

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



This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Although AEP and each of its Registrant Subsidiaries believe that their expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are: changes in economic conditions, electric market demand and demographic patterns in AEP service territories, inflationary or deflationary interest rate trends, volatility in the financial markets, particularly developments affecting the availability or cost of capital to finance new capital projects and refinance existing debt, the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material, decreased demand for electricity, weather conditions, including storms and drought conditions, and the ability to recover significant storm restoration costs, the cost of fuel and its transportation, the creditworthiness and performance of fuel suppliers and transporters and the cost of storing and disposing of used fuel, including coal ash and spent nuclear fuel, the availability of fuel and necessary generation capacity and performance of generation plants, the ability to recover fuel and other energy costs through regulated or competitive electric rates, the ability to build or acquire renewable generation, transmission lines and facilities (including the ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms and to recover those costs, new legislation, litigation and government regulation, including oversight of nuclear generation, energy commodity trading and new or heightened requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances that could impact the continued operation, cost recovery and/or profitability of generation plants and related assets, evolving public perception of the risks associated with fuels used before, during and after the generation of electricity, including coal ash and nuclear fuel, 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, the ability to constrain operation and maintenance costs, prices and demand for power generated and sold at wholesale, changes in technology, particularly with respect to energy storage and new, developing, alternative or distributed sources of generation, the ability to recover through rates any remaining unrecovered investment in generation units that may be retired before the end of their previously projected useful lives, volatility and changes in markets for coal and other energy-related commodities, particularly changes in the price of natural gas, changes in utility regulation and the allocation of costs within regional transmission organizations, including ERCOT, PJM and SPP, changes in the creditworthiness of the counterparties with contractual arrangements, including participants in the energy trading market, actions of rating agencies, including changes in the ratings of debt, the impact of volatility in the capital markets on the value of the investments held by the pension, other postretirement benefit plans, captive insurance entity and nuclear decommissioning trust and the impact of such volatility on future funding requirements, accounting standards periodically issued by accounting standard-setting bodies, and other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes, naturally occurring and human-caused fires, cyber security threats and other catastrophic events, the ability to attract and retain requisite work force and key personnel.

#### **INVESTOR RELATIONS**

#### **Darcy Reese**

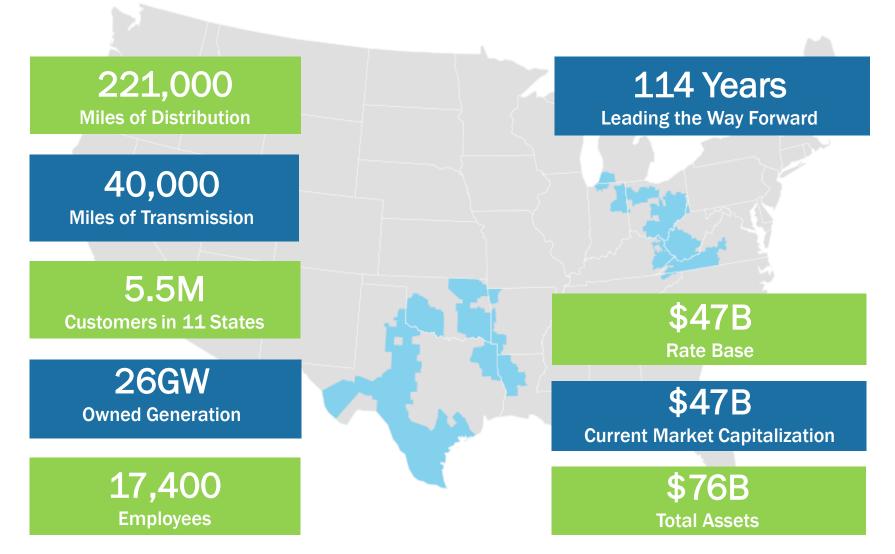
Managing Director Investor Relations 614-716-2614 dlreese@aep.com

#### **Tom Scott**

Director Investor Relations 614-716-2686 twscott@aep.com

# The Premier Regulated Energy Company





Statistics as of December 31, 2019 except for market capitalization as of March 2, 2020

# AEP Leading the Way Forward



Confidence in
Steady and
Predictable
Earnings
Growth Rate
of
5%-7%

Commitment to Growing Dividend Consistent with Earnings Well
Positioned
as a
Sustainable
Regulated
Business

Compelling
Portfolio of
Premium
Investment
Opportunities

### Strategic Vision and Priorities



Invest in transmission and distribution networks

**Invest in regulated and contracted renewables** 

Mitigate generation risk and optimize operations

**Superior capital allocation** 

Relentless O&M optimization/Future of work

Improve customer experience

We are focused on executing our strategy while concurrently improving our operations and keeping rates affordable

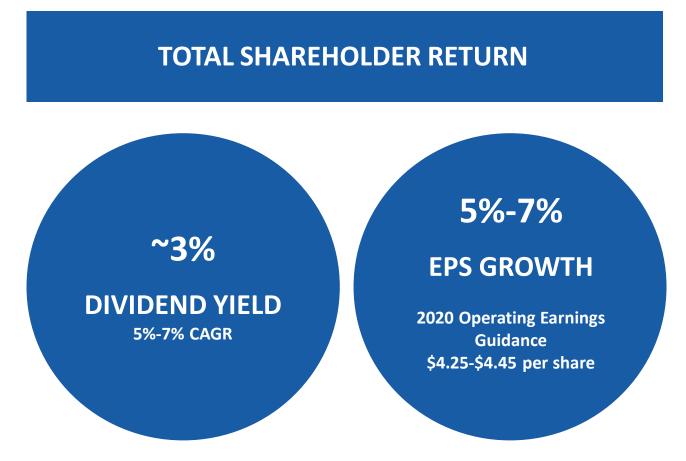
## **Strong Profile for Investors**



#### *Incentive Comp Tied to High End of EPS*

**Investment Pipeline** 

**Steady Growth** 



**Consistent Dividends** 

Low Risk, Regulated Assets

### Proven Track Record of Performance

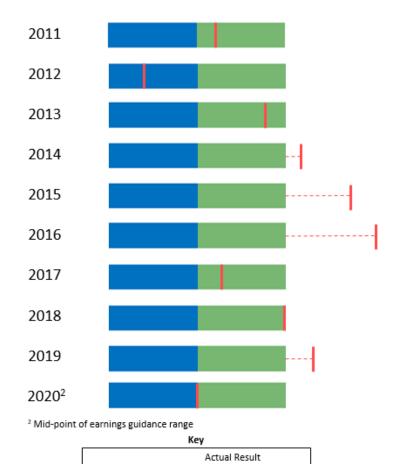


#### Favorable Total Shareholder Return<sup>1</sup>

#### AEP 120% 110% ■ S&P 500 Electric Utilities Index 100% ■ S&P 500 90% 85.6% 80% 73.8% 70% 66.4% 60.4% 60% 53.1% 50% 46.9% 40% 31.5% 30.5% 30% 20% 10% 0% 5 Year 1 Year 3 Year

#### <sup>1</sup> Data as of December 31, 2019

# Decade of Meeting or Exceeding Original Guidance



Midpoint

High-End

Low-End

### Strong Dividend Growth





Over 109 years of consecutive quarterly dividends

Targeted dividend growth in line with earnings



#### **EPS Growth + Dividend Yield = 8% to 10% Annual Return Opportunity**

\* Subject to Board approval



# **Robust Organic Capital Opportunities**



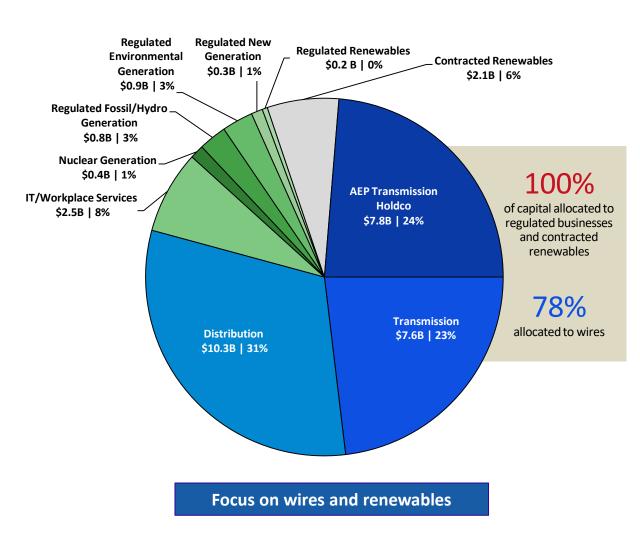
Transmission	Grid modernization, aging infrastructure, physical/cyber security, reliability, market efficiency and economic development projects
Distribution	Grid modernization, reliability improvement projects and distribution station refurbishment
Renewables	Regulated renewables supported by integrated resource plans and contracted renewables
Technology	Digitization, automation, cyber security, enterprise-wide applications

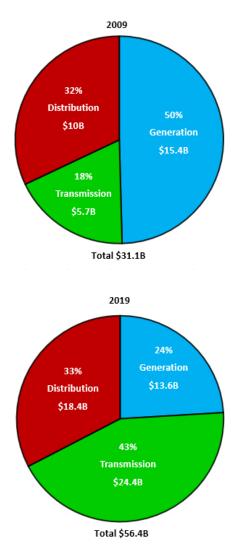
### 2020 - 2024 Capital Forecast of \$33B and Net Plant



#### 2020-2024 Capital Forecast<sup>1</sup>

#### **Historical Net Plant Profiles**





<sup>&</sup>lt;sup>1</sup> Does not include North Central Wind

# 2020 - 2024 Capital Forecast by Subsidiary



\$ in millions (excluding AFUDC)	2	.020E	2	2021E	2	2022E	2	2023E	2	2024E	Total
Appalachian Power Company	\$	762	\$	738	\$	1,024	\$	1,027	\$	950	\$ 4,501
Wheeling Power Company	\$	21	\$	37	\$	57	\$	45	\$	39	\$ 199
Kingsport Power Company	\$	15	\$	21	\$	19	\$	25	\$	19	\$ 99
Indiana Michigan Power Company	\$	625	\$	568	\$	525	\$	525	\$	680	\$ 2,924
Kentucky Power Company	\$	200	\$	184	\$	170	\$	170	\$	161	\$ 886
AEP Ohio	\$	688	\$	716	\$	714	\$	774	\$	1,017	\$ 3,909
Public Service Company of Oklahoma	\$	311	\$	326	\$	506	\$	432	\$	391	\$ 1,965
Southwestern Electric Power Company	\$	375	\$	437	\$	442	\$	517	\$	592	\$ 2,363
AEP Texas Company	\$	1,169	\$	1,121	\$	1,092	\$	1,092	\$	1,529	\$ 6,003
AEP Generating Company	\$	42	\$	23	\$	21	\$	22	\$	16	\$ 124
AEP Transmission Holdco	\$	1,505	\$	1,547	\$	1,441	\$	1,378	\$	1,938	\$ 7,809
Generation and Marketing	\$	612	\$	497	\$	339	\$	339	\$	346	\$ 2,133
Other	\$	12	\$	8	\$	8	\$	6	\$	3	\$ 36
Total Capital and Equity Contributions	\$	6,339	\$	6,223	\$	6,357	\$	6,353	\$	7,681	\$ 32,952

Capital plans are continuously optimized which may result in redeployment between functions and companies. Table may not foot due to rounding. Data does not include North Central Wind.

### Cash Flows and Financial Metrics



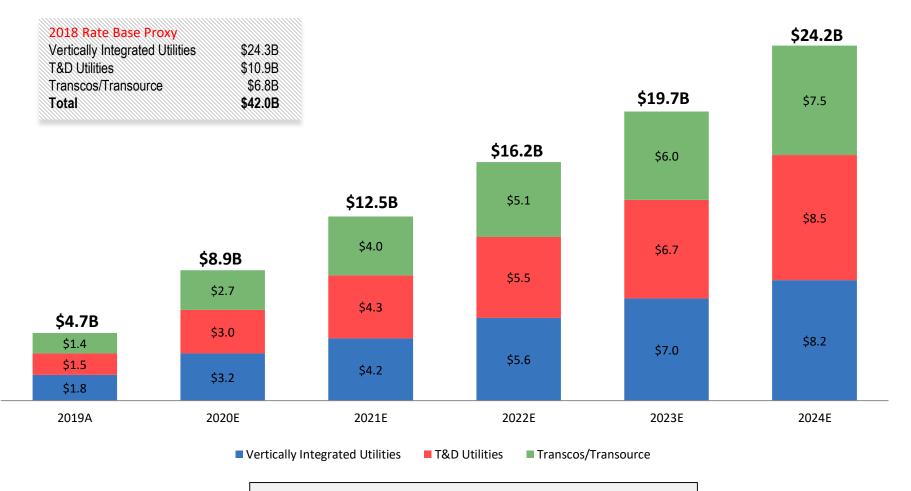
\$ in millions	202	20E		2021E		2022E
Cash from Operations	\$	4,900	\$	4,900	\$	5,400
Capital & JV Equity Contributions		(6,300)		(6,200)		(6,400)
Other Investing Activities		(500)		(200)		(200)
Common Dividends <sup>1</sup>		(1,400)		(1,400)		(1,400)
Excess (Required) Capital	\$	(3,300)	\$	(2,900)	\$	(2,600)
Financing						
Excess (Required) Capital	\$	(3,300)	\$	(2,900)	\$	(2,600)
Debt Maturities (Senior Notes, PCRBs)		(1,000)		(1,900)		(2,700)
Securitization Amortizations		(200)		(100)		(100)
Equity Units		-		-		-
Equity Units Conversion		-		-		805
Equity Issuances - Includes DRP		100		100		600
Debt Capital Market Needs (New)	\$	(4,400)	\$	(4,800)	\$	(3,995)
Financial Metrics						
Debt to Capitalization (GAAP)	55-60%					
FFO/Total Debt (Moody's)	Low to Mid Teens Reflecting Accelerated Flowback of ADFIT					d Flowback of

<sup>&</sup>lt;sup>1</sup> Common dividends increase to \$0.70 per share Q4 2019 for total dividends of \$2.71/share; \$2.80/share 2019-2022. Dividends evaluated by Board of Directors each quarter; stated target payout ratio range is 60%-70% of operating earnings. Targeted dividend growth in line with earnings.

### 7.9% CAGR in Rate Base Growth



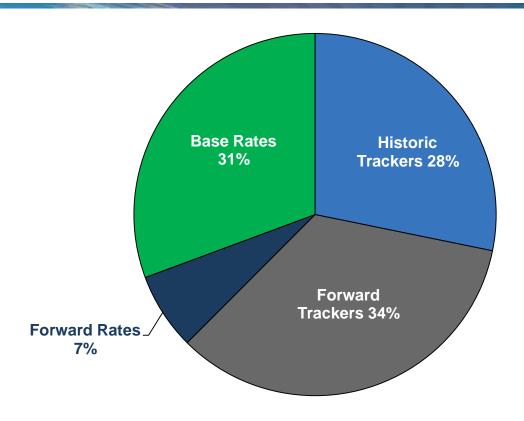
#### **Cumulative Change from 2018 Base**



5%-7% EPS growth is predicated on regulated rate base growth

# **Efficient Cost Recovery Mechanisms**





Nearly 70% of 2020-2024 capital plan recovered through reduced lag mechanisms



### **AEP Transmission Strategy Framework**



# AEP STRATEGIC VISION: INVEST IN TRANSMISSION NETWORK

Diverse five-year capital investment portfolio of over \$15 billion across AEP's broad footprint

Delivering significant customer benefits:

- Higher reliability
- Lower energy costs
- Economic development
   Technological
- Public policy goals

Disciplined execution:

- Low cost, high value solutions
- High speed delivery
  - Technological innovation

### STABLE COST RECOVERY FRAMEWORK

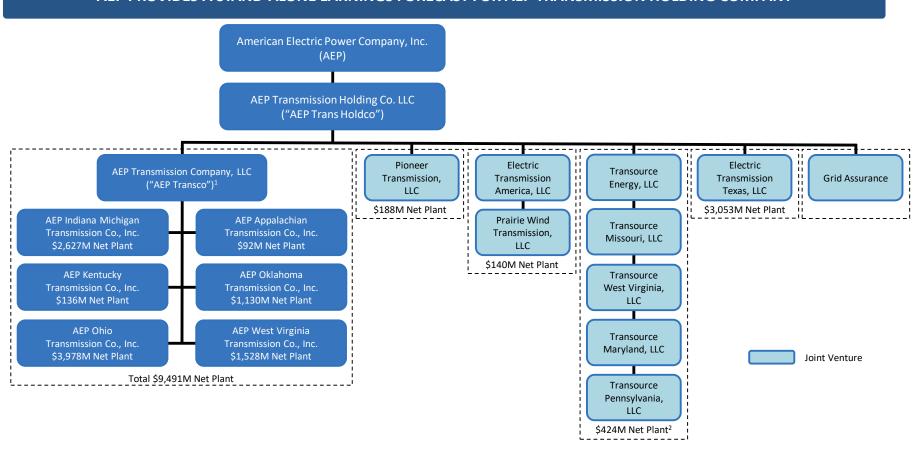
# DELIVER VALUE TO CUSTOMERS AND PREDICTABLE EARNINGS GROWTH

### **AEP Transmission Holdco Legal Entity Structure**



AEP INVESTS TRANSMISSION CAPITAL IN BOTH THE INTEGRATED OPERATING COMPANIES AND IN THE AFFILIATES HELD UNDER AEP TRANSMISSION HOLDING COMPANY

#### AEP PROVIDES A STAND-ALONE EARNINGS FORECAST FOR AEP TRANSMISSION HOLDING COMPANY



Joint Venture net plant balances are inclusive of non-affiliate share

Net plant totals are as of December 31, 2019

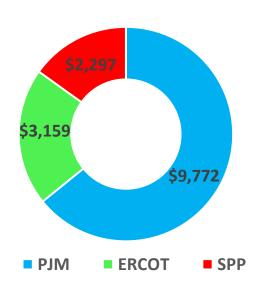
<sup>&</sup>lt;sup>1</sup> Debt issued at AEP Transco level for transmission companies

<sup>&</sup>lt;sup>2</sup> Does not include Independence Energy Connection Project

### Five Year Transmission Capital Plan

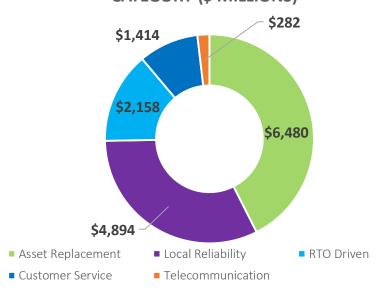


#### 2020-2024 INVESTMENT BY RTO (\$ MILLIONS)1



<sup>&</sup>lt;sup>1</sup> Does not include \$200 million of Transource capital investment

# 2020-2024 TRANSMISSION INVESTMENT BY CATEGORY (\$ MILLIONS)<sup>1</sup>



#### **INVESTMENT CATEGORIES**

## ASSET REPLACEMENT

 Asset condition, performance history and risk of failure

#### **LOCAL RELIABILITY**

 Transmission owner reliability planning criteria

#### **RTO DRIVEN**

- RTO reliability planning criteria
- Market efficiency
- Public policy needs and goals

# CUSTOMER SERVICE

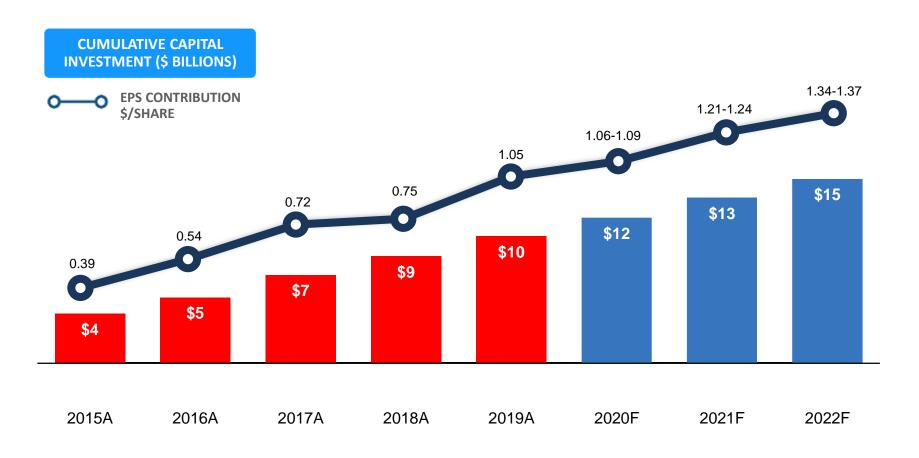
- Connecting new and enhanced service requests
- Facilitating local economic development

#### **TELECOM**

- Cyber-security requirements
- Asset health monitoring
- Efficient grid operations

### **AEPTHC Target Earnings 2019-2022**





AEPTHC'S 2015 – 2022 EPS GROWTH PROJECTED AT A CAGR OF 19.4%

### Stable Cost Recovery Framework



ERCOT 1

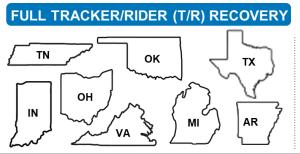
# STABLE AND CLEAR WHOLESALE COST RECOVERY FOR TRANSMISSION

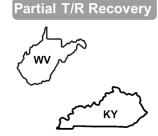
<sup>1</sup> The PUCT verbally approved the AEP Texas Base Rate Case settlement on 2/27/20. Final written order is pending.

ROE	10.35% (Includes RTO adder)	10.5% (Includes RTO adder)	9.4% (AEP Texas) 9.6% (ETT)
Forward Looking Rates	Yes	Yes	Allowed two updates per year
Equity Structure	Capped at 55%	No Cap	Capped at 42.5% (AEP Texas) and 40% (ETT)
Rate Effective	Rate Effective January 1, 2018		TBD (AEP Texas) April 4, 2008 (ETT)
Final Regulatory Approval	May, 2019	June, 2019	TBD (AEP Texas)

PJM

AEP RECOVERS ~93% OF ITS CAPITAL INVESTMENT THROUGH STATE TRACKER/RIDER (T/R) MECHANISMS





SPP

Pending/Formula or Base Case



TRANSMISSION INCENTIVES NOTICES OF INQUIRY

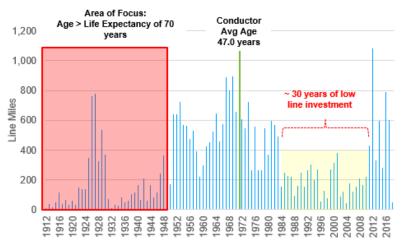
 Transmission Incentives – AEP supports continuation of the current incentives, particularly the RTO-participation incentive, reflective of the tremendous customer benefits RTO participation provides and additional incentives that provide grid modernization, security and resilience

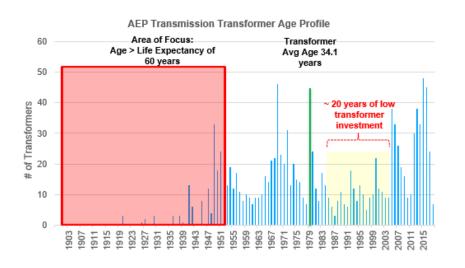
# Significant Need For Asset Replacement



Туре	Life Expectancy	Current Quantity over Life Expectancy	Quantity that will Exceed Life Expectancy in Next 10 Years	Total Replacement Need	Percent of AEP System Total
Line Rebuilds	70	5,915	4,931	10,846	27%
Transformers	60	223	124	347	28%
Circuit Breakers	50	882	583	1,465	16%







\$2.3 billion of annual on-system capital investment is required to maintain current age profile

Asset replacement projects are prioritized based on performance, condition and risk



### **Identified Core Business Investments**



Improve Reliability Grow and Diversify the Business

Maintaining Strong Balance Sheet

#### **Current State of Distribution Grid**

- \$1.8B of annual investment
- \$2.7B investment needed to maintain current assets

### 10-Year Incremental Distribution Capital Investment Potential: ~\$18B1

AEP invests in our customers' future by focusing on reliability and the customer experience. AEP has a strong track record in securing regulatory support and executing distribution investments.

Investment Opportunity	Capital Investment \$
Grid Modernization	\$2.4 billion
Line Re-conductoring – Asset Renewal	\$13.0 billion
Pole Replacements – Asset Renewal	\$0.5 billion
Distribution Station Transformer and Breaker Replacements – Asset Renewal	\$1.4 billion

Known and identified investments that will improve reliability and operability of the grid

Partner with states to help spur economic development

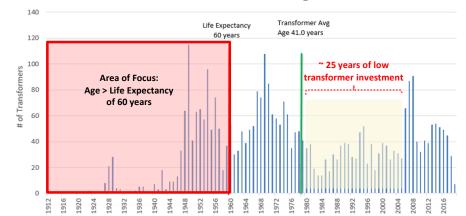
<sup>&</sup>lt;sup>1</sup>10-year capital investment potential is above current \$1.8B annual spend, 7-10% O&M required to support the capital investment

### Robust Distribution Capital Expenditure Opportunities

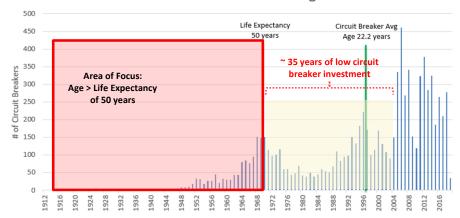


Туре	Life Expectancy	Current Quantity over Life Expectancy	Quantity that will Exceed Life Expectancy in Next 10 Years	Total Replacement Need	Percent of AEP System Total
Transformers	60	903	565	1,468	41%
Circuit Breakers	50	1,030	842	1,872	21%





#### AEP Distribution Circuit Breaker Age Profile



\$2.7 billion of annual on-system capital investment is required to maintain current age profile

# **INVESTING IN REGULATED RENEWABLES**



# **Projected Resource Additions**

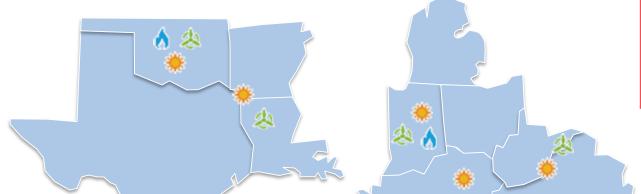


Solar Additions (MW) 💨						
Operating Co:	2020- 2022	2023- 2027	2028- 2030			
APCo	15	300	750			
I&M	150	600	550			
KPCo	20 1	253	÷			
PSO	11	600	600			
SWEPCO	÷	-	300			
Totals	196	1,753	2,200			

	Wind Additions (MW) 🧶						
Operating Co:	2020- 2022	2023- 2027	2028- 2030				
APCo		300	-				
I&M	300	150	300				
KPCo	-	÷	200				
PSO	675 ¹	400	200				
SWEPCO	810 ¹	600	-				
Totals	1,785	1,450	700				

Natural Gas Additions (MW)					
Operating Co:	2020- 2022	2023- 2027	2028- 2030		
I&M	18	18	788		
PSO	373 <sup>2</sup>	410 <sup>2</sup>	-		
Totals	391	428	788		

<sup>2</sup> To replace expiring PPA



<sup>1</sup> Subject to regulatory filings currently underway

Total Projected Resource Additions (MW)					
Resource 2020-2030					
Solar	4,149				
Wind	3,935				
Natural Gas 1,607					
Totals	9,691				

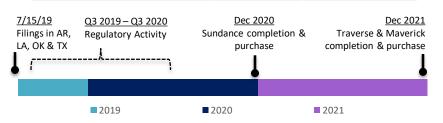
Updated 12/31/2019

### North Central Wind Overview





Jurisdiction (Docket #)	MW	% of Project
PSO (PUD 2019-00048)	675	45.5%
SWEPCO – AR (19-035-U)	155	10.4%
SWEPCO – LA (U-35324)	268	18.1%
SWEPCO – TX (49737)	309	20.8%
SWEPCO - FERC	78	5.2%
Total:	1,485	100%



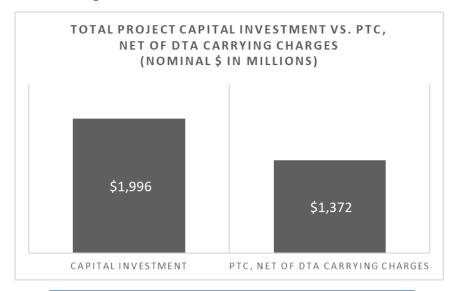
SWEPCO and PSO Regulated Wind Investment Opportunity								
Total Rate Base Investment	~\$2 billion (1,485 MW)							
North Central Wind	<u>Name</u>	<u>MW</u>	Investment	<u>In-Service</u>				
	Sundance	199	\$307M	EOY 2020 (100% PTC)				
	Traverse	999	\$1,287M	EOY 2021 (80% PTC)				
	Maverick	287	\$402M					
Net Capacity Factor	44.0%							
<b>Customer Savings</b>	~\$3 billion (30-year nominal \$)							
Developer	Invenergy							
Turbine Supplier	GE							

- Regulated rate base wind investment opportunity with ability to meaningfully reduce customer rates
  - Acquiring facilities on a fixed cost, turn-key basis at completion
  - Contingent upon satisfactory regulatory approvals
- ☐ Investment not included in the Company's current capital expenditure plan
- Acquisition can be scaled, subject to commercial limitations, to align with individual state resource needs and approvals

### North Central Wind Key Highlights of Regulatory Filing



Expiring federal Production Tax Credit (PTC)
 provides a limited time opportunity to take advantage for benefit of customers



#### **Project Scalability**

- The projects are designed to be scalable with regulatory approvals, subject to commercial limitations
  - Minimum of 810 MWs required to move forward
  - Included "step-up" options in regulatory applications to provide states the ability to take more MWs should another state or state(s) reject applications

#### **Power and Gas Price Sensitivities**

 Wind investment produces net customer benefits across a wide range of production, power, and gas price sensitivities, including the full range of current U.S. Energy Information Administration (EIA) gas price scenarios and other publically available gas price forecasts.

#### **Customer Guarantees Offered**

- 1. Capital Cost Cap Guarantee Cost cap for 100% of aggregated filed capital cost of the wind facilities
- 2. Production Tax Credit Eligibility Guarantee— Facilities will be eligible for the federal PTC
- 3. Minimum Production Guarantee Guarantees a minimum production level for first 10-years of operation

### North Central Wind Procedural Schedules



Jurisdiction (Docket #)	Intervenor Testimony	Staff Testimony	Rebuttal Testimony	Hearing	Status
PSO (PUD 2019-00048)	November 1, 2019	November 1, 2019	December 4, 2019	January 13, 2020 (Settlement Hearing)	Settlement reached December 10, 2019 and unanimously approved on February 20, 2020
SWEPCO – AR (19-035-U)	December 13, 2019	December 13, 2019	January 17, 2020	March 10, 2020	Settlement reached January 24, 2020, awaiting commission order
SWEPCO – TX (49737) <sup>1</sup>	January 14, 2020	January 22, 2020	February 12, 2020	February 24, 2020	Working through procedural schedule
SWEPCO – LA (U-35324)	February 7, 2020	February 7, 2020	March 9, 2020	March 25, 2020	Working through procedural schedule

Note: In February 2020, FERC approved the wind acquisition

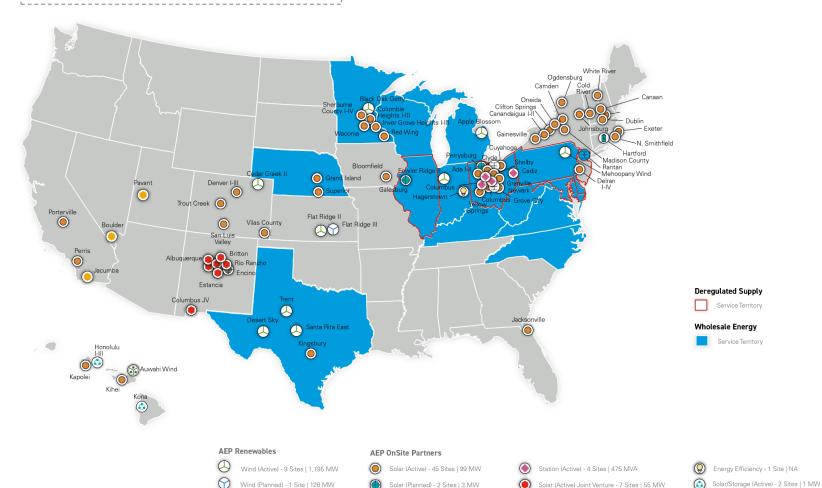
<sup>&</sup>lt;sup>1</sup> Texas has a 365-day statutory timeline for issuing an order, making the requested approval date July 15, 2020 (366 days, 2020 is a leap year)



### **Competitive Businesses Presence**



## AEP Competitive Businesses Active in 31 States (7 State overlap with AEP Utilities)



Fuel Cell (Active) - 1 Site | 1 MW

Engine (Planned) - 2 Sites | 14 MW

Solar (Planned) Joint Venture - 1 Site | 33 MW

Engine (Active) - 1 Site | 3 MW

Solar (Active) - 3 Sites | 116 MW

Wind/Storage (Active) - 1 Site | 17 MW

As of December 31, 2019

### Development Pipeline and Repower Initiative





### **Development Pipeline**

Progress continues in our development portfolio across four geographically dispersed areas

In October 2019, the 128 MW Flat Ridge 3 wind project in Kansas was announced to be placed in service by the end of 2020 using all of our PTC Safe Harbor equipment (qualifying the plant for 100% PTCs). In January 2020, we signed a long-term power agreement with Evergy for the entire output of the wind project.

The other mid- to late-stage opportunities in our development portfolio possess solid project and market fundamentals, and continue to attract strong interest from utilities, municipalities, cooperatives and corporates

### **Repower Initiative**

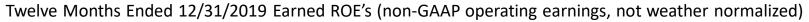
Fowler Ridge 2, Cedar Creek 2, Flat Ridge 2 and Mehoopany are all ending their PTC lives by year end 2021

All 4 wind farms are being evaluated as potential repower candidates

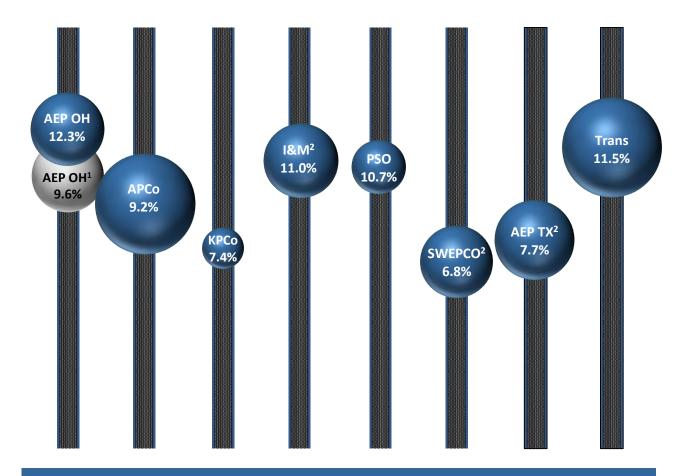
If the repowers were to take place, it would most likely be at 80% or 60% PTC level



### Return on Equity







Regulated Operations ROE of 9.7% as of December 31, 2019

<sup>1</sup> AEP Ohio ROE after roll-off of legacy items | <sup>2</sup> Base rate cases pending/settled/order recently received

Sphere size based on each company's relative equity balance

### **Current Rate Case Activity**



#### **AEP Texas**

Docket #: 49494
Filing Date: 05/01/2019
Requested Rate Base: \$5.0B
Requested ROE: 10.5%

Cap Structure: 55%D / 45%E
Revenue Increase: \$56M (\$35M Net of

Tax Rider)

Test Year: 12/31/2018

Settlement Summary

Unanimous Settlement Filed: 02/13/2020

Expected Effective Date: Second quarter 2020

(Awaiting Order)

ROE: 9.4%

Cap Structure: 57.5%D / 42.5%E

Revenue Decrease: \$40M

Note: PUCT verbally approved the settlement on 2/27/20. A final written order is pending.



#### **I&M** – Indiana

Docket #: 45235
Filing Date: 05/14/2019
Requested Rate Base: \$4.9B
Requested ROE: 10.5%

Cap Structure: 53.2%D / 46.8%E

Gross Revenue Increase: \$172M

(Less \$78M D&A)

Net Revenue Increase: \$94M

2020 Forecasted

Expected Effective Date:

(Awaiting Order)

Test Year:

March 2020



## **Current Rate Case Activity**



### **I&M** – Michigan

Docket #: U-20359
Filing Date: 06/24/2019
Requested Rate Base: \$1.2B
Requested ROE: 10.5%

Cap Structure: 53.6%D / 46.4%E

Gross Revenue Increase: \$58M

(Less \$6M D&A)

Net Revenue Increase: \$52M

Test Year: 2020 Forecasted

Settlement Summary

Unanimous Settlement Filed: 01/08/2020
Commission Order: 01/23/2020
Effective Date: 02/01/2020
ROE: 9.86%

Cap Structure: 53.44%D / 46.56%E

Gross Revenue Increase: \$36M

(Less \$6M D&A)

Net Revenue Increase: \$30M



#### **SWEPCO – Arkansas**

Docket #: 19-008-U
Filing Date: 02/28/2019
Requested Rate Base: \$1.2B
Requested ROE: 10.5%
Cap Structure: 49.5%D / 50.5%E
Gross Revenue Increase: \$46M¹
(Less \$12M D&A)

Net Revenue Increase: \$34M

Test Year: 12/31/2018

<u>Settlement Summary</u>

Unanimous Settlement Filed: 10/15/2019
Commission Order: 12/27/2019
Effective Date: First Billing Cycle in

January

ROE: 9.45%

Cap Structure: 52.1%D / 47.9%E

Gross Revenue Increase: \$24M<sup>1</sup>

(Less \$6M D&A)

Net Revenue Increase: \$18M

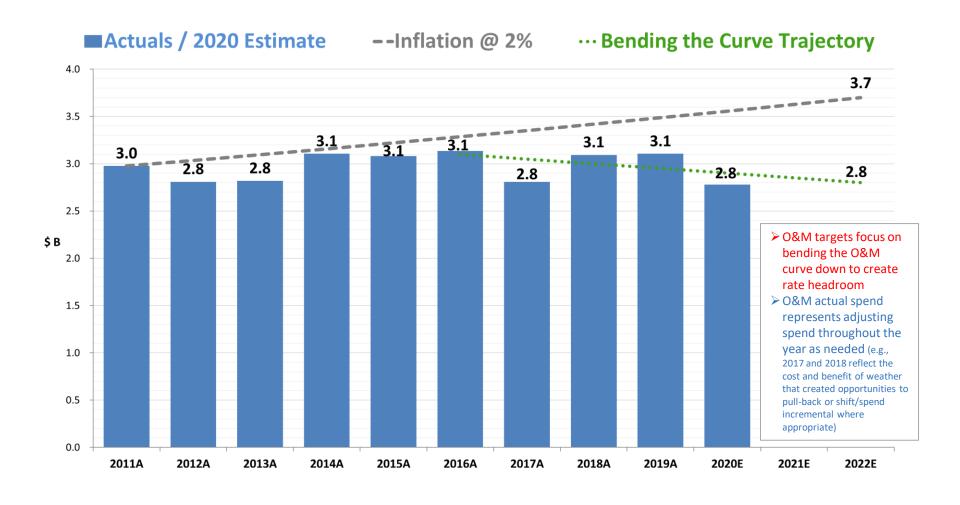
Formula Rate Plan (5 Year Term)

<sup>1</sup> Does not include \$29M of current riders moving to base rates



# Bending the O&M Curve





## O&M Optimization – Achieving Excellence Program



Achieving Excellence: A new disciplined O&M optimization process to improve our business

### **PROCESS OVERVIEW**

**EMPLOYEE DRIVEN; EMPLOYEE OWNED** 



#### **KEY FEATURES**

- Program will be an ongoing part of our enhanced target setting process
- Catalyst team includes employees with strong analytic, teamwork and project management skills
- Group leaders include heads of business units who will partner with and evaluate ideas from catalyst team
- Steering Committee reviews recommendations and makes implementation decisions

# Bending the O&M Curve (Initiatives)



Initiatives	Actions
Achieving Excellence Program	<ul> <li>Employee based O&amp;M prioritization and optimization effort</li> <li>Drive down costs in 2020 and beyond</li> <li>Program will leverage the experience of EHS Partners</li> </ul>
Lean Management System Implementation/Continuous Process Improvement	<ul> <li>Distribution – Drive enhanced reliability which will lead to reduced O&amp;M cost associated with storm restoration in the long term</li> <li>Supply chain – Optimize the material requisition process to improve material lead times, reducing stock outs and increasing crew productivity resulting in reduced O&amp;M cost</li> <li>Fleet operations – Focus on reducing the number of vehicle platforms/options acquired and optimizing the acquisition process to reduce acquisition and maintenance costs</li> <li>Generation (system productivity) – Fleet wide team-based focus on the reduction of waste associated with targeted plant systems, e.g. coal handling, scrubbers</li> </ul>
Data Analytics	<ul> <li>Workforce optimization – Employee/contractor mix</li> <li>Hot socket model – Using AMI data to preemptively identify meters at risk</li> <li>Revenue protection – Detecting meter tampering</li> <li>Frequency regulation – Analysis of PJM bidding strategies</li> </ul>
Automation	<ul> <li>Scrap metal billing and management</li> <li>Service Corp billing allocation factors</li> <li>No-bill workflow assignment process</li> <li>Customer workflow scheduling</li> </ul>
Digital Tools	<ul> <li>"The Zone" – Machine learning tool to operate fossil units at optimal level to minimize O&amp;M and capital, while maintaining and improving performance</li> <li>Generation Monitoring and Diagnostic Center – Predictive capabilities that save O&amp;M and capital</li> </ul>
Use of Drones	<ul> <li>Storm damage assessment</li> <li>Real estate and land surveys</li> <li>Transmission facility inspections, construction monitoring and documentation</li> <li>Telecommunication tower inspections</li> <li>Cooling tower and boiler inspections</li> </ul>
Outsourcing	<ul> <li>Accounting and tax initiative</li> <li>Rapid application and information support</li> <li>Lockbox for customer payments by check</li> </ul>
Workforce Planning	<ul> <li>Approximately 4,000 employees will retire or leave in the next 5 years</li> </ul>
Strategic Sourcing	<ul> <li>Reducing cost through procurement category management – Continuing to mature our Category Management program and aggressively using strategic sourcing opportunities to optimize the value AEP receives from the \$6B spent annually on goods and services</li> </ul>

### Normalized Load Trends







#### AEP Commercial Normalized GWh Sales



#### **AEP Industrial GWh Sales**



#### **AEP Total Normalized GWh Sales**



Load figures are provided on a billed basis. Charts reflect connected load and exclude firm wholesale load. Historical and 2019 data adjusted to reflect reclass of industrial and commercial industry codes for certain customers; no revenue or earnings impact. 2020 estimates based on forecast provided at 2019 EEI Financial Conference and adjusted to reflect 2019 actual results.

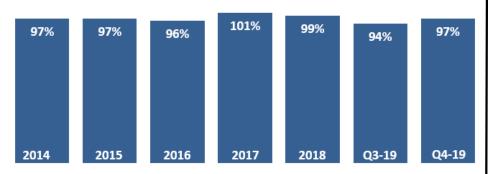
## Capitalization and Liquidity







### **Qualified Pension Funding**



#### **Credit Statistics**

	Act		
	Moody's	GAAP	Target
FFO to Total Debt	13.9%	13.5%	Low to Mid Teens

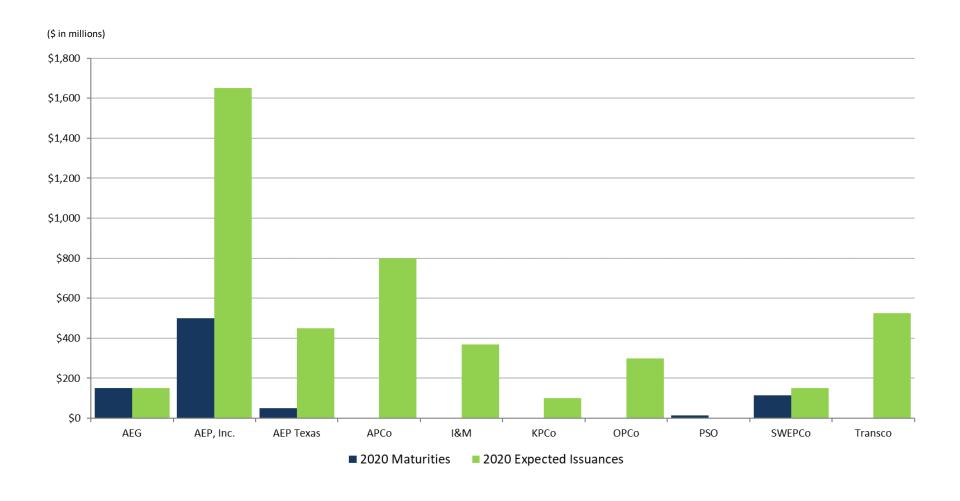
Represents the trailing 12 months as of 12/31/2019

#### **Liquidity Summary**

(unaudited)	12/31/2019 Actual		
\$ in millions	Amount	Maturity	
Revolving Credit Facility	\$4,000	Jun-22	
Plus			
Cash and Cash Equivalents	247		
Less			
Commercial Paper Outstanding	(2,110)		
Letters of Credit Issued	-		
Net Available Liquidity	\$2,137		

### 2020 Debt Issuance and Maturities Overview





# Long-Term Debt Maturity Profile



(\$ in millions)

Year	2020	2021	2022	2023	2024
AEP, Inc.	\$ 500.0	\$ 400.0	\$ 1,105.0	\$ -	\$ 299.0
AEP Generating Company	\$ 150.0	\$ -	\$ 45.0	\$ -	\$ -
AEP Texas <sup>1</sup>	\$ 110.6	\$ -	\$ 625.0	\$ 125.0	\$ -
AEP Transmission Company	\$ -	\$ 50.0	\$ 104.0	\$ 60.0	\$ 95.0
Appalachian Power <sup>1</sup>	\$ 65.4	\$ 367.5	\$ 329.4	\$ -	\$ 86.0
Indiana Michigan Power	\$ 2.6	\$ 300.0	\$ 48.3	\$ 300.2	\$ 59.5
Kentucky Power	\$ 65.0	\$ 40.0	\$ 75.0	\$ -	\$ 65.0
Ohio Power	\$ -	\$ 500.0	\$ -	\$ -	\$ -
Public Service of Oklahoma	\$ 12.7	\$ 250.0	\$ 125.0	\$ -	\$ -
Southwestern Electric Power	\$ 115.0	\$ -	\$ 275.0	\$ -	\$ 25.0
Wheeling Power Company	\$ -	\$ -	\$ 178.0	\$ -	\$ -
Total	\$ 1,021.3	\$ 1,907.5	\$ 2,909.7	\$ 485.2	\$ 629.5

<sup>&</sup>lt;sup>1</sup>Excludes securitization bonds

Includes mandatory tenders (put bonds) Data as of December 31, 2019

## **AEP Credit Ratings**



Company	Mood Senior		S&P Senior		
	Unsecured	Outlook	Unsecured	Outlook	
American Electric Power Company Inc.	Baa1	N	BBB+	S	
AEP, Inc. Short Term Rating	P2	S	A2	S	
AEP Texas Inc.	Baa1	N	A-	S	
AEP Transmission Company, LLC <sup>1</sup>	A2	S	A-	S	
Appalachian Power Company <sup>2</sup>	Baa1	S	A-	S	
Indiana Michigan Power Company <sup>2</sup>	А3	S	A-	S	
Kentucky Power Company	Baa3	S	A-	S	
AEP Ohio	A2	S	A-	S	
Public Service Company of Oklahoma	А3	S	A-	S	
Southwestern Electric Power Company	Baa2	S	A-	S	
Transource Energy <sup>3</sup>	A2	S	NR	NR	

<sup>&</sup>lt;sup>1</sup> AEP Transmission Co. received a senior unsecured debt rating of A- from Fitch. The rating outlook is Stable.

Ratings current as of December 31, 2019

<sup>&</sup>lt;sup>2</sup> In conjunction with the unenhanced VRDN remarketings, APCo and I&M both received short term credit ratings of A-2/P2 from S&P and Moody's, respectively.

<sup>&</sup>lt;sup>3</sup> NR stands for Not Rated.



# Retirement Progress and Plans - Environmental





2010 - 2019 Retirements/Sales



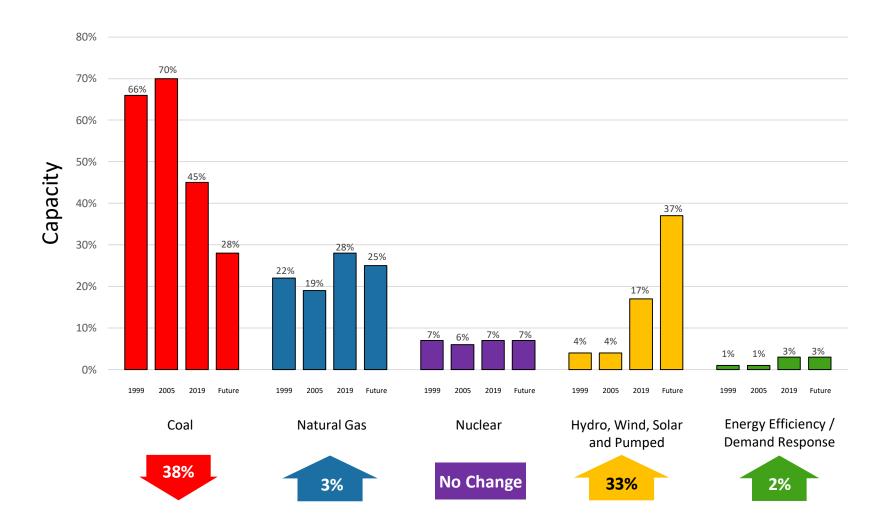
2010 2019<sup>2</sup> 2020E 2030E

<sup>1</sup> Includes 2012 Turk Plant addition and 40% of Conesville 4 that was acquired in conjunction with the sale of Zimmer Plant

<sup>&</sup>lt;sup>2</sup> MW Capacity as of 12/31/2019

# Transforming Our Generation Fleet - Environmental





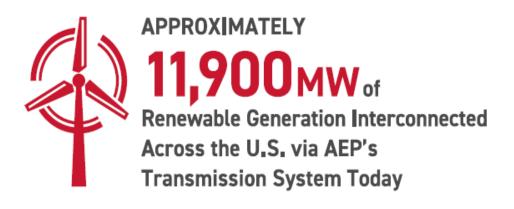
As of 12/31/2019. Future includes IRP forecasted additions and retirements through 2030. Energy Efficiency / Demand Response represents avoided capacity rather than physical assets.

# Delivering Clean Energy Resources – Environmental



#### AEP's December 31, 2019 Renewable Portfolio (in MW)

Hydro, Wind, Solar and Pumped Storage	Owned MW	PPA MW	Total MW
AEP Ohio		209	209
Appalachian Power Company	785	575	1,360
Indiana Michigan Power Company	36	450	486
Public Service Company of Oklahoma		1,137	1,137
Southwestern Electric Power Company		469	469
Competitive Wind, Solar and Hydro	1,469	101	1,570
Total	2,290	2,941	5,231





### **Emission Reduction Goals – Environmental**



**AEP's Carbon Emission Reduction Goals** 

70% by 2030 80% by 2050<sup>1</sup>

(both from a 2000 baseline)

#### **Strategy to Achieve**

- ☐ Investments in renewable energy within and outside of our traditional service territory
- ☐ Technology deployment (e.g., energy storage)
- Modernization of the grid with significant investments in transmission and distribution
- Increased use of natural gas
- Optimization of our existing generating fleet

# **Environmental, Social and Governance (ESG) Reporting:**

- ➤ AEP's Corporate Accountability Report
- Clean Energy Strategy:
   American Electric Power:
   Strategic Vision for a Clean
   Energy Future
- ➤ EEI ESG Sustainability

  Reporting: AEP's 2019 EEI ESG

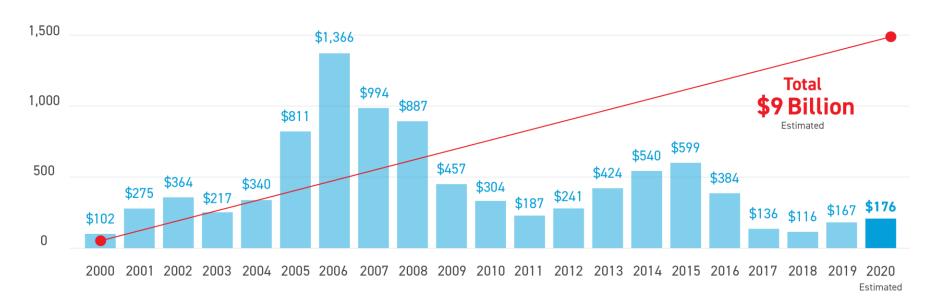
  Report
- > AEP's CDP Survey Responses
- > AEP's GRI Report
- ➤ AEP also responds to investorrelated surveys, including MSCI and Sustainalytics

<sup>&</sup>lt;sup>1</sup> Aspiration is zero emissions

# Largest Investment in Controls – Environmental



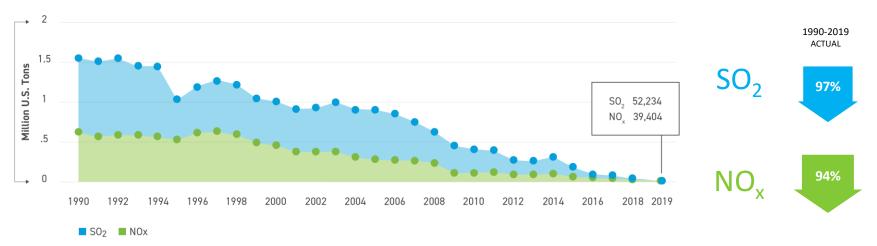
### **INVESTMENTS IN ENVIRONMENTAL CONTROLS \$ in millions**



### Dramatic Reductions in Emissions – Environmental

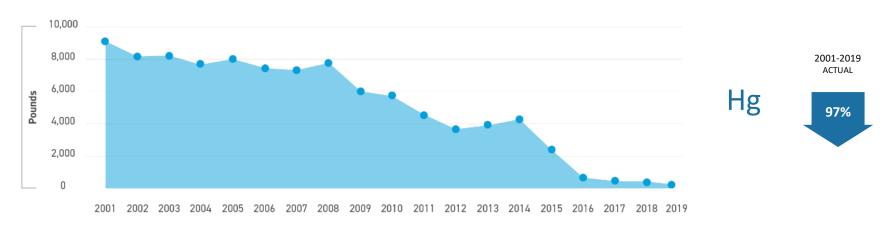


#### **TOTAL AEP SYSTEM NOx & SO2 EMISSIONS**



Direct annual emissions of SO2 and NOx from AEP's ownership share of generation as reported under Title IV of the 1990 Clean Air Act.

#### TOTAL AEP SYSTEM MERCURY AIR EMISSIONS

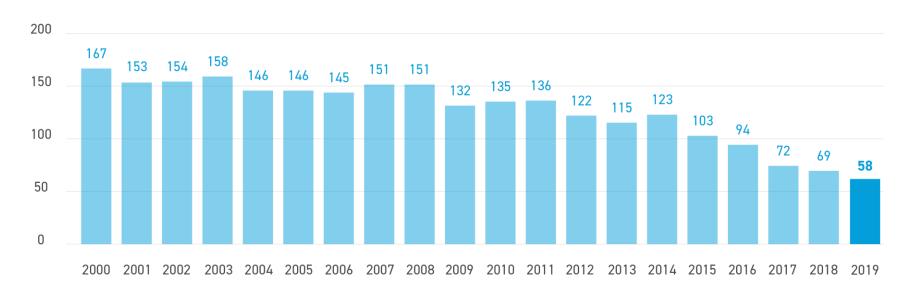


AEP equity share of mercury air emissions from Toxic Release Inventory reporting, 2019 was estimated with MATS program emission monitors.

### Dramatic Reductions in Emissions – Environmental



#### TOTAL AEP SYSTEM — ANNUAL CO<sub>2</sub> EMISSIONS in million metric tons



Direct CO<sub>2</sub> emissions from AEP's ownership share of generation as reported under Title IV of the 1990 Clean Air Act.

