

# EVERCORE ISI UTILITY CEO RETREAT

January 15, 2021





# “Safe Harbor” Statement Under the Private Securities Litigation Reform Act of 1995

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# The Premier Regulated Energy Company

**16,900 EMPLOYEES**

**24GW OWNED GENERATION**

**5.5M CUSTOMERS, 11 STATES**

**\$79B TOTAL ASSETS**

**40,000 TRANSMISSION MILES**

**221,000 DISTRIBUTION MILES**

**\$47B RATE BASE**

**\$40B CURRENT MARKET CAPITALIZATION**

Statistics as of October 1, 2020 except for rate base as of December 31, 2019 and market capitalization as of January 7, 2021

# 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**

# AEP's Strategic Vision and Execution

## EXECUTE STRATEGY

## TOP PRIORITIES

**Promote clean energy transformation**

- Invest in regulated and contracted renewables
- Optimize the generation fleet

**Enable growth and prosperity for our communities**

- Grow top line revenue
- Champion economic development
- Be good neighbors

**Innovate for the benefit of our customers**

- Improve customer experience through use of technology and business innovation
- Modernize regulatory mechanisms to support customer expectations

**Build a modern, secure and resilient grid**

- Deploy technologies that enhance grid safety, security and value
- Invest in leveraging energy infrastructure

**Drive operational excellence**

- Achieve Zero Harm
- Drive relentless O&M optimization
- Implement automation, digitization and process improvements
- Be a great place to work



# AEP KEY THEMES

Pure Play Electric Utility with Significant Renewables Upside

- 5%-7% Earnings Growth Rate and 2021 Range
- Proven Track Record of TSR and EPS Performance
- Strong Dividend Growth
- O&M Optimization
- ESG Focus and Transition Towards a Clean Energy Future





# Strong Return Proposition for Investors

## TOTAL SHAREHOLDER RETURN

**8% - 10%**

DIVIDEND YIELD  
3%

+

EPS GROWTH  
5% - 7%

## 2021 OPERATING EARNINGS GUIDANCE RANGE

**\$4.51 - \$4.71**

2020 EPS  
MIDPOINT  
\$4.35

+

EPS GROWTH  
6%

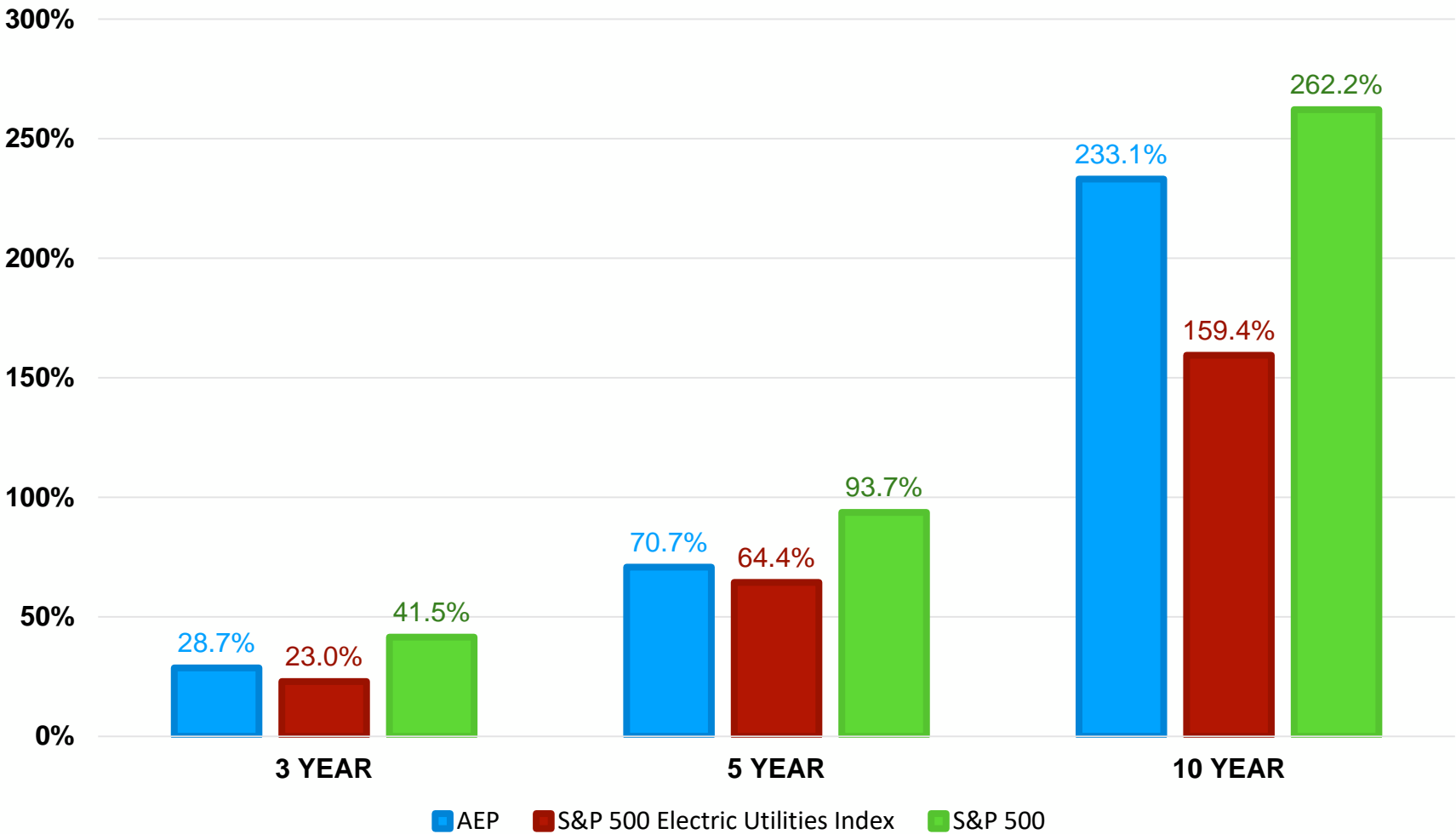
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2021 EPS  
MIDPOINT  
\$4.61

- ✓ **STEADY GROWTH**
- ✓ **CONSISTENT DIVIDENDS**
- ✓ **LOW RISK, REGULATED ASSETS**
- ✓ **INVESTMENT PIPELINE**
- ✓ **INCENTIVE COMPENSATION TIED TO EPS RESULTS**

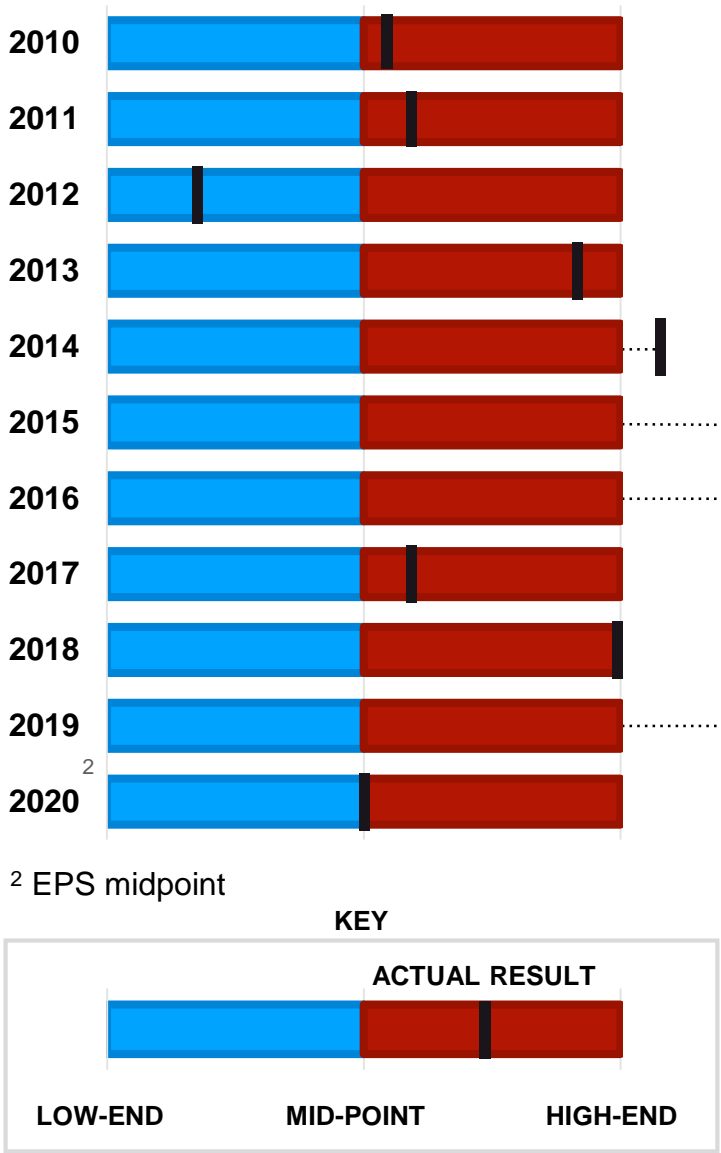
# Proven Track Record of Performance

## FAVORABLE TOTAL SHAREHOLDER RETURN<sup>1</sup>



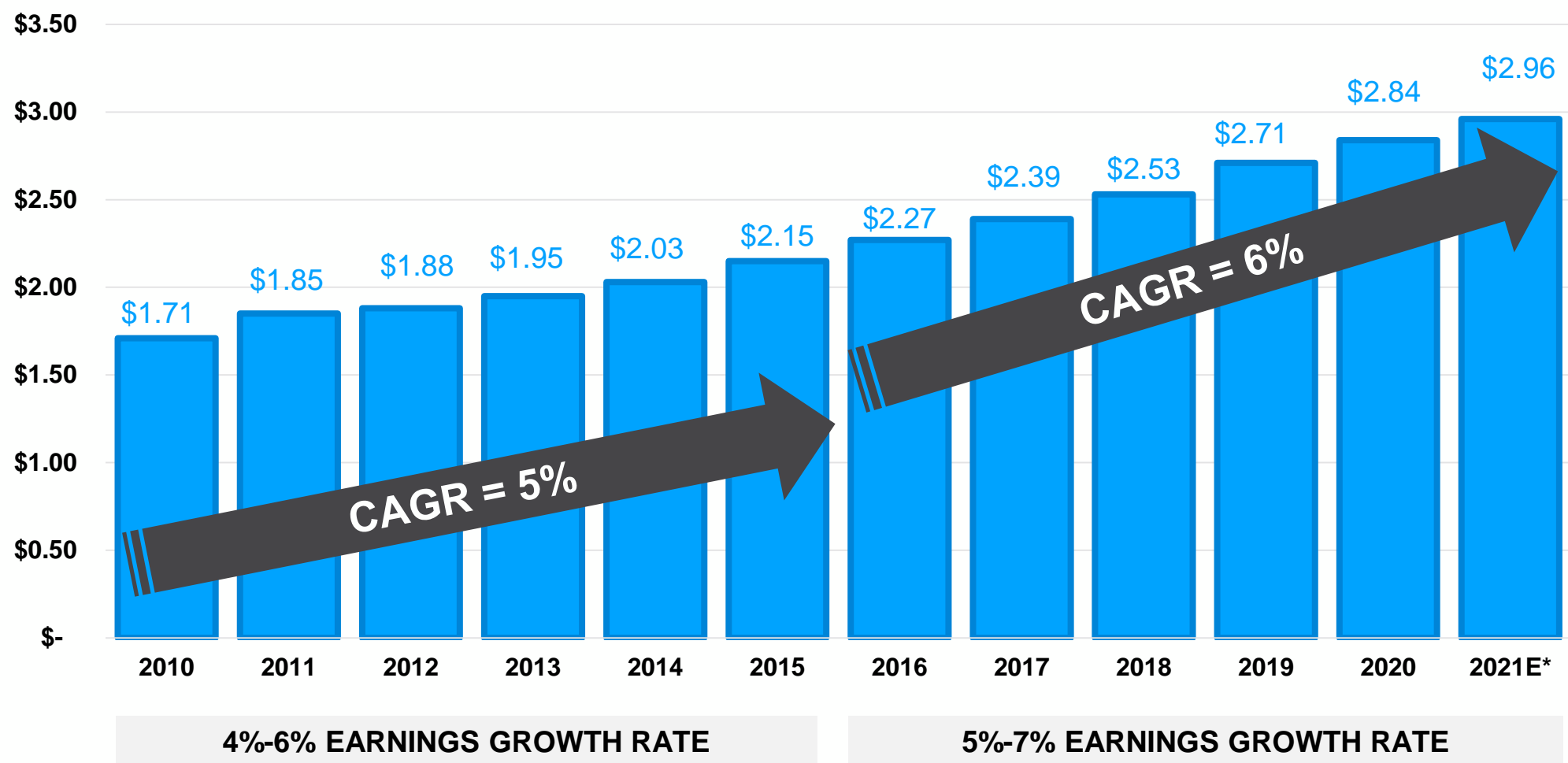
<sup>1</sup> Data as of September 30, 2020

## DECADE OF MEETING OR EXCEEDING ORIGINAL OPERATING EPS GUIDANCE





# Strong Dividend Growth



- ✓ Targeted payout ratio 60-70% of operating earnings
- ✓ Over 110 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

# O&M Optimization

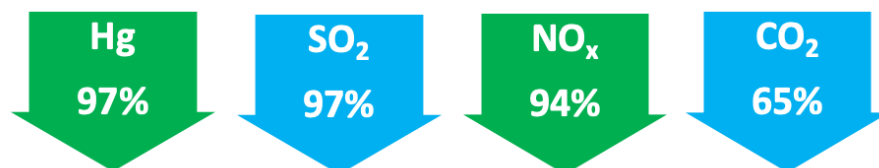
INITIATIVES	ACTIONS
Achieving Excellence Program	<ul style="list-style-type: none"> <li>• <b>Employee based O&amp;M prioritization and optimization effort</b></li> <li>• <b>Driven down costs in 2020 &amp; beyond, initial results imbedded in budgets</b></li> <li>• <b>Program was transitioned from EHS partners to internal resources and will continue annually</b></li> <li>• <b>2021 Program</b> – New O&amp;M savings ideas, evaluation of further study ideas and Future of Work opportunities</li> <li>• <b>Future of Work</b> – Optimization of Value Streams (end-to-end work flow)</li> </ul>
Lean Management System Implementation/Continuous Process Improvement	<ul style="list-style-type: none"> <li>• <b>Distribution</b> – Enhanced reliability to reduce O&amp;M and improve storm hardening</li> <li>• <b>Supply chain</b> – Optimize the material requisition process to improve material lead times, reducing stock and increasing crew productivity</li> <li>• <b>Fleet operations</b> – Reduce the number of vehicle platforms and optimize the acquisition process</li> <li>• <b>Generation (system productivity)</b> – Optimize plant systems and operations</li> </ul>
Data Analytics	<ul style="list-style-type: none"> <li>• <b>Workforce optimization</b> – Employee/contractor mix</li> <li>• <b>Hot socket model</b> – Using AMI data to preemptively identify meters at risk</li> <li>• <b>Revenue protection</b> – Detecting meter tampering</li> <li>• <b>Frequency regulation</b> – Analysis of PJM bidding strategies</li> </ul>
Automation	<ul style="list-style-type: none"> <li>• <b>Scrap metal billing and management</b></li> <li>• <b>Service Corp billing allocation factors</b></li> <li>• <b>No-bill workflow assignment process</b></li> <li>• <b>Customer workflow scheduling</b></li> </ul>
Digital Tools	<ul style="list-style-type: none"> <li>• <b>“The Zone”</b> – Machine learning tool to operate fossil units to minimize O&amp;M and capital, while maintaining improved performance</li> <li>• <b>Generation Monitoring and Diagnostic Center</b> – Predictive capabilities that save O&amp;M and capital</li> </ul>
Use of Drones	<ul style="list-style-type: none"> <li>• <b>Storm damage assessment</b></li> <li>• <b>Real estate and land surveys</b></li> <li>• <b>Transmission facility inspections, construction monitoring and documentation</b></li> <li>• <b>Telecommunication tower inspections</b></li> <li>• <b>Cooling tower and boiler inspections</b></li> </ul>
Outsourcing	<ul style="list-style-type: none"> <li>• <b>Accounting and tax initiative</b></li> <li>• <b>Rapid application and information support</b></li> <li>• <b>Lockbox for customer payments by check</b></li> </ul>
Workforce Planning	<ul style="list-style-type: none"> <li>• <b>Approximately 4,000 employees will retire or leave in the next 5 years</b></li> </ul>
Strategic Sourcing	<ul style="list-style-type: none"> <li>• <b>Reducing cost through procurement category management</b> – 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>



# ESG Focus

## ENVIRONMENTAL

- Dramatic reductions in emissions
- 42% reduction in coal capacity by 2030
- Coal capacity = 15% of rate base
- ~\$9B spent on environmental controls since 2000
- Carbon emission reduction goals: 70% by 2030, 80% by 2050, with zero emission aspirations
- Emission reduction strategy tied to long-term incentive compensation



## SOCIAL

- Diversity and inclusion vision
- Focused on economic and business development in our service territories
- Zero Harm mentality – zero injuries, zero occupational illnesses and zero fatalities



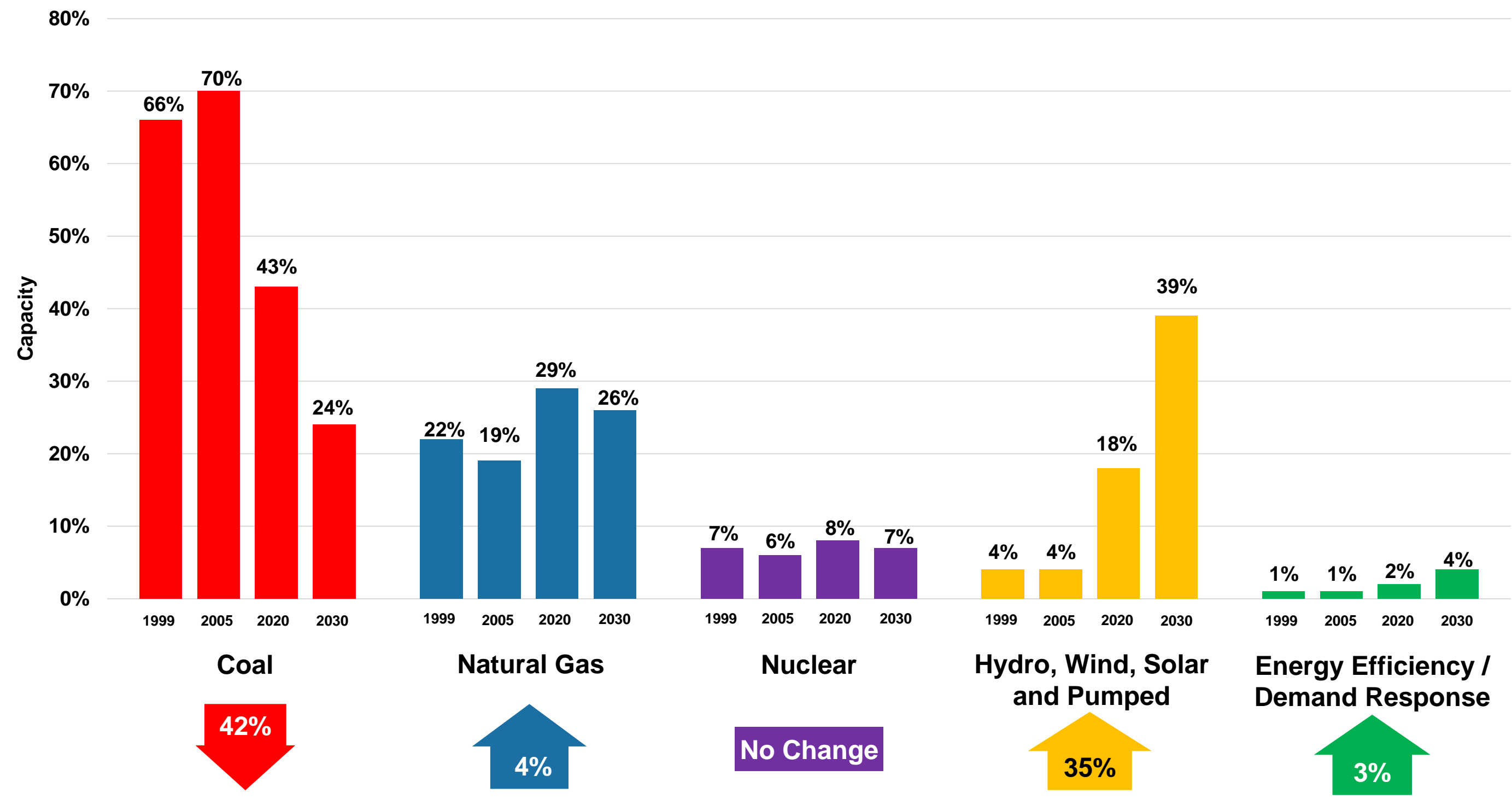
## GOVERNANCE

- 14 directors, 13 are independent, 43% diverse with an average tenure of 8 years
- Annual shareholder engagement on strategy and ESG matters with lead independent director participation
- Environmental reports provided at every Board meeting



Note: See "Environmental, Social & Governance section for further information

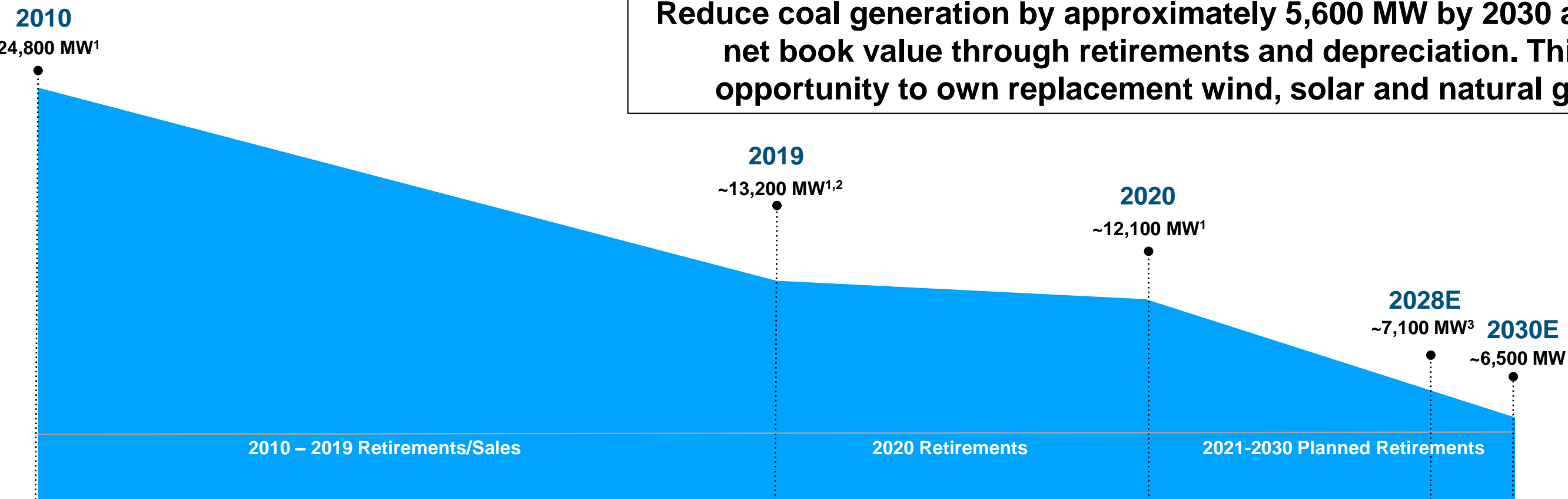
# Transforming Our Generation Fleet



2020 data as of 10/1/2020. 2030 includes IRP forecasted additions and retirements as well as subsequent public filings. 2030 does not include wind, solar and natural gas replacement capacity for certain recently announced coal retirements. Energy Efficiency / Demand Response represents avoided capacity rather than physical assets.



# Retirement Progress and Plans



Reduce coal generation by approximately 5,600 MW by 2030 and decrease coal net book value through retirements and depreciation. This creates the opportunity to own replacement wind, solar and natural gas resources.

YEAR	PLANT	CAPACITY	YEAR	PLANT	CAPACITY	YEAR	PLANT	CAPACITY	YEAR	PLANT	CAPACITY
2011	Sporn 5	450 MW	2015	Sporn 1-4	600 MW	2020	Conesville 4	651 MW	2021	Dolet Hills	257 MW
2012	Conesville 3	165 MW	2015	Tanners Creek 1-4	995 MW	2020	Oklaunion	460 MW	2023	Pirkey	580 MW
2014	Beckjord	53 MW	2016	Big Sandy 1	278 MW				2026	Northeastern 3	469 MW
2015	Big Sandy 2	800 MW	2016	Clinch River 1 & 2	470 MW				2028	Rockport 1	1,310 MW
2015	Clinch River 3	235 MW	2016	Northeastern 4	470 MW				2028	Welsh	1,053 MW
2015	Glen Lyn 5 & 6	335 MW	2016	Welsh 2	528 MW				2030	Cardinal	595 MW
2015	Kammer 1-3	630 MW	2017	Gavin 1 & 2	2,640 MW						
2015	Kanawha River 1 & 2	400 MW	2017	Zimmer	330 MW						
2015	Muskingum River 1-5	1,440 MW	2018	Stuart 1-4	600 MW						
2015	Picway 5	100 MW	2019	Conesville 5 & 6	820 MW						

4,264 MW  
Coal Retirements  
2021-2030

+

1,310 MW  
Rockport 2  
Lease Expiration  
In 2022

=

5,574 MW  
Reduction in Coal  
Capacity  
from 2020  
46%

<sup>1</sup> Total includes owned coal units and the Rockport 2 lease  
<sup>2</sup> Includes 2012 Turk Plant addition and 40% of Conesville 4 that was acquired in conjunction with the sale of Zimmer Plant  
<sup>3</sup> Total accounts for the expiration of the Rockport 2 lease

# EPA Notice of New Coal Retirements

- The EPA recently revised requirements of both the Coal Combustion Residual Rule (CCR) and Effluent Limitation Guidelines (ELG), requiring significant dollar investment to utilities' coal-fired generation fleets.
- AEP continues to evaluate its fleet on a plant-by-plant basis to determine the economic value to both the customer and the company
- AEP filed its intentions with the EPA in November 2020

Plant/Unit	Operating Company	EPA Filing Details	Authority to Operate (current plans)
Rockport 2	AEG/I&M	CCR + ELG Extension, CCR Compliant in 2023	Returning to lessors at the end of lease term (Dec 2022)
Pirkey	SWEPCO	Retirement Extension, Close Ponds by 10/17/2023 Stop Generation in 2023	Retire in 2023
Rockport 1	AEG/I&M	CCR-Only Extension, CCR Compliant in 2023	Full Depreciable Life (2028)
Welsh 1 & 3	SWEPCO	Retirement Extension, Close Ponds by 10/17/2028 Stop generation in 2028	Retire in 2028
Flint Creek	SWEPCO	CCR + ELG Extension, CCR Compliant in 2023	Full Depreciable Life (2038)
Amos 1, 2, & 3	APCo	CCR + ELG Extension, CCR Compliant in 2023	Full Depreciable Life (2040)
Mountaineer	APCo	CCR + ELG Extension, CCR Compliant in 2023	Full Depreciable Life (2040)
Mitchell 1 & 2	KPCo/WPCo	CCR + ELG Extension, CCR Compliant in 2023	Full Depreciable Life (2040)



# Advancing Towards a Clean Energy Future

## Projected Resource Additions<sup>1</sup>

SOLAR ADDITIONS (MW) ☀️				WIND ADDITIONS (MW) 🌿				NATURAL GAS ADDITIONS (MW) 🔥				TOTAL PROJECTED RESOURCE ADDITIONS (MW)	
Company	2021 - 2022	2023 - 2025	2026 - 2030	Company	2021 - 2022	2023 - 2025	2026 - 2030	Company	2021 - 2022	2023 - 2025	2026 - 2030	Resource	2021-2030
APCo	110	150	450	APCo	-	200	400	I&M	18	18	788	Solar	3,794
I&M	150	300	850	I&M	300	150	300	PSO	373 <sup>3</sup>	37 <sup>3</sup>	373 <sup>3</sup>	Wind	4,235
KPCo	20	253	-	KPCo	-	-	200	Totals	391	55	1,161	Natural Gas	1,607
PSO	11	300	900	PSO	675 <sup>2</sup>	400	200					Totals	9,636
SWEPCO	-	200	100	SWEPCO	810 <sup>2</sup>	600	-						
Totals	291	1,203	2,300	Totals	1,785	1,350	1,100						

<sup>1</sup> Representative of IRP filings and subsequent public filings or RFPs, as well as projects that have obtained regulatory approval, but have not yet reached commercial operation. Projected resource additions do not include wind, solar and natural gas replacement capacity for certain recently announced future coal retirements.

<sup>2</sup> Represents North Central Wind

<sup>3</sup> To replace expiring PPA

As of 11/2/20

## Renewables Progress Update

Company	Structure	Solar (MW) ☀️	Wind (MW) 🌿	Public Status	Expected In-Service	In 2021-2025 Capital Plan
APCo (VA)	PPA	15	-	Expected COD Q2 2021	2021	N/A
APCo (VA)	PPA	40	-	Expected COD 2021	2021	N/A
APCo (VA)	Owned	105	-	Solar RFP issued in January 2020	2023	Yes
APCo (WV)	Owned	50	-	Solar RFP issued in June 2020	2022	Yes
I&M	Owned	20	-	Approval received (St. Joseph Solar)	2021	Yes
I&M	2/3 Owned & 1/3 PPA	300 <sup>4</sup>	150 <sup>4</sup>	Solar and wind RFP issued November 2020	2023	Yes
PSO	Owned	-	675	Approval received (North Central Wind)	2021/2022	Yes
SWEPCO (AR, LA)	Owned	-	810	Approval received (North Central Wind)	2021/2022	Yes
SWEPCO (LA)	Owned or PPA	200	-	Solar RFP planned for 4Q20 (part of North Central Wind settlement for LA)	2024	No
Total MW		730	1,635			

<sup>4</sup> Final solar and wind split to be determined

Total of 2,365 MW of renewable projects in progress

# APCo Virginia Clean Energy Initiative Details

## Current & Pending Renewable Resources (MW)

	PPA	Owned	Total	Counts Toward VCEA <sup>1</sup> MW Goal <sup>2</sup>	VCEA Targets <sup>3</sup>	% Progress
Hydro – Current	80	200	280	254	254	100%
Wind – Current	495	-	495	140	2,200	6.4%
<b>Total Current</b>	<b>575</b>	<b>200</b>	<b>775</b>	<b>394</b>		
Solar - Pending	55	105	160	160	3,460	4.6%
<b>Total Current &amp; Pending<sup>4</sup></b>	<b>630</b>	<b>305</b>	<b>935</b>	<b>554</b>	<b>5,914</b>	<b>9.4%</b>

## Projected Long Term Resource Additions (MW)

	2021-2025 <sup>5</sup>			2026-2030			2031-2050			Total			Counts Toward VCEA MW Goal <sup>2</sup>	VCEA Targets <sup>3</sup>	% Progress
	PPA	Owned	Total	PPA	Owned	Total	PPA	Owned	Total	PPA	Owned	Total			
Wind	-	200	200	-	400	400	-	1,600	1,600	-	2,200	2,200	2,200	2,200	100%
Solar	105	105	210	150	300	450	1,000	1,800	2,800	1,255	2,205	3,460	3,460	3,460	100%
<b>Total</b>	<b>105</b>	<b>305</b>	<b>410</b>	<b>150</b>	<b>700</b>	<b>850</b>	<b>1,000</b>	<b>3,400</b>	<b>4,400</b>	<b>1,255</b>	<b>4,405</b>	<b>5,660</b>	<b>5,660</b>	<b>5,660</b>	<b>100%</b>

<sup>1</sup> Virginia Clean Economy Act

<sup>2</sup> Includes Virginia jurisdictional share of owned and contracted facilities

<sup>3</sup> Targets reflect renewable resources necessary to meet requirements in VCEA through 2050

<sup>4</sup> Does not include an additional 585 MWs of in-service pumped storage owned by APCo

<sup>5</sup> Includes pending solar projects



# Additional Clean Energy Initiatives



An **AEP** Company

- In November 2020, I&M released a RFP for **450 MW** of combined wind and solar resources projected to be in service by the end of 2023

(MW)	Solar	Wind	Total <sup>1</sup>
PPA	100	50	<b>150</b>
Owned	200	100	<b>300</b>
Total	300	150	<b>450</b>

<sup>1</sup> Final solar and wind split to be determined

- In addition, I&M announced that it will not renew its lease of Rockport Unit 2 which expires in Dec. 2022
- With the previously-announced retirement of Rockport Unit 1, I&M will be coal-free by the end of 2028
  - Does not include I&M's 7.85% contractual share of OVEC
  - Generation fleet will consist of Cook nuclear facility and renewables
- On track to meet 100% of its energy needs from clean resources by 2028



An **AEP** Company

- Over the next 20 years, SWEPCO will generate over **one-third** of its energy from **wind and solar** (9% to 36%)
- Will begin offering large scale solar directly to Arkansas municipal customers in 2021
- Committed to purchasing up to **30 MW** of solar from independent producers in Louisiana through its Renewable Energy Pilot Program tariff



An **AEP** Company

- In June 2020, PSO signed a 30-year lease with the Army to install an energy resilience project on approximately 81 acres at Fort Sill
- Project includes the construction of **36 MW** of gas-fired generation and **11 MW** of solar panels
- In October 2020, PSO filed for commission approval for \$118 million of investment for construction of the gas-fired and solar generation



An **AEP** Company

- Aggregation where eligible customers within the City of Columbus will be served by 100% clean energy sourced from Ohio renewable assets. The aggregation will tackle social and environmental equity issues, employing Ohio workers and providing job training.
- Customers - 180,000 to 220,000
- Term - June 2021 thru December 2035
- Renewable Supply – Ohio renewable projects such as Emerson Creek Wind Farm **240 MW**, Columbus Solar Park **50 MW**, Atlanta Farms Solar Farm **200 MW**



# North Central Wind Overview



## APPROVED MW ALLOCATION

Jurisdiction (Docket #)	MW	% of Project
PSO (PUD 2019-00048)	675	45.5%
SWEPCO – AR (19-035-U)	268	18.1%
SWEPCO – LA (U-35324)	464	31.2%
SWEPCO - FERC	78	5.2%
Total:	1,485	100%

## SWEPCO AND PSO REGULATED WIND INVESTMENT

Total Rate Base Investment	~\$2 billion (1,485 MW)			
North Central Wind	<u>Name</u>	<u>MW</u>	<u>Investment</u>	<u>Target Date</u>
	Sundance	199	\$348M	Mar. 2021 (100% PTC)
	Maverick	287	\$402M	Dec. 2021 (80% PTC)
	Traverse	999	\$1,235M	Dec. 2021 to Apr. 2022 (80% PTC)
Net Capacity Factor	44.0%			
Customer Savings	~\$3 billion (30-year nominal \$)			
Developer	Invenergy			
Turbine Supplier	GE			

Note: Facilities to be acquired on a fixed cost, turn-key basis at completion

**Regulatory approvals achieved in Oklahoma, Louisiana, Arkansas and at FERC**



# POSITIONING FOR THE FUTURE

- Robust Organic Capital Opportunities
- 2021-2025 Capital Forecast
- Cash Flows and Financial Metrics
- Rate Base Growth
- Efficient Cost Recovery Mechanisms



# Robust Organic Capital Opportunities

## TRANSMISSION

- Grid modernization
- Aging infrastructure
- Physical/cyber security
- Reliability
- Market efficiency
- Economic development projects

## DISTRIBUTION

- Grid modernization
- Reliability improvement projects
- Distribution station refurbishment

## RENEWABLES

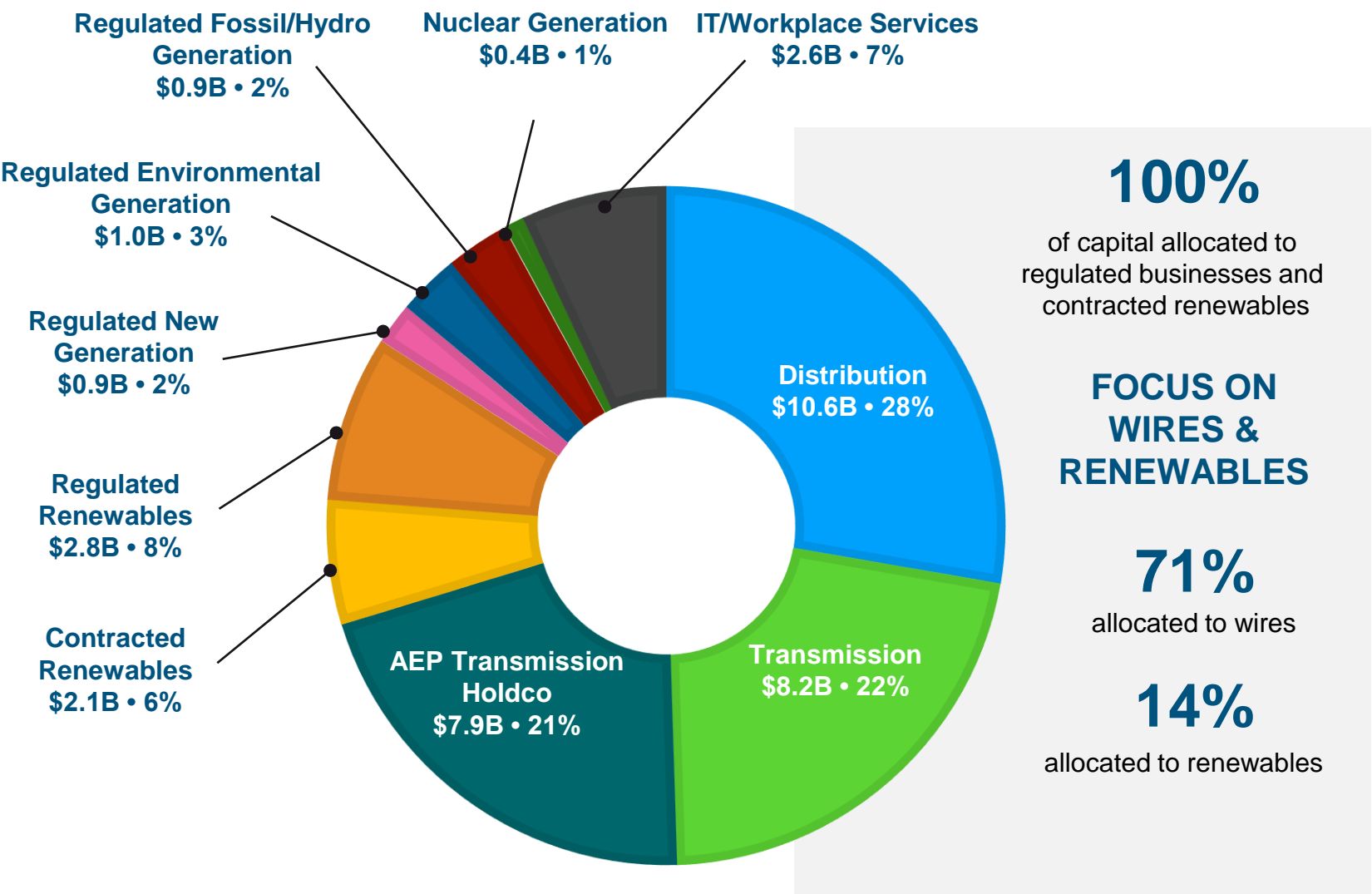
- Regulated renewables supported by integrated resource plans and contracted renewables

## TECHNOLOGY

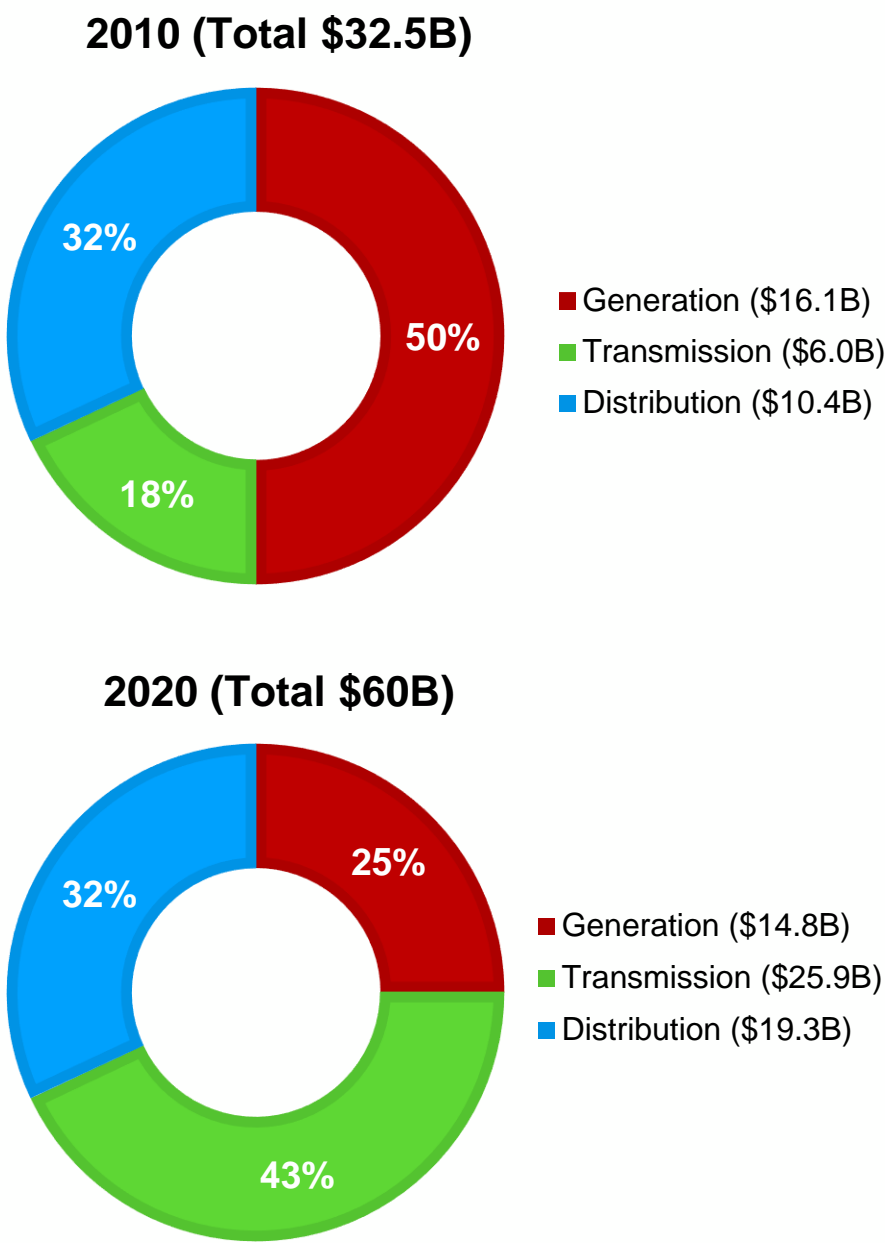
- Digitization
- Automation
- Cyber security
- Enterprise-wide applications

# 2021 - 2025 Capital Forecast of \$37B and Net Plant

2021-2025 Capital Forecast



Historical Net Plant Profiles





# 2021-2025 Capital Forecast by Subsidiary

\$ in millions (excludes AFUDC)	2021E	2022E	2023E	2024E	2025E	TOTAL
Appalachian Power Company	\$ 884	\$ 1,163	\$ 981	\$ 920	\$ 1,004	\$ 4,952
Wheeling Power Company	\$ 45	\$ 83	\$ 37	\$ 37	\$ 32	\$ 234
Kingsport Power Company	\$ 21	\$ 20	\$ 19	\$ 18	\$ 18	\$ 96
Indiana Michigan Power Company	\$ 578	\$ 569	\$ 937	\$ 575	\$ 705	\$ 3,364
Kentucky Power Company	\$ 180	\$ 235	\$ 164	\$ 184	\$ 231	\$ 994
AEP Ohio	\$ 789	\$ 754	\$ 802	\$ 878	\$ 821	\$ 4,044
Public Service Company of Oklahoma	\$ 730	\$ 1,105	\$ 474	\$ 378	\$ 921	\$ 3,608
Southwestern Electric Power Company	\$ 872	\$ 1,097	\$ 537	\$ 564	\$ 634	\$ 3,704
AEP Texas Company	\$ 1,194	\$ 1,091	\$ 1,098	\$ 1,300	\$ 1,388	\$ 6,071
AEP Generating Company	\$ 44	\$ 33	\$ 12	\$ 18	\$ 19	\$ 126
AEP Transmission Holdco	\$ 1,597	\$ 1,404	\$ 1,370	\$ 1,647	\$ 1,914	\$ 7,932
Generation & Marketing	\$ 501	\$ 412	\$ 415	\$ 418	\$ 348	\$ 2,094
Other	\$ 30	\$ 22	\$ 21	\$ 16	\$ 2	\$ 91
Total Capital and Equity Contributions	\$ 7,465	\$ 7,988	\$ 6,867	\$ 6,953	\$ 8,037	\$ 37,310

Capital plans are continuously optimized which may result in redeployment between functions and companies.

# Cash Flows and Financial Metrics

\$ in millions	2021E	2022E	2023E
Cash from Operations	\$ 5,000	\$ 5,500	\$ 6,000
Capital & JV Equity Contributions <sup>1</sup>	(7,500)	(8,000)	(6,900)
Other Investing Activities	(300)	(300)	(300)
Common Dividends <sup>2</sup>	(1,400)	(1,500)	(1,500)
Required Capital	<b>\$ (4,200)</b>	<b>\$ (4,300)</b>	<b>\$ (2,700)</b>
<b>Financing</b>			
Required Capital	\$ (4,200)	\$ (4,300)	\$ (2,700)
Debt Maturities (Senior Notes, PCRBs)	(2,000)	(3,000)	(1,400)
Securitization Amortizations	(100)	(100)	(100)
Equity Units Conversion	-	805	850
Equity Issuances – Includes DRP <sup>3</sup>	600	1,400	100
<b>Debt Capital Market Needs (New)</b>	<b>\$ (5,700)</b>	<b>\$ (5,195)</b>	<b>\$ (3,250)</b>
<b>Financial Metrics</b>			
Debt to Capitalization (GAAP)	Approximately 60%		
FFO/Total Debt (Moody's)	Low to Mid Teens Reflecting Accelerated Flowback of ADFIT		

<sup>1</sup> Capital expenditures in 2021 include \$750M for North Central Wind's Sundance and Maverick projects. Expenditures in 2022 include \$1.235B for North Central Wind's Traverse project.

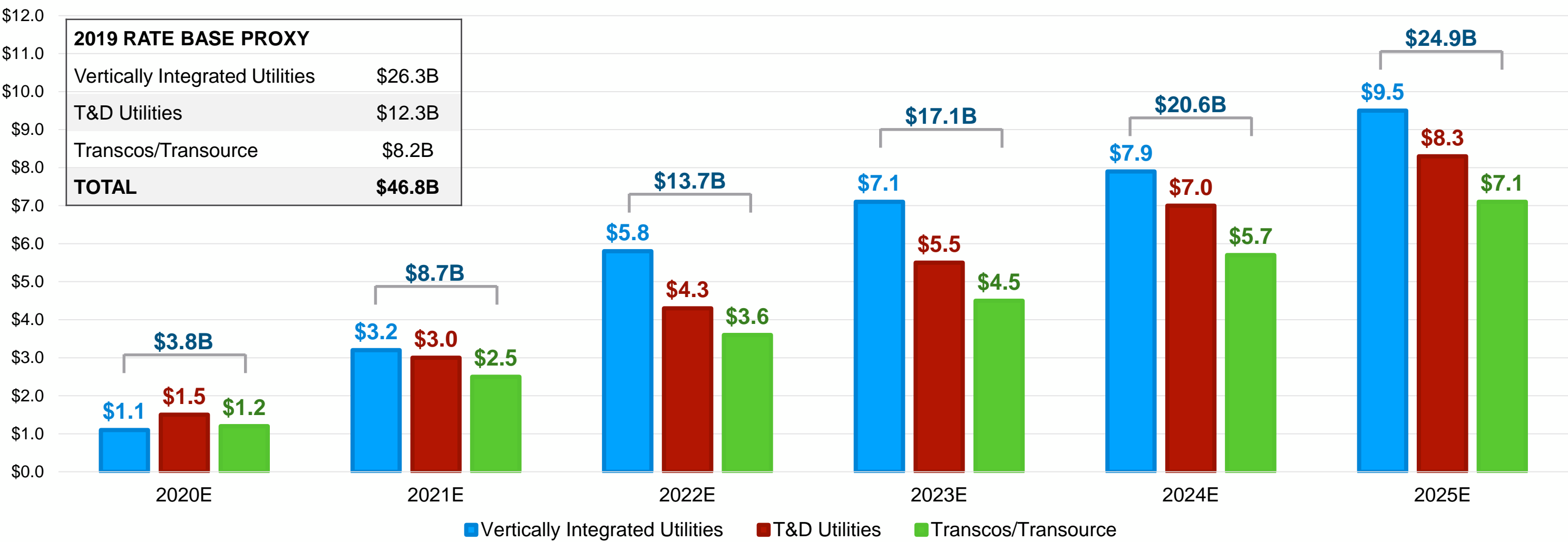
<sup>2</sup> Common dividends increased to \$0.74 per share Q4 2020; \$2.96/share 2021-2023. Dividends evaluated by Board of Directors each quarter; stated target payout ratio range is 60%-70% of operating earnings. Targeted dividend growth in line with earnings.

<sup>3</sup> Equity needs in 2021 include \$500M for North Central Wind's Sundance and Maverick projects. Equity needs in 2022 include \$800M for North Central Wind's Traverse project. Total equity needs for the project are \$1.3B.

Actual cash flows will vary by company and jurisdiction based on regulatory outcomes.

# 7.4% CAGR in Rate Base Growth

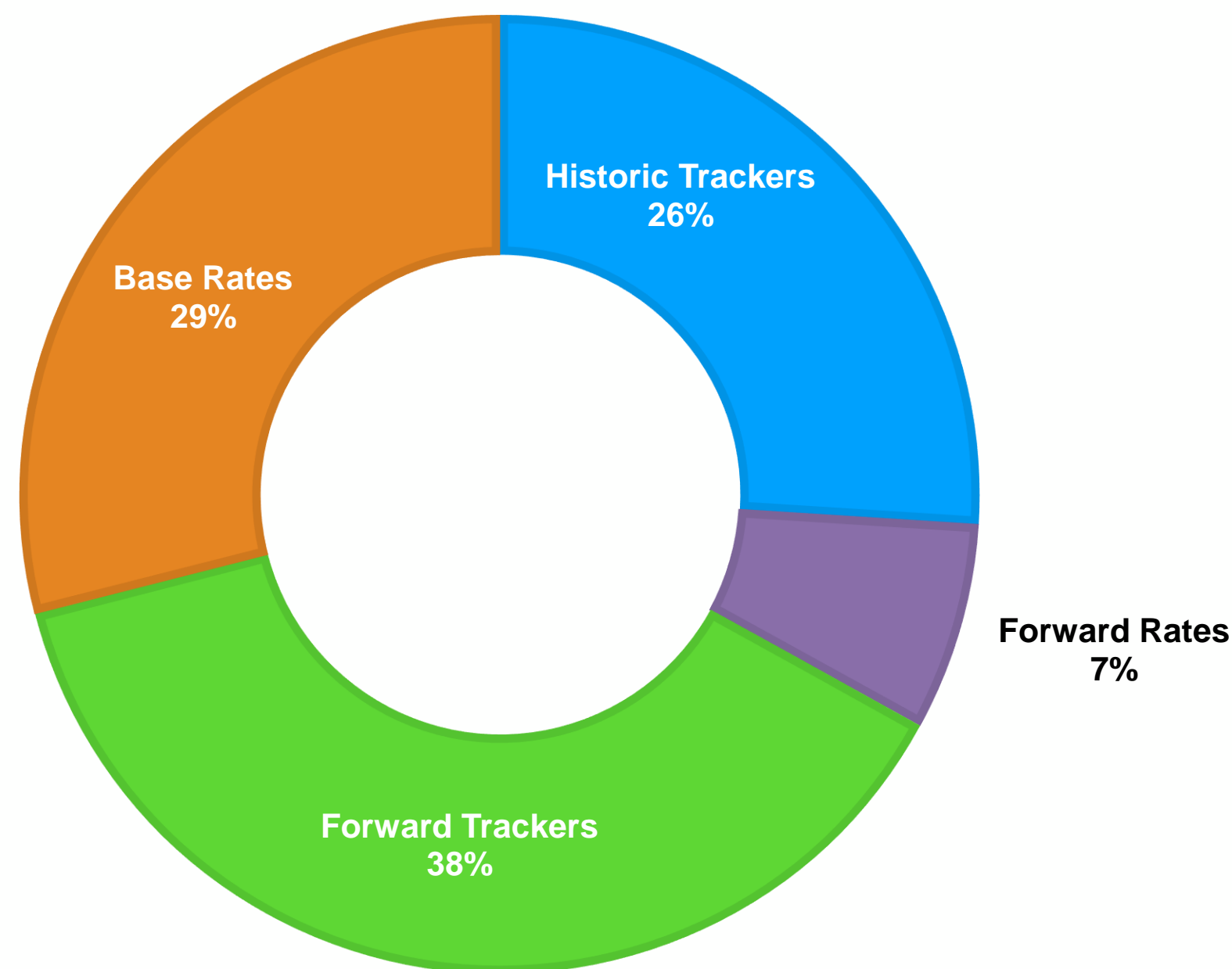
## CUMULATIVE CHANGE FROM 2019 BASE



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



# Efficient Cost Recovery Mechanisms



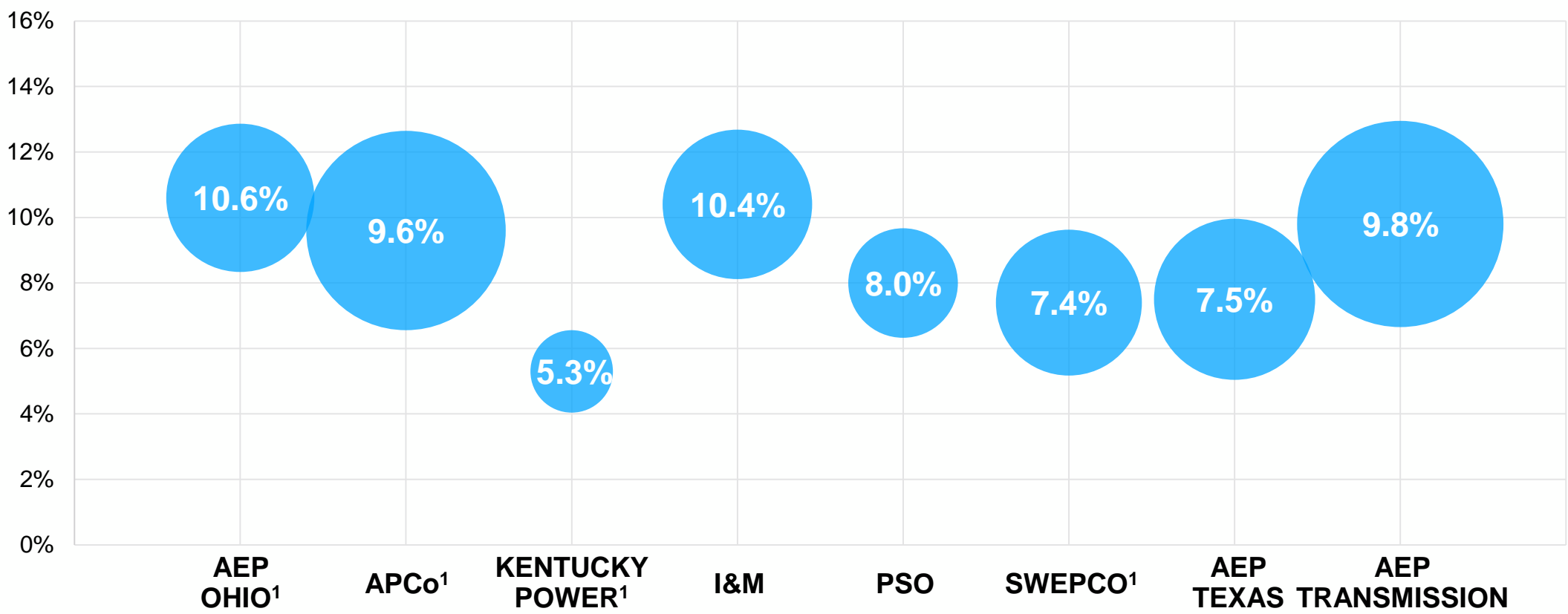
**More than 70% of 2021-2025 capital plan recovered through reduced lag mechanisms**

# FINANCIAL INFORMATION

- Return on Equity and Authorized Equity Layers
- 2021 Operating Earnings Guidance
- Current Rate Case Activity
- Bending the O&M Curve
- Normalized Load Trends
- Capitalization and Liquidity
- 2021 Debt Issuances and Maturities
- Credit Ratings

# Return on Equity and Authorized Equity Layers

Twelve Months Ended 9/30/2020 Earned ROE's  
(non-GAAP operating earnings, not weather normalized)



2021 Forecasted Regulated ROE is 9.0%

<sup>1</sup> Base rate cases pending

<sup>2</sup> 9/30/20 data represents equity layers as requested in pending base rate case

Sphere size based on each company's relative equity balance

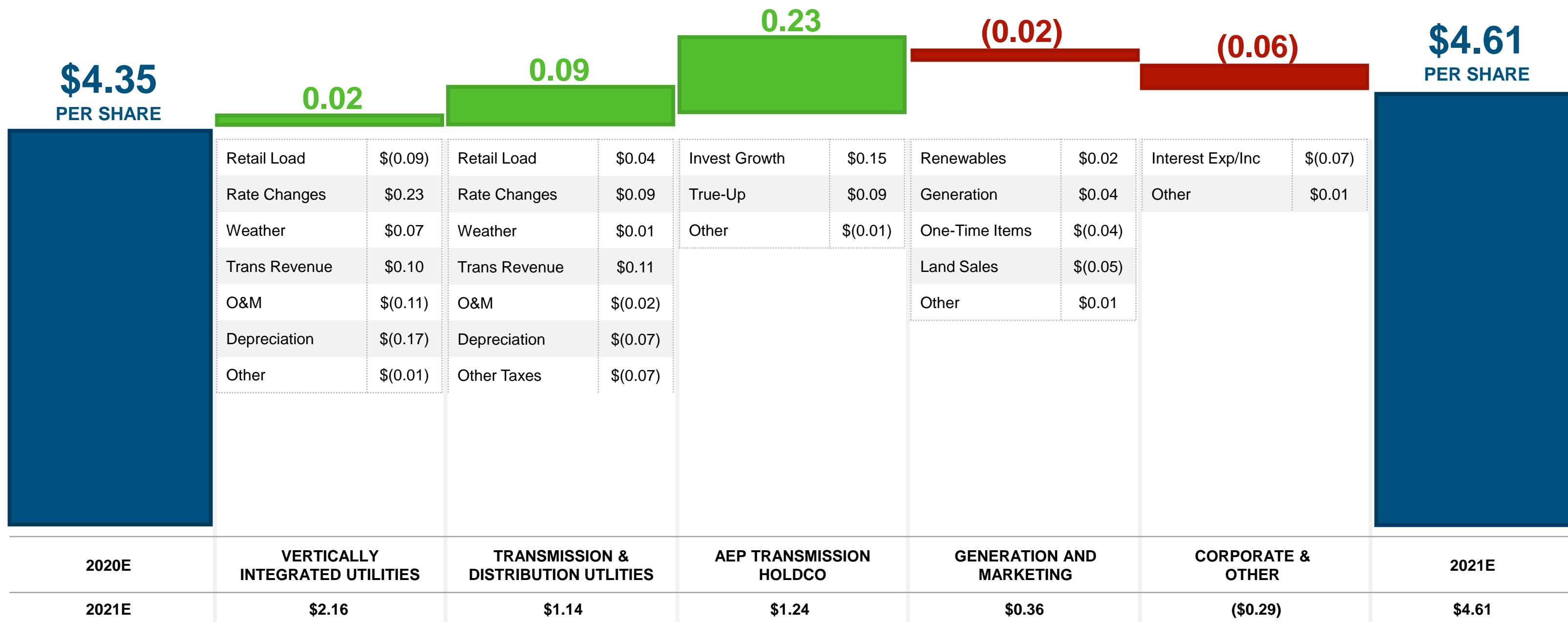
Authorized Equity Layers  
(in whole percentages)

Operating Company	12/31/17	9/30/20	Improvement
AEP Ohio <sup>2</sup>	48%	54%	6%
APCo – Virginia <sup>2</sup>	43%	50%	7%
APCo – West Virginia	47%	50%	3%
Kentucky Power <sup>2</sup>	42%	43%	1%
PSO	44%	48%	4%
SWEPCO – Arkansas	46%	48%	2%
AEP Texas	40%	43%	3%
AEP Transmission	50%	55%	5%

Improving Our Authorized Equity Layers Over Time



# 2021 Operating Earnings Guidance



Note: Waterfall components may change based on actual 2020 results.

# Current Rate Case Activity

## AEP OHIO

Docket #	20-0585-EL-AIR
Filing Date	06/01/2020
Requested Rate Base	\$3.1B
Requested ROE	10.15%
Cap Structure	45.6%D / 54.4%E
Gross Revenue Increase	\$36M (Less \$4.5M Depr Decrease)
Net Revenue Increase	\$41M
Test Year	11/30/2020

Note: AEP Ohio filed a joint motion to extend the procedural schedule by 30 days and an additional 10 days on 11/25/2020 and 1/12/2021, respectively, to allow the parties to engage in settlement discussions.



## APCo - VIRGINIA

Docket #	PUR-2020-00015
Filing Date	03/31/2020
Requested Rate Base	\$2.5B
Requested ROE	9.9%
Cap Structure	50%D / 50%E
Gross Revenue Increase	\$65M (Less \$27M D&A)
Net Revenue Increase	\$38M
Test Year	12/31/2019

### Commission Order Summary

Order Received	11/24/2020
Effective Date	01/23/2021
ROE	9.2%
Cap Structure	50%D / 50%E
Gross Revenue Increase	\$0M (Less \$25.5M D&A)
Net Revenue Decrease	\$25.5M

Note: On 11/25/2020, APCo filed an appeal of the commission order with the Virginia Supreme Court. On 12/14/2020, APCo filed a petition for reconsideration with the Virginia SCC which was subsequently granted on 12/15/2020, resulting in a suspension of the final order.



# Current Rate Case Activity

## KPCo

Docket #	2020-00174
Filing Date	06/29/2020
Requested Rate Base	\$1.4B
Requested ROE	10%
Cap Structure	53.7%D / 3.0%AR / 43.3%E
Net Revenue Increase	\$65M
Test Year	03/31/2020
<u>Commission Order Summary</u>	
Order Received	01/13/2021
Effective Date	01/14/2021
ROE	9.3%
Cap Structure	53.7%D / 3.0%AR / 43.3%E
Net Revenue Increase	\$52M



## SWEPCO - Louisiana

Docket #	U-35441
Filing Date	12/18/2020
Requested Rate Base	\$2.1B
Requested ROE	10.35%
Cap Structure	49.2%D / 50.8%E
Gross Revenue Increase	\$134M (Less \$41M D&A)
Net Revenue Increase	\$93M
Test Year	12/31/2019 <sup>1</sup>

<sup>1</sup> Includes proposed pro-forma adjustment to plant in-service through 12/31/2020



## SWEPCO - Texas

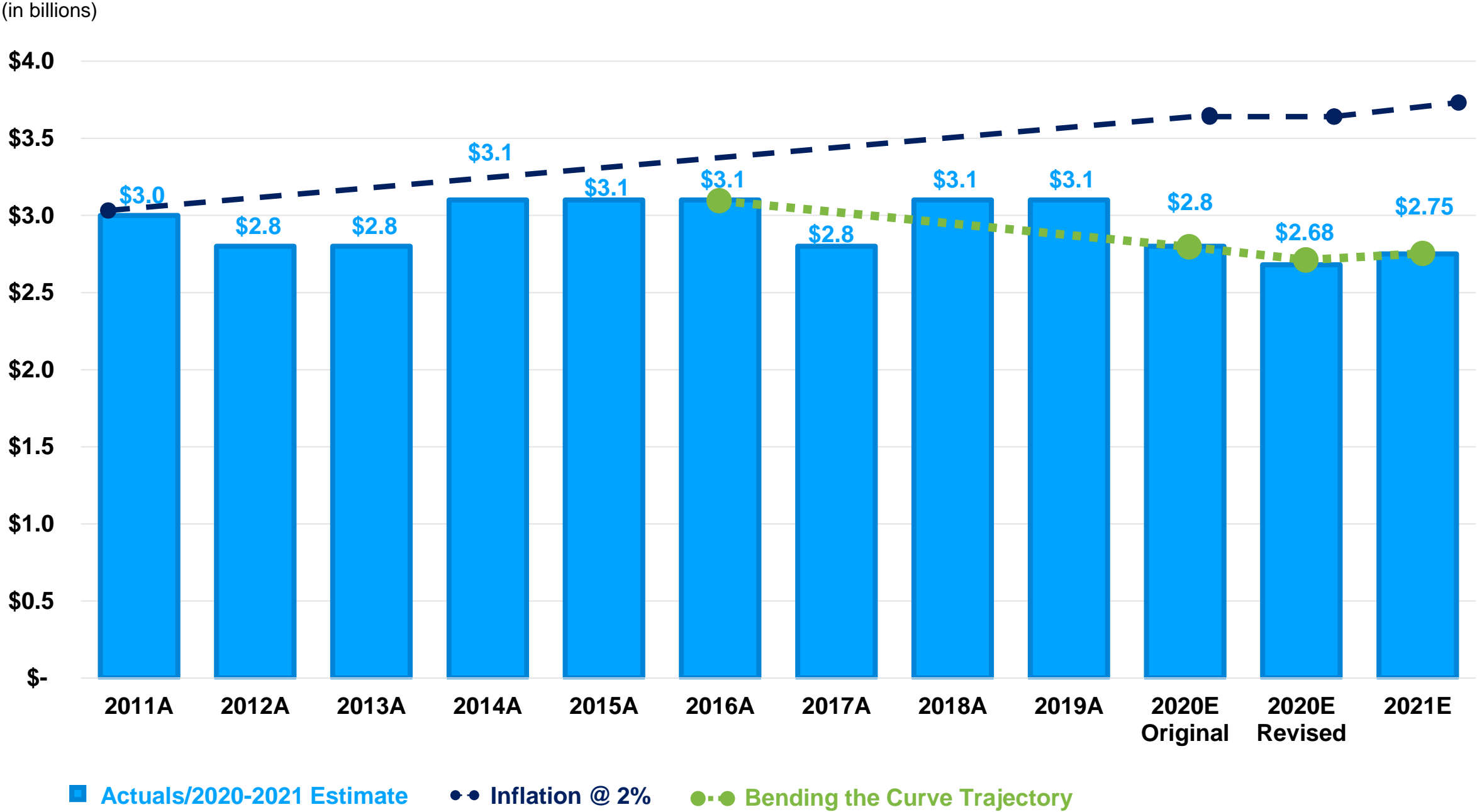
Docket #	51415
Filing Date	10/13/2020
Requested Rate Base	\$2.0B
Requested ROE	10.35%
Cap Structure	50.6%D / 49.4%E
Gross Revenue Increase	\$90M <sup>2</sup> (Less \$17M D&A)
Net Revenue Increase	\$73M
Test Year	03/31/2020
<u>Procedural Schedule</u>	
Intervenor Testimony	03/31/2021
Staff Testimony	04/07/2021
Rebuttal Testimony	04/23/2021
Hearing	05/19/2021
Expected Commission Order	10/27/2021

<sup>2</sup> Does not include \$15M of current riders moving to base rates





# Bending the O&M Curve



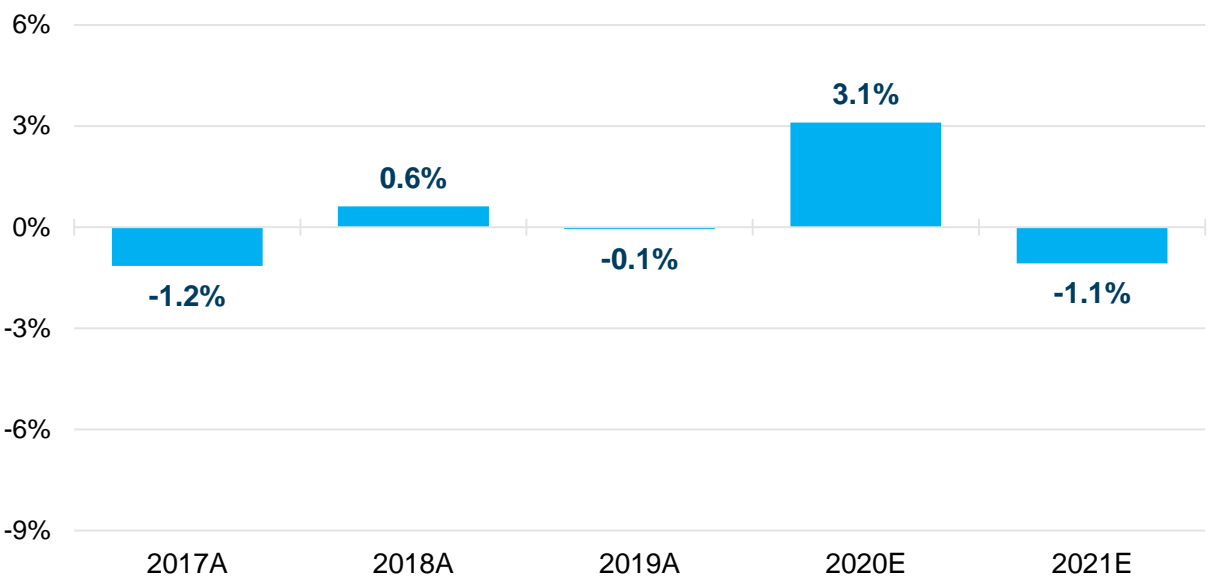
O&M focuses on bending the O&M curve down

O&M actual spend represents adjusted spend throughout each year as needed

# Normalized Load Trends

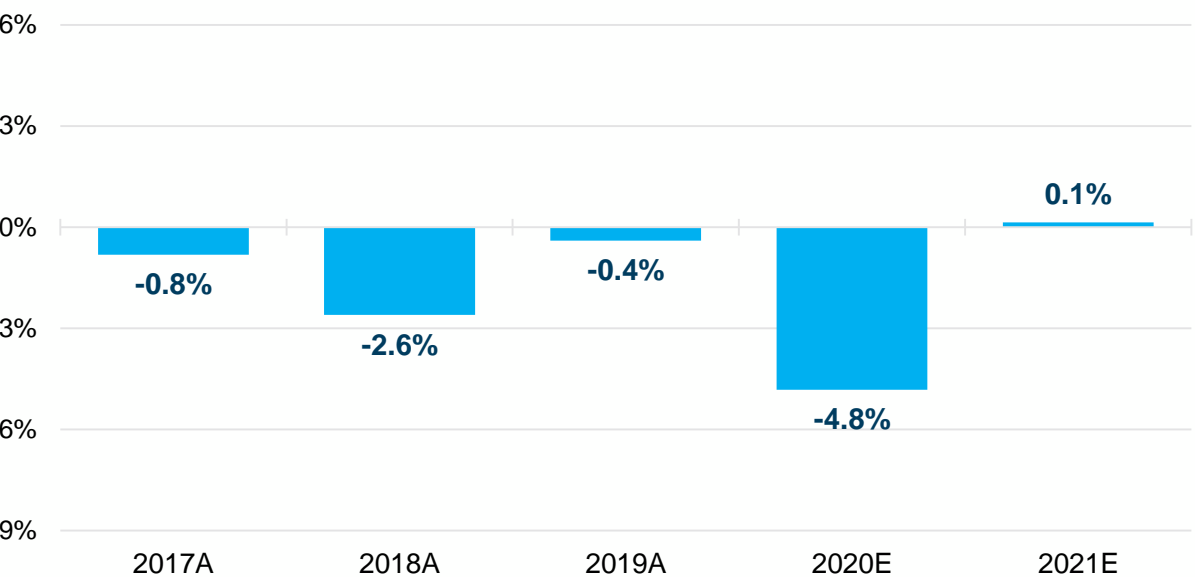
**AEP Normalized Residential GWh Sales**

% Change vs. Prior Year



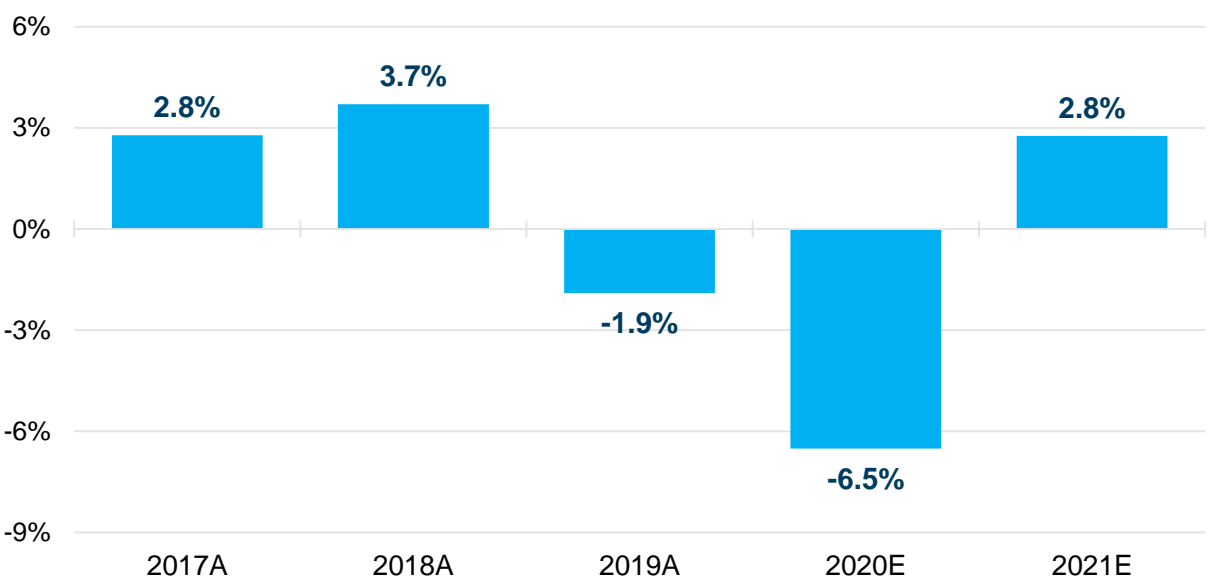
**AEP Normalized Commercial GWh Sales**

% Change vs. Prior Year



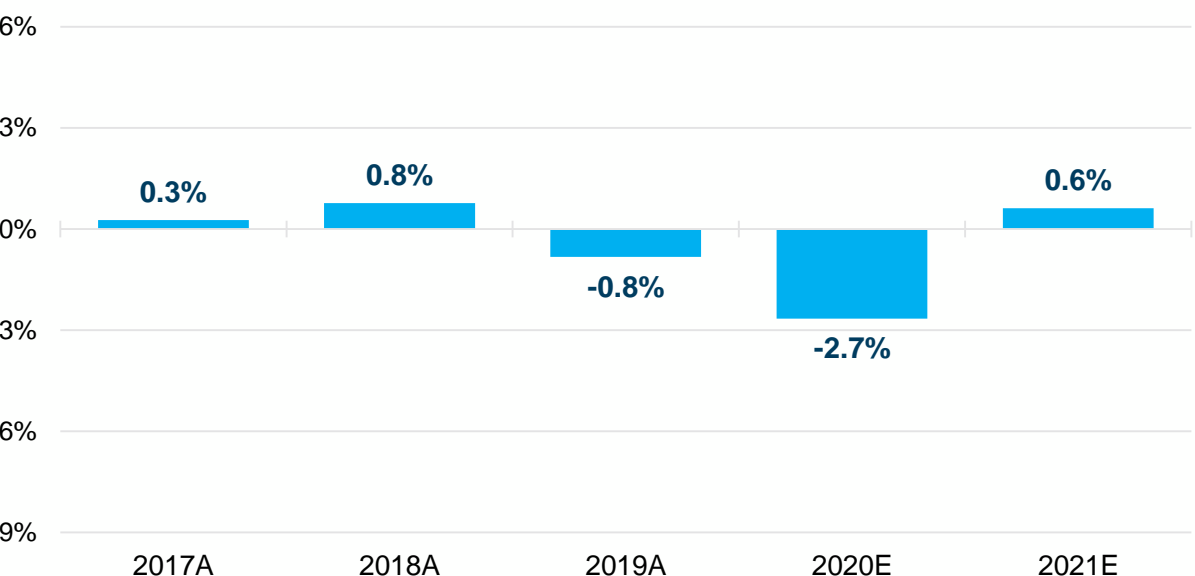
**AEP Industrial GWh Sales**

% Change vs. Prior Year



**AEP Total Normalized Retail GWh Sales**

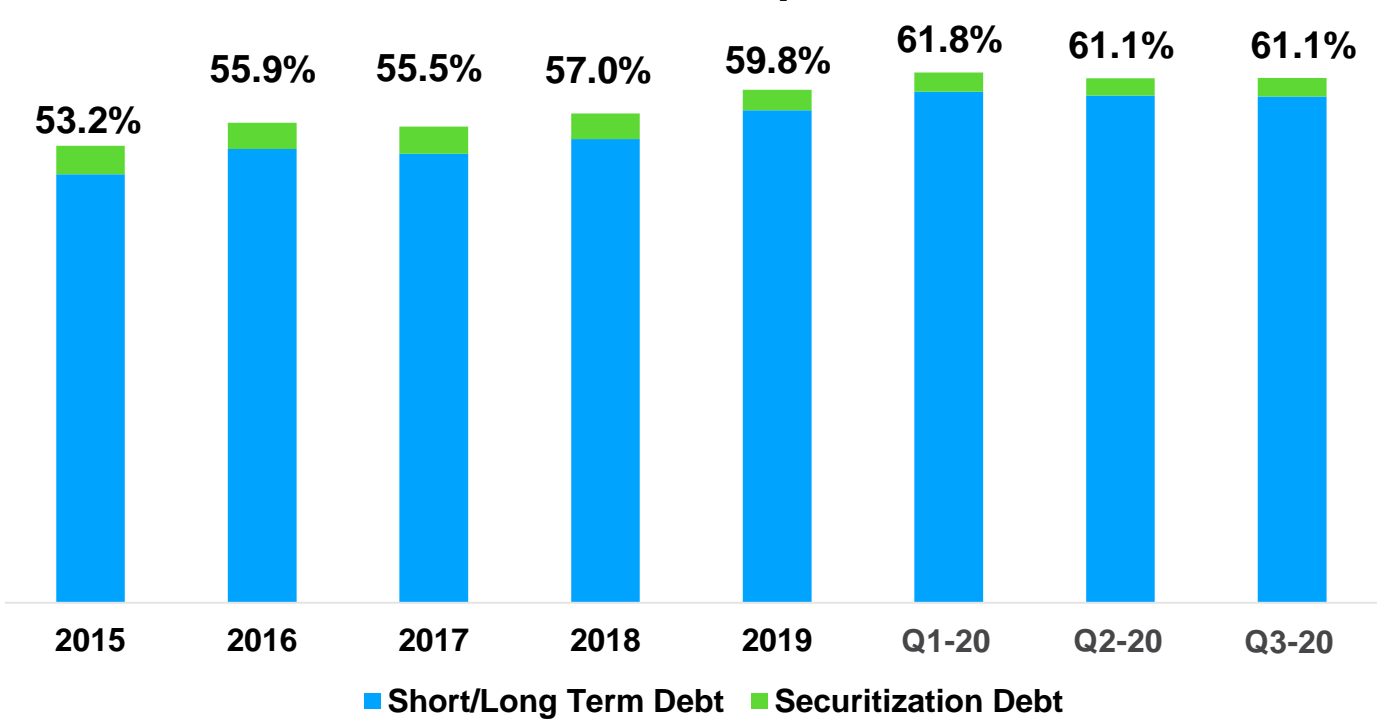
% Change vs. Prior Year



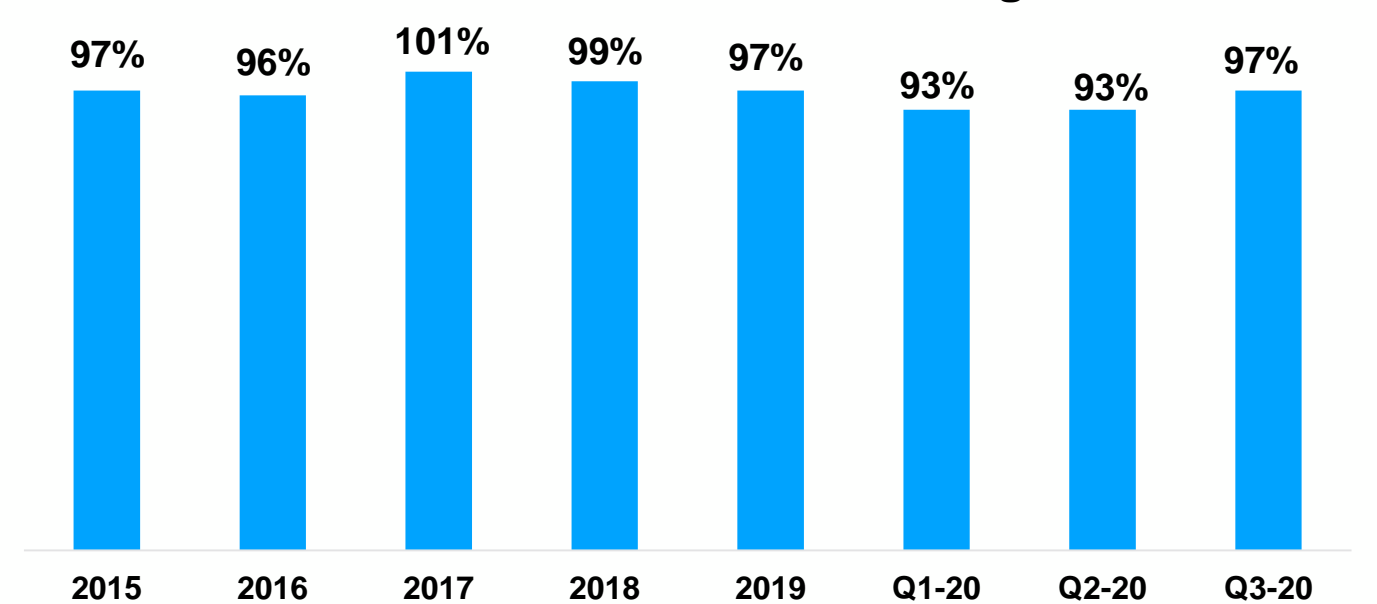
Note: 2020 consists of 9 months weather normalized actual results plus 3 months forecasted values. The 2020 and 2021 comparison may change based on actual 2020 results.

# Capitalization & Liquidity

Total Debt/Total Capitalization



Qualified Pension Funding



Credit Statistics

	ACTUAL		TARGET
	Moody's	GAAP	
FFO to Total Debt	12.8%	12.5%	Low to Mid Teens

Represents the trailing 12 months as of 9/30/2020

Liquidity Summary

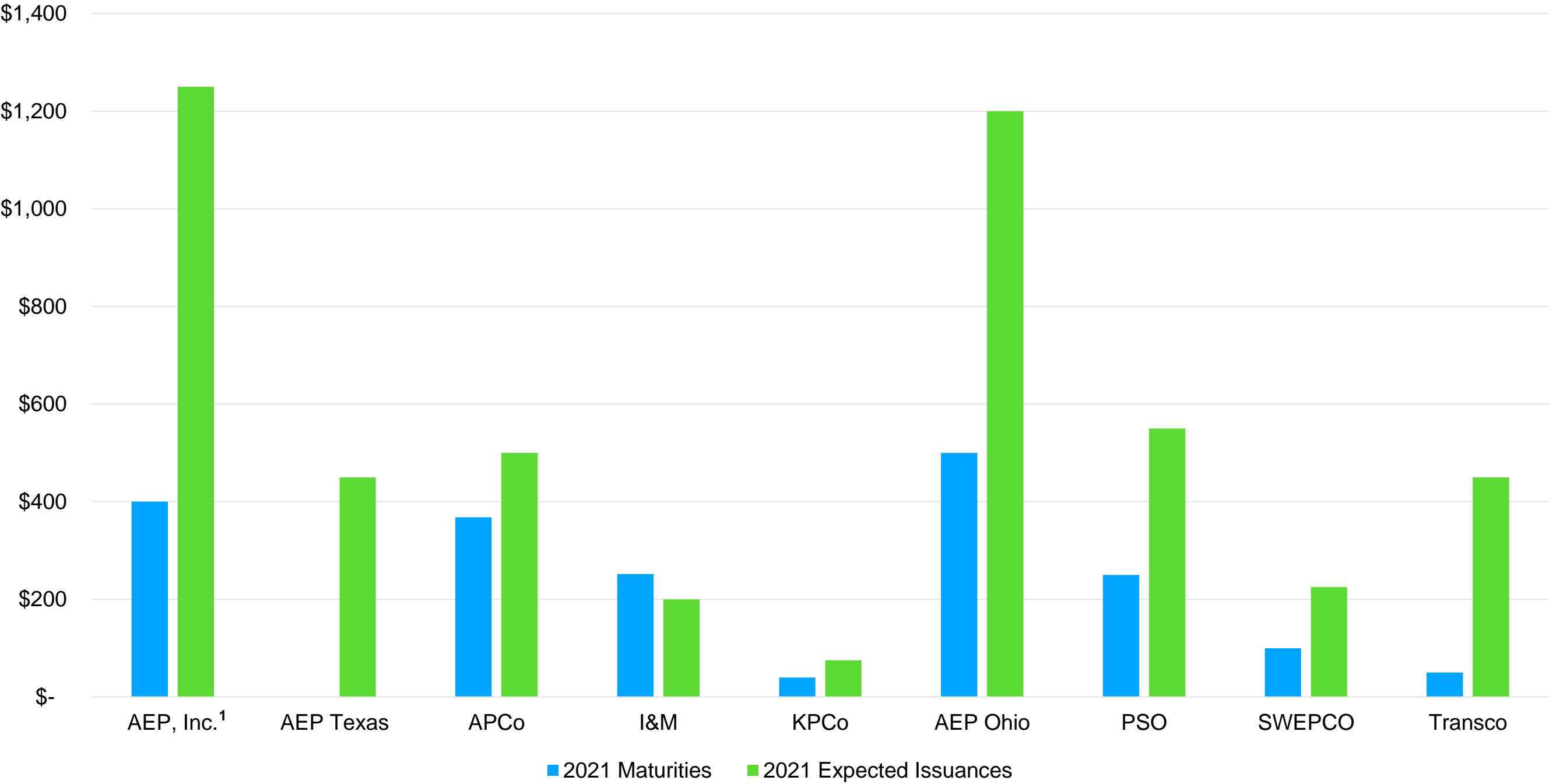
(unaudited) (\$ in millions)	09/30/2020 ACTUAL	
	Amount	Maturity
Revolving Credit Facility	\$ 4,000	June 2022
364-Day Term Loan <sup>1</sup>	1,000	March 2021
<b>Plus</b>		
Cash & Cash Equivalents	410	
<b>Less</b>		
Commercial Paper Outstanding	(650)	
364-Day Term Loan <sup>1</sup>	(1,000)	
Letters of Credit Issued	-	
<b>Net Available Liquidity</b>	<b>\$ 3,760</b>	

<sup>1</sup> Repaid and retired term loan in November 2020



# 2021 Debt Issuance and Maturities Overview

(\$ in millions)



<sup>1</sup> In November 2020, due to favorable market conditions, AEP Inc. issued \$1.5B senior unsecured notes and subsequently retired \$1B 364-day term loan, both of which were scheduled to occur in 2021. AEP Inc. maturities and expected issuances for 2021 are now \$400M and \$1.25B, respectively.

# Credit Ratings

## CURRENT RATINGS FOR AEP, INC. & SUBSIDIARIES (as of 09/30/2020)

Company	Moody's		S&P		Fitch	
	Senior Unsecured	Outlook	Senior Unsecured	Outlook	Senior Unsecured	Outlook
American Electric Power Company Inc.	Baa2	S	BBB+	S	BBB+	S
AEP, Inc. Short Term Rating	P2	S	A2	S	F2	S
AEP Texas Inc.	Baa2	S	A-	S	A-	S
AEP Transmission Company, LLC	A2	S	A-	S	A	S
Appalachian Power Company <sup>1</sup>	Baa1	S	A-	S	A-	S
Indiana Michigan Power Company <sup>1</sup>	A3	S	A-	S	A-	S
Kentucky Power Company	Baa3	S	A-	S	BBB+	S
AEP Ohio	A3	S	A-	S	A	S
Public Service Company of Oklahoma	Baa1	S	A-	S	A-	S
Southwestern Electric Power Company	Baa2	S	A-	S	BBB+	S
Transource Energy <sup>2</sup>	A2	S	NR	NR	NR	NR

<sup>1</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>2</sup> NR stands for Not Rated



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

- **Delivering Clean Energy Resources**
- **Emission Reduction Goals**
- **Investment in Environmental Controls**
- **Dramatic Reduction in Emissions**
- **Electrifying Our Fleet**
- **Employees and Communities**
- **Energizing the Talent Pipeline**
- **Supplier Diversity**



# Delivering Clean Energy Resources - Environmental

## AEP's October 1, 2020 Renewable Portfolio (in MW)

HYDRO, WIND, SOLAR & 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 & Hydro	1,567	101	1,668
<b>TOTAL</b>	<b>2,388</b>	<b>2,941</b>	<b>5,329</b>



APPROXIMATELY

**11,900 MW**

OF RENEWABLE GENERATION INTERCONNECTED  
ACROSS THE U.S. VIA AEP'S TRANSMISSION  
SYSTEM TODAY

# 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
- ☐ Electrification

<sup>1</sup> Aspiration is net-zero emissions

## AEP's Environmental, Social and Governance (ESG) Reporting:

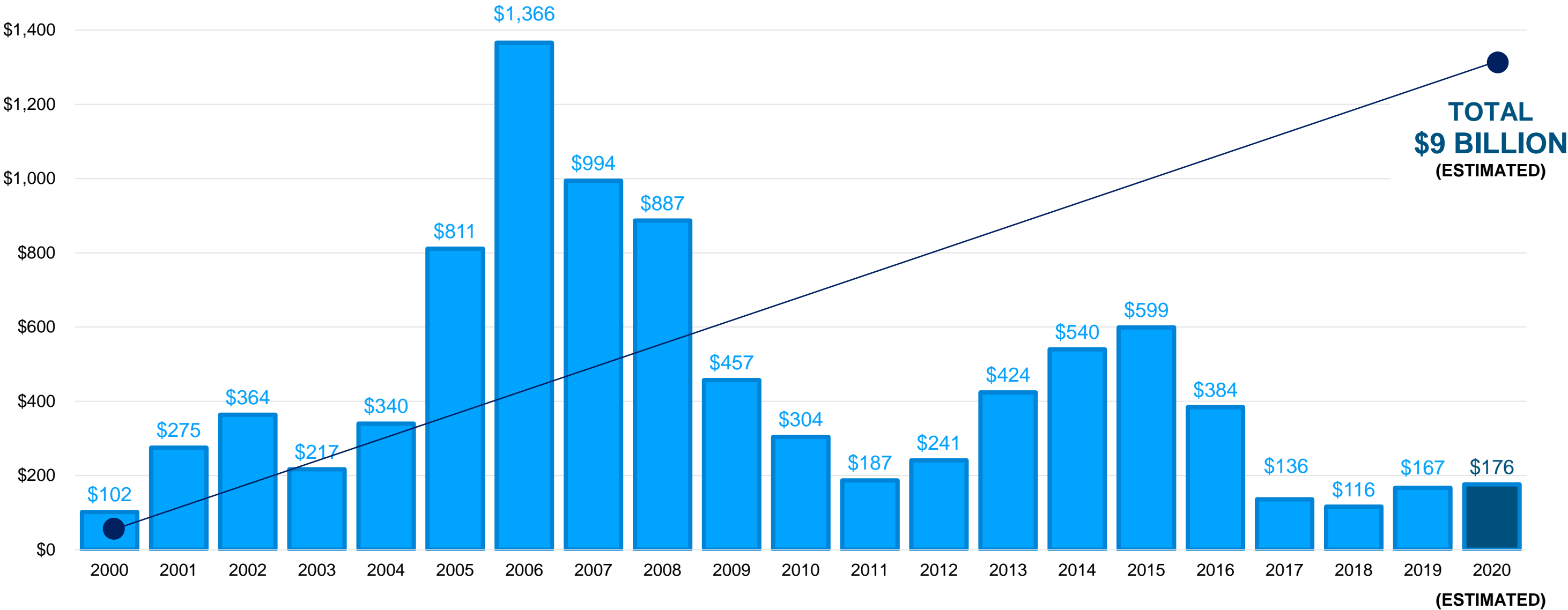
- Corporate Accountability Report
- Strategic Vision for a Clean Energy Future
- EEI ESG Sustainability Report
- Sustainability Accounting Standards Board (SASB)
- Task Force on Climate-related Financial Disclosure (TCFD)
- CDP Survey Responses
- GRI Report
- AEP also responds to investor-related surveys, including MSCI and Sustainalytics



# Largest Investment In Environmental Controls - Environmental

## INVESTMENT IN ENVIRONMENTAL CONTROLS

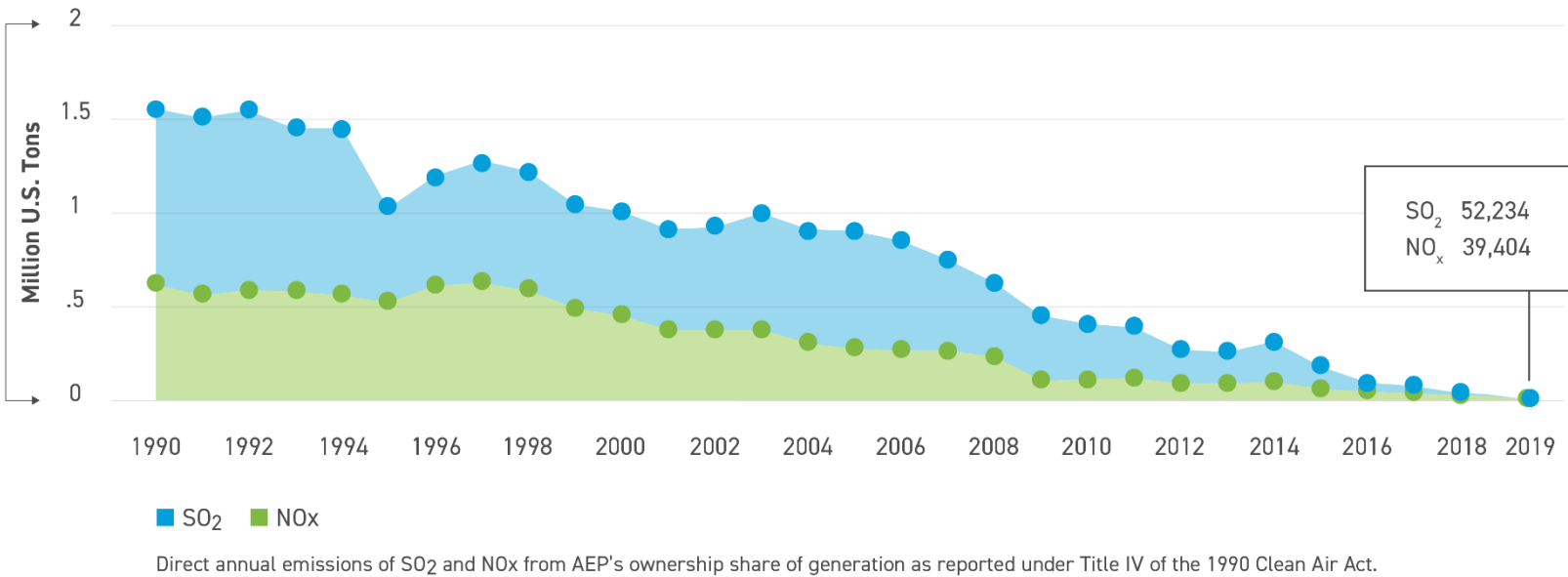
\$ in millions



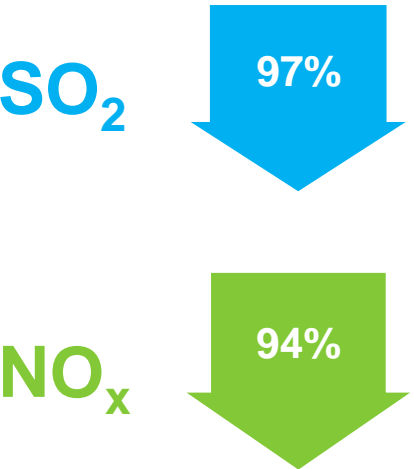


# Dramatic Reductions in Emissions - Environmental

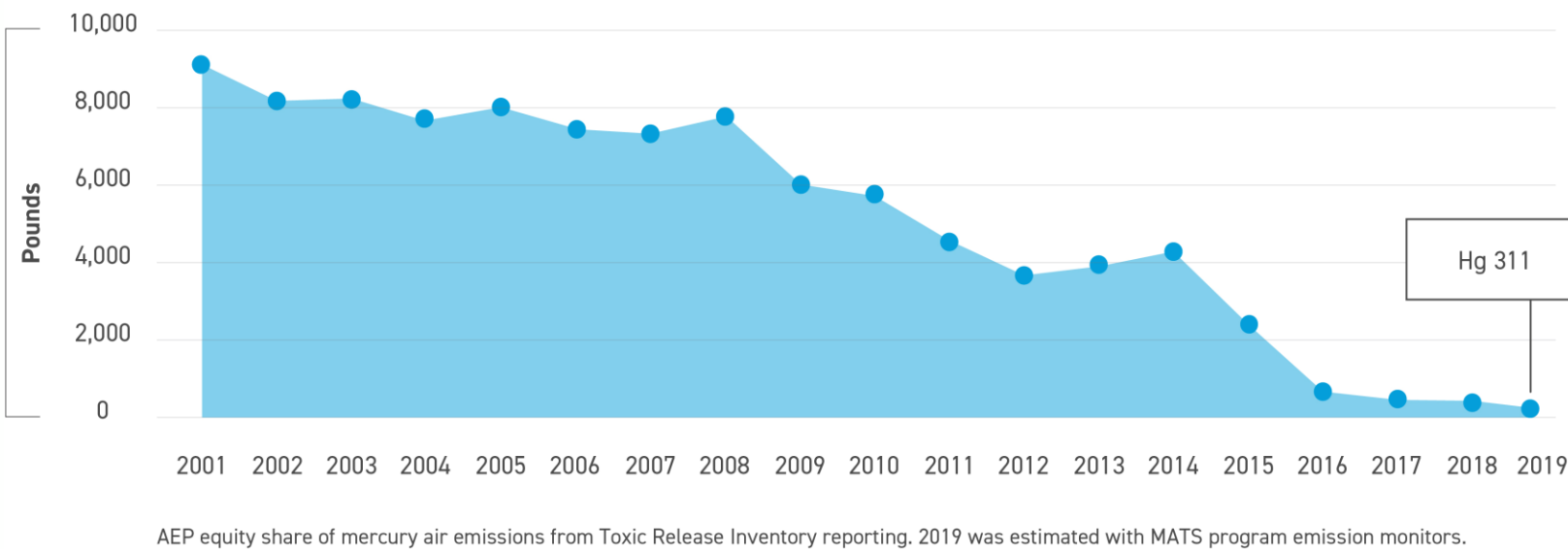
## TOTAL AEP SYSTEM NO<sub>x</sub> & SO<sub>2</sub> EMISSIONS



1990-2019  
ACTUAL



## TOTAL AEP SYSTEM MERCURY AIR EMISSIONS

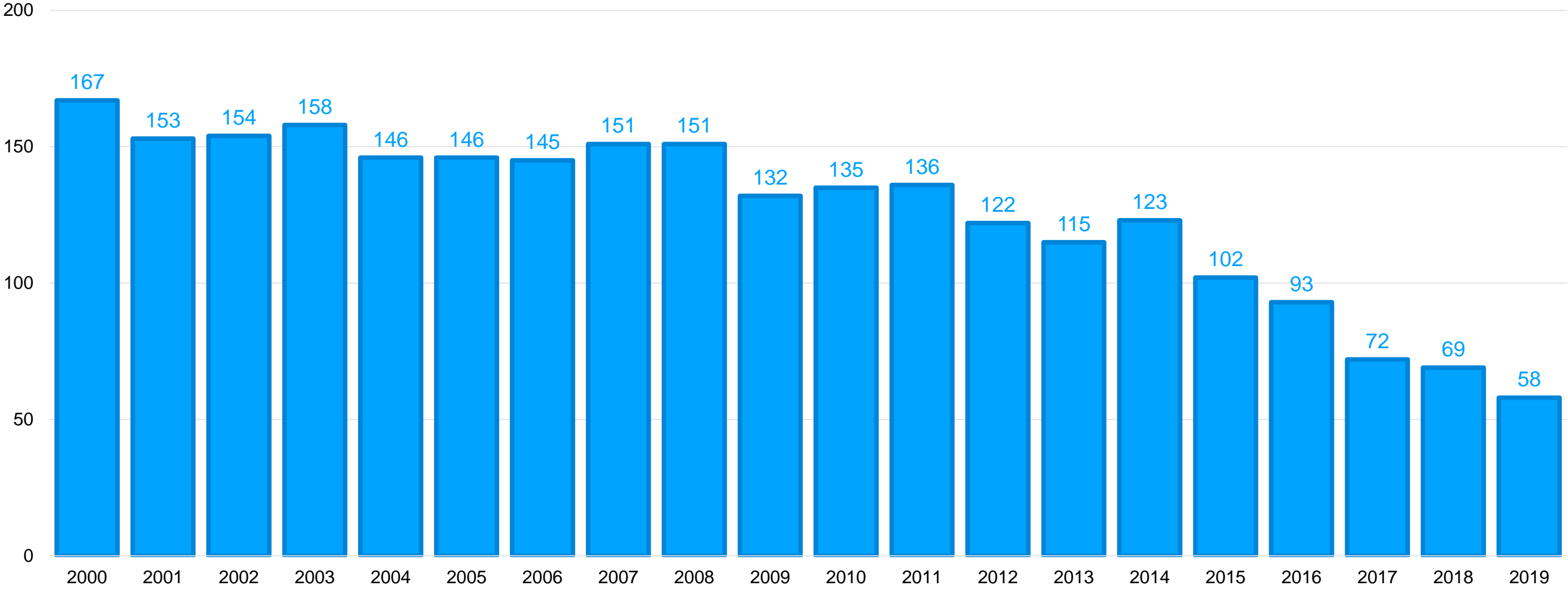


2001-2019  
ACTUAL



# Dramatic Reduction in Emissions - Environmental

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



CO<sub>2</sub>

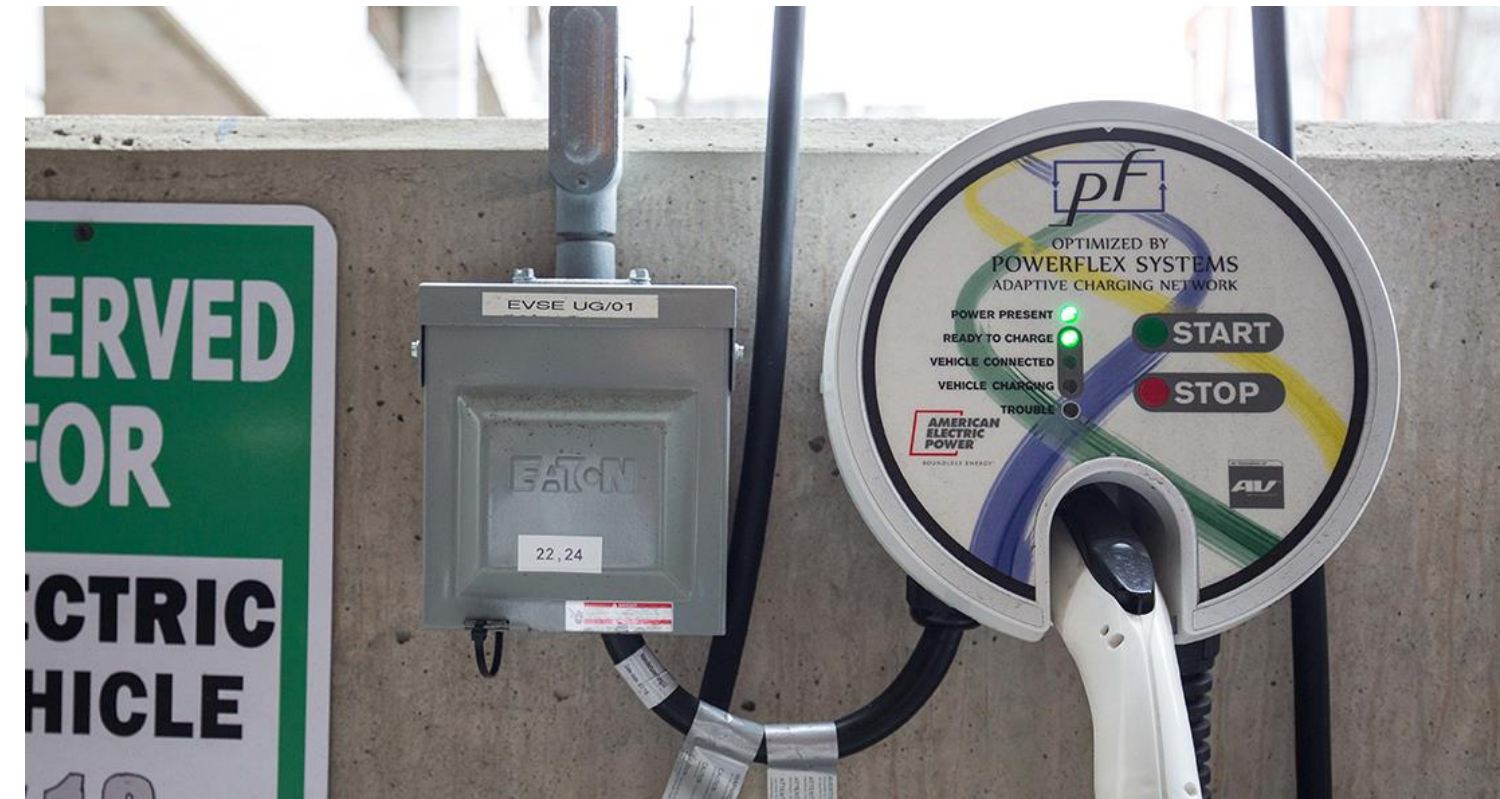
2000-2019  
ACTUAL

65%

# Electrifying Our Fleet - Environmental

- In 2020, AEP set a new goal to replace 100% of its 2,300 cars and light-duty trucks with EV alternatives by 2030.
- By converting medium- and heavy-duty vehicles as electric or hybrid models become available, AEP will electrify 40% of its entire 8,000-vehicle, on-road fleet in less than 10 years.
- The switch to EVs is estimated to save more than 10 million gallons of fuel, amounting to a \$40 million reduction in fuel costs over the life of the vehicles.

**AEP is leading by example and encouraging other companies with large fleets to consider EVs or hybrid models, while promoting EV programs and incentives to customers.**



# Committed to Our Employees and Communities - Social



#1 IN UTILITIES

Forbes 2021





# Energizing the Talent Pipeline - Social

## Boundless Energy Career Wheels “Steering Workforce Development Efforts”

### Workforce Development

Expanding diverse community connections, fostering employee creativity and adopting artificial intelligence in the workplace

### Trade & Vocational

Assisting individuals in acquiring the skills needed to be successful in post-secondary education, apprenticeships and AEP employment

### Education

Training, developing and preparing individuals academically, technically and professionally for positions within AEP



### Community Engagement

Proactively improving transparency and educating our customers to build better communities

### Employee Development

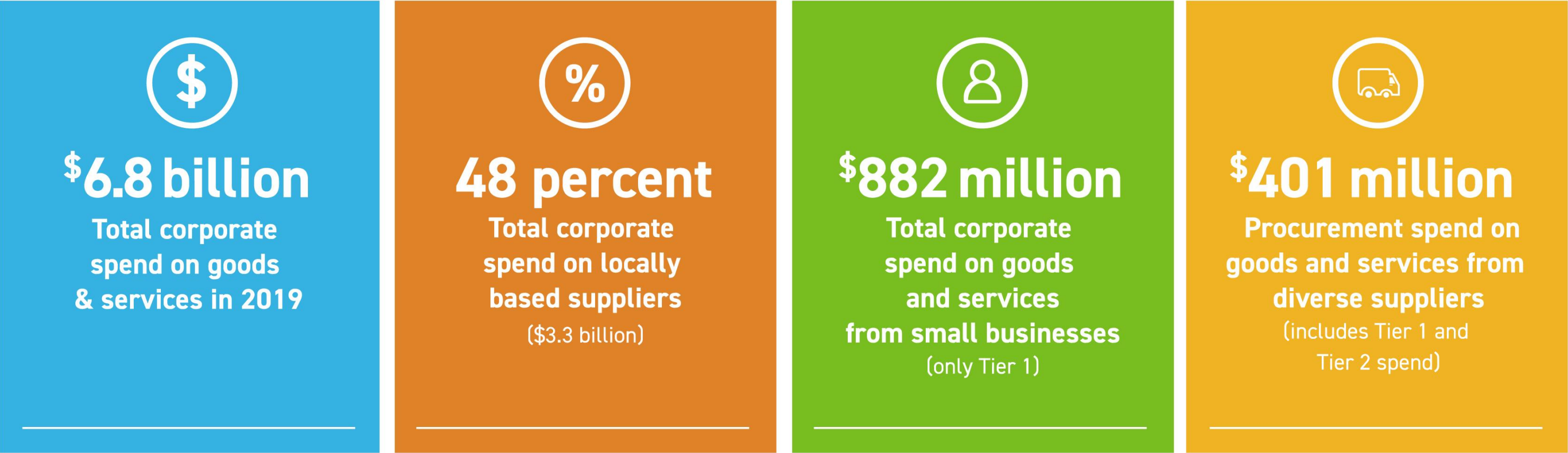
Experience with a wide variety of business units and leaders throughout the company by gaining cross exposure and visiting locations of technical interest outside of an employee's business unit

### Diversity & Inclusion

Committed to a culture where differences are valued and recognized as a significant positive influence on AEP's ability to serve our employees, customers, suppliers and other key stakeholders

# Dedicated to Supplier Diversity - Social

## AEP'S 2019 DIVERSE SPEND PROFILE





# TRANSMISSION TRANSFORMATION

- **AEP Transmission Strategy**
- **Five-Year Capital Plan**
- **Investments in Asset Renewal**
- **Stable Cost Recovery Framework**
- **Transmission Customer and Shareholder Value**
- **Well Positioned for New Investment**
- **Holdco Legal Entity Structure**



# AEP Transmission Strategy

**AEP Transmission's strategy is to modernize and enhance the reliability, security and efficiency of the transmission network to provide our customers the grid of the future**

**Diverse 5-year capital investment portfolio of \$16.1 billion across AEP's broad geographic footprint of 15 states and 4 regional energy markets**

**Delivering significant customer benefits:**

- ✓ Higher reliability & resilience
- ✓ Lower energy costs
- ✓ Enabling public policies and customer demand for clean energy
- ✓ Economic development

**Disciplined execution:**

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

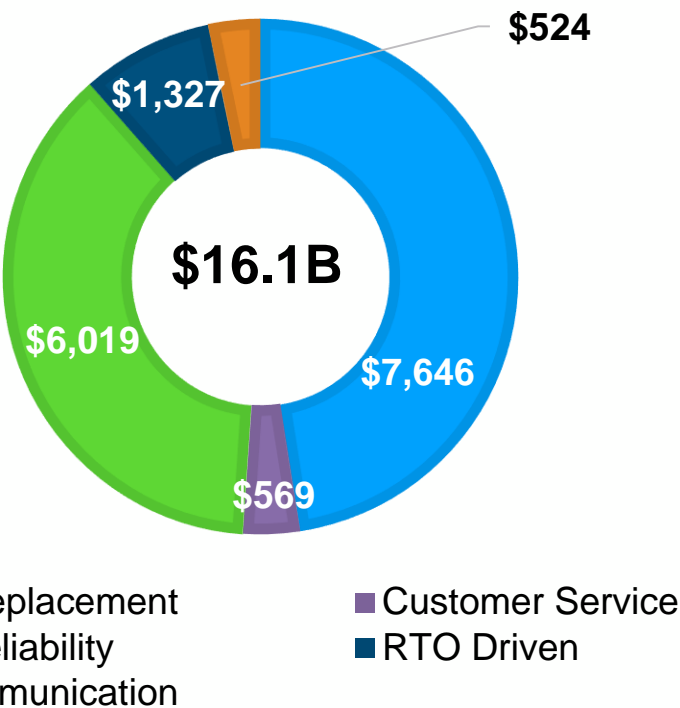
**STABLE COST RECOVERY FRAMEWORK**

**DELIVER VALUE TO CUSTOMERS & PREDICTABLE EARNINGS GROWTH**

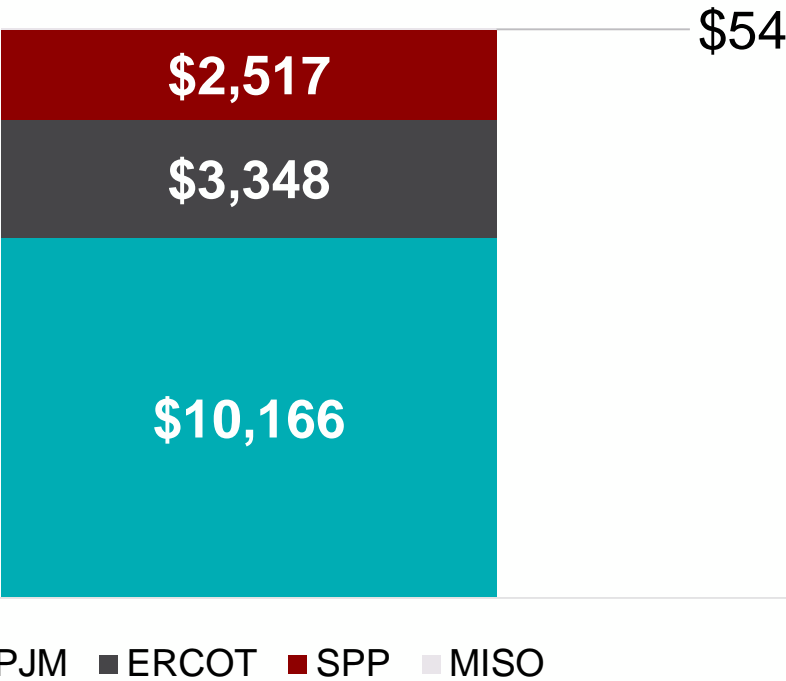


# Five-Year Transmission Capital Plan

2021-2025 TRANSMISSION INVESTMENT BY CATEGORY (\$ MILLIONS)



2021-2025 TRANSMISSION INVESTMENT BY RTO (\$ MILLIONS)



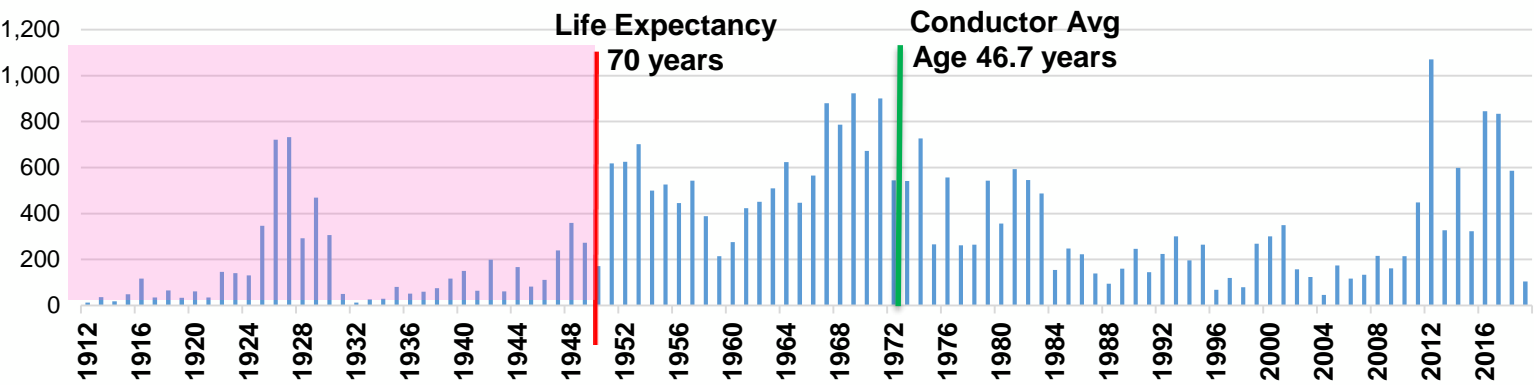
\$16.1 Billion Investment Diversified In Four RTOs

## INVESTMENT CATEGORIES

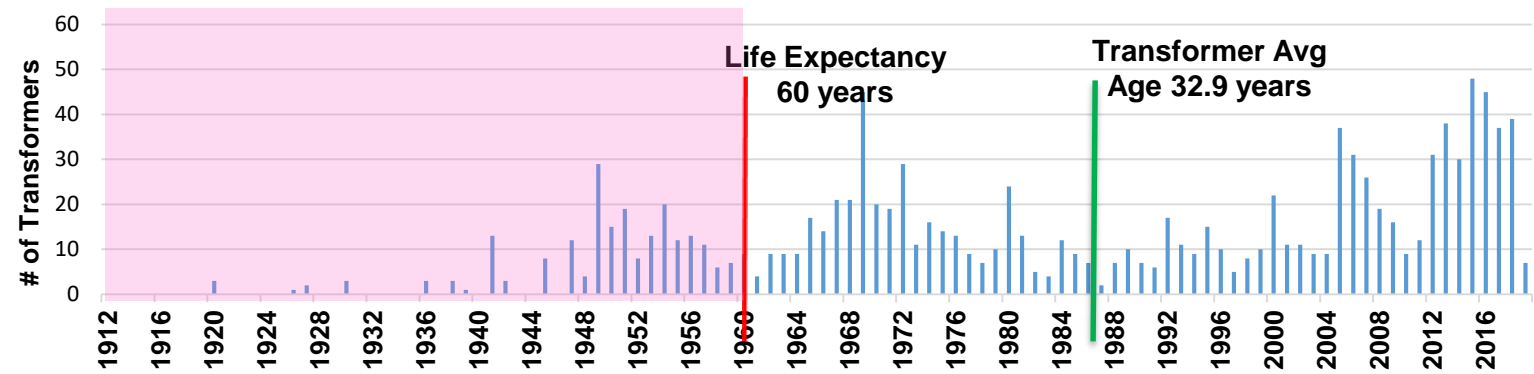
	ASSET REPLACEMENT	LOCAL RELIABILITY	RTO DRIVEN	CUSTOMER SERVICE	TELECOM
DRIVERS	<ul style="list-style-type: none"><li>Replacement and rehabilitation investments based on age and performance to reduce customer outages and interruption times</li></ul>	<ul style="list-style-type: none"><li>Upgrades based on AEP standards to address thermal and voltage violations, and contingency conditions</li></ul>	<ul style="list-style-type: none"><li>Upgrades needed to address RTO standards related to thermal voltage overloads and contingency conditions</li></ul>	<ul style="list-style-type: none"><li>Upgrades to connect new customers and enhanced service requests</li><li>Facilitates local economic development</li></ul>	<ul style="list-style-type: none"><li>Upgrades to support equipment monitoring, cyber-security requirements, and efficient grid operations</li></ul>

# AEP's Investments in Asset Renewal Strengthen and Enable the Grid of the Future

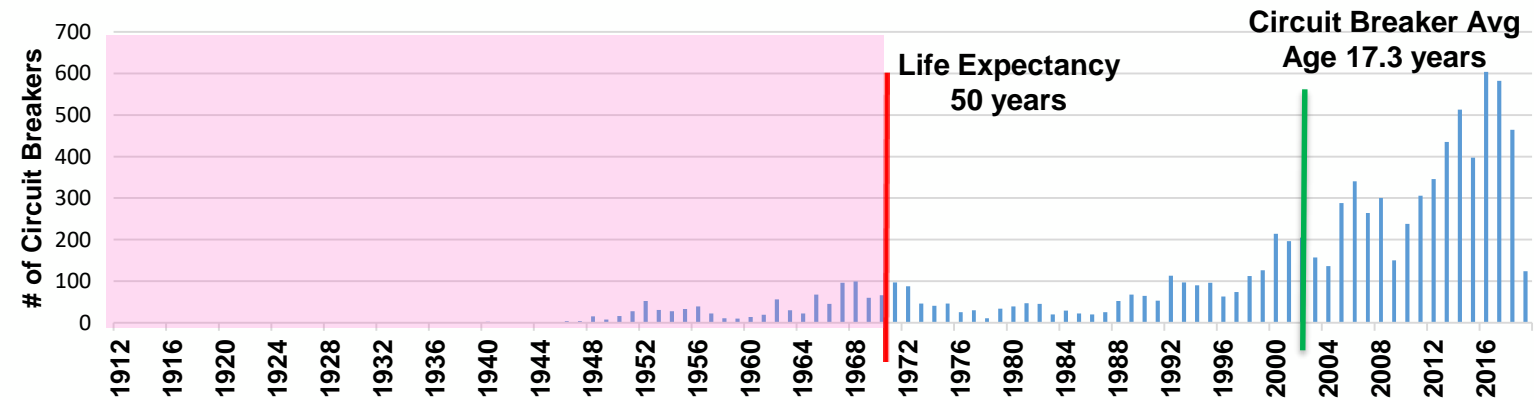
AEP T-Line Age Profile - (Line Mile Age based on oldest conductor age)



AEP Transmission Transformer Age Profile



AEP Circuit Breaker Age Profile



Beyond Life Expectancy Range

- **\$2.2 billion** of annual on-system capital investment is required to replace and enhance all assets beyond life expectancy over the next 10 years.
- Asset renewal projects are prioritized based on performance, condition and risk.

AEP Transmission Assets	Line Miles	Transformers	Circuit Breakers
Life Expectancy (Years)	70	60	50
Current Quantity Over Life Expectancy	5,959	209	808
Quantity That Will Exceed Life Expectancy in Next 10 Years	4,732	158	473
Total Replacement Need Over Next 10 Years	10,691	367	1,281
% of AEP System	31%	30%	14%
Average Age (years)	Line Miles	Transformers	Circuit Breakers
2016 Year-End	52.5	36.1	22.9
2019 Year-End	46.7	32.9	17.3

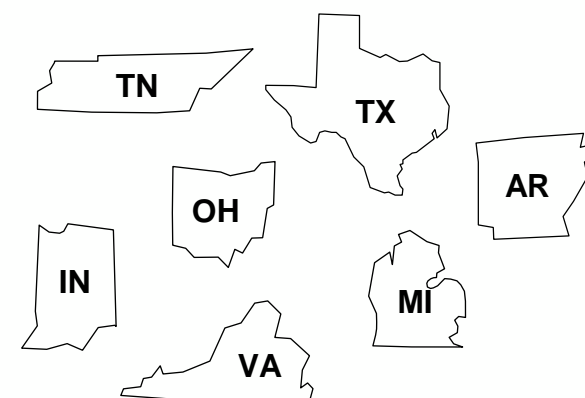
# Stable Cost Recovery Framework

Stable and transparent wholesale cost recovery for transmission

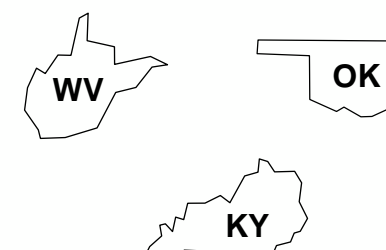
~93% of transmission capital investment is recovered through state tracker/rider mechanisms

	PJM	SPP	ERCOT
ROE	9.85% Base + 0.50% RTO adder	10.0% Base ROE + 0.50% RTO adder	9.4%
Forward Looking Rates	Yes	Yes	Allowed two updates per year (not forward looking)
Equity Structure	Capped at 55%	No Cap	Capped at 42.5%
Rate Approval Date	May 2019	June 2019	April 2020

FULL TRACKER/RIDER (T/R) RECOVERY



PARTIAL (T/R) RECOVERY



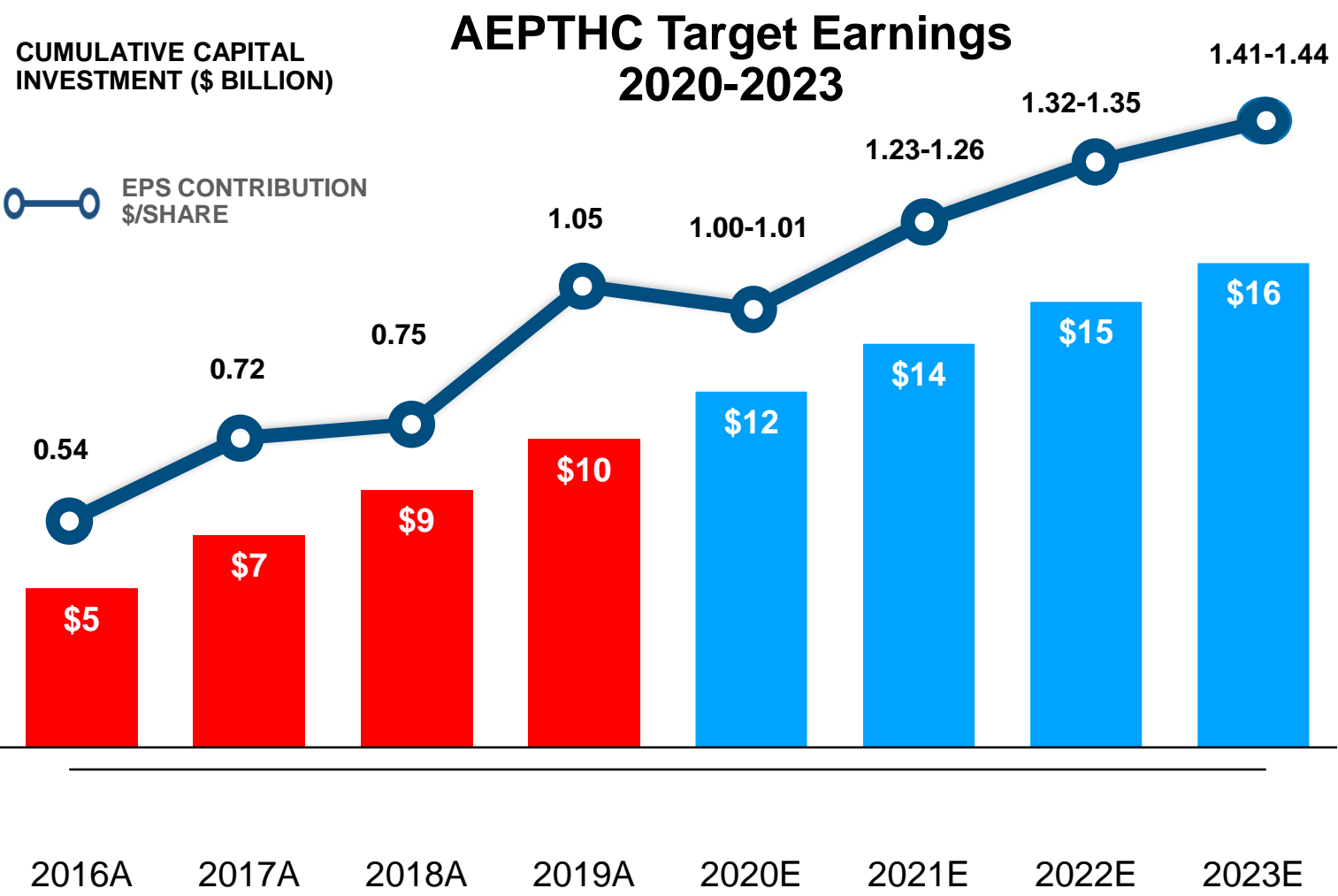
PENDING/FORMULA OR BASE CASE



Note: Arkansas retail formula not currently being utilized

# Delivering Significant Customer and Shareholder Value

## Shareholder Benefits



AEPTHC's 2016 – 2023 EPS growth projected at a CAGR of 14.8%

## Customer Benefits

**Reducing customer costs**

Enabling efficient economic dispatch of generation in each of our regions

**Driving down emissions**

Facilitating the fast and reliable interconnection of renewables to the grid to meet customer demand and public policy goals for clean energy

**Improving reliability and security**

Keeping the economy productive and connected by powering communications networks and electronics with reduced outages and a storm-hardened system

**Creating economic benefits**

- Supporting economic development through construction projects that deliver community benefits including:
- ✓ Jobs
  - ✓ State & local taxes
  - ✓ Economic stimulus



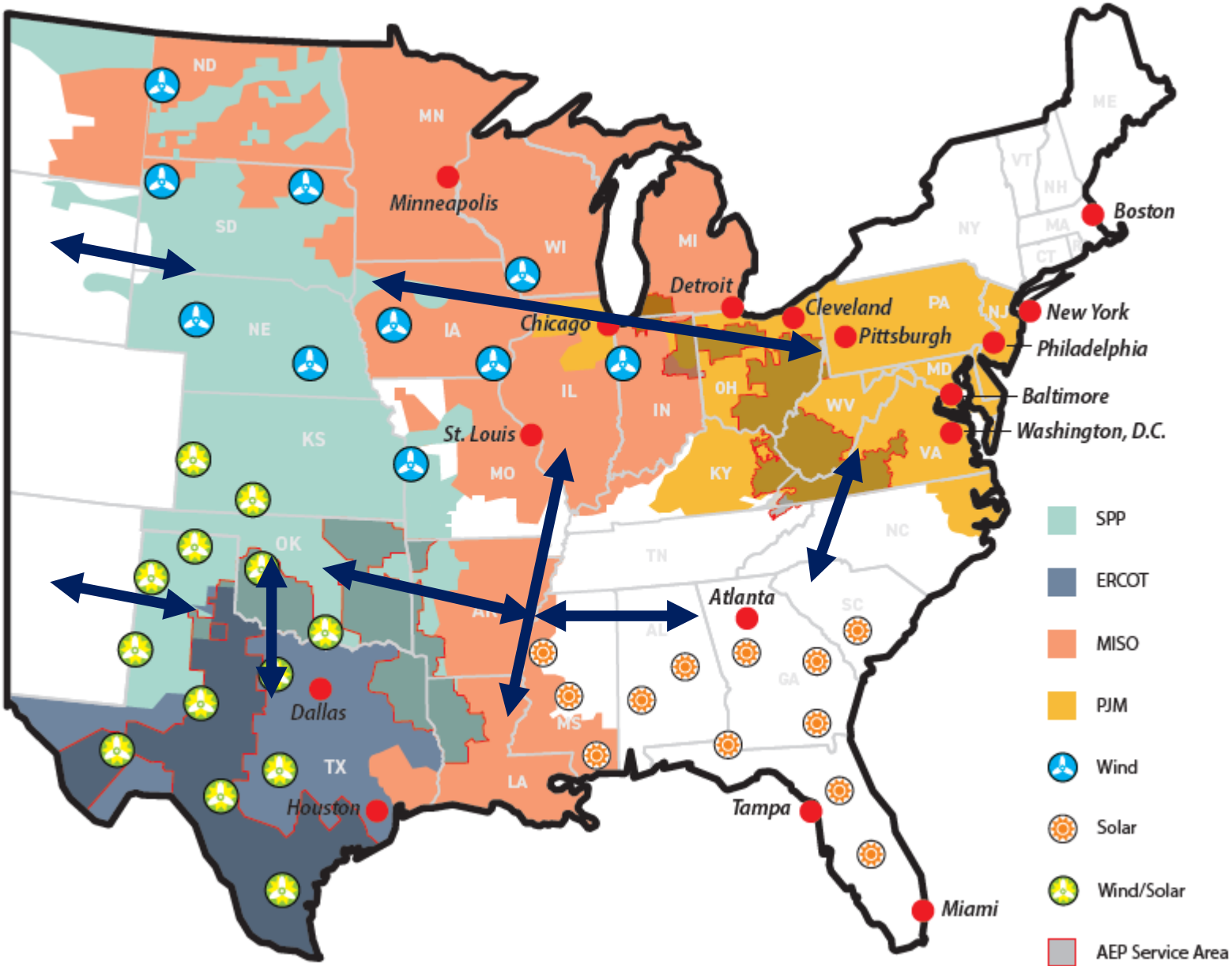
# Well Positioned to Capture Potential New Transmission Investment Necessary to Link Clean Resource Rich Areas to Customers

## AEP's Competitive Advantage

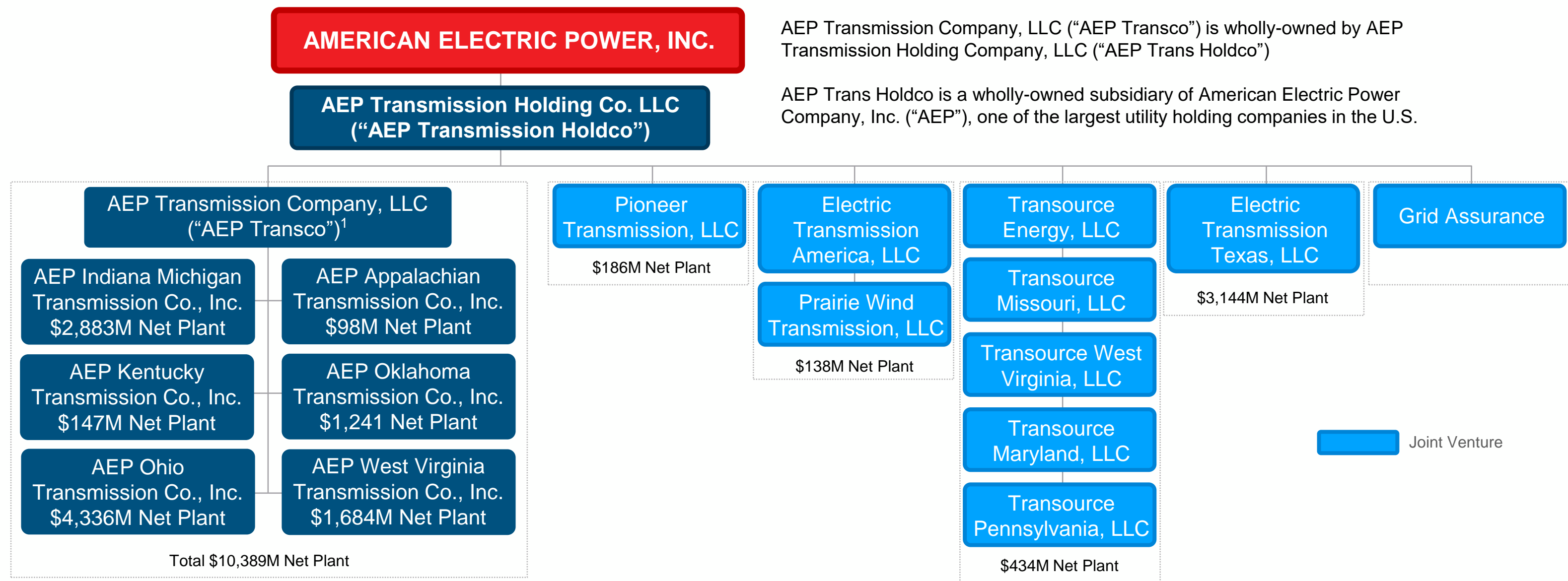
Scale and Purchasing Power	☑ Largest transmission owner in the U.S.
Investment Opportunities In Grid Of Future	☑ Robust asset renewal program with technology upgrades
Strategically Located	☑ Geographically diverse and located on multiple market seams
Established Competitive Entity With Proven Track Record	☑ Transource is active in four RTOs
Culture Of Innovation	☑ Savings to customers and advantage in competitive solutions

Capturing these new investments provide upside to current investment plan

Increasing flows across regional seams will be critical to a cost-effective and efficient clean energy future



# AEP Transmission Holdco Legal Entity Structure



AEP Transmission Company, LLC ("AEP Transco") is wholly-owned by AEP Transmission Holding Company, LLC ("AEP Trans Holdco")

AEP Trans Holdco is a wholly-owned subsidiary of American Electric Power Company, Inc. ("AEP"), one of the largest utility holding companies in the U.S.

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

Net plant totals are as of September 30, 2020, except Pioneer and Prairie Wind, which are as of August 31, 2020

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

# UTILITY TRANSFORMATION

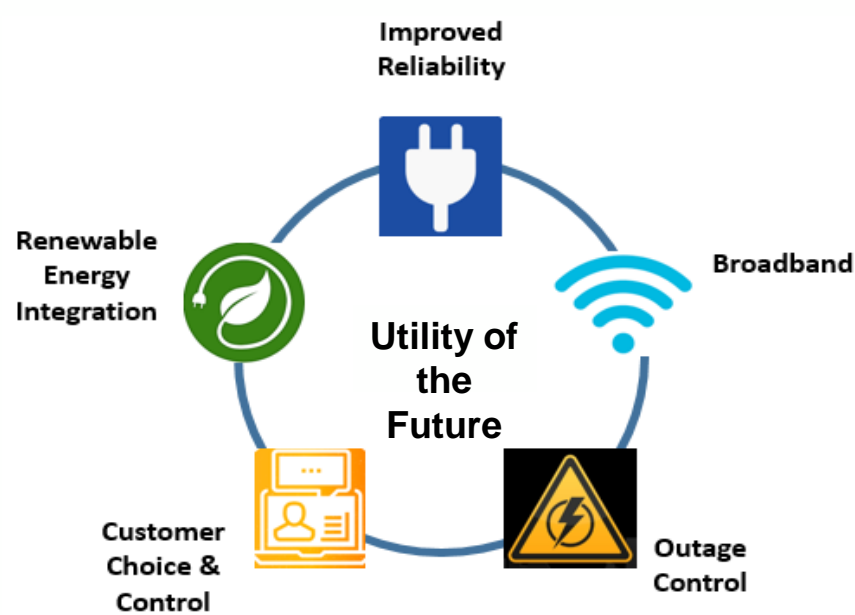
- Expanded Core and Future Investments
- Robust Distribution Capital Expenditure Opportunities





# Expanded Core and Future Investments

- INCREASE CORE INVESTMENTS IN SYSTEM RELIABILITY
- FULLY ADVANCE METERING INFRASTRUCTURE (AMI) AND DISTRIBUTION AUTOMATION CIRCUIT RECONFIGURATION (DACR) PENETRATION
- LED STREET LIGHT MODERNIZATION
- PROMOTE AN INTERACTIVE, MODERN AND EFFICIENT GRID
- ADAPT GRID TO INTEGRATE MORE DIVERSE ENERGY SOURCES
- BROADBAND AND BEHIND THE METER TECHNOLOGIES TO ALIGN WITH CHANGING CUSTOMER EXPECTATIONS
- ADVANCE ELECTRIFICATION



Positioning to align future investments with customer preferences

Advancing policies and regulatory mechanisms that support timely recovery and diversification of investments

ASSET RENEWAL

+

GRID MODERNIZATION

+

NEW PRODUCT LINES








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DISTRIBUTION INVESTMENT OPPORTUNITY



# Robust Distribution Capital Expenditure Opportunities

Capital Investments in Distribution Modernization are expected to be \$8 to \$10 billion over the next five years

Distribution Base Investment	 Incremental \$463 million	\$4,207M	Distribution investments for new service, capacity additions, base material and storms
Distribution Grid Resiliency	 Incremental \$604 million	\$3,429M	Asset renewal and reliability investments including pole, conductor, cutout, and station transformer and breaker replacements
Distribution Automation and Technology	 Incremental \$146 million	\$1,124M	Implementation of automated technology including distribution supervisory control and data acquisition, smart switches and reclosers, volt var optimization and sensors. Investments include telecommunication and system components
Advance Metering Infrastructure	 Incremental \$259 million	\$503M	Advanced metering technology for the remaining AEP customers
Distribution – Distributed Energy Resources	 Incremental \$53 million	\$63M	AEP owned energy storage and micro-grid projects connected at distribution voltages
Rural Broadband	 Incremental \$260 million	\$571M	Investment in fiber assets to provide middle mile broadband to rural communities and for company use
Green Technology	 Incremental \$231 million	\$297M	Investments in LED outdoor and streetlights and electric vehicle charging infrastructure, ownership of charging stations if allowed

**AEP is committed to making significant grid modernization investments that create win-win solutions for both our customers and our communities**

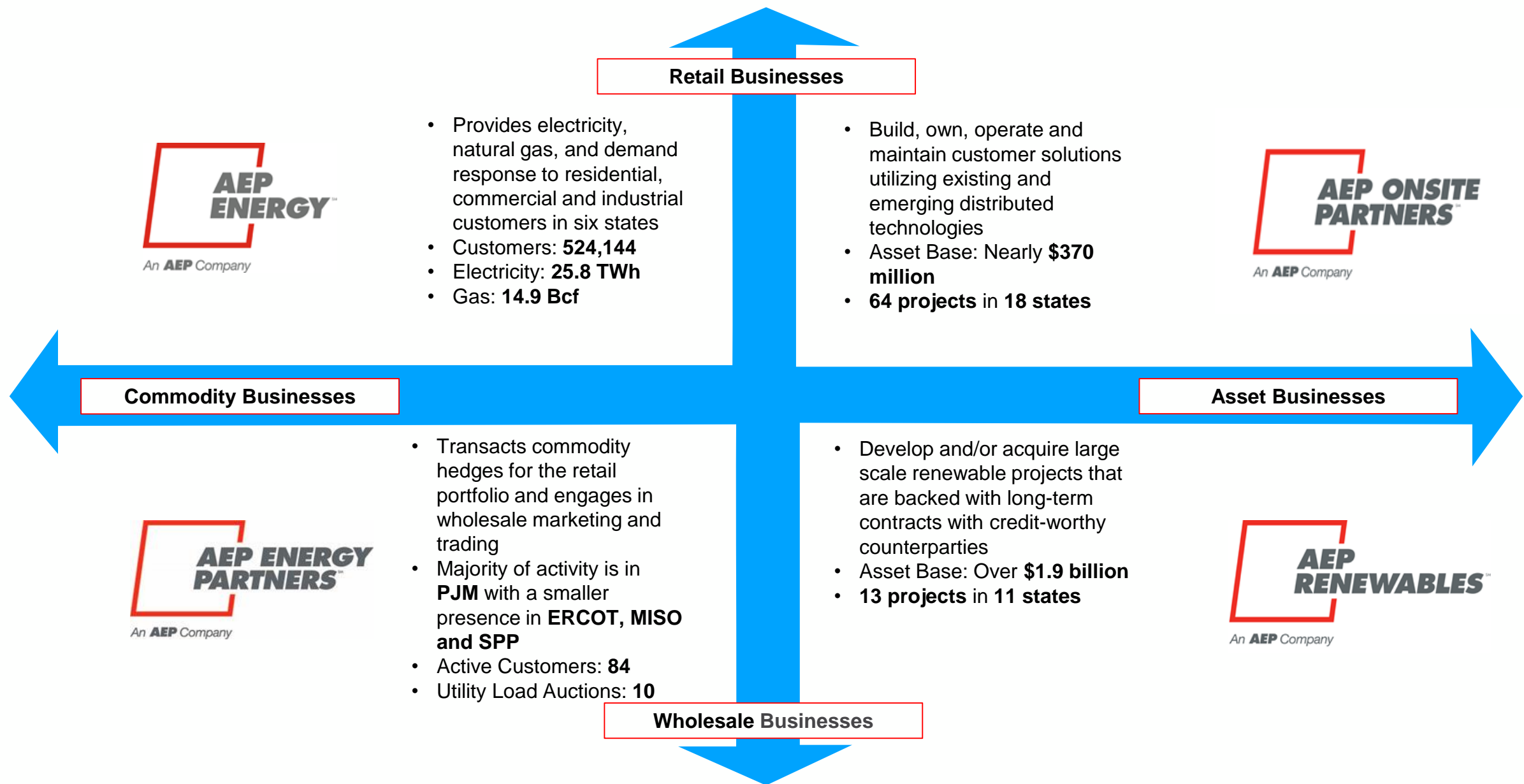
Key:  In budget  Incremental Opportunities

# COMPETITIVE BUSINESS

- Strategy and Operations
- Competitive Business Presence
- Development Pipeline and Repower Initiatives

# Competitive Business Strategy and Operations

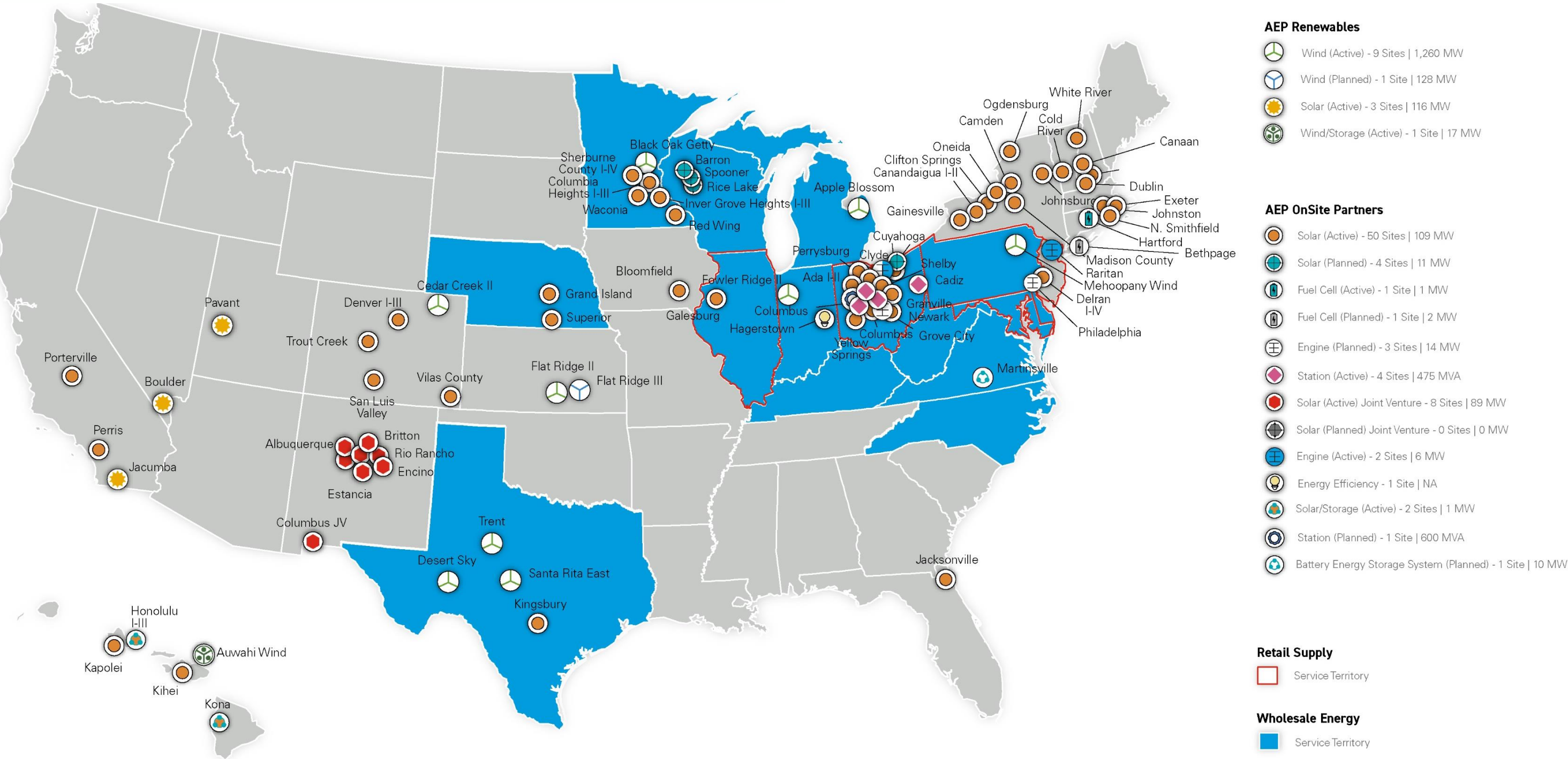
\$2.1B Capital Allocated 2021-2025





# Competitive Business Presence

Active in 31 States (7 states overlap with AEP Utilities)



As of 10/01/2020



# Development Pipeline and Repower Initiatives

## DEVELOPMENT PIPELINE

Progress continues in our development portfolio across three geographically dispersed areas.

The 128 MW Flat Ridge 3 wind project in Kansas is under construction and expected to be placed in-service early 2021 using all of our PTC Safe Harbor equipment (qualifying the plant for 100% PTCs). The project has a long-term power agreement with Evergy for the entire energy output.

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

Similar to Trent and Desert Sky Wind Farms, we are evaluating our other existing projects for repower.

Review includes Fowler Ridge 2, Cedar Creek 2, Flat Ridge 2 and Mehoopany.

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

