

**American Electric Power**  
**Postemployment Benefit Plan**

Actuarial Valuation Report  
Postemployment Benefit Obligations as of  
December 31, 2012, under U.S. GAAP

April 2013



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## Purpose and Actuarial Certification

### Purpose of Valuation

American Electric Power retained Towers Watson Pennsylvania Inc. ("Towers Watson"), to perform an actuarial valuation of its postretirement welfare programs for the purpose of determining the value of unfunded benefit obligations as of December 31, 2012, in accordance with FASB Accounting Standards Codification Topic 712 (ASC 712).

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

### Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, claims data, contributions and assets provided by American Electric Power and other persons or organizations designated by American Electric Power. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. We have relied on all the information provided as complete and accurate. The results presented in this report are dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data and information provided to us may have produced results that are not suitable for the purpose of this report and such inaccuracies, as corrected by American Electric Power, may produce materially different results that could require that a revised report be issued.

### Nature of Actuarial Calculations

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated or selected by Towers Watson, we consider reasonable and within the "best-estimate range" as described by the Actuarial Standards of Practice. Other actuarial assumptions could also be considered to be reasonable and within the best-estimate range. Thus, reasonable results differing from those presented in this report could have been developed by selecting different points within the best-estimate ranges for various assumptions.

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Assumptions may be made, in consultation with American Electric Power, about participant data or other factors. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. The numbers shown in this report are not rounded. This is for convenience only and should not imply precision; by their nature, actuarial calculations are not precise.

If overall future plan experience produces higher benefit payments than assumed, the relative level of plan obligations reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions; increases or reductions expected as part of the natural

operation of the methodology used for the measurements; and changes in plan provisions or applicable law. It is beyond the scope of this valuation to analyze the potential range of future postemployment welfare contributions, but we can do so upon request.

See Basis for Valuation for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

#### Limitations on Use

This report is provided subject to the terms set out herein and in our engagement letter dated February 20, 2013, and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of American Electric Power and its auditors in connection with our actuarial valuation of the postretirement welfare plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. American Electric Power may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require American Electric Power to provide them this report, in which case American Electric Power will use best efforts to notify Towers Watson in advance of this distribution, and will include the non-reliance notice included at the end of this report. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Towers Watson's prior written consent. In the absence of such consent and an express assumption of responsibility, we accept no responsibility whatsoever for any consequences arising from any third party relying on this report or any advice relating to its contents. There are no intended third-party beneficiaries of this report or the work underlying it.

#### Professional Qualifications

The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to postretirement welfare plans. Our objectivity is not impaired by any relationship between American Electric Power and our employer, Towers Watson Pennsylvania Inc.

  
Martin P. Franzinger, ASA, MAAA  
Consultant

  
Matthew J. Pilkey, FSA, MAAA  
Consultant

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## Summary of Results

FASB ASC 712 results for selected benefits as of December 31, 2012<sup>1</sup>, and December 31, 2011, are as follows.

	As of December 31, 2012		As of December 31, 2011	
	Number of Participants	Unfunded Liabilities <sup>2</sup>	Number of Participants	Unfunded Liabilities <sup>2</sup>
<b>Non-UMWA Plans</b>				
Health Care and Life Insurance Continuation for Long-Term Disability Claimants (page 13)	490	\$80,984,876	553	\$84,472,083
LTD Income Replacement (page 14)	462	\$17,805,467	493	4,856,613
COBRA (page 15)	98	\$322,126	78	126,399
<b>Total (page 16)</b>		<b>\$99,112,469</b>		<b>\$89,455,095</b>

<sup>1</sup> Allocations to individual AEP system companies of the liabilities in this schedule are presented in Appendix C.  
<sup>2</sup> No liabilities included for claims incurred but not reported. All liabilities are determined under FASB ASC 450-20-25.

**Change in Liabilities From Prior Year**

In total, our calculations of FASB ASC 712 unfunded liabilities as of December 31, 2012, for the postemployment benefits that Towers Watson values increased to \$99.1 million, an increase of \$9.6 million from the December 31, 2011, unfunded liability of \$89.5 million.

Summary of Unfunded Liability Increase/(Decrease)	
Non-UMWA	
▶ Health Care and Life Insurance Continuation for LTD Claimants	\$(3.5) million
▶ LTD Income Replacement	12.9 million
▶ COBRA	<u>0.2 million</u>
<b>Total</b>	<b>9.6 million</b>

The discount rate has increased from 1.65% to 1.70% and is determined based on a duration matching approach using a risk-free bond universe. The duration of AEP's postemployment benefit plan, excluding COBRA and severance benefits, is 5.17 years as of December 31, 2012. The changes in liabilities are analyzed below for each benefit.

**Health Care and Life Insurance Continuation for LTD Claimants — Non-UMWA**

The liability estimate for these benefits decreased from \$84.5 million to \$81.0 million. This \$3.5 million decrease results from the following factors:

Normal operation of plan (expected increase)	\$3.2 million
Medical and dental claims experience	(4.3) million
Change in economic assumptions (discount rate and trend rate)	(0.2) million
Demographic experience (e.g., claim terminations)	<u>(2.2) million</u>
<b>Total</b>	<b>(\$3.5) million</b>

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#### LTD Income Replacement

Historically, AEP East LTD benefits were fully funded and, therefore, not included with the FAS 112 valuations in the '90s. However, increases in disability costs from 1998 through 2000 were not matched by increases in plan funding, which contributed to the emergence of significant unfunded liabilities. In addition, AEP West LTD benefits have historically been funded at much lower levels, so the unfunded liabilities for West companies had always been included with CSW FAS 112 valuations in the '90s.

However, since 2001, AEP's LTD costs have been reduced, in part due to increased disability management efforts. As a disability funding surplus began to emerge, AEP reduced employer contributions to the LTD trust, suspending them altogether in 2009, then reinstating in 2010-2011, then suspending again in 2012, resulting in a \$17.8 million unfunded liability as of December 31, 2012. Liabilities for claims incurred but not approved (IBNA) or administration expenses are not considered in calculating the funded status.

Because East companies have funded much more of their LTD costs than West companies prior to 2001, no assets have been allocated to claimants classified as "CSW." (These claimants are people from West locations disabled prior to 2001). Assets held in the LTD trust have been allocated in proportion to December 31, 2012 LTD liabilities for claimants not classified as CSW.

#### COBRA and Severance

The liabilities as of December 31, 2012, associated with COBRA continuation coverage for medical and dental benefits have been included for all AEP companies. Liabilities were calculated for participants and assigned to the company for which they last worked.

The liabilities were determined assuming that COBRA beneficiaries would incur claims costs equal to 154% of the per capita claims costs for active employees. No increased claims cost morbidity was assumed for former employees receiving severance benefits, because their monthly contributions to continue AEP's coverage was equal to the contributions charged to active participants.

#### Health Care Continuation for Disabled Pensioners — UMWA Employees

In the data provided, there were no UMWA disabled pensioner employees under age 55 and thus, no liability.

#### **Basis for Valuation**

Appendix A summarizes the assumptions and methods used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued.

#### **Changes in Assumptions**

- Per capita claims costs were updated to reflect 2011 dental and retiree medical claims experience.
- Discount rate was changed from 1.65% to 1.70%.
- Healthy mortality was updated for an additional year of mortality improvements.

#### **Changes in Methods**

None.

#### **Changes in Benefits Valued**

None.

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## Appendix A: Statement of Actuarial Assumptions and Methods

Discount rate	1.70%	
Health care cost trend rate	<i>Medical</i>	<i>Dental</i>
	2013 6.75%	5.00%
	2014 6.50	5.00
	2015 6.25	5.00
	2016 6.00	5.00
	2017 5.75	5.00
	2018 5.50	5.00
	2019 5.25	5.00
	2020+ 5.00	5.00

### Health Care Benefit Assumptions

<i>Non-UMWA Plans</i>	<i>Employee or Spouse</i>		
	<i>Age</i>	<i>Aetna</i>	<i>Lumenos</i>
Average annual 2013 per capita medical claims cost for disabled employees and their dependents	≤ 50	\$5,768	\$5,708
	50-54	6,738	6,667
	55-59	7,504	7,425
	60-64	10,209	10,102

For employees only, the costs shown above are increased by the following factors, based on duration of disability:

<i>Years Disabled</i>	<i>Employee Medical Cost Multiplier</i>
≤ 3	8.0
3 – 6	5.0
>6	2.0

Eighty percent of employees disabled more than 30 months are assumed to be approved for Medicare. Including the savings generated by Medicare Part D, the onset of Medicare benefits reduces the cost of benefits by 84%.

For employees covering children under the medical plan, \$4,770 is added to 2013 medical costs until the employee turns age 55.

Average annual 2013 per capita dental claims cost for disabled employees and their dependents	Employee only	\$304
	Employee plus spouse	601
	Employee plus child(ren)	924*
	Full family	1,221*

\*Children's portion of cost goes to zero at employee's age 55.

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Administrative expenses      Included in costs shown above.  
 COBRA morbidity              COBRA participants are assumed to incur average per capita claims costs equal to 154% of costs that active participants incur.

**Demographic Assumptions**

Mortality for non-UMWA plans:

- ▶ Healthy participants      Versions of RP-2000 Mortality Table projected to 2028.
- ▶ Disabled participants      Underlying mortality in the 1987 CGDT rates.

Long-term disability continuation      1987 CGDT — termination rates adjusted by the following factors:

<i>Years of Disability</i>	<i>Percentage of Termination Rates</i>
<1	200%
1-2	150%
2+	100%

In addition to these factors, termination rates at all ages are reduced 5%, reflecting the recommended industry adjustment to the 1987 table.

COBRA continuation termination rates for beneficiaries not receiving severance benefits

<i>Months</i>	<i>Probability of Terminating COBRA Coverage at End of Month</i>	
	<i>18-Month Maximum</i>	<i>29- or 36-Month Maximum</i>
1	.17	.05
2	.12	.05
3	.07	.04
4-6	.05	.03
7-12	.04	.03
13	.03	.03
14-24	.03	.02
25-35	N/A	.01
36	N/A	1.00
Average Duration	10.19 months	22.61 months

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#### Actuarial Methods

Applicable accounting standards	All benefits valued have been valued under FASB ASC 450-20-25.
Postemployment benefit liability	FASB ASC 450-20-25 liabilities are equal to the actuarial present value of future benefit payments to current benefit recipients, with no reserve for incurred but unreported claims.
Development of health care benefit claims cost	Cost per participant is based on age-related retired participant costs for AEP non-UMWA plans, adjusted to reflect higher anticipated health care costs for disabled individuals.
Benefits not valued	Claims incurred but not reported (IBNR) have not been included in the FASB ASC 712 liability for any benefits.
Data Sources	The company furnished data on current benefit recipients (including employees and eligible dependents) and paid claims. Data were reviewed for reasonableness and consistency, but no audit was performed. We are aware of no errors or omissions in the data that would have a significant effect on the results of these calculations.

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## Appendix B: Summary of Substantive Plan Provisions Reflected in Valuation

### Non-UMWA Plans

#### Long-Term Disability

Eligibility	Total disability following elimination period of 26 weeks.
Benefits	<p>Following 26 weeks of total disability, benefits are payable. Benefit payments continue until the first to occur of the following:</p> <ul style="list-style-type: none"> <li>(i) The participant ceases to be totally disabled, or</li> <li>(ii) He reaches age 65 or if he becomes disabled after age 60, benefits can extend beyond age 65.</li> </ul> <p>Monthly benefits equal 60% of base monthly salary reduced by:</p> <ul style="list-style-type: none"> <li>(a) Initial Social Security benefit (primary portion only for pre-2001 West disabilities)</li> <li>(b) Workers Compensation benefit</li> <li>(c) Jones Act</li> <li>(d) General Maritime Law</li> <li>(e) Settlements</li> <li>(f) Other plans.</li> </ul>

#### Health Care Continuation to LTD Claimants

Eligibility	Participants are eligible for health care continuation upon approval for LTD benefits. Dependents of disabled employees are also eligible. Benefits continue until LTD benefits cease due to death, recovery or retirement.
Benefits	Eligible participants receive continued coverage under AEP's active employee medical and dental plans. Disabled participants who are eligible for Medicare have medical benefits provided secondary to Medicare.
Contributions	None.

#### Life Insurance Continuation to LTD Claimants

Eligibility	Participants are eligible for life insurance continuation upon approval for LTD benefits.
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Benefits	Eligible participants receive continued coverage under the active employee life insurance plans. Basic and supplemental amounts in force prior to approval for LTD benefits are continued. Dependent life is also continued.
Contributions	None.
COBRA	When employees terminate they are offered medical coverage for 18 months at COBRA rates (102% of average active/pre-65 retiree medical costs). Because antiselection occurs, the average cost for participants who elect COBRA coverage is typically more than the COBRA rates they pay to enroll for coverage. Surviving spouses may continue coverage at COBRA rates for up to 36 months.

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## Appendix C: Results by Business Unit

American Electric Power  
 Health Care and Life Insurance for Employees on Long-Term Disability  
 Liabilities as of December 31, 2012

ML-1

Number	2013 Projected		2013 Projected		2013 Projected		2013 Projected		2013 Projected	
	Liability	Benefit	Liability	Benefit	Liability	Benefit	Liability	Benefit	Liability	Benefit
140 Appalachian Power Co - Distribution	0	0	0	0	0	0	0	0	0	0
210 Appalachian Power Co - Generation	60	\$5,963,912	\$1,257,181	\$1,048,212	\$215,991	\$1,305,996	\$603,153	\$205,268	\$26,753	\$8,555,688
190 Appalachian Power Co - Transmission	13	1,796,035	362,488	319,548	66,306	920,318	106,145	60,663	6,307	2,879,956
Appalachian Power Co. - FERC	73	\$14,819,750	\$3,102,423	\$2,658,156	\$567,281	\$3,208,706	\$670,269	\$528,018	\$71,463	\$21,214,630
990 Cedar Coal Co	0	0	0	0	0	0	0	0	0	0
Appalachian Power Co. - SEC	122	\$14,819,750	\$3,102,423	\$2,658,156	\$567,281	\$3,208,706	\$670,269	\$528,018	\$71,463	\$21,214,630
211 AEP Texas Central Company - Distribution	34	\$3,454,209	\$786,713	\$892,532	\$211,998	\$1,074,991	\$247,980	\$107,039	\$16,964	\$5,528,771
147 AEP Texas Central Company - Generation	0	0	0	0	0	0	0	0	0	0
169 AEP Texas Central Company - Transmission	0	0	0	0	0	0	0	0	0	0
AEP Texas Central Co.	34	\$3,454,209	\$786,713	\$892,532	\$211,998	\$1,074,991	\$247,980	\$107,039	\$16,964	\$5,528,771
170 Indiana Michigan Power Co - Distribution	5	\$654,804	\$68,448	\$109,302	\$15,990	\$5,685	\$1,408	\$21,935	\$2,664	\$691,526
132 Indiana Michigan Power Co - Generation	8	964,491	128,595	142,788	20,701	117,186	19,059	41,501	6,046	1,265,966
180 Indiana Michigan Power Co - Nuclear	13	1,446,624	315,391	337,146	79,078	448,523	107,794	54,875	6,981	2,287,148
120 Indiana Michigan Power Co - Transmission	2	185,685	15,182	29,254	3,170	708	711	9,464	1,203	225,111
280 Ind Mich River Temp Lakin	21	2,890,549	843,213	410,608	103,523	743,445	192,808	82,300	10,609	4,186,962
Indiana Michigan Power Co. - FERC	48	\$6,161,953	\$1,368,829	\$1,629,098	\$221,462	\$1,315,527	\$321,630	\$216,135	\$26,602	\$8,656,713
994 Price River Coal	0	0	0	0	0	0	0	0	0	0
Indiana Michigan Power Co. - SEC	49	\$6,161,953	\$1,368,829	\$1,629,098	\$221,462	\$1,315,527	\$321,630	\$216,135	\$26,602	\$8,656,713
110 Kentucky Power Co - Distribution	20	\$2,472,464	\$474,838	\$371,477	\$90,818	\$514,828	\$114,198	\$88,099	\$11,102	\$3,446,868
117 Kentucky Power Co - Generation	14	1,834,031	438,074	249,720	50,160	285,747	69,653	98,071	8,016	2,423,909
180 Kentucky Power Co - Transmission	2	269,990	70,616	52,491	13,104	48,982	11,387	6,627	1,103	378,090
Kentucky Power Co.	36	\$4,577,385	\$983,528	\$673,688	\$153,082	\$844,557	\$195,238	\$153,297	\$20,221	\$6,248,927
104 Cardinal Operating Company	9	\$718,449	\$178,037	\$143,130	\$32,604	\$106,412	\$30,968	\$24,819	\$3,736	\$995,810
270 Coal Coal Terminal	0	0	0	0	0	0	0	0	0	0
290 Ohio Power Co - Distribution	33	4,529,438	839,979	672,742	131,624	743,930	145,285	180,471	16,776	6,126,981
181 Ohio Power Co - Generation	48	4,962,229	910,386	937,658	155,535	1,017,301	190,863	214,659	28,204	7,131,147
160 Ohio Power Co - Transmission	6	633,765	146,251	141,644	25,154	126,879	22,686	19,514	2,868	921,603
Ohio Power Co. - FERC	96	\$10,843,882	\$2,074,663	\$1,895,074	\$344,917	\$1,897,322	\$389,742	\$438,863	\$51,284	\$15,175,141
290 Conestoga Coal Preparation Company	0	0	0	0	0	0	0	0	0	0
Ohio Power Co. - SEC	96	\$10,843,882	\$2,074,663	\$1,895,074	\$344,917	\$1,897,322	\$389,742	\$438,863	\$51,284	\$15,175,141
167 Public Service Co of Oklahoma - Distribution	20	\$2,202,507	\$511,523	\$505,908	\$119,018	\$611,695	\$144,553	\$79,627	\$10,673	\$3,399,737
198 Public Service Co of Oklahoma - Generation	7	953,487	163,261	196,080	44,307	254,306	58,213	27,365	3,566	1,440,918
114 Public Service Co of Oklahoma - Transmission	3	385,021	108,173	38,432	12,059	19,715	6,661	8,691	1,727	459,896
Public Service Co. of Oklahoma	30	\$3,544,995	\$782,957	\$740,420	\$176,071	\$894,413	\$209,427	\$115,683	\$18,966	\$5,297,511
159 Southwestern Electric Power Co - Distribution	10	\$1,115,849	\$313,651	\$177,894	\$48,205	\$367,648	\$92,804	\$32,680	\$4,672	\$1,693,971
168 Southwestern Electric Power Co - Generation	10	1,021,989	192,865	225,008	40,563	316,923	66,616	36,656	4,937	1,800,576
191 Southwestern Electric Power Co - Texas - Distribution	5	816,764	234,608	155,149	39,824	59,395	16,844	17,208	2,117	1,046,626
111 Southwestern Electric Power Co - Texas - Transmission	0	0	0	0	0	0	0	0	0	0
194 Southwestern Electric Power Co - Transmission	2	397,877	44,882	52,495	13,828	9,655	5,902	20,222	4,764	438,720
Southwestern Electric Power Co.	27	\$3,314,476	\$788,906	\$670,535	\$142,420	\$747,822	\$182,166	\$107,266	\$13,470	\$4,779,913
119 AEP Texas North Company - Distribution	13	\$1,407,202	\$337,954	\$390,069	\$92,868	\$257,879	\$66,355	\$43,676	\$7,300	\$1,968,826
156 AEP Texas North Company - Generation	0	0	0	0	0	0	0	0	0	0
150 AEP Texas North Company - Transmission	0	0	0	0	0	0	0	0	0	0
AEP Texas North Co.	13	\$1,407,202	\$337,954	\$390,069	\$92,868	\$257,879	\$66,355	\$43,676	\$7,300	\$1,968,826
200 Kingsport Power Co - Distribution	3	\$386,824	\$101,210	\$34,698	\$10,878	\$20,443	\$6,159	\$5,263	\$1,456	\$346,528
200 Kingsport Power Co - Transmission	1	\$2,171	15,900	18,197	6,002	36,394	12,004	1,082	296	107,844
Kingsport Power Co.	4	\$388,995	\$117,110	\$52,895	\$16,880	\$56,837	\$18,163	\$6,345	\$1,752	\$454,372
210 Wheeling Power Co - Distribution	2	\$32,071	\$22,652	\$10,098	\$6,807	\$6,207	\$5,008	\$1,253	\$890	\$49,629
200 Wheeling Power Co - Transmission	0	0	0	0	0	0	0	0	0	0
Wheeling Power Co.	2	\$32,071	\$22,652	\$10,098	\$6,807	\$6,207	\$5,008	\$1,253	\$890	\$49,629
103 American Electric Power Service Corporation	58	\$5,705,175	\$1,222,534	\$1,202,857	\$241,179	\$939,566	\$212,229	\$237,763	\$29,320	\$8,085,361
American Electric Power Service Corp	58	\$5,705,175	\$1,222,534	\$1,202,857	\$241,179	\$939,566	\$212,229	\$237,763	\$29,320	\$8,085,361
143 AEP Pro Serv. Inc.	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
171 C&W Energy, Inc.	0	0	0	0	0	0	0	0	0	0
260 Elmwood	7	1,136,697	303,167	136,225	35,702	52,204	13,852	28,482	3,693	1,353,566
292 AEP River Operations LLC	0	1,439,347	306,287	200,370	49,275	252,328	38,351	66,087	6,294	2,018,132
189 Central Coal Company	0	0	0	0	0	0	0	0	0	0
185 AEP Energy, Inc.	2	65,187	4,206	39,789	5,871	49,050	4,646	4,956	599	158,982
Miscellaneous	19	\$2,641,191	\$613,650	\$436,284	\$90,848	\$383,582	\$56,849	\$99,625	\$9,585	\$3,530,682
<b>Total</b>	<b>490</b>	<b>\$56,776,987</b>	<b>\$12,196,819</b>	<b>\$10,461,797</b>	<b>\$2,235,759</b>	<b>\$11,697,209</b>	<b>\$2,575,256</b>	<b>\$2,048,883</b>	<b>\$264,717</b>	<b>\$80,894,876</b>

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American Electric Power		ML-2			
Long-Term Disability Income Replacement Benefits					
Liabilities as of December 31, 2012					
Number	12/31/2012	Total LTD	12/31/2012	Expected	
Disabled	Liability	Assets as of	Liability	Benefit	Payments
		12/31/2012			
140	Appalachian Power Co - Distribution				
215	Appalachian Power Co - Generation				
150	Appalachian Power Co - Transmission				
106	<b>Appalachian Power Co. - FERC</b>	<b>\$9,824,632</b>	<b>\$6,051,965</b>	<b>\$3,772,667</b>	<b>\$1,389,425</b>
999	Cedar Coal Co	0	0	0	0
106	<b>Appalachian Power Co. - SEC</b>	<b>\$9,824,632</b>	<b>\$6,051,965</b>	<b>\$3,772,667</b>	<b>\$1,389,425</b>
211	AEP Texas Central Company - Distribution	\$2,845,873	\$1,515,017	\$1,330,856	\$492,065
147	AEP Texas Central Company - Generation	0	0	0	0
169	AEP Texas Central Company - Transmission	0	0	0	0
33	<b>AEP Texas Central Co.</b>	<b>\$2,845,873</b>	<b>\$1,515,017</b>	<b>\$1,330,856</b>	<b>\$492,065</b>
170	Indiana Michigan Power Co - Distribution	\$231,682	\$142,716	\$88,968	\$29,601
132	Indiana Michigan Power Co - Generation	600,442	369,872	230,570	71,862
190	Indiana Michigan Power Co - Nuclear	2,584,013	1,591,750	992,263	375,752
120	Indiana Michigan Power Co - Transmission	122,998	75,767	47,231	22,354
280	Ind Mich River Transp Lakin	1,636,265	1,007,938	628,327	234,093
50	<b>Indiana Michigan Power Co. - FERC</b>	<b>\$5,175,400</b>	<b>\$3,188,043</b>	<b>\$1,987,357</b>	<b>\$733,662</b>
994	Price River Coal	0	0	0	0
50	<b>Indiana Michigan Power Co. - SEC</b>	<b>\$5,175,400</b>	<b>\$3,188,043</b>	<b>\$1,987,357</b>	<b>\$733,662</b>
110	Kentucky Power Co - Distribution	\$1,264,004	\$778,625	\$485,379	\$208,401
117	Kentucky Power Co - Generation	1,384,265	814,079	570,186	200,458
180	Kentucky Power Co - Transmission	215,731	132,890	82,841	33,088
32	<b>Kentucky Power Co.</b>	<b>\$2,864,000</b>	<b>\$1,725,594</b>	<b>\$1,138,406</b>	<b>\$441,947</b>
104	Cardinal Operating Company	\$519,161	\$319,803	\$199,358	\$80,879
270	Cook Coal Terminal	0	0	0	0
250	Ohio Power Co - Distribution	2,606,064	1,605,333	1,000,731	289,272
181	Ohio Power Co - Generation	4,438,803	2,734,299	1,704,504	661,483
160	Ohio Power Co - Transmission	272,129	138,555	133,574	43,462
79	<b>Ohio Power Co. - FERC</b>	<b>\$7,836,157</b>	<b>\$4,797,990</b>	<b>\$3,038,167</b>	<b>\$1,075,096</b>
290	Conserville Coal Preparation Company	0	0	0	0
79	<b>Ohio Power Co. - SEC</b>	<b>\$7,836,157</b>	<b>\$4,797,990</b>	<b>\$3,038,167</b>	<b>\$1,075,096</b>
167	Public Service Co of Oklahoma - Distribution	\$1,456,530	\$804,120	\$652,410	\$243,779
198	Public Service Co of Oklahoma - Generation	1,063,438	609,550	453,888	123,792
114	Public Service Co of Oklahoma - Transmission	205,584	111,994	83,699	48,215
29	<b>Public Service Co. of Oklahoma</b>	<b>\$2,725,552</b>	<b>\$1,525,664</b>	<b>\$1,199,898</b>	<b>\$413,786</b>
159	Southwestern Electric Power Co - Distribution	\$1,080,311	\$655,415	\$424,896	\$137,814
168	Southwestern Electric Power Co - Generation	600,308	270,051	330,257	99,842
161	Southwestern Electric Power Co - Texas - Distribution	407,713	179,648	228,065	75,165
111	Southwestern Electric Power Co - Texas - Transmission	0	0	0	0
194	Southwestern Electric Power Co - Transmission	36,314	22,369	13,945	27,724
26	<b>Southwestern Electric Power Co.</b>	<b>\$2,124,646</b>	<b>\$1,127,483</b>	<b>\$997,163</b>	<b>\$340,545</b>
119	AEP Texas North Company - Distribution	\$550,158	\$304,433	\$245,725	\$109,870
166	AEP Texas North Company - Generation	0	0	0	0
192	AEP Texas North Company - Transmission	0	0	0	0
13	<b>AEP Texas North Co.</b>	<b>\$550,158</b>	<b>\$304,433</b>	<b>\$245,725</b>	<b>\$109,870</b>
230	Kingsport Power Co - Distribution	\$88,054	\$54,241	\$33,813	\$26,412
260	Kingsport Power Co - Transmission	32,612	20,089	12,523	5,513
3	<b>Kingsport Power Co.</b>	<b>\$120,666</b>	<b>\$74,330</b>	<b>\$46,336</b>	<b>\$31,925</b>
210	Wheeling Power Co - Distribution	\$215,026	\$132,456	\$82,570	\$63,105
200	Wheeling Power Co - Transmission	0	0	0	0
3	<b>Wheeling Power Co.</b>	<b>\$215,026</b>	<b>\$132,456</b>	<b>\$82,570</b>	<b>\$63,105</b>
103	American Electric Power Service Corporation	\$8,494,167	\$3,430,204	\$3,063,963	\$917,974
68	<b>American Electric Power Service Corp</b>	<b>\$8,494,167</b>	<b>\$3,430,204</b>	<b>\$3,063,963</b>	<b>\$917,974</b>
143	AEP Pro Serv. Inc.	\$0	\$0	\$0	\$0
171	CSW Energy, Inc.	0	0	0	0
293	Elmwood	486,396	299,613	186,773	72,622
292	AEP River Operations LLC	1,863,526	1,147,930	715,596	169,568
189	Central Coal Company	0	0	0	0
185	AEP Energy, Inc	0	0	0	0
20	<b>Miscellaneous</b>	<b>\$2,349,912</b>	<b>\$1,447,543</b>	<b>\$902,369</b>	<b>\$242,190</b>
462	<b>Total</b>	<b>\$43,126,189</b>	<b>\$25,320,722</b>	<b>\$17,805,467</b>	<b>\$6,251,590</b>

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Postemployment Benefit Plan

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American Electric Power  
 Liabilities for COBRA Continuation of Medical and Dental Coverage  
 Former Non-UMWA and UMWA Employees

ML-3

	Number of Participants	12/31/2012 Liability	Expected 2013 Benefit Disbursements
140 Appalachian Power Co - Distribution	4	\$14,479	\$9,436
215 Appalachian Power Co - Generation	0	0	0
150 Appalachian Power Co - Transmission	0	0	0
<b>Appalachian Power Co. - FERC</b>	<b>4</b>	<b>\$14,479</b>	<b>\$9,436</b>
999 Cedar Coal Co	0	0	0
<b>Appalachian Power Co. - SEC</b>	<b>4</b>	<b>\$14,479</b>	<b>\$9,436</b>
211 AEP Texas Central Company - Distribution	2	\$8,829	\$4,718
147 AEP Texas Central Company - Generation	0	0	0
169 AEP Texas Central Company - Transmission	0	0	0
<b>AEP Texas Central Co.</b>	<b>2</b>	<b>\$8,829</b>	<b>\$4,718</b>
170 Indiana Michigan Power Co - Distribution	0	\$0	\$0
132 Indiana Michigan Power Co - Generation	0	0	0
190 Indiana Michigan Power Co - Nuclear	9	26,209	24,792
120 Indiana Michigan Power Co - Transmission	0	0	0
280 Ind Mich River Transp Lakin	2	350	350
<b>Indiana Michigan Power Co. - FERC</b>	<b>11</b>	<b>\$26,559</b>	<b>\$25,142</b>
994 Price River Coal	0	0	0
<b>Indiana Michigan Power Co. - SEC</b>	<b>11</b>	<b>\$26,559</b>	<b>\$25,142</b>
110 Kentucky Power Co - Distribution	0	\$0	\$0
117 Kentucky Power Co - Generation	0	0	0
180 Kentucky Power Co - Transmission	0	0	0
<b>Kentucky Power Co.</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
104 Cardinal Operating Company	0	\$0	\$0
270 Cook Coal Terminal	0	0	0
250 Ohio Power Co - Distribution	0	0	0
181 Ohio Power Co - Generation	7	24,696	18,675
160 Ohio Power Co - Transmission	0	0	0
<b>Ohio Power Co. - FERC</b>	<b>7</b>	<b>\$24,696</b>	<b>\$18,675</b>
290 Conesville Coal Preparation Company	0	0	0
<b>Ohio Power Co. - SEC</b>	<b>7</b>	<b>\$24,696</b>	<b>\$18,675</b>
167 Public Service Co of Oklahoma - Distribution	0	\$0	\$0
198 Public Service Co of Oklahoma - Generation	0	0	0
114 Public Service Co of Oklahoma - Transmission	0	0	0
<b>Public Service Co. of Oklahoma</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
159 Southwestern Electric Power Co - Distribution	4	\$7,470	\$7,470
168 Southwestern Electric Power Co - Generation	0	0	0
161 Southwestern Electric Power Co - Texas - Distribution	0	0	0
111 Southwestern Electric Power Co - Texas - Transmission	0	0	0
194 Southwestern Electric Power Co - Transmission	0	0	0
<b>Southwestern Electric Power Co.</b>	<b>4</b>	<b>\$7,470</b>	<b>\$7,470</b>
119 AEP Texas North Company - Distribution	2	\$4,295	\$4,295
166 AEP Texas North Company - Generation	0	0	0
192 AEP Texas North Company - Transmission	0	0	0
<b>AEP Texas North Co.</b>	<b>2</b>	<b>\$4,295</b>	<b>\$4,295</b>
230 Kingsport Power Co - Distribution	1	\$3,513	\$2,288
260 Kingsport Power Co - Transmission	0	0	0
<b>Kingsport Power Co.</b>	<b>1</b>	<b>\$3,513</b>	<b>\$2,288</b>
210 Wheeling Power Co - Distribution	0	\$0	\$0
200 Wheeling Power Co - Transmission	0	0	0
<b>Wheeling Power Co.</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
103 American Electric Power Service Corporation	64	\$227,657	\$213,288
<b>American Electric Power Service Corp</b>	<b>64</b>	<b>\$227,657</b>	<b>\$213,288</b>
143 AEP Pro Serv, Inc.	0	\$0	\$0
171 CSW Energy, Inc.	0	0	0
293 Elmwood	0	0	0
292 AEP River Operations LLC	3	4,628	4,628
189 Central Coal Company	0	0	0
185 AEP Energy, Inc	0	0	0
<b>Miscellaneous</b>	<b>3</b>	<b>\$4,628</b>	<b>\$4,628</b>
<b>Total</b>	<b>98</b>	<b>\$322,126</b>	<b>\$289,940</b>

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Postemployment Benefit Plan

American Electric Power  
 Benefits Summary by Location  
 Unfunded Liabilities as of December 31, 2012

ML-4

	Health Care and Life Insurance	LTD	COBRA	Total Benefits
140 Appalachian Power Co - Distribution	\$6,653,688	\$1,405,029	\$14,479	\$8,073,196
215 Appalachian Power Co - Generation	9,981,358	1,946,190	0	11,927,548
150 Appalachian Power Co - Transmission	2,879,584	421,448	0	3,301,032
<b>Appalachian Power Co. - FERC</b>	<b>\$21,214,630</b>	<b>\$3,772,667</b>	<b>\$14,479</b>	<b>\$25,001,776</b>
999 Cedar Coal Co	0	0	0	0
<b>Appalachian Power Co. - SEC</b>	<b>\$21,214,630</b>	<b>\$3,772,667</b>	<b>\$14,479</b>	<b>\$25,001,776</b>
211 AEP Texas Central Company - Distribution	\$5,528,771	\$1,330,856	\$8,829	\$6,868,456
147 AEP Texas Central Company - Generation	0	0	0	0
189 AEP Texas Central Company - Transmission	0	0	0	0
<b>AEP Texas Central Co.</b>	<b>\$5,528,771</b>	<b>\$1,330,856</b>	<b>\$8,829</b>	<b>\$6,868,456</b>
170 Indiana Michigan Power Co - Distribution	\$691,526	\$88,966	\$0	\$780,492
132 Indiana Michigan Power Co - Generation	1,265,969	230,570	0	1,496,538
190 Indiana Michigan Power Co - Nuclear	2,287,148	992,263	26,209	3,305,620
120 Indiana Michigan Power Co - Transmission	225,111	47,231	0	272,342
280 Ind Mich River Transp Lakin	4,186,962	628,327	\$50	4,815,339
<b>Indiana Michigan Power Co. - FERC</b>	<b>\$8,656,713</b>	<b>\$1,987,357</b>	<b>\$26,559</b>	<b>\$10,670,629</b>
994 Price River Coal	0	0	0	0
<b>Indiana Michigan Power Co. - SEC</b>	<b>\$8,656,713</b>	<b>\$1,987,357</b>	<b>\$26,559</b>	<b>\$10,670,629</b>
110 Kentucky Power Co - Distribution	\$3,446,868	\$485,379	\$0	\$3,932,247
117 Kentucky Power Co - Generation	2,423,969	\$70,186	0	2,994,155
180 Kentucky Power Co - Transmission	\$78,090	\$2,841	0	\$80,931
<b>Kentucky Power Co.</b>	<b>\$6,248,927</b>	<b>\$1,138,406</b>	<b>\$0</b>	<b>\$7,387,333</b>
104 Cardinal Operating Company	\$995,810	\$199,358	\$0	\$1,195,168
270 Cook Coal Terminal	0	0	0	0
250 Ohio Power Co - Distribution	6,126,581	1,000,731	0	7,127,312
181 Ohio Power Co - Generation	7,131,147	1,704,504	24,696	8,860,347
180 Ohio Power Co - Transmission	\$21,603	\$33,574	0	\$55,177
<b>Ohio Power Co. - FERC</b>	<b>\$15,175,141</b>	<b>\$3,038,167</b>	<b>\$24,696</b>	<b>\$18,238,004</b>
290 Conesville Coal Preparation Company	0	0	0	0
<b>Ohio Power Co. - SEC</b>	<b>\$15,175,141</b>	<b>\$3,038,167</b>	<b>\$24,696</b>	<b>\$18,238,004</b>
167 Public Service Co of Oklahoma - Distribution	\$3,399,737	\$652,410	\$0	\$4,052,147
198 Public Service Co of Oklahoma - Generation	1,440,918	453,888	0	1,894,806
114 Public Service Co of Oklahoma - Transmission	450,656	93,590	0	544,246
<b>Public Service Co. of Oklahoma</b>	<b>\$5,291,311</b>	<b>\$1,199,888</b>	<b>\$0</b>	<b>\$6,491,399</b>
159 Southwestern Electric Power Co - Distribution	\$1,693,971	\$424,896	\$7,470	\$2,126,337
168 Southwestern Electric Power Co - Generation	1,600,576	330,257	0	1,930,833
161 Southwestern Electric Power Co - Texas - Distribution	1,046,636	228,065	0	1,274,701
111 Southwestern Electric Power Co - Texas - Transmission	0	0	0	0
194 Southwestern Electric Power Co - Transmission	438,730	13,945	0	452,675
<b>Southwestern Electric Power Co.</b>	<b>\$4,779,913</b>	<b>\$997,163</b>	<b>\$7,470</b>	<b>\$5,784,546</b>
119 AEP Texas North Company - Distribution	\$1,968,826	\$245,725	\$4,295	\$2,218,846
166 AEP Texas North Company - Generation	0	0	0	0
192 AEP Texas North Company - Transmission	0	0	0	0
<b>AEP Texas North Co.</b>	<b>\$1,968,826</b>	<b>\$245,725</b>	<b>\$4,295</b>	<b>\$2,218,846</b>
230 Kingsport Power Co - Distribution	\$346,928	\$33,813	\$3,513	\$384,254
260 Kingsport Power Co - Transmission	107,844	12,523	0	120,367
<b>Kingsport Power Co.</b>	<b>\$454,772</b>	<b>\$46,336</b>	<b>\$3,513</b>	<b>\$504,621</b>
210 Wheeling Power Co - Distribution	\$49,629	\$82,570	\$0	\$132,199
200 Wheeling Power Co - Transmission	0	0	0	0
<b>Wheeling Power Co.</b>	<b>\$49,629</b>	<b>\$82,570</b>	<b>\$0</b>	<b>\$132,199</b>
103 American Electric Power Service Corporation	\$8,085,361	\$3,063,963	\$227,657	\$11,376,981
<b>American Electric Power Service Corp</b>	<b>\$8,085,361</b>	<b>\$3,063,963</b>	<b>\$227,657</b>	<b>\$11,376,981</b>
143 AEP Pro Serv, Inc.	\$0	\$0	\$0	\$0
171 CSW Energy, Inc.	0	0	0	0
293 Elmwood	1,353,568	186,773	0	1,540,341
292 AEP River Operations LLC	2,018,132	715,996	4,628	2,738,756
189 Central Coal Company	0	0	0	0
185 AEP Energy, Inc	158,982	0	0	158,982
<b>Miscellaneous</b>	<b>\$3,530,682</b>	<b>\$902,369</b>	<b>\$4,628</b>	<b>\$4,437,679</b>
<b>Total</b>	<b>\$80,984,876</b>	<b>\$17,805,467</b>	<b>\$322,126</b>	<b>\$99,112,469</b>

Key Assumptions as of December 31, 2012:  
 Discount rate 1.70%  
 Initial health care trend in 2013 6.75%  
 Ultimate health care trend 5.00%  
 Years to ultimate 7  
 Healthy mortality 2013 IRS Applicable Mortality Table  
 2013 per capita claims cost assumptions  
 All other demographic assumptions match those in the 2012 valuation

Postemployment Benefit Plan

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**Non-Reliance Notice for Attachment to Reports Distributed to Third Parties**

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2. Recipient is responsible for its own due diligence with respect to all matters relating to this Report.

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- Recipient agrees that by accepting this Report (including any information related to the Report that may be subsequently provided to Recipient), Recipient will place no reliance on this Report or on information contained therein, or related thereto, that would result in the creation of any duty or liability by Towers Watson to Recipient.

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