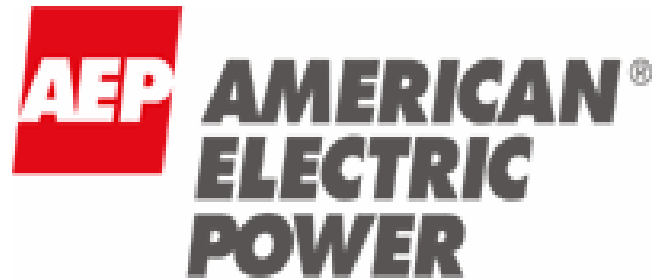


AEP and Environmental Investments



Mountaineer Plant - New Haven, WV



Northeastern Plant - Oologah, OK

Bernstein Energy and Utilities Conference
December 2, 2008

Bruce Braine

VP, Strategic Policy Analysis

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995

This presentation contains forward-looking statements, which are subject to risks and uncertainties. These factors include electric load and customer growth; weather conditions, including storms; available sources and costs of, and transportation for, fuels and performance of fuel suppliers and transporters; availability of generating capacity and performance of generating plants; the ability to recover regulatory assets and stranded costs in connection with deregulation; the ability to recover increases in fuel and other energy costs through regulated or competitive electric rates; the ability to build or acquire generating capacity (including our 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; 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 disputes arising from the bankruptcy of Enron Corp. and related matters); our ability to constrain operation and maintenance costs; the economic climate and growth or contraction in our service territory and changes in market demand and demographic patterns; inflationary and interest rate trends; volatility in the financial markets, particularly development affecting the availability of capital on reasonable terms and developments impacting our ability to refinance existing debt at attractive rates; our ability to develop and execute a strategy based on a view regarding prices of electricity, natural gas coal, nuclear fuel and other energy related commodities; changes in the creditworthiness of the counterparties with whom we have 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 and other energy-related commodities; changes in utility regulation, including the implementation of the recently-passed utility law in Ohio and the allocation of costs within regional transmission organizations; 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 our pension, other postretirement benefit plans and nuclear decommissioning trust and the impact on future funding requirements; prices for power we generate and sell at wholesale; changes in technology, particularly with respect to new, developing or alternative sources of generation; other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes and other catastrophic events; and other factors discussed in the reports, including Forms 10-K and 10-Q, filed from time to time by the company with the SEC.

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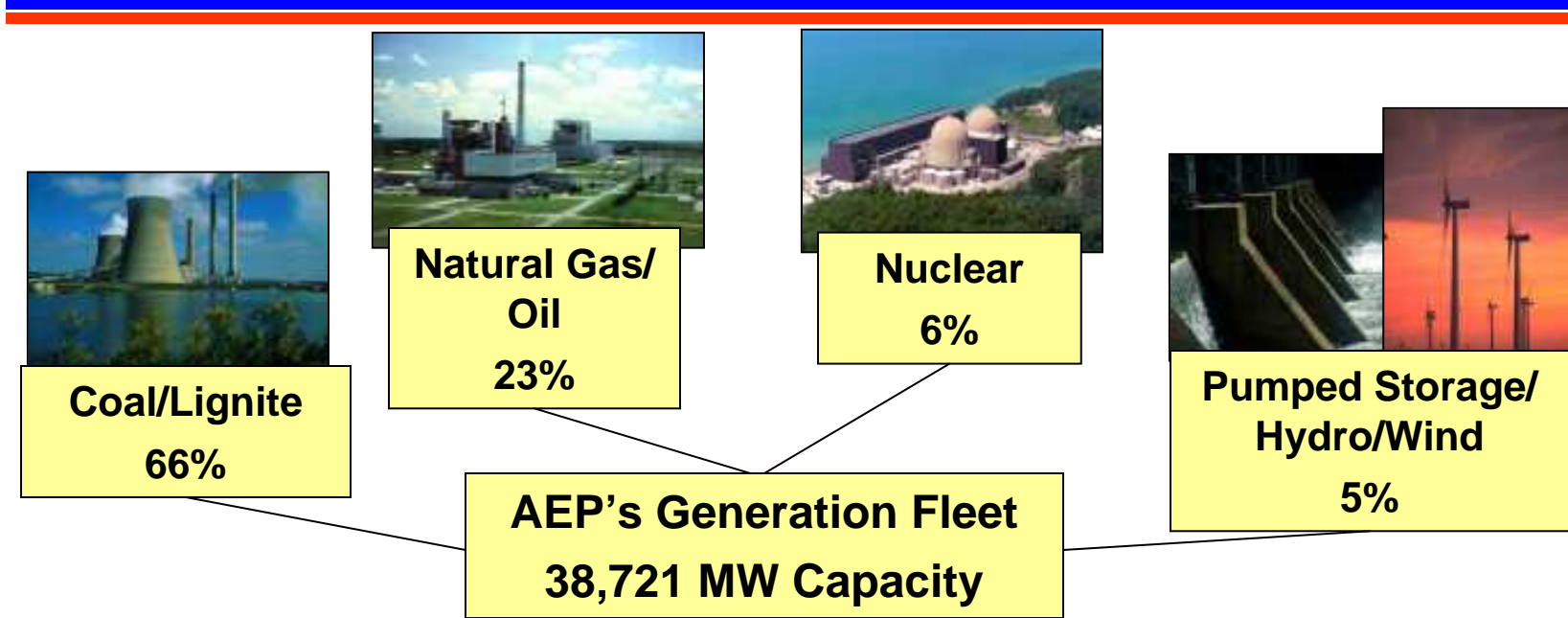
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Company Overview



5.1 million customers in 11 states
Industry-leading size and scale of assets:

<u>Asset</u>	<u>Size</u>	<u>Industry Rank</u>
Generation	~38,700 MW	# 2
Transmission	~39,000 miles	# 1
Distribution	~213,000 miles	# 1



The Next Administration—Energy and the Environment

- **Energy Legislation -- A First Priority**
 - For Electric Utilities: Federal RPS Likely
- **Climate Legislation -- Also a Priority**
 - Passage Complex
- **Further Air Emissions Requirements --SO₂, NO_x, and Mercury???**

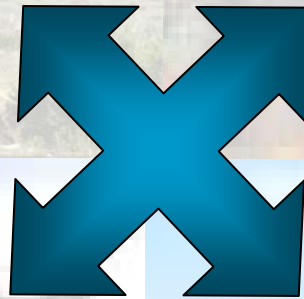
AEP's GHG Reduction Portfolio

Renewables

(e.g. 1100 MW of Existing Wind;
600 MW New Wind PPAs by 2011;
Biomass Co-firing)

Efficiency

(e.g. Coal Plant Heat Rate Improvements
DSM and Energy Efficiency)



Offsets & GHG Markets

(e.g. Chicago Climate Exchange,
Forest Preservation and Tree Planting,
Methane Capture from Livestock,
2.5 MM CO₂eTons/yr by 2011 Goal)

New Technology: Advanced Coal & CCS

(e.g., Chilled Ammonia Retrofits;
Ultra-super Critical Coal Generation)

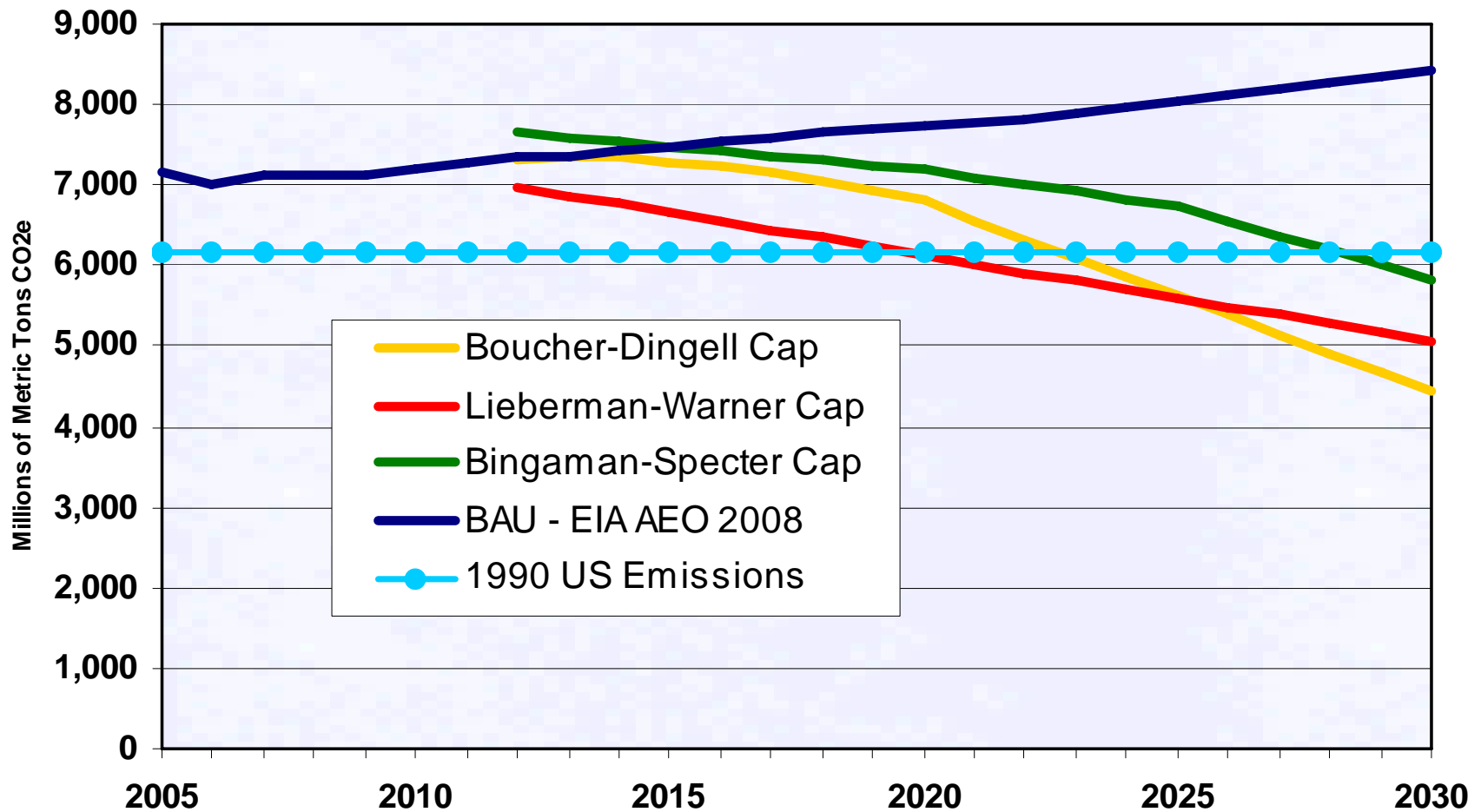


AEP is investing in a portfolio of GHG reduction alternatives

AEP Position: A “Reasonable” Approach to Climate Legislation

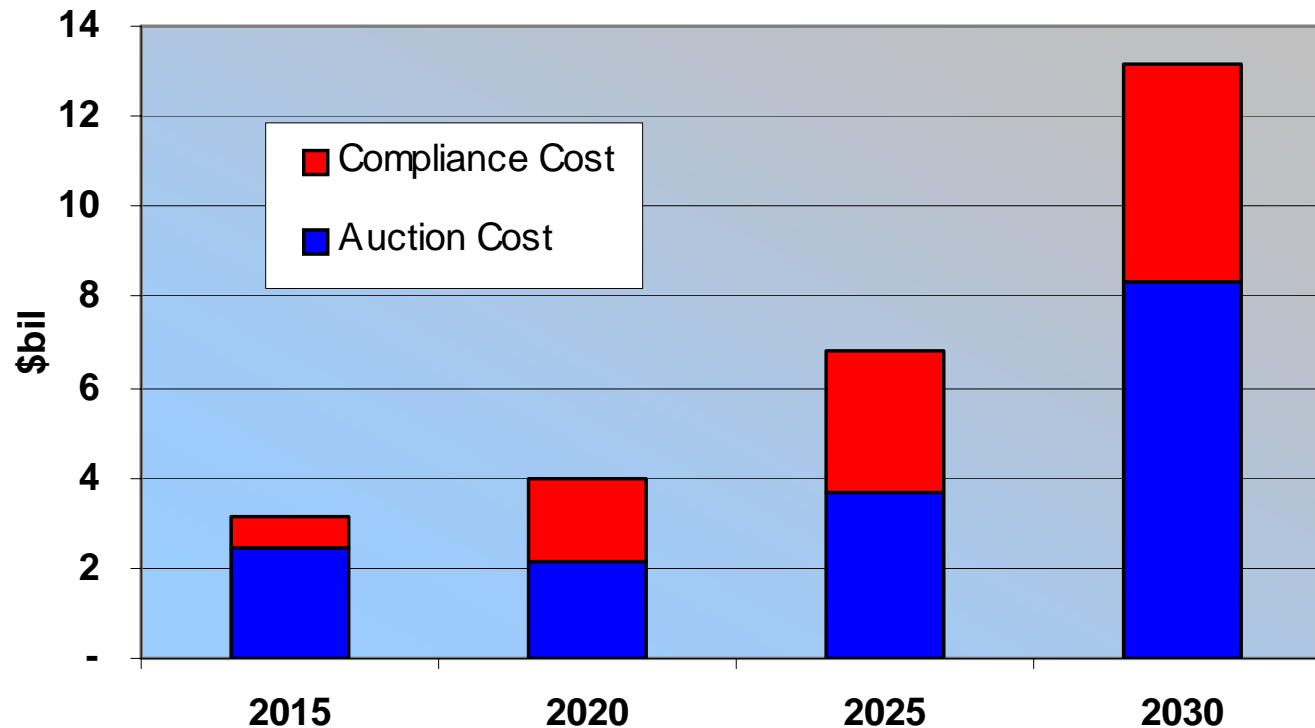
- **Reductions and Timing** - Moderate with Adequate Lead Times
- **Scope of Program** - Economy Wide
- **Flexibility of the Program** - Trading, Banking, Unrestricted Offsets, Early Action Credits
- **Allowance Allocation And Other Cost Issues** - Emissions Based and "Low" auctions
- **Technology Development/Deployment** - Bonus allowances for carbon capture and storage
- **International Linkage** - e.g., AEP-IBEW Proposal

Emission Reductions Under Selected Bills



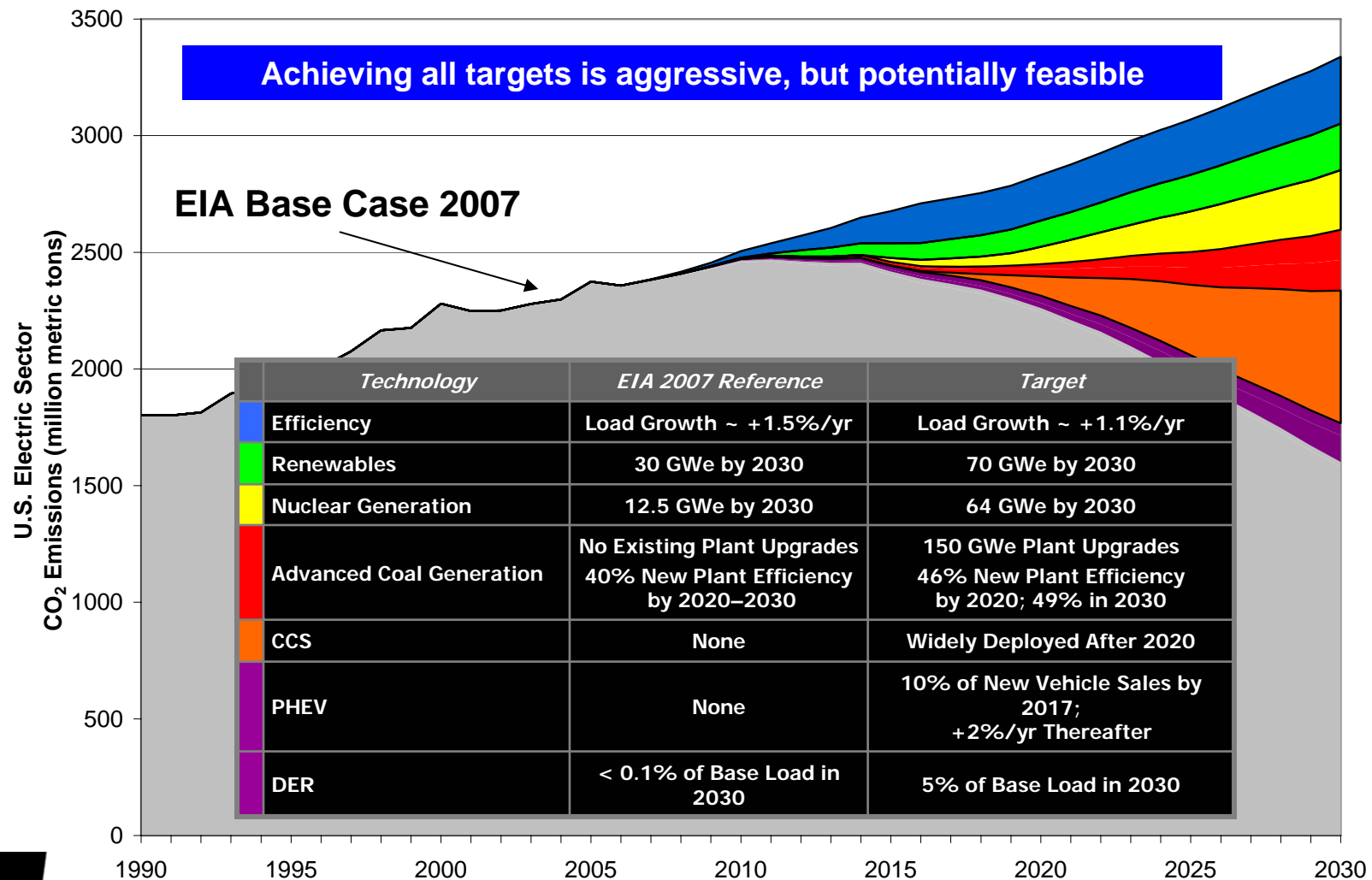
Annual AEP Cost Increases

Lieberman-Warner Cost to AEP



The cost and rate impacts of Lieberman-Warner are very large, particularly due to increasing levels of auctions over time. Auction purchases account for more than two-thirds of total costs.

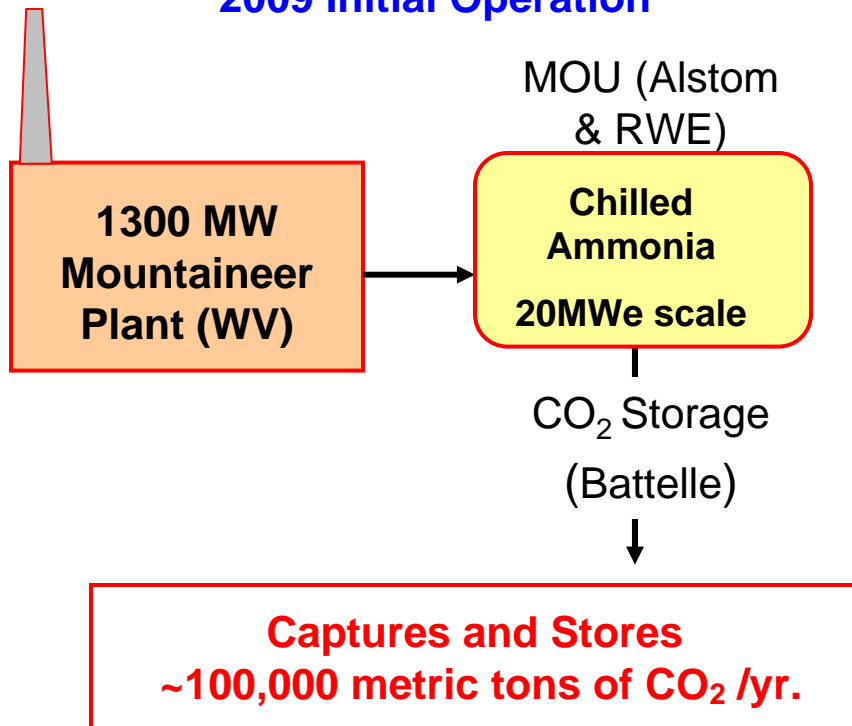
A Portfolio is Needed and CCS is Key



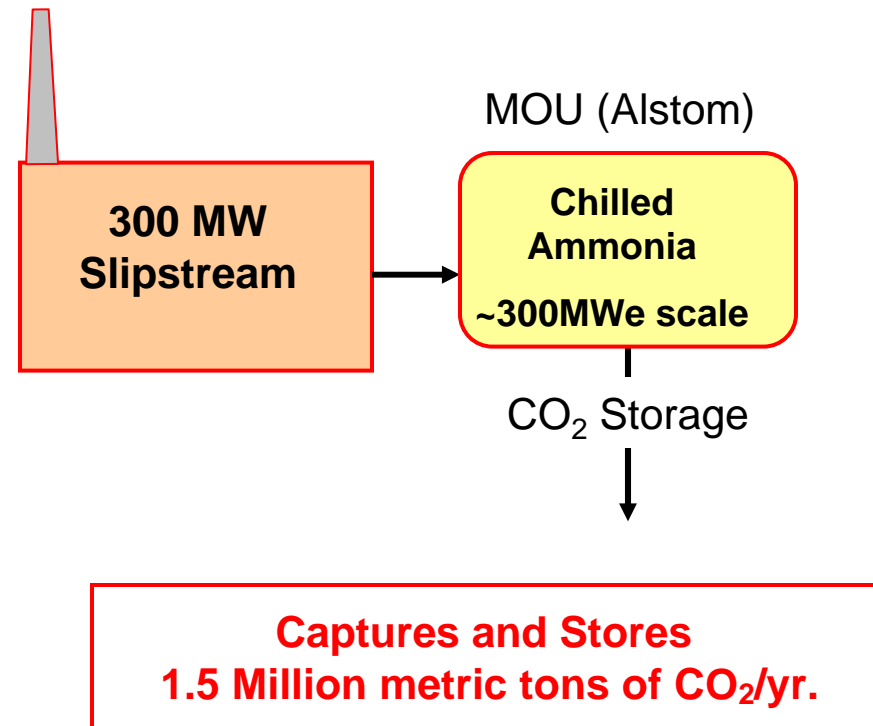
AEP Leadership in New Technology: Chilled Ammonia CCS

Phase 1

2009 Initial Operation



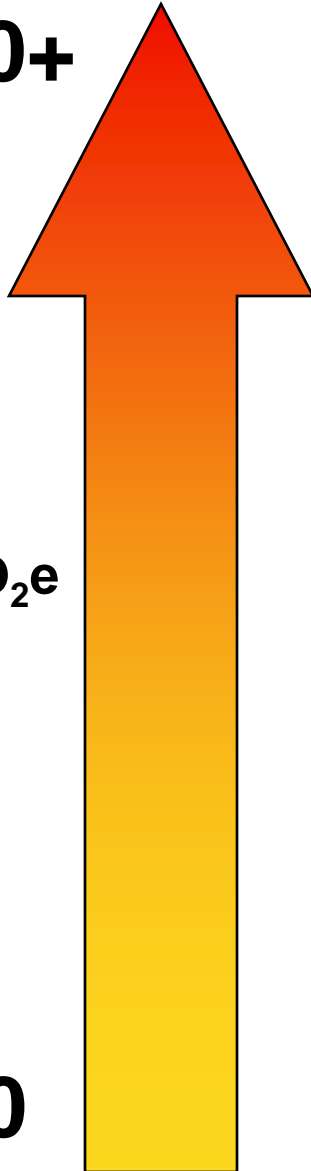
Phase 2



The Challenge: CCS is Expensive

\$50+

\$/ton CO₂e



- **CCS w/ Geologic Sequestration**
- **Other renewable, advanced geothermal and/or solar**
- **Carbon Capture for Enhanced Oil Recovery**
- **New Biomass Generation**
- **Dispatch of additional gas vs. inefficient coal**
- **Biomass Co-firing**
- **Forestry**
- **New Wind**
- **Nuclear**
- **Energy Efficiency**
- **Methane Offsets**

AEP **\$0**