

2009 AEP Mid-Year Update of Key Commitments

In our 2009 Corporate Sustainability Report, AEP committed to providing a mid-cycle update on our progress toward achieving our goals. This update focuses on the key commitments that stakeholders ask about most frequently. A full update on all commitments will be part of our 2010 sustainability report.

COMMITMENT

Achieve zero environmental enforcement actions.

STATUS (as of 9/30/09)

AEP received five notices related to environmental requirements at power plants in Virginia, West Virginia and Arkansas.

Clinch River Plant, Virginia — Notice of violation for exceeding SO₂ emissions limit (new limit that took effect 1/1/09). Difficulties in delivery of new lower sulfur coal created the issue. **Actions taken:** AEP self reported the exceedances to regulators. An instrument to measure sulfur in the coal was installed to prevent future exceedances and AEP agreed to a consent order including payment of a civil penalty.

Mountaineer Plant, West Virginia — Permit violations of the plant's landfill. Liner maintenance, leachate collection and treatment, storm water diversion around the landfill and operating practices for dust control were among the issues cited. **Actions taken:** A plan to improve landfill operations was implemented; it includes measures to improve erosion and sediment control and to minimize gypsum spillage along the conveyor.

Amos Plant, West Virginia — Permit violations at the plant's Quarrier and FGD landfills. Among the concerns raised by regulators included the stability of the FGD landfill and issues of sediment build-up in the leachate storage pond, lack of clean storm water diversions, and erosion at the Quarrier landfill. **Actions taken:** A plan was developed and implemented to improve landfill operations. The plan includes measures to improve erosion and sediment control and to improve storm water collection and treatment.

Turk Plant, Arkansas — The plant received an enforcement action for unpermitted impacts to wetlands on the project site. **Actions taken:** To prevent a recurrence, work was restricted within 500 feet of the jurisdictional wetlands and streams at the site until a new wetland delineation was completed. In addition, the process for developing site maps that identify wetlands areas was reviewed and improved to ensure construction personnel have accurate information on the locations of these sites. AEP entered into a consent order with EPA and paid a civil penalty.

Big Sandy Plant, Kentucky — The plant resolved an enforcement action related to the failure of a particulate emissions test in 2008 and unit operations related to efforts to understand and correct the particulate emissions levels. **Actions taken:** Units successfully passed a series of emissions tests in 2009. AEP expects to finalize a consent order with the state agency before year end.

COMMITMENT

STATUS (as of 9/30/09)

<p>Environmental Performance Index — 10 or fewer events involving opacity, NPDES and spills. This is an internal index tied to compensation.</p>	<p>Through September 2009, there were seven incidents – one opacity exceedance; two NPDES exceedances; three oil spills and one chemical spill.</p>
<p>Develop process to evaluate environment, safety and health performance of coal suppliers.</p>	<p>Survey developed and conducted of all coal suppliers to AEP during the summer. A stakeholder meeting is scheduled for fall 2009.</p>
<p>Initiate study to review water consumption patterns and identify ways to reduce water use in office buildings and power plants.</p>	<p>A working group convened to study this and set goals. An evaluation of potential reductions is ongoing within AEP facilities (excluding power plants). A separate team convened to address water use in power plants. There is little that can be done to significantly reduce consumption because the predominant use is for cooling. However, the group is looking at management practices that could lead to actions that would reduce consumption, including design criteria for new installations and modifications, identifying best practices, and supporting water use research within the electric industry.</p>
<p>Install mercury emissions control system at Rockport Plant in Indiana; install continuous mercury monitoring equipment at more than 20 coal-fired power plants.</p>	<p>The construction of the activated carbon injection mercury control system is substantially complete and will be fully operational by the end of 2009. Meanwhile, eight power plants have received monitoring equipment, with installation in at least a total of 15 plants expected to be completed by the end of 2009.</p>
<p>Achieve zero employee fatalities or harm.</p>	<p>An AEP employee working on a drag line at the Dolet Hills Lignite Co. mine was fatally injured in March 2009. This was AEP’s first employee fatality in two years. In response, a plan for improving safety conditions while working on a drag line was developed and implemented. MSHA has issued four citations related to communications, equipment use and maintenance. This case is ongoing.</p>
<p>Set a five-year Path to Excellence to reduce preventable public fatalities by 20 percent and electric contacts by 10 percent each year.</p>	<p>There have been four public fatalities and 24 electrical contacts. One electrical contact was related to copper theft at one of our substations. Most involved people coming into contact with our facilities via ladders, etc.</p> <p>Because a majority of the events are overhead line contacts, we created an overhead line safety fact sheet that is posted on all the operating company Web sites. Other actions taken:</p> <ol style="list-style-type: none"> 1. Developed a new video, <i>Live Wire</i>, to warn of the dangers of electric power lines. 2. Developed an online, interactive electrical safety module to help educate the public about electricity.
<p>Recordable injury rate goal: 1.45 Severity rate goal: 25.56</p>	<p>Recordable rate: 1.19 Severity rate: 31.26</p> <p>The Human Performance error reduction initiative continues to be implemented across several business units to help improve safety performance and prevent mistakes.</p>
<p>Zero contractor fatalities. Recordable injury rate for contractors: 2.00</p>	<p>There has been one contractor fatality this year. Recordable performance: 1.66</p>

COMMITMENT**STATUS (as of 9/30/09)**

Develop child labor and human rights policy by 2010.	A working group was convened to research and develop the policy. A Supplier Code of Conduct also is being considered.
Complete energy efficiency market potential studies in 10 of 11 states this year.	Through 9/30/09, market potential studies have been completed in Arkansas, Texas, Louisiana, Oklahoma, Ohio, Indiana and Virginia. Studies in West Virginia, Tennessee and Michigan are nearing completion. We are on target to complete market potential studies in 10 of 11 states by year end.
Add 2,000 MW of renewable energy by the end of 2011 (from 2006 level).	2006 pre-goal status –380 MW March 2009 — 903 MW under contract; YTD 354.5 MW of the total now online. The balance (548 MW) under construction and expected to be online by year-end. Mid-2009 — Issued RFP for additional 1,100 MW of renewable energy (this will bring total to 2,380 MW by 2011). Contracted for 10 MW equivalent of solar (renewable energy certificates) in Ohio.
Assess impacts or potential impacts on biodiversity and develop a biodiversity strategy and action plan. Establish a corporate policy on biodiversity.	A cross-functional team was established to examine AEP's impacts and approach to biodiversity. The team identified two primary opportunities for improvement: <ol style="list-style-type: none">1. The need for enhanced internal and external communications about biological diversity — what it is and how AEP affects it;2. The group also assembled a list of known biodiversity impacts across the system — both positive and negative — and is using this information to identify actions intended to enhance biodiversity. AEP will participate in an ecosystem services project conducted with the Electric Power Research Institute and the World Resources Institute. We also formed a partnership with the National Wild Turkey Federation and became a member of their Energy for Wildlife Program to support habitat development efforts along our transmission rights of way.
Deploy 5 million smart meters by 2015 through our gridSMART initiative, pending regulatory approval.	<ul style="list-style-type: none">• Indiana pilot of 10,000 meters is under way to test new functionalities.• AEP Ohio to deploy 110,000 meters in 2010 in demonstration project; applied for federal stimulus funding support (Learn more at https://www.AEPohio.com/info/news/viewRelease.aspx?releaseID=751).• AEP Texas did not receive federal stimulus funding for smart grid investment funding. A 5,000-meter pilot will begin at the end of 2009; with more than 150,000 meters to be installed in 2010.
Improve the average number and duration of customer outages.	Reliability indices indicate improvement in both outage frequency (SAIFI) and outage duration (CAIDI) across the AEP system. These data reflect AEP system for a 12-month period ending 9/30/09. <ul style="list-style-type: none">• SAIFI continues to trend consistently with an overall reduction in the number of outages in feeder breaker zones (affecting larger customer counts). This favorable trend reflects implementation of recommendations made by a process improvement team in 2008 and places the system at its best 12-month performance, ending in September 2009, in five years.• CAIDI improved 3.8 percent from the end of 2008. Implementation of recommendations from a CAIDI-focused team formed in 2008 has continued through 2009.• SAIDI (SAIFI x CAIDI) is at a five-year best performance level due to targeted reductions on SAIFI and CAIDI.
