

AGREEMENT

AEP Energy Services, Inc. ("AEPES"), an Ohio corporation and a wholly owned subsidiary of American Electric Power Company, Inc. ("AEP"), a New York corporation, by its undersigned officer, pursuant to authority granted by its Board of Directors, and the United States Department of Justice, Criminal Division, Fraud Section (the "Fraud Section") and the United States Attorney's Office for the Southern District of Ohio (the "USAO SDOhio"), enter into this Agreement in resolution of the Fraud Section's on-going criminal investigation into the knowing delivery of knowingly inaccurate reports concerning a commodities market by AEPES.

1. AEPES accepts and acknowledges that, if it breaches the terms and conditions of this Agreement, the Fraud Section will file a criminal complaint in the United States District Court for the Southern District of Ohio charging AEPES with knowingly delivering knowingly inaccurate reports concerning the commodities market for natural gas, in violation of Title 7, United States Code, Section 13(a)(2).

2. AEPES accepts and acknowledges responsibility for the behavior set forth in the Statement of Facts attached hereto as Annex A and incorporated by reference herein by entering into this Agreement and by, among other things, the remedial actions that it has taken to date, its continuing commitment of full cooperation as directed by the Fraud Section, its agreement to pay substantial monetary fines, and the other undertakings it has made as set forth herein. AEPES agrees it will not contest the admissibility into evidence of Annex A in any subsequent criminal proceedings occurring in the event of breach of this Agreement.

3. AEPES expressly agrees that it shall not, through its present or future attorneys, board of directors, agents, officers, or management employees, make any public statement contradicting

any statement of fact contained in the Statement of Facts. Any such contradictory public statement by AEPES, its present or future attorneys, board of directors, agents, officers, or management employees, or its parent company AEP and AEP's attorneys, board of directors, agents, officers, or management employees, shall constitute a breach of this Agreement as governed by paragraph 12 of this Agreement, and AEPES would thereafter be subject to prosecution pursuant to the terms of this Agreement. The decision of whether any public statement by any such person contradicting a fact contained in the Statement of Facts will be imputed to AEPES for the purpose of determining whether AEPES has breached this Agreement shall be at the sole discretion of the Fraud Section, except that any decision made by the Fraud Section pursuant to this paragraph shall be subject to review by the Assistant Attorney General in accordance with the process and standards set forth in paragraph 12. Should the Fraud Section decide at its sole discretion to notify AEPES of a public statement by any such person that in whole or in part contradicts a statement of fact contained in the Statement of Facts, AEPES may avoid breach of this Agreement by publicly repudiating such statement within 48 hours after such notification. AEPES agrees that in the event that future criminal proceedings were to be brought in accordance with Paragraphs 12 and 14 of this Agreement, AEPES will not contest the admissibility of the Statement of Facts in any such proceedings.

4. Consistent with AEPES's obligations as set forth above, AEPES shall be permitted to raise and support defenses and/or assert and support affirmative claims in civil and regulatory proceedings relating to the matters set forth in the Statement of Facts.

5. AEPES agrees to cooperate fully with the Fraud Section, the USAO SDOhio, and with any other agency designated by the Fraud Section, regarding any matter about which AEPES

has knowledge. AEPES's agreement to cooperate shall extend until the completion of the Fraud Section's investigation of any criminal activity relating to false reporting and any other matters disclosed to the Fraud Section by AEPES, including any investigations or prosecutions of others.

6. AEPES agrees that its cooperation, as agreed to in Paragraph 5 above, shall include, but is not limited to, the following:

(a) Completely and truthfully disclosing all information as may be requested by the Fraud Section with respect to the activities of AEPES and its parent company and affiliates, and its present and former officers, agents, and employees, concerning all matters inquired into by the Fraud Section;

(b) Assembling, organizing, and providing on request from the Fraud Section, all documents, records, or other tangible evidence in AEPES's possession, custody, or control;

(c) Not asserting a claim of attorney-client or work-product privilege as to any documents, information, or testimony requested by the Fraud Section related to factual internal investigations or contemporaneous advice given to AEPES concerning the conduct at issue. In making production of any such documents, AEPES neither expressly nor implicitly waives its right to assert any privilege with respect to the produced documents or the subject matters thereof that is available under law against non-parties to this Agreement.

(d) Using its best efforts to make available its employees to provide information and/or testimony as requested by the Fraud Section, including sworn testimony before a federal grand jury or in federal trials, as well as interviews with federal law enforcement authorities. Cooperation under this paragraph will include identification of witnesses who, to AEPES's knowledge, may have material information regarding the matters under investigation.

(e) Using its best efforts to make available for interviews, or for testimony, present or former AEPES officers, directors, and employees as requested by the Fraud Section.

(f) Providing testimony and other information deemed necessary by the Fraud Section or a court to identify or establish the original location, authenticity, or other evidentiary foundation necessary to admit into evidence documents in any criminal or other proceeding as requested by the Fraud Section.

7. AEPES shall continue to comply with any currently in force written agreements between AEPES and any other federal agency as long as any such agreements shall remain in effect; as any such agreements may be amended, modified, or terminated from time to time by the respective parties to said agreements.

8. Within 10 days of execution of this Agreement, AEPES agrees to pay \$30,000,000 to the United States Treasury as a monetary penalty.

9. In light of AEPES's remedial actions to date and its willingness to (i) acknowledge responsibility for its behavior; (ii) continue its cooperation with the Fraud Section, the USAO SDOhio, and other governmental regulatory agencies; (iii) demonstrate its future good conduct and full compliance with the commodities trading laws and generally accepted accounting procedures; and (iv) consent to payment of the monetary penalty set forth in paragraph 8 above, the Fraud Section shall defer any prosecution of AEPES pursuant to paragraph 1.

10. The Fraud Section and the USAO SDOhio agree that if AEPES is in full compliance with all of its obligations under this Agreement for 15 months from the date of this Agreement, this Agreement shall expire. Should the Fraud Section determine during the term of this Agreement that AEPES has committed any federal crime commenced subsequent to the date of this

Agreement, AEPES shall, in the sole discretion of the Fraud Section, thereafter be subject to prosecution for any federal crimes of which the Fraud Section has knowledge.

11. Except in the event of a breach of this Agreement, all investigations relating to the matters set forth in the Statement of Facts that have been, or could have been, conducted by the Fraud Section or the USAO SDOhio prior to the date of this Agreement shall not be pursued further as to AEPES. The signatories to this Agreement represent that they are aware of no other investigations relating to AEPES's submission of false, knowingly inaccurate, or altered trade data to the indices as described in the Statement of Facts or to any criminal activities arising from such false reporting as of the signing of this Agreement.

12. Should the Fraud Section determine that AEPES has committed a willful and knowingly material breach of any provision of this Agreement, the Fraud Section shall provide written notice to AEPES of the alleged breach and provide AEPES with a two-week period in which to request to make a presentation to the Assistant Attorney General in charge of the Criminal Division to demonstrate that no breach has occurred, or, to the extent applicable, that the breach is not willful or knowingly material or has been cured. The parties hereto expressly understand and agree that should AEPES fail to request an audience with the Assistant Attorney General in charge of the Criminal Division within a two-week period, it shall be conclusively presumed that AEPES is in willful and material breach of this Agreement. The parties further understand and agree that the Assistant Attorney General's exercise of discretion under this paragraph is not subject to review in any court or tribunal outside the Criminal Division of the Department of Justice. In the event of a breach of this Agreement that results in a prosecution of AEPES, such prosecution may be premised upon any information provided by or on behalf of AEPES to the Fraud Section or

other government agency at any time, unless otherwise agreed when the information was provided.

13. AEPES shall expressly waive all rights to a speedy trial pursuant to the Sixth Amendment of the United States Constitution, Title 18, United States Code, Section 3161, Federal Rule of Criminal Procedure 48(b), and any applicable Local Rules of the United States District Court for the Southern District of Ohio for the period that this Agreement is in effect.

14. In case of the willful and knowingly material breach of this Agreement, any prosecution of AEPES relating to the false reporting of trade data to industry publications or any crime arising therefrom that is not time-barred by the applicable statute of limitations as of the date of this Agreement may be commenced against AEPES notwithstanding the expiration of any applicable statute of limitations during the deferred prosecution period and up to the determination of any such willful and knowingly material breach. AEPES's waiver of the statute of limitations is knowing and voluntary and in express reliance on the advice of counsel.

15. AEPES agrees that, if it sells or merges all or substantially all of its business operations as they exist as of the date of this Agreement to or into a single purchaser or group of affiliated purchasers during the term of this Agreement, it shall include in any contract for sale or merger a provision binding the purchaser/successor to the obligations described in this Agreement.

16. It is understood that this Agreement is binding on AEPES, the Fraud Section, and the USAO SDOhio, but specifically does not bind any other federal agencies, or any state or local law enforcement or licensing authorities, although the Fraud Section will bring the cooperation of AEPES and its compliance with its other obligations under this Agreement to the attention of other federal agencies, state and local law enforcement, or licensing authorities, if requested by AEPES or its attorneys. This Agreement also excludes any natural persons.

17. AEPES, the Fraud Section, and the USAO SDOhio agree that this Agreement may be publicly disclosed.

18. This Agreement sets forth all the terms of the agreement between AEPES and the Fraud Section and the USAO SDOhio. No modifications or additions to this Agreement shall be valid unless they are in writing and signed by the Fraud Section, the USAO SDOhio, AEPES's attorneys, and a duly authorized representative of AEPES.

On Behalf of the Government:

1-25-05
DATE



JOSHUA R. HOCHBERG

Chief, Fraud Section
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United States Department of Justice
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Bond Building, 4th Floor
Washington, DC 20530

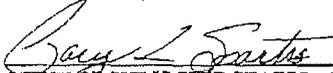
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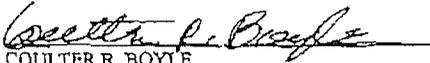
1/26/05
DATE



OFFICE OF THE UNITED STATES ATTORNEY
FOR THE SOUTHERN DISTRICT OF OHIO
GARY L. SPARTIS, DEPUTY CRIMINAL CHIEF

On Behalf of AEPES:

DATE



COULTER R. BOYLE
President, AEP Energy Services, Inc