



# AMERICAN ELECTRIC POWER

Fall EEI Conference

November 11, 2008



— STRONG —————

— FLEXIBLE —————

— ADAPTABLE —————

Michael G. Morris

Chairman, President & CEO

## "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

This presentation contains forward-looking statements, which are subject to risks and uncertainties. These factors include electric load and customer growth; weather conditions, including storms; available sources and costs of, and transportation for, fuels and performance of fuel suppliers and transporters; availability of generating capacity and performance of generating plants; the ability to recover regulatory assets and stranded costs in connection with deregulation; the ability to recover increases in fuel and other energy costs through regulated or competitive electric rates; the ability to build or acquire generating capacity (including our ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms and to recover those costs (including the costs of projects that are cancelled) through applicable rate cases or competitive rates; new legislation, litigation and government regulation, including requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances; timing and resolution of pending and future rate cases, negotiations and other regulatory decisions (including rate or other recovery of new investments in generation, distribution and transmission service and environmental compliance); resolution of litigation (including disputes arising from the bankruptcy of Enron Corp. and related matters); our ability to constrain operation and maintenance costs; the economic climate and growth or contraction in our service territory and changes in market demand and demographic patterns; inflationary and interest rate trends; volatility in the financial markets, particularly development affecting the availability of capital on reasonable terms and developments impacting our ability to refinance existing debt at attractive rates; our ability to develop and execute a strategy based on a view regarding prices of electricity, natural gas coal, nuclear fuel and other energy related commodities; changes in the creditworthiness of the counterparties with whom we have contractual arrangements, including participants in the energy trading market; actions of rating agencies, including changes in the ratings of debt; volatility and changes in markets for electricity, natural gas and other energy-related commodities; changes in utility regulation, including the implementation of the recently-passed utility law in Ohio and the allocation of costs within regional transmission organizations; accounting pronouncements periodically issued by accounting standard-setting bodies; the impact of volatility in the capital markets on the value of the investments held by our pension, other postretirement benefit plans and nuclear decommissioning trust and the impact on future funding requirements; prices for power we generate and sell at wholesale; changes in technology, particularly with respect to new, developing or alternative sources of generation; other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes and other catastrophic events; and other factors discussed in the reports, including Forms 10-K and 10-Q, filed from time to time by the company with the SEC.

### Investor Relations Contacts

**Chuck Zebula**

Treasurer

SVP Investor Relations

614-716-2800

cezebula@aep.com

**Bette Jo Rozsa**

Managing Director

Investor Relations

614-716-2840

bjrozsa@aep.com

**Julie Sherwood**

Director

Investor Relations

614-716-2663

jasherwood@aep.com

**Jana Croom**

Analyst

Investor Relations

614-716-3175

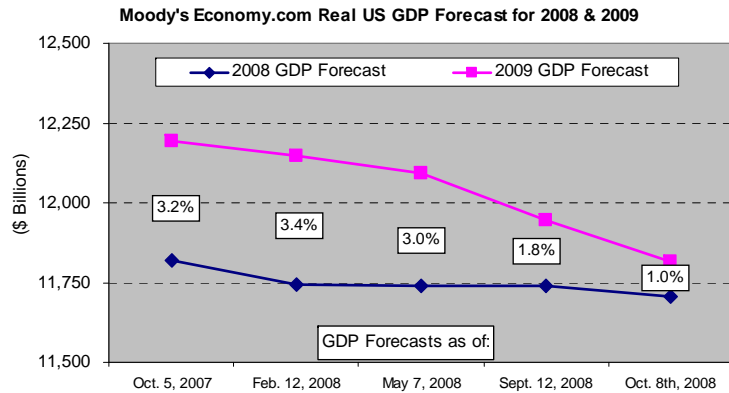
jtcroom@aep.com



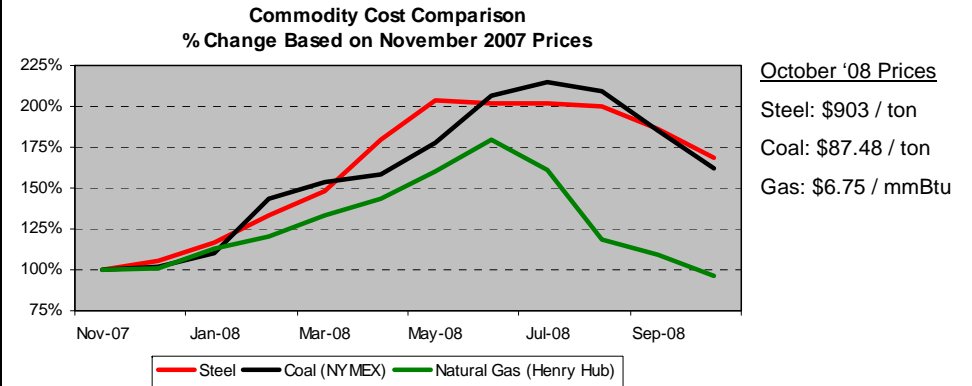
STRONG  
FLEXIBLE  
ADAPTABLE

# What Has Changed?

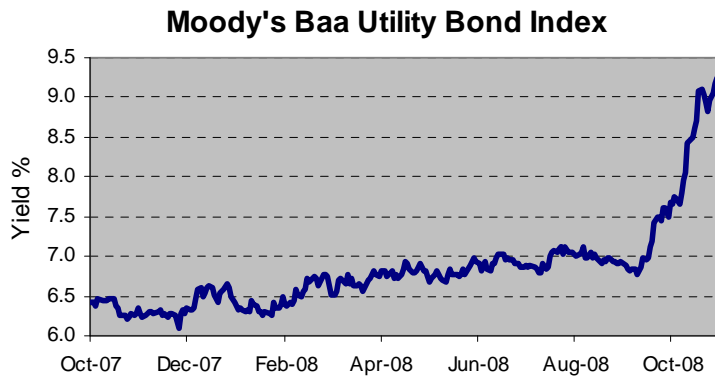
## Slowed Economic Growth



## Volatile Commodity Prices

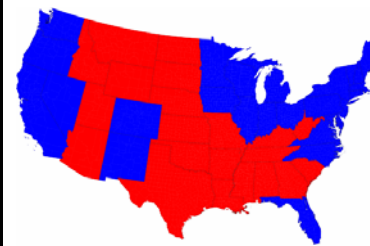


## Crisis in Capital Markets

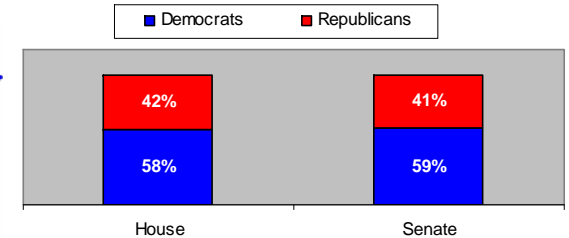


## Election Results

Presidential Election Results:



Congressional Representation

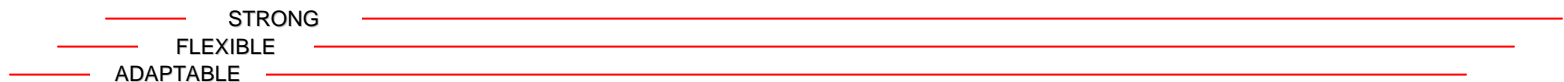


In nearly every aspect, Fall 2008 has no resemblance of the conditions that surrounded AEP and the entire utility industry in Fall 2007.

# Our Strategic Priorities Remain the Same

- ❑ “Keep the lights on”
  - Maintain our low-cost and reliable energy production and delivery system
  - Invest to replace aging infrastructure and ensure adequacy of capacity
  - Manage commodity costs
- ❑ Environmental priorities
  - Complete our \$5.2 billion environmental controls program (\$1.0 billion to be spent in 2009-2010)
  - Work to ensure a balanced and logical carbon legislation outcome
- ❑ Lead the development of America’s high-voltage transmission system
- ❑ Collaborate with regulators to more closely match spending with rate recovery

AEP’s strategic priorities remain the same, but the steps and timing may be different.



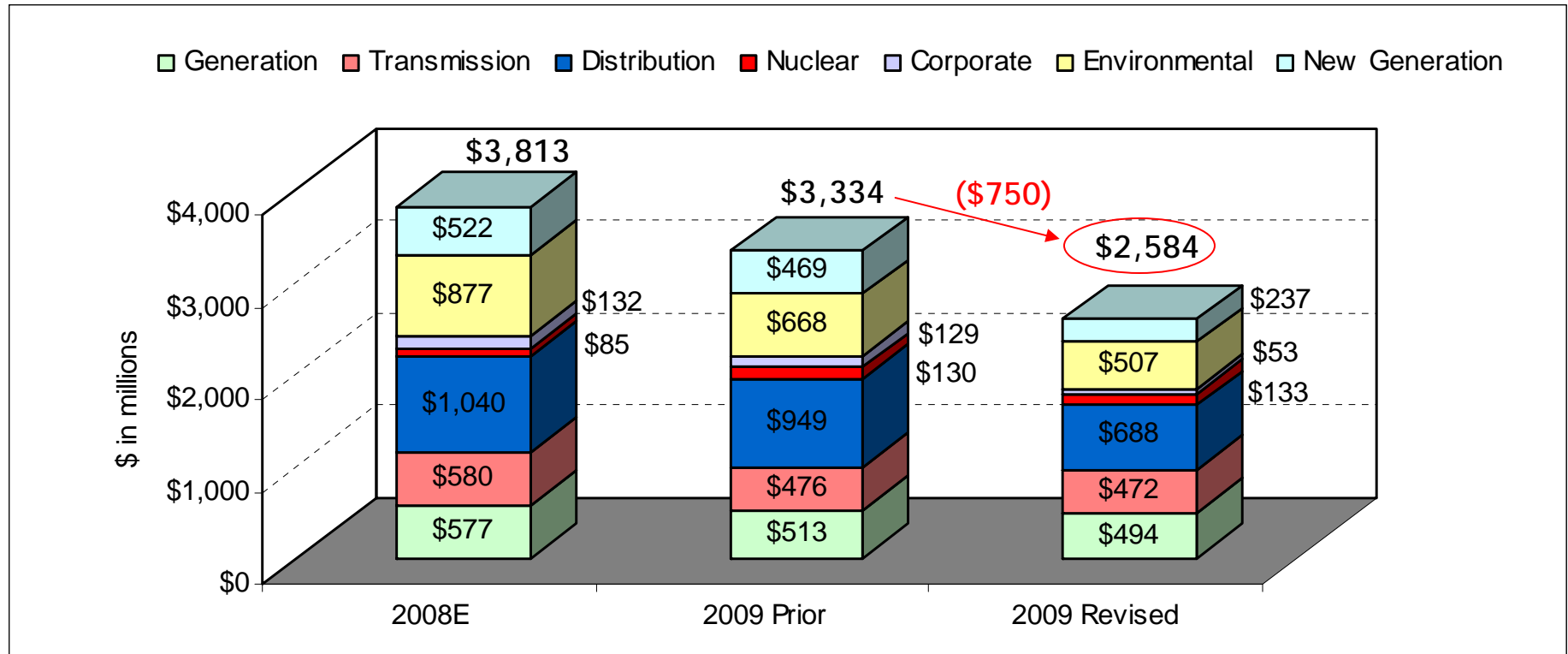
# Management Priorities for 2009

- Secure rate relief in Ohio and other jurisdictions
- React to the current economic crisis
- Effectively manage our credit and liquidity
  - Cut capital budget by \$750 million to \$2.6 billion for 2009
  - Hold 2009 O&M spending flat at 2008 level of \$3.3 billion
  - Choose opportunistic points to access capital markets and manage liquidity
- Maximize flexibility to respond to changing conditions

AEP has a strong reputation and track record for continued performance during difficult economic times.

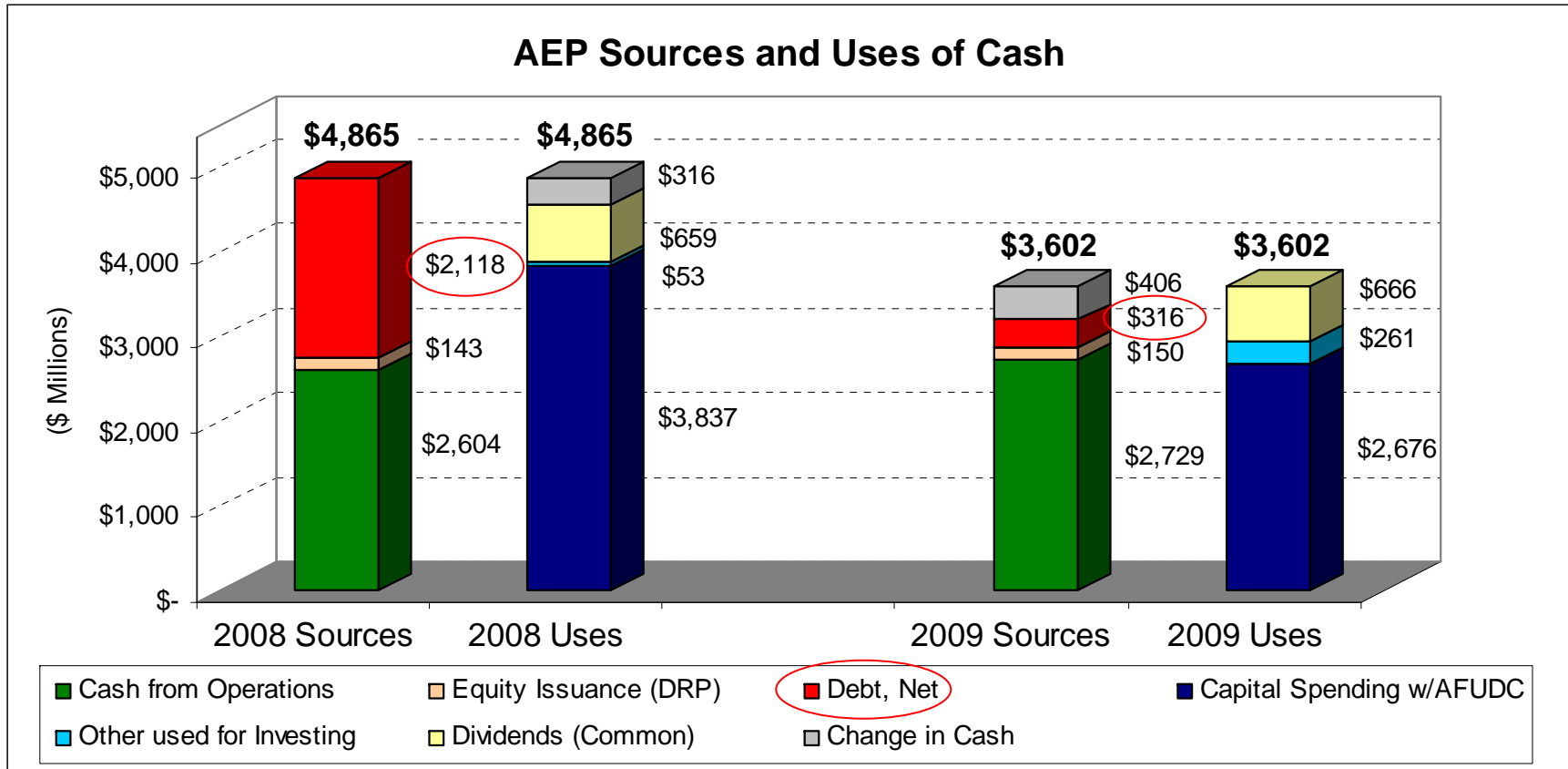
# 2008 & 2009 Capital Spending

- Capital expenditures for 2009 will be cut by \$750 million from previous guidance.



The reduction in capital spending will significantly reduce our need to access capital markets in 2009.

# 2008 & 2009 Cash Flow Forecast



Capital spending closely matches cash flow from operations in 2009.

# 2008 & 2009 Ongoing Earnings Guidance

**2008E EPS: \$3.15 - \$3.25**

**2009E EPS: \$3.00 - \$3.40**

## American Electric Power Earnings Guidance for 2008 and 2009

	2008 Original Guidance		2009 Guidance	
	(\$ millions)	EPS	(\$ millions)	EPS
<b>Utility Gross Margin</b>	<b>8,148</b>		<b>8,433</b>	
Operations & Maintenance	(3,337)		(3,337)	
Interest Exp & Preferred Dividend	(839)		(929)	
All Other Expenses, net	(2,705)		(2,857)	
<b>Utility Operations</b>	<b>1,267</b>	<b>3.15</b>	<b>1,310</b>	<b>3.23</b>
Transmission Operations	2	0.01	5	0.01
Non-Utility Operations	77	0.19	75	0.18
Parent & Other	(61)	(0.15)	(91)	(0.22)
<b>ON-GOING EARNINGS</b>	<b>1,285</b>	<b>3.20</b>	<b>1,299</b>	<b>3.20</b>

2009 guidance provides range for reasonable Ohio outcome, holds O&M flat and reflects higher interest expense.

# Continued Earnings Growth

- ❑ Outcome for AEP Ohio still an important factor in determining 2009 results and beyond
- ❑ Active fuel recovery allowed in each jurisdiction
- ❑ Geographic diversity helps to mitigate the effect of the economic slowdown
- ❑ Joint venture strategy for transmission investment remains a long-term earnings growth catalyst
- ❑ Sustained capital investment in our traditional utility business aligned with regulatory return

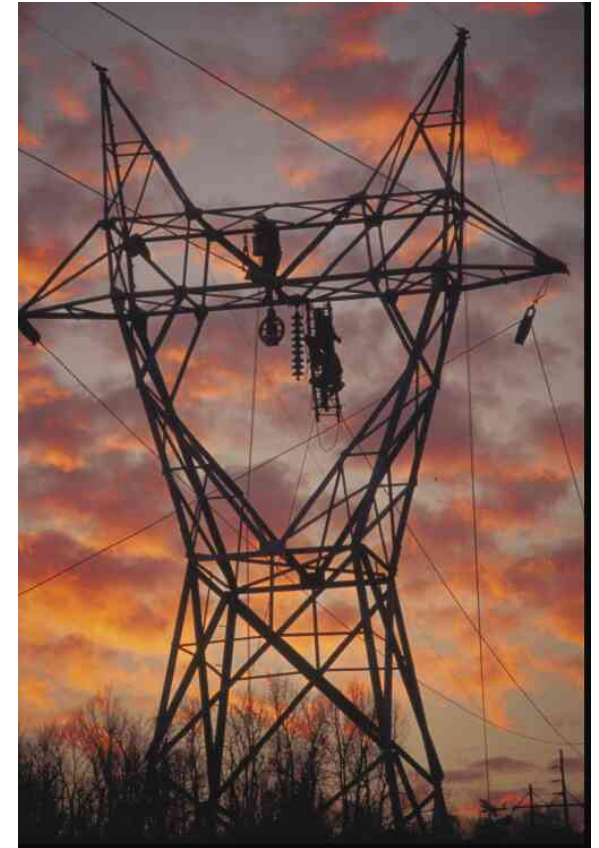


Big Sandy Plant

Long-term earnings growth will continue at 4% to 6% per year.

# Getting Ready for the Next Cycle

- ❑ Investing in the next generation of energy infrastructure
  - Approved new generation projects
  - High-voltage interstate transmission system
  - Advanced distribution infrastructure (gridSMART<sup>SM</sup>)
- ❑ Focused on customer and regulatory relationships
- ❑ Improving financial metrics
- ❑ Committed to dividend policy consistent with past practices
- ❑ Leading the carbon policy debate



AEP is and will continue to be a financially sound, industry leader.

This page left intentionally blank