

Number: xxxxxx

Reference Number: xxxxxx

AEP Texas Commercial & Industrial Retail LP
c/o AEP Energy Services, Inc.
155 Nationwide Blvd., Suite 500
Columbus, OH 43215

AEP Service Corp
1 Riverside Plaza
Columbus OH 43215

**MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER**

This confirmation letter (this "Confirmation") shall confirm the Transaction agreed to on December 20, 2005 ("Transaction Date") between AEP Texas Commercial & Industrial Retail Limited Partnership ("AEP Retail" or "Buyer") and American Electric Power Service Corporation ("AEPSC" or "Seller") as agent for the AEP Operating Companies regarding the sale and purchase of the Product under the terms and conditions as follows:

TERMS AND CONDITIONS

Seller: AEPSC, as agent
ATTN: Todd Busby
Tel: (614) 583-6830
Fax: (614) 583-1601

Buyer: AEP Retail
ATTN: Brian X. Tierney
Tel: (614) 583-7430
Fax: (614) 583-1601

1. APPLICABLE AGREEMENT(S):

Master Power Purchase and Sale Agreement, version 2.1 (modified 4/25/00), including the additional provisions contained in the Cover Sheet, attached thereto, as executed by Buyer and Seller filed as FERC Electric Tariff Original Vol. No. 5 in docket ER97-4143-000 as FERC Service Agreement No. 276 (such documents, including additional provisions, collectively known herein as the "Master Agreement"). This Confirmation is hereby issued pursuant to and in accordance with said Master Agreement, and constitutes part of and is subject to the terms and provisions of such Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement. If there is a conflict between the terms or conditions herein and those in the Master Agreement, this Confirmation shall be controlling.

2. PRODUCT

The Seller shall provide a Firm (LD) product as that term is defined on Schedule P of the Master Agreement and in accordance with the ERCOT protocols and PUCT regulations.

Both Parties acknowledge that any failure or interruption in the supply of Power flow after the Delivery Point is solely the responsibility of Buyer and interruption in transmission or distribution service to Buyer is the sole responsibility of the LDU and/or ERCOT. Seller shall not be responsible for any such failure or interruption, including any losses or costs to Buyer as a result of such interruption unless caused solely by the acts of Seller. Seller does not guarantee against irregularities or interruptions of Power supply to Buyer, it being understood that occasional irregularities and interruptions are inevitable. However, Seller will endeavor to make all efforts to assist Buyer in resolving irregularities or interruptions of Power supply to Buyer with LDU and/or ERCOT.

3. MONTHLY CHARGES

The Contract Price shall mean the charges for each Calendar Month and shall equal the sum of the charges as set forth as follows: (i) the applicable Energy Charge; plus (ii) the applicable Service Charge.

A. **ENERGY CHARGE- Scheduled Power** Buyer shall provide to Seller a schedule for each ERCOT Delivery Zone in which Buyer has a retail load service contract. The price for such scheduled power

shall be the product of (i) Volume scheduled by Buyer for each ERCOT Delivery Zone and (ii) MCPE for such ERCOT Delivery Zone plus \$0.45/MWh.

- B. **ENERGY CHARGE- Unscheduled Power** For unscheduled power, Seller shall provide or purchase Firm (LD) product at the prevailing market price and shall additionally charge \$1.00/MWh for the Unscheduled Firm (LD) product.
- C. **SERVICE CHARGE** A monthly service charge of \$5,000 shall be added to the invoice.
- D. **ANCILLARY SERVICES CHARGE** Ancillary service charges which have a market price will be passed through to Buyer with no additional charges. Ancillary service charges which are not market based shall be passed through to Buyer on an allocation basis determined in Seller's sole determination.

4. **QUANTITY**

Seller shall provide Firm (LD) product at the agreed upon price sufficient to meet Buyer's retail contract requirements. Losses shall be the responsibility of the Buyer and retail scheduled volumes should reflect transmission loss, distribution loss and unaccounted for energy adjustments. All volumes will be grossed up to account for losses and unaccounted for energy for the purpose of determining charges due hereunder.

5. **DELIVERY**

Delivery Period: Monday through Sunday, twenty-four hours per day, for the periods scheduled by Buyer as defined in Article 9 hereunder

Delivery Point(s): The ERCOT transmission system, to the ESI IDs corresponding to Buyer's customers in the ERCOT Zones where such zones are as defined by ERCOT for the applicable Delivery Period. Seller shall be responsible for congestion between its generation source and the ERCOT Zone to which the Firm (LD) product is delivered.

6. **SCHEDULING**

Seller shall be responsible for scheduling energy to the Delivery Point. Any costs associated with inaccurate schedules or failing to schedule will be born by the Seller.

7. **TERM**

January 1, 2006 through December 31, 2006, and monthly thereafter until canceled by written notice by either party upon thirty (30) days written notice.

8. **EXCLUSIVITY**. All Firm (LD) product purchased under this Transaction is for the exclusive use of Buyer at retail premise(s). Buyer may not resell any Firm (LD) product purchased under this Transaction without Seller's prior written permission. Seller shall be the sole and exclusive provider of Firm (LD) product to Buyer to meet Buyer's full requirements at the retail premise(s).

9. **ADDITIONAL DEFINED TERMS**

(1) "Market Clearing Price for Energy" or "MCPE" means the highest price associated with a Congestion Zone for a Settlement Interval for Balancing Energy (as such term is defined by ERCOT) deployed during the Settlement Interval, as determined by ERCOT.

(2) "Adjusted Metered Load" shall have the definition assigned to it by ERCOT in the ERCOT protocols.

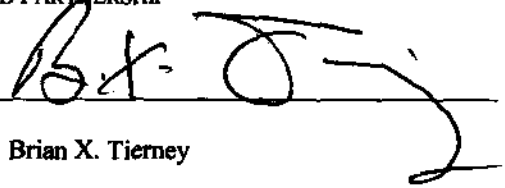
- (3) "PUCT" means the Public Utility Commission of Texas, or its successor.
- (4) "Onpeak" means Monday through Friday, less ERCOT holidays, 6 AM to 10 PM.
- (5) "Night" means Monday through Sunday , 10 PM to 6 AM.
- (6) "Weekend" means Saturday, Sunday and ERCOT holidays, 6 AM to 10 PM.
- (7) "Unscheduled Power" means the difference between Buyer's requested retail contract volumes and actual retail Adjusted Metered Load

10. This Confirmation supercedes all prior transaction confirmations between the parties.

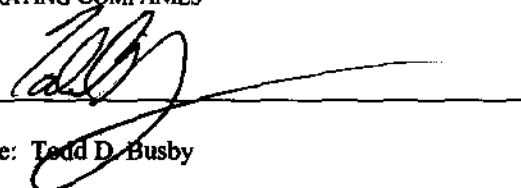
IN WITNESS WHEREOF, the Parties have caused this Confirmation to be executed as of the date first written above.

AEP TEXAS COMMERCIAL & INDUSTRIAL RETAIL
LIMITED PARTNERSHIP

AEP SERVICE CORPORATION, AS AGENT FOR AEP
OPERATING COMPANIES

By: 

Name: Brian X. Tierney
Title: President, AEP Retail

By: 

Name: Todd D. Busby
Title: Vice President, AEPSC