AMERICAN ELECTRIC POWER CO INC
Form DEF 14A
March 24, 2003

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-11(c) or 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:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notice of 2003 Annual Meeting • Proxy Statement

American Electric Power

1 Riverside Plaza

Columbus, OH 43215

www.aep.com

E. Linn Draper, Jr.

Chairman of the Board,

President and

Chief Executive Officer

March 24, 2003

Dear Shareholder:

This year s annual meeting of shareholders will be held at The Ohio State University s Fawcett Center, 2400 Olentangy River Road, Columbus, Ohio, on Wednesday, April 23, 2003, at 9:30 a.m.

Your Board of Directors and I cordially invite you to attend. Due to increased security procedures at the university s facilities, you should plan to arrive early. Please note that space limitations make it necessary to limit attendance to shareholders and one guest. Admission to the meeting will be on a first-come, first-served basis. Shareholders holding stock in brokerage accounts need to bring a copy of a brokerage statement reflecting stock ownership as of the record date.

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 Mail Fill in, sign and date your enclosed proxy card and return it promptly in the enclosed postage-paid envelope.

By Telephone Call the toll-free telephone number on your proxy card to vote by phone.

Via Internet Visit the web site on your proxy card to vote via the Internet.

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 plan to attend the meeting and are a shareholder of record, please mark the Annual Meeting box on your proxy card or, if you are voting by telephone or Internet, follow the prompts when you vote. An admission ticket is included with the proxy card for each shareholder of record. However, if your shares are not registered in your own name, please advise the shareholder of record (your bank, broker, etc.) that you wish to attend. That firm must provide you with evidence of your ownership on March 4 which will enable you to gain admittance to the meeting.

Sincerely,

NOTICE OF 2003 ANNUAL MEETING

American Electric Power Company, Inc.

1 Riverside Plaza

Columbus, Ohio 43215

TIME 9:30 a.m. on Wednesday, April 23, 2003

PLACE Fawcett Center
The Ohio State University
2400 Olentangy River Road
Columbus, Ohio

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 such other matters, including the shareholder proposals described on pages 12 through 16 of the accompanying proxy statement, as may properly come before the meeting.

RECORD DATE Only shareholders of record at the close of business on March 4, 2003, 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 and management s discussion and analysis of results of operations and financial condition. AEP s Summary Annual Report to Shareholders contains our chairman s letter to shareholders, condensed consolidated financial statements, and an independent auditors report.

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 prior to its exercise at the meeting.

March 24, 2003

Susan Tomasky

Secretary

Our annual meeting of shareholders also will be webcast at http://www.aep.com/go/webcasts at 9:30 a.m. on April 23, 2003.

Proxy Statement

March 24, 2003

Proxy and Voting Information

THIS PROXY STATEMENT and the accompanying proxy card are to be mailed to shareholders, commencing on or about March 24, 2003, 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 23, 2003 in Columbus, Ohio.

Who Can Vote. Only the holders of shares of Common Stock at the close of business on March 4, 2003 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 394,993,420 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 4, 2003.

Revocation of Proxies. A shareholder giving a proxy may revoke it at any time before it is exercised 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. Under New York law, abstentions and broker non-votes do not count in the determination of voting results and have no effect on the vote. The determination by the shareholders of the shareholder proposals is based on votes for and against , with abstentions and broker non-votes not counted as against votes but counted in the determination of a quorum. Unvoted shares are termed non-votes when a nominee holding shares for beneficial owners has not received instructions from the beneficial owner and may not exercise discretionary voting power on certain matters, but with respect to other matters may vote pursuant to discretionary authority or beneficial owner instructions.

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 confidential, 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 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 to the account you select will be discontinued. If you wish to resume or discontinue receiving separate annual reports or proxy statements at the same address, you may call our transfer agent, EquiServe Trust Company, N.A., at 800-328-6955 or write to them at P.O. Box 2500, Jersey City, NJ 07303-2500. 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: Financial Reporting, at 1 Riverside Plaza, Columbus, OH 43215.

1. Election of Directors

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 AEP s Board of Directors.

The 13 nominees named on pages 3-7 were selected by the Board of Directors on the recommendation of the Committee on Directors and Corporate Governance of the Board. 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 2002 annual meeting. It is not expected that any of the nominees will be unable to stand for election or be unable to serve if elected. In the event that a vacancy in the slate of nominees should occur before the meeting, the proxies may be voted for another person nominated by the Board of Directors or the number of directors may be reduced accordingly.

Cumulative Voting. Shareholders have the right to vote cumulatively for the election of directors. This means that in the voting at the meeting each shareholder, or his proxy, may multiply the number of his shares by the number of directors to be elected and then cast the resulting total number of votes for a single nominee, or distribute such votes on the ballot among any two or more nominees as desired. The proxies designated by the Board of Directors will not cumulate the votes of the shares they represent.

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 appears on page 29.

Nominees For Director

E. R. Brooks *Retired Chairman and Chief Executive Officer, Central and South West Corporation, Granbury, Texas* Age 65 Director since 2000	Received his B.S. (electrical engineering) from Texas Tech University in 1961. Chairman and chief executive officer of Central and South West Corporation (February 1991-June 2000). Served as CSW s president from February 1991 to July 1997. A director of Hubbell, Inc. A trustee of Baylor Health Care Center, Dallas, Texas, Hardin-Simmons University, Abilene, Texas, and Texas Tech University, Lubbock, Texas.
Donald M. Carlton *Retired President and Chief Executive Officer, Radian International LLC, Austin, Texas* Age 65 Director since 2000	Received his B.A. from the University of St. Thomas in Houston in 1958 and Ph.D. (organic chemistry) from the University of Texas at Austin in 1962. President and chairman of Radian Corporation, an engineering and technology firm (1969-1995). President and chief executive officer of Radian International LLC (1996-1998). A director of National Instruments Corporation and Valero Energy Corporation and trustee of 26 mutual funds in the Smith Barney/Citi fund complex.
John P. DesBarres *Investor/Consultant, Park City, Utah*	Received an associate degree in electrical engineering from Worcester Junior College in 1960 and completed the Harvard Business School Program for Management Development in 1975 and the Massachusetts Institute of Technology Sloan School Senior Executive Program in 1984. Joined Sun Company (petroleum and natural gas) in 1963, holding various positions until 1979, when he was elected president of Sun Pipe Line Company (1979-1988) (crude oil/products). Chairman, president

Age 63 Director since 1997	and chief executive officer of Sante Fe Pacific Pipelines, Inc. (1988-1991) (petroleum products pipeline). President and chief executive officer (1991-1995) and chairman (1992-1995) of Transco Energy Company (natural gas). A director of Texas Eastern Products Pipeline Company, which is the general partner of TEPPCO Partners, L.P., and Penn Virginia GP, LLC, an indirect wholly-owned subsidiary of Penn Virginia Corporation and the general partner of Penn Virginia Resource Partners, L.P.

Nominees For Director continued

E. Linn Draper, Jr. *Chairman, President and Chief Executive Officer of AEP and AEP Service Corporation; Chairman and Chief Executive Officer of other major AEP subsidiaries* Age 61 Director since 1992	Received his B.A. and B.S. (chemical engineering) degrees from Rice University in 1964 and 1965, respectively, and Ph.D. (nuclear engineering) in 1970 from Cornell University. Joined Gulf States Utilities Company, an unaffiliated electric utility, in 1979. Chairman of the board, president and chief executive officer of Gulf States (1987-1992). Elected president of AEP and president and chief operating officer of AEP Service Corporation in March 1992 and chairman of the board and chief executive officer of AEP and all of its major subsidiaries in April 1993. A director of BCP Management, Inc., which is the general partner of Borden Chemicals and Plastics L.P.
Robert W. Fri *Visiting Scholar, Resources for the Future, Washington, D.C.* Age 67 Director since 1995	Holds a B.A. from Rice University and an M.B.A. from Harvard Business School. Associated with McKinsey & Company, Inc., management consulting firm, from 1963 to 1971 and again from 1973 to 1975, being elected a principal in the firm in 1968. From 1971 to 1973, served as first Deputy Administrator of the Environmental Protection Agency, becoming Acting Administrator in 1973. Was first Deputy and then Acting Administrator of the Energy Research and Development Administration from 1975 to 1977. From 1978 to 1986 was President of Energy Transition Corporation. President and director of Resources for the Future (non-profit research organization) from 1986 to 1995 and became senior fellow emeritus in 1996. Director, National Museum of Natural History (Smithsonian Institution) (1996-2001). Assumed his present position with Resources for the Future in 2001.

Nominees For Director continued

William R. Howell *Chairman Emeritus, J. C. Penney Company, Inc., Dallas, Texas* Age 67 Director since 2000	Received his B.B.A. from the University of Oklahoma in 1958. Joined J.C. Penney Company (major retailer) in 1958 and held various managerial positions. Chairman of the board of J. C. Penney Company from 1983 to January 1997 and also chief executive officer from 1983 to January 1996. Chairman emeritus of J. C. Penney Company (1997-present). A director of Deutsche Bank Trust Company Americas, Exxon Mobil Corporation, Halliburton Company, Pfizer Inc., Viseon, Inc. and The Williams Companies, Inc.
Lester A. Hudson, Jr. *Professor of Business Strategy, Clemson University, Greenville, South Carolina* Age 63 Director since 1987	Received a B.A. from Furman University in 1961, an M.B.A. from the University of South Carolina in 1965 and Ph.D. (industrial management) from Clemson University in 1997. Joined Dan River Inc. (textile fabric manufacturer) in 1970 and was elected president and chief operating officer in 1981 and chief executive officer in 1987. Resigned from Dan River in 1990. Joined WundaWeve Carpets, Inc. (carpet manufacturer) as chairman, president and chief executive officer in 1990. Chairman of WundaWeve in 1991. Vice chairman of WundaWeve (1993-1995). Chairman, H&E Associates (investment firm), 1995-1998. Assumed his present position with Clemson University in 1998. A director of American National Bankshares Inc. and trustee of The Sirrine Foundation and Furman University Advisory Council.
Leonard J. Kujawa *International Energy Consultant, Atlanta, Georgia* Age 70 Director since 1997	Received his B.B.A. in 1954 and M.B.A. in 1955 from the University of Michigan. Joined Arthur Andersen LLP (accounting and consulting firm) in 1957 and became a partner in 1968, specializing in the electric and telecommunications industries. Worldwide Director Energy and Telecommunications (1985-1995). Retired in 1995. Certified public accountant and independent international energy consultant. A director of Schweitzer-Mauduit International, Inc.

Nominees For Director continued

Richard L. Sandor *Chairman and Chief Executive Officer, Environmental Financial Products LLC and Chicago Climate Exchange, Inc., Chicago, Illinois* Age 61 Director since 2000	Received his B.A. from City University of New York, Brooklyn College, and Ph.D. (economics) from the University of Minnesota. Chairman and chief executive officer of Environmental Financial Products LLC (develops and trades in new environmental, financial and commodity markets) since March 1993. Chairman and chief executive officer of Chicago Climate Exchange, Inc. (a self-regulatory exchange that administers a voluntary greenhouse gas reduction and trading program for North America) since January 2003. A research professor at the Kellogg Graduate School of Management at Northwestern University. Second vice chairman of the Chicago Board of Trade (1997-1998). A director of Nasdaq LIFFE, Markets (NQLX), Intercontinental Exchange and Sustainable Performance Group.
Thomas V. Shockley, III *Vice Chairman of AEP; Vice Chairman and Chief Operating Officer, AEP Service Corporation* Age 57 Director since 2000	Received his B.S. (electrical engineering) from Texas A&I University in 1967 and M.S. (electrical engineering) from the University of Texas at Austin in 1969. Executive vice president (1990-1997) and president and chief operating officer (1997-2000) of Central and South West Corporation. Elected vice chairman of AEP and of AEP Service Corporation in 2000 and chief operating officer of AEP Service Corporation in October 2001.
Donald G. Smith *Chairman of the Board, President, Chief Executive Officer and Treasurer of Roanoke Electric Steel Corporation, Roanoke, Virginia*	Joined Roanoke Electric Steel Corporation (steel manufacturer) in 1957. Held various positions with Roanoke Electric Steel before being named president and treasurer in 1985, chief executive officer in 1986 and chairman of the board in 1989.

Age 67

Director since 1994

Nominees For Director continued

Linda Gillespie Stuntz *Partner, Stuntz, Davis & Staffier, P.C., attorneys, Washington, D.C.* Age 48 Director since 1993	Holds an A.B. from Wittenberg University (1976) and J.D. from Harvard Law School (1979). Private practice of law (1979-1981). U.S. House of Representatives, Committee on Energy and Commerce: Associate Minority Counsel, Subcommittee on Fossil and Synthetic Fuels (1981-1986) and Minority Counsel and Staff Director (1986-1987). Private practice of law (1987-1989). U.S. Department of Energy (1989-1993): Acting Deputy Secretary (January 1992-July 1992) and Deputy Secretary (July 1992-January 1993). Returned to the private practice of law in March 1993. A director of Schlumberger Limited and the Electricity Innovation Institute.
Kathryn D. Sullivan *President and Chief Executive Officer, COSI Columbus, Columbus, Ohio* Age 51 Director since 1997	Received her B.S. from the University of California and Ph.D. from Dalhousie University. NASA space shuttle astronaut (1978-1993). Chief Scientist at the National Oceanic and Atmospheric Administration (1993-1996). Became president and chief executive officer of Columbus science museum COSI (Center of Science & Industry) in 1996. U.S. Naval Reserve Officer. A director of Abercrombie & Fitch Co.

Dr. Draper and Mr. Shockley are directors of certain subsidiaries of AEP with one or more classes of publicly held preferred stock or debt securities and other subsidiaries of AEP.

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 2002, the Board held eight regular and five special meetings.

The Board has seven standing committees and the table below provides membership and meeting information for each of them. The functions of the committees are described in the paragraphs following the table.

	BOARD COMMITTEES						
DIRECTOR	**Audit**	**Directors and Corporate Governance**	**Policy**	**Executive**	**Finance**	**Human Resources**	**Nuclear Oversight**
Mr. Brooks			X		X		X
Dr. Carlton	X (Chair)		X	X			X
Mr. DesBarres			X	X		X (Chair)	X
Dr. Draper				X (Chair)			
Mr. Fri			X (Chair)			X	X
Mr. Howell		X	X			X	
Dr. Hudson	X	X (Chair)	X				
Mr. Kujawa	X	X	X				
Dr. Sandor		X	X		X		
Mr. Shockley							
Mr. Smith			X			X	X
Ms. Stuntz		X	X	X	X (Chair)		
Dr. Sullivan	X		X				X (Chair)
2002 Meetings	9	3	3	0	5	7	4

During 2002, no incumbent director attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings held by all committees on which he or she served.

Corporate Governance

The Company regularly monitors developments in the area of corporate governance. In July 2002, Congress passed the Sarbanes-Oxley Act which, among other things, sets forth a number of new corporate governance standards and disclosure requirements. When effective, many of the requirements may be subject to transitional provisions. In anticipation of the final effectiveness of these requirements, the Board of Directors and several of its Committees have initiated actions to pre-comply with certain rules. These actions include (i) adopting an amended Audit Committee Charter, which reflects certain changes required under the Sarbanes-Oxley Act; (ii) adopting a set of Corporate Governance Principles; (iii) drafting amended charters for the Human Resources Committee and the Directors and Corporate Governance Committee; and (iv) conducting preliminary evaluations of the independence of each member of the Board. A copy of the new Audit Committee Charter is attached hereto as Exhibit A. A copy of the Corporate Governance Principles is available on the Company s website at *www.AEP.com.*

The Company, the Board and the Directors and Corporate Governance Committee will continue to monitor the progress of pending corporate governance legislation and related rule-making initiatives and will continue to evaluate Committee charters, duties and responsibilities with the intention of maintaining full compliance.

The ***Committee on Directors and Corporate Governance*** is responsible for:

1. Recommending the size of the Board within the boundaries 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 for its consideration one or more 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 the compensation of directors and corporate governance.

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 addressed to the Secretary of the Company. By accepting a shareholder recommendation for consideration, the Committee on Directors and Corporate Governance does not undertake to adopt or take any other action concerning the recommendation, or to give the proponent its reasons for not doing so.

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, as well as established System policies which affect the relationship of AEP and its subsidiaries to their service areas and the general public; for reporting periodically and on request to the Board and providing recommendations to the Board on such policy matters; and for counseling AEP management on any such policy matters presented to the Committee for consideration and study.

The ***Executive Committee*** is empowered to exercise all the authority of the Board of Directors, subject to certain limitations prescribed in the By-Laws, during the intervals between meetings of the Board. Meetings of the Executive Committee are convened only in extraordinary circumstances.

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, among other things, reviewing and making recommendations as it considers appropriate concerning the short and long-term financing plans and programs of AEP and its subsidiaries.

The ***Human Resources Committee*** is responsible for ensuring that the executive officers and other key employees of the Company and its subsidiaries are fairly and appropriately compensated in accordance with the Company s compensation strategy, internal equity considerations and competitive practices. The Committee also communicates the Company s compensation policies to shareholders (as required by the Securities and Exchange Commission and other regulatory bodies) and plays an oversight role in employee compensation, employee benefit programs, safety, workforce diversity, senior management succession planning, the annual merit budget and related issues.

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.

Audit Committee Disclosure

The Audit Committee of the Board is responsible for, among other things, the appointment of the independent auditors for the Company; reviewing with the auditors the plan and scope of the audit and audit fees; the monitoring of the adequacy of reporting and internal controls and meeting periodically with internal and independent auditors. In February 2003 the Board approved and adopted an amended Audit Committee Charter. A more detailed discussion of the purposes, duties and responsibilities of the Audit Committee is found in the Audit Committee Charter, which is attached to this Proxy Statement as Exhibit A.

Consistent with the rules of the New York Stock Exchange, all members of the Audit Committee are independent. The Board of Directors has determined that Mr. Kujawa is an audit committee financial expert as defined by the Securities and Exchange Commission.

Audit Committee Report

The Audit Committee reviews AEP s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls.

In this context, the Committee has met and held discussions with management and the independent auditors. Management represented to the Committee that AEP s consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. The Committee discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication With Audit Committees).

In addition, the Committee has discussed with the independent auditors, the auditor s 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).

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, 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, 2002, for filing with the Securities and Exchange Commission.

Audit Committee Members

Donald M. Carlton, Chair	Leonard J. Kujawa
Lester A. Hudson, Jr.	Kathryn D. Sullivan

Directors Compensation and Stock Ownership Guidelines

Annual Retainers and Meeting Fees. Directors who are officers of AEP or employees of any of its subsidiaries do not receive any compensation, other than their regular salaries and the accident insurance coverage described below, for attending meetings of AEP s Board of Directors. The other members of the Board receive an annual retainer of $35,000 for their services, an additional annual retainer of $5,000 for each Committee that they chair (except for the Chairman of the Audit Committee, who receives an annual retainer of $15,000), a fee of $1,200 for each meeting of the Board and of any Committee that they attend (except a meeting of the Executive Committee held on the same day as a Board meeting), and a fee of $1,200 per day for any inspection trip or conference. Members of the Audit Committee (other than the Chairman) also receive an annual retainer of $10,000.

Deferred Compensation and Stock Plan. The Deferred Compensation and Stock Plan for Non-Employee Directors permits non-employee directors to choose to receive up to 100 percent of their annual Board retainer in shares of AEP Common Stock and/or units that are equivalent in value to shares of Common Stock (Stock Units), deferring receipt by the non-employee director until termination of service or for a period that results in payment commencing not later than five years thereafter. AEP Common Stock is distributed and/or Stock Units are credited to directors, as the case may be, when the retainer is payable, and are based on the closing price of the Common Stock on the payment date. Amounts equivalent to cash dividends on the Stock Units accrue as additional Stock Units. Payment of Stock Units to a director from deferrals of the retainer and dividend credits is made in cash or AEP Common Stock, or a combination of both, as elected by the director.

Stock Unit Accumulation Plan. The Stock Unit Accumulation Plan for Non-Employee Directors annually awards 1,200 Stock Units to each non-employee director as of the first day of the month in which the non-employee director becomes a member of the Board. Amounts equivalent to cash dividends on the Stock Units accrue as additional Stock Units. Stock Units are paid to the director in cash upon termination of service unless the director has elected to defer payment for a period that results in payment commencing not later than five years thereafter.

Insurance. AEP maintains a group 24-hour accident insurance policy to provide a $1,000,000 accidental death benefit for each director. The current policy, effective September 1, 2001 through September 1, 2004, has a premium of $31,050. In addition, AEP pays each director (excluding officers of AEP or employees of any of its subsidiaries) an amount to provide for the federal and state income taxes incurred in connection with the maintenance of this coverage ($622 for 2002).

Central and South West Corporation Programs. AEP is continuing a memorial gift program for former CSW directors and executive officers who had been previously participating in this program. The five former CSW directors who are members of AEP s Board are participants. 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 averaged $2,497 per participant for 2002.

Stock Ownership Guidelines. AEP s Board of Directors considers stock ownership in AEP by management to be of great importance. Such ownership enhances management s commitment to the future of AEP and further aligns management s interests with those of AEP s shareholders. In keeping with this philosophy, the Board has adopted minimum stock ownership guidelines for non-employee directors. The target for each non-employee director is 2,000 shares of AEP Common Stock and/or Stock Units, with such ownership to be acquired by the end of the third year of service. All non-employee directors have met their stock ownership guidelines. For further information as to the guidelines for AEP s executive officers, see the

Board Human Resources Committee Report on Executive Compensation below under the caption *Stock Ownership Guidelines.*

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 American Electric Power 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 January 1, 2003 through December 31, 2003, is provided by: Associated Electric & Gas Insurance Services, Energy Insurance Mutual, Zurich American Insurance Company, Zurich Specialties London (UK) Ltd., National Union Fire Insurance Company of Pittsburgh, PA, Federal Insurance Company, Starr Excess International and Oil Casualty Insurance Limited. The total cost of this insurance is $18,327,168.

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 Associated Electric & Gas Insurance Services, Federal Insurance Company and Zurich American Insurance Company, was renewed, effective July 1, 2000 through June 30, 2003, for a cost of $355,350.

2. First Shareholder Proposal

A SHAREHOLDER, First Investors Trust, 370 Seventeenth Street, Denver, Colorado 80202, has informed the Company that it intends to present the proposal set forth below at the meeting. First Investors Trust states that it is the beneficial owner of 22,276 shares of our Common Stock.

Resolved, that the shareholders of American Electric Power (the Company) request that the Board of Directors adopt an executive compensation policy that all future stock option grants to senior executives shall be performance-based. For the purposes of this resolution, a stock option is performance-based if the option exercise price is indexed or linked to an industry peer group stock performance index so that the options have value only to the extent that the Company s stock price performance exceeds the peer group performance level.

Statement of Support: As long-term shareholders of the Company, we support executive compensation policies and practices that provide challenging performance objectives and serve to motivate executives to achieve long-term corporate value maximization goals. While salaries and bonuses compensate management for short-term results, the grant of stock and stock options has become the primary vehicle for focusing management on achieving long-term results. Unfortunately, stock option grants can and do often provide levels of compensation well beyond those merited. It has become abundantly clear that stock option grants without specific performance-based targets often reward executives for stock price increases due solely to a general stock market rise, rather than to extraordinary company performance.

Indexed stock options are options whose exercise price moves with an appropriate peer group index composed of a company s primary competitors. The resolution requests that the Company s Board ensure that future senior executive stock option plans link the options exercise price to an industry performance index associated with a peer group of companies selected by the Board, such as those companies used in the Company s proxy statement to compare 5 year stock price performance.

Implementing an indexed stock option plan would mean that our Company s participating executives would receive payouts only if the Company s stock price performance was better then that of the peer group average. By tying the exercise price to a market index, indexed options reward participating executives for outperforming the competition. Indexed options would have value when our Company s stock price rises in excess of its peer group average or declines less than its peer group average stock price decline. By downwardly adjusting the exercise price of the option during a downturn in the industry, indexed options remove pressure to reprice stock options. In short, superior performance would be rewarded.

At present, stock options granted by the Company are not indexed to peer group performance standards. As long-term owners, we feel strongly that our Company would benefit from the implementation of a stock option program that rewarded superior long-term corporate performance. In response to strong negative public and shareholder reactions to the excessive financial rewards provided executives by non-performance based option plans, a growing number of shareholder organizations, executive compensation experts, and companies are supporting the implementation of performance-based stock option plans such as that advocated in this resolution. We urge your support for this important governance reform.

Directors Recommendation

Your Board of Directors recommends a vote AGAINST the preceding shareholder proposal for the following reasons:

The shareholder proposal requests that the Board of the Company adopt an executive compensation policy that all future stock option grants to senior executives be performance-based. According to the proposal, a stock option is performance-based if the option exercise price is indexed or linked to an industry peer group stock performance index so that options have value only to the extent that the Company s stock price performance exceeds the peer group performance level. The Board believes that it is appropriate and necessary for the Human Resources Committee of the Board to retain the flexibility to fashion stock option grants in a manner it believes to be necessary to attract and retain the senior executives essential to our future success. AEP grants all stock based compensation under the American Electric Power System 2000 Long-Term Incentive Plan, which was approved by shareholders at the 2000 annual meeting and all stock options granted by AEP are already performance-based because the exercise price equals or exceeds the fair market value of AEP s Common Stock at the time of grant. Therefore, no economic benefit is conferred to the optionee unless the stock increases in value subsequent to the grant date. As such, AEP stock option grants already motivate executives to maximize long-term corporate value because executive compensation is aligned with the interest of shareholders. To go further by compelling the Company to grant options with conditions or other terms (such as those contained in the shareholder proposal) that are inconsistent with competitive compensation practices could place the Company at a substantial disadvantage in attracting and retaining highly qualified senior executives.

In addition to the competitive disadvantages of proponent s proposal, implementing the shareholder proposal would also have negative tax consequences. In the event that the shareholder proposal resulted in a downward adjustment to the option price, implementation of the shareholder proposal would disqualify the Company s stock options as performance-based compensation under Internal Revenue Code regulations, thereby limiting the deductibility of compensation attributable to options to the ultimate disadvantage of shareholders. The Internal Revenue Code §162(m) limits the deductibility of compensation expense over $1 million paid to specified executives. Specific performance-based compensation meeting IRS criteria is excluded from the calculation to determine whether the $1 million cap has been exceeded. If the exercise price of a stock option were less than the fair market value of the stock on the date of grant of the option, any compensation arising from the exercise would not qualify as performance-based compensation and, thus, would be includable as compensation subject to the $1 million limit on deductibility.

There also may be serious accounting consequences for the Company s financial reporting in implementing the shareholder proposal. Accounting Principles Board Opinion No. 25, FAS 123 and FASB Interpretation No. 44 provide the accounting and financial reporting guidance relative to stock options. The measurement date for determining compensation costs for stock options is the first date on which are known both (1) the number of shares that an individual employee is entitled to receive and (2) the stock option price. If executives stock options were indexed in accordance with the shareholder proposal, the Company would have to re-measure the compensation cost related to these stock options at each quarterly financial reporting period and recognize that expense over the period the employee performs the related services. Accordingly, if the shareholder proposal were adopted, the additional compensation expense would negatively impact the Company s reported financial performance as compared to other companies.

In summary, the Board believes that implementation of this shareholder proposal could have serious competitive, tax and financial consequences to the Company and that the Company already achieves an appropriate mix of performance based incentive compensation through its current compensation program.

Accordingly, the Board of Directors recommends a vote **AGAINST** the above proposal.

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

3. Second Shareholder Proposal

Two shareholders, Connecticut Retirement Plans & Trust Funds, 55 Elm Street, Hartford, Connecticut 06106, and the Christian Brothers Investment Services, Inc., 90 Park Avenue, New York, New York 10016, have informed the Company that they intend to present jointly the proposal set forth below at the meeting. The Connecticut Retirement Plans & Trust Funds states that it is the beneficial owner of 161,670 shares of our Common Stock. The Christian Brothers Investment Services, Inc. states that it is the beneficial owner of 119,940 shares of our Common Stock.

WHEREAS:

In 2000 power plants owned and operated by American Electric Power Corporation emitted more carbon dioxide, sulfur dioxide, nitrogen oxide and mercury into the atmosphere of the United States than the electric generating power plants owned by any other electric utility company.

In 2001 The Intergovernmental Panel on Climate Change concluded that there is new and stronger evidence that most of the warming observed over the last 50 years is attributable to human activities.

The United States government s Climate Action Report 2002 , concluded that global climate change might harm the country. The report highlights risks to coastal communities in the Southeast due to sea level rise, water shortages throughout the West, and increases in the heat index and frequency of heat waves.

In July 2002, eleven state Attorneys General wrote President Bush, outlining their concern over the U.S. Climate Action Report s failure to recommend mandatory reductions of greenhouse gas emissions. They declared that States are being forced to fill the federal regulatory void through state-by-state regulation and litigation, increasing the ultimate costs of addressing climate change. They urged a reconsideration of his regulatory position, and adoption of a comprehensive policy that will protect both our citizens and our economy.

U.S. power plants are responsible for about two-thirds of the country s sulfur dioxide emissions, one-quarter of its nitrogen oxides emissions, one-third of its mercury emissions, approximately 40 percent of its carbon dioxide emissions, and 10 percent of global carbon dioxide emissions.

Scientific studies show that air pollution from U.S. power plants causes tens of thousands of premature deaths and hospitalizations, hundreds of thousands of asthma attacks, and several million lost workdays nationwide every year from pollution-related ailments.

Standards for carbon dioxide emissions and other pollutants are emerging across multiple fronts. Ninety-seven countries have

ratified the Kyoto Protocol, requiring carbon dioxide reductions. Massachusetts and New Hampshire have enacted legislation capping power plants emissions of carbon dioxide and other air pollutants.

We believe that taking early action on reducing emissions and preparing for standards could better position companies over their peers, including being first to market with new high-efficiency and low-emission technologies. Changing consumer preferences, particularly those relating to clean energy, should also be considered.

Inaction and opposition to emissions control efforts could expose companies to reputation and brand damage, and regulatory and litigation risk.

RESOLVED: Shareholders request that the Board of Directors report (at reasonable cost and omitting proprietary information) by August 2003 to shareholders on (a) the economic risks associated with the company s past, present and future emissions of carbon dioxide, sulfur dioxide, nitrogen oxide and mercury emissions, and the public stance of the company regarding efforts to reduce these emissions and (b) the economic benefits of committing to a substantial reduction of those emissions related to its current business activities (i.e. potential improvement in competitiveness and profitability.)

Directors Recommendation

Your Board of Directors recommends a vote AGAINST the preceding shareholder proposal for the following reasons:

As you know, AEP is the largest generator of electricity in the country. We utilize indigenous energy resources, largely coal and natural gas, to produce a reliable supply of affordable power for our customers. The size of our generation fleet and our use of fossil fuels is the primary reason why the Company is a large emitter of air emissions.

For many years, AEP has publicly disclosed its emissions of sulfur dioxide (SO2), nitrogen oxides (NOx), mercury (Hg) and carbon dioxide (CO2). From 1994 to 2001, our emissions of SO2 and NOx have fallen steadily, 35% and 30% respectively, as we have complied, at considerable expense, with various statutory and regulatory requirements. As a result of pollution controls installed to reduce SO2 and NOx emissions, our Hg emissions also have declined. The Company remains in full compliance with applicable emission limitations, many of which support attainment of national ambient air quality standards that are explicitly designed to protect public health and the environment, with an extra margin for safety. These emissions will decline substantially over the next decade as the Company complies with existing and new regulations.

The resolution relies on studies that claim serious human health impacts from power plant air emissions. There are other studies that have not found an association between power plant air emissions and human health effects. This contrary research is newer, more comprehensive and, unlike the cited research, has been subjected to the rigors of the scientific peer-review process. Importantly, the conclusions reached by this research have been validated by other studies. Given the benefits to the economy and the standard of living of the nation s citizens from reliable, low-cost electricity, it is critical that the government base future environmental control policies on sound science.

AEP believes that it has already addressed the issue of the economic risks associated with its emissions, and the public stance taken on proposed policies, in public communications and financial reports such as AEP s website, bi-annual environmental performance report and its Annual Report to Shareholders. The economic risks associated with past and present air emissions have been minimized or eliminated by the Company s compliance with existing laws and regulations. The Company fully intends to comply with future legal requirements pertaining to these emissions. The cost of compliance with future requirements that are still in development could be considerable, and the Company has factored those economic risks into its business strategy and disclosed the potential costs of compliance with specific regulations in its financial reports.

The Company advocates enactment of comprehensive legislation to reduce emissions of SO2, NOx and Hg so that compliance planning can be coordinated and collateral emission reductions maximized. Optimally, such legislation would establish reasonable emission reduction targets and compliance timetables based on sound science, utilize nationwide cap-and-trade programs for achieving compliance as cost-effectively as possible, protect fuel diversity and preserve the reliability of the nation s electric supply. With respect to CO2 emissions, the Company for many years has been a leader in pursuing voluntary actions to reduce, avoid and sequester greenhouse gas (GHG) emissions. The Company recently expanded on its commitment in this area by joining the Chicago Climate Exchange, a pilot GHG emission reduction and trading program, under which the Company is obligated to reduce or offset 18 million tons of CO2 emissions from 2003-2006.

Based on current emission reduction technologies, there are no direct economic benefits to shareholders from existing or future emission reduction programs. Substantial reductions in emissions can only be accomplished at a capital cost of billions of dollars to retrofit existing plants with advanced pollution control technology and/or replace a significant percent of capacity with new generation that emits lower levels of these emissions. The Company s ability to recover these costs through the price of electricity charged to customers is subject to public utility commission approval in states that regulate generation, and complete recovery is not assured. In states that have deregulated generation costs, market prices would dictate the extent to which recovery is achieved. If a substantial portion of these costs is not recovered from customers, there could be a material adverse impact on shareholders.

Accordingly, your Board of Directors recommends a vote **AGAINST** this proposal.

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

Other Business

The Board of Directors does not intend to present to the meeting any business other than the election of directors.

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.

Executive Compensation

THE FOLLOWING TABLE shows for 2002, 2001 and 2000 the compensation earned by the chief executive officer and the four other most highly compensated executive officers (as defined by regulations of the Securities and Exchange Commission) of AEP at December 31, 2002.

Summary Compensation Table

		Annual Compensation		Long-Term Compensation		
				Awards	Payouts	
Name and Principal Position	**Year**	**Salary ($)(1)**	**Bonus ($)(2)**	**Securities Underlying Options(#)**	**LTIP Payouts($)(3)**	**All Other Compensation ($)(4)**
E. Linn Draper, Jr. Chairman of the board, president and chief executive officer of the Company and the Service Corporation; chairman and chief executive officer of other subsidiaries	2002	1,054,038	-0-	350,000	-0-	135,417
	2001	913,500	682,090	-0-	311,253	123,217
	2000	850,000	485,775	700,000	-0-	106,699
Thomas V. Shockley, III Vice chairman of the Company; vice chairman and chief operating officer of the Service Corporation; vice president and director of other subsidiaries (5)	2002	642,461	49,116	150,000	-0-	122,141
	2001	592,269	353,788	-0-	79,781	145,400
	2000	304,417	140,500	250,000	824,399	9,195,374
Henry W. Fayne Executive vice president and director of the Service Corporation; vice president of the Company; president and director of other subsidiaries	2002	481,846	49,116	88,000	-0-	80,830
	2001	421,615	305,861	-0-	83,697	75,955
	2000	365,000	152,972	200,000	-0-	47,074
Holly K. Koeppel Executive vice president of the Service Corporation; president and director of AEP Energy Services, Inc.; president or vice president and director of other subsidiaries (6)	2002	267,279	250,000	88,000	-0-	109,751
Susan Tomasky Executive vice president policy, finance and strategic planning, assistant secretary and director of the Service Corporation; vice president, secretary and chief financial officer of the Company; president and director of AEP Resources, Inc.; vice president and director of other subsidiaries	2002	451,731	49,116	88,000	-0-	79,373
	2001	411,577	300,365	-0-	54,455	73,853
	2000	355,000	148,780	200,000	-0-	47,946

(1) Amounts in the *Salary* column reflect an additional day of pay earned in 2001 and 2002 related to the number of calendar workdays and holidays in each year and AEP s conversion to bi-weekly pay periods.

(2) Amounts in the *Bonus* column reflect awards under the Senior Officer Annual Incentive Compensation Plan (SOIP) for 2000 and 2001, except for Mr. Shockley as disclosed in footnote 5 and Ms. Koeppel as disclosed in footnote 6. No SOIP awards were made for 2002. Payments pursuant to the SOIP are made in the first quarter of the succeeding fiscal year for performance in the year indicated. In addition, Messrs. Fayne and Shockley and Ms. Tomasky received payments of $49,116 each in February 2002 in recognition of their efforts in connection with a management reorganization.

(3) Amounts in the *Long-Term Compensation Payouts* column reflect performance share units earned under the AEP 2000 Long-Term Incentive Plan for three-year performance periods

concluding at the end of the year shown, except for Mr. Shockley as disclosed in footnote 5. See below under *Long-Term Incentive Plans Awards in 2002* and page 27 for additional information.

(4) Amounts in the *All Other Compensation* column, except for the additional compensation to Mr. Shockley and Ms. Koeppel as disclosed in footnotes 5 and 6, respectively, include (i) AEP s matching contributions under the AEP Retirement Savings Plan and the AEP Supplemental Retirement Savings Plan, a non-qualified plan designed to supplement the AEP Savings Plan; (ii) subsidiary companies director fees; (iii) vehicle allowance; (iv) split-dollar insurance; (v) above market earnings on deferred compensation; and (vi) imputed interest on a pay advance provided to employees impacted by a change in payroll schedule that shifted pay one week in arrears. Split-dollar insurance represents the present value of the interest projected to accrue for the employee s benefit on the insurance premium paid by AEP in February 2002. Cumulative net life insurance premiums paid are recovered by AEP at the later of retirement or 15 years. Detail of the 2002 amounts in the *All Other Compensation* column is shown below.

Item	**Dr. Draper**	**Mr. Shockley**	**Mr. Fayne**	**Ms. Koeppel**	**Ms. Tomasky**
Savings Plan Matching Contributions	$ 5,307	$ 9,000	$ 6,076	$ 7,212	$ 6,201
Supplemental Savings Plan Matching Contributions	42,540	35,668	25,850	10,441	24,149
Subsidiaries Directors Fees	17,450	17,450	16,200	200	16,500
Vehicle Allowance	14,400	12,000	12,000	10,800	12,000
Split-Dollar Insurance	54,573	45,726	20,174	7,799	20,006
Above Market Earnings on Deferred Compensation		2,296			
Imputed Interest on Pay Advance	1,147		529	252	517

(5) Mr. Shockley joined AEP from Central and South West Corporation and became an executive officer when the merger with CSW was consummated on June 15, 2000. The *Salary* column for 2000 for Mr. Shockley shows the amount earned for his AEP service after the date of the merger. The amounts in the *Bonus* and *LTIP Payouts* columns for 2000 represent his prorated payment under the CSW Annual Incentive Plan and the value of Common Stock awarded under the CSW 1992 Long-Term Incentive Plan, respectively. He also received a payment of $9,154,924 under his change in control agreement with CSW that is included in the *All Other Compensation* column for 2000.

(6) No 2001 and 2000 compensation information is reported for Ms. Koeppel because she was not an executive officer in these years. The amount in the *Bonus* column represents a payment of $250,000 for successfully completing the sale of certain international investments. She also earned a retention payment of $68,750 under an agreement entered into with AEP in June 2001 and a $4,297 payment for tax preparation services required due to extended overseas business travel, both of which are included in the *All Other Compensation* column.

Option Grants in 2002

	Individual Grants				
Name	**Number of Securities Underlying Options Granted(#)(1)**	**Percent Of Total Options Granted to Employees In 2002(2)**	**Exercise or Base Price ($/Sh)**	**Expiration Date**	**Grant Date Present Value ($)(3)**
E. L. Draper, Jr.	350,000	12.0	27.06	09-25-2012	1,529,500
T. V. Shockley, III	150,000	5.1	27.06	09-25-2012	655,500
H. W. Fayne	88,000	3.0	27.06	09-25-2012	384,560
H. K. Koeppel	27,500	.9	27.06	09-25-2012	120,175
H. K. Koeppel	60,500	2.1	27.06	12-16-2012	286,770
S. Tomasky	88,000	3.0	27.06	09-25-2012	384,560

(1) Options were granted on September 25, 2002 and on December 16, 2002 to the executive officers named in the Summary Compensation Table, pursuant to the AEP Long-Term Incentive Plan. All options granted on September 25, 2002 have an exercise price equal to the closing price of AEP Common Stock on the New York Stock Exchange Composite Transactions Tape on that date. Due to Ms. Koeppel s promotion to executive vice president, she received another option grant on December 16, 2002 with an exercise price of $27.06, which was higher than the closing price of AEP Common Stock on that date. All options granted in 2002 will vest annually in equal amounts over a three-year period beginning on January 1, 2004. Options also fully vest upon termination due to retirement after one year from the grant date or due to disability or death and expire five years thereafter, or on their scheduled expiration date if earlier. Options may also vest as the result of a change-in-control of AEP (see discussion of the *Change-in-Control Agreements* on page 24). Options expire upon termination of employment for reasons other than retirement, disability or death, unless the Human Resources Committee determines that circumstances warrant continuation of the options for up to five years. Options are nontransferable.

(2) A total of 2,922,860 options were granted in 2002.

(3) Value was calculated using the Black-Scholes option valuation model. The actual value, if any, ultimately realized depends on the market value of AEP s Common Stock at a future date.

Significant assumptions for the grants on September 25, 2002 are shown below:

Stock Price Volatility	29.47%	Dividend Yield	6.13%
Risk-Free Rate of Return	3.51%	Option Term	7 years

Significant assumptions for the grant on December 16, 2002 are shown below:

Stock Price Volatility	32.20%	Dividend Yield	6.33%
Risk-Free Rate of Return	3.76%	Option Term	7 years

Aggregated Option Exercises in 2002 and Year-end Option Values

Name	Shares Acquired on Exercise(#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at 12-31-02(#)		Value of Unexercised In-The-Money Options at 12-31-02($)*	
			Exercisable	Unexercisable	Exercisable	Unexercisable
E. L. Draper, Jr.			233,333	816,667	-0-	94,500
T. V. Shockley, III			83,333	316,667	-0-	40,500
H. W. Fayne			66,666	221,334	-0-	23,760
H. K. Koeppel	1,300	12,578	7,033	104,667	-0-	23,760
S. Tomasky			66,666	221,334	-0-	23,760

* Based on the difference between the closing price of AEP Common Stock on the New York Stock Exchange Composite Transactions Tape on December 31, 2002 ($27.33) and the option exercise price. In-the-money means the market price of the stock is greater than the exercise price of the option on the date indicated.

Long-Term Incentive Plans Awards In 2002

The performance share units set forth in the table below were awarded in 2002 pursuant to the Company s 2000 Long-Term Incentive Plan. Performance share units are equivalent to shares of AEP Common Stock. Dividends are reinvested at the closing price of the AEP Common Stock on the dividend payment date and produce additional performance share units for the same performance period. The value of performance share unit awards is dependent on the Company s total shareholder return for the 3-year performance period relative to the S&P electric utilities, the market price of AEP Common Stock at the end of the performance period, the value of dividends paid during the performance period and the AEP Common Stock price on each dividend payment date. The number of performance share units earned can vary between 0% and 200% of the initial award plus reinvested dividends.

The number of common stock equivalent units that may be earned at threshold, target and maximum performance levels, excluding any reinvested dividends, is shown in the table below. The Human Resources Committee may, at its discretion, reduce the number of performance share unit targets otherwise earned. In accordance with the performance goals established for the periods set forth below, the threshold, target and maximum awards are equal to 20%, 100% and 200%, respectively, of the performance share unit awards. No payment will be made for performance below the threshold.

Deferral of earned performance share units into phantom stock units (equivalent to shares of AEP Common Stock) is mandatory until the officer has met his or her stock ownership target discussed in the Human Resources Committee Report. Once this target is met, officers may elect to continue to defer earned performance share units or to receive subsequently earned awards in cash and/or Common Stock.

	Number of Performance Share Units	Performance Period Until Maturation	Estimated Future Payouts of Performance Share Units Under Non-Stock Price-Based Plan

Name		or Payout	Threshold (#)	Target (#)	Maximum (#)
E. L. Draper, Jr.	18,590	2002-2004	3,718	18,590	37,180
T. V. Shockley, III	9,820	2002-2004	1,964	9,820	19,640
H. W. Fayne	6,799	2002-2004	1,360	6,799	13,598
H. K. Koeppel	1,593	2002-2004	319	1,593	3,186
S. Tomasky	6,380	2002-2004	1,276	6,380	12,760

Retirement Benefits

AEP maintains qualified and nonqualified defined benefit ERISA pension plans for eligible employees. The tax-qualified plans are the American Electric Power System Retirement Plan (AEP Retirement Plan) and the Central and South West Corporation Cash Balance Retirement Plan (CSW Cash Balance Plan). The nonqualified plans are the American Electri