AMERICAN ELECTRIC POWER CO INC
Form DEF 14A
March 14, 2012
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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):

(4) Proposed maximum aggregate value of transaction:

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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 2012 Annual Meeting Proxy Statement

American Electric Power

1 Riverside Plaza

Columbus, OH 43215

Michael G. Morris

Chairman of the Board

March 14, 2012

Dear Shareholder:

This year s annual meeting of shareholders will be held at The Renaissance Tulsa Hotel and Convention Center, 6808 South 107th East Avenue, Tulsa, Oklahoma, on Tuesday, April 24, 2012, at 9:30 a.m. Central 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, February 27, 2012, 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 2011 Annual Report. The notice contains instructions on how to access those documents over the Internet. The notice also contains instructions on how shareholders can receive a paper copy of our proxy materials, including this proxy statement, our 2011 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 2012 ANNUAL MEETING

American Electric Power Company, Inc.

1 Riverside Plaza

Columbus, Ohio 43215

TIME	9:30 a.m. Central Time on Tuesday, April 24, 2012
PLACE	The Renaissance Tulsa Hotel and Convention Center 6808 South 107th East Avenue Tulsa, Oklahoma
ITEMS OF BUSINESS	(1) To elect the 12 directors named herein to hold office until the next annual meeting and until their successors are duly elected. (2) To approve the American Electric Power System Senior Officer Incentive Plan. (3) To ratify the appointment of Deloitte & Touche LLP as independent registered public accounting firm for the year 2012. (4) To hold an advisory vote on executive compensation. (5) 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 February 27, 2012, 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 14, 2012

David M. Feinberg

Secretary

Our annual meeting of shareholders also will be webcast at http://www.AEP.com/go/webcasts at 9:30 a.m. Central Time on April 24, 2012.

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Proxy Statement

March 14, 2012

Proxy and Voting Information

A notice of Internet availability of proxy materials or paper copy of the proxy statement and form of proxy is to be mailed to shareholders on or about March 14, 2012, 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 24, 2012 in Tulsa, Oklahoma.

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, February 27, 2012, 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 483,895,440 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 or the website shown on the notice of internet availability of 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.

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 February 27, 2012.

Revocation of Proxies. A shareholder giving a proxy may revoke it at any time before it is voted at the meeting 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 (NYSE) rules, the proposal to ratify the appointment of Deloitte & Touche LLP 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, to approve the Company s Senior Officer Incentive Plan and the advisory vote on executive compensation 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 clients.

In 2009, the Company implemented 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 Bylaws. No shareholder has the right to cumulate his or her voting power in the election of directors at the Annual Meeting.

Shareholder approval of each of the other proposals (Item 2: Proposal to Approve the Company s Senior Officer Incentive Plan; Item 3: Proposal to Ratify Appointment of Independent Registered Public Accounting Firm; and Item 4: Advisory Vote on Executive Compensation) requires an affirmative vote of a majority of votes cast at a meeting of shareholders. This means that the votes cast for the proposal must exceed the votes cast against the proposal. Abstentions and broker non-votes are not counted as votes for or against Item 2 (Proposal to Approve the Company s Senior Officer Incentive Plan) or Item 4 (Advisory Vote on Executive Compensation) and therefore will have no effect on the outcome of the votes with respect to such proposals.

Abstentions are not counted as votes for or against Item 3 (Proposal to Ratify the Appointment of Independent Registered Public Accounting Firm) and therefore will have no effect on the outcome of the vote with respect to such 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 or oral 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 or call 1-800-237-2667. 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.

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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 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, 2011 are available at www.edocumentview.com/aep.

Item 1. Election of Directors

Currently, AEP s Board of Directors consists of 13 members. Dr. Hudson will end his service as a member of the Board effective as of the date of the annual meeting; therefore the Board of Directors has authorized a reduction in the size of the Board to 12 members, effective as of April 24, 2012, as permitted by the Bylaws.

Twelve directors are to be elected to hold office until the next annual meeting and until their successors have been elected. AEP s Bylaws 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 12 nominees named on pages 4 to 6 were nominated by the Board on the recommendation of the Committee on Directors and Corporate Governance of the Board, following individual evaluation of each incumbent nominee s qualifications and 2011 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 2011 annual meeting, except Mr. Akins, who was appointed as a director in November 2011 upon his appointment as chief executive officer of the Company. 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 occurs before the meeting, the proxies may be voted for another person nominated by the Board or the number of directors may be reduced accordingly.

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 76.

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Nominees For Director

Nicholas K. Akins Dublin, Ohio Age 51 Director since 2011	Chief executive officer of AEP since November 2011, and chairman and chief executive officer of all of its major subsidiaries since November 2011. President of AEP from January 2011 to October 2011 and executive vice president of AEP from 2006 to 2011.
David J. Anderson Morristown, New Jersey Age 62 Director since 2011	Senior vice president and chief financial officer of Honeywell International, a diversified technology and manufacturing company, since 2003.
James F. Cordes The Woodlands, Texas Age 71 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. Mr. Cordes was formerly a director of Northeast Utilities (2001-2010) and Comerica, Inc. (1984 - 2011)
Ralph D. Crosby, Jr. McLean, Virginia Age 64	Retired Chairman of EADS North America, Inc., an aerospace company (2002-2011). Retired Chief Executive Officer of EADS North America, Inc. (2002-2009). A director of Ducommun Incorporated and Serco Group PLC.

Director since 2006

Linda A. Goodspeed Memphis, Tennessee Age 50 Director since 2005	Senior vice president and Chief Information officer of The ServiceMaster Company since 2011. Managing partner of Wealthstrategies Financial Advisors, LLC since 2008. From 2008 to 2011, vice president of information systems of Nissan North America, Inc., an automobile manufacturer. From 2001 to 2007, 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.

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Nominees For Director continued

Thomas E. Hoaglin Columbus, Ohio Age 62 Director since 2008	Retired chairman and chief executive officer of Huntington Bancshares Incorporated, a bank holding company (2001-2009). A director of The Gorman-Rupp Company.
Michael G. Morris Northville, Michigan Age 65 Director since 2004	Chairman of AEP, and former chief executive officer of AEP and all of its major subsidiaries (2004 to 2011). A director of Alcoa Inc. and The Hartford Financial Services Group, Inc. Mr. Morris was formerly a director of Cincinnati Bell, Inc. (2005-2008).
Richard C. Notebaert Chicago, Illinois Age 65 Director since 2011	Retired chief executive officer of Qwest Communications International Inc., a telecommunications systems company (2002-2007). A director of Aon Corporation and Cardinal Health, Inc. Mr. Notebaert was formerly a director of Qwest Communications International Inc. (2002-2007).
Lionel L. Nowell III Cos Cob, Connecticut Age 57	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).

Director since 2004

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Nominees For Director continued

Richard L. Sandor Chicago, Illinois Age 70 Director since 2000	Chairman and CEO Environmental Financial Products LLC (intermittently 1998 present). Lecturer, University of Chicago Law School. Distinguished Adjunct Professor of Environmental Finance of Guanghua School of Management at Peking University. Founder and former Chairman of Chicago Climate Exchange, Inc. (CCX), an environmental commodity trading exchange (2002-2010). Former chief executive officer of CCX (2002-2009). Former Chairman of the Chicago Climate Futures Exchange (CCFE), an environmental derivatives trading exchange (2004-2010). Former chief executive officer of CCFE (2004-2009). Former Chairman of Climate Exchange PLC, the parent of CCX and CCFE (2003-2010). Former member of the design committee of the Dow Jones Sustainability Index. Dr. Sandor was formerly a director of Intercontinental Exchange, Inc. (2002-2008). Director of the Volatility Exchange (VoIX).
Sara Martinez Tucker San Francisco, California Age 56 Director since 2009	Independent consultant since 2009. Former Under Secretary of Education in the U.S. Department of Education (2006-2008). Chief executive officer and president of the Hispanic Scholarship Fund from 1997 to 2006. Retired executive of AT&T. A director of Xerox Corporation.
John F. Turner Moose, Wyoming Age 70 Director since 2008	Managing partner of Triangle X Ranch, a guest ranch in Jackson Hole, Wyoming, since 1960. Assistant Secretary of State of U.S. State Department s Bureau of Oceans and International Environmental and Scientific Affairs 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 2011, the Board held eight regular meetings. 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 2011 by each committee and the directors who currently serve on these committees. During 2011, no director attended fewer than 82 percent 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 during the period that he or she served.

BOARD COMMITTEES

DIRECTOR	**Audit**	**Directors and Corporate Governance**	**Policy**	**Executive**	**Finance**	**Human Resources**	**Nuclear Oversight**
Mr. Akins			X	X			
Mr. Anderson	X		X		X		
Mr. Cordes			X			X	X
Mr. Crosby			X			X	X (Chair)
Ms. Goodspeed	X		X (Chair)				X
Mr. Hoaglin		X (Chair)	X	X		X	
Dr. Hudson		X	X	X		X (Chair)	
Mr. Morris			X	X (Chair)			
Mr. Notebaert		X	X			X	
Mr. Nowell	X (Chair)	X	X	X	X		
Dr. Sandor			X	X	X (Chair)		
Ms. Tucker	X	X	X				
Mr. Turner	X		X				X
2011 Meetings	9	6	2	0	4	9	5

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 Bylaws.

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. Overseeing the AEP Corporate Compliance Program.

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

10. Reviewing annually the performance of individual directors.

11. Overseeing 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/corporateleadersandgovernance*. Consistent with the rules of the NYSE and the SEC and our Director Independence Standards, all members of the Committee on Directors and Corporate Governance are independent.

The ***Human Resources Committee*** (the HR 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 NYSE rules and our Director Independence Standards. In addition, each member is a non-employee director as defined in Rule 16b-3 under the Exchange Act and is an outside director as defined in Section 162(m) of the Internal Revenue Code.

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/corporateleadersandgovernance.*

For a more complete description of the HR Committee s responsibilities, see the Human Resources Committee Report on page 47.

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/corporateleadersandgovernance*. Consistent with the rules of the NYSE and the SEC and our Director Independence Standards, 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 Finance Committee also reviews and approves the treasury policies of the Company.

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.

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The ***Executive Committee*** is empowered to exercise all the authority of the Board, subject to certain limitations prescribed in the Bylaws, 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 communicating with the Board about those risks to help ensure that the processes are effective.

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. 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 either to 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 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 General Counsel attend all Finance Committee meetings.

Our HR 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 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.

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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 appropriate and 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 that the executive compensation programs do not encourage excessive risk taking. The base salary component, which represents approximately 16 percent of our CEO s total compensation opportunity, discourages risk-taking because its value and payment is contingent only upon the CEO s continued employment with the Company. The Company also provides annual and long-term incentive compensation in amounts that represent approximately 18 percent and 67 percent of our CEO s total compensation opportunity, respectively. The HR Committee believes this appropriately allocates the CEO s compensation among base salary, annual incentive compensation 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:

- 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 successfully manage the Company, which reduces risk by better ensuring both strong management competence and continuity;

- Incentive award opportunities for all employees are capped, generally at 200 percent 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 primarily because of the large amount of long-term investments required in our business;

- Annual incentive compensation funding for nearly all employees, including all executive officers, is based on AEP s ongoing earnings per share (EPS), other than plus or minus 10 percent, which is based on a fatality adjustment. These conditions align the interests of executives with those of shareholders. This mitigates risk by ensuring that no annual incentive compensation is paid to executive officers unless the Company s ongoing EPS exceeds a threshold set by the HR Committee. It also ensures that no employees are encouraged to achieve earnings objectives at the expense of workplace safety;

- The primary metrics used in the Company s long-term incentive compensation are earnings per share and total shareholder return, which are both robust 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;

- Incentive compensation performance scores are subject to an internal audit and all incentive award payouts to senior officers are subject to the review and approval of the HR Committee; or in the case of the CEO, the independent members of the Board; and they retain the discretion to reduce any payouts;

Annual and long-term incentive payments and deferrals are subject to the Company s recoupment of incentive compensation policy (clawback policy) as described in the Compensation Discussion and Analysis section on page 43;

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AEP has primarily granted long-term incentive awards in the form of performance units with a three-year performance and vesting period, which aligns the interests of employees to the long-term interests of shareholders and serves as a retention tool;

Executives (currently 48) are subject to our executive stock ownership requirements as described in Compensation Discussion and Analysis on page 41; and

We have not issued stock options to any executive officers since 2003.

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, Director 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/corporateleadersandgovernance*. 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, Ohio 43215.

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

The Board of Directors has adopted corporate governance policies;

All but two of its Board members (the CEO and the Chairman, who formerly was the CEO) are independent under the NYSE rules and our Director Independence Standards;

All members of the Audit Committee, HR 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 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. Shareholders who wish to recommend candidates to the Committee on Directors and Corporate Governance may do so by following the procedures described in Shareholder Proposals and Nominations on page 77.

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Director qualifications. The Company s Principles of Corporate Governance (Principles) are available on its website at www.aep.com/investors/corporateleadersandgovernance/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 (Criteria), 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 in December 2009. The Criteria are available on the Company s website at www.aep.com/investors/corporateleadersandgovernance/docs/criteriaforevaluatingdirectors.pdf.

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. Specifically, the Board considered the following experiences, qualifications, attributes and skills in nominating the director nominees for election at the Annual Meeting.

Mr. Akins is the Chief Executive Officer of the Company. He has undergraduate and graduate degrees in electrical engineering and is a professional registered engineer in Texas. Mr. Akins has worked at AEP and the former Central and South West Corporation for nearly thirty years, including as executive vice president-generation of AEP and president and chief operating officer of Southwestern Electric Power Company, a wholly-owned subsidiary of AEP.

Mr. Morris is the Non-Executive Chairman of the Company. He has undergraduate and graduate degrees in biology and a law degree. Mr. Morris 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 spent 15 years as chairman and chief executive officer of large, multi-state electric utility companies, having led Northeast Utilities from 1997 2003 and the Company from January 2004 November 2011.

Mr. Nowell chairs the Audit Committee and is designated as the Audit Committee Financial Expert, a position required by the rules of the NYSE and the SEC. 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.

Three directors (Mr. Cordes natural gas, Mr. Notebaert 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 service on the boards of directors of another electric utility.

Our business is highly regulated, and several directors (Messrs. Cordes, Hoaglin, Morris, Notebaert and Ms. Tucker) spent careers in industries that are also highly regulated. Mr. Notebaert spent more than 11 years as Chairman and Chief Executive Officer of publicly-traded companies Qwest Communications International and Ameritech Corporation. Ms. Tucker spent a large part of her career at AT&T in senior management positions in human resources and customer service operations. Mr. Cordes spent many years as an executive in the natural gas business. Two directors (Mr. Turner and Ms. Tucker) have spent time as senior governmental officials and appreciate the issues of regulation from that perspective. Mr. Turner also served in the Wyoming state legislature

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for many years. 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. Akins, Cordes and Crosby and Ms. Goodspeed), while others have undergraduate and/or graduate degrees in scientific subjects (Messrs. Morris and Turner). Ms. Goodspeed is an engineering graduate with an M.B.A, who has worked in responsible positions in the service industry and in automotive and heating/cooling manufacturing. She is currently senior vice president and chief information officer of The ServiceMaster Company.

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.

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 taught finance at the graduate level. Mr. Anderson is the Chief Financial Officer of Honeywell International, and has served as Chief Financial Officer with ITT Industries, RJR Nabisco and other major companies.

And, the experience gained from leading large, complex organizations brings invaluable perspective to a Board. Messrs. Hoaglin, Morris and Notebaert have been chief executive officers of public companies and Mr. Akins currently serves as a chief executive. Messrs. Cordes and Crosby have been chief executives of major subsidiaries of public companies, while Ms. Tucker has headed substantial non-profit organizations. Messrs. Cordes, Crosby, Hoaglin, Morris, Notebaert, Nowell, Sandor and Turner, and Ms. Goodspeed and Ms. Tucker 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 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 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 nominees 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.

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Director Independence

In accordance with NYSE standards, a majority of the members of the 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 (Director Independence Standards). These standards can be found on our web site at www.AEP.com/investors/corporateleadersandgovernance.

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 conflicts with the interests of the Company or would impair the director s independence or judgment.

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

> Ms. Goodspeed is an executive officer of a company (The ServiceMaster Company) with which the Company does business. As explained earlier, although ServiceMaster purchases electricity from our subsidiaries, and the Company purchased an insignificant amount of goods from ServiceMaster, the Board does not believe that those transactions impair the independence of Ms. Goodspeed.

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Mr. Anderson is also an executive officer of a company (Honeywell International) with which the Company does business. As explained earlier, although Honeywell purchases electricity from our subsidiaries, and the Company purchased an insignificant amount of goods from Honeywell, the Board does not believe that those transactions impair the independence of Mr. Anderson.

Mr. Turner is a director of Peabody Energy Corporation, another company that transacted business with AEP. However, Mr. Turner is not an employee or executive officer of that company. 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 of our coal purchased from Peabody since Mr. Turner became an AEP director is consistent with the nature before he was elected. In addition, since Mr. Turner became an AEP director, any AEP purchases from Peabody were awarded through a competitive process.

As a result of this review, the Board has determined that, other than Messrs. Akins and Morris, each of the directors and director nominees standing for election, including Messrs. Anderson, Cordes, Crosby, Hoaglin, Notebaert, Nowell and Turner, Dr. Sandor, Ms. Goodspeed 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 under the NYSE rules and 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 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 77 and must include information required in AEP s Policy on Consideration of Candidates for Director Recommended by Shareholders. A copy of this policy is on our website at www.AEP.com/investors/corporateleadersandgovernance. Shareholders nominees who comply with these procedures will receive the same consideration that all other nominees receive.

Board Leadership

We believe the Company and its shareholders are best served by a Board that has the flexibility to establish a leadership structure that fits the needs of the Company at a particular point in time. Under the Company s Principles of Corporate Governance and Criteria for Evaluating Directors, the Board has the authority to combine or separate the positions of chairman and CEO, as well as to determine whether, if the positions are separated, the chairman should be an employee, non-employee, or an independent director.

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The Board addressed the question of whether to separate the offices of Chairman and CEO prior to Mr. Morris retirement and reached the conclusion that combining the position of chairman and CEO was in the best interests of the Company and its shareholders at the time. Upon Mr. Morris retirement, the Board made the determination that it was in the best interest of the Company and its shareholders that the two offices be separated effective November 12, 2011. The Board believes that it should retain the flexibility to make a judgment regarding its leadership structure. Currently, the Board believes that separating the two offices allows the Board to retain Mr. Morris as the best qualified person to serve as chairman of the board and to appoint Mr. Akins as the best qualified person to serve as CEO.

Mr. Morris spent 15 years leading large, multi-state, publicly held electric utility companies. He was the Company s Chairman and Chief Executive Officer from early 2004 to late 2011. 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 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 non-executive chairman.

Even though Mr. Morris long employment history with the Company disqualifies him as serving as an independent chair, the Company already has policies and practices in place to provide independent oversight of management and the Company s strategy. The Board currently includes eleven non-management directors among its thirteen members, all of whom qualify as independent under applicable NYSE listing standards. The Board routinely holds executive sessions at which only non-management directors are present, and, each year, the non-management directors select a Lead Director responsible for facilitating and chairing the independent directors sessions.

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

The Lead Director is responsible for working closely with the chief executive officer and the non-executive chairman to finalize information flow to the Board, set meeting agendas and arrange meeting schedules. He also chairs meetings of the independent directors and serves as principal liaison between the independent 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.

Communicating with the Board

Anyone who would like to communicate directly with our Board, our independent directors as a group, or our Lead Director, may submit a written communication to American Electric Power Company, Inc., P.O. Box 163609, Attention: AEP Independent Directors, Columbus, Ohio 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 independent directors as a group or our Lead Director, as applicable.

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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 written Policy is administered by the Committee on Directors and Corporate Governance. A copy of the Policy is available on our website at www.AEP.com/investors/corporateleadersandgovernance.

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 executive officer of the Company, any nominee for director, any shareholder owning in excess of 5percent 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. The Directors and Corporate Governance Committee considers various factors, including, among other things: the nature of the Related Person s interest in the transaction; whether the transaction involves arm s-length bids or market prices and terms; the materiality of the transaction to each party; the availability of the product or services through other sources; whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the Company; the acceptability of the transaction to the Company s regulators; and in the case of a non-employee director, whether the transaction would impair his or her independence or status as an outside or non-employee director.

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 Directors and 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 executive officer. 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 for 2011

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 2011 to the non-employee directors.

Name	Fees Earned Or Paid in Cash ($) (1)	Stock Awards ($) (2)(3)	All Other Compensation ($) (4)(5)(6)	Total ($)
David. J. Anderson	77,250	99,000	494	176,744
E. R. Brooks	35,115	42,438	247	77,800
Donald M Carlton	31,507	42,438	247	74,192
James F. Cordes	98,000	132,000	741	230,741
Ralph D. Crosby, Jr.	98,000	132,000	741	230,741
Linda A. Goodspeed	103,000	132,000	741	235,741
Thomas E. Hoaglin	98,000	132,000	741	230,741
Lester A. Hudson, Jr.	139,250	132,000	5,741	276,991
Richard C. Notebaert	73,500	99,000	494	172,994
Lionel L. Nowell III	123,000	132,000	1,591	256,591
Richard L. Sandor	88,000	132,000	741	220,741
Kathryn D. Sullivan	29,260	44,625	247	74,132
Sara M. Tucker	103,000	132,000	4,741	239,741
John F. Turner	103,000	132,000	741	235,741

(1) Consists of an annual cash retainer of $88,000 described below under Director Compensation and Stock Ownership Annual Retainers and Fees. For Mr. Nowell compensation includes $20,000 paid for services as Chairman of the Audit Committee. With respect to Mr. Nowell, Mr. Turner, Ms. Goodspeed and Ms. Tucker, compensation includes $15,000 paid for services as members of the Audit Committee for the full year, and for Mr. Anderson and Mr. Brooks, compensation includes $11,250 and $4,823, respectively, paid for services as members of the Audit Committee for part of the year. For Dr. Hudson, Mr. Cordes, Mr. Crosby and Mr. Hoaglin, compensation includes $10,000 paid for services as members of the Human Resources Committee for the full year. For Dr. Carlton and Mr. Notebaert, includes $3,215 and $7,500, respectively, paid for services as members of the Human Resources Committee for part of the year. For Dr. Hudson, compensation includes $16,250 paid for services as chairman of the HR Committee and $25,000 paid for services as Lead Director.

(2) Consists of awards under the Stock Unit Accumulation Plan for Non-Employee Directors in 2011 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 $132,000.

(3) Each non-employee director who served the full year received 3,481.70 AEP stock units in 2011. Messrs. Anderson and Notebaert each received 2,542.60 AEP stock units and Ms. Sullivan received 1,237.62 AEP Stock Units in 2011. Messrs. Brooks and Carlson each received 1,197.82 AEP stock units in 2011. The directors had the following aggregate number of AEP stock units at 2011 year-end: Mr. Anderson (2,574), Mr. Brooks 0, Dr. Carlton (24,897), Mr. Cordes (8,301), Mr. Crosby (20,965), Ms. Goodspeed (21,674), Mr. Hoaglin (15,693), Dr. Hudson (39,779), Mr. Notebaert (2,574), Mr. Nowell (25,108), Dr. Sandor (33,427), Ms. Sullivan (26,212), Ms. Tucker (11,920) and Mr. Turner (13,931).

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(4) Consists of premiums for accidental death insurance and annual costs of the Central and South West Corporation Memorial Gift Program and matching gift contributions. The following table presents the components of All Other Compensation for each non-employee director:

Name	Premiums ($)	Memorial Gifts ($)	Matching Gifts ($)(6)
David J. Anderson	494	-0-	-0-
E. R. Brooks	247	Note 5	-0-
Donald M Carlton	247	Note 5	-0-
James F. Cordes	741	-0-	-0-
Ralph D. Crosby, Jr.	741	-0-	-0-
Linda A. Goodspeed	741	-0-	-0-
Thomas E. Hoaglin	741	-0-	-0-
Lester A. Hudson, Jr.	741	-0-	5,000
Richard C. Notebaert	494	-0-	-0-
Lionel L. Nowell III	741	-0-	850
Richard L. Sandor	741	Note 5	-0-
Kathryn D. Sullivan	247	-0-	-0-
Sara M. Tucker	741	-0-	4,000
John F. Turner	741	-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 30 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 $76,696 on those policies for 2011.

(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. The amount of the annual cash retainer paid to non-employee directors was $88,000 annually. The Lead Director fee was $25,000 annually. The fee for the chairman of the Audit Committee was $20,000 annually. Members of the Audit Committee, including the chairman, receive an additional annual retainer of $15,000. The chairman of the HR Committee received an annual fee of $15,000, which was increased to $20,000 as discussed below. Members of the HR Committee, including the chairman, receive an additional annual retainer of $10,000. Each of these cash retainers is paid in quarterly increments.

In September 2011, upon the recommendation of the Committee on Directors and Corporate Governance and taking into account comparative data from Meridian Compensation Partners, LLC, the Board determined that effective April 2012 the Lead Director annual fee should increase from $25,000 to $30,000, and effective October 1, 2011, the annual fee for the Chairman of the HR Committee should increase from $15,000 to $20,000.

As noted above, salaried employees receive no compensation for board service. Thus, Mr. Akins, our current CEO, receives no additional compensation for board service. Similarly, while employed as Executive Chairman through December 31, 2011, Mr. Morris received no additional compensation for serving as a director or as Executive Chairman. Following his January 1, 2012 appointment as Non-Executive Chairman, Mr. Morris has continued to provide support on strategic and public policy issues to the Company. As compensation for his service as

Chairman of the Board of Directors, Mr. Morris will receive an additional annual retainer (payable quarterly) of

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$330,000 per year in cash. The retainer is designed to be a reasonable and competitive amount of compensation to pay a retired CEO who continues to serve as Chairman of the Board of Directors. Other compensation matters relating to Mr. Morris prior service as CEO and executive chairman are discussed in Compensation Discussion and Analysis beginning on page 27.

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 Lead 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 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 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 for services provided in 2011.

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.

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. The Board has 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 percent 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 2011 the Stock Unit Accumulation Plan for Non-Employee Directors awarded $132,000 in AEP stock units. 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.

Stock Ownership. Non-management directors are required by our Corporate Governance Principles to own AEP common stock or AEP stock units worth five times their annual equity award. Each non-management director is required to hold the stock units they receive under the Stock Unit Accumulation Plan until termination of service. A number of the non-management directors were recently elected to the Board within the last few years.

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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, 2011 to March 15, 2012, is provided by: Associated Electric & Gas Insurance Services Ltd., Energy Insurance Mutual Ltd., Zurich American Insurance Company, AXIS Insurance Company, Arch Insurance Company, Travelers Casualty and Surety Co. of America, Westchester Fire Insurance Company (ACE), Berkley Insurance Co. , RSUI Indemnity Company, U.S. Specialty Insurance Company (HCC Global), Scottsdale Indemnity Company (Freedom Specialty), Arch Reinsurance, Ltd., National Union Fire Insurance Company (Chartis), Allied World Assurance Company Ltd. (AWAC), Liberty Mutual Insurance Company, Houston Casualty Company (HCC Global), St. Paul Mercury Insurance Company (Travelers), Endurance Risk Solutions Assurance Co. and Catlin Specialty Insurance Company (Catlin, Inc.). The total cost of this insurance is $3,841,538.

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, 2011 to March 15, 2012, is provided by U.S. Specialty Insurance Company, AXIS Specialty Insurance Company, Energy Insurance Mutual Ltd., and Scottsdale Indemnity Company (Freedom Specialty). The total cost of this insurance is $544,277.

Item 2. Proposal to Approve the American Electric Power System Senior Officer Incentive Plan

The Board of Directors proposes that shareholders approve the American Electric Power System Senior Officer Incentive Plan (the 2012 Plan). The Board of Directors adopted the 2012 Plan on February 28, 2012, subject to the approval of the Company s shareholders. The 2012 Plan amends and restates the American Electric Power System Senior Officer Annual Incentive Compensation Plan that was last approved by the Company s shareholders at the Company s 2007 annual meeting (the Existing Plan). The only substantive change from the Existing Plan is the addition of a cash incentive compensation repayment (claw back) policy. The HR committee originally adopted a clawback policy in February 2007 and adopted the current version on February 27, 2012. We intend to amend the policy to comply with the additional requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) after the SEC adopts new regulations implementing those requirements.

You are being asked to approve the adoption of the 2012 Plan in order to continue to preserve the Company s federal income tax deduction when payments are made to certain executives based on established performance goals. The Company is seeking to preserve its ability to claim tax deductions for compensation paid to executives to the greatest extent practicable; therefore, the 2012 Plan is intended to comply with the requirements of Section 162(m) of the Internal Revenue Code (Code Section 162(m)). Code Section 162(m) limits how much the Company can deduct on its federal income tax return for compensation paid in a taxable year to an individual who, on the last day of the fiscal year, was either (i) the chief executive officer or (ii) among the next three highest-compensated executive officers named in the Summary Compensation Table on page 50 under Compensation Discussion and Analysis Executive Compensation, excluding the CFO. Compensation that is considered performance-based compensation under Code Section 162(m) is not subject to this limit if certain conditions are met. One such condition is that the shareholders initially approve the material terms of the performance goals and re-approve those material terms every five years. Approval of this proposal will ensure that the Company is able to receive tax-deductions for the full amount of performance based compensation paid to officers under the 2012 Plan.

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The more significant features of the 2012 Plan are described below. This summary is subject, in all respects, to the terms of the 2012 Plan, which is attached to this Proxy Statement as Exhibit A.

Administration. The HR Committee, all of whose members are outside directors, will administer the 2012 Plan. The HR Committee will have the authority to grant awards upon such terms (not inconsistent with the terms of the 2012 Plan) as it considers appropriate. In addition, the HR Committee will have complete authority to interpret all provisions of the 2012 Plan, to adopt, amend and rescind rules and regulations pertaining to the administration of the 2012 Plan and to make all other determinations necessary or advisable for the administration of the 2012 Plan.

Eligibility. Any person who, during the term of the 2012 Plan, is a corporate officer of the Company or any subsidiary of the Company is eligible to participate under the 2012 Plan. The HR Committee determines which corporate officers will be participants under the 2012 Plan. The Company anticipates that approximately 7 employees will be eligible to receive awards under the 2012 Plan.

Performance Objectives. 2012 Plan participants will receive awards under the 2012 Plan after the end of a fiscal year if certain specified performance objectives are met during such fiscal year. The performance objectives are set by the HR Committee at the start of each fiscal year and are based on one or more of the following performance criteria: (i) earnings measures: primary earnings per share; fully diluted earnings per share; net income; pre-tax income; operating income; earnings before interest, taxes, depreciation and amortization; net operating profits after taxes; income before income taxes, minority interest and equity earnings; income before discontinued operations, extraordinary items and cumulative effect of accounting changes, or any combination thereof; (ii) expense control: operations & maintenance expense; total expenditures; expense ratios; and expense reduction; (iii) customer measures: 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; (iv) safety measures: recordable case rate; severity rate; and vehicle accident rate; (v) diversity measures: minority placement rate and utilization; (vi) environmental measures: emissions; project completion milestones; regulatory/legislative/cost recovery goals; and notices of violation; (vii) revenue measures: revenue and margin; (viii) shareholder return measures: 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; (ix) valuation measures: stock price increase; price to book value ratio; and price to earnings ratio; (x) capital and risk measures: debt to equity ratio and dividend payout as percentage of net income; (xi) employee satisfaction; (xii) project measures: completion of key milestones; (xiii) production measures: generating capacity factor; performance against the Institute of Nuclear Power Operation index; generating equivalent availability; heat rates and production cost. The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the HR Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods (e.g., earnings growth), or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

Payment of Awards. All awards under the 2012 Plan for a fiscal year will be paid in cash following the end of such fiscal year, unless a portion of the award is required to be deferred under the terms of the AEP Stock Ownership Requirement Plan. The maximum individual award that can be made under the 2012 Plan for a fiscal year is the lesser of:

(i) $6,000,000 or

(ii) 400 percent of the corporate officer s base salary (prior to any deferral elections) as of the date of grant of the award.

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The HR Committee does not currently intend to grant individual awards that approach the maximum allowable amount, but is asking shareholders to approve the maximum amount to preserve flexibility over the next five years.

Amendment and Termination. The Company has the right, at any time and from time to time, to amend in whole or in part any of the terms and provisions of the 2012 Plan to the extent permitted by law for whatever reason the Company may deem appropriate; provided, however, that any such amendment which requires approval of the Company s shareholders in order to maintain the qualification of awards as performance-based compensation pursuant to Code Section 162(m)(4)(C) shall not be made without such approval.

Federal Income Tax Consequences. All cash awards under the 2012 Plan are taxable to the participant when paid. The 2012 Plan has been designed to comply with Code Section 162(m) such that all awards under the 2012 Plan qualify as performance-based compensation and, therefore, the Company will be entitled to claim a federal income tax deduction for the full amount of any cash award paid under the 2012 Plan.

Vote Required.

Approval of this proposal requires the affirmative vote of holders of a majority of the votes cast at the meeting.

Your Board of Directors recommends a vote **FOR** this Item 2.

Item 3. Proposal to Ratify Appointment of Independent Registered Public Accounting Firm

The Audit Committee has appointed the firm of Deloitte & Touche LLP as the Company s independent registered public accounting firm for 2012. Although action by the shareholders in this matter is not required, the Audit Committee believes that it is appropriate to seek shareholder ratification of this appointment in light of the critical role played by the independent registered public accounting firm in maintaining the integrity of Company financial controls and reporting, and will seriously consider shareholder input on this issue. Whether or not the appointment of Deloitte & Touche LLP is ratified by the shareholders, the Audit Committee may, in its discretion, change the appointment at any time during the year if it determines that such change would be in the best interests of the Company and its shareholders.

One or more representatives of Deloitte & Touche LLP will be in attendance at the annual meeting on April 24, 2012. The representatives will have the opportunity to make a statement, if desired, and will be available to respond to appropriate questions from shareholders.

Vote Required.

Approval of this proposal requires the affirmative vote of holders of a majority of the votes cast at the meeting.

Your Board of Directors recommends a vote **FOR** this Item 3.

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Audit and Non-Audit Fees

The following table presents fees for professional audit services rendered by Deloitte & Touche LLP for the audit of the Company s annual financial statements for the years ended December 31, 2011 and December 31, 2010, and fees billed for other services rendered by Deloitte & Touche LLP during those periods.

	2011	2010
Audit Fees(1)	$ 11,618,000	$ 11,245,000
Audit-Related Fees(2)	$ 595,000	664,000
Tax Fees(3)	$ 142,000	220,000
TOTAL	$ 12,355,000	$ 12,129,000

(1) Audit fees in 2010 and 2011 consisted primarily of fees related to the audit of the Company s annual consolidated financial statements, including each registrant subsidiary. Audit fees also included auditing procedures performed in accordance with Sarbanes-Oxley Act Section 404 and the related Public Company Accounting Oversight Board Auditing Standard Number 5 regarding the Company s internal control over financial reporting. This category also includes work generally only the independent registered public accounting firm can reasonably be expected to provide.

(2) Audit related fees consisted principally of regulatory, statutory and employee benefit plan audits.

(3) Tax fees consisted principally of tax compliance services. Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred to document, compute, and obtain government approval for amounts to be included in tax filings.

The Audit Committee has considered whether the provision of services other than audit services by Deloitte & Touche LLP and its domestic and global affiliates is compatible with maintaining independence, and the Audit Committee believes that this provision of services is compatible with maintaining Deloitte & Touche LLP s independence.

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Audit Committee Report

The Audit Committee reviews AEP s financial reporting process as well as the internal control over financial reporting on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal control over financial reporting.

The Audit Committee met nine times during the year and held discussions, some of which were in private, with management, the internal auditor, and the independent auditor. Management represented to the Audit Committee that AEP s consolidated financial statements were prepared in accordance with generally accepted accounting principles. Management has also concluded that the Company s internal control over financial reporting was effective as of December 31, 2011. The Audit Committee has reviewed and discussed the consolidated financial statements and internal control over financial reporting with management, the internal auditor, and the independent auditor. The Audit Committee discussed with the independent auditor the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by Public Company Accounting Oversight Board (PCAOB).

In addition, the Audit Committee has received the written disclosures and the letter from the independent auditor required by the applicable requirements of the PCAOB regarding the independent auditor s communication with the Audit Committee concerning independence and has discussed with the independent auditor the independent auditor s independence. The Audit Committee has also received written materials addressing the independent auditor internal quality control procedures and other matters, as required by the NYSE listing standards.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in AEP s Annual Report on Form 10-K for the year ended December 31, 2011, for filing with the SEC.

Audit Committee Members

Lionel L. Nowell, III, Chair

David J. Anderson

Linda A. Goodspeed

Sara Martinez Tucker

John F. Turner

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Auditor

The Audit Committee s policy is to pre-approve all audit and non-audit services provided by the independent auditor. These services may include audit services, audit-related services, tax services and other services. Pre-approval is provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific limitation. The independent auditor and management are required to report to the Audit Committee at each regular meeting regarding the extent of services provided by the independent auditor in accordance with this pre-approval policy, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis. In 2011, all Deloitte & Touche LLP services were pre-approved by the Audit Committee.

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Item 4. Advisory Vote on Executive Compensation

In accordance with the requirements of the Exchange Act (which was added by the Dodd-Frank Act and the related rules of the SEC), we are including in these proxy materials a separate resolution for shareholders to vote upon, on an advisory (nonbinding) basis, the compensation paid to our named executive officers as disclosed in this proxy statement in accordance with the SEC s rules.

As described in detail under the heading Compensation Discussion and Analysis, our executive compensation programs are designed to attract, motivate, and retain our named executive officers, who are critical to our success. Under these programs, our named executive officers are rewarded for the achievement of annual and long-term goals. Please read the Compensation Discussion and Analysis beginning on page 27 for additional details about the 2011 compensation of our named executive officers.

The HR Committee continually reviews the compensation programs for our named executive officers to ensure they achieve the desired goals of aligning our executive compensation structure with our shareholders interests and current market practices. As a result of its review process, the HR Committee maintains the following executive compensation practices:

- Emphasizing long-term incentive compensation to promote the longer-term interests of the company and encourage management to make decisions that are aligned with shareholders interests;
- Tying the value of a substantial portion (60 percent) of this long-term compensation to two robust measures of shareholder value:
  - Three-year total shareholder return compared to the Electric and Multi-Utilities in the S&P 500, and
  - Three year cumulative earnings per share measure compared to a board approved objective;
- Maintaining a clawback policy that allows the Board to recoup any excess incentive compensation paid to our named executive officers and other key members of our executive team if the financial results on which the awards were based are materially restated due to misconduct of the executive; and
- Elimination of the reimbursement and tax gross-up for excise taxes triggered under change in control agreements issued to new participants after October 2009.

We are asking our shareholders to indicate their support for our named executive officer compensation as described in this proxy statement. In doing so we ask that our shareholders take into consideration the effect that the CEO transition from Mr. Morris to Mr. Akins, which took place in late 2011 as planned, will have on the compensation for our CEO position. This proposal, commonly known as a say-on-pay proposal, gives our shareholders the opportunity to express their views on our named executive officers compensation. This advisory vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we will ask our shareholders to vote FOR the following resolution at the Annual Meeting:

RESOLVED, that the compensation paid to the Company s named executive officers, as disclosed in the Company s Proxy Statement for the 2012 Annual Meeting of Shareholders pursuant to rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and related narrative disclosure is hereby APPROVED.

While the Board intends to consider carefully the results of this vote, the say-on-pay vote is advisory only, and therefore will not be binding on the Company or our Board of Directors.

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Vote Required.

Approval of this proposal requires the affirmative vote of holders of a majority of the votes cast at the meeting.

Your Board of Directors recommends a vote **FOR** this Item 4.

Other Business

The Board of Directors does not intend to present to the meeting any business other than the election of directors, the approval of the American Electric Power System Senior Officer Incentive Plan, the ratification of the appointment of the independent registered public accounting firm and the advisory vote on the compensation of the named executive officers as disclosed in this proxy statement.

If any other business not described herein should properly come before the meeting for action by the shareholders, the persons named as proxies on the proxy card or their substitutes will vote the shares represented by them in accordance with their best judgment. At the time this proxy statement was printed, the Board of Directors was not aware of any other matters that might be presented.

Compensation Discussion and Analysis

Highlights for 2011

AEP s shareholders received a more than 20 percent return on their investment for the year, and the dividend was increased by more than 2 percent during 2011. Favorable weather conditions throughout most of the year, and a 4 percent increase in industrial volume in 2011 led to solid financial performance for the year. AEP settled all legal challenges regarding construction of our John W. Turk Jr. Power Plant in Arkansas, which clears the way for the plant to begin operation in late 2012. In addition, the CEO role and responsibilities were successfully transferred from Mr. Morris to Mr. Akins in late 2011 (effective November 12, 2011).

The Company s 2011 ongoing earnings were $3.12 per share, which exceeded the midpoint of our earnings per share (EPS) guidance at the start of the year ($3.00 to $3.20). The HR Committee established threshold (0 percent of target payout), target and maximum (200 percent of target payout) points for 2011 annual incentive compensation at $3.00, $3.10 and $3.20 per share, respectively. In setting the $3.10 target, the HR Committee considered the slow economic recovery in our service territory, the potential impact of compliance with pending EPA regulations and potential revenue reductions due to regulatory proceedings in our largest utility (AEP Ohio). This target was a $0.07 (or 2.4 percent) increase from AEP s 2010 ongoing earnings of $3.027 per share. Throughout this CD&A, we refer to ongoing earnings, which is a non-GAAP financial measure. Exhibit B to this proxy statement contains a reconciliation of GAAP earnings with ongoing earnings for 2011.

AEP s ongoing 2011 EPS of $3.12 resulted in funding of 119.0 percent of the target award pool for 2011 for all employees. Unfortunately, a fatal employee accident occurred in our River Operations unit in December 2011. Although the cause of this accident is undetermined as of this writing, it was treated as a work related fatality for incentive compensation purposes. Therefore a 10 percent reduction was applied to the annual incentive funding for all officers and all employees in our Fuel, Emissions and Logistics group, which includes River Operations. A 5 percent incentive funding reduction was applied for all other employees. Due to this negative fatality adjustment and the relatively strong performance of our business units against their incentive goals, which reduced the incentive funding available for the corporate officer group, the overall 2011 annual incentive funding for AEP s executive officers was 97.8 percent of target.

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In 2011, the Company continued to align executive officers total compensation opportunity with shareholders interests by providing a substantial percentage of the total compensation opportunity in the form of performance-based stock compensation. AEP s three-year performance unit awards accounted for approximately 39 percent and 26 percent of the total compensation opportunity for Messrs. Morris and Akins, respectively. These performance units are tied to AEP s three year cumulative EPS and three year total shareholder return relative to the electric utility and multi-utility companies in the S&P 500. An additional 26 percent and 17 percent of the total compensation opportunity for Messrs. Morris and Akins, respectively, was tied to the value of AEP common stock as restricted stock units that vest over a 40 month period.

For 2011, the HR Committee provided 60 percent of the value of long-term incentives in performance units and forty percent of the value in restricted stock units, rather than 100 percent in performance units. This change was made to provide a stronger retention incentive and more market competitive compensation during both up and down cycles. This change also brought AEP s long-term incentive award mix closer to that of the companies in AEP s Compensation Peer Group. The restricted stock unit awards included a two year post retirement holding requirement for senior executives who are subject to mandatory retirement, which applied to Messrs. Morris and English for 2011. This post retirement holding period was introduced to mitigate the risk created near the end of an executive s career when many long-term incentive awards lose some of their capacity to encourage decision making in the long-term interests of the Company.

The cumulative EPS score for the 2009-2011 performance units was below expectations at 85.0 percent of target. The relative total shareholder return measure at the end of the performance period was at the 48th percentile of the comparator group, which produced a score of 94.7 percent of target. The EPS and TSR scores combined to produce an overall score of 89.8 percent of target for the 2009-2011 performance period. As a result, 89.8 percent of the 2009-2011 performance units outstanding at year-end vested.

The HR Committee recognizes that the Company s executive compensation levels and practices are a subject of interest and potential concern for the Company s stakeholders, including its shareholders, regulators and customers. As such, the HR Committee regularly reviews best practices in executive compensation and has made the changes it believes are necessary to keep the Company s executive compensation levels and practices both market competitive and in line with best practices.

Shareholders have an opportunity to cast an annual advisory vote on executive compensation (a say-on-pay proposal). At the Company s annual meeting of shareholders held in April 2011, approximately 96 percent of the votes cast on the say-on-pay proposal at that meeting were voted in favor of this proposal. In accordance with this vote, the HR Committee continued to apply the same principles and philosophy it has used in previous years in determining executive compensation. The HR Committee will continue to consider the outcome of the Company s say-on-pay vote and other sources of stockholder feedback when establishing compensation programs and making compensation decisions for the named executive officers.

In light of the voting results with respect to the frequency of the advisory vote on executive compensation at the 2011 annual meeting of shareholders, the Board decided that AEP will hold an advisory vote on the compensation of named executive officers at each annual meeting of shareholders until the next required vote on the frequency of the advisory votes on executive compensation. Because the Dodd-Frank Act requires that such advisory votes on frequency be held at least once every six years, we currently expect the next shareholder vote on frequency to occur at the Company s 2017 annual meeting of shareholders.

For many years, the Company has had stock ownership requirements for its executive officers, tied a substantial portion of the compensation for its executives to annual and long-term performance, and has had a policy that allows the Company to claw back incentive compensation in certain circumstances. In addition, the HR Committee has made several changes to the Company s executive compensation program in the last several years, including:

- Generally freezing executive salaries for two years (2009 and 2010) and then providing salary increases of 3.2 percent overall for 2011, excluding promotions, which generally kept pace with the rate of salary growth in the market but did not bring AEP s executive salaries up to current market levels;

- Freezing target annual incentive opportunities for each salary grade, expressed as a percentage of base pay, at the 2008 level for 2009 through November 2011;

- Freezing the target long-term incentive opportunities for each salary grade, expressed as a grant date fair value, at the 2008 level for 2009 through 2011;

- Granting all new long-term incentive awards with change in control provisions that include a double trigger that results in vesting of these awards only if there is a change in control and a separation from service;

- Eliminating company paid country club memberships;

- Generally eliminating personal use of Company provided aircraft, to the extent that such use has an incremental cost to the Company, except for Mr. Morris who negotiated this as part of his employment agreement. This change applies to Mr. Akins and other executive officers;

- Eliminating most tax gross-ups;

- Eliminating the reimbursement and tax gross-up for excise taxes triggered under change in control agreements issued to new participants after October 2009. Mr. Akins also voluntarily relinquished the reimbursement and gross-up for excise taxes in his change in control agreement. As a result of these changes, the majority of AEP s change in control agreements (12 of 21) do not provide for the reimbursement and gross-up of excise taxes. In addition, in January 2012 the HR Committee decided that the reimbursement and gross-up for excises taxes will be eliminated from the change in control agreements for any participant who is subsequently promoted, as a condition of such promotion.

Overview

The HR Committee oversees and determines AEP s executive compensation. The HR Committee makes recommendations to the independent members of the board of directors about the compensation of the Chief Executive Officer, and those independent board members determine the CEO s compensation.

AEP s executive compensation programs are designed to:

Attract, retain, motivate and reward a superb leadership team for both outstanding team and individual performance with market competitive compensation and benefits;

Reflect AEP s financial and operational size and the complexity of its multi-state operations;

Emphasize performance-based compensation over base salary by providing a substantial portion of executive officers total compensation opportunity in the form of incentive compensation;

Align the interests of the Company s executive officers with those of AEP s shareholders by providing a majority of the total compensation opportunity for executive officers in the form of stock based compensation that has a value linked to the total return on AEP s common stock and, with respect to performance units, other shareholder return measures;

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Support the implementation of the Company s business strategy by tying annual incentive awards to earnings per share targets and to the achievement of specific operating and strategic objectives; and

Promote the stability of the management team by creating strong retention incentives with multi-year vesting schedules for long-term incentive compensation, and requiring executives to meet stock ownership requirements.

Overall, AEP s executive compensation program is intended to create a total compensation opportunity that, on average, is equal to the median of AEP s Compensation Peer Group, as described under Compensation Peer Group on page 31. The HR Committee s independent compensation consultant, Pay Governance, LLC (Pay Governance) participates in HR Committee meetings, assists the HR Committee in developing the compensation program and has an opportunity to meet with the HR Committee in executive session without management present. See the Human Resources Committee Report on page 47 for additional information about the independence of Pay Governance s advice to the HR Committee.

Compensation Program Design

The compensation program for executive officers includes base salary, annual incentive compensation, long-term incentive compensation, a comprehensive benefits program and minimum perquisites. The HR Committee provides a balance of annual and long-term incentive compensation that is consistent with the compensation mix provided by AEP s Compensation Peer Group. For AEP s annual incentive compensation, the HR Committee balances meeting AEP s ongoing earnings per share target with other objectives, such as safety.

The HR Committee has chosen ongoing earnings per share as the funding measure for the annual incentive plan for many years because it largely reflects management s performance in operating the Company, is strongly correlated with shareholder returns, and is the primary measure by which the Company communicates its actual and expected future financial performance to the investment community. The EPS measure is also well understood by both our shareholders and employees. Management and the HR Committee also believe that EPS growth is the primary means for the Company to create long-term shareholder value.

The majority of AEP s long-term incentive compensation (60 percent) is tied to longer-term shareholder return objectives to maintain an appropriate focus on creating sustainable long-term shareholder value. The HR Committee awarded performance units to executive officers with three-year performance measures tied to AEP s total shareholder return, relative to all the electric and multi-utility companies in the S&P 500 Index, and cumulative earnings per share relative to a board approved target. A cumulative earnings measure was chosen to ensure that the total earnings for all three years contribute equally to the award calculations. The HR Committee also chose a total shareholder return measure for these awards to provide an external performance comparison that reflects the effectiveness of management s strategic decisions and actions over the three-year period relative to other large companies in our industry.

The HR Committee also uses long-term incentives as a retention tool to foster management continuity. The performance unit awards described above are subject to a three-year vesting period. In addition, effective January 1, 2011, the HR Committee granted 40 percent of the annual grant date value of AEP s long-term incentive awards in the form of restricted stock units (RSUs). These RSUs vest over 40 months in three approximately equal components on the May 1st following the first, second and third anniversaries of the grant date.

The HR Committee annually reviews the mix of base salary, annual incentive and long-term incentive compensation opportunity provided to executives. For 2011, 84 percent of the total compensation opportunity for Mr. Morris and at least 70 percent of that for the other named execu-

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tive officers was at risk in the form of incentive compensation and stock based compensation. Because the transition of CEO responsibilities from Mr. Morris to Mr. Akins occurred late in 2011, Mr. Akins first stock award at the CEO level was granted in 2012. This stock award increased the portion of Mr. Akins total compensation opportunity that is at risk to 86 percent. More than 65 percent of the 2011 target compensation opportunity for Mr. Morris and between 43 percent and 60 percent of that for the other named executive officers is in the form of long-term, stock based incentive compensation. The ultimate value that executives realize from that compensation opportunity is therefore closely linked to AEP s share price and dividends.

The HR Committee targets the total compensation opportunity for executives within a range of plus or minus 15 percent of the median of the Compensation Peer Group, which is the range of compensation that is generally considered to be market competitive by the HR Committee s independent compensation consultant. The HR Committee chose the median as a target because it corresponds to the Company s near median position within the Compensation Peer Group for various size measures, such as revenue, number of employees, and total assets. To the extent that the total compensation opportunity for an executive is above or below the +/- 15 percent target range around the peer group median, the HR Committee adjusts elements of pay over time to bring their total compensation opportunity into the market competitive range. The HR Committee s independent compensation consultant completes an annual executive compensation study. In October 2011, this study found that, in aggregate, executive base salaries, total cash compensation (base salary and annual incentive compensation) and total direct compensation (total cash compensation and long-term incentives) were within the market competitive range and less than the market median.

Compensation Peer Group

The HR Committee annually reviews AEP s executive compensation relative to a peer group of companies that represent the talent markets with which AEP must compete to attract and retain executives. This Compensation Peer Group is reviewed annually by the HR Committee in consultation with its independent compensation consultant. The companies included in the Compensation Peer Group are chosen from utility industry and general industry companies that are comparable in size to AEP in terms of revenues, total assets, market capitalization, number of employees and business complexity. In addition the HR Committee considers one and three year total shareholder return of potential industrial companies in selecting the peer group.

The Compensation Peer Group is selected to consist of an approximately equal number of utility and industrial companies. The utility companies are selected to provide a more direct comparison to companies with businesses similar to AEP s. The HR Committee includes industrial companies outside the utility industry because AEP must also compete with industrial companies to attract and retain executives. In addition, because AEP is one of the largest U.S. utility companies based on assets and employees, the industrial companies are included in the peer group to increase the median level of assets and employees of the peer group to a level similar to AEP.

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For 2011 the Compensation Peer Group consisted of the 14 large and diversified utility industry companies and the 12 general industry companies shown in the table below. The Compensation Peer Group has not changed for the past three years.

AEP s Compensation Peer Group

Energy (14 Companies)	*General Industry (12 Companies)*
Centerpoint Energy, Inc.	3M Company
Constellation Energy Group, Inc.	Bristol-Myers Squibb Company
Dominion Resources, Inc.	Caterpillar Inc.
Duke Energy Corporation	CSX Corporation
Edison International	Goodyear Tire & Rubber Company
Entergy Corporation	Northrop Grumman Corporation
Exelon Corporation	PPG Industries, Inc.
FirstEnergy Corp.	Schlumberger N.V.
NextEra Energy, Inc.	Sunoco, Inc.
PG&E Corporation	Textron Inc.
Public Service Enterprise Group Inc.	Union Pacific Corporation
Sempra Energy	Weyerhaeuser Company
Southern Company (The)	
Xcel Energy Inc.	

The table below shows that, at the time the Compensation Peer Group data was collected in July 2011, AEP s revenue, market capitalization, number of employees and three year total shareholder return were all near the 50th percentile of the combined peer group, while AEP s Total Assets were above the 75th percentile.

2011 Compensation Peer Group

	Revenue ($ million)	Total Assets ($ million)	Market Capitalization ($ million)	Employees	Total Shareholder Return 1 Year	Total Shareholder Return 3 Year
Summary Statistics						
Compensation Peer Group						
25th Percentile	$ 11,564	$ 21,930	$ 11,687	13,691	11%	-4%
50th Percentile	$ 14,156	$ 31,249	$ 16,697	19,319	18%	3%
75th Percentile	$ 18,785	$ 45,901	$ 28,798	36,725	26%	9%
Utility Industry Median	$ 13,376	$ 40,751	$ 16,528	14,824	14%	-1%
General Industry Median	$ 19,158	$ 29,149	$ 21,868	41,404	25%	-4%
AEP	**$ 14,427**	**$ 50,455**	**$ 17,777**	**18,712**	**8%**	**3%**

The HR Committee s independent compensation consultant annually provides the HR Committee with an executive compensation study covering all executive officer positions and many other executive positions based on survey information for the Compensation Peer Group. The methodology and job matches used in this study were determined by the HR Committee s independent compensation consultant based on descriptions of each executive s responsibilities and are reviewed with the HR Committee. The standard benchmark is the median value of compensation paid by the Compensation Peer Group. The HR Committee s independent compensation consultant uses other benchmarks if, in their judgment, such other benchmarks provide a better comparison based on the specific scope of the job being matched. Broader energy and general industry data is used when sufficient data is not available in the Compensation Peer Group to provide a comparison, as was the case in 2011 for Mr. Akins and Mr. Powers positions. In 2011, Pay Governance used the 75^{th} percentile of the utility peers as the market benchmark for Mr. Powers position to provide a better comparison to the size and scope of his responsibilities, which are specific to the utility industry. This position (President AEP Utilities) had responsibility for a substantially larger organization than the median of the Compensation Peer Group so the 75^{th} percentile was used to provide a more similar compensation benchmark. In 2011, the HR Committee s independent compensation consultant also matched Mr. Akin s position to the median for the second highest paid executive among the General Industry companies because this match was not available in AEP s Compensation Peer Group.

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Executive Compensation Program Detail

Executive Compensation Component Summary. The following table summarizes the major components of the Company s Executive Compensation Program.

Component	Purpose	Key Attributes
Base Salary	To provide a market-competitive and consistent minimum level of compensation.	A number of promotional salary increases occurred in 2011 due to AEP s CEO transition as described below under Base Salary on page 35. A 3.2 percent executive merit budget was approved by the HR Committee for 2011 for all AEP executives and other merit eligible employees. Merit budgets are generally set by management with HR Committee oversight, based on surveys of past and expected future salary increase trends, the competitiveness of AEP s salaries to market survey information for similar positions and the extent to which the company can afford to provide merit increases while meeting investor earnings expectations. Merit and other salary increases are awarded by the HR Committee based on: The Company s merit budget, Sustained individual performance and competencies as assessed by each executive s direct manager with input from other senior managers and communicated via written evaluations, performance ratings and merit increase recommendations, The market competitiveness of the executive s salary, Internal comparisons,

The responsibilities, experience and future potential of each executive officer,

Reporting relationships, and

The impact that any change in base salary may have on other pay elements and the market competitiveness of the executive s total compensation.

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Component	Purpose	Key Attributes
Annual Incentive Compensation	To intensify executive officer focus on annual performance objectives that are critical to AEP s success.	Annual incentive targets are established by the HR Committee based on competitive compensation information provided by the HR Committee s compensation consultant.
	To communicate these critical annual performance objectives throughout the Company in a way that distinguishes them from other objectives and makes their importance clear to all.	From year to year, actual awards generally may vary within a range of from 0 percent to 200 percent of each executive s annual incentive target.
	To communicate and align executive and employee efforts to the Company s earnings and operational performance objectives.	Ongoing earnings per share (EPS) was again chosen as the funding measure.
	To link compensation to performance measures in four categories for 2011:	For 2011, an ongoing EPS threshold was established that provided annual incentive funding only if the Company s EPS exceeded $3.00.
	Safety and health,	Individual awards are then determined by the HR Committee based on:
	Operations,	Each executive s calculated annual incentive opportunity, and
	Regulatory, and	A subjective evaluation of their individual performance for the year.
	Strategic initiatives.	

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Component	Purpose	Key Attributes
Long-Term Incentive Compensation	To motivate AEP management to maximize shareholder value by linking a substantial portion of their potential executive compensation directly to shareholder returns.	The HR Committee provided long-term incentive awards in the form of three-year performance units, which were 60 percent of the grant value, and restricted stock units (RSUs), which were 40 percent of the grant value.
	To help ensure that Company management remains focused on longer-term results, which the HR Committee considers to be essential given the large long-term investments in physical assets required in our business.	The HR Committee establishes award guidelines for each executive salary grade based on total compensation practices for similar positions in AEP s Compensation Peer Group.
	To reduce executive turnover and maintain management consistency.	Again for the 2011-2013 performance unit awards, the HR committee established the following equally weighted performance measures:
		Three-year cumulative earnings per share relative to a board approved target, and
		Three-year total shareholder return relative to the electric and diversified utilities in the S&P 500.
		Individual long-term incentive awards are based on:
		Award guidelines for each salary grade established by the HR Committee,
		Market competitive compensation levels, and
		Individual performance.

Base Salary. Having frozen executive salaries, except for promotional increases, for 2009 and 2010 due to extremely difficult economic conditions, the HR Committee approved a 3.2 percent merit budget for 2011 for executives and other employees. This increase was close to market median salary survey projections at the time. In addition, three executive officers were promoted at the beginning of 2011. Mr. Akins was promoted to AEP President and his salary was increased to $750,000 in connection with his selection as the successor CEO to Mr. Morris. In addition, the salary grades for Mr. Tierney s and Mr. Powers positions were both increased to $600,000 in connection with a salary grade increase for their positions.

Effective November 12, 2011, in connection with AEP s CEO transition, Mr. Akins was promoted to President and CEO at a salary of $900,000 and Mr. Powers was promoted to EVP and Chief Operating Officer at a salary of $650,000. On this date Mr. Morris also became Executive Chairman. Mr. Morris subsequently retired from AEP employment on December 31, 2011 but is continuing his service to the Company as Chairman of the Board of Directors. Mr. Tierney s salary

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was also increased by 2.1 percent on November 12, 2011 to $612,333. Due to the promotions described above and the retirements of Messrs. Morris, English and Miller and Ms. Tomasky, Mr. Tierney was the only executive officer named in the summary compensation table to receive a salary increase during AEP s annual executive salary review process. He received a combined merit increase and market adjustment to a salary of $650,000, effective January 1, 2012.

Annual Incentive Compensation.

Annual Incentive Targets. The HR Committee, in consultation with its independent compensation consultant and Company management, establishes the annual incentive targets for each executive officer primarily based on compensation benchmark studies. For 2011 the HR Committee established the following annual incentive targets for each of the positions held by the named executive officers:

- 115 percent of base earnings for both the Chairman and CEO position and the Executive Chairman positions (Mr. Morris);
- 95 percent of base earnings for the President position, which Mr. Akins held from January 1 through November 11 of 2011, and 110 percent of base earnings for the President and CEO position, which Mr. Akins held for the remainder of the year;
- 75 percent of base earnings for the CFO position for the period January 1 through November 11 of 2011 and 80 percent of base earnings for this position for the remainder of the year (Mr. Tierney);
- 75 percent of base earnings for the President AEP Utilities position for the period January 1 through November 11 of 2011 and 80 percent of base earnings for the EVP and Chief Operating Officer position for the remainder of the year (Mr. Powers);
- 75 percent of base earnings for the Vice Chairman position (Mr. English);
- 65 percent of base earnings for the SVP, General Counsel and Secretary position (Mr. Miller); and
- 70 percent of base earnings for the President AEP Transmission position (Ms. Tomasky).

Funding For Annual Incentive Plan. In 2011 AEP produced ongoing EPS of $3.119, which was above the midpoint of AEP s earnings guidance at the beginning of the year. This resulted in annual incentive funding of 119.0 percent of the target award pool for all employees. This result was calculated by interpolation between a 100 percent of target payout at EPS of $3.10 and a 200 percent of target payout at EPS of $3.20. Because the Company experienced a fatal employee accident, a 10 percent reduction was applied to the annual incentive funding for all officers. As a result of the negative fatality adjustment and the relatively strong performance of our business units against their incentive goals, which reduced the incentive funding available for the corporate officer group, the overall annual incentive funding for AEP s executive officers was 97.8 percent of target for 2011.

For 2011, GAAP earnings per share reported in AEP s financial statements was $0.90 per share higher than ongoing earnings, primarily because of a Texas Supreme Court decision resulting in a net-of-tax favorable adjustment related to recovery of stranded costs in Texas. Exhibit B to this proxy statement contains a reconciliation of ongoing and GAAP EPS.

Annual Performance Objectives. For 2011, the HR Committee developed a balanced scorecard to tie annual incentive awards for AEP s executive team to the company s performance objectives for the year in four areas of performance: safety, operations, regulatory and strategic initiatives. The HR Committee uses this balanced scorecard because it mitigates the risk that executives will focus on one or a few overriding objectives, such as short term financial perform-

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ance, to the detriment of other objectives. The weightings of those targets are determined by the HR Committee. The threshold, target and maximum payout levels are determined by the HR Committee and are set forth with 2011 actual results and scores, in the table below. We more fully explain the measures and the reasons we chose the measures in the text following the table.

	Weight	Threshold	Target	Maximum	Actual Performance Result	Actual Award Score (as a percent of target opportunity)
FUNDING - Ongoing EPS	NA	$3.00	$3.10	$3.20	$3.119	119.0%
Deductions						
Fatality Adjustment	NA		+10% of composite score for year without a fatality or -10% (20% swing) if there is a fatality		1 fatality	-10% (-.110)
PERFORMANCE						
Safety						
Recordable Case Rate (the number of Occupational Safety and Health Administration recordable incidents per 200,000 work hours)	10%	1.12	0.97	0.84	1.00	80.08%
Severity Rate (the number of lost and restricted duty days due to Occupational Safety and Health Administration recordable incidents per 200,000 work hours)	15%	22.94	19.94	17.34	23.07	0.0%
Contractor Recordable Case Rate (the number of Occupational Safety and Health Administration recordable incidents per 200,000 work hours for major AEP contractors)	5%	1.95	1.7	1.44	1.52	169.2%
Operations						
Wires Reliability SAIDI (System Average Incident Duration Index, excluding major storm days)	15%	198.2 minutes	188.8 minutes	179.4 minutes	227.9 minutes	0.0%
Generating Fleet Availability Effective forced outage rate (EFOR) relative to budget	10%	12.11%	10.61%	9.61%	9.03%	200.0%
Planned Generating Plant Outage Performance	5%	65%	75%	90%	81.0%	140.0%
Regulatory						
Rate Recovery The score for this measure is determined subjectively by the HR Committee based on: Progress towards Transco approvals and successful achievement of regulatory objectives in other filings, and The total dollar value of improvement in AEP s rate recovery vs. the total 2011 budget for rate recovery	20%		This is a subjective measure scored at 1.5 because rate recovery exceeded target, and we succeeded in obtaining regulatory approvals for Transcos in several jurisdictions.		Not Applicable	150%
Strategic Initiatives						
Turk Plant Completion Progress The score for this measure is determined subjectively by the HR Committee based on:	10%		This is a subjective measure scored at 2.0 because we		Not Applicable	200.0%

Achievement of major 2011 objectives for the Turk Plant, including timely and successful completion of construction milestones, permitting, public outreach, and communications		settled all legal challenges regarding the Turk Plant allowing for completion of its construction.				
Transmission Project Earnings	5%	90% of Budget	100% of Budget	110% of Budget	121% of Budget	200.0%
Strategic Initiative Milestones The score for this measure is determined subjectively by the HR Committee based on specific milestones related to the development of transmission investment opportunities	5%	This is a subjective measure scored at 2.0 because the development of our transmission business and related capital investment substantially exceeded targets.			Not Applicable	200.0%

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Safety. With safety as an AEP core value, maintaining the safety of AEP employees, customers and the general public is always our primary consideration. Accordingly, safety measures comprised 30 percent of the 2011 scorecard. We measure this using employee and contractor recordable case rate in accordance with the methodology prescribed by the Occupational Safety and Health Administration (OSHA) for recordable incidents. We also measure the incident severity rate portion by the number of lost and restricted duty work days per 200,000 work hours. In addition to these safety measures, the HR Committee also established a fatality adjustment for 2011, which is discussed below.

Operations. The HR Committee tied 30 percent of the scorecard to the operating performance of AEP s assets. This category measures the reliability of our wires assets, the equivalent forced outage rate for our generating plants and our performance on planned generating plant outages. The reliability measure is the system average incident duration index (SAIDI), which is a standard measure in our industry. The equivalent forced outage rate is an indicator of the extent to which our plants ran reliably during the year.

Regulatory. Investments in our business depend on obtaining satisfactory and appropriate rates of return on our regulated businesses in all the jurisdictions in which we operate. Therefore, the HR Committee tied 20 percent of the scorecard to AEP s overall success in achieving rate recovery in regulatory proceedings at the Federal Energy Regulatory Commission and state public utility commissions. In 2011, AEP secured over $235 million in additional rate recovery related to increased costs and approved increases in the Company s rate base.

Strategic Initiatives. The remaining 20 percent of the executive council scorecard was tied to strategic initiatives for 2011, which were progress towards completion of the Turk Plant (10 percent), Transmission Project Earnings (5 percent) and milestones primarily related to development of transmission investment opportunities (5 percent).

The above balanced scorecard goals were maintained throughout the year and produced an overall score of 113.5 percent of target for 2011 before application of the EPS Funding Factor and Deductions as described below.

EPS Funding Factor. In order to allocate the award pool created by AEP s EPS to each incentive group (typically a business unit or operating company), the resulting scores are divided by the weighted average performance score for all groups. For 2011 the average performance score for all groups in AEP s annual incentive compensation program was 124.2 percent of target. The maximum EPS and Gross Composite scores are 200.0 percent of target. The chart below shows the calculation of the overall performance score for the named executive officers.

Scorecard Result		EPS Score		Average Performance Score		Gross Composite Score
113.5%	×	119.0%	÷	124.2%	=	108.7%

Deduction. The HR Committee established a fatality adjustment for 2011 that would have added 10 percent of the Gross Composite Score above in the event of a fatality free year or deducted 10 percent in the event of a fatal work-related employee accident. Unfortunately, a fatal employee accident occurred in our River Operations unit in 2011. The impact of the fatality deduction is shown in the table below:

Overall	Fatality Deduction	Final Performance

Performance Score				Score
108.7%	-	10.9%	=	97.8%

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2011 Individual Award Calculations. The calculated annual incentive opportunity is shown in the chart below for each named executive officer. The annual incentive award opportunity for executives who had promotions in the year is the sum of the pro rata opportunities they had for the year. This is the starting point for determining annual incentive awards. The HR Committee then evaluates the individual performance of each named executive officer to determine the actual awards, which are also shown in the table below for 2011.

Name	2011 Base Earnings		Annual Incentive Target %		Final Performance Score		Calculated Annual Incentive Opportunity	2011 Actual Awards
Michael G. Morris	$ 1,304,702	x	115%	x	97.8%	=	$ 1,467,398	$ 1,500,000
Nicholas K. Akins	$ 658,896	x	95%	x	97.8%	=	$ 612,180	
	$ 103,846	x	110%	x	97.8%	=	$ 111,718	
							$ 723,898	$ 750,000
Brian X. Tierney	$ 528,173	x	75%	x	97.8%	=	$ 387,415	
	$ 70,654	x	80%	x	97.8%	=	$ 55,280	
							$ 442,695	$ 450,000
Robert P. Powers	$ 529,258	x	75%	x	97.8%	=	$ 388,210	
	$ 75,000	x	80%	x	97.8%	=	$ 58,680	
							$ 446,890	$ 450,000
Carl L. English	$ 574,738	x	75%	x	97.8%	=	$ 421,571	$ 421,571
D. Michael Miller	$ 409,808	x	65%	x	97.8%	=	$ 260,515	$ 260,515
Susan Tomasky	$ 312,912	x	70%	x	97.8%	=	$ 214,219	$ 214,219

The HR Committee believes that annual incentive compensation should not be based purely on a formulaic calculation, such as that shown in the Calculated Annual Incentive column above, but should instead be adjusted from this starting point to reflect each executive s individual performance and contribution. Based on recommendations from each executive officer s manager focusing on the subjective evaluation of their individual performance and contribution, particularly with respect to the executive council scorecard goals, the HR Committee approved the annual incentive awards shown in the Actual Awards column for 2011.

Long-Term Incentive Compensation. AEP annually reviews the mix of long-term incentive compensation it provides its executives. For the 2011 award cycle, the HR Committee granted 60 percent of the grant date value of long-term incentive awards as performance units and 40 percent of this value as restricted stock units (RSUs). This was a change from past practice in which the HR Committee granted 100 percent of the grant value of its annual long-term incentive awards as performance units. RSUs were added to:

Better reflect the mix and diversity of long-term incentive awards provided by the companies in AEP s Compensation Peer Group, and

Provide a more consistent retention incentive during periods of economic instability.

Both the 2011 performance unit and restricted stock unit awards were granted with change in control provisions that include a double trigger that provides earlier vesting of awards only if both a change in control and a separation from service under defined circumstances occurs. The restricted stock unit awards granted for 2011 also included a two year post-retirement holding requirement for senior executives who are subject to mandatory retirement, which included Messrs. Morris and English in 2011.

The HR Committee grants long-term incentive awards on an annual year-end award cycle. It is a long-standing HR Committee practice to consider the impact of any recent and upcoming Company announcements and financial disclosures that may impact AEP s share price, as well as

AEP s current stock price itself, when determining the number of shares, units or options to grant under AEP s long-term incentive program.

The HR Committee establishes award guidelines for each executive salary grade based on market competitive total compensation for similar positions in AEP s Compensation Peer Group. Individual long-term incentive awards are determined by the HR Committee, or, for the CEO, by the independent members of the Board. These determinations are made based on:

Award guidelines for each salary grade established by the HR Committee, which creates an overall award pool that AEP management and the HR Committee use in determining awards,

Individual performance assessments. However, any positive discretionary adjustments based on individual performance must generally be offset by negative adjustments for other individuals to avoid exceeding the above award pool,

The individual executive s total direct compensation relative to market competitive compensation for his or her position as shown in the annual executive compensation study conducted by the HR Committee s executive compensation consultant, and

The executive officer s future potential for advancement.

The HR Committee also regularly reviews tally sheets for the named executive officers that show the potential future payout of outstanding equity awards. These tally sheets show the extent to which the value of the potential payout from all outstanding equity awards is linked to changes in AEP s stock price and the value likely to be paid from all outstanding equity awards taking Company performance into consideration. The tally sheets also show whether the value that executive officers have already received from vested equity awards is so large as to significantly reduce the need for or effectiveness of any future equity awards. The HR Committee may reduce equity awards to any or all executives if they were to find that any of these considerations or any other consideration warrant doing so.

Performance Units. The HR Committee granted performance unit awards for a 2011 2013 performance period to each named executive officer shown in the 2011 Long-Term Incentive Award table below. Dividends are reinvested in additional performance units, but those additional performance units are subject to the same performance measures and vesting requirments as the underlying performance units. The total number of performance units held at the end of the performance period is multiplied by the weighted score for the two performance measures shown below to determine the award payout; however, the maximum score for each performance measure is 200 percent. For further information on these awards, see the description under 2011 Stock Award Grants beginning on page 53.

Performance Measures for 2011 2013 Performance Units

Performance Measure	Weight	Threshold Performance	Target Performance	Maximum Payout Performance
3-Year Cumulative Earnings Per Share	50%	$8.73 (30% payout)	$9.70 (100% payout)	$10.67 (200% payout)
3-Year Total Shareholder	50%	20th Percentile	50th Percentile	80th Percentile

Return vs. S&P Electric and Multi-Utilities	(0% payout)	(100% payout)	(200% payout)

On December 31, 2011 performance units granted for the 2009 2011 performance period vested. The combined score for the 2009-2011 performance period was 89.8 percent of target. See page 58 under the Option Exercises and Stock Vested Table for additional information about the vesting of these performance units.

Restricted Stock Units.

The HR Committee also granted 40 percent of the grant date value of the company s 2011 long-term incentive awards as RSUs. These RSUs vest over a forty month period, subject to the execu-

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tive s continued employment, in three approximately equal installments on May 1, 2012, May 1, 2013 and May 1, 2014, respectively. Dividends are reinvested in additional RSUs, but those additional RSUs vest at the same time as the underlying RSUs vest. For further information on these awards, see the description under 2011 Stock Award Grants beginning on page 53.

2011 Long-Term Incentive Awards

Name	Number of Performance Units Granted	Number of Restricted Stock Units Granted	Total Units Granted
Mr. Morris	90,000	60,000	150,000
Mr. Akins	19,026	12,684	31,710
Mr. Tierney	20,328	13,552	33,880
Mr. Powers	19,026	12,684	31,710
Mr. English	25,410	16,940	42,350
Mr. Miller	15,246	10,164	25,410
Ms. Tomasky	16,938	11,292	28,230

These performance units and RSUs provide total direct compensation opportunities to executives that are on average within the market competitive range. Differences between the awards for individual executives primarily reflect differences in salary grade as o