

# American Electric Power Company, Inc. 2013 Gain Sharing Plan

## Introduction

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

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

## Overview

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

## Terms & Conditions

### Gain Sharing

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

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

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

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

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

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

#### Committee

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

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

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

#### Participation

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

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

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

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

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

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

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

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

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

Award Payment

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