AMERICAN ELECTRIC POWER CO INC
Form DEF 14A
March 15, 2007

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Rule 14a-12.

American Electric Power Company, Inc.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

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(4) Date Filed:

Notice of 2007 Annual Meeting Proxy Statement

American Electric Power

1 Riverside Plaza

Columbus, OH 43215

Michael G. Morris

Chairman of the Board,

President and

Chief Executive Officer

March 15, 2007

Dear Shareholder:

This year s annual meeting of shareholders will be held at The Shreveport Convention Center, 400 Caddo Street, Shreveport, Louisiana, on Tuesday, April 24, 2007, at 9:30 a.m. Central Time.

Your Board of Directors and I cordially invite you to attend. Registration will begin at 8:00 a.m. Only shareholders who owned shares on the record date, March 6, 2007, are entitled to vote and attend the meeting. PLEASE NOTE THAT YOU WILL NEED TO PRESENT AN ADMISSION TICKET TO ATTEND THE MEETING. If your shares are registered in your name, and you received your proxy materials by mail, your admission ticket is attached to your proxy card. A map and directions are printed on the admission ticket. If your shares are registered in your name and you received your proxy materials electronically via the internet, you will need to print an admission ticket after you vote by clicking on the Options button. If you hold shares through an account with a bank or broker, you will need to contact them and request a legal proxy, or bring a copy of your statement to the meeting that shows that you owned the shares on the record date. Each ticket will admit a shareholder and one guest.

During the course of the meeting there will be the usual time for discussion of the items on the agenda and for questions regarding AEP s affairs. Directors and officers will be available to talk individually with shareholders before and after the meeting.

Your vote is very important. Shareholders of record can vote in any one of the following three ways:

By internet, at www.investorvote.com

By toll-free telephone at 800-652-8683

By completing and mailing your proxy card in the enclosed envelope

If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record that you must follow in order for you to vote your shares.

If you have any questions about the meeting, please contact Investor Relations, American Electric Power Company, 1 Riverside Plaza, Columbus, Ohio 43215. The telephone number is 800-237-2667.

Sincerely,

/s/ Michael G. Morris

NOTICE OF 2007 ANNUAL MEETING

American Electric Power Company, Inc.

1 Riverside Plaza

Columbus, Ohio 43215

TIME	9:30 a.m. Central Time on Tuesday, April 24, 2007
PLACE	The Shreveport Convention Center 400 Caddo Street Shreveport, Louisiana
ITEMS OF BUSINESS	(1) To elect 13 directors to hold office until the next annual meeting and until their successors are duly elected. (2) To consider and act on a proposal to approve the American Electric Power System Senior Officer Incentive Plan. (3) To ratify the appointment of Deloitte & Touche LLP as independent registered public accounting firm for the year 2007. (4) To consider and act on such other matters as may properly come before the meeting.
RECORD DATE	Only shareholders of record at the close of business on March 6, 2007, are entitled to notice of and to vote at the meeting or any adjournment thereof.
ANNUAL REPORT	Appendix A to this proxy statement has AEP s audited financial statements, management s discussion and analysis of results of operations and financial condition and the report of the independent registered public accounting firm. AEP s Summary Annual Report to Shareholders contains our chairman s letter to shareholders and condensed financial statements.
PROXY VOTING	It is important that your shares be represented and voted at the meeting. Please vote in one of these ways: **(1) MARK, SIGN, DATE AND PROMPTLY RETURN** the enclosed proxy card in the postage-paid envelope. **(2) USE THE TOLL-FREE TELEPHONE NUMBER** shown on the proxy card. **(3) VISIT THE WEB SITE** shown on your proxy card to vote via the internet. Any proxy may be revoked at any time before your shares are voted at the meeting.

March 15, 2007

John B. Keane
Secretary

Our annual meeting of shareholders also will be webcast at http://www.AEP.com/go/webcasts at 9:30 a.m. Central Time on April 24, 2007.

Proxy Statement

March 15, 2007

Proxy and Voting Information

THIS PROXY STATEMENT and the accompanying proxy card are to be mailed to shareholders, commencing on or about March 15, 2007, in connection with the solicitation of proxies by the Board of Directors of American Electric Power Company, Inc., 1 Riverside Plaza, Columbus, Ohio 43215, for the annual meeting of shareholders to be held on April 24, 2007 in Shreveport, Louisiana.

We use the terms AEP, the Company, we, our and us in this proxy statement to refer to American Electric Power Company, Inc. and, where applicable, its subsidiaries. All references to years, unless otherwise noted, refer to our fiscal year, which ends on December 31.

Who Can Vote. Only the holders of shares of AEP Common Stock at the close of business on the record date, March 6, 2007, are entitled to vote at the meeting. Each such holder has one vote for each share held on all matters to come before the meeting. On that date, there were 397,839,949 shares of AEP Common Stock, $6.50 par value, outstanding.

How You Can Vote. Shareholders of record can give proxies by (i) mailing their signed proxy cards; (ii) calling a toll-free telephone number; or (iii) using the internet. The telephone and internet voting procedures are designed to authenticate shareholders identities, to allow shareholders to give their voting instructions and to confirm that shareholders instructions have been properly recorded. Instructions for shareholders of record who wish to use the telephone or internet voting procedures are set forth on the enclosed proxy card.

When proxies are returned, the shares represented thereby will be voted by the persons named on the proxy card or by their substitutes in accordance with shareholders directions. If a proxy card is signed and returned without choices marked, it will be voted for the nominees for directors listed on the card and as recommended by the Board of Directors with respect to other matters. The proxies of shareholders who are participants in the Dividend Reinvestment and Stock Purchase Plan include both the shares registered in their names and the whole shares held in their Plan accounts on March 6, 2007.

Revocation of Proxies. A shareholder giving a proxy may revoke it at any time before it is voted at the meeting by giving notice of its revocation to the Company, by executing another proxy dated after the proxy to be revoked, or by attending the meeting and voting in person.

How Votes are Counted. The presence of the holders of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting, present in person or represented by proxy, is necessary to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

If you are a beneficial shareholder and your broker holds your shares in its name, the broker is permitted to vote your shares on the election of directors and the ratification of Deloitte & Touche LLP as our independent registered public accounting firm even if the broker does not receive voting instructions from you. Under the New York Stock Exchange (NYSE) rules, your broker may not vote your shares on the proposal relating to the adoption of the Senior Officer Incentive Plan.

A plurality of the votes cast is required for the election of directors. Only votes for or withheld affect the outcome. Abstentions are not counted for purposes of the election of directors.

The votes cast for must exceed the votes cast against to approve the ratification of Deloitte & Touche LLP as our independent registered public accounting firm and the adoption of the Senior Officer Incentive Plan. Abstentions and broker non-votes are not counted as votes for or against these proposals.

Your Vote is Confidential. It is AEP s policy that shareholders be provided privacy in voting. All proxies, voting instructions and ballots, which identify shareholders, are held on a confidential basis, except as may be necessary to meet any applicable legal requirements. We direct proxies to an independent third-party tabulator, who receives, inspects, and tabulates them. Voted proxies and ballots are not seen by nor reported to AEP except (i) in aggregate number or to determine if (rather than how) a shareholder has voted; (ii) in cases where shareholders write comments on their proxy cards; or (iii) in a contested proxy solicitation.

Multiple Copies of Annual Report or Proxy Statement to Shareholders. Securities and Exchange Commission (SEC) rules provide that more than one annual report or proxy statement need not be sent to the same address. This practice is commonly called householding and is intended to eliminate duplicate mailings of shareholder documents. Mailing of your annual report or proxy statement is being householded indefinitely unless you instruct us otherwise. If more than one annual report or proxy statement is being sent to your address, at your request, mailing of the duplicate copy will be discontinued. If you wish to resume receiving separate annual reports or proxy statements at the same address, you may call our transfer agent, Computershare Trust Company, N.A., at 800-328-6955 or write to them at P.O. Box 43081, Providence, RI 02940-3081. The change will be effective 30 days after receipt. We will deliver promptly upon oral or written request a separate copy of the annual report or proxy statement to a shareholder at a shared address. To receive a separate copy of the annual report or proxy statement, contact AEP Shareholder Direct at 800-551-1AEP (1237) or write to AEP, attention: Investor Relations, at 1 Riverside Plaza, Columbus, OH 43215.

Additional Information. Our website address is *www.aep.com*. We make available free of charge on the Investor Relations section of our website (*www.AEP.com/investors*) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (Exchange Act). We also make available through our website other reports filed with or furnished to the SEC under the Exchange Act, including our proxy statements and reports filed by officers and directors under Section 16(a) of the Exchange Act. You may request any of these materials and information in print by contacting Investor Relations at: AEP, attention: Investor Relations, 1 Riverside Plaza, Columbus, OH 43215. We do not intend for information contained in our website to be part of this proxy statement.

You also may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, DC, 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (*www.sec.gov*) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

1. Election of Directors

Currently, AEP s Board of Directors (Board) consists of 13 members. Thirteen directors are to be elected by a plurality of the votes cast at the meeting to hold office until the next annual meeting and until their successors have been elected. AEP s By- Laws provide that the number of directors of AEP shall be such number, not less than 9 nor more than 17, as shall be determined from time to time by resolution of the Board.

The 13 nominees named on pages 3 through 6 were selected by the Board on the recommendation of the Committee on Directors and Corporate Governance of the Board, following individual evaluation of each nominee s performance. The proxies named on the proxy card or their substitutes will vote for the Board s nominees, unless instructed otherwise. Shareholders may withhold authority to vote for any or all of such nominees on the proxy card. All of the Board s nominees were elected by the shareholders at the 2006 annual meeting. We do not expect any of the nominees will be unable to stand for election or be unable to serve if elected. If a vacancy in the slate of nominees should occur before the meeting, the proxies may be voted for another person nominated by the Board or the number of directors may be reduced accordingly.

Cumulative Voting. Shareholders may exercise cumulative voting rights in the election of directors. That right permits each shareholder to multiply the number of shares the shareholder is entitled to vote by the number of directors standing for election to determine the number of votes the shareholder is entitled to cast for director nominees. The shareholder can then cast all such votes for a single nominee or spread such votes among the nominees in any manner.

Biographical Information. The following brief biographies of the nominees include their principal occupations, ages on the date of this statement, accounts of their business experience and names of certain companies of which they are directors. Data with respect to the number of shares of AEP s Common Stock, options exercisable within 60 days and stock-based units beneficially owned by each of them appear on page 69.

Nominees For Director

E. R. Brooks Granbury, Texas Age 69 Director since 2000	Chairman and chief executive officer of Central and South West Corporation (CSW) (February 1991-June 2000). A director of Hubbell, Inc.
Donald M. Carlton Austin, Texas Age 69 Director since 2000	Retired president and chief executive officer of Radian International LLC. A director of National Instruments Corporation and Temple-Inland Inc.
Ralph D. Crosby, Jr. Arlington, Virginia	Chairman and Chief Executive Officer, EADS North America, Inc since 2002. President, Integrated Systems Sector, Northrop Grumman Corporation from 1998 to 2002. A director of Ducommun Incorporated.

Age 59	
Director since 2006	
John P. DesBarres	Former Chairman of the Board, President and Chief Executive Officer of Transco Energy Company (natural gas). A director of Magellan Midstream Partners, L.P.
Park City, Utah	
Age 67	
Director since 1997	

Nominees For Director continued

Robert W. Fri Washington, D.C. Age 71 Director since 1995	Retired President of Resources for the Future (non-profit research organization). Assumed his present position with Resources for the Future in 2001.
Linda A. Goodspeed Richardson, Texas Age 45 Director since 2005	Executive Vice President and Chief Supply Chain Logistics and Technology Officer of Lennox International, Inc. since August 2001. A director of Columbus McKinnon Corp.
William R. Howell Dallas, Texas Age 71 Director since 2000	Retired Chairman of the Board and Chief Executive Officer of J. C. Penney Company. Chairman emeritus of J. C. Penney Company (1997-present). A director of Exxon Mobil Corporation, Halliburton Company, Pfizer Inc., and The Williams Companies, Inc. He is also a director of Deutsche Bank Trust Corporation and Deutsche Bank Trust Company Americas, non-public wholly owned subsidiaries of Deutsche Bank A.G.
Lester A. Hudson, Jr. Charlotte, North Carolina Age 67	Professor and the Wayland H. Cato, Jr. Chair in Leadership at McColl Graduate School of Business at Queens University of Charlotte since 2003. Professor of Business Strategy at Clemson University (1998-2003). Retired chairman, chief executive officer and president of Wunda Weve Carpets, Inc. and Dan River, Inc. A director of American National Bankshares Inc.

Director since 1987

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Nominees For Director continued

Michael G. Morris Columbus, Ohio Age 60 Director since 2004	Elected president and chief executive officer of AEP in January 2004; chairman of the board in February 2004; and chairman, president and chief executive officer of all of its major subsidiaries in January 2004. A director of certain subsidiaries of AEP with one or more classes of publicly held preferred stock or debt securities and other subsidiaries of AEP. From 1997 to 2003 was chairman of the board, president and chief executive officer of Northeast Utilities, an unaffiliated electric utility system. A director of Cincinnati Bell, Inc. and The Hartford Financial Services Group, Inc.
Lionel L. Nowell III Purchase, New York Age 52 Director since 2004	Senior vice president and treasurer of PepsiCo, Inc. since 2001. A director of Church & Dwight Co., Inc.
Richard L. Sandor Chicago, Illinois Age 65 Director since 2000	Chairman and chief executive officer of Chicago Climate Exchange, Inc. (a self-regulatory exchange that administers a greenhouse gas reduction and trading program) since 2002. Chairman and chief executive officer of the Chicago Climate Futures Exchange (a designated contract market regulated by the CFTC) since 2004. Chairman of Climate Exchange PLC since 2003. Research professor at the J.L. Kellogg School of Management, Northwestern University since 1999. Chairman and chief executive officer of Environmental Financial Products LLC (1998-2003). A director of Intercontinental Exchange, Inc. and Millennium Cell, Inc.
Donald G. Smith Roanoke, Virginia Age 71	Retired Chairman of the Board, Chief Executive Officer and Treasurer of Roanoke Electric Steel Corporation (steel manufacturer) (1989-2006).

Director since 1994

Nominees For Director continued

Kathryn D. Sullivan Columbus, Ohio Age 55 Director since 1997	Director, Battelle Center for Mathematics and Science Education Policy The John Glenn School of Public Affairs at The Ohio State University since November 1, 2006. Science Advisor to Columbus science museum COSI (Center of Science & Industry) from December 2005 to November 2006. President and chief executive officer of COSI from 1996 to 2005.

AEP s Board of Directors and Committees

UNDER NEW YORK LAW, AEP is managed under the direction of the Board of Directors. The Board establishes broad corporate policies and authorizes various types of transactions, but it is not involved in day-to-day operational details. During 2006, the Board held eight regular meetings, three of which were held in cities where we have regional offices and one at a generating plant to further the directors education about our operations. AEP encourages but does not require members of the Board to attend the annual shareholders meeting. Last year, all members attended the annual meeting.

Board Meetings and Committees. The Board expects that its members will rigorously prepare for, attend and participate in all Board and applicable committee meetings. Directors are also expected to become familiar with AEP s management team and operations as a basis for discharging their oversight responsibilities.

The Board has seven standing committees. The table below shows the number of meetings conducted in 2006 and the directors who currently serve on these committees. The functions of the committees are described in the paragraphs following the table.

DIRECTOR	BOARD COMMITTEES						
	Audit	Directors and Corporate Governance	Policy	Executive	Finance	Human Resources	Nuclear Oversight
Mr. Brooks	X (Chair)		X	X			
Dr. Carlton			X			X	X
Mr. Crosby			X			X	X
Mr. DesBarres		X	X	X		X (Chair)	
Mr. Fri		X	X			X	
Ms. Goodspeed	X		X				X
Mr. Howell		X	X	X	X (Chair)		
Dr. Hudson	X	X (Chair)	X	X			
Mr. Morris			X	X (Chair)			
Mr. Nowell	X	X	X				

Dr. Sandor			X		X		X
Mr. Smith			X (Chair)		X		X
Dr. Sullivan			X		X		X (Chair)
2006 Meetings	9	5	1	0	4	7	4

During 2006, no director attended fewer than 82% of the aggregate of the total number of meetings of the Board and the total number of meetings held by all committees during the period on which he or she served.

Corporate Governance

AEP maintains a corporate governance page on its website which includes key information about its corporate governance initiatives, including AEP s Principles of Corporate Governance, AEP s Principles of Business Conduct, Code of Business Conduct and Ethics for members of the Board, and charters for the Audit, Directors and Corporate Governance and Human Resources Committees of the Board. The corporate governance page can be found at *www.aep.com/investors/corporategovernance*. Printed copies of all of these materials also are available upon written request to Investor Relations at: AEP, attention: Investor Relations, 1 Riverside Plaza, Columbus, OH 43215.

AEP s policies and practices reflect corporate governance initiatives that are designed to comply with SEC rules, the listing requirements of the NYSE and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

- The Board of Directors has adopted corporate governance policies;

- A majority of the Board members are independent of AEP and its management;

- All members of the Audit Committee, Human Resources Committee (HR Committee) and the Committee on Directors and Corporate Governance are independent;

- The non-management members of the Board meet regularly without the presence of management, and the independent members of the Board meet at least once a year;

- AEP has a code of business conduct that also applies to its principal executive officer, principal financial officer and principal accounting officer;

- The charters of the Board committees clearly establish their respective roles and responsibilities;

- AEP has an ethics office with a hotline available to all employees, and AEP s Audit Committee has procedures in place for the anonymous submission of employee complaints on accounting, internal controls or auditing matters; and

- The Board, the Committee on Directors and Corporate Governance, the Audit Committee and the HR Committee conduct annual self-assessments. The Committee on Directors and Corporate Governance also reviews annually the performance of the individual directors.

Director Independence. The Board has adopted categorical standards it uses to determine whether its members are independent. These standards are consistent with the NYSE corporate governance listing standards and are as follows:

1. Employment: A member who is an employee, or whose immediate family member is an executive officer of AEP or any of its subsidiaries is not independent until three years after such employment has ended.

2. Other Compensation: A member who receives, or whose immediate family member receives, more than $100,000 per year in direct compensation from AEP or any of its subsidiaries, other than director or committee fees, and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than $100,000 per year in such compensation.

3. Material Relationship: A member, or whose immediate family member, (a) is a current partner of AEP s external auditor; (b) is a current employee of such firm; (c) is a current employee of such firm who participates in that firm s audit, assurance or tax compliance practice; or (d) was within the last three years a partner or employee of such firm and personally worked on AEP s audit, is not independent.

4. Interlocking Directorships: A member who is employed, or whose immediate family member is employed, as an executive officer of another company on whose compensation committee any of AEP s executive officers serve is not independent until three years after such service or employment has ended.

5. Business Transactions: A member who is a current executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, AEP or any of its subsidiaries for property or services in an amount which, in any fiscal year, exceeds the greater of $1 million or 2% of such other company s consolidated gross revenues is not independent.

6. Charitable Contributions: A member, or whose family member, serves as an executive officer of a non-profit organization, which receives discretionary charitable contributions in an amount exceeding the greater of $100,000 or 2% of such organization s latest annual gross revenues, is not independent until three years after such service has ended.

7. Director Status: A relationship arising solely from a director s position as a director or advisory director (or similar position) of another company or entity that engages in a transaction with AEP is independent so long as the director satisfies the other standards.

Each year, our directors complete a questionnaire that, among other things, elicits information to assist the Committee on Directors and Corporate Governance in assessing whether the director meets the Company s independence standards. Utilizing these responses and other information, the Committee on Directors and Corporate Governance evaluates, with regard to each director, whether the director has any material relationship with AEP or any of its subsidiaries (either directly or as a partner, shareholder or officer of an entity that has a relationship with AEP or any of its subsidiaries). If a director has a relationship with an organization which made or received payments from AEP, information regarding the amount of such payments is provided to the Committee on Directors and Corporate Governance. The Committee on Directors and Corporate Governance then determines whether the amount of any such payments requires, pursuant to the Company s independence standards or otherwise, a finding that the director is not independent. The Committee on Directors and Corporate Governance also discusses any other relevant facts and circumstances regarding the nature of these relationships, to determine whether other factors, regardless of the categorical standards the Board has adopted, might impede a director s independence. No member of the Board is independent unless the Board affirmatively determines that such member is independent.

The Board has affirmatively determined that Messrs. Brooks, Carlton, Crosby, DesBarres, Fri, Howell, Hudson, Nowell, Smith, Ms. Goodspeed and Ms. Sullivan, all of whom are Board nominees at this meeting, are independent. None of the directors who were determined to be independent had any relationships that were outside the categorical standards identified above. In addition, the Board considered transactions and relationships between each director and any member of his or her immediate family and AEP and its subsidiaries. The purpose of this review was to determine whether any such transaction or relationship was inconsistent with a determination that the director is independent.

The Board considered the fact that Mr. Brooks is a director of Hubbell, Inc., which provided approximately $16,000,000 of equipment to us in 2006. The Board considered the fact that Mr. Fri is a director of EPRI, which is an independent, nonprofit center for public interest energy and environmental research and to which the Company contributed approximately $15,000,000 in 2006. The Board also considered that Mr. Fri is a visiting fellow for Resources for the Future (RFF) and that AEP contributed $50,000 in 2006 to RFF. The Board noted that since Messrs. Fri and Brooks do not serve as executive officers and do not own a significant amount of stock of these companies, these relationships are not material, and determined that these directors are independent. The Board considered the fact that Ms. Goodspeed serves as Executive Vice President and Chief Supply Chain Logistics and Technology Officer of Lennox International, Inc. Although Ms. Goodspeed is an executive officer of Lennox International, Inc., we purchased only $47,000 of equipment from Lennox in 2006, which the Board considered immaterial. The Board considered the fact that Mr. Crosby serves as Chairman and Chief Executive Officer of EADS North America, Inc. Although Mr. Crosby an executive officer of EADS North America, Inc., we purchased only $68,000 of equipment from it. Lastly, the Board considered the fact that Mr. Nowell is a Senior Vice President and Treasurer of PepsiCo, Inc. Although Mr. Nowell is an executive officer of PepsiCo, Inc., we purchased only $31,000 of products from it. The Board also determined that there were no discretionary contributions to a non-profit organization with which a director or any of his or her immediate family members has a relationship that impairs the directors independence.

Mr. Morris is not independent because he is an executive officer of AEP. Although Dr. Sandor currently meets the independence standards, the Board of Directors has determined that he is not to be classified as independent because of AEP s relationship with the Chicago Climate Exchange (CCX). Dr. Sandor serves as Chief Executive Officer of CCX. AEP is a founding member of the CCX and during 2006 AEP and its subsidiaries transacted trades of greenhouse gas emission allowances on the CCX. Dr. Sandor is also the Chief Executive Officer of the Chicago Climate Futures Exchange (CCFE), which is an exchange established for trading of SO_2 and NO_x allowances. AEP paid CCX and CCFE approximately $44,000 in commissions and dues in 2006. AEP payments to CCX and CCFE currently do not exceed $1 million but AEP s payments in the future may exceed that threshold. AEP anticipates paying commissions and dues to CCX and CCFE in 2007 in an amount greater than amounts paid in 2006.

Communicating with the Board. If you would like to communicate directly with our Board, our non-management directors as a group or Dr. Hudson, our Presiding Director, you may submit your written communication to American Electric Power Company, Inc., P.O. Box 163609, Attention: AEP Non-Management Directors, Columbus OH 43216. AEP s Business Ethics and Corporate Compliance department will review such inquiries or communications. Communications other than advertising or promotions of a product or service will be forwarded to our Board, our non-management directors as a group or our Presiding Director, as applicable.

The ***Committee on Directors and Corporate Governance*** has the responsibilities set forth in its charter, including:

1. Recommending the size of the Board within the limits imposed by the By-Laws.

2. Recommending selection criteria for nominees for election or appointment to the Board.

3. Conducting independent searches for qualified nominees and screening the qualifications of candidates recommended by others.

4. Recommending to the Board nominees for appointment to fill vacancies on the Board as they occur and the slate of nominees for election at the annual meeting.

5. Reviewing and making recommendations to the Board with respect to compensation of directors and corporate governance.

6. Recommending members to serve on committees and chairs of the committees of the Board.

7. Reviewing the independence and possible conflicts of interest of directors and executive officers.

8. Supervising the AEP Corporate Compliance Program.

9. Overseeing the annual evaluation of the Board of Directors.

10. Reviewing annually the performance of individual directors.

11. Supervising the implementation of AEP s Related Person Transaction Approval Policy.

12. Overseeing AEP s Sustainability Report, including the material about political contributions.

A copy of the charter can be found on our website at *www.AEP.com/investors/corporategovernance*. Consistent with the rules of the NYSE, all members of the Committee on Directors and Corporate Governance are independent.

The Committee on Directors and Corporate Governance will consider shareholder recommendations of candidates to be nominated as directors of the Company. All such recommendations must be in writing and submitted in accordance with the procedures described under Shareholder Proposals and Nominations on page 70 and must include information required in AEP s Policy on Consideration of Candidates for Director Recommended by Shareholders. A copy of this policy is on our website at *www.AEP.com/investors/corporategovernance*. Shareholders nominees who comply with these procedures will receive the same consideration that all other nominees receive.

In evaluating candidates for Board membership, the Committee on Directors and Corporate Governance reviews each candidate s biographical information and assesses each candidate s skills and expertise based on a variety of factors. Some of the major factors include whether the candidate:

- maintains the highest personal and professional ethics, integrity and values;
- is committed to representing the long-term interests of the shareholders;
- has an inquisitive and objective perspective, practical wisdom and mature judgment;
- contributes to the diversity of views and perspectives of the Board as a whole; and
- possesses a willingness to devote sufficient time to carrying out the duties and responsibilities effectively, including attendance at meetings.

The Committee on Directors and Corporate Governance also seeks balance on the Board by having complementary knowledge, expertise, experience and skill in areas such as business, finance, accounting, marketing, public policy, government, technology and environmental issues and other areas that the Board has decided are desirable and helpful to fulfilling its role. The Committee on Directors and Corporate Governance also seeks diversity in gender, race, experience, geographic location and educational background of directors.

The American Electric Power Company, Inc. Related Person Transaction Approval Policy (Policy) was adopted by the Board on December 13, 2006. The Policy is administered by the Directors and Corporate Governance Committee.

The Policy defines a Transaction with a Related Person as any transaction or series of transactions in which (i) the Company or a subsidiary is a participant, (ii) the aggregate amount involved exceeds $120,000 and (iii) any Related Person has a direct or indirect material interest. A Related Person is any Director or member of the executive council or Section 16 officer of the Company, any nominee for director, any shareholder owning an excess of 5% of the total equity of the Company and any immediate family member of any such person. The Directors and Corporate Governance Committee considers all of the relevant facts and circumstances in determining whether or not to approve such transaction and approves only those transactions that are in the best interests of the Company.

If Company management determines it is impractical or undesirable to wait until a meeting of the Directors and Corporate Governance Committee to consummate a Transaction with a Related Person, the Chair of the Corporate Governance Committee may review and approve the

Transaction with a Related Person. Any such approval is reported to the Directors and Corporate Governance Committee at or before its next regularly scheduled meeting.

No approval or ratification of a Transaction with a Related Person necessarily satisfies or supersedes the requirements of the Company s Code of Business Conduct and Ethics for Members of the Board of Directors or AEP s Principles of Business Conduct applicable to any Related Person. To the extent applicable, any Transaction with a Related Person is also considered in light of the requirements set forth in those documents.

The ***Policy Committee*** is responsible for examining AEP s policies on major public issues affecting the AEP System, including environmental, industry change and other matters.

The ***Executive Committee*** is empowered to exercise all the authority of the Board, subject to certain limitations prescribed in the By-Laws, during the intervals between meetings of the Board.

The ***Finance Committee*** monitors and reports to the Board with respect to the capital requirements and financing plans and programs of AEP and its subsidiaries including, reviewing and making recommendations concerning the short and long-term financing plans and programs of AEP and its subsidiaries.

The ***Human Resources Committee*** (HR Committee) annually reviews AEP s executive compensation in the context of the performance of management and the Company. None of the members of the HR Committee is an officer or employee of any AEP System company. In addition, each of the current members of the HR Committee has been determined to be independent by the Board in accordance with SEC and NYSE rules. The HR Committee held six regular meetings as well as a working session and a conference call in 2006.

In carrying out its responsibilities, the HR Committee has hired a nationally recognized consultant (Towers Perrin) to provide recommendations to the HR Committee regarding AEP s compensation and benefits programs and practices, and to provide information on current trends in executive compensation and benefits within the electric utility industry and among U.S. industrial companies in general. The HR Committee annually reviews and discusses the independence of its executive compensation consultant considering the extent of all other business that Towers Perrin performs for the Company. The HR Committee concluded that, although Towers Perrin does perform actuarial and benefits consulting services for AEP, there were adequate barriers in place to ensure that Towers Perrin s executive compensation recommendations were not in any way influenced by this other business and concluded that Towers Perrin was independent. The HR Committee also instructed management to avoid using Towers Perrin for executive compensation work not relevant to the HR Committee to avoid creating a conflict of interest. The HR Committee regularly holds executive sessions with its independent consultant to help ensure that it receives full and independent advice.

The HR Committee administers AEP s executive officer compensation program. The HR Committee reviews and determines all compensation and significant benefit and perquisite changes for AEP s executive officers. The HR Committee makes recommendations to the independent board members regarding the compensation of the Chief Executive Officer, and those independent board members approve the CEO s compensation.

The HR Committee also reviews the Compensation, Discussion and Analysis section of this proxy statement and recommends that it be included in the Company s Annual report on Form 10-K.

The HR Committee has the responsibilities set forth in its charter, a copy of which can be found on our website at *www.AEP.com/investors/corporategovernance.*

The ***Nuclear Oversight Committee*** is responsible for overseeing and reporting to the Board with respect to the management and operation of AEP s nuclear generation.

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Audit Committee Disclosure

THE AUDIT COMMITTEE of the Board operates pursuant to a charter and is responsible for, among other things, the appointment of the independent registered public accounting firm (independent auditor) for the Company; reviewing with the independent auditor the plan and scope of the audit and approving audit fees; monitoring the adequacy of financial reporting and internal control over financial reporting and meeting periodically with the internal auditor and the independent auditor. A more detailed discussion of the purposes, duties and responsibilities of the Audit Committee is found in the Audit Committee charter, a copy of which can be found on our website at *www.AEP.com*. Consistent with the rules of the NYSE and the Sarbanes-Oxley Act of 2002, all members of the Audit Committee are independent. The Board determined that Mr. Nowell is an audit committee financial expert as defined by the SEC.

Audit Committee Report

THE AUDIT COMMITTEE reviews AEP s financial reporting process as well as the internal controls over financial reporting on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal control over financial reporting.

The Audit Committee met nine times during the year and held discussions, some of which were in private, with management, the internal auditor, and the independent auditor. Management represented to the Audit Committee that AEP s consolidated financial statements were prepared in accordance with generally accepted accounting principles. Management has also concluded that the Company s internal control over financial reporting was effective as of December 31, 2006. The Audit Committee has reviewed and discussed the consolidated financial statements and internal control over financial reporting with management, the internal auditor, and the independent auditor. The Audit Committee discussed with the independent auditor matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication With Audit Committees).

In addition, the Audit Committee has discussed with the independent auditor its independence from AEP and its management, including the matters in the written disclosures required by the Independence Standards Board Standard No. 1 (Independence Discussions With Audit Committees). The Audit Committee has also received written materials addressing the independent auditor internal quality control procedures and other matters, as required by the NYSE listing standards.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in AEP s Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the SEC.

Audit Committee Members

E. R. Brooks, Chair

Linda A. Goodspeed

Lester A. Hudson, Jr.

Lionel L. Nowell, III

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DIRECTOR COMPENSATION

Directors who are employees of the Company receive no additional fee for service as a director other than accidental insurance coverage. The following table presents the compensation provided by the Company in 2006 to the non-employee directors standing for election at the 2007 annual meeting.

Name	Fees Earned Or Paid in Cash ($) (2)	Stock Awards ($) (3)(4)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($) (5)(6)	Total ($)
E. R. Brooks	91,075	83,875	-0-	-0-	-0-	6,542	181,492
Donald M Carlton	73,425	83,875	-0-	-0-	-0-	3,910	161,210
Ralph D. Crosby, Jr.(1)	69,825	83,875	-0-	-0-	-0-	692	154,392
John P. DesBarres	79,225	83,875	-0-	-0-	-0-	2,883	165,983
Robert W. Fri	69,825	83,875	-0-	-0-	-0-	1,337	155,037
Linda A. Goodspeed	81,825	83,875	-0-	-0-	-0-	841	166,541
William R. Howell	68,625	83,875	-0-	-0-	-0-	4,568	157,068
Lester A. Hudson, Jr.	106,175	83,875	-0-	-0-	-0-	3,268	193,318
Lionel L. Nowell III	80,625	83,875	-0-	-0-	-0-	2,479	166,979
Richard L. Sandor	68,625	83,875	-0-	-0-	-0-	4,043	156,543
Donald G. Smith	72,225	83,875	-0-	-0-	-0-	2,052	158,152
Kathryn D. Sullivan	73,425	83,875	-0-	-0-	-0-	1,337	158,637

(1) Joined the Board in January 2006.

(2) Consists of amounts described below under Director Compensation and Stock Ownership Annual Retainers and Fees. With respect to Mr. Brooks, includes $16,750 paid for services as chairman of the Audit Committee. With respect to Mr. DesBarres, includes $2,500 paid for services as chairman of the Human Resources Committee. With respect to Ms. Goodspeed and Mr. Nowell, includes $12,000 paid for services as members of the Audit Committee. With respect to Dr. Hudson, includes $16,250 paid for services as Presiding Director and $12,000 paid for services as a member of the Audit Committee. Includes the following amounts for per diems to compensate directors for special additional services beyond those contemplated by the Annual Retainer: Mr. Brooks, $5,700; Dr. Carlton, $4,800; Mr. Crosby, $1,200; Mr. DesBarres, $8,100; Mr. Fri, $1,200; Ms. Goodspeed, $1,200; Dr. Hudson, $9,300; Mr. Smith, $3,600; and Dr. Sullivan, $4,800.

(3) Consists of awards under the Stock Unit Accumulation Plan for Non-Employee Directors in 2006 described below under Director Compensation and Stock Ownership Stock Unit Accumulation Plan. AEP Stock Units are credited to directors quarterly, based on the closing price of AEP common stock on the payment date. The grant date fair value of these awards was $83,875.

(4) Each non-employee director received 2,292.213 stock units in 2006. See Share Ownership of Directors and Executive Officers on page 69 for the aggregate number of stock awards outstanding for each director as of December 31, 2006.

(5) Consists of tax gross ups, premiums for accidental death insurance and annual costs of the Central and South West Corporation Memorial Gift Program. The following table presents the components of All Other Compensation for each non-employee director:

Name	Tax Gross Ups ($)	Premiums ($)	Memorial Gifts ($)
E. R. Brooks	4,308	748	(6)
Donald M Carlton	1,676	748	(6)
Ralph D. Crosby, Jr.	-0-	692	-0-
John P. DesBarres	2,135	748	-0-
Robert W. Fri	589	748	-0-
Linda A. Goodspeed	93	748	-0-
William R. Howell	2,334	748	(6)
Lester A. Hudson, Jr.	2,520	748	-0-
Lionel L. Nowell III	1,731	748	-0-
Richard L. Sandor	1,809	748	(6)
Donald G. Smith	1,304	748	-0-
Kathryn D. Sullivan	589	748	-0-

(6) AEP is continuing a memorial gift program for former CSW directors and executive officers who had been previously participating in this program. The program currently has 28 participants, including the four former CSW directors who are members of AEP s Board (Messrs. Brooks, Carlton, Howell and Sandor). Under this program, AEP makes donations in a director s name to up to three charitable organizations in an aggregate amount of up to $500,000, payable by AEP upon such person s death. AEP maintains corporate-owned life insurance policies to support the program. The annual premiums paid by AEP are based on pooled risks and totaled $41,600 for 2006 and for purposes of the chart we divided this cost evenly among the participants.

Directors Compensation and Stock Ownership

Annual Retainers and Fees.

The Board has determined that Board compensation should consist of a target mix of 45% cash and 55% AEP stock equivalents. In October 2006, upon the recommendation of the Committee on Directors and Corporate Governance and based on competitive data, the Board determined that, effective October 1, 2006, (i) the amount of AEP stock units awarded to non-employee directors pursuant to the Stock Unit Accumulation Plan should increase from $82,500 to $88,000 annually and (ii) the amount of the annual cash retainer paid to non-employee directors should increase from $67,500 to $72,000 annually. The Presiding Director fee was increased from $15,000 to $20,000 annually effective October 1, 2006. The chairman of the audit committee fee was increased from $15,000 to $22,000 annually effective October 1, 2006. The other members of the Audit Committee continue to receive an additional annual retainer of $12,000. Effective October 1, 2006, the chairman of the HR Committee receives an annual fee of $10,000. Each of these cash retainers is paid in quarterly increments.

The Company believes that the standard director compensation amount compensates directors appropriately for all general services that are rendered as a director. The Company does, however, occasionally ask directors to undertake special assignments. In December 2004 the Board adopted a policy (Special Compensation Policy) that provides for directors to be compensated at a daily rate when called upon to undertake special additional services beyond those contemplated by the Annual Retainer. The Company pays each non-employee director a fee of $1,500 per day ($1,200 per day for periods before October 1, 2006) when any such director undertakes such special assignments. The Committee on Directors and Corporate Governance has pre-approved the following director activities as special assignments under the Special Compensation Policy, which qualify for the per diem fee, and has delegated to the secretary of the Company the authority to approve the payment of the appropriate per diem fee upon written request from a director:

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(i) attendance as a representative of AEP at meetings of regulatory agencies or other governmental bodies; (ii) attendance as a representative of AEP at meetings of industry, corporate governance, advocacy or comparable groups; (iii) attendance as a representative of AEP at corporate governance or other board education seminars; (iv) travel for interviews of potential AEP directors; and (v) attendance at AEP-sponsored training sessions, plant tours, facility visits or other AEP venues, other than attendance as a part of a regular meeting of the Board or a committee of the Board.

Expenses. Non-employee directors are reimbursed for expenses incurred in attending Board, committee and stockholder meetings. Directors are also reimbursed for reasonable expenses associated with other business activities, including participation in director education programs.

The Company from time to time invites directors spouses to travel with the directors to attend Board meetings. Spouses may also join non-employee directors on Company aircraft when a non-employee director is traveling to or from those Board meetings. The Company generally provides for, or reimburses the expenses of, the non-employee directors and their spouses for attendance at such meetings, which may result in a non-employee director recognizing income for tax purposes under applicable regulations. The Company therefore reimburses the non-employee director for the estimated taxes incurred in connection with any income recognized by the director as a result of the non-employee director s or spouse s attendance at such events.

Retainer Deferral Plan. The Retainer Deferral Plan for Non-Employee Directors is a non-qualified deferred compensation plan that permits non-employee directors to choose to defer up to 100% of their annual retainer and fees into a variety of investment fund options, all with market-based returns, including an AEP stock fund. The Plan permits the non-employee directors to defer receipt until termination of service or for a period that results in payment commencing not later than five years after termination of service.

Stock Unit Accumulation Plan. In 2006 the Stock Unit Accumulation Plan for Non-Employee Directors awarded $83,875 in AEP stock units to each non-employee director. As noted above in *Annual Retainers and Meeting Fees*, the Stock Unit Accumulation Plan was amended effective October 1, 2006 to increase the annual award to $88,000 in AEP stock units. These AEP stock units are credited to directors quarterly, based on the closing price of AEP Common Stock on the payment date. Amounts equivalent to cash dividends on the AEP stock units accrue as additional AEP stock units. AEP stock units are not paid to the director in cash until termination of service unless the director has elected to further defer payment for a period that results in payment commencing not later than five years after termination of service.

Insurance. AEP maintains a group 24-hour accident insurance policy to provide a $1,000,000 accidental death benefit for each director, $100,000 for each spouse of a director and $50,000 for all dependent children. The current policy, effective September 1, 2004 through September 1, 2007, has a premium of $29,000. In addition, AEP pays each non-employee director an amount to provide for the federal and state income taxes incurred in connection with the maintenance of this coverage and is reflected in the tax gross up column of the Non-Employee Director Compensation Table.

Stock Ownership. The Board considers stock ownership in AEP by Board members to be important. As noted above in Stock Unit Accumulation Plan, non-employee directors are required to defer $88,000 annually in AEP stock units until termination of his or her directorship. As noted below under Share Ownership of Directors and Executive Officers, each non-employee director of AEP owns more than 13,000 shares of AEP Common Stock and AEP stock units, except for Mr. Nowell, Ms. Goodspeed and Mr. Crosby, who were elected to the Board of Directors in July 2004, October 2005 and January 2006, respectively.

Insurance

The directors and officers of AEP and its subsidiaries are insured, subject to certain exclusions, against losses resulting from any claim or claims made against them while acting in their capacities as directors and officers. The AEP System companies are also insured, subject to certain exclusions and deductibles, to the extent that they have indemnified their directors and officers for any such losses. Such insurance, effective March 15, 2006 through March 15, 2007, is provided by: Associated Electric & Gas Insurance Services, Energy Insurance Mutual Ltd., Zurich American Insurance Company, St. Paul Mercury Insurance Company, National Union Fire Insurance Company of Pittsburgh, PA, Liberty Mutual Insurance Company, Twin City Fire Insurance Company, Westchester Fire Insurance Company (ACE), AXIS Reinsurance Company, Starr Excess International Ltd., Arch Insurance Company, RSUI Indemnity Company, XL Specialty Insurance Company, U.S. Specialty Insurance Company and XL Insurance Ltd. The total cost of this insurance is $4,536,849.

Fiduciary liability insurance provides coverage for AEP System companies, their directors and officers, and any employee deemed to be a fiduciary or trustee, for breach of fiduciary responsibility, obligation, or duties as imposed under the Employee Retirement Income Security Act of 1974. This coverage, provided by Zurich American Insurance Company, Energy Insurance Mutual Ltd., Indian Harbor Insurance Company (XL America Companies), U.S. Specialty Insurance Company (HCC), and AXIS Specialty Reinsurance Company, was renewed, effective March 15, 2006 through March 15, 2007, for a cost of $783,720.

2. Proposal to Approve the American Electric Power System Senior Officer Incentive Plan

THE BOARD OF DIRECTORS proposes that shareholders approve the American Electric Power System Senior Officer Incentive Plan (the 2007 Plan). The Board of Directors adopted the 2007 Plan on December 13, 2006, subject to the approval of the Company s shareholders. The 2007 Plan amends and restates the American Electric Power System Senior Officer Annual Incentive Compensation Plan dated January 1, 1997 (the Existing Plan).

You are being asked to approve the adoption of the 2007 Plan in order to preserve the Company s federal income tax deduction when payments are made to certain executives based on established performance goals. The Company is seeking to preserve its ability to claim tax deductions for compensation paid to executives to the greatest extent practicable; therefore, the 2007 Plan is intended to comply with the requirements of Code Section 162(m). Code Section 162(m) limits how much the Company can deduct on its federal income tax return for compensation paid in a taxable year to an individual who, on the last day of the fiscal year, was either (i) the chief executive officer or (ii) among the four other highest-compensated executive officers. Compensation that is considered performance-based compensation under Code Section 162(m) is not subject to this limit if certain conditions are met. One such condition is that the shareholders initially approve the material terms of the performance goals and re-approve those material terms every five years. Approval of this proposal will ensure that the Company is able to receive tax-deductions for the full amount of performance based compensation paid to officers under the 2007 Plan.

The more significant features of the Annual Plan are described below. This summary is subject, in all respects, to the terms of the Annual Plan, which is attached to this Proxy Statement as Exhibit A.

Administration. The HR Committee, all of whose members are outside directors, will administer the 2007 Plan. The HR Committee will have the authority to grant awards upon such terms (not inconsistent with the terms of the 2007 Plan) as it considers appropriate. In addition, the HR Committee will have complete authority to interpret all provisions of the 2007 Plan, to adopt, amend and rescind rules and regulations pertaining to the administration of the 2007 Plan and to make all other determinations necessary or advisable for the administration of the 2007 Plan.

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Eligibility. Any person who, during the term of the 2007 Plan, is a corporate officer of the Company or any subsidiary of the Company is eligible to participate under the 2007 Plan. The HR Committee determines which corporate officers will be participants under the 2007 Plan. The Company anticipates that approximately 8 employees will be eligible to receive awards under the 2007 Plan.

Performance Objectives. 2007 Plan participants will receive awards under the 2007 Plan after the end of a fiscal year if certain specified performance objectives are met during such fiscal year. The performance objectives are set by the HR Committee at the start of each fiscal year and are based on one or more of the following performance criteria: (i) earnings measures: primary earnings per share; fully diluted earnings per share; net income; pre-tax income; operating income; earnings before interest, taxes, depreciation and amortization; net operating profits after taxes; income before income taxes, minority interest and equity earnings; income before discontinued operations, extraordinary items and cumulative effect of accounting changes, or any combination thereof; (ii) expense control: operations & maintenance expense; total expenditures; expense ratios; and expense reduction; (iii) customer measures: customer satisfaction; service cost; service levels; responsiveness; bad debt collections or losses; and reliability such as outage frequency, outage duration, and frequency of momentary outages; (iv) safety measures: recordable case rate; severity rate; and vehicle accident rate; (v) diversity measures: minority placement rate and utilization; (vi) environmental measures: emissions; project completion milestones; regulatory/legislative/cost recovery goals; and notices of violation; (vii) revenue measures: revenue and margin; (viii) shareholder return measures: total shareholder return; economic value added; cumulative shareholder value added; return on equity; return on capital; return on assets; dividend payout ratio and cash flow(s) such as operating cash flows, free cash flow, discounted cash flow return on investment and cash flow in excess of cost of capital or any combination thereof; (ix) valuation measures: stock price increase; price to book value ratio; and price to earnings ratio; (x) capital and risk measures: debt to equity ratio and dividend payout as percentage of net income; (xi) employee satisfaction; (xii) project measures: completion of key milestones; (xiii) production measures: generating capacity factor; performance against the Institute of Nuclear Power Operation index; generating equivalent availability; heat rates and production cost. The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the HR Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods (e.g., earnings growth), or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

Payment of Awards. All awards under the 2007 Plan for a fiscal year will be paid in cash following the end of such fiscal year. The maximum individual award that can be made under the 2007 Plan for a fiscal year is the lesser of (i) $6,000,000 or (ii) 400% of the corporate officer s base salary (prior to any deferral elections) as of the date of grant of the award. The HR Committee does not currently intend to grant individual awards that approach the maximum allowable amount, but is asking shareholders to approve the maximum amount to preserve flexibility over the next five years.

Amendment and Termination. The Company has the right, at any time and from time to time, to amend in whole or in part any of the terms and provisions of the 2007 Plan to the extent permitted by law for whatever reason the Company may deem appropriate; provided, however, that any such amendment which requires approval of the Company s shareholders in order to maintain the qualification of awards as performance-based compensation pursuant to Code Section 162(m)(4)(C) shall not be made without such approval.

Federal Income Tax Consequences. All cash awards under the 2007 Plan are taxable to the participant when paid. The 2007 Plan has been designed to comply with Code Section 162(m) such that all awards under the 2007 Plan qualify as performance-based com -

pensation and, therefore, the Company will be entitled to claim a federal income tax deduction for the full amount of any cash award paid under the 2007 Plan.

Vote Required. Approval of this proposal requires the affirmative vote of holders of a majority of the shares present in person or by proxy at the meeting.

Your Board of Directors recommends a vote **FOR** this proposal.

Equity Compensation Plan Information

All of AEP s equity compensation plans (as defined by applicable SEC regulations) have been approved by its shareholders. AEP s equity compensation plan information as of December 31, 2006 is as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	3,670,364	$ 34.4079	18,585,143
Equity compensation plans not approved by security holders	0	N/A	0
Total	3,670,364	$ 34.4079	18,585,143

(1) Consists of shares to be issued upon exercise of outstanding options granted under the Amended and Restated American Electric Power Long-Term Incentive Plan and the CSW 1992 Long-Term Incentive Plan (CSW Plan). The CSW Plan was in effect prior to the consummation of the AEP-CSW merger. All unexercised options granted under the CSW Plan were converted into options to purchase 0.6 AEP common shares, vested on the merger date and will expire ten years after their grant date. No additional options will be issued under the CSW Plan.

3. Proposal to Ratify Appointment of Independent Registered Public Accounting Firm

The Audit Committee has appointed the firm of Deloitte & Touche LLP as the Company s independent registered public accounting firm for 2007. Although action by the shareholders in this matter is not required, the Audit Committee believes that it is appropriate to seek shareholder ratification of this appointment in light of the critical role played by the independent registered public accounting firm in maintaining the integrity of Company financial controls and reporting, and will seriously consider shareholder input on this issue. Whether or not the appointment of Deloitte & Touche LLP is ratified by the shareholders, the Audit Committee may, in its discretion, change the appointment at any time during the year if it determines that such change would be in the best interests of the Company and its shareholders.

One or more representatives of Deloitte & Touche LLP will be in attendance at the annual meeting on April 24, 2007. The representatives will have the opportunity to make a statement, if desired, and will be available to respond to appropriate questions from shareholders.

Vote Required. Approval of this proposal requires the affirmative vote of holders of a majority of the shares present in person or by proxy at the meeting.

Your Board of Directors recommends a vote **FOR** this proposal.

Audit and Non-Audit Fees

The following table presents fees for professional audit services rendered by Deloitte & Touche LLP for the audit of the Company s annual financial statements for the years ended December 31, 2006 and December 31, 2005, and fees billed for other services rendered by Deloitte & Touche LLP during those periods.

	2006	2005
Audit Fees(1)		
Financial Statements	$ 8,564,000	$ 8,469,000
Internal Control over Financial reporting	$ 4,080,000	$ 4,210,000
Total Audit Fees	$ 12,644,000	$ 12,679,000
Audit-Related Fees(2)	$ 822,000	$ 581,000
Tax Fees(3)	$ 703,000	$ 1,116,000
TOTAL	$ 14,169,000	$ 14,376,000

(1) Audit fees in 2005 and 2006 consisted primarily of fees related to the audit of the Company s annual consolidated financial statements, including each registrant subsidiary. Audit fees also included auditing procedures performed in accordance with Sarbanes-Oxley Act Section 404 and the related Public Company Accounting Oversight Board Auditing Standard Number 2 regarding the Company s internal control over financial reporting. This category also includes work generally only the independent registered public accounting firm can reasonably be expected to provide.

(2) Audit related fees consisted principally of regulatory and statutory audits and audit-related work in connection with acquisitions and dispositions.

(3) Tax fees consisted principally of tax compliance services. Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred to document, compute, and obtain government approval for amounts to be included in tax filings.

The Audit Committee has considered whether the provision of services other than audit services by Deloitte & Touche LLP and its domestic and global affiliates is compatible with maintaining independence and the Audit Committee believes that this provision of services is compatible with maintaining Deloitte & Touche LLP s independence.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Auditor

The Audit Committee s policy is to pre-approve all audit and non-audit services provided by the independent auditor. These services may include audit services, audit-related services, tax services and other services. Pre-approval is provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific limitation. The independent auditor and management are required to report to the Audit Committee at each regular meeting regarding the extent of services provided by the independent auditor in accordance with this pre-approval policy, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis. In 2006, all Deloitte & Touche LLP services were pre-approved by the Audit Committee.

Other Business

The Board of Directors does not intend to present to the meeting any business other than the election of directors, a proposal to approve the American Electric Power System Senior Officer Incentive Plan and the ratification of the appointment of the independent registered public accounting firm.

If any other business not described herein should properly come before the meeting for action by the shareholders, the persons named as proxies on the enclosed card or their substitutes will vote the shares represented by them in accordance with their best judgment. At the time this proxy statement was printed, the Board of Directors was not aware of any other matters that might be presented.

Compensation Discussion and Analysis

Overview

The HR Committee administers AEP s executive officer compensation program. The HR Committee reviews and determines all compensation and significant benefit and perquisite changes for AEP s executive officers. The HR Committee makes recommendations to the independent board members regarding the compensation of the Chief Executive Officer, and those independent board members approve the CEO s compensation. That compensation includes:

- Base salary;
- AEP s annual incentive compensation under the Senior Officer Annual Incentive Compensation Plan (SOIP);
- Long term equity-based compensation under the Amended and Restated American Electric Power System Long-Term Incentive Plan (LTIP),
- Benefits; and
- Perquisites.

The overall compensation philosophy of the HR Committee and of AEP s management is that total compensation should be tied to individual performance, should be closely linked to AEP s performance in achieving financial and non-financial objectives, and that any long-term incentive compensation should be closely aligned with shareholders interests. AEP s executive compensation programs are therefore designed to:

- Attract and retain a superb leadership team with a market competitive compensation and benefits program;
- Reflect AEP s financial and operational size and the complexity of its multi-state operations;
- Maximize shareholder value by emphasizing performance-based compensation over base salary, providing a substantial percentage of total compensation opportunity in the form of stock-based compensation, and requiring our executive officers to meet stock ownership requirements;
- Support the implementation of the Company s business strategy by tying annual incentive awards to key operating and strategic objectives, such as safety, improving system reliability and new generation initiatives;
- Motivate and reward outstanding individual performance and results through annual incentive compensation that varies based on both individual and corporate performance; and

Promote the stability of the management team by creating strong retention incentives with multi-year vesting schedules for long-term incentive compensation.

Overall, AEP s executive compensation program is intended to create a total compensation opportunity that, on average, is equal to the median of AEP s peer group, which is made up of other utility companies and industrial companies as described below under Compensation Peer Group. The HR Committee s independent compensation consultant, Towers Perrin, participates in HR Committee meetings, assists the HR Committee in developing the compensation program and meets with the HR Committee in executive session during most meetings without management present. See Corporate Governance - Human Resources Committee on page 11 for additional information regarding the independence of Towers Perrin s advice to the HR Committee.

Compensation Program Design

To meet the above objectives, the HR Committee seeks to establish compensation opportunities that enhance the Company s ability to attract, retain, reward, motivate and encourage the development of exceptionally knowledgeable, highly qualified and experienced executives and to align the interests of these executives with the long-term interests of the Company s shareholders. AEP s compensation program for executive officers includes base salary, annual incentive compensation and long-term incentive compensation (LTI). Annual incentive compensation is generally used to reward the achievement of specific near-term corporate objectives, while LTI compensation is generally used to reward longerterm strategic objectives and financial objectives. Both short and long-term compensation are linked to the Company s financial objectives. In 2006, for example, a portion of the annual incentive for executive officers was tied to near-term improvements in the performance of AEP s distribution system, while funding for the whole annual incentive compensation program was dependent on AEP s 2006 ongoing earnings per share (EPS) performance. This balanced approach helps ensure that neither operating objectives nor financial objectives will take precedence over the other, since the annual incentive plan only rewards participants when both types of objectives are achieved. For 2007, funding for the annual incentive compensation program will remain dependent on AEP s ongoing EPS performance relative to AEP s 2007 earnings guidance, which is currently $2.85 to $3.05 per share.

AEP s long-term incentive program also provides a retention incentive that fosters management continuity. To accomplish this, the HR Committee made three-year performance unit awards under the LTIP in 2006, and tied the value to AEP s three-year total shareholder return (TSR) relative to the S&P Utility Index and AEP s three-year cumulative ongoing EPS.

AEP s compensation programs are also designed to place a substantial amount of compensation for senior executives at risk in the form of variable incentive compensation instead of fixed or base pay, with much of this risk similar to the risk experienced by other AEP shareholders. For 2006, 81 percent of the total target compensation opportunity for the Chief Executive Officer and at least 68 percent of that for the other executive officers listed in the Summary Compensation Table (Named Executive Officers or NEOs) was at risk in the form of incentive compensation.

The HR Committee also uses tally sheets to evaluate the total rewards package for the NEOs. These tally sheets include all significant aspects of the total rewards program and illustrate the potential value of all compensation programs under various performance, termination and stock price scenarios.

Compensation Peer Group

The HR Committee annually reviews AEP s executive compensation relative to a peer group of companies that represent the talent markets from which AEP must compete to attract and retain executives. Towers Perrin annually recommends a peer group to the HR Committee, which is comprised of companies that are comparable in size to AEP in revenues and market capitalization and other factors and for which compensation data is available. The peer group includes an approximately equal balance of utilities and non-utility industrial companies. The HR Committee includes industrial companies outside the utility industry because AEP is larger than most of its energy industry peers and because AEP must compete with non-utility companies to attract and retain executives. The HR Committee annually determines the composition of the peer group to ensure that it provides appropriate compensation comparisons (the Compensation Peer Group). For 2006, the Compensation Peer Group consisted of 14 large and diversified energy services companies, plus 12 Fortune 500 companies shown in the table below.

AEP s Compensation Peer Group

Energy (14 Companies)	*General Industry (12 Companies)*
Centerpoint Energy, Inc.	3M Company
Constellation Energy Group, Inc.	Bristol-Myers Squibb Company
Dominion Resources, Inc.	Caterpillar Inc.
Duke Energy Corporation	CSX Corporation
Edison International	Goodyear Tire & Rubber Company
Entergy Corporation	Northrop Grumman Corporation
Exelon Corporation	PPG Industries, Inc.
FirstEnergy Corp.	Schlumberger N.V.
FPL Group, Inc.	Sunoco, Inc.
PG&E Corporation	Textron Inc.
Public Service Enterprise Group Incorporated	Union Pacific Corporation
The Southern Company	Weyerhaeuser company
TXU Corp	
Xcel Energy	

Towers Perrin provides market information and analyses of compensation programs of companies in the Compensation Peer Group. The HR Committee generally uses the median value of compensation paid by the Compensation Peer Group as its benchmark but occasionally considers other comparisons, such as alternative percentile benchmarks and industry-specific compensation surveys, when evaluating compensation.

Executive Compensation Program Detail

The elements of AEP s executive compensation program are base salary, annual incentive compensation, long-term incentive compensation, health and welfare benefits, retirement benefits and perquisites. AEP also maintains a deferred compensation program that is designed to provide executives with an income tax deferral option that provides market-based rates of return on their deferred balances.

Base Salary. AEP pays base salaries to provide a market-competitive and consistent source of income to executives. In the event of a performance downturn that reduces or eliminates incentive award payouts, base salaries would be the primary source of pay for AEP executives. When determining executive base salaries, the HR Committee considers:

- Sustained individual performance;
- The impact that any change in base salary may have on (i) other pay elements, such as annual incentive compensation and (ii) the competitiveness of the executive s total cash compensation (TCC) and total direct compensation (TDC). (TCC consists of base salary and annual incentive compensation and TDC consists of TCC plus long-term incentive compensation);
- The responsibilities and experience of each executive officer;
- Reporting relationships;
- Supervisor recommendations;
- Pay history; and
- The relationship of the base salary of the CEO to the base salaries of other AEP executive officers.

The CEO recommends base salaries for executive officers, other than himself, to the HR Committee. The HR Committee recommends the base salary for the CEO. The HR Committee generally targets TCC at the median of AEP s Compensation Peer Group, rather than considering base salary independently of annual incentive compensation.

Annual Incentive Compensation. The primary purpose of AEP s annual incentive compensation is to motivate senior management to meet and exceed annual objectives that are part of the Company s strategic plan. AEP maintains the Senior Officer Annual Incentive Compensation Plan (SOIP) for this purpose. The SOIP supports a pay-for-performance culture by providing greater rewards to the highest performing executives. On or before the end of the third month of each year, the HR Committee establishes operating performance measures for the SOIP. After the end of each year, the HR Committee reviews and certifies performance and the resulting score for each of these performance measures. Funding for the 2006 SOIP was contingent on meeting minimum ongoing EPS requirements set by the HR Committee and the Board, such that no awards would have been paid unless the Company met a minimum ongoing EPS threshold. For 2006, possible EPS scores ranged from 0% at the low point of AEP s earnings guidance to 200% at the high point of AEP s earnings guidance.

In 2006, AEP produced ongoing EPS of $2.77, which was in the higher end of our 2006 earnings guidance range of $2.50 to $2.80 per share. This resulted in an EPS Score of 184.9% for 2006. For 2006, ongoing EPS differed from earnings per share reported in AEP s financial statements principally due to an impairment for a disposition and discontinued operations. (See our Form 8-K filed on January 30, 2007 announcing 2006 fourth quarter and year-end earnings for a reconciliation of on-going and reported EPS.) The EPS score establishes the total funding available each year for cash bonuses payable out of all of the AEP business unit incentive plans, including the SOIP. The total target funding is then multiplied by the EPS Score (184.9%) to determine the total dollars available for incentive awards. This amount is then reduced to the extent that any groups would receive more funding than the 200% of target maximum level.

To determine the funding available for annual incentive awards at the business unit or group level, including for the SOIP participants, the combined operating performance scores for all business units and groups are averaged to create a par score for the year.

Consistent with AEP s philosophy of rewarding performance, the EPS Modifier allocates the available funding to each group in accordance with their combined operating performance score relative to par. Thus, business units and groups with above average scores receive a higher final composite score than the EPS score, and groups with below average scores receive a lower final composite score than the EPS score. Each group s final composite score is then multiplied by their target funding level to determine their annual incentive funding for the year. This process resulted in a final composite SOIP score of 151.6% for 2006 (105.8% combined operating performance score times 143.3% EPS Modifier score).

For 2006, an SOIP funding pool was created by multiplying the target funding pool by the composite score. The HR Committee retained both positive and negative discretion over all SOIP performance measure results and individual awards to help ensure that awards were aligned with performance results. Individual SOIP awards for senior officers, other than the CEO, are determined by the HR Committee, based in part on the CEO s assessment of the individual s performance and contribution to strategic goals. The HR Committee annually conducts a confidential CEO Leadership Assessment to gather input about the CEO s performance from members of the Board of Directors, senior AEP management, AEP s outside auditor and other people who frequently interact with the CEO. The SOIP award for the CEO is determined by the independent members of the Board of Directors, based in part on the recommendation of the HR Committee.

The HR Committee established the following performance measures for the 2006 SOIP, each of which had minimum and maximum scores of 0% and 200% of target, respectively:

2006 SOIP Performance Measures

Performance Category	Weight	2006 Score
Safety performance		
Recordable Case Rate	10%	200.0%
Severity Rate	15%	200.0%
Any fatality reduces overall safety score to zero		times 0%
Safety Performance	**25%**	**0%**