

Illuminator

AUGUST 1994

NEW DIRECTIONS



Illuminator

Vol. 45, No. 11, August 1994

Published for the employees of



Editorial Office:
PUBLIC AFFAIRS DEPARTMENT
Appalachian Power Company
P. O. Box 2021
Roanoke, Virginia 24022

Articles may be reprinted with proper attribution.
We are equal opportunity employers.

EDITORIAL STAFF

Richard K. Burton
public affairs director

B. Don Johnson
public affairs information manager

Betty Lou Carter
editor of publications

ASSOCIATE EDITORS

Bill Roeser
Abingdon

Tom Cloer
John Amos

Dana Perry
Beckley

Karen Simmons
Bluefield

Metzel Turley
Central Machine Shop

Debbie Carder
Centralized Plant Maintenance

Charlie Bias
Charleston

Chuck Perdue
Clinch River

Earl Smith
General Office

Randy Nicewonder
Glen Lyn

Barbara Collins
Huntington

Audra Pauley
Kanawha River

Leta Dingus
Kingsport

Mel Wilson
Lynchburg

Janice Adkins
Mountaineer

Glenda Wohlford
Pulaski

Vickie Ratcliff
Roanoke

Jill LaValley
Philip Sporn

Benefits

- 4 1994 Personalized Benefit Statements Mailed To Employees' Homes
- Dependent Care Connection Offers Counseling, Referral Services
- Dependent Coverage Available

Features

- 5 Marketing Electric Power In A Competitive Era
- 9 Appalachian Employees Save Tot's Life

News

- 3 21 Appalachian Power Supervisors Participate In New Training Program
- APCo Donates Property For YWCA Expansion

Power People

- 10 Bluefield Employees Provide Rescue Assistance After Helicopter Crash
- Appalachian Aids Sports Foundation
- Workers Make Strides Against Cancer
- 11 Ukrainians Enjoy Home Cooked Meal At Appalachian Home In Bluefield
- HOG Raises \$2,000 For Muscular Dystrophy
- 12 Retirements
- 14 Promotions
- 16 Who's News
- 20 Weddings & Births
- 21 Service Anniversaries
- 23 Friends We'll Miss
- 24 Customer Appreciation Days Draw Crowds

About the cover:

Approximately 230 AEP managers met in Columbus July 13-15 to focus on new directions the company will take in a changing business environment. This month's cover reflects that challenge, and a special insert presents highlights from the meeting and comment from attendees.



NEWS

21 Appalachian Power Supervisors Participate In New Training Program

Twenty-one Appalachian Power Company mid-managers last month participated in the first "Leadership In Changing Times" Program conducted by Virginia Tech's Pamplin College of Business and the Division of Continuing Education.

Division participants included Susan Doss, Abingdon human resources supervisor; Tom Wiseman, Beckley marketing and customer services manager; Mary Kent, Beckley line and station superintendent; Robert Farley, Bluefield T&D superintendent; Rudy Trigg, Charleston engineering supervisor; Matthew Harmon, Huntington engineering supervisor; Mark Lynch, Logan marketing and customer services manager; Larry Jackson, Lynchburg marketing and customer services manager; Mike Wilson, Pulaski line superintendent; and Jon Williams, Roanoke marketing and customer services manager.

Plant participants were Dave Martin, Amos Plant human resources supervisor; Vic Taylor, Clinch River Plant supervising engineer-environmental; Henry Parker, Glen Lyn Plant supervising engineer-environmental; Ed Shelton, Kanawha River Plant operations superintendent; Brad Yoho, Mountaineer Plant maintenance superintendent; and John Blair, Philip Sporn Plant supervising engineer-environmental.

Participants from the General Office were Raymond Totten, tax accounting supervisor, GO Accounting, Roanoke; Mark Lawrence, governmental affairs manager, GO Executive, Roanoke; Jeff Weddle, marketing and customer services manager, GO Marketing and Customer Services, Roanoke; Don Howell, computer resources superintendent, GO T&D, Roanoke; and Sam Hartman, training supervisor, GO Human Resources, Roanoke.

Appalachian Power President Joseph Vipperman opened the training program by focusing on the challenges and opportunities which Appalachian Power must address in the coming decade. Participants completing the program enhanced their leadership skills for: 1) managing the change process to achieve company goals; 2) promoting a problem solving, learning team environment; 3) effective delegation; 4) prioritizing and planning for results; and 5) being effective spokespersons for Appalachian.

The leadership program is in keeping with the company's objective of developing a well trained and diverse work force. Another "Leadership In Changing Times" Program will be held in mid-October. □

APCo Donates Property For YWCA Expansion

Appalachian Power Company last month donated property to the Roanoke Valley YWCA, which plans to build a \$2.8 million child care center for children with special needs. The 5,000 square foot Irwin Building, which Appalachian used for storage, adjoins the YWCA Central Center in downtown Roanoke. The Irwin Building will be razed and a 20,000 square foot child care center built in its place and on surrounding land.

The center, scheduled to open in September 1996, will be the first of its kind in Virginia. Called the Bogardus Project, the center will include services for disabled children 6 weeks to 2 years old. It also will provide services for visually impaired children and those in need of audiology services or physical, occupational, or speech therapy. A "Chicken Soup Program" will provide day care for mildly ill children of working parents.

The center will be equipped with activities to encourage early childhood development and creativity. These will include an aquarium and environmental area with a greenhouse; an indoor sandbox area with a desert theme; an indoor playhouse and puppet theater; an indoor wading pool with a jungle theme; a rooftop playground; and a mini-amphitheater.

Appalachian President Joe Vipperman said, "It was clear that the YWCA had a vision. It also was evident that APCo could play a significant role in being one of the initial participants in this very worthwhile project." The donation is in keeping with Appalachian's objective of improving the quality of life in communities it serves.

In a letter to Vipperman, Virginia Delegate A. Victor Thomas wrote, "You stand in front of the Roanoke Valley as an outstanding example of the true corporate citizen . . . The Appalachian Power Company has a long history of dedicated service to the Roanoke area and to the people of the Commonwealth as a whole. You are to be applauded for again demonstrating your commitment to improving the quality of life here in the Valley." □

BENEFITS

1994 Personalized Benefit Statements Mailed To Employees' Homes

Employees who participate in AEP System benefit plans will receive their 1994 personalized statements in the mail at their homes this month.

The booklet format, which was introduced in 1992, shows how the various plans in AEP's benefit program work together to provide financial protection for employees and their families.

This year's statement reflects the changes in AEP's Comprehensive Medical Plan, which now offers coverage through Open Choice or Open Access. Open Choice is a preferred provider organization that provides a higher level of benefits when using network providers. Open Access, which offers the same types of health coverage as Open Choice, applies if an employee does not live in a network area.

Again this year, the personalized statement shows retirement income projections from the retirement plan, the savings plan and Social Security, based on certain assumptions. These estimates are presented to emphasize the importance of including an employee's own savings as a major element of retirement income. To help employees plan for their retirement, these projections are shown at ages 55, 62 and 65.

The value of AEP's employee benefit program adds significantly to an employee's total compensation. The company's total average annual contribution toward the AEP System benefit protection program and to other benefits such as vacation, holidays, and Social Security averages about 40 percent of payroll.

Employees should review the information in their statements for accuracy and share it with their families. If any of the personal or participation information does not appear to be correct, or if they have questions about their statement or their benefits, employees should contact their Human Resources Department.

The 1994 statement also includes a brief survey that employees are encouraged to complete and return as soon as possible. □

Dependent Care Connection Offers Counseling, Referral Services

The Dependent Care Connection, Inc.® (DCC) provides services to help employees locate a variety of programs and resources for individuals with special needs.

A nationwide counseling and referral service for child and elder care, DCC administers AEP's Dependent Care Referral Service. DCC counselors will help employees find and evaluate all types of dependent care arrangements — from hiring a babysitter to choosing a nursing home for an elderly relative. In addition, DCC counselors will refer employees directly to agencies and programs that offer appropriate services in the employee's local area.

For individuals with special needs, DCC offers early intervention services; support and advocacy groups; academic, therapeutic, and recreational programs for physically and mentally challenged individuals; testing information; funding and financial guidance; private schools; camps; and residential programs.

Employees can contact DCC counselors by calling 1-800-873-4636. The hearing impaired should call 1-800-873-1322. □

Dependent coverage available

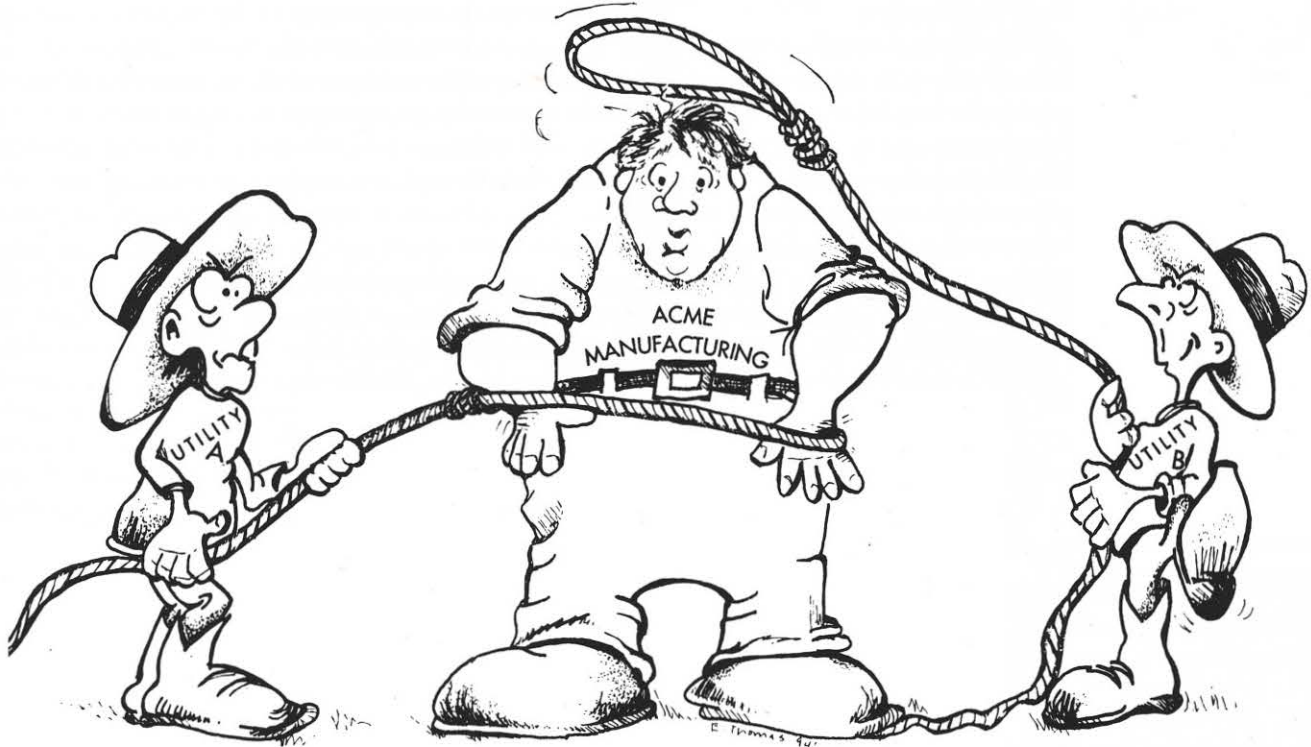
Employees with dependents still in school are reminded to review an option concerning their coverage for continued dependent health care.

The continuation of eligibility for health care for dependent children who are 19-24 years of age, unmarried and still attending school full time is one of the AEP System's long-standing benefits.

An additional option provides for continued group coverage up to 36 months beyond the regular dependent eligibility period. For example, this continued coverage will be offered when a dependent marries, or is 19 or older and no longer a full-time student. The cost for this continued coverage is the full premium plus administrative costs.

Employees or their dependents should notify their Human Resources Department within 60 days of the date the dependent reaches 25, marries, or is 19 or older and no longer a full-time student. If continued coverage is desired, the employee (or dependent) must fill out an election form, which the company will provide within 14 days of notification. □

Marketing Electric Power In A Competitive Era



The retail wheeling issue raises the aspect that utilities may be competing for the same customers.

Retail wheeling has moved to the forefront among the key issues that AEP and the nation's electric utilities face in the 1990s.

The prospect of this head-to-head competition in the retail arena stems from the federal government's encouragement of competition in the wholesale electricity marketplace through Congress' enactment of the National Energy Policy Act of 1992.

AEP companies will be competing with non-affiliated utilities, independent power producers and power marketers or brokers for the right to serve industrial, commercial and residential customers — either within or outside the traditional boundaries of AEP's service territory.

For proof that competition has already begun, you need look no further than in Appalachian Power's own back yard. In meetings regarding the company's Mission Project, employees are learning that the Blue Ridge Power Agency (several Virginia municipalities) has a contract to buy power from Public Service of Indiana, a utility with plans to target AEP industrial customers in the future. A recent national survey of large commercial and

industrial customers revealed that, with little or no difference in rates, 56 percent may be interested in seeking another energy supplier.

In a recent interview, David H. Crabtree, vice president-customer and marketing services for the AEP Service Corporation, and Charles A. Falcone, senior vice president-system power markets, explained the retail wheeling issue and some of its potential ramifications for the AEP System. Here, for the readers of the *Illuminator*, are their remarks:

ILLUMINATOR: What is the definition of "retail wheeling" and what does the retail wheeling issue entail?

FALCONE: In a retail wheeling environment, customers will be able to choose their energy supplier and the local utility must "deliver" the energy to the customer or "wheel" it over their existing lines. Currently, utilities are required to transmit (wheel) energy into or across their grids for eligible entities, including wholesale customers, for a fee. Those wholesale customers include electric cooperatives, municipal

systems and other investor-owned electric utilities. This is mandated by the National Energy Policy Act of 1992; however, it is up to the individual states whether or not to require the same type of wheeling for retail customers.

Retail wheeling is not as simple as it may appear on the surface. There are many problems, the most significant of which is the issue of stranded investment. The historic regulatory compact required utilities to provide adequate capacity to meet all customers' needs. This is a long-term planning process that is very capital intensive. In return, under the regulatory compact, the customer has been required to take service from that utility at a price that is controlled by regulation. If the customer is free to choose its supplier and does not choose his, her or its present utility, the investment made to serve that customer is "stranded," shifting those fixed costs to other customers or to stockholders.

ILLUMINATOR: Have any states enacted legislation placing retail wheeling provisions into effect? Are other states seriously considering enactment of retail wheeling legislation at this time?

FALCONE: Nevada was the first state to enact legislation allowing retail wheeling. But Nevada's provision is very narrow in scope and was aimed at attracting one particular industrial prospect. It is so limited, in fact, that it is not truly retail wheeling.

Other states have either legislative or regulatory activities ongoing — the purpose of which is to establish a retail wheeling environment. Most notable is the recent action by the California Public Utilities Commission that, should its proposed order take effect, will allow retail wheeling to large industrial customers in 1996 and to all customers, including residential, by the year 2002. Rules are scheduled to be finalized by August 1, but already there are signs that they will be delayed. Michigan is the first state to set up a limited retail wheeling experiment involving two of that state's largest utilities, Consumers Power and Detroit Edison. But, that experiment will not go into effect until transmission rates are established and the need for new capacity exists. Other states, including Ohio, have legislation in the mill, but these bills are all still in the comment stage.

ILLUMINATOR: What is the AEP System's position regarding the concept of retail wheeling? Could you explain AEP's rationale behind this position?

CRABTREE: We recognize increased competition is inevitable, with or without retail wheeling, and customers will have more options. Our goal is to give our customers good reasons to choose AEP as their energy supplier. As a matter of fact, we are striving to develop marketing programs and a customer service culture in our company such that, whether customers have choices or not, they would want us as their supplier. Because of the many complexities, I am not sure retail wheeling in its purest sense, or the "California model," will come to pass. However, it is our belief that competitive pricing will become more common in some form in the not-too-distant future, and we are striving to prepare for that situation.



ILLUMINATOR: What groups or industries are advocating retail wheeling? Do energy-intensive industries or businesses favor the concept because it might boost their profit margin?

CRABTREE: That's precisely correct. The customers most interested in competitive pricing are the large, energy-intensive industries because of the potential impact on their bottom line. Virtually any customer you ask would

say they would want lower prices, whether they are talking about electricity or any other component that goes into their product. However, even as important as price is, it is not the only consideration. Many customers are also concerned about better power quality and other service aspects and would be willing to pay some price differential to ensure those characteristics of the electric energy they buy.

ILLUMINATOR: Based on the experiences of the natural gas industry, the telecommunications industry and other industries in which retail competition has been introduced, what percentage of the AEP System's industrial or commercial customers might be "at risk," when and if retail wheeling is enacted?

CRABTREE: When you review what happened in the telecommunications industry, you see that AT&T lost about

35 percent of its long distance customers. In the natural gas industry, more than 90 percent of industrial customers are now served by gas brokers, gas marketers or someone else other than their local distribution companies. Granted, the local distribution companies make a profit by transporting the gas to the industrial customers, but no longer are they the "sellers."

There are few reasons for us to believe our industry will be different. In a recent national survey, 26 percent of the large commercial and industrial customers stated that, if given the choice, they would change electrical suppliers even if the price and quality were the same. When probed as to why they would change, most stated the belief that, in a competitive environment, the price would not stay the same and they would be able to negotiate a reduced price. An additional 30 percent said they would change for a price differential of five percent or less. That suggests, assuming the national figures reflect our customers' attitudes, that better than half of our industrial customers could consider change for a price decrease of five percent or less. However, this is pure guesswork at this stage.

Retail Wheeling On The Horizon

As reported by *Electrical World* magazine, "electric utilities could be either 'seriously weakened' or made stronger 'than they have been in 20 years' when several events culminate and kick in during 1996," according to a just-completed private study of North American power markets and strategies by Cambridge Research Associates (CERA), Cambridge, Mass.

Reporting in the June issue, the trade magazine said that "these events will be pivotal in determining how the industry will be reshaped until well into the 21st century." Among these are expansion of independent power producers' (IPP) facilities; environmental standards and demand side management (DSM) investment; tighter NO_x standards; early closing of nuclear power plants; the status of natural gas as a reliable fuel supply; and open access to transmission.

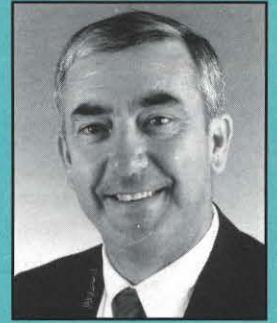
Foremost among these is how much open access — from wholesale to retail wheeling — will be permitted. This will depend on how broad or narrow the interpretation is of the National Energy Policy Act of 1992 (NEPA), which grants the Federal Energy Regulatory Commission (FERC) authority to mandate wheeling. The law allows the definition of retail wheeling to be determined by state regulators who confront an array of interests "that share substantial incentives to erode the intended prohibition on retail wheeling." □

ILLUMINATOR: What types of efforts are we currently making — and what types of efforts are we planning — to make certain that, if an industrial customer has an opportunity to choose its supplier of electric energy, that customer will choose one of the AEP companies?

CRABTREE: We have the advantage of being a low-cost producer to begin with, so we start with an advantage over some electric utilities across the nation. Our marketing programs and our customer service programs are aimed at building a relationship with our customers such that, if given a choice, they would choose AEP. We are intensifying those efforts. An example is the Key Accounts Program that we are presently developing — it's aimed at our larger industrial customers, seeking ways to serve them better.

ILLUMINATOR: Will AEP be developing — or has AEP already developed — a strategy on how to respond if another electric utility approaches one of our industrial or commercial customers, offering to provide service? If or when retail wheeling becomes a reality, wouldn't the AEP System have the opportunity to serve industrial and commercial customers that are presently located beyond the boundaries of AEP's service territory?

FALCONE: I feel confident that, for most of our customers, we will be the supplier of choice. However, no matter what you do, you can lose some customers. You may have done something many years ago that, in the customer's mind, is a continuing irritation and that customer may leave your system regardless of price or other factors if given the opportunity. But, there would also be opportunities for us to become the supplier of choice of customers not presently located in our service area. It is quite possible that any losses we sustain would be more than offset by new load outside our service area.



**"As in any competitive industry, we must identify what we do best and determine what market segments those strengths can best serve."
— David Crabtree**

ILLUMINATOR: What types of coordination will be required, once retail wheeling becomes a reality, so that the operating companies of the AEP System don't end up bidding against each other to retain or attract an industrial or commercial customer's business?

CRABTREE: This is an excellent question. Frankly, it's a question to which we don't have an answer at this point in time. However, I assure you it is an issue being actively studied. And, in spite of the less regulated appearance of a retail wheeling world, I am sure this will be an important concern to the regulators and others in our service area, as well.

ILLUMINATOR: Aren't we already somewhat accustomed to an increased level of competition from other electric utilities, simply from the competition that's involved when industrial and commercial customers seek to expand their businesses, or build new facilities?

CRABTREE: Certainly we have always had competition, and it is true that it is increasing at a rapid pace. We've seen many cases where our industrial customers have sister plants off the AEP System with which they compete for business. Most of our industrial customers also have fierce competition from other producers, both foreign and domestic, and they can often use self-generation effectively. So it is in our best interest to keep our price low and provide as much added value as we possibly can in order to keep our customers healthy and competitive. Setting the retail wheeling issue aside, this scenario will do nothing but increase in coming years.

ILLUMINATOR: Doesn't the possibility of cut-throat price competition carry some real risks if and when retail wheeling becomes a reality? Could we see situations similar to those that have occurred within the airline industry — some utilities might not survive, and others might become so strapped financially that planning and reliability might suffer?

FALCONE: It is possible to visualize scenarios in which utilities are forced to write down asset values substantially or face even harsher financial effects. There could be more consolidations and mergers, resulting in fewer companies than there are today, in order to reduce costs, achieve greater efficiencies and compete more effectively. I do not believe, however, that long-term reliability should be seriously affected. Electricity is a necessity. It's vital to our national security and economic growth. Reliable service must remain a paramount objective.

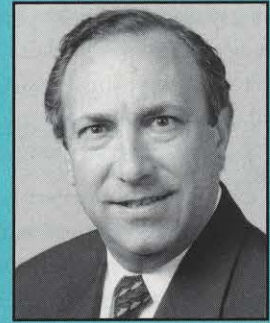
ILLUMINATOR: Do you see — at some point in the future — the possibility of AEP offering different services and different levels of service in order to meet differing customer needs?

CRABTREE: Without a doubt, we will have a different mix of products and services tomorrow than we have today. As the regulatory compact dissolves or is reconstituted, we will have to decide what customers we want most to serve — both within our service area and outside it. As in any competitive industry, we must identify what we do best and determine what market segments those strengths can best serve. When we and our customers are free to pick and choose, our array of products and our customer mix will change.

ILLUMINATOR: All in all, would you say that AEP — with its tradition of being a low-cost energy producer — is in a better position than most other utilities when it comes to meeting the challenges that will be presented by retail wheeling?

FALCONE: The fact that we are a low-cost producer today is an extremely important factor in an increasingly competitive environment, which may or may not include retail wheeling. However, it does not alone guarantee success. Companies that today are considered high-cost producers will be forced to find ways, difficult as they may be, to get their costs and prices down. So it's conceivable that tomorrow we will not be the low-cost producer unless we take action similar to that of our competitors.

The key to success is finding ways we can benefit our customers — both existing and new — by providing services that will differentiate us from our competitors, along with the electric energy, recognizing that you have a very narrow price band in which to work. By starting out with relatively low cost, though, we are well on our way to positioning ourselves to be the energy provider of choice. □



“The key to success is finding ways we can benefit our customers — both existing and new — by providing services that will differentiate us from our competitors . . .”
— Charles Falcone

Appalachian Employees Save Tot's Life

Three Appalachian Power employees in Rocky Mount are credited with saving the life of T. J. Angel, a two-year-old boy.

Frank Nichols, line crew supervisor nonexempt; Billy Thurman, line mechanic A; and Lloyd Bridges, Jr., line mechanic B, were installing electric service at Kingdom Mission on Virginia Route 740 when they heard loud hollering from a house in the woods about 100 yards away.

Nichols, who was working on the ground with Thurman, first thought the hollering might be children playing. But Bridges, from his vantage point in a bucket truck, saw an obviously distraught woman out in the yard, holding a child in her arms. When the woman screamed, "Help me! My baby's not breathing!" Nichols dropped his tools and ran toward the woman while Thurman called via radio to the Rocky Mount office, requesting them to call 911.

Nichols said that when he reached the mother, "She was panicked. I told her to give me the baby. He was dead limp with his eyes rolled back in his head."

Bridges, who saw the scene on his way down to the ground in the truck bucket, remarked, "I thought the baby was dead."

Thurman agreed. "When she handed the baby to Frank, it was just like you'd handed somebody a coat or a tie. The only sign of life was his eyes were open."

Nichols thought the child might be choking because he saw a little food in his mouth, so he did the Heimlich Maneuver. "He started throwing up, and did that about three times," Nichols recalled. "The child's skin was real cool and I kept patting the baby on the back trying to get him to come to. He began making little groaning noises and finally got to crying and breathing pretty good."

While Nichols was working on the child, a fireman arrived with a walkie talkie. "I told him to call the rescue squad and tell them to come on even though the baby was breathing alright then. I thought he needed to be checked." The Callaway Rescue Squad responded and transported the child to the hospital, where a doctor determined the child might have had a seizure. The two-year-old was treated and released but returned to the hospital that night after a second seizure.

Thurman, who has children ages 10, 8, 6, and 4, said he was glad he was able to help the Angels.

"It doesn't matter who, I hope somebody will do the same for my children if they need it." He once successfully performed the Heimlich on his four-year-old in a candy-choking incident.

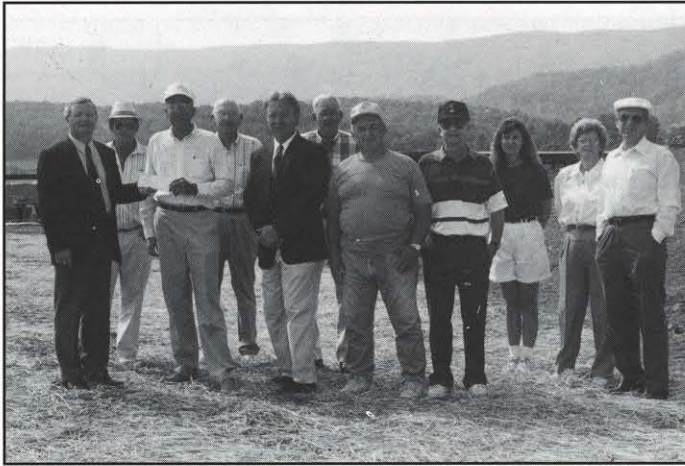


These Rocky Mount employees are credited with saving the life of two-year-old T. J. Angel. From left, Billy Thurman, line mechanic A; Frank Nichols, line crew supervisor nonexempt; and Lloyd Bridges, Jr., line mechanic B. Photo by Linda Stanley, Franklin News Post.

Nichols has taught his wife and children, ages 6 and 9, first aid maneuvers. Bridges has a 19-month-old child.

All three said the gravity of the experience didn't hit them until afterwards. "We were scared to death when it was over," Nichols said. "We wiped the sweat off our faces and took a few minutes to regroup. Then we went back and finished our job. I'm glad we were there and could help." □

Appalachian Aids Sports Foundation



Appalachian Power Company has donated \$1,000 to the Monroe County, W. Va., Sports Foundation to assist in the construction of athletic fields at the new James Monroe High School, scheduled to open this fall. Appalachian agreed to match up to \$1,000 of contributions by active and retired employees, which now total more than \$2,800. In the photo above, Bluefield Division Manager Ted White (left) and Glen Lyn Plant Human Resources Supervisor Randy Nicewonder (fifth from left) present a check to H. E. Comer, co-chairman of the Sports Foundation. Looking on are Appalachian retirees and MCSF volunteers. □

APCo Walkers Make Strides Against Cancer



Four Appalachian Power teams, composed of 40 walkers, raised \$2,953 by participating in the "Making Strides Against Cancer" walk sponsored by the Roanoke Valley/Franklin County Unit of the American Cancer Society. Over 80 teams and nearly 1,000 walkers participated in the 24-hour event, with Appalachian winning the overall award for raising the

most money. Rhonda Maxey, electric plant clerk A, GO Accounting, raised \$1,060 to win the first place award for the most money collected by an individual. Kathy Johnson, secretary, GO Land Management, served as team coordinator for Appalachian. □

Bluefield Employees Provide Rescue Assistance After Helicopter Crash



Mac Bogle, Bluefield line mechanic A (far left), and Harlan Cox, Jr., transmission mechanic B, GO T&D Transmission (with hooded sweatshirt), help a rescue crew load the bodies of crash victims onto trucks for transport to Tazewell Community Hospital. Photo Courtesy Todd Stringer, Bluefield Daily Telegraph.

Personnel and a Bombadier vehicle from Appalachian Power's Bluefield Division assisted the Tazewell County Sheriff's Office following the crash of a Med-flight helicopter into the side of East River Mountain during dense fog. The crash occurred just 11 miles from the Mercer County Airport.

All four members of the North Carolina Baptist Hospital Air Care Emergency Airlift Team aboard were believed to have died on impact. A road had to be cleared with a bulldozer before rescue workers could get to the site. Appalachian's track loader, which is used in snow and mud, helped expedite emergency vehicle travel.

In a letter of thanks to Bluefield Division Manager Ted White, Sheriff D. J. Johnson wrote, "It is reassuring to have the support and assistance of area experts to expedite lifesaving emergency services in times of tragedy such as this." Enclosed with the letter was a certificate of appreciation to Appalachian Power for outstanding service and assistance to the Tazewell County Sheriff's Office. □

Ukrainians Enjoy Home Cooked Meal At Appalachian Home In Bluefield



Mrs. Ferndine Lineberry entertained a group of Ukrainian businessmen when they visited the United States to gain insights into the American approach to mining coal. Photo courtesy Todd Stringer, Bluefield Daily Telegraph.

When a half-dozen representatives of coal machinery manufacturing businesses from the Ukraine visited Bluefield recently, they were treated to a home cooked lunch of country ham, beans, and cornpone at the home of Ferndine Lineberry. She is the widow of former Bluefield General Servicer Gene Lineberry and aunt of Mark Lineberry, Princeton line mechanic A.

Her son, Dr. G. T. Lineberry, associate professor of mining at the University of Kentucky, was with the Ukrainian delegation on their three-week stay in the United States, during which they traveled more than 3,800 miles in seven states and visited with governmental regulatory officials, mining operations and machine manufacturing companies.

"Their visit was one of the highlights of my life," Mrs. Lineberry said. "When I told them to make my home their home, they toured every nook and cranny of the house, including the attic, basement, and storage building out back. Small things, like my swivel rocking chairs, amazed them. They kept turning and turning them."

Although the Ukrainians communicated through an interpreter, they became great friends with Mrs. Lineberry during their 2 1/2-hour visit. "The gentlemen were so polite and

gracious. They brought me red roses and a beautiful jar made in their country and provided wine to toast our fellowship. In return, I gave them coal souvenirs. They were delighted," she added.

Before leaving, the men told Mrs. Lineberry that her hospitality had made them homesick. "They also told me that if G. T. goes to see them in the Ukraine, I have an open invitation to their homes."

According to Dr. Lineberry, the Ukraine, as well as several other countries of the former Soviet Republic, is finding it difficult to make the transition into a free market economy. While the work force is willing, and the equipment is state-of-the-art, adapting to capitalism has proven challenging. □

HOG Raises \$2,000 For Muscular Dystrophy



The Abingdon, Va., Chapter of the Harley Owners Group (HOG) conducted a poker fun-run last month, raising over \$2,000 for muscular dystrophy. Dan Plummer, Abingdon general servicer (right), is road captain for the group and his wife Margaret (left) is chapter treasurer. "Sometimes people are not aware of the many positive things the Harley Group does to benefit the community in which they live," Dan said. As road captain, Dan provides the planning for events in which the group participates. Among these have been a "Teddy Bear" run for the area sheriff's office, "Santa Helpers" run for underprivileged children, and collection of toys for distribution by the local Lutheran Church. □

R E T I R E M E N T S

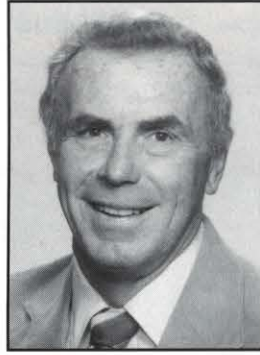


After 17 years with Appalachian, **Ollie Palmer** said she will be "free to go and ready to do" following her retirement on August 1 as area T&D clerk B in Rainelle.

"I've never really worked any place else," she said. "After my husband passed away, I wanted to find a job so I applied at Appalachian at the suggestion of a foreman I knew."

Ollie was hired as a junior clerk at Rupert and during her career also worked as a stores attendant.

Ollie enjoys traveling and shopping and plans to "take things day by day." A member of the Woman's Club of Rupert and the Eastern Star, she has two sons and six grandchildren. □



Charleston Area Servicer **Ralph "Red" Holmes** elected early retirement on June 1 after 39 1/2 years' service. Red claimed that "with over-time, I probably worked 45 years."

Red was captain of the basketball team at West Virginia University when he was hired as a groundman and recruited to play softball for Appalachian. "I lacked about half a semester getting my degree, but I never did go back," he said. "Appalachian was a nice place to work, and it enabled me to put three girls through college."

Red, who suffered a disabling injury five years ago, said he is "limited a little bit in what I do. I play basketball twice a week with my grandchildren and work out on my Nordic Track." He and his wife Doris Sue plan to enjoy swimming in their backyard pool and do some traveling. "So far this year we've been to Florida, Lake Erie, and the Smokies," he added.

"I miss working with the guys and will keep in contact with them." □



When **Morris "Whitey" Barbour** went to work for Appalachian, he didn't have to go any further than his front yard. The picnic area at Smith Mountain Dam is on property he once called home.

"I worked for the company parttime for two years," he recalled, then went on regular as a laborer the first day of January 1957. "I was the third employee in General Office Hydro. When I first started, I went around with Paul Johnson (former hydro superintendent) and the geologist, laying out drill holes and checking core samples prior to construction of the dam."

He worked 16 years at Leesville, the lower dam in the pumped storage project, and returned to Smith Mountain in 1979. He was a hydro mechanic A at the time of his early retirement on August 1.

"I'm 60 years old and have been with the company nearly 38 years. You aren't going to come through here but one time, and I want to enjoy life," he explained. "The company has been good to me, and I have tried to do my job the best I could. I have worked with some good

fellows, and I appreciate them all."

Whitey's brother-in-law, the late Jack Toler, worked at the Smith Mountain Dam Visitors Center. "He married my sister, and I married his sister," Whitey said.

Whitey and his wife Mary Ellen plan to travel some. "I like country music, and we just returned from Branson, Mo. Next we'll be going to Carolina and Indiana to visit relatives."

Whitey and his son participate in coon hunting competition all over the country and have 150 trophies to show for their efforts. "I treed about 200 last season and killed about 40," he said. "I used to sell the hides but don't any more because they don't bring anything."

The Barbours also have one daughter. They are active in the Mountain View Christian Church. □

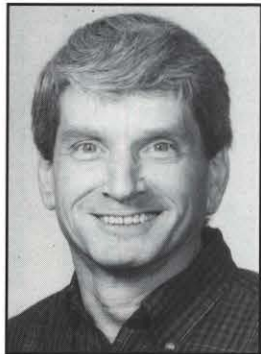


"I enjoyed my time with Appalachian," said **Ruth Ann McQuain**, who elected early retirement on August 1. She was customer services office supervisor NE in Charleston.

"I'll miss the people," she added. "The employees feel like family because you are with them so much. I made good friends with customers as well. I enjoyed the customer contact and always tried to treat them like I would want to be treated."

The 20-year veteran said she doesn't have a lot of retirement plans other than "visit family and do things I've never had time to do before. I'm just going to lay back and rest until next spring. Then I plan to take several trips. Any time anybody is going somewhere, I'll be ready to go with them."

Ruth Ann enjoys reading and sewing in her spare time. She has one son, one daughter, two stepsons, one stepdaughter, and three grandchildren. She and her husband John will continue to live in Clendenin. □



With four children and five grandchildren scattered from Florida to Colorado to Oregon, **Bob Peet** expects retirement to give him an opportunity "to be a part of their lives. When I was working, we could only go to see them about once a year."

Bob and his wife Sue both like traveling. "We want to drive across the country, taking our time — maybe going over the northern route and coming back the southern. Right now we'll continue to live here (in Pliny, W. Va.) but later on we might move to be closer to somebody."

Bob, a stores attendant at John Amos Plant, elected early retirement on August 1. A 22-year veteran, he appreciated the job security he found there. "I am grateful for the job I had and the dependability and benefits, which have been great. I was off for an extended period of time with a back injury and received sick pay, which was a real blessing. My participation in the savings plan is what allowed me to go early and have the finances to travel and do what I want to do within reason."

He continued, "I was 38 years old when I first came to work. I had a lot of different jobs before that, and Appalachian turned out to be the best one. I think well of the company!"

A Marine Corps veteran, Bob lives on a 36-acre farm and plans to get back into gardening again. The Peets are active in the Church of Christ at Glenwood. □

Reeves Joins Tortoise Club



John Reeves, Welch line mechanic A (left) receives a certificate of membership in the Tortoise Club, sponsored by the Southeastern Electric Exchange, from Bluefield T&D Superintendent Robert Farley. While setting a pole which had been laying in a ditch, a large clump of mud fell approximately 25 feet and struck John on the head. The force of the blow knocked off his hard hat and safety glasses. □

P R O M O T I O N S

Bill Mashburn, Jr., demand side management associate, GO Marketing & Customer Services, Roanoke, was promoted to Abingdon marketing and customer services supervisor on June 1. He holds a bachelor of arts degree in urban affairs from Virginia Polytechnic Institute & State University.

Randy Thompson, Beckley meter reader nonexempt, was promoted to department assistant-marketing & customer services exempt on July 1. He holds associate in science degrees in business administration and computer information systems from Beckley College and a regents bachelor of arts from Bluefield State College.

Jaime Beckelheimer, Princeton meter reader nonexempt, was promoted to Welch customer services office supervisor on July 1. He holds an associate of science degree in business management from Bluefield State College.

David Daniels, Philip Sporn plant engineer I, was promoted to plant engineer senior on June 1. He holds a bachelor of science degree in mechanical engineering from West Virginia University.

Bill Stewart, Point Pleasant line crew supervisor nonexempt, was promoted to line construction and maintenance representative exempt on July 1.

Clifford Sledd, Bluefield line crew supervisor nonexempt, was promoted to line crew supervisor exempt on July 1.

Linda Shepherd, Glen Lyn Plant equipment operator A, was promoted to unit supervisor on June 16.

David Kessler, Charleston engineering technician senior nonexempt, was promoted to engineering technologist I exempt on July 1. He holds an associate in science degree in electrical engineering technology from West Virginia Institute of Technology.

Frederick Miller III, Abingdon electrical engineer senior, was promoted to Gate City area supervisor on July 1. He holds a bachelor of science degree in electrical engineering from North Carolina State University.

Martin Benedum, Glen Lyn Plant engineer II, was promoted to plant engineer I on July 1. He holds a bachelor of science degree in electrical engineering from West Virginia University.

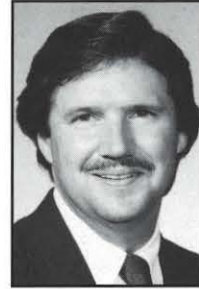
Jim Alouf, Pulaski electrical engineer senior, was promoted to Galax area supervisor on June 1. He holds a bachelor of science degree in electrical engineering from Virginia Polytechnic Institute & State University.

Trena Riffle, Philip Sporn plant engineer I, was promoted to plant engineer senior on June 1. She holds a bachelor of science degree in electrical engineering from West Virginia Institute of Technology.

Terry Bailey, Philip Sporn plant engineer I, was promoted to plant engineer senior on June 1. He holds a bachelor of science degree in mechanical engineering from Ohio University.



Mashburn



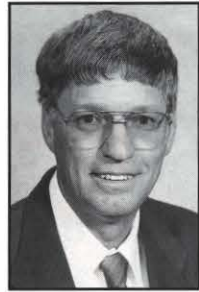
Thompson



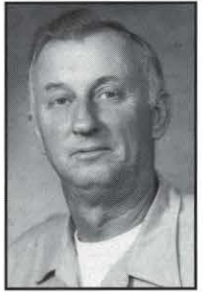
Beckelheimer



Daniels



Stewart



Sledd



Shepherd



Kessler



Miller



Benedum



Alouf



Riffle



Bailey



Tanner



P R O M O T I O N S

Frank Tanner, Jr., Glen Lyn plant engineer I, was promoted to plant engineer senior on June 1. He holds a bachelor of science degree in mechanical engineering from Virginia Polytechnic Institute & State University.

Abingdon

John Jenks, Jr. from line mechanic B to line mechanic A, Lebanon.

Beckley

Janet Snyder from customer services representative C to customer services representative B.

Bluefield

Melissa Owens from customer services representative D to customer services representative C, Grundy.

Centralized Plant Maintenance

John Null from maintenance mechanic to maintenance mechanic welder.

Don Harden from maintenance mechanic to maintenance mechanic welder.

Charleston

Ken Looney from line mechanic B to line mechanic A.

John Workman from line mechanic D to line mechanic C.

Robbie Seacrist from line mechanic B to line mechanic A.

Dale Southall from line mechanic C to line mechanic B.

Lenders Oxyer from line mechanic A to area servicer, St. Albans.

Patrick Brown from engineering technician to engineering technician senior.

Clinch River

Roger Meade from instrument mechanic B to instrument mechanic A.

General Office

Robie Tuck from hydro mechanic C to hydro mechanic B, GO Hydro, Smith Mountain.

Jack Fields from transmission mechanic B to transmission mechanic A, GO T&D Transmission, Bluefield.

Allén Crowder from clerk to intermediate clerk, GO General Services, Roanoke.

Thomas Parr from engineering technician to engineering technician senior, GO T&D Station, Roanoke.

Tina Turman from junior clerk to purchasing clerk C, GO Purchasing, Roanoke.

Debra Crouch from T&D clerk B to T&D clerk A, GO T&D Administrative, Roanoke.

Scott Deel from transmission mechanic D to transmission mechanic C, GO T&D Transmission, Abingdon.

Sheryl Carr from junior clerk, GO Purchasing, Roanoke, to junior stenographer, GO Human Resources, Roanoke.

Roger Blankenship from engineering technologist I to telecommunications specialist, GO T&D Telecommunications, Marmet.

Glen Lyn

Clifford Long from utility worker A to equipment operator C.

Randy Rose from equipment operator B to equipment operator A.

Nickie Wuchevich from equipment operator C to equipment operator B.

Ronald Shoda from utility worker A to maintenance mechanic D.

Huntington

David Clatworthy from line mechanic A to general servicer.

Angie Braley from T&D clerk C to T&D clerk B.

Kingsport

Traci Quillen from customer services representative III to customer services representative II.

Lynchburg

Ray Foster from line mechanic B to line mechanic A.

Nancy McPhatter from junior stenographer to stenographer.

Pulaski

Carolyn Quesenberry from T&D clerk C to T&D clerk B.

Tim Via from electrical engineer III to electrical engineer II.

Roanoke

Sherry Shaw from customer services representative C to customer services representative B, Rocky Mount.

Joe Frazier, Jr. from engineering technician to engineering technician senior, Stuart.

Jere Bayne from department assistant-marketing and customer services to marketing and customer services advisor.

Philip Sporn

Shawn Paugh from utility worker B to utility worker A.

Kevin Hartsook from utility worker B to utility worker A.

Troy Stewart from utility worker B to utility worker A.

Larry Baker from utility worker B to utility worker A. □

APCo Teams Win Fun-O-Limpics



Two teams of Appalachian Power employees and their families participated in the 1994 Fun-O-Limpics at Harris Riverfront Park in Huntington. The Red team, captained by Bucky Ray, line mechanic A, won first place. The Grey team, captained by Ken Steele, electrical engineer II, placed second.

Roanoke Employees Participate In United Way Day Of Caring



Twenty-four Appalachian Power employees participated in the Roanoke United Way Day Of Caring in late June. Their assignments included painting the Catholic Charities building and working with the Red Cross and Boy Scouts. Pictured above are, front row, l. to r., Dale Moore, Laura Goad, Steve Ferguson, Doug Bryant, Rita Oakes, and Sue Bonham. Back row, Ronnie Polniak, Dean Heptinstall, Dennis Roberson, Glenn Adams, Rick Hodges, and Ron Jamison.

Lovell, Sorrell Pass PE Exam



Lovell



Sorrell

James Lovell, engineer II, GO Environmental Affairs, Roanoke, and James E. Sorrell, Jr., engineer II, GO Hydro, Roanoke, have passed the examination to become registered professional engineers in the Commonwealth of Virginia. □

Take Your Daughter To Work Day



Carol Sue Taylor, a third grader at Castlewood Elementary School, participated in the national "Take Your Daughter To Work" program by visiting the Clinch River Plant. Her father, Garnett Taylor, Sr., is a maintenance mechanic A at Clinch.



Abingdon

by Bill Roeser

James Moore, retired Gate City meter reader, was elected secretary-treasurer of the Weber City Lions Club. □

John Amos

by Tom Cloer

Misty, daughter of Braker John Hull, was awarded a \$2,000 scholarship from the Dana and Ethel Ervin Scholarship Fund of the East Bank High School Alumni Association. She will attend the West Virginia Institute of Technology. □

Beckley

by Dana Perry



Ryan, son of Meter Reader Hank Bostic, received the judge's choice award for best-in-show in the Cub Scout father-son bakeoff. Ryan is a member of Den 3, Pack 80, and Hank is den leader. During Cub Scout Family Fun Day, Ryan received a first place trophy for catching the most fish, tied for first place for the largest

fish, and placed second in watermelon eating. □

Bluefield

by Karen Simmons



Angela, daughter of Buford Nunn, surveyor assistant, was named the outstanding 9-year-old in the 1994 Pre-teen Virginia Scholarship and Recognition Program. Pre-teen Virginia is a by-invitation-only scholarship event involving girls ages 7-12 who rank in the top ten percent of the state academically or who have been recognized publicly for outstanding personal achievements, leadership abilities, or creative talents.

Mary Rebecca, daughter of Gary Cunningham, Princeton area T&D scheduler, received the highest scholarship ever awarded an incoming freshman from the East Tennessee State University music department. □

Central Machine Shop

by Metzel Turley



Michelle Francisco won the Reserve Grand Champion market lamb award at the Putnam County Fair. During the four years she has raised market lambs, Michelle has had one Grand Champion and two Reserve Grand Champions. A member of the Jim Ridge Raiders 4-H Club, she is the daughter of Gary Francisco, welder 1st class.



Webelos Scout Stephen Caldwell won first place in the 1994 Pinewood Derby of Cub Scout Pack 36 and received recognition as having the most unique car design in his den. Stephen placed second in the Pioneer District race and won "best of show" trophy. In the Hershey Track & Field-Putnam County meet, Stephen placed first in the standing long jump and 400m run and second in the 100m run. He qualified

in those three events to participate in the Hershey District meet, where he placed first in the standing long jump. At the Hershey Track & Field-W. Va. State meet, he placed sixth in the standing long jump. Stephen is the son of Debra Caldwell, human resources clerk A.

Jason, son of Cheryl Harris, plant clerk B, was named second team offense all conference, Blue Division, by the Mountain State Athletic Conference for the 1993-94 football season.

Miriah Spencer, a recent graduate of Milton High School, was a member of the Vocal Dimensions, varsity track team, and all-county choir. She also was Key Club secretary, a peer counselor, and a Help Increase the Peace trainer. The daughter of Robert Spencer, equipment inspection superintendent, Miriah has been attending Marshall University and will continue there this fall as a pre-med major.

Melinda Ann, daughter of Production Supervisor John Beane, was listed in *Who's Who Among American High School Students*. While at South Charleston High School, she was a member of the Explorers Club, Art Club, Student Council, and Safe Rides.

Nicole, daughter of Robert Robinson, winner 1st class, was selected as an outstanding black high school student by Marshall University. A recent graduate of George Washington High School, Nicole was named to *Who's Who Among American High Schools*. She also was awarded a scholarship from the Charleston Woman's Improvement League and received the *Charleston Gazette* minority scholarship in journalism.

Chris, son of Rick Lovejoy, machinist 1st class, was selected to the first team all-state by the West Virginia Soccer Coaches Association. He was a four-year member of the soccer team at Hurricane High School. □

Charleston

by Charlie Bias

Javonna, daughter of Andrew Faucett, engineering technologist I, received a pre-college component academics award from INROADS of West Virginia for maintaining a 3.2 GPA. She will attend Fairmont State College this fall.

Monique Hale, engineering student-temporary, received a college components excellence academics award from INROADS of West Virginia for maintaining an overall 3.94 GPA.

Jack Shaver, administrative assistant, was elected to the Charleston Fund for the Arts board of directors. □

General Office

by Earl Smith



Alan Argabright, HVAC specialist, GO General Services, Roanoke, was elected to a two-year term as president of the Southeast Action Forum. His wife **Carolyn** will serve as assistant secretary. **Eralene Poindexter**, retired chief telephone operator, GO General Services, was reelected as treasurer. The Southeast Action Forum is a member of the Roanoke Neighborhood Partnership. □

Huntington

by Barbara Collins



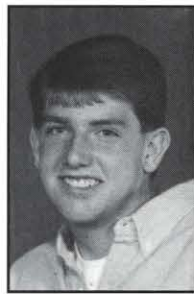
Glusich



Collins

Tom Glusich, electrical engineer senior, was elected to a second term as president of the Southeast Huntington Lions Club.

Secretary **Barbara Collins** was voted "woman of the year" by the KYOWVA Chapter, American Business Women's Association. She was recording secretary and program chairman for the organization this past year.



Vest



Rowe

Jeremy Vest was chosen to attend Mountaineer Boys State at Jackson's Mill, W. Va., where he was elected a member of the House of Delegates and Board of Education. A rising senior at Huntington East High School, he is captain of the varsity football team and a member of the basketball team, National Honor Society, Mu Alpha Theta, Key Club, and Latin Honorary. He also is vice president of Teenage Republicans and president of Student Athletes for Christ. The son of Customer Services Supervisor Jerry Vest, Jeremy was chosen 2nd team All Mountain State Conference baseball, where he plays as third baseman.

Jennifer, daughter of Collector Minnis Rowe, was selected to receive a \$500 scholarship from the Hugh D. and Elizabeth Gwinn Stillman scholarship fund for 1994-95. She is a senior psychology major at Marshall University. Hugh Stillman is a retired Huntington division manager. □

Clinch River

by Chuck Perdue

Vickie, wife of Bill Woods, maintenance mechanic C, has been certified by the Commonwealth of Virginia Department of Health as a cardiac technician. She is starting her 13th year as a volunteer with the Russell County Rescue Squad Unit #2. □

Lynchburg

by Mel Wilson

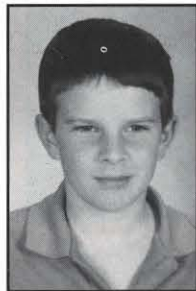


Angela, daughter of Billy Habel, Lovings-ton line mechanic A, was selected to attend Girls State at Longwood College. A rising senior at Nelson County High School, she also was inducted into the National Honor Society. □

Brian, son of R/w Agent Paul Keys, was featured in *The Commerce Report* as a member of the president's advisory council of the Greater Lynchburg Chamber of Commerce. The Advisory Council is a service committee of volunteers whose job is to contact every member of the Chamber and act as a sounding board and communications link to the Chamber leadership. □

Roanoke

by Vickie Ratcliff



Graham



Crouch

Jason, son of Barry Graham, meter electrician A, received the Continental Mathematics League Award for participating in mathematics competition with distinction. A third grader at Glenvar Elementary School, Jason was awarded a medal and certificate for having the highest score among all third grade students.

Stacy, daughter of David Crouch, line construction and main-tenance representative, was nominated for *Who's Who Among American High School Students*. □

Kanawha River

by Audra Pauley

Lorrie Burdette, maintenance mechanic A, has been elected secretary of the executive committee of the United Way of Kanawha Valley board of directors. □

Philip Sporn

by Jill LaValley



Danielle, daughter of Mickey DeHart, utility worker A, was selected as a cheer-leader for the 1994-95 Ravenswood Middle School Demon and Demonette teams. □

Kennedys Receive Drinkard Award For Distinguished Service To Aging



L. to r., Stuart Fauber, chairman of the Board of Trustees of Westminster-Canterbury; Duncan Kennedy; and Ann Kennedy.

The Board of Trustees of Westminster-Canterbury of Lynchburg presented Duncan and Ann Kennedy the Lucille T. Drinkard Award for Distinguished Service to the Aging. Mrs. Kennedy was a trustee of Westminster-Canterbury for eight years, a member of the Guild Class of 1990, and served two years on this volunteer body. She also served for many years as Bible study leader for residents. Mr. Kennedy, retired Roanoke division manager, was a trustee of the facility for eight years and served three years as board chairman. He also has served on various committees associated with the community and is currently a member of the Resident Relations and Services Committee. □



Stafford-Comer

Tammy Comer, Lynchburg electrical engineer II, to Jeff Stafford, June 11.



Overstreet-Shinault

Janice Shinault, Roanoke meter reader, to Donald Overstreet, Roanoke meter reader, June 17.



Bostic-Perry

Leslie Perry to Hank Bostic, Beckley meter reader, May 14.



Hoover-Gibbs

Annette Michelle Gibbs to Scott Hoover, June 4. Annette is the daughter of Denver Gibbs, Philip Sporn Plant maintenance mechanic A.



Johnson-Nease

Penelope Nease to Bill Johnson, Roanoke marketing and customer services representative, June 4. Penelope is the daughter of G. S. "Pete" Nease, Jr., retired distribution supervisor, GO T&D Distribution, Roanoke.

Shrewsbury-Blankenship

Luci Rose Blankenship to Sherman Lee Shrewsbury, April 23. Luci is the daughter of Richard Blankenship, Glen Lyn Plant equipment operator A.

Wed 60 Years



Clarence and Mickey Bryan celebrated their 60th wedding anniversary with an open reception at the Asbury-Baysmont Retirement Center given by their four children. The couple was married June 30, 1934, in Nashville, Tenn. Bryan is retired executive vice president of Kingsport Power Company.

John Amos

Montana Reed, son of Rod Richardson, maintenance mechanic B, June 23.

Centralized Plant Maintenance

Larry Dillon, son of Larry Wayne McCarty, maintenance mechanic, June 4.

Roanoke

Brandon Ross, son of Cathy Kibler, T&D clerk A, March 31.

Parker Allan, son of Mike Coulson, Fieldale meter reader, April 27.

Catherine Sarah, daughter of James Wheeler, Jr., Fieldale station mechanic A, May 11.

Jarrold Williamson, son of Jeff Richards, Roanoke meter reader, June 20. □



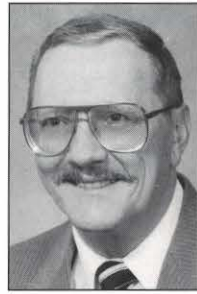
S E R V I C E A N N I V E R S A R I E S



Litt Furr
T&D adm. supv.
GO-Roanoke
35 years



Marvin Crank
area servicer
Lovington
30 years



Jim Hill
drafter senior
Abingdon
30 years



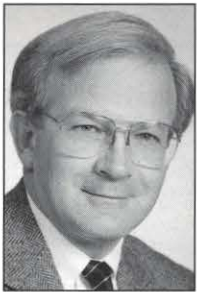
Walter Leach
area servicer
Beckley
25 years



Richard Sheffield
station mech. A
Huntington
25 years



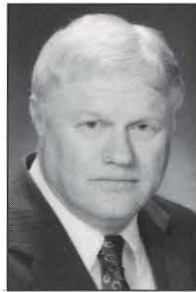
Douglas Brown
line crew supv. NE
Lebanon
25 years



Bob Caldwell
station supv.
Kingsport
25 years



Dave Bair
line crew supv. NE
Oak Hill
25 years



Charlie Dillon
R/w agent
Beckley
25 years



David Bush
division manager
Huntington
25 years



Barry Snodgrass
division manager
Lynchburg
25 years



Dan Kohler
asst. plt. mgr.
Clinch River
25 years



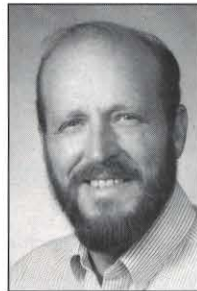
Larry Houston
telecom. spec.
GO-Abingdon
25 years



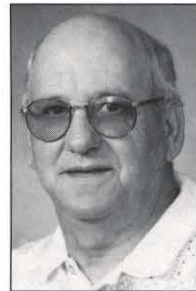
Ron Pinson
line con. & mt. rep.
Huntington
25 years



Paul Jackson
auto. mech. A
Charleston
25 years



John Pauley
trans. mech. A
GO-Bluefield
25 years



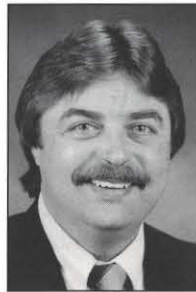
Richard Coeburn
trans. mech. A
GO-Bluefield
25 years



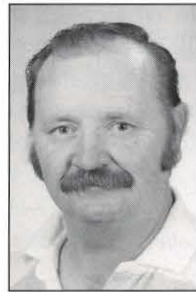
Don Parsons
production supv.
CMS
20 years



Sharon Gobble
sec.-steno. A
Abingdon
20 years



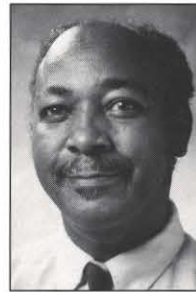
Buford Quillin
M&CS rep. sr.
Kingsport
20 years



Jim Lambert
maint. mech. B
Philip Sporn
20 years



Jerry Beasley
prod. supv.
CMS
20 years



Haille Ham
custodian
GO-Roanoke
20 years



Ron Poff
T&D eng. mgr.
GO-Roanoke
20 years



Sandy Pridemore
meter reader
Huntington
20 years

Abingdon

- 15 YEARS:
Donald Frye
stores attendant A
David Garrett
general servicer, Lebanon
Richard Harvey
line mechanic A, Lebanon
Gary Hester
line mechanic A, Marion
- 10 YEARS:
Mark Smith
line mechanic A, Lebanon
Virginia Humphrey
T&D clerk B

John Amos

- 20 YEARS:
Jim Scott
maintenance mechanic A
- 15 YEARS:
Bob Strobe
performance supervising engineer
- 5 YEARS:
Bob Watters
maintenance mechanic C

Beckley

- 10 YEARS:
Bob Shiflett
line mechanic A

Bluefield

- 15 YEARS:
Dave Andrews
supervising drafter
- 10 YEARS:
Mark Blankenship
line mechanic A

Central Machine Shop

- 15 YEARS:
Jerry Goodwin
welder 1st class (LTD)
- 5 YEARS:
Benny Fry
winder 2nd class

Centralized Plant Maintenance

- 15 YEARS:
Dennis Stranahan
maintenance mechanic
Dave Neigler
maintenance mechanic welder

Charleston

- 15 YEARS:
Charles Maurer
power engineer
James Parsley
general servicer
Michael Young
line mechanic A
Jerald Burns
general servicer
- 10 YEARS:
Pamela Hunley
cust. serv. rep. B, Montgomery
David Kessler
engineering technologist I
Michael Barnette
line mechanic A, St. Albans
- 5 YEARS:
Ruth Spurlock
meter reader, Montgomery

Clinch River

- 25 YEARS:
Terry Saddler
maintenance mechanic A
- 20 YEARS:
Arlen Henderson
plant clerk C (LTD)
- 15 YEARS:
David McClanahan
plant engineer senior
Sidney McCoy
equipment operator A
- 10 YEARS:
David Bailey
plant engineer senior

General Office

- 15 YEARS:
David Higgins
transmission station mechanic A
GO T&D Station, Roanoke
David Brown
transmission mechanic A
GO T&D Transmission, Abingdon
- 10 YEARS:
Wayne Heninger
purchasing supervisor
GO Purchasing, Roanoke
Gary Woodford
engineering technologist I
GO T&D Station, Roanoke

- 5 YEARS:
Jeff Tennant
engineer I
GO T&D Telecommunications, Roanoke

Glen Lyn

- 25 YEARS:
Daniel Martin
maintenance mechanic D (LTD)
- 10 YEARS:
Dean Boggs
custodian
- 5 YEARS:
Doris Cole
utility worker A

Huntington

- 15 YEARS:
Okey Burd
custodian (LTD)
- 10 YEARS:
Mark Booth
electrical engineer senior
Don Ball
engineering technician senior
- 5 YEARS:
Steve Dillon
line mechanic C

Kingsport

- 5 YEARS:
Rita Haga
customer services rep. II
Johnny Taylor
stores attendant B

Lynchburg

- 15 YEARS:
Billy Habel
line mechanic A, Lovingson

Pulaski

- 15 YEARS:
Mary Etta Young
stores clerk A
Eddie Newman
line mechanic A, Hillsville
- 10 YEARS:
Ken Gunn
M&CS rep., Hillsville
Gary Adkins
meter reader, Hillsville
Les Hill
stores attendant B



S E R V I C E A N N I V E R S A R I E S

Roanoke

15 YEARS:

Randy Hartberger
line mechanic A

10 YEARS:

Kenneth Brant
power engineer

Davie Key
energy services supervisor

Edward Gavin
power engineer, Fieldale

Philip Sporn

25 YEARS:

Ronald Thompson
maintenance mechanic A

15 YEARS:

Robert Kosa
unit supervisor

5 YEARS:

Roger Fink
control technician

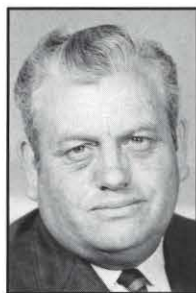
Danny Porter
barge handler

Terry Bailey
plant engineer senior □

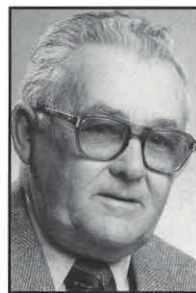
F R I E N D S W E ' L L M I S S



Fry



Cruise



Carter



Cook



McFarland



Maxey

William F. Fry, Sr., 68, retired Philip Sporn Plant maintenance mechanic B, died July 23. A native of Mason County, W. Va., he was employed in 1950 as a laborer and elected early disability retirement in 1987. Fry is survived by his wife Vivian, Route 1, Box 38, Mason, W. Va.; three sons; two grandchildren; two step-grandchildren; and one brother.

Bowling A. Cruise, 72, retired Fieldale line crew supervisor NE, died July 19. A native of Stuart, Va., he began his career in 1947 as a laborer and elected early retirement in 1983. Cruise is survived by his wife Lorene, 501 Colonial Drive, Collinsville, Va.; and three sisters.

Jesse H. Carter, 70, retired Kingsport stores supervisor, died July 6. A native of Blackwater, Va., he was employed in 1948 as a clerk intermediate and retired in 1987. Carter is survived by his wife Virginia, 1374 Farragut Avenue, Kingsport, Tenn.; one son; and one grandchild.

Glenn J. Cook, 66, retired Charleston line construction and maintenance representative, died May 24. A native of Hewett, W. Va., he was hired in 1953 as a groundman and elected early retirement in 1987. Cook is survived by his wife Thermal, Heizer Creek, RR 1, Box 181A, Poca, W. Va., and one son.

Audie Murphy McFarland, 39, maintenance mechanic, Centralized Plant Maintenance, was killed in an ultralight aircraft crash on July 2. A native of Mason County, W. Va., he was hired in 1986. McFarland is survived by his wife Rita, Route 1, Box 32B, Letart, W. Va., and one son.

Carolyn June Maxey, 57, Philip Sporn Plant maintenance mechanic C, died July 5. A native of Hartford, W. Va., she began her career in 1976 as a utility man B and had been on long term disability leave since 1990. Maxey is survived by one son, two daughters, six grandchildren, her mother, and one sister. □

Customer Appreciation Days Draw Crowds

They came to see Louie the Lightning Bug and video presentations on storm restoration. They came to get candy and balloons. But mostly they came for bucket rides in Roanoke Division line trucks.

An estimated 1,100 people attended Roanoke Division's first Customer Appreciation Day on July 13. All four offices — Fieldale, Roanoke, Rocky Mount, and Stuart — participated in the celebration, with Marketing & Customer Services and T&D personnel available to answer questions or concerns of the customers.

Clearly, the bucket ride was the most popular event at all locations. In Fieldale, a couple in their 70s read about Customer Appreciation Day in the newspaper and came in just for a bucket ride. They seemed to enjoy their ride as much as the many children who rode in the buckets that day.

In Stuart, Mrs. Elizabeth G. Vipperman (mother of Appalachian's president) also took a ride, and the local paper ran a photograph of her waving from the bucket high above the town.



Ryan Perry (left), line mechanic B, and Louis Woodward (right), general servicer, assist two children in strapping in for a safe bucket ride at the Fieldale Customer Appreciation Day.



Glen Bruce Park provided an attractive setting for Kingsport Power Company's fourth annual Customer Appreciation Day.

Roanoke's Customer Appreciation Day was the brainstorm of the Customer Services Employee Involvement team, which wanted to do something to let our customers know how much the company appreciated their support during the winter's ice storms.

Roanoke Division hopes to continue the celebration as an annual event.

Kingsport Power's fourth annual Customer Appreciation Day on June 21 drew a crowd of nearly 1,000 people. Held in Glen Bruce Park next to the company's office, attendees were treated to hot dogs, soft drinks, and popcorn. Music was provided by a local disc jockey and entertainment by a magician. There were also historical, environmental, meter reading, safety, and marketing exhibits as well as a line truck displaying equipment. □

Illuminator

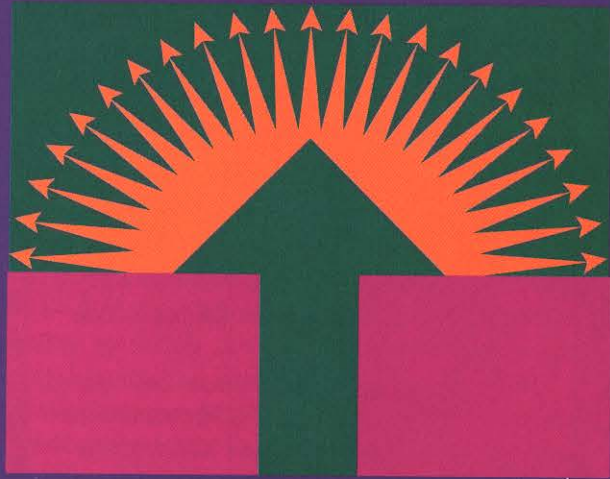
**AEP APPALACHIAN
POWER**

P.O. BOX 2021
ROANOKE, VIRGINIA 24022

Bulk Rate
U.S. POSTAGE
PAID
Roanoke, Virginia
Permit No. 241

DO NOT FORWARD
ADDRESS CORRECTION REQUESTED
RETURN POSTAGE GUARANTEED

N E W



DIRECTIONS

1994 AEP Leadership Summit

1994 AEP Leadership Summit Special Report

Competition with other electric utilities and independent power producers. Customer satisfaction. Changes in regulatory oversight. Financial performance. Non-core business opportunities.

Those were just a few of the issues considered at the AEP Leadership Summit held July 13-15 in Columbus, when 230 managers from around the AEP System gathered to discuss the new directions needed for AEP to be successful in a rapidly changing and highly competitive marketplace.

Participants at the Leadership Summit also focused on the aspects of the AEP System's organizational culture that bear most directly on the System's ability to adapt to the changing business environment: teamwork, communications, management development, employee training and empowerment, the need for employees to take "ownership" of their work, and risk management.

Speakers from outside the AEP System discussed the need for change and the fact that, while change must be managed, it cannot be tightly controlled. They also outlined the qualities that separate winners from losers in a competitive environment.

At the Leadership Summit, a new vision statement for the AEP System was unveiled, as well as seven goals and enabling characteristics to support those goals. Attendees were divided into 22 discussion groups in order to make recommendations as to what AEP should do to be successful in the new era of competition.

This special report is intended to communicate the highlights of the Leadership Summit, and the new directions which will involve each of the 20,000 employees of the AEP companies.



Attendees at the AEP Leadership Summit were divided into 22 discussion groups in order to make recommendations as to what AEP should do to be successful in the new era of competition.

INSIDE

Draper Outlines AEP's New Directions	3
AEP's Vision Statement	5
Where Do We Go From Here?	6
Imperatives For Change	10
Managing Change	12
Attendees Ready For New Era	14
The Next Steps	15

New Directions

Draper charts course for AEP System

AEP—customer focused, employee oriented, shareholder conscious—the world’s premier supplier of electricity and related services.

That vision statement was unveiled by E. Linn Draper Jr., AEP chairman, president and chief executive officer, “in order to set the tone and general direction for our company in the quest to play a new game in a new way with new skills and new attitudes.

“It is clear to me that we must possess a common vision—a vision that spells out not only who we are, but who we want to be.”

Draper also introduced accompanying goals and implementation strategies at the AEP Leadership Summit. “These new directions,” he said, “will provide us with an understandable framework in which we can respond, adapt, compete, perform, serve, survive, succeed, thrive and prevail.”

The vision statement, he said, “takes aim at all three major constituency groups necessary to the success of our organization. In a market where we must compete for customers, there will be a premium on customer satisfaction. In a competitive market, we need the best people and the best our people can give. Shareowners own our company, and 10 percent of the people who own AEP shares are AEP employees. We own the business and have a major stake in its success.”

AEP’s new goals, or business strategies, address customer satisfaction, shareholder value, the environment, public policy, employee development, safety and health, and ethics. (See page 5 for the complete listing of goals.)

“Our old business strategy used to be based on providing an adequate supply of cheap, reliable power,” Draper said. “If we did that, the market was there, and supposedly we would earn an allowable rate of return on our investment. Strategic decisions revolved around system planning, technical problem-solving and financial planning.

“Today, that definition of our mission has its shortcomings. It is my belief that our success in the future is directly tied to our ability to satisfy customers better than anyone else. If we cannot provide our customers with the best price, value and service in the marketplace, then one of our competitors will.”

Draper said that AEP’s implementation strategy consists of seven enabling characteristics. (See listing on page 5.) “I like to think of them as how we will characterize ourselves,” he explained, “and work with each other.” They are:

- **Understanding our customers.** “We will abandon any smug notion that our excellence in engineering, our traditional legal rights, our size or our successful heritage will automatically entitle us to the business of our customers,” said Draper, noting that AEP must figure out who its customers are, what they need, and how to give it to them quickly.

Recent successes, he noted, include Steel Dynamics’ decision to locate in Indiana, and the sale of 200 megawatts of electric power for 15 years to the North Carolina Electric Membership Corporation.
- **Seize opportunities.** “In part, we want to abandon our former image as a stodgy, backward defender of the status quo,” Draper said. “In its place, we believe we will be characterized as fast to respond to change, taking decisive



E. Linn Draper Jr., AEP chairman, president and chief executive officer, offers his remarks to attendees at the AEP Leadership Summit.

action, and able to recognize opportunities and capitalize on them.” He cited the agreement to build two 1,300-megawatt generating units in China as an example.

- **Participation and teamwork.** “We want to emphasize participation and teamwork as opposed to top-down management,” Draper said. “Competitive issues force us to end a totally top-down approach to management direction, ending false dependency on faceless, far-off managers and approaching a wide variety of issues and problems with bottom-up, top-down and sideways communications.

“Operating company initiatives have been leading the way throughout our System, tapping the initiatives of employees, using the employee involvement process, helping staff at every level reach top operating company managers with their ideas. This takes courage in an atmosphere that in the past had promoted lock-step thinking

and punished out-of-step programs.”

- **Innovative and flexible.** “We believe we can lead in shaping policies and relationships through innovative, non-confrontational, flexible and nimble responses to the initiatives of others,” Draper said. “This is not always an easy process. But we have seen the dangers of resisting regulatory change, instead of co-sponsoring change.” Draper noted AEP’s leadership in the Utility Climate Challenge as an example.
- **Value creators.** “Value is where cost-effectiveness meets customer satisfaction,” said Draper. “We’re going to prefer and promote solutions that involve reallocation of resources, innovative methods that do more with less, and strategies that provide value to customers without

necessarily adding to our overhead or expenses.”

- **Change leaders.** “Recognizing that our environment is changing rapidly, we are responding with a will to adapt and re-direct our resources and brain power where they will do the most good,” Draper said. AEP’s efforts in this area include voluntarily filing an open-access transmission tariff with the Federal Energy Regulatory Commission.
- **Ethical conduct.** “Ethical behavior means we have the confidence to compete successfully on the basis that we can provide the best value for our customers without cutting corners, and without gaming the system,” the AEP chairman said.


“These new directions were not developed in a vacuum, or simply by those of us in the Office of the Chairman,” Draper pointed out, noting that they were the subject of management seminar discussions as well as both management and non-management focus groups.

“It is clear to me that our industry is changing, and that the rate of change is accelerating,” he continued. “AEP is well-positioned in many ways to take advantage of these changes. We have reliable, relatively inexpensive baseload capacity. We are situated in the heartland of America. And we have a transmission network that is the envy of the world.

“We will continue to be in the business of generating, transmitting and distributing electricity and providing related services,” he emphasized. “We will look for new opportunities to profit from our knowledge, but we do not intend to enter unrelated businesses where we have no competitive advantage.

“Also, we will stack ourselves up against anybody else in this business anywhere else in the world. We have been, and are, one of the great utilities in the United States, and have achieved world-class results in our generating stations and transmission system. We want to be able to say the same about every aspect of our business.

“Your job is to really understand the new directions we are setting for the rest of the decade, and to help us make it happen so that we are leaders and winners in this changing environment.”



“It is my belief that our success in the future is directly tied to our ability to satisfy customers better than anyone else. If we cannot provide our customers with the best price, value and service in the marketplace, then one of our competitors will.”

—Draper



The Vision Statement

**AEP: customer focused, employee oriented, shareholder conscious,
the world's premier supplier of electricity and related services.**

GOALS

Customer Satisfaction

To attract and retain customers by identifying and meeting their needs better than anyone else.

Shareholder Value

To achieve sustained growth in earnings per share and to provide a total shareholder return that places us as one of the companies in the top quartile of the S&P Electric Utility Index by the end of the decade.

Environment

To be an environmental leader by seeking the most effective ways to protect and enhance the environment while providing reliable electricity at a competitive cost.

Public Policy

To work cooperatively with regulatory and legislative authorities and other community interests to effect a regulatory environment that protects the public interest while enabling us to respond to competitive opportunities and to be rewarded based upon performance.

Employee Development

To develop and utilize the full potential of all employees to contribute to the achievement of company goals.

Safety and Health

To be an industry leader in preventing employee and public accidents.

Ethics

To nurture a culture that supports ethically sound behavior and instills a sense of shared accountability among employees.

ENABLING CHARACTERISTICS

Understanding Our Customers

Using market research and customer contacts to really listen to and understand the needs and concerns of our external customers, as a basis for action. Having the same attitude and desire to listen to and satisfy internal customers who use and depend on our work.

Seizing Opportunities

Being aggressive about working for opportunities to add new customers, create value, or do things better. Asking why not, instead of why?

Participation and Teamwork

Realizing that clear accountability for a problem doesn't mean having all the right answers or being able to operate in isolation. Reaching out to others with relevant skills and information, and responding to others who reach out to you. Letting the nature of the problem determine the right team, rather than organizational boundaries.

Innovative and Flexible

Being able to value established practices but still search for new, creative solutions that would be even better. Willingness to give up your own tried and true ideas long enough to consider some different alternatives. Not change for the sake of change—but change that creates more value or better results.

Value Creators

Understanding the business, our customers, and shareholders well enough to know what creates real value for others and what does not. Striving to continually increase the value we create through our individual and team activities.

Change Leaders

Providing both the positive attitude and the personal support to each other that is necessary to think and work in new ways.

Ethical Conduct

Consistently acting in a way that lets us go to bed at night with a clear conscience, even when that means giving up some short-term personal or business gains.

Where Do We Go From Here?

Lhota: Charting a new direction

“We have reached the end of a road well-traveled—one that no longer leads us to our destination,” said William J. Lhota, executive vice president for the AEP Service Corporation.



“Together, let’s find fresh ways to bring energy, excitement, enthusiasm and fun to the workplace that will guarantee the success of AEP’s vision and the role of each one of us in meeting that vision.”

—Lhota

“We are charting a new direction, the right direction,” he continued, affirming his commitment to AEP’s “New Directions.” “I’m eager to work with Linn (Draper) and all my colleagues across the AEP System to help pave our company’s future path in the areas of customer and marketing services, public affairs, governmental affairs, rates and environmental affairs.”

He outlined initiatives in three “directions”—customer service, public policy and ethical behavior—that will help AEP “stake our position, move forward, compete for business and win.”

Customer Service

“To make sure customers know AEP and AEP knows its customers, the Key Account Management Program began this year to reach out to major industrial customers to retain AEP’s customer base, and to help customers improve their products, competitiveness and expand sales to new customers,” Lhota said. “Not only do customers in our service area and their headquarters operations need to know us, but also, potential customers around the country and the world need to know us, too.”

The Corporate Contact Program, an expansion of the economic development program, makes sure AEP retains satisfied customers and serves the needs of potential customers. “When it’s time for decision-makers to consider expanding an operation, they’ll think of expanding in our service area,” he explained.

Public Policy

It is also important to cultivate new relationships with associations, governmental agencies and even other utilities that will help shape public policy, Lhota said.

“Our collaborative work with the Ohio Manufacturers Association last year helped Congress find less damaging alternatives to the proposed Btu tax, which would have hurt Ohio’s manufacturing-intensive and energy-intensive economy,” he noted. “Most importantly, we found avenues to drive an ongoing relationship with a key association that represents many of our industrial customers. We are looking at a similar opportunity in Indiana, and we must explore partnerships for Appalachian Power and Kentucky Power.

“In addition,” he continued, “AEP is considering initiating electrotechnology expos to drive education and awareness of technologies like the microwave clothes dryer, electric grill and lawn mower to legislators, regulators and customers.”

Ethical Behavior

“We’re taking the initiative to make sure we treat others the way we would have them treat us through a Corporate Compliance Program that will set the standard for ethical behavior in everything we do,” Lhota said.

The program will include a comprehensive policy and procedures manual for the AEP System, and embody a corporate code of conduct, compliance policies in the areas of environmental, anti-trust, securities and purchasing practices, internal auditing and a process to report violations to a chief compliance officer. Last month, focus groups were held across the System to solicit feedback on the Corporate Code of Conduct component.

In closing, Lhota described “teamwork” as the way employees must work together to achieve the company’s new directions.

“Together,” he said, “let’s find fresh ways to bring energy, excitement, enthusiasm and fun to the workplace that will guarantee the success of AEP’s vision and the role of each one of us in meeting that vision.”

DeMaria: Smart, cost-conscious companies will survive

As the business of electric utilities grows more competitive, “just staying even...will force us to work smarter and more cost-effectively to beat the opposition and maintain customer loyalty,” Peter J. DeMaria, executive vice president-administration and chief accounting officer for the AEP Service Corporation, told attendees at the AEP Leadership Summit.

With the loss of exclusive service areas under retail wheeling, other utilities and new non-utility companies will seek a share of AEP’s existing and new customers in what DeMaria characterized as a mature market with relatively slow growth. Price reductions and producer dislocations can occur swiftly in this type of market. “Low costs and strong financial condition are basic to staying in competition once the fallout begins,” he said.

DeMaria characterized AEP’s financial condition as strong. Its balance sheet contains ample retained earnings and assets that are likely to be recovered through cash revenues.

In order to become more competitive, he said, non-earning assets must be converted to cash. Intangible assets such as expenses deferred for future recovery in rates should be avoided. Capital costs must be scrutinized just as closely as operating expenses since over time they are the same. Throughout the AEP System, everyone must focus on spending money wisely.

DeMaria cited many initiatives under way at AEP to cut costs, increase revenues and improve operations and safety. For example:

- Under study is the feasibility of consolidating some central system functions such as payroll and accounts payable.
- The first priority of human resources departments throughout AEP is improved safety performance. The next highest priority is management development and training. Succession planning reviews are in progress.
- Managed care networks have saved approximately \$7 million in medical costs since 1990 though year-to-year increases continue.

- The Information Services Department recently completed the installation of new systems for Cook Plant and five Service Corporation departments. An employee information system is being installed throughout the System. The first operating company is to be converted to the Marketing, Accounting and Customer Service System in March 1995. An improved budgeting system—the Activity Based Management System—is in the early stages of development.
- The Purchasing Department will be installing systems that will eliminate paperwork, reduce cycle time and reduce inventories.
- A new credit card process is being introduced in several test locations for certain high-volume, low-cost items in order to eliminate checks and invoices.

“Ultimately, how we fare in our new world will rely on the collective efforts of all of us,” DeMaria said. “It will take TLC to posture us in the best possible way...Teamwork, Loyalty and Communications.

“We enjoy the position we have because of all the outstanding work that has gone on before,” he continued. “My plea to all of us is to sharpen our awareness to even keener levels. Have no doubt, competition will hold us to higher, tougher standards.

“Can we make a difference? I think so. Finally, remember the risks and rewards in a competitive environment can be far greater than anything we have experienced before.”



“Ultimately, how we fare in our new world will rely on the collective efforts of all of us. It will take TLC to posture us in the best possible way ...Teamwork, Loyalty and Communications.”

—DeMaria

Maloney: AEP positioned to be tough competitor

AEP is making the transition from an 800-pound gorilla to something a lot more sleek and speedy, but just as strong.

Some of the evidence comes from an article published recently in *Energy Daily*, an industry newsletter, said Gerald P. Maloney, executive vice president and chief financial officer of the AEP Service Corporation.

According to *Energy Daily*, James Rogers, chief executive officer of PSI Energy, said that, "Once he (referring to AEP Chairman E. Linn Draper Jr.) gets it (AEP) embracing competition, they are going to be a tough competitor. That's another reason why it is important to drive costs down. Before, they were resistant."

"And, Rogers added, he is reluctant to continue referring to AEP as the 800-pound gorilla. 'They're moving too fast,' he said."

Maloney said, "We certainly intend to prove Mr. Rogers right when he says that we're going to be a tough competitor." One indication, he noted, is AEP's recent agreement to provide 200 megawatts of power over 15 years to the North Carolina Electric Membership Corporation.

As another example of the company's new directions, Maloney pointed to the open access transmission filing that AEP filed with the Federal Energy Regulatory Commission as a voluntary initiative, a first for the industry.

"FERC initially approved our filing, but the commission then surprised us with its ruling that utilities must provide competitors with transmission service comparable in quality and price to the services utilities provide themselves, an entirely new standard.

"In earlier years, we might have responded with indignation and confrontation," Maloney said, "but it is more important for us today to be a participant in shaping the development of important transmission pricing policy."

Competition and the need to provide enhanced shareholder returns require AEP to consider going into carefully selected new ventures, Maloney said. These non-core business pursuits fall into four areas: major projects (such as constructing two 1,300-mw coal-fired units in China); services (such as the transmission and system planning project in Russia); cogeneration; and intellectual property.

"It is significant that these non-core business activities represent areas in which we have a special ability, activities that are directly related to expertise derived from our core business, areas in which we have earned a reputation as a world-class operation," he emphasized.

Enhancing shareholder value will be an important goal for AEP, Maloney said. Wall Street is apprehensive that the basic nature of the industry is changing, and that identifying the long-term winners and losers is uncertain. "Also, FP&L and SCE Corp. have cut their dividends," he added, "for the asserted reason that they should retain a larger portion of their earnings to meet the challenges of competition, raising the question: who will be next?"

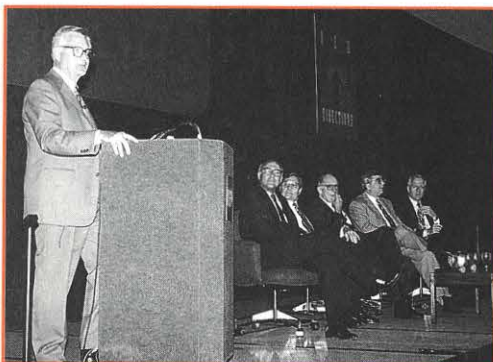
"Bottom line, Wall Street is trying to determine whether investment in AEP stock will be relatively more attractive in the long run than other utilities and other investment choices—that is, whether **this** management group will successfully meet the challenges we face.

"We can be the best in the world at what we do," Maloney said. "We want to be the employer of choice, the provider of choice, and an investment of choice."



"We can be the best in the world at what we do. We want to be the employer of choice, the provider of choice, and an investment of choice."

—Maloney



Following their presentations, AEP's executive vice presidents joined Draper for a question-and-answer session.

Markowsky: Teamwork, partnerships keys to future success

“**T**oday we face unprecedented changes in our industry. To succeed in the emerging competitive marketplace, AEP will need to be both a low-cost producer and a high-quality provider of electric energy,” stressed Dr. James J. Markowsky, executive vice president-engineering and construction for the AEP Service Corporation. “We already do these things pretty well. But there’s also room for improvement.”

He noted AEP’s great tradition of technological pioneering, pointing out that the company is now in its eighth decade as a world leader in electric utility engineering, construction and operations.

“We have focused on continuous improvement: getting more kilowatthours from a pound of coal; efficiently moving large amounts of power across great distances; and improving the reliability of these systems,” Markowsky said. “This has been done to provide our customers with low-cost and reliable electric energy to power their workplace and improve their standard of living.

“These accomplishments were made in an environment that provided for cost recovery and allowed a return on investments. That era is coming to a close.”

Markowsky explained that AEP has the ability and assets to prosper in the dawning competitive environment.

“In fact, I believe that competition will be the catalyst that will make us even more efficient—and more focused on our financial performance,” he said.

AEP’s success, he added, will depend directly on its ability to attract and retain customers that can be profitably served. In order to do this, the Service Corporation and operating companies must work together as partners to understand and meet the needs of these customers. By combining forces, AEP can leverage the talents that exist throughout the organization and field an unbeatable team.

As an example of teamwork and partnership, Markowsky noted that, “We need to install a limestone fluxing system on Tanners Creek Unit 4 to accommodate a switch to lower-sulfur coal, and had outside vendors submit bids.

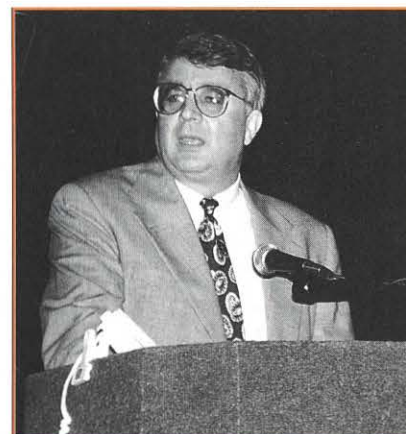
“We also formed an internal team of Service Corporation and Tanners Creek employees and allowed them to submit a bid,” he continued. “Their proposal was approximately 25 percent less than the lowest outside bid. As a result, they were awarded the project. To date, the project is going very well and the team is delivering.”

In addition to internal partnerships, Markowsky feels that in the competitive marketplace the company needs to partner with outside organizations. These include suppliers, regulators, and community leaders.

Markowsky’s keys to success in the new competitive marketplace are:

- Develop a better understanding of our customers, and their needs, and be constantly working to meet or exceed these needs.
- Foster a sense of ownership in every employee.
- Build on our strong tradition of technical achievement and innovation to make AEP one of the leading competitors in this industry.
- Be innovative and flexible as we adapt to the changing environment and competitive pressures the company will face.
- Be able to act quickly to seize opportunities when they occur, whether in our core business or in non-regulated opportunities.
- Embrace best practices and partnering.
- Be change leaders—constantly looking for better ways to do things.
- Improve our cost-effectiveness, continually seeking ways to keep our costs low and improve system performance when justified from the business perspective.

“By doing these things well,” Markowsky concluded, “we will maintain and improve our position as a low-cost, high-quality producer of America’s most important form of energy—electricity.”



“I believe that competition will be the catalyst that will make us even more efficient—and more focused on our financial performance.”

—Markowsky

Imperatives For Change

Specific qualities will separate winners from losers in new competitive era



“Retail wheeling is a manageable issue, but when it starts happening some utilities are going to get hit hard. The changeover happens in months or a few years, not decades.”

— Diamond

“The forces of competition will divide your world into winners and losers.”

That was the message delivered by Mitchell S. Diamond, vice president of the consulting firm of Booz, Allen & Hamilton, Inc., as he opened the AEP Leadership Summit’s sessions on “Imperatives for Change.”

“Winners will recognize opportunities and take bold action,” Diamond said, while “losers will not only do poorly, they will probably disappear.

“Winners will aim at the lowest possible cost, not just a lower cost. Winners will know their customers’ energy situation better than the customers know it themselves. Winners will use pricing as a powerful tool.

“Winners will make decisions quickly and act quickly,” he emphasized.

“Winners will define the issues, set the agenda, and guide the policy making. They will work to guide the regulatory pressures that they’ll face.

“The survival of your company is at stake,” Diamond stressed. “The move to a competitive environment reveals a company’s vulnerabilities. In fact, it’s the amount of regulation that still exists in the United States that helps to keep inefficient players in the game. Regulators provide a safety net which disappears when competition arrives.”

Looking at the deregulation of the airline and trucking industries, Diamond said that before deregulation, there was not a great amount of difference between the best-performing and worst-performing companies in these industries.

After deregulation, however, “the bottom dropped out for the weaker performers. Their performance dropped, not just to zero returns, but to negative returns.” The top performers fared about the same, he said, while average returns industrywide declined.

“We have to change the way our minds think about our business,” Diamond advised. “In the past, it’s been predicated on earning a return on our assets. In the future, it’s going to be a transaction business.

“We’ve already seen some consolidations in the industry and we will see more,” he said. He also predicted “a different array of organizational structures—generating companies, transmission companies and distribution companies” would become more commonplace.

States that take the lead in adopting retail wheeling will become more attractive to business and industry, he noted, forcing neighboring states to take similar action or risk losing major employers.

“Retail wheeling is a manageable issue,” he said, “but when it starts happening some utilities are going to get hit hard. The changeover happens in months or a few years, not decades.”

Employees have to be empowered to do the jobs they know best, he noted. “Competing implies removing the tethers from people.”

Toot: The Customer’s Perspective

The Timken Company had to begin actively competing for business in 1980 when the supply of steel first surpassed the demand, said Joseph F. Toot Jr., the company’s president and chief executive officer.

Much of the oversupply was brought on by imports of Japanese automobiles, and the resultant loss of market share held by American automakers, he explained.

Until 1980, Timken's focus was on making more steel, not lowering costs, and little attention was paid to the customer, Toot said. "We resolved any problem of profitability by raising prices. Our job was to create more capacity to meet increasing demand."

Today, he said, "our job is to meet customers' needs in an era of overcapacity, in an environment where getting a price increase is somewhere between tough and impossible."

What Timken has learned, Toot emphasized, is that there are seven characteristics of "leadership firms" that are true regardless of what industry is being considered.

- Quality is a given. "Almost" is never good enough.
- Successful firms are sharply focused upon a few activities that they do exceedingly well.
- Successful firms are driven by their customers' interests. "In the early 1980s, when we were trying to keep our heads above water, I can remember some of your former colleagues telling us why you couldn't do certain things for us," Toot said. "Had we had an alternative at the time, we would have replaced you in a second."
- Leadership firms set extraordinarily high standards for themselves. "The higher we set the bar for ourselves," he said, "the more difficult it is for our competitors to jump over it."
- Leadership firms focus intently on the development of each associate in those companies. "Education is not simply the responsibility of the training department," he said.
- Successful companies use speed as a competitive weapon. They do things faster than other companies.
- Each successful company has a continuous improvement program working to eliminate non-essential activities and to attack corporate bureaucracies.

"I'm not asking you to give your electricity away," said Toot, whose company bought \$36 million of electric energy from AEP in 1993. "I'm asking you to wrap it in the best blue ribbon you can find. We want the leader, or leaders (in the industry) to be our suppliers."

Tanenbaum: The AT&T experience

The major challenge for AT&T was to hold onto its market share in the long-distance phone business while transforming itself into an organization that could be successful in a competitive marketplace, according to Morris Tanenbaum, retired vice chairman and chief financial officer of AT&T and a member of the AEP Board of Directors.

After the so-called "Baby Bells" were separated from AT&T, Tanenbaum recalled, new pricing schemes had to be devised, tens of thousands of employees had to be reassigned, a new payroll system had to be created and a new financial accounting system had to be put in place.

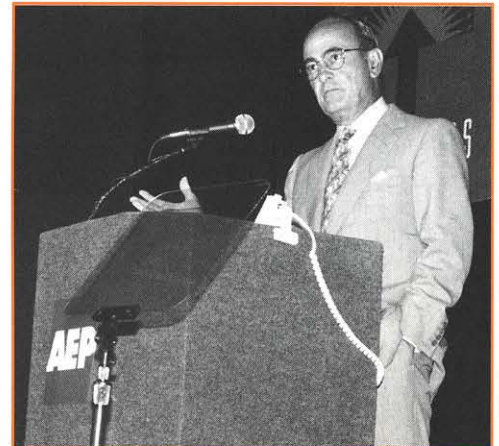
"We had less than 24 months to prepare for the transition," he said. "You cannot understand the differences between a regulated environment and a competitive environment until you actually live with it—no matter how well you prepare for it.

"Your understanding of your business must be much deeper and more detailed in a competitive environment," he pointed out. "You must learn how to benchmark yourself against others in your industry. You must learn to study your competitors because they are studying you. For every move you make in a competitive environment, your competitors will react to it.

"You survive only by being a little bit better than everyone else," he said. "As the incumbent, you do have a head start, but it is never as large as people will believe, and it is something that you will be handicapped for.

"We have an engineering organization now that knows a lot better what the customer wants," Tanenbaum said about AT&T's current organization. "Before, we provided the best service and the best equipment that we thought the customer ought to have.

"In the end, the customer selects the company that serves best and gives the most value. It is the customer who declares the winner."



"In the early 1980s, when we were trying to keep our heads above water, I can remember some of your former colleagues telling us why you couldn't do certain things for us. Had we had an alternative at the time, we would have replaced you in a second."

—Toot

Managing Change

Vision, values, concern for environment paramount for future success

Change can be managed, but it can't be rigidly controlled, said Timothy R. Furey, president of Oxford Associates, a management consulting firm with considerable experience in the electric utility industry.

"Most companies that try to micromanage change fail," said Furey, the kickoff speaker for the "New Directions" segment of the AEP Leadership Summit. Also, he said, change is thought of in most companies as merely a cost-cutting exercise.

"How are you going to get employees to change when the only mission is to reduce costs?" he asked. "The compelling reason to change has to be a growth vision.

"Cost-cutting is not the only way for a company to increase profits," Furey emphasized. "Companies can strive for gains in market share, and

they can also introduce new products or new services. If you can't put together a positive growth vision, and a positive reason for change, you can't achieve it."

Furey pointed to three companies—Wal-Mart, Southwest Airlines and Compaq Computers—that have experienced tremendous success in "incredibly competitive, low-profit industries."

The common characteristics of these three companies, he said, are that they: (1) are pursuing a limited set of activities in which they excel; (2) have tremendous leadership, not just at the chief executive officer level, but throughout the organi-

zation; and (3) have a clear vision of where they want to be.

"Most successful corporate change efforts have been totally customer focused," he said, adding that the four L's of change are listening to the customer, looking at current practices, learning through benchmarking, and leveraging computer information technology.

Furey also emphasized the need to involve vendors and suppliers, to set clear and measurable goals and to allow such "re-engineering" to be done by employees, not to them.

"Senior management leadership and a clear vision are the most important factors in a successful change," he said. "Also, don't assume that everything you're doing needs radical change."

Meko: "Doing the right thing"

In today's business environment, "doing the right thing" pays dividends, said Andrew C. Meko, vice president for environmental, safety, health and medical affairs at Ashland Oil, Inc.

"Americans are more concerned about the environment and safety than they were 25 years ago, and industry has changed because of it," he noted. "Companies that want to do more than just survive in the next decade are adopting a strategy for environmental excellence."

Substantial environmental progress has been made, Meko said, pointing to a 27 percent decline in sulfur dioxide emissions and a 61 percent decline in particulate emissions.

However, additional changes are on the horizon, because of pressures to make existing environmental regulations even stricter. "We will have to learn to do more with less, because, even though environmental requirements will increase, the pool of financial and human resources to address them is not unlimited."

Meko said that regulators and businesses should: (1) prioritize legitimate environmental concerns that should be addressed; (2) work together



Timothy R. Furey (left) responds to a question posed by Joseph H. Vipperman, president and chief operating officer of Appalachian Power Company, during the AEP Leadership Summit.

in alliances and partnerships; and (3) adopt more flexible, market-based regulatory guidelines.

“Too much regulation is the command-and-control variety which mandates how as well as what,” he pointed out. “Studies have shown that this is the most expensive method of pollution control.

“We also need a responsible debate on the issue of ‘how clean is clean?’” he said. “Total elimination of an emission or effluent source may neither be necessary or practical. We need to set acceptable limits and move on to other problems.”

Neece: The Meigs No. 31 experience

An underground mine environment changes daily, as coal is removed, and as entries, conveyors and track are extended into new sections of the mine.

“A fireboss inspects old works, escapeways, and it’s essential to have intimate knowledge of the mine,” said Jody Neece, an employee at Southern Ohio Coal Company’s Meigs No. 31 mine. Neece was working as a fireboss on July 11, 1993, when water from an adjacent, abandoned mine poured into Meigs No. 31, testing all the lessons he’d learned in 19 years with the company.

Because it was a Sunday evening, only a few employees were at work in the mine. At 7:45 p.m., after the water inflow was detected, Neece’s supervisor ordered employees to evacuate.

“We had lost contact with the eight employees who were assigned to longwall set-up work on the A-7 longwall panel,” Neece recalled. “Their main escapeway would soon be blocked with water, and I was certain that the crew was unaware of the circumstances. I knew that the average employee would have difficulty finding the alternate escapeway.”

Neece volunteered to find the A-7 crew and lead them back to the 4 South track. He called for a mantrip to be left there to take the crew to the South Mains air shaft, where a hoist could lift them to the surface.

“The walk into A-7 was a harrowing experience,” Neece said. “The water was, at various times, between my waist and my chin. The cur-

rent was swift, and carried timbers and huge chunks of coal past me. I seriously doubted my ability to reach the miners in A-7. I had no choice but to continue.”

Eventually, he said, he came out of the inundated area, found the A-7 crew, and explained that the normal exit was blocked. “I was soaked, I had lost the instruments I normally carry on my belt, and my appearance caused panic in some of the men,” he recalls.

The most difficult part of the mile-and-a-half walk out of A-7, he said, was the psychological aspect. One of the miners was unable to swim; another had physical limitations. But when they finally reached the 4 South track, “there was Dan Beam with the mantrip. He had been waiting there for us for

two hours.”

About a mile from the hoist, the mantrip lost power—meaning that the water was coming closer. Thanks to a mechanic’s suggestion, the crew was able to re-energize the trolley wire so that the employees didn’t have to walk.

Why did he walk through chin-deep water to find the A-7 crew members and lead them to safety? “The workers in A-7 are my co-workers and friends,” he said. “I could not have left the mine with a clear conscience.

“Southern Ohio Coal supports a culture which encourages employees to do the right thing,” Neece emphasized. Safety training at the mine, he said, enabled him to react in a quick and appropriate manner. “Knowledge of how to react is not something gained through memorization. You have to be able to adapt to changes and think creatively.

“Miners are team players,” he concluded. “The issue is not what I did as an individual at Meigs No. 31. The issue is what we, as a team, can do if we pull together.”

“Miners are team players. The issue is not what I did as an individual at Meigs No. 31. The issue is what we, as a team, can do if we pull together.”

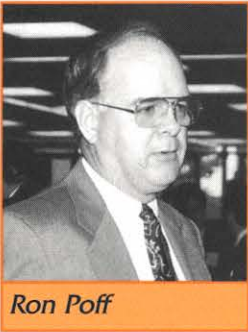
—Neece



Jody Neece relates his harrowing experience at the Meigs No. 31 mine.

Summit attendees perceive AEP as ready for change

Throughout the AEP Leadership Summit, great credence was placed on perceptions. Do those who attended the meeting—and others outside the company—perceive AEP as capable of dramatic change? What strategies do the attendees perceive as most important during this new competitive era?



Ron Poff

“I think I came in here looking to learn more about what our new course is going to be as we enter this changing time, and I think we’re all walking away from here with some pretty clear and concise di-

rections on what we need to be doing in our organizations,” answered **George Bjelovuk**, director of customer services for Columbus Southern Power/Ohio Power Company.

Ron Poff, engineering manager in the T&D Department at Appalachian Power Company’s General Office, said continued emphasis on employee empowerment was a key issue during the three-day meeting.

“I see a definite push-down of employee empowerment, and I find that very exciting because that is going to give us folks in the operating companies the tools we need to deal with the issues facing our company now,” he commented. “The empowerment issue gives you the ability to seize the opportunities that are out there in our industry.”

Poff agreed with the Summit speakers who warned AEP that, when it comes to competition in the utility industry, “the train has already left the station.”

“Competition was definitely a key word during the meeting and, quite frankly, we’ve seen some evidence of that already at Appalachian,” he said. “I’ve had to deal with a couple of major customers lately and they’ve seriously looked at the alterna-

tives of developing their own energy sources or looking to IPPs (independent power producers) for energy sources. So when we hear the discussions, I’m a testimony to the fact that it’s real. It’s here today.”

According to **Charlie Weaver**, manager of fossil plant operations at the AEP Service Corporation, the company’s move to a more customer-oriented approach was another key issue.


“I think we are absolutely moving into a new way of doing business and we are looking very hard at ways to do that,” he said. “It’s evident that we’ve put a lot of time and thought and delved very deeply into what’s important to our company and we’re re-emphasizing the need to get out and work with our customers.”

“The focus on the customer is imperative,” agreed **Terry Hall**, manager of Kentucky Power Company’s Pikeville Division. “The customer is really

why we’re here. We’ve got to continue to focus on that. We’ve got to focus on customers not only outside but inside the four walls of the organization.”

Scott Weaver, manager of administration and purchasing at the AEP Fuel Supply Department, concluded that, “One of the biggest impressions I have is a sense of unity, a sense of teamwork that’s come to play as part of this group. I thought the breakout sessions were very, very open.

“I think we’re willing to take the challenge and accept the issues facing this company,” he continued, “whereas, perhaps in the years gone, we’ve been a little more resistant to change. I think we all recognize that we live in a dynamic society with a dynamic commerce and to be successful we have to be quick and flexible. I’m really impressed with the genuine camaraderie, teamwork and willingness to achieve a common goal.”



“The empowerment issue gives you the ability to seize the opportunities that are out there in our industry.”
—Poff

The Next Steps

“We have to communicate and embrace the ideas that we have talked about over the last 2½ days, with particular emphasis on teamwork. If we do that, I’m absolutely persuaded that we will be a formidable competitive force in the new world of electric power. I think our new directions are right, and I hope you do. If you don’t, I’d like to know about it.”

E. Linn Draper Jr., AEP chairman, president and chief executive officer, left those thoughts and more with the 230 managers attending the AEP Leadership Summit during his closing remarks.

“We have a responsibility to communicate to other people who are not present today,” Draper continued. “Tomorrow is not too soon to begin talking. Don’t worry that you won’t portray it exactly as it was portrayed in this meeting. A sense of urgency and importance is what counts. Get back there and begin to focus others on doing those things, over which they have control, in a better way. Focus on things where they can make a difference. ‘Don’t sit around complaining, ‘If only I could do things differently, if only someone else would give me this or that, this would be a better place.’ We’re going to make a difference because of what each of us does about those things where we can really make a difference as individuals.”

In order to clarify a plan of action for the AEP System, Draper identified five specific “Next Steps” for the attendees. They are as follows:

► **Operating Company Studies**—“We have a number of activities under way in the operating companies,” Draper noted. “The objective of this meeting is in no way to derail, detract, deflect or otherwise impede those activities that are under way at Appalachian, Kentucky Power and Indiana Michigan. You folks are, in many ways, leading the charge in looking at what we do, why we do it, how we do it and what resources are required, and you have my encouragement to continue that activity without any diminishment of your focus. For all those activities currently under way, don’t slow down. If anything, speed up.”

► **Executive Program**—Draper also identified an upcoming program for System managers that will serve as an extension of the Summit. The program is scheduled to begin in September.

“It will be a much more in-depth look at some of the things we have discussed at this meeting,” he explained. “It will be an exposition of techniques that might be used by you as leaders of the change process that is so important to go forward.”

Draper said the planning team for the program will include representatives of the System’s operating companies “to be sure that the program we prepare is one that really does some good.”

► **Employee Survey**—The third “step” Draper identified is a comprehensive employee survey that is also planned for this fall.

“One of the important things as we go forward and plan for our future is to keep track of where we have been and where we are going in terms of our employee knowledge and awareness of both the industry in general and our circumstances in particular,” he explained. “We are planning to do an extensive survey. The idea is to find out where we now are and then track that over time to be sure the program we roll out in trying to achieve these new directions is really effective.”

► **Ongoing Policy Initiatives**—As AEP prepares for competition, four task forces have been created. These groups will be responsible for addressing the changing regulatory environment and seeking innovative ways to adapt and respond. The four groups are:



The open exchange of ideas is crucial for AEP’s continued success. That was the goal of the discussion groups during the Leadership Summit.

(continued on back cover)

The Next Steps

(continued from page 15)

- 1) **Policy Development Task Force**—will continue to meet in order to make progress on wholesale transmission access, retail wheeling, fuel choices and competitive pricing.
- 2) **Culture Task Force**—will work on follow-up to the Summit, including the employee survey. This task force will develop other programs, as well, to help AEP deal constructively with change. “And it will continue to deal with issues that have so much to do with the way our company really functions,” said Draper. “What is our culture and what we need to do to change that as we go forward.”
- 3) **Pool Agreement Task Force**—will focus on ways to change the AEP System interconnection agreement to function sensibly and competitively in an era where the company must compete not only on costs but in a market arena.
“We have this pool agreement for the allocation of costs in our generation and transmission among the various member companies that has served us reasonably well in the past,” Draper explained. “It is not so clear, as we go forward in this new competitive arena, that the existing pool agreement is satisfactory. This task force will look to see what changes we might need to make in regard to our pool agreement.”
- 4) **Retail Wheeling Task Force**—“We are looking at ways to assess more precisely the possibility that retail wheeling will be adopted by the states

in which we operate, and how it will affect the AEP System and its individual operating companies,” said Draper. “Obviously this involves a comprehensive competitive analysis and customer analysis.”


- **Strategic Planning Effort**—In the final step Draper identified, AEP will continue top management discussions involving the senior staffs

of the operating companies and Service Corporation regarding public policy, the structure of the System and the company’s responses to the competitive marketplace.

“It will be a continuing activity to be sure that, as the competitive marketplace unfolds, we are actively prepared to receive signals as they are arriving and take appropriate action where necessary,” Draper said.

“This Summit has been about our vision of American Electric Power as a winner, and how we’re going to succeed by adapting strategies and techniques that have been used successfully by other businesses,” Draper concluded. “In the process, I think we have gotten to know each other better and that in itself is a laudable achievement. The more we know each other, the better we will function as a team.

“My sense is that in the last year or so, there is a much more unified spirit among the various entities within our corporation. I think we’re beginning to know each other better and I think it’s helping.”



“This Summit has been about our vision of American Electric Power as a winner, and how we’re going to succeed by adapting strategies and techniques that have been used successfully by other businesses.”

—Draper