



WHEREAS:

To limit climate change to 2 degrees Celsius, the level required to mitigate the worst impacts of climate change, the IPCC estimates that the U.S. will need to reduce its greenhouse gas emissions nearly 80% by 2050 (relative to 1990 levels). According to the World Bank, climate change could drive 100 million people into extreme poverty, while a Stanford study predicts climate change could depress global incomes 23%. A 2014 report from Oxford University's Stranded Assets Program says "Reducing emissions from electricity generation is crucial to addressing risks of anthropogenic climate change."

In 2013, American Electric Power ("AEP") generated approximately 2% of total U.S. energy related carbon dioxide emissions. (AEP website, EIA 2015). AEP consumes the most coal of any utility in the U.S., despite being only the fifth largest utility. (Ceres 2015). In its CDP report, AEP notes that it is "one of the largest consumers of coal in the Western Hemisphere."

Regulations designed to slow or mitigate climate change, as well as climate related market changes, are likely to strand U.S. utility coal generation assets. In June 2015, the U.S. adopted its first major climate regulation, the Clean Power Plan, which requires the U.S. electric power sector to significantly reduce carbon emissions. HSBC noted that the Clean Power Plan's clean air requirements could "increase the stranding risk for U.S. coal producers and coal heavy utilities." In comments to the EPA opposing the Clean Power Plan, a group of utilities claimed that coal pollution regulation will "result in billions of dollars in stranded assets." (Comment from Coalition for Innovative Climate Solutions).

Renewable power may also strand coal assets. According to a 2014 Rocky Mountain Institute report: "the point at which solar-plus-battery systems reach grid parity [...] is well within the 30-year planned economic life of central power plants and transmission infrastructure. Such parity and the customer defections it could trigger would strand those costly utility assets."

AEP's fossil fuel assets may already be at risk of stranding. AEP has aggressively sought a customer financed "bail out" of its aging coal infrastructure in Ohio, even resubmitting the request after it was denied in early 2015.

BE IT RESOLVED:

Shareholders request AEP prepare a report by September 2016, omitting proprietary information and at reasonable cost, quantifying the potential financial losses to the company associated with stranding of its fossil fuel generation facilities under a range of climate regulation scenarios requiring greenhouse gas reductions beyond Clean Power Plan reductions. Shareholders suggest, at a minimum, that AEP quantify its exposure under a scenario limiting global carbon emissions to 2 degrees Celsius.