

AMERICAN ELECTRIC POWER CO INC  
Form 8-K  
June 01, 2006

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**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported) May 30, 2006

**AMERICAN ELECTRIC POWER COMPANY, INC.**  
(Exact Name of Registrant as Specified in Its Charter)

New York  
(State or Other Jurisdiction of Incorporation)

1-3525 13-4922640  
(Commission File Number) (IRS Employer Identification No.)

**APPALACHIAN POWER COMPANY**  
(Exact Name of Registrant as Specified in Its Charter)

Virginia  
(State or Other Jurisdiction of Incorporation)

1-3457 54-0124790  
(Commission File Number) (IRS Employer Identification No.)

**OHIO POWER COMPANY**  
(Exact Name of Registrant as Specified in Its Charter)

Ohio  
(State or Other Jurisdiction of Incorporation)

1-6543 31-4271000  
(Commission File Number) (IRS Employer Identification No.)

1 Riverside Plaza, Columbus, OH 43215  
(Address of Principal Executive Offices) (Zip Code)

614-716-1000  
(Registrant's Telephone Number, Including Area Code)

No Change  
(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry into a Material Definitive Agreement**

On May 30, 2006, the Company executed a Stock Ownership Requirement Plan in the form of Exhibit 1 of this Current Report on Form 8-K. The Stock Ownership Requirement Plan specifies the terms and conditions that apply to eligible employees who are assigned one or more minimum stock ownership requirements (approximately 50 AEP employees). Participants are expected to reach each minimum stock ownership requirement assigned to them within five years of the date it becomes effective through the mandatory deferral into AEP Career Shares of earned performance units granted under the AEP Long-Term Incentive Plan and, to the extent necessary, by committing to retain AEP shares or share equivalents that they may otherwise hold. In addition, participants who do not satisfy a minimum stock ownership requirement within five years of when it was issued will have fifty percent of their annual bonus for any subsequent year subject to a mandatory deferral into AEP Career Shares. Participants who have not met a minimum stock ownership requirement for which the five-year window period has closed also will be required to retain all AEP shares realized through stock option exercises, except to the extent they are sold to cover the exercise costs and taxes applicable to these exercises. Executives will then be expected to commit to retain the net shares realized for the purpose of satisfying their minimum stock ownership requirement.

Mandatorily deferred amounts (denominated in unfunded share equivalents called "AEP Career Shares") earn a rate of return equivalent to the total return on AEP common stock with dividends reinvested. AEP career shares become payable in cash or shares following the employee's termination of employment.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN ELECTRIC POWER COMPANY, INC.  
APPALACHIAN POWER COMPANY  
OHIO POWER COMPANY

By: /s/ Thomas G. Berkemeyer  
Name: Thomas G. Berkemeyer  
Title: Assistant Secretary

June 1, 2006

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EXHIBIT INDEX

Exhibit No.	Description
1	American Electric Power System Stock Ownership Requirement Plan

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AMERICAN ELECTRIC POWER SYSTEM

STOCK OWNERSHIP REQUIREMENT PLAN

(As Amended and Restated Effective January 1, 2005)

ARTICLE I

PURPOSE AND EFFECTIVE DATE

1.1 The Human Resources Committee (“HRC”) of the Board of Directors of American Electric Power Company, Inc. believes that it is critical to AEP’s long-term success to effectively align the long-term financial interests of senior executives with those of AEP’s shareholders and that an effective alignment is best accomplished by substantial, long-term stock ownership. The American Electric Power System Stock Ownership Requirement Plan (the “Plan”) was established by American Electric Power Service Corporation (the “Company”) and such subsidiaries of the Parent Corporation that have Eligible Employees to facilitate the achievement and maintenance of Minimum Stock Ownership Requirements assigned to Eligible Employees.

1.2 The effective date of the Plan, as amended and restated by this document, is January 1, 2005.

ARTICLE II

DEFINITIONS

2.1 “Account” means the separate memo account established and maintained by the Committee (or the recordkeeper employed by the Company) to record the number of Shares and Share Equivalents that have been designated in accordance with the terms of this Plan to satisfy all Minimum Stock Ownership Requirements assigned to a Participant.

2.2 “AEP” means the Parent Corporation and its direct and indirect subsidiaries.

2.3 “Annual Incentive Compensation” means incentive compensation payable pursuant to the terms of an annual incentive compensation plan approved by the Committee for inclusion in the Plan, provided that such annual incentive compensation shall be determined without regard to any salary or wage reductions made pursuant to sections 125 or 402(e)(3) of the Code or participant contributions pursuant to a pay reduction agreement under the American Electric Power System Supplemental Retirement Savings Plan, as amended or the American Electric Power System Incentive Compensation Deferral Plan. Annual Incentive Compensation will not include an employee’s base pay, non-annual bonuses (such as but not limited to project bonuses and sign-on bonuses), severance pay, or relocation payments.

2.4 “Applicable Tax Payments” means the following types of taxes that AEP may withhold and pay that are applicable to the amount then credited to the Career Share Account:

(a) Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2) (the “FICA Amount”);

(b) Income tax at source on wages imposed under Code Section 3401 or the corresponding withholding provisions of applicable state, local and foreign tax laws as a result of the payment of the FICA Amount; and

(c) The additional income tax at source on wages attributable to pyramiding Code Section 3401 wages and taxes;

provided, however, that the total Applicable Tax Payments may not exceed such limits as may be applicable to comply with the requirements of Code Section 409A.

2.5 “Career Share Account” means a separate memo account that is a subset of the Account that is maintained to identify the Career Share Units used to satisfy a Participant’s Minimum Stock Ownership Requirements. The portion of the Career Share Account attributable to Career Shares earned and Vested prior to January 1, 2005 shall be referred to as the Participant’s “Legacy Career Share Account Balance.” The portion of the Career Share Account attributable to Career Shares other than that described in the immediately preceding sentence shall be referred to as the Participant’s “Active Career Share Account Balance.”

2.6 “Career Share Units” or “Career Shares” means the Share Equivalents tracked in a Participant’s Career Share Account in order to determine whether and when the Participant has satisfied his or her Minimum Stock Ownership Requirements. Phantom stock units that become earned and vested under the Long-Term Incentive Plan represent an example of an award that may become Career Shares under the terms of this Plan. Career Shares also have been referred to as “Phantom Stock Units” in Company communications.

2.7 “Claims Reviewer” means the person or committee designated by the Company (or by a duly authorized person) as responsible for the review of claims for benefits under the Plan in accordance with Section 8.1. Until changed, the Claims Reviewer shall be the Company’s employee who is the head of the Executive Benefits area of the Human Resources department.

2.8 “Code” means the Internal Revenue Code of 1986 as amended from time to time.

2.9 “Committee” means the committee designated by the Company (or by a duly authorized person) as responsible for the administration of the Plan. Until changed, the Committee shall consist of the employees of the Company holding the following positions: chief executive officer of the Company; head of the Human Resources department (currently, Vice President Human Resources); the employee to whom the head of the Human Resources department reports (currently, Senior Vice President - Shared Services) and the chief financial officer of the Company. The Committee may authorize any person or persons to act on its behalf with full authority in regard to any of its duties and hereunder other than those set forth in Section 9.2.

2.10 “Common Stock” means the common stock, \$6.50 par value, of the Parent Corporation.

2.11 “Company” means American Electric Power Service Corporation.

2.12 “Eligible Employee” means any employee of AEP who is hired into or promoted to a position that is eligible to be assigned a Minimum Stock Ownership Requirement, and only so long as a Minimum Stock Ownership Requirement applies. At the date of execution of this document, a Minimum Stock Ownership Requirement is assigned to those employees employed at exempt salary grade 36 or higher. An individual who is not directly compensated by AEP or who is not treated by AEP as an active employee shall not be considered an Eligible Employee.

2.13 “First Date Available” or “FDA” means the last day of the month coincident with or next following the date that is six (6) months after the date of the Participant’s Termination.

- 2.14 “Incentive Compensation Deferral Plan” means the American Electric Power System Incentive Compensation Deferral Plan, as amended from time to time.
- 2.15 “Long Term Incentive Plan” or “LTIP” means the American Electric Power System Long-Term Incentive Plan, as amended from time to time, including any successor plan or plans. The LTIP that is in effect as of the date this Plan is executed is entitled the “Amended and Restated American Electric Power System Long-Term Incentive Plan - April 26, 2005.”
- 2.16 “Market Value” means the closing price of a Share, as published in *The Wall Street Journal* report of the New York Stock Exchange - Composite Transactions on the date in question or, if the Share shall not have been traded on such date or if the New York Stock Exchange is closed on such date, then the first day prior thereto on which the Common Stock was so traded.
- 2.17 “Minimum Stock Ownership Requirement” or “MSOR” means the targeted aggregate number of Share and Share Equivalents specified under the terms of this Plan as applicable to the Participant. Participants may be assigned multiple minimum stock ownership requirements. Any MSOR assigned to a Participant shall no longer be applicable to such Participant after the date of the Participant’s Termination.
- 2.18 “MSOR Window Period” means the period that begins as of the date a particular MSOR is assigned to an Eligible Employee (or Participant, with regard to any increase in his or her MSOR) and ends on the five (5) year anniversary of that date.
- 2.19 “Next Date Available” or “NDA” means the June 30 of the calendar year immediately following the calendar year in which falls the Participant’s Termination.
- 2.20 “Parent Corporation” means American Electric Power Company, Inc., a New York corporation, and any successor thereto.
- 2.21 “Participant” is defined in Article IV.
- 2.22 “Performance-Based Compensation” has the meaning set forth in Section 409A(a)(4)(B)(iii) of the Code.
- 2.23 “Performance Shares” means performance shares or performance share units (or other similar types of equity incentive compensation) awarded under the American Electric Power System Performance Share Incentive Plan or the Long-Term Incentive Plan. Reference in this Plan to the “12/10/2003 Performance Share Awards” shall be deemed to refer to those Performance Shares that were issued with a grant date of December 10, 2003 and subject to a performance period from December 10, 2003 through December 31, 2004.
- 2.24 “Phantom Stock Units” are also referred to as “Career Shares.” See definition of “Career Share Units,” above.
- 2.25 “Plan Year” means the twelve-month period commencing each January 1 and ending the following December 31.
- 2.26 “Share” means a share of common stock of the Parent Corporation, and includes, but is not limited to, such shares as may be purchased directly by or for the Participant or through the American Electric Power Company, Inc. Dividend Reinvestment and Direct Stock Purchase Plan or issued in connection with the Participant’s performance of services for AEP, such as pursuant to the American Electric Power System Long-Term Incentive Plan.
- 2.27 “Share Equivalents” is determined by reference to the amount credited to the Participant’s Career Share Account under this Plan and to the Participant’s AEP Stock Fund accounts maintained in connection with the American Electric Power Retirement Savings Plan, the American Electric Power System Supplemental Retirement Savings Plan, and the

American Electric Power System Incentive Compensation Deferral Plan. To the extent that the amount credited under these arrangements are not otherwise reported under the terms of the applicable plan as a number of shares of Common Stock, the number of Share Equivalents attributable to such amount shall be determined by dividing the dollar amount so credited by the Market Value of a Share determined as of the applicable valuation date. No certificates shall have been issued with respect to such Share Equivalents.

2.28 “Termination” means termination of employment with AEP for any reason.

2.29 “Vested” means that the Participant would not forfeit the Share or Share Equivalent upon the termination of the Participant’s employment with AEP for reasons other than the Participant’s death.

2.30 “2006 Distribution Election Period” means the period or periods designated by the Committee during which Participants (or Former Participants) are given the opportunity to select among the distribution options set forth in Article VII, provided that any such period shall end no later than December 31, 2006.

### ARTICLE III

#### ADMINISTRATION

3.1 The Plan shall be administered by the Committee. The Committee shall have full discretionary power and authority (i) to administer and interpret the terms and conditions of the Plan and (ii) to establish reasonable procedures with which Participants, Former Participant and beneficiaries must comply to exercise any right or privilege established hereunder. The rights and duties of the Participants and all other persons and entities claiming an interest under the Plan shall be subject to, and bound by, actions taken by or in connection with the exercise of the powers and authority granted under this Article.

3.2 The Committee may employ agents, attorneys, accountants, or other persons and allocate or delegate to them powers, rights, and duties all as the Committee may consider necessary or advisable to properly carry out the administration of the Plan.

3.3 The Company shall maintain, or cause to be maintained, records showing the individual balances in each Participant’s Account, including each Participant’s Career Share Account. Statements setting forth the value of the amount credited to the Participant's Account shall be made available to each Participant no less often than once per year. The maintenance of the Account records and the distribution of statements may be delegated to a recordkeeper by either the Company or the Committee.

### ARTICLE IV

#### PARTICIPATION

An Eligible Employee shall become a Participant as of the date that the Eligible Employee is first assigned a Minimum Stock Ownership Requirement.

### ARTICLE V

#### SATISFACTION OF MINIMUM STOCK OWNERSHIP REQUIREMENT

5.1 Accounts. The Committee shall establish and maintain an Account for each Participant that will record the number of Shares and Share Equivalents that have been designated in accordance with the terms of this Plan to satisfy the Minimum Stock Ownership Requirement applicable to such Participant.

5.2 Share Commitment Designated by Participant.

(a) A Participant may from time to time designate that certain Shares or Share Equivalents that are owned by the Participant or otherwise credited to the Participant be credited to the Account of such Participant. A Participant shall be permitted to so designate any Shares or Share Equivalents only to the extent the following requirements have been satisfied:

(i) The Shares or Share Equivalents have been earned by the Participant, if applicable;

(ii) The Shares or Share Equivalents are then Vested;

(iii) The Shares or Share Equivalents are not automatically allocated to the Participant's Career Share Account pursuant to Section 5.3, below; and

(iv) The Shares or Share Equivalents are not encumbered, pledged or hypothecated in any way.

(b) Any designation made by a Participant under this Section shall be made in writing and in a form that is satisfactory to the Committee.

5.3 Accrual of Career Shares.

(a) *Determination Date.* For purposes of this Section 5.3, the term "Determination Date" means

(i) the date that is six months prior to the end of the performance period, with respect to an award of Performance Shares that qualifies as Performance-Based Compensation and that is based on services performed over a period of at least 12 months; or

(ii) the June 30 that falls within the calendar year to which Annual Incentive Compensation relates (or the last day of the sixth month of such year, with respect to Annual Incentive Compensation that is not based on a calendar year), provided that such Annual Incentive Compensation qualifies as Performance-Based Compensation that is based on services performed over a period of at least 12 months; or

(iii) to the extent that the awarded Performance Shares or the Annual Incentive Compensation are not Performance-Based Compensation that is based on services performed over a period of at least 12 months, the later of (A) the December 31 immediately prior to the year in which the services on which the Performance Shares or Annual Incentive Compensation is based are to be performed, or (B) the date the Participant first became an Eligible Employee

(b) *Participant Has Not Satisfied MSOR.*

(i) If a Participant has not satisfied his or her MSOR on or before the Determination Date applicable to Performance Shares that have been awarded to such Participant, the Participant's Career Share Account shall be credited with the number of Shares or Share Equivalents that become earned and Vested (reduced, however, to the extent of any Applicable Tax Payments) by the Participant as a result of the award of such Performance Shares; and

(ii) If a Participant has not satisfied the applicable MSOR on or before the Determination Date that falls within or after the final year of the Participant's MSOR Window Period, the Participant's Career Share Account shall be



credited with the number of Shares or Share Equivalents, as appropriate, attributable to 25% (50%, effective beginning January 1, 2006) of the Annual Incentive Compensation that becomes earned and Vested by the Participant.

If the same Determination Date applies to both the Performance Shares and the Annual Incentive Compensation for a particular Participant, the determination of whether the Participant has satisfied an applicable MSOR as of that Determination Date shall be made by applying the provisions of subsection (b)(i) of this Section before applying the provisions of subsection (b)(ii) of this Section. The Participant's Career Share Account shall be credited even if the Participant shall have satisfied his or her MSOR or shall have ceased to remain an Eligible Employee during the period between the Determination Date and the date the Performance Shares or Annual Incentive Compensation are earned and Vested. However, if a Participant shall have no MSOR as of an applicable Determination Date by reason of the Participant's having ceased to remain an Eligible Employee, the payment or deferral of the amounts that become payable to the Participant relative to Annual Incentive Compensation or as a result of an award of Performance Shares to which such Determination Date applies shall be determined in accordance with other plans and programs as may apply, including, for example, the Incentive Compensation Deferral Plan.

(c) *Participant Has Satisfied MSOR.* If a Participant has satisfied his or her MSOR on or before the applicable Determination Date, the payment or deferral of the amounts that become payable to the Participant relative to Annual Incentive Compensation or as a result of an award of Performance Shares shall be determined in accordance with other plans and programs as may apply, including, for example, the Incentive Compensation Deferral Plan.

5.4 Holding Requirement For Exercised Stock Options. If a Participant has not satisfied the applicable MSOR on or before the close of the related MSOR Window Period, then, the Participant shall be required to retain until Termination all Shares acquired through stock options exercised by the Participant between the date immediately following the close of such MSOR Window Period until the date the Participant has satisfied such MSOR; provided, however, the Participant shall be permitted to cause the sale of such Shares as would allow the Participant to cover the costs and applicable taxes directly associated with such exercises. However, the retention requirement set forth in this Section 5.4 shall not apply once and so long as the Participant has no MSOR by reason of the Participant's having ceased to remain an Eligible Employee.

## ARTICLE VI

### CAREER SHARE ACCOUNT DIVIDENDS AND ADJUSTMENTS

6.1 Reinvestment of Dividends. On each dividend payment date with respect to the Common Stock, the Career Share Account of a Participant shall be credited with an additional number of whole and fractional Share Equivalents, computed to three decimal places, equal to the product of the dividend per share then payable, multiplied by the number of Share Equivalents then credited to such Career Share Account, divided by the Market Value on the dividend payment date.

6.2 Adjustments. The number of Share Equivalents credited to a Participant's Career Share Account shall be appropriately adjusted for any change in the Common Stock by reason of any merger, reclassification, consolidation, recapitalization, stock dividend, stock split or any similar change affecting the Common Stock.

## ARTICLE VII

### CAREER SHARE ACCOUNT DISTRIBUTIONS

7.1 Upon a Participant's Termination for any reason, the Company shall cause the Participant to be paid the full amount credited to his or her Career Share Account in accordance with the following rules:

(a) *Cash or Stock.* Payments may be made in cash, shares of Common Stock, or a combination of both as elected by the Participant on a form that is acceptable to the Company and submitted within a reasonable period of time before the distribution is scheduled to commence. Cash payments of Career Shares shall be calculated on the basis of the average of the Fair Market Value of the Common Stock for the last 20 trading days prior to the applicable distribution date (i.e., the Participant's date of Termination, deferred distribution date, respective installment payment dates or the date of the Participant's death, as the case may be).

(b) *Timing and Form of Distribution.* Except as otherwise provided in Section 7.2, the following rules shall apply with regard to the timing and form of the distributions to be made from the Participant's Career Share Account:

(1) *Form of Distribution.* The Company shall cause the Participant to be paid the full amount credited to his or her Active Career Share Account in accordance with his or her effective election in one of the following forms:

- (A) A single lump sum distribution
  - (i) as of the First Date Available; or
  - (ii) as of the Next Date Available; or
  - (iii) as of the fifth anniversary of the First Date Available; or
  - (iv) as of the fifth anniversary of the Next Date Available; or
- (B) In five (5) annual installments commencing
  - (i) as of the First Date Available; or
  - (ii) as of the Next Date Available; or
  - (iii) as of the fifth anniversary of the First Date Available; or
  - (iv) as of the fifth anniversary of the Next Date Available; or
- (C) In ten (10) annual installments commencing.
  - (i) as of the First Date Available; or
  - (ii) as of the Next Date Available.

(2) *Effective Election.* For this purpose, a Participant's election with respect to the distribution of his or her Career Share Account shall not be effective unless all of the following requirements are satisfied.

(A) The election is submitted to the Company in writing in a form determined by the Committee to be acceptable;

(B) The election is submitted timely. For purposes of this paragraph, a distribution election will be considered "timely" only if it is submitted prior to the Participant's Termination and it satisfies the requirements of (i), (ii) or (iii), below, as may be applicable:

- (i) Submitted within 30 days of the date that the individual first becomes a Participant in the Plan; or
- (ii) Submitted during the 2006 Distribution Election Period, but only with regard to the first distribution election form submitted by such Participant during that period; or
  - (iii) Submitted at least one year prior to the date of the Participant's Termination.
- (C) If the Participant is submitting the election pursuant to paragraph (b)(2)(B)(iii) to change the timing or form of distribution that is then in effect with respect to the Participant's Career Share Account (i.e., the Participant is not submitting an election with his initial deferral election [(B)(i)] nor during the 2006 Distribution Election Period [(B)(ii)], the newly selected option must result in the deferral of the first scheduled payment by at least 5 years. For purposes of compliance with the rule set forth in Section 409A(a) of the Code (and the regulations issued thereunder), each distribution option described in Section 7.1(b)(1) shall be treated as a single payment as of the first scheduled payment date.
- (D) If the Participant is submitting the election pursuant to paragraph (b)(2)(B)(ii) to change the timing or form of distribution that is then in effect with respect to the Participant's Career Share Account, the newly selected option may not defer payments that the Participant would have received in 2006 if not for the new distribution election nor cause payments to be made in 2006 if not for the new distribution election.
- (3) For purposes of this Section 7.1(b), if a Participant's effective distribution election form was submitted using the options that had been made available under the Plan as in effect prior to January 1, 2005 [i.e., as either (A) a single lump-sum payment, or in annual installment payments over not less than two nor more than ten years; (B) commencing within 60 days after the date of the Participant's Termination or the first, second, third, fourth or fifth anniversary of the Participant's Termination],
  - (A) If the Participant's Termination occurs prior to the commencement of the 2006 Distribution Election Period, the Participant's effective distribution election form shall be given full effect. Solely for purposes of this paragraph (3)(A), a participant's distribution election form shall be considered effective notwithstanding the requirement of Section 7.1(b)(2)(B)(iii) (which requires that a form be submitted at least one year prior to the date of the Participant's Termination), provided that such form had become effective prior to the Participant's Termination in accordance with the terms applicable to such election form at the time it was submitted by the Participant; and
  - (B) If the Participant's Termination occurs during or after the 2006 Distribution Election Period, the Participant shall be considered to have elected the corresponding option as set forth in Schedule A attached to this Plan.
- (4) If a Participant fails to submit an effective distribution election with regard to his Career Share Account that satisfies the requirements of this Section 7.1(b), his or her Career Share Account shall be distributed in a single lump sum as of the First Date Available.

7.2 Events Affecting Timing or Amount of Distributions.