

**AMERICAN ELECTRIC POWER COMPANY, INC.  
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS  
CHARTER**

**I. Purpose**

The Audit Committee (the "Committee") shall:

- A.** Provide assistance to the Board of Directors in fulfilling its responsibilities to the shareholders, potential shareholders and investment community with respect to its oversight of:
  - (i) The quality and integrity of the Company's financial statements;
  - (ii) The Company's compliance with financial reporting-related legal and regulatory requirements including internal control over financial reporting;
  - (iii) The independent auditor's qualifications, independence and performance; and
  - (iv) The performance of the Company's internal auditor.
- B.** Prepare the report that SEC rules require be included in the Company's annual proxy statement.

**II. Structure and Operations**

**A. Composition and Qualifications**

The Committee shall be comprised of three or more members of the Board of Directors, each of whom is determined by the Board of Directors to be "independent" under the rules of the New York Stock Exchange, Inc. and the Sarbanes-Oxley Act (and any rules promulgated thereunder).

All members of the Committee shall have a working familiarity with basic finance and accounting practices (or acquire such familiarity within a reasonable period after his or her appointment) and at least one member must be a "financial expert" under the requirements of the Sarbanes-Oxley Act (and any rules promulgated thereunder).

**B. Appointment and Removal**

The members of the Committee shall be appointed by the Board of Directors and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board of Directors.

### **C. Chairman**

The Board of Directors will appoint the Chairman of the Committee. The Chairman shall be entitled to cast a vote to resolve any ties. The Chairman will chair all regular sessions of the Committee and set the agendas for Committee meetings.

### **III. Meetings**

The Committee shall meet quarterly or more frequently as circumstances dictate or as requested by the Company's independent auditors, management or internal auditor. As part of its goal to foster open communication, the Committee shall periodically meet separately with the independent auditor, chief internal audit executive, or any other Company employee the Committee deems necessary to discuss any matters that the Committee or each of these groups believe would be appropriate to discuss privately. In addition, the Committee shall meet with the independent auditor and management quarterly to review the Company's financial statements in a manner consistent with that outlined in Section IV of this Charter. The Chairman of the Board or any member of the Committee may call meetings of the Committee. Meetings of the Committee may be held telephonically.

All non-management directors that are not members of the Committee may attend meetings of the Committee but may not vote. Additionally, the Committee may invite to its meetings any director, manager of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

### **IV. Responsibilities and Duties**

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in Section I of this Charter. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. The Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose, including the authority to approve the fees payable to such advisors and any other terms of retention.

The Committee shall be given full access to the Company's internal audit group, Board of Directors, corporate executives and independent auditor as necessary to carry out

these responsibilities. While acting within the scope of its stated purpose, the Committee shall have all the authority of the Board of Directors.

Notwithstanding the foregoing, the Committee is not responsible for certifying the Company's financial statements or guaranteeing the auditor's report. The fundamental responsibility for the Company's financial statements and disclosures rests with management and the independent auditors.

**A. Financial Reporting**

1. Review with management and the independent auditor prior to public dissemination the Company's annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and a discussion with the independent auditor of the matters required to be discussed by Statement of Auditing Standards No. 61, as amended.
2. In consultation with the independent auditor, management and the internal auditor, review the integrity of the Company's financial reporting processes. In that connection, the Committee should obtain and discuss with management, the internal auditor and the independent auditor, reports regarding: (i) major issues related to accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles; (ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements, including alternative treatments of financial information within generally accepted accounting principles; (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the financial statements; (iv) any other material written communications between the independent auditor and management; and (v) the scope of internal and independent auditor reviews of internal control over financial reporting and reports on significant findings and recommendations, together with management's response.
3. Review with the independent auditor (i) any audit problems or other difficulties encountered by the independent auditor in the course of the audit process, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management and (ii) management's responses to such matters. Without excluding other possibilities, the Committee may wish to review with the independent auditor (i) any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise), (ii) any significant communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement; (iii) any "management" or "internal control" letter issued, or

- proposed to be issued, by the independent auditor to the Company; and, (iv) the responsibilities, performance, budget and staffing of the internal audit group.
4. Review periodically, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
  5. Review and discuss with management the Company's earnings press releases (paying particular attention to the use of any "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee's discussion in this regard may be general in nature (i.e., discussion of the types of information to be disclosed and the type of presentation to be made) and need not take place in advance of each earnings release or each instance in which the Company may provide earnings guidance.
  6. Review and discuss with management, the internal auditor, and the independent auditor the scope of management's and the independent auditor's review of internal control over financial reporting and steps adopted in light of any material internal control deficiencies identified.

**B. Independent Auditor**

1. Appoint, approve fees, and oversee the work of the independent auditor engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company. The independent auditor reports directly to the Committee. These oversight responsibilities include the authority to retain (or to terminate) the independent auditor. In addition, in connection with these oversight responsibilities, the Committee has ultimate authority to approve all audit engagement fees and terms, as well as all non-audit engagements of the independent auditor.
2. Evaluate, at least annually, the qualifications, performance and independence of the independent auditor, including an evaluation of the lead partner. In conducting its review and evaluation, the Committee should:
  - (a) Obtain and review a written report by the independent auditor describing: (i) the auditing firm's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, peer review, or Public Company Accounting Oversight Board (PCAOB) review of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing

firm, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditor and the Company;

- (b) Ensure the rotation of partner rules are met and consider whether there should be rotation of the audit firm itself.

**C. Internal Auditor**

1. Review with management and the chief internal audit executive the charter, plans, activities, staffing and organization structure of the internal audit group.
2. Ensure there are no unjustified restrictions or limitations on the work of the internal auditor.
3. Review and concur with the appointment, replacement, or dismissal of the chief internal audit executive.

**D. Legal Compliance/General**

1. Discuss with management the Company's guidelines and policies with respect to risk assessment and risk management. The Committee should discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
2. Set clear hiring policies for employees or former employees of the independent auditor.
3. Establish procedures for: (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal control over financial reporting, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
4. Perform any functions required to be performed by it or otherwise appropriate under applicable law, rules or regulations, the Company's by-laws and the resolutions or other directives of the Board, including review of any certification required to be reviewed in accordance with applicable law or regulations of the SEC.
5. Initiate inquiries of areas of special interest.
6. Devote one meeting per year, at a minimum, that is focused on improving Committee performance and training of Committee members. In addition, Committee members are encouraged to attend external programs annually.

## **E. Reports**

1. Prepare all Committee reports required to be included in the Company's proxy statement, pursuant to and in accordance with applicable rules and regulations of the SEC.
2. Report regularly to the full Board of Directors:
  - (i) with respect to any issues that arise concerning the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditor or the performance of the internal audit group;
  - (ii) following all meetings of the Committee; and
  - (iii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities.

The Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the Chairman or any other member of the Committee designated by the Committee to make such report.

3. Maintain minutes or other records of meetings and activities of the Committee.

## **V. Annual Performance Evaluation**

The Committee shall evaluate, at least annually, the performance of the Committee and its members. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any modifications to this Charter. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.