

# Our well-being as a company increasingly depends on working closely with stakeholders, reporting our performance and holding ourselves **accountable**.



Our ability to make sustainable business decisions is enhanced by the relationships we have with many different stakeholders, primarily our customers and shareholders but also our other stakeholders. Our business has always depended on the strength of our relationships, and this is so now more than ever before.

We seek to work closely with many stakeholders. Successful relationships require good faith, honesty and transparency about the reasons for our decisions. Our relationships with the environmental community were deeply strained in 2011 when we sharply disagreed about how new environmental regulations should be implemented. We were accused of trying to circumvent or weaken the Clean Air Act, which was never our intent. We believe there is a strong case for extending the deadlines, both on economic and environmental grounds.

Some advocates felt blindsided by our lobbying

efforts and believed we should have provided them with advance notice about our plans, which we had done in the past on other issues. They were especially unhappy about our decision to pursue both a legislative and a more flexible regulatory outcome simultaneously. Believing we had violated their trust, they chose to end discussions with us and turned to campaigning against AEP. We continue to reach out to them in the hope that we can reopen our dialogue. We still believe that we were acting in good faith and in the best interests of our customers and shareholders; we heard from many customers who support our position as a way to help them avoid paying higher electric bills that they cannot afford.

We held or participated in 12 stakeholder meetings or calls in 2011. Much of the focus was on environmental issues, but we also discussed energy efficiency, coal, supply chain, climate change and water issues.

We have had a formal stakeholder engagement process for more than five years. In 2012, we will undertake a strategic planning process to plan for future engagement. This process will include revisiting our material issues and key performance indicators. We intend this to be a collaborative process internally and with external stakeholders.

## How We Engage

There is nothing as important or effective as developing relationships face-to-face, but the pace of change requires us to find other ways to engage with our stakeholders and to stay in touch more generally. Social media plays a significant role in this evolution, although it will not replace the personal connections we value.

We regularly connect with stakeholders using resources such as Facebook, Twitter, YouTube, LinkedIn

Johnny Davidson: Thank you to AEP-SWEPCO for sponsoring Harvest Texarkana! @3BLMedia: Save paper, help the #environment with #PSO's online

AEP supports employee involvement throughout our 11-state system, such as these riders in the 2011 Pelotonia bicycle ride to raise funds to fight cancer.



AEP has teamed up with Wal-Mart to provide the first public charging station in Columbus for plug-in electric vehicles.



and blog posts, among other ways. We can engage those who have an interest in our business, and we can see what people are saying about us, our activities and our industry. This engagement helps us to understand the perceptions some may have and gives us the opportunity to respond or engage if we so choose.

### Stakeholder Dialogues & Issues

Although the use of social media is more immediate, personal engagement is unmatched in building trusting, long-lasting relationships. It informs our decision making and goal setting and gives us new and different perspectives we might not have otherwise considered.

In February 2012, we held a multistakeholder meeting with AEP's leadership team, led by President and CEO Nick Akins. We met with more than 40 customers, analysts, investors, environmental organizations, trade groups, coal suppliers and labor leaders. It was Nick's first stakeholder meeting as CEO. He emphasized the importance of these types of discussions, particularly during this time of change, and encouraged stakeholders to come forward with their ideas and concerns. The dialogue focused largely on AEP's business transformation and Ohio deregulation.

Environmentalists challenged us on our plan that calls for more time to comply with U.S. Environmental Protection Agency (EPA) regulations. One stakeholder expressed concern that the legislative path AEP is pursuing appears to be for AEP's benefit only and pleaded with the company to play a constructive role in the debate. Customers said they rely on AEP and the industry to reach a solution that does not jeopardize reliability and has as minimal an impact as possible on prices. We will continue to update this group and seek their input.

### Engaging Investors

The link between our financial and nonfinancial performance is strong and growing stronger; we can't be healthy in one without the other. Our environmental performance is directly related to our financial performance, for example, and the same is true for worker health and safety. Many investors are increasingly seeing this connection. Our job is to inform them specifically about how our strategies capitalize on these links.

The uncertainty about Ohio regulations and federal and state environmental rules has caused our share price to be discounted, compared with our peers as defined by the S&P Utilities Index. Our four-part strategic plan is designed to reduce our share price discount and maximize long-term value to shareholders.

Our job is to demonstrate to investors that we are ready and able to meet whatever challenge comes our way, but without more certainty from state and federal regulators, we are at a disadvantage. It is senior management's priority to narrow this gap and make AEP the desirable, profitable stock that it should be.

In 2011, we participated in 26 investor conferences and in-person forums, hosted 11 investor visits to our corporate headquarters in Columbus, Ohio, and met with more than 600 financial analysts and investors in five countries. Our discussions most often focused on the legislative and regulatory uncertainties we faced in Ohio and with the EPA.

We kicked off our investor relations efforts in 2012 with an analyst and investor meeting in New York City in February. While our EPA uncertainties seem to have been resolved, the Ohio situation remains opaque and most likely will dominate investor outreach in 2012. We also plan to reach out more aggressively to our retail

88,323

number  
of hours  
employees  
volunteered

bill pay program  Jim Corbat: I am retired from I&M. Proud to say that I worked for them for 34 years.



### Assistance Provided in 2011 to Help Customers Pay Their Electric Bills

Company	2008	2009	2010	2011
APCO	\$14,025,973	\$35,933,394	\$26,990,405	\$29,123,872
I&M	\$6,762,855	\$9,244,881	\$9,027,788	\$9,639,521
KYPCO	\$2,172,576	\$4,334,503	\$4,586,968	\$4,854,412
OPCO	\$14,327,569	\$21,103,269	\$18,017,939	\$12,904,096
PSO	\$5,853,761	\$10,415,763	\$11,281,714	\$10,495,633
SWEPCO	\$2,051,265	\$5,132,579	\$5,407,410	\$6,873,295
<b>Totals</b>	<b>\$45,193,999</b>	<b>\$86,164,389</b>	<b>\$75,312,224</b>	<b>\$73,890,829</b>

Government-sponsored and private programs.

investor base in 2012 because a larger retail investor base provides more stability to our stock price. At the end of 2011, approximately 33 percent of our shareholders were retail investors, representing a 17 percent increase from year-end 2010.

### **Connecting with Customers**

Electricity is often taken for granted, yet it is essential to quality of life. Unlike many other businesses, we have a profound responsibility to our customers to deliver our product safely, reliably and on demand, whenever and wherever it is needed.

Part of this responsibility relates to affordability. This is a concern to all customers, but especially those living in poverty and who are paying a high percentage of their disposable income for energy. In eight of our states, an average of 16 percent or more of the population lives below the poverty level. This is often reflected in customers' ability to pay their bills.

No one should have to choose between basic human necessities and electricity, but if electricity prices rise suddenly and dramatically to cover the cost of compliance with new environmental regulations – possibly as much as 35 percent – or for other reasons, some of our customers will be forced to make very difficult choices about what they can afford. We believe in the need for cleaner energy, but we also feel strongly that the associated costs need to be considered.

Many customers already need assistance paying their bills. The recession and slower-than-expected recovery have taken a toll on many families and businesses that were already struggling. We provided approximately \$74 million in federal and private energy assistance in 2011, which was almost 2 percent less

than in 2010. We also provide other types of aid. In Ohio, for example, our Neighbor-to-Neighbor Program helps customers who are behind on their bills but whose incomes disqualify them for government assistance. The funds for this program come through customer contributions as well as AEP grants.

AEP prides itself on quick, responsive and consistent customer service. Last year, our call centers received 1.5 million more customer calls than in 2010. We believe this is due to customers having difficulty paying their bills because of the slow economy; questions about higher electric rates; questions about the increased gridSMART® activities in Ohio, Oklahoma and Texas; and initial plans for competition in Ohio. Our average speed of answer (how long it takes to answer a call) decreased by 10 seconds from 2010, while the average length of time on the phone with customers decreased by five seconds. This decrease may be directly related to the increase we saw in online customer transactions.

### **Supporting Strong Communities**

Being a responsible corporate citizen goes beyond the fence line of our property to the heart of the communities in which we operate or that we serve. Our investments in our communities range from the thousands of hours our employees volunteer locally to corporate financial support for important community programs and initiatives. The need for our support is greater than ever as many areas continue to struggle.

Our plan to close some of our coal-fired units will adversely affect local economies. Power plants often provide the highest-paying jobs in the areas where they are located and are a source of vital tax dollars that help pay for schools, roads, and other community needs. The

 **Bill Jeron Hoelscher: AEP hands over \$200,000 to YMCA. Thanks to the American Electric Power foundation, our local YMCA will soon have a new place to call home.**

**Webcasts are commonly used to keep employees informed about issues affecting the company and to provide updates about the company's performance. AEP hosted 23 employee webcasts in 2011.**



**AEP President Nick Akins participates in multiple activities during Energy Sustainability Week, including answering calls at the help desk.**

plants also support local businesses. The loss of jobs, taxes and local employee income related to plant retirements is going to hurt communities. When the retirements are complete, 600 AEP jobs will be gone. The loss to our local communities will include approximately \$30 million in lost tax revenue and about \$40 million in lost wages.

We track the economic value of our employees' volunteerism, which was approximately \$1.9 million in 2011 (using a value of volunteer time of \$21.36 per hour, based upon the Independent Sector estimated value). Our employees volunteered 88,323 hours in 2011 compared with more than 57,000 hours in 2010, resulting in 839 \$150 AEP Connects grants. These grants benefit the organizations of employees' choosing to which they have volunteered 40 or more hours during the year. During the past 10 years, the AEP Connects grant program provided more than \$1 million to schools and eligible nonprofit organizations. Unfortunately, due to budget

#### Total Philanthropic Giving (Corporate & AEP Foundation)

State	2011
Arkansas	\$ 797,872
Indiana	\$ 2,047,381
Kentucky	\$ 897,868
Louisiana	\$ 633,748
Michigan	\$ 2,843,029
Ohio	\$ 18,877,873
Oklahoma	\$ 1,015,100
Tennessee	\$ 120,599
Texas	\$ 2,873,747
Virginia	\$ 2,486,463
West Virginia	\$ 2,230,522
Other*	\$ 2,597,260
<b>Total</b>	<b>\$37,421,462</b>

\* Giving to organizations outside AEP's service area or those that benefit multiple states.

constraints, this program was discontinued in 2012.

Corporate philanthropy is also important because it helps enhance quality of life, advances education and other worthy endeavors and enriches communities. In 2011, AEP and the AEP Foundation donated more than \$37 million to support more than 3,000 community organizations. This was a significant increase over 2010 contributions of \$23.6 million due in large part to 2012 donations made at year-end 2011.

AEP formed a new Economic and Business Development (E&BD) group in 2011 to work with local communities to attract and retain businesses, because we have as much at stake as they do. This group is working through our operating companies, where they are connected locally. Recently, the E&BD group assembled a task force to work with a number of natural gas companies investing in AEP's service area to take advantage of shale gas reserves. The ability to attract new business and enable economic growth is enhanced by our expertise, and the communities we serve welcome it.

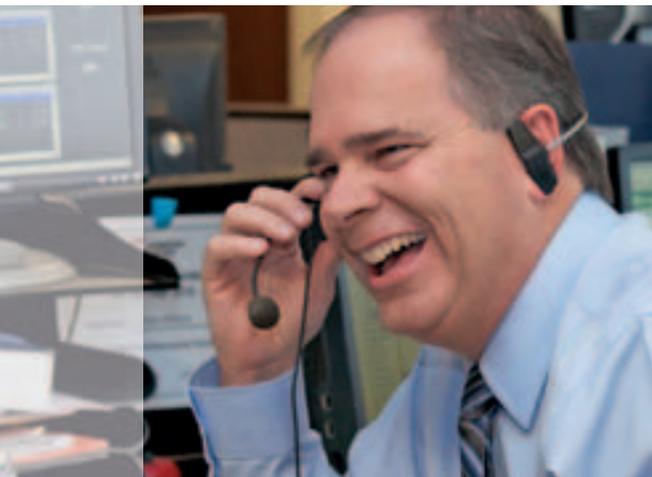
#### Engaging Our Employees

The transformation of our business will mean big changes for our employees. During times of uncertainty, clear, open and frequent communication with our employees is one of the best ways we can support them. We try to provide many ways to engage with each other and with management, including a corporate intranet (AEP Now), webcasts, employee meetings, town hall meetings, e-mail, online communities, blogs and other vehicles.

Before being named CEO, AEP President Nick Akins embarked on a systemwide employee listening tour. He visited nearly 20 AEP facilities and met with more than 1,000 employees at all levels. They talked about local business issues, stock performance, our transformation plan, his vision for the future and other issues. Read more about Akins' plans to continue connecting with employees in *Our People*.

AEP encourages employees to better understand how their jobs support the company's sustainability and profitability. For the third consecutive year, we held Energy Sustainability Week in September 2011, working to connect employees to AEP's business strategy. For example, we took an electric vehicle to the Rockport Plant in Indiana to help employees understand the connection between the electricity they produce and the new technologies that need it. At Public Service Company of Oklahoma, Akins participated in an employee activity about energy efficiency. We held more than 50

26 investor conferences and in-person forums in 2011



**74 million**  
**\$**

**approximate  
federal & private  
assistance  
provided to  
customers**

sustainability awareness activities in all 11 states, including executive visits to work locations.

### **Benchmarking & Ranking**

There are many ways to track, report and benchmark performance. From customer satisfaction surveys to industry benchmarks for safety performance, we measure and compare ourselves to others to identify gaps and opportunities for improvement.

The investment community is increasingly focused on comparing the environmental, social and governance (ESG) performance of companies. Many financial organizations and rating companies, such as Dow Jones Sustainability Index, Goldman Sachs, Bloomberg and the Carbon Disclosure Project, survey and rank companies on ESG issues. We responded to 10 surveys in 2011 and will continue to be selective about those we respond to because of time and resource constraints.

Sustainability ratings are complex and opaque, and they are proliferating, which is causing confusion among the stakeholders who wish to rely on them. A new initiative, the Global Index of Sustainability Ratings, is focused on developing a framework that would allow for greater comparability and consistency. We are following this closely with the hope that it will bring some needed standardization and transparency to the rankings process.

As a member of SustainAbility's Engaging Stakeholders program, this report is benchmarked annually using indicators similar to GRI and on a five-point scoring system based on how completely sustainability issues are integrated into the report. The process enables us to identify strengths, gaps and opportunities for improvement. The 2011 benchmark report noted that we are candid about challenges we face and that we have a

strong stakeholder engagement process. Yet we can do better in terms of prioritizing issues in order to provide greater clarity to stakeholders.

### **Engaging Suppliers**

We work with fuel and nonfuel suppliers to drive continuous improvement and efficiencies within the supply chain while improving environmental and safety performance. We ask suppliers about their sustainability strategy and activities through our procurement process, and we advise them of opportunities to help them reduce or mitigate their impacts on natural resources.

AEP is a founding member of the Electric Utility Industry Sustainable Supply Chain Alliance, a 501(c) 6, nonprofit corporation that was established in 2008 to "green" the electric utility industry supply chain. The alliance has 16 utilities that represent more than 50 million customers in 24 states.

AEP also works directly with its fuel suppliers and surveys its coal suppliers on their environmental, safety and health performance. We have conducted two surveys of our coal suppliers, a commitment we made to stakeholders to better understand the lifecycle of coal, its impacts on the environment, how our suppliers are addressing those impacts and to share leading practices. The final report on the results of the second survey was issued in 2011, based on 2009 data. The third survey has been completed and a report will be issued in 2012.

 @MyBizReview: I've been with SWEPCO since 2006 and they made it easy peasy to switch my electric over when I moved!!

## **TULSA WORLD** tulsaworld.com

### **Letter to the Editor:**

AEP/PSO rocks in Connecticut  
By Matt Pagano, Torrington, Conn.  
Sunday, November 13, 2011

I can email you this letter because for the first time in five days, I have power! I'm writing from Connecticut to offer a heartfelt thanks to the (AEP/Public Service Co.) in Tulsa for loaning us your utility crews.

I've just had the pleasure of meeting a crew of about 15 hardworking gentlemen who drove for three straight days to come to our aid here in the northwest corner of Connecticut. They arrived in town at 6 p.m. and after a quick bite to eat, set about working in our neighborhood – not even waiting until the morning for daylight.

Because of the freak nor'easter Oct. 29, which dumped 15 inches of snow on trees that were still full of leaves, we experienced unprecedented power outages. At the peak of the storm, more than 800,000 customers in our state were without power. Add to that the fact that nighttime

temperatures have gotten down into the 20s and one can understand how thankful we were to see your crews arrive. Cell towers were down, gas was scarce, trick or treating was canceled, and the nights were really dark.

You all should be extremely proud of your crews and know that they are some of the hardest working, friendly and polite guys we've had the occasion to meet. My hope is that they return to you quickly and safely and if Connecticut Light and Power can ever return the favor in your time of need I hope they jump at the chance.

## Corporate & Shareholder Information

### Corporate Headquarters

1 Riverside Plaza  
Columbus, OH 43215-2373  
614-716-1000  
AEP is incorporated in the State of New York.

**Stock Exchange Listing:** The Company's common stock is traded principally on the New York Stock Exchange under the ticker symbol AEP.

**Internet Home Page:** Information about AEP, including financial documents, Securities and Exchange Commission filings, news releases, investor presentations, shareholder information and customer service information, is available at [www.AEP.com/investors](http://www.AEP.com/investors).

**Inquiries Regarding Your Stock Holdings:** Registered shareholders (shares that you own, in your name) should contact the Company's transfer agent, listed below, if you have questions about your account, address changes, stock transfer, lost certificates, direct deposits, dividend checks and other administrative matters. You should have your Social Security number or account number ready; the transfer agent will not speak to third parties about an account without the shareholder's approval or appropriate documents.

### Transfer Agent & Registrar

Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, RI 02940-3078

For overnight deliveries:

Computershare Trust Company, N.A.  
250 Royall Street, Canton, MA 02021-1011  
Telephone Response Group: 1-800-328-6955  
Internet address: [www.computershare.com/investor](http://www.computershare.com/investor)

Hearing Impaired #: TDD: 1-800-952-9245

**Beneficial Holders:** (Stock held in a bank or brokerage account) –When you purchase stock and it is held for you by your broker, it is listed with the Company in the broker's name, and this is sometimes referred to as "street name" or a "beneficial owner." AEP does not know the identity of individual shareholders who hold their shares in this manner; we simply know that a broker holds a certain number of shares which may be for any number of investors. If you hold your stock in street name, you receive all dividend payments, annual reports and proxy materials through your broker. Therefore, questions about your account should be directed to your broker.

### Dividend Reinvestment & Direct Stock Purchase

**Plan:** A Dividend Reinvestment and Direct Stock Purchase Plan is available to all investors. It is an economical and convenient method of purchasing shares of AEP common stock, through initial cash investments, cash dividends and/or additional optional cash purchases. You may obtain the Plan prospectus and enrollment authorization form by contacting the transfer agent or visiting [www.AEP.com/investors/buyandmanagestock](http://www.AEP.com/investors/buyandmanagestock).

**Financial Community Inquiries:** Institutional investors or securities analysts who have questions about the Company should direct inquiries to Bette Jo Rozsa, 614-716-2840, [bjrozsa@AEP.com](mailto:bjrozsa@AEP.com); Julie Sherwood, 614-716-2663, [jasherwood@AEP.com](mailto:jasherwood@AEP.com); or Sara Macioch, 614-716-2835, [semacioch@AEP.com](mailto:semacioch@AEP.com). Individual shareholders should contact Kathleen Kozero, 614-716-2819, [klkozero@AEP.com](mailto:klkozero@AEP.com).

**Number of Shareholders:** As of Dec. 31, 2011, there were approximately 87,000 registered shareholders and approximately 407,000 shareholders holding stock in street name through a bank or broker. There were 483,422,868 shares outstanding on Dec. 31, 2011.

**Form 10-K:** Upon request, we will provide without charge a copy of our Form 10-K for the fiscal year ended Dec. 31, 2011. A copy can be obtained via mail with a written request to AEP Investor Relations, by telephone at 1-800-237-2667 or electronically at [klkozero@AEP.com](mailto:klkozero@AEP.com).

### Comparison of Five-Year Cumulative Total Return

Among American Electric Power Co., Inc., The S&P 500 Index & The S&P Electric Utilities Index



\*\$100 invested on 12/31/06 in stock or index, including reinvestment of dividends.

Fiscal year ending Dec. 31.

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