

A CENTURY OF FIRSTS

2005 American Electric Power Annual Report to Shareholders

On the cover: In Wyoming County, W.Va., a Chinook helicopter transports a partially assembled tower for the 90-mile Wyoming—Jacksons Ferry 765-kilovolt transmission project.

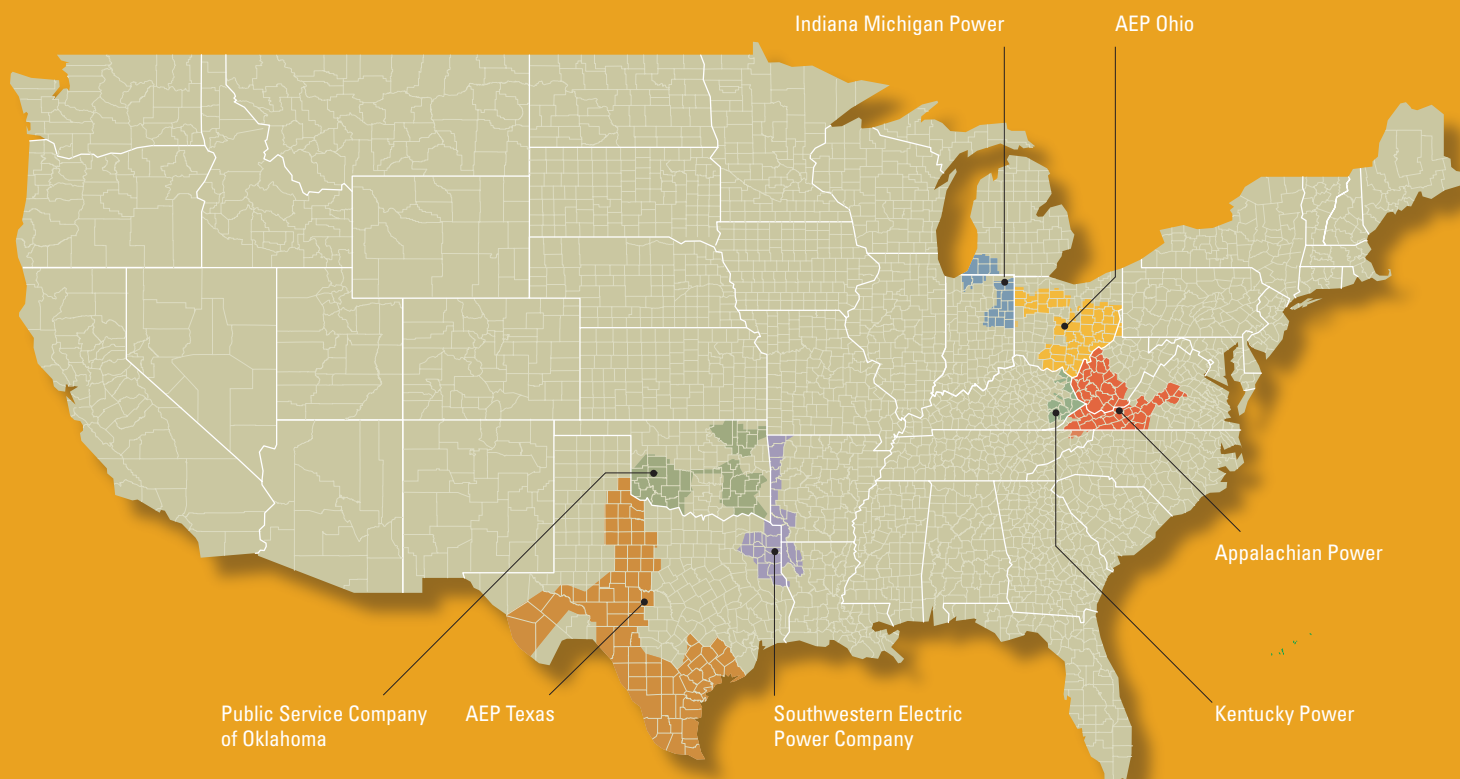
2005 SUMMARY

	2005	2004	Variance
Net Income (in millions)			
ongoing	\$1,063	\$924	\$ 139
as reported	\$814	\$1,089	\$ (275)
Basic Earnings Per Share			
ongoing	\$2.73	\$ 2.33	\$ 0.40
as reported	\$2.09	\$ 2.75	\$ (0.66)
Revenues (in billions)	\$12.1	\$14.2	\$ (2.1)
Cash Dividends	\$1.42	\$1.40	\$ 0.02
Year-End Closing Stock Price	\$37.09	\$34.34	\$2.75
Book Value Per Share at Year-End	\$23.08	\$21.51	\$1.57
Total Assets (in billions)	\$36.2	\$34.6	\$1.6
U.S. Customers (at year-end) (in thousands)	5,095	5,053	42
Global Employment (at year-end)	19,630	19,893	(263)

2005 reported earnings of \$2.09 per share adjusted for net gains from dispositions of \$(0.24) per share, adjustments to TCC's stranded costs of \$0.72 per share, cumulative effect of accounting change of \$0.04 per share and miscellaneous adjustments of \$0.12 per share produces ongoing earnings of \$2.73 per share.

2004 reported earnings of \$2.75 per share adjusted for net gains from dispositions of \$(0.57) per share, UK and LIG discontinued operations of \$0.16 per share and miscellaneous adjustments of \$(0.01) per share produces ongoing earnings of \$2.33 per share.

AEP UTILITY UNIT TERRITORIES



American Electric Power has been at the forefront of the electric utility industry for 100 years. Our long history as a technological leader has produced a “century of firsts” from new power generation techniques to efficient, reliable transmission design. Through these and other innovations, AEP’s talented people have helped to improve life for our customers day in and day out.

But at AEP, leadership isn’t just about past achievements. We continue to play a leadership role in pioneering ways to produce power more cleanly and efficiently and to mitigate the environmental impacts of our business. In this way, we are carrying on our proud tradition that will benefit our customers, shareholders and countless others for years to come.



Michael G. Morris
*Chairman, President and
Chief Executive Officer*

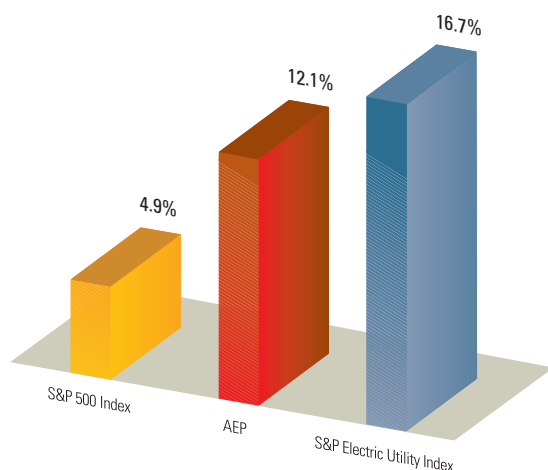


Dear fellow shareholders,

As American Electric Power observes its 100th year of operation in 2006, we reflect on a successful 2005. The company is stronger than it was a year ago, which validates our strategy to focus on our robust utility operations. We raised our earnings projections for the year in December and met them. Once again, our employees met many difficult challenges. And AEP continued to add milestones to its long list of industry “firsts.”

This year will be pivotal for determining how to meet AEP’s need for additional power to serve our customers in both our eastern and western regions. And we hope this will be the year we put shovels in the ground for our first Integrated Gasification Combined Cycle (IGCC) “clean coal” generating plant – the largest in the world.

2005 Shareholder Return



Highlights of 2005

Our 2005 ongoing earnings per share were \$2.73, at the high end of our guidance range of \$2.65 to \$2.75. As-reported earnings (prepared according to Generally Accepted Accounting Principles, or GAAP) were \$2.09 per share, largely because of one-time charges relating to regulatory activity in Texas.

AEP’s share price increased 8 percent during the year and total return to shareholders, including cash dividends, was 12.1 percent. While shareholder return trailed the prior year’s figure and lagged our peer group, it was ahead of the broader S&P 500 market.

We continued strengthening our balance sheet. As a result, we rewarded our faithful shareholders with a 6 percent increase in the quarterly dividend on AEP’s common stock.

Last year we sold nearly all of our remaining non-core assets, most notably our interest in Houston Pipe Line Company. That transaction alone provided approximately \$1 billion in cash.

We met our goal of fully funding AEP pension liabilities by the end of 2005. This will help ensure the financial well-being of our employees and retirees while enhancing our balance sheet and boosting our earnings potential.

We also met our goal of maintaining our debt ratio below 60 percent of capitalization. Debt represented 57.2 percent of total capitalization at the end of the year, an improvement from 59.1 percent at year-end 2004. On a credit-

tomers and other stakeholders, and we are starting to reap benefits from the stronger relationships that are developing. These relationships are critical to meeting customer needs and shareholder expectations.

Preparing for the future

AEP will need approximately 1,200 additional megawatts of generating capacity in our eastern service territory by 2010, and a comparable amount of additional baseload capacity in our western service territory by 2011.

Last March, our Ohio-based operating companies – Ohio Power and Columbus Southern Power – filed a request



adjusted basis, the debt ratio declined from 59.2 percent to 58 percent.

We achieved substantial cost savings in 2005, both in our utility units and at the corporate center. And our liquidity remained strong: AEP's balance sheet showed \$401 million in cash and cash equivalents at year end.

We were gratified when Moody's Investors Service upgraded AEP's debt ratings in September, citing our improved financial profile and reduced business risk.

The first full year of operating under our restructured field organization was largely successful. Our intent was to move decision-making responsibility closer to our cus-

tomers with the Public Utilities Commission of Ohio to recover costs to build and operate a 600-megawatt IGCC generating plant in Meigs County. We will proceed swiftly with construction once a favorable rate order is received. We also have taken the first step toward potential construction of an IGCC plant in West Virginia. In January 2006, Appalachian Power filed an application with that state's Public Service Commission for a Certificate of Public Convenience and Necessity. AEP is evaluating a potential IGCC site in Kentucky as well.

AEP was the first utility to unveil plans to build one or more large-scale commercial IGCC plants. We firmly believe IGCC technology offers the most environmentally

responsible and cost-effective generation option for our customers over the long term.

We began the process of adding generation resources in our western region with the filing of “requests for proposals” last fall by our Public Service Company of Oklahoma (PSO) and Southwestern Electric Power Company (SWEPCO) operating companies. Proposals are being evaluated.

During 2005, we added 1,326 megawatts of capacity in our eastern region with the purchase of natural gas-fired units in Ohio and West Virginia. These units are being used primarily during periods of high electricity demand.

Getting the power back on

Other than our experience in Indiana last January, AEP escaped the worst of the storms of 2005. But we supplied hundreds of employees and contractors to assist Gulf Coast-area utilities that were hit hard. Edison Electric Institute (EEI), the association of investor-owned electric utilities, recognized AEP with its Emergency Assistance Award for the help we provided in Hurricane Katrina’s wake.

EEI also recognized our Indiana Michigan Power operating company with its Emergency Response Award for I&M’s fast, effective response to the devastating January 2005 ice storm in its service territory.



I’m delighted to note that the Nuclear Regulatory Commission in August approved 20-year extensions of the operating licenses for the two units at our D.C. Cook nuclear plant. The licenses now expire in 2034 and 2037. Cook’s low-cost generation is very important to our operations, and we continue to be gratified by the performance improvements at Cook. The plant established a site generation record in 2005, eclipsing the record from the year before. Cook generated 17,471 gigawatt-hours and had a capacity factor of 96.8 percent in 2005. This year, both units are scheduled for refueling outages and the Unit 1 reactor vessel head will be replaced.

Investing in reliability and environmental improvements

We have worked hard to improve the reliability of our energy distribution system across our system. In Ohio, some of our least reliable distribution circuits are performing better, but we’re addressing reliability issues with other circuits. We invested more than \$1.1 billion in our energy delivery system in 2005, \$370 million more than the prior year, and we project a \$1.3-billion investment in 2006.

We also ramped up our investment in environmental improvements at our coal-fired plants in 2005. In the past two years, we have invested more than \$1 billion in



technology to reduce emissions of sulfur dioxide, nitrogen oxide and mercury, and we project an additional \$3.1-billion investment through 2010. This program will improve air quality for those living near the plants and assure continued use of these facilities. And our customers' costs will remain among the lowest in the regions we serve, even with electric rates that permit AEP to recover our investment. I'm happy to report that controls already installed on our plants performed better than designed to reduce nitrogen oxide emissions during the 2005 ozone season, May through September.

Operating in PJM

We continue to gain experience operating our eastern transmission network as part of the PJM Interconnection. PJM oversees transmission system reliability in a 13-state region while providing a larger market for AEP generation. Our commercial operations group has taken advantage of every market opportunity to sell surplus power, adding dollars to our bottom line in 2005 and reducing overall rates for our customers through various revenue-sharing arrangements.

Late last year, we reached agreement with transmission customers in the AEP zone of PJM to update prices to reflect the current costs of providing service on AEP's eastern transmission network. The revenue requirement had not changed since the merger in 2000. The new rates should produce \$22 million in additional revenues this year.

Recognition of excellence

We received a 2005 Climate Protection Award from the U.S. Environmental Protection Agency recognizing our "ingenuity, leadership and public purpose" in the effort

to reduce greenhouse gas emissions. AEP is a founding member of the Chicago Climate Exchange (CCX) and was the first member to expand its original commitment to the trading platform last year. CCX has the potential to make a difference in addressing the pressing issue of global climate change.

Other honors came our way in 2005 as well. For the third consecutive year, *G.I. Jobs* magazine named AEP one of the best places to work for those with military experience and *Essence* magazine placed the company on its list of top workplaces for women and minorities.

Making safety a priority

It is gratifying that AEP is a good place to work. But it is essential that AEP be a safe place to work. That is why it is with deep regret that I tell you an employee from our PSO team died in a job-related accident last year. We want every employee to work safely and return home healthy each day. Last year, we elevated our top safety position, welcoming Dennis Welch to AEP as senior vice president – Environment and Safety. Dennis will continue to sharpen our focus on safety in every area of the company.

Six employees received the AEP Chairman's Life Saving Award in the past year for helping members of the public in life-threatening situations. Curtis Brummett, Todd Hall and Mike Warner of PSO, Kathi Parsley of Appalachian Power, Charlie Burroughs of SWEPCO and Stacey Lynch of I&M are an inspiration and example to all of us.

2006 will be challenging but rewarding

I've already mentioned how significant this year will be for AEP as we chart a course to meet our customers' future needs. We expect 2006 ongoing earnings in the range of \$2.50 to \$2.70 per share based on our strategy of continued focus on utility operations.

We are optimistic about this year's prospects while recognizing that the challenges will be no less, and possibly greater, than last year.

- We await the outcome of regulatory proceedings in several jurisdictions, mostly seeking recovery of planned reliability and environmental investments but also rate adjustments to cover increasing costs of doing business, including fuel costs. The amount of our capital investment will be adjusted as necessary, depending on our level of rate recovery and the amount of cash we are able

to generate. We are very focused on helping our regulators understand the benefits of our planned investments for customers, shareholders and those living near our generating facilities, and we hope that effort bears fruit.

- In May 2005, our AEP Texas Central Company (TCC) utility unit filed with the Public Utility Commission of Texas for recovery of \$2.4 billion in net stranded generation costs and other expenses related to the sale of TCC generating assets. This February, the commission set TCC's stranded costs and related expenses at \$1.5 billion. The company intends to seek rehearing of the ruling and to pursue appeals if necessary. TCC anticipates filing an application in March to securitize its stranded costs and related carrying costs.
- We will continue to be challenged by rising fuel prices. Our fuel, emissions and logistics organization has been doing an outstanding job of managing the issue.
- Projected load growth of about 2.5 percent, along with lower expected generating plant availability due to environmental retrofit outages, likely will result in lower off-system power sales.

This summer, we expect to complete a major project that is sorely needed and has been 16 years coming – the Wyoming–Jacksons Ferry 765-kilovolt (kV) transmission line. The 90-mile line, projected to be in service by July, will strengthen the transmission system serving southern West Virginia, southwestern Virginia and eastern Kentucky. More than three decades have passed since the last major transmission line was built in this region, where energy demand has increased dramatically. The line will be the first 765-kV line in North America to use a six-bundle conductor configuration, a noise-reduction design improvement over earlier construction.

Speaking of new transmission, this January we took the bold step of proposing to build a 765-kV transmission line that will span approximately 550 miles from West Virginia to New Jersey. Most of the proposed line, called the AEP Interstate Project and nicknamed I-765, would be outside our service territory. We have asked the Federal Energy Regulatory Commission (FERC) and PJM to approve this transmission “superhighway,” which will reduce PJM congestion costs and transmission line losses, enhance

reliability in the eastern transmission grid and provide more flexibility and opportunity to site new generation. We also are seeking designation of the proposed route as a National Interest Electric Transmission Corridor from the Department of Energy.

We project a 2014 in-service date and approximate cost of \$3 billion. A new AEP subsidiary, AEP Transmission Co. LLC, will construct and own the line. In fact, this will be the first line built under the Energy Policy Act as signed into law by President Bush in the summer of 2005.

The time is right for this kind of project. Congress and FERC have identified investment in transmission as crucial to ensure electricity grid reliability and the potential for economic growth.

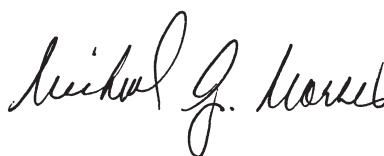
New directors

We have welcomed two new members to the AEP Board of Directors in the past several months. Linda Goodspeed is executive vice president and chief technology officer for Lennox International, a global supplier of climate-control solutions. Ralph Crosby is chairman and chief executive officer of EADS North America, a leading aerospace and defense firm. We're thrilled to have Linda and Ralph with us. They add greatly to the depth and breadth of knowledge represented on our board.

Two members of our senior management team also have retired since our last annual report was published. Dick Boyle, senior vice president – Commercial Operations, and Richard Verret, senior vice president – Transmission, helped make AEP a stronger company, and we appreciate their dedicated service.

We're ready to meet the task ahead

Like 2005, this will be a year of rewards and challenges. I have no doubt that our employees are up to the task. I hope and believe that, at this time next year, our customers will feel better served by our company and each of you will appreciate your stake in AEP even more than you do today.



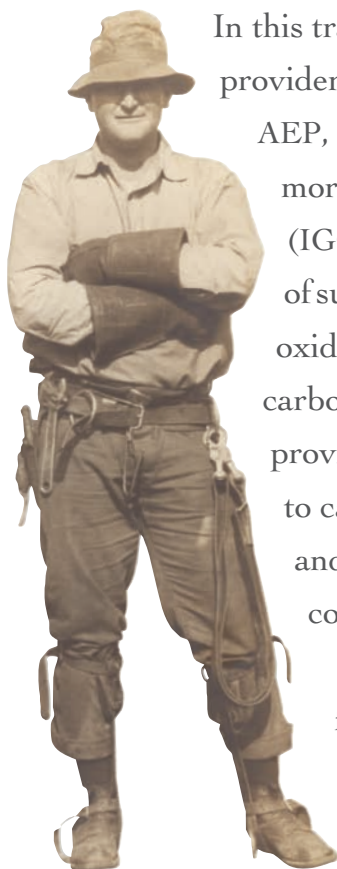
Michael G. Morris

Chairman, President and Chief Executive Officer
March 2, 2006

AEP'S PROUD PAST LOOKS TO A BRIGHT FUTURE

AEP has a long history as a technological leader in our industry, dating to completion of the nation's first major mine-mouth power plant, the Windsor Plant near Wheeling, W.Va., in 1917. That same year, American Gas and Electric Company – AEP's predecessor company – began operating the nation's first long-distance high-voltage transmission line (138 kilovolts) to move power to Windsor Plant's load center in Canton, Ohio.

That was just the beginning of a long list of industry "firsts" for AEP. Some are noted in the timeline running at the bottom of the pages in this section. These advancements vary in type, size and scope, but all speak to ways of producing and delivering electricity more efficiently.



A typical AEP line worker with gear, ca. 1917

In this tradition, for more than a decade, AEP has worked with technology providers to push clean-coal generation from theory to commercial viability.

AEP, in 2004, was the first utility to announce plans to build one or more large-scale commercial Integrated Gasification Combined Cycle (IGCC) power plants. IGCC technology will greatly reduce emissions of sulfur dioxide, particulates, nitrogen oxides and mercury. It also will lower carbon dioxide (CO₂) emissions and provides for future retrofit of systems to capture CO₂ at a lower capital cost, and with lower efficiency losses, than conventional technologies can offer.

Company plans call for an IGCC facility to serve AEP customers by 2010. An IGCC plant, over its 40-year expected life span, is the most cost-effective option for consumers. Clean-coal



Construction of the Windsor Plant near Wheeling, W.Va., ca. 1917

Public Service Company of Oklahoma

PSO worked with stakeholders in 2005 to launch a reliability improvement program to decrease tree-related outages by more than 80 percent by 2009. The program is based on a four-year trim cycle and includes initiatives such as allowing customers to hire their own certified tree crews to trim annually, planting appropriate trees along streets where trees must be removed and helping to form an oversight committee on issues concerning Tulsa's "urban forest." PSO also developed a program to convert overhead lines to underground in certain residential areas. PSO gained regulatory approval for a rider allowing it to fund the reliability program.



Appalachian Power

In 2005, Appalachian Power began a two-year project aimed at converting nearly all of the company's 1 million electromechanical meters to radio-frequency meters. In some cases, radio-frequency meters can download in five minutes what it took a meter reader eight hours to read. The company changed out 366,000 meters during 2005 as part of this \$69-million investment in APCo's West Virginia and Virginia territory. The conversion improves efficiency and customer satisfaction by eliminating estimations. Most of all, it reduces company employees' exposure to potential injury from slips, trips, falls and dog bites.

technologies such as IGCC also will keep coal, the nation's most plentiful energy source, in the U.S. energy mix, which is important for energy security as well as economic security.

AEP has taken a role in policy discussions about climate change since the early 1990s. The company is a founding member of the Chicago Climate Exchange (CCX), the first voluntary, legally binding greenhouse gas emissions reduction and trading program in North America. Last year, AEP expanded its original commitment, made in 2003, and was the first of CCX's 100-plus members to do so. AEP expects to reduce or offset approximately 46 million metric tons of CO₂ equivalent emissions between 2003 and



Canton-Philo line construction crew, Newcomerstown, Ohio, ca. 1920



Workers prepare to cut crossarms for electric poles in South Bend, Ind., ca. 1910

2010. This represents a 6 percent reduction from the "baseline average" of 1998-to-2001 emission levels. The company plans to reach this goal through a variety of actions, including power plant efficiency improvements, use of renewable generation, reforestation projects, off-system greenhouse gas reduction projects and direct purchase of emission credits through CCX.

AEP Ohio

AEP Ohio hosted seminars about power quality last fall for nearly 400 major commercial and industrial customers. The seminars contributed to a 6 percent improvement in customer satisfaction for AEP Ohio in fourth-quarter 2005 over fourth-quarter 2004. The utility unit's customer services engineers organized the sessions and enlisted the services of power-quality experts, including the Electric Power Research Institute. Participating customers qualified for continuing education credits. The topic of power quality was chosen based on a survey of AEP Ohio's major commercial and industrial customers.

100
A CENTURY OF FIRSTS

1960

First large-scale use of helicopters in transmission line construction

1963

Big Sandy Plant Unit 1 (Kentucky) is the site of the first natural-draft cooling tower in the Western Hemisphere

1966

First use of laser beam to monitor transmission lines

AEP has planted more than 60 million trees on company-owned lands since the 1940s and has invested nearly \$25 million in projects designed to conserve and reforest sensitive areas in Bolivia, Brazil and the Mississippi River Valley in Louisiana. AEP is one of the largest generators of wind energy in the United States, operating more than 300 megawatts in Texas, and also operates almost 900 megawatts of hydroelectric and pumped-storage generation.

AEP also is part of a consortium proposing to build FutureGen, a \$1-billion research project in conjunction with the Department of Energy that will build the world's first nearly emission-free plant to produce electricity and

Indiana Michigan Power

A devastating January 2005 ice storm left 128,000 I&M customers – 87 percent of the company's customers in east-central Indiana – without power. But surveyed customers posted a 97 percent satisfaction rating with I&M after the storm, up from 82 percent beforehand. I&M dramatically changed its traditional power restoration practices to respond, which likely shortened the restoration effort by several days. Mutual-assistance partners and contractors were engaged even before the storm struck. An early, accurate appraisal of the damage and recovery time was determined and communicated consistently. And no recordable safety incidents were reported by I&M, contract workers or the public during the restoration.



An AEP crew assists with Hurricane Rita restoration

1969

Operation of the world's first 765-kilovolt transmission line

1973

Completion of the world's largest coal-fired unit at 1,300 megawatts (Amos Plant in West Virginia)

1975

First 3-million kilovolt-ampere transformer bank begins operation, Marysville Station, Ohio

1979

AEP is the first investor-owned utility system to generate 100 billion kilowatt-hours in a 12-month period

Kentucky Power

Kentucky Power implemented a more visible community outreach plan in 2005 as part of its effort to increase company name recognition. Senior citizens, many of whom are long-time customers and serve as local “opinion leaders,” were at the center of the plan. Kentucky Power was the corporate sponsor of Kentucky River Area Development District’s (KRADD) Senior Day Games. KRADD is known throughout southeastern Kentucky for its support of aging-related programs. The Senior Day Games spotlight the importance of physical activities for seniors and showcase their creative abilities. Kentucky Power representatives were judges, guided participants from one event to another and offered energy conservation tips and materials to boost home energy efficiency.

hydrogen from coal while capturing and storing CO₂ in geologic formations.

Power generation hasn’t been the only focus of AEP’s leadership. The company contributed significantly to transmission-related elements of the Energy Policy Act of 2005. AEP has become a leading utility proponent of the need for a nationwide interstate transmission system modeled after the national interstate highway network. As such, it is not surprising that AEP was the first entity to propose a new transmission “superhighway” to address constraints affecting the eastern grid.

The 550-mile, 765-kilovolt (kV) line AEP recently proposed will reach from West Virginia to New Jersey.

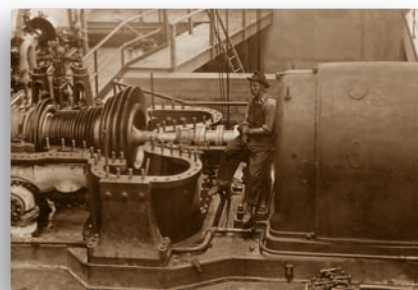
If approved, the line is projected to enter service in 2014. It will enhance reliability of the eastern grid while reducing congestion costs and transmission line losses within the PJM Interconnection region. AEP’s existing 765-kV network stretches more than 2,000 miles and is among the most efficient and reliable transmission networks in the nation.

And, in June, the first megawatt-class advanced energy storage technology to be

Southwestern Electric Power Company

SWEPCO played a role in helping to preserve the Red River Army Depot near Texarkana, Texas, which was recommended for closure by the Base Realignment and Closure Commission (BRAC) in May 2005. SWEPCO’s effort was led by Bradley Hardin, Texarkana-based community affairs manager. Nearly 4,000 area jobs were at risk, and the economic hit of closure to the regional economy would have been in the hundreds of millions of dollars. Hardin helped organize public rallies, addressed civic organizations, communicated with state and federal officials and the news media and helped coordinate participation in a BRAC regional hearing. In August, the BRAC announced that the depot would be spared.

used on a U.S. distribution system will be installed at an Appalachian Power substation near Charleston, W.Va. Installation of the 1.2-megawatt, sodium sulfur (NAS®) battery-based system is expected to delay the need for equipment upgrades to the substation by six to seven years. Partners with AEP in the project are NGK Insulators Ltd. and S&C Electric. Examples of leadership at AEP’s utility units during 2005 appear elsewhere on these pages.



2,000-kilowatt turbine generator in Abilene, Texas, 1921

100 A CENTURY OF FIRSTS

1987

Mountaineer Plant in West Virginia sets a world record (607 days) for continuous operation of a large generating unit

1991

First conversion of a nearly completed nuclear plant to coal-fired operation (William H. Zimmer Station, Ohio)

1998

The world’s first unified power flow controller unit is installed on AEP transmission facilities





AEP Board of Directors — (From left, seated) Robert W. Fri, Donald M. Carlton, William R. Howell, Kathryn D. Sullivan, Michael G. Morris. (From left, standing) Donald G. Smith, Linda A. Goodspeed, E.R. Brooks, John P. DesBarres, Lionel L. Nowell III, Richard L. Sandor, Lester A. Hudson, Jr.

Michael G. Morris, 59
Chairman, President
and Chief Executive Officer
(2004) ^{E, P}

E.R. Brooks, 68
Retired Chairman and
Chief Executive Officer,
Central & South West Corp.
Granbury, Texas
(2000) ^{A, E, N, P}

Dr. Donald M. Carlton, 68
Retired President and
Chief Executive Officer,
Radian International, LLC
Austin, Texas
(2000) ^{H, N, P}

Ralph D. Crosby, Jr., 58*
Chairman and
Chief Executive Officer,
EADS North America, Inc.
Arlington, Virginia
(2006) ^{H, N, P}

John P. DesBarres, 66
Investor
Park City, Utah
(1997) ^{D, E, H, P}

Robert W. Fri, 70
Visiting Scholar,
Resources for the Future
Washington, D.C.
(1995) ^{D, H, P}

Linda A. Goodspeed, 44
Executive Vice President
and Chief Technology Officer,
Lennox International, Inc.
Richardson, Texas
(2005) ^{A, N, P}

William R. Howell, 70
Chairman Emeritus,
J.C. Penney Company, Inc.
Dallas, Texas
(2000) ^{D, E, F, P}

Dr. Lester A. Hudson, Jr., 66
Professor, McColl Graduate
School of Business,
Queens University of Charlotte
Charlotte, North Carolina
(1987) ^{A, D, E, P}

Lionel L. Nowell III, 51
Senior Vice President
and Treasurer,
PepsiCo, Inc.
Purchase, New York
(2004) ^{A, E, P}

Dr. Richard L. Sandor, 64
Chairman and Chief
Executive Officer,
Chicago Climate Exchange, Inc.
Chicago, Illinois
(2000) ^{E, N, P}

Donald G. Smith, 70
Chairman, Chief Executive
Officer and Treasurer,
Roanoke Electric Steel Corp.
Roanoke, Virginia
(1994) ^{E, N, P}

Dr. Kathryn D. Sullivan, 54
Science Advisor,
Center of Science & Industry
Columbus, Ohio
(1997) ^{N, P}

Committees of the Board:

The chairman is listed in ().

- A Audit (Brooks)
- D Directors and Corporate Governance (Hudson)
- E Executive (Morris)
- F Finance (Howell)
- H Human Resources (DesBarres)
- N Nuclear Oversight (Sullivan)
- P Policy (Smith)

** Ralph D. Crosby, Jr., who is not pictured above, was elected to the Board of Directors in January 2006.*

Date in parentheses indicates year elected to the Board of Directors.

**American Electric Power
Company, Inc.**

Michael G. Morris
Chairman, President and
Chief Executive Officer

Carl L. English
President – Utility Group

Robert P. Powers
Executive Vice President

Susan Tomasky
Executive Vice President
and Chief Financial Officer

Joseph M. Buonaiuto
Senior Vice President, Controller
and Chief Accounting Officer

John B. Keane
Senior Vice President, Secretary,
Chief Compliance Officer
and General Counsel

Stephen P. Smith
Senior Vice President
and Treasurer

Dennis E. Welch
Senior Vice President

**American Electric Power
Service Corporation**

Michael G. Morris
Chairman, President and
Chief Executive Officer

Carl L. English
President – Utility Group

Thomas M. Hagan
Executive Vice President –
AEP Utilities-West

Holly K. Koeppel
Executive Vice President –
AEP Utilities-East

Robert P. Powers
Executive Vice President –
Generation

Susan Tomasky
Executive Vice President
and Chief Financial Officer

J. Craig Baker
Senior Vice President –
Regulatory Services

Joseph M. Buonaiuto
Senior Vice President,
Controller and Chief
Accounting Officer

Joseph Hamrock
Senior Vice President
and Chief Information Officer

John B. Keane
Senior Vice President,
General Counsel, Chief
Compliance Officer and
Assistant Secretary



AEP Executive Council — (From left) Carl L. English, Michael G. Morris, John B. Keane, Susan Tomasky, Robert P. Powers

Venita McCollon-Allen
Senior Vice President –
Shared Services

Richard E. Munczinski
Senior Vice President –
Corporate Planning
and Budgeting

Mano K. Nazar
Senior Vice President
and Chief Nuclear Officer

Michael W. Rencheck
Senior Vice President –
Engineering, Technical
and Environmental Services

William L. Sigmon, Jr.
Senior Vice President –
Fossil and Hydro Generation

Stephen P. Smith
Treasurer and Senior
Vice President – Corporate
Accounting, Planning and Strategy

Brian X. Tierney
Senior Vice President –
Energy Marketing

Dennis E. Welch
Senior Vice President –
Environment and Safety

Charles E. Zebula
Senior Vice President –
Fuel, Emissions and Logistics

Nicholas J. Ashooh
Vice President –
Corporate Communications

Michael Heyeck
Vice President –
Transmission

Anthony P. Kavanagh
Vice President –
Governmental Affairs

Richard A. Mueller
Vice President –
Audit Services

Helen J. Murray
Vice President –
Customer Operations

Craig T. Rhoades
Vice President –
Distribution Services

Julie Sloat
Vice President –
Investor Relations

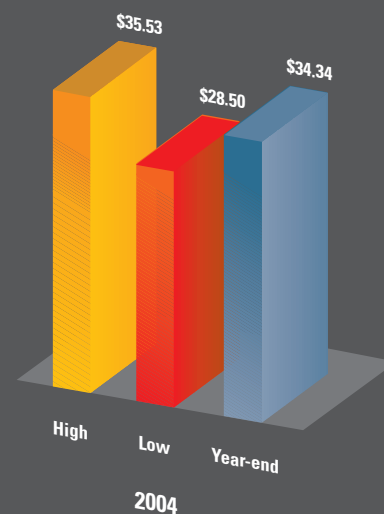
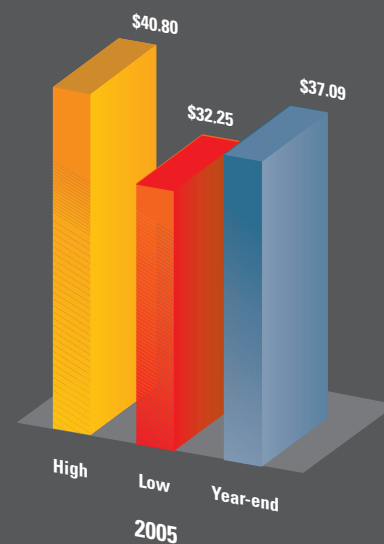
Scott N. Smith
Vice President –
Generation Business Services

Laura J. Thomas
Vice President
and Chief Risk Officer

SUMMARY ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

INTRODUCTION: This condensed financial presentation should not be considered a substitute for the full financial statements, inclusive of footnotes and Management's Financial Discussion and Analysis of Results of Operations, provided to all shareholders as Appendix A to the Proxy Statement and included in the annual Form 10-K filing with the Securities and Exchange Commission. A copy of the Form 10-K and/or Appendix A to the Proxy Statement that includes the full financial statements can be obtained by calling 1-800-551-1AEP or through the Internet at www.AEP.com.

Market Price — Common Stock



The following discussion is a summary analysis of our results of operations for 2005 compared with 2004 and an overview of our business outlook and financial condition. A complete analysis of our results of operations and discussion of our financial condition can be found in the Management's Financial Discussion and Analysis of Results of Operations portion of Appendix A to the Proxy Statement. Appendix A and Form 10-K also contain detailed discussions of major uncertainties, contingencies, risks and other issues we face.

Our Utility Operations, the core of our business, had a year of continued improvement and favorable operating conditions in 2005. Our results for the year reflect the increased demand from our industrial customers and sales growth in the residential and commercial classes. These are solid indicators that the economic recovery is reaching all sectors. Favorable weather during summer and fall also increased our revenues above expected norms.

Our forecasts indicate that the obligated capacity requirements to meet the growing electricity needs of customers in our eastern seven states will soon exceed the capabilities of our existing fleet of power plants. Our strategy for meeting this growth in demand includes construction of new plants and acquisitions of existing plants. In 2005, we acquired two generating assets, the Waterford Plant and the Ceredo Generating Station, for approximately \$320 million. These two assets added 1,326 megawatts (MW) of generating capacity to our eastern fleet.

During 2005, we also announced more than 20 new or renewed wholesale power supply agreements commencing in 2006 or 2007 with various municipalities throughout our service territory. These agreements allow us to remain one of the largest providers of wholesale energy to municipals and cooperatives and demonstrate our commitment to traditional wholesale customers. In 2006, we expect to provide approximately 3,500 MW of full or partial requirement power to 55 municipal utilities and 25 electric cooperatives.

During 2005, we further stabilized our financial strength by:

- Completing asset divestitures of our remaining gas pipeline and storage assets and nuclear generation in Texas resulting in proceeds of approximately \$1.6 billion.
- Using the cash flows from our operations to fully fund our qualified pension plans, which also improved our debt-to-capital ratio to 57.2% at December 31, 2005.
- Receiving upgraded credit ratings from Moody's Investors Service for AEP's short-term and long-term debt.

While we were successful in 2005 in reducing our debt to total capital ratio from 59.1% to 57.2%, we have significant capital expenditures projected for the near-term. Through a combination of cash generated from operations, increased rates as requested in our pending regulatory proceedings and a portion of the Texas stranded cost securitization proceeds, we expect to maintain the strength of our balance sheet and fund our capital expenditure program without material additional leveraging.

OUTLOOK FOR 2006

We remain focused on the fundamental earning power of our utilities, and we are committed to maintaining the strength of our balance sheet. To achieve our goals we expect to:

- Obtain permits for our proposed Integrated Gasification Combined Cycle (IGCC) plants and move forward with the engineering and design for one or more IGCC plants.
- Determine the appropriate generation source for additions to our western fleet.
- Begin preliminary steps to add to our transmission assets to ensure competitive energy prices for our customers in and around congested areas.
- Obtain favorable resolutions to our numerous pending rate proceedings.
- Continue developing strong regulatory relationships through operating company interaction with the various regulatory bodies.

There are, nevertheless, certain risks and challenges, including:

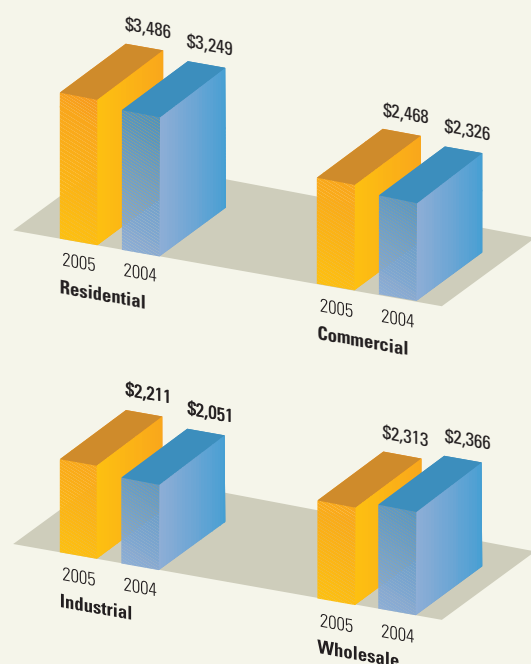
- Regulatory activity in Texas, Ohio, Virginia, West Virginia and Indiana and with the FERC.
- Fuel cost volatility and fuel cost recovery, including related transportation issues.
- Financing and recovering the cost of capital expenditures, including environmental and new technology.
- Wholesale market volatility.
- Plant availability.
- Weather.

In 2005, we filed base rate cases in West Virginia and Kentucky requesting revenue increases totaling approximately \$248 million, filed a request in Virginia to recover \$62 million in environmental and reliability costs, filed a depreciation study in Indiana to reduce our book depreciation rates predominantly due to a 20-year nuclear license extension at

the D.C. Cook Plant, filed an application with the Public Utility Commission of Ohio (PUCO) seeking authority to recover costs related to building and operating an IGCC plant and submitted a \$2.4 billion stranded cost recovery filing in Texas. In February 2006, we executed and submitted a settlement agreement in the Kentucky proceeding and are awaiting a final order. In February 2006, we also received a final order in the Texas proceedings and now expect to recover approximately \$1.5 billion of our stranded costs, including carrying costs. Our other outstanding filings are progressing and we expect final orders throughout the first half of 2006.

Market prices for coal, natural gas and oil continued to increase in 2005 following dramatic increases in 2004. These increasing fuel costs are the result of increasing worldwide demand, supply interruptions and uncertainty, anticipation and ultimate promulgation of clean air rules, transportation constraints and other market factors. Because we actively manage price and performance risk and have fuel recovery mechanisms for about 50% of our fuel costs, we should recover approximately 70% of fuel cost increases. The remaining 30% of our fuel costs relate primarily to Ohio and Indiana customers, where we do not have fuel cost recovery mechanisms that will become active in 2006 or such mechanisms are currently capped. In West Virginia, we were granted permission to begin deferral accounting for over- or under-recovery of fuel and related costs effective July 1, 2006. In addition,

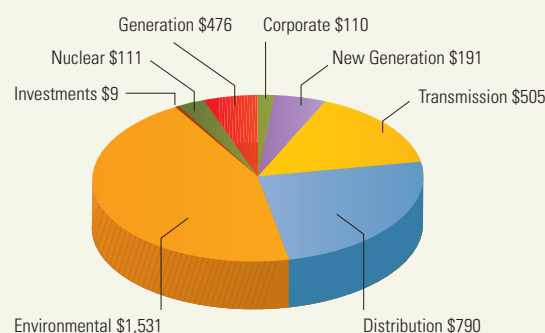
Utility Revenues by Class (in millions)



our Ohio companies increased their generation rates in 2006, as previously approved by the PUCO in our Rate Stabilization Plans. While these items should help to offset some of the negative impact on our gross margins, we expect an additional 11% to 13% increase in coal costs in 2006.

For 2006, \$3.7 billion in construction expenditures, excluding allowances for funds used during construction, are forecasted.

2006 Projected Capital Investment (in millions)

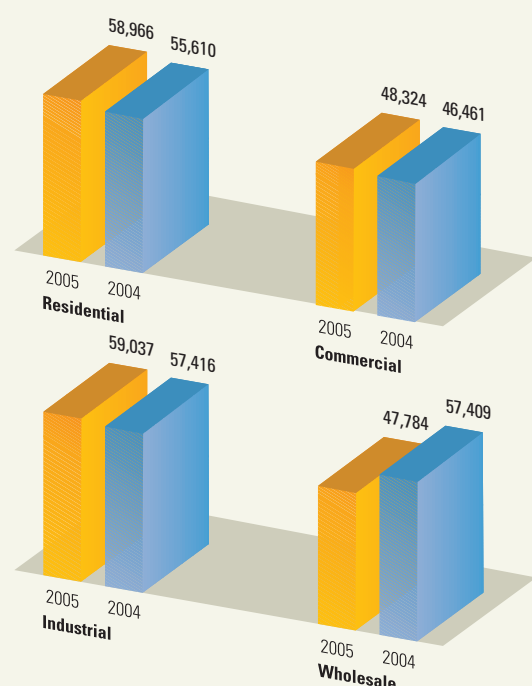


RESULTS OF OPERATIONS

In 2005, AEP's principal operating business segments and their major activities were:

- **Utility Operations:**
 - Generation of electricity for sale to U.S. retail and wholesale customers
 - Electricity transmission and distribution in the U.S.
- **Investments – Other:**
 - Bulk commodity barging operations, wind farms, independent power producers and other energy supply-related businesses

Net Income in 2005 decreased \$275 million from 2004 primarily due to adjustments to our stranded generation plant costs and associated carrying costs based upon a final order received from the Public Utility Commission of Texas in the stranded cost true-up proceeding for AEP Texas Central Company (TCC). Based on the final order, TCC's stranded generation plant costs and associated carrying costs income were reduced by \$384 million. Of the \$384 million, \$345 million (\$225 million, net of tax) was recorded as an extraordinary loss. In addition, results for 2004 included \$153 million in net gains on the sales of equity investments in 2004 compared to net gains of \$56 million in 2005.

Kilowatt-Hour Sales by Class (in millions)**Utility Operations**

Our Utility Operations' Income Before Discontinued Operations, Extraordinary Loss and Cumulative Effect of Accounting Change in 2005 decreased \$155 million to \$1,020 million primarily due to adjustments to carrying costs income based on TCC's final order in its true-up proceeding. In addition, Maintenance and Other Operation expenses increased due to increased generation expense related to strong retail and wholesale sales and capacity requirements and plant maintenance in 2005, as well as increased PJM-related expenses. These unfavorable variances were partially offset by retail margin growth and higher demand across all classes of customers. The increase in retail margins resulted from customer growth in our residential and commercial classes, as well as from higher usage partially due to favorable weather conditions. We also benefited from an increase in margins from off-system sales due to favorable price margins.

Investments – Other

Income Before Discontinued Operations, Extraordinary Loss and Cumulative Effect of Accounting Change from our Investments – Other segment increased from \$74 million in 2004 to \$93 million in 2005. The increase was partially due to favorable barging activity resulting from strong demand and a tight supply of barges, causing a 45% increase in ton-mile freight rates between 2004 and 2005 and various tax adjustments.

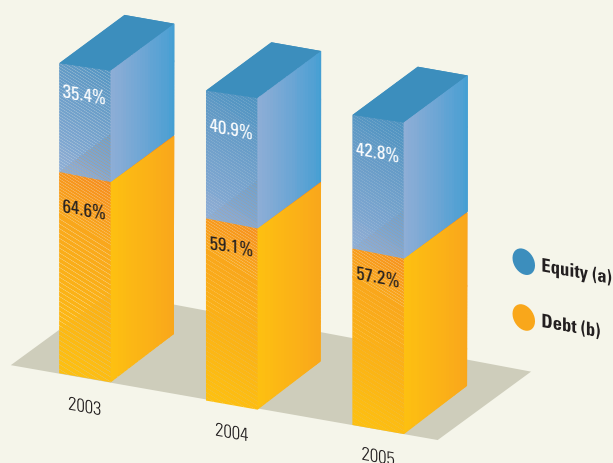
FINANCIAL CONDITION

We measure our financial condition by the strength of our balance sheet and the liquidity provided by our cash flows. During 2005, we improved our financial condition as a consequence of the following actions and events:

- We completed approximately \$2.7 billion of long-term debt redemptions, including optional redemptions and debt maturities.
- AEP was upgraded to Baa2/P-2 by Moody's Investors Service and we maintained stable credit ratings across the AEP System, including our rated subsidiaries.
- We fully funded our defined-benefit qualified pension plans, resulting in the elimination of our minimum pension liability for the qualified plans.

Our common equity increased due to earnings exceeding the amount of dividends paid in 2005 and \$626 million of cash contributions to our qualified pension funds, which allowed us to remove the \$330 million charge to equity related to underfunded plans.

As a consequence of the capital changes during 2005 noted above, we improved our ratio of debt to total capital from 59.1% to 57.2%.

Capitalization Ratio

(a) Equity includes Common Equity and Preferred Stock.

(b) Debt includes Long-term Debt, Short-term Debt and Preferred Stock Subject to Mandatory Redemption.

CONDENSED CONSOLIDATED BALANCE SHEETS

At December 31 (In Millions)

	2005	2004
ASSETS		
Cash and Cash Equivalents	\$401	\$320
Other Temporary Cash Investments	127	275
Accounts Receivable	1,220	1,502
Other Current Assets	2,197	1,899
Total Current Assets	3,945	3,996
Property, Plant and Equipment	39,121	37,294
Accumulated Depreciation and Amortization	(14,837)	(14,493)
Net Property, Plant and Equipment	24,284	22,801
Regulatory Assets	3,262	3,594
Assets Held for Sale	44	628
Other Noncurrent Assets	4,637	3,617
Total	\$36,172	\$34,636
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable	\$1,144	\$1,055
Short-term Debt and Long-term Debt Due Within One Year	1,163	1,302
Other Current Liabilities	3,153	2,633
Total Current Liabilities	5,460	4,990
Long-term Debt	11,073	11,008
Deferred Income Taxes	4,810	4,819
Regulatory Liabilities and Deferred Investment Tax Credits	2,747	2,522
Liabilities Held for Sale	—	250
Other Noncurrent Liabilities	2,933	2,471
Total Liabilities	27,023	26,060
Cumulative Preferred Stock Not Subject to Mandatory Redemption	61	61
Common Shareholders' Equity	9,088	8,515
Total	\$36,172	\$34,636

Full disclosure of all financial information is included in Appendix A to the Proxy Statement.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Year Ended December 31
(In Millions—Except Per-share Amounts)

	2005	2004	Variance
Revenues	\$12,111	\$14,245	\$(2,134)
Expenses:			
Fuel and Purchased Energy	4,535	6,536	(2,001)
Maintenance and Other Operation	3,649	3,700	(51)
Asset Impairments and Other Related Charges	39	—	39
Gain/Loss on Disposition of Assets, Net	(120)	(4)	(116)
Depreciation and Amortization	1,318	1,300	18
Taxes Other Than Income Taxes	763	730	33
Total Expenses	10,184	12,262	(2,078)
Operating Income	1,927	1,983	(56)
Investment Income and Allowance for Equity Funds Used During Construction	126	48	78
Carrying Costs Income	55	302	(247)
Investment Value Losses	(7)	(15)	8
Gain on Disposition of Equity Investments, Net	56	153	(97)
Interest and Other Charges	(704)	(787)	83
Income Before Income Tax Expense and Other, Net	1,453	1,684	(231)
Income Tax Expense	(430)	(572)	142
Other, Net	6	15	(9)
Income Before Discontinued Operations, Extraordinary Loss and Cumulative Effect of Accounting Change	1,029	1,127	(98)
Discontinued Operations, Net of Tax	27	83	(56)
Extraordinary Loss, Net of Tax	(225)	(121)	(104)
Cumulative Effect of Accounting Change, Net of Tax	(17)	—	(17)
Net Income	\$814	\$1,089	\$(275)
Weighted Average Number of Basic Shares Outstanding	390	396	(6)
Total Basic Earnings Per Share	2.09	2.75	(0.66)
Weighted Average Number of Diluted Shares Outstanding	391	396	(5)
Total Diluted Earnings Per Share	2.08	2.75	(0.67)
Cash Dividends Paid Per Share	\$1.42	\$1.40	\$0.02

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31 (In Millions)

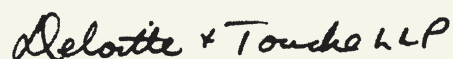
	2005	2004
OPERATING ACTIVITIES		
Net Income	\$814	\$1,089
Less: Income from Discontinued Operations	(27)	(83)
Income from Continuing Operations	787	1,006
Depreciation and Amortization	1,318	1,300
Carrying Costs Income	(55)	(302)
Asset Impairments, Investment Value Losses and Other Related Charges	46	15
Pension Contributions to Qualified Plan Trusts	(626)	(231)
Over/Under Fuel Recovery	(239)	96
Adjustments for Other Noncash Items and Working Capital	646	827
Net Cash Flows From Operating Activities	1,877	2,711
INVESTING ACTIVITIES		
Construction Expenditures	(2,404)	(1,637)
Change in Other Temporary Cash Investments, Net	76	32
Investment in Discontinued Operations, Net	—	(59)
Proceeds from Sales of Assets	1,606	1,357
Other, Net	(283)	(22)
Net Cash Flows Used For Investing Activities	(1,005)	(329)
FINANCING ACTIVITIES		
Issuance of Common Stock	402	17
Repurchase of Common Stock	(427)	—
Change in Long-term Debt, Net	(78)	(1,829)
Change in Short-term Debt, Net	(13)	(409)
Dividends Paid on Common Stock	(553)	(555)
Other	(122)	(64)
Net Cash Flows Used For Financing Activities	(791)	(2,840)
Net Increase (Decrease) in Cash and Cash Equivalents	81	(458)
Cash and Cash Equivalents - Beginning of Period	320	778
Cash and Cash Equivalents - End of Period	\$401	\$320
Net Decrease in Cash and Cash Equivalents from Discontinued Operations	\$ —	\$(13)
Cash and Cash Equivalents from Discontinued Operations - Beginning of Period	—	13
Cash and Cash Equivalents from Discontinued Operations - End of Period	\$ —	\$ —

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of American Electric Power Company, Inc.

We have audited the consolidated balance sheets of American Electric Power Company, Inc. and subsidiary companies (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of operations, cash flows, changes in common shareholders' equity and comprehensive income (loss), for each of the three years in the period ended December 31, 2005. We also have audited management's assessment of the effectiveness of the Company's internal control over financial reporting and the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. Such consolidated financial statements, management's assessment of the effectiveness of the Company's internal control over financial reporting and our reports thereon dated February 27, 2006, expressing unqualified opinions, and with respect to the report on the consolidated financial statements, including an explanatory paragraph referring to the adoption of SFAS 143, "Accounting for Asset Retirement Obligations," EITF 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities," FIN 47, "Accounting for Conditional Asset Retirement Obligations," FIN 46, "Consolidation of Variable Interest Entities," and FASB Staff Position No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003," (which are not included herein) are included in Appendix A to the proxy statement for the 2005 annual meeting of shareholders. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on such condensed consolidated financial statements in relation to the complete consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 2005 and 2004, and the related condensed consolidated statements of operations and of cash flows for the years then ended, is fairly stated in all material respects in relation to the basic consolidated financial statements from which it has been derived.



Columbus, Ohio
February 27, 2006

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of American Electric Power Company, Inc. and subsidiary companies (AEP) is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. AEP's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

AEP management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. In making this assessment we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on our assessment, the Company's internal control over financial reporting was effective as of December 31, 2005.

AEP's independent registered public accounting firm has issued an attestation report on our assessment of the Company's internal control over financial reporting. The Report of Independent Registered Public Accounting Firm appears in Appendix A to the Proxy Statement.

SHAREHOLDER INFORMATION

CORPORATE HEADQUARTERS

1 Riverside Plaza
Columbus, OH 43215-2373
614-716-1000

AEP is incorporated in the State of New York.

ANNUAL MEETING – The 99th annual meeting of shareholders of American Electric Power Company will be held at 9:30 a.m., Eastern Daylight Time, Tuesday, April 25, 2006, at the Embassy Suites Hotel, 300 Court Street, Charleston, West Virginia. Admission is by ticket only. To obtain a ticket, please note the instructions in the Notice of Annual Meeting mailed to shareholders or call the Company. If you hold your shares through a broker, please bring proof of share ownership as of the record date.

INQUIRIES REGARDING YOUR STOCK HOLDINGS – Registered shareholders (shares that you own, in your name) should contact the Company's transfer agent, listed below, if you have questions about your account, address changes, stock transfer, lost certificates, direct deposits, dividend checks and other administrative matters. You should have your Social Security number or account number ready; the transfer agent will not speak to third parties about an account without the shareholder's approval or appropriate documents.

TRANSFER AGENT & REGISTRAR

Computershare Trust Company, N.A.
(formerly EquiServe Trust Company, N.A.)
P.O. Box 43069
Providence, RI 02940-3069
Telephone Response Group: 1-800-328-6955
Internet address: www.computershare.com/equiserve
Hearing Impaired #: TDD: 1-800-952-9245

BENEFICIAL HOLDERS – (Stock held in a bank or brokerage account, sometimes referred to as "street name") – When you purchase stock and it is held for you by your broker, it is listed with the Company in the broker's name. This is sometimes referred to as "street name" or a "beneficial owner." AEP does not know the identity of individual shareholders who hold their shares in this manner; we simply know that a broker holds a certain number of shares which may be for any number of customers. If you hold your stock in street name, you receive all dividend payments, annual reports and proxy materials through your broker. Therefore, if your shares are held in this manner, questions about your account should be directed to your broker.

INTERNET ACCESS TO YOUR ACCOUNT – If you are a registered shareholder, you can access your account information through the Internet at www.computershare.com/equiserve. Information about obtaining a password is available toll-free at 1-877-843-9327.

DIVIDEND REINVESTMENT AND DIRECT STOCK PURCHASE PLAN – A Dividend Reinvestment and Direct Stock Purchase Plan is available to all investors. It is an economical and convenient method of purchasing shares of AEP common stock, through initial cash investments, cash dividends and/or additional optional cash purchases. You may obtain the Plan prospectus and enrollment authorization form by contacting the transfer agent.

STOCK EXCHANGE LISTING – The Company's common stock is traded principally on the New York Stock Exchange under the ticker symbol AEP. AEP stock has been traded on the NYSE for 57 years.

DIVIDENDS – The Company paid \$1.42 in cash dividends on common stock in 2005, all of which are taxable for federal income tax purposes. 35 cents per share was paid in three quarters and 37 cents was paid in the fourth quarter. AEP normally pays dividends on common stock four times a year, generally around the 10th of March, June, September and December. AEP has paid 383 consecutive quarterly dividends on common stock beginning in 1910.

NUMBER OF SHAREHOLDERS – As of December 31, 2005, there were approximately 120,000 registered shareholders and approximately 287,000 shareholders holding stock in street name through a bank or broker. There were 393,718,838 shares outstanding at December 31, 2005.

INTERNET HOME PAGE – Information about AEP, including financial documents, Securities and Exchange Commission (SEC) filings, news releases, investor presentations, shareholder information and customer service information, is available on the Company's home page on the Internet at www.AEP.com.

FINANCIAL AND OTHER INFORMATION – Earnings and other financial results, corporate news and company information are available from Shareholder Direct at 1-800-551-1AEP (1237) anytime day or night. Hard copies of information can be obtained via fax or mail. Requests for annual reports, 10-K's, 10-Q's, Proxy Statements and Summary Annual Reports should be made through Shareholder.com. This same information is also available on our website at www.AEP.com.

FINANCIAL COMMUNITY INQUIRIES – Institutional investors or securities analysts who have questions about the Company should direct inquiries to Julie Sloat, 614-716-2885, jsloat@AEP.com; Bette Jo Rozsa, 614-716-2840, bjrozsa@AEP.com; Carole Myser, 614-716-1514, camyser@AEP.com; or Adam Hickman, 614-716-2854, ajhickman@AEP.com. Individual shareholders should contact Kathleen Kozero, 614-716-2819, klkzero@AEP.com, or April Dawson, 614-716-2591, addawson@AEP.com.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP
155 East Broad St.
Columbus, OH 43215

RECEIVE ANNUAL REPORTS AND PROXY MATERIALS ELECTRONICALLY – You can receive future annual reports, proxy statements and proxies electronically rather than by mail. If you are a registered holder, log on to www.econsent.com/aep. If you hold your shares in street name, contact your broker.

CORPORATE GOVERNANCE – American Electric Power submitted its Annual Certification of the Chief Executive Officer to the New York Stock Exchange regarding the New York Stock Exchange corporate governance listing standards on May 5, 2005. American Electric Power filed its Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2, respectively, to its Annual Report on Form 10-K for the fiscal year ended December 31, 2005, filed with the SEC on March 1, 2006.

AEP AT A GLANCE

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 is the nation's largest generator of electricity, owning more than 36,000 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.

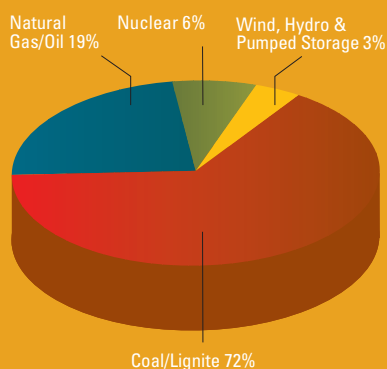
The company owns approximately 206,000 miles of overhead and underground distribution lines.

AEP controls more than 7,000 rail cars, 2,300 barges and 53 towboats and operates a coal-handling terminal with 20 million tons of capacity.

AEP's utility units operate as AEP Ohio, AEP Texas, Appalachian Power (in Virginia, West Virginia and Tennessee), Indiana Michigan Power, Kentucky Power, Public Service Company of Oklahoma, and Southwestern Electric Power Company (in Arkansas, Louisiana and east Texas).

The company, based in Columbus, Ohio, is celebrating its 100th anniversary in 2006.

FUEL DIVERSITY



This discussion contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Although we believe that our expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are:

- Electric load and customer growth.
- Weather conditions, including storms.
- Available sources and costs of, and transportation for, fuels and the credit-worthiness of fuel suppliers and transporters.
- Availability of generating capacity and the performance of our generating plants.
- Our ability to recover regulatory assets and stranded costs in connection with deregulation.
- Our ability to recover increases in fuel and other energy costs through regulated or competitive electric rates.
- Our ability to build or acquire generating capacity when needed at acceptable prices and terms and to recover those costs through applicable rate cases.
- New legislation, litigation and government regulation, including requirements for reduced emissions of sulfur, nitrogen, mercury, carbon and other substances.
- Timing and resolution of pending and future rate cases, negotiations and other regulatory decisions (including rate or other recovery for new investments, transmission service and environmental compliance).
- Resolution of litigation (including pending Clean Air Act enforcement actions and disputes arising from the bankruptcy of Enron Corp.).
- Our ability to constrain operation and maintenance costs.
- Our ability to sell assets at acceptable prices and on other acceptable terms, including rights to share in earnings derived from the assets subsequent to their sale.
- The economic climate and growth in our service territory and changes in market demand and demographic patterns.
- Inflationary and interest rate trends.
- Our ability to develop and execute a strategy based on a view regarding prices of electricity, natural gas and other energy-related commodities.
- Changes in the creditworthiness of the counterparties with whom AEP has contractual arrangements, including participants in the energy trading market.
- Changes in the financial markets, particularly those affecting the availability of capital and our ability to refinance existing debt at attractive rates.
- Actions of rating agencies, including changes in the ratings of debt.
- Volatility and changes in markets for electricity, natural gas and other energy-related commodities.
- Changes in utility regulation, including implementation of the Energy Policy Act of 2005 and membership in and integration into regional transmission structures.
- Accounting pronouncements periodically issued by accounting standard-setting bodies.
- The performance of our pension and other postretirement benefit plans.
- Prices for power that we generate and sell at wholesale.
- Changes in technology, particularly with respect to new, developing or alternative sources of generation.
- Other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes and other catastrophic events.

American Electric Power
1 Riverside Plaza
Columbus, OH 43215
www.AEP.com