AMERICAN ELECTRIC POWER

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September 15, 2009

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: *File No. S7-13-09*
*Release No. 34-60280*
*Proxy Disclosure and Solicitation Enhancements*

Dear Ms. Murphy:

This letter is submitted on behalf of American Electric Power Company, Inc. American Electric Power is one of the largest electric utilities in the United States, delivering electricity to more than 5 million customers in 11 states. AEP ranks among the nation's largest generators of electricity, owning nearly 38,000 megawatts of generating capacity in the U.S. AEP also owns the nation's largest electricity transmission system, a nearly 39,000-mile network that includes more 765-kilovolt extra-high voltage transmission lines than all other U.S. transmission systems combined. AEP's transmission system directly or indirectly serves about 10 percent of the electricity demand in the Eastern Interconnection, the interconnected transmission system that covers 38 eastern and central U.S. states and eastern Canada, and approximately 11 percent of the electricity demand in ERCOT, the transmission system that covers much of Texas. AEP's utility units operate as AEP Ohio, AEP Texas, Appalachian Power (in Virginia and West Virginia), AEP Appalachian Power (in Tennessee), Indiana Michigan Power, Kentucky Power, Public Service Company of Oklahoma, and Southwestern Electric Power Company (in Arkansas, Louisiana and east Texas). AEP's headquarters are in Columbus, Ohio.

AEP is a large accelerated filer. Its Commission File Number is 1-3525. As of June 30, 2009, AEP had 476,790,811 issued and outstanding shares of Common Stock, $6.50 par value. AEP shares are traded on the New York Stock Exchange and are held beneficially by approximately 390,000 shareholders, of which about 105,000 are registered owners.

AEP appreciates the opportunity to provide its views on certain of the Commission's proposed rule changes relating to compensation and corporate governance disclosures.

## 1. Compensation Discussion and Analysis Disclosure

The SEC is proposing to require all companies to expand their CD&As to include a discussion of the company's compensation policies and practices for employees as they

relate to risk management practices and/or risk-taking initiatives. If the SEC adopts this change, we believe it should only apply to the financial services industry companies that played a role in the current financial downturn.

As the SEC noted in the Release, "one of the many contributing factors cited as a basis for the current market turmoil is that at a number of large financial institutions the short-term incentives created by their compensation policies were misaligned with the long-term well being of the companies." The SEC has already required this type of disclosure for companies that received TARP money and that is appropriate; however, all companies should not be required to provide this type of disclosure. We believe it will be difficult and time consuming for our Human Resources Committee – without a corresponding benefit in reducing risk – to review all of the compensation programs throughout the company to identify and describe which compensation structures could expose the company to risks.

At AEP, our executive compensation plans are designed to ensure that they do not encourage or reward our executives for taking excessive risks. Our HR Committee provides a balance of annual and long-term incentive compensation and ties both short-term and long-term compensation to corporate performance metrics. We also have a Stock Ownership Requirement Plan that requires all of our executive officers and most senior officers to accumulate and hold a significant amount of AEP stock until after their employment ends. AEP's HR Committee also determines whether the value of each annual and long-term incentive payout appropriately reflects the Company's performance and condition, and if it does not, the HR Committee may reduce the award score. Likewise, our HR Committee can reduce award payments to some or all of our executives if it determines that the performance was achieved by taking inappropriate or excessive risks. In many cases, risk measures, such as credit quality, are also built in as performance metrics for our annual incentive compensation plan. Since 2003, our HR Committee has chosen to use performance units as the primary form of long-term incentive awards, rather than other forms of compensation that may encourage more risk taking, such as stock options. The company has also adopted a Board Policy on Recouping Executive Compensation. In summary, we believe our company has already designed its compensation plans to ensure that executives do not take excessive and unnecessary risks.

If the SEC nevertheless decides to require all companies to provide in their CD&As disclosure about compensation structures that could expose the company to material risks, we believe the discussion should be limited to compensation programs for executive officers, and not cover programs for all employees at the company. If the SEC adopts this change as proposed, it would be the first time the SEC would require companies to include in their proxy statements information regarding compensation of employees who are not executive officers. This would force compensation committees to greatly expand their review to include all compensation plans at companies, and further burden compensation committees that are already extremely busy meeting all their current obligations. We believe that this additional disclosure would provide information of marginal value to shareholders and would increase the length of CD&As, which many shareholders believe is already too long and complex. In short, it would detract from the overall value of the CD&A to shareholders.

### 2. Revisions to the Summary Compensation Table

We support the SEC's proposal to revise the Summary Compensation Table and Directors' Compensation Table to disclose the aggregate grant date fair value of stock awards and option awards. That value is more meaningful than the amount disclosed under the current rule, which requires companies to disclose the dollar amount recognized for financial statement reporting purposes. The grant date fair value (not the prospective accounting expense) is the information AEP's HR Committee primarily uses to evaluate and determine stock grants for our executives.

In addition, AEP executives are awarded performance units that are classified as liability awards under FAS123R. For financial reporting purposes, the liability awards are re-measured each quarter and the value fluctuates with AEP's stock price and as our estimate of the potential payout of the performance award changes. If the stock price falls or if we reduce our estimate of the potential payout of the performance award, we record negative numbers in our financial statements. This can be confusing to investors, and it also leads to seemingly arbitrary changes in the executive officers whose compensation we are required to report in our proxy statement. For all these reasons, we believe the SEC's proposal to eliminate the financial reporting value and replace it with the grant date fair value is an improvement and would be more meaningful to investors.

### 3. Enhanced Director and Nominee Disclosure

#### a. Experience, qualifications and skills

AEP believes that it may be appropriate in some situations for registrants to disclose board members' specific experience, qualifications and skills that were considered by the board in selecting them to become nominees for director initially, or to be named to serve on specific committees. However, mandating such disclosures every year, for every director, on every committee, poses a significant risk of degenerating into boilerplate disclosures that will not be meaningful to investors.

We suggest that any rule encourage, rather than require, registrants to disclose the specific experience, qualifications and skills that were in fact a significant basis for consideration by the board in making candidate selections and committee membership decisions. Further, we suggest that such disclosures be made only at the time of first election to the board and first appointment to a committee. After a director has served on the board and committees for a while, renomination and continued committee service are usually a reflection of the board's subjective evaluation of the director's actual contributions to the board and committee at least as much as they are the result of specific and objective experience, qualifications and skills.

Further, we can foresee that some directors will have qualifications that are objective and relevant, such as degrees in accounting, past service as a regulator or risk manager, C-suite occupations and certifications such as CFA or CPA. In those circumstances, registrants might have some confidence in pointing to those qualifications as part of the board's rationale for making board selections and committee appointments. However, many directors without those specific qualifications will have highly valuable intangible,

subjective and non-quantifiable attributes like wisdom, judgment and consensus-building skills that "round out" a board's and committee's skillset. If a registrant is obligated under the SEC's new rules to comment every year about every director, and thus is compelled by the rules to state that the board appointed Director A to a committee because of his or her wisdom, or because he or she complements the skillset and perspectives of fellow committee member Director X, will that disclosure be subjected to due diligence requirements? Will litigants later seek to prove Director A is unwise? If a registrant states that Director A's wisdom was a key attribute but does not repeat that statement for Directors B, C and X, will investors conclude that Directors B, C and X are unwise? This is the path to unhelpful boilerplate disclosures.

At AEP, our board emphasizes the diversity of experience and skills among the board members as a whole. They look at the fit – considering both objective information like education, work experience and the like and intangibles like ability, critical thinking and reputation – between a new director candidate and all incumbent directors in the aggregate. We submit that disclosures about board-wide philosophies and practices like these are preferable to mandatory director-by-director annual boilerplate recitations.

### b. Directorships

The SEC has proposed requiring registrants to disclose any public company directorships held by a director or nominee in the past five years, as contrasted with the current requirement that only applies to public company directorships held at the time the disclosure is made. AEP supports this proposal.

### c. Legal proceedings

The SEC has proposed lengthening the period for which directors' involvement in certain legal proceedings must be disclosed, from the current requirement that such proceedings within the past five years must be disclosed to a proposed ten years. There is some time period within which information is relevant and some time period after which information becomes stale and less relevant. Where to draw the line is a judgment call. AEP believes the current five year requirement is adequate, but does not oppose the proposal to extend the disclosures to ten years.

### d. Diversity in the boardroom

AEP believes that diversity in the boardroom is desirable, but we would like to express some reservations about mandating very detailed or explicit disclosures in this area.

First, in the corporate governance setting, traditional diversity is usually thought of as including women and members of racial minorities and minority national origins on the board of directors. AEP's board is diverse by this traditional standard, but I am sure our board would be quite resistant to define diversity solely by directors' gender, race and national origin. Our board looks at a variety of personal attributes to ensure that a healthy mix of perspectives is available in the boardroom, and our directors value diversity on many dimensions beyond gender, race and national origin alone. For example, as an 11-state regulated electric utility system, our board is interested in having geographic diversity from within different states in our 11-state footprint and outside it. And, because the board has a mandatory retirement age of 72, they look to identify board

members of different ages so a large block of experienced directors will not be retiring at the same time. The Governance Committee of the AEP board also looks explicitly at incumbents' experience and backgrounds once a year, and tries to identify gaps that might be filled when board openings arise. These are only three examples. The point is simply that gender, race and national origin are only part of the calculation.

Second, even though gender, race and national origin diversity are important, the SEC should resist the temptation to prescribe how any diversity disclosures must be made. As an example, it would be undesirable to require registrants to list how many board members fall into the female and racial /national origin minority buckets, and even more undesirable to name them. Between the photographs, names and background statements that are included in proxy statements and other SEC filings, there is sufficient information for investors to make their own estimates if a company does not choose to do the math for them. And, it would do a disservice to individual directors if registrants were mandated to identify which directors fall into specific categories. Not every director wishes to self-identify with race or national origin, and the SEC should be cautious about boxing individuals into a status as a registrant's female director or Asian director, etc. They are not female directors or Asian directors; they are directors.

## 4. Company leadership structure

### a. Principal executive officer, board chair and lead independent director

AEP supports the proposal to modify Item 407 to require registrants to disclose the registrant's leadership structure, including a discussion about separation or combination of the Chair and CEO roles and a discussion about a lead independent director. The SEC is to be complimented for proposing this as a disclosure issue and not attempting to mandate a specific leadership structure.

Some legislative proposals would require separating the Chair and CEO roles, and AEP would strenuously oppose mandates of that kind. Our board believes that different leadership structures can be appropriate at different times for a company, taking into account the blend of experience and skills among the company's executives and board members.

At present, for example, AEP's Chairman, President and Chief Executive Officer is Michael G. Morris, who is an experienced leader in our industry, with 13 years of experience in the role of chairman and CEO, the past six of which have been as chairman and CEO of AEP. The lead independent director is Lester A. Hudson, Jr. Dr. Hudson is a former public company CEO, a current professor of strategy and management at a university, with years of experience on the AEP board and nearly a decade of experience in his role as Presiding Director of the AEP board of directors. That is a leadership structure that the AEP board is comfortable with in light of the blend of experience and skills available. Whether the same leadership structure will be selected when Mr. Morris's tenure with AEP ends is a matter that the AEP board feels should be evaluated at the time in light of Mr. Morris's successor's skill and experience and other relevant considerations.

### b. Board oversight of risk

AEP also supports the proposal to modify Item 407 to require registrants to comment on the board's role in the registrant's risk management process and the effect that this has on the company's leadership structure. The SEC is to be complimented for proposing this as a disclosure issue and not attempting to mandate that each registrant adopt a single, specific risk management oversight approach.

Some legislative proposals would require the creation of a separate risk committee, and AEP would strenuously oppose mandates of that kind. Our board feels that it should be able to design a process for overseeing AEP's assessment and management of risk that works best, whether it is at the full board level, at all relevant committees, at a specially designated risk committee, or through some combination. Disclosure of the process being employed would be constructive and informative for investors, but a one-size-fits-all mandate would be undesirable.

## 5. Compensation consultants

AEP's Human Resources Committee has hired a compensation consultant to recommend executive compensation plans and policies. The consultant also provides information on current compensation trends and specific information within our industry. Like many companies, our consultant's company also provides actuarial and benefits consulting services to AEP. However, our HR Committee annually considers the extent of these additional services and reviews the safeguards that have been established to ensure that the Committee receives independent advice from the consultant. Each year that the Committee has conducted this review, AEP's HR Committee has concluded that there were adequate safeguards in place to ensure that the consultant's recommendations were both objective and independent and not influenced by the fees paid for the other services.

We describe in our proxy statement the other types of services that the consultant's company provides to AEP. We do not currently disclose the fees paid to the consultant or the fees paid to the consultant's company for the other services. We can provide the fee information; however, we think that if the SEC is going to require companies to disclose these fees, it should require companies to disclose all fees paid to the consultant's company. There should not be a distinction for consultant services related to broad-based plans (such as the 401(k) plan) versus other types of services. We also think that only actual fees paid during the prior year should be required. There is too much uncertainty in estimates for currently contemplated services for the succeeding year.

## 6. Reporting of voting results on Form 8-K

We agree that the timely disclosure of the voting results at an annual meeting benefits investors and the markets. AEP has always issued a press release promptly after our annual meeting, announcing the voting results.

Although we believe a press release sufficiently provides the information to the public, AEP does not object to filing a Form 8-K to disclose the voting results. However, if the meeting relates to a contested election, a registrant should be permitted to disclose the preliminary voting results on Form 8-K within four business days of the meeting, as long as the company amends the Form 8-K to provide the final voting results once they are certified.

Thank you for the opportunity to comment. If it would be helpful to discuss any of these points, please contact John B. Keane, Executive Vice President, General Counsel and Secretary, American Electric Power, 1 Riverside Plaza, Columbus, OH 43215. I am also reachable at 614-716-2929 and jbkeane@aep.com.

Very truly yours,

cc: The Honorable Mary L. Schapiro, Chairman
The Honorable Kathleen L. Casey, Commissioner
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner
Ms. Meredith B. Cross, Director, Division of Corporation Finance
Mr. David M. Becker, General Counsel and Senior Policy Director
Ms. Kayla J. Gillan, Senior Advisor to the Chairman