2015 Evercore ISI Utility CEO Retreat

Palm Beach, Florida
January 8-9, 2015
“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995

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American Electric Power Company Overview

$58B
TOTAL ASSETS

$30B
CURRENT MARKET CAPITALIZATION

5.3M
CUSTOMERS IN 11 STATES

38GW
OWNED GENERATION

40,000+
LINE MILES OF TRANSMISSION

Note: Statistics as of September 30, 2014, except market capitalization which is as of January 2, 2015
AEP has performed by credibly managing headwinds and tailwinds

Consistent Growth in Shareholder Value
Quality of Investments
Agility to React to Headwinds
Balance Sheet Strength
Long History of Dividend Growth

Steady as She Goes, Executing on Plan through Rough or Calm Waters
FINANCIAL INFORMATION
Forecasted 4-6% EPS Growth Rate Reaffirmed

4% - 6% EPS growth is off of 2014 original guidance range

Earnings growth achieved through capital investment and rate recovery, identified sustainable cost savings and O&M spending discipline

EPS Growth + Dividend Yield = 8% - 10% Annual Return Opportunity
2015-2017 Capital Spending Forecast

**Capital & Equity Contributions**
$ in millions, excluding AFUDC
2015: $4.4B; 2016: $3.8B; 2017: $3.9B

**Regulated Generation Investment** - $2.7B

**Regulated Distribution Investment** - $3.6B

**Regulated Transmission Investment** - $4.8B

96% of capital allocated to regulated businesses; 70% allocated to wires
Regulated Rate Base Growth

Cumulative change from 2012 base

2012 Net Regulated Plant = $33.2B

TRANSCOS/TRANSOURCE

WIRES COMPANIES

VERTICALLY INTEGRATED UTILITIES

2017E: $14.5B
2016E: $12.0B
2015E: $9.4B
2014E: $6.2B
2013A: $2.5B

2017E:
$6.4B
$3.3B
$4.8B

2016E:
$5.5B
$2.6B
$3.9B

2015E:
$4.4B
$2.0B
$2.9B

2014E:
$3.1B
$1.2B
$1.9B

2013A:
$1.1B
$0.5B
$0.9B

7.5% CAGR in Net Regulated Plant
Pro-forma 2015 Regulated ROE’s

Expected Earned ROE’s (Operating Earnings*)

<table>
<thead>
<tr>
<th>Company</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEP Ohio</td>
<td>12.0%</td>
</tr>
<tr>
<td>APCo</td>
<td>8.9%</td>
</tr>
<tr>
<td>KPCo</td>
<td>8.7%</td>
</tr>
<tr>
<td>I&amp;M</td>
<td>10.3%</td>
</tr>
<tr>
<td>PSO</td>
<td>8.8%</td>
</tr>
<tr>
<td>SWEPCO</td>
<td>7.7%</td>
</tr>
<tr>
<td>AEP Texas</td>
<td>8.4%</td>
</tr>
<tr>
<td>AEP Trans Holdco</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

Expected Regulated Operations ROE of 9.5%
Pro-forma 2015

* operating adjusts GAAP results by eliminating any material non operating items and is not weather normalized
Dividend

Targeted payout ratio of 60-70% of operating earnings

Supported by earnings from regulated operations

Declared 418 consecutive quarters

Dividend Growth CAGR = 4.09%

* Subject to approval by Board of Directors
Continue O&M cost discipline through LEAN initiatives while reinvesting as needed to support our operations, customers and employees.
### 2014-2017 Financing Plan & Credit Metrics

#### $ in millions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash from Operations - Excl. Impact of Bonus Depreciation &amp; FIT Payments</td>
<td>3,900</td>
<td>4,500</td>
<td>4,900</td>
<td>4,900</td>
</tr>
<tr>
<td>Impact of Bonus Depreciation</td>
<td>700</td>
<td>(300)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federal Cash Taxes Refunded (Paid)</td>
<td>(100)</td>
<td>(500)</td>
<td>(800)</td>
<td>(800)</td>
</tr>
<tr>
<td>Cash from Securitization *</td>
<td>-</td>
<td>-</td>
<td>300</td>
<td>-</td>
</tr>
<tr>
<td>Capital &amp; JV Equity Contributions</td>
<td>(4,200)</td>
<td>(4,400)</td>
<td>(3,800)</td>
<td>(3,900)</td>
</tr>
<tr>
<td>Other Investing Activities</td>
<td>(400)</td>
<td>(200)</td>
<td>(200)</td>
<td>(200)</td>
</tr>
<tr>
<td>Common Dividends @ $2.03/share 2014; $2.12/share - 2014 - 2017 **</td>
<td>(1,000)</td>
<td>(1,000)</td>
<td>(1,000)</td>
<td>(1,000)</td>
</tr>
<tr>
<td>Excess (Required) Capital</td>
<td>(1,100)</td>
<td>(1,900)</td>
<td>(600)</td>
<td>(1,000)</td>
</tr>
<tr>
<td><strong>Financing ($ in millions)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess (Required) Capital</td>
<td>(1,100)</td>
<td>(1,900)</td>
<td>(600)</td>
<td>(1,000)</td>
</tr>
<tr>
<td>Debt Maturities (Senior Notes, PCRBs)</td>
<td>(1,500)</td>
<td>(1,700)</td>
<td>(1,200)</td>
<td>(1,800)</td>
</tr>
<tr>
<td>Securitization Amortizations</td>
<td>(300)</td>
<td>(300)</td>
<td>(300)</td>
<td>(300)</td>
</tr>
<tr>
<td>AGR Credit Facility ***</td>
<td>-</td>
<td>500</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equity Issuances (DRP/401K)</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Debt Capital Market Needs (New)</td>
<td>(2,800)</td>
<td>(3,300)</td>
<td>(2,000)</td>
<td>(3,000)</td>
</tr>
<tr>
<td><strong>Financial Metrics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt to Capitalization Target</td>
<td></td>
<td>Mid 50s</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FFO/Total Debt ****</td>
<td></td>
<td>Mid -to- Upper teens</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* $300MM OH deferred fuel securitized (subject to regulatory approval)
** Assumes current quarterly dividend of $0.53 per share; dividend evaluated by board of directors each quarter; stated target payout ratio range is 60-70%
*** Interim credit facility matures May 2015, and is assumed to be refinanced for modeling purposes
**** Excludes securitization debt

Anticipated cash flows cover planned capital investment while maintaining solid credit metrics.
2015 Operating Earnings Guidance

**2014E**

- Vertically Integrated Utilities: $0.31
- Transmission and Distribution Utilities: $0.35
- AEP Transmission Holdco: $0.31
- Generation & Marketing: ($0.38)
- AEP River Operations: ($0.08)
- Corporate and Other: ($0.00)

**2015E**

- Vertically Integrated Utilities: $0.69
- Transmission and Distribution Utilities: $0.35
- AEP Transmission Holdco: $0.31
- Generation & Marketing: $0.50
- AEP River Operations: $0.08
- Corporate and Other: $0.00

**Drivers**

- Rate Changes: $0.27
- O&M: $0.09
- AFUDC: $0.07
- Normal Load: $0.05
- Weather: ($0.03)
- Depreciation: ($0.01)
- OSS: ($0.09)
- Other: ($0.04)

**2015 Operating Earnings Guidance Range of $3.40 - $3.60/sh**
Normalized Retail Load Trends – AEP System

AEP Residential Normalized GWh Sales
% Change vs. Prior Year

AEP Commercial Normalized GWh Sales
% Change vs. Prior Year

AEP Industrial GWh Sales
% Change vs. Prior Year

AEP Total Normalized GWh Sales
% Change vs. Prior Year

Note: Line represents growth excluding Ormet

EPS impact of $0.04 for Retail Load
Industrial Class Data

AEP Industrial Sales Growth

- Shale Counties
- Non-Shale Counties

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Shale Counties</th>
<th>Non-Shale Counties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1-13</td>
<td>4%</td>
<td>-5.3%</td>
</tr>
<tr>
<td>Q2-13</td>
<td>9%</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Q3-13</td>
<td>17%</td>
<td>-3.8%</td>
</tr>
<tr>
<td>Q4-13</td>
<td>28%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Q1-14</td>
<td>30%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Q2-14</td>
<td>39%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Q3-14</td>
<td>28%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Industrial Sales Growth in Shale Regions

- Eagle Ford (TX)
- Marcellus (WV)
- Permian (TX)
- Utica (OH)
- Woodford (OK)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Eagle Ford (TX)</th>
<th>Marcellus (WV)</th>
<th>Permian (TX)</th>
<th>Utica (OH)</th>
<th>Woodford (OK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3-13</td>
<td>1.1%</td>
<td>-5.3%</td>
<td>-3.5%</td>
<td>-3.8%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Q4-13</td>
<td>9%</td>
<td>-3.3%</td>
<td>-3.3%</td>
<td>-3.3%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Q1-14</td>
<td>17%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Q2-14</td>
<td>28%</td>
<td>39%</td>
<td>39%</td>
<td>39%</td>
<td>39%</td>
</tr>
<tr>
<td>Q3-14</td>
<td>28%</td>
<td>28%</td>
<td>28%</td>
<td>28%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Approximately 17% of total AEP Industrial sales are located in shale gas counties.

Shale gas development driving industrial load growth
Investment returns for our pension plan are positive YTD in 2014, led by strong gains in fixed income. OPEB funds also show positive returns year to date through September.

We expect combined pension and OPEB costs (pre-tax and including capitalized portion) to decrease by about $30M from 2014 to 2015 subject to potential changes in investment results, interest rates and actuarial assumptions.

Adoption of an updated actuarial Mortality Table at YE 2014 is being evaluated and is currently included in the 2015 projection.

Pension funding and expense for regulated subsidiaries are recovered through rates.

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>2014E</th>
<th>2015E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Discount Rate</td>
<td>4.70%</td>
<td>4.20%</td>
</tr>
<tr>
<td>OPEB Discount Rate</td>
<td>4.70%</td>
<td>4.20%</td>
</tr>
<tr>
<td>Assumed Long Term Rate of Return on Pension Assets</td>
<td>6.00%</td>
<td>6.00%</td>
</tr>
<tr>
<td>Assumed Long Term Rate of Return on OPEB Assets</td>
<td>6.75%</td>
<td>6.75%</td>
</tr>
<tr>
<td>Pension/OPEB Funding</td>
<td>$88M</td>
<td>$102M</td>
</tr>
<tr>
<td>Pension/OPEB Cost*</td>
<td>$81M</td>
<td>$50M</td>
</tr>
</tbody>
</table>

* Cost component is pretax and pre-capitalization; on average, 35% of pension and OPEB costs are capitalized and 65% are expensed
**West Virginia**
Base rate case filed June 30, 2014
- Requested increase of $226M with an ROE of 10.62%
- Hearing commences Jan. 15, 2015
- Order due May 26, 2015

**Kentucky**
Base rate case filed December 23, 2014
- Requested increase of $70M, consisting of $38M for Mitchell and $11M for tree trimming and reliability, with an ROE of 10.62%
- Rates can go in effect July 1, 2015
## AEP Ohio Regulatory Filings

### ESP III
- Continuation and updates of various riders, including Distribution Investment Rider (DIR) and several others.
- Proposed new recovery mechanisms for GridSMART Phase II, NERC Compliance & Cybersecurity, and several others.
- Power Purchase Agreement Rider (PPA), with recommendation to include OVEC in the rider.
- Auction based supply for non-shopping customers.
- Waiting for order, expected 1Q15.

### Purchase Power Agreement Filing
- Stabilizes retail rates in AEP Ohio’s service area and protects reliability and the economy in Ohio.
- Utilize PPA recovery mechanism proposed in ESP III, if approved, to include 100% of AEPGR’s share of 4 plants * for the remaining life of the units.
- Proposed effective date is June 1, 2015.
- PPA is FERC jurisdictional, with projected initial ROE of approximately 11.2%.
- Estimated rate base is $1.6B, with 50/50 cap structure.
- Average remaining life of assets is 20 years.

### Plants included in PPA filing:

<table>
<thead>
<tr>
<th>Unit/Plant</th>
<th>MW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardinal Unit 1</td>
<td>592 MW</td>
</tr>
<tr>
<td>Conesville</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unit 4 (CCD): 339 MW</td>
</tr>
<tr>
<td></td>
<td>Units 5&amp;6: 810 MW</td>
</tr>
<tr>
<td>Stuart</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4 Coal Units: 600 MW</td>
</tr>
<tr>
<td>Zimmer</td>
<td>330 MW</td>
</tr>
<tr>
<td>Total</td>
<td>2,671 MW</td>
</tr>
</tbody>
</table>
$1,255 Net Plant* ($ in millions)

$403 Net Plant* ($ in millions)

$423 Net Plant* ($ in millions)

$2,277 Net Plant* ($ in millions)

* As of 9/30/2014

Note: Private placement financing has occurred at Electric Transmission Texas, LLC and AEP Transmission Company, LLC
4 types of projects:

- Regional projects for retirements, renewables, economic and market efficiencies
- Local reliability plans
- Aging infrastructure
- Customer-driven projects

Cumulative Base Case Capital Investment

High Case Incremental Capital Investment

EPS Base Case Contribution $/share

EPS High Case Contribution $/share

Non-firm joint venture projects not included; high case investment is strictly related to the existing Transcos (no assumption for securing competitive opportunities); no projects included above subject to loss due to FERC Order 1000 right of first refusal
Note: The portfolio also includes AEP Energy Partners’ assets in ERCOT consisting of the Oklaunion Coal Plant PPA (355MW), Wind Farms (311MW) and Renewable PPAs (177MW).

<table>
<thead>
<tr>
<th>Fleet Characteristics 01/01/2015 (excludes 2,470 MW from retiring plants)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wholly-owned, AEP operated, 69% of fleet</strong></td>
</tr>
<tr>
<td>Gavin</td>
</tr>
<tr>
<td>Cardinal 1*</td>
</tr>
<tr>
<td>Conesville 5, 6*</td>
</tr>
<tr>
<td>Waterford</td>
</tr>
<tr>
<td>Darby</td>
</tr>
<tr>
<td>Racine</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Joint Venture, AEP operated, 4% of fleet</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Conesville 4*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Joint Venture, operated by others, 12% of fleet</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Zimmer*</td>
</tr>
<tr>
<td>Stuart*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Capacity / energy entitlements, 15% of fleet</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lawrenceburg</td>
</tr>
</tbody>
</table>

| **Total** | **7,923** |
|---|

* Part of the proposed PPA filed in Ohio

Note: The portfolio also includes AEP Energy Partners’ assets in ERCOT consisting of the Oklaunion Coal Plant PPA (355MW), Wind Farms (311MW) and Renewable PPAs (177MW)
AEP Generation Resources: Expected Generation

Fleet is well-positioned from a cost and operational perspective to participate in the competitive market.

Generation from fleet expected to be in the range of 37-40 million MWh*

* Excludes ~2 million MWh of expected generation from retreating units.

Note: post-retirement view of generation stack; includes fuel, emissions and consumables costs.
Energy Sales Opportunities

2015 Energy Sales Opportunity

- Currently serving 223,000 customers
- Expect to serve 12 TWh of load in 2014
- Provide hedging opportunities for AGR
- Customer growth in western PJM

AEP Energy (Retail) Profile

- YTD September 2014 Delivered Load
- OH 69%
- IL 21%
- PA 5%
- NJ 4%
- MD 1%

- Residential 20%
- C&I 80%

80% of expected gross margin in 2015 is secured by energy hedges, RPM capacity, and Ohio Electric Security Plan
### AEP Energy Supply: Earnings & Cost Management

<table>
<thead>
<tr>
<th>Estimated (in $ millions)</th>
<th>2014E</th>
<th>2015 Range</th>
<th>2016 Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy/Capacity Gross Margin</td>
<td>$1,340</td>
<td>$965 - $1,035</td>
<td>$590 - $790</td>
</tr>
<tr>
<td>Costs</td>
<td>435</td>
<td>410</td>
<td>340</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$905</td>
<td>$555 - $625</td>
<td>$250 - $450</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>180</td>
<td>142</td>
<td>146</td>
</tr>
<tr>
<td>Cash Flow*</td>
<td>$725</td>
<td>$413 - $483</td>
<td>$104 - $304</td>
</tr>
</tbody>
</table>

*Excludes income taxes, interest and changes in working capital

#### Cost Trend

(In $ millions)

- **2011-2013 Average**
  - Ongoing: $400
  - Disposition units & Mitchell: $490

- **2014**
  - Ongoing: $360
  - Disposition units & Mitchell: $435

- **2015**
  - Ongoing: $365
  - Disposition units & Mitchell: $410

- **2016**
  - Ongoing: $335
  - Disposition units & Mitchell: $340
AEP Generation Resources Capitalization & Liquidity

Conservatively Capitalized

- Capitalization as of 9/30/14:
  - Debt: 25%
  - Equity: 75%
  - Total Capitalization: $3.3 billion

- The corporate separation term loan balance at the end of the 3rd quarter is $500 million, maturing May 2015.

- Term-loan refinancing options include AEP Holdco support, Pollution Control Bonds or AGR stand-alone financing.

Adequate Liquidity

- Liquidity backstop provided through $3.5B in AEP core credit facilities.

- Current expiration dates for the two facilities are 2017/18.

Near-term financing strategy will preserve flexibility