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July 26, 2006

Ann Yerger
Executive Director
Council of Institutional Investors
Suite 500
888 17th Street
Washington, DC 20006-3310

Dear Ms. Yerger:

I am responding to your June 12 letter to Michael G. Morris, Chairman and CEO of American Electric Power (AEP), inquiring how AEP determines the timing of employee stock option grants.

Our internal audit function recently completed a review of AEP's stock option grant practices. The review was a proactive review resulting from our desire to assure that AEP had not engaged in the kinds of past practices that have received adverse publicity and resulted in investigative proceedings at other companies. The review was initiated as a matter of prudence, not because of a belief that AEP had problems in this area. We have no indications from any law enforcement agencies, state or federal, that an investigation of AEP is underway or expected.

AEP's internal audit review covered the period from 2000 to the present, because AEP's first option grants were made in 2000. Except for isolated option grants negotiated by new hires, AEP has not utilized stock options in its compensation programs since 2003. The internal audit review also covered stock option grants made by a predecessor company, Central and South West Corporation (CSW), from 1992 through 1997, the last year CSW granted options before CSW merged with AEP in 2000.

Our internal auditors found no indications of backdating or special option grant timing.

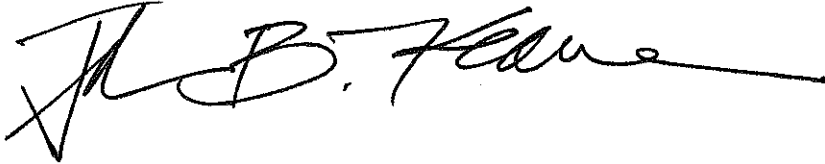
The Human Resources Committee of AEP's board of directors, which functions as a compensation committee, approved all option grants other than new hire, promotion and other event-related awards (like options granted to employees of an acquired company when the acquisition closed) on a predetermined annual cycle. The cycle called for options to be awarded in September for the years 2000 – 2002 and December for some 2002 awards and all 2003 awards. The exercise prices were fixed at or above the closing stock price on the grant date, which was typically the date the option grants were reviewed with AEP's full board following the Human Resources Committee's approval. AEP's option program included hundreds of employees. Except for new hire, promotion and other event-related awards, all options were granted on the same date and with the same exercise price.

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The AEP board of directors and its Human Resources Committee did not have an explicit written policy about the timing of stock option grants. Rather, they acted on an annual cycle tied to the dates of board and committee meetings. The recipients of awards – whether executives or other employees – had no role in picking the award dates or exercise prices.

CSW issued stock options when deemed necessary by the CSW board, rather than on a regular cycle, but our internal audit review found that the exercise prices of all CSW stock options granted during the 1992 – 1997 period indicated above equaled or exceeded the market price of the stock on the date of grant, and the auditors found no indication that the CSW board timed the grant of stock options to take advantage of expected stock price rises.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. B. Fleener". The signature is written in a cursive style with a long horizontal line extending to the right.