

2010 AEP Mid-Year Update of Key Commitments

AEP is 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 2011 Corporate Accountability Report, to be published in April 2011.

All data reflected here are YTD through July 31, 2010, unless otherwise noted. This was the cutoff for reporting progress to AEP's Risk Executive Committee and the AEP Board of Directors.

COMMITMENT	STATUS
Achieve zero environmental enforcement actions.	<p>AEP received three environmental enforcement actions at the Amos Plant in West Virginia.</p> <p>A Consent Order was issued related to 11 permit limit exceedances for arsenic and selenium from Jan. 1, 2009 to Jan. 31, 2010 at the Amos Plant's fly ash pond discharge. These exceedances were the result of changes in pond chemistry after start-up of Unit 3's flue gas desulfurization (FGD) and trona system.</p> <p>Actions taken: Adjustments to the trona feed system reduced the levels of arsenic and selenium below the discharge limits with an occasional exception. A final Consent Decree was issued with a fine of \$9,030.</p> <p>The U.S. Environmental Protection Agency issued a "Request to Show Cause" regarding alleged violations related to the timely reporting of releases of anhydrous ammonia from environmental control systems on the plant's stack. We do not agree with the allegations and discussions with the EPA are continuing.</p> <p>A Notice of Violation was issued for opacity exceedances at the Amos Plant from 2007 to 2009. The most significant opacity events occurred on Unit 3 prior to a major maintenance project on the electrostatic precipitator in 2008. A draft Consent Order that includes a proposed fine has been issued. Negotiations with the agency are ongoing.</p>
Environmental Performance Index — 10 or fewer events involving opacity, NPDES and spills. This is an internal index tied to compensation.	There were seven incidents — one stack exceeding the opacity target, two NPDES events and four controllable spills.
Develop a process to evaluate the environmental, safety and health performance of our coal suppliers.	The 2009 Coal Supplier Survey report was completed and posted to the web — http://www.AEPsustainability.com/reporting/coalsupplysurvey.aspx . The 2010 survey is currently under way with plans for a second stakeholder meeting later this year.
Install groundwater monitoring at 15 power plants to help assess groundwater quality near ash ponds and coal combustion landfills.	AEP has installed 58 groundwater monitoring wells and plans to install more. This voluntary action puts AEP plants in a better position to implement changes to environmental regulations related to the EPA's proposed revisions to the coal combustion residuals rule.

COMMITMENT**STATUS**

Install mercury emissions control systems at more than 20 coal-fired power plants.

Mercury monitoring equipment has been installed on 13 plants. All coal-fired power plants are on schedule to have mercury monitoring equipment installed by 2012.

Achieve zero employee fatalities or harm.*

There have been no employee fatalities during 2010.

There were 20 significant injuries that resulted in the greatest number of injuries/lost days from work. The leading causes of injury continue to be slips, trips and falls.

AEP's recordable injury rate through Sept. 30, 2010, was 1.10 compared with a target performance of 1.0. The severity rate was 20.61 compared with a target performance rate of 21.73 during the same period.

Action plans were put into place following each event that include refresher training, taking corrective actions to improve workplace safety and reminders of the importance of other tools, such as job hazard analysis.

**Results are through 9/30/10.*

Achieve a five-year Path to Excellence to reduce preventable public fatalities by 20 percent and electric contacts by 10 percent each year.*

There were nine public fatalities through Sept. 30, 2010, including three that were related to copper theft. There were 31 electrical contacts caused by people coming into contact with AEP's electrical facilities.

**Results are through 9/30/10.*

Zero contractor fatalities. 2010 recordable injury rate for contractors: 1.80

There were three contractor fatalities YTD in 2010.

A Transmission right-of-way maintenance contractor was fatally injured while tree-trimming in Oklahoma.

Two Asplundh employees were fatally injured in Kentucky when they were struck by a tractor trailer while setting up their work zone.

Recordable injury rate performance YTD is: 1.85.

Reduce demand by 1,000 MW and energy consumption by 2,250 GWh by the end of 2012, with regulatory support.

AEP reduced its own energy consumption within its 400+ facilities by 13.1 percent compared with our 2007 baseline use. The majority of this success is attributed to capital investments in energy efficient equipment.

AEP's operating companies have identified a potential energy savings of 2,797 GWh by 2012, if regulatory support is achieved. Total actual achievement from Jan. 2008 – Sept. 2010 is 812 GWh, or 36.1 percent of target goal.

On the demand side, the operating companies have identified approximately 882 MW of the 1,000 MW demand reduction goal for 2012. Total actual achievement for the AEP system from Jan. 2008 to Sept. 2010 is 266 MW, or 26.6 percent of target.

Energy efficiency programs are in place in two-thirds of AEP's service territory today. In 2010, the projected expenditure for energy efficiency is \$98 million (compared with \$13 million in 2007) and is projected to reach approximately \$180 million in 2012, subject to regulatory approval. We formed an external Energy Efficiency Advisory Council to help AEP achieve its energy efficiency and conservation goals and to drive national awareness to change behaviors, support new technologies and standards, and influence public policy.

COMMITMENT**STATUS**

Increase diversity of fuel portfolio. This includes the addition of 2,000 MW of renewable energy, above 2007 level, by the end of 2011, with regulatory support.

AEP's current fuel mix (by generation capacity) is: 65% coal, 23% natural gas, 6% nuclear and 6% hydro, wind, solar and pumped storage. We continue to pursue alternatives to coal generation on many different fronts. Multiple renewable purchase power agreements have been executed since 2007, resulting in 903.4 MW of nameplate wind capacity and 10.1 MW of solar capacity. Another 99.2 MW of wind is currently under contract and due to come on line in 2011. In October 2010, AEP Ohio joined with Turning Point Solar LLC to develop a 49.9 MW solar generating facility in southeastern Ohio. The project is the largest commercial solar development east of the Rockies.

AEP was denied cost recovery of renewable energy contracts in Kentucky and Virginia; cost was a main factor for denial. These decisions pose significant challenges for AEP to execute its renewable energy strategy without support from customers and regulators.

Deploy 5 million smart meters by 2015 through our gridSMART® initiative, pending regulatory approval.

AEP Ohio received \$75.2 million in federal stimulus funding to support the AEP Ohio gridSMART® Demonstration Project in Central Ohio. The 110,000 advanced smart meter deployment will include new distribution grid technology, distributed energy sources, plug-in electric vehicles, smart appliances and consumer systems and products to help customers manage their energy use. The elements are designed to demonstrate the full benefits of installing a comprehensive distribution smart grid for consumers and the utility.

Indiana Michigan Power Company's smart metering pilot in South Bend, Ind., includes 9,500 smart meters. Technology challenges resulted in 7,300 meters not working properly and having to be replaced. Both Time of Day and Direct Load Control programs have been successfully deployed and are under evaluation. The customer web portal has received positive customer feedback, and remote connect/disconnect automated processes have been successfully in place since June 2009. The project is due to be completed by the end of 2010.

Public Service Company of Oklahoma received a low-interest loan through the Oklahoma Department of Commerce that is part of federal stimulus funding for a gridSMART® pilot involving 13,000 residential and 2,400 commercial/industrial meter installations.

AEP Texas installed 120,000 smart meters through the end of September, or 11 percent of the planned 1.1 million units that will be installed. Customers began paying for the meter deployment through a surcharge in early 2010.

Continue to reduce the average number and duration of customer outages, using a three-year rolling average.*

System average outage duration (SAIDI) hit a five-year best in April 2010 and is 4 percent better than the five-year average as of September 2010. The three-year SAIDI average has trended favorably by 1.3 percent over the past 12 months. This improvement is due in part to continued focus on infrastructure improvements (feeder breaker zones in densely populated areas) and the effective use of vegetation management.

The customer outage frequency (SAIFI) also showed a positive trend, improving 2.1 percent during the first nine months of 2010 and 8.9 percent over the three-year average.

Customer average outage duration (CAIDI) is the only major reliability index that has trended unfavorably during 2010. Performance is currently 5.6 percent greater than the three-year average. In an effort to reverse this trend, the OpCos are currently reviewing and reinforcing specific CAIDI process improvement strategies developed and implemented in 2009.

**Results are through 9/30/10.*

COMMITMENT**STATUS**

Pursue transmission projects that are cost-effective, meet customer needs, facilitate renewable energy resources and ensure the reliability of the grid.

PATH — AEP and Allegheny Energy Inc. filed an application to build the Virginia portion of the transmission line. Decisions in Virginia, Maryland and West Virginia are expected in the second and third quarters of 2011. PJM, the regional transmission operator, directed the PATH companies to proceed with efforts to build the line and have it in service on June 1, 2015.

Electric Transmission Texas (ETT), a joint venture between AEP, MidAmerican Holdings and URS Corporation, has several projects in the works to support the Texas Competitive Renewable Energy Zone (CREZ) project. Among them are seven new 345-kV transmission lines totaling 422 miles with eight substations.

Prairie Wind received approval as a priority project by the Southwest Power Pool and the Federal Energy Regulatory Commission. This project will span from the Wichita area in western Kansas and will feature the first extra-high voltage transmission lines west of the Mississippi River. Engineering and siting in Kansas are under way.

Strategic Midwest Area Regional Transmission Study (SMARTransmission) to determine the level of transmission needed to achieve the renewable energy goals of the Midwest ISO states and their neighbors. The study evaluated a variety of transmission options and presented three conceptual transmission expansion plans that would be capable of reliably transporting nearly 57 gigawatts of wind-generated power to population centers in the eastern part of the study area. The SMARTransmission study's goal was to develop a 20-year transmission plan that ensures reliable electricity transport, provides an efficient transmission system to integrate new generation and foster efficient markets, minimizes environmental impacts, and supports state and national energy policies. The study was designed to incorporate a high level of stakeholder input including representatives from investor-owned utilities, state utility commissions, the Federal Energy Regulatory Commission, municipalities and wind developers. Get the full report at <http://www.smartstudy.biz/default.aspx>.

Continue implementing a stakeholder outreach plan in partnership with business units. Engage regularly with stakeholders on material issues and identify other opportunities for collaboration.

Through Sept. 30, 2010, four formal stakeholder meetings were held addressing issues around energy efficiency, development of AEP's first integrated Corporate Accountability Report and the company's response to proposed changes to environmental regulations impacting business operations. We formed an external Energy Efficiency Advisory Council made up of 13 trade groups, manufacturers, NGOs, education and government organizations. AEP Chairman Mike Morris held a stakeholder conference call to talk about environmental issues and succession planning and reconnected with all previous stakeholders through a letter encouraging ongoing engagement.

Stakeholder engagement remains integral to informing business decision-making and as a critical part of AEP's reporting process.
