

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.

2014 Overview

For 2014 each Operating Company, the Executive Council, Regulated Fossil and Hydro Generation, Transmission, Nuclear Generation, River Operations, Energy Supply (non-generation), Energy Supply Generation and USTI have an annual incentive compensation plan with separate goals. The goals for Customer & Distribution Services are again be a roll-up of the Operating Company goals. 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 score¹ for all of the Business Units and Operating Companies, except both the regulated and deregulated Trading and Marketing functions, 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.

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. All incentive plan funding is contingent on achieving operating earnings of at least \$3.15 per share for 2014. Annual incentive funding for all plans is tied to AEP's Operating Earnings Per Share (75% weight), safety (10% weight) and strategic initiatives (15% weight). The aggregate score for the safety and strategic initiative measures is capped at 150% of target.

There are also two extra credit measures for 2014: the Zero Fatality Adjustment and a Culture and Employee Engagement measure. 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. In addition up to 5% of target funding may be added based on the extent to which the Company successfully engages employees in achieving sustainable cost

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

savings/revenue enhancements of \$10 - \$30 million beyond the current 2014 plan and achieves various cultural transformation milestones.

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 2014 and AEP earns at least \$3.15 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

2014 Funding Measures

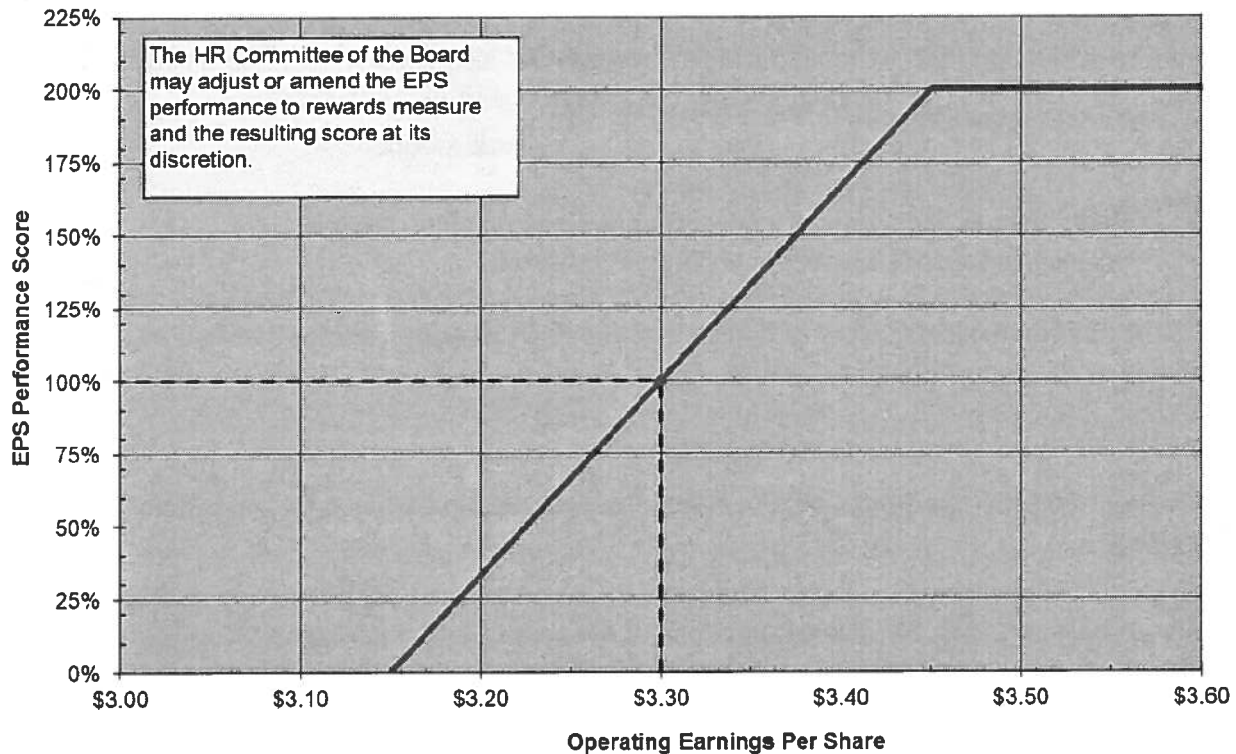
Operating Earnings Per Share – 75%

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 Operating Earnings Per Share. 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;
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- Aligns employee interests with those of regulated and other customers by strongly encouraging expense discipline.

2014 EPS Performance to Rewards Measure



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%).

Strategic Initiative: Earnings Growth Trajectory – 15% Weight

The objective of this measure is to identify and execute actions that shift \$25 to \$40 million in costs from 2015 and 2016 into 2014 in order to meet AEP's earnings growth expectations for this three year period. The threshold, target and maximum payout points are \$25.0, \$32.5 and \$40.0 million, respectively, tracked based on costs shifted from 2015 and 2016 into 2014. Aggregate savings will be embedded in 2015 and 2016 budgets

The maximum aggregate score for the Safety and Strategic Initiative goals is 150% of target.

Extra Credit Measure: Zero Fatality Adjustment (7.5% Score Addition)

The Zero Fatality Adjustment will add 7.5% to the score for all participants in the event AEP does not experience a fatal work-related employee incident in 2014.

Extra Credit Measure: Culture and Employee Engagement (Up to 5% Addition)

The linkage between a healthy organization culture and business performance is clear. Extra credit on this measure will be earned based on the extent to which sustainable cost savings/revenue enhancements of \$10 - \$30 million beyond the 2014 plan are achieved through the successful engagement of employees. This measure will be evaluated at an aggregate business unit level based on contributions from monetized Lean and other initiatives that are tracked by the OPT team.

In order to achieve the full extra credit, the Company will also need to continue its cultural transformation, in part, through achievement of milestones in four key areas:

- Executive Council members visits to employee work groups
- 360 performance feedback for all leaders
- Selection and conduction of a new employee engagement survey
- Commencement of Cultural Leadership Workshops

The 2014 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 2014 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:

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

CEO Performance Adjustment

The CEO Adjustment will be used to increase or decrease the Overall Score³ for the Plan to the extent that the CEO or Plan Compensation Committee determines that the Overall Score does not

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).

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

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
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%
* 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% of the target score. 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:

$$\begin{aligned} \text{Position 1: Earnings} * \text{Target Award \%} * \text{Overall Score (after Fatality Adj.)} &= \$ \text{Pos 1} \\ \text{Position 2: Earnings} * \text{Target Award \%} * \text{Overall Score (after Fatality Adj.)} &= \$ \text{Pos 2} \\ \text{Position 3: Earnings} * \text{Target Award \%} * \text{Overall Score (after Fatality Adj.)} &= \underline{\$ \text{Pos 3}} \\ &= \text{Total Award Opportunity} \end{aligned}$$

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:

- Earnings Per Share (un-rounded) is compared to the Operating Earnings Per Share performance measure to determine the Operating Earnings Per Share 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 and they are not rehired during the Plan Year. In the event a severed employee is rehired during the Plan Year, such Participant will be eligible for an award only to the extent of their earnings for the period after they were rehired.

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:



7/25/14

EVP or Higher Name

Date

EVP Title



**2014 Incentive Compensation Plan (ICP) Measures
for
Company-wide ICP Funding,
the Executive Council Scorecard and Staff**



2014 Performance Measures and Weights

- A balanced scorecard of earnings, safety and strategic measures

Performance Category	2014	2013	2012
<u>Funding Measures</u>			
Operating Earnings Per Shares	75%	75%	100%
Safety Matrix	10%	10%	-
Strategic Initiatives	15%	15%	-
<u>Funding Adjustments</u>			
Fatality Adjustment	+7.5%	+7.5%	+/- 10%
Culture and Engagement	+5%	+5%	-
<u>Allocation Measures</u>			
Safety & Health	-	-	25%
Operations	-	-	25%
Strategic Initiatives	-	-	50%
The funding measures above would establish the aggregate funding available for all annual incentive groups			



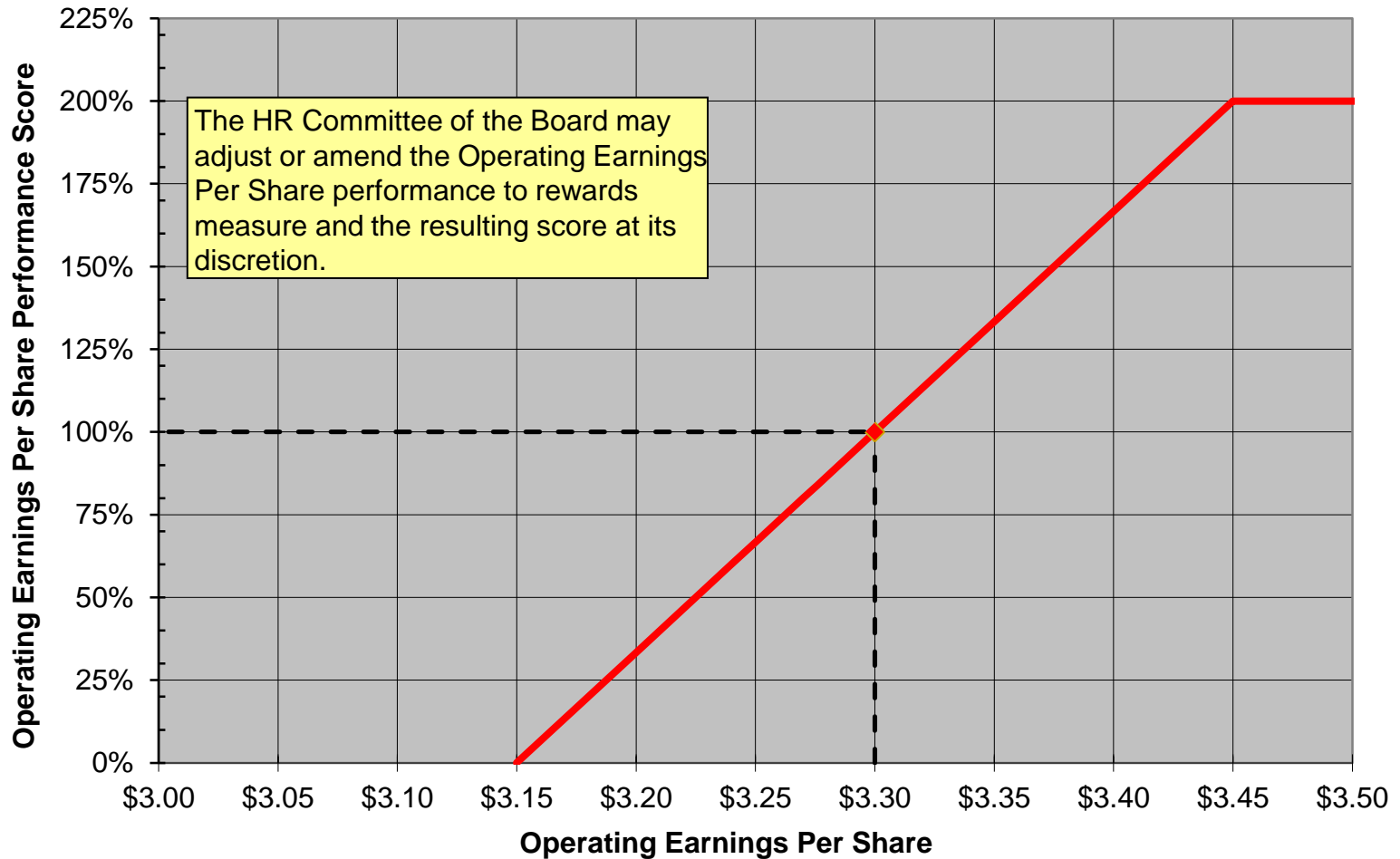
2014 Operating Earnings Per Share Measure (75% weight)

- 2014 Operating Earnings Per Share target is \$3.30, which was the midpoint of AEP's earnings guidance when this target was set at the beginning of the year
 - Based on the stellar 1Q results, management increased AEP's 2014 earnings-per-share guidance range to \$3.35 to \$3.55, up from \$3.20 to \$3.40
- This target is considered to have a 50% probability of achievement

	Operating Earnings Per Share	Award Score
Maximum Award	≥ \$3.45 (+\$0.15 or 4.6%)	200%
Target	= \$3.30	100%
Threshold	≤ \$3.15 (-\$0.15 or 4.6%)	0%

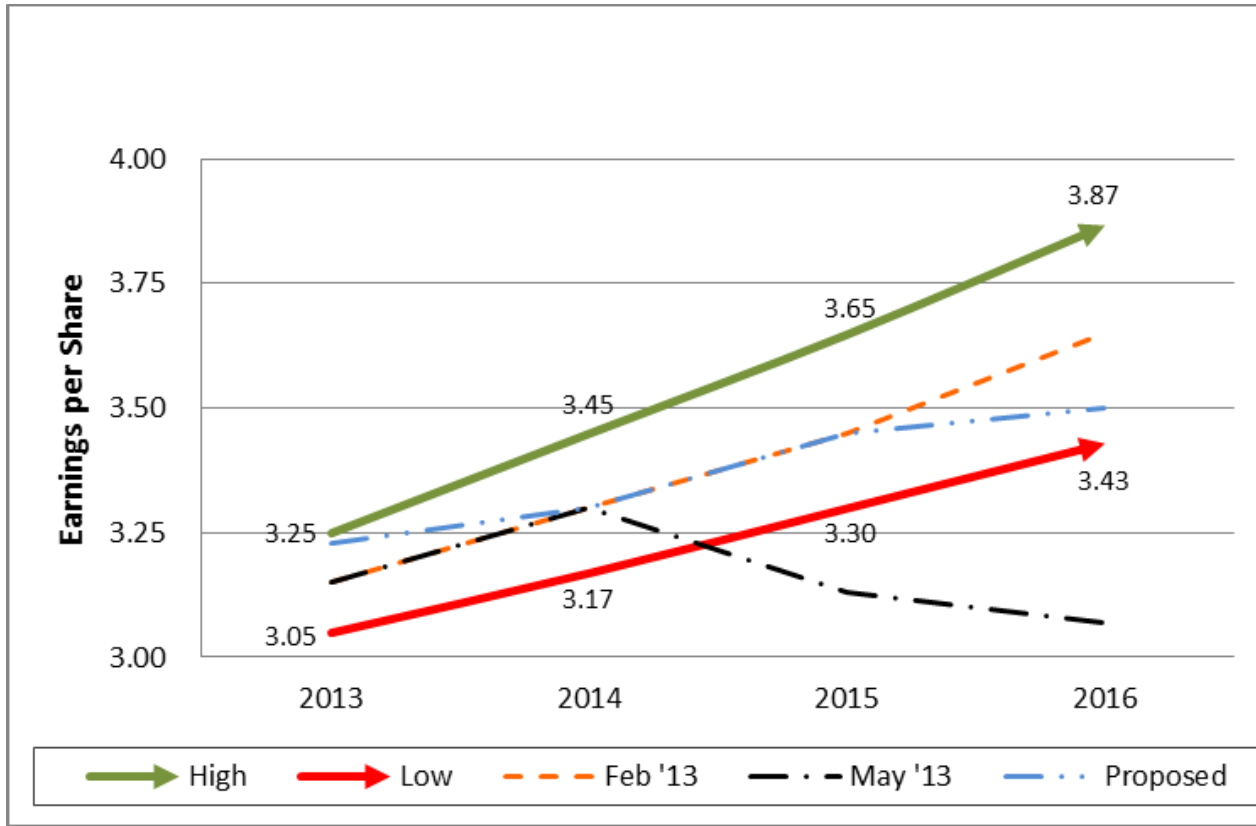


2014 Operating Earnings Per Share Measure (75% weight)





Strategic Initiatives Earnings Growth Trajectory Plan



Our base plan includes planned actions to stay in our 4-6% earnings growth target including

- Transmission capital allocation
- Cost shifting (outages, etc)
- Cost savings initiatives
- Transmission trackers
- Unsustainable cuts
- Unregulated adjustments (operating, structural)



Strategic, Operating and Safety Goals

Overall

- 150% maximum aggregate score for all Strategic, Operating and Safety Goals
- No payout if EPS is less than threshold (\$3.15 for 2014)

Safety Matrix – 10% Weight

- Maintaining AEP's safety culture remains a primary priority
- This measure will have severity rate (50%), incident rate (40%) and contractor incident rate (10%) components

Strategic Initiative: Earnings Growth Trajectory – 15% Weight

- Identify and execute actions that shift \$25-\$40 million in costs from 2015 and 2016 into 2014 in order to meet earnings growth expectations for this three year period
 - Cost shifting decisions will be made with an eye towards the 2014 earnings target
 - Actions tracked based on costs shifted from 2015 and 2016 into 2014
 - Aggregate savings will be embedded in 2015 and 2016 budgets



Extra Credit Measures

Zero Fatality Adjustment (Potential 7.5% Addition to Overall Score)

- 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

Culture and Employee Engagement (Up to 5% Addition to Overall Score)

- The linkage between a healthy organization culture and business performance is clear
- Engage employees in achieving sustainable cost savings/revenue enhancements of \$10 - \$30 million beyond the current 2014 plan
 - Evaluated at an aggregate business unit level based on monetized Lean and other initiatives (tracked by the OPT team)
- **AEP will continue its cultural transformation to meet the following milestones:**
 - 6 employee visits by each Executive Council member during 2014
 - 360 performance feedback for all leaders
 - Select new engagement survey and survey employees by year end
 - Commence Cultural Leadership Workshop for all employees

American Electric Power Annual Incentive Compensation Plan Generation

Introduction

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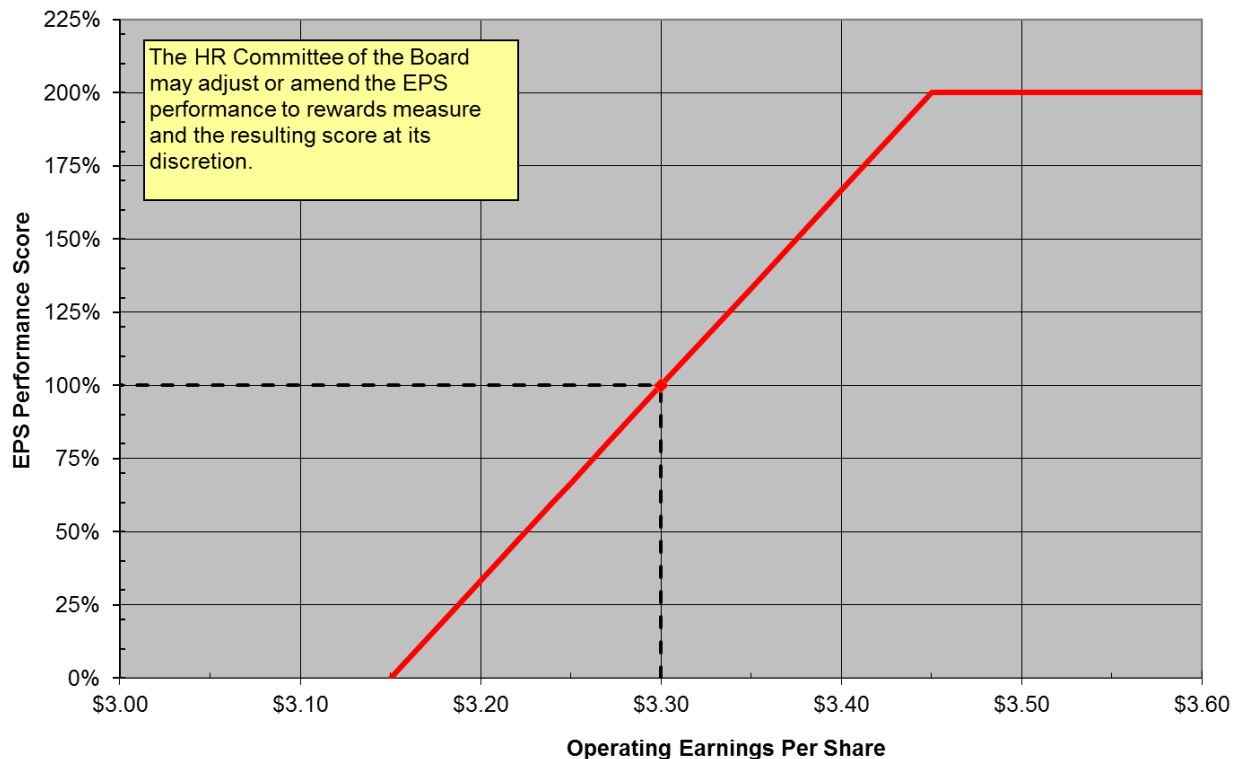
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² AOPS is the average of the Composite Scores for all incentive groups weighted by the aggregate target incentive award for all participants in each incentive group (see attached scorecard for an example).

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

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
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.:

<u>Description</u>	<u>Target %</u> *
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%
* 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% of the target score. 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:

$$\begin{aligned} \text{Position 1: Earnings} * \text{Target Award \%} * \text{Overall Score (after Fatality Adj.)} &= \$ \text{Pos 1} \\ \text{Position 2: Earnings} * \text{Target Award \%} * \text{Overall Score (after Fatality Adj.)} &= \$ \text{Pos 2} \\ \text{Position 3: Earnings} * \text{Target Award \%} * \text{Overall Score (after Fatality Adj.)} &= \$ \text{Pos 3} \\ &= \text{Total Award Opportunity} \end{aligned}$$

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:

- Earnings Per Share (un-rounded) is compared to the Operating Earnings Per Share performance measure to determine the Operating Earnings Per Share 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 and they are not rehired during the Plan Year. In the event a severed employee is rehired during the Plan Year, such Participant will be eligible for an award only to the extent of their earnings for the period after they were rehired.

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



2014 Generation ICP Master Scorecard - Shared / Regulated

	STRATEGIC GOALS	ICP METRIC	WEIGHT	UNITS	2014 TARGETS			TARGET EXPLANATIONS
					0.00	1.00	2.00	
CULTURAL TRANSFORMATION	Embrace a Safety Culture with Commitment to Zero Harm	Generation Employee Severity*	10%	Rate	19.07	14.76	0.00	0.00 and 1.00 scores are 5% reduction of 2013 targets consistent with Corporate Safety and Health Guidance and EEI Top Quartile Performance. 2.00 score reflects the "BEST"
		Generation Employee Recordable*	10%	Rate	1.02	0.71	0.00	
		Generation Contractor Recordable*	5%	Rate	1.14	0.80	0.00	
FINANCIAL PERFORMANCE	Improve Revenue through Innovation and Flexibility	Commercial Value	10%	\$M	\$394.65	\$526.200	\$889.82	Excludes Cook. Incorporates unit operation and market conditions in RTO of plant operation. See metric definition for more detail. NEW METRIC for 2014
		Cost Recovery	5%	%	99.50%	99.75%	100.0%	2013 Targets=99%,99.5%,100%. All dollars sought for recovery in Fuel Adjustment Clause (FAC) incl. in metric. 5-year avg. 99.98% MODIFIED for 2014
		Off System Sales Net Margin	25%	\$M	\$123.200	\$148.200	\$173.200	2013 Targets=\$214M,\$265M,\$316M
SUSTAINABLE VALUE	Maintain our Commitment to Communities and Environmental Stewardship	Environmental Index*	10%	Events	15	7	0	2013 Targets=20,10,0. 2 events in Generation (+1 Comm Ops) through Oct. 2013
	Prepare Generation Employees and Assets to Respond to Change	Project Schedule Adherence	10%	Count	>2	2	0	2013 Targets = 90%,95%,100% of 60 milestones. 71 milestones identified for 2014. 5-year avg. 98.74%.

Grouped Strategic Objective Goals	Improve Performance by Identifying and Eliminating Waste (FP)	Execute Lean Transformation Plan	15%	Generation Mgt Team Evaluations	Execute the Lean Transformation Plan for 2014 by meeting both the Implementation Schedule and Savings Targets. NEW for 2014
	Develop a Commercial Mindset where Employees act like Owners & Prepare Generation Employees and Assets to Respond to Change (SV)	Adapt to and Achieve O&M and Capital Initiatives			Adapt & Achieve by: 1) Optimizing Outage Schedules & NOMI Spend to align with corporate initiatives, 2) Optimizing Capital Spend & Redeployment Opportunities to align with corporate initiatives, 3) Implementing recommendations from Capital Excellence Initiative. NEW for 2014
	Identify and Manage Risk & Maintain our Commitment to Communities and Environmental Stewardship (SV)	Manage Disposition Unit Retirements			Manage Disposition Unit Retirements by determining scope, schedule, costs, and communication plan for decommissioning activities. NEW for 2014
	Identify and Manage Risk & Prepare Generation Employees and Assets to Respond to Change & Improve Performance by Identifying and Eliminating waste (FP & SV)	Generations Integrated Operating System (GIOS)			Complete & publish the Generation Integrated Operating System (IOS) standard documents along with implementation schedule and communication plan, and analyze the existing management of change standards (MESH, HPI, etc) and recommend one standard for Generation. NEW for 2014
	Improve Revenue through Innovation and Flexibility & Identify and Manage Risk (FP & SV)	Manage and Optimize Inventories			Coal Inventory: Optimize coal pile inventories of the Regulated plants in accordance with FSTG recommendations to minimize supply shortfalls and carrying costs Material and Supplies: Reduce the number of non-catalog identification items purchased. NEW for 2014
	Employees are Motivated and Actively Engaged & Prepare Generation Employees and Assets to Respond to Change (CT & SV)	Generation Continuous Improvement			Complete Generation Continuous Improvement (GCI) initiative to achieve "Best Level" performance. NEW for 2014

Discretionary Adjustments	Employees are Motivated and Actively Engaged (CT)	These goals are part of the Strategic Goals identified above and necessary for us to be successful. While no specific ICP Metric will be assigned to these goals, each Business Unit will establish initiatives to address Culture and Risk Management. Generation Leadership team will subjectively assess each Business Unit's Initiatives. Group or team performance may be reflected through discretionary adjustments in the allocation of funding from the annual Generation incentive pool.*
	Understand, Promote and Own Generation's Performance System (CT)	
	Leaders Embrace Key Traits as Defined in Links for Success (CT)	
	Identify and Manage Risk (SV)	

* Denotes metrics that are shared between Regulated and Unregulated. Refer to the metric definition for further details.

OSHA Severity Rate - Employees

Target: 2.00 – 0.00 1.00 – 14.76 0.00 – 19.07	
<i>Strategic Plan Goal: Cultural Transformation</i>	
<i>Metric Applies to: Shared, Regulated and Unregulated</i>	
<p>Measure Description: This measure will track the rate of restricted days and/or lost work days due to injuries and/or illnesses for employees (does not include Hearing Loss Cases).</p> <p>Note: The 0.00 and 1.00 scores are 5% reduction of 2013 targets consistent with Corporate Safety and Health Guidance and EEI Top Quartile Performance. The 2.00 score reflects the "BEST".</p> <p>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.</p>	
Reporting Frequency: Monthly	Unit type: YTD Rate
<p>Formula: Severity Rate = (Lost work days + Restricted duty days) x 200,000 / Hours Worked</p> <p>Hours Worked = Hours worked by all applicable personnel in period.</p> <p>Source: OSHA 29 CFR 1926 Construction Industry Regulations, Addendum Forms 300A and 301.</p>	
Data Source: Susan Forsythe & SHEMS	Data Collector: Anthony Gerstenberger

Rev1 – Changed Data Collector from Kristian Rose-Anderson to Anthony Gerstenberger

OSHA Recordable Rate - Employees

<p>Targets: 2.00 – 0.00 1.00 – 0.71 0.00 – 1.02</p>	
<p><i>Strategic Plan Goal:</i> Cultural Transformation</p>	
<p><i>Metric Applies to:</i> Shared, Regulated and Unregulated</p>	
<p>Measure Description: This measure will track the rate of injuries and/or illnesses for employees (does not include Hearing Loss Cases).</p> <p>Note: The 0.00 and 1.00 scores are 5% reduction of 2013 targets consistent with Corporate Safety and Health Guidance and EEI Top Quartile Performance. The 2.00 score reflects the "BEST".</p>	
<p>Reporting Frequency: Monthly</p>	<p>Unit Type: YTD Rate</p>
<p>Formula: Recordable Rate = Recordable Incidents x 200,000 / Hours Worked</p> <p>Hours Worked = Hours worked by all applicable personnel in period.</p> <p>Source: OSHA 29 CFR 1926 Construction Industry Regulations, Addendum Forms 300A and 301.</p>	
<p>Data Source: Susan Forsythe & SHEMS</p>	<p>Data Collector: Anthony Gerstenberger</p>

Rev1 – Changed Data Collector from Kristian Rose-Anderson to Anthony Gerstenberger

OSHA Recordable Rate - Contractors

<p>Targets: 2.00 – 0.00 1.00 – 0.80 0.00 – 1.14</p>	
<p><i>Strategic Plan Goal:</i> Cultural Transformation</p>	
<p><i>Metric Applies to:</i> Shared, Regulated and Unregulated</p>	
<p>Measure Description: This measure will track the rate of injuries and/or illnesses for contract workers (does not include Hearing Loss Cases).</p> <p>Note: The 0.00 and 1.00 scores are 5% reduction of 2013 targets consistent with Corporate Safety and Health Guidance and EEI Top Quartile Performance. The 2.00 score reflects the "BEST".</p> <p>For Generating Assets 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.</p> <p>For Project Controls and Construction (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.</p> <p>For Engineering Services (ES) this will track the recordable events and hours for all contract labor utilized in the ES organization</p> <p>For Fleet Operations this will track the recordable events and hours for seven major contracting companies. These companies perform pre-stripping, mining, reclamation, transportation and labor services on a regular, on-going basis.</p>	
<p>Reporting Frequency: Monthly</p>	<p>Unit Type: YTD Rate</p>
<p>Formula: Recordable Rate = Recordable Incidents x 200,000 / Hours Worked</p> <p>Hours Worked = Hours worked by all applicable personnel in period.</p> <p>Source: OSHA 29 CFR 1926 Construction Industry Regulations, Addendum Forms 300A and 301.</p>	
<p>Data Sources: Dave Grubb & Susan Forsythe</p>	<p>Data Collector: Anthony Gerstenberger</p>

Rev1 – Changed Data Collector from Kristian Rose-Anderson to Anthony Gerstenberger

Commercial Value

Targets:
2.00 – \$889.82M
1.00 – \$526.20M
0.00 – \$394.65M

Strategic Plan Goal: **Financial Performance**

Metric Applies to: **Shared and Regulated**

Measure Description: Commercial Value (CV) represents the value of a generator in the RTO that it operates – PJM, SPP or ERCOT (excluding Cook).

- Commercial Value (CV) = Net Gen x (LMP – TFRC) + make whole payments received when the unit is requested to run uneconomically.
 - LMP = Locational Marginal Pricing
 - TFRC = Total Fuel Related Costs
 - Delivered Fuel, Fuel Handling, Chemicals(Lime, Trona, Urea, etc), Emissions Cost(SO2, NOx, etc)
 - Excludes Variable O&M
 - LMP and TFCR based on \$/MWh
- 2014 Budget = Based on Forecasting Assumptions – Total (\$\$\$ Million)

Units Included in Metric

				KPCO
				BS1-2
				ML1-2
				RP1-2

- Commercial Value (CV), 2014 Budget may be adjusted to account for planned outage shifts into 2014 that are at the direction of and approved by executive management.

Reporting Frequency: Monthly

Unit Type: \$ YTD

Formula: Commercial Value (CV) = Net Gen x (LMP – TFRC) + make whole payments received when the unit is requested to run uneconomically

Data Source: Ryan Kirk

Data Collector: Anthony Gerstenberger

Rev1 – Data Source changed from Mike Isenberg to Ryan Kirk, Data Collector changed from Kristian Rose-Anderson to Anthony Gerstenberger

Cost Recovery

Targets:

2.00 – 100% Cost Recovery

1.00 – 99.75% Cost Recovery

0.00 – 99.50% or less Cost Recovery

Strategic Plan Goal: **Financial Performance**

Metric Applies to: **Shared and Regulated**

Measure Description: The Cost Recovery metric will measure the total actual fuel related costs (as defined below) 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 such 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, and fuel oil supply and lignite mining costs incurred to support the AEP Operating Companies' fossil fuel generation requirements. Long-Term purchased power (LTPP), transportation and related services costs, such as direct freight charges, affiliate barge transportation costs, the cost of reagents, coal terminal/transloading costs, railcar maintenance costs, and fuel handling are also subject to the Fuel Cost Recovery metric; to the extent these items are included in the FAC in the various jurisdictions.

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, Commercial Operations to the Manager of Planning & Performance for final review and approval by the Generation EVP.

Reporting Frequency: Monthly

Unit Type: % of \$ YTD

Formula: Approved Fuel and LTPP \$ (as defined above) YTD/Actual Fuel and LTPP \$ (as defined above) Requested for Recovery = % Cost Recovered. In the event there are multiple Cost Recovery Orders from the various state and federal agencies having jurisdiction over the AEP Operating Companies, the metric will aggregate the jurisdictional costs for all cases in which a Final Order is received during the current year.

Data Source: Jim Sorrels/Tony Bender

Data Collector: Anthony Gerstenberger

Rev1 – Changed Data Collector from Kristian Rose-Anderson to Anthony Gerstenberger

Off-System Sales Net Margin

<p>Targets: 2.00 - \$173.2M 1.00 - \$148.2M 0.00 - \$123.2M</p>	
<p><i>Strategic Plan Goal: Optimize Performance</i></p>	
<p><i>Metric Applies to: Shared and Regulated</i></p>	
<p>Measure Description: Off System Sales (OSS) Net Margin is defined as the Cumulative Net Margin minus Dedicated Turk Margins (budget and actuals) as reported by the Reporting and Analysis group within Commercial Operations.</p> <p>Should Commercial Operations make any changes to this metric, Generation will be required to review the changes and appropriately adapt.</p>	
<p>Reporting Frequency: Monthly</p>	<p>Unit type: \$</p>
<p>Formula: OSS Net Margin as defined by Commercial Operations.</p>	
<p>Data Source: Tony Bender</p>	<p>Data Collector: Anthony Gerstenberger</p>

Rev1 – Changed Data Collector from Kristian Rose-Anderson to Anthony Gerstenberger

Environmental Index Metric

Targets:

2.00 = 0 Events

1.00 = 7 Events

0.00 = 15 Events

Strategic Plan Goal: Sustainable Value

Metric Applies to: Shared, Regulated and Unregulated

Measure Description:

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 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 (NDPES) measure is the number of controllable operating water permits exceptions as determined by Environmental Services.

The Notices of Violation is the number of environmental and/or NERC violations received by Generation and Commercial Operations (both Regulated and Unregulated). Environmental and NERC NOV's 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. 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.

NOV's that will be excluded: minor environmental impact resulting in fines of less than \$1,000; NOV enforcement actions that result from activities outside of the Generation organization (such as Environmental Services filing permits late); and NERC violations that have a minor regulatory impact.

Reporting Frequency: Monthly

Unit type: Count

Opacity Formula:

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

Where, Total Exceedance Time = Hours or Minutes with Opacity Greater than the Allowed Limit.

Total Calendar Time = Hours or Minutes within each reporting period.

This metric will include the total count of Opacity, Spills, NPDES and NOV events as described above.

Data Sources: John McManus, Nick Bostick, John Mazzone, Alan Wood

Data Collector: Anthony Gerstenberger

Project Schedule Adherence

Target 2.00 – 0 missed milestones 1.00 – 2 missed milestones 0.00 – >2 missed milestones	
<i>Strategic Plan Goal: Sustainable Value</i>	
<i>Metric Applies to: Shared and Regulated</i>	
<p>Measure Description: The Major Project Schedule Adherence metric will measure the number of milestones completed versus a defined milestone schedule. The hard-copy signed list of projects to be included in this measure is kept with the 2014 ICP documentation in the Business Planning group.</p> <p>The milestone list includes selected projects for Regulated and GenCo. Facilities (Engineering, Environmental, and Major Plant projects managed by Projects, Controls, & Construction and Engineering Services).</p> <p>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.</p> <p>There are a total of 71 milestones: 62 Environmental & Other Major Capital and 9 Engineering Services.</p> <p>* Variance and waiver requests, for events outside of the organizations' control, may be submitted to the Executive Vice President - Generation for review and approval.</p>	
Reporting Frequency: Monthly	Unit Type: Count
Formula: # of Key Project Milestones missed according to schedule	
Data Source: Charles Blankenbiller	Data Collector: Anthony Gerstenberger

Rev1 – Changed Data Collector from Kristian Rose-Anderson to Anthony Gerstenberger

Execute Lean Transformation

Targets: Generation Mgt Team Evaluations
Plant O&M - \$19.8M
Revenue - \$20M
Fuel - \$6.8M

Strategic Plan Goal: Financial Performance

Metric Applies to: Shared and Regulated

Measure Description: Improve performance by identifying and eliminating waste through the execution of the Lean Transformation Plan for 2014 by meeting both the Implementation Schedule and the Savings Targets.

2014 Lean Transformation Plan Schedule (as of Feb 10, 2014):

	Transformation Schedule	Start	Finish	# wks
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
5	Mitchell	11/4/2013	2/13/2014	15
6	Rockport	1/13/2014	4/3/2014	12
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Data Source: Brian Scragg & Kevin Ricci

Data Collector: Anthony Gerstenberger

Rev1 – Changed Data Collector from Kristian Rose-Anderson to Anthony Gerstenberger

Fuel Inventory

Targets: Maintain FSTG Recommended Target Inventories

Strategic Plan Goal: Grouped Strategic Objective Goals - Improve Revenue through Innovation and Flexibility & Identify and Manage Risk

Metric Applies to: Shared and Regulated

Measure Description: The Fuel Inventory metric will track how coal piles are managed and how capital dollars are used in order to obtain recovery of the inventory capital carrying costs in most jurisdictions. Targets/historical inventory levels are used in rate filings. Forecasts of inventory levels are used by the Cash Management departments.

Managing coal inventory through:

- Identifying and communicating the maximum safe limit of the coal pile
- Managing the coal pile footprint (especially for the disposition units – reduce as the target is lowered so there is less area to groom)
- Unloading equipment condition and maintenance scheduling
- Reduce “double handling” (pushing/pulling coal to/from the pile(s))/other handling best practices
- Ensure accurate coal pile survey adjustments are communicated to Accounting/Procurement (especially when identifying any unusable coal – accurate financials and operations)

Targets are based on the following criteria:

- Coal supply (market) risk – this includes number of suppliers and ability to mine the specific coal quality needed
- Transportation risk (rail, barge, truck, belt, trans-loading, lock condition)
- Unloading equipment condition
- Obligation to offer the units into the PJM/SPP/ERCOT markets

Regulated - East	
	Target Days*
Mitchell LS	30
Mitchell HS	15
Regulated Disposition Units - East & West**	
	Target Days*
Big Sandy	30
* Target days as of 1/9/14 and subject to change by the FSTG	
** Disposition unit targets subject to modification; refer to FSTG disposition plan for further details regarding targets.	

Reporting Frequency: Monthly

Unit Type: TBD

Formula: The scoring of this metric as a part of the *Grouped Strategic Objective Goals* (15% of ICP) will be subjectively assessed by the Generation Leadership Team.

Fuel inventories will be reported for ICP purposes with explanations of significant variations from FSTG targets at individual piles. Certain market drivers or extraordinary circumstances may impact managing to the targets identified and will be considered on a case-by-case basis.

Data Source: Chuck West / John Mazzone

Data Collector: Anthony Gerstenberger

Material and Supply

Targets: % Improvement

Strategic Plan Goal: Grouped Strategic Objective Goals - Improve Revenue through Innovation and Flexibility & Identify and Manage Risk

Metric Applies to: Shared and Regulated

Measure Description: Material and Supply (M&S) metric has been established as a recommended way to manage and optimize inventories.

Savings in plant equipment can be driven by:

- Using blanket purchase orders.
- Increasing catalog use.
- Reducing the number of descriptive identification or non-catalog (Non-CatID) items purchased.

Recommended Material and Supply Purchase Checklist:

- Order materials and supplies based on realistic lead times and need dates.
- Use the manufacture part number, description and unit(s) of measurement.
- Use the universal line comments information to assist the store room in tracking capability.
- Attach quote(s) and Certificate of Award (CoA) to the notes section.
- Search for CatID.

CATALOG ID UTILIZATION ON REQUISITIONS



Reporting Frequency: Monthly

Unit Type: %

Formula: The scoring of this metric as a part of the *Grouped Strategic Objective Goals* (15% of ICP) will be subjectively assessed by the Generation Leadership Team.

Tracked monthly, this metric will be measured based on the percent improvement of CID utilization for the entire fleet compared to 2013 weighted average CID utilization.

Data Source: Manuel Alvarez / Business Objects

Data Collector: Anthony Gerstenberger

Strategic Plan Goals

<i>Discretionary ICP Adjustments</i>	
<i>Strategic Plan Goal: Cultural Transformation & Sustainable Value</i>	
<i>Metric Applies to: Shared, Regulated and Unregulated</i>	
<p><i>Measure Description:</i> The goals below are part of the overall Strategic Plan Goals and necessary for us to be successful. While no specific ICP Metric will be assigned to these goals, each Business Unit will establish initiatives to address Culture and Risk Management. Generation Leadership Team will subjectively assess each Business Unit's Initiatives. Group or team performance may be reflected through discretionary adjustments in the allocation of funding from the annual Generation incentive pool.</p> <p>Key Strategic Initiatives include:</p> <p>Cultural Transformation</p> <ul style="list-style-type: none"> • Employees are Motivated and Actively Engaged • Understand, Promote and Own Generation's Performance System • Leaders Embrace Key Traits as Defined in Links for Success <p>Sustainable Value</p> <ul style="list-style-type: none"> • Identify and Manage Risk 	
<i>Data Source:</i> 2014 Generation Business Unit Plans & Generation Leadership Team	<i>Data Collector:</i> Anthony Gerstenberger

Rev1 – Changed Data Collector from Kristian Rose-Anderson to Anthony Gerstenberger

2014 Incentive Compensation Plan

AEP Transmission

Lisa M Barton, EVP



2014 Transmission Incentive Compensation Plan

INTRODUCTION

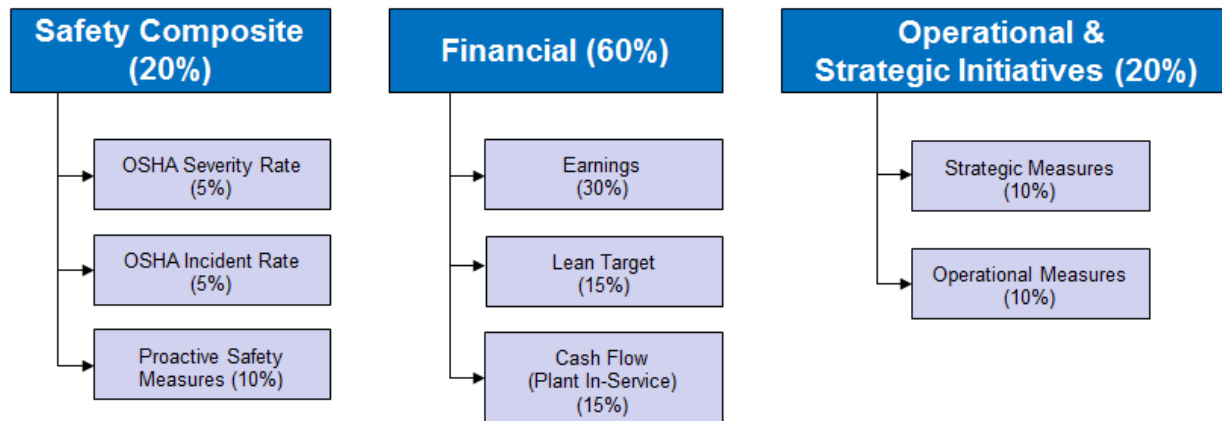
The purpose of Transmission's Incentive Compensation Plan (the Plan) is to:

- 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 earnings per share (EPS) targets.

KEY POINTS

- AEP Leadership may adjust the weighting of the categories throughout the year to insure incentives are properly aligned with the current business climate and continue to support the Company's overall business strategy.
- Measureable goals are to be self-reported throughout the year and will be randomly audited for accuracy and completeness.
- The Plan committee has the ability to adjust a business unit's ICP score to more accurately reflect performance in areas which are difficult to quantify.

Transmission Goals



Transmission Business ICP Metric Compilation and Reporting

ICP performance metrics will be gathered, analyzed and archived by the Transmission Business Operations Programs group (TBOP).

Each contributing reporting group is responsible for the timely and accurate reporting of its metrics. Monthly reports are aggregated and distributed by TBOP. The submission of the information by each group to TBOP is an acknowledgment of the accuracy and completeness of the information.

Monthly reports should be delivered to TBOP by the 5th business day of each month.

SAFETY EXCELLENCE - 20% of Total ICP Score

ICP Category		Objective	
Safety Composite		1) Promote continuous improvement in achieving safety excellence with standard industry safety measures; and 2) Perform quality proactive safety practices and facilitate continuous improvement with overall transmission safety performance	
		Description	Weight
Standard Industry Safety Metrics:	OSHA Severity Rate	Standard industry safety metric.	5%
	OSHA Incident Rate	Standard industry safety metric.	5%
Proactive Safety Measures:	Quarterly Switching & Tagging Field Audits	Station Manager Observe Work And Conduct Safety Audit While Switching And Tagging is being Performed.	10%
	Field Observation by Supervision	Field visit by location supervision to observe field work being performed. Field visits are conducted by supervisor, manager and director level employees.	
	Event Analysis Completion	Timely analysis and reporting of safety events after they occur (near miss, injury, vehicle accident).	
	TFS Quarterly Safety Emphasis	Present a quarterly assessment of local performance with site specific recommendations based on event clusters or issues.	
	TEPS Semi Annual Safety Review	Managing Directors will present a semi-annual review of root cause analysis and related mitigation efforts.	
Total Safety			20%

OSHA Average Severity Rate

Incorporates the number of restricted duty and lost time days compared to 100 employees *working for one year or more*. This measure is calculated as follows: $((\text{lost work days} + \text{restricted duty days}) * 200,000) / (\text{hours worked})$ for 2014. Preliminary metrics for 2014:

METRIC	0.0	1.0	2.0
OSHA Average Severity Rate	26.66	23.59	20.51

OSHA Recordable Incident Rate

The number of incidents requiring medical treatment beyond first aid compared to 100 employees *working for one year*. This measure is calculated as follows: $(\text{recordable incidents} * 200,000) / (\text{hours worked})$ for 2014. Preliminary metrics for 2014:

METRIC	0.0	1.0	2.0
OSHA Recordable Incident Rate	1.09	0.97	0.84

Proactive Safety Measures

This score is based on a composite of 5 measures which include the following:

- **Quarterly Switching and Tagging Field Audits**

These are to be recorded by the **Station Manager** in the field while *switching* is actually being performed. A minimum of 1 audit **per quarter** must be completed to achieve level-1 performance. Level-2 performance is awarded if Level 1 is

A Quality Assurance component is added in 2014 to all proactive safety metrics to ensure the information received is valid and actionable.

achieved and 2 additional audits have been performed during the year. Each observation is sent to the S&H group, in a timely manner (EOM) for compilation of findings, remarks, and recommendations. These are then contrasted against errors reported in the switching/operations error database for Transmission.

Switching & Tagging Field Audits	0.0	1.0	2.0
Station Manager	0	1/qtr	Level 1 performance plus 2 additional audits

- Field Observation/Visits**

TFS - This is a field visit conducted by AEP staff engaged in supervisory roles. The intent is to have various levels of supervision visit job sites at the time work is being performed throughout the calendar year. Twenty four per year by location supervision are required to achieve level-1 and 36 observations per year for level-2 credit. Directors are required to perform 12 observations per year to achieve level 1 performance and Directors may achieve level 2 performance score if 18 observations are executed during the calendar year.

Field Observation	0.0	1.0	2.0
Directors	<6/year	12/year	18/year
Location Supervisors	<12/year	24/year	36/year

TEPS - This is a field visit conducted by AEP staff holding location supervision roles. The intent is to have various levels of supervision visit job sites at the time work is being performed. The observations will be documented and stored at a central location and reported monthly. Location supervision (Superintendents, Construction Management Managers) will be expected to complete 12 observations per year to achieve level one performance. Level 2 is awarded when 24 field visits have been completed during the year. Project Managers, Managers (including engineering), Directors, and Managing Director are required to perform 1 observation per quarter to achieve the Level-1 performance recognition. Level 2 is achieved if 2 observations are made per quarter.

Field Visits	0.0	1.0	2.0
Project Managers through Managing Director	0	1/qtr.	2/qtr.
Location Supervisors	0	12/year	24/year

TCR - This is a field visit conducted by all AEP TCRs. Field audits will be done at the job sites to observe work that is being performed by contractors. The observations will be documented and stored centrally within 3 business days of the field audit and reported monthly. At least 46 observations per year by TCR (level 1 performance). Level 2 performance is the completion of 69 observations during the year.

Field Visits	0.0	1.0	2.0
TCR	<23/year	46/year	69/year

- Timely Completion of Event Analysis**

AEP Transmission will adhere to all industry guidelines in the reporting, recording and analysis of events involving injury, near misses etc. in a timely manner.

Timely Submittal defined: (1) Issue a preliminary report within 8 hours from analysis start time. (2) The analysis will be completed with 48 hours from the date of the event. (3) Inform appropriate VP of Transmission as well as the S&H manager for Transmission within in 2 days of the start of the analysis.

Event Analysis	0.0	1.0	2.0
Responsible Manager	<80% timely submittal rate	88% timely submittal rate	96% timely submittal rate

- TFS Quarterly Safety Meetings**

A quarterly safety meeting will be conducted by **location management** within TFS field locations to review a given quarter of 2014. The subject of any “centrally developed theme” will be applicable across all Transmission Field Services field locations. The locations will be responsible for the timely delivery of the subject and the method of delivery. Level-1 performance is achieved by presenting 1 program per quarter. Level-2 performance will be recognized when Level-1 has been awarded and 2 additional programs were presented.

Quarterly Safety Meetings	0.0	1.0	2.0
Location Management	0	1/qtr.	Level 1 + 2 additional programs

- TEPS Semi-Annual Safety Review**

At least twice per year, the **Managing Directors** will meet with their organizations and update them on the status of S&H within the organization. The subject of the presentation should be applicable across the entire organization. The Managing Directors will be responsible for the timely delivery of the subject. Directors will report date of completion for all locations to the VP- TEPS.

At least 2 reviews per year (level-1 performance) will be performed (by all managing directors). The individual TEPS organizations are also encouraged to develop additional S&H topics to present on their own in addition to the 2 required (2 additional reviews will result in a level-2 performance). NOTE: documentation of presentation is required).

Semi Annual Safety Review	0.0	1.0	2.0
Managing Directors	0	2/year	4/year

FINANCIAL PERFORMANCE - 60% of Total ICP Score

ICP Category		Objective	
Financial		1) Deliver Transmission's earnings contribution; 2) deliver efficiencies on O&M Spend; 3) achieve plant in-service targets	
		Description	Weight
Critical metric for performance	Earnings	Aligned with corporate targets	30%
Corporate Requirement	Lean O&M Reductions	Lean reduction target for O&M	15%
Business Focus	Cash Flow	Increase Plant In Service to improve cash flow	15%
Total Financial			60%

Financial Category	0.0	1.0	2.0
Earnings	\$130M	\$141M	\$149M
Lean O&M Reductions	\$2.4M	\$3.0M	\$3.3M
Cash Flow	\$600M	\$661M	\$725M

- **Earnings**

AEPTHC 2014 earnings target for a 1.0 score is \$141M (\$.289 per share). Earnings of \$149M represents a 2.0 score. Earnings of \$130M or below result in a 0 score.

- **Lean O&M Reductions**

Transmission's lean reduction effort will improve performance by eliminating waste through the execution of the Lean Transformation Plan for 2014. Measurements will be based on an O&M target reduction from the control budget of \$3M for all Transmission companies AEPTHC and the AEP Operating companies to achieve 1.0 score. Reductions of \$3.3M will represent a 2.0 score and \$2.4M a 0 score.

- **Cash Flow**

The Transmission target for 2014 is \$661M of new plant in-service for Transcos to improve cash flow. Achievement of this target will result in a 1.0 score. Placing \$725M in service will result in a 2.0 score and placing \$600M or less in service will result in a score of 0.

OPERATIONAL AND STRATEGIC PERFORMANCE – 20% of Total ICP Score

Operational & Strategic Initiatives		Weight
Strategic Measures:	1) To promote excellence in Transmission's project and daily operational execution; and 2) to promote achievement of strategic goals related to establishing AEP as a premier owner and operator of transmission assets This will be a composite score based on the the execution of initiatives related to regulatory approvals, EPC strategy, contracting strategy, incremental opportunity creation and performance in the competitive space	10.0%
Operational Measures	This will be a composite score based on the performance of KPIs related to the following areas: Environmental Compliance, NERC Compliance, Culture Initiatives and OPCO Reliability Plans	10.0%
Total Operational & Strategic Initiatives		20%
Grand Total:		100%

STRATEGIC INITIATIVES

This will be a composite score including but not limited to, the execution of initiatives related to regulatory approvals, EPC strategy, Incremental opportunity creation and performance in the competitive space.

1. Transfer the Transource Missouri projects (Iatan – Nashua and Sibley – Nebraska City) to AEP by mid-year 2014
2. Submit competitive bid for the Ft. McMurray West 500 kV transmission project to the Alberta ISO
3. Submit competitive proposals for all relevant competitive opportunities in PJM in the 2014 planning process
4. File for the Transource regional rate in at least one of the RTO/ISOs by the end of 2014
5. Perform annual outreach to each relevant state commission with respect to state Transco projects
6. Obtain necessary regulatory approvals for assignment of projects to Oklahoma Transco
7. File Kentucky Transco CPCN application
8. File for and receive necessary regulatory approvals for 2014 West Virginia Transco projects
9. Develop business plan for opportunistic transmission asset acquisition (ex. Muni/co-op/OVEC)

OPERATIONAL INITIATIVES

This will be a composite score to include but not be limited to the performance of KPIs related to the following areas:

- **Environmental Compliance. Will consist of two measures**

1. Notice of Violations – defined as: A formal environmental enforcement action.
 - A formal environmental enforcement action shall constitute a measurable NOV. The total number of environmental-related NOVs received by Transmission as a result of an action or programmatic deficiency that occurred during the plan year shall be tallied on a “points” basis. NOVs resulting from an issue or event identified by a governing agency shall be counted as 2 points. NOVs resulting from a self-reported issue or event shall count as 1 point. Environmental NOVs to be excluded from this metric shall be those resulting from events that are;
 - Deemed uncontrollable (as determined by Environmental Services and Transmission Senior Leadership), or
 - Have at most a minor environmental impact, or
 - Outside the control of the Transmission organization.
2. Employee Training, measured as: Percent of employees who participate (attend) training curriculum. Employee training shall consist of Environmental Program Overview training in accordance with the training matrix developed by Environmental Services, and will be measured by employee participation rates. Training plan and targets established by Environmental Services shall be approved by Transmission management. Full time AEP employees within the following Transmission groups are to complete training

for this metric;

- Project Management
- Line & Station Engineering
- Planning
- Transmission Field Services – functions related to project planning, engineering & physical execution
- Transmission Construction Representatives (AEP & TechServe)
- Right Of Way (agents)

2.0 – 95% of required AEP employees complete training by December 31, 2014 (excluding new hires after October 31, 2014)

1.0 - 80% of required AEP employees compete training by December 31, 2014 (excluding new hires after October 31, 2014)

0.0 - 70% or less of required AEP employees compete training by December 31, 2014 (excluding new hires after October 31, 2014)

Environmental Compliance	0.0	1.0	2.0
Notice of Violations - Number	4	2	0
Training - % Complete	<70%	80%	90%

• **NERC Compliance**

- Ensure timely and accurate completion of all NERC Compliance deliverables based on:
 1. Compliance Monitoring (Enforcement Program deliverables)
 2. Mitigation Milestones
- Improve Reliability Compliance
- Analyze AEP compliance practices – identify other compliance opportunities
- Improve awareness of compliance across AEP

This measure is designed to ensure we are in compliance with the NERC Standards and Requirements (under EPACT of 2005, NERC has established new standards and requirements). 100% of the target will be based on Strategic Compliance Initiatives. An adder of up to 100% of the target will be based on internally identifying potential compliance issues compared to having violations identified by external 3rd parties and will potentially double the score in the initiative above.

- Strategic Compliance Initiatives - Since NERC Reliability Compliance is a relatively new regulatory process and continues to evolve, Transmission needs to implement systems, procedures, and policies to effectively implement our program. These goals are divided into various categories. A) Ensure timely and accurate completion of all NERC Compliance Monitoring and Enforcement Program deliverables and Mitigation Milestones, B) Improve Reliability Compliance, C) Improve Reliability Compliance monitoring and enforcement, D) Analyze AEP compliance practices, and identify other compliance improvement opportunities, and E) Improve awareness of compliance across Transmission.
- Stretch Goal: Improve Self Reporting of Compliance Issues - NERC and the Regional Entities view violations that have been self-reported much more positively than violations that have been found through events or through their audits. Self-reports results in lower fines for each violation. This is discussed further in the NERC Rules of Procedure Appendix 4B - Sanction Guidelines of the North American Electric Reliability Corporation. Also, a cultural habit of finding our own issues (i.e. self-reporting) allows AEP to be critical of internal systems and processes enabling continuous improvement.
 - The metric is calculated per quarter by dividing the sum of self-identified issues (defined as all incidents in incident log with internal "How Identified" (e.g. Self-Identified, Self-Certification, Internal Audit) by the sum of the total unique Potential Violations across regions with external "How Identified" (e.g. Event, Spot Check, External Audit) plus self-reported issues (as defined above). The average of the 4 quarters is then used to for the final multiplier.

1. 100 % of Issues Internally Found – 2.0 x ICP
 - Zero internally discovered with zero externally discovered is also considered to be 100%
2. 95% of Issues Internally Found – 1.75 x ICP
3. 90% of Issues Internally Found – 1.5 x ICP
4. 85% of Issues Internally Found – 1.25 x ICP
5. <85% of Issues Internally Found – 1.0 x ICP

NERC Compliance	0.0	1.0	2.0
Compliance Monitoring Enforcement Program Deliverables Mitigation Milestones	0	100%	200%

• **Culture Initiatives**

The Transmission business unit will develop a suite of cultural related activities (“Culture Plan”) which will include the execution and participation of several culture-related initiatives such as “Power-up and Lead” Senn-Delaney culture workshops; Transmission’s ‘Learning Map’ initiative for new employees; and an Employee Appreciation Event.

Culture Initiative	0.0	1.0	2.0
Aggregate score for achievement of performance targets for the ICP-Related initiatives/activities in the Culture Plan.	80%	90%	100%

• **Opco Reliability Plans****

(Targets being developed and approved by Opco Distribution Leads and Transmission Planning)

1. *Short Term Planning & Execution*
 - *Execute joint incremental Transmission O&M and Capital Preventative Maintenance, Asset Rehabilitation, and Forestry Plans as funded*
2. *Long Term Planning & Execution*
 - *Execute agreed upon long-term reliability projects through Transmission PLMP process*

Opco Reliability Plans	0.0	1.0	2.0
<i>Short Term –</i> <ul style="list-style-type: none"> • <i>Subjective</i> • <i>Quantitative</i> <i>Long Term – Number of Gates completed</i>	<i>TBD</i>		

**Under development

• **Operating and Switching Errors/Human Performance.**

Transmission will measure Human Performance (HP) as against a pre-defined target for its TFS and TOPs organizations. This measurement will be a composite score, and will be comprised on HP for Operating and Switching Errors.

An operating error is "a preventable action that results or potentially results in a hazard and/or the undesired operation of electrical equipment under the jurisdiction of a Dispatch authority." Operating errors are inclusive of all non-switching error related mistakes and generally result from carelessness, improper planning and/or improper execution of established procedures and guidelines. They include mistakes made during a switching procedure that create a potential hazard or potential for an undesired operation of electrical equipment. Operating error comprise of trip-check error index, switching error index, and “other” category

A switching error is the number of instances where there was “a preventable act or omission in a switching procedure that results in a hazard and/or the undesired operation of electrical equipment under the jurisdiction of a Dispatch authority.” Switching errors are a subset of operating errors and generally result from improper planning and/or execution of switching steps.

Operating & Switching Errors/Human Performance	0.0	1.0	2.0
The aggregate number of operating and switching errors by Transmission’s TFS and TOps organizations. Note that Operating error target will be ratioed to the volume of TFS workload.	90	80	70

AMERICAN ELECTRIC POWER SYSTEM STOCK OWNERSHIP REQUIREMENT PLAN

(As Amended and Restated Effective January 1, 2014)

ARTICLE I

PURPOSE AND EFFECTIVE DATE

1.1 The Human Resources Committee (“HRC”) of the Board of Directors of American Electric Power Company, Inc. believes that it is critical to AEP’s long-term success to effectively align the long-term financial interests of senior executives with those of AEP’s shareholders and that an effective alignment is best accomplished by substantial, long-term stock ownership. The American Electric Power System Stock Ownership Requirement Plan (the “Plan”) was established by American Electric Power Service Corporation (the “Company”) and such subsidiaries of the Parent Corporation that have Eligible Employees to facilitate the achievement and maintenance of Minimum Stock Ownership Requirements assigned to Eligible Employees.

1.2 Except as otherwise specified herein, the effective date of this Amended and Restated American Electric Power System Stock Ownership Requirement Plan is January 1, 2014. This document amends and restates the Plan as most recently amended and restated by a document that was executed on December 23, 2009, as further modified by the First Amendment thereto dated January 28, 2011. References in the Plan to Annual Incentive Compensation have been removed from this restatement because there have been no instances where Annual Incentive Compensation has been deferred as Career Shares, there is no Participant participating in an Annual Incentive Compensation plan that may subject such Annual Compensation with a Determination Date prior to the date this document is executed, and one purpose of this restatement is to discontinue the opportunity for the deferral of Annual Incentive Compensation as Career Shares.

ARTICLE II

DEFINITIONS

2.1 “Account” means the separate memo account established and maintained by the Committee (or the recordkeeper employed by the Company) to record the number of Shares and Share Equivalents that have been designated in accordance with the terms of this Plan to satisfy all Minimum Stock Ownership Requirements assigned to a Participant.

2.2 “AEP” means the Parent Corporation and its direct and indirect subsidiaries.

2.3 “Applicable Tax Payments” means the following types of taxes that AEP may withhold and pay that are described as follows:

(a) Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2) that apply to an amount deferred under the Plan before the amount is paid or made available to the Participant (the “FICA Amount”);

(b) State, local, or foreign tax obligations arising from participation in the Plan that apply to an amount deferred under the Plan before the amount is paid or made available to the Participant (the “State, Local, or Foreign Tax Amount”);

(c) Income tax at source on wages imposed under Code Section 3401 or the corresponding withholding provisions of applicable state, local and foreign tax laws as a result of the payment of the FICA Amount or the State, Local, or Foreign Tax Amount; and

(d) The additional income tax at source on wages attributable to pyramiding Code Section 3401 wages and taxes;

provided, however, that the total Applicable Tax Payments may not exceed such limits as may be applicable to comply with the requirements of Code Section 409A.

2.4 “Career Share Account” means a separate memo account that is a subset of the Account that is maintained to identify the Career Share Units used to satisfy a Participant’s Minimum Stock Ownership Requirements.

2.5 “Career Share Unit” or “Career Share” means a type of Share Equivalent that is tracked in a Participant’s Career Share Account in order to determine whether and when the Participant has satisfied his or her Minimum Stock Ownership Requirements. Career Shares also have been generically referred to as “Phantom Stock Units” in Company communications.

2.6 “Claims Reviewer” means the person or committee designated by the Company (or by a duly authorized person) as responsible for the review of claims for benefits under the Plan in accordance with Section 8.1. Until changed, the Claims Reviewer shall be the Company’s employee who is the head of the Executive Benefits area of the Human Resources department.

2.7 “Code” means the Internal Revenue Code of 1986 as amended from time to time.

2.8 “Committee” means the committee designated by the Company (or by a duly authorized person) as responsible for the administration of the Plan. Until changed, the Committee shall consist of the employees of the Company holding the following positions: chief executive officer of the Company; head of the Human Resources department (currently, Vice President Human Resources); the employee to whom the

head of the Human Resources department reports (currently, Senior Vice President & Chief Administrative Officer) and the chief financial officer of the Company. The Committee may authorize any person or persons to act on its behalf with full authority in regard to any of its duties and hereunder other than those set forth in Section 9.2.

2.9 “Common Stock” means the common stock, \$6.50 par value, of the Parent Corporation.

2.10 “Company” means American Electric Power Service Corporation.

2.11 “Eligible Employee” means any employee of AEP who is hired into or promoted to a position that is eligible to be assigned a Minimum Stock Ownership Requirement, and only so long as a Minimum Stock Ownership Requirement applies. At the date of execution of this document, a Minimum Stock Ownership Requirement is assigned to those employees employed at exempt salary grade 36 or higher. An individual who is not directly compensated by AEP or who is not treated by AEP as an active employee shall not be considered an Eligible Employee.

2.12 “First Date Available” or “FDA” means the last day of the month coincident with or next following the date that is six (6) months after the date of the Participant’s or Former Participant’s Termination.

2.13 “Incentive Compensation Deferral Plan” means the American Electric Power System Incentive Compensation Deferral Plan, as amended from time to time.

2.14 “Long Term Incentive Plan” or “LTIP” means the American Electric Power System Long-Term Incentive Plan, as amended from time to time, including any successor plan or plans. The LTIP that is in effect as of the date this restated Plan is executed is entitled the “Amended and Restated American Electric Power System Long-Term Incentive Plan – Approved by Shareholders April 17, 2010 (as amended through September 25, 2012).”

2.15 “Key Employee” means a Participant who is classified as a “specified employee” at the time of Termination in accordance with the policies adopted by the Committee in order to comply with the requirements of Section 409A(a)(2)(B)(i) of the Code and the guidance issued thereunder.

2.16 “Market Value” means the closing price of a Share, as published in *The Wall Street Journal* report of the New York Stock Exchange – Composite Transactions on the date in question or, if the Share shall not have been traded on such date or if the New York Stock Exchange is closed on such date, then the first day prior thereto on which the Common Stock was so traded.

2.17 “Minimum Stock Ownership Requirement” or “MSOR” means the targeted aggregate number of Shares and Share Equivalents specified under the terms of this Plan as applicable to the Participant. Participants may be assigned multiple minimum stock

ownership requirements. Any MSOR assigned to a Participant shall no longer be applicable to such Participant after the date of the Participant's Termination.

2.18 "MSOR Window Period" means the period that begins as of the date a particular MSOR is effective with respect to an Eligible Employee (or Participant, with regard to any increase in his or her MSOR) and ends on the five (5) year anniversary of that date.

2.19 "Next Date Available" or "NDA" means the June 30 of the calendar year immediately following the calendar year in which falls the Participant's Termination.

2.20 "Parent Corporation" means American Electric Power Company, Inc., a New York corporation, and any successor thereto.

2.21 "Participant" is defined in Article IV.

2.22 "Performance-Based Compensation" has the meaning set forth in Section 409A(a)(4)(B)(iii) of the Code.

2.23 "Performance Shares" means performance shares or performance share units (or other similar types of equity incentive compensation) awarded under the American Electric Power System Performance Share Incentive Plan or the Long-Term Incentive Plan. Reference in this Plan to the "12/10/2003 Performance Share Awards" shall be deemed to refer to the Performance Shares that were issued with a grant date of December 10, 2003 and subject to a performance period from December 10, 2003 through December 31, 2004.

2.24 "Phantom Stock Units" means an award under the Long-term Incentive Plan to a Participant of a number of hypothetical share units with respect to shares of Common Stock. See, for example, the definitions of "Career Share Unit," above, and "Restricted Stock Unit," below.

2.25 "Plan Year" means the twelve-month period commencing each January 1 and ending the following December 31.

2.26 "Restricted Stock Unit" means a type of Phantom Stock Unit issued under the Long-Term Incentive Plan pursuant to a Restricted Stock Unit Award Agreement.

2.27 "Share" means a share of common stock of the Parent Corporation, and includes, but is not limited to, such shares as may be purchased directly by or for the Participant or through the American Electric Power Company, Inc. Dividend Reinvestment and Direct Stock Purchase Plan or issued in connection with the Participant's performance of services for AEP, such as pursuant to the American Electric Power System Long-Term Incentive Plan.

2.28 "Share Equivalent" is determined by reference to (1) the amount credited to the Participant's Career Share Account under this Plan and (2) to the extent eligible for designation in accordance with Section 5.2, (A) the Participant's outstanding Restricted Stock Units and (B) the Participant's AEP Stock Fund accounts maintained in connection with the American Electric Power System Retirement Savings Plan, the American Electric Power System Supplemental Retirement Savings Plan, and the American Electric Power System Incentive Compensation Deferral Plan. No certificates shall have been issued with respect to such Share Equivalents.

(a) To the extent that the amount credited under these arrangements are not otherwise reported under the terms of the applicable plan as a number of shares of Common Stock, the number of Share Equivalents attributable to such amount shall be determined by dividing the dollar amount so credited by the Market Value of a Share determined as of the applicable valuation date; provided that effective beginning May 1, 2008, the number of Share Equivalents attributable to such amount shall be determined by

- (i) multiplying the dollar amount credited to such AEP Stock Fund under the Plan by the Dilution Percentage with respect to that fund as of the applicable valuation date; then
- (ii) dividing the product in (i) by the Market Value of a Share determined as of the applicable valuation date.

(b) For purposes of this Section, the "Dilution Percentage" applicable to a plan's AEP Stock Fund shall be determined by

- (i) dividing the aggregate Market Value of the Shares held by the fund (or, with respect to the phantom AEP Stock Fund that is maintained with respect to the American Electric Power System Supplemental Retirement Savings Plan and the American Electric Power System Incentive Compensation Deferral Plan, by the actual fund to which such phantom fund is tied – currently, the AEP Stock Fund under the American Electric Power System Retirement Savings Plan); by
- (ii) the value of all of the assets held in that fund (or such fund to which a phantom fund is tied) as of the applicable valuation date.

2.29 "Termination" means termination of employment with the Company and its subsidiaries and affiliates for any reason; provided that effective with respect to Participants whose employment terminates on or after January 1, 2005, determinations as to the circumstances that will be considered a Termination (including a disability and leave of absence) 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).

2.30 "Vested" or "Earned and Vested" means, for purposes of this Plan, that the Shares or Share Equivalents credited to the Participant have become both objectively determinable and no longer subject to a substantial risk of forfeiture.

2.31 "2006 Distribution Election Period" means the period or periods designated by the Committee during which Participants (or Former Participants) are given the opportunity to select among the distribution options set forth in Article VII, provided that any such period shall end no later than December 31, 2006.

ARTICLE III

ADMINISTRATION

3.1 The Plan shall be administered by the Committee. The Committee shall have full discretionary power and authority (i) to administer and interpret the terms and conditions of the Plan and (ii) to establish reasonable procedures with which Participants, Former Participant and beneficiaries must comply to exercise any right or privilege established hereunder. The rights and duties of the Participants and all other persons and entities claiming an interest under the Plan shall be subject to, and bound by, actions taken by or in connection with the exercise of the powers and authority granted under this Article.

3.2 The Committee may employ agents, attorneys, accountants, or other persons and allocate or delegate to them powers, rights, and duties all as the Committee may consider necessary or advisable to properly carry out the administration of the Plan.

3.3 The Company shall maintain, or cause to be maintained, records showing the individual balances in each Participant's Account, including each Participant's Career Share Account. Statements setting forth the value of the amount credited to the Participant's Account shall be made available to each Participant no less often than once per year. The maintenance of the Account records and the distribution of statements may be delegated to a recordkeeper by either the Company or the Committee.

ARTICLE IV

PARTICIPATION

An Eligible Employee shall become a Participant as of the date that the Eligible Employee is first assigned a Minimum Stock Ownership Requirement.

ARTICLE V

SATISFACTION OF MINIMUM STOCK OWNERSHIP REQUIREMENT

5.1 Accounts. The Committee shall establish and maintain an Account for each Participant that will record the number of Shares and Share Equivalents that have been designated in accordance with the terms of this Plan to satisfy the Minimum Stock Ownership Requirement applicable to such Participant.

5.2 Share Commitment Designated by Participant.

(a) A Participant may from time to time designate that certain Shares or Share Equivalents that are owned solely by the Participant or otherwise credited solely to the Participant be credited to the Account of such Participant. A Participant shall be permitted to so designate any Shares or Share Equivalents only to the extent the following requirements have been satisfied:

- (i) The Shares or Share Equivalents have been awarded to the Participant, whether or not such Shares or Share Equivalents are then Vested;
- (ii) The Shares or Share Equivalents are not of a type that may be eligible for automatic allocation to the Participant's Career Share Account pursuant to Section 5.3, below;
- (iii) The Shares or Share Equivalents are not encumbered, pledged or hypothecated in favor of a third party (other than the Participant or AEP) in any way; and
- (iv) If Shares, such Shares are held in an account which the Committee determines in its sole discretion provides it with the ability to confirm the number of Shares and the interest of the Participant therein.

(b) A Restricted Stock Unit may be considered designated by a Participant for purposes of this section only at such time or times and only to the extent that, by the terms of its Restricted Stock Unit Award Agreement, payment of such award would be made in shares of unrestricted Common Stock at such time if the Participant were then fully vested. For example, certain such awards currently specify that payment upon vesting would be made in cash to a Participant who is a Section 16 Officer at that time. Even if the Participant had been permitted to sign a document that "designated" such Restricted Stock Units, such awards would not be considered designated for purposes of this Plan as of any date that the Company considers such Participant a Section 16 Officer.

(c) Any designation made by a Participant under this Section shall be made in writing and in a form that is satisfactory to the Committee.

5.3 Accrual of Career Shares.

- (a) *Determination Date.* For purposes of this Section 5.3, the term “Determination Date” means
- (i) the date that is six months prior to the end of the performance period, with respect to an award of Performance Shares that qualifies as Performance-Based Compensation and that is based on services performed over a period of at least 12 months; or
 - (ii) to the extent that the awarded Performance Shares are not Performance-Based Compensation that is based on services performed over a period of at least 12 months, the latest of (A) the December 31 immediately prior to the year in which the services on which the Performance Shares is based are to be performed, (B) the date the Participant first became an Eligible Employee, or (C) the date the Performance Shares are granted to the Participant.
- (b) *Participant Has Not Satisfied MSOR.*
- (i) If a Participant has not satisfied all applicable Minimum Stock Ownership Requirements on or before a Determination Date applicable to Performance Shares that have been awarded to such Participant, the Participant’s Career Share Account shall be credited with the number of Shares or Share Equivalents that become Earned and Vested (reduced, however, to the extent the amount deferred would otherwise exceed an amount that allows for the current payment of Applicable Tax Payments) for the Participant as a result of the award of such Performance Shares. Notwithstanding the foregoing provisions of this paragraph (i), effective for Determination Dates occurring on or after May 1, 2008, the number of Shares or Share Equivalents so credited to the Participant’s Career Share Account shall be limited to that number needed to satisfy the Participant’s MSOR, and the balance, if any, of such Earned and Vested Performance Shares shall be administered without regard to the provisions of this Plan. For this purpose, the number of Shares or Share Equivalents needed to satisfy the Participant’s MSOR shall be determined by reference to the highest MSOR that is applicable to such Participant as of the Determination Date with respect to such Performance Shares:
 - (A) after taking into account
 - (1) Shares or Share Equivalents that are credited to the Participant’s Account as of such Determination Date pursuant to the Participant’s designation under Section 5.2 no later than such Determination Date;

- (2) the Share Equivalents that are credited to the Participant's Career Share Account as of such Determination Date; and
 - (3) the Share Equivalents attributable to reinvested dividends through the date such Performance Shares become Earned and Vested, but only to the extent such reinvested dividends are attributable to the Share Equivalents that were credited to the Participant's Career Share Account as of such Determination Date; but
- (B) Disregarding the Share Equivalents that may be credited to such Participant's Career Share Account pursuant to this subsection 5.3(b)(i), that either
 - (1) have a Determination Date that is after the Determination Date for such Performance Shares; or
 - (2) have not become Earned and Vested as of the date such Performance Shares become Earned and Vested.
- (ii) The Share Equivalents that are disregarded pursuant to subparagraph 5.3(b)(i)(B) may include those attributable to Performance Shares that had become Earned and Vested and thereupon credited to such Participant's Career Share Account, and as a result, such Career Share Account may be credited with Share Equivalents in excess of the number actually needed to satisfy the highest MSOR that is applicable to such Participant as of the applicable Determination Date.
- (iii) If the same Determination Date applies to more than one award of Performance Shares for a particular Participant, and such awards also become Earned and Vested as of the same date, the following priority shall be used in determining which award (or portion thereof) shall be credited to the Participant's Career Share Account: (A) Share Equivalents shall be credited in the same order in which they were initially granted, and (B) if they were granted as of the same date, Share Equivalents shall be credited first from Performance Shares relating to a performance period that began the earliest.
- (iv) A Participant's Career Share Account shall be credited to the extent otherwise described in this Section 5.3(b) even if the Participant shall have satisfied all applicable MSOR or shall have ceased to remain an Eligible Employee during the period between the Determination Date and the date the Performance Shares are Earned and Vested. However, if a Participant shall have no MSOR as of an applicable Determination Date by reason of the Participant's having ceased to remain an Eligible Employee, the

payment or deferral of the amounts that become payable to the Participant as a result of an award of Performance Shares to which such Determination Date applies shall be determined in accordance with other plans and programs as may apply, including, for example, the Incentive Compensation Deferral Plan.

(c) *Participant Has Satisfied MSOR.* If a Participant has satisfied his or her MSOR on or before the applicable Determination Date, the payment or deferral of the amounts that become payable to the Participant as a result of an award of Performance Shares shall be determined in accordance with other plans and programs as may apply, including, for example, the Incentive Compensation Deferral Plan.

ARTICLE VI

CAREER SHARE ACCOUNT DIVIDENDS AND ADJUSTMENTS

6.1 Reinvestment of Dividends. Effective on each dividend payment date with respect to the Common Stock, the Career Share Account of a Participant shall be credited with an additional number of whole and fractional Share Equivalents, computed to three decimal places, equal to the product of the dividend per share then payable, multiplied by the number of Share Equivalents then credited to such Career Share Account, divided by the Market Value on the dividend payment date.

6.2 Adjustments. The number of Share Equivalents credited to a Participant's Career Share Account shall be appropriately adjusted for any change in the Common Stock by reason of any merger, reclassification, consolidation, recapitalization, stock dividend, stock split or any similar change affecting the Common Stock.

ARTICLE VII

CAREER SHARE ACCOUNT DISTRIBUTIONS

7.1 Upon a Participant's Termination for any reason, the Company shall cause the Participant to be paid the full amount credited to his or her Career Share Account in accordance with the following rules:

(a) *Medium of Payment.* Effective beginning June 1, 2008, Payments shall be made in cash; provided that effective prior to June 1, 2008, payments had been permitted in cash, shares of Common Stock, or a combination of both as elected by the Participant on a form that is acceptable to the Company and submitted within a reasonable period of time before the distribution was scheduled to commence. Cash payments of Career Shares 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 applicable distribution date (i.e., the Participant's date of Termination, deferred distribution date, respective installment payment dates or the date of the Participant's death, as the case may be).

(b) *Timing and Form of Distribution.* Except as otherwise provided in Section 7.2, the following rules shall apply with regard to the timing and form of the distributions to be made from the Participant's Career Share Account:

(1) *Form of Distribution.* The Company shall cause the Participant to be paid the full amount credited to his or her Active Career Share Account in accordance with his or her effective election in one of the following forms:

(A) A single lump sum distribution

(i) as of the First Date Available; or

(ii) as of the Next Date Available; or

(iii) as of the fifth anniversary of the First Date Available; or

(iv) as of the fifth anniversary of the Next Date Available; or

(B) In five (5) annual installments commencing

(i) as of the First Date Available; or

(ii) as of the Next Date Available; or

(iii) as of the fifth anniversary of the First Date Available; or

(iv) as of the fifth anniversary of the Next Date Available; or

(C) In ten (10) annual installments commencing.

(i) as of the First Date Available; or

(ii) as of the Next Date Available.

(2) *Effective Election.* For this purpose, a Participant's election with respect to the distribution of his or her Career Share Account shall not be effective unless all of the following requirements are satisfied.

(A) The election is submitted to the Company in writing in a form determined by the Committee to be acceptable;

- (B) The election is submitted timely. For purposes of this paragraph, a distribution election will be considered “timely” only if it is submitted prior to the Participant’s Termination and it satisfies the requirements of (i), (ii) or (iii), below, as may be applicable:
- (i) Submitted no later than the first Determination Date after June 30, 2006 with respect to a Participant who had neither a 12/10/2003 Performance Share Award nor any amount credited to his Career Share Account as of June 30, 2006; or
 - (ii) Submitted during a 2006 Distribution Election Period that is applicable to the Participant, but only with regard to the distribution election form last submitted by such Participant before the expiration of that period; or
 - (iii) If the Participant is submitting the election to change the timing or form of distribution that is then in effect with respect to the Participant’s Career Share Account other than an effective distribution election submitted as part of the 2006 Distribution Election Period, such election must be submitted at least one year prior to the date of the Participant’s Termination.
- (C) If the Participant is submitting the election pursuant to paragraph (b)(2)(B)(iii) to change the timing or form of distribution that is then in effect with respect to the Participant’s Career Share Account (i.e., the Participant is not submitting an election with his initial applicable Determination Date [(B)(i)] nor during the applicable 2006 Distribution Election Period [(B)(ii)], the newly selected option must result in the further deferral of the first scheduled payment by at least 5 years. For purposes of compliance with the rule set forth in Section 409A(a) of the Code (and the regulations issued thereunder), each distribution option described in Section 7.1(b)(1) shall be treated as a single payment as of the first scheduled payment date.
- (D) If the Participant is submitting the election pursuant to paragraph (b)(2)(B)(ii) to change the timing or form of distribution that is then in effect with respect to the Participant’s Career Share Account, the newly selected option may not defer payments that the Participant would have received in 2006 if not for the new distribution election nor cause payments to be made in 2006 if not for the new distribution election.

- (3) For purposes of this Section 7.1(b), if a Participant's effective distribution election form was submitted using the options that had been made available under the Plan as in effect prior to January 1, 2005 [i.e., as either (A) a single lump-sum payment, or in annual installment payments over not less than two nor more than ten years; (B) commencing within 60 days after the date of the Participant's Termination or the first, second, third, fourth or fifth anniversary of the Participant's Termination], then:
- (A) If the Participant's Termination occurs prior to the expiration of the 2006 Distribution Election Period last applicable to the Participant, the Participant's effective distribution election form shall be given full effect. Solely for purposes of this paragraph (3)(A), a participant's distribution election form shall be considered effective notwithstanding the requirement of Section 7.1(b)(2)(B)(iii) (which requires that a form be submitted at least one year prior to the date of the Participant's Termination), provided that such form had become effective prior to the Participant's Termination in accordance with the terms applicable to such election form at the time it was submitted by the Participant; and
- (B) If the Participant's Termination occurs after the expiration of the last applicable 2006 Distribution Election Period, the Participant shall be considered to have elected the corresponding option as set forth in Schedule A attached to this Plan.
- (4) If the provisions of Section 7.1(b)(3) are not applicable to a Participant and the Participant fails to submit an effective distribution election with regard to his Career Share Account that satisfies the requirements of Section 7.1(b)(2)(B)(i) (by his initial applicable Determination Date) or Section 7.1(b)(2)(B)(ii) (during an applicable 2006 Distribution Election Period), as applicable, by such Determination Date or the last day of the 2006 Distribution Election Period, respectively, such Participant shall be considered to have elected a distribution of his or her Career Share Account in a single lump sum as of the First Date Available.
- (5) If an annual installment option is selected, the amount to be distributed in any one-year shall be determined by dividing the Participant's Career Share Account Balance by the number of years remaining in the elected distribution period.

7.2 Events Affecting Timing or Amount of Distributions.

(a) *“Election” To Accelerate Payment of Career Shares Attributable to 12/10/2003 Performance Share Award.* Notwithstanding any provision of Section 7.1 to the contrary, if a Participant had not satisfied his or her MSOR on or before June 30, 2004 (the Determination Date applicable to the 12/10/2003 Performance Share Awards), but as of June 30, 2006 either (i) does satisfy his or her applicable MSOR(s) or (ii) has no applicable MSOR because the participant is longer an Eligible Employee, the Participant will be deemed to have elected as of June 30, 2006 a lump sum payment with respect to the Share or Share Equivalents that would have been credited to the Participant’s Career Share Account as a result of the 12/10/2003 Performance Share Award. Such payment shall be made as of the date that the 12/10/2003 Performance Share Awards otherwise would have become payable if the Participant were not a participant in this Plan.

(b) *Special Considerations.* Notwithstanding any provision of this Article to the contrary,

- (1) Limited Cashout - if the Participant’s Career Share Account is \$10,000 or less on the Participant’s First Date Available (or, if the Participant is not a Key Employee, on the last day of the month coincident with or next following the date that is one (1) month after the date of the Participant’s Termination) (called the “Cashout Date”), the Committee may require that the full value of the Participant’s Career Share Account be distributed as of the Cashout Date in a single, lump sum distribution regardless of the form elected by such Participant, provided that such payment is consistent with the limited cash-out right described in Treasury Regulation Section 1.409A-3(j)(4)(v) or other guidance of the Code in that the payment results in the termination and liquidation of the entirety of the Participant’s interest under each nonqualified deferred compensation plan (including all agreements, methods, programs, or other arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under Treasury Regulation 1.409A-1(c)(2) or other guidance of the Code) that is associated with this Plan; and the total payment with respect to any such single nonqualified deferred compensation plan is not greater than the applicable dollar amount under Code Section 402(g)(1)(B). Provided, however,
- (2) Avoid Violations - payment to a Participant will be delayed at any time that the Company reasonably anticipates that the making of such payment will violate Federal securities laws or other applicable law; provided however, that any payments so delayed shall be paid at the earliest date at which the Company reasonably anticipates that the making of such payment will not cause such violation.

ARTICLE VIII

BENEFICIARIES

8.1 Each Participant may designate a beneficiary or beneficiaries who shall receive the balance of the Participant's Career Share Account if the Participant dies prior to the complete distribution of the Participant's Career Share Account. Any designation, or change or rescission of a beneficiary designation shall be made by the Participant's completion, signature and submission to the Committee of the appropriate beneficiary form prescribed by the Committee. A beneficiary form shall take effect as of the date the form is signed provided that the Committee receives it before taking any action or making any payment to another beneficiary named in accordance with this Plan and any procedures implemented by the Committee. If any payment is made or other action is taken before a beneficiary form is received by the Committee, any changes made on a form received thereafter will not be given any effect. If a Participant fails to designate a beneficiary, or if all beneficiaries named by the Participant do not survive the Participant, the Participant's Career Share Account will be paid to the Participant's estate. Unless clearly specified otherwise in an applicable court order presented to the Committee prior to the Participant's death, the designation of a Participant's spouse as a beneficiary shall be considered automatically revoked as to that spouse upon the legal termination of the Participant's marriage to that spouse.

8.2 Distribution to a Participant's beneficiary shall be in the form of a single lump-sum payment within 60 days after the Committee makes a final determination as to the beneficiary or beneficiaries entitled to receive such distribution.

ARTICLE IX

CLAIMS PROCEDURE

9.1 The following procedures shall apply with respect to claims for benefits under the Plan.

(a) Any Participant or beneficiary who believes he or she is entitled to receive a distribution under the Plan which he or she did not receive or that amounts credited to his or her Account are inaccurate, may file a written claim signed by the Participant, beneficiary or authorized representative with the Claims Reviewer, specifying the basis for the claim. The Claims Reviewer shall provide a claimant with written or electronic notification of its determination on the claim within ninety days after such claim was filed; provided, however, if the Claims Reviewer determines special circumstances require an extension of time for processing the claim, the claimant shall receive within the initial ninety-day period a written notice of the extension for a period of up to ninety days from the end of the initial ninety day period. The extension notice shall indicate the special circumstances requiring the extension and the date by which the Plan expects to render the benefit determination.

(b) If the Claims Reviewer renders an adverse benefit determination under Section 8.1(a), the notification to the claimant shall set forth, in a manner calculated to be understood by the claimant:

- (1) The specific reasons for the denial of the claim;
- (2) Specific reference to the provisions of the Plan upon which the denial of the claim was based;
- (3) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and
- (4) An explanation of the review procedure specified in Section 9.2, and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under section 502(a) of the Employee Retirement Income Security Act of 1974, as amended, following an adverse benefit determination on review.

9.2 The following procedures shall apply with respect to the review on appeal of an adverse determination on a claim for benefits under the Plan.

(a) Within sixty days after the receipt by the claimant of an adverse benefit determination, the claimant may appeal such denial by filing with the Committee a written request for a review of the claim. If such an appeal is filed within the sixty day period, the Committee, or a duly appointed representative of the Committee, shall conduct a full and fair review of such claim that takes into account all comments, documents, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The claimant shall be entitled to submit written comments, documents, records and other information relating to the claim for benefits and shall be provided, upon request and free of charge, reasonable access to, and copies of all documents, records and other information relevant to the claimant's claim for benefits. If the claimant requests a hearing on the claim and the Committee concludes such a hearing is advisable and schedules such a hearing, the claimant shall have the opportunity to present the claimant's case in person or by an authorized representative at such hearing.

(b) The claimant shall be notified of the Committee's benefit determination on review within sixty days after receipt of the claimant's request for review, unless the Committee determines that special circumstances require an extension of time for processing the review. If the Committee determines that such an extension is required, written notice of the extension shall be furnished to the claimant within the initial sixty-day period. Any such extension shall not exceed a period of sixty days from the end of the initial period. The extension notice shall indicate the special circumstances requiring

the extension and the date by which the Committee expects to render the benefit determination.

(c) The Committee shall provide a claimant with written or electronic notification of the Plan's benefit determination on review. The determination of the Committee shall be final and binding on all interested parties. Any adverse benefit determination on review shall set forth, in a manner calculated to be understood by the claimant:

- (1) The specific reason(s) for the adverse determination;
- (2) Reference to the specific provisions of the Plan on which the determination was based;
- (3) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claim for benefits; and
- (4) A statement of the claimant's right to bring an action under Section 502(a) of ERISA.

ARTICLE X

MISCELLANEOUS PROVISIONS

10.1 Each Participant agrees that as a condition of participation in the Plan, the Company may withhold applicable federal, state and local taxes, Social Security taxes and Medicare taxes from any deferral and distribution hereunder to the extent that such taxes are then payable.

10.2 In the event the Committee, in its sole discretion, shall find that a Participant or beneficiary is unable to care for his or her affairs because of illness or accident, the Committee may direct that any payment due the Participant or the beneficiary be paid to the duly appointed personal representative of the Participant or beneficiary, and any such payment so made shall be a complete discharge of the liabilities of the Plan and the Company with respect to such Participant or beneficiary.

10.3 The Company intends to continue the Plan indefinitely but reserves the right, in its sole discretion, to modify the Plan from time to time, or to terminate the Plan entirely or to direct the permanent discontinuance or temporary suspension of deferral contributions under the Plan; provided that no such modification, termination, discontinuance or suspension shall reduce the benefits accrued for the benefit of any Participant or beneficiary under the Plan as of the date of such modification, termination, discontinuance or suspension.

10.4 Nothing in the Plan shall interfere with or limit in any way the right of AEP to terminate any Participant's employment at any time, or confer upon a Participant any right to continue in the employ of AEP.

10.5 The Company intends the following with respect to this Plan: (1) Section 451(a) of the Code would apply to the Participant's recognition of gross income as a result of participation herein; (2) the Participants will not recognize gross income as a result of participation in the Plan unless and until and then only to the extent that distributions are received; (3) the Company will not receive a deduction for amount credited to any Account unless and until and then only to the extent that amounts are actually distributed; (4) the provisions of Parts 2, 3, and 4 of Subtitle B of Title I of ERISA shall not be applicable; and (5) the design and administration of the Plan are intended to comply with the requirements of Section 409A of the Code, to the extent such section is effective and applicable to amounts deferred hereunder. However, no Eligible Employee, Participant, beneficiary or any other person shall have any recourse against the Corporation, the Company, the Committee or any of their affiliates, employees, agents, successors, assigns or other representatives if any of those conditions are determined not to be satisfied.

10.6 The Plan shall be construed and administered according to the applicable provisions of ERISA and the laws of the State of Ohio.

10.7 Neither a Participant nor any other person shall have any right to sell, assign, transfer, pledge, mortgage or otherwise encumber, transfer, alienate or convey in advance of actual receipt, the amounts, if any, payable under this Plan. Such amounts payable, or any part thereof, and all rights to such amounts payable are not assignable and are not transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person. Additionally, no part of any amounts payable shall, prior to actual payment, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise, except that if necessary to comply with a "qualified domestic relations order," as defined in ERISA Section 206(d), pursuant to which a court has determined that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan, the Committee shall distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to such spouse or former spouse in accordance with the Participant's election under this Plan as to the time and form of payment.

American Electric Power Service Corporation has caused this amendment and restatement of the American Electric Power System Stock Ownership Requirement Plan to be signed as of this 9 day of June, 2014.

AMERICAN ELECTRIC POWER SERVICE
CORPORATION

By s/ _____
Tracy A. Elich
Vice President, Human Resources