



September 14, 2009

**AEP'S POSITION ON CLIMATE LEGISLATION IS CLEAR:
A MESSAGE FROM AEP CHAIRMAN, PRESIDENT & CEO MICHAEL G. MORRIS**

As the debate heats up and rhetoric flies in anticipation of Senate action on climate legislation, I want to ensure that you clearly understand AEP's position on the American Clean Energy and Security Act of 2009 that was passed by the U.S. House of Representatives June 26. Our affiliation with a variety of organizations – some who support this legislation and others who oppose it – has some people wondering exactly where we stand.

American Electric Power supports the American Clean Energy and Security Act. No legislation is perfect – particularly one that seeks to overhaul the way our nation uses energy – but we believe this climate bill will work and it represents the best of the available options.

The members of the U.S. House of Representatives spent countless hours debating this legislation with the goal of reducing greenhouse gas emissions and creating a cleaner energy supply for the nation. Of major importance, steps were taken to preserve jobs for American workers by ensuring that international trade counterparties are taking comparable actions to address this global issue. House members also included measures designed to minimize the cost impact on consumers and to protect the economy.

Because of the significant efforts by members of the House, we believe the American Clean Energy and Security Act is better for our customers, our shareholders and the U.S. economy than the alternative – CO₂ regulation by the U.S. Environmental Protection Agency (EPA). If climate legislation dies in Congress, the EPA will regulate carbon dioxide as a pollutant under the Clean Air Act. The Supreme Court ruled in 2007 that EPA has that authority, and EPA has provided notice that it is pursuing the development of regulations.

Climate action by EPA isn't equivalent to climate action by Congress. Under the Clean Air Act, EPA has no choice but to take action on CO₂ on a source-by-source or sector-by-sector basis, with little or no mechanisms for consideration of impacts on employment, consumer costs or the economy. Additionally, under the Clean Air Act, EPA would be required to impose permitting requirements for the first time on hundreds of thousands of additional facilities.

So the choice is simple: (a) a well-crafted, comprehensive legislative approach that will reduce greenhouse gas emissions while introducing measures to address jobs, costs and the economy; or

(b) single-focus regulation that will require greenhouse gas emissions reductions without regard to jobs, costs and the economy. Those are the only options.

We do believe the Senate can make constructive improvements to this legislation to reduce the impact on electricity customers and the economy, and we will advocate those improvements as the debate moves forward. We believe the allocation of emission allowances to electric utilities should be increased and the timelines for the initial reductions and the phaseout of allocations should be extended. There also should be enhancements to the bill's offset provisions, including expanding the types of offsets acceptable for compliance and ensuring that verifiable international offsets count equally. And, the Senate should expand federal siting authority for new transmission lines. All of these actions will reduce the impact of cutting greenhouse gas emissions on the U.S. economy. *However, even without these changes, we will continue to support the legislation in its current form as long as the international trade provisions to protect American jobs remain in place.*

Climate action is inevitable. The only choice is whether to encourage the Senate to pass comprehensive, well-crafted climate legislation or to wait for the EPA to enact regulations under the Clean Air Act. We believe well-crafted legislation is the better option for our customers, our shareholders and the communities that we serve, and we will continue to advocate that position as the debate moves forward.

A handwritten signature in black ink, reading "Michael G. Morris". The signature is written in a cursive style with a large initial "M" and "G".

Michael G. Morris
Chairman, President and Chief Executive Officer
American Electric Power