AMERICAN ELECTRIC POWER

NEWS from AEP

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EMBARGOED UNTIL 10 A.M. EASTERN JUNE 9, 2011

AEP SHARES PLAN FOR COMPLIANCE WITH PROPOSED EPA REGULATIONS

Company advocates for more time and flexibility to reduce the negative impact of the proposed EPA rules on customers, jobs and the economy

COLUMBUS, Ohio, June 9, 2011 – American Electric Power (NYSE: AEP) today announced the company's plan for complying with a series of regulations proposed by the U.S. Environmental Protection Agency (EPA) that would impact coal-fueled power plants. Based on the regulations as proposed, AEP's compliance plan would retire nearly 6,000 megawatts (MW) of coal-fueled power generation; upgrade or install new advanced emissions reduction equipment on another 10,100 MW; refuel 1,070 MW of coal generation as 932 MW of natural gas capacity; and build 1,220 MW of natural gas-fueled generation. The cost of AEP's compliance plan could range from $6 billion to $8 billion in capital investment through the end of the decade. High demand for labor and materials due to a constrained compliance timeframe could drive actual costs higher than these estimates. The plan, including retirements, could change significantly depending on the final form of the EPA regulations and regulatory approvals from state commissions.

The retirements and retrofits in the plan are in addition to more than $7 billion that AEP has invested since 1990 to reduce emissions from its coal-fueled generation fleet. Annual emissions of nitrogen oxides from AEP plants are 80 percent lower today than in 1990. Sulfur dioxide emissions from AEP plants are 73 percent lower than in 1990. The company currently owns nearly 25,000 MW of coal-fueled generation, approximately 65 percent of its total generating capacity. Coal would fuel approximately 57 percent of AEP's total generating capacity by the end of the decade.

"We support regulations that achieve long-term environmental benefits while protecting customers, the economy and the reliability of the electric grid, but the cumulative impacts of the EPA's current regulatory path have been vastly underestimated, particularly in Midwest states dependent on coal to fuel their economies. We have worked for months to develop a compliance plan that will mitigate the impact of these rules for our customers and preserve jobs, but because of the unrealistic compliance timelines in the EPA proposals, we will have to prematurely shut down nearly 25 percent of our current coal-fueled generating capacity, cut hundreds of good power

plant jobs, and invest billions of dollars in capital to retire, retrofit and replace coal-fueled power plants. The sudden increase in electricity rates and impacts on state economies will be significant at a time when people and states are still struggling," said Michael G. Morris, AEP chairman and chief executive officer.

Although some jobs would be created from the installation of emissions reduction equipment, AEP expects a net loss of approximately 600 power plant jobs with annual wages totaling approximately $40 million as a result of compliance with the proposed EPA rules.

"We are deeply concerned about the impact of the proposed regulations on our customers and local economies. Communities that have depended on these plants to provide good jobs and support local services will face significant reductions in payroll and property taxes in a very short period of time. The economic impact will extend far beyond direct employment at power plants as thousands of ancillary jobs are supported by every coal-fueled generating unit. Businesses that have benefited from reasonably priced coal-fueled power will face the impact of electricity price increases ranging from 10 percent to more than 35 percent just for compliance with these environmental rules at a time when they are still trying to recover from the economic downturn," Morris said.

"Although discounted by some, the potential impacts on the reliability of the transmission system, particularly in the Midwest, are significant. The proposed timelines for compliance aren't adequate for construction of significant retrofits or replacement generation, so many coal-fueled plants will be prematurely retired or idled in just a few years. AEP's compliance plan alone would abruptly cut generation capacity in the Midwest by more than 5,400 MW. Depending on the year, another 1,500 MW to 5,200 MW of AEP generation would be idled or curtailed for extended periods as pollution control equipment is installed," Morris said.

AEP has shared its compliance plan with PJM Interconnection, Southwest Power Pool and North American Electric Reliability Corp. for use in their evaluation of the impacts of EPA's proposed rules.

"We will continue to work through the EPA process with the hope that the agency will recognize the cumulative impact of the proposed rules and develop a more reasonable compliance schedule. We also will continue talking with lawmakers in Washington about a legislative approach that would achieve the same long-term environmental goals with less negative impact on jobs and the U.S. economy," Morris said. "With more time and flexibility, we will get to the same level of emission reductions, but it will cost our customers less and will prevent premature job losses, extend the construction job benefits, and ensure the ongoing reliability of the electric system."

AEP's current plan for compliance with the rules as proposed includes permanently retiring the following coal-fueled power plants:

- Glen Lyn Plant, Glen Lyn, Va. – 335 MW (retired by Dec. 31, 2014);
- Kammer Plant, Moundsville, W.Va. – 630 MW (retired by Dec. 31, 2014);
- Kanawha River Plant, Glasgow, W.Va. – 400 MW (retired by Dec. 31, 2014);
- Phillip Sporn Plant, New Haven, W.Va. – 1,050 MW (450 MW expected to retire in 2011, 600 MW retired by Dec. 31, 2014); and
- Picway Plant, Lockbourne, Ohio – 100 MW (retired by Dec. 31, 2014).

AEP would retire generating units at the following locations but continue operating some generation at the sites:

- Big Sandy Plant, Louisa, Ky. – Units 1 and 2 (1,078 MW) retired by Dec. 31, 2014, Big Sandy Unit 1 would be rebuilt as a 640-MW natural gas plant by Dec. 31, 2015;
- Clinch River Plant, Cleveland, Va. – Unit 3 (235 MW) retired by Dec. 31, 2014, Units 1 and 2 (470 MW total) would be refueled with natural gas with a capacity of 422 MW by Dec. 31, 2014;
- Conesville Plant, Conesville, Ohio – Unit 3 (165 MW) retired by Dec. 31, 2012, Units 5 and 6 (800 MW total), would continue operating with retrofits;
- Muskingum River Plant, Beverly, Ohio – Units 1-4 (840 MW) retired by Dec. 31, 2014; Muskingum River Unit 5 (600 MW) may be refueled with natural gas with a capacity of 510 MW by Dec. 31, 2014, depending on regulatory treatment in Ohio;
- Tanners Creek Plant, Lawrenceburg, Ind. – Units 1, 2 and 3 (495 MW) retired by Dec. 31, 2014; Unit 4 (500 MW) would continue to operate with retrofits; and
- Welsh Plant, Pittsburg, Texas – Unit 2 (528 MW) retired by Dec. 31, 2014, Units 1 and 3 (1,056 MW) would continue to operate with retrofits.

The two coal-fueled generating units at Northeastern Plant (935 MW) in Oolagah, Okla., would be idled for a year or more while emission reduction equipment is installed. Both units would be idled beginning Jan. 1, 2016. One unit would return to service by Dec. 31, 2016. The other unit would return to service by Dec. 31, 2017.

AEP will complete construction of the Dresden Plant (580 MW natural gas) in Dresden, Ohio, in 2012.

In addition to the retrofits above, AEP would install or upgrade emissions reduction equipment at seven other coal-fueled power plants in Arkansas, Indiana, Louisiana, Ohio, and Texas.

American Electric Power is one of the largest electric utilities in the United States, delivering electricity to more than 5 million customers in 11 states. AEP ranks among the nation's largest generators of electricity, owning nearly 38,000 megawatts of generating capacity in the U.S. AEP also owns the nation's largest electricity transmission system, a nearly 39,000-mile network that includes more 765 kilovolt extra-high voltage transmission lines than all other U.S. transmission systems combined. AEP's transmission system directly or indirectly serves about 10 percent of the electricity demand in the Eastern Interconnection, the interconnected transmission system that covers 38 eastern and central U.S. states and eastern Canada, and approximately 11 percent of the electricity demand in ERCOT, the transmission system that covers much of Texas. AEP's utility units operate as AEP Ohio, AEP Texas, Appalachian Power (in Virginia and West Virginia), AEP Appalachian Power (in Tennessee), Indiana Michigan Power, Kentucky Power, Public Service Company of Oklahoma, and Southwestern Electric Power Company (in Arkansas, Louisiana and east Texas). AEP's headquarters are in Columbus, Ohio.

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This report made by American Electric Power and its Registrant Subsidiaries contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Although AEP and each of its Registrant Subsidiaries believe that their expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are: the economic climate and growth in, or contraction within, AEP's service territory and changes in market demand and demographic patterns; inflationary or deflationary interest rate trends; volatility in the financial markets, particularly developments affecting the availability of capital on reasonable terms and developments impairing AEP's ability to finance new capital projects and refinance existing debt at attractive rates; the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material; electric load and customer growth; weather conditions, including storms, and AEP's ability to recover significant storm restoration costs through applicable rate mechanisms; available sources and costs of, and transportation for, fuels and the creditworthiness and performance of fuel suppliers and transporters; availability of necessary generating capacity and the performance of AEP's generating plants; AEP's ability to recover Indiana Michigan Power's Donald C. Cook Nuclear Plant Unit 1 restoration costs through warranty, insurance and the regulatory process; AEP's ability to recover regulatory assets and stranded costs in connection with deregulation; AEP's ability to recover increases in fuel and other energy costs through regulated or competitive electric rates; AEP's ability to build or acquire generating capacity, including the Turk Plant, and transmission line facilities (including the ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms and to recover those costs (including the costs of projects that are cancelled) through applicable rate cases or competitive rates; new legislation, litigation and government regulation, including requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances or additional regulation of flyash and similar combustion products that could impact the continued operation and cost recovery of AEP's plants; timing and resolution of pending and future rate cases, negotiations and other regulatory decisions (including rate or other recovery of new investments in generation, distribution and transmission service and environmental compliance); resolution of litigation (including AEP's dispute with Bank of America); AEP's ability to constrain operation and maintenance costs; AEP's ability to develop and execute a strategy based on a view regarding prices of electricity, natural gas and other energy-related commodities; changes in the creditworthiness of the counterparties with whom AEP has contractual arrangements, including participants in the energy trading market; actions of rating agencies, including changes in the ratings of debt; volatility and changes in markets for electricity, natural gas, coal, nuclear fuel and other energy-related commodities; changes in utility regulation, including the implementation of electric security plans and related regulation in Ohio and the allocation of costs within regional transmission organizations, including PJM and SPP; accounting pronouncements periodically issued by accounting standard-setting bodies; the impact of volatility in the capital markets on the value of the investments held by AEP's pension, other postretirement benefit plans and nuclear decommissioning trust and the impact on future funding requirements; prices and demand for power that AEP generates and sells at wholesale; changes in technology, particularly with respect to new, developing or alternative sources of generation; and other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes and other catastrophic events.