AMERICAN ELECTRIC POWER CO INC
Form DEF 14A
March 15, 2010
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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Rule 14a-12.

American Electric Power Company, Inc.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Notice of 2010 Annual Meeting   Proxy Statement

American Electric Power

1 Riverside Plaza

Columbus, OH 43215

Michael G. Morris

Chairman of the Board,

President and

Chief Executive Officer

March 15, 2010

Dear Shareholder:

This year s annual meeting of shareholders will be held at the Grand Theatre, 308 St. Clair Street, Frankfort, Kentucky, on Tuesday, April 27, 2010, at 9:30 a.m. Eastern Time.

Your Board of Directors and I cordially invite you to attend. Registration will begin at 8:00 a.m. Only shareholders who owned shares on the record date, March 1, 2010, are entitled to vote and attend the meeting. To attend the meeting, you will need to present an admission ticket or the notice you received. If your shares are registered in your name, and you received your proxy materials by mail, your admission ticket is attached to your proxy card. A map and directions are printed on the admission ticket. If your shares are registered in your name and you received your proxy materials electronically via the internet, you will need to print an admission ticket after you vote by clicking on the   Options   button. If you hold shares through an account with a bank or broker, you will need to contact them and request a legal proxy, or bring a copy of your statement to the meeting that shows that you owned the shares on the record date. Each ticket will admit a shareholder and one guest.

This year, we again are pleased to be using the U.S. Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing to many of our shareholders a notice instead of a paper copy of this proxy statement and our 2009 Annual Report. The notice contains instructions on how to access those documents over the Internet. The notice also contains instructions on how each of those shareholders can receive a paper copy of our proxy materials, including this proxy statement, our 2009 Annual Report and a form of proxy card or voting instruction card. We believe that this process will conserve natural resources and reduce the costs of printing and distributing our proxy materials.

During the course of the meeting there will be the usual time for discussion of the items on the agenda and for questions regarding AEP s affairs. Directors and officers will be available to talk individually with shareholders before and after the meeting.

Your vote is very important. Shareholders of record can vote in any one of the following three ways:

By internet, at www.envisionreports.com/AEP

By toll-free telephone at 800-652-8683

By completing and mailing your proxy card if you receive paper copies of the proxy materials

If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record that you must follow in order for you to vote your shares.

If you have any questions about the meeting, please contact Investor Relations, American Electric Power Company, 1 Riverside Plaza, Columbus, Ohio 43215. The telephone number is 800-237-2667.

Sincerely,

/s/ Michael G. Morris

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NOTICE OF 2010 ANNUAL MEETING

American Electric Power Company, Inc.

1 Riverside Plaza

Columbus, Ohio 43215

TIME	9:30 a.m. Eastern Time on Tuesday, April 27, 2010
PLACE	Grand Theatre 308 St. Clair Street Frankfort, KY 40601
ITEMS OF BUSINESS	(1) To elect 13 directors to hold office until the next annual meeting and until their successors are duly elected. (2) To consider and act on a proposal to approve amendments to the American Electric Power System Long-Term Incentive Plan. (3) To ratify the appointment of Deloitte & Touche LLP as independent registered public accounting firm for the year 2010. (4) To consider and act on such other matters as may properly come before the meeting.
RECORD DATE	Only shareholders of record at the close of business on March 1, 2010, are entitled to notice of and to vote at the meeting or any adjournment thereof.
ANNUAL REPORT	Appendix A to this proxy statement has AEP s audited financial statements, management s discussion and analysis of results of operations and financial condition and the report of the independent registered public accounting firm.
PROXY VOTING	It is important that your shares be represented and voted at the meeting. Please vote in one of these ways: **(1) MARK, SIGN, DATE AND PROMPTLY RETURN** your proxy card if you receive paper copies of the proxy materials. **(2) CALL TOLL-FREE** by telephone at 800-652-8683. **(3) VISIT THE WEB SITE** shown on the notice of internet availability of proxy materials to vote via the internet. Any proxy may be revoked at any time before your shares are voted at the meeting.

March 15, 2010

John B. Keane

Secretary

Our annual meeting of shareholders also will be webcast at http://www.AEP.com/go/webcasts at 9:30 a.m. Eastern Time on April 27, 2010.

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Proxy Statement

March 15, 2010

Proxy and Voting Information

A notice of internet availability of proxy materials is to be mailed to shareholders on March 15, 2010, in connection with the solicitation of proxies by the Board of Directors of American Electric Power Company, Inc., 1 Riverside Plaza, Columbus, Ohio 43215, for the annual meeting of shareholders to be held on April 27, 2010 in Frankfort, Kentucky.

We use the terms AEP, the Company, we, our and us in this proxy statement to refer to American Electric Power Company, Inc. and, where applicable, its subsidiaries. All references to years, unless otherwise noted, refer to our fiscal year, which ends on December 31.

Who Can Vote. Only the holders of shares of AEP Common Stock at the close of business on the record date, March 1, 2010, are entitled to vote at the meeting. Each such holder has one vote for each share held on all matters to come before the meeting. On that date, there were 478,500,455 shares of AEP Common Stock, $6.50 par value, outstanding.

How You Can Vote. Shareholders of record can give proxies by (i) mailing their signed proxy cards; (ii) calling a toll-free telephone number; or (iii) using the internet. The telephone and internet voting procedures are designed to authenticate shareholders identities, to allow shareholders to give their voting instructions and to confirm that shareholders instructions have been properly recorded. Instructions for shareholders of record who wish to use the telephone or internet voting procedures are set forth on the proxy card.

When proxies are returned, the shares represented thereby will be voted by the persons named on the proxy card or by their substitutes in accordance with shareholders directions. If a proxy card is signed and returned without choices marked, it will be voted for the nominees for directors listed on the card and as recommended by the Board of Directors with respect to other matters. The proxies of shareholders who are participants in the Dividend Reinvestment and Stock Purchase Plan include both the shares registered in their names and the whole shares held in their Plan accounts on March 1, 2010.

Revocation of Proxies. A shareholder giving a proxy may revoke it at any time before it is voted at the meeting by giving notice of its revocation to the Company, by executing another proxy dated after the proxy to be revoked, or by attending the meeting and voting in person.

How Votes are Counted. The presence of the holders of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting, present in person or represented by proxy, is necessary to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Under New York Stock Exchange rules, the proposal to ratify the appointment of Deloitte & Touche as our independent registered public accounting firm is considered a discretionary item. This means that brokerage firms may vote in their discretion on this matter on behalf of their clients who have not furnished voting instructions. The proposals to elect directors and to approve the amendments to the Company s Long Term Incentive Plan are non-discretionary matters, which means that brokerage firms may not use their discretion to vote on such matters without express voting instructions from their customers.

At the 2009 annual meeting, we recommended and our shareholders approved amendments to our Articles of Incorporation to eliminate cumulative voting in election of directors which allowed the Company to amend its By-Laws to implement a majority voting standard for the election of directors in uncontested elections of directors. The election of directors at the Annual Meeting is an uncontested election, so for a nominee to be elected to the Board, the number of votes cast for the nominee s election must exceed the number of votes cast against his or her election. Abstentions and broker non-votes will not be considered votes cast for or against a nominee. If a nominee is not elected because he or she did not receive a greater number of votes for his or her election than against such election, he or she will be required to tender his or her resignation for the Board s consideration of whether to accept such resignation in accordance with our By-Laws.

Since the shareholders approved amendments to our Articles of Incorporation to eliminate cumulative voting in elections of directors, no shareholder has the right to cumulate his or her voting power in the election of directors at the Annual Meeting.

The votes cast for must exceed the votes cast against to approve the ratification of Deloitte & Touche LLP as our independent registered public accounting firm. Abstentions and broker non-votes are not counted as votes for or against this proposal.

A majority of all votes cast at the meeting must approve the proposed amendment to the Long Term Incentive Plan. Abstentions and broker non-votes are not counted as votes for or against this proposal.

Your Vote is Confidential. It is AEP s policy that shareholders be provided privacy in voting. All proxies, voting instructions and ballots, which identify shareholders, are held on a confidential basis, except as may be necessary to meet any applicable legal requirements. We direct proxies to an independent third-party tabulator, who receives, inspects, and tabulates them. Voted proxies and ballots are not seen by nor reported to AEP except (i) in aggregate number or to determine if (rather than how) a shareholder has voted; (ii) in cases where shareholders write comments on their proxy cards; or (iii) in a contested proxy solicitation.

Multiple Copies of Annual Report, Proxy Statement or Notice of Internet Availability of Proxy Materials to Shareholders. Securities and Exchange Commission (SEC) rules provide that more than one annual report, proxy statement or notice of internet availability of proxy materials need not be sent to the same address. This practice is commonly called householding and is intended to eliminate duplicate mailings of shareholder documents. Mailing of your annual report, proxy statement or notice of internet availability of proxy materials is being householded indefinitely unless you instruct us otherwise. We will deliver promptly upon written request a separate copy of the annual report, proxy statement or notice of internet availability of proxy materials to a shareholder at a shared address. To receive a separate copy of the annual report, proxy statement or notice of internet availability of proxy materials, write to AEP, attention: Investor Relations, at 1 Riverside Plaza, Columbus, OH 43215. If more than one annual report, proxy statement or notice of internet availability of proxy materials is being sent to your address, at your request, mailing of the duplicate copy can be discontinued by contacting our transfer agent, Computershare Trust Company, N.A. (Computershare), at 800-328-6955 or write to them at P.O Box 43078, Providence, RI 02940-3078. If you wish to resume receiving separate annual reports, proxy statements or notice of internet availability of proxy materials at the same address in the future, you may call Computershare at 800-328-6955 or write to them at P.O Box 43078, Providence, RI 02940-3078. The change will be effective 30 days after receipt.

Additional Information. Our website address is *www.aep.com*. We make available free of charge on the Investor Relations section of our website (*www.AEP.com/investors*) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed

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with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (Exchange Act). We also make available through our website other reports filed with or furnished to the SEC under the Exchange Act, including our proxy statements and reports filed by officers and directors under Section 16(a) of the Exchange Act. You may request any of these materials and information in print by contacting Investor Relations at: AEP, attention: Investor Relations, 1 Riverside Plaza, Columbus, OH 43215. We do not intend for information contained in our website to be part of this proxy statement. In addition, this proxy statement and the Annual Report on Form 10-K for the fiscal year ended December 31, 2009 are available at www.edocumentview.com/aep.

You also may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, DC, 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (*www.sec.gov*) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

1. Election of Directors

Currently, AEP s Board of Directors consists of 13 members. Thirteen directors are to be elected to hold office until the next annual meeting and until their successors have been elected. AEP s By- Laws provide that the number of directors of AEP shall be such number, not less than 9 nor more than 17, as shall be determined from time to time by resolution of the Board.

The 13 nominees named on pages 4 to 6 were selected by the Board on the recommendation of the Committee on Directors and Corporate Governance of the Board, following individual evaluation of each nominee s performance. The proxies named on the proxy card or their substitutes will vote for the Board s nominees, unless instructed otherwise. All of the Board s nominees were elected by the shareholders at the 2009 annual meeting, except for Mr. Cordes, who was elected as a director in September 2009. Mr. Morris introduced Mr. Cordes for consideration by the Board. Mr. Cordes has over 30 years experience in the natural gas business and is a former executive vice president of The Coastal Corporation.

Dr. Hudson and Mr. Hoaglin interviewed Mr. Cordes and recommended him to the Committee on Directors and Corporate Governance. That Committee reviewed the qualifications of Mr. Cordes and recommended him to the full board. We do not expect any of the nominees will be unable to stand for election or be unable to serve if elected. If a vacancy in the slate of nominees should occur before the meeting, the proxies may be voted for another person nominated by the Board or the number of directors may be reduced accordingly.

The Principles of Corporate Governance of the Board of Directors provides that directors will not generally be re-nominated for re-election at any annual shareholders meeting following their 72nd birthday. Mr. Brooks and Dr. Carlton are nominees for re-election despite having reached their 72nd birthdays in 2009 because they are both among the most knowledgeable directors about the electric utility industry and the Board concluded that it is desirable to have their continued participation in the discussions about selecting Mr. Morris successor as chief executive officer of the Company.

Biographical Information. The following brief biographies of the nominees include their principal occupations, ages on the date of this statement, accounts of their business experience and names of certain companies of which they are directors. Data with respect to the number of shares of AEP s Common Stock, options exercisable within 60 days and stock-based units beneficially owned by each of them appear on page 77.

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Nominees For Director

E. R. Brooks Granbury, Texas Age 72 Director since 2000	Retired chairman and chief executive officer of Central and South West Corporation, an electric utility holding company (1991 to 2000). A director of Hubbell, Inc.
Donald M. Carlton Austin, Texas Age 72 Director since 2000	Retired president and chief executive officer of Radian International LLC, an engineering and technology firm (1996 to 1998). A director of National Instruments Corporation and Temple-Inland Inc. Mr. Carlton was formerly a trustee of 32 mutual funds in the Legg Mason fund complex (2005-2006).
James F. Cordes The Woodlands, Texas Age 69 Director since 2009	Retired executive vice president of The Coastal Corporation (1985 -1997), a diversified energy company. Retired chairman and chief executive officer of ANR Pipeline Company (1985-1997), an interstate natural gas pipeline company. A director of Northeast Utilities and Comerica, Inc.
Ralph D. Crosby, Jr. McLean, Virginia Age 62	Chairman of EADS North America, Inc., an aerospace company, since 2002. Retired Chief Executive Officer of EADS North America, Inc. (2002-2009). A director of Ducommun Incorporated.

Director since 2006

Linda A. Goodspeed Franklin, Tennessee Age 48 Director since 2005	Vice president of information systems of Nissan North America, Inc., an automobile manufacturer, since 2008. Managing partner of Wealthstrategies Financial Advisors, LLC since 2008. From 2001 to 2008, executive vice president and chief supply chain logistics and technology officer of Lennox International, Inc, a provider of climate control solutions. A director of Columbus McKinnon Corp.
Thomas E. Hoaglin Columbus, Ohio Age 60 Director since 2007	Retired chairman and chief executive officer of Huntington Bancshares Incorporated, a bank holding company (2001-2009). A director of The Gorman-Rupp Company.

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Nominees For Director continued

Lester A. Hudson, Jr. Charlotte, North Carolina Age 70 Director since 1987	Professor and the Wayland H. Cato, Jr. Chair in Leadership at McColl School of Business at Queens University of Charlotte since 2003. Retired chairman, chief executive officer and president of Wunda Weve Carpets, Inc. and Dan River, Inc., each a textile manufacturer. A director of American National Bankshares Inc.
Michael G. Morris Columbus, Ohio Age 63 Director since 2004	Elected president and chief executive officer of AEP in January 2004; chairman of the board in February 2004; and chairman, president and chief executive officer of all of its major subsidiaries in January 2004. A director of certain subsidiaries of AEP with one or more classes of publicly held preferred stock or debt securities and other subsidiaries of AEP. A director of Alcoa Inc. and The Hartford Financial Services Group, Inc. Mr. Morris was formerly a director of Cincinnati Bell, Inc. (2005-2008).
Lionel L. Nowell III Cos Cob, Connecticut Age 55 Director since 2004	Retired senior vice president and treasurer of PepsiCo, Inc., a food and beverage company (2001-2009). A director of Reynolds American Inc. Mr. Nowell was formerly a director of Church & Dwight, Inc. (2005-2007).
Richard L. Sandor Chicago, Illinois Age 68 Director since 2000	Chairman of Chicago Climate Exchange, Inc. (CCX), a commodity trading exchange, since 2002. Former chief executive officer of CCX (2002-2009). Chairman of the Chicago Climate Futures Exchange (CCFE), a derivative trading exchange, since 2004. Former chief executive officer of CCFE (2004-2009). Chairman of Climate Exchange PLC, the parent of CCX and CCFE, since 2003. Research professor at the J.L. Kellogg School of Management, Northwestern University since 1999. Member of the International Advisory Council of Guanghua School of Management at Peking University. Member of the design committee of the Dow Jones Sustainability Index. Dr. Sandor was formerly a director of Intercontinental Exchange, Inc. (2005-2008) and Milennium Cell, Inc. (2005-2007).

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Nominees For Director continued

Kathryn D. Sullivan Columbus, Ohio Age 58 Director since 1997	Director, Battelle Center for Mathematics and Science Education Policy The John Glenn School of Public Affairs at The Ohio State University since November 2006. Science Advisor to Columbus science museum COSI (Center of Science & Industry) from December 2005 to November 2006. President and chief executive officer of COSI from 1996 to 2005. Former NASA space shuttle astronaut.
Sara Martinez Tucker San Francisco, California Age 54 Director since 2009	Under secretary of education in the U.S. Department of Education from 2006 to 2008. Chief executive officer and president of the Hispanic Scholarship Fund from 1997 to 2006.
John F. Turner Moose, Wyoming Age 68 Director since 2008	Managing partner of Triangle X Ranch, a guest ranch in Jackson Hole, Wyoming, since 1960. Assistant Secretary of U.S. State Department from 2001 to 2005. Former director of the U.S. Fish and Wildlife Service from 1989 to 1993. A director of Ashland, Inc., International Paper Company and Peabody Energy Corporation.

AEP s Board of Directors and Committees

Under New York law, AEP is managed under the direction of the Board of Directors. The Board establishes broad corporate policies and authorizes various types of transactions, but it is not involved in day-to-day operational details. During 2009, the Board held eight regular meetings, one of which was held in a city where we have a regional office and one of which was held in a city where we have facilities that the Board visited. We also had one special meeting. AEP encourages but does not require members of the Board to attend the annual shareholders meeting. Last year, all directors attended the annual meeting.

Board Meetings and Committees. The Board expects that its members will rigorously prepare for, attend and participate in all Board and applicable committee meetings. Directors are also expected to become familiar with AEP s management team and operations as a basis for discharging their oversight responsibilities.

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The Board has seven standing committees. The table below shows the number of meetings conducted in 2009 and the directors who currently serve on these committees. During 2009, no director attended fewer than 75% of the aggregate of the total number of meetings of the Board and the total number of meetings held by all committees during the period on which he or she served.

BOARD COMMITTEES

DIRECTOR	Audit	Directors and Corporate Governance	Policy	Executive	Finance	Human Resources	Nuclear Oversight
Mr. Brooks	X	X	X				
Dr. Carlton			X (Chair)			X	X
Mr. Cordes			X			X	
Mr. Crosby			X			X	X
Ms. Goodspeed	X		X				X
Mr. Hoaglin		X (Chair)	X	X		X	
Dr. Hudson		X	X	X		X (Chair)	
Mr. Morris			X	X (Chair)			
Mr. Nowell	X (Chair)	X	X	X	X		
Dr. Sandor			X	X	X (Chair)		
Dr. Sullivan			X		X		X (Chair)
Ms. Tucker		X	X		X		
Mr. Turner	X		X				X
2009 Meetings	8	5	3	0	4	7	4

The functions of the committees are described below.

The ***Committee on Directors and Corporate Governance*** has the responsibilities set forth in its charter, including:

1. Recommending the size of the Board within the limits imposed by the By-Laws.

2. Recommending selection criteria for nominees for election or appointment to the Board.

3. Conducting independent searches for qualified nominees and screening the qualifications of candidates recommended by others.

4. Recommending to the Board nominees for appointment to fill vacancies on the Board as they occur and the slate of nominees for election at the annual meeting.

5. Reviewing and making recommendations to the Board with respect to compensation of directors and corporate governance.

6. Recommending members to serve on committees and chairs of the committees of the Board.

7. Reviewing the independence and possible conflicts of interest of directors and executive officers.

8. Supervising the AEP Corporate Compliance Program.

9. Overseeing the annual evaluation of the Board of Directors.

10. Reviewing annually the performance of individual directors.

11. Supervising the implementation of AEP s Related Person Transaction Approval Policy.

12. Overseeing AEP s Sustainability Report, including the material about political contributions.

13. Overseeing elements of the Company s risks that are within the scope of the Committee s responsibility as assigned to it by the Board of Directors.

A copy of the charter can be found on our website at *www.AEP.com/investors/corporategovernance*. Consistent with the rules of the NYSE, all members of the Committee on Directors and Corporate Governance are independent.

The ***Human Resources Committee*** annually reviews and approves AEP s executive compensation in the context of the performance of management and the Company. None of the members of the HR Committee is or has been an officer or employee of any AEP System company. In addition, each of the current members of the HR Committee has been determined to be independent by the Board in accordance with SEC and NYSE rules.

The HR Committee also reviews the Compensation, Discussion and Analysis section of this proxy statement and recommends that it be included in the Company s Annual Report on Form 10-K.

The HR Committee has the responsibilities set forth in its charter, a copy of which can be found on our website at *www.AEP.com/investors/corporategovernance.*

For a more complete description of the HR Committee s responsibilities, see the Human Resources Committee Report on page 50.

The ***Audit Committee*** is responsible for, among other things, the appointment of the independent registered public accounting firm (independent auditor) for the Company; reviewing with the independent auditor the plan and scope of the audit and approving audit fees; monitoring the adequacy of financial reporting and internal control over financial reporting and meeting periodically with the internal auditor and the independent auditor. A more detailed discussion of the purposes, duties and responsibilities of the Audit Committee is found in the Audit Committee charter, a copy of which can be found on our website at *www.AEP.com/investors/corporate governance*. Consistent with the rules of the NYSE and the Sarbanes-Oxley Act of 2002, all members of the Audit Committee are independent. The Board has determined that Mr. Nowell is an audit committee financial expert as defined by the SEC.

The ***Finance Committee*** monitors and reports to the Board with respect to the capital requirements and financing plans and programs of AEP and its subsidiaries, including reviewing and making recommendations concerning the short and long-term financing plans and programs of AEP and its subsidiaries. The Finance Committee also provides recommendations to the Board on dividend policy, including the declaration and payment of dividends.

The ***Nuclear Oversight Committee*** is responsible for overseeing and reporting to the Board with respect to the management and operation of AEP s nuclear generation.

The ***Policy Committee*** is responsible for examining AEP s policies on major public issues affecting the AEP System, including environmental, technology, fuel supply, industry change and other matters.

The ***Executive Committee*** is empowered to exercise all the authority of the Board, subject to certain limitations prescribed in the By-Laws, during the intervals between meetings of the Board.

The Board s role in AEP s risk oversight process

The Board has the overall responsibility for overseeing the Company s management of risks. Management is responsible for identifying and managing the Company s risks. The Board reviews the Company s processes for identifying and managing risks and reporting of those risks to the Board to help ensure that the processes are effective.

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Like other companies, we have very diverse risks. These include financial and accounting risks, capital deployment risks, operational risks, compensation risks, liquidity risks, litigation risks, strategic risks, regulatory risks, reputation risks, natural-disaster risks and technology risks. Some critical risks having enterprise-wide significance, such as corporate strategy and capital budget, require the full Board s active oversight, but our Board committees also play a key role because they can devote more time to reviewing specific risks. For example, our Nuclear Oversight Committee focuses on the specific risks of operating a nuclear plant. The Board is also responsible, therefore, for ensuring that these types of risks are properly delegated to the appropriate committee, and that the risk oversight activities are properly coordinated and communicated among the Board and the various committees that oversee the risks.

Our other committees oversee both specific and broad types of risks. Some of the committees have oversight responsibility for specific risks that are inherent in carrying out their responsibilities set forth in their charters. For example, the Audit Committee is responsible for overseeing financial reporting risks. At the Audit Committee s request, during 2009, management prepared and categorized a list of the Company s major types of risks. The Audit Committee and the Directors and Corporate Governance Committee reviewed that list and proposed an assignment of risks to either the full Board or to specific committees. The Board reviewed the recommendations and adopted the proposed allocation of responsibilities.

Under the NYSE s listing standards, our Audit Committee must discuss AEP s policies for risk assessment and risk management. The Audit Committee oversees the process of identifying major enterprise risks and communicates those risks to the Board for assignment of oversight among the Board and the various committees. Our Chief Risk Officer, Chief Accounting Officer and our General Counsel attend all Audit Committee meetings. The Audit Committee oversees the Company s maintenance of financial and disclosure controls and procedures and also specifically reviews our litigation and regulatory risks as part of their review of the Company s disclosures.

Our Finance Committee broadly oversees our financial risks, which include energy trading risks, liquidity risks and interest rate risks. For example, the Finance Committee reviews and approves the Company s risk policies relating to our power marketing and hedging activities and also oversees the performance of the assets in our pension plans. Our Chief Risk Officer and our General Counsel attend all Finance Committee meetings.

Our Human Resources Committee reviews the Company s incentive compensation practices to ensure they do not encourage excessive risk-taking and are consistent with the Company s risk tolerance. The HR Committee also oversees our succession planning and executive leadership development. Our senior human resources officers attend all of the HR Committee meetings.

The Directors and Corporate Governance Committee focuses on reputation and corporate governance risks and oversees the Company s Corporate Compliance Program, which includes the Company s whistleblower program. Our General Counsel attends all Directors and Corporate Governance Committee meetings.

Compensation Risk

As specified in its charter, the HR Committee (with the assistance of its independent compensation consultant and Company management) reviewed the Company s compensation policies and practices for all employees, including executive officers, and determined that the compensation programs are not reasonably likely to have a material adverse effect on the Company.

The Company has designed its executive compensation process, with oversight from the HR Committee, to identify and manage risk and to ensure it does not encourage excessive risk taking. The base salary component, which represents approximately 16% of our CEO s total compensation opportunity, discourages risk-taking because its value and payment is contingent only upon continued Company employment. The Company also provides annual and long-term incentive com -

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pensation in amounts that represent approximately 18% and 66% of our CEO s total compensation opportunity, respectively. The HR Committee believes this appropriately allocates our compensation among base salary and short and long-term incentive compensation opportunities in such a way as to not encourage excessive risk-taking. The Company s incentive compensation also has the following characteristics:

Incentive award opportunities for all employees are capped generally at 200% of their target. Capping the potential payout limits the extent that employees could potentially profit by taking on excessive risk,

The HR Committee provides the large majority of incentive compensation to executive officers as long-term stock-based incentive compensation to ensure that short-term performance is not encouraged or rewarded at the expense of long-term performance. This is important because of the large amount of long-term investments required in our business,

For AEP s annual incentive compensation for executives, the HR Committee balanced AEP s ongoing 2009 earnings per share target with performance objectives in four categories: safety, operating performance, regulatory performance and strategic initiatives. This approach keeps annual incentive compensation in step with the earnings of the Company while, at the same time, tying annual incentive compensation to important non-financial measures, such as safety. Most employees have non-financial measures, and all employees have the safety measure. This minimizes the risks associated with focusing on any single indicator of performance,

The primary metrics used in the Company s incentive plans are earnings per share and total shareholder return, which are both measures of shareholder value that reduce the risk that employees might be encouraged to pursue other objectives that increase risk or reduce financial performance,

Annual and long-term incentive compensation programs are reviewed by AEP s internal audit staff,

All incentive award payouts to senior officers are subject to the review and approval of the HR Committee, or in the case of Mr. Morris, the independent members of the Board, and they retain the discretion to reduce any payouts,

Both annual and long-term incentive awards are subject to the Company s policy that makes those payments subject to recoupment as described in Compensation Discussion and Analysis on page 47,

Since 2004, the Company s primary long-term incentive awards have been granted in the form of performance units with a three-year performance and vesting period, which aligns the interests of employees to long-term shareholder interests and helps retain management,

Executives (currently 58) are subject to our executive stock ownership requirements as described in Compensation Discussion and Analysis on page 46,

We have not issued stock options to our executive officers since 2003, as stock options may provide an incentive to take excessive risks to increase the Company s stock price, and

It is part of a market competitive compensation package that enables the Company to attract, retain and motivate executives with the skills and experience needed to manage a company of AEP s considerable size and complexity in a highly regulated electric utility industry, which reduces risk by better ensuring both strong management competence and continuity.

Corporate Governance

AEP maintains a corporate governance page on its website that includes key information about corporate governance initiatives, including AEP s Principles of Corporate Governance, AEP s Principles of Business Conduct, Code of Business Conduct and Ethics for members of the Board, Direc -

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tor Independence Standards, and charters for the Audit, Directors and Corporate Governance and Human Resources Committees of the Board. The corporate governance page can be found at *www.aep.com/investors/corporategovernance*. Printed copies of all of these materials also are available upon written request to Investor Relations at: AEP, attention: Investor Relations, 1 Riverside Plaza, Columbus, OH 43215.

AEP s policies and practices reflect corporate governance initiatives that are designed to comply with SEC rules, the listing requirements of the New York Stock Exchange (NYSE) and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

- The Board of Directors has adopted corporate governance policies;
- A majority of the Board members are independent of AEP and its management;
- All members of the Audit Committee, Human Resources Committee and the Committee on Directors and Corporate Governance are independent;
- The members of the Board meet regularly without the presence of management, and the independent members of the Board meet at least once a year;
- AEP has a code of business conduct that also applies to its principal executive officer, principal financial officer and principal accounting officer and will promptly disclose waivers of the code for these officers;
- The charters of the Board committees clearly establish their respective roles and responsibilities;
- The Board, the Committee on Directors and Corporate Governance, the Audit Committee and the HR Committee conduct annual self-assessments. The Committee on Directors and Corporate Governance also evaluates annually the performance of the individual directors.

Directors

The Committee on Directors and Corporate Governance is responsible for recruiting new directors and uses a variety of methods for identifying and evaluating nominees for director. The Committee on Directors and Corporate Governance regularly assesses the appropriate size and composition of the Board, the needs of the Board and the respective committees of the Board and the qualifications of candidates in light of these needs. Candidates may come to the attention of the Committee on Directors and Corporate Governance through shareholders, management, current members of the Board or search firms.

Director qualifications

The Company s Principles of Corporate Governance are available on its website at www.aep.com/investors/corporategovernance/docs/PRINCIPLES.pdf. With respect to director qualifications and attributes, the Principles require the following:

In nominating a slate of Directors, the Board s objective, with the assistance of the Committee on Directors and Corporate Governance, is to select individuals with skills and experience that can be of assistance to management in operating the Company s business.

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the shareholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment.

These requirements are expanded in the Criteria for Evaluating Directors, which was initially adopted by the Committee on Directors and Corporate Governance in 2005 and subsequently reviewed and refined several times, most recently at the Committee s meeting on December 8, 2009. The Criteria are available on the Company s website at www.aep.com/investors/corporategovernance/docs/CRITERIAFOREVALUATINGDIRECTORS.pdf.

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As indicated in the Principles and the Criteria, directors should have personal attributes such as high integrity, intelligence, wisdom and judgment. In addition, they should have skills and experience that mesh effectively with the skills and experience of other Board members, so that the talents of all members blend together to be as effective as possible in overseeing a large electric utility business.

Mr. Morris is the Chairman, President and Chief Executive Officer of the Company. He has an undergraduate degree in biology and a law degree. Mr. Morris has worked for nearly four decades in the utility industry, originally in a consulting firm and then in progressively more responsible positions in gas and electric utility companies. Mr. Morris is in his 13^{th} year as chairman and chief executive officer of a large, multi-state electric utility company, having led Northeast Utilities from 1997 2003 and the Company since January 2004.

Dr. Hudson is the Company s Presiding Director and Chair of the Human Resources Committee. In addition to having a doctorate in business strategy, Dr. Hudson teaches management and strategy to graduate students, and previously he was the chief executive of two public companies. Mr. Nowell chairs the Audit Committee and is designated as the Audit Committee Financial Expert, a position required by the rules of the New York Stock Exchange and the Securities and Exchange Commission. Mr. Nowell is a Certified Public Accountant and served until his retirement in 2009 in senior financial positions with Pepsico, RJR Nabisco, Pillsbury and other major companies in the food and beverage industry.

In addition to Mr. Morris, one director (Mr. Brooks) is knowledgeable about the electric utility business from his previous principal occupation as chief executive officer of an electric utility and another director (Dr. Carlton) is knowledgeable about our industry from his previous occupation as the chief executive officer of a consulting and technical services firm that served large companies including electric utilities. Two directors (Mr. Cordes natural gas, and Ms. Tucker telecommunications) spent major parts of their careers in regulated utility companies that have many similarities to our business. And, two directors (Messrs. Cordes and Turner) understand our industry from past or current service on the boards of directors of another electric utility.

Our business is highly regulated, and several directors (Messrs. Brooks, Carlton, Cordes, Hoaglin and Morris and Ms. Tucker) spent careers in industries that are also highly regulated. Ms. Tucker spent a large part of her career at AT&T in senior management positions in human resources and customer service operations. Two directors (Mr. Turner and Ms. Tucker) have spent time as senior governmental officials and appreciate the issues of regulation from that perspective. Our business is also very capital intensive and involves sophisticated heavy equipment and facilities; Mr. Crosby s experience in the aerospace industry gives him a background in a comparably capital intensive and sophisticated industry.

Science, engineering and technology are important in our business. Many of the Company s directors have undergraduate and/or graduate degrees in engineering (Messrs. Brooks, Cordes and Crosby and Ms. Goodspeed), while others have undergraduate and/or graduate degrees in scientific subjects (Messrs. Morris and Turner, Dr. Sullivan and Dr. Carlton). Dr. Sullivan is a former NASA astronaut and former Chief Scientist, National Oceanic & Atmospheric Administration. Dr. Sullivan also was the former head of a science museum in Columbus, Ohio, the Company s headquarters city. Ms. Goodspeed is an engineering graduate with an M.B.A, who has worked in responsible positions in automotive and heating/cooling manufacturing. She is currently the chief information officer of an automobile manufacturer.

Environmental compliance is essential for success in our industry. Mr. Turner was chief executive of a national environmental organization and headed a governmental agency with environmental responsibilities, and Dr. Sandor headed a financial exchange focused on environmental financial products.

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Several directors in addition to Mr. Nowell have significant experience in finance, auditing or other financial or accounting roles. Mr. Hoaglin was the chief executive of a regional bank headquartered in Columbus with a footprint that significantly overlaps the midwestern part of the Company s service territory. Dr. Sandor was chief economist at a commodities exchange before he created the Chicago Climate Exchange (CCX) and he teaches finance at the graduate level. Mr. Brooks was responsible for overseeing the finance and accounting functions of an electric utility.

And, the experience gained from leading large, complex organizations brings invaluable perspective to a Board. Messrs. Brooks, Carlton, Hoaglin and Hudson have been chief executive officers of public companies and Mr. Morris currently serves as a chief executive. Messrs. Cordes and Crosby have been chief executives of major subsidiaries of public companies, while Dr. Sullivan and Ms. Tucker have headed substantial non-profit organizations. Messrs. Brooks, Carlton, Cordes, Crosby, Hoaglin, Hudson, Morris, Nowell, Sandor and Turner, Ms. Goodspeed and Dr. Sullivan bring to the board experience gained from currently or previously serving on the boards of directors of other public companies.

Any summary of the specific skills and attributes of individual directors is necessarily very high level. It cannot cover the full range of the skills, experience and personal attributes that each contributes to service on the Company s board of directors, nor can it explain the ways in which the abilities and perspectives of different directors interact to benefit the Company.

Board Diversity

Our Criteria for Evaluating Directors also includes the Company s statement regarding how the Board considers diversity in identifying nominees for our Board. The Criteria provide:

Two central objectives in selecting board members and continued board service are that the skills, experiences and perspectives of the Board as a whole should be broad and diverse, and that the talents of all members of the Board should blend together to be as effective as possible. In particular, the Board should be balanced by having complementary knowledge, expertise and skill in areas such as business, finance, accounting, marketing, public policy, manufacturing and operations, government, technology, environmental and other areas that the Board has decided are desirable and helpful to fulfilling its role. Diversity in gender, race, age, tenure of board service, geography and background of directors, consistent with the Board s requirements for knowledge, standards, and experience, are desirable in the mix of the Board.

Our Directors and Corporate Governance Committee considers these criteria each year as it determines the slate of directors to recommend to the Board for election at our annual meeting. It also considers these criteria each time a new director is recommended for election to the Board. The Board believes that its implementation of this policy is effective in considering the diversity of the members of the Board.

Director Independence

In accordance with NYSE standards, a majority of the members of the Company s Board of Directors must qualify as independent directors. No member of the Board is independent unless the Board affirmatively determines annually that such member is independent. The Board has adopted categorical standards to assist it in making this determination of director independence. These standards can be found on our web site at *www.AEP.com/investors/corporategovernance*.

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Each year, our directors complete a questionnaire that elicits information to assist the Committee on Directors and Corporate Governance in assessing whether the director meets the Company s independence standards. Each director lists all the companies and charitable organizations that he or she, or an immediate family member, has a relationship with as a partner, trustee, director or officer, and indicates whether that entity made or received payments from AEP. The Company reviews its financial records to determine the amounts paid to or received from those entities. A list of the entities and the amounts AEP paid to or received from those entities is provided to the Committee on Directors and Corporate Governance. Utilizing this information, the Committee on Directors and Corporate Governance evaluates, with regard to each director, whether the director has any material relationship with AEP or any of its subsidiaries. The Committee on Directors and Corporate Governance determines whether the amount of any payments between those entities and AEP could interfere with a director s ability to exercise independent judgment. The Committee on Directors and Corporate Governance also discusses any other relevant facts and circumstances regarding the nature of these relationships, to determine whether other factors, regardless of the categorical standards the Board has adopted, might impede a director s independence.

We are a large electric utility company that operates in parts of eleven different states. Any organization that does business in our service territory buys electricity from one of our subsidiaries. Many of our directors live in our service territory or are executives, directors or trustees of organizations that do business in our service area. However, all of those organizations purchase electricity from us at rates set by a regulatory commission. There are no unique negotiated rates with any of those organizations. Therefore, the Committee on Directors and Corporate Governance determined that none of those relationships impedes a director s independence.

We make numerous charitable contributions to nonprofit and community organizations and universities in the states where we do business. Again, because many of our directors live in our service territory and are highly accomplished individuals in their communities, our directors are frequently affiliated with many of the same educational institutions, museums, charities and other community organizations. None of our directors, however, is an executive officer of those nonprofit organizations. Nonetheless, the Committee on Directors and Corporate Governance reviews all charitable contributions made by AEP to organizations with which our directors or their immediate family members are affiliated. The Committee on Directors and Corporate Governance also reviewed contributions made from The American Electric Power Foundation, which was created to support and play an active, positive role in the communities in which AEP operates by contributing funds to organizations in those communities. The Committee on Directors and Corporate Governance determined that the Company s contributions were not materially influenced by the director s relationship with the organization, and therefore none of these relationships conflict with the interests of the Company or would impair the director s independence or judgment.

The Board s independence determinations also specifically included reviewing the following transactions:

Ms. Goodspeed is an executive officer of a company with which the Company does business, and Mr. Hoaglin and Mr. Nowell were until their respective retirements in February 2009 and May 2009. In June 2009, Dr. Sandor had a change in responsibilities and stepped down as CEO, but remains the executive chairman of CCX. Ms. Goodspeed is an executive at Nissan North America, Inc. Mr. Hoaglin was the chairman and chief executive officer of Huntington Bancshares, Inc. Mr. Nowell was an executive at Pepsico, Inc. As explained earlier, although Nissan, Huntington Bank and Pepsico purchase electricity from our subsidiaries, the Board does not believe that those transactions impair the independence of these directors. Huntington Bank is based in Columbus, Ohio and is one of many banks under our credit facilities, and leases some equipment to our subsidiaries. We purchased soda and snacks from Pepsico in the ordinary course of business. The amount that the Company paid to Huntington Bank did not, in the previous fiscal year, exceed the greater of $1 million, or 2% of Hungtington Bank s consolidated gross revenues. The amount that the Company paid to Pepsico did not, in the previous fiscal year, exceed the greater of $1 million, or 2% of Pepsico s consolidated gross revenues. Dr. Sandor s relationship with the Company is discussed in more detail below.

Mr. Brooks and Mr. Turner each is a director of another company that did a significant amount of business with the Company, but Mr. Brooks and Mr. Turner are not employees or executive officers of those companies. Mr. Brooks is a director of Hubbell, Inc., which is a manufacturer of electrical products for commercial and industrial customers. Because we are in the electric industry, we purchase equipment from Hubbell in the ordinary course of business. Mr. Turner is a director of Peabody Energy Corporation. Mr. Turner was chief executive of a national environmental organization and headed a governmental agency with environmental responsibilities, so Mr. Turner serves on boards of companies where environmental compliance is essential for success. Although we purchase a significant amount of coal from Peabody Energy Corporation, we entered into these coal buying relationships with Peabody in the ordinary course of business before Mr. Turner joined our Board. The nature and volume of our coal purchased from Peabody since Mr. Turner became an AEP director are consistent with the nature and volume before he was elected.

Mr. Morris is not independent because he is an executive officer of AEP. Dr. Sandor served as Chief Executive Officer of CCX. AEP is a founding member of CCX and during 2009 AEP and its subsidiaries transacted trades of greenhouse gas emission allowances on the CCX. Dr. Sandor was also the chief executive officer of the Chicago Climate Futures Exchange (CCFE), which is an exchange established for trading of SO_2 and NO_x allowances. Although Dr. Sandor currently meets the independence standards because AEP s payments to CCX and CCFE in 2009 were less than $60,000, the Board of Directors has determined that he is not an independent director because of AEP s relationship with CCX.

As a result of this review, the Board has determined that, other than Dr. Sandor, each of the non-employee director nominees standing for election, including Messrs. Brooks, Carlton, Cordes, Crosby, Hoaglin, Hudson, Nowell and Turner, Ms. Goodspeed, Dr. Sullivan and Ms. Tucker, has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) and is independent within the meaning of the Company s director independence standards.

Involvement by Mr. Hoaglin in Certain Legal Proceedings

On June 2, 2005, Huntington Bancshares Incorporated (Huntington) announced that the SEC approved a settlement of its previously announced formal investigation into certain financial accounting matters relating to fiscal years 2002 and earlier and certain related disclosure matters. As a part of the settlement, the SEC instituted a cease and desist administrative proceeding and entered a cease and desist order and also filed a civil action in federal district court pursuant to which, without admitting or denying the allegations in the complaint, Huntington and Mr. Hoaglin consented to pay civil money penalties. Without admitting or denying the charges in the administrative proceeding, Mr. Hoaglin agreed to cease and desist from committing and/or causing the violations charged as well as any future violations of these provisions. Additionally, Mr. Hoaglin agreed to pay disgorgement, pre-judgment interest and penalties in the amount of $667,609.

Shareholder Nominees for Directors

The Committee on Directors and Corporate Governance will consider shareholder recommendations of candidates to be nominated as directors of the Company. All such recommendations must be in writing and submitted in accordance with the procedures described under Shareholder Proposals and Nominations on page 79 and must include information required in AEP s Policy on

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Consideration of Candidates for Director Recommended by Shareholders. A copy of this policy is on our website at *www.AEP.com/investors/corporategovernance*. Shareholders nominees who comply with these procedures will receive the same consideration that all other nominees receive.

Board Leadership

Mr. Morris is in his 13th year leading large, multi-state, publicly held electric utility companies. He has been the Company s Chairman, President and Chief Executive Officer since early 2004. Before that, he had held the same positions at another publicly held electric utility company from August 1997 to the end of 2003. Mr. Morris has extensive knowledge about and influence within the electric utility industry, as indicated from his current and past leadership positions with the Institute of Nuclear Power Operations, the Edison Electric Institute and the Business Roundtable, among other organizations. In addition to serving on the Company s Board, Mr. Morris sits on the boards of directors of two other large public companies, and he has been a panelist at prominent corporate governance conferences.

Because of Mr. Morris longstanding experience with the Company and other industry participants and the quality of his performance in these roles, and his extensive experience as a corporate director, the Board believes that the Company s best interests are currently best served by Mr. Morris being both chairman and chief executive officer.

Dr. Hudson has been the Presiding Director of the Board since 2003. The purpose of the Presiding Director is to promote the independence of the Board in order to represent the interests of the shareholders. The Presiding Director is selected by non-management directors.

The Presiding Director is responsible for working closely with the chief executive officer to finalize information flow to the Board, set meeting agendas and arrange meeting schedules. He also chairs meetings of the non-management directors and serves as principal liaison between the non-management directors and management. In addition, Dr. Hudson has the ability to call special meetings of the Board, as needed. He has the authority to retain outside legal counsel or other advisors as needed by the Board. He provides a channel of communications between the directors and management, assures that directors receive timely and necessary information in advance of meetings, and receives communications from shareholders on behalf of non-management directors.

The Board believes that the allocation of responsibilities between Mr. Morris and Dr. Hudson works well, so that, with these individuals in place, it is not necessary to have a separate board chair and chief executive. Mr. Morris intends to retire as chief executive officer in late 2011, when he becomes 65 years old. Whether his successor as chief executive officer will also hold the office of chairman of the board of directors will be determined at the time in light of the successor s skills and experience and other relevant considerations.

Communicating with the Board

Anyone who would like to communicate directly with our Board, our non-management directors as a group or Dr. Hudson, our Presiding Director, may submit a written communication to American Electric Power Company, Inc., P.O. Box 163609, Attention: AEP Non-Management Directors, Columbus OH 43216. AEP s Business Ethics and Corporate Compliance department will review such inquiries or communications. Communications other than advertising or promotions of a product or service will be forwarded to our Board, our non-management directors as a group or our Presiding Director, as applicable.

Transactions with Related Persons

The American Electric Power Company, Inc. Related Person Transaction Approval Policy (Policy) was adopted by the Board in December 2006. The Policy is administered by the Directors and Corporate Governance Committee.

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The Policy defines a Transaction with a Related Person as any transaction or series of transactions in which (i) the Company or a subsidiary is a participant, (ii) the aggregate amount involved exceeds $120,000 and (iii) any Related Person has a direct or indirect material interest. A Related Person is any Director or member of the executive council or Section 16 officer of the Company, any nominee for director, any shareholder owning in excess of 5% of the total equity of the Company and any immediate family member of any such person. The Directors and Corporate Governance Committee considers all of the relevant facts and circumstances in determining whether or not to approve such transaction and approves only those transactions that are in the best interests of the Company.

If Company management determines it is impractical or undesirable to wait until a meeting of the Directors and Corporate Governance Committee to consummate a Transaction with a Related Person, the Chair of the Corporate Governance Committee may review and approve the Transaction with a Related Person. Any such approval is reported to the Directors and Corporate Governance Committee at or before its next regularly scheduled meeting.

No approval or ratification of a Transaction with a Related Person necessarily satisfies or supersedes the requirements of the Company s Code of Business Conduct and Ethics for Members of the Board of Directors or AEP s Principles of Business Conduct applicable to any Related Person. To the extent applicable, any Transaction with a Related Person is also considered in light of the requirements set forth in those documents.

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DIRECTOR COMPENSATION

Directors who are employees of the Company receive no additional compensation for service as a director other than accidental insurance coverage. The following table presents the compensation provided by the Company in 2009 to the non-employee directors. Mr. Cordes was elected in September 2009.

Name	Fees Earned Or Paid in Cash ($) (1)	Stock Awards ($) (2)(3)	All Other Compensation ($) (4)(5)(6)	Total ($)
E. R. Brooks	95,750	120,000	3,663	219,413
Donald M Carlton	80,000	120,000	5,466	205,466
James F. Cordes	20,000	30,000	200	50,200
Ralph D. Crosby, Jr.	80,000	120,000	1,330	201,330
Linda A. Goodspeed	89,000	120,000	1,330	210,330
Thomas E. Hoaglin	80,000	120,000	1,330	201,330
Lester A. Hudson, Jr.	112,000	120,000	4,837	236,837
Lionel L. Nowell III	99,500	120,000	5,202	224,702
Richard L. Sandor	80,000	120,000	2,917	202,917
Kathryn D. Sullivan	80,000	120,000	1,330	201,330
Sara M. Tucker	80,000	120,000	803	200,803
John F. Turner	92,000	120,000	1,727	213,727

(1) Consists of amounts described below under Director Compensation and Stock Ownership Annual Retainers and Fees. With respect to Mr. Nowell and Mr. Brooks, includes $7,500 and $3,750, respectively, paid for services as Chairman of the Audit Committee for parts of the year. With respect to Mr. Brooks, Mr. Nowell and Mr. Turner, includes $12,000 paid for services as members of the Audit Committee for the full year, and for Dr. Hudson and Ms. Goodspeed includes $2,000 and $9,000, respectively, paid for services as members of the Audit Committee for part of the year. For Dr. Hudson, compensation includes $10,000 paid for services as chairman of the HR Committee and $20,000 paid for services as Presiding Director.

(2) Consists of awards under the Stock Unit Accumulation Plan for Non-Employee Directors in 2009 described below under Director Compensation and Stock Ownership Stock Unit Accumulation Plan. AEP Stock Units are credited to directors quarterly, based on the closing price of AEP common stock on the payment date. The grant date fair value of these awards for a full year of service was $120,000.

(3) Each non-employee director received 4,056 AEP stock units in 2009, except for Mr. Cordes, who received 862 AEP stock units. See Share Ownership of Directors and Executive Officers on page 77 for the aggregate number of stock awards outstanding for each director as of December 31, 2009.

(4) Consists of tax gross ups, premiums for accidental death insurance and annual costs of the Central and South West Corporation Memorial Gift Program and matching gift contributions. Effective December 2009, the Board eliminated tax gross-ups on all director perquisites. The following table presents the components of All Other Compensation for each non-employee director:

Name	Tax Gross Ups ($)	Premiums ($)	Memorial Gifts ($)	Matching Gifts ($)(6)
E. R. Brooks	2,360	803	Note 5	500
Donald M Carlton	2,163	803	Note 5	2,500
James F. Cordes	-0-	200	-0-	-0-
Ralph D. Crosby, Jr.	527	803	-0-	-0-
Linda A. Goodspeed	527	803	-0-	-0-
Thomas E. Hoaglin	527	803	-0-	-0-
Lester A. Hudson, Jr.	2,034	803	-0-	2,000
Lionel L. Nowell III	3,774	803	-0-	625
Richard L. Sandor	2,114	803	Note 5	-0-
Kathryn D. Sullivan	527	803	-0-	-0-
Sara M. Tucker	-0-	803	-0-	-0-
John F. Turner	924	803	-0-	-0-

(5) AEP is continuing a memorial gift program for former Central and South West Corporation (CSW) directors and executive officers who had been previously participating in this program. The program currently has 25 participants, including the three former CSW directors listed above. Under this program, AEP makes donations in a director s name to up to three charitable organizations in an aggregate amount of up to $500,000, payable by AEP upon such person s death. AEP maintains corporate-owned life insurance policies to support portions of the program. AEP paid an annual premium of $60,164 on those policies for 2009.

(6) Directors may participate in our Matching Gifts Program on the same terms as AEP employees. Under the program, AEP will match up to $2,500 per institution each year in charitable contributions from a director.

Directors Compensation and Stock Ownership

Annual Retainers and Fees. The Board has determined that Board compensation should consist of a mix of cash and AEP stock units. In September 2009, upon the recommendation of the Committee on Directors and Corporate Governance and taking into account comparative data from Hewitt Consulting, the Board determined that there would be no changes in director compensation for 2010 other than increasing the annual fee for the Chairman of the Audit Committee from $10,000 to $15,000. The amount of AEP stock units awarded to non-employee directors pursuant to the Stock Unit Accumulation Plan is $120,000 annually. The amount of the annual cash retainer paid to non-employee directors is $80,000 annually. The Presiding Director fee is $20,000 annually. The fee for the chairman of the Audit Committee is $15,000 annually. Members of the Audit Committee, including the chairman, receive an additional annual retainer of $12,000. The chairman of the HR Committee receives an annual fee of $10,000. Each of these cash retainers is paid in quarterly increments.

The Company believes that the standard director compensation amount compensates directors appropriately for all general services that are rendered as a director, committee member, committee chair or as Presiding Director, including education and training appropriate to the director s responsibilities. The Company believes, however, that special compensation can be appropriate when individual directors are asked to undertake special assignments requiring a significant amount of unexpected additional time, effort and responsibility. The Board s Special Compensation Policy provides for directors to be compensated at a daily rate when called upon to undertake

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special additional services beyond those contemplated by the Annual Retainer. Under the Special Compensation Policy, the Committee on Directors and Corporate Governance determines (a) the amount of any special compensation in light of the actual or anticipated time, effort and responsibility required of the director and (b) the form of special compensation, which may include a per diem fee, an hourly fee, a flat fee or any other reasonable payment or payments. No special compensation was paid in 2009.

Expenses. Non-employee directors are reimbursed for expenses incurred in attending Board, committee and shareholder meetings. Directors are also reimbursed for reasonable expenses associated with other business activities that benefit the Company, including participation in director education programs.

On two occasions in 2009, a director s spouse traveled with them to a Board meeting. Spouses may occasionally join non-employee directors on Company aircraft when a non-employee director is traveling to or from Board meetings or other business activities. The Company generally provides for, or reimburses the expenses of, the non-employee directors and their spouses for attendance at such meetings, which may result in a non-employee director recognizing income for tax purposes under applicable regulations. The Company reimbursed the non-employee director for the estimated taxes incurred in connection with any income recognized by the director as a result of the non-employee director s or spouse s attendance at such events. However, effective December 2009, the Board eliminated tax gross-ups on all director perquisites.

Retainer Deferral Plan. The Retainer Deferral Plan for Non-Employee Directors is a non-qualified deferred compensation plan that permits non-employee directors to choose to defer up to 100% of their annual cash retainer and fees into a variety of investment fund options, all with market-based returns, including an AEP stock fund. The Plan permits the non-employee directors to defer receipt until termination of service or for a period that results in payment commencing not later than five years after termination of service.

Stock Unit Accumulation Plan. In 2009 the Stock Unit Accumulation Plan for Non-Employee Directors awarded $120,000 in AEP stock units to each non-employee director who served for the full year, and pro-rated amounts for partial year service. These AEP stock units are credited to directors quarterly, based on the closing price of AEP Common Stock on the payment date. Amounts equivalent to cash dividends on the AEP stock units accrue as additional AEP stock units. AEP stock units are not paid to the director in cash until termination of service unless the director has elected to further defer payment for a period that results in payment commencing not later than five years after termination of service.

Insurance. AEP maintains a group 24-hour accident insurance policy to provide a $1,000,000 accidental death benefit for each director, $100,000 for each spouse of a director and $50,000 for all dependent children. The current policy, effective September 1, 2007 through September 1, 2012, has a premium of $48,175. In addition, for 2009, AEP paid each non-employee director an amount to provide for the federal and state income taxes incurred in connection with the maintenance of this coverage. That amount is reflected in the tax gross up column of the Non-Employee Director Compensation Table. Effective December 2009, the Board eliminated this tax gross-up.

Stock Ownership. The Board considers stock ownership in AEP by Board members to be important. As noted above in Stock Unit Accumulation Plan, non-employee directors are required to defer $120,000 annually in AEP stock units until termination of his or her directorship. As noted in Share Ownership of Directors and Executive Officers, each non-employee director of AEP owns more than 10,000 shares of AEP Common Stock and AEP stock units, except for Mr. Hoaglin, Mr. Turner, Ms. Tucker and Mr. Cordes, who were elected to the Board of Directors in December 2007, July 2008, January 2009 and September 2009, respectively.

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Insurance

The directors and officers of AEP and the AEP System subsidiaries are insured, subject to certain exclusions and deductibles, against losses resulting from any claim or claims made against them while acting in their capacities as directors and officers. Such insurance, effective March 15, 2009 to March 15, 2010, is provided by: Associated Electric & Gas Insurance Services Ltd., Energy Insurance Mutual Ltd., Zurich American Insurance Company, AXIS Insurance Company, Arch Insurance Company, St. Paul Mercury Insurance Company (Travelers), Westchester Fire Insurance Company (ACE), Carolina Casualty Insurance Company (W.R. Berkley), RSUI Indemnity Company, U.S. Specialty Insurance Company (HCC Global), Scottsdale Indemnity Company (Nationwide), Arch Reinsurance, Ltd., National Union Fire Insurance Company (Chartis, formerly AIG), Allied World Assurance Company Ltd. (AWAC), Liberty Mutual Insurance Company, Houston Casualty Company (HCC Global), St. Paul Mercury Insurance Company (Travelers), Ariel Reinsurance Company, Ltd and Catlin Specialty Insurance Company (Catlin, Inc.). The total cost of this insurance is $4,160,297.

Fiduciary liability insurance provides coverage for AEP System companies and their affiliated trusts, their directors and officers, and any employee deemed to be a fiduciary or trustee, for breach of fiduciary responsibility, obligation, or duties as imposed under the Employee Retirement Income Security Act of 1974. Such insurance, effective March 15, 2009 to March 15, 2010, is provided by Houston Casualty Company (HCC Global), AXIS Insurance Company, Energy Insurance Mutual Ltd., and Scottsdale Indemnity Company (Nationwide). The total cost of this insurance is $649,030.

2. Approval of Amendments to the Long-Term Incentive Plan

The Amended and Restated American Electric Power System Long-Term Incentive Plan (2005 Plan) was last approved by AEP s shareholders at the 2005 annual meeting. The purpose of the 2005 Plan is to promote the interests of AEP and its shareholders by strengthening AEP s ability to attract, motivate and retain employees and directors, to align further the interests of AEP s management with the shareholders, and to provide an additional incentive for employees and directors to promote the financial success and growth of AEP. The aggregate number of shares reserved for issuance under the 2005 Plan was 19,200,000 shares. The primary purpose of amending the 2005 Plan is to increase the number of shares of Common Stock authorized for issuance by 6,687,788 shares. On December 31, 2009, there were 13,581,855 shares available for issuance under the Plan of which 1,404,817 were full value shares.

The 2005 Plan allows the grant of stock based incentive awards to employees of the AEP System and to nonemployee members of the Board of Directors. We have not granted incentive awards to non-employee Directors. The 2005 Plan provides for the grant of stock options, including incentive stock options and nonqualified stock options, stock appreciation rights, restricted stock, performance awards, phantom stock, and dividend equivalents, as described below.

The Board of Directors approved the amendments at its meeting on February 23, 2010 and is now asking shareholders to vote on and approve the amendments to the 2005 Plan (the 2005 Plan, as so amended, the Plan). Amendments requiring shareholder approval are (i) the provision of an additional 6,687,788 shares of AEP Common Stock for awards under the Plan, which, when added to 13,312,212 shares (of which 1,135,074 were full value shares) currently available (as of March 1, 2010), establishes a new limit of 20,000,000 shares of AEP Common Stock available for new awards under the Plan, and (ii) the provision of an additional 8,864,926 full value shares of AEP Common Stock (which includes all awards other than stock options and cash settled or paid stock appreciation rights) out of the above 20,000,000 shares, which when added to the 1,135,074 full value shares currently available (as of March 1, 2010), establishes a new limit of 10,000,000 full value shares available. We are increasing the full value shares because the Company primarily grants performance awards and restricted stock units, both of which are full value share awards, and has not awarded stock options as part of its regular long-term incentive program since 2003.

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The Plan is designed to allow for the grant of certain types of awards that conform to the requirements for tax deductible performance-based compensation under Section 162(m) of the Internal Revenue Code, as discussed under Tax Considerations in the section of this proxy statement entitled Compensation Discussion and Analysis. The Plan is being submitted to the shareholders for approval in order to comply with the applicable requirements of The New York Stock Exchange and to qualify certain awards made to certain executive officers as deductible for federal income tax purposes under Internal Revenue Code Section 162(m). Shareholder approval is also necessary under the federal income tax rules with respect to the qualification of incentive stock options.

The Human Resources Committee expects to consider approximately 1,000 employees for participation in the Plan. The number of persons eligible to participate in the Plan and the number of grantees may vary from year to year.

The closing price of AEP s Common Stock on March 1, 2010, was $33.94 per share.

Need for Increase in Authorized Plan Shares

The Plan reserves for issuance a maximum aggregate of 20,000,000 shares of the Company s Common Stock. Additional shares are necessary to enable the Company to continue to effectively utilize equity awards. In addition, the Company believes a sufficient reserve of shares is critical to provide the Company the flexibility to attract and retain key employees. If shareholder approval is not obtained for the Plan at this annual meeting, the Company will continue to grant equity awards under the 2005 Plan until the authorized and reserved shares are exhausted.

Performance Criteria

The Board of Directors has not amended the performance criteria upon which the payment or vesting of a performance award may be based. The performance criteria available to the Human Resource Committee (as specified in Section 9.3 of the Plan) still include:

- earnings measures (including, for example, primary earnings per share, fully diluted earnings per share, net income, pre-tax income, operating income, earnings before interest, taxes, depreciation and amortization or any combination thereof, and net operating profits after taxes);
- expense control (including, for example, operations & maintenance expense, total expenditures, expense ratios, and expense reduction);
- customer measures (including, for example, customer satisfaction, service cost, service levels, responsiveness, bad debt collections or losses, and reliability such as outage frequency, outage duration, and frequency of momentary outages);
- safety measures (including, for example, recordable case rate, severity rate, and vehicle accident rate);
- diversity measures (including, for example, minority placement rate and utilization);

environmental measures (including, for example, emissions, project completion milestones, regulatory/legislative/cost recovery goals, and notices of violation);

revenue measures (including, for example, revenue and direct margin);

shareholder return measures (including, for example, total shareholder return, economic value added, cumulative shareholder value added, return on equity, return on capital, return on assets, dividend payout ratio and cash flow(s) such as operating cash flows, free cash flow, discounted cash flow return on investment and cash flow in excess of cost of capital or any combination thereof);

valuation measures (including, for example, stock price increase, price to book value ratio, and price to earnings ratio);

capital and risk measures (including, for example, debt to equity ratio, dividend payout as percentage of net income and diversification of business opportunities);

employee satisfaction;

project measures (including, for example, completion of key milestones);

production measures (including, for example, generating capacity factor, performance against the Institute of Nuclear Power Operation index, generating equivalent availability, heat rates and production cost); and

such other individual performance objective that is measured solely in terms of quantitative targets related to AEP or any subsidiary or AEP s or any such subsidiary s business.

Summary of the Plan

The information about the Plan which follows is subject to, and qualified in its entirety by reference to, the Plan document, which is attached to this proxy statement as Exhibit A. We encourage you to carefully read the Plan document in its entirety.

Reservation of Shares. AEP has reserved, subject to shareholder approval of the Plan, 20,000,000 total shares of Common Stock (or approximately 4% of the shares outstanding) for issuance under the Plan. This includes a rollover of 13,312,212 shares of AEP Common Stock that are currently available for awards under the 2005 Plan and 6,687,788 shares of AEP Common Stock newly authorized for such awards. The shares to be delivered under the Plan will be made available from authorized but unissued shares, shares reacquired by AEP and/or shares acquired on the open market specifically for distribution under the Plan. If any shares of Common Stock that are the subject of an award are not issued and cease to be issuable for any reason, such shares will no longer be charged against such maximum share limitation and may again be made subject to awards under the Plan. Shares withheld from an award for taxes are treated as issued under the Plan and are charged against the maximum share limitation. In the event of certain corporate reorganizations, recapitalizations, or any similar corporate transactions affecting AEP or the Common Stock, or stock splits, stock dividends or other distribution with respect to the Common Stock, proportionate adjustments may be made to the number of shares available for grant under the Plan, the applicable maximum share limitations under the Plan, and the number of shares and prices under outstanding awards at the time of the event.

Administration. The Plan will be administered by the HR Committee. Subject to the limitations set forth in the Plan, the HR Committee has the authority to determine the persons to whom awards are granted, the types of awards to be granted, the time at which awards will be granted, the number of shares, units or other rights subject to each award, the exercise, base or purchase price of an award (if any), the time or times at which the award will become vested, exercisable or payable, and the duration of the award. The HR Committee may provide for the acceleration of the vesting or exercise period of an award at any time prior to its termination or upon the occurrence of specified events. With the consent of the affected participant, the HR Committee has the authority to cancel and replace awards previously granted with new awards for the same or a different number of shares and for the same or different exercise or base price and may amend the terms of any outstanding award, provided that the HR Committee shall not have the authority (a) to reduce the exercise or base price of an award by amendment or cancellation and substitution of an existing award without approval of AEP s shareholders, nor (b) to reduce the exercise or base price of an option or stock appreciation right to an amount that is less than the 100% of the fair market value of a share of Common Stock on the date of grant. With respect to awards granted under the Plan to non-employee members of the Board of Directors, all rights, powers and authorities vested in the HR Committee under the Plan shall instead be exercised by the Board of Directors.

Eligibility. All employees of AEP and its subsidiaries and all non-employee members of the Board of Directors are eligible to be granted awards under the Plan, as selected from time to time by the HR Committee in its sole discretion.

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Stock Options. The Plan authorizes the grant of nonqualified stock options and incentive stock options. Nonqualified stock options may be granted to employees and non-employee directors. Incentive stock options may only be granted to employees. The exercise price of an option may be determined by the HR Committee, provided that the exercise price per share of an option may not be less than 100% of the fair market value of a share of Common Stock on the date of grant. Stock options may be granted for any term specified by the HR Committee and the HR Committee may accelerate the exercisability of any option at any time. Under the Plan, the exercise price of an option is payable by the participant in cash, or, at the discretion of the HR Committee, in shares of Common Stock, or by any other method approved by the HR Committee. The terms of any Incentive Stock Option shall comply with the provisions of the Internal Revenue Code. The maximum number of shares of Common Stock that may be granted under stock options to any one participant during any three calendar year period shall be limited to 2,000,000 shares. Nonqualified stock options granted under the Plan are intended to qualify for exemption under Section 162(m) of the Internal Revenue Code.

Stock Appreciation Rights. The Plan authorizes the HR Committee to grant awards of stock appreciation rights. A stock appreciation right entitles the holder, upon exercise, to receive a payment based on the difference between the base price of the stock appreciation right and the fair market value of a share of Common Stock on the date of exercise, multiplied by the number of shares as to which such stock appreciation right will have been exercised. A stock appreciation right may be granted either in tandem with an option or without relationship to an option. A stock appreciation right granted in tandem with an option will have a base price per share equal to the per share exercise price of the option, will be exercisable only at such time or times as the related option is exercisable and will expire no later than the time when the related option expires. Exercise of the option or the stock appreciation right as to a number of shares results in the cancellation of the same number of shares under the tandem right. A stock appreciation right granted without relationship to an option will be exercisable as determined by the HR Committee. The base price assigned to a stock appreciation right granted without relationship to an option shall not be less than 100% of the fair market value of a share of Common Stock on the date of grant. The maximum number of shares of Common Stock that may be subject to stock appreciation rights granted to any one participant during any three calendar year period shall be limited to 2,000,000 shares. Stock appreciation rights are payable in cash, in restricted or unrestricted shares of Common Stock, or a combination thereof, in the discretion of the HR Committee. Stock appreciation rights granted under the Plan are intended to qualify for exemption under Section 162(m) of the Internal Revenue Code.

Performance Awards. The Plan authorizes the HR Committee to grant performance awards, which are units denominated on the date of grant either in shares of Common Stock (performance shares) or in specified dollar amounts (performance units). Performance awards are payable upon the achievement of performance criteria established by the HR Committee at the beginning of the performance period. At the time of grant, the HR Committee establishes the number of units, the duration of the performance period or periods, the applicable performance criteria, and, in the case of performance units, the target unit value or range of unit values for the performance awards. At the end of the performance period, the HR Committee determines the payment to be made based on the extent to which the performance goals have been achieved. Performance awards are payable in cash, restricted or unrestricted shares of Common Stock, phantom stock or options, or a combination thereof, in the discretion of the HR Committee.

The HR Committee may grant performance awards that are intended to qualify for exemption under Section 162(m) of the Internal Revenue Code, as well as performance awards that are not intended to so qualify. A Section 162(m) qualified award may relate to AEP, any subsidiary or any business unit, may be measured on an absolute or relative-to-peer-group basis, and must be based upon the performance criteria stated above under Performance Criteria.

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The HR Committee may at any time prior to payment reduce the number of performance awards earned by any participant for a performance period. The maximum amount of compensation that may be payable in any one calendar year to any one participant designated to receive a performance unit award intended to qualify under Section 162(m) is $15,000,000. The maximum number of performance shares that may be earned in any one calendar year by any one participant designated to receive a performance share award that is intended to qualify under Section 162(m) is 400,000 shares.

Restricted Stock. The Plan authorizes the HR Committee to make awards of restricted stock. An award of restricted stock represents shares of Common Stock that are issued subject to such restrictions on transfer and on incidents of ownership and such forfeiture conditions as the HR Committee deems appropriate. The restrictions imposed upon an award of restricted stock will lapse in accordance with the vesting requirements specified by the HR Committee in the award agreement. Such vesting requirements may be based on the continued employment of the participant for a specified time period or on the attainment of specified business goals or performance criteria established by the HR Committee. The HR Committee may, in connection with an award of restricted stock, require the payment of a specified purchase price. Subject to the transfer restrictions and forfeiture restrictions relating to the restricted stock award, the participant will otherwise have the rights of a shareholder of AEP, including all voting and dividend rights, during the period of restriction unless the HR Committee determines otherwise at the time of the grant.

The HR Committee may grant awards of restricted stock that are intended to qualify for exemption under Section 162(m) of the Internal Revenue Code, as well as awards that are not intended to so qualify. An award of restricted stock that is intended to qualify for exemption under Section 162(m) shall have its vesting requirements limited to the performance criterion mentioned above under Performance Criteria. The maximum number of shares of Common Stock that may be subject to awards of restricted stock intended to qualify under Section 162(m) granted to any one participant during any calendar year shall be limited to 400,000 shares.

Phantom Stock. The Plan authorizes the HR Committee to grant awards of phantom stock. An award of phantom stock gives the participant the right to receive payment at the end of a fixed vesting period based on the value of a share of Common Stock at the time of vesting. Phantom Stock Units are subject to such restrictions and conditions to payment as the HR Committee determines are appropriate. An award of phantom stock may be granted, at the discretion of the HR Committee, together with an award of dividend equivalent rights for the same number of shares covered thereby. Phantom stock awards are payable in cash, restricted or unrestricted shares of Common Stock, options, or a combination thereof, in the discretion of the HR Committee.

The same conditions and limitations applicable to restricted stock awards are also applicable to phantom stock awards that are intended to qualify for exemption under Section 162(m).

Dividend Equivalents. The Plan authorizes the HR Committee to grant awards of dividend equivalents, which grant the participant the right to receive cash, shares of Common Stock, or other property equal in value to dividends paid with respect to a specified number of shares of Common Stock. Dividend equivalents may be awarded on a free-standing basis or in connection with another award (other than an option or stock appreciation right), and may be paid currently or on a deferred basis. The HR Committee may provide at the date of grant or thereafter that dividend equivalent awards shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional shares of Common Stock, or other investment vehicles as the HR Committee may specify, provided that dividend equivalent awards (other than free-standing dividend equivalent awards) shall be subject to all conditions and restrictions of the underlying awards to which they relate.

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Change in Control. The HR Committee may provide for the effect of a change in control (as defined in the Plan) upon an award granted under the Plan. Such provisions may include:

The acceleration or extension of time periods for purposes of exercising, vesting in, or realizing gain from an award;

The waiver or modification of performance or other conditions related to payment or other rights under an award;

Providing for the early settlement of an award for an equivalent cash value; or

Such other modification or adjustment to an award as the HR Committee deems appropriate.

Term and Amendment. The Plan has no fixed expiration date but no award may be granted after April 26, 2020. The HR Committee will establish expiration and exercise dates on an award-by-award basis. The Board may amend the Plan at any time, except that shareholder approval is required for amendments that would either (i) increase the number of shares of Common Stock reserved for issuance under the Plan or (ii) allow the grant of options at an exercise price below fair market value or allow the repricing of options.

Federal Income Tax Consequences. The following is a general description of the current federal income tax consequences to participants and AEP relating to options and other awards that may be granted under the Plan based on present tax law. This discussion does not purport to cover all tax consequences relating to options and other awards.

A participant will not recognize income upon the grant of a nonqualified stock option to purchase shares of Common Stock. Upon exercise of the option, the participant will recognize ordinary compensation income equal to the excess of the fair market value of the shares of Common Stock on the date the option is exercised over the exercise price for such shares. AEP will be entitled to a deduction equal to the amount of ordinary compensation income recognized by the participant. The deduction will be allowed at the same time that the participant recognizes the income.

A participant will not recognize income upon the grant of an incentive stock option to purchase shares of Common Stock and will not recognize income upon exercise of the option, provided the participant was an employee of the AEP System at all times from the date of grant until three months prior to exercise. Where a participant who has exercised an incentive stock option sells the shares of Common Stock acquired upon exercise more than two years after the grant date and more than one year after exercise, capital gain or loss will be recognized equal to the difference between the sales price and the exercise price. A participant who sells such shares of Common Stock within two years after the grant date or within one year after exercise will recognize ordinary compensation income in an amount equal to the lesser of the difference between (i) the exercise price and the fair market value of such shares on the date of exercise, or (ii) the exercise price and the sales proceeds. Any remaining gain or loss will be treated as a capital gain or loss. AEP will be entitled to a deduction equal to the amount of ordinary compensation income recognized by the optionee in this case. The deduction will be allowable at the same time that the participant recognizes the income.

Except as otherwise specified under Section 409A of the Internal Revenue Code, the current federal income tax consequences of other awards authorized under the Plan are generally in accordance with the following: stock appreciation rights are subject to taxation in substantially the same manner as nonqualified stock options; restricted stock subject to a substantial risk of forfeiture results in income recognition to the excess of the fair market value of the shares of Common Stock over the purchase price (if any) at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); performance awards, phantom stock and dividend

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equivalents are generally subject to tax at the time of payment. In each of the foregoing cases, AEP will generally have a corresponding deduction at the same time that the participant recognizes income.

Section 409A of the Internal Revenue Code provides that participants in a covered nonqualified deferred compensation arrangement will be subject to accelerated taxation and penalties unless the covered plan, both as designed and administered, satisfies specified requirements, including limitations on the timing of deferral and distributions elections, if any, and triggers