Evercore ISI Utility CEO Retreat
January 11-12, 2018
“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: the economic growth or contraction within and changes in market demand and demographic patterns in our 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, electric load and customer growth, weather conditions, including storms and drought conditions, and our 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, availability of necessary generation capacity, the performance of our generation plants and the availability of fuel, including processed nuclear fuel, parts and service from reliable vendors, our ability to recover fuel and other energy costs through regulated or competitive electric rates, our ability to build transmission lines and facilities (including our 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 our generation plants and related assets, evolving public perception of the risks associated with fuels used before, during and after the generation of electricity, including nuclear fuel, a reduction in the federal statutory tax rate could result in an accelerated return of deferred federal income taxes to customers, 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, our ability to constrain operation and maintenance costs, our ability to develop and execute a strategy based on a view regarding prices of electricity and gas, prices and demand for power that we generate and sell at wholesale, changes in technology, particularly with respect to energy storage and new, developing, alternative or distributed sources of generation, our 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 capacity and electricity, 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, our ability to successfully and profitably manage our competitive generation assets, including the evaluation and execution of strategic alternatives for these assets as some of the alternatives could result in a loss, 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 our debt, the impact of volatility in the capital markets on the value of the investments held by our pension, other postretirement benefit plans, captive insurance entity and nuclear decommissioning trust and the impact of such volatility on future funding requirements, accounting pronouncements periodically issued by accounting standard-setting bodies and other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes, cyber security threats and other catastrophic events.
THE PREMIER REGULATED ENERGY COMPANY

40,000
Miles of Transmission

5.4M
Customers in 11 States

26GW
Owned Generation

$35B
Current Market Capitalization

$64B
Total Assets

Note: Statistics as of September 30, 2017 except for market capitalization which is as of January 4, 2018
OUR STRATEGIC TRANSFORMATION

Last 5 Years

- Managed earnings through loss of Ohio revenues
- O&M Discipline
  - Ohio Generation Separation
  - River Ops Sale
- Own Regulated Renewables
- Contracted Renewables
- Transforming the Culture
- Merchant Plant Sale

Vision 2022

- Relentless O&M Optimization
- New Regulatory Paradigm
- Continued Transmission Investment
- Wind Catcher and other Renewables Projects
- Growth of Contracted Renewables
- Grid Modernization, Smart City & Technologies
- Digitization & Innovation
- Workforce of the Future
- Transform our Customer Experience
- Established Strategic Goals

Actions taken today and in the future will reward our employees, customers and shareholders
AEP GOING FORWARD

Well positioned as a regulated business

Earnings growth rate 5-7%

Growing dividend consistent with earnings

Renewable energy future

No Longer a Focus:

Energy and Capacity Pricing

Ohio Restructuring

Resolution of Competitive Generation

Central Station Construction Projects
ORGANIC INVESTMENT OPPORTUNITY EQUALS INCREASED GROWTH

$3.65

5-7% CAGR

Operating Earnings Guidance

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3.55 - $3.75</td>
<td>$3.75 - $3.95</td>
<td>$4.00 - $4.20</td>
<td></td>
</tr>
<tr>
<td></td>
<td>narrowed to $3.55 - $3.68</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
STRONG, CONSISTENT DIVIDEND GROWTH

EPS Growth + Dividend Yield = 10% to 12% Annual Return Opportunity

* Subject to Board approval
POSITIONING FOR THE FUTURE

CAPITAL INVESTMENT OPPORTUNITIES
$18.2B Cap-ex: 2018 - 2020

AEP Transmission Holdco
$4.6B | 25%

Transmission
$4.1B | 23%

Distribution
$4.4B | 24%

Contracted Renewables
$1.3B | 7%

Regulated Renewables
$0.5B | 3%

Regulated Environmental Generation
$1.0B | 5%

Regulated Fossil/Hydro Generation
$0.6B | 3%

Nuclear Generation
$0.5B | 3%

Corporate
$1.2B | 7%

100% of capital allocated to regulated businesses and contracted renewables
72% allocated to wires
# CAPITAL FORECAST 2018-2020 BY SUBSIDIARY

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>2018E</th>
<th>2019E</th>
<th>2020E</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appalachian Power Company</td>
<td>$729</td>
<td>$1,093</td>
<td>$799</td>
<td>$2,621</td>
</tr>
<tr>
<td>Wheeling Power Company</td>
<td>$46</td>
<td>$55</td>
<td>$62</td>
<td>$163</td>
</tr>
<tr>
<td>Kingsport Power Company</td>
<td>$20</td>
<td>$17</td>
<td>$17</td>
<td>$54</td>
</tr>
<tr>
<td>Indiana Michigan Power Company</td>
<td>$599</td>
<td>$594</td>
<td>$579</td>
<td>$1,772</td>
</tr>
<tr>
<td>Kentucky Power Company</td>
<td>$169</td>
<td>$176</td>
<td>$214</td>
<td>$559</td>
</tr>
<tr>
<td>Ohio Power Company</td>
<td>$574</td>
<td>$576</td>
<td>$542</td>
<td>$1,691</td>
</tr>
<tr>
<td>Public Service Company of Oklahoma</td>
<td>$314</td>
<td>$315</td>
<td>$299</td>
<td>$928</td>
</tr>
<tr>
<td>Southwestern Electric Power Company</td>
<td>$423</td>
<td>$386</td>
<td>$480</td>
<td>$1,289</td>
</tr>
<tr>
<td>AEP Texas Company</td>
<td>$1,015</td>
<td>$993</td>
<td>$979</td>
<td>$2,986</td>
</tr>
<tr>
<td>AEP Generating Company</td>
<td>$49</td>
<td>$43</td>
<td>$102</td>
<td>$194</td>
</tr>
<tr>
<td>AEP Transmission Holdco</td>
<td>$1,512</td>
<td>$1,543</td>
<td>$1,496</td>
<td>$4,551</td>
</tr>
<tr>
<td>Generation and Marketing</td>
<td>$496</td>
<td>$353</td>
<td>$467</td>
<td>$1,316</td>
</tr>
<tr>
<td>Other</td>
<td>$13</td>
<td>$12</td>
<td>$12</td>
<td>$36</td>
</tr>
<tr>
<td><strong>Total Capital and Equity Contributions</strong></td>
<td>$5,959</td>
<td>$6,153</td>
<td>$6,047</td>
<td>$18,160</td>
</tr>
</tbody>
</table>

Capital plans are continuously optimized which may result in redeployment between functions and companies. Table may not foot due to rounding.
## SOLID BALANCE SHEET

AEP Consolidated Cash Flows and Financial Metrics

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>2017E</th>
<th>2018E</th>
<th>2019E</th>
<th>2020E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash from Operations</td>
<td>4,400</td>
<td>5,100</td>
<td>5,200</td>
<td>4,900</td>
</tr>
<tr>
<td>Capital &amp; JV Equity Contributions</td>
<td>(6,000)</td>
<td>(6,000)</td>
<td>(6,200)</td>
<td>(6,000)</td>
</tr>
<tr>
<td>Other Investing Activities *</td>
<td>1,700</td>
<td>(200)</td>
<td>(100)</td>
<td>(200)</td>
</tr>
<tr>
<td>Common Dividends **</td>
<td>(1,200)</td>
<td>(1,200)</td>
<td>(1,200)</td>
<td>(1,200)</td>
</tr>
<tr>
<td>Excess (Required) Capital</td>
<td>(1,100)</td>
<td>(2,300)</td>
<td>(2,300)</td>
<td>(2,500)</td>
</tr>
</tbody>
</table>

### Financing

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess (Required) Capital</td>
<td>(1,100)</td>
<td>(2,300)</td>
<td>(2,300)</td>
</tr>
<tr>
<td>Debt Maturities (Senior Notes, PCRBs)</td>
<td>(2,300)</td>
<td>(1,500)</td>
<td>(2,000)</td>
</tr>
<tr>
<td>Securitization Amortizations</td>
<td>(300)</td>
<td>(300)</td>
<td>(300)</td>
</tr>
<tr>
<td>Equity Issuances - Includes DRP/401(k)</td>
<td>-</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Debt Capital Market Needs (New)</td>
<td>(3,700)</td>
<td>(4,000)</td>
<td>(4,500)</td>
</tr>
</tbody>
</table>

### Financial Metrics

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Debt to Capitalization (GAAP)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FFO/Total Debt</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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* Other Investing in 2017 reflects the cash proceeds from sale of assets

** Dividend increased to $0.62 per share Q4 2017 for total dividends of $2.39/share; $2.48/share 2018 - 2020. Dividend evaluated by Board of Directors each quarter; stated target payout ratio range is 60 - 70%
# ROBUST ORGANIC CAPITAL OPPORTUNITIES

<table>
<thead>
<tr>
<th>Transmission</th>
<th>Grid modernization, aging infrastructure, physical/cyber security, reliability, market efficiency and economic development projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution</td>
<td>Grid modernization, reliability improvement projects and distribution station refurbishment</td>
</tr>
<tr>
<td>Renewables</td>
<td>Wind Catcher, regulated renewables, contracted renewables</td>
</tr>
<tr>
<td>Technology</td>
<td>Digitization, automation, cyber security, enterprise-wide applications</td>
</tr>
</tbody>
</table>
INVESTING IN TRANSMISSION
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.

Net Plant totals are as of September 30, 2017, except Pioneer and Prairie Wind, which are as of August 31, 2017.
TRANSMISSION PRIORITIES

The nation’s largest transmission services provider is focused on delivering its $3 billion annual capital plan to improve grid resiliency and customer reliability while meeting earnings growth targets through diversified investments.
AEPTHC TARGET EARNINGS

AEPTHC EPS contribution grows from $0.16 in 2013 to $0.96-$0.99 in 2020

AEPTHC’s EPS growth is projected at a CAGR of 29%

- Significant Investment
  Over $13B projected by 2020 (AEP Transcos and our ownership percentage of JV Capital expenditures)

- Healthy ROEs & Capital Structure
  Affiliate authorized ROEs ranging from 9.6% to 12.8%
  Authorized capital structure 40-60% equity

- Portfolio Diversification
  Five Transcos and ETT are projected to contribute 95% of total 2018 earnings (81% and 14% respectively)

- Industry & Technology Leader
  Bringing innovation and collaboration to the industry through Grid Assurance, BOLD and Asset Health

* Capital investment excludes Transource unapproved projects, JV equity contributions, BOLD and Grid Assurance.
** In addition to forward looking rates, 2017 includes a historical true up for East Transcos. Having both in one year is a one time occurrence.
### AEPTHC – IMPACT OF FERC 205

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.39</td>
<td>0.54</td>
<td>0.71</td>
<td>0.70</td>
<td>0.82-0.85</td>
<td>0.96-0.99</td>
</tr>
</tbody>
</table>

#### Increased Investment

- **East**
  - PY True-Up (June each year)
    - 2015: $0.06
    - 2016: $0.09
    - 2017: $0.09
  - FERC 205 Forward-Looking Rates (Jan 2017)
    - 2017: $0.10

- **West**
  - FERC PY True-Up (June each year)
    - 2015: $0.00
    - 2016: $0.01
    - 2017: $0.01
    - 2018: $0.02
  - FERC 205 Forward-Looking Rates (Jan 2018)

#### FERC 206 Reserve

- East FERC 206 Reserve (Oct 2016)
- West FERC 206 Reserve (Jun 2017)

### Summary

2017 benefited from both the FERC 205 (change to forward-looking rates) and the prior year true-up. Going forward the true-up should be minimal due to forward-looking rates incorporating the new year’s increased investment.
$3 BILLION OF TRANSMISSION INVESTMENT ANNUALLY

As the foundation of the power system, transmission integrates generation and loads across large regional footprints.

Key Grid Considerations

- Increasing energy supply diversity and complexity
- Tighter operating tolerances
- Deteriorating performance and condition of aging assets with increased risk of failure
- Increasing exposure to severe threats and events

Major Benefits Delivered

- Decrease customer exposure to Transmission outages
- Improve response time following outage events
- Enhance system operability
- Provide a secure and resilient grid
ROBUST TRANSMISSION CAPITAL EXPENDITURE OPPORTUNITIES

<table>
<thead>
<tr>
<th>Transmission</th>
<th>Line Miles</th>
<th>Transformers</th>
<th>Circuit Breakers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Expectancy (years)</td>
<td>70</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td>Current Quantity over Life Expectancy</td>
<td>6,403</td>
<td>244</td>
<td>1,015</td>
</tr>
<tr>
<td>Quantity that will exceed Life Expectancy in next ten years</td>
<td>6,214</td>
<td>126</td>
<td>836</td>
</tr>
<tr>
<td>Total Renewal Opportunity over ten years</td>
<td>12,617</td>
<td>370</td>
<td>1,851</td>
</tr>
</tbody>
</table>

$2.5 billion of annual on-system, organic capital investment is required to maintain current asset age profile
INVESTING IN DISTRIBUTION
ROBUST DISTRIBUTION CAPITAL EXPENDITURE OPPORTUNITIES

<table>
<thead>
<tr>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Station Transformers</td>
</tr>
<tr>
<td>Circuit Breakers</td>
</tr>
<tr>
<td>Life Expectancy (years)</td>
</tr>
<tr>
<td>Current Quantity over Life Expectancy</td>
</tr>
<tr>
<td>Quantity that will exceed Life Expectancy in next ten years</td>
</tr>
<tr>
<td>Total Renewal Opportunity over ten years</td>
</tr>
</tbody>
</table>

• Grid Modernization
  ✓ Distribution SCADA
  ✓ Smart Circuits

• Reliability Improvement Projects
  ✓ Pole replacement and reconductoring program
  ✓ Increase capacity to facilitate ties for smart circuits

• Distribution Station Refurbishment
  ✓ Station breaker replacements
  ✓ Distribution station transformers

• Represents ~$500M/year of incremental investment opportunity
INVESTING IN RENEWABLES
WIND CATCHER ENERGY CONNECTION

Project is expected to reduce rates for PSO & SWEPCO customers over the life of the project – with savings starting first year of operation – while providing meaningful capital investment and earnings growth opportunity for shareholders

- **Project Scope:** 2,000 MW (nameplate) wind farm and a dedicated ~350-mile 765kV gen-tie line
- **Regulated Investment Value:** ~$4.5 billion (includes taxes, overheads, AFUDC, and contingency)
- **Total Customer Savings (over 25-years):** $7.6 billion including value of Federal Production Tax Credit: $2.5 billion over first 10 years
- **Requested State Regulatory Approvals:** April 30, 2018; filed at FERC in Q4 2017
- **Target Completion:** Q4 2020
- **Proposed Ownership:** SWEPCO (70%) & PSO (30%)

<table>
<thead>
<tr>
<th>Cost Detail</th>
<th>Wind Plant</th>
<th>Gen-Tie</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Cost</td>
<td>$2.9 billion</td>
<td>$1.6 billion</td>
</tr>
<tr>
<td>Total Project Cost</td>
<td>$4.5 billion</td>
<td></td>
</tr>
</tbody>
</table>
PIPELINE OF RENEWABLE OPPORTUNITIES
Regulated Owned Investment Pipeline

East Companies – 460 MW
West Companies – 910 MW

East Companies – 2,200 MW
Wind Catcher – 2,000 MW

5,570 MW through 2025

Note: Excludes PPAs
# Contracted Renewables

**$1.3B Capital Allocated 2018-2020**

<table>
<thead>
<tr>
<th></th>
<th><a href="https://aep.com">AEP Onsite Partners</a></th>
<th><a href="https://aep.com">AEP Renewables</a></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renewable Generation Asset Owner</strong></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>“Behind-the-Meter” Energy Assets</strong></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Universal Scale Energy Assets</strong></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td><strong>Key Customers</strong></td>
<td>Schools, Cities, Hospitals and Commercial / Industrial Accounts</td>
<td>Utilities, Municipalities, Corporations and Cooperative Accounts</td>
</tr>
<tr>
<td><strong>Key Technologies</strong></td>
<td>Distributed Generation, Renewables, Storage, Substations and Combined Heat and Power</td>
<td>Wind and Solar</td>
</tr>
</tbody>
</table>

*Key Technologies:*
- Wind and Solar
Contracted Renewables Outlook

AEP is a welcomed strategic partner and has a strong pipeline of additional opportunities.

Development Projects

- Fully contracted assets
- Strong credit counterparties
- Long-term predictable cash flows and earnings
- Evaluating repowering of 310 MW of Trent and Desert Sky wind farms

Disciplined Investment

- Specific return requirements
- Detailed technical reviews
- Measured approach to project risks
- Optimized through skilled asset management
POSITIONING FOR THE FUTURE

FINANCIAL INFORMATION
8.2% CAGR IN RATE BASE
CUMULATIVE CHANGE FROM 2016 BASE

<table>
<thead>
<tr>
<th>2016 Rate Base Proxy</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vertically Integrated Utilities</td>
<td>$22.7B</td>
</tr>
<tr>
<td>T&amp;D Utilities</td>
<td>$8.6B</td>
</tr>
<tr>
<td>Transcos/Transource</td>
<td>$4.2B</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$35.5B</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vertically Integrated Utilities</td>
<td>$1.3B</td>
<td>$1.9B</td>
<td>$2.8B</td>
<td>$4.2B</td>
</tr>
<tr>
<td>T&amp;D Utilities</td>
<td>$1.0B</td>
<td>$1.8B</td>
<td>$2.9B</td>
<td>$3.8B</td>
</tr>
<tr>
<td>Transcos/Transource</td>
<td>$0.8B</td>
<td>$2.5B</td>
<td>$3.8B</td>
<td>$5.1B</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3.1B</td>
<td>$6.2B</td>
<td>$9.5B</td>
<td>$13.1B</td>
</tr>
</tbody>
</table>

(Bar chart showing cumulative change from 2016 base for Vertically Integrated Utilities, T&D Utilities, and Transcos/Transource for 2017E to 2020E.)
REGULATED ROE RESULTS

Twelve Months Ended 9/30/2017 Earned ROEs (non-GAAP Operating Earnings)

- **AEP Regulated**: 9.2%
- **AEP OH**: 12.6%
- **AEP OH***: 11.1%
- **APCo**: 8.4%
- **KPCo***: 4.5%
- **I&M***: 8.4%
- **PSO***: 6.1%
- **SWEPCO***: 5.9%
- **AEP TX**: 10.3%
- **Trans**: 12.7%

Forecasted Average ROE

2018-2020 ~ 10%

* AEP Ohio adjusted for SEET items. Base rate cases pending at other operating companies.

Sphere size based on each company’s relative equity balance except AEP Regulated.
# 2018 OPERATING EARNINGS GUIDANCE

Range of $3.75 - $3.95/share

## Vertical Integration

<table>
<thead>
<tr>
<th>2017E</th>
<th>Vertically Integrated Utilities</th>
<th>Transmission &amp; Distribution Utilities</th>
<th>AEP Transmission Holdco</th>
<th>Generation &amp; Marketing</th>
<th>Corporate &amp; Other</th>
<th>2018E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0.21</td>
<td>$0.18</td>
<td>$0.01</td>
<td>($0.11)</td>
<td>($0.06)</td>
<td>$3.85</td>
</tr>
</tbody>
</table>

## Main Drivers

- Weather: $0.16
- Rate Changes: $0.34
- Normal Load: ($0.01)
- Whsale Load: ($0.08)
- O&M: ($0.17)
- Depreciation: ($0.07)
- Eff Tax Rate: $0.04

### 2016 True-Up

- ($0.09)

### Invest Gains

- ($0.03)

### Other

- ($0.03)

- Gen Resources: ($0.08)
- Renewables: $0.01
- Other: ($0.04)

### Weather

- $0.16

### Rate Changes

- $0.07

### Normal Load

- $0.03

### ERCOT Trans Rev

- $0.06

### O&M

- $0.04

### AFUDC

- $0.03

### Depreciation

- ($0.09)

### Eff Tax Rate

- $0.03

### Other

- $0.01

### Invst Growth

- $0.10
AEP AND TAX REFORM

Key Tax Reform Considerations

- AEP is currently evaluating the right mix of cap-ex and rate base growth to maintain the 5%-7% growth rate, and ensure appropriate credit metrics

- Will update this detail on the 4Q earnings call on January 25, 2018

- Essentially all parent debt interest expense is expected to be deductible

Regulatory Steps

- AEP will begin working with state regulatory commissions to address the appropriate mechanism to provide the benefits of tax reform to our customers (change in tax rate and the excess ADIT). Various state commissions have already issued orders related to the tax law change, and we’ll be working with them and other stakeholders to determine how customers can derive the greatest long-term benefit.

Recap of Excess Deferred Taxes

<table>
<thead>
<tr>
<th>As of September 30, 2017</th>
<th>21% Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Regulated Deferred FIT</td>
<td>$10.9B</td>
</tr>
<tr>
<td>Total Excess Regulated Deferred FIT</td>
<td>$4.4B</td>
</tr>
<tr>
<td>Normalized portion of excess DFIT (to be refunded over life of property)</td>
<td>($3.0B)</td>
</tr>
<tr>
<td>Non-depreciation portion of excess</td>
<td>$1.4B</td>
</tr>
</tbody>
</table>
NORMALIZED LOAD TRENDS

AEP Residential Normalized GWh Sales
% Change vs. Prior Year

- 2014A: 1.4%
- 2015A: -1.6%
- 2016A: -0.4%
- 2017E: -0.9%
- 2018E: 0.5%

AEP Commercial Normalized GWh Sales
% Change vs. Prior Year

- 2014A: 1.8%
- 2015A: 0.4%
- 2016A: -0.4%
- 2017E: -0.6%
- 2018E: 0.9%

AEP Industrial GWh Sales
% Change vs. Prior Year

- 2014A: 0.5%
- 2015A: -0.2%
- 2016A: -1.8%
- 2017E: 1.5%
- 2018E: 0.5%

AEP Total Normalized GWh Sales
% Change vs. Prior Year

- 2014A: 1.2%
- 2015A: -0.5%
- 2016A: -0.9%
- 2017E: 0.0%
- 2018E: 0.7%

Note: 2017 includes 9 months weather normalized actual results plus 3 months forecasted values.
CONTINUOUS IMPROVEMENT ENABLES O&M DISCIPLINE

Demonstrated track record of ability to offset inflationary increases

Note: Excluding items recovered in riders/trackers
## BENDING THE O&M CURVE

<table>
<thead>
<tr>
<th>Initiatives</th>
<th>Examples</th>
</tr>
</thead>
</table>
| **Lean Management System Implementation/Continuous Process Improvement** | **Distribution** – Drive enhanced reliability which will lead to reduced O&M cost associated with storm restoration in the long term  
**Supply Chain** – Optimizing the material requisition process to improve material lead times, reducing stock outs and increasing crew productivity resulting in reduced O&M cost  
**Fleet Operations** – Focused on reducing the number of vehicle platforms/options acquired and optimizing the acquisition process to reduce acquisition and maintenance costs  
**Generation (system productivity)** – Fleet wide team-based focus on the reduction of waste associated with targeted plant systems, e.g. coal handling, scrubbers |
| **Data Analytics** | **Workforce optimization** – Employee/contractor mix  
**Hot socket model** – Using AMI data to preemptively identify meters at risk  
**Revenue Protection** – Detecting meter tampering  
**Frequency Regulation** – Analysis of PJM bidding strategies |
| **Automation** | **Scrap metal billing and management**  
**Service Corp billing allocation factors**  
**No-bill workflow assignment process**  
**Customer workflow scheduling** |
| **Digital Tools** | **“The Zone”** – Machine learning tool to operate fossil units at optimal level to minimize O&M and capital, while maintaining and improving performance  
**Generation Monitoring & Diagnostic Center** – Predictive capabilities that save O&M and capital |
| **Use of Drones** | **Storm damage assessment**  
**Real estate and landfill surveys**  
**Transmission geomorphic change data (sag)**  
**Stacks, cooling towers, ductwork and dams inspection** |
| **Outsourcing** | **Rapid application & information support**  
**Lockbox for customer payments by check** |
| **Workforce Planning** | Approximately 4,000 employees will retire or leave in the next 5 years |
| **Strategic Sourcing** | **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 |
## AEP CREDIT RATINGS

<table>
<thead>
<tr>
<th>Company</th>
<th>Moody’s Senior Unsecured</th>
<th>Moody’s Outlook</th>
<th>S&amp;P Senior Unsecured</th>
<th>S&amp;P Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Electric Power Company, Inc.</td>
<td>Baa1</td>
<td>P</td>
<td>BBB+</td>
<td>S</td>
</tr>
<tr>
<td>AEP, Inc. Short Term Rating</td>
<td>P2</td>
<td>S</td>
<td>A2</td>
<td>S</td>
</tr>
<tr>
<td>AEP Texas, Inc.</td>
<td>Baa1</td>
<td>S</td>
<td>A-</td>
<td>S</td>
</tr>
<tr>
<td>AEP Transmission Company, LLC</td>
<td>A2</td>
<td>S</td>
<td>A-</td>
<td>S</td>
</tr>
<tr>
<td>Appalachian Power Company</td>
<td>Baa1</td>
<td>S</td>
<td>A-</td>
<td>S</td>
</tr>
<tr>
<td>Indiana Michigan Power Company</td>
<td>Baa1</td>
<td>P</td>
<td>A-</td>
<td>S</td>
</tr>
<tr>
<td>Kentucky Power Company</td>
<td>Baa2</td>
<td>S</td>
<td>A-</td>
<td>S</td>
</tr>
<tr>
<td>Ohio Power Company</td>
<td>A2</td>
<td>S</td>
<td>A-</td>
<td>S</td>
</tr>
<tr>
<td>Public Service Company of Oklahoma</td>
<td>A3</td>
<td>S</td>
<td>A-</td>
<td>S</td>
</tr>
<tr>
<td>Southwestern Electric Power Company</td>
<td>Baa2</td>
<td>S</td>
<td>A-</td>
<td>S</td>
</tr>
<tr>
<td>Transource Energy</td>
<td>A2</td>
<td>S</td>
<td>Not Rated</td>
<td>Not Rated</td>
</tr>
</tbody>
</table>

Credit ratings current as of January 4, 2018
POSITIONING FOR THE FUTURE

REGULATORY ACTIVITY
Base rate case filed July 26, 2017

- **Cause #:** 44967
- **Requested rate base:** $4.185B (IN jurisdiction)
- **Requested ROE:** 10.6%
- **Cap Structure:** 53.5%D / 46.5%E
- **Base Rate Increase:** $263M ($89M increased D&A)
- **Test Year:** 2018 Forecasted

- **Procedural Schedule:**
  - Evidentiary Hearing 01/16-29/2018
  - Anticipated Order 07/01/2018
Pending Rate Case
I&M - Michigan

Base rate case filed May 15, 2017

- Docket #: U-18370
- Requested rate base: $1.015B (MI jurisdiction)
- Requested ROE: 10.6%
- Cap Structure: 53.6%D / 46.4%E
- Base Rate Increase: $52M ($28M increased D&A)
- Test Year: 2018 Forecasted (13 mo. average rate base) average

- Procedural Schedule: Proposal for Decision 02/09/2018
  Anticipated Order 04/12/2018
Base rate case filed June 28, 2017

- Docket #: 2017-00179
- Requested rate base: $1.195B (KY retail jurisdiction)
- Requested ROE: 10.31%
- Cap Structure: 54.45%D / 3.87%AR / 41.68%E
- Base Rate Increase: $60M (excluding HEAP, KEDS & ES, $5M increased D)
- Test Year: Year end 2/28/17 with adjustments
- Procedural Schedule: Anticipated Order 01/18/2018
Pending Rate Case
PSO - Oklahoma

Base rate case filed June 30, 2017

- Docket #: PUD 201700151
- Requested rate base: $2.527B (total company)
- Requested ROE: 10.0%
- Cap Structure: 51.5%D / 48.5%E
- Base Rate Increase: $157M ($42M increased D)
- Test Year: December 31, 2016
- Procedural Schedule: Interim rates 01/13/2018
Base rate case filed December 16, 2016

- Docket #: 46449
- Requested rate base: $1.238B (TX jurisdiction reflecting SPP pass through)
- Requested ROE: 10.0%
- Cap Structure: 51.5%D/48.5%E
- Base Rate Increase: $69M net ($106M less $37M TCRF/DCRF decrease and $11M increased D)
- Test Year: Year end June 30, 2016
- Procedural Schedule: Final order expected 01/11/2018 in line with the Commission’s 12/2018 meeting (rates retroactive to May 2017)
## WIND CATCHER ENERGY CONNECTION
### Procedural Schedules

<table>
<thead>
<tr>
<th>PSO – Oklahoma</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hearing Begins</td>
<td>01/08/2018</td>
</tr>
<tr>
<td>ALJ Report Filed</td>
<td>02/12/2018</td>
</tr>
<tr>
<td>Exceptions Filed</td>
<td>02/23/2018</td>
</tr>
<tr>
<td>Response to Exceptions</td>
<td>02/28/2018</td>
</tr>
<tr>
<td>Arguments on Exceptions</td>
<td>03/14/2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SWEPCO – Arkansas</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SWEPCO Rebuttal</td>
<td>01/09/2018</td>
</tr>
<tr>
<td>Staff and Intervenor Surrebuttal</td>
<td>01/30/2018</td>
</tr>
<tr>
<td>SWEPCO Sur-Surrebuttal</td>
<td>02/06/2018</td>
</tr>
<tr>
<td>Settlement Deadline</td>
<td>02/20/2018</td>
</tr>
<tr>
<td>Hearing Begins</td>
<td>03/01/2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SWEPCO – Texas</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hearing Begins</td>
<td>01/16/2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SWEPCO – Louisiana</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Intervenor Testimony</td>
<td>01/22/2018</td>
</tr>
<tr>
<td>SWEPCO Rebuttal Testimony</td>
<td>02/06/2018</td>
</tr>
<tr>
<td>Pre-hearing Briefs</td>
<td>02/16/2018</td>
</tr>
<tr>
<td>Hearing Begins</td>
<td>02/22/2018</td>
</tr>
</tbody>
</table>

Note: FERC filing with respect to wholesale customers: Q4 2017

*Oklahoma has a 240-day statutory timeline for issuing an order, making the requested approval date March 31, 2018*
SUSTAINABLE FUTURE
TRANSFORMING OUR GENERATION FLEET

Excludes impact of Wind Catcher.
Future includes IRP forecasted additions and retirements through 2030.
Energy Efficiency / Demand Response represents avoided capacity rather than physical assets.
INVESTING BILLIONS TO REDUCE EMISSIONS

$ in millions

$102 $275 $364 $217 $340 $811 $1,366 $994 $887 $457 $304 $187 $241 $424 $540 $599 $384 $227


Total $8.7 Billion Estimated

American Electric Power
DRAMATIC REDUCTIONS IN EMISSIONS

Total AEP System NOx & SO2 Emissions

SO2

NOx

1990-2016 ACTUAL

SO2 94%

NOx 90%

Total AEP System Mercury Emissions

Hg

2001-2016 ACTUAL

Hg 93%
DRAMATIC REDUCTIONS IN EMISSIONS

Total AEP System - Annual CO₂ Emissions
in million metric tons

2000-2016 actual

CO₂ 44%
INVESTING IN A GREENER FUTURE

AEP System Planned Generation Resource Additions
Regulated and AEP Ohio Purchase Power Agreement

Wind and solar represents nameplate MW capacity.


Actual additions depend on market conditions, regulatory approval, customer demand and other external factors.
# DELIVERING CLEAN ENERGY RESOURCES

## AEP's 2017 Renewable Portfolio, in MW

<table>
<thead>
<tr>
<th>Hydro, Wind, Solar &amp; Pumped Storage</th>
<th>Owned MW</th>
<th>PPA MW</th>
<th>Total MW</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEP Ohio</td>
<td>209</td>
<td></td>
<td>209</td>
</tr>
<tr>
<td>Appalachian Power Company</td>
<td>788</td>
<td>455</td>
<td>1,243</td>
</tr>
<tr>
<td>Indiana Michigan Power Company</td>
<td>38</td>
<td>450</td>
<td>488</td>
</tr>
<tr>
<td>Public Service of Oklahoma</td>
<td>1,137</td>
<td></td>
<td>1,137</td>
</tr>
<tr>
<td>Southwestern Electric Power Company</td>
<td>469</td>
<td></td>
<td>469</td>
</tr>
<tr>
<td>Competitive Wind, Solar &amp; Hydro</td>
<td>475</td>
<td>177</td>
<td>652</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,301</td>
<td>2,897</td>
<td><strong>4,198</strong></td>
</tr>
</tbody>
</table>

Approximately 10,000 MW of renewable generation interconnected across the U.S. via AEP's transmission system today.
The Premier Regulated Energy Company

- Higher growth
- Higher dividends
- More certainty
- More regulated