

AMERICAN ELECTRIC POWER COMPANY, INC.
Policy on Shareholder Approval Of
Future Executive Severance Agreements

It is the Policy of the Board of Directors (the "Board") of American Electric Power Company, Inc. (the "Corporation"), pursuant to the resolution adopted on January 26, 2005, to submit any Future Severance Agreement with a Senior Executive that provides for Benefits in an amount exceeding the Severance Benefits Limitation to a vote of the Corporation's shareholders.

For purposes of this Policy the following terms shall have the following meanings:

- *"Benefits"* means: (i) severance amounts payable to a Senior Executive that directly relate to the Senior Executive's salary or bonus, including amounts payable for the uncompleted portion of an employment term under an agreement, and (ii) special benefits or perquisites granted to a Senior Executive at the time of such Senior Executive's termination of employment.

The term "Benefits" includes the following types of benefits that are described in (i) or (ii) above and that may be provided after the date of a Senior Executive's termination of employment:

- Additional cash balance account credits and the estimated present value of additional pension service credits granted in connection with the severance,
- The estimated present value of benefits attributable to special accelerated vesting of any benefit granted in connection with the severance, and
- Additional deferred compensation account credits granted in connection with the severance.

Notwithstanding the foregoing, the term "Benefits" does not include (i) salary, incentive compensation, vacation pay, benefits or other amounts that have been earned or accrued prior to the date of the Senior Executive's termination of employment or that are otherwise attributable to the period preceding the date of the Senior Executive's termination of employment or (ii) payments, including tax gross-ups, related to offsetting the Senior Executive's excise taxes under Section 4999 of the Internal Revenue Code, as amended from time to time, that might be payable following a change-in-control of the Company. Special benefits and perquisites does not include amounts that are consistent with any plan, program, arrangement or practice of AEP that is applicable to one or more groups of employees in addition to Senior Executives. In this regard, the term "special benefits and perquisites" does not include the value of any accelerated vesting of any outstanding long-term or equity-based award (or a pro-rata portion thereof), such as performance shares/units, restricted shares/units and stock options, to the extent such accelerated vesting is consistent with AEP practice applicable to one or more groups of employees in addition to Senior Executives. Because this policy relates only to Future Severance Agreements, "Benefits" provided under such agreements will not include Benefits provided pursuant to the renewal or extension of an employment or severance agreement that is in effect as of the adoption date of this Policy to the extent that the provisions therein for any Benefits are not materially increased.

- *"Future Severance Agreement"* means an employment, severance or termination agreement between the Corporation or any majority-owned subsidiary (collectively referred to as "AEP") and a Senior Executive related to the termination of employment of the Senior Executive with AEP entered into after the adoption date of this Policy, including any material modification, but excluding any mere extension or renewal, made after the adoption date of this Policy to an employment agreement or severance agreement with a Senior Executive that is in effect as of the adoption date of this Policy.

The term "Future Severance Agreement" does not include the following types of plans (or agreements entered into in connection with such plans), provided that the plan is applicable to one or more groups of employees in addition to Senior Executives:

- Retirement plans,
 - Deferred compensation plans,
 - Early retirement plans,
 - Workforce restructuring plans, and
 - Retention plans in connection with extraordinary transactions.
- *"Senior Executive"* means a person who is or becomes at the time of execution of the Future Severance Agreement an executive officer of the Corporation who is required to file reports pursuant to Section 16 of the Securities Exchange Act of 1934 with respect to securities of the Corporation.
 - *"Severance Benefits Limitation"* means 2.99 times the sum of (i) the Senior Executive's annual base salary, plus (ii) the Senior Executive's annual target bonus, each as in effect immediately prior to the date of the Senior Executive's termination of employment. For purposes of clause (ii) of the preceding sentence, the amount of annual bonus shall be determined without regard to the form of payment (e.g. in cash, equity or other property).

The Board delegates to the Human Resources Committee full authority to make determinations regarding the interpretation of the provisions of this Policy, in its sole discretion, including, without limitation, the determination of the value of any non-cash items, as well as the present value of any cash or non-cash benefits payable over a period of time.

In the event that the Board feels the circumstances of a Senior Executive severance warrant severance compensation exceeding the Severance Benefit Limitation and the Board determines it is impractical to submit the matter to a shareholder vote in a timely fashion, the Board may elect to seek shareholder approval after the parties have mutually agreed to the material terms of the relevant severance agreement. The Board shall also have the right to amend, waive or cancel this Policy at any time if it determines in its sole discretion that such action would be in the best interests of AEP, provided that any such action shall be promptly disclosed.