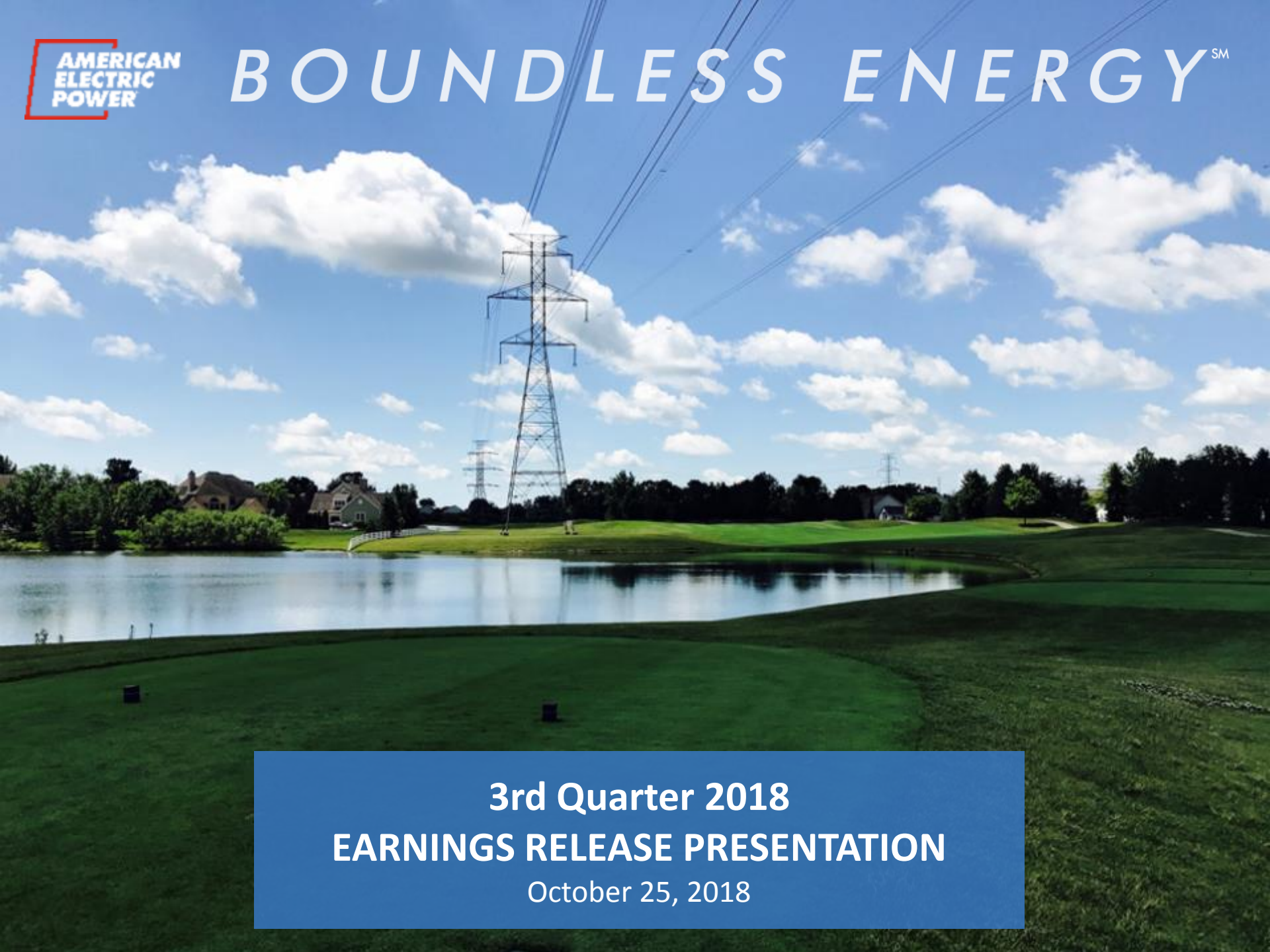


The logo for American Electric Power, featuring the words "AMERICAN ELECTRIC POWER" in white, bold, sans-serif capital letters. The text is contained within a red-outlined square that is slightly offset to the top-left corner.

**AMERICAN  
ELECTRIC  
POWER**

# *BOUNDLESS ENERGY*<sup>SM</sup>

A wide-angle photograph of a golf course under a bright blue sky with scattered white clouds. In the foreground, a lush green fairway leads to a calm pond. In the middle ground, a large metal lattice power transmission tower stands prominently, with several high-voltage power lines stretching across the sky from the top of the frame. In the background, there are green trees and a few houses.

**3rd Quarter 2018  
EARNINGS RELEASE PRESENTATION**  
October 25, 2018

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

This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Although AEP and each of its Registrant Subsidiaries believe that their expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are: economic growth or contraction within and changes in market demand and demographic patterns in AEP service territories, inflationary or deflationary interest rate trends, volatility in the financial markets, particularly developments affecting the availability or cost of capital to finance new capital projects and refinance existing debt, the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material, electric load and customer growth, weather conditions, including storms and drought conditions, and 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, availability of necessary generation capacity, the performance of generation plants and the availability of fuel, including processed nuclear fuel, parts and service from reliable vendors, the ability to recover fuel and other energy costs through regulated or competitive electric rates, the ability to build renewable generation, transmission lines and facilities (including the 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 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, 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, environmental compliance and excess accumulated deferred income taxes, 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 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, 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 pronouncements periodically issued by accounting standard-setting bodies, impact of federal tax reform on customer rates, income tax expense and cash flows, 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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# Non-GAAP Financial Measures

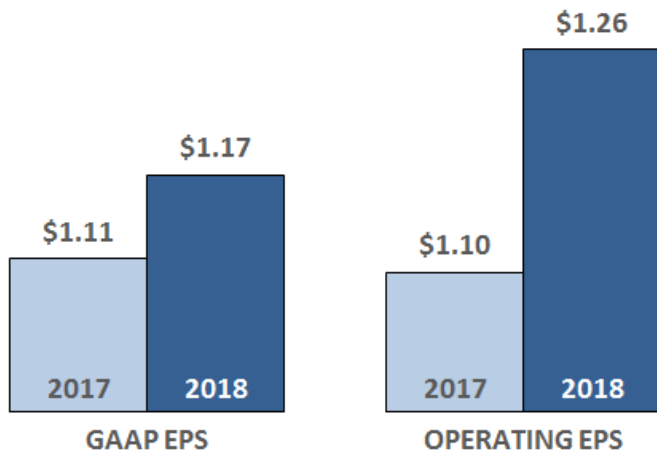
AEP reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). AEP supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including operating earnings (non-GAAP) and FFO to Total Debt. Operating earnings (non-GAAP) excludes certain gains and losses and other specified items, including mark-to-market adjustments from commodity hedging activities and other items as set forth in the reconciliation in the Appendix. FFO to Total Debt is adjusted for the effects of securitization, spent nuclear fuel trust, capital and operating leases, pension, capitalized interest and changes in working capital. Operating earnings could differ from GAAP earnings for matters such as impairments, divestitures, or changes in accounting principles. AEP management is not able to forecast if any of these items will occur or any amounts that may be reported for future periods. Therefore, AEP is not able to provide a corresponding GAAP equivalent for earnings guidance. Reflecting special items recorded through the third quarter of 2018, the estimated earnings per share on a GAAP basis would be \$3.82 to \$3.92 per share.

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of AEP's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

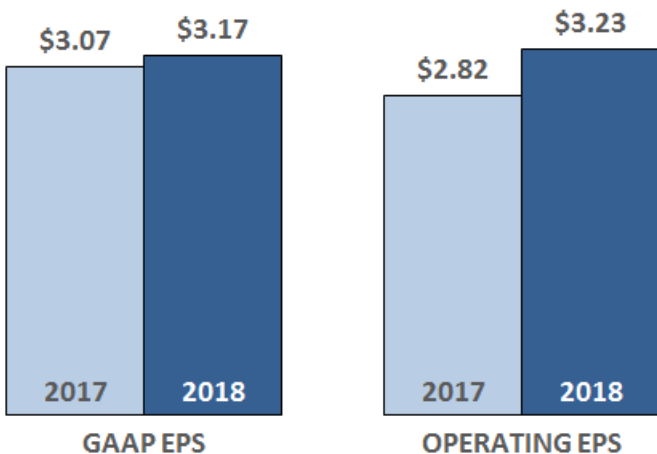
These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentations. AEP has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and supplemental schedules to this presentation.

# 3<sup>rd</sup> Quarter 2018 Highlights

## 3<sup>rd</sup> Quarter 2018



## YTD 2018



Refer to Appendix for reconciliation between GAAP and Operating EPS

## Company Update

### Earnings Update

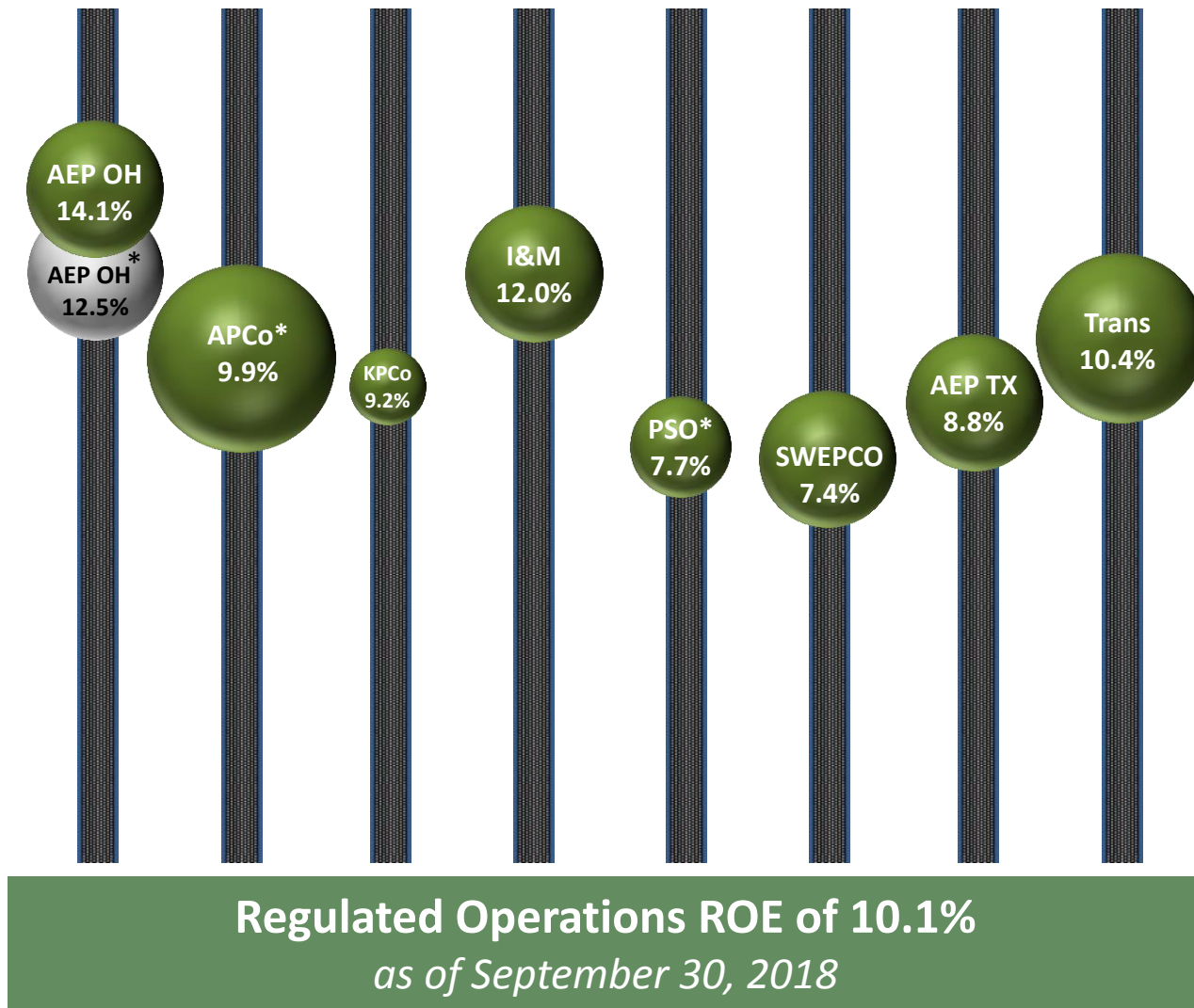
- ✓ Delivered GAAP earnings of \$1.17 per share and operating earnings of \$1.26 per share for the third quarter of 2018
- ✓ Delivered GAAP earnings of \$3.17 per share and operating earnings of \$3.23 per share for YTD September 2018
- ✓ Narrowed and raised 2018 operating earnings guidance range to \$3.88-\$3.98 per share
- ✓ Board declared dividend of \$0.67 per share, an 8.1% increase

### Strategic and Regulatory Update

- ✓ Strong base plan continues to support 5-7% growth rate
- ✓ Rate cases in Oklahoma and West Virginia
- ✓ Premier regulated energy company

# Regulated Returns

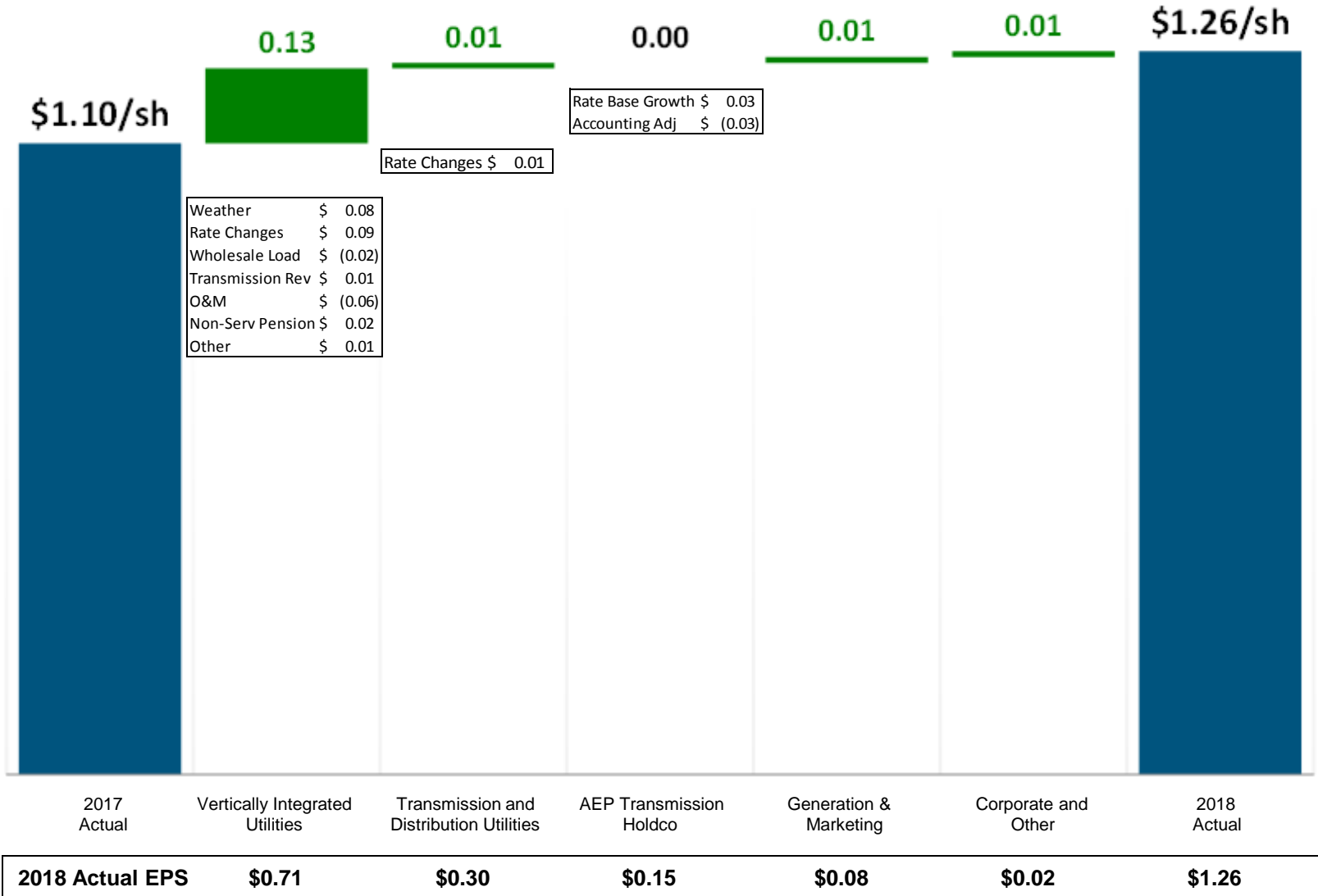
Twelve Months Ended 9/30/2018 Earned ROE's (non-GAAP operating earnings, not weather normalized)



\*AEP Ohio adjusted for SEET items. Base rate case orders in process at other operating companies.

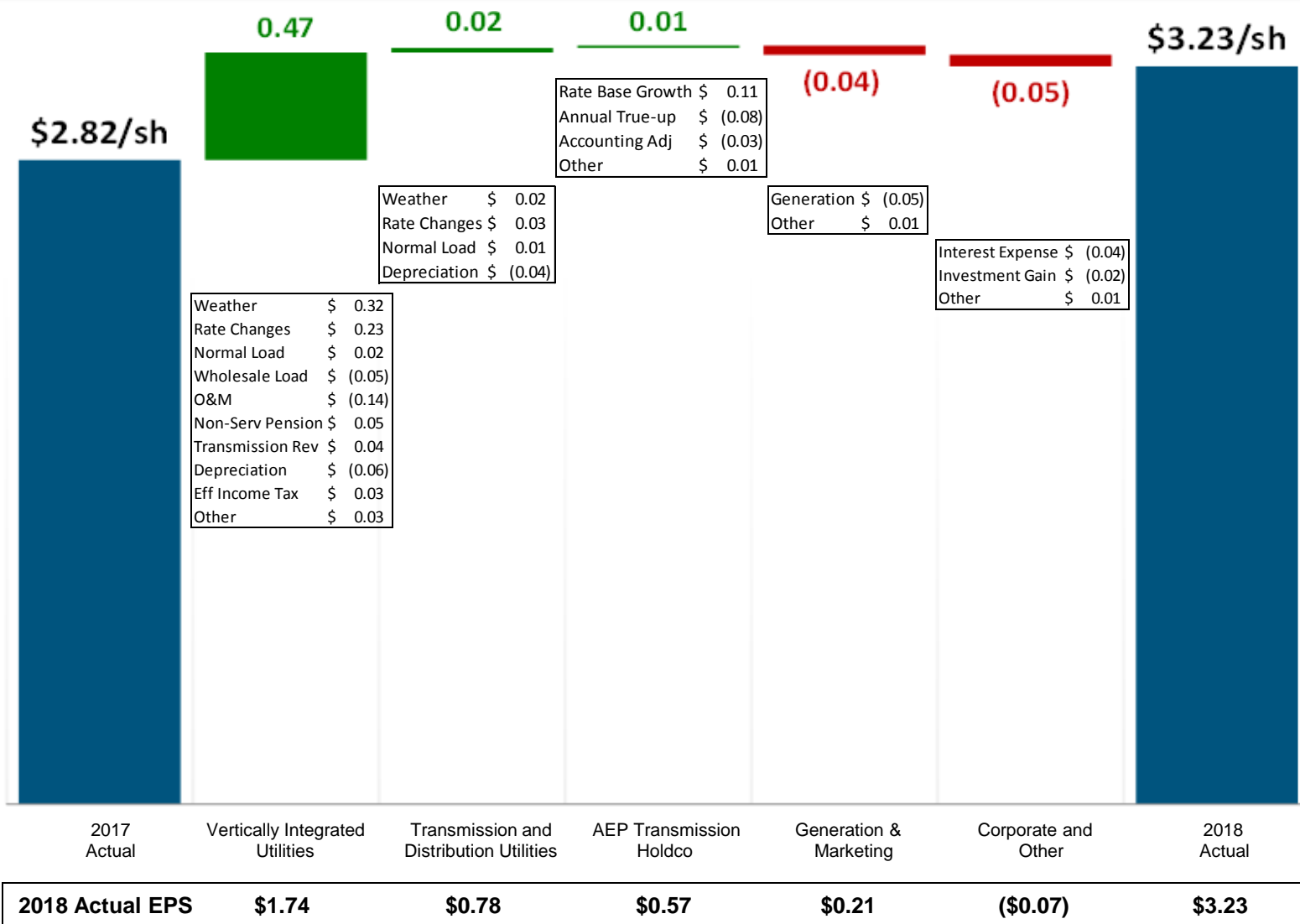
*Sphere size based on each company's relative equity balance*

# 3<sup>rd</sup> Quarter Operating Earnings Segment Detail



Refer to Appendix for additional explanation of variances by segment

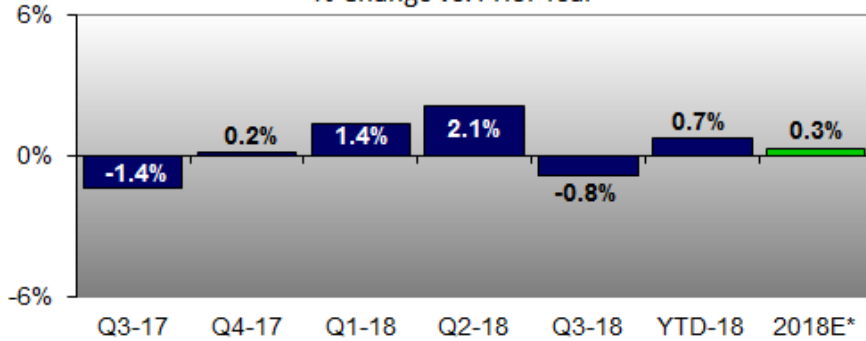
# YTD Operating Earnings Segment Detail



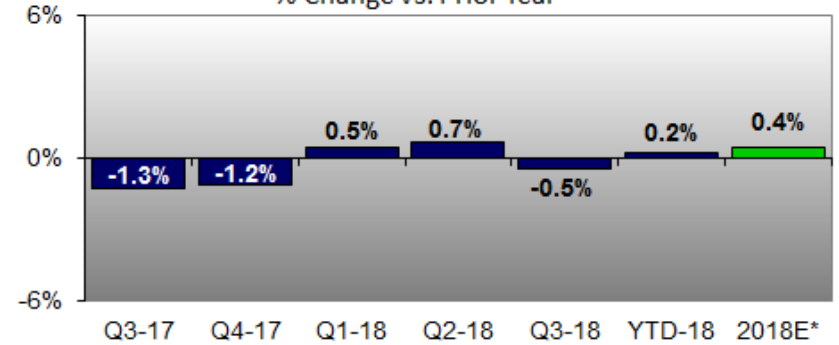
Refer to Appendix for additional explanation of variances by segment

# Weather Normalized Billed Retail Load Trends

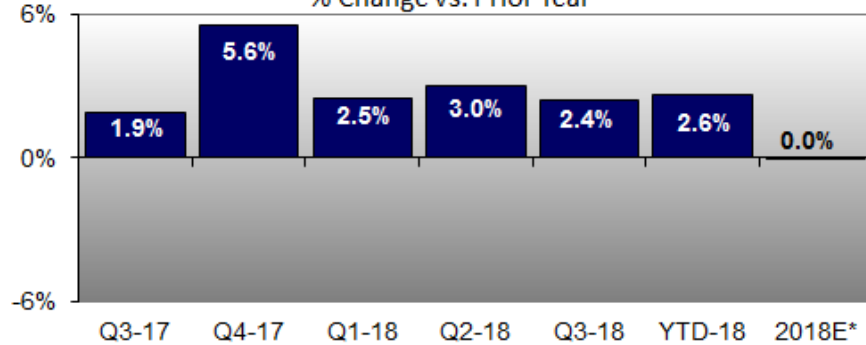
**AEP Residential Normalized GWh Sales**  
% Change vs. Prior Year



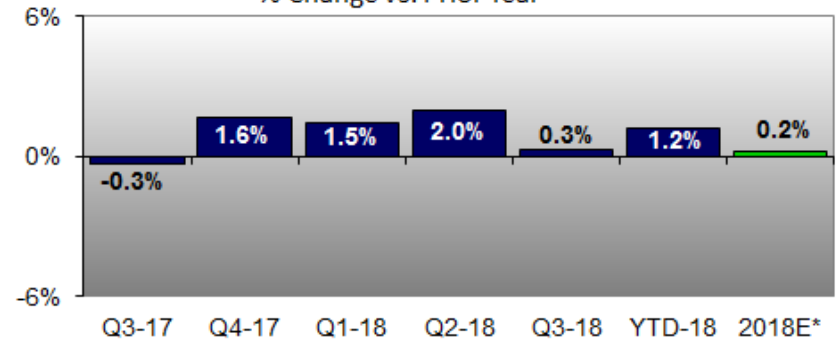
**AEP Commercial Normalized GWh Sales**  
% Change vs. Prior Year



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



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



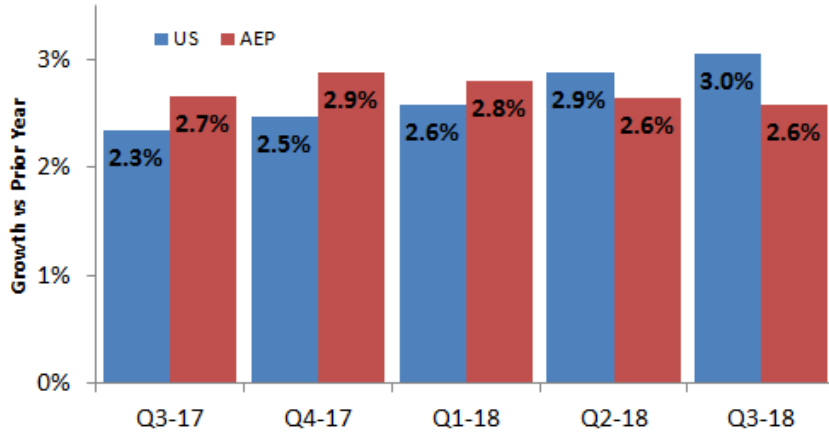
Load figures are provided on a billed basis. Charts reflect connected load and exclude firm wholesale and Buckeye Power backup load.

\* Estimate based on forecast provided at 2017 EEI Financial Conference and amended to reflect 2017 results.

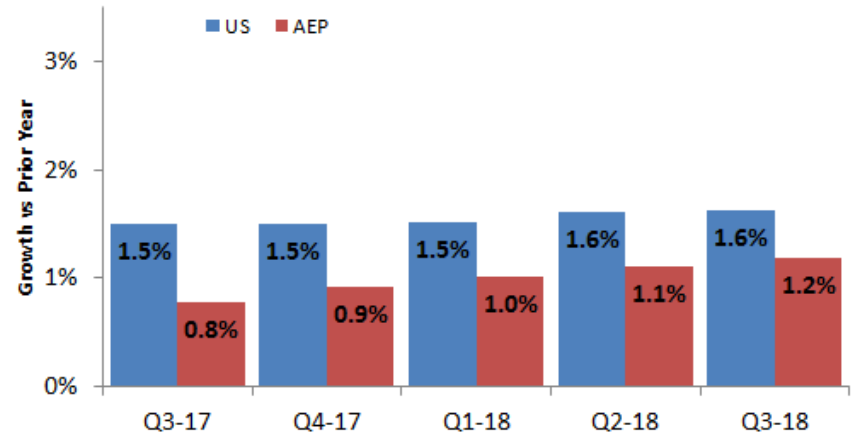


# Economic Data – AEP Service Territory

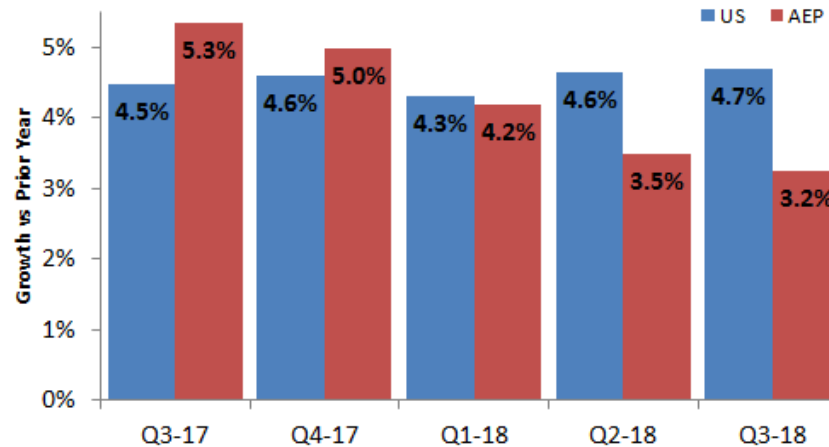
### GDP Growth by Quarter



### Employment Growth by Quarter

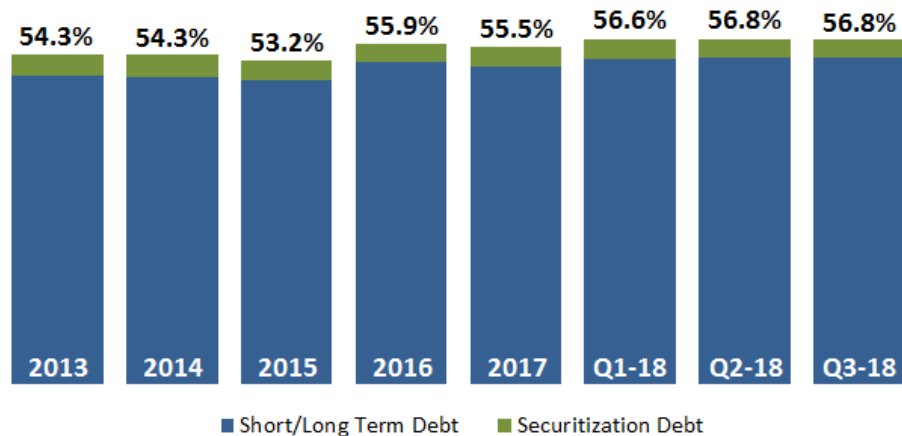


### Personal Income Growth by Quarter

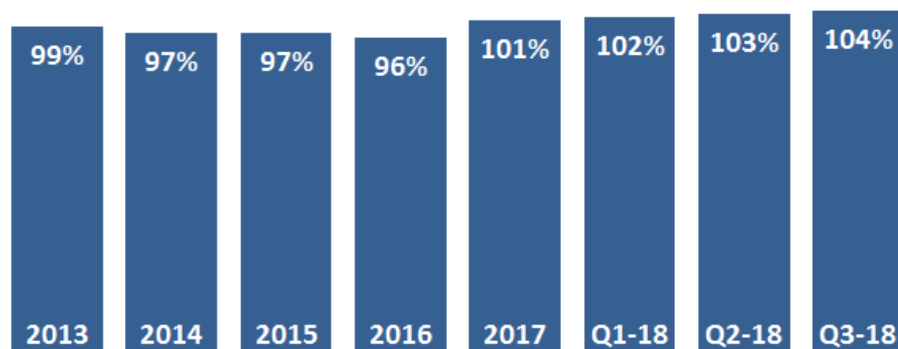


# Capitalization and Liquidity

## Total Debt / Total Capitalization



## Qualified Pension Funding



## Credit Statistics

	Actual	Target
FFO to Total Debt	19.2%	Mid Teens

*Represents the trailing 12 months as of 9/30/2018  
See Appendix for reconciliation to GAAP*

## Liquidity Summary

(unaudited)	9/30/2018 Actual	
(\$ in millions)	Amount	Maturity
Revolving Credit Facility <sup>1</sup>	\$3,000	Jun-21
<b>Plus</b>		
Cash and Cash Equivalents	788	
<b>Less</b>		
Commercial Paper Outstanding	(1,473)	
Letters of Credit Issued	-	
<b>Net Available Liquidity</b>	<b>\$2,315</b>	

<sup>1</sup> In Oct 2018, credit facility was amended to \$4.0B and extended to mature in Jun-22

# Summary

- Narrowed and raised 2018 operating earnings guidance range to \$3.88-\$3.98 per share
- Continue strong base plan to support 5-7% growth rate
- EEI expectations: detail behind 2019 guidance, 2019 financing detail, cap-ex and cash flow detail



# Appendix

# 3<sup>rd</sup> Quarter Reconciliation of GAAP to Operating Earnings

	\$ millions			Earnings Per Share		
	Q3-17	Q3-18	Change	Q3-17	Q3-18	Change
<b>Reported GAAP Earnings</b>	\$545	\$578	\$33	\$1.11	\$1.17	\$0.06
<b>Non Operating Items:</b>						
Mark-to-Market Impact of Commodity Hedging Activities <sup>1</sup>	-	(7)	(7)	-	(0.01)	(0.01)
Impairment of Certain Merchant Generation Assets <sup>1</sup>	(2)	-	2	(0.01)	-	0.01
Impairment of Racine Hydroelectric Plant <sup>1</sup>	-	28	28	-	0.06	0.06
Severance Charges <sup>2</sup>	-	20	20	-	0.04	0.04
<b>AEP Operating Earnings</b>	\$543	\$619	\$76	\$1.10	\$1.26	\$0.16

<sup>1</sup> Items recorded in Generation & Marketing segment

<sup>2</sup> Items recorded across all segments

# YTD Reconciliation of GAAP to Operating Earnings

	\$ millions			Earnings Per Share		
	YTD-17	YTD-18	Change	YTD-17	YTD-18	Change
<b>Reported GAAP Earnings</b>	\$1,512	\$1,560	\$48	\$3.07	\$3.17	\$0.10
<b>Non Operating Items:</b>						
Mark-to-Market Impact of Commodity Hedging Activities <sup>1</sup>	3	1	(2)	0.01	-	(0.01)
Gain from Competitive Generation Asset Sale <sup>1</sup>	(129)	-	129	(0.26)	-	0.26
Impairment of Certain Merchant Generation Assets <sup>1</sup>	2	-	(2)	-	-	-
Impairment of Racine Hydroelectric Plant <sup>1</sup>	-	28	28	-	0.06	0.06
Change in Kentucky State Tax Law <sup>2</sup>	-	(18)	(18)	-	(0.04)	(0.04)
Severance Charges <sup>3</sup>	-	20	20	-	0.04	0.04
<b>AEP Operating Earnings</b>	<b>\$1,388</b>	<b>\$1,591</b>	<b>\$203</b>	<b>\$2.82</b>	<b>\$3.23</b>	<b>\$0.41</b>

<sup>1</sup> Items recorded in Generation & Marketing segment

<sup>2</sup> Items recorded in Corporate and Other segment

<sup>3</sup> Items recorded across all segments

# Vertically Integrated Utilities

## 3<sup>rd</sup> Quarter Summary

	Q3-17	Q3-18
\$ millions (except EPS)		
Operating Revenues	\$2,482	\$2,637
Operating Expenses:		
Energy Costs	(869)	(1,035)
Operations and Maintenance	(665)	(749)
Depreciation and Amortization	(289)	(340)
Taxes Other Than Income Taxes	(105)	(109)
Operating Income	554	404
Net Interest/AFUDC	(124)	(136)
Non-Service Benefit Cost Components	6	18
Income Taxes	(139)	62
Other	(11)	(1)
Operating Earnings	286	347
Proforma Adjustments, Net of Tax	-	(3)
GAAP Earnings	\$286	\$344
<b>EPS from Operating Earnings</b>	<b>\$0.58</b>	<b>\$0.71</b>

See slide 13 for items excluded from Net Income to reconcile to Operating Earnings

## Key Drivers: Q3-18 vs. Q3-17

- ✓ Weather: \$61M favorable vs. prior year; \$38M favorable vs. normal
- ✓ Rate Changes: \$65M favorable primarily from rate increases at I&M, KPCo, PSO and SWEPCO
- ✓ Wholesale Load: \$14M unfavorable vs. prior year primarily due to reduced wholesale customers at I&M and SWEPCO
- ✓ Transmission Revenue: \$11M favorable vs. prior year primarily due to the impact of the FERC 206 settlement
- ✓ O&M: \$45M unfavorable (net of offsets) vs. prior year primarily due to increased employee-related, forestry and plant maintenance expenses
- ✓ Depreciation: \$11M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balances
- ✓ Non-Service Cost Components of Net Periodic Benefit Cost: \$12M favorable due to positive plan asset returns, plan cost savings and the implementation of a new accounting standard
- ✓ Income Taxes: effective tax rate of (21.6%) Q3-18 vs. 31.9% Q3-17

# Vertically Integrated Utilities

## YTD Summary

	YTD-17	YTD-18
\$ millions (except EPS)		
Operating Revenues	\$6,893	\$7,394
Operating Expenses:		
Energy Costs	(2,369)	(2,700)
Operations and Maintenance	(2,042)	(2,193)
Depreciation and Amortization	(845)	(966)
Taxes Other Than Income Taxes	(306)	(327)
Operating Income	1,331	1,208
Net Interest/AFUDC	(370)	(390)
Non-Service Benefit Cost Components	18	53
Income Taxes	(335)	(14)
Other	(17)	(2)
Operating Earnings	627	855
Proforma Adjustments, Net of Tax	-	(3)
GAAP Earnings	\$627	\$852
<b>EPS from Operating Earnings</b>	<b>\$1.27</b>	<b>\$1.74</b>

See slide 14 for items excluded from Net Income to reconcile to Operating Earnings

## Key Drivers: YTD-18 vs. YTD-17

- ✓ Weather: \$240M favorable vs. prior year; \$122M favorable vs. normal
- ✓ Rate Changes: \$172M favorable primarily from rate increases at I&M, KPCo, PSO and SWEPCO
- ✓ Normal Load: \$16M favorable vs. prior year primarily due to higher residential and industrial sales
- ✓ Wholesale Load: \$39M unfavorable vs. prior year primarily due to reduced wholesale customers at I&M and SWEPCO
- ✓ Transmission Revenue: \$31M favorable vs. prior year primarily due to an annual true-up in the second quarter of 2018 and the impact of the FERC 206 settlement
- ✓ O&M: \$109M unfavorable (net of offsets) vs. prior year primarily due to increased employee-related, plant maintenance, forestry and Wind Catcher expenses
- ✓ Depreciation: \$44M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balances
- ✓ Non-Service Cost Components of Net Periodic Benefit Cost: \$35M favorable due to positive plan asset returns, plan cost savings and the implementation of a new accounting standard
- ✓ Income Taxes: effective tax rate of 1.6% YTD-18 vs. 34.4% YTD-17



# Transmission and Distribution Utilities

## 3<sup>rd</sup> Quarter Summary

	Q3-17	Q3-18
\$ millions (except EPS)		
Operating Revenues	\$1,173	\$1,211
Operating Expenses:		
Energy Costs	(216)	(219)
Amortization of Generation Deferrals	(59)	(57)
Operations and Maintenance	(305)	(418)
Depreciation and Amortization	(182)	(201)
Taxes Other Than Income Taxes	(134)	(143)
Operating Income	277	173
Net Interest/AFUDC	(58)	(54)
Non-Service Benefit Cost Components	2	8
Income Taxes	(77)	20
Operating Earnings	144	147
Proforma Adjustments, Net of Tax	-	(2)
GAAP Earnings	\$144	\$145
<b>EPS from Operating Earnings</b>	<b>\$0.29</b>	<b>\$0.30</b>

See slide 13 for items excluded from Net Income to reconcile to Operating Earnings

## Key Drivers: Q3-18 vs. Q3-17

- ✓ Rate Changes: \$9M favorable primarily from the Texas Distribution Cost Recovery Factor and the Ohio DIR
- ✓ Normal Load: \$7M unfavorable vs. prior year primarily due to unfavorable price variances, partially offset by increased residential sales
- ✓ O&M: \$33M unfavorable (net of offsets) vs. prior year primarily due to transmission services and increased employee-related expenses
- ✓ Depreciation: \$15M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Non-Service Cost Components of Net Periodic Benefit Cost: \$6M favorable due to positive plan asset returns, plan cost savings and the implementation of a new accounting standard
- ✓ Income Taxes: effective tax rate of (15.4%) Q3-18 vs. 34.9% Q3-17

# Transmission and Distribution Utilities

## YTD Summary

	YTD-17	YTD-18
\$ millions (except EPS)		
Operating Revenues	\$3,313	\$3,511
Operating Expenses:		
Energy Costs	(626)	(660)
Amortization of Generation Deferrals	(173)	(172)
Operations and Maintenance	(890)	(1,149)
Depreciation and Amortization	(502)	(559)
Taxes Other Than Income Taxes	(387)	(413)
Operating Income	735	558
Net Interest/AFUDC	(168)	(159)
Non-Service Benefit Cost Components	7	25
Income Taxes	(200)	(37)
Operating Earnings	374	387
Proforma Adjustments, Net of Tax	-	(2)
GAAP Earnings	\$374	\$385
<b>EPS from Operating Earnings</b>	<b>\$0.76</b>	<b>\$0.78</b>

See slide 14 for items excluded from Net Income to reconcile to Operating Earnings

## Key Drivers: YTD-18 vs. YTD-17

- ✓ Weather: \$13M favorable vs. prior year; \$14M favorable vs. normal
- ✓ Rate Changes: \$23M favorable primarily from the Texas Distribution Cost Recovery Factor and the Ohio DIR
- ✓ Normal Load: \$6M favorable vs. prior year primarily due to increased residential sales
- ✓ Depreciation: \$34M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Non-Service Cost Components of Net Periodic Benefit Cost: \$18M favorable due to positive plan asset returns, plan cost savings and the implementation of a new accounting standard
- ✓ Income Taxes: effective tax rate of 8.8% YTD-18 vs. 34.9% YTD-17

# AEP Transmission Holdco

## 3<sup>rd</sup> Quarter Summary

	Q3-17	Q3-18
\$ millions (except EPS)		
Operating Revenues	\$179	\$187
Operating Expenses:		
Operations and Maintenance	(23)	(30)
Depreciation and Amortization	(26)	(34)
Taxes Other Than Income Taxes	(29)	(37)
Operating Income	101	86
Net Interest/AFUDC	(6)	(10)
Income Taxes	(39)	(19)
Equity Earnings	21	17
Other	(1)	(1)
Operating and GAAP Earnings	\$76	\$73
<b>EPS from Operating Earnings</b>	<b>\$0.15</b>	<b>\$0.15</b>

## Key Drivers: Q3-18 vs. Q3-17

- ✓ \$15M unfavorable Operating Income vs. prior year primarily due to accounting adjustments, offset by increased revenues and expenses driven by increased capital investment in the wholly owned Transcos

# AEP Transmission Holdco

## YTD Summary

	YTD-17	YTD-18
\$ millions (except EPS)		
Operating Revenues	\$582	\$605
Operating Expenses:		
Operations and Maintenance	(54)	(76)
Depreciation and Amortization	(75)	(100)
Taxes Other Than Income Taxes	(85)	(106)
Operating Income	368	323
Net Interest/AFUDC	(16)	(20)
Non-Service Benefit Cost Components	-	1
Income Taxes	(142)	(75)
Equity Earnings	69	52
Other	(3)	(3)
Operating and GAAP Earnings	\$276	\$278
<b>EPS from Operating Earnings</b>	<b>\$0.56</b>	<b>\$0.57</b>

## Key Drivers: YTD-18 vs. YTD-17

- ✓ \$45M unfavorable Operating Income vs. prior year primarily due to the annual true-up in the second quarter of 2017 and accounting adjustments, offset by increased revenues and expenses driven by increased capital investment in the wholly owned Transcos

# Generation & Marketing

## 3<sup>rd</sup> Quarter Summary

	Q3-17	Q3-18
\$ millions (except EPS)		
Operating Revenues	\$466	\$514
Operating Expenses:		
Energy Costs	(355)	(405)
Operations and Maintenance	(59)	(51)
Depreciation and Amortization	(6)	(12)
Taxes Other Than Income Taxes	(3)	(3)
Operating Income	43	43
Net Interest/AFUDC	(1)	-
Non-Service Benefit Cost Components	2	4
Income Taxes	(12)	(6)
Operating Earnings	32	41
Proforma Adjustments, Net of Tax	2	(36)
GAAP Earnings	\$34	\$5
<b>EPS from Operating Earnings</b>	<b>\$0.07</b>	<b>\$0.08</b>

## Key Drivers: Q3-18 vs. Q3-17

- ✓ AEP Dayton ATC liquidations up 11%: \$32.49/MWh in Q3-18 vs. \$29.39/MWh in Q3-17
- ✓ Income Taxes: effective tax rate of 12.7% Q3-18 vs. 26.7% Q3-17

See slide 13 for items excluded from Net Income to reconcile to Operating Earnings

# Generation & Marketing

## YTD Summary

	YTD-17	YTD-18
\$ millions (except EPS)		
Operating Revenues	\$1,472	\$1,488
Operating Expenses:		
Energy Costs	(1,063)	(1,168)
Operations and Maintenance	(218)	(175)
Depreciation and Amortization	(18)	(26)
Taxes Other Than Income Taxes	(9)	(10)
Operating Income	164	109
Net Interest/AFUDC	(7)	(2)
Non-Service Benefit Cost Components	7	11
Income Taxes	(42)	(15)
Other	-	1
Operating Earnings	122	104
Proforma Adjustments, Net of Tax	124	(42)
GAAP Earnings	\$246	\$62
<b>EPS from Operating Earnings</b>	<b>\$0.25</b>	<b>\$0.21</b>

## Key Drivers: YTD-18 vs. YTD-17

- ✓ Generation decreased 3,223 GWh (34%) YTD-18 vs. YTD-17 primarily due to sale of plants in January 2017 and retirement of Stuart Plant in May 2018.
- ✓ AEP Dayton ATC liquidations up 20%: \$34.52/MWh YTD-18 vs. \$28.88/MWh YTD-17
- ✓ Income Taxes: effective tax rate of 12.6% YTD-18 vs. 25.7% YTD-17


See slide 14 for items excluded from Net Income to reconcile to Operating Earnings

# 3<sup>rd</sup> Quarter Rate Performance

## Vertically Integrated Utilities

	Rate Changes, net of offsets (in millions)
	Q3-18 vs. Q3-17
APCo/WPCo	\$1
I&M	\$29
KPCo	\$4
PSO	\$17
SWEPCO	\$14
Kingsport	-
<b>TOTAL</b>	<b>\$65</b>
<b>Impact on EPS</b>	 <b>\$0.09</b>

## Transmission and Distribution Utilities

	Rate Changes, net of offsets (in millions)
	Q3-18 vs. Q3-17
AEP Ohio	\$3
AEP Texas	\$6
<b>TOTAL</b>	<b>\$9</b>
<b>Impact on EPS</b>	 <b>\$0.01</b>

# YTD Rate Performance

## Vertically Integrated Utilities

	Rate Changes, net of offsets (in millions)
	YTD-18 vs. YTD-17
APCo/WPCo	\$2
I&M	\$81
KPCo	\$13
PSO	\$28
SWEPCO	\$48
Kingsport	-
<b>TOTAL</b>	<b>\$172</b>
<b>Impact on EPS</b>	<b>\$0.23</b>

## Transmission and Distribution Utilities

	Rate Changes, net of offsets (in millions)
	YTD-18 vs. YTD-17
AEP Ohio	\$5
AEP Texas	\$18
<b>TOTAL</b>	<b>\$23</b>
<b>Impact on EPS</b>	<b>\$0.03</b>



# 3<sup>rd</sup> Quarter Retail Load Performance

## Vertically Integrated Utilities

	Retail Load <sup>1</sup> (weather normalized)
	Q3-18 vs. Q3-17
APCo/WPCo	0.2%
I&M	(0.1%)
KPCo	(1.1%)
PSO	(0.4%)
SWEPCO	(0.3%)
Kingsport	-
<b>TOTAL</b>	<b>(0.2%)</b>
<b>Impact on EPS<sup>2</sup></b>	<b>\$0.01</b>

## Transmission and Distribution Utilities


	Retail Load <sup>1</sup> (weather normalized)
	Q3-18 vs. Q3-17
AEP Ohio	(0.1%)
AEP Texas	2.2%
<b>TOTAL</b>	<b>0.9%</b>
<b>Impact on EPS<sup>2</sup></b>	<b>\$0.01</b>

<sup>1</sup> Includes load on a billed basis only, excludes firm wholesale load and accrued sales


<sup>2</sup> Includes EPS impact of accrued revenues

# YTD Retail Load Performance

## Vertically Integrated Utilities

	Retail Load <sup>1</sup> (weather normalized)
	YTD-18 vs. YTD-17
APCo/WPCo	1.7%
I&M	0.7%
KPCo	(0.5%)
PSO	0.6%
SWEPCO	1.3%
Kingsport	1.2%
TOTAL	1.1%
Impact on EPS <sup>2</sup>	 \$0.02

## Transmission and Distribution Utilities

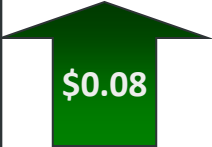

	Retail Load <sup>1</sup> (weather normalized)
	YTD-18 vs. YTD-17
AEP Ohio	0.8%
AEP Texas	2.2%
TOTAL	1.4%
Impact on EPS <sup>2</sup>	 \$0.01

<sup>1</sup> Includes load on a billed basis only, excludes firm wholesale load and accrued sales

<sup>2</sup> Includes EPS impact of accrued revenues

# 3<sup>rd</sup> Quarter Weather Impact

## Vertically Integrated Utilities

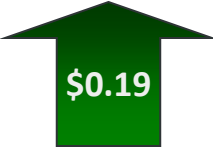
	Weather Impact (in millions)	
	Q3-18 vs. Q3-17	Q3-18 vs. Normal
APCo/WPCo	\$15	\$15
I&M	\$21	\$15
KPCo	\$5	\$3
PSO	\$6	\$2
SWEPCO	\$14	\$3
Kingsport	-	-
<b>TOTAL</b>	<b>\$61</b>	<b>\$38</b>
<b>Impact on EPS</b>	 <b>\$0.08</b>	 <b>\$0.06</b>

## Transmission and Distribution Utilities



	Weather Impact (in millions)	
	Q3-18 vs. Q3-17	Q3-18 vs. Normal
AEP Ohio	-	-
AEP Texas	\$2	\$2
<b>TOTAL</b>	<b>\$2</b>	<b>\$2</b>
<b>Impact on EPS</b>	-	-

# YTD Weather Impact

## Vertically Integrated Utilities

	Weather Impact (in millions)	
	YTD-18 vs. YTD-17	YTD-18 vs. Normal
APCo/WPCo	\$90	\$46
I&M	\$51	\$29
KPCo	\$20	\$8
PSO	\$30	\$20
SWEPCO	\$48	\$19
Kingsport	\$1	-
<b>TOTAL</b>	<b>\$240</b>	<b>\$122</b>
<b>Impact on EPS</b>	 <b>\$0.32</b>	 <b>\$0.19</b>

## Transmission and Distribution Utilities

	Weather Impact (in millions)	
	YTD-18 vs. YTD-17	YTD-18 vs. Normal
AEP Ohio	-	-
AEP Texas	\$13	\$14
<b>TOTAL</b>	<b>\$13</b>	<b>\$14</b>
<b>Impact on EPS</b>	 <b>\$0.02</b>	 <b>\$0.02</b>

# Current Rate Case Activity

## APCo – West Virginia

Docket #: 18-0646-E-42T  
Filing Date: 05/09/2018  
Requested Rate Base: \$4.1B  
Requested ROE: 10.22%  
Cap Structure: 49.84%D / 50.16%E  
Gross Revenue Increase: \$97.6M  
(Less \$32.1M Depr)  
Net Revenue Increase: \$65.5M  
Test Year: 12/31/2017

### Procedural Schedule

Rebuttal Testimony: 10/24/2018  
Hearing: 11/13/2018  
Brief: 12/13/2018  
Reply Brief: 12/28/2018



## PSO – Oklahoma

Docket #: 201800097  
Filing Date: 09/26/2018  
Requested Rate Base: \$2.5B  
Requested ROE: 10.3%  
Cap Structure: 51.86%D / 48.14%E  
Gross Revenue Increase: \$88M  
(Less \$20M Depr  
and Amort)  
Net Revenue Increase: \$68M  
Test Year: 03/31/2018

### Proposed Procedural Schedule

Intervenor Testimony: 01/22/2019  
Rebuttal Testimony: 02/01/2019  
Hearing: 02/19/2019



# AEP and Tax Reform Summary

## Regulatory Actions

All jurisdictions opened dockets to defer savings as a regulatory liability and address tax benefit impacts

### Options for tax benefits:

- ✓ Decrease rates
- ✓ Increase amortization of regulatory assets
- ✓ Accelerate depreciation
- ✓ Offset other rate increases

## Change in Tax Rate from 35% to 21%

- Most jurisdictions have recent rate orders/settlements passing savings to customers
- Remaining jurisdictions are working with regulators to address savings in future rate proceedings using various strategies noted above

## Unprotected Excess ADFIT

- Most jurisdictions recent orders/settlements resolving unprotected portion of excess
- Remaining jurisdictions are working with regulators to address savings in future rate proceedings using various strategies noted above

Normalized portion of excess ADFIT refunded over life of property, over average life of 25 years (40 years for transmission)

## Other Tax Implications

- Interest on parent debt expected to be tax deductible
- Generation & Marketing flows to bottom line, but minor

## Recap of Excess Deferred Taxes

As of September 30, 2018 (\$ in billions)	21% Tax Rate
Total Regulated Deferred FIT	\$11.1
Total Excess Regulated Deferred FIT	\$4.3
Normalized Portion of Excess DFIT (to be refunded over life of property)	(\$3.4)
Unprotected Portion of Excess	\$0.9

By Operating Company	Percentage of \$1 Billion Unprotected Excess DFIT
AEP Ohio	19%
AEP Texas	9%
APCo/WPCo	34%
I&M	16%
KPCo	10%
PSO	7%
SWEPCO	5%
TOTAL	100%

# AEP and Tax Reform by Jurisdiction

Jurisdiction <sup>1</sup>	Change in Tax Rate	Excess Unprotected ADFIT <sup>2</sup>
AEP Ohio	✓ Order to pass on savings	✓ Order to amortize over 6 years
AEP Texas-Distribution	✓ Order to pass on savings	✓ Partial order to amortize over 5 years
AEP Texas-Transmission	✓ Order to pass on savings	Address in later filing
APCo-Virginia	✓ Legislation enacted to pass on savings	Case pending
APCo-West Virginia	✓ Order to pass on savings	✓ Order to pass on savings
I&M-Indiana	✓ Order to pass on savings	✓ Order to offset change in depreciation of Rockport Unit 1
I&M-Michigan	✓ Order to pass on savings	Case pending
Kingsport	Case pending	Case pending
KPCo	✓ Order to pass on savings	✓ Order to amortize over 18 years
PSO	✓ Order to pass on savings	✓ Order to amortize over 10 years
SWEPCO-Arkansas	✓ Order to pass on savings	✓ Order to amortize over 2 years
SWEPCO-Louisiana	✓ Order to pass on savings	✓ Order to amortize over 2 years
SWEPCO-Texas	✓ Order to pass on savings	Address in later filing
East FERC Transmission	✓ Settlement to pass on savings	✓ Settlement to amortize over 10 years
West FERC Transmission	Address in later filing	Address in later filing

<sup>1</sup> All jurisdictions have opened dockets to defer savings as a regulatory liability and address tax benefit impacts

<sup>2</sup> Normalized portion of excess ADFIT refunded over life of property, over average life of 25 years (40 years for transmission)

# GAAP to Non-GAAP Reconciliations and Ratios

## Adjusted FFO Calculation

	12 Months Ended 9/30/18
	\$ millions
<b>Cash Flow From Operations</b>	\$5,100
Adjustments:	
Changes in Working Capital	(115)
Capitalized Interest	(71)
Securitization Amortization	(308)
Lease Payments	173
<b>Adjusted Funds from Operations (FFO)</b>	<b>\$4,779</b>

## Adjusted Total Debt Calculation

	As of 9/30/18
	\$ millions
<b>GAAP Total Debt (incl. current maturities)</b>	\$25,017
Less:	
Securitization Bonds	(1,151)
Spent Nuclear Fuel Trust	(272)
Add:	
Capital Lease Obligations	294
Pension	42
Off-balance Sheet Leases	927
<b>Adjusted Total Debt (Non-GAAP)</b>	<b>\$24,857</b>

## FFO to Total Debt Ratio

$$\frac{\text{Adjusted Funds from Operations (FFO)}}{\text{Adjusted Total Debt (Non-GAAP)}} = \frac{\$4,779}{\$24,857} = 19.2\%$$