

**Director Independence.** The Board has adopted categorical standards it uses to determine whether its members are independent. These standards are consistent with the NASDAQ corporate governance listing standards and are as follows:

1. **Employment:** A member who is an employee, or whose immediate family member is an executive officer, of AEP or any of its subsidiaries is not independent until three years after such employment has ended; provided, however, that employment by a director as an executive officer of AEP on an interim basis shall not disqualify that director from being considered independent following such employment, provided the interim employment did not last longer than one year; provided further, that the Board still must consider whether such former employment and any compensation received would interfere with the member's exercise of independent judgment in carrying out the responsibilities of a director.
2. **Other Compensation:** A member who receives, or whose immediate family member receives, more than \$120,000 per year in direct compensation from AEP or any of its subsidiaries, other than director or committee fees, and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than \$120,000 per year in such compensation.
3. **Material Relationship:** If (a) a member is a current partner or employee of AEP's external auditor; (b) an immediate family member of the member is a partner of such firm; (c) an immediate family member of the member is a current employee of such firm and currently works on AEP's audit; or (d) the member or an immediate family member was within the last three years a partner or employee of such firm and personally worked on AEP's audit, then such member is not independent.
4. **Interlocking Directorships:** A member who is employed, or whose immediate family member is employed, as an executive officer of another company on whose compensation committee any of AEP's executive officers serve is not independent until three years after such service or employment has ended.
5. **Business Transactions:** A member who is, or has a family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which AEP made, or from which AEP received, payments for property or services in the current or any of the past three fiscal years that exceed the greater of 5% of the recipient's consolidated gross revenues for that year or \$200,000 is not independent.
6. **Charitable Contributions:** A member, or whose family member, serves as an executive officer of a non-profit organization, which receives discretionary charitable contributions in an amount exceeding the greater of \$200,000 or 5% of such organization's latest annual gross revenues, is not independent until three years after such service has ended.
7. **Director Status:** A relationship arising solely from a director's position as a director or advisory director (or similar position) of another company or entity that engages in a transaction with AEP is independent so long as the director satisfies the other standards.