American Electric Power
Annual Incentive Compensation Plan
Operating Company

Introduction

The objectives of AEP's Annual Incentive Compensation Plan (the Plan) are to:

- Attract, retain and motivate employees to further the objectives of the company, its customers and the communities it serves;
- Enable high performance by establishing, communicating and aligning employee efforts with the Plans performance objectives; and
- Foster the creation of sustainable shareholder value through achievement of AEP's goals.

CEO Performance Adjustment

For 2013 the Plan and all other AEP annual incentive plans includes a CEO Performance Adjustment in place of former methods of adjusting plan scores. Participants should expect this factor to be used to adjust the overall performance score either up and down to more fully capture each ICP group's performance for the year relative to other ICP groups. Discretionary score adjustments have been included in AEP's annual incentive plans for many years through an Operating Unit Performance Adjustment. What has changed is that participants should expect it to be used more frequently going forward.

2013 Overview

For 2013 each Operating Company, the Executive Council, Generation, Transmission, Nuclear, AEP Retail, Energy Partners, Commercial Operations and River Operations have an annual incentive compensation plan with separate goals. Again for 2013 all staff groups participate in the annual incentive compensation program based on the funding measures described below and do not have separate function level incentive goals. As a result, the overall score for all staff groups will be the average overall score[1] for all of the Business Units and Operating Companies, except AEP Retail, Energy Partners and Commercial Operations which are separately funded based on their own earnings. The staff groups that share the funding measure score are Audit, Executive Administration, Regulatory Services, and all employees reporting to the Chief Administrative Officer, the Chief External Officer, the Chief Financial Officer and the General Counsel . Given their direct support of the Operating Companies, Customer and Distribution Services' funding measure score will be the average overall score[1] for all of the Operating Companies.

The Plan provides annual incentive compensation to motivate and reward employees based on AEP's performance, business unit performance (if applicable) and, for employees whose payout is discretionary, their individual performance. Annual incentive funding for all plans is tied to

[1] Weighted by the aggregate target award for all employees in each group

AEP's EPS (75% weight), safety (10% weight) and strategic initiative (15% weight) measures. There are also two extra credit measures for 2013, Zero Fatality Adjustment and Culture. If AEP completes the year without a fatal work-related employee incident, then an additional 7.5% of target funding will be added to the annual incentive pool. An additional 5% of target funding may be added based on the extent to which the Company makes progress in addressing its culture changes objectives in 2013. All incentive plan funding is contingent on AEP earning at least $3.00 per share on an ongoing basis in 2013.

Linking annual incentive compensation to AEP's earnings aligns it with the value created for AEP's shareholders and ensures that AEP meets its shareholder commitments before setting aside dollars for employee rewards. Relative individual performance is reflected in managers' discretionary allocations from their award pool for all employees in exempt, administrative, technical, customer solutions center and non-exempt supervisory positions as indicated by salary plan. Group or team performance may also be reflected through discretionary adjustments in the allocation of funding from the annual incentive pool at higher organizational levels.

Business units have separate performance measures that balance strategic and operational objectives. The Plan is intended to drive the achievement of these objectives by clearly communicating them, conveying their importance, aligning employee efforts toward their achievement and further motivating employees to achieve them. This balanced scorecard encourages the achievement of all types of objectives, rather than the achievement of some objectives, such as earnings, at the expense of others, such as customer service, reliability and safety.

Performance measures are selected, whenever practical, to provide a "line of sight" that enables employees to see how the work they perform affects annual incentive awards. Objective and quantifiable performance measures are used whenever they are available but the Plan also includes subjective assessments of performance in less quantifiable areas and for individual performance assessments.

Safety remains the first priority. To help ensure that all employees have a personal stake in maintaining safe work practices, particularly those that could prevent severe accidents, a company-wide Zero Fatality Adjustment is included in the Plan. This measure will increase plan funding by 7.5% of target if no fatal employee incidents occur in 2013 and AEP earns at least $3.00 per share. The Zero Fatality Adjustment serves as a constant reminder to work safely at all times and will recognize all employees for working a year without a fatality.

Operating Performance Measures and Weights

The specific performance measures vary by business unit. The score for each operating unit performance objective may range from 0% to 200% of target for that component.

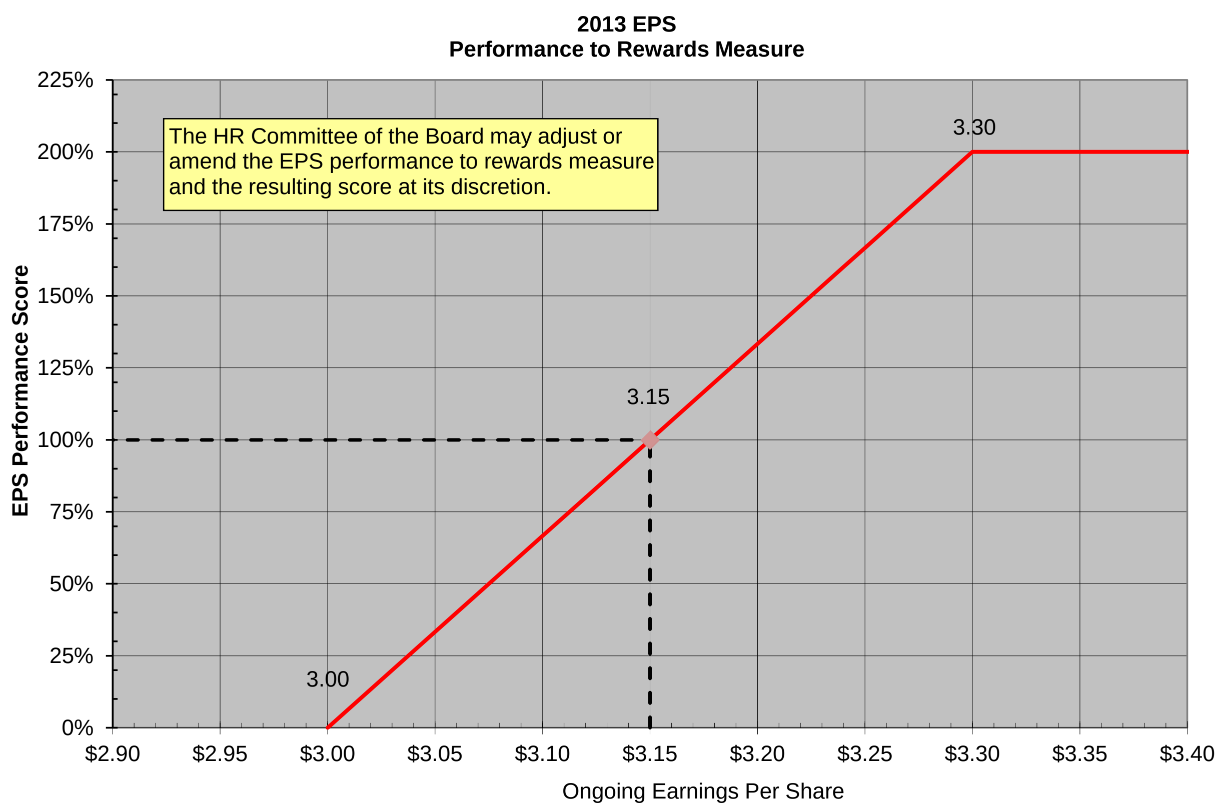
Refer to Appendix A Attachment

2013 Funding Measures

Ongoing EPS – 75%

AEP is committed to generating sustainable value for its shareholders through its earnings and growth. Therefore 75% of annual incentive funding is tied to AEP's EPS. This ensures that funding is commensurate with the Company's earnings and the extent to which the company can afford to pay annual incentive compensation while also serving the interests of its shareholders, customers and other stakeholders. It also:

- Further aligns the financial interests of all AEP employees with those of AEP's shareholders;
- Ensures that adequate earnings are generated for AEP's shareholders and continued investment in AEP's business before employees are rewarded with annual incentive compensation; and
- Aligns employee interests with those of regulated and other customers by strongly encouraging expense discipline.



Safety Matrix – 10% Weight

Maintaining AEP's safety culture and improving safety remains a primary priority. This measure includes the severity rate (50%), incident rate (40%) and contractor incident rate (10%).

<u>Repositioning Implementation Savings – 10% Weight</u>
Repositioning the company is critical to its future success so 10% of incentive plan funding has been tied to implementation of the repositioning and achievement of the projected cost savings and incremental revenue as follows:

- Maximum 200% score: achieve ≥ $225 million in sustainable O&M savings and incremental revenue for 2013
- Target 100% score: achieve $200 million in sustainable O&M savings and incremental revenue for 2013
- Threshold 0% score: achieve ≤ $150 million in sustainable O&M savings and incremental revenue for 2013
- A subjective assessment of the repositioning of the growth businesses and the manner in which the repositioning was implemented, including open, honest and clear employee communications; and maintaining an appropriate balance of shareholder, employee and customer interests

<u>Competitive Business Development – 5% Weight</u>
Development of AEP's competitive business is a strategic priority for the Company so 5% of annual incentive funding was tied to a subjective assessment of the Company's progress in this area as follows:

- Grow, evolve the competitive business including trading, retail energy sales and services, and prepare to receive unregulated generation
  - AEP Energy EBITDA of $37 million with +/- 15% of target threshold (0% score) and maximum (200% score) points
- Continued progress on Ohio corporate separation and pool termination
  - Obtain authorizations from FERC, KY, VA, WV and OH (on rehearing) that are sufficient to
    1. Complete the corporate separation of AEP Ohio,
    2. Transfer Amos 3 and the two Mitchell units to Kentucky Power and Appalachian Power, and
    3. Terminate the AEP Interconnection (Pool) Agreement, as of Jan 2014
  - Prepare and/or file all documentation required to execute corporate separation, including real estate transfer documents, assignments of contracts, applications for the reissuance of environmental or other governmental permits, and obtain a private letter ruling from the IRS confirming the tax-free nature of the transfer of assets
- The effect of material uncontrollable events shall be considered for removal to avoid score impact

The maximum aggregate score for the Safety, Repositioning Implementation and Competitive Business Development Goals is 150% of target.

In addition to the goals above, there are two extra credit goals for 2013: a Zero Fatality Adjustment (7.5% score adder) and Culture (5% score adder).

The Zero Fatality Adjustment will add 7.5% to the score for all employees in the event AEP does not experience a fatal work-related employee incident in 2013.

The Culture Goal will add up to 5% to the score for all employees based on a subjective assessment of the Company's progress towards achieving its desired culture. This goal was added to the 2013 annual incentive plan because the linkage between a healthy organization culture and business performance is clear. The milestones that will be subjectively assessed are:

- Launch of the cultural transformation by the end of Q1 to meet the following milestones:
    - Conduct 50 plus focus groups across business units and levels of employees by end of February
    - Analyze data to develop roadmap for Cultural Transformation with 2013 actions and communication campaign
    - Engage leaders at the February Leadership Summit and obtain personal commitments to action plans for ICP goals and 360 degree reviews
        - Action plans for all participants (200% maximum score)
        - Action plans for 95% of participants (100% of target score)
        - Action plans for 90% or less of participants (0% score)
    - Launch 2013 Roadmap in March to all employees outlining short-term and long-term actions in 4 focus areas:
        - Strategic Direction
        - Leadership
        - Rewards and Recognition
        - Employee Engagement
- Hold offsite meeting for Executive Council to gain commitment, ensure alignment, and create actions to support and drive the transformation of the culture
- Conduct focus groups in the last quarter to gauge progress and areas of focus for 2014
    - A progress assessment will be provided to the HRC

The 2013 funding measures were established by the HR Committee of the Board at the beginning of the year. Including the extra credit goals, the maximum funding available for 2013 is 200% of target funding. As in past years, the CEO and HR Committee of the board have discretion to adjust annual incentive funding.

Modifier

The Modifier allocates the available funding to each group based on the group's relative performance score, such that the average overall final score for all employees is equal to the funding score. This insures that the sum of all awards equals the funding available based on the funding scores. The Modifier may range from 0% to 200% and applies consistently to all annual incentive plans across AEP.

The modifier is calculated as the Weighted Average Funding Score, divided by the Average Operating Performance Score (AOPS)[2] for all incentive plans as shown below:

[2] AOPS is the average of the Composite Scores for all incentive groups before the Fatality Adjustment weighted by the aggregate target incentive award for all participants in each incentive group (see attached scorecard for an

$$\frac{Weighted\ Avg.\ Funding\ Score}{AOPS} = Modifier$$

CEO Performance Adjustment

The CEO Adjustment will be used to increase or decrease the Overall Score[3] for the Plan to the extent that the CEO or Plan Compensation Committee determines that the Overall Score does not appropriately reflect the group's performance for the year. Such adjustments may be used to capture those aspects of a group's performance that are difficult to quantify or that were not adequately included in the performance measures established at the beginning of the year. For example, the CEO Performance Adjustment might be used to reward a group for successfully completing an important project. These adjustments might also be used to adjust the award pool for a group to reflect particularly strong or insufficient group performance.

Individual Performance Factor

Management determines individual awards for all employees in positions classified in exempt, nonexempt supervisor, administrative, technical, and customer solutions center salary plans, based on an assessment of each employee's relative individual performance, the value of their contribution to AEP, business unit, department and individual goals and other business factors, potentially including recent and pending employment changes. The Individual Performance Factor has a lower limit of 0% and no upper limit, although the approval of a member of the Executive Council is required for individual awards in excess of a participant's maximum award opportunity (see the Target and Maximum Awards section below), and managers cannot exceed their award pool.

In determining Individual Performance Factors, managers are expected to assess employee performance and contribution relative to other employees in the same position and the performance expectations for that position, to avoid a bias in favor of positions at higher reporting and grade levels in the organization.

Eligible Earnings

ICP Eligible Earnings include the following:

1. Regular Earnings – Straight Rate
2. Paid Vacation
3. Paid Holidays
4. Paid Personal Days Off
5. Sick Pay (Non-occupational & Occupational)
6. Paid Jury Duty
7. Paid Death in Family
8. Paid Rest Period
9. Inclement Weather Pay
10. Lump Sum Merit Increase

example).

[3] See Sample Scorecard for the definition and an example of the calculation of the Overall Score.

11. Lump Sum General Increase
12. Grievance Settlement for Wages
13. Overtime – Non exempt and Exempt
14. Shift Premium
15. Sunday Premium
16. Military Pay
17. Trip Pay (River)

Earnings not classified as one of the above types in AEP's payroll system are not considered for award calculation purposes.

Target and Maximum Award Opportunity

A participant's target award percent is based on the salary grade for his/her position **as of the last day of the last full pay period of the year**, as shown in the chart below, except as discussed below for salary grade 30 and higher employees who change jobs during the year,:

Description	Target %*
Nonexempt	5%
Exempt grades 1 - 6	5%
Nonexempt supervisory	7%
Exempt grades 7 - 12	7%
Exempt grades 13 - 20	10%
Exempt grades 21 - 24	15%
Exempt grades 25 - 26	17%
Exempt grades 27	20%
Exempt grades 28	22%
Exempt grades 29	25%
Exempt grades 30 - 32	27%
Exempt grades 33	30%
Exempt grade 34-35	35%
Exempt grade 36	40%
Exempt grade 38	45%
Exempt grade 40	50%
Exempt grade 42	55%
Exempt grade 44	60%
Exempt grade 46	65%
Exempt grade 48	70%
Exempt grade 50	80%

Description	Target %*
Exempt grade 52	95%
* As a percent of eligible earnings.	

A participant's maximum individual award percent is the greater of two times his or her target award percent, or the Overall Score plus 50%. A participant's target and maximum award opportunity is their target or maximum award percent multiplied by their eligible earnings. The approval of a member of AEP's Executive Counsel in the participant's chain of command is required for awards in excess of a participant's maximum award opportunity.

The award opportunity for employees in salary grade 30 or higher who change jobs during the Plan Year will be calculated as the total of the independently calculated award opportunities for each position held during the Plan Year, including the earnings, target award percent, Overall Score and Fatality Adjustment for each such position. This calculation will be performed as shown in the example below:

Position 1: Earnings * Target Award % * Overall Score (after Fatality Adj.) = $ Pos 1
Position 2: Earnings * Target Award % * Overall Score (after Fatality Adj.) = $ Pos 2
Position 3: Earnings * Target Award % * Overall Score (after Fatality Adj.) = $ Pos 3
= Total Award Opportunity

The target awards for employees in positions below salary grade 30 for the entire Plan Year will be calculated based on the target percent, Overall Score and Fatality Adjustment for the position held as of the last day of the last full pay period of the Plan Year.

Award Calculation

Because the Plan includes several discretionary factors, attainment of performance objectives does not guarantee the payment of awards. An award pool will be calculated for each group based on the scores for each performance measure as soon as practical after the conclusion of the Plan Year. The final score for each performance objective is rounded to three decimal places.

The Modifier is computed as follows:

- On-going EPS (un-rounded) is compared to the EPS performance measure to determine the EPS Performance Score, which is rounded to three decimal places (e.g., 105.5% or 1.055).
- The Average Operating Performance Score (AOPS) is the average of the Composite Scores for all annual incentive plans (each of which is rounded to three decimal places) weighted by the sum of the incentive targets for all participants in each plan. AOPS is then rounded to three decimal places (e.g., 125.7% or 1.257).
- The EPS Modifier is the EPS Performance Score divided by AOPS, the result of which is rounded to three decimal places (e.g., 1.055 / 1.257 = .839)

Board Policy on Recouping Executive Compensation from LTIP Participants

This policy applies to employees who participate in the Company's Long Term Incentive

Compensation Plan (LTIP) and relates to incentive compensation paid or payable to such employees, whether under the LTIP, this Plan, or otherwise.

The Board of Directors believes that incentive compensation provided by the Company should be reimbursed to the company if, in the Board's determination:

- Such incentive compensation was predicated upon the achievement of financial or other results that were subsequently materially restated or corrected,
- The employee from whom such reimbursement is sought engaged in misconduct that caused or partially caused the need for the restatement or correction, and
- A lower payment would have been made to the employee based upon the restated or corrected financial results.

Therefore, if and to the extent that, in the Board's view, the above conditions have been met and such reimbursement is warranted by the facts and circumstances of the particular case or if the applicable legal requirements impose more stringent requirements on AEP to obtain reimbursement of such compensation, then you will be required to reimburse AEP for the value of such compensation paid to you. AEP also may retain any deferred compensation previously credited to you and not paid, provided that AEP will retain such deferred compensation only if, when and to the extent that it otherwise becomes payable to you.

This right to reimbursement is in addition to, and not in substitution for, any and all other rights AEP might have to pursue reimbursement or such other remedies against an employee for misconduct in the course of employment by AEP or otherwise based on applicable legal considerations, all of which are expressly retained by AEP.

Administration

Plan Compensation Committee

The Plan is administered by the HR Committee of the Board of Directors with respect to Executive Council members and a Plan Compensation Committee consisting of AEP's CEO, COO, CFO, General Council, Chief Administrative Officer and Top Human Resources officer with respect to all other employees, in either case ("the Committee"). The CEO of American Electric Power Company, Inc. may change the composition and number of members of the Plan Compensation Committee at any time for any reason. The Committee may delegate day-to-day authority to administer the Plan, as they deem appropriate. In lieu of an official meeting, the Committee may act by written or electronic consent of a majority of its members. The Committee's interpretations of the Plan provisions are conclusive and binding on all Participants.

The Committee has sole authority to amend or terminate the Plan and may do so at any time, for any reason, either with or without notice. The Committee may adopt, delete, modify or adjust performance objectives, metrics and weights at any time, including after the conclusion of a Plan Year, should the Committee determine that changes in AEP's structure or other significant business situations would produce Overall Scores or awards for a Plan Year that are not reflective of the underlying economics and profitability of the business. The Committee may also modify the eligibility criteria for the Plan and add or delete individual participants or groups of participants.

Executive Council members with management responsibility for a business unit or staff function served by the Plan have the authority to increase or decrease the award pool for any group under their purview, provided that such adjustments do not increase the total of all award pools under their purview.

Plan Year

A "Plan Year" begins on January 1st and ends on December 31st of each year for which the Plan is in effect.

Participation

All full-time and regular part-time AEP employees who are actively employed during the Plan Year will be "Participants" in the Plan for such Plan Year except:

1. Employees participating in any other **annual** AEP incentive plan,
2. Employees participating in any other plan or agreement that explicitly excludes their participation in the Plan or annual incentive compensation plans in general,
3. Employees represented by unions that decline the opportunity to participate in the Plan or all similar incentive plans,
4. Temporary employees and contract workers, and
5. Employees hired by AEP on or after December 1 of such Plan Year.

Participation in an incentive compensation plan in any Plan Year shall not confer any right to continued employment or to continued participation in the Plan for any subsequent Plan Year.

Participant Responsibility

Plan Participants are expected to comply with all applicable Company policies and directives as well as all applicable laws and regulations. Failure to do so may have many serious consequences, including but not limited to forfeiture of Plan eligibility in the current and future Plan Years.

Award Eligibility

Participants must be **actively** employed on the last day of such Plan Year to be eligible to receive an award for that Plan Year, except as otherwise noted below.

If a Participant transfers during the Plan Year to a position that is ineligible to participate in the Plan, then such Participant will be ineligible to receive an award for such Plan Year from the Plan, unless the participant was a salary grade 30 or higher employee during the Plan Year as specified in the "Target and Maximum Award Opportunity" section above.

If a participant is on Leave of Absence status as of the last day of the Plan Year, the Participant will be eligible to receive an award for the Plan Year to the extent that they have eligible earnings for the Plan Year.

Employees who become inactive during the Plan Year due to participation in an AEP long-term disability plan will be eligible to receive an award for that Plan Year to the extent that they have eligible earnings for the Plan Year, although long-term disability benefits are not ICP eligible earnings.

Participants forfeit their incentive plan eligibility if they are discharged for cause or resign in lieu of being "discharged for cause" at any time prior to the award payment date, unless the Plan Compensation Committee approves an award payment to such employee.

Satisfaction of eligibility criteria does not guarantee the payment of any awards.

Termination Due to Death or Retirement

Participants remain **eligible** for an award, based on their eligible earnings for a Plan Year, if their employment with AEP is terminated during the Plan Year due to death or retirement. In the event of a Participant's death, any award to which they would otherwise be entitled will become payable to the Participant's estate. For the purposes of the Plan, "retirement" is defined as termination of employment for any reason other than for cause or as part of a voluntary or involuntary severance, after the Participant attains at least age 55 and five years of AEP service.

Termination Due to Voluntary and Involuntary Severance

Due to the severe financial constraints that generally give rise to the need for employee severances, Participants with both discretionary and non-discretionary award opportunities are **ineligible** for an award if their employment with AEP is terminated during the Plan Year as part of a voluntary or involuntary severance program.

Resignations after the Plan Year

Participants who are **actively** employed on the last day of a Plan Year but who subsequently voluntarily resign their employment remain eligible for an award. However, for discretionary participants, their actual or pending voluntary resignation is a business factor that management may consider in determining their award payment, if any.

Award Payment

Award payment will be made within 2-1/2 months after the end of the year or as soon as practical thereafter if it is impractical, either administratively or economically, to make payments within this time period.

The Plan is hereby approved by:

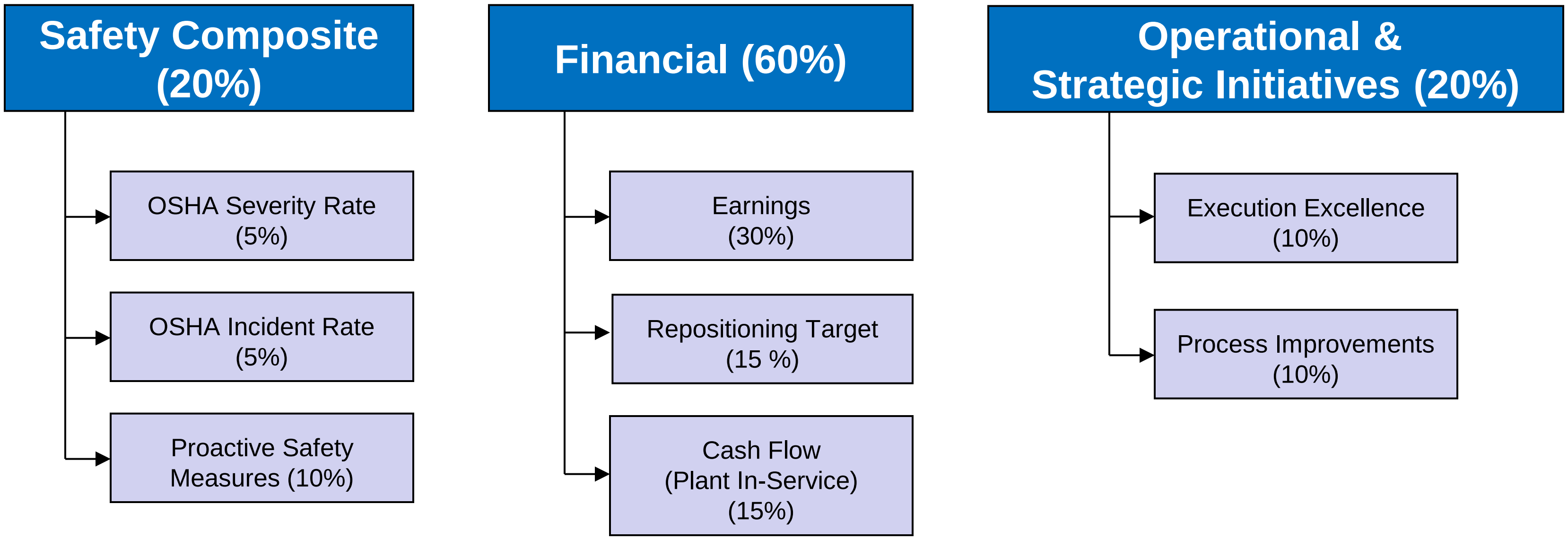
____

EVP or Higher Name date

EVP Title

AEP Transmission
Draft 2013 ICP Goals
April 15, 2013

Transmission 2013 Draft ICP Goals



Transmission ICP Categories, Descriptions and Weights

ICP Category		Description or Category ICP Objective	
Safety Composite		To promote excellence in standard industry safety measures and reward proactive safety practices and behaviors.	**Weight**
Standard Industry Safety Metrics:	OSHA Severity Rate	Standard industry safety metric. 0 = 27.08, 1 = 23.95, 2 = 20.83	5%
	OSHA Incident Rate	Standard industry safety metric. 0 = 1.18; 1 = 1.05; 2 = 0.91	5%
Proactive Safety Measures:	Quarterly Switching & Tagging Field Audits	Station Manager Observe Work And Conduct Safety Audit While Switching And Tagging is being Performed. 0 = 2 Audits/Mgr; 1 = 4 Audits; 2 = 6 Audits	10%
	Field Observation by Supervision	Field visit by location supervision to observe field work being performed. 0 = 1 observation/month location supervision; 0 observation/Month Regional Director; 1 = 2 observations (local), 1 Observation (Regional); 2 = 3 Observations (Local), 2 Obsevations (Region)	
	Event Analysis Completion	Timely analysis/report prep after safety event occurs (near miss, injury, vehicle accident). 0 = 80% on time; 1 = 90%; 2 = 100%	
	TFS Quarterly Safety Emphasis	Present a quarterly assessment of local performance with site specific recomendations based on event clusters or issues. 0 = 2 Reviews/Yr; 1 = 4; 2 = 6 (Regional specific presentations)	
	TEPS Semi Annual Safety Review	Managing Directors will present a semi-annual review of root cause analysis and related mitigation efforts. 0 = 1 Review/Year; 1 = 2; 2 = 3	
		Total Safety	**20%**

Transmission ICP Categories, Descriptions and Weights

ICP Category		Description or Category ICP Objective	
Financial		1) To minimize O&M Spend; 2) to maximize Transmission's earnings contribution; and 3) to optimize plant in-service to achieve our FERC plan and provide the foundation for future earnings growth	**Weight**
Critical metric for performance	Earnings	Aligned with corporate targets 0 = $61M, 1 = $66M, 2 = $70M	30%
Corporate Requirement	Repositioning Target	Achieve repositioning reductions for O&M 0 = $4M, 1 = $5M, 2 = $5.5M	15%
New Business Focus	Cash Flow	Increase Plant In Service to improve cash flow 0 = $319M, 1 = $354M, 2 = $395M	15%
		Total Financial	**60%**
Operational & Strategic Initiatives		To promote Transmission's project and operational execution and an environment of continuous process improvement that leads to cost containment, improved execution, and maximum earnings contributions	**Weight**
Execution Excellence Measures:		This will be a composite score based on Key Performance Indicators (KPIs) focused on execution to include the following: planned regulatory approvals, AEPTHC business performance, incremental opportunity measure, project management forecast accuracy, and TFS reorganization. 0 = 80% of Target Score; 1 = 90%; 2 = 100%	10.0%
Process Improvements		This will be a composite score based on the performance of Business Unit Key Performance Indicators (KPIs) focused on continuous improvement to include the following: standardization of maintenance guidelines and practices, switching errors, develop local OPCo reliability plans, NERC compliance and Learning Map employee participation 0 = 80% of Target Score; 1 = 90%; 2 = 100%	10.0%
		Total Operational & Strategic Initiatives	**20%**
		Grand Total:	**100%**

American Electric Power Company, Inc.
2013 Gain Sharing Plan

Introduction

AEP is searching for sustainable cost savings in connection with its current business plan. The objectives of the 2013 Gain Sharing Plan (the Plan) are to:

- Align and create an avenue for all employees to contribute to the sustainable savings target;
- Create an environment that is not just about cutting Operations and Maintenance (O&M) costs, but focused on new ideas and on working differently in the future that will lead to savings; and
- Create a line of sight for each employee to contribute to the generation of innovative or money saving ideas that result in a direct benefit for AEP in 2013.

Overview

The current AEP budget assumes that the Company will achieve $200 million of sustainable savings for 2013 (the “2013 Target”). Under this Plan, AEP would share with the eligible Participants 50% of meaningful sustainable savings and additional revenues that result in AEP exceeding the 2013 Target. The payout cap generally will be $1,000 per eligible Participant.

Terms & Conditions

Gain Sharing

Employees are encouraged to submit cost-saving and revenue-enhancing ideas. AEP Management reserves full discretion to decide whether, when and how any of the submitted ideas will be implemented. To the extent AEP generates meaningful sustainable savings and additional revenues that result in AEP exceeding the 2013 Target, there will be a payout to the eligible Participants.

A Committee has been formed to administer this Plan. The Committee will have full discretionary authority to make all determinations under this Plan, including but not limited to,

- Whether and to what extent AEP achieves savings and additional revenues for 2013 that both (a) exceed the 2013 Target and (b) are sustainable into future years. That sustainable excess is referred to in this Plan as the “Gain;”
- The number and identity of the Participants who will be considered eligible for the payment of an award under this Plan;
- The amount payable under this Plan to eligible Participants, which shall not exceed Fifty Percent (50%) of the Gain (the “Gain Sharing Pool”);
- The Gain Sharing Pool generally shall be allocated among the eligible Participants, using the following guidelines:
  - The share for each eligible Participant shall be prorated based upon the number of whole or partial months during calendar year 2013 that such Participant was on the payroll of a Participating AEP System Company;

  - The share for each eligible Participant classified by AEP as a part time employee shall be further reduced by applying a percentage equal to the percentage of full-time status that such Participant's estimated regular work schedule approximately represents.
  - The non-prorated full share for any eligible Participant shall not exceed $1,000 of regular bonus pay (the "Payout Cap");
  - The Committee shall take into account the impact of applicable law, including wage and hour laws, on the amount payable to eligible Participants who are entitled to overtime pay during 2013;
  - The Committee may further enhance the share of eligible Participants who receive overtime pay during 2013 in a manner similar to that implemented for compliance with applicable law; and
- Whether the Gain is meaningful, provided that the Gain shall not be considered meaningful if it would result in a Gain Sharing Pool that would provide a payout of less than $50 to any eligible Participant who is classified by the Committee as a full time employee for the entire 2013 calendar year.

All determinations by the Committee shall be final and binding on all interested persons.

All payments shall be subject to such taxes, deductions and withholdings determined by the Committee to be required by law or otherwise appropriate.

<u>Committee</u>
The Committee consists of American Electric Power Service Corporation's Chief Executive Officer & President, Chief Operating Officer, Chief Financial Officer, Chief Administrative Officer, General Counsel and top Human Resources officer. The CEO of American Electric Power Company, Inc. may change the composition and number of members of the Committee at any time for any reason. The Committee may delegate day-to-day authority to administer the Plan, as they deem appropriate. In lieu of an official meeting, the Committee may act by written or electronic consent of a majority of its members.

The Committee's interpretations of the Plan provisions are conclusive and binding on all Participants.

The Committee has sole authority to amend or terminate the Plan and may do so at any time, for any reason, either with or without notice. The Committee may adopt, delete, modify or adjust the manner in which Gain is to be measured at any time, including after the conclusion of 2013, should the Committee determine that changes in AEP structure or other significant business situations would result in a Gain for the year that is not reflective of the actual performance of the business. The Committee may also modify the eligibility criteria for the Plan and add or delete individual participants or groups of participants.

<u>Participation</u>
All AEP employees classified as full-time or regular part-time on the payroll of a Participating AEP System Company at the time a gain sharing award payment is made under this Plan will be "Participants" in the Plan for 2013 except:

1. Any employee who is an Executive Officer (that is, those employees identified by AEP as subject to the disclosure requirements set forth in Section 16 of the Securities Exchange Act of 1934, as amended) at any time between January 1, 2013 and the date the payment of any award under this Plan,
2. Any employee represented by unions that have not accepted the opportunity to participate in the Plan prior to December 31, 2013,
3. Individuals classified by AEP as temporary employees, co-ops, interns, contract workers and any other non-employee status as of December 31, 2013
4. Employees who have received no Qualifying Pay during calendar year 2013; and
5. Employees hired (or last rehired) by AEP on or after December 1, 2013.

Each direct or indirect wholly owned subsidiary of American Electric Power Company, Inc., which has employees on its payroll shall be considered a Participating AEP System Company, except that Bluestar Energy S.A.C. shall not be considered a Participating AEP System Company for purposes of this Plan.

For purposes of this Plan, “Qualifying Pay” shall include only: (1) Regular Earnings – Straight Rate; (2) Paid Vacation; (3) Paid Holidays; (4) Paid Personal Days Off; (5) Sick Pay (Non-occupational & Occupational); (6) Paid Jury Duty; (7) Paid Death in Family; (8) Paid Rest Period; (9) Inclement Weather Pay; (10) Lump Sum Merit Increase; (11) Lump Sum General Increase; (12) Grievance Settlement for Wages; (13) Overtime – Nonexempt and Exempt; (14) Shift Premium; (15) Sunday Premium; (16) Military Pay; and (17) Trip Pay (River). Earnings not classified as one of the above types in the AEP payroll system are not considered “Qualifying Pay” for purposes of determining eligibility for an award.

Participation in this Plan shall not confer any right to continued employment or to continued participation in any replacement or successor program.

Plan Participants are expected to comply with all applicable Company policies and directives as well as all applicable laws and regulations. Failure to do so may have many serious consequences, including but not limited to forfeiture of Plan eligibility in the current and future years.

Participants must be employed on the payroll of a Participating AEP System Company at the time of payment of a gain sharing award to be eligible to receive a gain sharing award for 2013, except as otherwise noted below. Individuals will not be eligible for an award if not on the payroll of a Participating AEP System Company at the time of payment, regardless of the reason they are not on such a payroll (e.g., if the Participant would die, retire, sever, resign or otherwise terminate their employment).

If a Participant transfers on or before December 31, 2013 to a position that is ineligible to participate in the Plan, then such Participant will be ineligible to receive an award from the Plan for 2013.

Satisfaction of eligibility criteria does not guarantee the payment of any award.

Award Payment

Award payment will be made within 2-1/2 months after the end 2013 or as soon as practical thereafter if it is impractical, either administratively or economically, to make payments within this time period.

American Electric Power
Annual Incentive Compensation Plan
For
The Executive Council and Staff Functions

Introduction

The objectives of AEP's Annual Incentive Compensation Plan (the Plan) are to:

- Attract, retain and motivate employees to further the objectives of the company, its customers and the communities it serves;
- Enable high performance by establishing, communicating and aligning employee efforts with the Plans performance objectives; and
- Foster the creation of sustainable shareholder value through achievement of AEP's goals.

CEO Performance Adjustment

For 2013 the Plan and all other AEP annual incentive plans includes a CEO Performance Adjustment in place of former methods of adjusting plan scores. Participants should expect this factor to be used to adjust the overall performance score either up and down to more fully capture each ICP group's performance for the year relative to other ICP groups. Discretionary score adjustments have been included in AEP's annual incentive plans for many years through an Operating Unit Performance Adjustment. What has changed is that participants should expect it to be used more frequently going forward.

2013 Overview

For 2013 each Operating Company, the Executive Council, Generation, Transmission, Nuclear, AEP Retail, Energy Partners, Commercial Operations and River Operations have an annual incentive compensation plan with separate goals. Again for 2013 all staff groups participate in the annual incentive compensation program based on the funding measures described below and do not have separate function level incentive goals. As a result, the overall score for all staff groups will be the average overall score[1] for all of the Business Units and Operating Companies, except AEP Retail, Energy Partners and Commercial Operations which are separately funded based on their own earnings. The staff groups that share the funding measure score are Audit, Executive Administration, Regulatory Services, Customer & Distribution Services and all employees reporting to the Chief Administrative Officer, the Chief External Officer, the Chief Financial Officer and the General Counsel .

The Plan provides annual incentive compensation to motivate and reward employees based on AEP's performance, business unit performance (if applicable) and, for employees whose payout

[1] Weighted by the aggregate target award for all employees in each group

is discretionary, their individual performance. Annual incentive funding for all plans is tied to AEP's EPS (75% weight), safety (10% weight) and strategic initiative (15% weight) measures. There are also two extra credit measures for 2013, Zero Fatality Adjustment and Culture. If AEP completes the year without a fatal work-related employee incident, then an additional 7.5% of target funding will be added to the annual incentive pool. An additional 5% of target funding may be added based on the extent to which the Company makes progress in addressing its culture changes objectives in 2013. All incentive plan funding is contingent on AEP earning at least $3.00 per share on an ongoing basis in 2013.

Linking annual incentive compensation to AEP's earnings aligns it with the value created for AEP's shareholders and ensures that AEP meets its shareholder commitments before setting aside dollars for employee rewards. Relative individual performance is reflected in managers' discretionary allocations from their award pool for all employees in exempt, administrative, technical, customer solutions center and non-exempt supervisory positions as indicated by salary plan. Group or team performance may also be reflected through discretionary adjustments in the allocation of funding from the annual incentive pool at higher organizational levels.

Business units have separate performance measures that balance strategic and operational objectives. The Plan is intended to drive the achievement of these objectives by clearly communicating them, conveying their importance, aligning employee efforts toward their achievement and further motivating employees to achieve them. This balanced scorecard encourages the achievement of all types of objectives, rather than the achievement of some objectives, such as earnings, at the expense of others, such as customer service, reliability and safety.

Performance measures are selected, whenever practical, to provide a "line of sight" that enables employees to see how the work they perform affects annual incentive awards. Objective and quantifiable performance measures are used whenever they are available but the Plan also includes subjective assessments of performance in less quantifiable areas and for individual performance assessments.

Safety remains the first priority. To help ensure that all employees have a personal stake in maintaining safe work practices, particularly those that could prevent severe accidents, a company-wide Zero Fatality Adjustment is included in the Plan. This measure will increase plan funding by 7.5% of target if no fatal employee incidents occur in 2013 and AEP earns at least $3.00 per share. The Zero Fatality Adjustment serves as a constant reminder to work safely at all times and will recognize all employees for working a year without a fatality.

Operating Performance Measures and Weights

The specific performance measures vary by business unit. The score for each operating unit performance objective may range from 0% to 200% of target for that component.

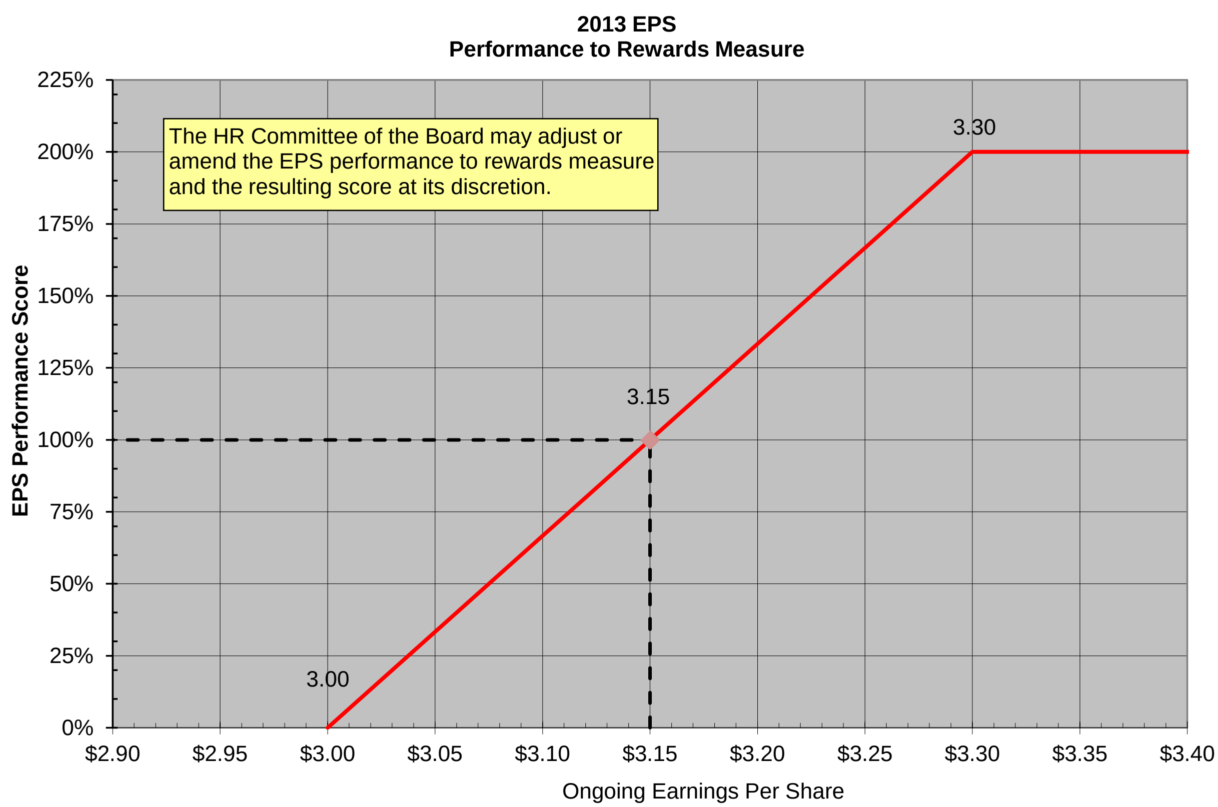
Refer to Appendix A Attachment

2013 Funding Measures

Ongoing EPS – 75%

AEP is committed to generating sustainable value for its shareholders through its earnings and growth. Therefore 75% of annual incentive funding is tied to AEP's EPS. This ensures that funding is commensurate with the Company's earnings and the extent to which the company can afford to pay annual incentive compensation while also serving the interests of its shareholders, customers and other stakeholders. It also:

- Further aligns the financial interests of all AEP employees with those of AEP's shareholders;
- Ensures that adequate earnings are generated for AEP's shareholders and continued investment in AEP's business before employees are rewarded with annual incentive compensation; and
- Aligns employee interests with those of regulated and other customers by strongly encouraging expense discipline.



Safety Matrix – 10% Weight

Maintaining AEP's safety culture and improving safety remains a primary priority. This measure includes the severity rate (50%), incident rate (40%) and contractor incident rate (10%).

Repositioning Implementation Savings – 10% Weight
Repositioning the company is critical to its future success so 10% of incentive plan funding has been tied to implementation of the repositioning and achievement of the projected cost savings and incremental revenue as follows:

- Maximum 200% score: achieve ≥ $225 million in sustainable O&M savings and incremental revenue for 2013
- Target 100% score: achieve $200 million in sustainable O&M savings and incremental revenue for 2013
- Threshold 0% score: achieve ≤ $150 million in sustainable O&M savings and incremental revenue for 2013
- A subjective assessment of the repositioning of the growth businesses and the manner in which the repositioning was implemented, including open, honest and clear employee communications; and maintaining an appropriate balance of shareholder, employee and customer interests

Competitive Business Development – 5% Weight
Development of AEP's competitive business is a strategic priority for the Company so 5% of annual incentive funding was tied to a subjective assessment of the Company's progress in this area as follows:

- Grow, evolve the competitive business including trading, retail energy sales and services, and prepare to receive unregulated generation
    - AEP Energy EBITDA of $37 million with +/- 15% of target threshold (0% score) and maximum (200% score) points
- Continued progress on Ohio corporate separation and pool termination
    - Obtain authorizations from FERC, KY, VA, WV and OH (on rehearing) that are sufficient to
        1. Complete the corporate separation of AEP Ohio,
        2. Transfer Amos 3 and the two Mitchell units to Kentucky Power and Appalachian Power, and
        3. Terminate the AEP Interconnection (Pool) Agreement, as of Jan 2014
    - Prepare and/or file all documentation required to execute corporate separation, including real estate transfer documents, assignments of contracts, applications for the reissuance of environmental or other governmental permits, and obtain a private letter ruling from the IRS confirming the tax-free nature of the transfer of assets
- The effect of material uncontrollable events shall be considered for removal to avoid score impact

The maximum aggregate score for the Safety, Repositioning Implementation and Competitive Business Development Goals is 150% of target.

In addition to the goals above, there are two extra credit goals for 2013: a Zero Fatality Adjustment (7.5% score adder) and Culture (5% score adder).

The Zero Fatality Adjustment will add 7.5% to the score for all employees in the event AEP does not experience a fatal work-related employee incident in 2013.

The Culture Goal will add up to 5% to the score for all employees based on a subjective assessment of the Company's progress towards achieving its desired culture. This goal was added to the 2013 annual incentive plan because the linkage between a healthy organization culture and business performance is clear. The milestones that will be subjectively assessed are:

- Launch of the cultural transformation by the end of Q1 to meet the following milestones:
    - Conduct 50 plus focus groups across business units and levels of employees by end of February
    - Analyze data to develop roadmap for Cultural Transformation with 2013 actions and communication campaign
    - Engage leaders at the February Leadership Summit and obtain personal commitments to action plans for ICP goals and 360 degree reviews
        - Action plans for all participants (200% maximum score)
        - Action plans for 95% of participants (100% of target score)
        - Action plans for 90% or less of participants (0% score)
    - Launch 2013 Roadmap in March to all employees outlining short-term and long-term actions in 4 focus areas:
        - Strategic Direction
        - Leadership
        - Rewards and Recognition
        - Employee Engagement
- Hold offsite meeting for Executive Council to gain commitment, ensure alignment, and create actions to support and drive the transformation of the culture
- Conduct focus groups in the last quarter to gauge progress and areas of focus for 2014
    - A progress assessment will be provided to the HRC

The 2013 funding measures were established by the HR Committee of the Board at the beginning of the year. Including the extra credit goals, the maximum funding available for 2013 is 200% of target funding. As in past years, the CEO and HR Committee of the board have discretion to adjust annual incentive funding.

Modifier

The Modifier allocates the available funding to each group based on the group's relative performance score, such that the average overall final score for all employees is equal to the funding score. This insures that the sum of all awards equals the funding available based on the funding scores. The Modifier may range from 0% to 200% and applies consistently to all annual incentive plans across AEP.

The modifier is calculated as the Weighted Average Funding Score, divided by the Average Operating Performance Score (AOPS)[2] for all incentive plans as shown below:

[2] AOPS is the average of the Composite Scores for all incentive groups weighted by the aggregate target incentive award for all participants in each incentive group (see attached scorecard for an example).

$$\frac{Weighted\ Avg.\ Funding\ Score}{AOPS} = Modifier$$

CEO Performance Adjustment

The CEO Adjustment will be used to increase or decrease the Overall Score[3] for the Plan to the extent that the CEO or Plan Compensation Committee determines that the Overall Score does not appropriately reflect the group's performance for the year. Such adjustments may be used to capture those aspects of a group's performance that are difficult to quantify or that were not adequately included in the performance measures established at the beginning of the year. For example, the CEO Performance Adjustment might be used to reward a group for successfully completing an important project. These adjustments might also be used to adjust the award pool for a group to reflect particularly strong or insufficient group performance.

Individual Performance Factor

Management determines individual awards for all employees in positions classified in exempt, nonexempt supervisor, administrative, technical, and customer solutions center salary plans, based on an assessment of each employee's relative individual performance, the value of their contribution to AEP, business unit, department and individual goals and other business factors, potentially including recent and pending employment changes. The Individual Performance Factor has a lower limit of 0% and no upper limit, although the approval of a member of the Executive Council is required for individual awards in excess of a participant's maximum award opportunity (see the Target and Maximum Awards section below), and managers cannot exceed their award pool.

In determining Individual Performance Factors, managers are expected to assess employee performance and contribution relative to other employees in the same position and the performance expectations for that position, to avoid a bias in favor of positions at higher reporting and grade levels in the organization.

Eligible Earnings

ICP Eligible Earnings include the following:

1. Regular Earnings – Straight Rate
2. Paid Vacation
3. Paid Holidays
4. Paid Personal Days Off
5. Sick Pay (Non-occupational & Occupational)
6. Paid Jury Duty
7. Paid Death in Family
8. Paid Rest Period
9. Inclement Weather Pay
10. Lump Sum Merit Increase
11. Lump Sum General Increase

[3] See Sample Scorecard for the definition and an example of the calculation of the Overall Score.

12. Grievance Settlement for Wages
13. Overtime – Non exempt and Exempt
14. Shift Premium
15. Sunday Premium
16. Military Pay
17. Trip Pay (River)

Earnings not classified as one of the above types in AEP's payroll system are not considered for award calculation purposes.

Target and Maximum Award Opportunity

A participant's target award percent is based on the salary grade for his/her position **as of the last day of the last full pay period of the year**, as shown in the chart below, except as discussed below for salary grade 30 and higher employees who change jobs during the year,:

Description	Target %*
Nonexempt	5%
Exempt grades 1 - 6	5%
Nonexempt supervisory	7%
Exempt grades 7 - 12	7%
Exempt grades 13 - 20	10%
Exempt grades 21 - 24	15%
Exempt grades 25 - 26	17%
Exempt grades 27	20%
Exempt grades 28	22%
Exempt grades 29	25%
Exempt grades 30 - 32	27%
Exempt grades 33	30%
Exempt grade 34-35	35%
Exempt grade 36	40%
Exempt grade 38	45%
Exempt grade 40	50%
Exempt grade 42	55%
Exempt grade 44	60%
Exempt grade 46	65%
Exempt grade 48	70%
Exempt grade 50	80%
Exempt grade 52	95%

Description	Target %*
* As a percent of eligible earnings.	

A participant's maximum individual award percent is the greater of two times his or her target award percent, or the Overall Score plus 50%. A participant's target and maximum award opportunity is their target or maximum award percent multiplied by their eligible earnings. The approval of a member of AEP's Executive Counsel in the participant's chain of command is required for awards in excess of a participant's maximum award opportunity.

The award opportunity for employees in salary grade 30 or higher who change jobs during the Plan Year will be calculated as the total of the independently calculated award opportunities for each position held during the Plan Year, including the earnings, target award percent, Overall Score and Fatality Adjustment for each such position. This calculation will be performed as shown in the example below:

Position 1: Earnings * Target Award % * Overall Score (after Fatality Adj.) = $ Pos 1
Position 2: Earnings * Target Award % * Overall Score (after Fatality Adj.) = $ Pos 2
Position 3: Earnings * Target Award % * Overall Score (after Fatality Adj.) = $ Pos 3
= Total Award Opportunity

The target awards for employees in positions below salary grade 30 for the entire Plan Year will be calculated based on the target percent, Overall Score and Fatality Adjustment for the position held as of the last day of the last full pay period of the Plan Year.

Award Calculation

Because the Plan includes several discretionary factors, attainment of performance objectives does not guarantee the payment of awards. An award pool will be calculated for each group based on the scores for each performance measure as soon as practical after the conclusion of the Plan Year. The final score for each performance objective is rounded to three decimal places.

The Modifier is computed as follows:

- On-going EPS (un-rounded) is compared to the EPS performance measure to determine the EPS Performance Score, which is rounded to three decimal places (e.g., 105.5% or 1.055).
- The Average Operating Performance Score (AOPS) is the average of the Composite Scores for all annual incentive plans (each of which is rounded to three decimal places) weighted by the sum of the incentive targets for all participants in each plan. AOPS is then rounded to three decimal places (e.g., 125.7% or 1.257).
- The Modifier is the Weighted Average Score for the Funding Measures divided by AOPS, the result of which is rounded to three decimal places (e.g., 1.055 / 1.257 = .839)

Board Policy on Recouping Executive Compensation from LTIP Participants

This policy applies to employees who participate in the Company's Long Term Incentive Compensation Plan (LTIP) and relates to incentive compensation paid or payable to such employees, whether under the LTIP, this Plan, or otherwise.

The Board of Directors believes that incentive compensation provided by the Company should be reimbursed to the company if, in the Board's determination:

- Such incentive compensation was predicated upon the achievement of financial or other results that were subsequently materially restated or corrected,
- The employee from whom such reimbursement is sought engaged in misconduct that caused or partially caused the need for the restatement or correction, and
- A lower payment would have been made to the employee based upon the restated or corrected financial results.

Therefore, if and to the extent that, in the Board's view, the above conditions have been met and such reimbursement is warranted by the facts and circumstances of the particular case or if the applicable legal requirements impose more stringent requirements on AEP to obtain reimbursement of such compensation, then you will be required to reimburse AEP for the value of such compensation paid to you. AEP also may retain any deferred compensation previously credited to you and not paid, provided that AEP will retain such deferred compensation only if, when and to the extent that it otherwise becomes payable to you.

This right to reimbursement is in addition to, and not in substitution for, any and all other rights AEP might have to pursue reimbursement or such other remedies against an employee for misconduct in the course of employment by AEP or otherwise based on applicable legal considerations, all of which are expressly retained by AEP.

Administration

Plan Compensation Committee

The Plan is administered by the HR Committee of the Board of Directors with respect to Executive Council members and a Plan Compensation Committee consisting of AEP's CEO, COO, CFO, General Council, Chief Administrative Officer and Top Human Resources officer with respect to all other employees, in either case ("the Committee"). The CEO of American Electric Power Company, Inc. may change the composition and number of members of the Plan Compensation Committee at any time for any reason. The Committee may delegate day-to-day authority to administer the Plan, as they deem appropriate. In lieu of an official meeting, the Committee may act by written or electronic consent of a majority of its members. The Committee's interpretations of the Plan provisions are conclusive and binding on all Participants.

The Committee has sole authority to amend or terminate the Plan and may do so at any time, for any reason, either with or without notice. The Committee may adopt, delete, modify or adjust performance objectives, metrics and weights at any time, including after the conclusion of a Plan Year, should the Committee determine that changes in AEP's structure or other significant business situations would produce Overall Scores or awards for a Plan Year that are not reflective of the underlying economics and profitability of the business. The Committee may also modify the eligibility criteria for the Plan and add or delete individual participants or groups of participants.

Executive Council members with management responsibility for a business unit or staff function served by the Plan have the authority to increase or decrease the award pool for any group under their purview, provided that such adjustments do not increase the total of all award pools under their purview.

Plan Year

A "Plan Year" begins on January 1st and ends on December 31st of each year for which the Plan is in effect.

Participation

All full-time and regular part-time AEP employees who are actively employed during the Plan Year will be "Participants" in the Plan for such Plan Year except:

1. Employees participating in any other **annual** AEP incentive plan,
2. Employees participating in any other plan or agreement that explicitly excludes their participation in the Plan or annual incentive compensation plans in general,
3. Employees represented by unions that decline the opportunity to participate in the Plan or all similar incentive plans,
4. Temporary employees and contract workers, and
5. Employees hired by AEP on or after December 1 of such Plan Year.

Participation in an incentive compensation plan in any Plan Year shall not confer any right to continued employment or to continued participation in the Plan for any subsequent Plan Year.

Participant Responsibility

Plan Participants are expected to comply with all applicable Company policies and directives as well as all applicable laws and regulations. Failure to do so may have many serious consequences, including but not limited to forfeiture of Plan eligibility in the current and future Plan Years.

Award Eligibility

Participants must be **actively** employed on the last day of such Plan Year to be eligible to receive an award for that Plan Year, except as otherwise noted below.

If a Participant transfers during the Plan Year to a position that is ineligible to participate in the Plan, then such Participant will be ineligible to receive an award for such Plan Year from the Plan, unless the participant was a salary grade 30 or higher employee during the Plan Year as specified in the "Target and Maximum Award Opportunity" section above.

If a participant is on Leave of Absence status as of the last day of the Plan Year, the Participant will be eligible to receive an award for the Plan Year to the extent that they have eligible earnings for the Plan Year.

Employees who become inactive during the Plan Year due to participation in an AEP long-term disability plan will be eligible to receive an award for that Plan Year to the extent that they have eligible earnings for the Plan Year, although long-term disability benefits are not ICP eligible earnings.

Participants forfeit their incentive plan eligibility if they are discharged for cause or resign in lieu of being "discharged for cause" at any time prior to the award payment date, unless the Plan Compensation Committee approves an award payment to such employee.

Satisfaction of eligibility criteria does not guarantee the payment of any awards.

Termination Due to Death or Retirement

Participants remain **eligible** for an award, based on their eligible earnings for a Plan Year, if their employment with AEP is terminated during the Plan Year due to death or retirement. In the event of a Participant's death, any award to which they would otherwise be entitled will become payable to the Participant's estate. For the purposes of the Plan, "retirement" is defined as termination of employment for any reason other than for cause or as part of a voluntary or involuntary severance, after the Participant attains at least age 55 and five years of AEP service.

Termination Due to Voluntary and Involuntary Severance

Due to the severe financial constraints that generally give rise to the need for employee severances, Participants with both discretionary and non-discretionary award opportunities are **ineligible** for an award if their employment with AEP is terminated during the Plan Year as part of a voluntary or involuntary severance program.

Resignations after the Plan Year

Participants who are **actively** employed on the last day of a Plan Year but who subsequently voluntarily resign their employment remain eligible for an award. However, for discretionary participants, their actual or pending voluntary resignation is a business factor that management may consider in determining their award payment, if any.

Award Payment

Award payment will be made within 2-1/2 months after the end of the year or as soon as practical thereafter if it is impractical, either administratively or economically, to make payments within this time period.

The Plan is hereby approved by:

____

EVP or Higher Name Date

EVP Title

Compensation Strategy Recommendations
2013 Performance Measures and Weights

- **A balanced scorecard of earnings, safety and strategic measures**

Performance Category	**2013**	2012	2011	2010
Funding Measures	**75% EPS** **10% Safety** **15% Strategic Initiatives**	100% EPS	100% EPS	100% EPS
Funding Adjustments	**Zero Fatality Adj. (+7.5%)** **Culture (5%)**	Fatality Adj. (+/- 10%)	Fatality Adj. (+/- 10%)	Fatality Deduction
Allocation Measures				
Safety & Health	**N/A**	25%	30%	25%
Operations	**N/A**	25%	30%	25%
Regulatory	**N/A**	-	20%	25%
Strategic Initiatives	**N/A**	50%	20%	25%
The funding measures above would apply to all annual incentive groups				

Compensation Strategy Recommendations
2013 Company-Wide Annual Incentive Compensation
Zero Fatality Adjustment (+7.5%)

- **Zero Fatality Adjustment:**
  - **In the event AEP does not experience a fatal work related employee incident, the overall net composite score would increase by 7.5% of target for all employees**
    - **This changes the Fatality Adjustment used for the past two years to eliminate the potential negative impact of a fatality in favor of a positive adjustment for zero fatality years only**
    - **It changes the potential impact from a percentage of the actual score, to a percentage of target**
    - **It also changes the magnitude of the potential impact:**
      - **From +/- 10% of the actual score for officers to +7.5% of target,**
      - **From +/- 5% of the actual score for other employees to +7.5% of target, and**
      - **From - 10% of the actual score for employees in any business unit that experiences a fatality to no impact**

Culture Goal (Up to 5% Addition to Overall Score)

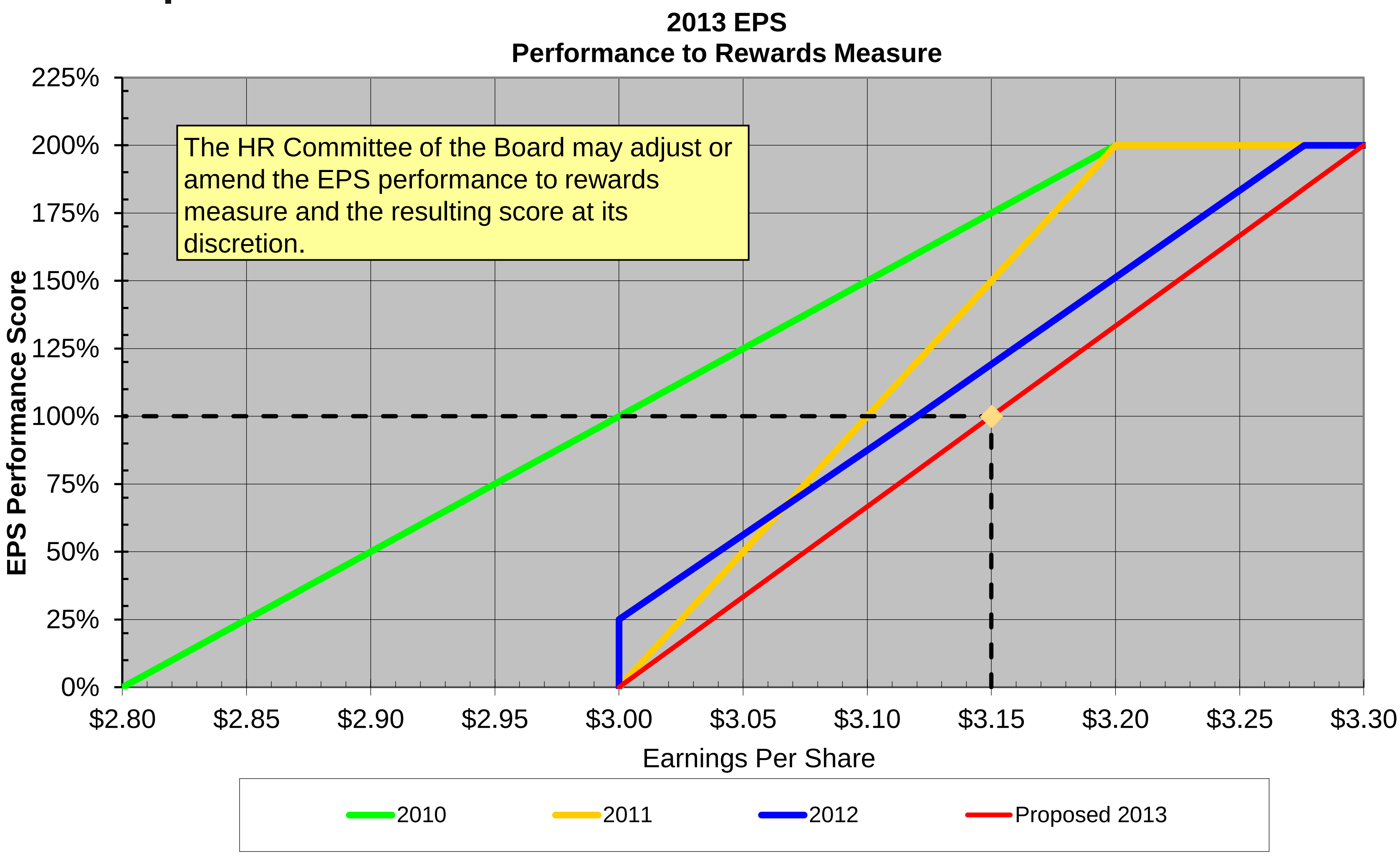
- **The linkage between a healthy organization culture and business performance is clear**
- **AEP will launch the cultural transformation by the end of Q1 to meet the following milestones:**
  - **Conduct 50 plus focus groups across business units and levels of employees by end of February**
  - **Analyze data to develop roadmap for Cultural Transformation with 2013 actions and communication campaign**
  - **Engage leaders at the February Leadership Summit and obtain personal commitments to action plans for ICP goals and 360 degree reviews**
    - Action plans for all participants (200% maximum score)
    - Action plans for 95% of participants (100% of target score)
    - Action plans for 90% or less of participants (0% score)
  - **Launch 2013 Roadmap in March to all employees outlining short-term and long-term actions in 4 focus areas:**
    - Strategic Direction
    - Leadership
    - Rewards and Recognition
    - Employee Engagement
- **Hold offsite meeting for Executive Council to gain commitment, ensure alignment, and create actions to support and drive the transformation of the culture**
- **Conduct focus groups in the last quarter to gauge progress and areas of focus for 2014**
  - **A progress assessment will be provided to the HRC**

Compensation Strategy Recommendations
2013 EPS Measure (75% weight)

- **Maximum Score:** EPS at or above $3.30 results in a 200% of target award pool
- **Target Score:** EPS of $3.15 results in a target award pool
- **Threshold Score:** EPS at or below $3.00 results in no award payout

	EPS Requirement	Award Score
Maximum Award	≥ $3.30	200%
Target	= $3.15	100%
Threshold	≤ $3.00	0%

Compensation Strategy Recommendations
2013 EPS Performance Requirement (75% Weight)



Compensation Strategy Recommendations
2013 Strategic, Operating and Safety Goals (25% Weight)

- **Repositioning Implementation Savings – 10% Weight**
  - **Maximum 200% score: achieve ≥ $225 million in O&M savings for 2013 and projected savings for future years**
  - **Target 100% score: achieve $200 million in O&M savings for 2013 and projected savings for future years**
  - **Threshold 0% score: achieve ≤$150 million in O&M savings for 2013 and projected savings for future years**
  - **In addition this measure includes a subjective component to reflect further repositioning of the growth businesses; the manner in which the repositioning was implemented, including open, honest and clear employee communications; and maintaining an appropriate balance of shareholder, employee and customer interests**
- **Safety Matrix – 10% Weight**
  - **This measure will have severity rate (50%), incident rate (40%) and contractor incident rate (10%) components**
  - **Maintaining AEP's safety culture remains a primary priority**

Compensation Strategy Recommendations Strategic, Operating and Safety Goals (continued)

- **Competitive Business Development – 5% Weight**
  - **Grow, evolve the competitive business including trading, retail energy sales and services, and prepare to receive unregulated generation**
    - **AEP Energy EBITDA of $37 million with +/- 15% of target threshold (0% score) and maximum (200% score) points**
  - **Continued progress on Ohio corporate separation and pool termination**
    - **Obtain authorizations from FERC, KY, VA, WV and OH (on rehearing) that are sufficient to**
      1. **Complete the corporate separation of AEP Ohio,**
      2. **Transfer Amos 3 and the two Mitchell units to Kentucky Power and Appalachian Power, and**
      3. **Terminate the AEP Interconnection (Pool) Agreement, as of Jan 2014**
    - **Prepare and/or file all documentation required to execute corporate separation, including real estate transfer documents, assignments of contracts, applications for the reissuance of environmental or other governmental permits, and obtain a private letter ruling from the IRS confirming the tax-free nature of the transfer of assets**
  - **The effect of material uncontrollable events shall be considered for removal to avoid score impact.**
- **150% maximum <u>aggregate score</u> for all Strategic, Operating and Safety Goals**
- **No payout if EPS is less than threshold ($3.00 for 2013)**

2013 Generation Measures

OSHA Severity Rate - Employees

Target: **2.0 = 11.32** **1.0 = 15.54** **0.0 = 20.07**	***Strategic Plan Goal:*** Transform the Culture

Measure Description:

A severity rate represents the magnitude of the injuries experienced by employees. Based on lost and restricted workdays per 100 persons.

Business Services, Engineering Services, Fleet Operations & Field Services, Projects, Controls & Construction (PC&C) and FEL will be measured against one combined Generation Rate:

- 1.00 is the Average of the 2013 Glidepath and the 2012 Total Generation Actual less River (Best Year)
- 0.00 is based on the Glidepath
- 2.00 is 85% of the 2012 Total Generation Actual less River (Best Year)

The Generation carpel tunnel policy:

If an employee misses work due to carpel tunnel symptoms or surgery/recovery, the number of severity days counted will be the lesser of actual days off or 28 days.

Reporting Frequency: Monthly	***Unit type:*** YTD Rate

Formula:

$$\text{Average severity} = \frac{(\text{Lost work days} + \text{Restricted duty days}) \times 200{,}000}{\text{Number of hours worked}}$$

Source: OSHA

Data Source: Susan Forsythe**,** Safety net, AEP Intranet (http//: safety)	Data Collector: Kristian Rose-Anderson

OSHA Recordable Rate - Employees

Target: **2.0 = 0.48** **1.0 = 0.75** **0.0 = 1.07**	***Strategic Plan Goal:*** Transform the Culture

Measure Description:

An incidence rate represents the number of injuries and/or illnesses per 100 employee workers. **(Does not include Hearing Loss Cases).**

Business Services, Engineering Services, Fleet Operations & Field Services, Projects, Controls & Construction (PC&C) and FEL will be measured against one combined Generation Rate:

- 1.00 is the Average of the 2013 Glidepath and the 2012 Total Generation Actual less River (Best Year)
- 0.00 is based on the Glidepath
- 2.00 is 85% of the 2012 Total Generation Actual less River (Best Year)

Reporting Frequency: Monthly	***Unit type:*** YTD Rate

Formula:

Where incidence rates are per 100 workers, the calculation is:

Recordable Rate = Recordable Incidents x 200,000 / Hours Worked

where: Recordable Incidents = OSHA Recordable Injuries and/or Illnesses
Hours Worked = Hours worked by all applicable personnel in period.

Source: OSHA

Data Source: Susan Forsythe, Safety net, AEP Intranet (http//: safety)	Data Collector: Kristian Rose-Anderson

2013 Generation Measures

OSHA Recordable Rate - Contractors

Target: **2.0 = 0.71** **1.0 = 0.84** **0.0 = 1.20**	***Strategic Plan Goal:*** Transform the Culture

Measure Description:

An incidence rate represents the number of injuries and/or illnesses per 100 contract workers. (Does not include Hearing Loss Cases). All organizations will be measured against their own targets.

FH, Engineering Services, Fleet Operations & Field Services, Projects, Controls & Construction (PC&C) and FEL contractors will be measured against one combined Generation Rate:

- 1.00 is the 2012 Total Generation Actual less River (Best Year)
- 0.00 is based on the same 0.00-1.00 ratio found in the Empl. Recordable metric
- 2.00 is 85% of the 2012 Total Generation Actual less River (Best Year)

For **Fossil & Hydro Facilities** this will track recordable cases and hours worked for all Alliance Relationship Agreement (ARA) contractors. Plants with ARA contractors also need to track contractors who do routine outage work (examples: Valve packing, elevator maintenance, crane inspections, de-slagging contractors, NDE contractors etc.). In plants where ARA Contracts are not utilized, a list of contractors such as (examples: Scaffold Contractors, Insulators, Industrial Clean-up Contractors, Boiler Contractors, and Cooling Tower Contractors, etc.) working on site need to be tracked. Also, plants need to track the same information if they have permanent contractors working at their plants.

For **Engineering Services, Fleet Operations & Field Services, PC&C** this will track all projects managed/supported by the organization via project managers and construction leadership which have contract labor hours tracked within the organization's weekly Safety Summary process.

For **FEL** this will track the recordable events and hours for five major contracting companies. These companies perform pre-stripping, mining, reclamation, transportation and labor services on a regular, on-going basis.

Reporting Frequency: Monthly	***Unit type:*** YTD Rate

Formula: Where incidence rates are per 100 workers, the calculation is: Recordable Rate = Recordable Incidents x 200,000 / Hours Worked where: Recordable Incidents = OSHA Recordable Injuries and/or Illnesses Hours Worked = Hours worked by all applicable personnel in period. **Source:** OSHA 29 CFR 1926 Construction Industry Regulations, Addendum Forms 300A and 301.	
Data Source: Fossil & Hydro Plants, Engineering Services, Fleet Operations & Field Services, Projects, Controls & Construction (PC&C) & FEL	Data Collector: Kristian Rose-Anderson

Fuel Cost Recovery

<table>
<tr><td colspan="2">Target:
2.0 – 100% Fuel Cost Recovery
1.0 – 99.5% Fuel Cost Recovery
0.0 –99% or less Fuel Cost Recovery</td><td colspan="2">Strategic Plan Goal: Optimize Performance</td></tr>
<tr><td colspan="4">Measure Description: The Fuel Cost Recovery metric will measure the total actual fossil fuel costs approved for recovery in all Public Service Commission (PSC) ruling(s) received during the year for the AEP Operating Companies as compared to the total amount of fossil fuel costs originally sought for recovery in the applicable case(s).

Cost components measured in Fuel Cost Recovery metric include those subject to a Fuel Adjustment Clause (FAC). These costs include direct coal, natural gas, reagent and fuel oil supply and lignite mining costs incurred to support the AEP Operating Companies' fossil fuel generation requirements. Purchased power, transportation and related services costs, such as direct freight charges, affiliate barge transportation costs, coal terminal/transloading costs, and railcar maintenance costs, are also subject to the Fuel Cost Recovery metric; to the extent these items are included in the FAC in the various jurisdictions.

Account 152 fuel costs are not included unless they are eligible for recovery in a FAC (not every state provides for recovery of Account 152 costs in the FAC). Additionally, non-fossil fuel costs associated with nuclear generation and long-term structured purchase power contracts are excluded from this measure.

Any disallowances for items which have not been deemed imprudent by the respective PSC will not be included as a disallowance for purposes of this metric. Any disallowance incurred for a specific multi-year transaction/activity will only be recognized once in the year that the order was received. Any future disallowance for the same activity will not be recognized by this metric.

Variances from the definition or listed exceptions should be routed through the SVP, Fuel, Emissions & Logistics to the Director of Business Planning for final review and approval by the Generation EVP.</td></tr>
<tr><td colspan="3">Reporting Frequency: Monthly</td><td>Unit type:
% of $ YTD</td></tr>
<tr><td colspan="4">Formula: Approved Fossil Fuel $ YTD/Actual Fossil Fuel $ Requested for Recovery = % Fossil Fuel Cost Recovered. In the event there are multiple Fuel Cost Recovery Orders from the various state and federal agencies having jurisdiction over the AEP Operating Companies, the metric will aggregate the jurisdictional fossil fuel costs for all cases in which a Final Order is received during the current year.</td></tr>
<tr><td colspan="3">Data Source: Regulatory Services-Fuel Cost Recovery; FEL Reporting & Analysis</td><td>Data Collector:
Holly Turner</td></tr>
</table>

Off-System Net Margin

Target: **2.0 = $316M** **1.0 = $265M** **0.0 = $214M**	***Strategic Plan Goal:*** Optimize Performance

Measure Description:

Off System Sales Net Margin metric, as defined by the Commercial Operations 2013 ICP Plan, is based on Line 5 of the Segment Earnings Comparison report published by Corporate Planning and Budgeting.

Should Commercial Operations make any changes to this metric, Generation will be required to review the changes and appropriately adapt.

Reporting Frequency: Monthly	***Unit type:*** $

Formula:

Line 5. As defined by Commercial Operations.

Data Source: Commercial Operations & CP&B	Data Collector: Kristian Rose-Anderson

AEP Utilities Metrics

Operating Company Return on Equity
'On Going Earnings' divided by 13-month average common equity. The target ROE for each operating company will be the 2013 Control Budget.

The actual ROE ("per Books") will be adjusted for significant one-time non-recurring events that distort an operating company's current earnings performance ("Pro Forma"). These non-recurring items will be identified by Regulatory Accounting Services and supported by Corporate Planning & Budgeting and AEP Utilities Executive Management.

A composite ROE will be calculated (on-going earnings divided by average common equity) based on all companies in plan (as noted below) and the composite performance factor will be provided to Generation as a "shared" measured.

This metric is based on the Utilities 2013 ICP Plan. Should Utilities make any changes to this metric, Generation will be required to review the changes and appropriately adapt.

The following Operating Companies will be measured:

AEP Ohio
APCo
I&M
KPCo
PSO
SWEPCo

Fleet Availability

EFOR and CT Start Successes

Targets: **<u>EFOR</u>** ***Target: 0 = 10.00% EFOR*** ***Target: 1 = 8.00% EFOR*** ***Target: 2 = 7.00% EFOR*** **<u>CT Start Successes</u>** ***Target: 0.0 = 98%*** ***Target: 1.0 = 99%*** ***Target: 2.0 = 100%***	***Strategic Plan Goal:*** Optimize Performance

Metric Description:

This metric is comprised of **60% EFOR** during the peak months (January, February, June, July, and August), **30% EFOR** during the non-peak months (March, April, May, September, October, November and December), and 10% CT Start Success. Units included in each measure are listed on Page 3.

Equivalent Forced Outage Rate (EFOR): is the NERC performance measure of EFOR which reflects the equivalent percent of scheduled operating time that a unit is out of service due to unexpected problems or failures. Certain OMC events will be excluded - see Appendix below.

The ICP EFOR target is approximately 90% of 2012 Actual Total Year Performance of 8.79%.

CT Start Successes: A start failure occurs when a unit is unable to synchronize and achieve desired dispatch load within a specified startup time following an outage or Reserve Shutdown when called upon by the dispatcher. The CT units must be startup to load capable (CT load dependent upon dispatcher requirements) within the unit's design criteria (generally 30 to 40 minutes. The clock starts when the Operator pushes the start button for the unit and ends when the unit is online and the Operator releases the unit for dispatch. Certain OMC events will be excluded - see Appendix below.

Start successes/failures are calculated in PGADs and can be found in the Statistics report (queried with OMC events included). However, PGADs does not recognize if the unit exceeded its allowed timeframe. In order to accurately measure Start Failures, a report with the number of failed starts will be sent to the plants via their F/H VPs for review quarterly. Plant personnel and the F/H VPs are responsible for notifying the data collector if the number of start failures in the report is incorrect.

The ICP CT Start target is based on the 2012 Actual Performance of 99% Start Success.

Reporting Frequency: Monthly	***Unit type: %***

Formulas:

EFOR

Target (calculated each month)

$$Fleet\_EFORt$$

$$= \left[\frac{\sum EFORt * NMCa * (SHa + FOHa + SynHrsa + PmpHrsa + EFDHRSa)}{\sum NMCa * (SHa + FOHa + SynHrsa + PmpHrsa + EFDHRSa)} \right] X\,100$$

Actual

$$Fleet\_EFORa = \left[\frac{\sum NMCa * (FOHa + EFDHSHa + EFDHRSa)}{\sum NMCa * (SHa + FOHa + SynHrsa + PmpHrsa + EFDHRSa)} \right] X\,100$$

Where,

FOH = Forced Outage Hours
EFDHSH = Equivalent Forced Derated Hours During Service Hours
SH = Service Hours
Syn Hrs = Synchronous Hours
PMP Hrs = Pump Hours
EFDHRS = Equivalent Forced Derated Hours During Reserve Shutdown Hours
XXXXa= Designates Actual
XXXXt= Designates Target

$$\% \text{ CT Start Successes} = \frac{\text{\# of Starts completed}}{\text{\# of Starts Attempted}} \times 100\%$$

Data Source: PowerGADS, F/H VPs and Plant Personnel	Data Collector: Kristian Rose-Anderson

2013 Generation Measures

Units Included in EFOR Measure:

East Units	West Units
[redacted]	[redacted]
Coal:	[redacted]
[redacted]	[redacted]
Mitchell 1-2	[redacted]
[redacted]	[redacted]
Rockport 1-2	[redacted]
[redacted]	[redacted]

[redacted]

[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Units Not Included in this Metric:

East Units	West Units
[redacted]	[redacted]
Big Sandy 1-2	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	
[redacted]	
[redacted]	
[redacted]	
[redacted]	
[redacted]	
[redacted]	
[redacted]	
[redacted]	

Appendix
Exclusion of Certain Cause Codes

Cause Code	Description
3710	Transmission line (connected to powerhouse switchyard to 1st Substation)
3720	Transmission equipment at the 1st substation
3730	Transmission equipment beyond the 1st substation
9000	Flood
9010	Fire not related to a specific component
9020	Lightning
9025	Geomagnetic disturbance
9030	Earthquake
9031	Tornados
9035	Hurricane
9036	Storms (ice snow etc)
9040	Other catastrophe
9130	Lack of fuel (coal mines gas lines etc) where the operator is not in control of contracts supply lines or delivery of fuels
9131	Lack of fuel (interruptible supply of fuel part of fuel contract)
9135	Lack of water (hydro)
9150	Labor strikes company-wide problems or strikes outside the company's jurisdiction such as manufacturers (delaying repairs) or transportation (fuel supply) problems.
9300	Transmission system problems other than catastrophes (do not include switchyard problems in this category; see codes 3600 to 3629)
9320	Other miscellaneous external problems

Environmental Index Metric

(Includes Opacity Exceedances, Oil & Chemical Spills, & Wastewater Exceptions)

And

Notices of Violation (NOV) – Environmental and NERC

Target: ***2.0 = 0*** ***1.0 = 10*** ***0.0 = 20***	***Strategic Plan Goal:*** Improve Processes

Measure Description:

<u>Environmental Index</u>

The Opacity Exceedance measure is the number of stacks with greater than 2% calendar time with excess opacity, including startup, shutdown and out of service time. *Excluded from the Opacity measure are documented periods of stack aerosol conditions for the Muskingum River Plant Units 1-4 combined stack.*

The Oil and Chemical Spills measure is the number of reportable and controllable spills (oil and chemical) or spills that were reportable and non-preventable, but were not contained, reported or cleaned up in a reasonable or required time frame.

The Wastewater Exceptions measure is the number of controllable operating water permits exceptions as determined by Environmental Services.

<u>NOV</u>

The Notices of Violation is the number of environmental and NERC NOVs received by Generation during the plan year. Environmental and NERC NOVs will be counted that are the result of an action or programmatic deficiency that occurred beginning up to 12 months prior to the start of the plan year.

Environmental NOVs that will be excluded are uncontrollable, have at most a minor environmental impact, result in fines of less than $1,000 or are NOV enforcement actions that result from activities outside of the Generation organization (such as Environmental Services filing permits late).

NERC violations will be excluded from the count that are uncontrollable and have a minor regulatory impact. A single type of action or programmatic deficiency that results in a NERC NOV will only be counted as a single occurrence against this metric, even though the action or programmatic deficiency may have been reported in multiple NERC Regions.

Reporting Frequency: Monthly	***Unit type:*** Count

2013 Generation Measures

Opacity Formula:

$$= \left[\frac{\sum_{i=1}^{N} \text{TotalExceedanceTime(Min\_or\_Hours)}}{\sum_{i=1}^{N} \text{TotalCalendarTime(Min\_or\_Hours)}} \right]$$

Where,
Total Exceedance Time = Hours or Minutes with Opacity Greater than the Allowed Limit.
Total Calendar Time = Hours or Minutes within each reporting period.
Other Measures are counts

This metric will include the total count of Environmental Index and NOV events as described above.

Data Source: John McManus, Dave Powell, Alan Wood	Data Collector: Kristian Rose-Anderson

O&M Cost Adherence

Target: **2.00 – 1% or > Under Budget** **1.00 – At Budget** **0.00 – 1% Over Budget**	***Strategic Plan Goal:*** Fleet Performance

Measure Description: **The O&M Cost Adherence** will measure O&M actual expenditures compared with the 2013 Control Budget.

The CP&B 2013 Organizational Reporting Criteria will be used for O&M and Fuel Handling except as noted below:

The O&M reporting criteria for 2013 (beginning with January 2013 closing) will be as follows:

Budget Category = BD0001R (O&M)
Cost Class = CC010R (Direct Cost)
GLBU Regional = 104 (Cardinal) & AEP_CONSOL (AEP Consolidated)
Benefiting Location = UTIL_OPS_&_CARDINAL
Department = 11991R

For O&M, all FERC Accounts 501 (Fuel), Fuel Handling Accounts are excluded (See Fuel Handling Definition below). The Cost Classes for Direct Costs except for Stores Expense (CC 320) are included. Other costs that are excluded in 2013 are major lease expenses (i.e. Rockport). Any other "Cost Components out of Target" and "Activities out of Target" as designated by CP&B will be excluded.

Applies to O&M and Fuel Handling Cost Adherence:
All Generation Benefiting Locations will be included with the following clarifications. Plants owned, but not operated [redacted] are excluded in the 2013 measure. "Out of Target" Benefiting Locations (as defined by the Benefiting Location Tree), Nuclear Benefiting Locations, Joint Billing Departments (i.e. non-AEP Plant ownership), , and Mining Departments, Department 12328 Generating Plant Major Leases, and Department 13021 F&H Generation Amortization will be excluded.

The Fuel Handling Cost Adherence measure will be consistent with the structure identified in the O&M Cost Adherence Measure description, but will also include the following; Account: 5010027 (Gypsum Handling/Disposal Costs), 5010028 (Gypsum Sales), 1520000 (Fuel Handling Expenses), 5010000 (Ash Handling), 5010012 (Ash Sale Proceeds), and Cost Class CCREVR. Fuel Handling affiliated with the FEL Operations will be excluded from this measure.

Should funding become available within Generation, other business units, or directed by CP&B, and moved to F&H, E & P, GBS or FEL, the impact against the variance will be adjusted accordingly. Conversely, if funding becomes available within F&H, E & P, GBS or FEL, and CP&B directs these organizations to transfer these funds to another department or business unit or if CP&B directs spending reductions in F&H, E & P, GBS, or FEL to meet corporate targets; then the impact against the variance will be adjusted accordingly.

Any write-offs that result from a project being cancelled, any costs affiliated with the pursuit of a Nuclear Plant, any costs affiliated with Asset Retirement Obligations (AROs), any costs affiliated with Revenue Offsets, and any costs affiliated with the Ohio Capacity Costs Deferral will be excluded from the 2013 O&M Cost Adherence metric.
Any costs incurred for the Extended Start Units or any costs incurred for Accelerated Start-ups; which result in increased Gross Margin will be excluded from the ICP calculations. Also, any incremental Gross Margin achieved from the Extended Start Units or from Accelerated Start-ups will be reflected in the Off System Sales metric. The Extended Start Units are Picway Unit 5, Muskingum River Units 1-4, Clinch River Unit 3, Tanners Creek Units 1 & 2, Glen Lyn Units 5 & 6, and Sporn Units 1 & 4. Any changes to this list that occur throughout the year will be reviewed and adjusted accordingly, if applicable.

Any costs incurred to increase the megawatt output of a unit to meet increased demand; which results in an increased Gross Margin will be excluded from the ICP calculations. Also, any incremental Gross Margin achieved from these units will be reflected in the Off System Sales metric. (i.e. Kammer Units to meet ORMET requirements in 2011).

Reporting Frequency: Monthly	***Unit type:*** $ YTD
Formula: Budget $ YTD - Actual $ YTD	
Data Source: Randy Gaudio	***Data Collector:*** Kristian Rose-Anderson

Project Schedule Adherence

Target **2.0 = 0 missed milestones** **1.0 = 3 missed milestones** **0.0 = 6 missed milestones**	***Strategic Plan Goal:*** Fleet Modernization

Measure Description:

The Major Project Schedule Adherence metric will measure the percent of milestones complete versus a defined milestone schedule. The hard-copy signed list of projects to be included in this measure is kept with the 2013 ICP documentation in the Business Planning group. The list includes selected Engineering, Environmental, and Major Plant projects managed by Projects, Controls, & Construction and Engineering Services.

This measure will track the number of milestones that are completed on time. Key project milestones will be defined by the Vice Presidents of Engineering Services and Projects, Controls, & Construction for all projects included in this measure.

There are a total of **60** milestones (see attached list): 54 Environmental & Other Major Capital and 6 Engineering *. As of 2/7/13, there are 19 condition based milestone dates that will be established when the trigger happens.

The targets are based on 90%, 95% & 100% of 60 Milestones.

* Variance and waiver requests, for events outside of the organizations' control, may be submitted to the Executive Vice President - Generation for review and approval.

Reporting Frequency: Monthly	***Unit type:*** Count

Formula:

\# of Key Project Milestones missed according to schedule

Data Source: Charles Blankenbiller	Data Collector: Kristian Rose-Anderson

The list of milestones can be found at:

http://Engineering Services, Fleet Operations & Field Services, Projects, Controls & Construction (PC&C)/projects/documents/2013_ICP.pdf

Strategic Plan Initiatives

Target: 0.0 = 60% ***Target: 1.0 = 80%*** ***Target: 2.0 = 100%***	***Strategic Plan Goal:*** Position the Portfolio

Measure Description:

The Strategic Plan Initiatives metric will track the percent of selected strategic initiatives that are completed in 2013. All the strategic initiatives defined below will require a subjective evaluation by Mark McCullough and his leadership team (this metric can be amended at any time according to their recommendation/approval).

Key Strategic Initiatives include:

Corporate Separation

- Negotiate all necessary contract transfer arrangements for the physical transaction of Generation assets.
- Develop and execute organizational placement plans to address any new Code of Conduct requirements that are likely to be imposed as part of Ohio's move to a fully competitive market.
- Make necessary modifications to Generation's IT-related systems/databases that are currently shared between regulated and unregulated groups in accordance with separation requirements.

Lean Process Implementation

- Implement lessons learned from Gavin transformation for use at other facilities.
- Duplicate or improve upon the Gavin success at Conesville, Amos and Cardinal.
- Establish Lean Pilots in selected areas within FEL and Engineering Services.
- Create a long-term implementation schedule.

Unit Retirement Plans

- Develop Phase 1 unit retirement and post-operation plans that layout the process for establishing the scope, schedule and budgets for the planned retirements.
- Establish a plan and procedures that will enable employees impacted by the unit retirements to make informed decisions regarding reassignment opportunities.
- Establish a plan to deal with residual fuel inventories and contracts at retired

plants.

Reporting Frequency: Monthly	***Unit type:*** %
Formula: Each of the 10 initiatives will be evaluated and given a percent completion by Mark McCullough and his leadership team. % = The Average % completion of All Initiatives	
Data Source: 2013 Strategic Business Plan Champions/Generation Leads (Mark McCullough)	Data Collector: Kristian Rose-Anderson

AMENDED AND RESTATED AMERICAN ELECTRIC POWER SYSTEM LONG-TERM INCENTIVE PLAN

Approved by Shareholders April 17, 2010

(as amended through September 25, 2012)

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Amended and Restated American Electric Power System Long-Term Incentive Plan

1. Purpose of the Plan

The purpose of the Amended and Restated American Electric Power System Long-Term Incentive Plan, dated April 26, 2005, is to promote the interests of AEP and its shareholders by strengthening AEP's ability to attract, motivate and retain employees and directors of AEP and its Subsidiaries upon whose judgment, initiative and efforts the financial success and growth of the business of AEP largely depend, to align further the interests of AEP's management with the shareholders, and to provide an additional incentive for employees and directors through stock ownership and other rights that promote and recognize the financial success and growth of AEP.

2. Definitions

Wherever the following capitalized terms are used in this Plan they shall have the meanings specified below:

(a) "AEP" means American Electric Power Company, Inc., a New York corporation, and any successor thereto.

(b) "Award" means an award of an Option, Restricted Stock, Stock Appreciation Right, Performance Award, Phantom Stock or Dividend Equivalent granted under the Plan.

(c) "Award Agreement" means an agreement entered into between AEP and a Participant setting forth the terms and conditions of an Award granted to a Participant.

(d) "Board" means the Board of Directors of AEP.

(e) "Change in Control" shall have the meaning specified in Section 12 hereof.

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Committee" means the Human Resources Committee of the Board consisting of not less than a sufficient number of Non-Employee Directors so as to qualify the Committee to administer the Plan under Rule 16b-3 and each of whom is an "independent" director as defined in the rules of the New York Stock Exchange. If any member of the Committee does not qualify as an "outside director" for purposes of Section 162(m) of the Code or a Non-Employee Director under Rule 16b-3, the Committee with respect to Awards under the Plan for the chief executive officer and the four most highly compensated officers of AEP (other than the chief executive officer), as such "covered persons" may change from time to time for purposes of Section 162(m), shall consist solely of those Committee members who qualify as "outside directors" and Non-Employee Directors. If fewer than two Committee members qualify as both an "outside director" and a Non-Employee Director, the Board shall appoint one or more other members who do qualify as both "outside directors" and Non-Employee Directors.

(h) "Commission" means the Securities and Exchange Commission.

(i) "Common Stock" means the common stock of AEP, $6.50 par value.

(j) "Date of Grant" means the date on which the Committee makes an Award under the Plan, or such later date as the Committee may specify that the Award becomes effective.

(k) (k) "Effective Date" means the Effective Date of this Plan, as defined in Section 15.1 hereof.

(l) "Dividend Equivalent" means an Award under Section 11 hereof entitling the Participant to receive payments with respect to dividends declared on the Common Stock.

(m) "Eligible Person" means any person who is an Employee or a Non-Employee Director.

(n) "Employee" means any person who is an employee of AEP or any Subsidiary; provided, however, that with respect to Incentive Stock Options, "Employee" means any person who is considered an employee of AEP or any Subsidiary for purposes of Section 421 of the Code and the applicable regulations issued thereunder.

(o) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute.

(p) "Fair Market Value" means, as of any applicable date, the closing price per share of the Common Stock as quoted in the New York Stock Exchange—Composite Transactions listing in *The Wall Street*

Journal (or such other reliable publication as the Committee, in its discretion, may determine to rely upon) for the date as of which Fair Market Value is to be determined. If there are no sales on such date, then Fair Market Value shall be the closing price per share of the Common Stock as so quoted on the nearest date before the date as of which Fair Market Value is to be determined on which there are sales. If the Common Stock is not listed on the New York Stock Exchange on the date as of which Fair Market Value is to be determined, the Committee shall determine in good faith the Fair Market Value in whatever manner it considers appropriate. Fair Market Value shall be determined without regard to any restriction other than a restriction that, by its terms, will never lapse.

(q) "Full Value Share Award" means an award of Restricted Stock, a Performance Award denominated in shares or units of Common Stock, Phantom Stock, Dividend Equivalents, or Stock Appreciation Rights settled or paid in shares of Common Stock. The vesting restriction imposed on full value shares awarded under the Plan shall be (i) a period of at least one (1) year if performance-based or (ii) a period of at least three (3) years if non-performance-based, which may include pro-rata lapsing of restrictions thereon, such that awards that vest on a pro-rata basis over three (3) years will be deemed to have met this requirement. Notwithstanding the above, up to 5% of the total number of shares authorized under the Plan may be awarded without regard to this vesting restriction.

(r) "Incentive Stock Option" means an option to purchase Common Stock that is intended to qualify as an incentive stock option under Section 422 of the Code, or any successor provision thereto.

(s) "Non-Employee Director" means a member of the Board who is a "non-employee director" as defined in Rule 16b-3 promulgated by the Commission pursuant to the Exchange Act.

(t) "Nonqualified Stock Option" means an option to purchase Common Stock that is not an Incentive Stock Option.

(u) "Option" means an Incentive Stock Option or a Nonqualified Stock Option granted under Section 6 hereof.

(v) "Participant" means any Eligible Person who holds an outstanding Award under the Plan.

(w) "Performance Award" means an Award made under Section 9 hereof entitling a Participant to a payment based on the Fair Market Value of Common Stock (a "Performance Unit") at the end of a performance period if certain conditions established by the Committee are satisfied.

(x) "Phantom Stock" means an Award under Section 10 hereof entitling a Participant to a payment based on a measure of value expressed as a share of Common Stock ("Phantom Stock Unit"). No stock certificates shall be issued with respect to such Phantom Stock Units, but AEP shall maintain a bookkeeping account in the name of the Participant to which the Phantom Stock Units shall relate.

(y) "Plan" means the Amended and Restated American Electric Power System Long-Term Incentive Plan as set forth herein, as it may be amended from time to time.

(z) "Plan Year" means AEP's fiscal year, which at the date hereof is the calendar year.

(aa) "Restricted Stock" means an Award under Section 8 hereof entitling a Participant to shares of Common Stock that are nontransferable and subject to forfeiture until specific conditions established by the Committee are satisfied.

(bb) "Rule 16b-3" means Rule 16b-3 promulgated by the Commission pursuant to the Exchange Act, or any successor or replacement rule adopted by the Commission.

(cc) "Section 162(m)" means Section 162(m) of the Code and the Treasury Regulations thereunder.

(dd) "Section 162(m) Participant" means any Participant who, in the sole judgment of the Committee, could be treated as a "covered employee" under Section 162(m) at the time income may be recognized by such Participant in connection with an Award that is intended to qualify for exemption under Section 162(m).

(ee) "Stock Appreciation Right" or "SAR" means an Award under Section 7 hereof entitling a Participant to receive an amount, representing the difference between the base price per share of the right and the Fair Market Value of a share of Common Stock on the date of exercise.

(ff) "Subsidiary" means any corporation (other than AEP) in an unbroken chain of corporations beginning with AEP if, at the time of granting an Award, each of the corporations, other than the last corporation in the unbroken chain, owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

3. Shares of Common Stock Subject to the Plan

3.1. *Calculation of Number of Shares Available.* Subject to the following provisions of this Section 3, the aggregate number of shares of Common Stock that may be issued pursuant to all Awards under the Plan is 20,000,000 shares of Common Stock; provided, however, that the maximum number of shares of Common Stock issued in connection with Full Value Share Awards which may be issued under the Plan shall be limited to 10,000,000.

If any share of Common Stock that is the subject of an Award is not issued and ceases to be issuable for any reason, or is forfeited, cancelled or returned to AEP for failure to satisfy vesting requirements or upon the occurrence of other forfeiture events, such share of Common Stock will no longer be charged against the foregoing maximum share limitations and may again be made subject to Awards under the Plan pursuant to such limitations.

3.2. *Accounting for Awards.* For purposes of this Section 3, if an Award is denominated in shares of Common Stock, the number of shares covered by such Award, or to which such Award relates, shall be counted on the Date of Grant of such Award against the aggregate number of shares available for granting Awards under the Plan; provided, however, that Awards that operate in tandem with (whether granted simultaneously with or at a different time from) other Awards may be counted or not counted under procedures adopted by the Committee in order to avoid double counting.

3.3. *Source of Shares of Common Stock Deliverable Under Awards.* The shares of Common Stock to be delivered under the Plan may be authorized but unissued shares, reacquired shares, shares acquired on the open market specifically for distribution under the Plan, or any combination thereof.

3.4. *Adjustments.* If there shall occur any recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to the shares of Common Stock, or any similar corporate transaction or event in respect of the Common Stock, then the Committee shall, in the manner and to the extent that it deems appropriate and equitable to the Participants and consistent with the terms of this Plan, cause a proportionate adjustment to be made in (a) the maximum numbers and kind of shares provided in Section 3.1 hereof, (b) the maximum numbers and kind of shares set forth in Sections 6.1, 7.1, 8.2 and 9.4 hereof, (c) the number and kind of shares of Common Stock, share units, or other rights subject to the then-outstanding Awards, (d) the price for each share or unit or other right subject to then outstanding Awards without change in the aggregate purchase price or value as to which such Awards remain exercisable or subject to restrictions, (e) the performance targets or goals appropriate to any outstanding Performance Awards (subject to such limitations as appropriate for Awards intended to qualify for exemption under Section 162(m)) or (f) any other terms of an Award that are affected by the event. Notwithstanding the foregoing, in the case of Incentive Stock Options, any such adjustments shall be made in a manner consistent with the requirements of Section 424(a) of the Code.

4. Administration of the Plan

4.1. *Committee Members.* Except as provided in Section 4.4 hereof, the Committee will administer the Plan. The Committee may exercise such powers and authority as may be necessary or appropriate for the Committee to carry out its functions as described in the Plan. No member of the Committee will be liable for any action or determination made in good faith by the Committee with respect to the Plan or any Award under it.

4.2. *Discretionary Authority.* Subject to the express limitations of the Plan, the Committee has authority in its discretion to determine the Eligible Persons to whom, and the time or times at which, Awards may be granted, the number of shares, units or other rights subject to each Award, the exercise, base or purchase price of an Award (if any), the time or times at which an Award will become vested, exercisable or payable, the performance criteria, performance goals and other conditions of an Award, and the duration of the Award. The Committee also has discretionary authority to interpret the Plan, to make all factual determinations under the Plan, and to determine the terms and provisions of the respective Award Agreements and to make all other determinations necessary or advisable for Plan administration. The Committee has authority to prescribe, amend, and rescind rules and regulations relating to the Plan. All interpretations, determinations, and actions by the Committee will be final, conclusive, and binding upon all parties.

4.3. *Changes to Awards.* The Committee shall have the authority to effect, at any time and from time to time, with the consent of the affected Participants, (a) the cancellation of any or all outstanding Awards and the grant in substitution of new Awards covering the same or a different numbers of shares of Common Stock and having an exercise or base price which may be the same as or different than the exercise or base price of the cancelled Awards or (b) the amendment of the terms of any and all outstanding Awards. However, notwithstanding the foregoing, the Committee may not, without the approval of AEP's shareholders, (1) reduce the exercise or base price of an Award by amendment or cancellation and substitution of an existing Award, (2) reduce the exercise or base price of an Option or Stock Appreciation Right to an amount that is less than the 100 percent of Fair Market Value per share of the Common Stock on the Date of Grant or (3) provide for any Option or Stock Appreciation Right whose exercise price exceeds the Fair Market Value per share of the underlying Common Stock to be exchanged for cash or another Award. The Committee may in its discretion accelerate the vesting or exercisability of an Award at any time or on the basis of any specified event.

4.4. *Delegation of Authority.* As permitted by law, the Committee may delegate its authority as identified hereunder; provided, however, that the Committee may not delegate certain of its responsibilities hereunder if such delegation may jeopardize compliance with the "outside directors" provision of Section 162(m).

4.5. *Awards to Non-Employee Directors.* The Board shall approve an Award to a Non-Employee Director under the Plan. With respect to Awards to Non-Employee Directors, all rights, powers and authorities vested in the Committee under the Plan shall instead be exercised by the Board, and all provisions of the Plan relating to the Committee shall be interpreted in a manner consistent with the foregoing by treating any such reference as a reference to the Board for such purpose.

5. Eligibility and Awards

All Eligible Persons are eligible to be designated by the Committee to receive an Award under the Plan. The Committee has authority, in its sole discretion, to determine and designate from time to time those Eligible Persons who are to be granted Awards, the types of Awards to be granted and the number of shares or units subject to the Awards that are granted under the Plan. Each Award will be evidenced by an Award Agreement as described in Section 13 hereof between AEP and the Participant that shall include the terms and conditions consistent with the Plan as the Committee may determine.

6. Stock Options

6.1. *Grant of Option.* An Option may be granted to any Eligible Person selected by the Committee; provided, however, that only Employees shall be eligible for Awards of Incentive Stock Options. Each Option shall be designated, at the discretion of the Committee, as an Incentive Stock Option (if applicable) or a Nonqualified Stock Option. The maximum number of shares of Common Stock that may be granted under Options to any one Participant during any three calendar year period shall be limited to 2,000,000 shares (subject to adjustment as provided in Section 3.4 hereof).

6.2. *Exercise Price.* The exercise price of the Option shall be determined by the Committee; provided, however, that the exercise price per share of an Option shall not be less than 100 percent of the Fair Market Value per share of the Common Stock on the Date of Grant.

6.3. *Vesting; Term of Option.* The Committee, in its sole discretion, shall prescribe in the Award Agreement the time or times at which, or the conditions upon which, an Option or portion thereof shall become vested and exercisable, and may accelerate the exercisability of any Option at any time.

6.4. *Option Exercise; Withholding.* Subject to such terms and conditions as shall be specified in an Award Agreement and to all applicable legal requirements, an Option may be exercised in whole or in part at any time during the term thereof by written notice to AEP together with payment of the aggregate exercise price therefor. Payment of the exercise price shall be made (a) in cash or by cash equivalent, (b) at the discretion of the Committee, in shares of Common Stock acceptable to the Committee, valued at the Fair Market Value of such shares on the date of exercise or such lower price as the Committee may determine, (c) at the discretion of the Committee, by a delivery of a notice that the Participant has placed a market sell order (or similar instruction) with a third party with respect to shares of Common Stock then issuable upon exercise of the Option, and that the third party has been directed to pay a sufficient portion of the net proceeds of the sale to AEP in satisfaction of the Option exercise price or (d) at the discretion of the Committee, by a combination of the methods described above or such other method as may be approved by the Committee. In addition to and at the time of payment of the exercise price, the Participant shall pay to AEP the full amount of any and all applicable income tax and employment tax amounts required to be withheld in connection with such exercise.

6.5. *Additional Rules for Incentive Stock Options.* The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder.

7. Stock Appreciation Rights

7.1. *Grant of SARs.* A Stock Appreciation Right granted to a Participant is an Award in the form of a right to receive, upon surrender of the right, but without other payment, an amount based on appreciation in the Fair Market Value of the Common Stock over a base price established for the Award, exercisable at such time or times and upon conditions as may be approved by the Committee. The maximum number of shares of Common Stock that may be subject to SARs granted to any one Participant during any three calendar year period shall be limited to 2,000,000 shares (subject to adjustment as provided in Section 3.4 hereof).

7.2. *Tandem SARs.* A Stock Appreciation Right may be granted in connection with an Option, either at the time of grant or at any time thereafter during the term of the Option. A SAR granted in connection with an Option will entitle the holder, upon exercise, to surrender such Option or any portion thereof to the extent unexercised, with respect to the number of shares as to which such SAR is exercised, and to receive payment of an amount computed as described in Section 7.4 hereof. Such Option will, to the extent and when surrendered, cease to be exercisable. A SAR granted in connection with an Option hereunder will have a base price per share equal to the per share exercise price of the Option, will be exercisable at such time or times, and only to the extent, that a related Option is exercisable, and will expire no later than the related Option expires.

7.3. *Freestanding SARs.* A Stock Appreciation Right may be granted without relationship to an Option and, in such case, will be exercisable as determined by the Committee. The base price of a SAR granted without relationship to an Option shall be determined by the Committee in its sole discretion; provided, however, that the base price per share of a freestanding SAR shall not be less than 100 percent of the Fair Market Value of the Common Stock on the Date of Grant.

7.4. *Payment of SARs.* A SAR will entitle the holder, upon exercise of the SAR, to receive payment of an amount determined by multiplying: (i) the excess of the Fair Market Value of a share of Common Stock on the date of exercise of the SAR over the base price of such SAR, by (ii) the number of shares as to which such SAR will have been exercised. Payment of the amount determined under the foregoing may be made, in the discretion of the Committee, in cash, in Restricted Stock or shares of unrestricted Common Stock (both valued at their Fair Market Value on the date of exercise or such lower price as the Committee may determine), or a combination thereof; provided, however, that any shares of Common Stock used to settle or pay SARs will be counted as Full Value Share Awards.

8. Restricted Stock

8.1. *Grants of Restricted Stock.* An Award of Restricted Stock to a Participant represents shares of Common Stock that are issued subject to such restrictions on transfer and other incidents of ownership and such forfeiture conditions as the Committee may determine. The Committee may grant and designate Awards of Restricted Stock that are intended to qualify for exemption under Section 162(m), as well as Awards of Restricted Stock that are not intended to so qualify.

8.2. *Vesting Requirements.* The restrictions imposed on an Award of Restricted Stock shall lapse in accordance with the vesting requirements specified by the Committee in the Award Agreement. Such vesting requirements may be based on the continued employment of the Participant with AEP or its Subsidiaries for a specified time period or periods. Such vesting requirements may also be based on the attainment of specified business goals or measures established by the Committee in its sole discretion. In the case of any Award of Restricted Stock that is intended to qualify for exemption under Section 162(m), the vesting requirements shall be limited to the performance criteria identified in Section 9.3 below, and the terms of the Award shall otherwise comply with the Section 162(m) requirements described in Section 9.4 hereof; provided, however, that the maximum number of shares of Common Stock that may be subject to an Award of Restricted Stock granted to a Section 162(m) Participant during any one calendar year shall be separately limited to 400,000 shares (subject to adjustment as provided in Section 3.4 hereof).

8.3. *Restrictions.* Shares of Restricted Stock may not be transferred, assigned or subject to any encumbrance, pledge or charge until all applicable restrictions are removed or expire or unless otherwise allowed by the Committee. The Committee may require the Participant to enter into an escrow agreement providing that the certificates representing Restricted Stock granted pursuant to the Plan will remain in the physical custody of an escrow holder until all restrictions are removed or expire. Failure to satisfy any applicable restrictions shall result in the subject shares of Restricted Stock being forfeited and returned to AEP, unless otherwise provided by the Committee. The Committee may require that certificates representing Restricted Stock granted under the Plan bear a legend making appropriate reference to the restrictions imposed.

8.4. *Rights as Shareholder.* Subject to the foregoing provisions of this Section 8 and the applicable Award Agreement, the Participant will have all rights of a shareholder with respect to shares of Restricted Stock granted to the Participant, including the right to vote the shares and receive all dividends and other distributions paid or made with respect thereto, unless the Committee determines otherwise at the time the Restricted Stock is granted, as set forth in the Award Agreement.

8.5. *Section 83(b) Election.* The Committee may provide in an Award Agreement that the Award of Restricted Stock is conditioned upon the Participant refraining from making an election with respect to the Award under Section 83(b) of the Code. Irrespective of whether an Award is so conditioned, if a Participant makes an election pursuant to Section 83(b) of the Code with respect to an Award of Restricted Stock, the Participant shall be required to promptly provide a copy of such election to AEP as directed by the Award Agreement or the Committee.

9. Performance Awards

9.1. *Grant of Performance Awards.* The Committee may grant Performance Awards under the Plan, which shall be represented by units denominated on the Date of Grant either in shares of Common Stock (Performance Shares) or in specified dollar amounts (Performance Units). The Committee may grant and designate Performance

Awards that are intended to qualify for exemption under Section 162(m), as well as Performance Awards that are not intended to so qualify. At the time a Performance Award is granted, the Committee shall determine, in its sole discretion, one or more performance periods and performance goals to be achieved during the applicable performance periods, as well as such other restrictions and conditions as the Committee deems appropriate. In the case of Performance Units, the Committee shall also determine a target unit value or a range of unit values for each Award. The performance goals applicable to a Performance Award grant may be subject to such later revisions as the Committee shall deem appropriate to reflect significant unforeseen events such as changes in law, accounting practices or unusual or nonrecurring items or occurrences. Any such adjustments shall be subject to such limitations as the Committee deems appropriate in the case of a Performance Award granted to a Section 162(m) Participant that is intended to qualify for exemption under Section 162(m).

9.2. *Payment of Performance Awards.* At the end of the performance period, the Committee shall determine the extent to which performance goals have been attained or a degree of achievement between minimum and maximum levels in order to establish the level of payment to be made, if any. The Committee shall determine if payment is to be made in cash, Restricted Stock, shares of unrestricted Common Stock, Options or Phantom Stock, or a combination thereof. For any cash conversion to or from Performance Shares or Units, Phantom Stock units or shares of Common Stock, payment shall be calculated on the basis of the average of the Fair Market Value of the Common Stock for the last 20 trading days prior to the date such award becomes payable. Unless deferred in a manner that meets the requirements of Code Section 409A, payment of Performance Awards shall be made within such period as would not constitute a “deferral of compensation” for purposes of Code Section 409A.

9.3. *Performance Criteria.* The performance criteria upon which the payment or vesting of a Performance Award intended to qualify for exemption under Section 162(m) may be based shall be limited to the following business measures, which may be applied with respect to AEP, any Subsidiary or any business unit, and which may be measured on an absolute or relative-to-peer-group basis: earnings measures (including, for example, primary earnings per share, fully diluted earnings per share, net income, pre-tax income, operating income, earnings before interest, taxes, depreciation and amortization or any combination thereof, and net operating profits after taxes); expense control (including, for example, operations & maintenance expense, total expenditures, expense ratios, and expense reduction); customer measures (including, for example, customer satisfaction, service cost, service levels, responsiveness, bad debt collections or losses, and reliability—such as outage frequency, outage duration, and frequency of momentary outages); safety measures (including, for example, recordable case rate, severity rate, and vehicle accident rate); diversity measures (including, for example, minority placement rate and utilization); environmental measures (including, for example, emissions, project completion milestones, regulatory/legislative/cost recovery goals, and notices of violation), revenue measures (including, for example, revenue and direct margin); stakeholder return measures (including, for example, total shareholder return, economic value added, cumulative shareholder value added, return on equity, return on capital, return on assets, dividend payout ratio and cash flow(s) – such as operating cash flows, free cash flow, discounted cash flow return on investment and cash flow in excess of cost of capital or any combination thereof); valuation measures (including, for example, stock price increase, price to book value ratio, and price to earnings ratio); capital and risk measures (including, for example, debt to equity ratio, dividend payout as percentage of net income and diversification of business opportunities); employee satisfaction; project measures (including, for example, completion of key milestones); production measures (including, for example, generating capacity factor, performance against the INPO index, generating equivalent availability, heat rates and production cost); and such other individual performance objective that is measured solely in terms of quantitative targets related to the Company, any Subsidiary or the Company’s or Subsidiary’s business. In any event, the Committee may, at its discretion and at any time prior to payment, reduce the number of Performance Awards earned by any Participant for a performance period. In the case of Performance Awards that are not intended to qualify for exemption under Section 162(m), the Committee shall designate performance criteria from among the foregoing or such other business criteria as it shall determine in its sole discretion.

9.4. *Section 162(m) Requirements.* In the case of a Performance Award granted to a Section 162(m) Participant that is intended to comply with the requirements for exemption under Section 162(m), the Committee shall make all determinations necessary to establish a Performance Award within 90 days of the beginning of the performance period (or such other time period required under Section 162(m)), including, without limitation, the designation of the Section 162(m) Participants to whom Performance Awards are made, the performance criteria or criterion applicable to the Award and the performance goals that relate to such criteria, and the dollar amounts or number of shares of Common Stock, Restricted Stock or Phantom Stock units payable upon achieving the applicable performance goals. As and to the extent required by Section 162(m), the terms of a Performance Award granted to a Section 162(m) Participant must include objective formula(s) or standard(s) for computing the amount of compensation payable to the Section 162(m) Participant, and must preclude discretion to increase the amount of compensation payable that would otherwise be due under the terms of the Award. The maximum amount of compensation that may be payable to a Section 162(m) Participant during any one calendar year under a Performance Unit Award shall be $15,000,000. The maximum number of Performance Share units that may be earned by a Section 162(m) Participant during any one calendar year shall be 400,000 (subject to adjustment as provided in Section 3.4 hereof).

10. Phantom Stock

10.1. *Grant of Phantom Stock.* Phantom Stock is an Award to a Participant of a number of hypothetical share units with respect to shares of Common Stock. Phantom Stock shall be subject to such restrictions and conditions as the Committee shall determine. Sections 8.1 and 8.2 shall apply to Awards of Phantom Stock units in similar manner as they apply to shares of Restricted Stock, as interpreted by the Committee, with the limitation in Section 8.2 on the number of shares of Restricted Stock that may be granted applicable separately to Phantom Stock units. An Award of Phantom Stock may be granted, at the discretion of the Committee, together with an Award of Dividend Equivalent rights for the same number of shares covered thereby.

10.2. *Payment of Phantom Stock.* Upon the vesting date applicable to Phantom Stock granted to a Participant, an amount equal to one share of Common Stock upon such date shall be paid with respect to such Phantom Stock unit granted to the Participant. Payment may be made, at the discretion of the Committee, in cash, Restricted Stock, shares of unrestricted Common Stock, Options, or a combination thereof. Cash payments of Phantom Stock units shall be calculated on the basis of the average of the Fair Market Value of the Common Stock for the last 20 trading days prior to the date such award becomes payable.

11. Dividend Equivalents

A Dividend Equivalent granted to a Participant is an Award in the form of a right to receive cash, shares of Common Stock, or other property equal in value to dividends paid with respect to a specific number of shares of Common Stock. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award (other than an Option or a Stock Appreciation Right), and may be paid currently or on a deferred basis. The Committee may provide at the Date of Grant or thereafter that the Dividend Equivalent shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional shares of Common Stock or such other investment vehicles as the Committee may specify; provided, however, that Dividend Equivalents (other than free-standing Dividend Equivalents) shall be subject to all conditions and restrictions of the underlying Awards to which they relate.

12. Change in Control

12.1. *Effect of Change in Control.* The Committee may, in an Award Agreement, provide for the effect of a Change in Control on an Award. Such provisions may include any one or more of the following: (a) the acceleration or extension of time periods for purposes of exercising, vesting in, or realizing gain from any Award, (b) the waiver or modification of performance or other conditions related to the payment or other rights under an Award; (c) provision for the cash settlement of an Award for an equivalent cash value, as determined by the Committee, or (d) such other modification or adjustment to an Award as the Committee deems appropriate to maintain and protect the rights and interests of Participants upon or following a Change in Control.

12.2. *Definition of Change in Control.* For purposes hereof, a “Change in Control” shall be deemed to have occurred if:

(a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (“Exchange Act”)), other than any company owned, directly or indirectly, by the shareholders of AEP in substantially the same proportions as their ownership of shares of Common

Stock or a trustee or other fiduciary holding securities under an employee benefit plan of AEP, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 33-1/3 percent of the then outstanding voting stock of AEP;

(b) AEP consummates a merger or consolidation with any other entity, other than a merger or consolidation which would result in the voting securities of AEP outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 66-2/3% percent of the total voting power represented by the voting securities of AEP or such surviving entity outstanding immediately after such merger or consolidation; or

(c) the shareholders of AEP approve a plan of complete liquidation of AEP, or an agreement for the sale or disposition by AEP (in one transaction or a series of transactions) of all or substantially all of AEP's assets.

13. Award Agreements

13.1. *Form of Agreement.* Each Award under this Plan shall be evidenced by an Award Agreement in a form approved by the Committee setting forth the number of shares of Common Stock, units or other rights (as applicable) subject to the Award, the exercise, base or purchase price (if any) of the Award, the time or times at which an Award will become vested, exercisable or payable, the duration of the Award and, in the case of Performance Awards, the applicable performance criteria and goals. The Award Agreement shall also set forth other material terms and conditions applicable to the Award as determined by the Committee consistent with the limitations of this Plan. Award Agreements evidencing Awards intended to qualify for exemption under Section 162(m) may be designated as such and shall contain such terms and conditions as may be necessary to meet the applicable requirements of Section 162(m). Award Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

13.2. *Contract Rights; Amendment.* Any obligation of AEP to any Participant with respect to an Award shall be based solely upon contractual obligations created by an Award Agreement. No Award shall be enforceable until the Award Agreement has been signed on behalf of AEP by its authorized representative and signed by the Participant and returned to AEP as directed by the Award Agreement or the Committee. By executing the Award Agreement, a Participant shall be deemed to have accepted and consented to the terms of this Plan and any action taken in good faith under this Plan by and within the discretion of the Committee, the Board or their delegates. Award Agreements covering outstanding Awards may be amended or modified by the Committee in any manner that may be permitted for the grant of Awards under the Plan, subject to the consent of the Participant to the extent provided in the Award Agreement. However, the offer of an Award Agreement to a particular Eligible Person shall not infer any obligation to offer any other Award Agreements at that or any other time.

14. General Provisions

14.1. *Limits on Transfer of Awards; Beneficiaries.* Except to the extent specifically provided by the terms of an Award Agreement, Awards shall be nontransferable. During the lifetime of a Participant, Awards shall be exercised only by such Participant or by his guardian or legal representative. Notwithstanding the foregoing, the Committee may provide in the terms of an Award Agreement that the Participant shall have the right to designate a beneficiary or beneficiaries who shall be entitled to any rights, payments or other benefits specified under an Award Agreement following the Participant's death.

14.2. *Deferrals of Payment.* In an Award Agreement or under a separate policy or program adopted by the Committee, a Participant may be permitted or required to defer the receipt of payment of cash or delivery of shares of Common Stock that would otherwise be due to the Participant by virtue of the exercise of a right or the satisfaction of vesting or other conditions with respect to an Award other than an Option or a Stock Appreciation Right. Any such policy or program shall establish the rules and procedures relating to such deferral, including, without limitation, the period of time in advance of payment when an election to defer may be made, the time period of the deferral and the events that would result in payment of the deferred amount, the interest or other earnings attributable to the deferral and the method of funding, if any, attributable to the deferred amount.

14.3. *Rights as Shareholder.* A Participant shall have no rights as a holder of Common Stock with respect to any unissued securities covered by an Award until the date the Participant becomes the holder of record of these securities. Except as provided in Section 3.4 hereof, no adjustment or other provision shall be made for dividends or other shareholder rights, except to the extent that the Award Agreement provides for Dividend Equivalents, dividend payments or similar economic benefits.

14.4. *Employment or Service.* Nothing in the Plan, in the grant of any Award or in any Award Agreement shall confer upon any Eligible Person the right to continue in the capacity in which he is employed by or otherwise serves AEP or any Subsidiary.

14.5. *Securities Laws.* No shares of Common Stock will be issued or transferred pursuant to an Award unless and until all then applicable requirements imposed by federal and state securities and other laws, rules and regulations and by any regulatory agencies having jurisdiction, and by any stock exchanges upon which the Common Stock may be listed, have been fully met. As a condition precedent to the issuance of shares pursuant to the grant or exercise of an Award, AEP may require the Participant to take any reasonable action to meet such requirements. The Committee may impose such conditions on any shares of Common Stock issuable under the Plan as it may deem advisable, including, without limitation, restrictions under the Securities Act of 1933, as amended, under the requirements of any stock exchange upon which such shares of the same class are then listed, and under any blue sky or other securities laws applicable to such shares.

14.6. *Taxes and Withholding.* The Participant shall be responsible for payment of any taxes or similar charges required by law with respect to each Award or an amount paid in satisfaction of an Award. AEP and its Subsidiaries, as applicable, shall comply with the terms of a deduction election made by a Participant with any payment made under the terms of an Award Agreement, but only if and to the extent applicable thereto. AEP and its Subsidiaries, as applicable, may withhold and disburse such amount or amounts it determines to be required for purposes of complying with obligations for tax withholding or such other obligations under applicable federal, state and local law. The Committee in its sole discretion may direct AEP to satisfy all or part of applicable tax withholding obligations incident to a Participant's exercise of a Stock Option or to the vesting of Stock Appreciation Rights, Restricted Stock, Performance Shares, Performance Units or Phantom Stock by AEP's withholding of a portion of the Common Stock that otherwise would have been issued to such Participant.

14.7. *Unfunded Plan.* The adoption of this Plan and any setting aside of cash amounts or shares of Common Stock by AEP with which to discharge its obligations hereunder shall not be deemed to create a trust or other funded arrangement. The benefits provided under this Plan shall be a general, unsecured obligation of AEP payable solely from the general assets of AEP, and neither a Participant nor the Participant's permitted transferees or estate shall have any interest in any assets of AEP by virtue of this Plan, except as a general unsecured creditor of AEP. Notwithstanding the foregoing, AEP shall have the right to implement or set aside funds in a grantor trust subject to the claims of AEP's creditors to discharge its obligations under the Plan.

14.8. *Other Compensation and Benefit Plans.* The adoption of the Plan shall not affect any other stock incentive or other compensation plans in effect for AEP or any Subsidiary, nor shall the Plan preclude AEP from establishing any other forms of stock incentive or other compensation for employees of AEP or any Subsidiary. The amount of any compensation deemed to be received by the Participant pursuant to an Award shall not constitute compensation with respect to which any other employee benefits of such Participant are determined, including, without limitation, benefits under any bonus, pension, profit sharing, life insurance or salary continuation plan, except as otherwise specifically provided by the terms of such plan.

14.9. *Plan Binding on Successors.* The Plan shall be binding upon AEP, its successors and assigns, and the Participant, his executor, administrator and permitted transferees and beneficiaries.

14.10. *Construction and Interpretation.* Whenever used herein, nouns in the singular shall include the plural, and the masculine pronoun shall include the feminine gender. Headings of Sections hereof are inserted for convenience and reference and constitute no part of the Plan.

14.11. *Severability.* If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

14.12. *Governing Law.* The laws of the State of Ohio shall govern the validity and construction of this Plan and of the Award Agreements, without giving effect to principles relating to conflict of laws, except to the extent that such laws may be preempted by Federal law.

14.13. *Compliance with Rule 16b-3.* It is the intent of AEP that this Plan comply in all respects with Rule 16b-3 in connection with any Award granted to a person who is subject to Section 16 of the Exchange Act. Accordingly, if any provision of this Plan or any Award Agreement does not comply with the requirements of Rule 6b-3 as then applicable to any such person, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements with respect to such person.

15. Effective Date, Termination and Amendment

15.1. *Effective Date; Shareholder Approval.* Subject to approval by the Securities and Exchange Commission, the Effective Date of the Plan shall be the date following adoption of the Plan by the Board on which the Plan is approved by the shareholders of AEP. Grants of Awards under the Plan may be made prior to the Effective Date (but after adoption of the Plan by the Board), subject to approval of the Plan by the Securities and Exchange Commission and the shareholders. At the sole discretion of the Board, in order to comply with the requirements of Section 162(m) for certain types of Awards under the Plan, the performance criteria set forth in Section 9.3 shall be reapproved by the shareholders no later than the first shareholder meeting that occurs in the fifth calendar year following the calendar year of the initial shareholder approval of such performance criteria.

15.2. *Termination.* The Plan shall remain in effect until terminated by action of the Board; provided, however, that no Award may be granted hereunder after April 26, 2020.

Notwithstanding the foregoing, no termination of the Plan shall in any manner affect any Award theretofore granted without the consent of the Participant or the permitted transferee of the Award.

15.3. *Amendment.* The Board may at any time and from time to time and in any respect, amend or modify the Plan; provided, however, that no amendment or modification of the Plan shall be effective without the consent of AEP's shareholders that would (a) increase the number of shares of Common Stock reserved for issuance or (b) allow the grant of Options at an exercise price below Fair Market Value, or allow the repricing of Options without AEP shareholder approval. In addition, the Board may seek the approval of any amendment or modification by AEP's shareholders to the extent it deems necessary or advisable in its sole discretion for purposes of compliance with Section 162(m) or Section 422 of the Code, the listing requirements of the New York Stock Exchange or for any other purpose. No amendment or modification of the Plan shall in any manner affect any Award theretofore granted without the consent of the Participant or the permitted transferee of the Award.

PERFORMANCE UNIT AWARD AGREEMENT

AEP SYSTEM LONG-TERM INCENTIVE PLAN

This Award Agreement is being furnished to you as a participant in the American Electric Power System Long-Term Incentive Plan (LTIP).

[Name] is hereby granted the number of performance units listed below effective January 1, 2013 (Effective Date):

Grant Date	Performance Period	Performance units
<Grant Date>	January 1, 2013 – December 31, 2015	**# of Units**

Overview
Performance Units[1] are a type of long-term incentive compensation. They do not convey to you any voting, dividend, or other rights associated with shares of AEP Common Stock, but they do accrue Dividend Credits that are generally equal to the value of dividends paid on shares of AEP Common Stock. The value of each performance unit that you may ultimately earn is dependent on the value of AEP Common Stock, while the number of performance units that you may ultimately earn is dependent on the Overall Performance Score, which may range from 0% to 200% and is contingent on the vesting of your performance units. The Overall Performance Score is based on the achievement of the Performance Measures established by the HR Committee of the Board for this Performance Period. These performance units generally will vest subject to your continuous AEP employment through the Vesting Date.

At the end of the Performance Period, these performance units entitle you to a cash payment, to the extent they are not voluntarily or mandatorily deferred, equal to the number of vested performance units, including dividend credits, multiplied by the Overall Performance Score and multiplied by the average closing price of AEP common stock for the last 20 trading days of the Performance Period.

Your performance unit payment will be deferred if you have made a valid deferral election or if you are subject to an unsatisfied Minimum Stock Ownership Requirement pursuant to the American Electric Power System Stock Ownership Requirement Plan (currently applicable only to salary grade 36 and higher employees). If you have an unsatisfied Minimum Stock Ownership Requirement, your vested performance units will be mandatorily deferred into AEP Career Shares to the extent needed to satisfy your largest such requirement. The remainder will be paid to you in cash (less applicable taxes).

Dividend Credits
Beginning after the later of the Effective Date or the Grant Date, dividend credits are awarded as additional performance units when a dividend is paid on AEP common stock. The number of additional performance units awarded due to dividends is calculated by multiplying the value of the dividend on a per share basis by the number of performance units credited to you as of the dividend record date and dividing this result by the closing price of AEP common stock on the dividend payment date. These additional performance units are subject to the same performance measures and vesting requirements as the original underlying performance units on which they were awarded.

[1] These performance units are currently described as "Performance Shares" under Section 9.1 of AEP's Long-Term Incentive Plan but the term "performance units" is being used because it is more consistent with current usage of these terms.

Performance Measure
The performance score for the three-year Performance Period will be determined by two equally weighted performance measures:

- The percentile of AEP's total shareholder return (TSR) for the Performance Period relative to a Comparator Group consisting of the companies included in the S&P 500 Electric Utility Index (S5ELUT) at the beginning of the Performance Period, and
- AEP's three-year cumulative earnings per share (EPS) relative to a target approved by the Human Resources Committee of AEP's Board of Directors

The score for each performance measure may range from 0% to 200%. The HR Committee has adopted procedures for determining the Comparator Group for purposes of the TSR performance measure in the event there is a merger, acquisition, disposition, liquidation or other corporate transaction that affects the Comparator Group during the Performance Period.

Overall Performance Score
The Overall Performance Score for the January 1, 2013– December 31, 2015 Performance Period is based on the equally weighted performance measures described in the preceding section - EPS and TSR (see example on p. 8). The HR Committee may, at its sole discretion, reduce the performance score for any or all performance measures and, thereby, reduce or eliminate award payouts. The HR Committee may also, at its sole discretion, reduce or eliminate award payouts for one or more individual participants.

Vesting Period
All outstanding (un-canceled) performance units held with respect to the January 1, 2013 – December 31, 2015 Performance Period will vest on December 31, 2015 (the Vesting Date), subject to your continuous AEP employment through that Vesting Date, except as described below.

Final Performance Unit Value
Upon vesting, the total number of your outstanding performance units for this performance period, including dividend credits, shall be multiplied by the Overall Performance Score to determine the number of performance units earned. Except to the extent mandatorily deferred as AEP Career Shares under the American Electric Power System Stock Ownership Requirement Plan, the value of each earned performance unit is equal to the average closing market price of one share of AEP common stock for the last 20 trading days of the Performance Period.

Payment of Earned Performance Unit Awards
<u>For those participants who are not subject to minimum stock ownership requirements or who timely satisfied all of their minimum stock ownership requirements</u>:
Upon the conclusion of the vesting period, earned performance units will be either:
1. Paid in cash to you (or to your beneficiary or estate in the event of your death); or
2. Deferred, if you make a timely deferral election pursuant to the AEP System Incentive Compensation Deferral Plan (ICDP). Eligible participants will be notified if and when they may make an "election to defer" pursuant to the ICDP.

<u>For those participants who do not timely satisfy all of their minimum stock ownership requirements</u>:
If you are subject to minimum stock ownership requirements (generally executive in salary grade 36 and higher positions) but you do not timely meet all of them in accordance with the American Electric Power System Stock Ownership Requirement Plan, your earned performance units will be deferred into phantom stock units (AEP Career Shares) to the extent required by the Stock Ownership Requirement Plan. The Stock Ownership Requirement Plan currently requires the deferral of earned performance units into AEP Career Shares to the extent required to meet each participant's largest such stock ownership requirement

as of the applicable Determination Date (currently considered to be the later of the Grant Date or six months prior to the end of the Performance Period), less any additional shares that accrue due to dividends prior to the date the performance scores are approved by the HR Committee of AEP's Board of Directors. The Stock Ownership Requirement Plan also currently requires AEP Career Shares to be held until after a participant's employment with the Company Terminates. Earned performance units mandatorily deferred into AEP Career Shares are converted to AEP Career Shares on a one for one basis. The balance of earned performance units not deferred into AEP Career Shares, if any, will be paid in cash or deferred as described in the paragraph above for participants not subject to minimum stock ownership requirements.

Earned performance units that are not deferred will be paid within 2-1/2 months following the Vesting Date unless payment at that time would violate federal securities laws or other applicable law or if payment at that time is impracticable due to circumstances prescribed under section 409A of the Internal Revenue Code. Payments are expected to be made by a cash deposit into a brokerage account set up for you at Fidelity, unless different arrangements are in effect at the time.

Termination of Employment (other than Qualifying Termination) Due to Death, Retirement or Triggering Event
If your employment Terminates for one or more of the above reasons both prior to the Vesting Date and 6 months or more after the Effective Date, then a prorated portion of your performance units will remain outstanding and the remainder of your performance units will be canceled. The prorated portion that will remain outstanding will equal the number of whole months from the Effective Date through your Termination date divided by the number of whole months from the Effective Date through the Vesting Date. The prorated portion that remains outstanding will vest as of the Vesting Date and will be subjected to the applicable Overall Performance Score. The value of such performance units will be become payable after the conclusion of the three-year performance and vesting period in accordance with the "Payment of Earned Performance Unit Awards" section above.

Termination (other than Qualifying Termination) for Reasons Other Than Death, Retirement or Triggering Event
In the event your employment is Terminated prior to the Vesting Date other than as a Qualifying Termination or for reasons other than death, Retirement or as the result of a Triggering Event, all performance units granted under this Award Agreement shall be canceled and your rights under this Award Agreement shall be forfeited.

Payment Upon Death
In the event of your death, amounts that otherwise would have become payable to you will be paid to the beneficiary or beneficiaries designated for purposes of the American Electric Power System Long-Term Incentive Plan, or, if you have no such designated beneficiaries who survive you, to your estate.

AEP Career Shares
Please refer to the terms of the AEP Stock Ownership Requirement Plan to determine how performance units that are deferred into AEP Career Shares will be administered. An overview of the AEP Minimum Stock Ownership Requirements is available for those who are subject to one or more minimum stock ownership requirements.

Definitions:
In addition to the terms defined elsewhere in this Award Agreement, the following shall be defined terms when used in this Award Agreement:

"**Cause**" means any one or more of the following grounds: (i) failure or refusal to perform your assigned duties and responsibilities in a competent or satisfactory manner as determined by your

Company employer; (ii) commission of an act of dishonesty, including, but not limited to, misappropriation of funds or any property of the Company; (iii) engagement in activities or conduct injurious to the best interest or reputation of the Company as determined by your Company employer; (iv) insubordination; (v) a violation of any of the materials terms and conditions of any written agreement or agreements you may from time to time have with the Company; (vi) violation of any of the Company's rules of conduct of behavior, such as may be provided in any employee handbook or as the Company may promulgate from time to time; (vii) commission of a crime which is a felony, a misdemeanor involving an act or moral turpitude, or a misdemeanor committed in connection with your employment with the Company which is injurious to the best interest or reputation of the Company as determined by your Company employer; or (viii) disclosure, dissemination, or misappropriation of confidential, proprietary, and/or trade secret information.

"**Company**" means American Electric Power Company, Inc. and its subsidiaries and affiliates.

"Disability" or "Disabled" means you that you have an illness or injury for which you have been determined to be entitled to benefits under the terms of the LTD Plan. You shall not be considered Disabled for purposes of this Award Agreement effective at any time you are not entitled to benefits under the LTD Plan, under such circumstances that include (but are not limited to) the termination of the LTD Plan or your not being in a classification eligible to participate in the LTD Plan.

"**Good Reason**" means

(i) an adverse change in your status, duties or responsibilities as an employee of the Company as in effect immediately prior to the Change In Control;

(ii) failure of the Company to pay or provide you in a timely fashion the salary or benefits to which you are entitled under any employment agreement between the Company and you in effect on the date of the Change In Control, or under any benefit plans or policies in which you were participating at the time of the Change In Control;

(iii) the reduction of your base salary in effect on the date of the Change In Control;

(iv) the taking of any action by the Company (including the elimination of a plan without providing substitutes therefor, the reduction of your awards thereunder or failure to continue your participation therein) that would substantially diminish the aggregate projected value of your awards or benefits under the Company's benefit plans or policies in which you were participating at the time of the Change In Control; provided, however, that the diminishment of such awards or benefits that apply to other employees of the Company holding positions in your salary grade or lower in addition to you shall be disregarded; or

(v) the relocation, without your prior approval, of the office at which you are to perform services on behalf of the Company to a location more than fifty (50) miles from its location immediately prior to the Change In Control.

Any circumstance described in this definition shall constitute Good Reason even if such circumstance would not constitute a breach by the Company of the terms of an employment agreement between the Company and you in effect on the date of the Change In Control. However, such circumstance shall not constitute Good Reason unless (1) within ninety (90) days of the initial existence of such circumstance, you shall have given the Company written notice of such circumstance, and (2) the Company shall have failed to remedy such circumstance within thirty (30) days after its receipt of such notice. Such written notice to be provided by you to the Company shall specify (A) the effective date for your proposed Termination of employment (provided that such effective date may not precede the expiration of the period for the Company's opportunity to remedy), (B) reasonable detail of the facts and circumstances claimed to provide the basis for Termination, and (3) your belief that such facts and circumstance would constitute Good Reason for purposes of this Agreement. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstances constituting Good Reason hereunder.

"LTD Plan" means the American Electric Power System Long Term Disability Plan, as amended from time to time, or any plan providing continuation of cash payments due to your illness or injury that may reasonably be expected to prevent you from performing the duties of your occupation for a period longer than at least 6 months that is designated as a successor to that plan or as a replacement for that plan with respect to you.

"**Qualifying Termination**" means, coincident with or within one (1) year after the date of a Change In Control, your Termination for any reason excluding (i) your death, (ii) your Disability, (iii) the exhaustion of your benefits under the terms of an applicable Company sick pay plan or long-term disability plan (other than by reason of the amendment or termination of such a plan), (iv) your Retirement, (v) by the Company for Cause or (vi) by you without Good Reason. If your employment is Terminated during the term of this Agreement, but prior to a Change In Control, it shall not be considered a Qualifying Termination even such Termination was (A) by the Company without Cause, or (B) by you based on events or circumstances that would constitute Good Reason if a Change in Control had occurred.

"**Retirement**" means Termination of employment with the Company other than for Cause after attaining age 55 and having completed at least five (5) years of Company service.

"**Termination**" means termination of employment with the Company for any reason; provided that determinations as to the circumstances that will be considered a Termination (including a leave of absence other than a leave of absence due to your Disability) shall be made in a manner consistent with the written policies adopted by the AEP Human Resources Committee from time to time to the extent such policies are consistent with the requirements imposed under Code 409A(a)(2)(A)(i). Your employment with the Company will not be considered Terminated so long as you remain continuously Disabled.

"Triggering Event" means the restructuring, consolidation, downsizing, closing, sale and/or divestiture of the Company or part thereof under circumstances that are not a Change in Control.

Capitalized terms that are not defined in this Award Agreement shall have the meaning set forth in the American Electric Power System Long-Term Incentive Plan, as amended from time to time.

Recoupment of Incentive Compensation

By accepting this Award, you agree to reimburse the Company for compensation awarded, earned, received or paid to you under this Award Agreement with respect to the relevant time period if the Board, in its discretion, determines that:

- This performance unit award or any compensation resulting from it was predicated upon the achievement of financial or other results that were subsequently materially restated or corrected, and
- You engaged in misconduct that caused or partially caused the need for the restatement or correction, and
- A lower payment would have been made to you based upon the restated or corrected financial results.

Therefore, if and to the extent that, in the Board's view, the above conditions have been met and such reimbursement is warranted by the facts and circumstances of the particular case or if the applicable legal requirements impose more stringent requirements on the Company to obtain reimbursement of such compensation, then you will be required to reimburse the Company for the value of such compensation paid to you. The Company may also retain any deferred compensation previously credited to you and not paid, provided that the Company will retain such deferred compensation only if, when and to the extent that it otherwise becomes payable to you.. This right to reimbursement is in addition to, and not in substitution for, any and all other rights the Company might have to pursue reimbursement or such other remedies against an employee for misconduct in the course of employment by the Company or otherwise based on applicable legal considerations, all of which are expressly retained by the Company.

Change in Control and Qualifying Termination

Notwithstanding any provision of the Plan to the contrary, if you incur a Qualifying Termination prior to the Vesting Date, (a) all of your outstanding performance units shall be deemed to have been fully earned at a 100% Overall Performance Score as of the date of your Qualifying Termination, (b) all restrictions, terms and conditions applicable to all of your performance units then outstanding shall be deemed lapsed and satisfied as of the date of your Qualifying Termination, and (c) performance units held by you will be paid in a lump sum in cash, to you, as soon as administratively feasible after the date of your Qualifying Termination, but no later than 2-1/2 months following the calendar year of your Qualifying Termination.[2] For this purpose, the value of the performance units shall be the closing market price of one share of AEP common stock for the date of your Qualifying Termination, or, if your Qualifying Termination is coincident with the date of the Change In Control, the value of your performance units shall be determined by (i) if the Change in Control is the result of a tender or exchange offer for, merger of, or sale or disposition of all or substantially all of the assets of the Company, the consideration per share of Common Stock received by the shareholders in connection with such transaction, or, if (i) is not applicable, (ii) the closing price of a share of Common Stock on the date of the Change in Control. To the extent that the consideration paid in any such transaction described in (i) above consists all or in part of securities or other non-cash consideration, the value of such securities and other non-cash consideration shall be the fair market value as determined by such reasonable methods or procedures as shall be established by the Committee.

The Company shall reimburse you for the legal fees and related expenses incurred if you are required to seek to obtain or enforce your right to a distribution in connection with a Qualifying Termination as described in this section, provided that to the extent that any such reimbursements are taxable to you, the reimbursements shall be paid to you only if the fees and expenses are incurred prior to the date that the distribution is paid to you and you submit written documentation of such fees and expenses to the Company within 6 months after such fees and expenses are incurred. The amount of the fees and expenses that are eligible for reimbursement during one calendar year shall not affect the amount of reimbursements to be provided in any subsequent calendar year. The reimbursement of an eligible expense shall be made on or before the last day of the calendar year following the calendar year in which the fee or expense was incurred. The right to reimbursement shall not be subject to liquidation or exchange for any other benefit.

In the event that it is determined that you are properly entitled to a cash distribution under this section, you shall also be entitled to interest thereon at the prime rate of interest as published in *The Wall Street Journal* plus two percent from the date such distribution should have been made to and including the date

[2] However, (i) if you are a participant in the AEP System Stock Ownership Requirement Plan, the availability of your performance units upon your Qualifying Termination also will take into account the provisions of the AEP System Stock Ownership Requirement Plan; and (ii) if you have submitted an effective election to defer payment of all or any portion of your performance units pursuant to the ICDP, the availability of your performance units following your Qualifying Termination will be determined in accordance with the provisions of the ICDP.

it is made.

The determination of whether and when a “Change in Control of the Company” occurs with regard to outstanding performance units will be made by reference to the terms of the American Electric Power System Long-Term Incentive Plan, as amended from time to time, except as otherwise specified in this Award Agreement.

This Award Agreement becomes void if you do not accept it prior to the Vesting Date.

Nicholas K. Akins
President and Chief Executive Officer

[Name]

Performance Unit Award Value Projection
For Example Purposes Only

	Grant Date	Price / Unit	Unit Credits	Unit Balance	Value
Performance Units Awarded:	2/26/2013	$46.33	100.000	100.000	$4,633.00
Dividend Credit	6/10/2013	$49.00	0.959	100.959	
Dividend Credit	9/10/2013	$49.74	0.954	101.913	
Dividend Credit	12/10/2013	$50.48	0.949	102.862	
Dividend Credit	3/10/2014	$51.24	0.944	103.806	
Dividend Credit	6/10/2014	$52.01	0.938	104.744	
Dividend Credit	9/10/2014	$52.79	0.933	105.676	
Dividend Credit	12/10/2014	$53.58	0.927	106.603	
Dividend Credit	3/10/2015	$54.38	0.921	107.525	
Dividend Credit	6/10/2015	$55.20	0.916	108.440	
Dividend Credit	9/10/2015	$56.03	0.910	109.350	
Dividend Credit	12/10/2015	$56.87	0.904	110.254	
EPS Score @100% of Target	1.000				
TSR Score @ 75th Percentile	1.500				
Award Score:	1.250				
× Unit Balance:	110.254				
Ending Unit Balance	137.817				
Value at End of Vesting Period:	12/31/2015	$57.07		137.817	$7,864.61

Note: Dividend Credits do not accrue on Award Agreements that are made pro rata (e.g., upon promotion) until after the later of the Effective Date or the Grant Date defined in the Agreement.

RESTRICTED STOCK UNIT AWARD AGREEMENT

AMENDED AND RESTATED
AMERICAN ELECTRIC POWER SYSTEM
LONG-TERM INCENTIVE PLAN

This award agreement is being furnished to you as a participant in the Amended and Restated American Electric Power System Long-Term Incentive Plan (LTIP) under which the restricted stock units described herein are awarded.

[Name] is hereby granted the number of restricted stock units listed below:

Number of Restricted Stock Units Granted:	**<<# Shares Granted>>**
Grant Date:	December 11, 2012
Effective Date:	January 1, 2013

Vesting Schedule	
Vesting Date	**Percentage of Granted Units**
May 1, 2014 (“First Vesting Date”)	33 1/3%
May 1, 2015	33 1/3%
May 1, 2016	33 1/3%

Restricted Stock Units (“RSUs”)

This award agreement entitles you to the aggregate number of RSUs specified above ("Granted RSUs") each of which, if and when it vests, will convert to a single share of AEP's Common Stock, $6.50 par value. Upon vesting, RSUs are converted to AEP Common Stock and delivered to you in accordance with the other terms and provisions of this Agreement. RSUs have no voting rights and are not entitled to receive any dividend declared on AEP Common Stock. However, RSUs are entitled to additional RSUs (“Dividend Equivalent RSUs”) of an equal value to dividends paid on AEP Common Stock, as described below.

Dividend Equivalent RSUs

Additional Dividend Equivalent RSUs with a value equal to the value of dividends paid on AEP Common Stock are credited on outstanding RSUs. The number of additional RSUs awarded due to dividends is calculated as the value of the dividend for a number of shares of AEP common stock equal to the number of outstanding RSUs divided by the closing price of AEP Common Stock on the dividend payment date.

No additional RSUs will be awarded as Dividend Equivalent RSUs after conversion of the related RSUs into Common Stock. See Conversion of Vested Stock Units and Delivery of Shares, below.

Vesting of Granted Restricted Stock Units
Your Granted RSUs shall vest, subject to your continuous AEP employment through the vesting date, in accordance with the above vesting schedule, except as otherwise provided for in this Agreement. See also the sections of this award agreement entitled Vesting of Dividend Equivalent RSUs and Accelerated Vesting of Restricted Stock Units below.

Vesting of Dividend Equivalent RSUs
Dividend Equivalent RSUs vest at the same time as the Granted RSUs to which they relate become vested. Also see the sections of this award agreement entitled Vesting of Granted Restricted Stock Units above and Accelerated Vesting of Restricted Stock Units below.

Accelerated Vesting of Restricted Stock Units
RSUs may vest earlier than the dates shown in the Vesting Schedule, above, as follows:

Prorated Vesting for Severance: As of your Severance Date, a fractional portion of your Granted RSUs (and related Dividend Equivalent RSUs) shall vest. The portion of your Granted RSUs (and related Dividend Equivalent RSUs) that vest under this provision is determined as follows:

> The number of whole months from the Effective Date through the date your employment with AEP Terminates as the direct result of the Triggering Event divided by the number of whole months from the Effective Date until the final Vesting Date specified in the Vesting Schedule, above;

Reduced by

> The cumulative Percentage of Granted Units for which the Vesting Date specified in the Vesting Schedule has passed as of the date your employment with AEP Terminates as the direct result of the Triggering Event.

For example, if you would incur a Severance Date on July 10, 2015 in connection with the Termination of your employment on June 30, 2015 as the direct result of a Triggering Event, the fractional percentage of your Granted RSUs would be determined as follows: there are 30 whole months from the Effective Date divided by 40 whole months in the vesting period (30/40 or 75%), reduced by the 66-2/3% of your Granted RSUs that had become vested through June 30, 2015, such that 8-1/3% (75% - 66-2/3%) of your Granted RSUs (along with any additional Dividend Equivalent RSUs related to that portion) would become vested as of your July 10, 2015 Severance Date.

RSUs that vest as a result of your severance shall be converted to AEP Common Stock and delivered to you as of your Severance Date in accordance with the section of this award agreement entitled Delivery of Shares of Common Stock, below.

Prorated Vesting for Officers who Terminate Due to Mandatory Retirement at Age 65: As of your Mandatory Retirement Date, a fractional portion of your Granted RSUs (and related Dividend Equivalent RSUs) shall vest. The portion of your Granted RSUs (and related Dividend Equivalent RSUs) that vest under this provision is determined as follows:

The number of whole months from the Effective Date through your Mandatory Retirement Date divided by the number of whole months from the Effective Date until the final Vesting Date specified in the Vesting Schedule, above;

Reduced by

The cumulative Percentage of Granted Units for which the Vesting Date specified in the Vesting Schedule has passed as of your Mandatory Retirement Date.

For example, if you would incur a Mandatory Retirement Date on September 15, 2014, the fractional percentage of your Granted RSUs would be determined as follows: there are 20 whole months from the Effective Date divided by 40 whole months in the vesting period (20/40 or 50%), reduced by the 33-1/3% of your Granted RSUs that had become vested through September 15, 2014, such that 16-2/3% (50% - 33-1/3%) of your Granted RSUs (along with any additional Dividend Equivalent RSUs related to that portion) would become vested as of your September 15, 2014 Mandatory Retirement Date.

RSUs that vest as a result of your Mandatory Retirement Date shall be converted to AEP Common Stock and delivered to you as of your Mandatory Retirement Date in accordance with the section of this award agreement entitled Delivery of Shares of Common Stock, below. If you hold a salary grade 44 or higher position with AEP, the Shares of Common Stock delivered to you by reason of this section shall be subject to transfer restrictions such that you will be required to retain ownership of such Shares until the second anniversary of your Mandatory Retirement Date, except that you will be permitted to cause the sale of so many of such Shares as would allow you to cover your liability for the applicable taxes directly associated with your receipt of those Shares.

Death: Upon your death prior to the Termination of your employment with AEP, the RSUs, to the extent outstanding but not vested, shall vest, be converted into AEP Common Stock and delivered to your designated beneficiaries under the LTIP (or if you have not effectively designated any beneficiary under the LTIP, to your estate) as soon as administratively practicable following your death.

Change In Control: Upon a Qualifying Termination of your employment with AEP, the RSUs, to the extent outstanding but not vested, shall vest, be converted into AEP Common Stock and delivered as of the date of the Qualifying Termination in accordance with the section of this award agreement entitled Delivery of Shares of Common Stock, below.

Other Terminations

Except as provided above under the Accelerated Vesting section with respect to a Change in Control and as provided in the following sentence involving circumstances that may give rise to a Severance Date for you, upon the Termination of your employment with AEP for any reason prior to your Mandatory Retirement Date or your death, any unvested Granted RSUs and unvested Dividend Equivalent RSUs shall be forfeited, and you shall have no rights or interests in or with respect to such unvested RSUs. If your employment with AEP is Terminated under circumstances that may give rise to a Severance Date for you, to the extent your unvested Granted RSUs and unvested Dividend Equivalent RSUs do not vest by reason of a Severance Date for you, they shall be forfeited as of the date it becomes certain that such Severance Date shall not occur.

Definitions
In addition to the terms defined elsewhere in this Agreement, the following shall be defined terms when used in this Agreement:

"AEP" means American Electric Power Company, Inc.; a New York corporation; and its subsidiaries and affiliates.

"Cause" means any one or more of the following grounds: (i) failure or refusal to perform your assigned duties and responsibilities in a competent or satisfactory manner as determined by your AEP employer; (ii) commission of an act of dishonesty, including, but not limited to, misappropriation of funds or any property of AEP; (iii) engagement in activities or conduct injurious to the best interest or reputation of AEP as determined by your AEP employer; (iv) insubordination; (v) a violation of any of the materials terms and conditions of any written agreement or agreements you may from time to time have with AEP; (vi) violation of any of AEP's rules of conduct of behavior, such as may be provided in any employee handbook or as AEP may promulgate from time to time; (vii) commission of a crime which is a felony, a misdemeanor involving an act or moral turpitude, or a misdemeanor committed in connection with your employment with AEP which is injurious to the best interest or reputation of AEP as determined by your AEP employer; or (viii) disclosure, dissemination, or misappropriation of confidential, proprietary, and/or trade secret information.

"Disability" or "Disabled" means you that you have an illness or injury for which you have been determined to be entitled to benefits under the terms of the LTD Plan. You shall not be considered Disabled for purposes of this Award Agreement effective at any time you are not entitled to benefits under the LTD Plan, under such circumstances that include (but are not limited to) the termination of the LTD Plan or your not being in a classification eligible to participate in the LTD Plan.

"Good Reason" means

(i) an adverse change in your status, duties or responsibilities as an employee of AEP as in effect immediately prior to the Change In Control;

(ii) failure of AEP to pay or provide you in a timely fashion the salary or benefits to which you are entitled under any employment agreement between AEP and you in effect on the date of the Change In Control, or under any benefit plans or policies in which you were participating at the time of the Change In Control;

(iii) the reduction of your base salary as in effect on the date of the Change In Control;

(iv) the taking of any action by AEP (including the elimination of a plan without providing substitutes therefor, the reduction of your awards thereunder or failure to continue your participation therein) that would substantially diminish the aggregate projected value of your awards or benefits under AEP's benefit plans or policies in which you were participating at the time of the Change In Control; provided, however, that the diminishment of such awards or benefits that apply to other employees of AEP holding positions in your salary grade or lower in addition to you shall be disregarded; or

(v) the relocation, without your prior approval, of the office at which you are to perform services on behalf of AEP to a location more than fifty (50) miles from its location immediately prior to the Change In Control.

Any circumstance described in this definition shall constitute Good Reason even if such circumstance would not constitute a breach by AEP of the terms of an employment agreement between AEP and you in effect on the date of the Change In Control. However, such circumstance shall not constitute Good Reason unless (1) within ninety (90) days of the initial existence of such circumstance, you shall have given AEP written notice of such circumstance, and (2) AEP shall have failed to remedy such circumstance within thirty (30) days after its receipt of such notice. Such written notice to be provided by you to AEP shall specify (A) the effective date for your proposed termination of employment (provided that such effective date may not precede the expiration of the period for AEP's opportunity to remedy), (B) reasonable detail of the facts and circumstances claimed to provide the basis for termination, and (3) your belief that such facts and circumstance would constitute Good Reason for purposes of this Agreement. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstances constituting Good Reason hereunder.

"Key Employee" means each employees who is classified as a "specified employee" at the time of Termination in accordance with policies adopted by AEP from in order to comply with the requirements of Section 409A(a)(2)(B)(i) of the Internal Revenue Code. As of the grant date of this award, such policies specify that Key Employees for the period February 1 through the next following January 31 are those employees who, as of the December 31 immediately preceding the February 1 beginning date either (a) held the office of Vice President or higher with an AEP System company; or (b) were employed by an AEP System company at exempt salary grade 34 or higher.

"LTD Plan" means the American Electric Power System Long Term Disability Plan, as amended from time to time, or any plan providing continuation of cash payments due to your illness or injury that may reasonably be expected to prevent you from performing the duties of your occupation for a period longer than at least 6 months that is designated as a successor to that plan or as a replacement for that plan with respect to you.

"Mandatory Retirement Date" means the date of your Termination, if all of the following conditions are satisfied: (i) you are an officer of AEP subject to mandatory retirement at age 65, and (ii) your employment with AEP Terminates on the date you attain age 65 or such later date specified by resolution of the Board of Directors of AEP (or such person or committee to whom the Board delegates the authority to make such determinations) adopted prior to the date you attain age 65.

“Qualifying Termination” means, coincident with or within one (1) year after the date of a Change In Control, your Termination for any reason excluding (i) your death, (ii) your Disability, (iii) the exhaustion of your benefits under the terms of an applicable AEP sick pay plan or long-term disability plan (other than by reason of the amendment or termination of such a plan), (iv) your attaining your Mandatory Retirement Date, (v) by AEP for Cause or (vi) by you without Good Reason. If your employment is Terminated during the term of this Agreement, but prior to a Change In Control, it shall not be considered a Qualifying Termination even if such Termination was (A) by AEP without Cause, or (B) by you based on events or circumstances that would constitute Good Reason if a Change in Control had occurred.

“Severance Date” means the date that all of the following conditions are satisfied at least 4 business days before March 15 of the calendar year immediately following the calendar year in which your employment with AEP Terminates: (i) your Termination is not a Qualifying Termination, (ii) your employment with AEP is Terminated prior to your Mandatory Retirement Date in a manner that is the direct result of a Triggering Event and that is either (I) an involuntary Termination by the unilateral authority of AEP without cause, and not due to your implicit or explicit request, where you are willing and able to continue performing services, or (II) a voluntary Termination by you pursuant to a window program that has been designed and implemented by AEP in a manner that is not inconsistent with the requirements imposed by regulatory or other authoritative guidance issued under Code Section 409A with respect to separation pay plans, (iii) you are presented with and then timely sign and return an effective Severance and Release of All Claims Agreement; (iv) on or before the date your Severance and Release of All Claims Agreement becomes irrevocable by you, you neither receive an offer of employment with a purchaser or successor employer nor an offer of employment with AEP that is at the same or higher base pay (determined without regard to overtime pay, bonuses, premium payments, incentive compensation or any other form of additional compensation) and that does not require relocation of your primary residence. For purposes of clause (ii), your employment will not be considered Terminated as the direct result of a Triggering Event if (A) your employment Terminates following the expiration of a specific term of employment previously identified between you and AEP, regardless of the reason for not extending or renewing your employment, or (B) you fail to continue to provide services to AEP up to and including the date established by AEP for the Termination of your employment pursuant to the Triggering Event, or (C) AEP does not present you with a Severance and Release of All Claims Agreement in connection with the Termination of your employment with AEP. AEP retains sole discretion over any determination of whether and when it will present you with a Severance and Release of All Claims Agreement and the terms of any such agreement.

“Severance and Release of All Claims Agreement” means a Severance and Release of All Claims Agreement in a form acceptable to AEP or its Subsidiary, whereby you agree to waive and release AEP, all AEP System companies and all of their respective officers, directors, employees, agents and representatives of and from any and all claims.

"Termination" means termination of employment with AEP for any reason; provided that determinations as to the circumstances that will be considered a Termination (including a leave of absence other than a leave of absence due to your Disability) shall be made in a manner consistent with the written policies adopted by the HRC from time to time to the extent such policies are consistent with the requirements imposed under Code 409A(a)(2)(A)(i). Your employment with AEP will not be considered Terminated so long as you remain continuously Disabled.

"Triggering Event" means the restructuring, consolidation, downsizing, closing, sale and/or divestiture of AEP or part thereof under circumstances that are not a Change in Control.

"Vesting Date" means each date set forth above in the Vesting Schedule.

Restricted Stock Units Are Nontransferable

No RSUs shall be sold, exchanged, pledged, transferred, assigned, or otherwise encumbered, hypothecated or disposed of by you (or any beneficiary).

Recoupment of Incentive Compensation

By accepting this Award, you agree to reimburse AEP for compensation awarded, earned, received or paid to you under this Award agreement with respect to the relevant time period if the Board, in its discretion, determines that:

- This restricted stock unit award or any compensation resulting from it was predicated upon the achievement of financial or other results that were subsequently materially restated or corrected, and
- You engaged in misconduct that caused or partially caused the need for the restatement or correction, and
- A lower payment would have been made to you based upon the restated or corrected financial results.

Therefore, if and to the extent that, in the Board's view, the above conditions have been met and such reimbursement is warranted by the facts and circumstances of the particular case or if the applicable legal requirements impose more stringent requirements on AEP to obtain reimbursement of such compensation, then you will be required to reimburse AEP for the value of such compensation paid to you. AEP also may retain any deferred compensation previously credited to you and not paid, provided that AEP will retain such deferred compensation only if, when and to the extent that it otherwise becomes payable to you. This right to reimbursement is in addition to, and not in substitution for, any and all other rights AEP might have to pursue reimbursement or such other remedies against an employee for misconduct in the course of employment by AEP or otherwise based on applicable legal considerations, all of which are expressly retained by AEP.

Conversion of Vested Stock Units and Delivery of Shares

Conversion to Common Stock: Upon vesting, each vested RSU (including each vested Granted RSU and each vested Dividend Equivalent RSU) shall be converted into a single share of AEP Common Stock for delivery in accordance with the section of this award agreement entitled Delivery of Shares of Common Stock. Fractional RSUs that constitute less than a single share may be converted to cash at AEP's option.

Delivery of Shares of Common Stock: The shares of Common Stock resulting from the conversion of your vested RSUs shall be delivered to you or to an account set up for your benefit with a broker/dealer designated by the Company (the "Broker/Dealer Account") within a reasonable time (generally 3 days) after such shares are converted as described in the section of this award agreement entitled Conversion to Common Stock, above. Such shares shall be delivered on or before March 15 of the calendar year following the calendar year during which the RSUs became vested.

AEP Common Stock and all LTIP participants remain subject to all applicable legal and regulatory restrictions such as insider trading restrictions and black-out periods and as otherwise specified by this award agreement (see, for example, the section of this award agreement entitled Prorated Vesting for Officers who Terminate Due to Mandatory Retirement at Age 65).

Tax Withholding

AEP retains discretion to withhold any and all applicable income, employment and other taxes required to be withheld in connection with these RSUs. AEP may reduce the number of vested RSUs credited to you or the number of shares of Common Stock delivered to you to satisfy such tax withholding obligation. The amount of such reduction shall be based upon the Fair Market Value of AEP Common Stock at that time; provided, however, that any reduction to your vested RSUs for applicable tax withholding shall not exceed such limits as may be applicable to comply with the requirements of Code Section 409A.

LTIP Incorporated By Reference

This Agreement is subject in all respects to the terms and provisions of the LTIP, all the terms and provisions of which are made a part of and incorporated in this Agreement (as if they were expressly set forth herein). In the event of any conflict between the terms of this Agreement and the terms of the LTIP, the terms of the LTIP shall control. Any capitalized term not defined in this Agreement shall have the same meaning as is ascribed thereto under the LTIP.

No Special Employment Rights

Nothing contained in the LTIP or this Agreement shall be construed or deemed by any person under any circumstances to bind the Company to continue your employment for the Vesting Period or for any other period.

Cancellation
The RSUs subject to this award agreement shall be canceled and be of no force or effect upon forfeiture in accordance with the terms and provisions of the relevant sections of this award agreement, including the section entitled Other Terminations, above.

Notice
Any Notice that may be required or permitted under this Agreement shall be in writing, and shall be delivered in person or via fax transmission, overnight courier service or certified mail, postage prepaid, properly addressed as follows:

Notice to AEP: If such notice is to AEP, to the attention of the Executive Compensation Department, American Electric Power, 1 Riverside Plaza, Columbus, OH 43215, or at such other address as AEP, by notice to you, may designate in writing from time to time.

Notice to You: If such notice is to you, at the address as shown on the records of AEP or at such other address as you, by notice to AEP, may designate in writing from time to time.

IN WITNESS WHEREOF, AEP has caused this Agreement to be executed by its duly authorized officer as of the Grant Date specified above. This Agreement will not become effective until you accept it. If you have not properly accepted this Agreement by the day immediately preceding the First Vesting Date, (A) any Granted RSUs (and related Dividend Equivalent RSUs) to the extent not then vested shall be forfeited and (B) you shall be deemed to have accepted this Agreement only with respect to any RSUs and Dividend Equivalent RSUs that vested before the First Vesting Date.

AMERICAN ELECTRIC POWER COMPANY, INC.

By:__________________________
Nicholas K. Akins
President and Chief Executive Officer