



Nicholas K. Akins

EDITORS' NOTE Nick Akins is also a member of AEP's Board of Directors and is the only management representative on the board. Akins rose through the ranks at both AEP and the former Central and South West Corp. (CSW), which merged with AEP in 2000. Akins began his nearly 30-year tenure in 1982 as an electrical engineer before moving up to positions of increased responsibility. Prior to being elected President of AEP in December 2010, he served as Executive Vice President-Generation from 2006 through 2010. Akins was President and Chief Operating Officer for Southwestern Electric Power Company, named to the position in 2004. Prior to this, he served as Vice President-Energy Marketing Services. Akins was also Vice President-Industry Restructuring for AEP. Before CSW's merger with AEP, Akins held various director and manager roles with responsibility for mergers and acquisitions, industry restructuring, fuels, system dispatch operations, and system planning. Akins received his bachelor's degree in 1982 in electrical engineering and a master's degree in electrical engineering in 1986 from Louisiana Tech University. Additional training includes executive management programs at Louisiana State University, the University of Idaho, and the Reactor Technology Course for Utility Executives at the Massachusetts Institute of Technology. Akins currently serves as Vice-Chairman of the Board of Directors of the Edison Electric Institute (EEI). Akins is also a director for Fifth Third Bancorp.

COMPANY BRIEF American Electric Power (www.aep.com) is one of the largest electric utilities in the United States, delivering electricity to more than 5.3 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 40,000-mile network that includes more than 765 kilovolt extra-high voltage transmission lines than all other U.S. transmission systems

Building a Reputation

An Interview with Nicholas K. Akins,
Chairman, President and Chief Executive Officer, American Electric Power (AEP)

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.

What has allowed AEP to have such consistent performance and results?

It's the ingenuity of our employees. Whenever there is a challenge or progress to be made, they readily accept the challenge. There is a sense of pride related to what the company has accomplished in the past, and we have a whole litany of technological firsts in our industry.

This curiosity is what has enabled AEP to prosper.

How do you make certain you retain an innovative edge as part of the company's culture?

We provide an environment in which people can test new things. There have been times when we had missteps along the way or technologies didn't work out. But we learned from that and moved on. If you have a culture that encourages challenging yourself and the way things have been done before, you end up with an environment that is conducive to innovation.

How do you differentiate in this space?

A company builds its reputation over time, and over the past 106 years, we have built AEP's reputation by being honest, credible, and ethical. We're sincere in how we deal with things externally, and people believe what we say.

This kind of credibility, which has withstood the test of time, gives us the ability to maintain external awareness of what the company represents, particularly in Washington.

We're very focused on what the reputation of AEP means. We talk about the AEP parable, what it means to our customers, our shareholders, and our employees.

Is the right dialogue taking place and is there optimism that we can come to a sound energy policy?

Our nation has a couple of distinct opportunities. We have an opportunity to advance national energy security, by virtue of the shale gas activity, and we have technology that is providing new energy resources.

It is no longer about utilities focused on generation and how many power plants you're going to build. We are focused on the suite of resources that are available to provide electricity to customers. As long as we keep our fuel portfolio balanced and mitigate risks for our customers and the economy, the transformation of our industry is a good thing.

With that kind of backdrop, we are seeing some areas where Congress is working across the aisle to try to advance an energy policy that makes sense.

The challenge will be how well we're able to accommodate the regional differences in our nation, because some regions of the country don't have access to certain renewables that are available; others are focused on nuclear; some areas are focused on natural gas development and the smart grid applications that drive a more efficient grid. We need to be able to develop all of these things where they make sense.

Transmission is another resource – the country is focused on transmission development and investment to optimize the grid and generation resources. There is a lot of activity in this area, and it's a matter of putting the puzzle pieces together in a cohesive way.

Unfortunately, we have to work through the partisan challenges in Washington. This country's energy future can be a great economic development driver and, if we get it right, it can help address many of the other issues that Congress is dealing with today.

Is there too much of an emphasis on natural gas?

We can go overboard on natural gas. It's definitely a part of the puzzle and from a cost perspective, it's competing on a marginal cost basis with some of the coal supplies. But we can go too far. If we design a natural gas pipeline system to support natural gas transport and to add reliability to the electric grid, that will really drive a different type of investment and a different type of focus for the natural

gas industry. The Federal Energy Regulatory Commission is working on that piece of the puzzle.

It's important to get right not only how much natural gas should fit within the energy portfolio for this country, but we must also make sure that natural gas doesn't completely negate investment in other forms of electricity generation including new nuclear, new coal, and even renewables – those have to be balanced.

We also must ensure that the infrastructure is adequate to support the level of electric supply reliability that our customers want.

What type of impact will your customers see in regard to shale gas development?

With shale gas development, you get economic support for industries that are gas related, but also those that are chemicals related. It can support manufacturing and industrial growth, something this country desperately needs. With Ohio and the Midwest well-positioned in terms of proximity to load centers, rivers, and markets, it is a true economic development opportunity. Ohio, in particular, will again become an energy producing state.

The development of the shale gas industry not only benefits AEP but also our customers. Shale gas growth can help mitigate the cost impact of the significant investments that our industry needs to make for the individual customer. The more customers you have, the wider those costs are allocated.

Are there additional challenges for a location like Ohio based on its status as a deregulated market?

In all of the competitive electricity markets, there are no long-term price signals for the building of new generation capacity or resources. For Ohio, the absence of a true, long-term price signal and market products that discourage the building of new capacity, ultimately will be a problem for this region and the state. Ohio will have to import energy to meet demand.

How critical has the investment in technology been for AEP?

Through our history, AEP has led the industry in advancing technologies, and that has not changed, but today we also are seeing changes on the resource side as well. Shale gas development has been transformational for our industry and for our company. Historically, we didn't have natural gas available in the Midwest; today, it's a different story.

We need to be thinking about the advancement of technologies such as microgrid, distributed generation, battery technologies – those types of things that can truly be just as transformative as the natural gas industry has been.



AEP's 600-megawatt John W. Turk Jr. Power Plant in Arkansas began operation in December 2012 and is the first in the United States to use ultra-supercritical advanced coal combustion technology, which requires less coal and produces fewer emissions to generate the same amount of power. (above) Nick Akins interacting with employees at the Turk Plant during the plant's early construction phase. (below)

The next big change I anticipate will be in the form of battery technologies – you will see electric vehicles advancing battery technology at a much faster pace.

Is it clear that this industry truly drives so much of what takes place?

There isn't a good understanding of even what happens behind the light switch, and that has always been a communication challenge for our industry. Some recent catalysts have helped, and customers are becoming more aware of the significant role our industry plays in their lives.

Superstorm Sandy was a bellwether event. That storm elevated the discussion about grid resiliency and cybersecurity, and focused attention on what the resiliency of the electric grid means to society. Before that, Hurricane Katrina demonstrated that the availability of electricity can mean the difference between civilized society and anarchy.

We've been given an opportunity to provide more information about the societal benefits of the product we provide. People are becoming more knowledgeable, and technology is driving discussions around distributed generation, rooftop solar, centralized solar, and battery technologies. That's positive.

How much can you do to ensure cybersecurity?

The electric power industry is the only critical infrastructure sector with mandatory and enforceable cybersecurity standards. It's not just business systems we have to maintain; it's also the physical grid. We have to achieve as defensive a posture as we can, but also reinforce that with offensive tools that focus on grid resiliency and our ability to respond to an attack. We're working in partnership with the federal government to anticipate and respond as effectively as possible.

What efforts have you made toward developing a diverse workforce?

We are focused on diversity, but it can be a challenge to get qualified young professionals from diverse backgrounds who want to do the jobs we have available. We're working with educational institutions to generate interest in the work we do and to develop technical apprenticeship programs designed to attract students with diverse backgrounds.

As a result, we're seeing much more diversity in our current employee mix, and to support inclusiveness, we've sponsored a variety of employee resource groups – including groups focused on race, gender, sexual orientation, cultural heritage, and military service – that offer support and a sense of camaraderie for employees.

We also support employee focus groups to give our employees a way to contribute their thoughts about how we are doing.

Is it important that your CSR efforts align with the business?

Social responsibility is good business, but it's what we're about at the core, as well.

Many people would not work in this industry if they didn't believe in helping people. So it's a natural extension for our company and employees to be involved in the communities we serve.

Part of our commitment to giving back is because of the people at this company, but there is also a business reason for doing it. For example, the AEP Foundation focuses on funding early childhood through high school development. Supporting educational development is a socially responsible thing to do, but we also recognize the business benefits. If we want to provide service in vibrant, growing communities, we need an educated, diverse workforce. So we need to support urban schools and develop programs that align education and development with the job requirements of the future.

How critical is it to your continued success to have continuity in your workforce?

It has been the highlight of my life to run a company with a track record like AEP. Every employee here, and particularly the management team, is in lockstep. We all know that this company has been around 106 years, and we intend for it to last another 106 years.

Today's AEP is focused on infrastructure development, improving the customer experience and, of course, enhancing the employee experience. This is a powerful combination. Our company is well-positioned for the future because of our people, but also because of the rich history of responsibility that AEP enjoys. It's an exciting time to be part of our industry. ●