruments should provide specific transition guidance for existing hedges.

Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).

b. Under a single date approach, what should the mandatory effective date be and why?

c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.

d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

We prefer the sequential approach, and believe the following effective dates would be feasible for the standards most relevant to us:

Other Comprehensive Income – 2014

Leases – 2015

Revenue Recognition and Financial Instruments – 2016

The sequential approach allows for a more thorough implementation with less risk of issues being identified post-adoption. A single date approach could lead to constraints on the availability of external resources.

If the Board adopts a single date approach, we believe the mandatory effective date should be no earlier than years ending after December 15, 2016.

The length of time needed to implement will be affected by the transition method specified in each final standard.

Q6. Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What

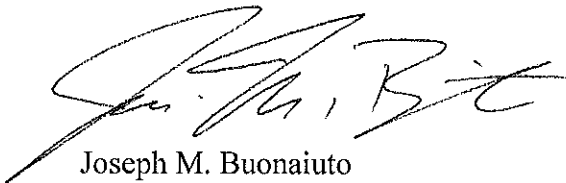
restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

We do not believe the Board should give companies the option of adopting the new standards before their mandatory effective date. The standards involve significant changes and for comparability, it would be preferable to have all companies adopt at the mandatory effective date.

Q8. Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

Taking into account the goal of convergence, we believe the effective dates and transition methods should be the same for the comparable standards. We suggest that if the SEC determines that U.S. companies should adopt IFRS, adoption of the new FASB standards should be suspended.

Sincerely,



Joseph M. Buonaiuto