

The background of the slide is a photograph of the New York City skyline at dusk. The sky is a deep blue with scattered white clouds. Several skyscrapers are visible, including the Empire State Building on the right, which is illuminated with red and white lights. The lights from the buildings and the city streets are reflected in the water in the foreground. A bridge with blue and white lights is visible in the middle ground.

ANALYST & INVESTOR MEETING

New York, NY | November 1, 2016

“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 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 retail competition, 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 or acquire generation capacity and 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 or additional regulation of fly ash and similar combustion products 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 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, changes in utility regulation and the allocation of costs within regional transmission organizations, including ERCOT, PJM and SPP, the transition to market for generation in Ohio, including the implementation of ESPs, our ability to successfully and profitably manage our separate competitive generation assets, 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.

INVESTOR RELATIONS:

Bette Jo Rozsa
Managing Director
Investor Relations
614-716-2840
bjrozsa@aep.com

Bradley Funk
Director
Investor Relations
614-716-3162
bmfunk@aep.com

Meet the team

Nick Akins

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER



Robert Powers

EXECUTIVE VICE PRESIDENT
AND CHIEF OPERATING OFFICER



Brian Tierney

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER



Charles Zebula

EXECUTIVE VICE PRESIDENT
ENERGY SUPPLY



Lisa Barton

EXECUTIVE VICE PRESIDENT
TRANSMISSION



THE PREMIER REGULATED ENERGY COMPANY

DOING **WHAT WE SAID**

**Completed
strategic
review of
competitive
assets**

**Reinvesting
proceeds
wisely**

**Growing
regulated
businesses**

AEP GOING FORWARD

**Well positioned
as a regulated
business**

**Earnings
growth rate
5-7%**

**Growing
dividend
consistent
with earnings**

BEFORE & AFTER

**Investor focus on competitive
generating assets**

**Resolved competitive
asset concerns**

**Questions about
use of proceeds**

**Increased investment in
transmission and renewables**

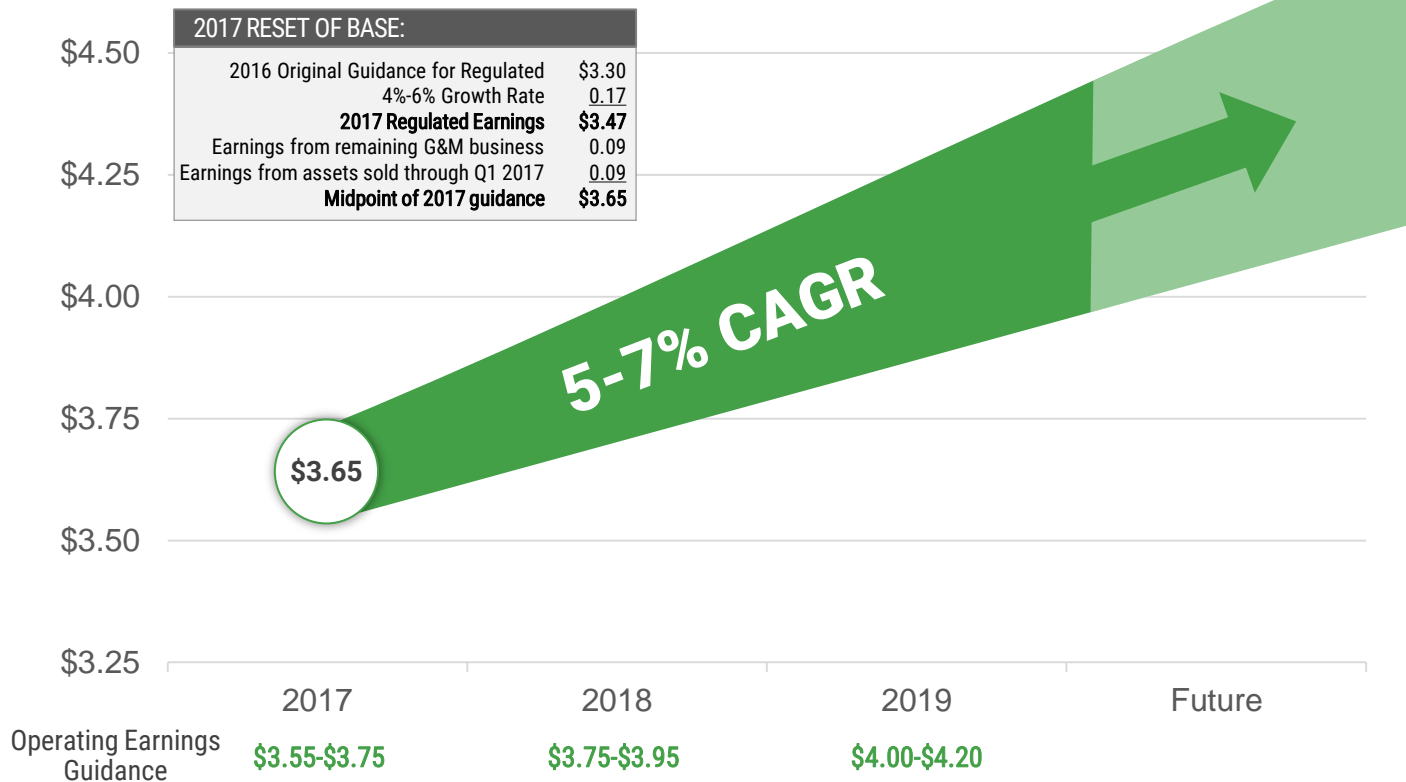
**Regulated and unregulated
business mix**

Regulated business model

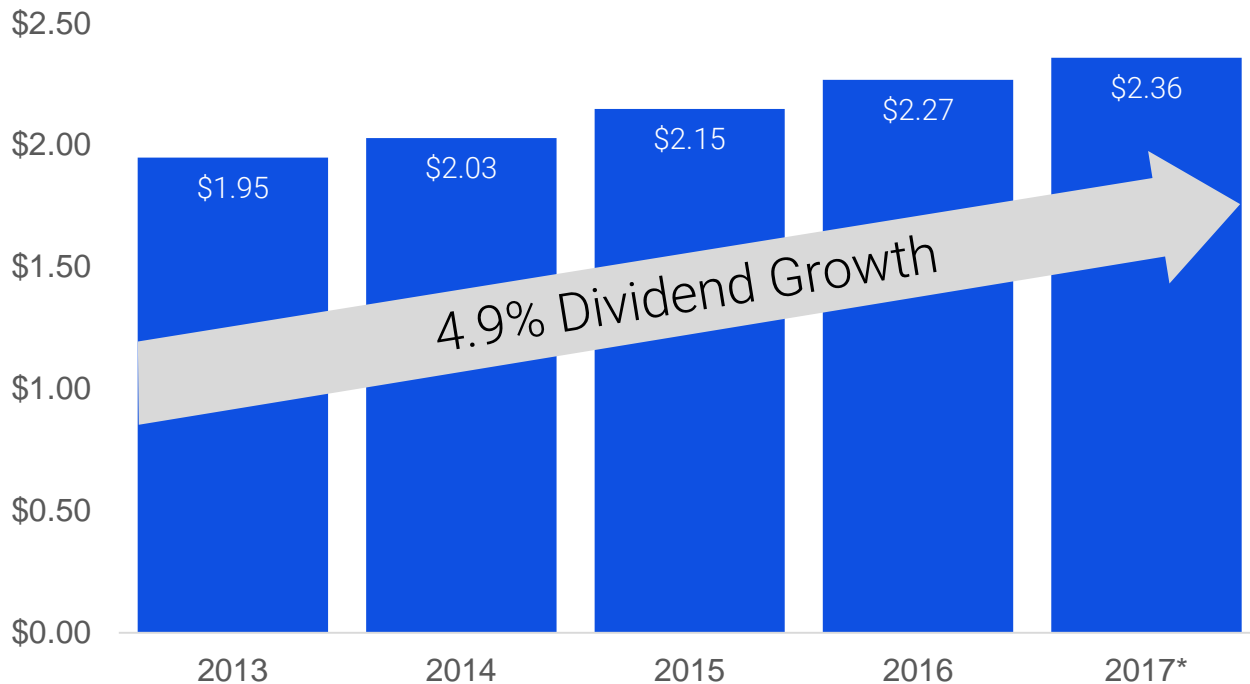
Earnings volatility

**Predictable earnings and higher
growth rate**

ORGANIC INVESTMENT OPPORTUNITY EQUALS INCREASED GROWTH



STRONG, CONSISTENT DIVIDEND GROWTH



* Subject to Board approval

THE PREMIER REGULATED ENERGY COMPANY

HIGHER
growth

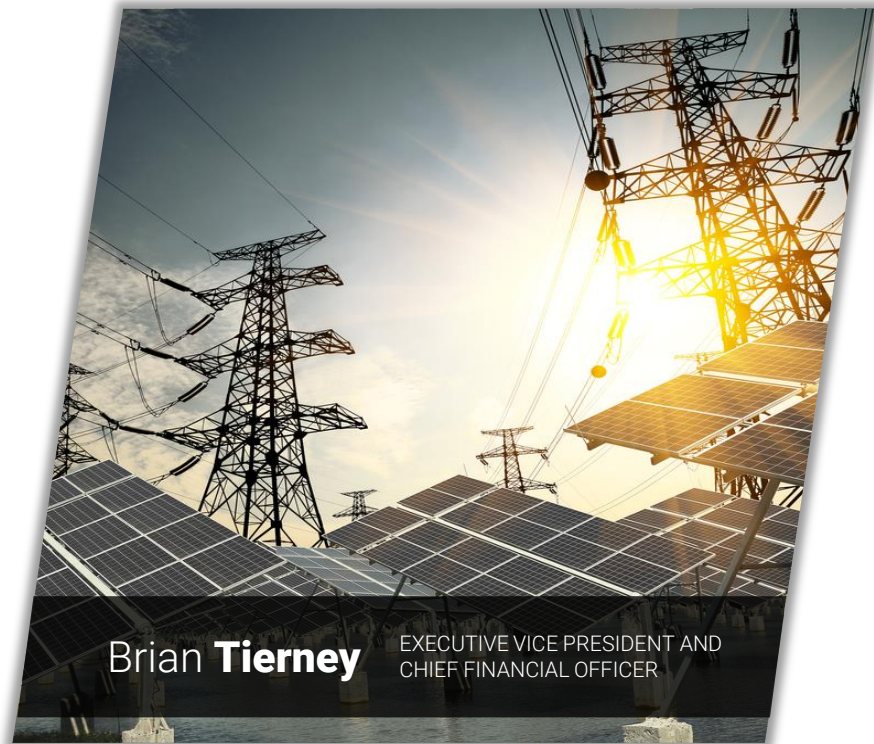
MORE
regulated

HIGHER
dividends

MORE
certainty



POSITIONING FOR THE FUTURE



Brian Tierney

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

ASSET IMPAIRMENT IMPACT

Assets: Ohio (Cardinal, Conesville 4-6, Stuart, Zimmer) and others

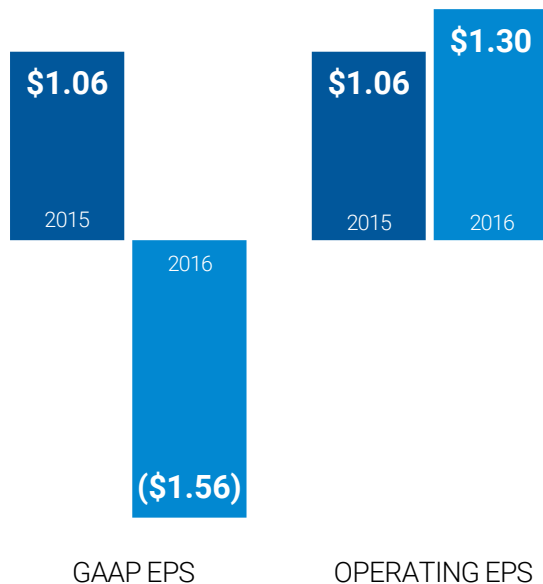
Pre-tax impairment of \$2.3 Billion

After-tax impairment of \$1.5 Billion

GAAP EPS impact of \$2.98 per share

Remaining net book value of \$50 Million

THIRD QUARTER RESULTS



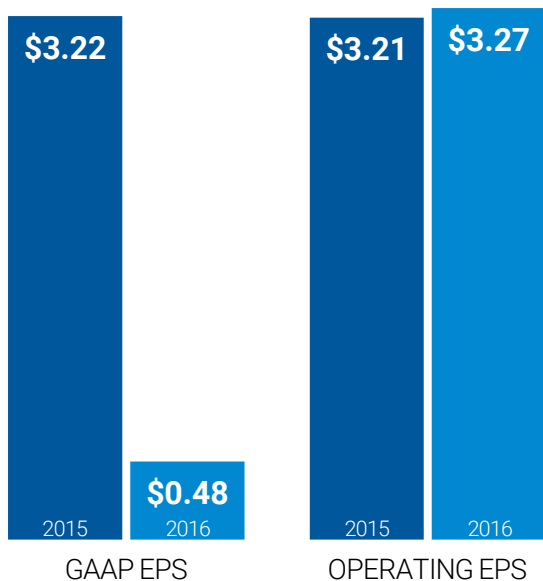
THIRD QUARTER DRIVERS

- Q3 2016 GAAP results driven by asset impairment
- Operating earnings results:
 - Favorable weather added 7 cents per share
 - Rate changes contributed incremental earnings of 9 cents per share
 - O&M was favorable by 9 cents per share
 - Growth in all regulated segments partially offset by declines in competitive businesses

Refer to appendix for reconciliation between GAAP and Operating EPS

YEAR-TO-DATE RESULTS

Raising and narrowing 2016 operating earnings guidance range to \$3.75 - \$3.85



Refer to appendix for reconciliation between GAAP and Operating EPS

YEAR-TO-DATE DRIVERS

- YTD 2016 GAAP results driven by asset impairment
- Operating earnings:
 - Rate changes and decreased O&M added 18 cents and 9 cents per share, respectively, partially offset by 5 cents unfavorable weather
 - Transmission Holdco added 12 cents per share due to increased investment
 - Lower capacity revenues and energy margins contributed decreases of 19 cents and 10 cents per share, respectively
 - Growth in all regulated segments partially offset by declines in competitive businesses

ASSET SALE DETAILS

Assets: Gavin, Lawrenceburg, Waterford, Darby [5,200 MW]

Sales Price	\$2.2 Billion	
AGR debt	- 0.3	
Lawrenceburg debt	- 0.2	@ 55% debt leverage
Taxes	<u>- 0.5</u>	
Net Proceeds	\$1.2 Billion	\$2.2 Billion

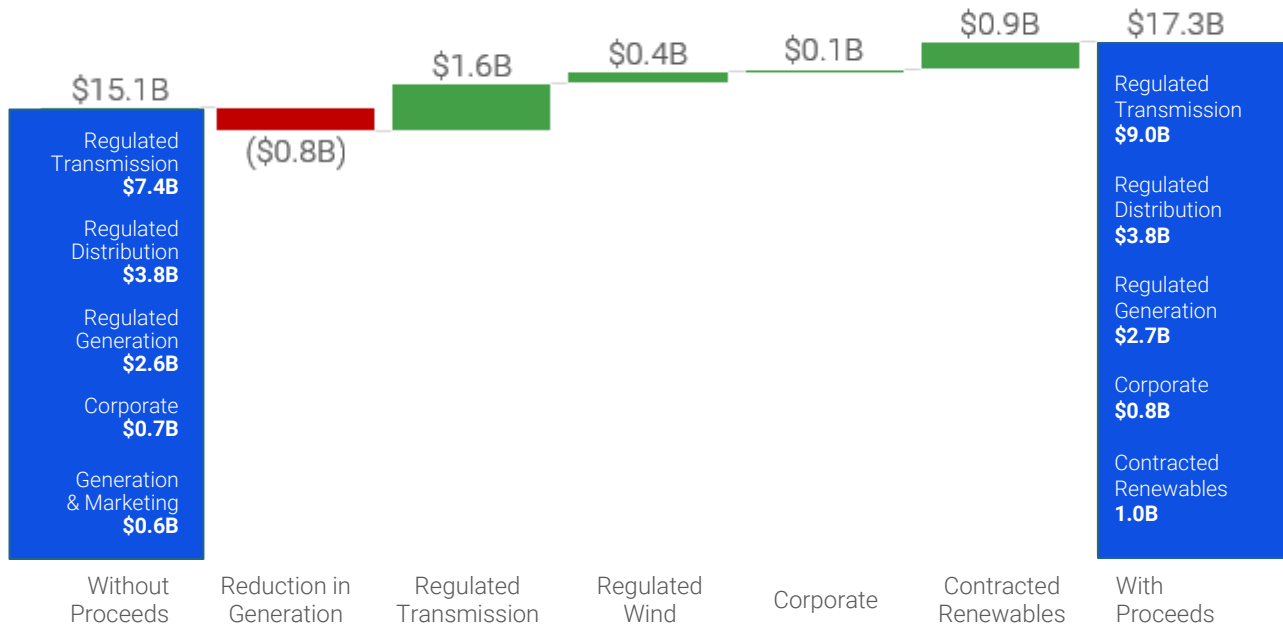
After-tax gain: Approximately \$150 Million to be recorded at close

Transaction expected to close Q1 2017

USE OF SALES PROCEEDS

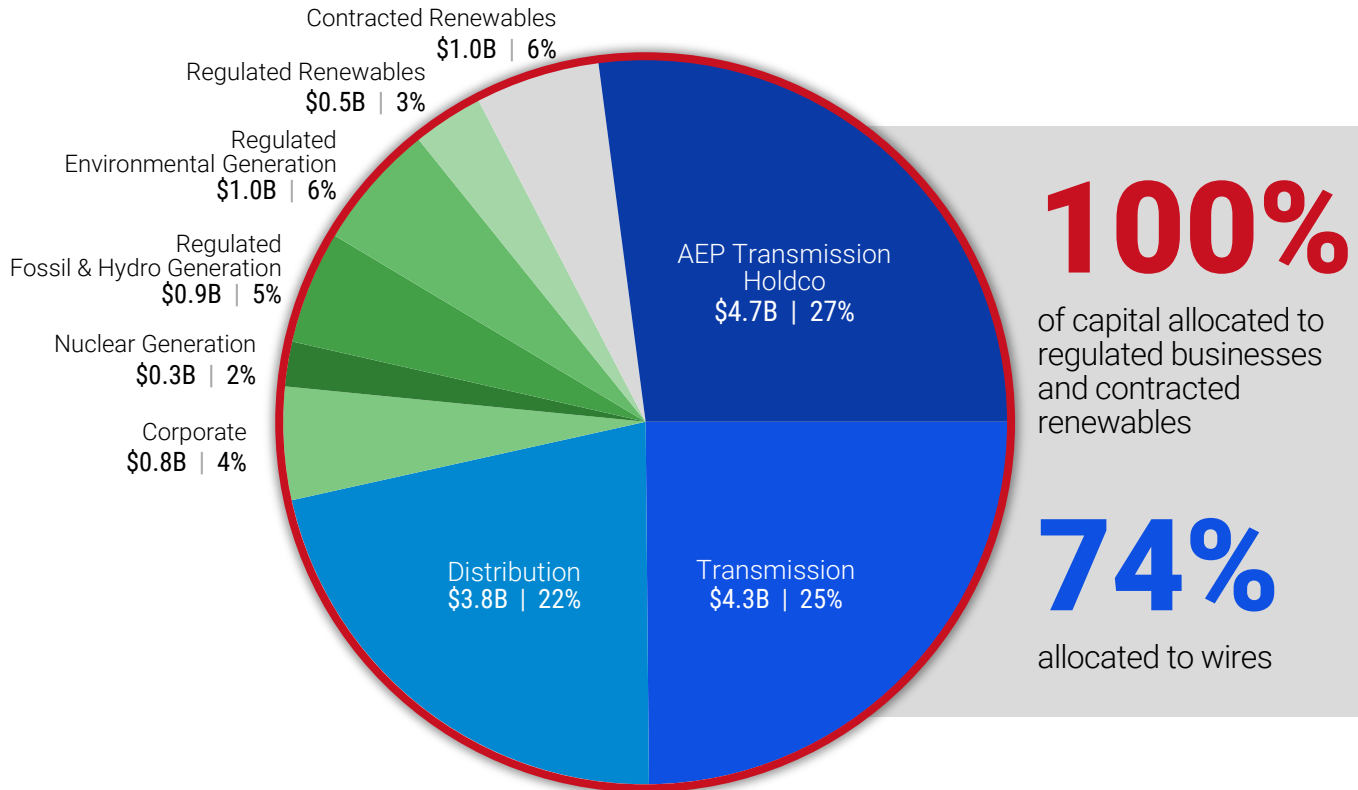
WISELY INVESTING IN TRANSMISSION & RENEWABLES

Use of \$2.2 Billion Levered Sales Proceeds



CAPITAL FORECAST

\$17.3B Cap-ex from 2017-2019



SOLID CREDIT METRICS

AEP Consolidated Cash Flows and Financial Metrics

\$ in millions	2016E	2017E	2018E	2019E
Cash from Operations	4,500	4,400	4,800	5,000
Capital & JV Equity Contributions	(5,000)	(5,700)	(6,000)	(5,600)
Other Investing Activities *	(300)	1,800	(200)	(200)
Common Dividends **	(1,100)	(1,200)	(1,200)	(1,200)
Excess (Required) Capital	(1,900)	(700)	(2,600)	(2,000)
Financing (\$ in millions)				
Excess (Required) Capital	(1,900)	(700)	(2,600)	(2,000)
Debt Maturities (Senior Notes, PCRBs)	(1,100)	(2,600)	(1,400)	(1,900)
Securitization Amortizations	(300)	(300)	(300)	(300)
Equity Issuances (DRP/401K)	30	-	-	-
Debt Capital Market Needs (New)	(3,270)	(3,600)	(4,300)	(4,200)
Financial Metrics				
Debt to Capitalization Target	55-60%			
FFO/Total Debt ***	Mid to Upper Teens			

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

** Dividend increased to \$0.59 per share Q4 2016 for total dividends of \$2.27/share; \$2.36/share 2017 - 2019. Dividend evaluated by Board of Directors each quarter; stated target payout ratio range is 60 - 70%

*** Excludes securitization debt

SOLID CREDIT METRICS

AEP Consolidated Cash Flows and Financial Metrics

\$ in millions	2016E	2017E	2018E	2019E
✓ No planned equity issuance				
✓ Maintain credit metrics				
✓ Access to debt capital markets				
✓ No share buybacks in plan				

payout ratio range is 60 - 70%

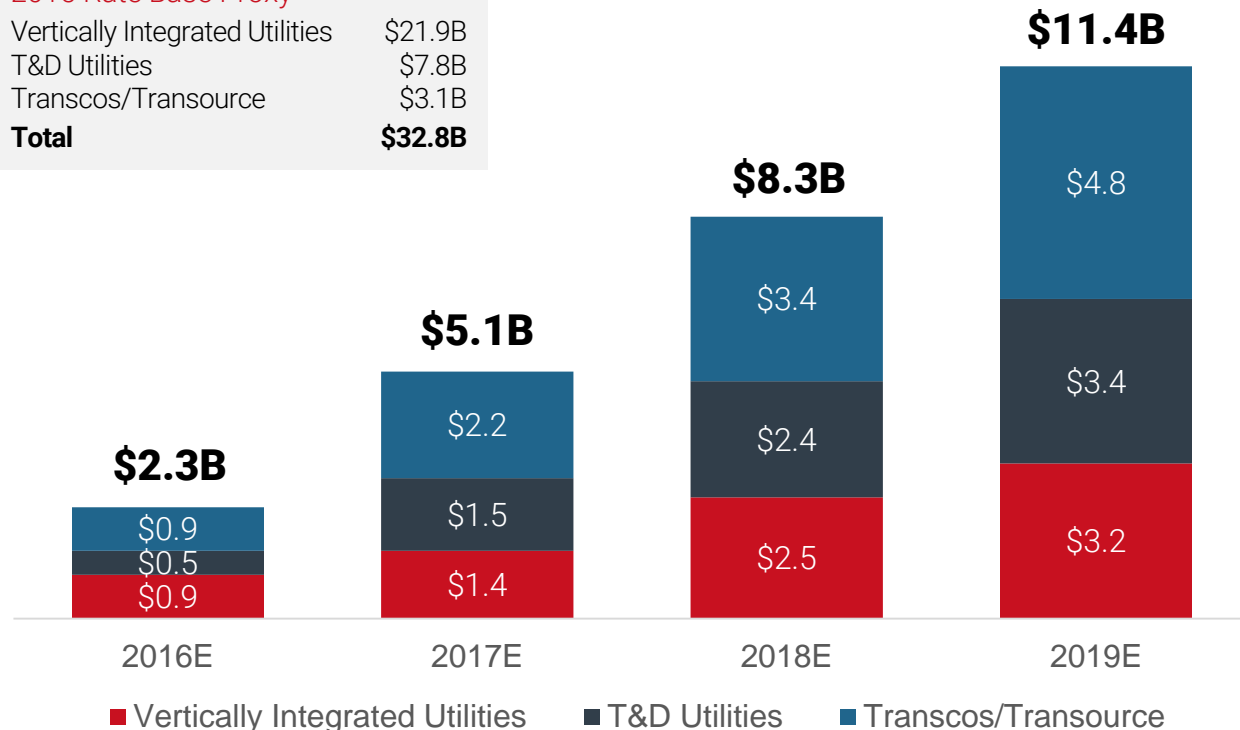
*** Excludes securitization debt

7.7% CAGR IN RATE BASE

CUMULATIVE CHANGE FROM 2015 BASE

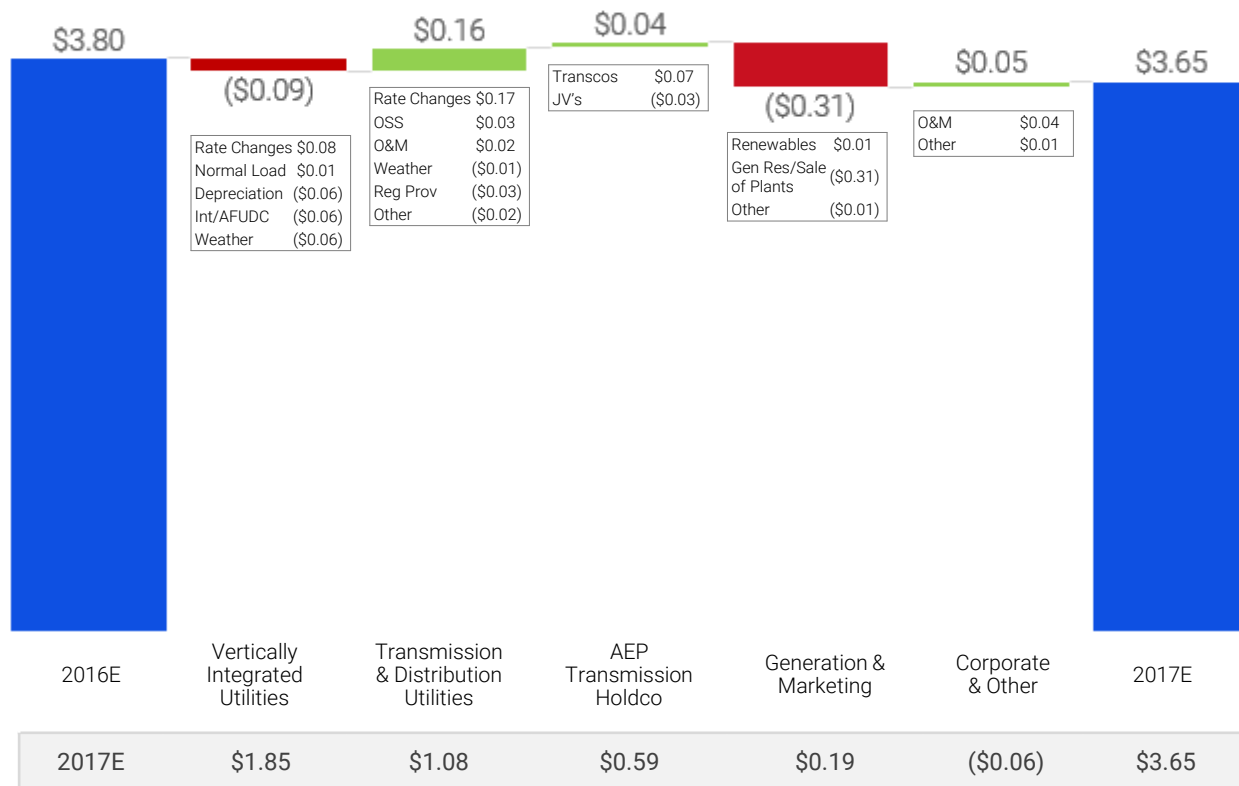
2015 Rate Base Proxy

Vertically Integrated Utilities	\$21.9B
T&D Utilities	\$7.8B
Transcos/Transource	\$3.1B
Total	\$32.8B



2017 OPERATING EARNINGS GUIDANCE

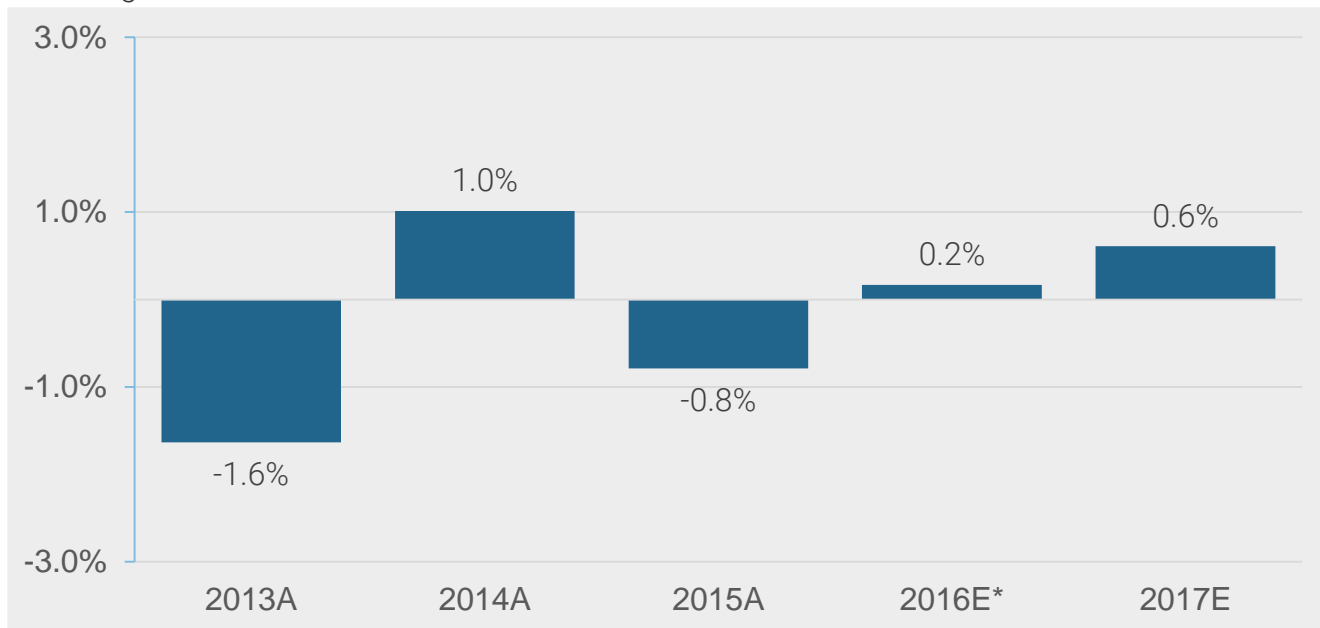
RANGE OF \$3.55 - \$3.75/SHARE



NORMALIZED LOAD TRENDS

AEP TOTAL NORMALIZED GWH SALES

% Change vs. Prior Year

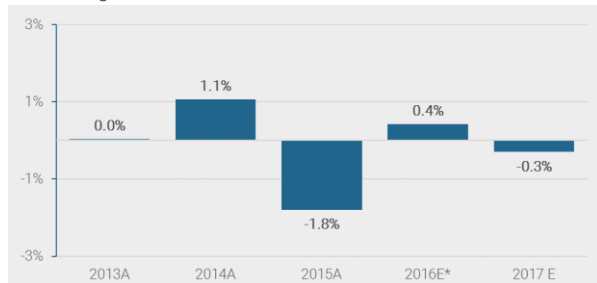


*2016 includes 9 months weather normalized actual results plus 3 months forecasted values.

NORMALIZED LOAD TRENDS

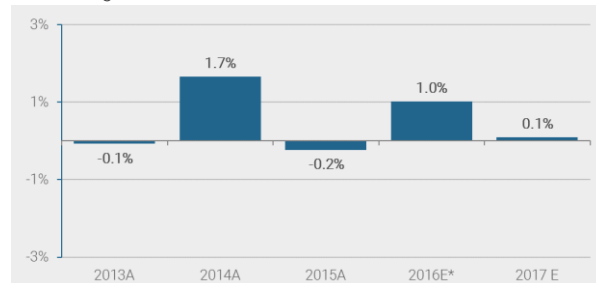
AEP Residential GWH Sales

% Change vs Prior Year



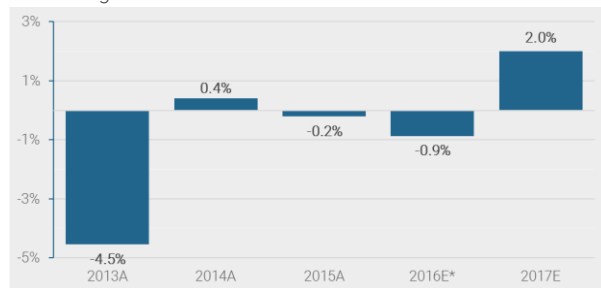
AEP Commercial GWH Sales

% Change vs Prior Year



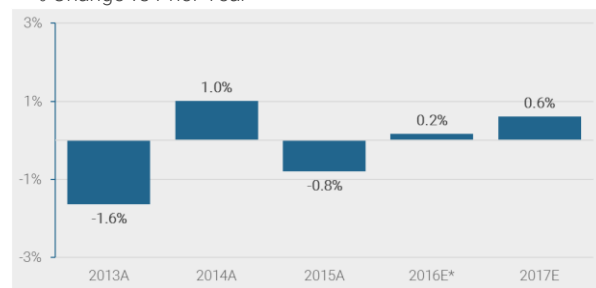
AEP Industrial GWH Sales

% Change vs Prior Year



AEP Total GWH Sales

% Change vs Prior Year



*2016 includes 9 months weather normalized actual results plus 3 months forecasted values.

CONTINUOUS IMPROVEMENT ENABLES O&M DISCIPLINE

\$ Billions

\$3.5

\$3.0

\$2.5

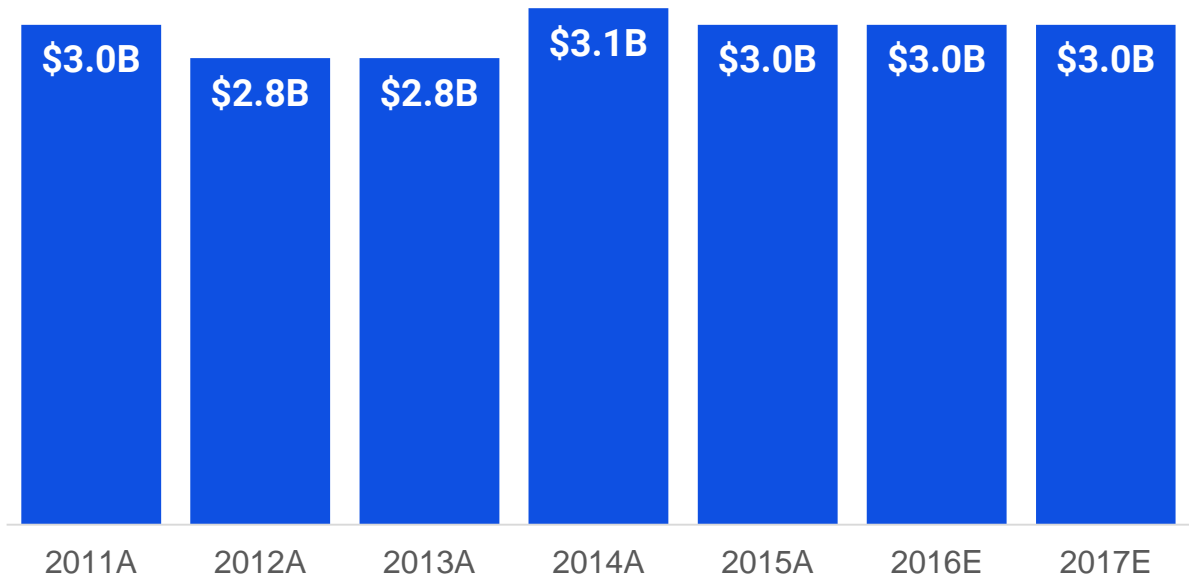
\$2.0

\$1.5

\$1.0

\$0.5

\$0.0



Excluding items recovered in riders/trackers

INVESTING IN TRANSMISSION



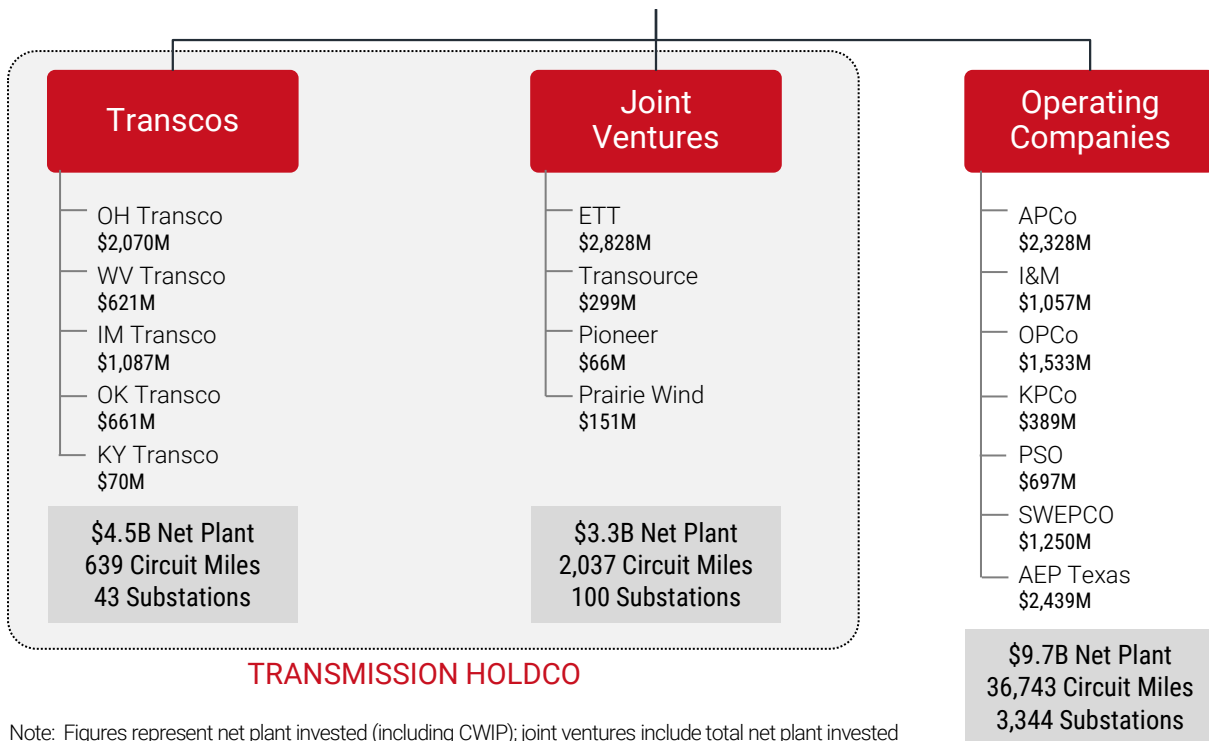
Lisa **Barton**

EXECUTIVE VICE PRESIDENT
AEP TRANSMISSION

AEP TRANSMISSION MANAGES

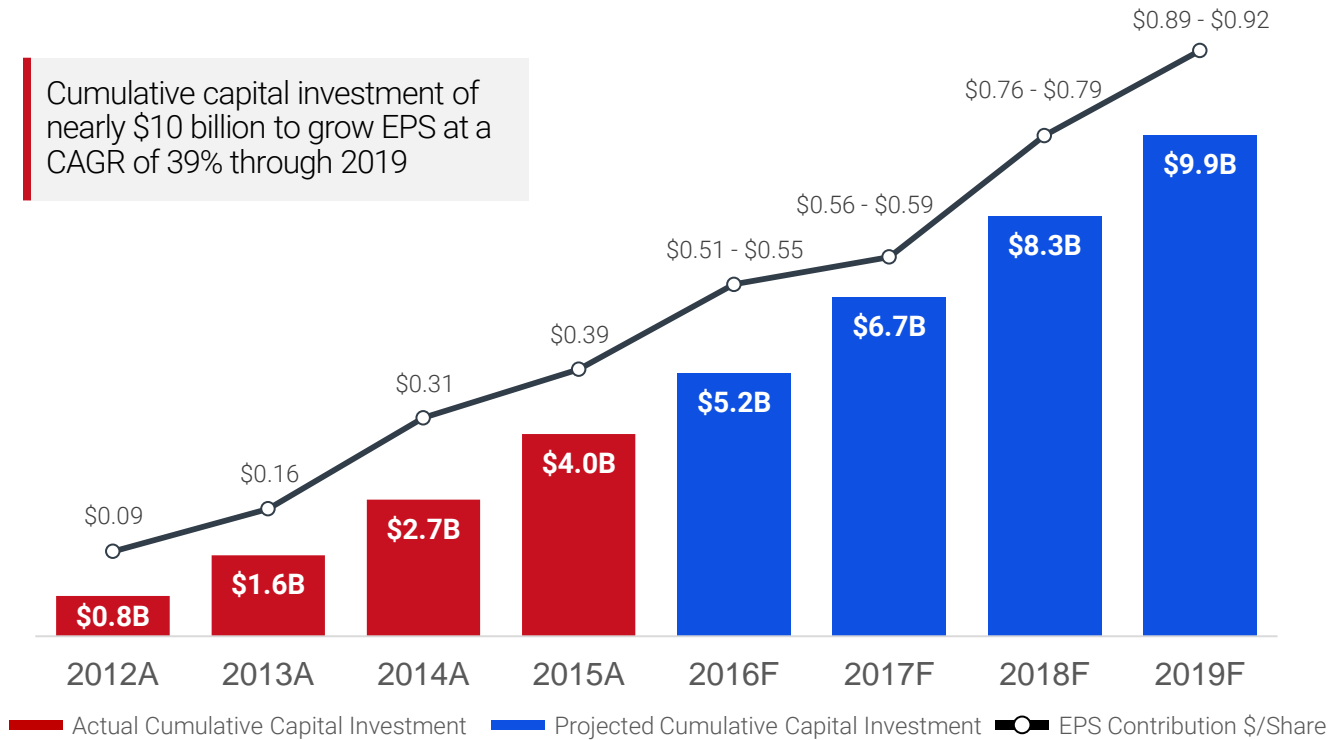
THE LARGEST TRANSMISSION NETWORK IN NORTH AMERICA

AEP Transmission Business




AEP THC CAPITAL AND EPS FORECAST FOR 2016-2019

Cumulative capital investment of nearly \$10 billion to grow EPS at a CAGR of 39% through 2019




Note: AEP THC only. Capital excludes investment in the AEP operating companies, JV equity contributions, and Transource unapproved projects.


\$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

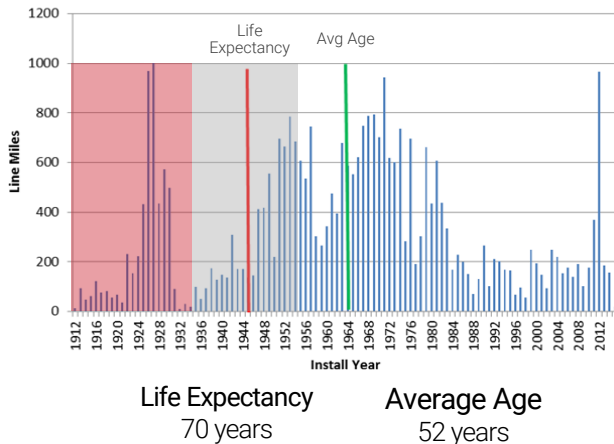


Supporting economic development

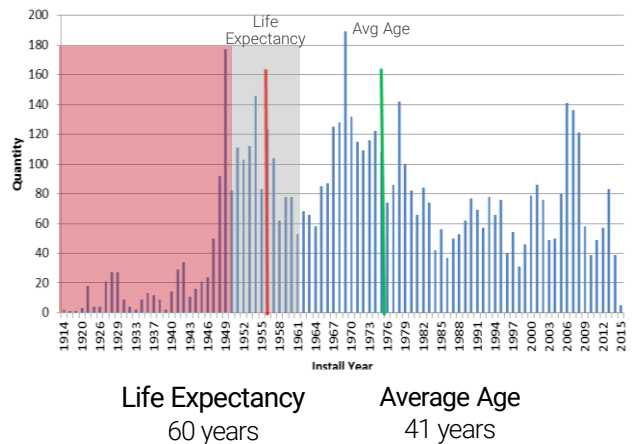
SIGNIFICANT PIPELINE OF INVESTMENT DRIVEN BY AGING INFRASTRUCTURE

\$2.5B investment per year is required to maintain the current asset age profile

AEP T-LINE AGE PROFILE



AEP TRANSFORMER AGE PROFILE



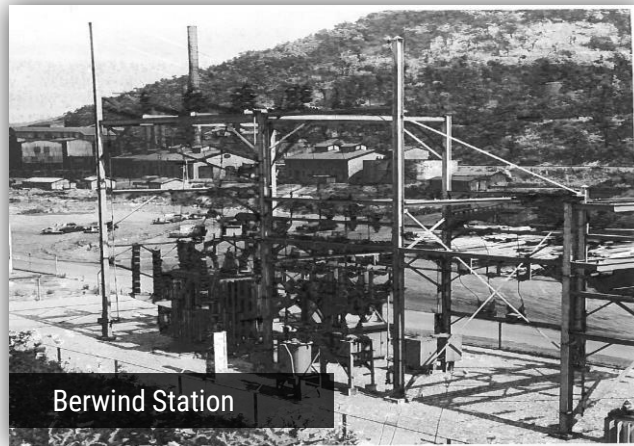
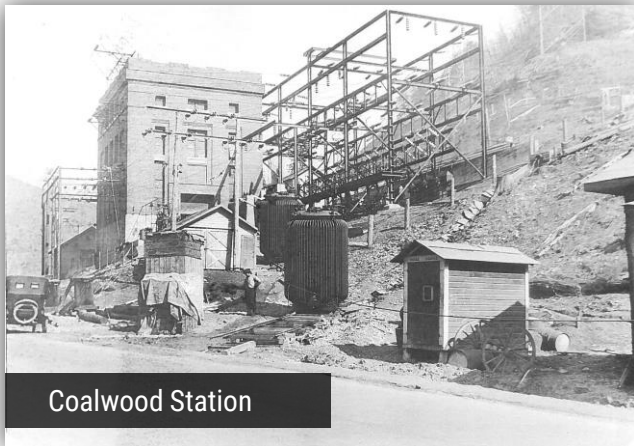
Beyond Life Expectancy

Life Expectancy Range

SIGNIFICANT ORGANIC INVESTMENT RUNWAY

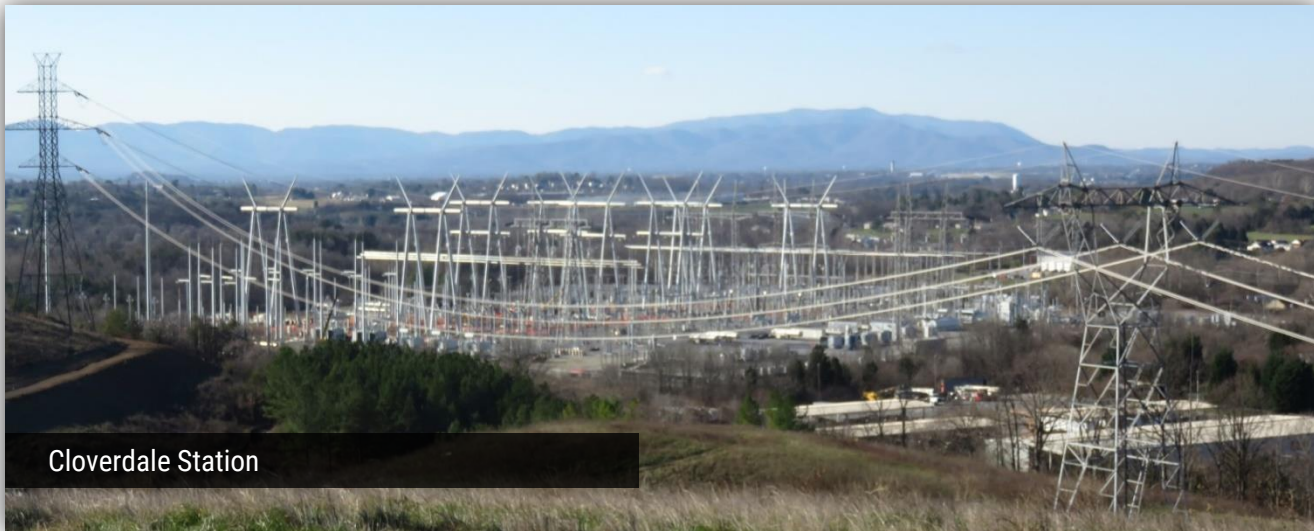
	Life Expectancy	Current quantity over Life Expectancy	Quantity that will exceed Life Expectancy in next ten years	Total Renewal Opportunity over ten years
Line Miles	70	7,145	5,575	12,720
Transformers	60	1,396	739	2,135
Circuit Breakers	50	2,001	2,461	4,462

AGING INFRASTRUCTURE PROJECTS



- Retirement of 1910s vintage 88kV system serving McDowell County, West Virginia and Tazewell County, Virginia
- Rebuilt as 138kV with 35 miles of new lines and station upgrades
- \$143 million project cost
- Corrects thermal overloads and low voltage issues

REGIONAL RELIABILITY PROJECT



- New 28-acre substation and new lines to support regional reliability driven by large-scale generation retirements
- \$235 million project cost
- Corrects thermal overloads, voltage problems and improves congestion

LOCAL RELIABILITY PROJECT



- New 138kV loop and two new 138/12kV stations
- \$40 million project cost
- Improves reliability in the Marcellus area and addresses low voltage issues
- Supports economic and shale gas development

CUSTOMER LOAD GROWTH PROJECT



- New 156-mile 345kV line from Laredo to North Edinburg, Texas
- \$330 million project cost
- Provides a third source to the Rio Grande Valley – one of the fastest growing areas in the U.S. – and connects multiple wind farms in the area

RECENT FERC FILING

206 complaint against AEP east companies filed

AEP plans to file a 205 application for a modified formula rate that seeks to mitigate regulatory lag

Seeking formula rates consistent with other transmission owners in PJM

Transmission investment strategy unchanged

AEP^{THC} INVESTMENT INITIATIVES FOR BUSINESS GROWTH

Strong Partnerships



Industry Solutions



Infrastructure Investments



WELL-POSITIONED REGULATED BUSINESS



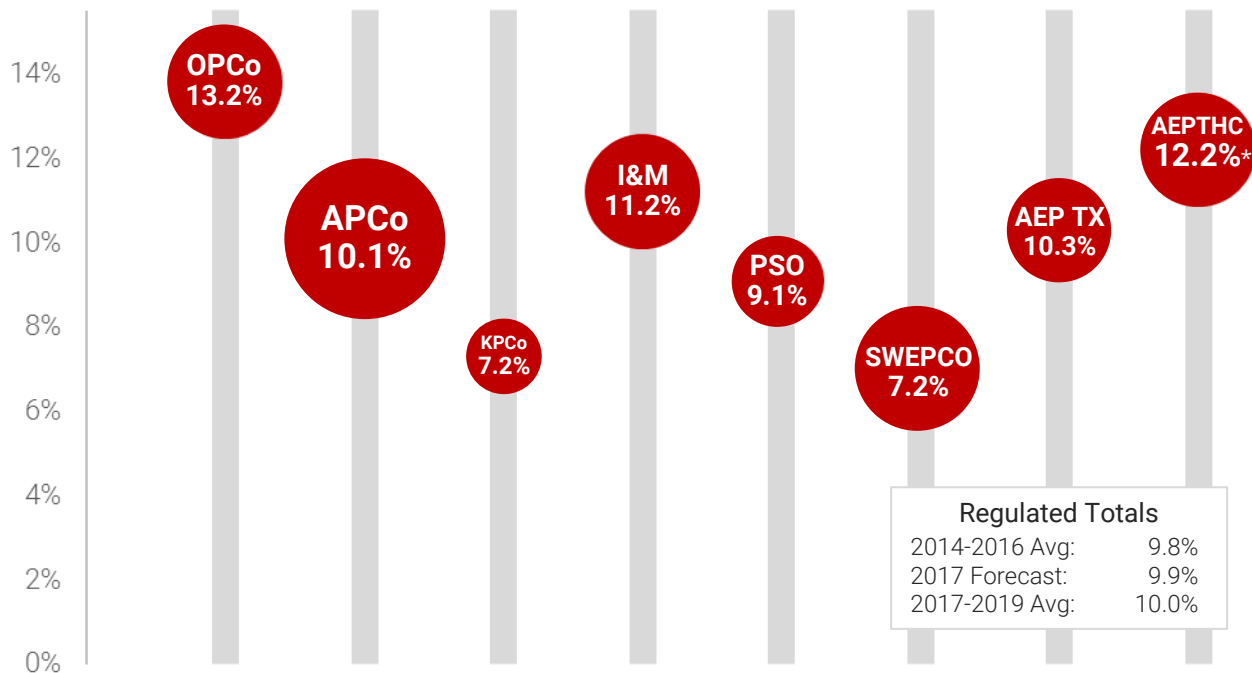
Bob Powers

EXECUTIVE VICE PRESIDENT AND
CHIEF OPERATING OFFICER

REGULATED OPERATIONS

Regulated Operations ROE of 10.5%

as of September 30, 2016



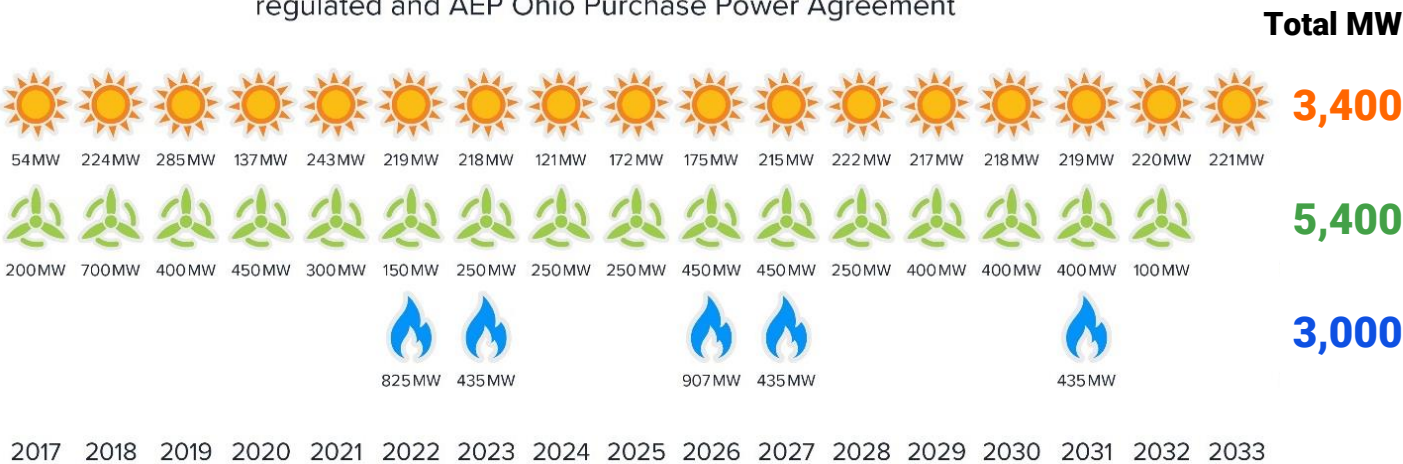
Sphere size based on each company's relative equity balance

* Transco ROE is 11.4%

INVESTING IN A GREENER FUTURE

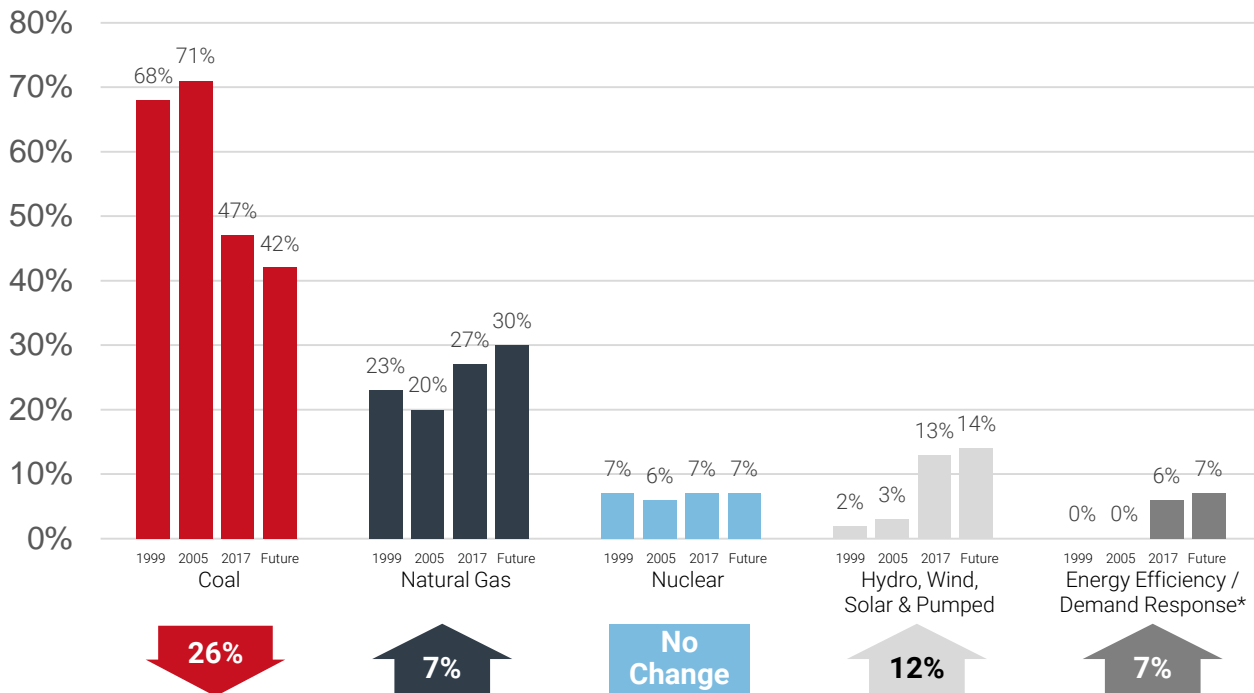
AEP SYSTEM PLANNED GENERATION RESOURCE ADDITIONS

regulated and AEP Ohio Purchase Power Agreement



Source: Current internal Integrated Resource Plans, which largely do not reflect ITC/PTC extension or Bonus Depreciation.
Wind and solar represent nameplate MW capacity.

AEP'S GENERATING RESOURCE PORTFOLIO PAST AND FUTURE

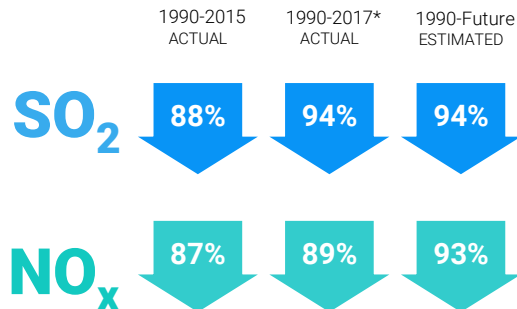
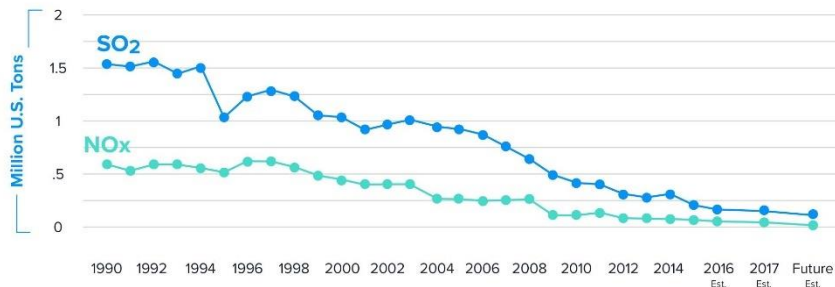


1999 includes AEP and Central and South West generation combined. All periods presented include Purchase Power Agreements
 Future excludes Cardinal, Conesville, Stuart and Zimmer plants

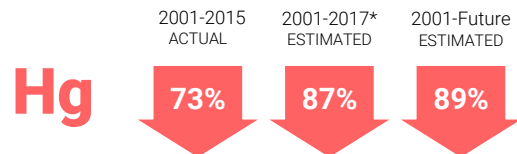
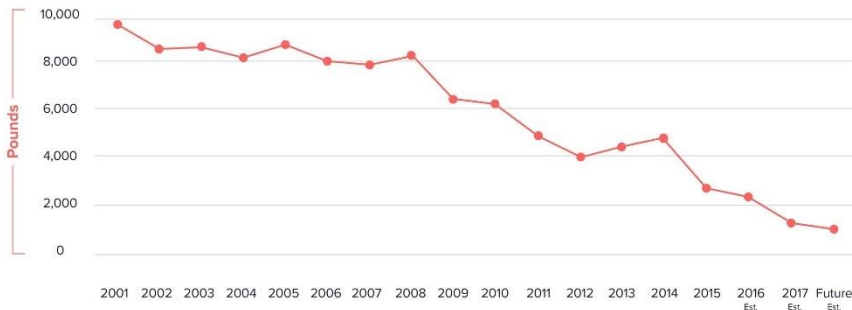
* Energy Efficiency / Demand Response represents avoided capacity rather than physical assets

DRAMATIC REDUCTIONS IN EMISSIONS

TOTAL AEP SYSTEM NO_x & SO₂ EMISSIONS



TOTAL AEP SYSTEM MERCURY EMISSIONS

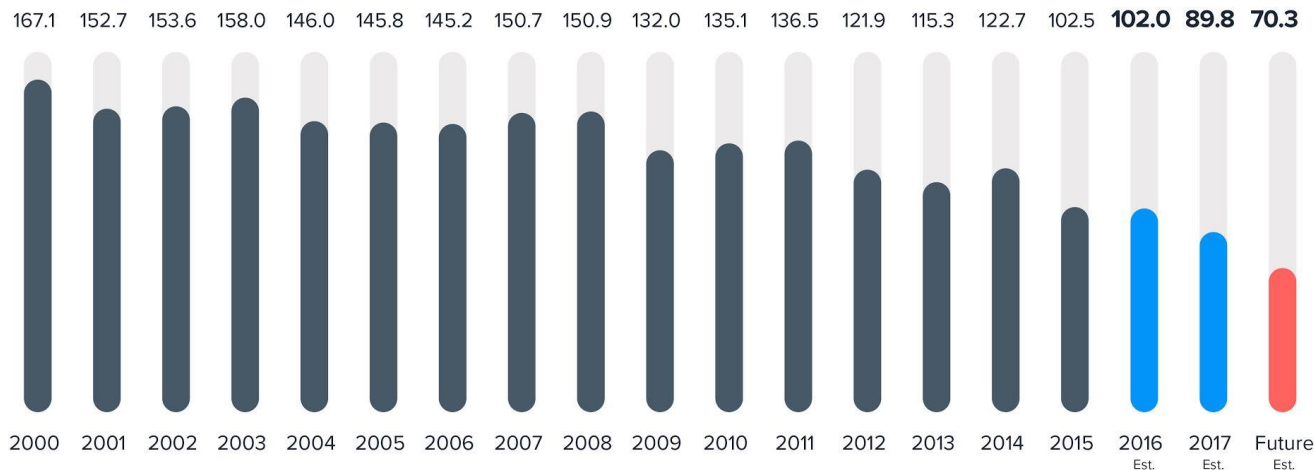


* Reflects impact of sale of Lawrenceburg, Waterford, Darby and Gavin plants
Future excludes Cardinal, Conesville, Stuart and Zimmer plants

DRAMATIC REDUCTIONS IN EMISSIONS

TOTAL AEP SYSTEM – ANNUAL CO₂ EMISSIONS

in million metric tons



CO₂

2000-2015
actual

39%

2000-2017*
estimated

46%

2000-future
estimated

58%

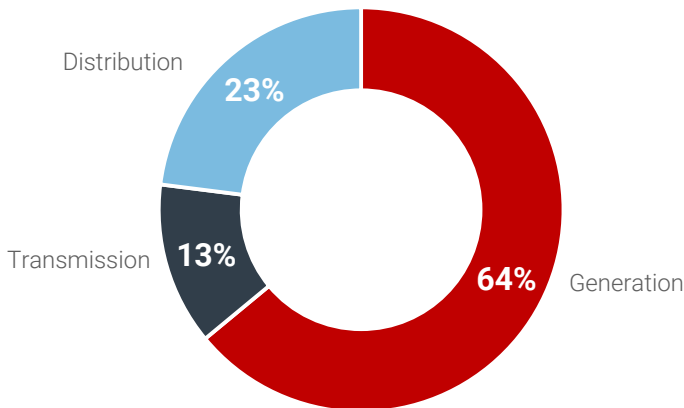
* Reflects impact of sale of Lawrenceburg, Waterford, Darby and Gavin plants
Future excludes Cardinal, Conesville, Stuart and Zimmer plants

FOCUSING ON WIRES

A TALE OF TWO DECADES

2006

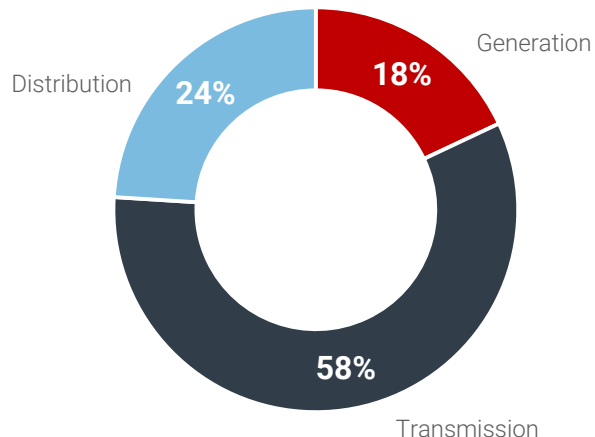
2006 CAPITAL



- Focus on environmental retrofits
- Transmission expansion just beginning

2016

2017-2019 CAPITAL FORECAST



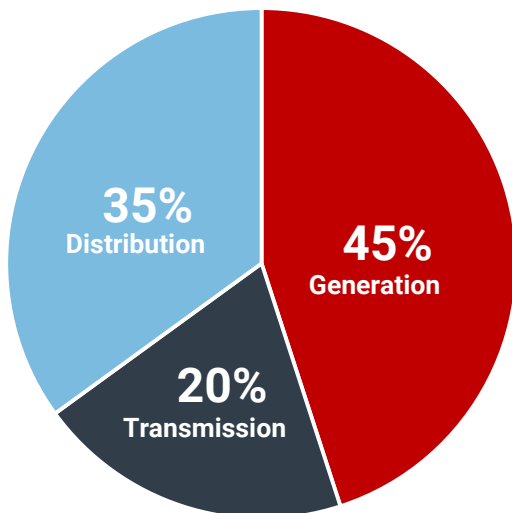
- Focus on wires
- \$9 billion on transmission over 3-year forecast period

TURNING THE SHIP

A TALE OF TWO DECADES

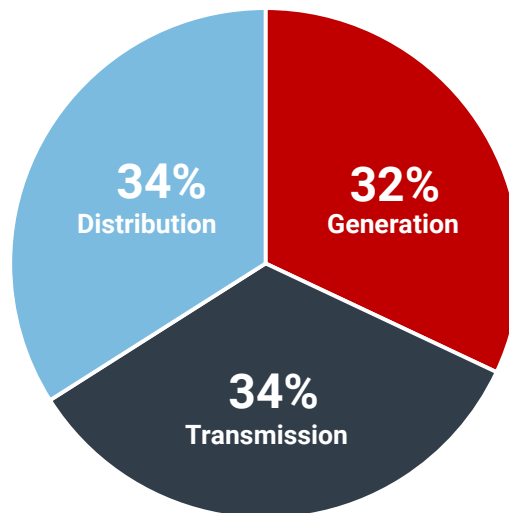
2006

NET PLANT PROFILE

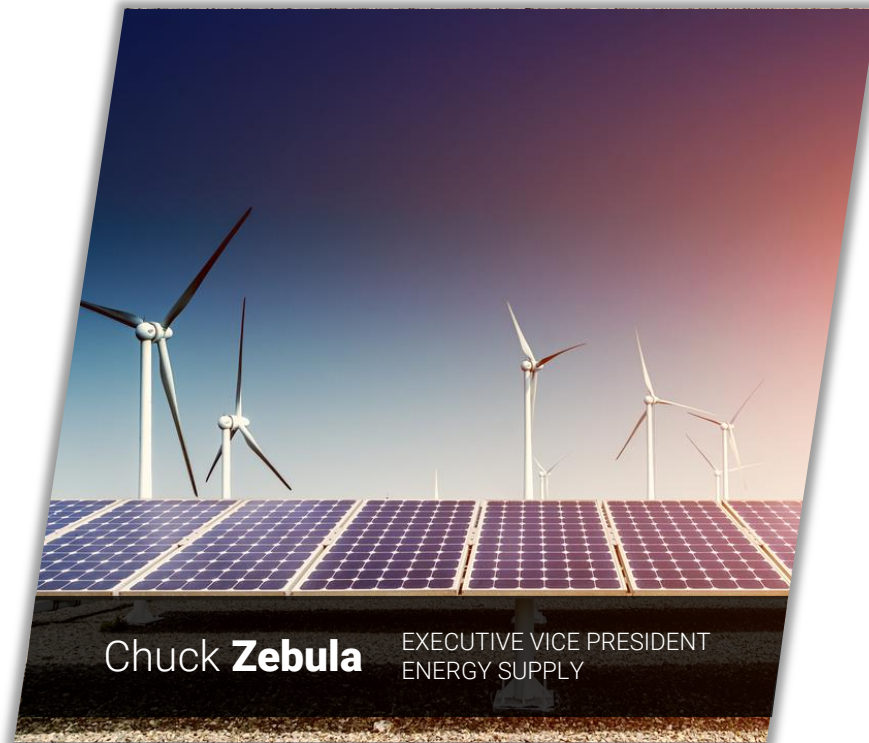


2016

NET PLANT PROFILE



INVESTING IN CONTRACTED RENEWABLES



Chuck **Zebula**

EXECUTIVE VICE PRESIDENT
ENERGY SUPPLY

CONTRACTED RENEWABLES

\$1B CAPITAL ALLOCATED 2017-2019



Renewable Generation Asset Owner	✓	✓
"Behind-the-Meter" Energy Assets	✓	
Universal Scale Energy Assets		✓
Key Customers	Schools, Cities, Hospitals and Commercial / Industrial Accounts	Utilities, Municipalities, Corporations and Cooperative Accounts
Key Technologies	Solar, energy storage and combined heat and power	Wind and Solar

CONTRACTED RENEWABLES

2016 ACCOMPLISHMENTS



City of Clyde, Ohio | 3.6MW



- Multiple projects in 8 different states
- 4MW of solar projects in operation
- 31MW of solar projects under construction



Pavant Solar III Utah | 20MW



- 20MW solar project in Utah
- Output fully contracted with PacifiCorp under 20 year PPA
- Expected COD in December 2016
- Constructed by JSI Construction

CONTRACTED RENEWABLES OUTLOOK

STRONG PIPELINE OF ADDITIONAL OPPORTUNITIES

DEVELOPMENT PROJECTS

- Fully contracted assets
- Strong credit counterparties
- Long-term predictable cash flows and earnings

DISCIPLINED INVESTMENT

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

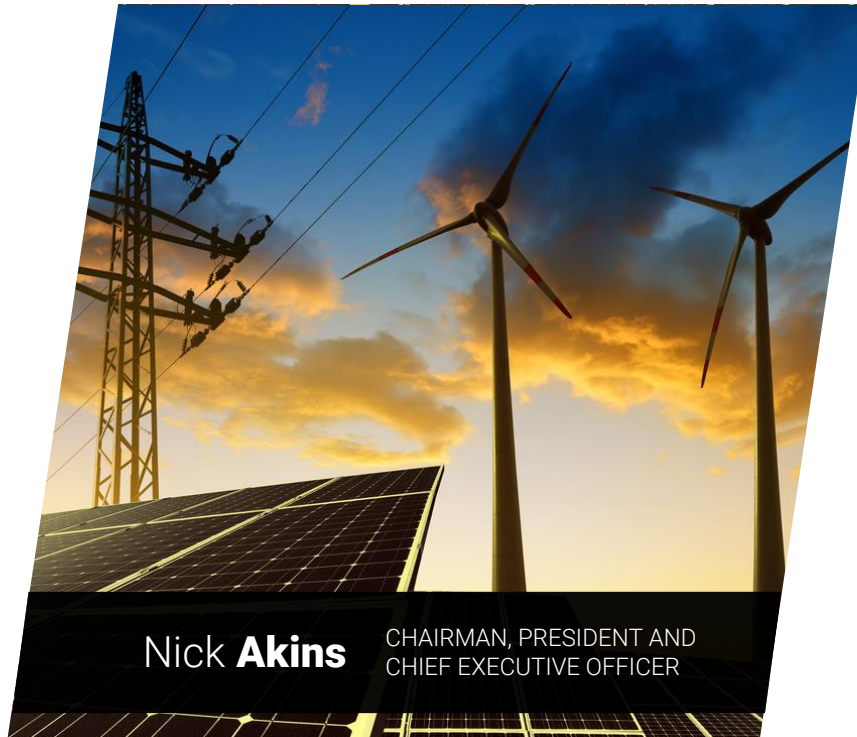
PREFERRED PROJECT PARTNER

- Strong balance sheet
- Ability to invest
- Tax appetite
- Customer relationship
- Incremental sales channel

AEP IS A WELCOMED STRATEGIC PARTNER

EXECUTING THE STRATEGY

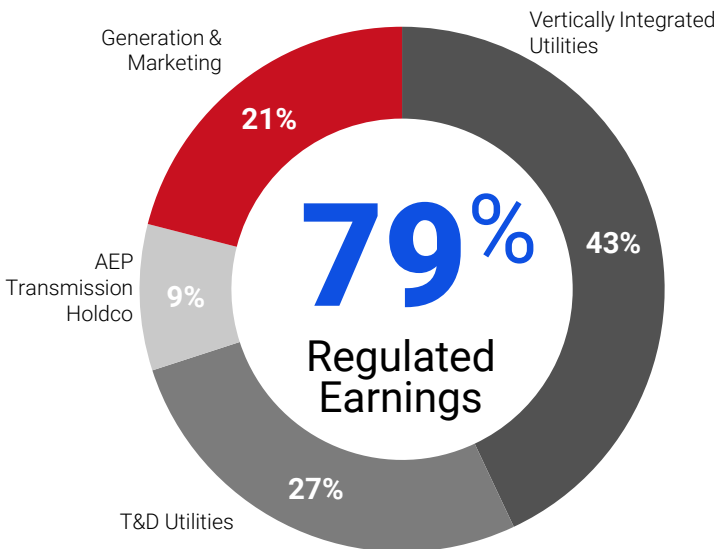
REALIZING THE RESULTS



PREDICTABLE EARNINGS

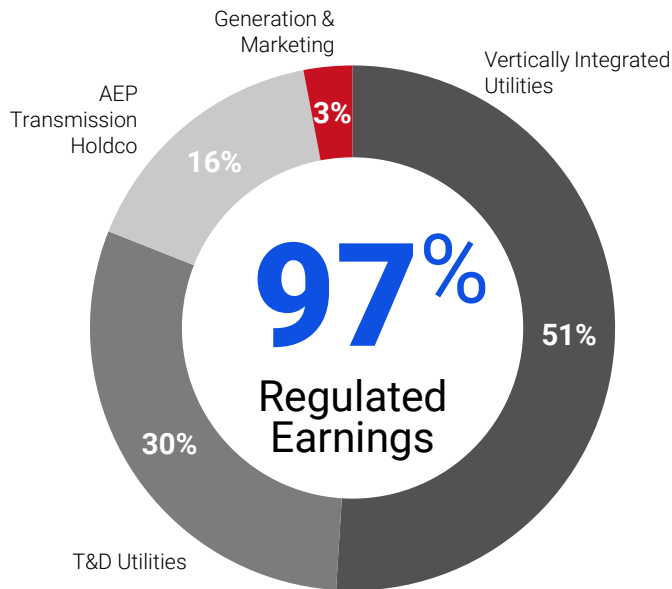
HIGHER GROWTH RATE

BEFORE:
HYBRID MIX



2014

AFTER:
REGULATED BUSINESS MODEL



2017E

THE PREMIER REGULATED ENERGY COMPANY

HIGHER
growth

MORE
regulated

HIGHER
dividends

MORE
certainty

