

2011 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 2012 Corporate Accountability Report, to be published in April 2012.

All data reflected here are YTD through June 30, 2011, unless otherwise noted. This was the cutoff for reporting progress to AEP’s Risk Executive Committee and the AEP Board of Directors.

KEY INDICATOR	BUSINESS / ECONOMIC PERFORMANCE	PROGRESS
Financial Performance.	AEP’s financial performance can be found on our Investor Relations page at www.AEP.com/investors	
Customer Satisfaction.	<p>Customer satisfaction surveys are conducted by a third party on a quarterly basis with residential and small commercial customers. Surveys of large commercial/industrial customers are conducted annually. Benchmarking relative to AEP’s national peers on overall satisfaction is blended into AEP’s internal Customer Satisfaction Index.</p> <p>Through June 2011 AEP placed in the 74th percentile relative to its national peer group in overall satisfaction. This is slightly below an internal target to achieve first quartile. AEP placed in the first quartile (85th percentile) in the large commercial/industrial customer and residential surveys (75th percentile), but in the second quartile in the small commercial survey (62nd percentile).</p>	
System Reliability.	<p>SAIDI – For the 12 months ending June 2011, SAIDI for the AEP system (207.6 minutes) trended 12 percent unfavorably since the end of 2010. This has been driven largely by increases in storms/outages that affected our ability to safely restore service more quickly.</p> <p>SAIDI = System Average Interruption Duration Index</p>	
NERC Compliance.	<p>AEP completed its first full Critical Infrastructure Protection (CIP) audit, which assessed compliance with 143 CIP requirements and sub-requirements. AEP was found to have 10 potential violations, which equates to 93 percent compliance with requirements that were reviewed. Many of these potential violations may be negated pending further review.</p> <p>In 2010 a Compliance Culture, Awareness and Training group was</p>	

formed to promote and foster organizational awareness and engagement in NERC reliability compliance. A key focus is on transparency of performance through self-identification and reporting of compliance gaps, both internally and to the applicable regulatory entities.

Transmission growth strategy.

Electric Transmission Texas was assigned \$1 billion of CREZ (www.ettexas.com/projects/consortium.asp) facilities including seven transmission lines of approximately 420 miles of double-circuit 345-kV; 8 major 345-kV stations and other facilities. Construction is under way with all facilities expected in service by 2013.

Following completion of the SMARTransmission Study, Electric Transmission America (AEP's 50/50 joint venture with MidAmerican) has executed partnership agreements to build two new transmission lines:

RITELine is a joint venture with Exelon that would connect AEP's 765-kV system near the border of Ohio/Indiana to ComEd's transmission system west of Chicago. The 420-mile, \$1.6 billion dollar project recently received FERC approval of rates and incentives.

Midwest Power Transmission is joint venture with MidAmerican Energy Company to build a transmission line and substation in Henry County, IL to a new substation in Louisa County, IA and then connect to a new substation in either Adair or Black Hawk counties in Iowa. The project routes considered consist of 180 – 265 miles of line (depending upon the route) at a projected cost of \$650 to \$865 million. This project is anticipated to be filed for FERC approval of rates and incentives by Q1 2012.

Prairie Wind is a Southwest Power Pool transmission line approved by FERC and the Kansas Corporation Commission. The line is approximately 110 miles at a cost of \$225 million. The 345-kv line route was modified to address concerns by landowners along and near the route. Right-of-way acquisition and procurement material is underway. The projected in-service date is Dec. 2014.

More about AEP's transmission strategy can be found at www.AEP.com/about/transmission/

Deploy 5 million smart meters by the end of 2015, pending regulatory approval.

This goal is no longer realistic for achievement due to a number of factors. These include the lack of regulatory support, an unfavorable economic environment and other issues. We will continue to deploy appropriate smart grid technologies in jurisdictions where they are justified, and as we receive regulatory cost recovery support.

In AEP Texas, we are targeted to install 1 million AMI meters as planned. Currently we are approximately 37 percent deployed. Full deployment is expected to take four years.

In AEP Ohio, installation for major gridSMART® technologies are: AMI meters (100 percent of 110,000); Distribution Automation (69 of 70 circuits); integrated volt var (100 percent of 5 stations/17 circuits); consumer programs; in-home technologies; and related tariffs continue deployment, as planned.*



Original Goal



gridSMART Initiatives



In Public Service of Oklahoma, 100 percent of the 13,500 AMI meters have been installed. Distribution automation and integrated volt var equipment installation is nearly complete. In-home technologies and related tariffs continue deployment, as planned.

**gridSMART® updates are through the third quarter of 2011*

KEY INDICATOR

Compliance – zero enforcement actions from regulatory agencies.

Emissions – comply with SO₂ and NO_x caps, per NSR consent decree.

Reduce demand by 1,000 MW by the end of 2012 through demand response and energy efficiency programs. Reduce energy consumption by 2,500,000 MWh by the end of 2012.

Reduce internal energy consumption by 15 percent by 2015 in AEP facilities (excluding power plants). Build/renovate to LEED standards, where appropriate.

Diversify fuel portfolio by adding 2,000 MW of renewable energy by the end of 2011.

ENVIRONMENTAL PERFORMANCE

There was one formal enforcement action during the first half of 2011, related to an inspection at the Amos Plant that took place in 2010. A penalty of \$48,624 was approved to resolve the enforcement action.

AEP did not exceed the consent decree caps.

AEP has identified approximately 900 MW of potential demand reduction. Total achievement for the AEP system from January 2008 – June 2011 is approximately 500 MW (50 percent of goal).

AEP has identified approximately 2,900 GWh of potential energy savings. Total achievement for the AEP system from January 2008 – June 2011 is approximately 1,320 GWh (59 percent of goal).

Through July 31, 2011 AEP reduced its internal energy consumption by 16.2 percent over the 2007 baseline year. This is a 3.5 percent increase in energy savings over the same period in 2010. AEP's corporate headquarters in Columbus, Ohio received LEED Gold certification for existing buildings. All building mechanics across AEP will be trained this year to perform energy audits.

AEP's fuel mix (by generation nameplate capacity) is 64 percent coal; 23 percent natural gas; 6 percent nuclear; 7 percent hydro, wind, solar and pumped storage.

Multiple renewable purchase power agreements have been executed since 2007 resulting in 1,003.4 MWs of nameplate wind capacity and 10.1 MW solar, with additional contracts executed and/or coming online in 2011. AEP is not expected to meet this goal by the end of 2011 due to unfavorable regulatory treatment that is inhibiting our ability to move forward. Two states rejected cost recovery for renewable projects this year; we will only proceed where there is regulatory support.

Following biomass and biodiesel testing at three power plants, the Ohio Public Utilities Commission certified three generating facilities as eligible to generate Renewable Energy Credits and approved the use of biodiesel on a permanent basis at three plants. A biodiesel blend is being used at three plants in Ohio for startup and flame stabilization.

AEP's consumption of natural gas increased approximately 31 percent through July 21, 2011 (on an MMBTU basis) compared to the same period in 2010. This continues an upward trend that began in 2010 when gas consumption increased 40 percent over 2009. This is attributable to the addition of the J. Lamar Stall combined cycle plant at

PROGRESS



<p>Reduce CO2 emissions from power plants by additional 10 percent by the end of 2020 compared with 2010 levels of approximately 134 million metric tons. This will result in total reduction of about 25 percent from 2003 levels.</p>	<p>SWEPCO as well as increased use of the Lawrenceburg and Waterford combined cycle plants in the east. The efficient heat rates of these units combined with sustained lower natural gas prices supported this.</p>	<p>N / A</p>
<p>Water Stewardship – identify opportunities to address water use and conservation.</p>	<p>AEP's Mitchell Plant was selected for evaluation of water usage, with a goal of maximizing water reuse and minimizing the quantity of waste-water generated that would require treatment prior to discharge. Data collection is under way to develop a dynamic water balance computer model. A main driver of this study is the possibility of changes in power plant water balances due to future regulatory requirements for handling coal ash, as well as water conservation. The outcome of this initiative will allow us to apply lessons learned across AEP's fleet of plants.</p>	
<p>KEY INDICATOR</p>	<p>SOCIAL PERFORMANCE</p>	<p>PROGRESS</p>
<p>Employee Safety & Health – zero harm, zero fatalities. Compensation tied to performance.</p>	<p>Through July 31, 2011, there were no employee fatalities.</p>	
<p>2011 Recordable injury rate goal – 0.97</p>	<p>Recordable injury rate – 0.89</p>	
<p>2011 Severity injury rate goal – 19.94</p>	<p>Severity injury rate – 20.11</p> <p>Major contributors to severity rate have been falls and injuries resulting from vehicle accidents.</p>	
<p>Public Safety – reduce public contacts and fatalities associated with people coming into contact with our electrical facilities. Reduce copper theft incidents.</p>	<p>There was one public fatality caused by copper theft. There were 22 electrical contact events reported. Of those, two were caused by copper theft.</p> <p>Proactive measures included new power line safety video that was sent to approximately 1.9 million customers; a redesign of web sites; and a four-week social media public safety campaign. More than 620 public safety videos were ordered online and more than 350 people completed the online public safety training module.</p>	
<p>Contractor safety – zero fatalities; achieve recordable injury rate of 1.70. Contractors covered by this goal include all major O&M and construction contractors.</p>	<p>Contractor recordable injury rate through June 2011 was 1.55, better than target.</p>	<p>Contractor Recordable Goal</p> 
	<p>Two contractor fatalities occurred.</p>	<p>Fatalities</p> 

Corporate giving and community outreach.

The AEP Foundation provided more than \$13 million in grants to nonprofit organizations across the service area and beyond to support education, basic needs, social services, the environment and the arts. In addition, the corporate and operating companies continued to support their communities through direct contributions.



The company awarded AEP Teacher Vision Grants totaling \$63,748 to 131 educators across the AEP system.

AEP and AEP Ohio collaborated with the IBEW Local 1466 for the 2011 United Way campaign.

Complete targeted investor-focused surveys, including DJSI and CDP, to benchmark performance.

Completed Carbon Disclosure Project (CDP) survey; AEP received a Disclosure Rating of 75 out of 100. AEP also completed CDP Water and CDP Supply Chain Surveys. Results pending.



AEP did not make the Dow Jones Sustainability Index.

Above Target



At or Near Target



Below Target

