AEP TRANSFORMATION UPDATE
U.S. SIF COMPANY CALL
OCTOBER 31, 2017
WHO IS ON THE CALL – AEP

- Mark McCullough, executive vice president, Generation
- Charles Patton, executive vice president, External Affairs
- David Feinberg, executive vice president, General Counsel & Corporate Secretary
- John McManus, vice president, Environmental Services
- Sandy Nessing, managing director, Corporate Sustainability
- Bette Jo Rozsa, managing director, Investor Relations
- Tom Berkemeyer, Associate General Counsel
POSITIONING FOR
A SUSTAINABLE FUTURE

Transforming our generation fleet
Dramatically reducing emissions
Adding more renewable sources
Investing in transmission to optimize the grid
Integrating renewables through the nation’s largest transmission network
INVESTMENTS DRIVING EMISSIONS REDUCTIONS

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


Estimated
DRAMATIC REDUCTIONS IN EMISSIONS

Total AEP System NOx & SO2 Emissions

SO2

NOx

Hg

1990-2016 ACTUAL

2001-2016 ACTUAL

SO2 94%

NOx 90%

Hg 93%
DRAMATIC REDUCTIONS IN EMISSIONS

Total AEP System – Annual CO$_2$ Emissions
in million metric tons

2000-2016 actual

44%
Currently does not reflect acceleration of renewables in PSO's and SWEPCo's IRPs resulting from Wind Catcher. Future includes IRP forecasted additions and retirements through 2030. Energy Efficiency / Demand Response represents avoided capacity rather than physical assets.
INVESTING IN A GREENER FUTURE

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

Source: Current Internal Integrated Resource Plans.
Wind and solar represents nameplate MW capacity.

Currently does not reflect acceleration of renewables in PSO’s and SWEPCo’s IRPs resulting from Wind Catcher
Note: 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>443</td>
<td>177</td>
<td>620</td>
</tr>
<tr>
<td>Total</td>
<td>1,269</td>
<td>2,897</td>
<td>4,166</td>
</tr>
</tbody>
</table>

#### Approximately 10,000 MW:

- of renewable generation
- interconnected across the U.S. via AEP's transmission system today
# Contracted Renewables

$1B Capital Allocated 2017-2019

<table>
<thead>
<tr>
<th>Category</th>
<th>AEP Onsite Partners</th>
<th>AEP Renewables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Generation Asset Owner</td>
<td>![Checkmark]</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td>“Behind-the-Meter” Energy Assets</td>
<td>![Checkmark]</td>
<td></td>
</tr>
<tr>
<td>Universal Scale Energy Assets</td>
<td></td>
<td>![Checkmark]</td>
</tr>
<tr>
<td>Key Customers</td>
<td>Schools, Cities, Hospitals and Commercial / Industrial Accounts</td>
<td>Utilities, Municipalities, Corporations and Cooperative Accounts</td>
</tr>
<tr>
<td>Key Technologies</td>
<td>Solar, energy storage and combined heat and power</td>
<td>Wind and Solar</td>
</tr>
</tbody>
</table>
WIND CATCHER ENERGY CONNECTION

Project is expected to reduce rates for PSO & SWEPCO customers over the life of the project with savings starting year-1 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; Planning to file at FERC in 4Q 2017
- **Target Completion:** Q4 2020
- **Proposed Ownership:** SWEPCO (70%) & PSO (30%)
- **Procedural Schedule:** Texas hearing is scheduled for January 16-26, 2018.

![Map of Wind Catcher Energy Connection](image)

<table>
<thead>
<tr>
<th>Cost Detail</th>
<th>Wind Plant</th>
<th>Gen-Tie</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Suppliers</td>
<td>Invenergy</td>
<td>Quanta Services</td>
</tr>
<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>
CUSTOMERS

- Save more than $7 BILLION over the life of the project
- Provides $2.9 BILLION in present value savings net of project cost
- REDUCES RATES every year of the project
- Receive about 40% of their energy from wind
- Benefit from more STABLE FUEL prices & added FUEL DIVERSITY

STATE ECONOMIES

- Among the state of Oklahoma’s LARGEST private investments
- OVER $625 MILLION of materials and equipment expected to be sourced from OK, TX, AR & LA
- Generates a total of $300 MILLION in property taxes in OK

COMMUNITIES

- 8,400 estimated construction jobs with most project labor expected to be sourced from OK, TX, AR & LA
- ~80-90 permanent jobs in OK
- Estimated to generate more than $100 MILLION in state and local taxes

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$3 BILLION ANNUAL TRANSMISSION INVESTMENT

- Improving reliability by replacing aging infrastructure
- Enhancing resiliency to combat extreme weather and increasing physical security
- Integrating renewables and supporting environmental mandates
- Relieving congestion to support an efficient generation market and provide customers with lower power prices
- Supporting economic development
SMARTER INFRASTRUCTURE INVESTMENTS
MODERNIZING THE GRID

1+ Micro-grids with Solar and battery storage

Advance Clean Energy R & D

Company Fleet Electrification

Energy Efficiency Programs

AMI Infrastructure – 528,000 meters

Electric Vehicle Supply Equipment (EVSE) – AEP Workplace plus
  • 300 Level 2 Public Smart Chargers
  • 75 DC Fast Chargers

Vehicle to Home Connectivity Research

Solar & Wind Deployment -- 900 MW goal

Smart Lighting
TRANSFORMING OUR WORKFORCE

• CEO Diversity Pledge
• Diversity & Inclusion Council
• Employee Resource Groups
• Paradigm for Parity
• Piloting Sponsorship Program to diversify leadership ranks
• Gallup Inclusion Index
• *Fortune’s* World’s Most Admired Companies (4 consecutive years)

• Credits Count℠ (STEM)
• Corporate Equality Index (benchmark for best places to work for LGBT community)
• Disability Equality Index – 2016 “Best Places to Work”
• U.S. Army Partnership for Youth Success (PaYs)
• Troops to Energy Jobs
• Future of Work initiative
SETTING SUSTAINABILITY GOALS FOR THE FUTURE

• 7 teams, 31 employees engaged in this process
• 3 main focus areas
• Multi-dimensional goals that align with corporate goals, strategy
• Mapping to U.N. Sustainable Development Goals
• On track for 2018 rollout
QUESTIONS?

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TO BE THE MODEL FOR CONNECTED CITIES OF THE FUTURE
PROACTIVE INDUSTRY TRANSPARENCY

• EEI formed ESG/Sustainability Steering Committee
  – Developing voluntary ESG reporting template and metrics to meet investors’ ESG needs for the sector
  – Investor-owned utilities
  – Formal announcement later this year

• Electric Power Research Institute Industry Benchmarking
  – 93 metrics aligned with environment, social and economic issues
  – Ongoing refinement
AEP’S STRATEGY FOR SUSTAINABLE DEVELOPMENT

Our strategy for a sustainable future is to ensure the production and delivery of energy enables positive social and economic change for our customers, employees and communities. AEP’s mission to collaboratively redefine the future of energy is grounded by our culture of safety, continuous improvement and customer focus. We commit to aggressively support economic development, develop innovative solutions, champion education and make smart infrastructure investments that power our communities and improve lives. AEP will lead by example by setting strategic performance targets and goals and we will be guided by these key principles:

• **Be a catalyst for change** – We will use our knowledge, voice, skills and relationships to enable innovation, bring new technologies to market, modernize the grid to be the ultimate optimizer of all resources and technologies, and develop a diverse, inclusive workforce for the 21st century. We will do this safely and efficiently and by working with our regulators.

• **Support environmental stewardship** – As we transition to a cleaner energy future, we seek to continuously improve operations across our business to reduce, mitigate or eliminate the resulting impacts on the environment.

• **Support strong local communities** – We have a responsibility to create shared value – for our customers, employees and the communities we serve. Our investments will enable those living in our communities to develop the skills and resources they need to build a sustainable future for themselves.

• **Be a trusted energy partner** – We seek to be a trusted, credible partner that customers rely upon to help them navigate energy and technology choices, give them accurate, timely information they can act on, and be their provider of choice for safe, reliable electricity.
“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 climate, growth or contraction within and changes in market demand and demographic patterns in our service territory, inflationary or deflationary interest rate trends, volatility in the financial markets, particularly developments affecting the availability of capital on reasonable terms and developments impairing our ability to finance new capital projects and refinance existing debt at attractive rates, 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, customer growth and the impact of competition including competition for retail customers, weather conditions, including storms and drought conditions, and our ability to recover significant storm restoration costs, available sources and costs of, and transportation for, fuels and the creditworthiness and performance of fuel suppliers and transporters, availability of necessary generation capacity and the performance of our generation plants, our ability to recover increases in 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 other energy-related commodities, 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 or market prices 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 and capacity auction returns, changes in utility regulation and the allocation of costs within regional transmission organizations, including ERCOT, PJM and SPP, the market for generation in Ohio and PJM and the ability to recover investment in Ohio generation assets, 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.

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