



BOUNDLESS ENERGY<sup>SM</sup>



## Mizuho U.S. Utility Summit 2021

November 30, 2021





# “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, the impact of pandemics, including COVID-19, and any associated disruption of AEP’s business operations due to impacts on economic or market conditions, costs of compliance with vaccination or testing mandates to AEP, electricity usage, employees including employee unwillingness to comply with potential vaccination mandates, customers, service providers, vendors and suppliers, 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, including favorable tax treatment, and to recover those costs, new legislation, litigation and government regulation, including changes to tax laws and regulations, 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.

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# Pure Play Regulated Utility

**16,700 EMPLOYEES**

**25GW OWNED GENERATION**

**5.5M CUSTOMERS, 11 STATES**

**\$86B TOTAL ASSETS**

**40,000 TRANSMISSION MILES**

**224,000 DISTRIBUTION MILES**

**\$50B RATE BASE**

**\$42B CURRENT MARKET CAPITALIZATION**

Statistics as of September 30, 2021 except for rate base as of December 31, 2020 and market capitalization as of November 26, 2021

# AEP's Strategic Vision and Execution

## Execute Strategy

### Affordable

Relentless pursuit of affordable energy solutions

### Customer and Community Centric Growth

Aggressively expand investments and service offerings

### Clean

Lead the transformation to a clean energy economy through electrification and zero carbon resources

### Innovate and Achieve

Continue to raise the bar in operational excellence and empower teams to integrate technologies, analytics and risk mitigation tools for the benefit of our customers and communities

### Engage

Equip our workforce and improve our employee experience

## Top Priorities

- Be an industry leader in cost efficiency
- Grow our business while keeping rates at or below regional average
- Ensure cost competitiveness with leading technologies

- Advance electrification of the economy
- Support and build thriving communities through economic development and job growth
- Diversify our asset base and service offerings

- Transform all parts of our business to align with AEP emission reduction goals
- Improve the reliability and resiliency of the grid to facilitate a clean energy economy for our communities

- Achieve 5%-7% per year earnings per share growth and maintain at least a BBB Stable/Baa2 Stable credit rating
- Empower our teams to continually innovate solutions in all aspects of our business
- Be best in class in cost and operational excellence through our continuous improvement foundation of Achieving Excellence

- Achieve Zero Harm
- Be a great place to work



# AEP KEY THEMES

- **Strong Return Proposition with Proven Track Record of EPS Performance and Dividend Growth**
- **Commitment to ESG**
- **Generation Transformation with Balance Sheet Focus**
- **Flexible Capital Investment Pipeline**
- **Dedication to Customer Affordability**





# Strong Return Proposition

## Total Shareholder Return

**8% - 10%**

Dividend Yield  
3%

+

EPS Growth  
5% - 7%

## 2022 Operating Earnings Guidance Range

**\$4.85 - \$5.05**

2021 EPS  
Original  
Midpoint  
\$4.65

+

6% EPS  
Growth

+

KY Sale  
Accretion

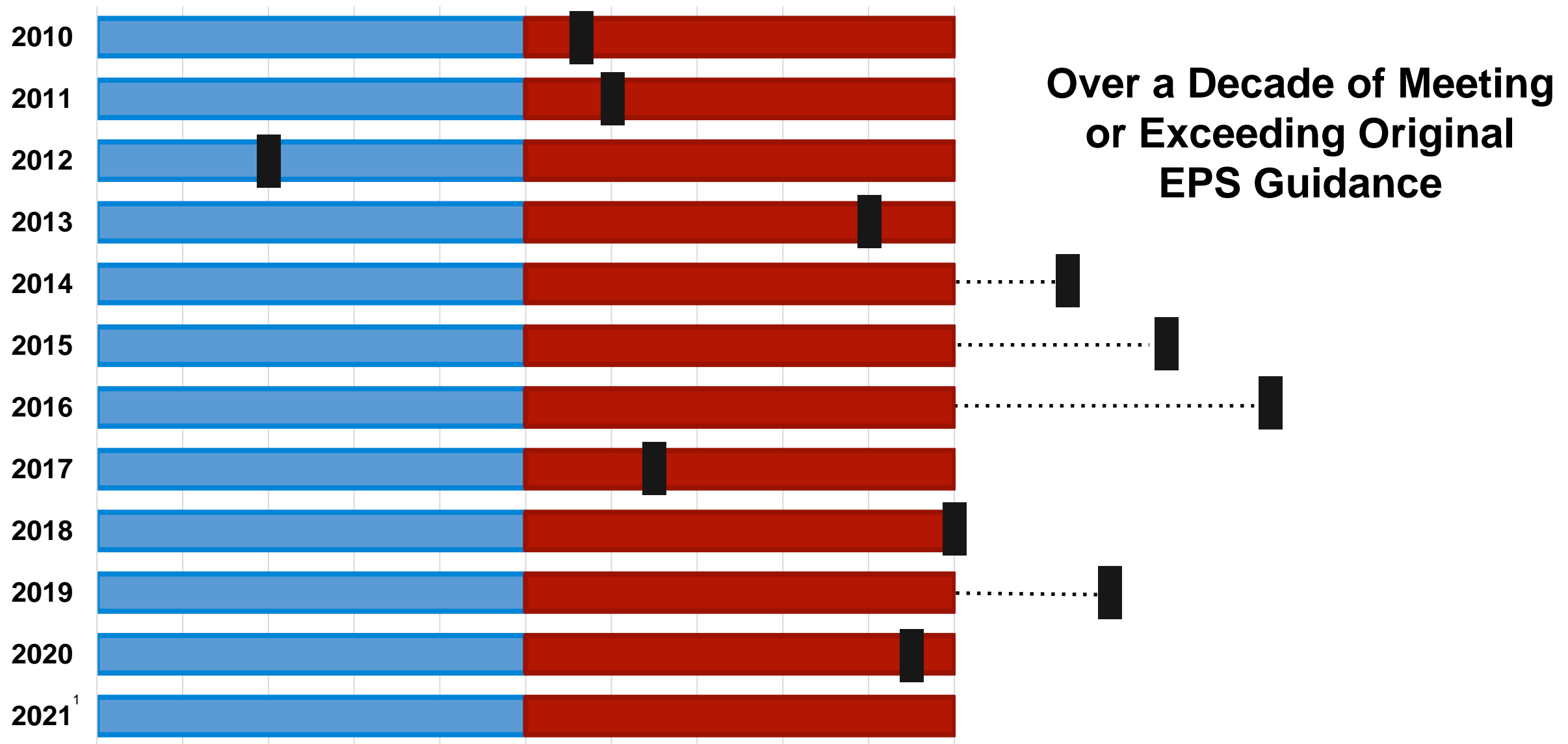
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2022 EPS  
Midpoint  
\$4.95

- ✓ Steady Growth
- ✓ Consistent Dividends
- ✓ Low Risk, Regulated Assets
- ✓ Investment Pipeline
- ✓ Incentive Compensation Tied to EPS Results

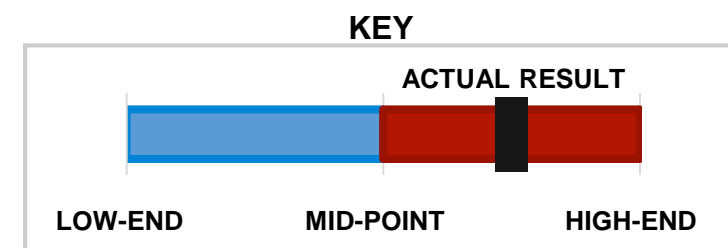
Regulated Renewables Opportunity  
Complements Wires Buildout, Significantly  
Extending 5%-7% Runway of Growth

# Proven Track Record of EPS Performance



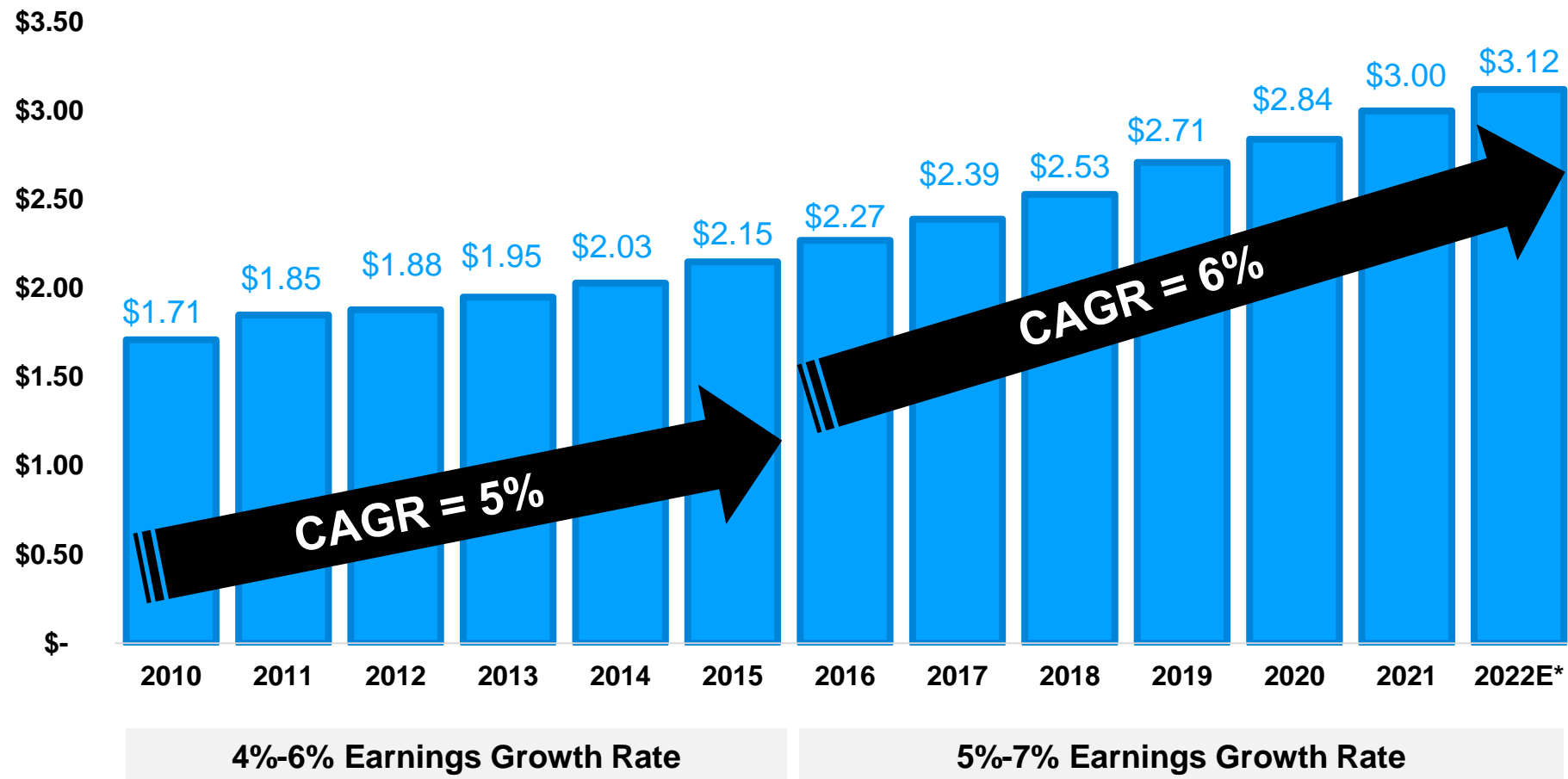
Note: Chart is representative of actual operating EPS in comparison to original operating EPS guidance range.

<sup>1</sup> 2021 original operating EPS guidance was \$4.55-\$4.75. In October 2021, guidance was narrowed to \$4.65-\$4.75, raising the midpoint to \$4.70.





# Strong Dividend Growth



- ✓ Targeted payout ratio 60-70% of operating earnings
- ✓ Over 111 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

# Commitment to ESG

## Environmental

- Accelerated carbon emission reduction goals: 80% by 2030, net zero by 2050
- ~\$9B spent on environmental controls since 2000
- 47% reduction in coal capacity as a percent of total capacity by 2030
- 2020 coal capacity = 14% of rate base
- 2020 coal revenue = 13% of total revenue
- Clean energy transition tied to long-term incentive compensation

**80%** reduction by 2030  
**Net-Zero** by 2050

CO<sub>2</sub>  
74%

SO<sub>2</sub>  
98%

NO<sub>x</sub>  
96%

Hg  
98%

## Social

- Diversity and inclusion vision
- Focused on economic and business development in our service territories
- Donated ~\$39M in 2020 to support more than 1,200 community organizations
- Launched a \$5M Delivering on the Dream: Social and Racial Justice grant program in 2021
- Zero Harm



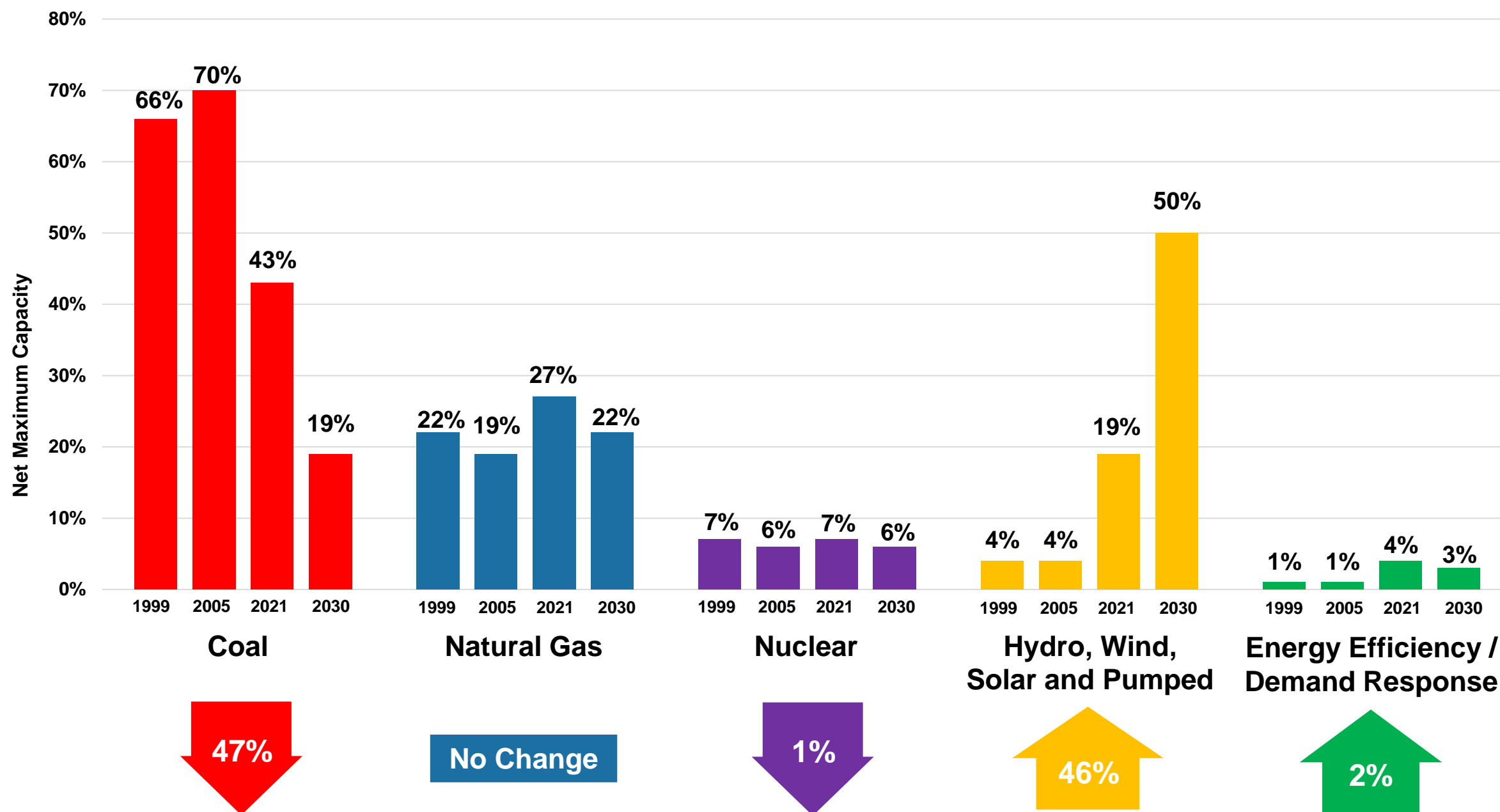
## Governance

- 12 directors, 11 independent,
- 50% diverse
- 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 and Governance" section for further information

# Transforming Our Generation Fleet



Capacity includes both owned and PPA generation. Energy Efficiency / Demand Response represents avoided capacity rather than physical assets.

2021 data as of 11/1/2021 includes current capacity of KPCo. In October 2021, AEP entered into an agreement to sell its Kentucky operations to Algonquin Power & Utilities. The sale is expected to close in Q2-22 pending regulatory approvals. 2030 includes forecasted additions and retirements, and excludes previously identified projected resource additions for KPCo.

**2030 coal capacity includes Amos, Mountaineer and Mitchell plants as the WVPSC approved ELG investment to keep optionality for these plants to operate post 2028. 2030 coal capacity also includes SWEPCO's Turk and Flint Creek plants.**



# Retirement Progress and Plans

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

2010

~24,800 MW<sup>1</sup>

2020

~12,100 MW<sup>1,2</sup>

2028E

~7,100 MW

2030E

~6,500 MW

2010 – 2020  
Retirements/Sales

2021-2030 Planned  
Retirements


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

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

# Executing on Our Regulated Renewables Opportunity

 Wind Additions			
Company	2022 – 2030 (MW)	Included in 2022-2026 Capital Plan (MW / billions)	
APCo	1,800	803	\$ 1.3
I&M	800	400	\$ 0.4
PSO <sup>1</sup>	3,053	1,604	\$ 2.1
SWEPCO <sup>1</sup>	3,546	1,845	\$ 2.5
<b>Total<sup>1</sup></b>	<b>9,199</b>	<b>4,652</b>	<b>\$ 6.3</b>

<b>~0.5 GW</b> North Central Wind In-Service in 2021	+	<b>~15 GW</b> 2022-2030	=	<b>~16 GW</b> Regulated Renewable Opportunity by 2030
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 Solar Additions			
Company	2022 – 2030 (MW)	Included in 2022-2026 Capital Plan (MW / billions)	
APCo	660	292	\$ 0.5
I&M	900	195	\$ 0.6
PSO	3,600	461	\$ 0.6
SWEPCO	300	200	\$ 0.2
<b>Total</b>	<b>5,460</b>	<b>1,148</b>	<b>\$ 1.9</b>

<b>Total Renewables</b>	<b>14,659 MW</b>	<b>5,800 MW</b>	<b>\$ 8.2B</b>
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We are executing on our regulated renewables plan, introducing

**\$8.2B<sup>1,2</sup>**

into the 2022-2026 capital investment forecast

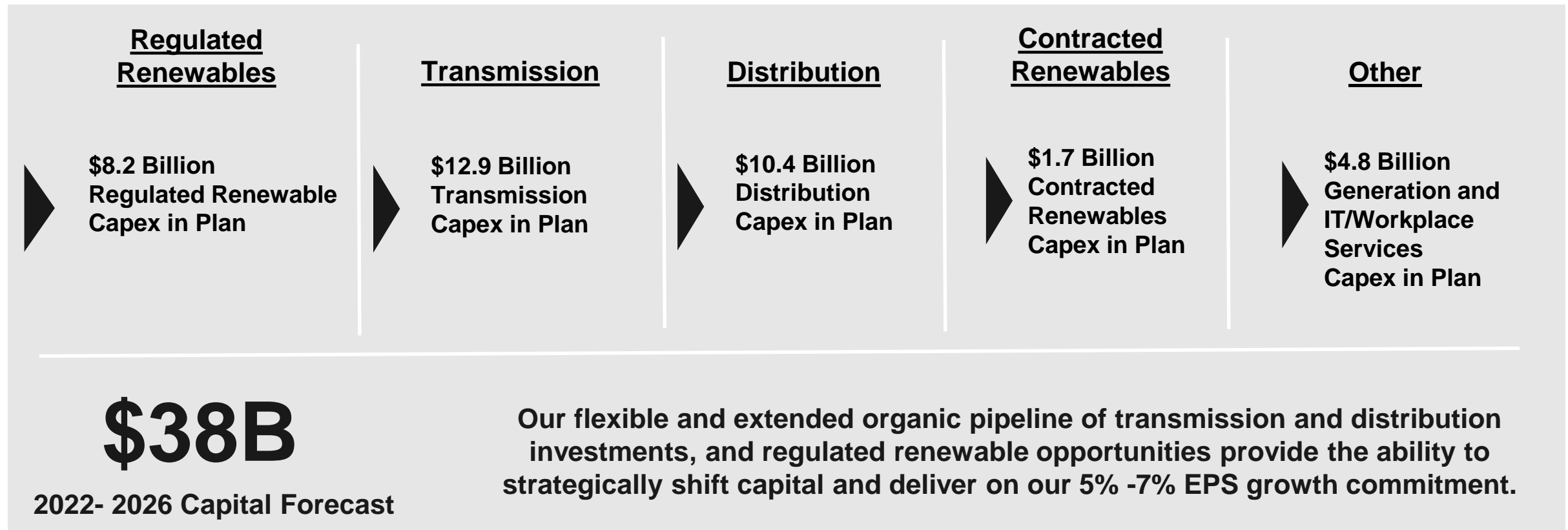
Investment opportunity is dynamic and AEP operating companies will continue to develop IRPs over the near and long-term in collaboration with stakeholders.

Note: Projected regulated resource additions current as of 9/30/2021. Resource plans also project 2.3 GW of natural gas additions through 2030 (1 GW I&M / 0.3 GW PSO / 1 GW SWEPCO).

<sup>1</sup> Includes 999 MW / \$1.3B investment in North Central Wind Traverse project

<sup>2</sup> Investments in renewables will be subject to regulatory approvals

# Flexible Capital Investment Pipeline



## Responsible Management of Capital Investments

Largest transmission system in the U.S

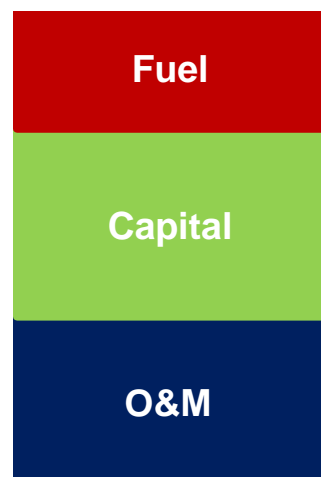
Among the largest distribution systems in the U.S.



# Dedicated to Keeping Customer Rates Affordable



## *Current*



## Customer Total Bill Transformation

- ✓ Significant fuel costs replaced with capital investment
- ✓ Reduced fixed O&M profiles of generation resource
  - ✓ Tax credits passed back to customers
- ✓ Facilitating electrification reducing total customer costs
  - ✓ Economic development to spread costs

## *Future*



**AEP's efforts will transform customer bills and control while keeping rates affordable and maintaining reliable service for customers**

Note: On a system average, rates expected to go up approximately 4% annually over the forecasted period (a 1% decline from previous estimates).

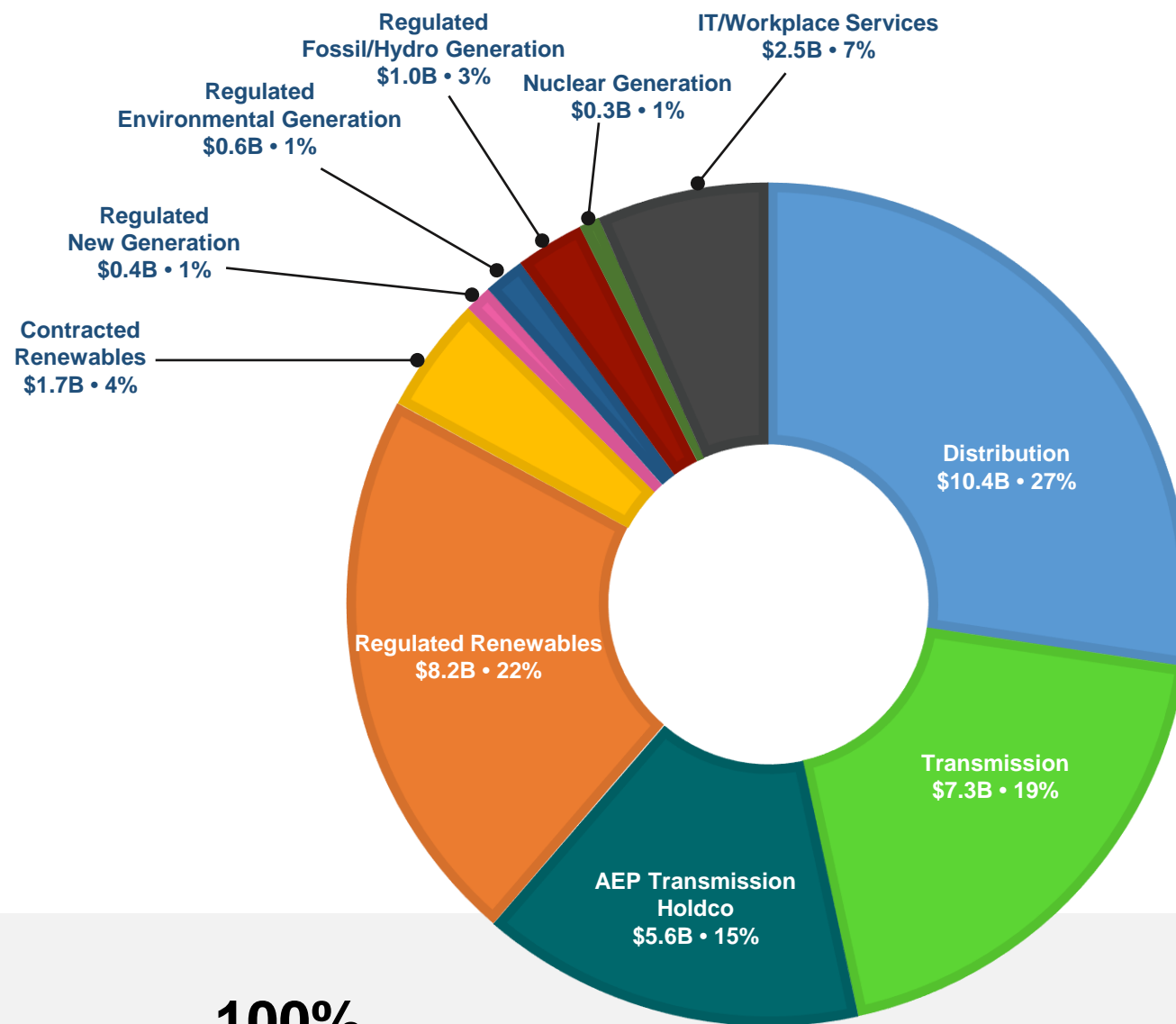
# POSITIONING FOR THE FUTURE

- 2022-2026 Capital Forecast
- 2022-2026 Cash Flows and Financial Metrics
- Rate Base Growth
- Efficient Cost Recovery Mechanisms



# 2022-2026 Capital Forecast of \$38B

The ability to quickly redeploy transmission and distribution investment ensures we maintain capital spend while mitigating customer bill impact



**100%**  
of capital allocated to regulated businesses and contracted renewables

**\$23.3B / 61%**  
allocated to wires

**\$9.9B / 26%**  
allocated to renewables

Capital forecast emphasizes investment in wires and renewables with balance sheet focus



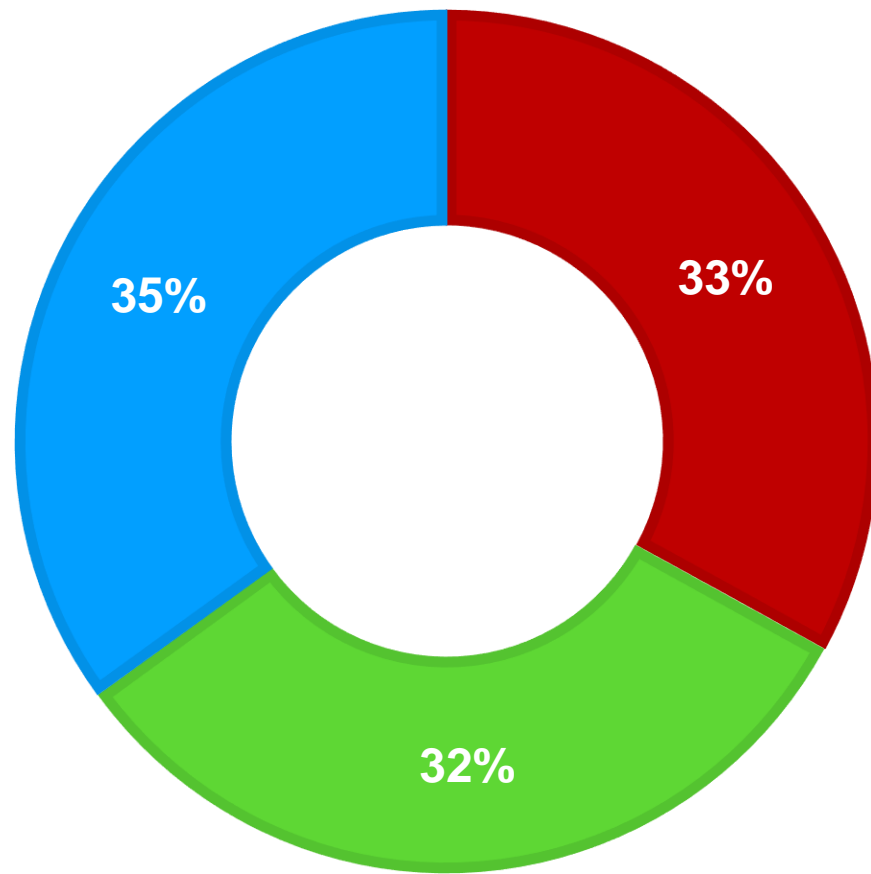
# 2022-2026 Capital Forecast by Subsidiary

\$ in millions, excludes AFUDC	2022E	2023E	2024E	2025E	2026E	Total
Appalachian Power Company	\$ 1,093	\$ 1,767	\$ 943	\$ 1,899	\$ 993	\$ 6,695
Wheeling Power Company	\$ 63	\$ 63	\$ 29	\$ 30	\$ 34	\$ 219
Kingsport Power Company	\$ 25	\$ 37	\$ 35	\$ 36	\$ 35	\$ 168
Indiana Michigan Power Company	\$ 608	\$ 537	\$ 694	\$ 989	\$ 1,006	\$ 3,834
AEP Ohio	\$ 787	\$ 849	\$ 800	\$ 738	\$ 673	\$ 3,847
Public Service Company of Oklahoma	\$ 977	\$ 487	\$ 1,413	\$ 1,069	\$ 927	\$ 4,873
Southwestern Electric Power Company	\$ 1,187	\$ 534	\$ 1,743	\$ 453	\$ 1,116	\$ 5,033
AEP Texas Company	\$ 1,151	\$ 1,181	\$ 1,190	\$ 1,153	\$ 1,119	\$ 5,794
AEP Generating Company	\$ 74	\$ 23	\$ 7	\$ 18	\$ 12	\$ 134
AEP Transmission Holdco	\$ 1,345	\$ 1,163	\$ 1,096	\$ 1,023	\$ 996	\$ 5,623
Generation & Marketing	\$ 397	\$ 323	\$ 330	\$ 276	\$ 339	\$1,665
Other	\$ 38	\$ 36	\$ 33	\$ 19	\$ 19	\$ 145
Total Capital and Equity Contributions	\$ 7,745	\$ 7,000	\$ 8,313	\$ 7,703	\$ 7,269	\$ 38,030

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

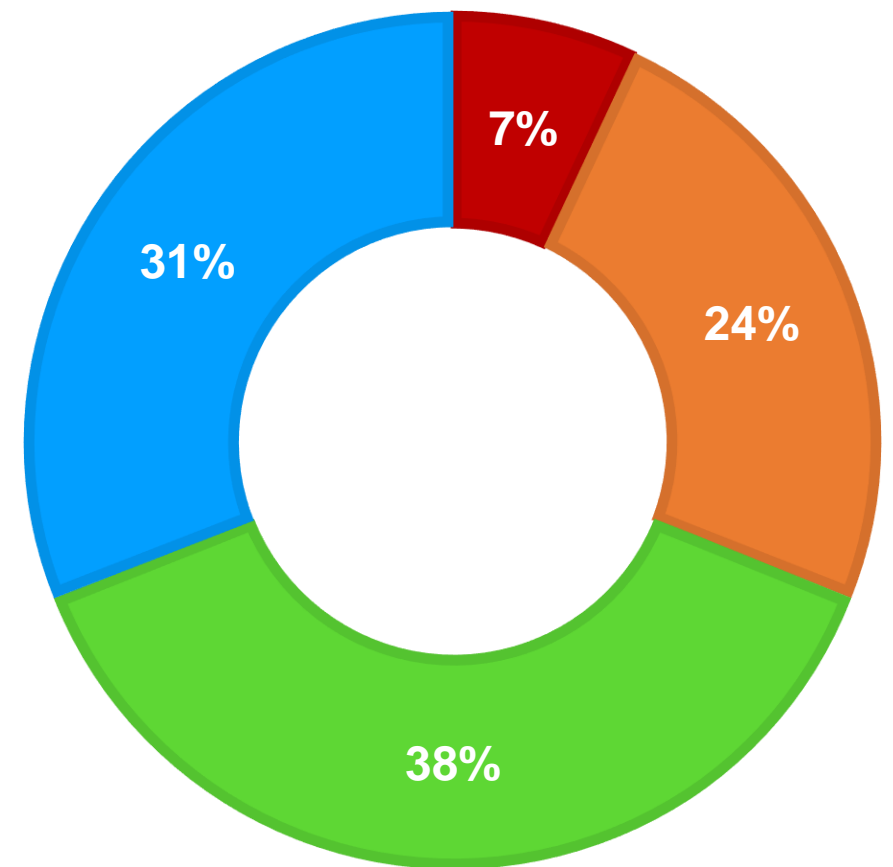
# Capital Allocation Shift to Wires and Renewable Generation

**2011 Regulated Capital**



■ Generation ■ Transmission ■ Distribution

**2022-2026 Regulated Capital Forecast**



■ Generation ■ Renewable Generation  
■ Transmission ■ Distribution

Note: For comparative purposes, 2011 excludes all Kentucky-related capital

# 2022-2026 Cash Flows and Financial Metrics

\$ in millions	2022E	2023E	2024E	2025E	2026E
Cash from Operations	\$ 5,700	\$ 6,000	\$ 6,500	\$ 6,900	\$ 7,400
Net Cash Proceeds from Sale of Kentucky Operations <sup>1</sup>	1,400	-	-	-	-
Capital and JV Equity Contributions <sup>2</sup>	(7,800)	(7,000)	(8,300)	(7,700)	(7,300)
Other Investing Activities	(200)	(400)	(400)	(400)	(400)
Common Dividends <sup>3</sup>	(1,600)	(1,600)	(1,700)	(1,700)	(1,700)
Required Capital	<b>\$ (2,500)</b>	<b>\$ (3,000)</b>	<b>\$ (3,900)</b>	<b>\$ (2,900)</b>	<b>\$ (2,000)</b>
<b>Financing</b>					
Required Capital	\$ (2,500)	\$ (3,000)	\$ (3,900)	\$ (2,900)	\$ (2,000)
Debt Maturities (Senior Notes, PCRBs)	(3,000)	(2,400)	(500)	(1,800)	(1,400)
Securitization Amortizations	(100)	(200)	(200)	(100)	(100)
Equity Units Conversion	805	850	-	-	-
Equity Issuances – Includes DRP	-	100	600	700	700
<b>Debt Capital Market Needs (New)</b>	<b>\$ (4,795)</b>	<b>\$ (4,650)</b>	<b>\$ (4,000)</b>	<b>\$ (4,100)</b>	<b>\$ (2,800)</b>
<b>Financial Metrics</b>					
Debt to Capitalization (GAAP)	Approximately 60%				
FFO/Total Debt (Moody's)	13.5% - 15.0% Range				

<sup>1</sup> Cash proceeds to Parent of \$1.4B are net of Kentucky indebtedness, tax and transaction costs and adjusted for residual pay-down of Parent debt.

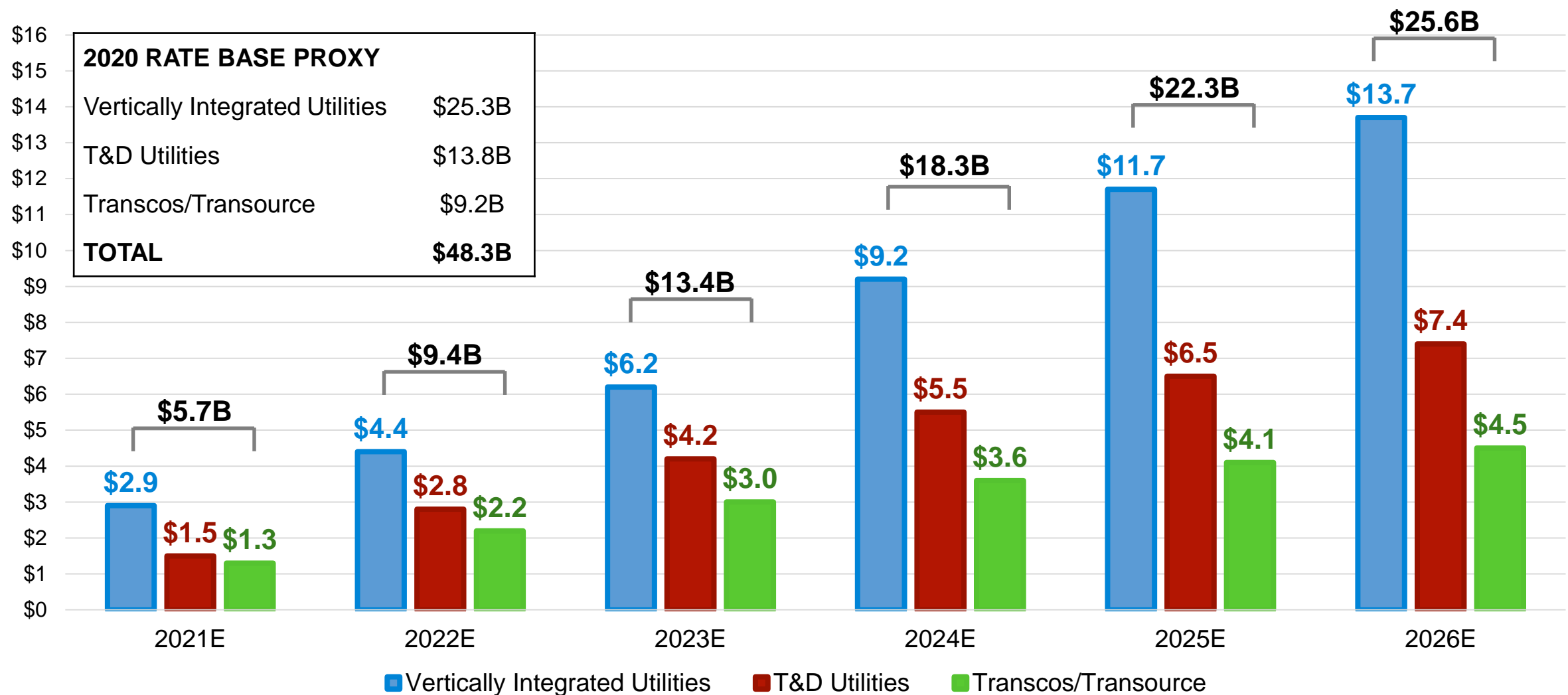
<sup>2</sup> Capital investments in 2022 include approximately \$1.3B for North Central Wind's Traverse project.

<sup>3</sup> Common dividends increased to \$0.78 per share Q4-21; \$3.12/share 2022-2026 (dividends per share remain constant until approved by Board of Directors). 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.

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

# 7.3% CAGR in Rate Base Growth

## Cumulative Change from 2020 Base

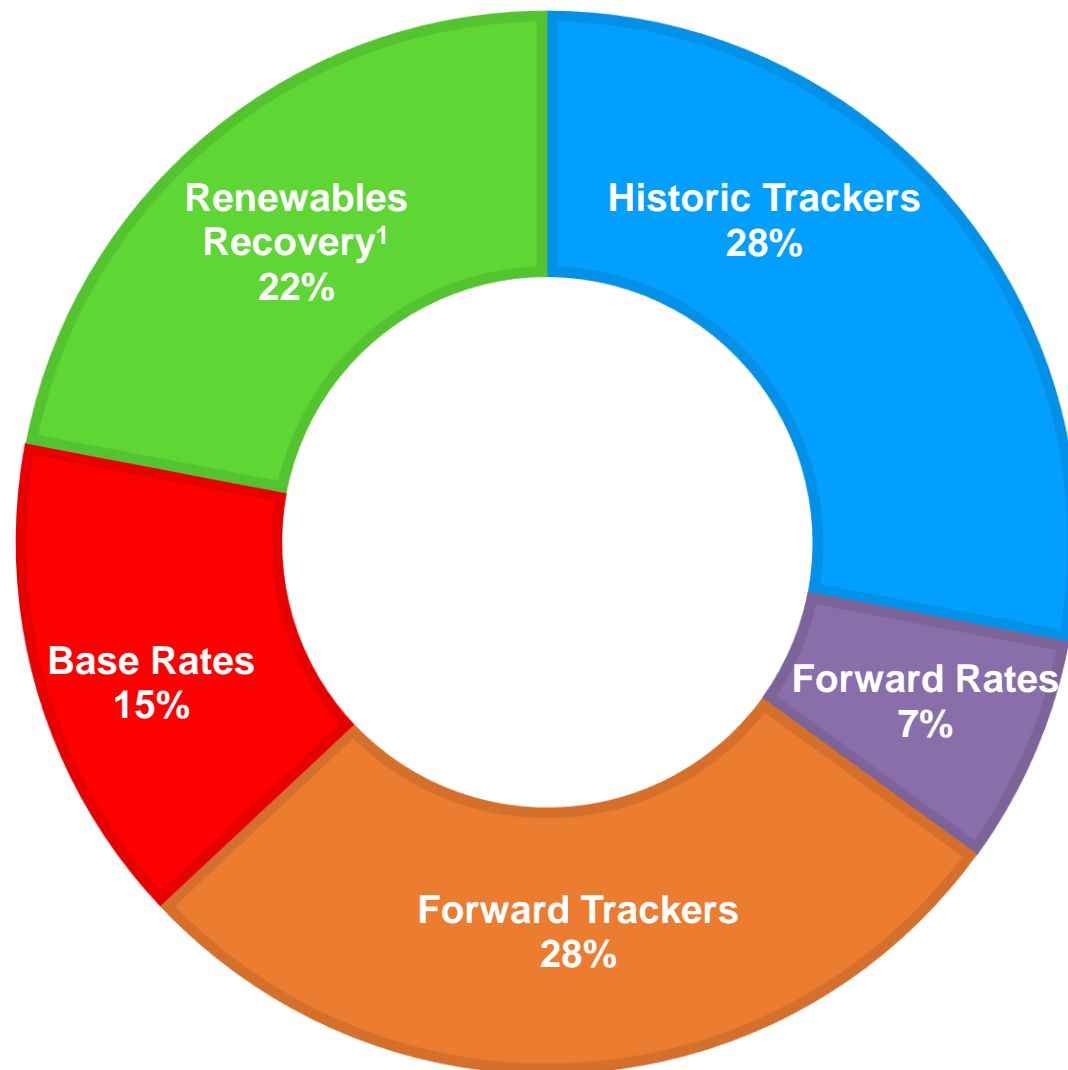


**5%-7% EPS growth is predicated on regulated rate base growth**

Note: For comparative purposes, 2020 rate base proxy excludes all Kentucky-related rate base of approximately \$2 billion



# Efficient Cost Recovery Mechanisms



**Approximately 85% of 2022-2026 regulated capital plan recovered through reduced lag mechanisms**

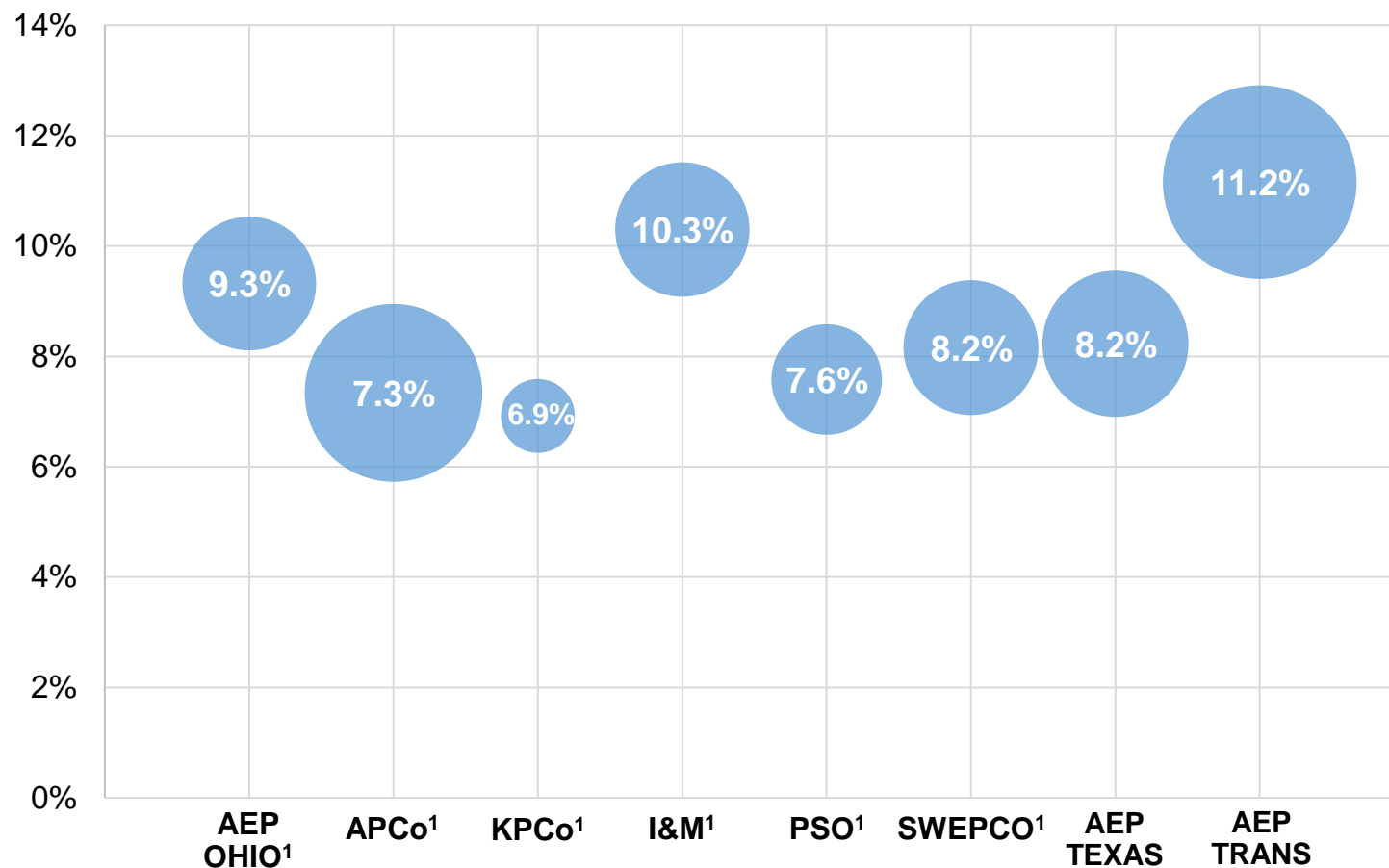
<sup>1</sup> Recovery of renewable investments will occur using a combination of reduced lag mechanisms including trackers, forward test years, near-term retention of PTCs and timed rate cases

# FINANCIAL INFORMATION

- Regulated Returns and Authorized Equity Layers
- 2022 Operating Earnings Guidance
- 2022 Key Guidance Sensitivities and Assumptions
- Regulatory Timeline of Kentucky Sale
- Current Rate Case Activity
- Untracked O&M and O&M Optimization
- Normalized Load Trends
- Pension and OPEB Estimates
- Operational and Financing Structure
- 2022 Debt Issuances and Maturities
- Credit Ratings

# Regulated Returns and Authorized Equity Layers

**Twelve Months Ended 9/30/2021 Earned ROE's**  
(non-GAAP operating earnings, not weather normalized)



**Authorized Equity Layers**  
(in whole percentages)

Operating Company	9/30/17	9/30/21	Improvement
AEP Ohio <sup>2</sup>	48%	54%	6%
APCo – VA	43%	50%	7%
APCo – WV	47%	50%	3%
PSO <sup>2</sup>	44%	53%	9%
SWEPCO – AR <sup>2</sup>	46%	51%	5%
SWEPCO – LA <sup>2</sup>	47%	51%	4%
AEP Texas	40%	43%	3%
AEP Transmission	50%	55%	5%

**2022 Forecasted Regulated ROE is 9.3%**

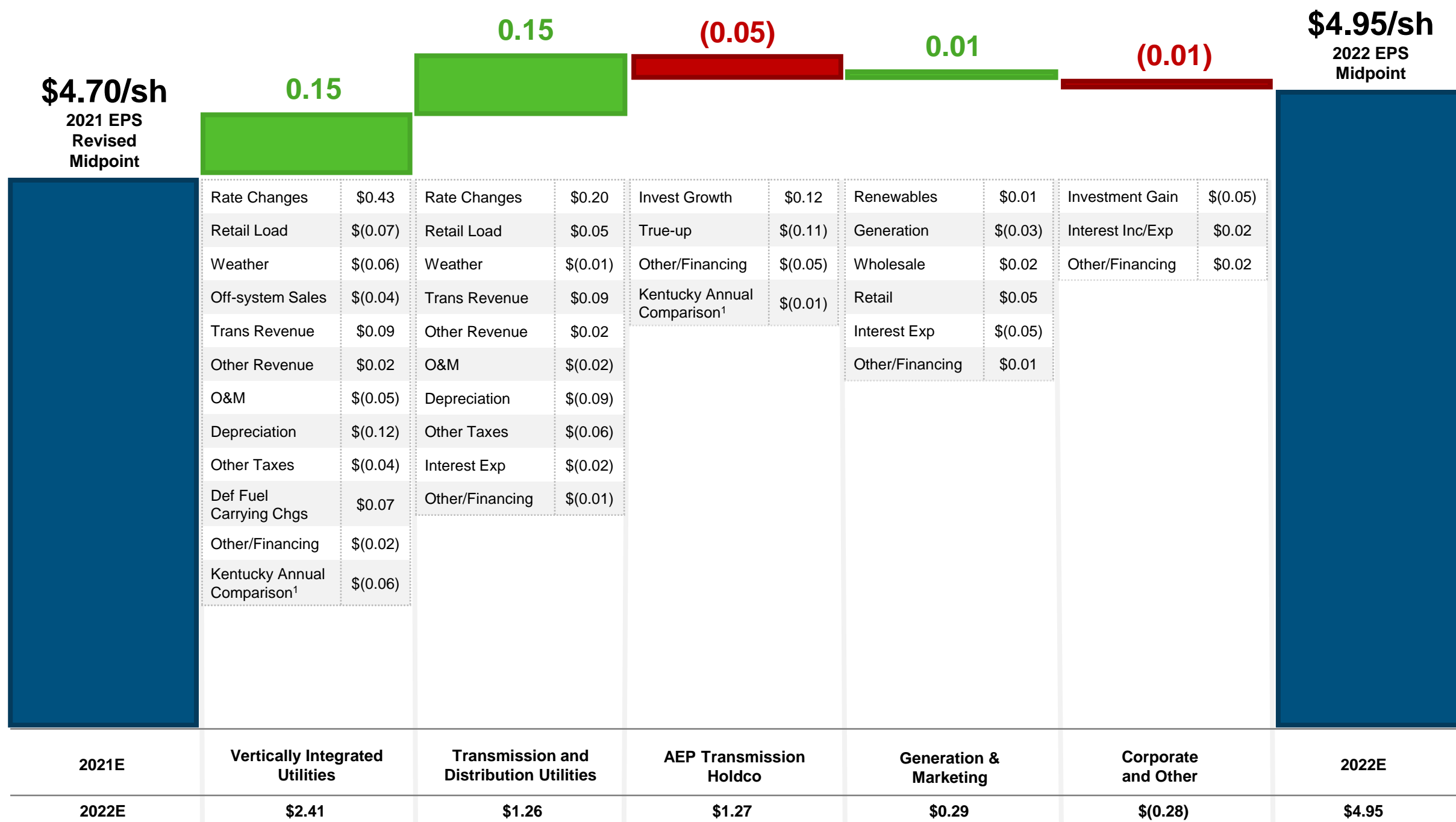
**Improving  
Authorized Equity  
Layers Over Time**

<sup>1</sup> Base rate cases pending/order recently received

<sup>2</sup> 9/30/2021 data represents equity layers as requested in pending base rate cases

*Sphere size based on each company's relative equity balance*

# 2022 Operating Earnings Guidance



<sup>1</sup> Represents the net impact to earnings of Kentucky operations being included in AEP consolidated results for 12 months in 2021 vs. 4 months in 2022. Expected accretion from Kentucky sale transaction included in 2022 operating earnings guidance.



# 2022 Key Guidance Sensitivities and Assumptions

	Sensitivity		EPS	
Retail Sales			VIU	T&D
Residential	1.0%	+/-	0.027	0.010
Commercial	1.0%	+/-	0.013	0.003
Industrial	1.0%	+/-	0.011	0.000
O&M Expense (excludes O&M with offsets)	1.0%	+/-	0.04	
Interest Expense (floating debt)	25 bps	+/-	0.02	
Interest Expense (new issuances)	25 bps	+/-	0.01	
Regulated ROE	10 bps	+/-	0.05	

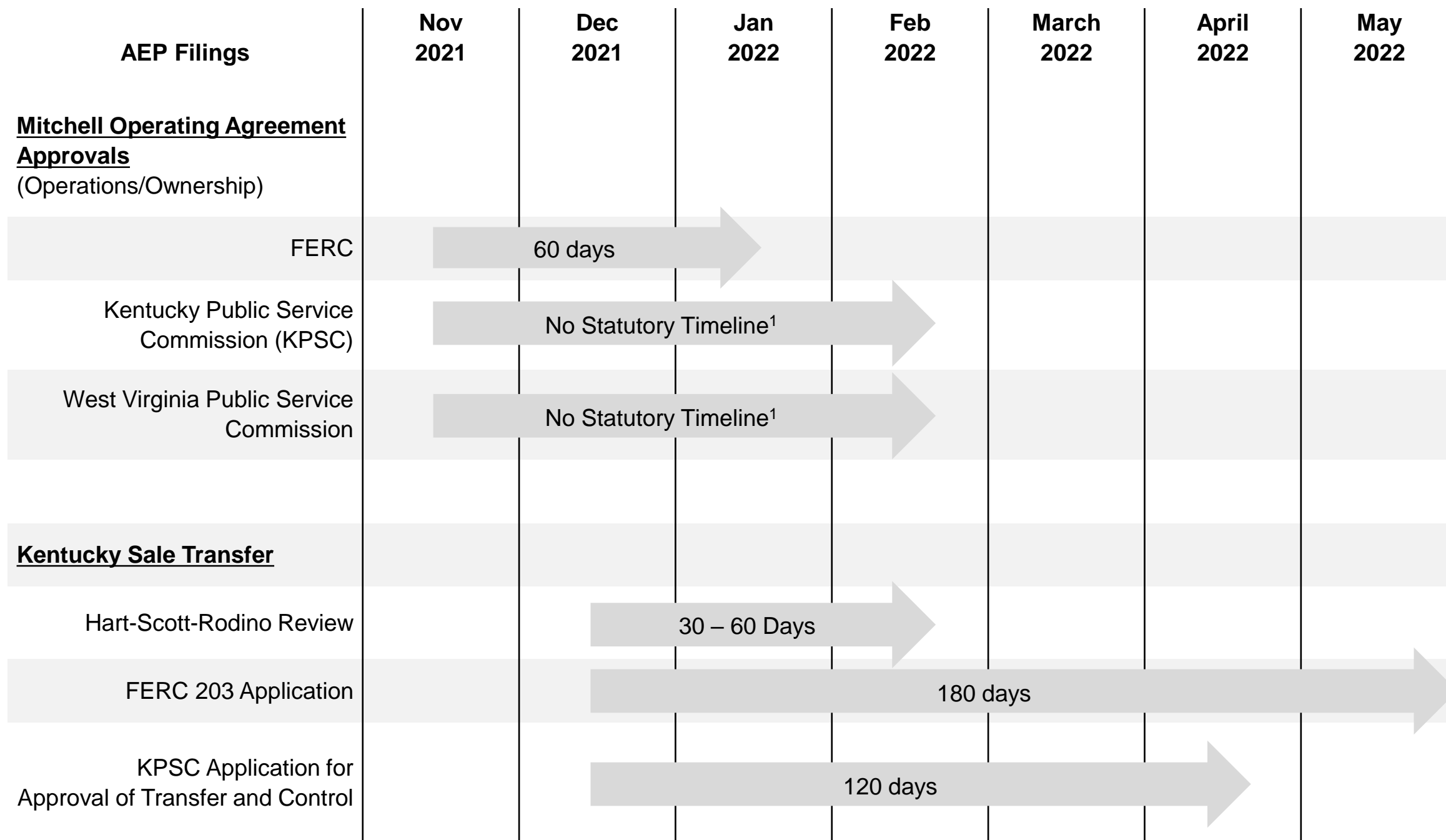
Assumptions	
<b>2022 Regulated Connected Load</b> (Billed and Accrued)	
Residential	57,523 GWh
Commercial	47,152 GWh
Industrial	58,649 GWh
Rate Changes: \$369M; \$164M secured	
Average Shares Outstanding: 511.9M	

A \$6.5M change in pretax earnings equals \$0.01 per share

Note: AFUDC earnings move inversely to interest expense from rate changes. Sensitivities and assumptions herein include Kentucky operations through April 2022.

# Regulatory Timeline of Kentucky Sale

In October 2021, AEP entered into an agreement to sell its Kentucky operations to Algonquin Power & Utilities for an enterprise value of \$2.846B. The sale is expected to close in Q2-22 pending regulatory approvals.



Note: Additionally, needs clearance from the Committee on Foreign Investment in the United States (90-120 days).

<sup>1</sup> Commissions are seeking a timely update of the Operating Agreement

# Current Rate Case Activity

## AEP Ohio

Docket #	20-0585-EL-AIR
Filing Date	6/1/2020
Requested Revenue Increase	\$402M
Requested Rate Base	\$3.105B
Requested ROE	10.15%
Cap Structure	45.6%D / 54.4%E
Net Revenue Increase	\$41M <sup>1</sup>
Test Year	11/30/2020
<u>Settlement Summary</u>	
Settlement Filed	3/12/2021
Commission Order	11/17/2021
Effective Date	12/1/2021
Revenue Increase	\$295M
Rate Base	\$3.088B
ROE	9.7%
Cap Structure	45.6%D / 54.4%E
Net Revenue Decrease	\$64M <sup>1</sup>

<sup>1</sup> Approximately \$60M of the filed vs. settled difference reflects the discontinuation of EE/DSM programs and movement of certain items from base rates to riders; no earnings impact.



## APCo - Virginia

Docket #	PUR-2020-00015
Filing Date	3/31/2020
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
<u>Commission Order Summary<sup>2</sup></u>	
Order Received	11/24/2020
Effective Date	1/23/2021
ROE	9.2%
Cap Structure	50%D / 50%E
Gross Revenue Increase	\$0M (Less \$25.5M D&A)
Net Revenue Decrease	\$25.5M

<sup>2</sup> APCo immediately filed an appeal of the commission order with the Virginia Supreme Court. While the court declined to expedite the appeal schedule and grant interim rates, the appeal remains on the normal timeline with a result expected in 2022.





# Current Rate Case Activity

## I&M - Indiana

Docket #	45576
Filing Date	7/1/2021
Requested Rate Base	\$5.2B
Requested ROE	10.0%
Cap Structure	49.1%D / 50.9%E
Gross Revenue Increase	\$104M (Less \$7M D&A)
Net Revenue Increase	\$97M
Test Year	2022 Forecasted
<u>Settlement Summary</u>	
Settlement Filed <sup>1</sup>	11/16/2021
Settlement Hearing	12/17/2021
ROE	9.7%
Cap Structure	50%D / 50%E
Net Revenue Increase <sup>2,3</sup>	\$61M
Expected Commission Order	Q2-22

<sup>1</sup> Joint stipulation and settlement agreement reached with all parties but one who is not opposing the settlement.

<sup>2</sup> Does not include \$145M of Rockport Unit 2 costs moving from base rates to riders through the end of the Rockport Unit 2 lease term in December 2022; no earnings impact.

<sup>3</sup> Revenue increases are recognized on a phased-in basis. The result is a \$3M net increase beginning in Q2-22 and a \$61M net increase beginning in January 2023.



## PSO

Docket #	202100055
Filing Date	4/30/2021
Requested Rate Base	\$3.293B
Requested ROE	10.0%
Cap Structure	47.0%D / 53.0%E
Gross Revenue Increase	\$172M <sup>4</sup> (Less \$57M D&A)
Original Net Revenue Increase	\$115M
6-Month Post Test Year Net Revenue Increase	\$70M <sup>5</sup>
Test Year	12/31/2020
<u>Settlement Summary</u>	
Settlement Filed <sup>6</sup>	9/30/2021
Hearing	10/5/2021
ROE	9.4%
Cap Structure	47.0%D / 53.0%E
Net Revenue Increase	\$51M
Expected Commission Order	Q4-21

<sup>4</sup> Does not include \$71M of current riders moving to base rates.

<sup>5</sup> The change in net revenue ask is the result of a 6-month post test year adjustment that included an additional \$32M of current riders moving to base rates and \$13M of rebuttal testimony adjustments.

<sup>6</sup> Joint stipulation and settlement agreement reached with many parties to the case.



# Current Rate Case Activity

## SWEPCO – Arkansas<sup>1</sup>

Docket #	21-070-U
Filing Date	7/23/2021
Requested Rate Base	\$1.56B
Requested ROE	10.35%
Cap Structure	48.7%D / 51.3%E
Gross Revenue Increase	\$85M (Less \$29M D&A)
Net Revenue Increase	\$56M
Test Year	4/30/2021 <sup>2</sup>
<u>Procedural Schedule</u>	
Intervenor Testimony	12/7/2021
Rebuttal Testimony	1/13/2022
Hearing	3/15/2022
Expected Commission Order	Q2-22

<sup>1</sup> This filing provides notice of re-election for rate regulation under a formula rate review mechanism.

<sup>2</sup> Includes adjustments for reasonably known and measurable changes through 4/30/2022, including North Central Wind.



## 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	\$114M (Less \$41M D&A)
Net Revenue Increase	\$73M
Test Year	12/31/2019 <sup>3</sup>
<u>Procedural Schedule</u>	
Hearing	1/18/2022
Expected Commission Order	Q2/Q3-22

<sup>3</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>4</sup> (Less \$17M D&A)
Net Revenue Increase	\$73M
Test Year	3/31/2020
<u>Procedural Schedule</u>	
Expected Commission Order	Q4-21 <sup>5</sup>

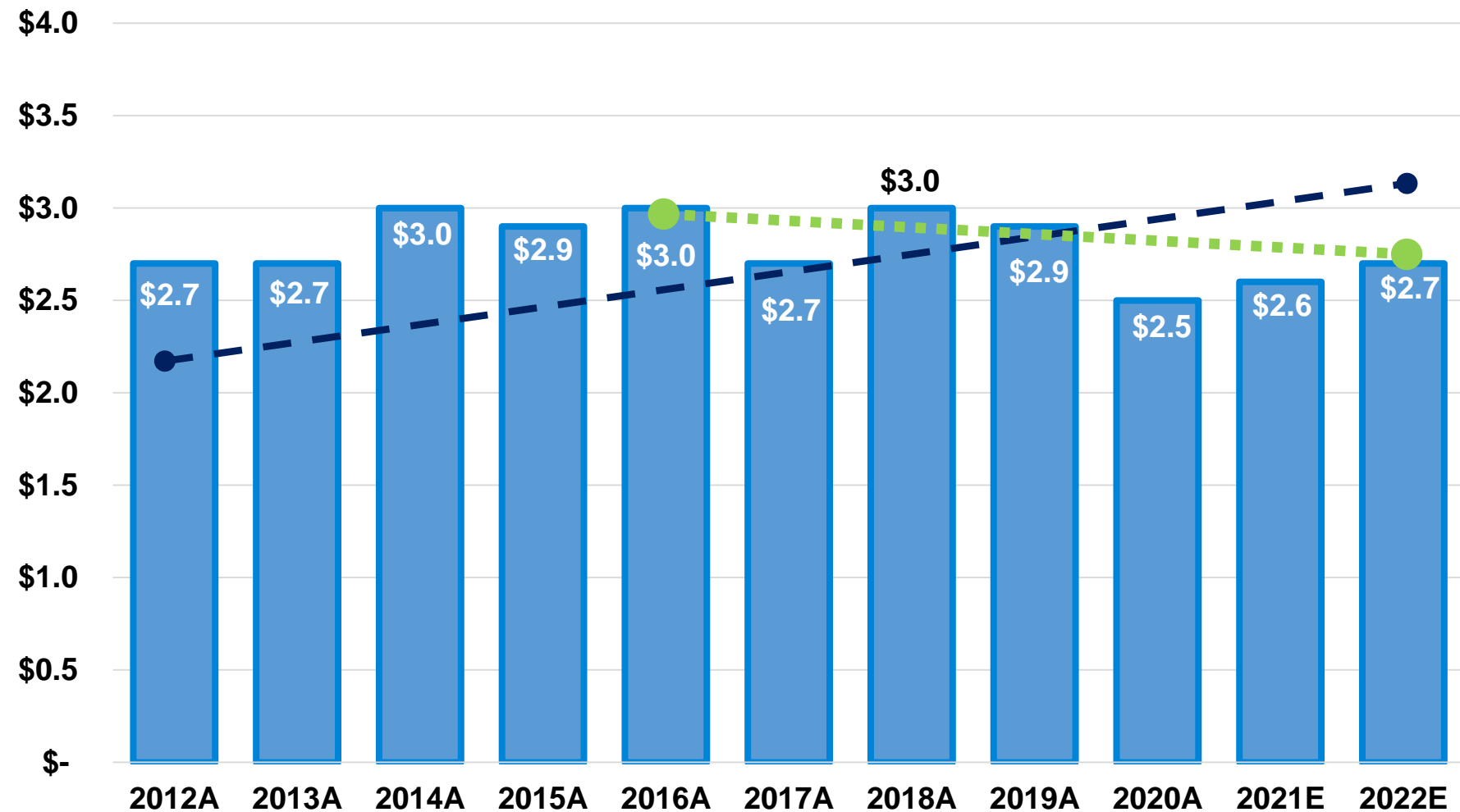
<sup>4</sup> Does not include \$15M of current riders moving to base rates.

<sup>5</sup> Commission voted to adopt PFD with certain modifications during the 11/18/21 open meeting.



# Untracked O&M

(in billions)



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

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

■ Untracked O&M Actuals/2021-2022 Estimate

●-● Bending the Curve Trajectory

●-● Inflation @ 2%

Note: For comparative purposes, historical and projected O&M excludes Kentucky-related O&M expenses

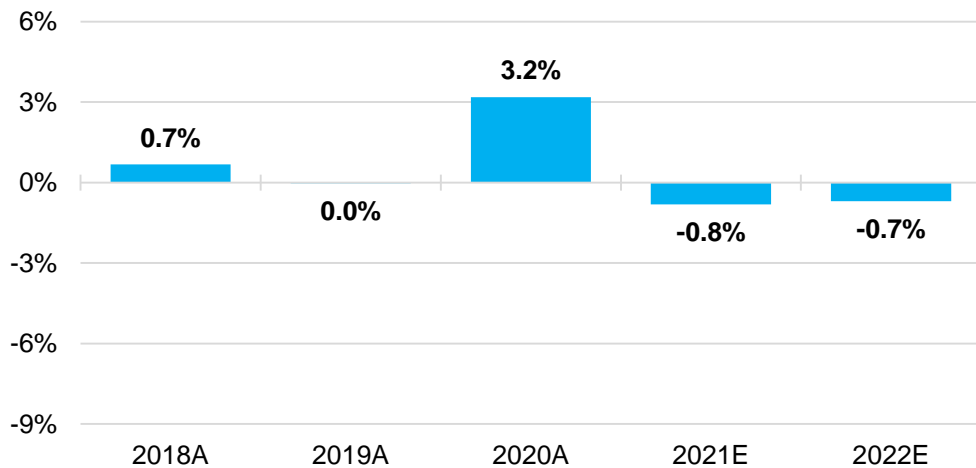


# O&M Optimization

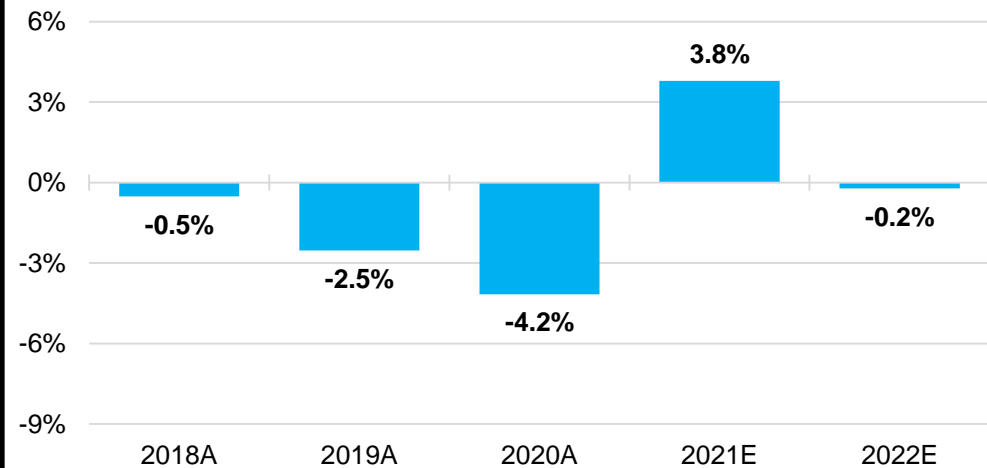
Initiatives	Actions
Achieving Excellence Program	<ul style="list-style-type: none"> <li>• <b>Employee based O&amp;M prioritization and optimization effort</b></li> <li>• <b>Driven down costs in 2020 and beyond, initial results imbedded in budgets</b></li> <li>• <b>2022 Program</b> – new O&amp;M savings 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) across the organization leveraging design thinking and technology resources to develop the future state</li> </ul>
Lean Management System Implementation/ Continuous Process Improvement	<ul style="list-style-type: none"> <li>• <b>Distribution</b> – Drive enhanced reliability which will lead to reduced O&amp;M cost associated with storm restoration in the long term</li> <li>• <b>Supply chain</b> – 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>• <b>Fleet operations</b> – Focus on reducing the number of vehicle platforms/options acquired and optimizing the acquisition process to reduce acquisition and maintenance costs</li> <li>• <b>Generation (system productivity)</b> – 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 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> </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>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>

# Weather Normalized Billed Retail Load Trends

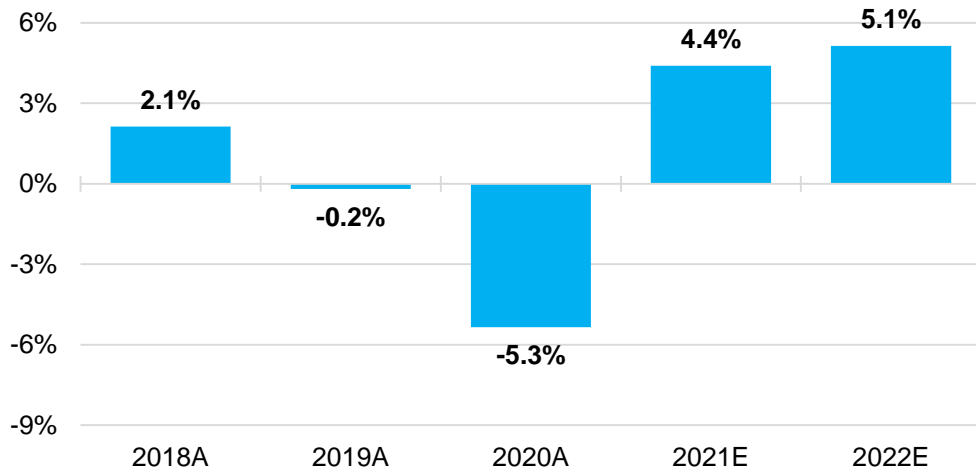
**AEP Normalized Residential GWh Sales**  
% Change vs. Prior Year



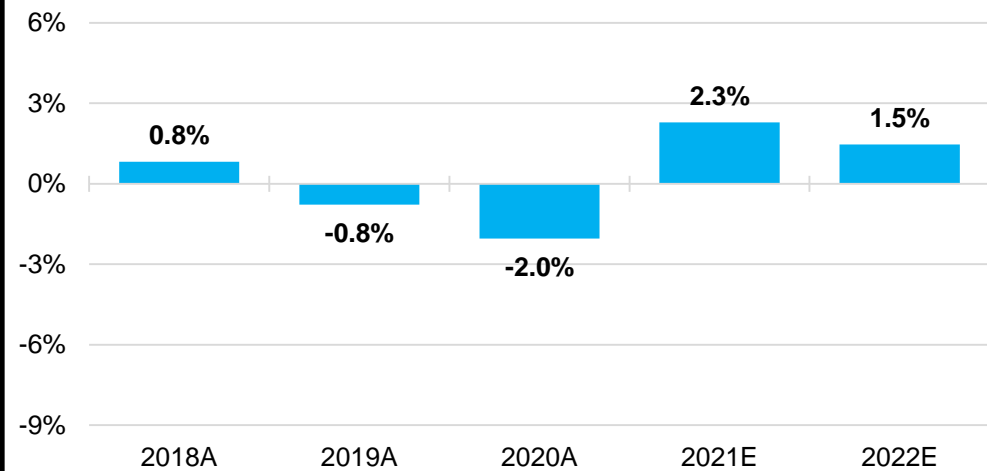
**AEP Normalized Commercial GWh Sales**  
% Change vs. Prior Year



**AEP Industrial GWh Sales**  
% Change vs. Prior Year



**AEP Normalized Retail GWh Sales**  
% Change vs. Prior Year



Note: 2021 estimates represent 9 months weather normalized actual results plus 3 month forecasted values. 2021/2022 comparisons may change based on actual 2021 results. For comparative purposes, historical and projected load excludes Kentucky Power Company.

# Pension and OPEB Estimates

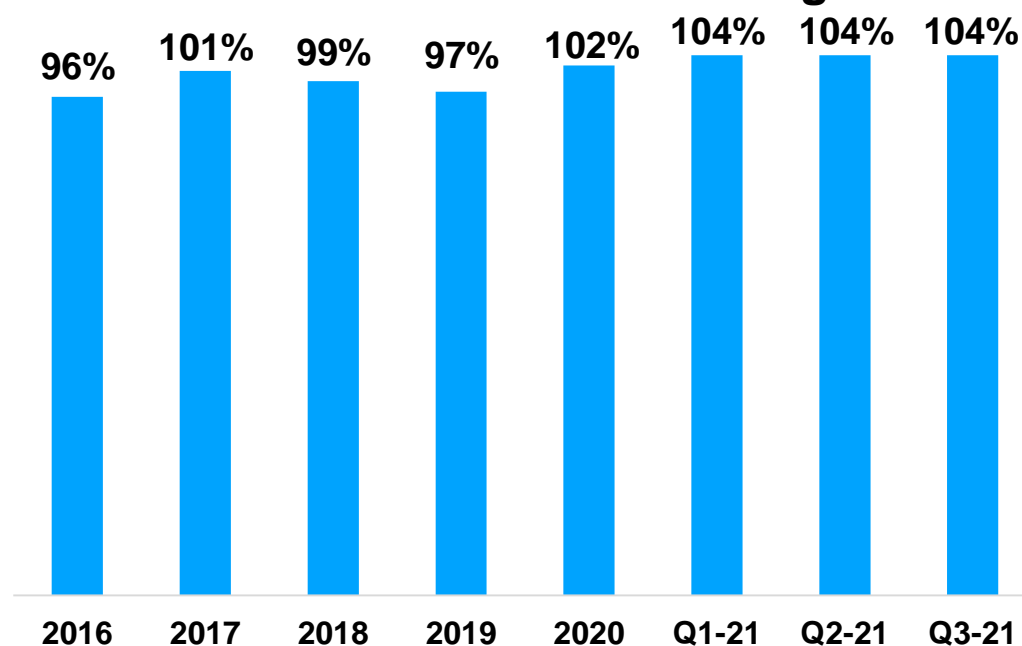
Assumptions	2021E	2022E <sup>1</sup>
Pension Discount Rate	2.50%	3.15%
OPEB Discount Rate	2.55%	3.16%
Assumed Long Term Rate of Return on Pension Assets	4.75%	4.75%
Assumed Long Term Rate of Return on OPEB Assets	4.75%	4.75%
Pension/OPEB Funding	\$11M	\$135M
Pension/OPEB Cost <sup>2</sup>	\$16M	\$22M
Pension/OPEB Pre-tax Expense <sup>3</sup>	\$(42M)	\$(35M)

<sup>1</sup> The sale of Kentucky operations is not expected to materially impact 2022 assumptions

<sup>2</sup> Pre-tax expense and pre-capitalization

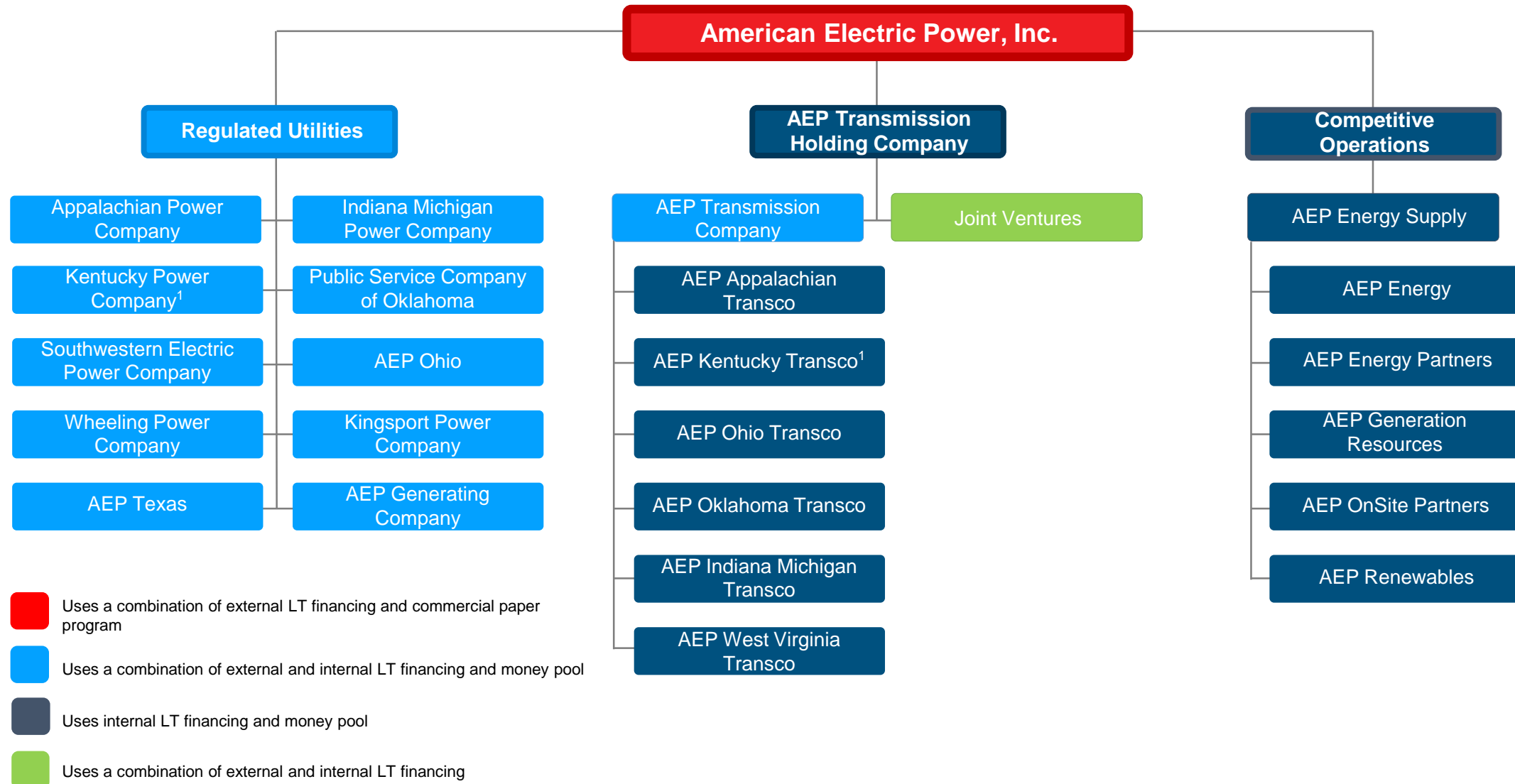
<sup>3</sup> Recorded in O&M and Non-Service Cost Components of Net Periodic Benefit Cost on the income statement

## Qualified Pension Funding



- YTD pension and OPEB returns were up at 2.3% and 4.7%, respectively, as strong equity returns were offset by fixed income losses, as yields increased since the beginning of the year.
- We expect combined pension and OPEB costs (pre-tax and including capitalized portion) to increase from 2021 to 2022 due to lower than expected actual returns in 2021, but the actual cost difference between 2021 and 2022 continues to be subject to potential changes in investment results, interest rates and actuarial assumptions.
- Pension expense for regulated subsidiaries is recovered through base rates.

# AEP Operational and Financing Structure



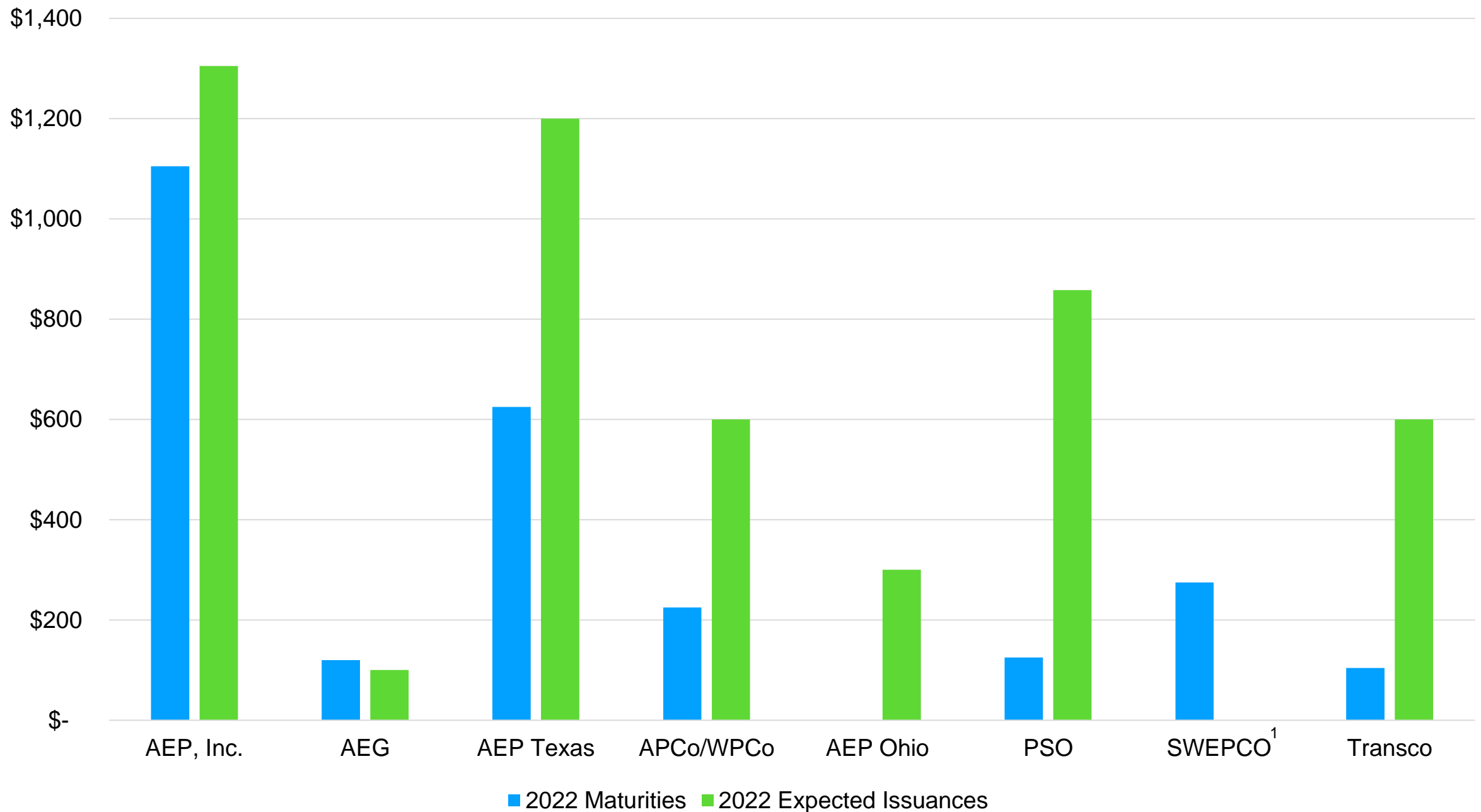
Note: Does not represent legal structure

<sup>1</sup> In October 2021, AEP entered into an agreement to sell its Kentucky operations to Algonquin Power & Utilities. The sale is expected to close in Q2-22 pending regulatory approvals



# 2022 Debt Issuance and Maturities Overview

(\$ in millions)



Note: Pending close of sale of Kentucky operations in Q2-22, AEP proceeds will be net of Kentucky's outstanding indebtedness. Additionally, any residual proceeds may be used to reduce a small portion of other outstanding debt.

<sup>1</sup> In November 2021, SWEPCO announced plans to redeem \$275 million of 3.55% Senior Notes due in 2022

# Credit Ratings

## Current Ratings for AEP, Inc. and Subsidiaries (as of 11/15/2021)

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

- **ESG Leadership: Transparency and Performance**
- **Emission Reduction Goals**
- **Investing to Reduce Emissions**
- **Committed to Being a Top ESG Employer**
- **Board and Leadership Composition**



# ESG Leadership: Transparency and Performance



**Rating: A**

Average to Relative High  
Performance



**ESG Risk Rating: 30.7**

Scale of 0 – 40+  
Rank 21<sup>st</sup> percentile in subindustry group



**Rating: 52**

Scale of 0 to 100  
Ranked 3<sup>rd</sup> of 69 in industry group



**Rating: C**

Scale of D- to A+  
Ranked 5<sup>th</sup> decile in industry group



**R-Factor™ Score: 69**

Scale of 0 to 100  
Outperformer in industry (U.S. and global)



# Carbon Emission Reduction Goals

# 80%

by 2030

# Net Zero

by 2050

(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

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

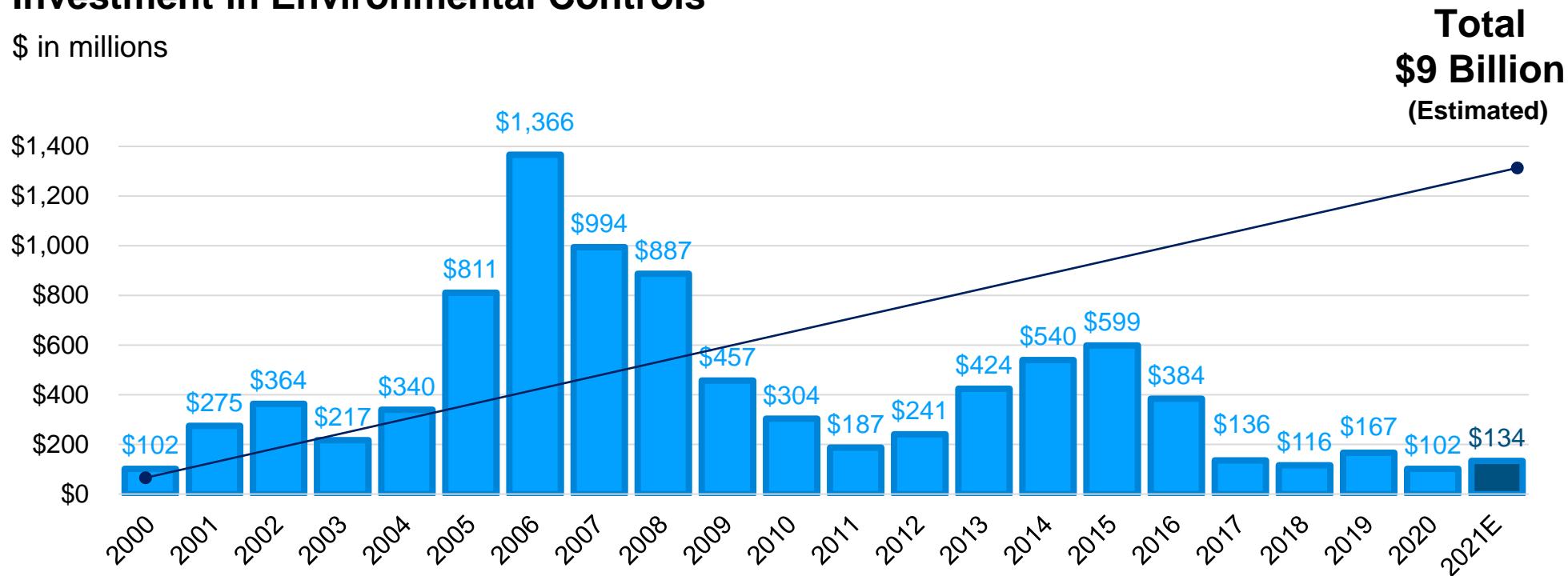
- Corporate Accountability Report
- Climate Impact Analysis Report (a TCFD report)
- ESG Data Center (featuring 250+ ESG metrics)
- EEI ESG Sustainability Report
- Sustainability Accounting Standards Board (SASB)
- CDP Survey Responses
- GRI Report
- AEP also responds to investor-related surveys, including MSCI and Sustainalytics



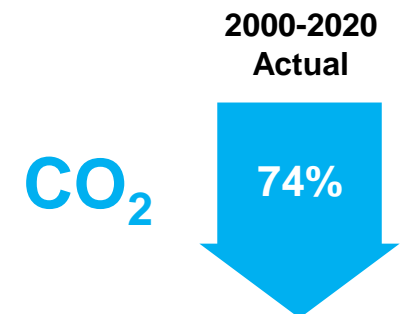
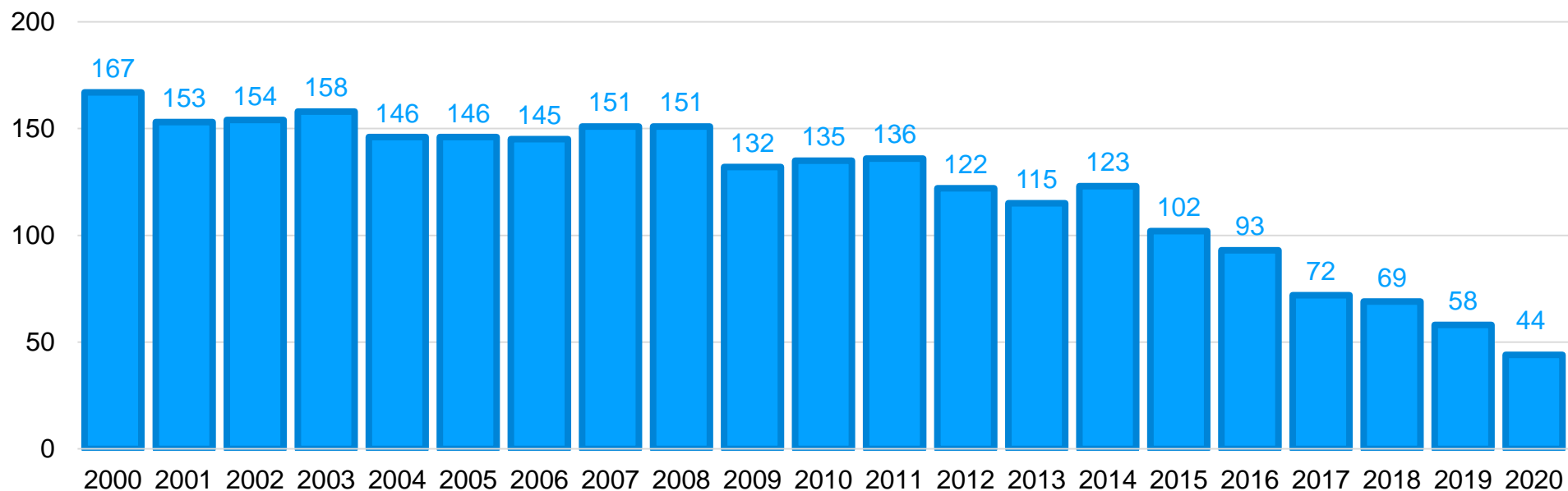
# Investing to Reduce Emissions

## Investment in Environmental Controls

\$ in millions



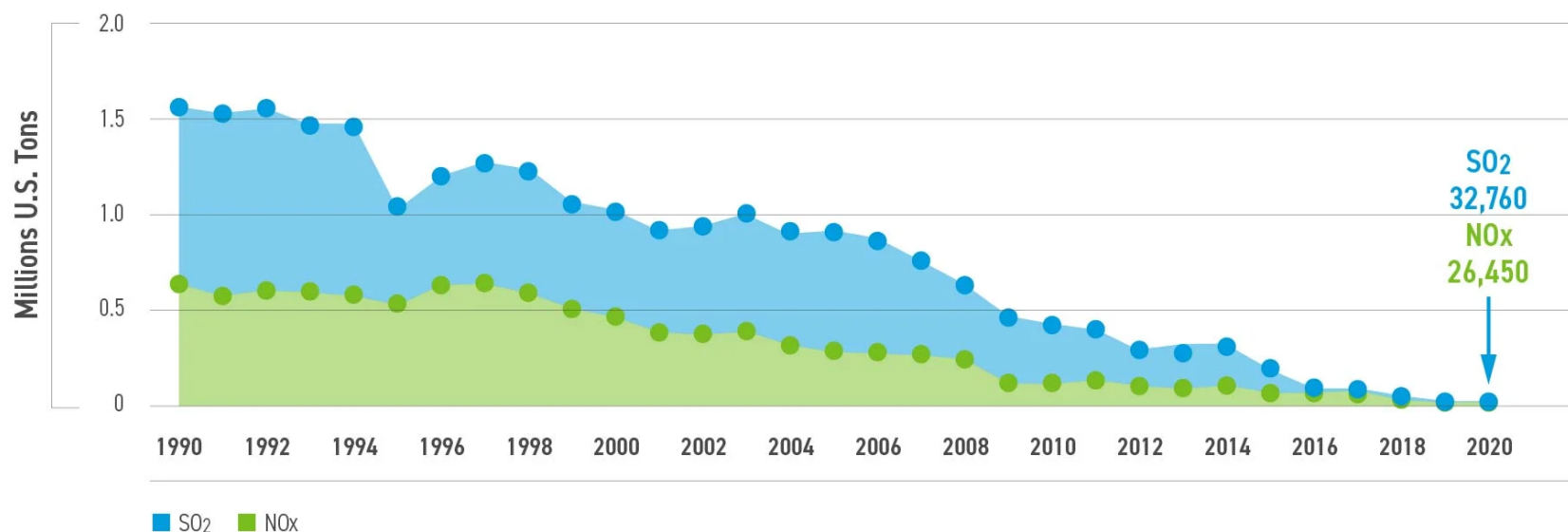
## Total AEP System – Annual CO<sub>2</sub> Emissions in million metric tons



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

# Investing to Reduce Emissions

## Total AEP System NOx and SO<sub>2</sub> Emissions



Direct annual emissions of SO<sub>2</sub> and NO<sub>x</sub> from AEP's ownership share of generation as reported under Title IV of the 1990 Clean Air Act.

1990-2020  
Actual

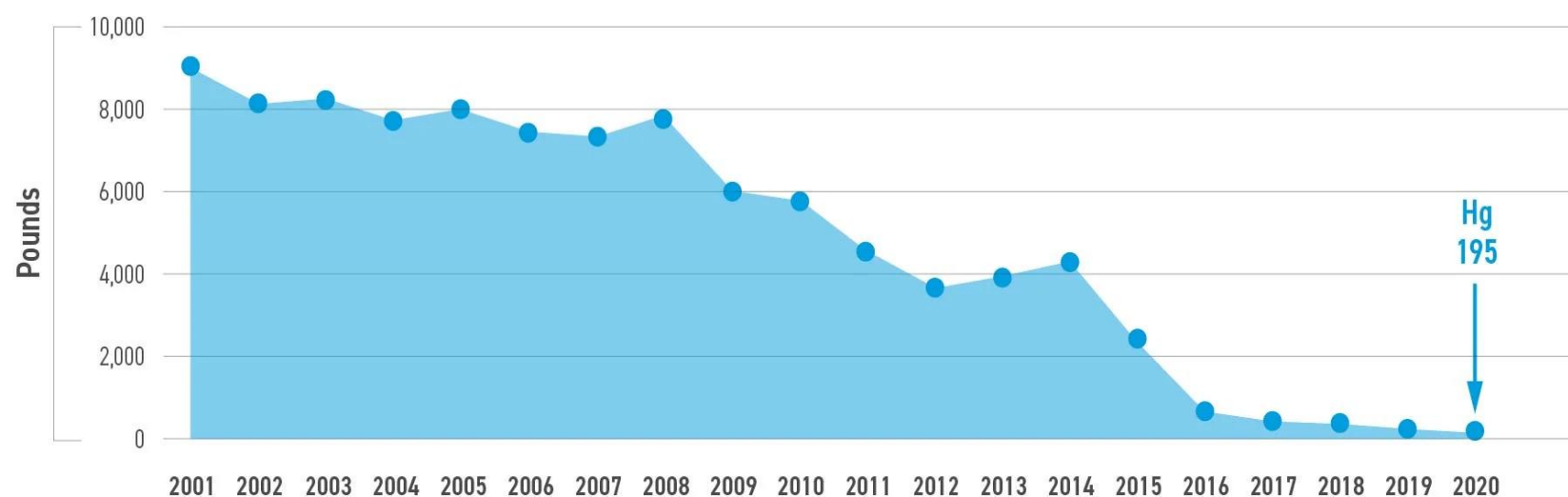
SO<sub>2</sub>

98%

NO<sub>x</sub>

96%

## Total AEP System Mercury Air Emissions



AEP equity share of mercury air emissions from Toxic Release Inventory reporting. 2020 was estimated with MATS program emission monitors.

2001-2020  
Actual

Hg

98%

# Committed to Being a Top ESG Employer



#1 IN UTILITIES

Forbes 2021

Recognizes companies that set the standard in commitment to their stakeholders



Benchmarking tool for businesses to report disability policies and practices



Recognizes companies that are trailblazers in their commitment to gender reporting and advancing women's equality



GALLUP EXCEPTIONAL  
WORKPLACE AWARD

Recognizes organizations with engaged workplace cultures



Annual measure of how equitably large businesses treat LGBTQ employees, consumers and investors

## Other Awards/Recognition

- Newsweek's Most Responsible Companies
- Fortune's World's Most Admired Companies
- JUST Capital's Top 100 U.S. Companies Supporting Healthy Communities and Families
- Forbes America's Best Employers for Women
- Site Selection Magazine's Top Utilities for Economic Development

# Board and Leadership Composition

## Board Composition

**8 YRS**  
**AVERAGE  
TENURE**

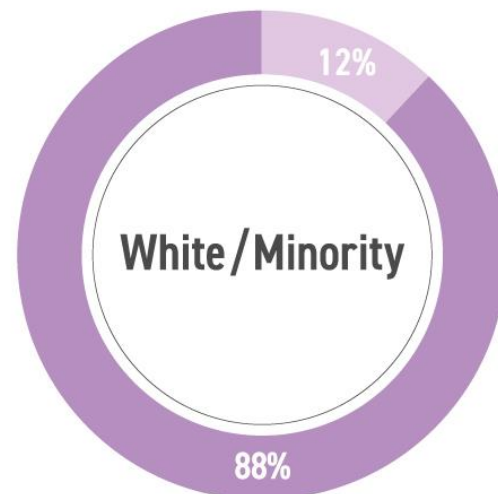
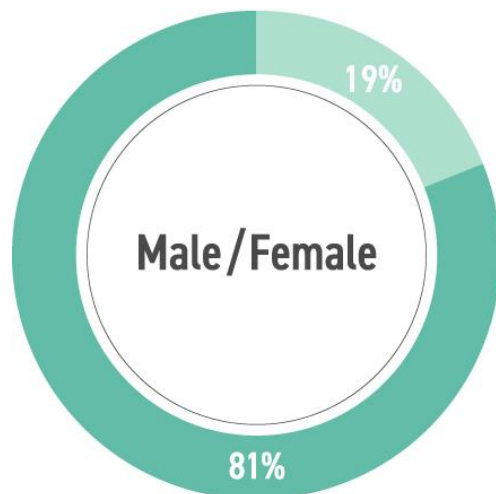
**92%**  
**INDEPENDENT**  
11 of 12 directors are  
independent

**25%**  
**MINORITY**

**33%**  
**WOMEN**

Represents 2021 data after annual meeting on 4/20/21

## 2020 Executive/Senior Leadership Diversity



■ Male ■ Female ■ White ■ Minority

Represents employees in an executive/senior level position



Russell 3000 companies who have 3 or more  
women on their board of directors



# GENERATION TRANSFORMATION

- **Delivering Clean Energy Resources**
- **Regulated Renewables Opportunity**
- **Regulated Renewable Requests for Proposals**
- **North Central Wind Overview**



# Delivering Clean Energy Resources

## AEP's September 30, 2021 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	56	450	506
Public Service Company of Oklahoma	222	1,137	1,359
Southwestern Electric Power Company	264	469	733
Competitive Wind, Solar and Hydro	1,681	101	1,782
<b>Total</b>	<b>3,008</b>	<b>2,941</b>	<b>5,949</b>



# ~16,300 MW

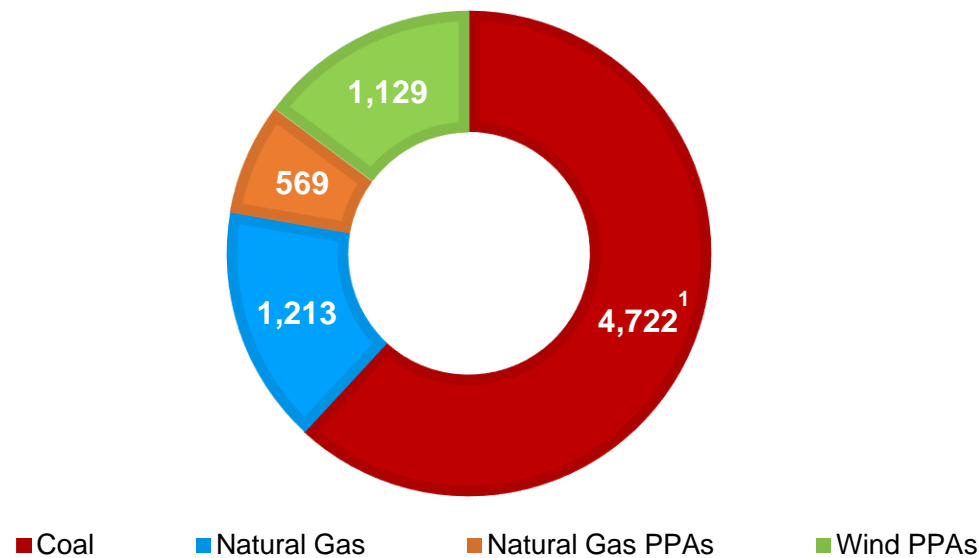
Renewable Generation Interconnected Across the U.S. via AEP'S Transmission System Today



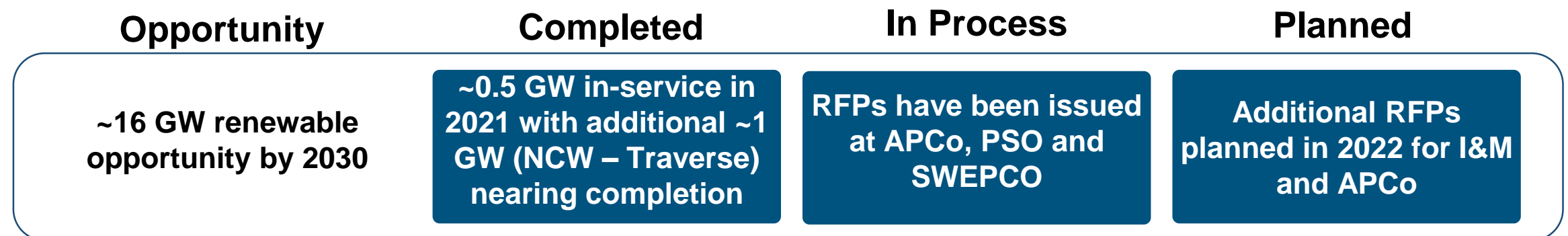
# Regulated Renewables Opportunity



Regulated Generation Retirement and PPA Expirations (MW) 2022-2030



**~8 GW of planned retirements and expiring PPAs from 2022-2030 driving capacity needs**



<sup>1</sup> Does not include retirement of the 595 MW Cardinal Unit 1 in 2028 which is part of AEP's unregulated generation fleet

# Regulated Renewable Requests for Proposals

	Resource Type	"Up To" MW Capacity	RFP Issuance Date	Regulatory Applications	Projected In-Service Date
APPALACHIAN POWER	Solar	5	January 2020	Q4-21	Q2-23
	Solar	50	June 2020	Q4-21 – Q1-22	Q2-23
	Wind and Solar	300	February 2021	Q1-22 – Q4-22	YE-23 – YE-25
SOUTHWESTERN ELECTRIC POWER COMPANY	Wind	3,000	June 2021	Q2-22 – Q2-23	YE-24 – YE-25
	Solar / Storage	300			
PUBLIC SERVICE COMPANY OF OKLAHOMA	Wind	2,800	November 2021	Q2-22 – Q2-23	YE-24 – YE-25
	Solar / Storage	1,350			
INDIANA MICHIGAN POWER	Wind / Solar / Storage	(TBD)	Expected Q1-22	Q1-23 – Q4-23	YE-25
APPALACHIAN POWER	Wind / Solar / Storage	(TBD)	Expected Q1-22	Q1-23 – Q4-23	YE-25

## Near-Term Integrated Resource Plan (IRP) Updates

PUBLIC SERVICE  
COMPANY OF  
OKLAHOMA

October 2021  
Oklahoma

APPALACHIAN  
POWER

November 2021  
Virginia Clean Economy Act  
(VCEA) Compliance Plan

SOUTHWESTERN  
ELECTRIC POWER  
COMPANY

December 2021  
Arkansas

INDIANA  
MICHIGAN  
POWER

December 2021  
Indiana

February 2022  
Michigan

IRPs set the stage for  
new regulated  
renewable resource  
additions

# North Central Wind Overview



North Central Wind - Maverick

## 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%

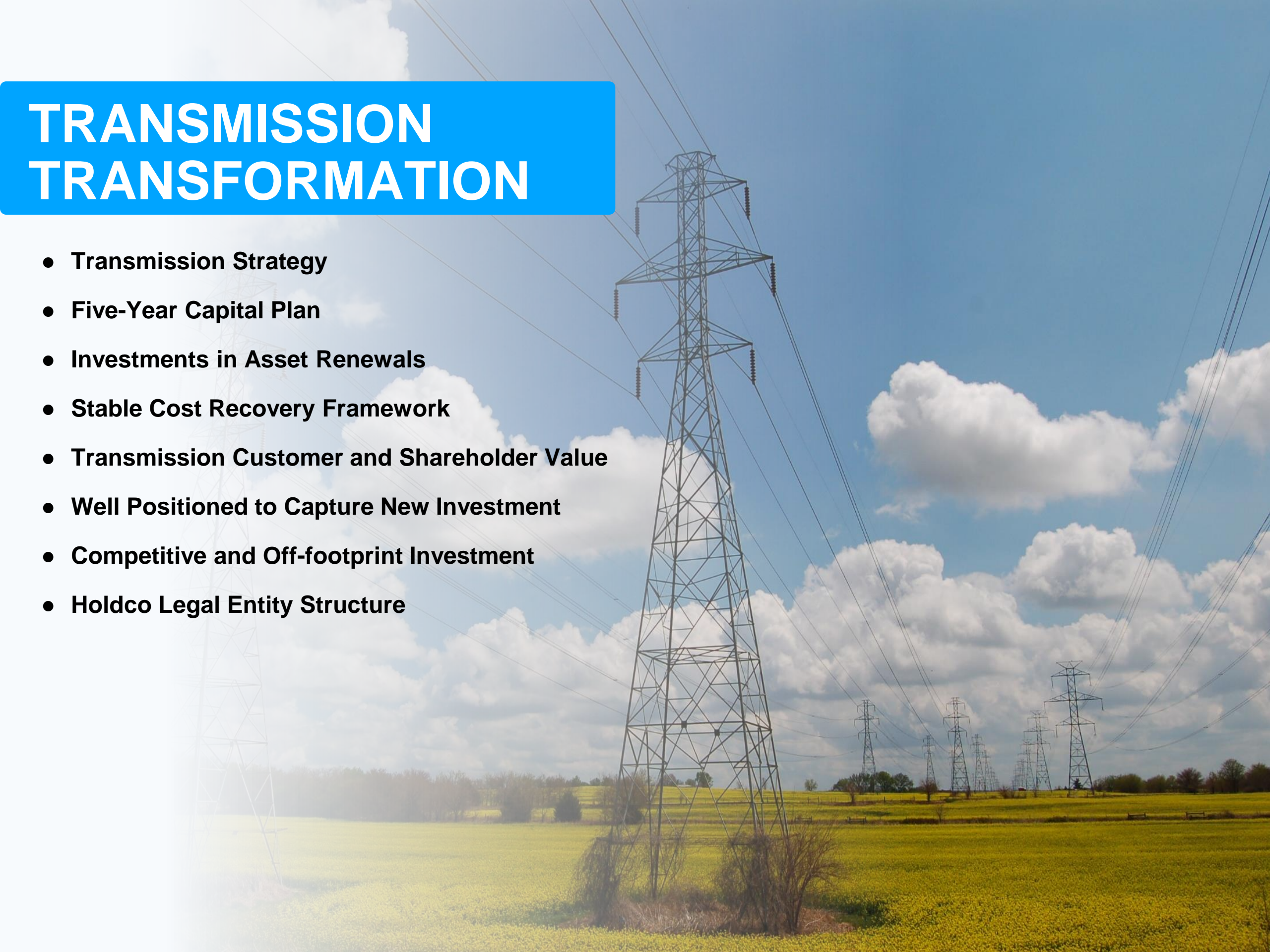
## PSO and SWEPCO Regulated Wind Investment

Total Rate Base Investment	~\$2 billion (1,485 MW)			
North Central Wind	<u>Name</u>	<u>MW</u>	<u>Estimated Investment</u>	<u>Commercial Date</u>
	Sundance	199	\$300M	Apr. 14, 2021 (100% PTC)
	Maverick	287	\$400M	Sept. 10, 2021 (80% PTC)
	Traverse	999	\$1,300M	Jan. 2022 to Apr. 2022 (80% PTC)
Net Capacity Factor	44%			
Customer Savings	~\$3 billion (30-year nominal \$)			
Developer	Invenergy			
Turbine Supplier	GE			
Note: Facilities acquired on a fixed cost, turn-key basis at completion				



# TRANSMISSION TRANSFORMATION

- **Transmission Strategy**
- **Five-Year Capital Plan**
- **Investments in Asset Renewals**
- **Stable Cost Recovery Framework**
- **Transmission Customer and Shareholder Value**
- **Well Positioned to Capture New Investment**
- **Competitive and Off-footprint 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 \$12.9 billion across AEP's broad geographic footprint of 15 states and 3 regional energy markets**

**Delivering significant customer benefits:**

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

**Disciplined execution:**

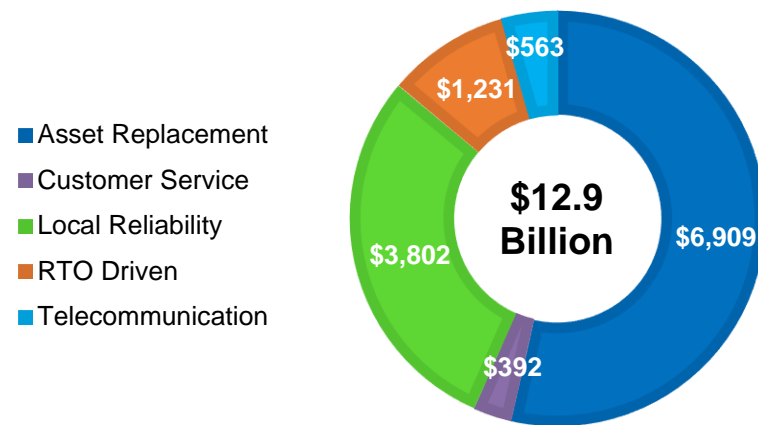
Low cost, high value solutions  
High speed delivery  
Technological innovation

- ✓ **Stable Cost Recovery Framework**
- ✓ **Deliver Value to Customers and Communities While Providing Predictable Earnings Growth**



# Five-Year Transmission Capital Plan

## 2022-2026 Transmission Investment Categories



From 2022 through 2026, ~50% of AEP's transmission capital investment will be deployed to modernize the transmission grid and enhance reliability and resilience

**AEP's transmission investment is well positioned to grow with renewable expansion while improving reliability and meeting customer needs**

Costs Supported by AEP Customers

Costs Supported More Broadly

Drivers

### Asset Replacement

- Asset renewal investments based on condition, performance and risk to reduce customer outages and interruption times

### Local Reliability

- Standards-driven projects to address thermal and voltage violations, and improve operational flexibility

### Customer Service

- Upgrades to connect new customers and enhanced service requests
- Facilitates local economic development

### Telecom / Technology

- Asset health monitoring, cyber-security requirements and enhanced situational awareness for grid operations

### RTO-Driven

- Upgrades needed to address RTO standards related to thermal voltage overloads and contingency conditions
- Opportunities driven by enabling access to renewable generation

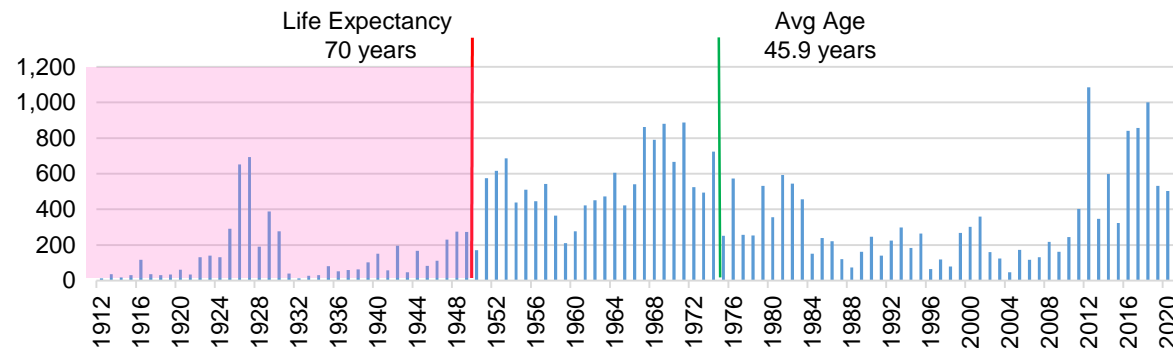
### Interconnection-Driven

- Projects to directly connect renewables and other generation to the grid

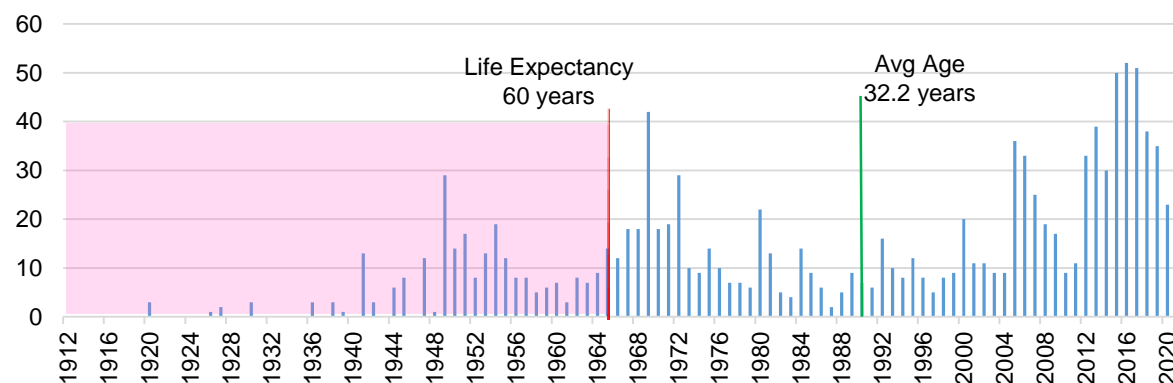
# Investments in Asset Renewal Strengthen and Enable the Grid of the Future

## AEP T-Line Age Profile

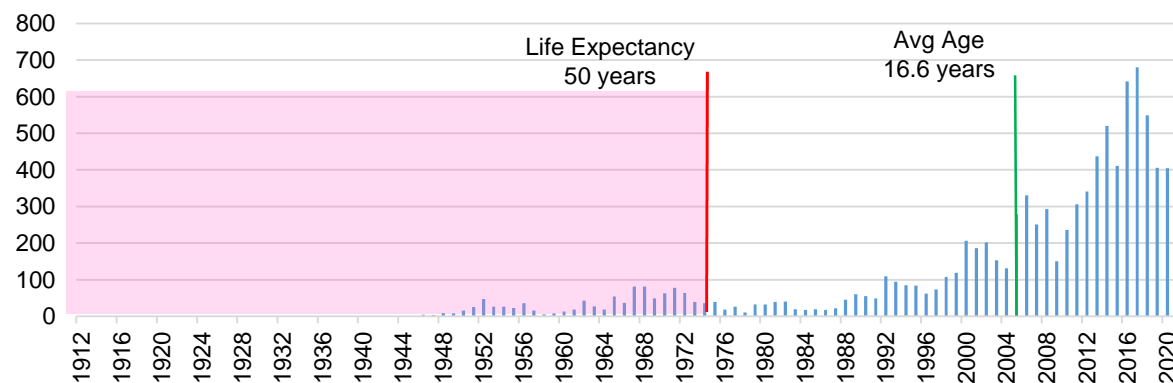
(Line Mile Age based on oldest conductor age)



## AEP Transmission Transformer Age Profile



## AEP Circuit Breaker Age Profile



Beyond Life Expectancy Range

- **\$2.7 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	6,107	208	808
Quantity That Will Exceed Life Expectancy in Next 10 Years	4,513	165	329
Total Replacement Need Over Next 10 Years	10,620	373	1,137
% of AEP System	30%	30%	12%

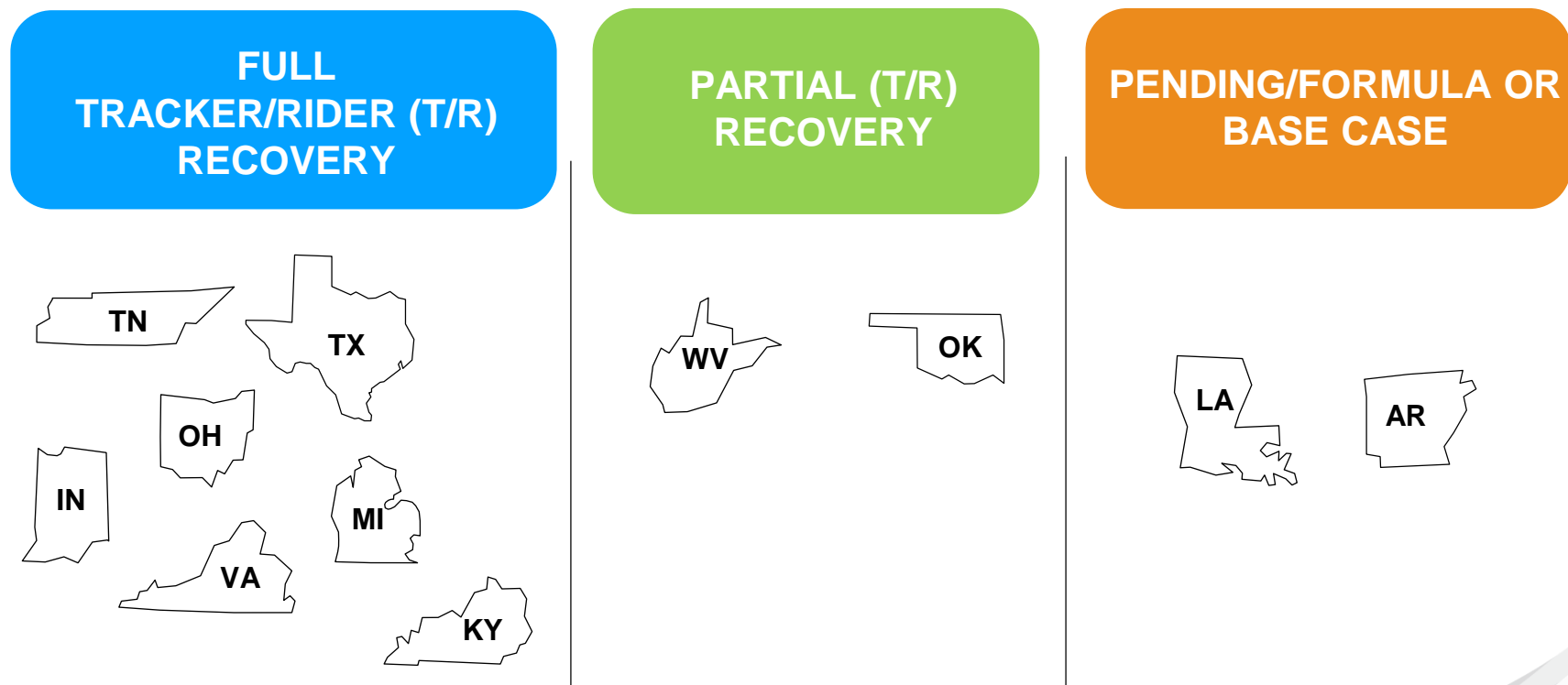
Average Age (years)	Line Miles	Transformers	Circuit Breakers
2016 Year-End	52.5	36.1	22.9
2021 Year-End	45.9	32.2	16.6

# Stable Cost Recovery Framework

**Stable and transparent wholesale cost recovery for transmission**

	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

**~88% of transmission capital investment is recovered through state tracker/rider mechanisms**

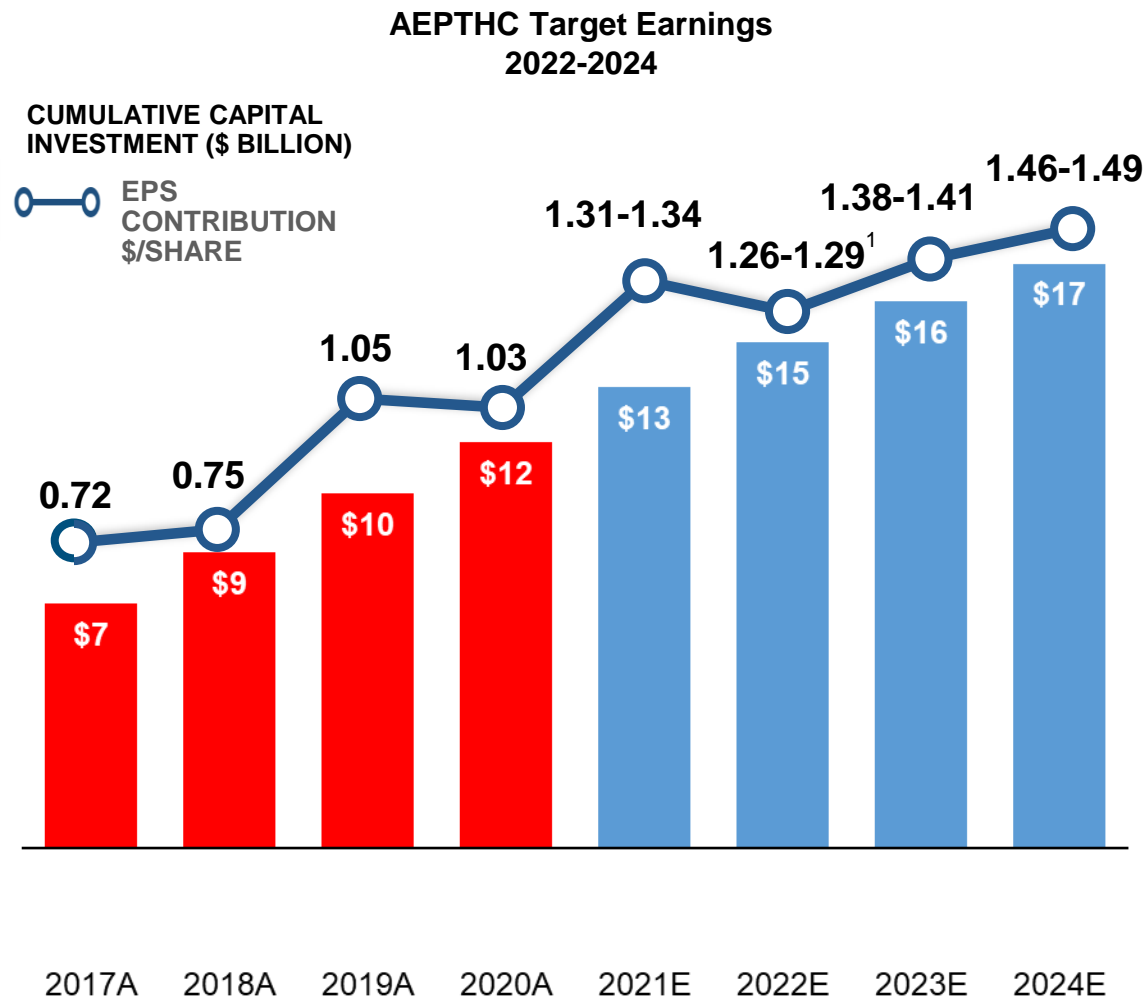


Note: Arkansas retail formula not currently being utilized



# Delivering Significant Customer and Shareholder Value

## Shareholder Benefits



**AEPTHC's 2017 – 2024 EPS growth projected at a CAGR of 10.8%**

Note: Historical and 2021 estimated EPS includes 12 months of Kentucky Transco earnings. 2022 estimated EPS includes only 4 months of Kentucky Transco earnings.

<sup>1</sup> Operating EPS decrease due to over collections in 2021 and related true-up in 2022.

## 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 and local taxes
- ✓ Economic stimulus

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

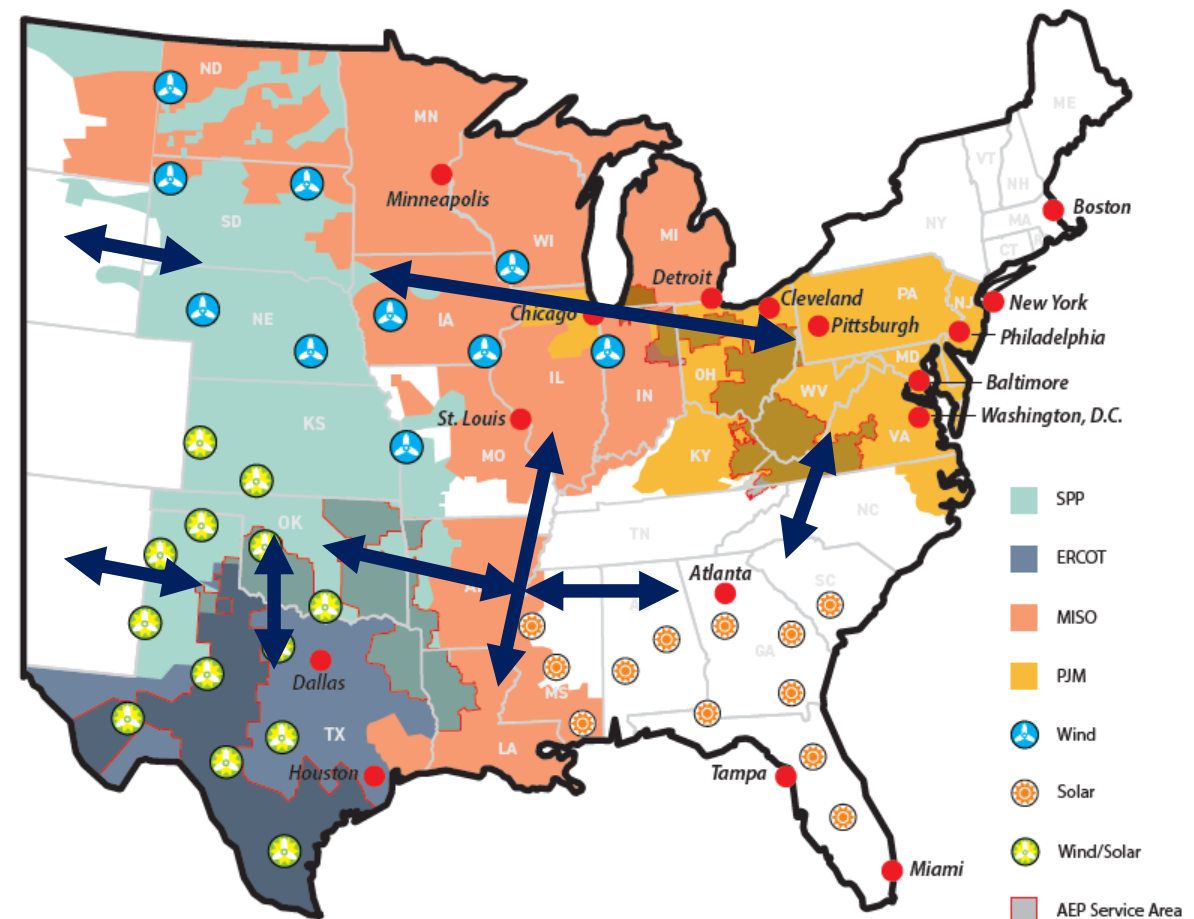
## AEP's Competitive Advantage

<b>Scale, Influence and Purchasing Power</b>	<input checked="" type="checkbox"/> Largest transmission owner in the U.S.
<b>Investment Opportunities in Grid of Future</b>	<input checked="" type="checkbox"/> Robust asset renewal program with technology upgrades (i.e. BOLD™, 765kV)
<b>Strategically Located</b>	<input checked="" type="checkbox"/> Geographically diverse and located on multiple market seams
<b>Established Competitive Entity with Proven Track Record</b>	<input checked="" type="checkbox"/> Transource is active in four RTOs
<b>Culture of Innovation</b>	<input checked="" type="checkbox"/> Savings to customers and advantage in competitive solutions



\*Transource is AEP's competitive-regulated transmission company

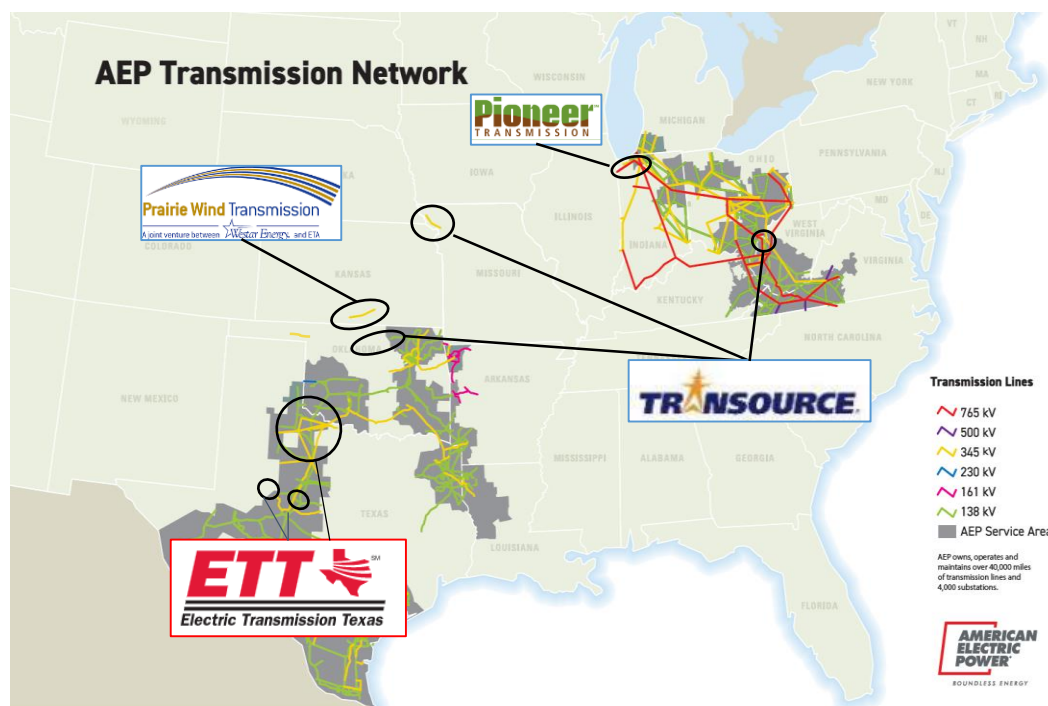
Increased flows across regional seams will link clean, resource-rich areas to customers and AEP is well-situated to deliver competitive or non-competitive transmission solutions



Note: Portion of large-scale transmission investment may be subject to competitive bidding rules per current FERC policy

# Competitive and Off-footprint Transmission Investments

AEP is the largest developer of competitive and off-footprint transmission in the U.S. and is well positioned to provide innovative solutions for future grid investment opportunities

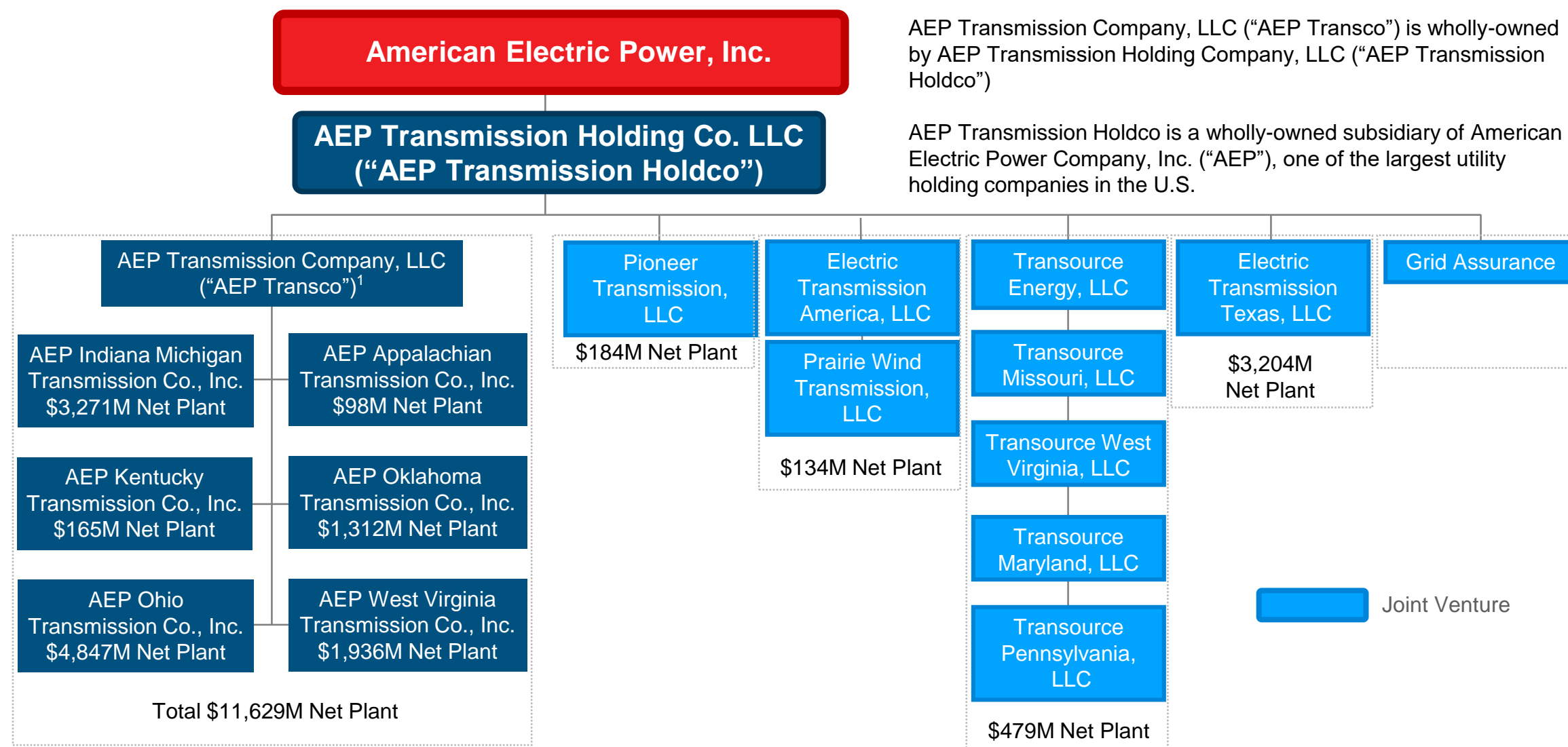


AEP Joint Venture Company	Total Competitive and Off-footprint Investment (\$ in millions)	AEP Ownership (\$ in millions)	ROE and Capital Structure (Debt/Equity)
ETT <sup>1</sup>	\$ 3,500	\$ 1,750	9.6% ROE 60% / 40%
Transource <sup>2</sup>	\$ 501	\$ 433	10.83% ROE 44% / 56%
Prairie Wind	\$ 158	\$ 40	12.8% ROE 45% / 55%
Pioneer	\$ 191	\$ 96	10.5% ROE 50% / 50%
<b>Total</b>	<b>\$ 4,350</b>	<b>\$ 2,319</b>	

<sup>1</sup> ETT investment includes legacy AEP investments contributed to the venture.

<sup>2</sup> Transource investment includes Transource Missouri, Transource West Virginia and the estimated project cost of the awarded project in Oklahoma. Due to the recent suspension of the IEC project in September 2021, IEC investment is not included in the total estimate at completion. PJM will reevaluate the need for the IEC at the end of 2021 during its annual reevaluation process.

# AEP Transmission Holdco Legal Entity Structure



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

AEP Transmission 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 as of 9/30/2021

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



# UTILITY TRANSFORMATION

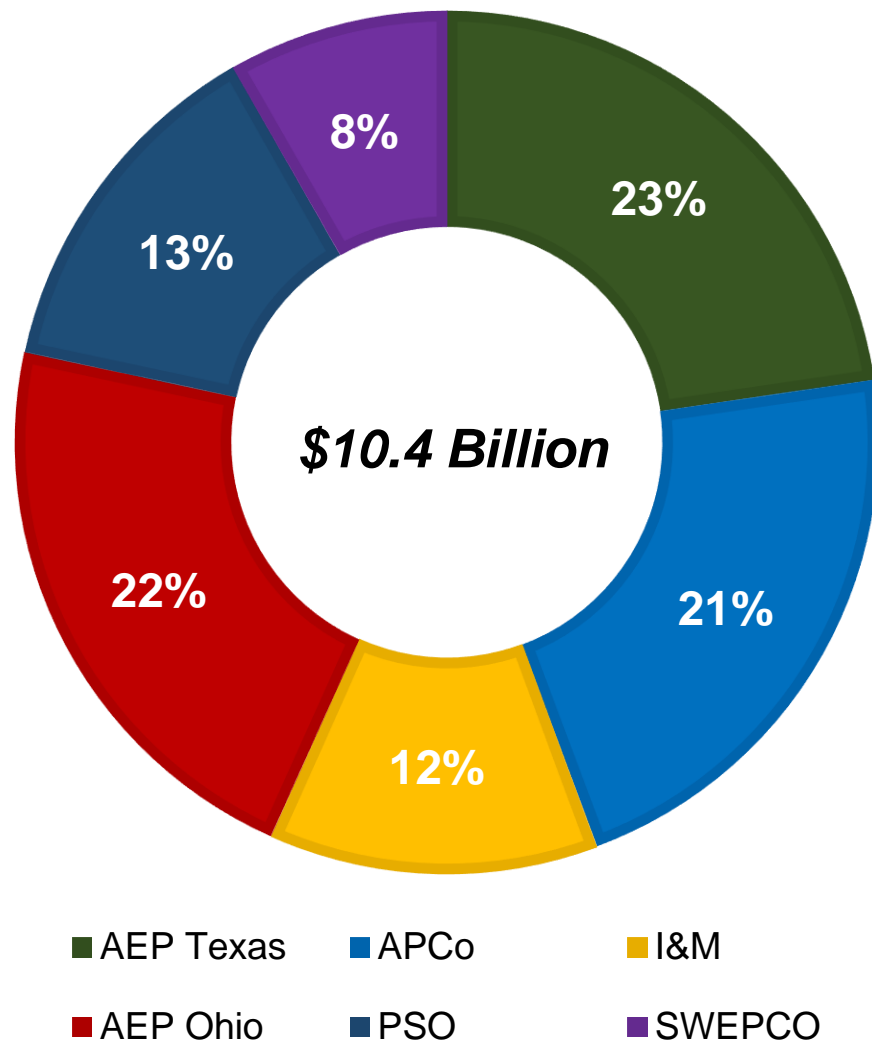
- Robust Distribution Capital Investment Opportunities
- Grid Transformation
- Key Legislative Initiatives
- Technology and Innovation





# Robust Distribution Capital Investment Opportunities

2022 – 2026 Distribution Capex Forecast



Distribution Spend Categories

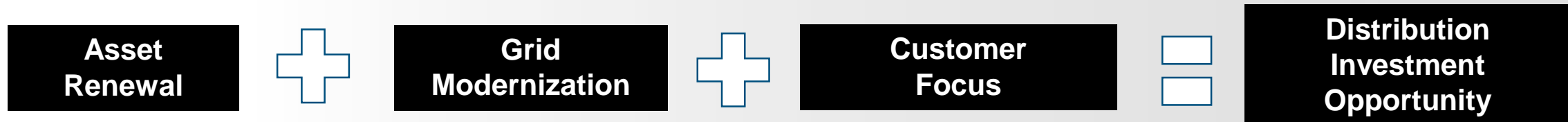
Investment Category	Category Description	Capital Investment (in billions)
Capacity Expansion, Reliability and Modernization	Asset renewal and reliability investments including pole, conductor, cutout, station transformer and breaker replacements and capacity additions	\$ 6.0
Customer Requests	Investments for new service, upgrades, relocations	\$ 1.6
Automation and Technology	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	\$ 1.3
Restoration and Sparing	Storm restoration and spare equipment	\$ 0.5
Advanced Metering Infrastructure (AMI)	Advanced metering technology for the remaining AEP customers	\$ 0.4
Rural Broadband	Investment in fiber assets to provide middle mile broadband to rural communities and for company use	\$ 0.3
Green Technology	Investments in LED outdoor and streetlights and electric vehicle charging infrastructure	\$ 0.3
<b>Total</b>		<b>\$ 10.4</b>

# Grid Transformation

**AEP is preparing to accommodate new grid resources, grow load in our service territories and open the door to future customer-driven growth opportunities**

**AEP's Expansive Distribution System Provides Significant Opportunity for Investment**

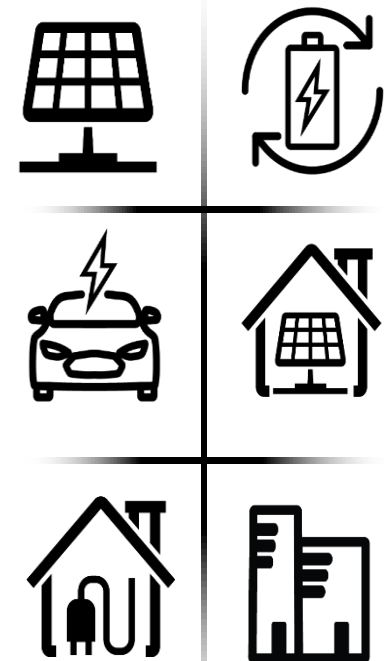
- 224,000 miles of distribution lines
- ~3,000 distribution substations



## Strategic Priorities:

- Improved reliability, storm hardening and resilience
- Increased operational capabilities
- Prepare the grid for enhanced DER penetration and electrification
- Develop robust pipeline of capital investments
- Enhance ability to obtain timely cost recovery from regulators

Developing long-term plans to focus on improved reliability, resiliency and to prepare the grid for 2-way power systems, supported by detailed 5-year capital investment plans



# Key Legislative Initiatives

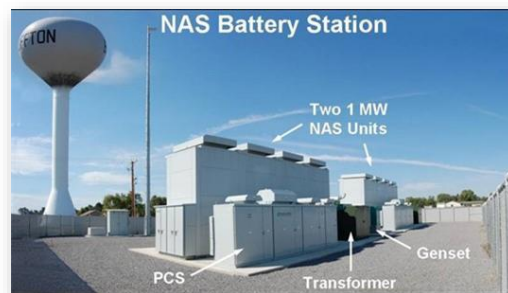
Investment Category	State Legislative Initiative
Grid Resilience	<ul style="list-style-type: none"> <li><b>Texas Transmission Line Infrastructure Projects (SB 1281)</b> addresses concerns regarding existing transmission planning by providing for a reliability assessment of the ERCOT power grid and requiring ERCOT to consider a broad range of load forecasts and potential renewable generation scenarios. It also exempts transmission projects of under three miles where a route has been agreed upon.</li> </ul>
Customer-Focused Programs	<ul style="list-style-type: none"> <li><b>Virginia Broadband (House Bill 2691)</b> allowed APCo to seek Virginia State Corporation Commission (SCC) approval for a pilot project. House Bill 1280 allows investor-owned utilities to lease dark fiber.</li> <li><b>West Virginia Broadband (Senate Bill 3)</b> passed allowing electric utilities to submit broadband feasibility studies. House Bill 4619 enables electric utilities to develop broadband infrastructure as regulated by the W.Va. PSC. HB 2002 creates the statutory framework to support, encourage and expedite the expansion of broadband throughout the State of West Virginia.</li> <li><b>Texas Broadband (HB 3853)</b> – Allows electric utilities to partner with Internet Service Providers who agree to lease capacity on existing middle mile fiber or future fiber expansion. The legislation makes clear that utilities will only utilize the same cost recovery mechanisms already in place and that any surplus benefit from leasing its broadband capacity is flowed to ratepayers.</li> <li><b>Virginia/West Virginia Business Ready Sites</b> – legislation allows AEP/APCo to make Transmission investments for industrial sites without a customer being identified. Allows AEP/APCo to recover the investments through a rate adjustment clause.</li> </ul>
Securitization	<ul style="list-style-type: none"> <li><b>Oklahoma (SB 1050)</b> a bill providing for securitization, passed. The legislation directs Oklahoma's Corporation Commission to allow for certain bond issuances to spread over time historically high fuel and purchase power cost incurred during the February 2021 ice storm.</li> </ul>

# Technology and Innovation

**AEP is an Industry Leader in Deploying Cutting-Edge Technology and Innovative Solutions That Improve Reliability and Operations**

## Non-Wires Alternatives

Evaluating multiple technologies, including energy storage and linear generators, as solution options to address distribution system needs



## AMI

AEP continues making progress in its deployment of AMI infrastructure across its footprint, enabling future customer oriented programs and services



AEP Ohio Smart Meter

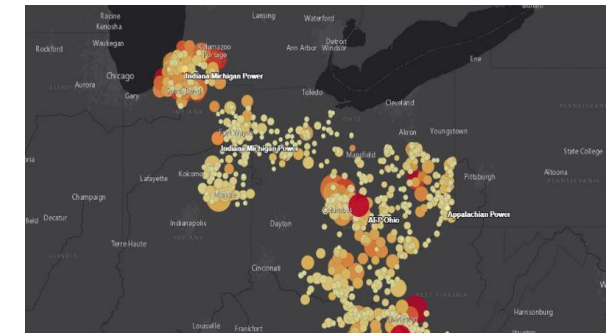
## ADMS / DERMS

Pursuing the implementation of a new Advanced Distribution Management Systems (ADMS) / Distributed Energy Resource Management (DERMS) platform across the system to enhance situational awareness of the distribution system



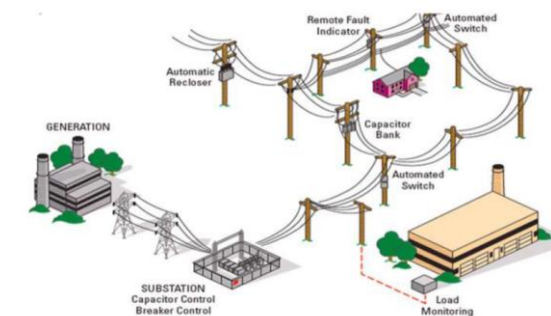
## GIS and Analytics

Applying GIS and Analytics in our Reliability Mapping Tool to improve awareness and understand of reliability hot spots and solution development



## Distribution Automation

Applying GIS and Analytics in our Reliability Mapping Tool to improve awareness and understand of reliability hot spots and solution development





# COMPETITIVE BUSINESS

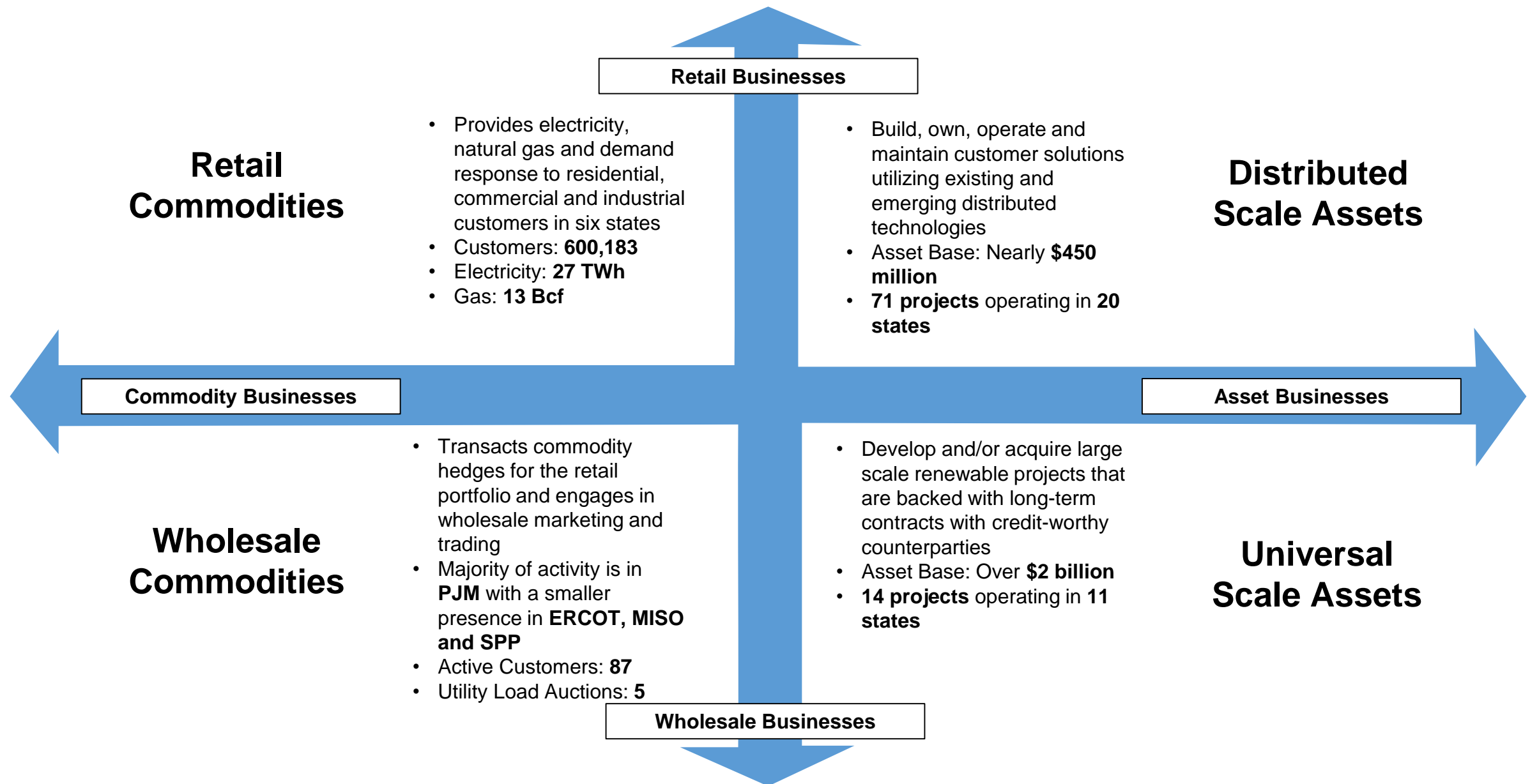
- **Business Strategy and Operations**
- **Business Presence**
- **Distributed and Universal Scale Assets**
- **Development Pipeline and Existing Asset Initiatives**





# Competitive Business Strategy and Operations

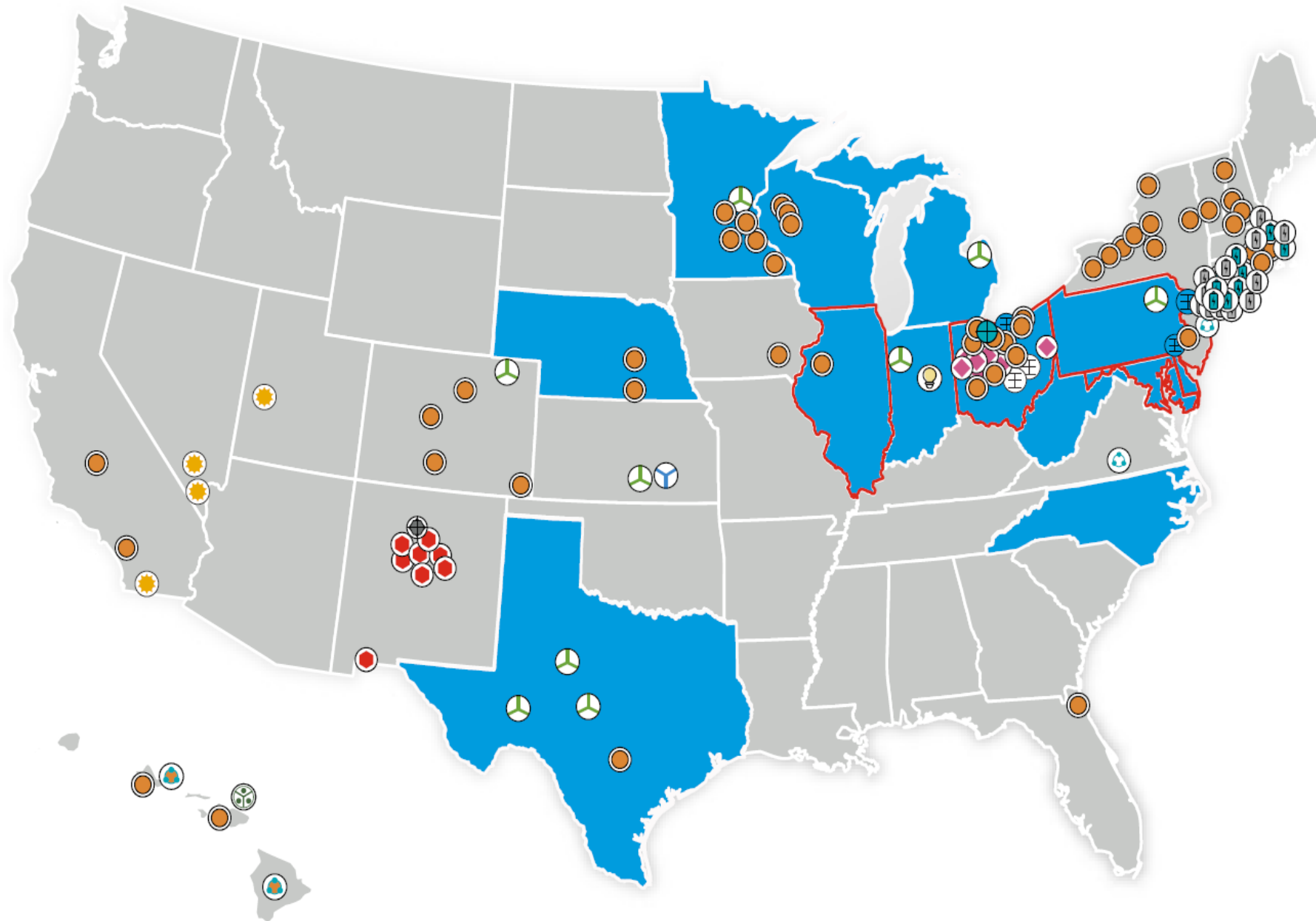
**\$1.7B Capital Allocated 2022-2026**



As of 9/30/2021

# Competitive Business Presence

Active in 29 States (5 states overlap with AEP Utilities)



## Universal Scale Assets

- Wind (Active) - 9 Sites | 1,290 MW
- Wind (Planned) - 1 Site | 128 MW
- Solar (Active) - 4 Sites | 207 MW
- Solar (Planned) - 0 Sites | 0 MW
- Wind/Storage (Active) - 1 Site | 17 MW

## Distributed Scale Assets

- Solar (Active) - 51 Sites | 121 MW
- Solar (Planned) - 1 Site | 2 MW
- Fuel Cell (Planned) - 12 Sites | 5 MW
- Fuel Cell (Active) - 9 Sites | 5 MW
- Station (Active) - 7 Sites | 1075 MVA
- Station (Planned) - 0 Sites | 0 MVA
- Solar (Active) Joint Venture - 8 Sites | 89 MW
- Solar (Planned) Joint Venture - 1 Site | 34 MW
- Engine (Planned) - 2 Sites | 5 MW
- Engine (Active) - 3 Sites | 16 MW
- Energy Efficiency - 1 Site | NA
- Solar/Storage (Active) - 2 Sites | 1 MW
- Battery Energy Storage System (Planned) - 2 Sites | 20 MW

## Retail Commodities

- Service Territory

## Wholesale Commodities

- Service Territory

As of 9/30/2021

# Distributed and Universal Scale Assets

## Distributed Scale Assets

- Committed to nearly \$525 million in energy assets
- Portfolio of 77 operating and under construction projects in 22 different states
- Projects include customer sited solar projects, behind the meter energy storage assets, customer sited substations, peaking generation, energy efficiency projects and fuel cell projects



Facebook (NM) – 37 MW-AC

## Universal Scale Assets

- Committed to over \$2.2 billion in energy assets
- Portfolio of 15 operating and under construction projects in 11 different states
- Projects include large scale wind, solar and storage



Flat Ridge II (KS) – 470 MW

# Development Pipeline and Existing Asset Investment Initiatives

## Development Pipeline

Progress continues in our universal scale development portfolio with a majority of the efforts focused on wind in the mid continent and solar plus storage in the Midwest. These opportunities possess solid fundamentals and position us well to serve the growing interest from utilities, municipalities, cooperatives and corporates.

Our distributed generation development team continues to work with customers and partners who are seeking viable and valuable options to de-carbonize, improve resiliency and benefit from operating cost reductions.

Our ability to combine commodity and asset solutions is providing a growing opportunity set with customers looking for integrated solutions in a rapidly evolving carbon free marketplace. This remains a key strategic opportunity to provide customer value and grow our market share.

## Existing Asset Initiatives

The Flat Ridge 3 Wind Project is substantially commissioned and will successfully reach full commercial operation in December 2021. The project has a long-term power agreement with Evergy for the entire energy output of 128 MW.

All four of the potential repower sites will be done earning production tax credits by the end of 2022. Work is underway to strategically evaluate the opportunity to repower the Cedar Creek 2 and Flat Ridge 2 wind projects.

If federal legislation re-inflates the production tax credits to 100%, there is the possibility to strategically evaluate the opportunity to repower the Fowler Ridge 2 and Mehoopany wind projects.

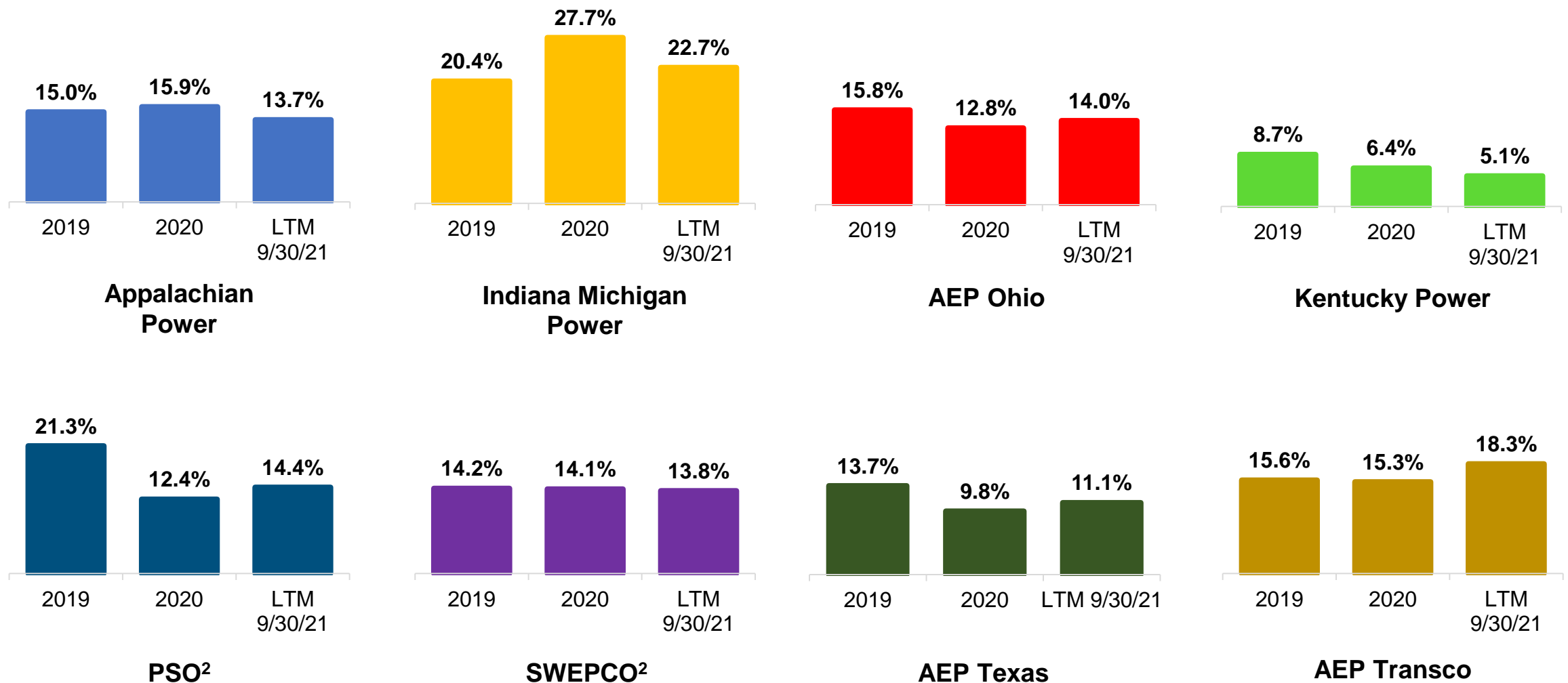


A photograph of a wind farm at sunset. A dirt road curves through a green field towards several wind turbines. The sky is a mix of orange, yellow, and blue. The largest turbine is in the foreground on the right, with others receding into the distance.

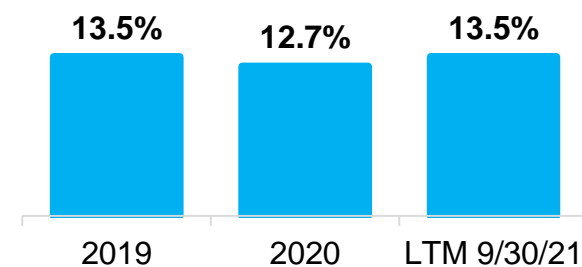
# WELL-POSITIONED REGULATED BUSINESS

- **FFO/Debt by Operating Company**
- **Composition of Rate Base**
- **Rate Base, GWH Sales and Capital by Operating Company**

# FFO/Debt<sup>1</sup> by Operating Company



**Consolidated FFO to Debt remains under pressure due to elevated capital spend and the flow back of ADFIT**

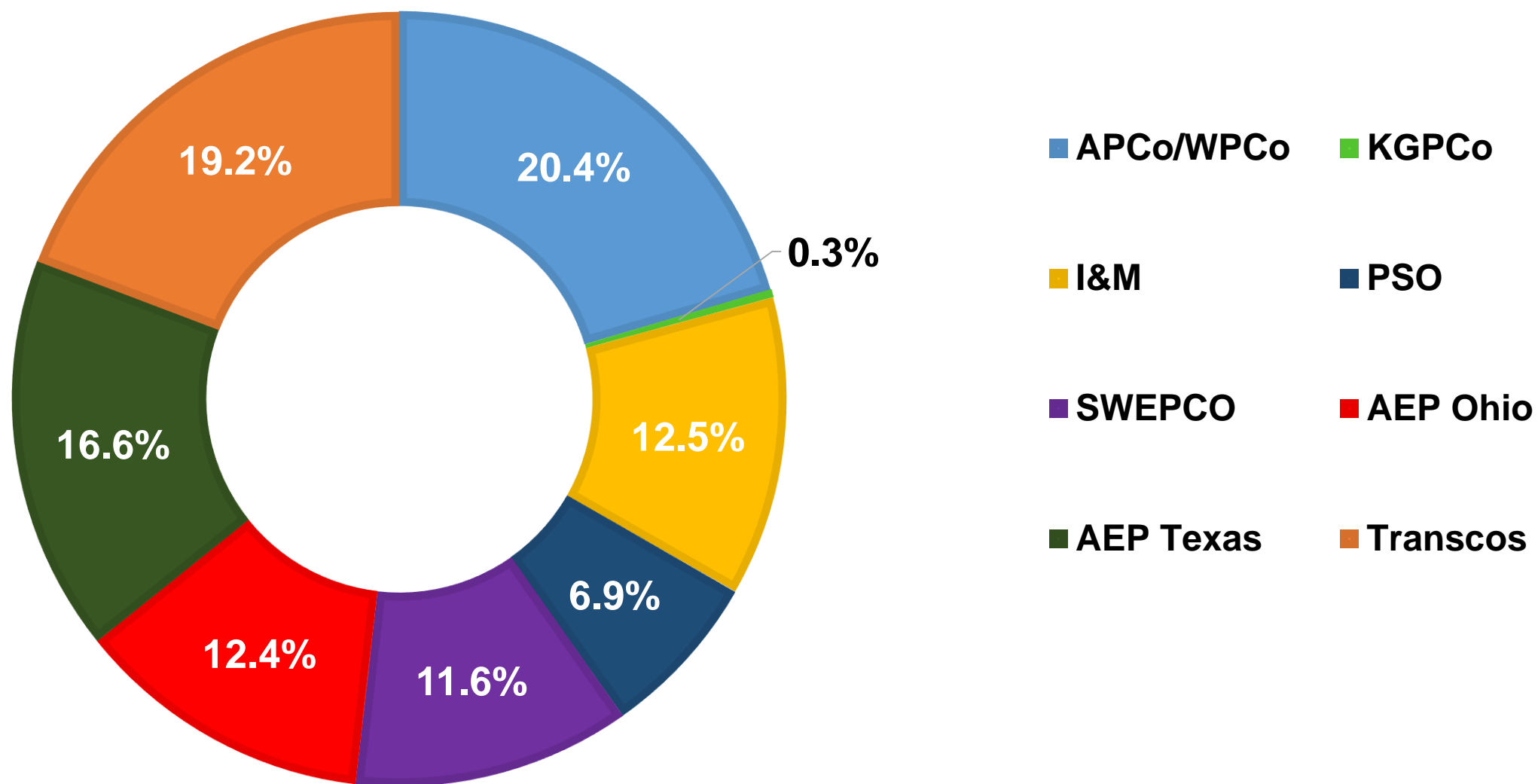


**Total AEP FFO/Debt<sup>2</sup>**

<sup>1</sup> FFO/Debt includes capital and operating leases and an adjustment for A/R sold, but excludes securitization and spent nuclear fuel. Ratios reflect AEP view and do not reflect all of the adjustments made by the ratings agencies.

<sup>2</sup> PSO, SWEPCO and AEP Consolidated LTM 9/30/21 FFO/Debt excludes the impact of Storm Uri in February 2021 that resulted in significant fuel and purchased power costs at PSO and SWEPCO and related incurrence of debt as of 9/30/21. Credit metrics will see temporary pressure in 2021 as we work through the regulatory recovery process at PSO and SWEPCO. Non-adjusted FFO/Debt for PSO, SWEPCO and AEP Consolidated as of 9/30/21 was (18.3%), 0.1% and 10.1%, respectively.

# Composition of Rate Base by Operating Company

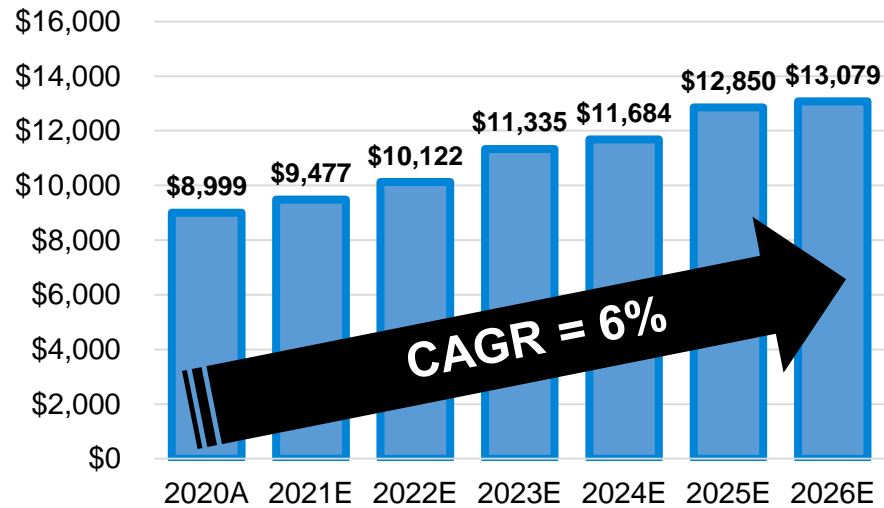


Note: Rate Base as of 12/31/2020 and excludes Kentucky operations

# Appalachian Power and Wheeling Power Companies

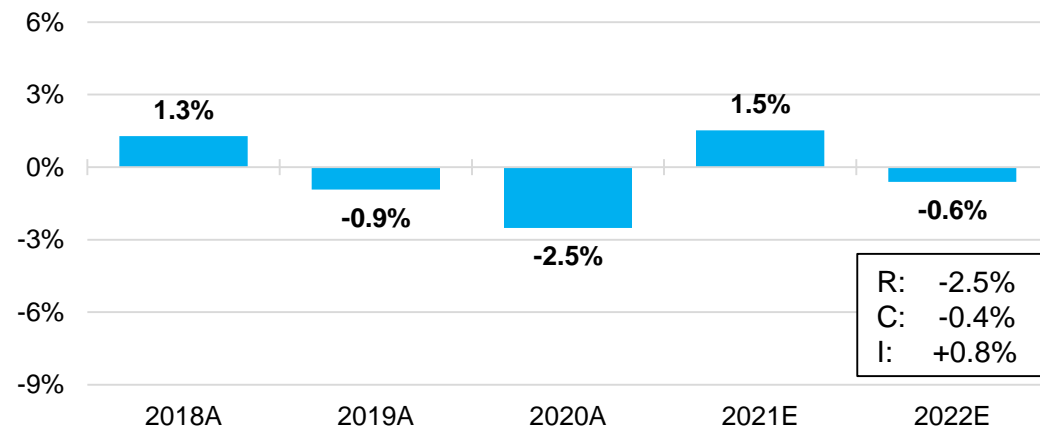
## APCo Projected Rate Base Proxy

\$ in millions



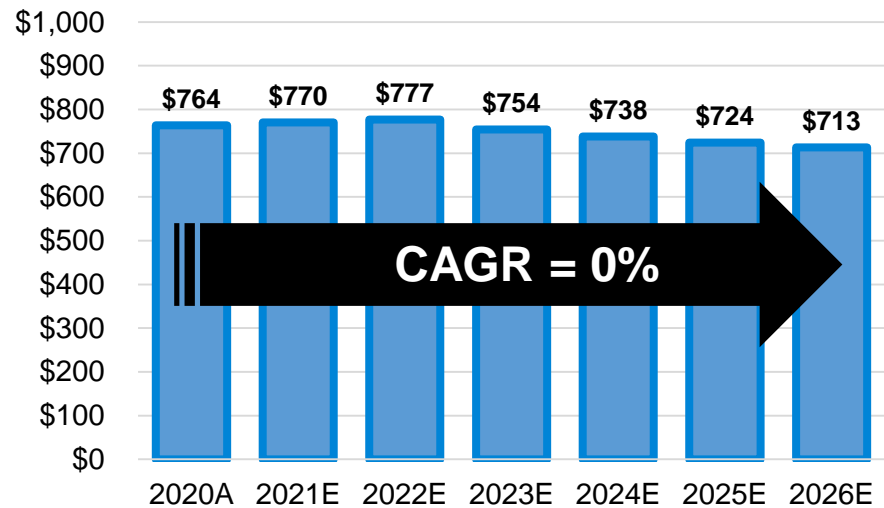
## APCo/WPCo Normalized GWh Sales

% Change vs. Prior Year



## WPCo Projected Rate Base Proxy

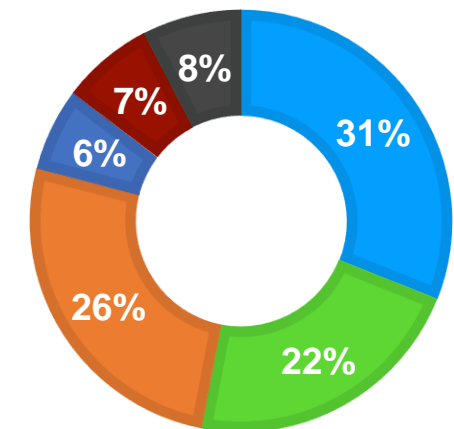
\$ in millions



## APCo/WPCo 2022-2026

### Capital by Function

(excludes AFUDC)



- Distribution - \$2.1B
- Transmission - \$1.5B
- Renewables - \$1.8B
- Environmental Generation - \$436M
- Fossil/Hydro Generation - \$488M
- Corporate/Other - \$525M

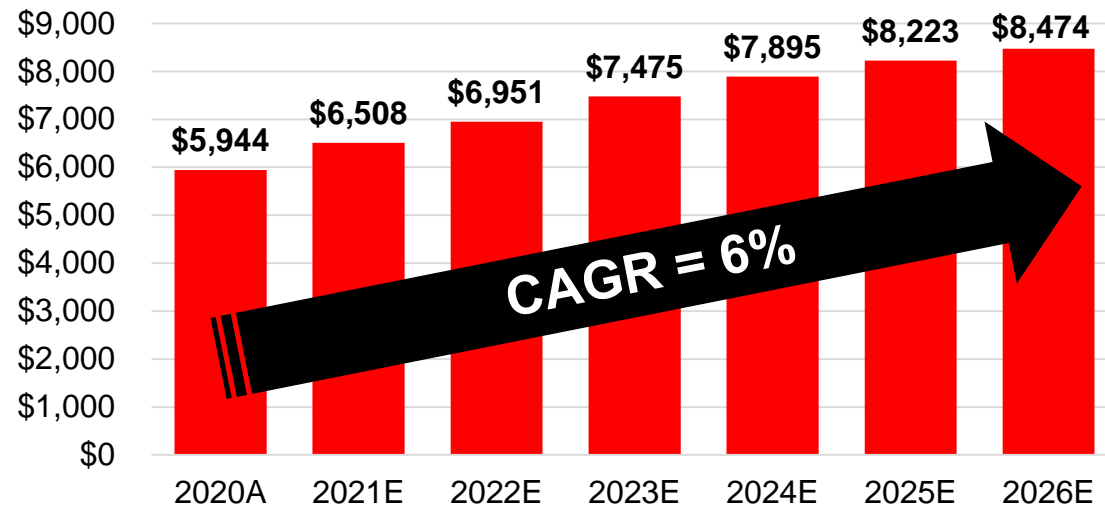
**Total \$6.9B**



# AEP Ohio

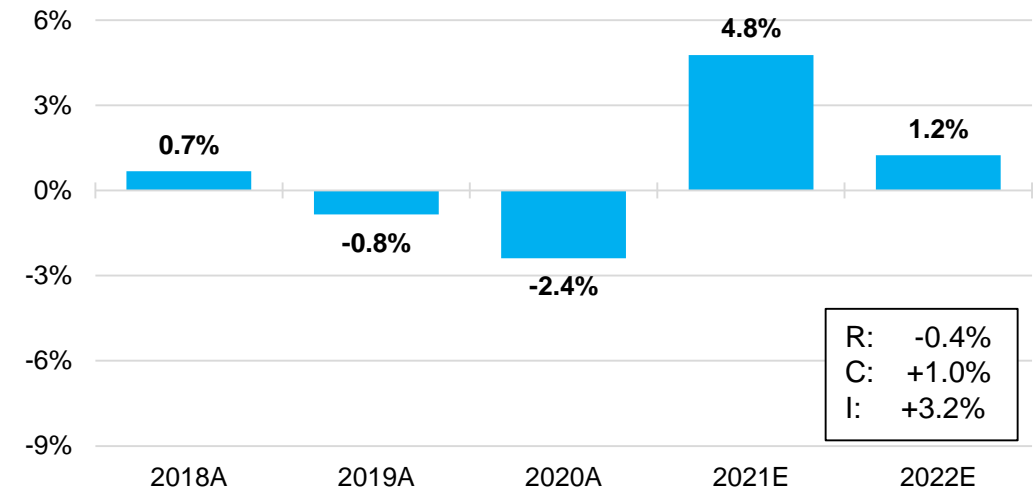
## AEP Ohio Projected Rate Base Proxy

\$ in millions

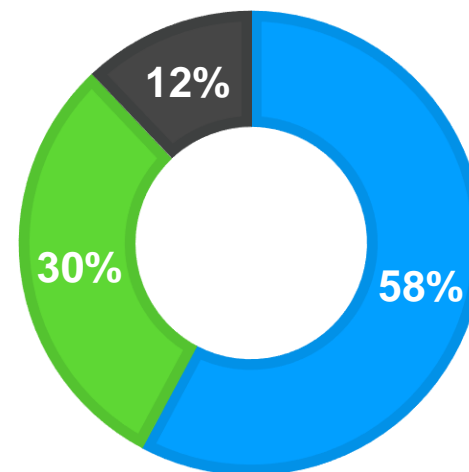


## AEP Ohio Normalized GWh Sales

% Change vs. Prior Year



## AEP Ohio 2022-2026 Capital by Function (excludes AFUDC)



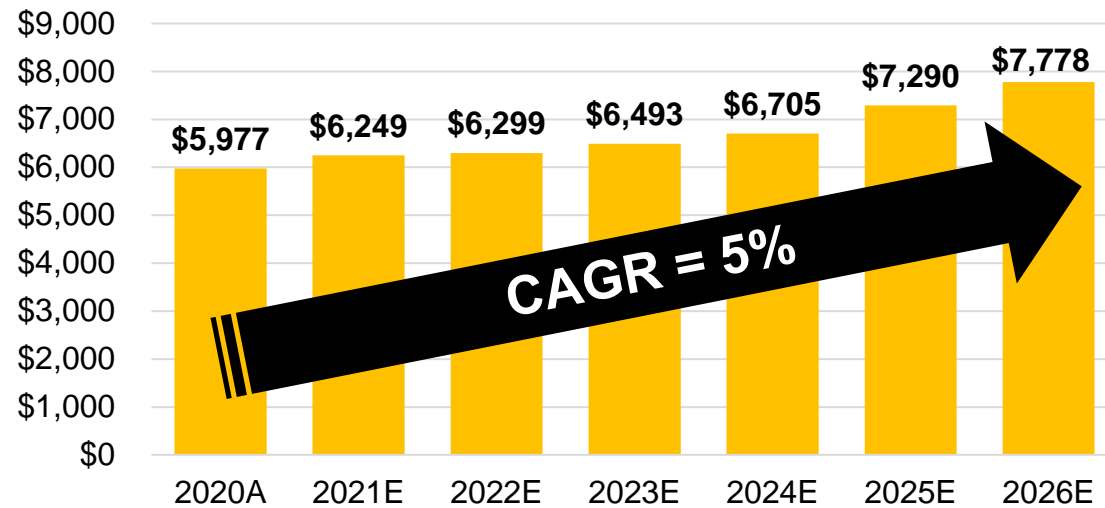
- Distribution - \$2.2B
- Transmission - \$1.2B
- Corporate/Other - \$463M

Total \$3.8B

# Indiana Michigan Power Company

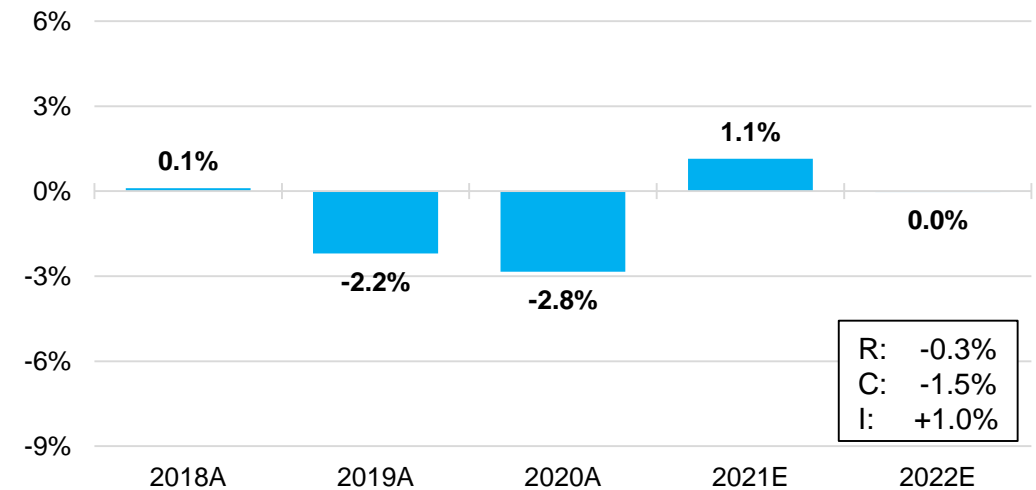
## I&M Projected Rate Base Proxy

\$ in millions

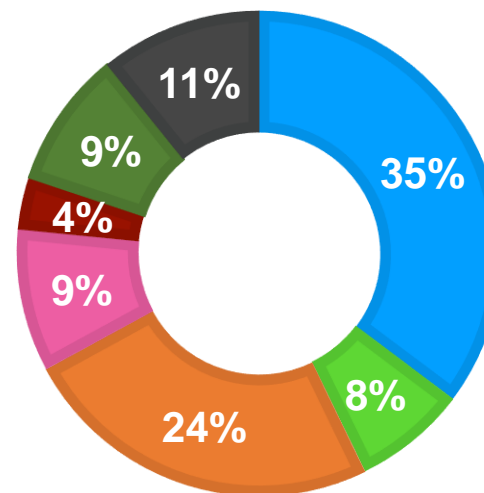


## I&M Normalized GWh Sales

% Change vs. Prior Year



## I&M 2022-2026 Capital by Function (excludes AFUDC)



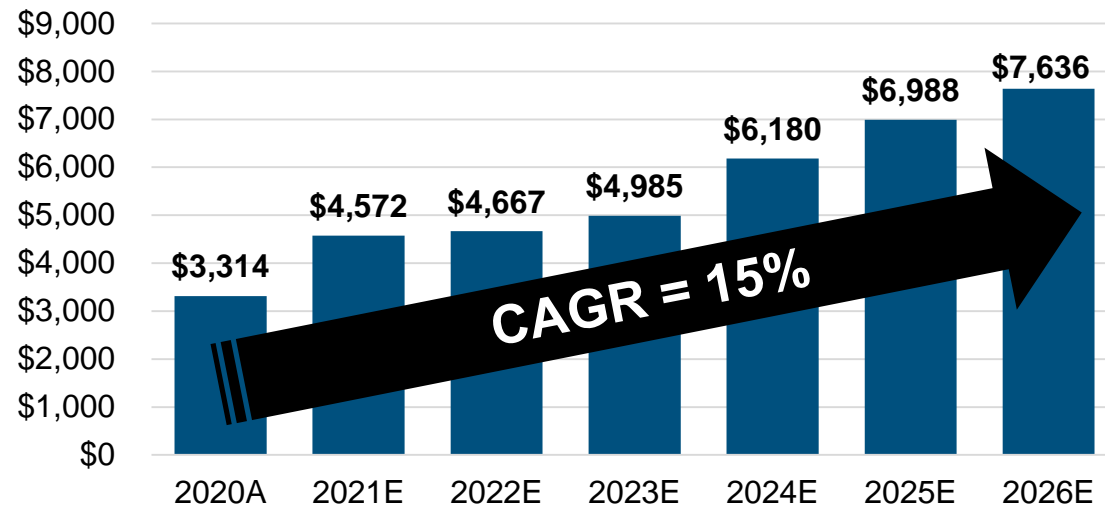
Total \$3.8B

- Distribution - \$1.3B
- Transmission - \$287M
- Renewables - \$926M
- New Generation - \$362M
- Fossil/Hydro Generation - \$135M
- Nuclear Generation - \$347M
- Corporate/Other - \$412M

# Public Service Company of Oklahoma

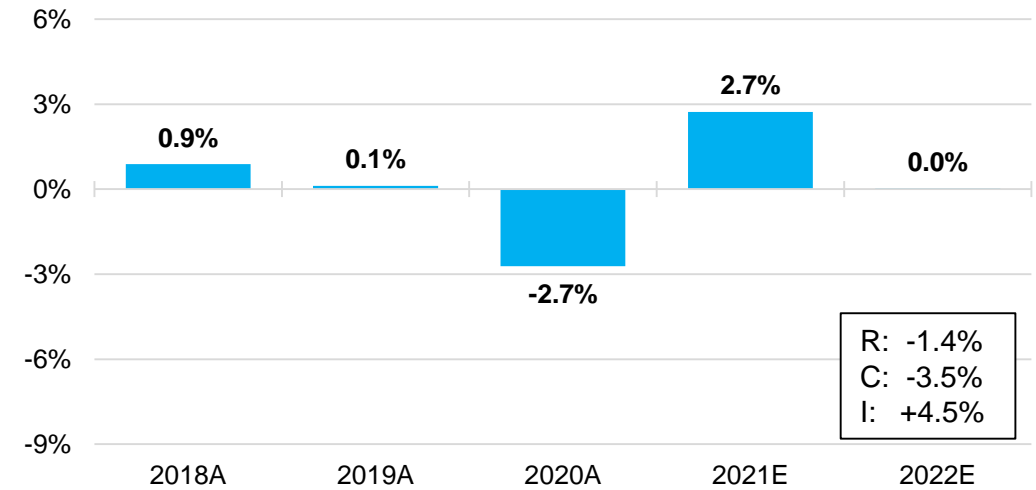
## PSO Projected Rate Base Proxy

\$ in millions

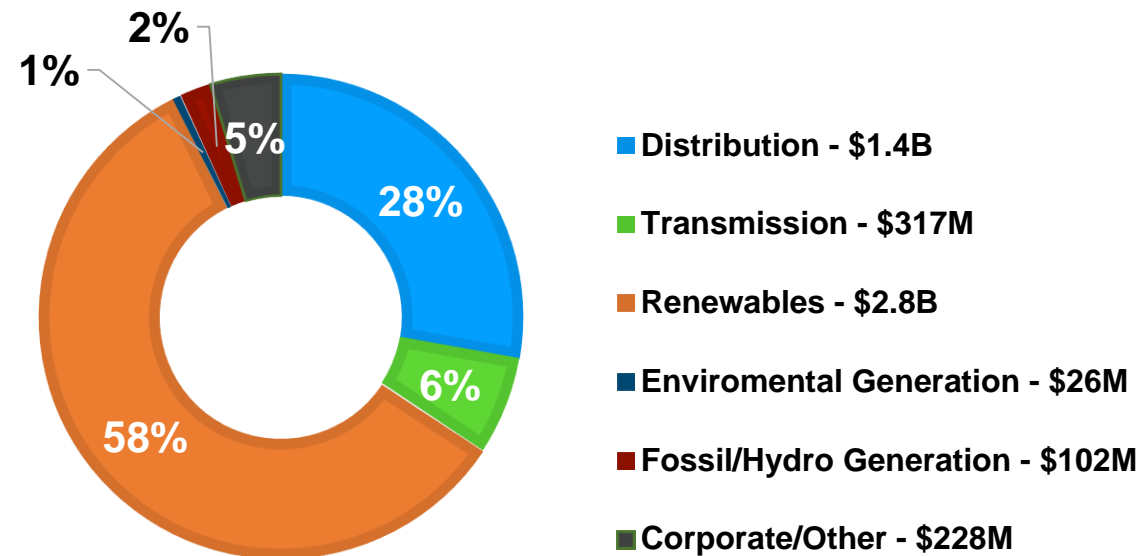


## PSO Normalized GWh Sales

% Change vs. Prior Year



## PSO 2022-2026 Capital by Function (excludes AFUDC)

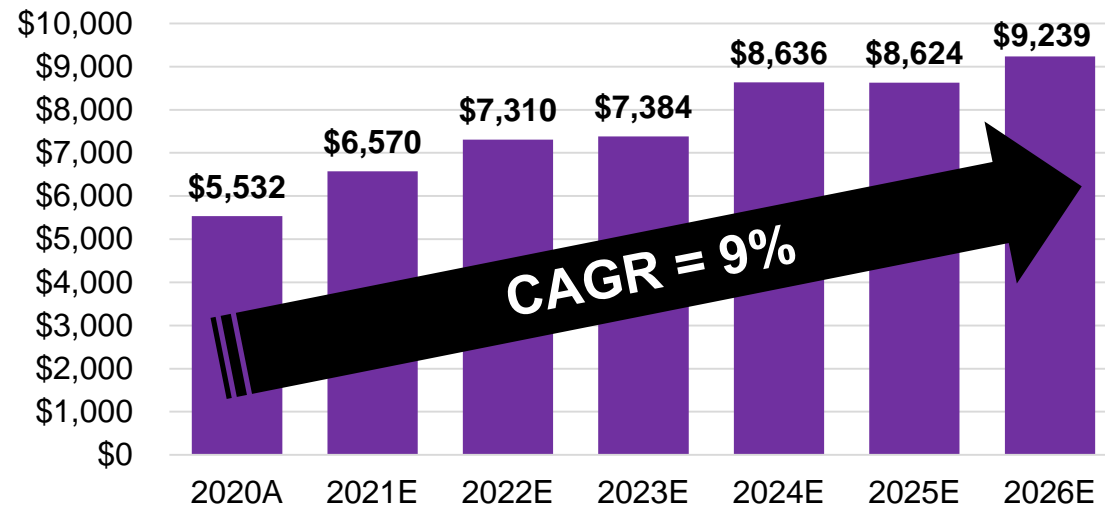


Total \$4.9B

# Southwestern Electric Power Company

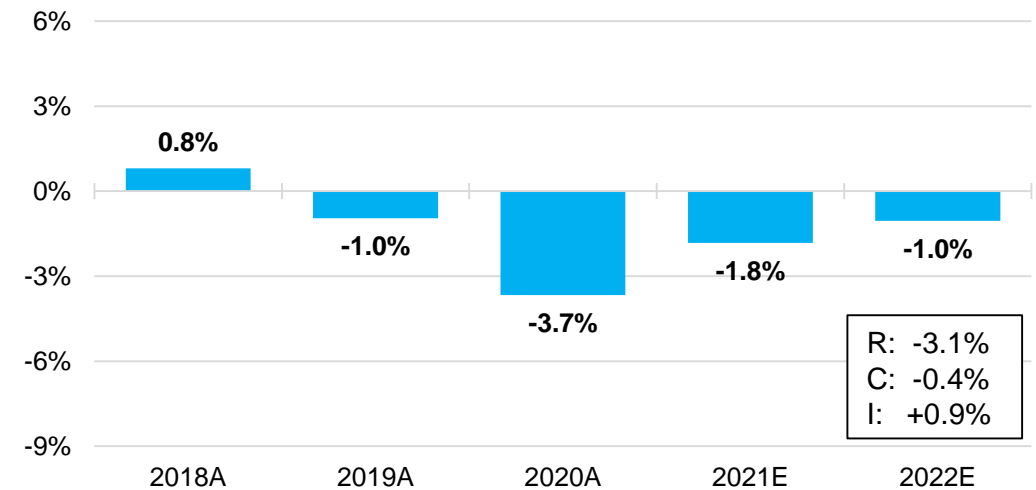
## SWEPCO Projected Rate Base Proxy

\$ in millions

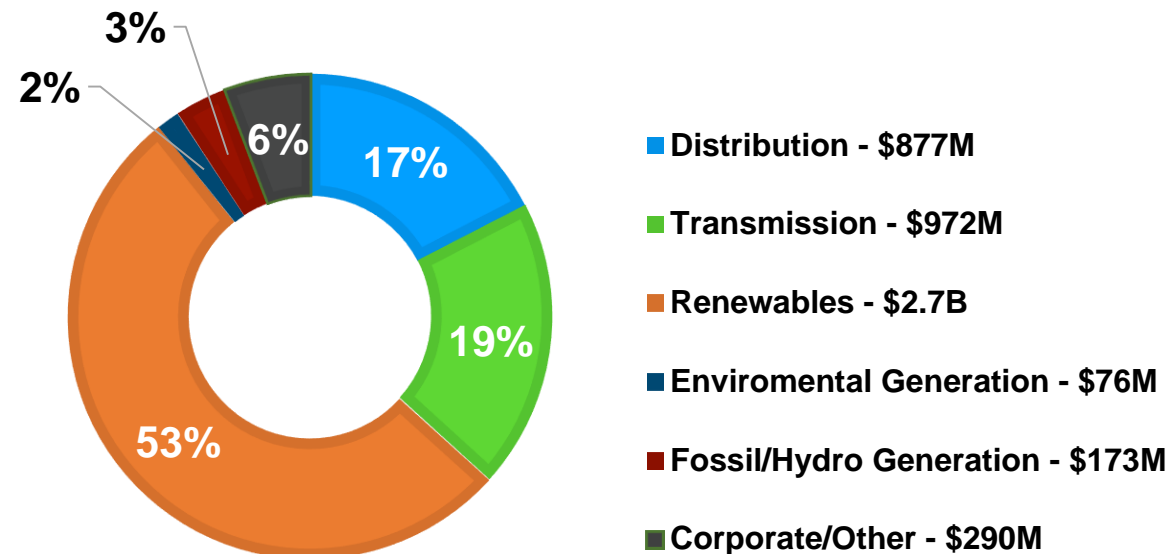


## SWEPCO Normalized GWh Sales

% Change vs. Prior Year



## SWEPCO 2022-2026 Capital by Function (excludes AFUDC)



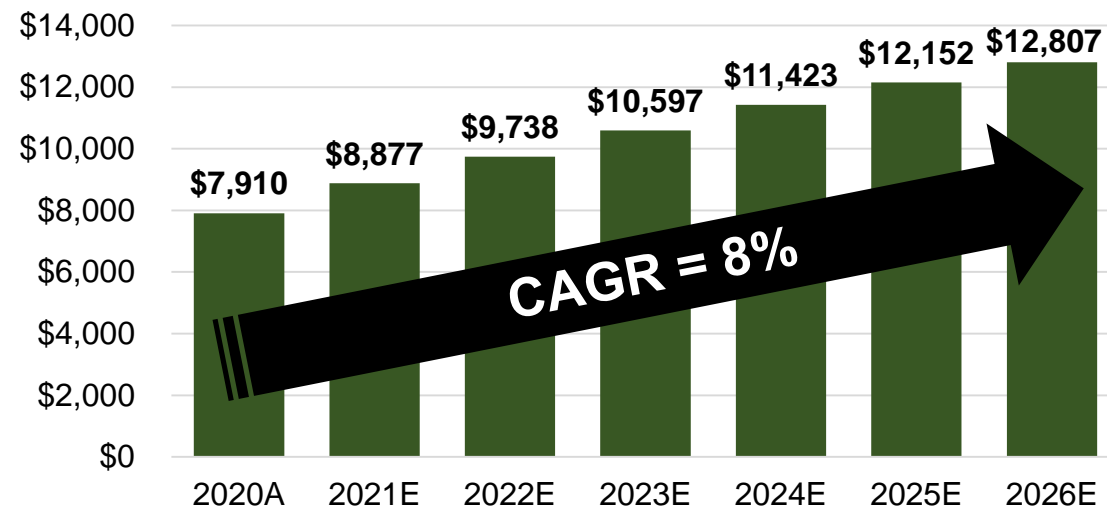
Total \$5.0B



# AEP Texas

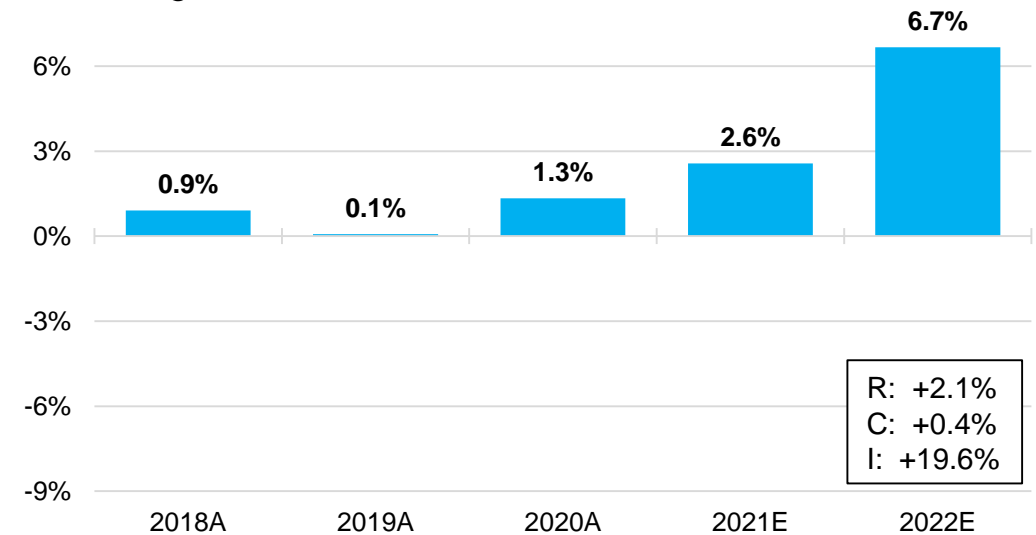
## AEP Texas Projected Rate Base Proxy

\$ in millions

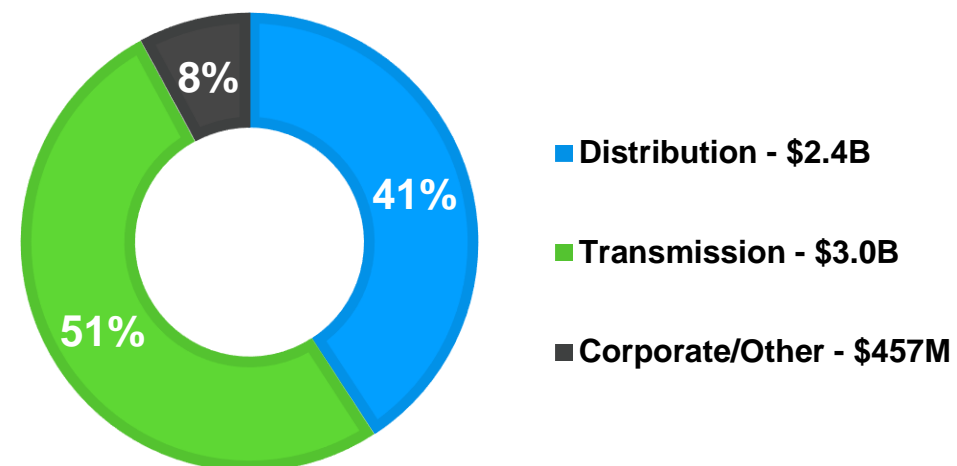


## AEP-Texas Normalized GWh Sales

% Change vs. Prior Year



## AEP Texas 2022-2026 Capital by Function (excludes AFUDC)

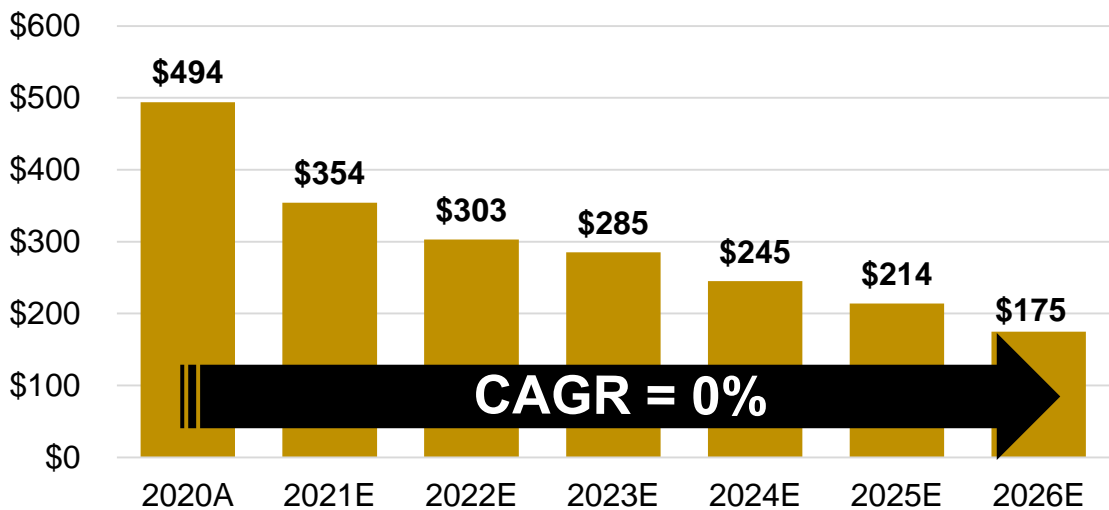


Total \$5.8B

# Other Utility Subsidiaries

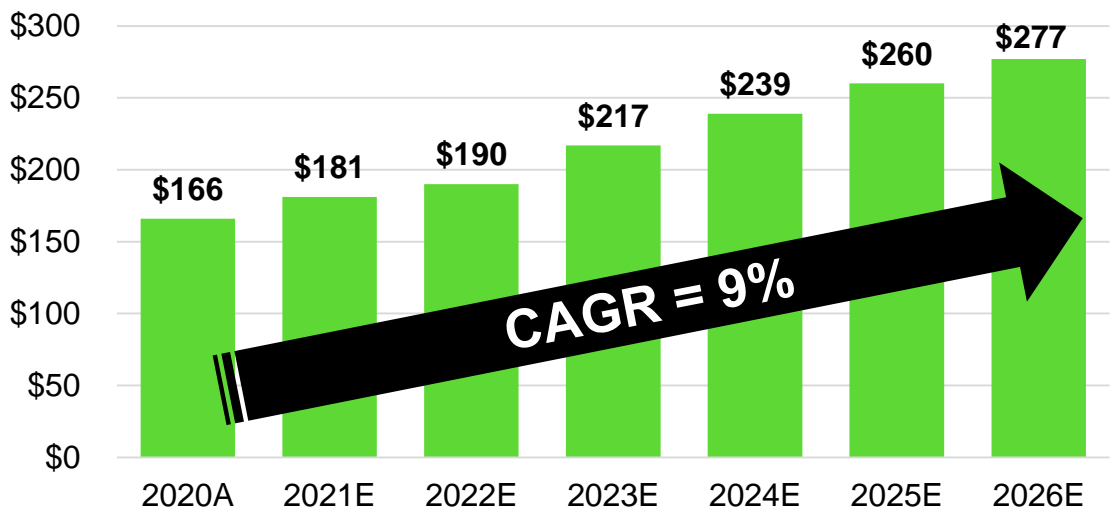
## AEP Generating Projected Rate Base Proxy

\$ in millions

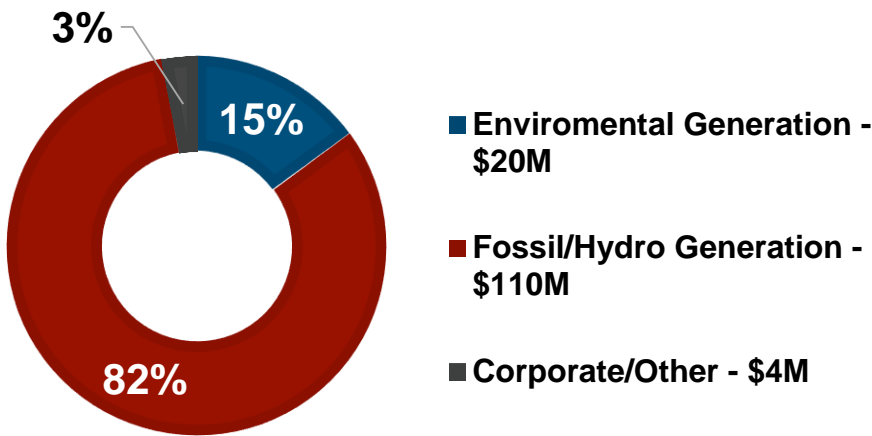


## Kingsport Projected Rate Base Proxy

\$ in millions

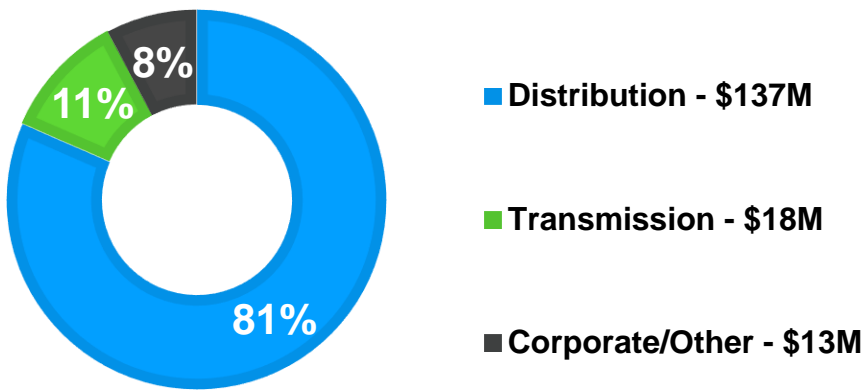


## AEP Generating 2022-2026 Capital by Function (excludes AFUDC)



Total \$134M

## Kingsport 2022-2026 Capital by Function (excludes AFUDC)



Total \$168M