



# BOUNDLESS ENERGY<sup>SM</sup>

The background of the slide is a scenic landscape photograph. In the foreground, there is a lush green golf course with a fairway and a green. A calm lake or pond is situated in the middle ground, reflecting the sky and the surrounding greenery. In the background, a line of trees separates the golf course from a residential area where several houses are visible. A large, steel lattice power transmission tower stands prominently in the center of the image, with several high-voltage power lines stretching across the sky from the top left towards the right. The sky is a vibrant blue, filled with scattered white cumulus clouds.

**2nd Quarter 2019  
EARNINGS RELEASE PRESENTATION**  
July 25, 2019

# “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, 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 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 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 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, naturally occurring and human-caused fires, 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 second quarter of 2019, the estimated earnings per share on a GAAP basis would be \$3.91 to \$4.11 per share.

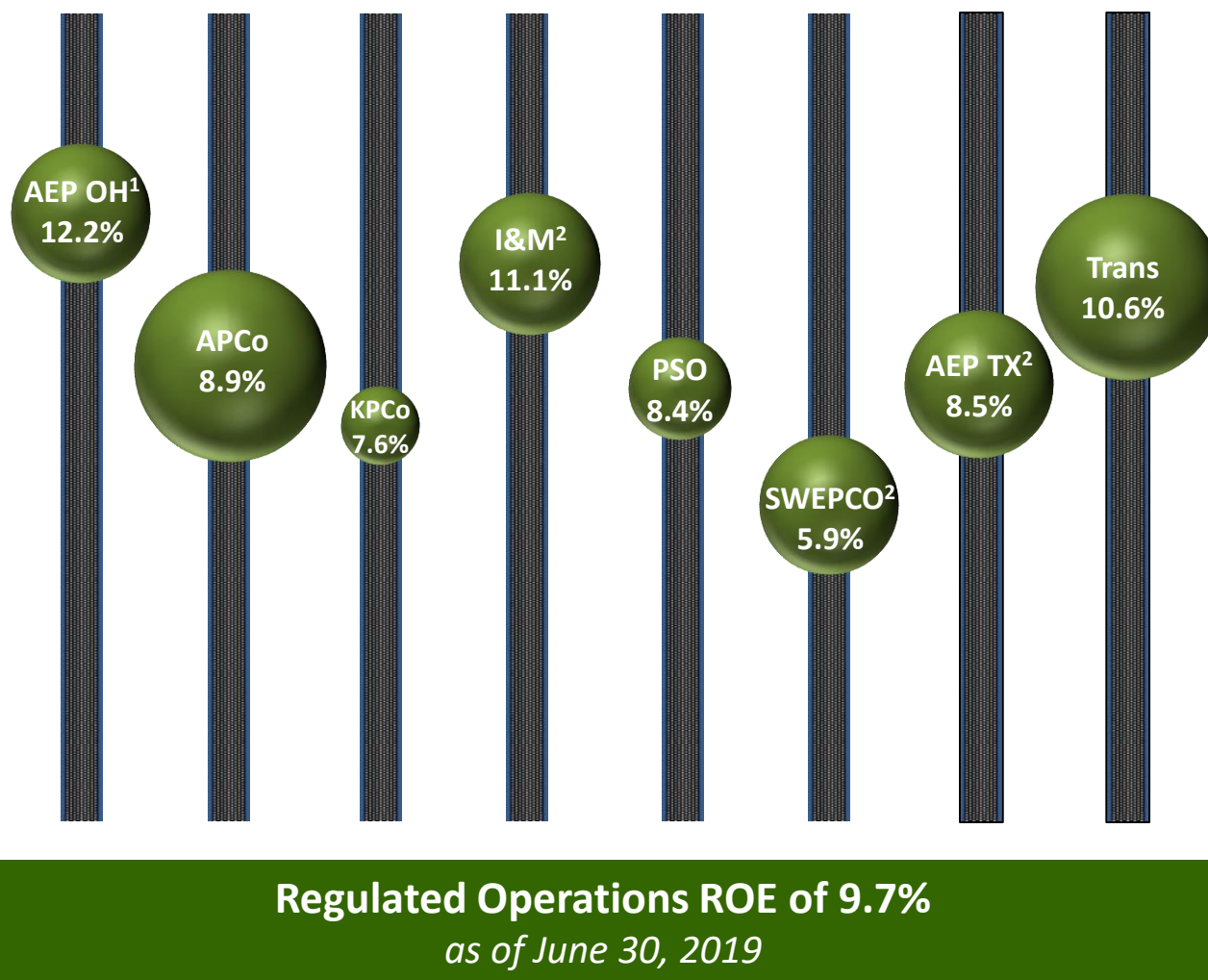
This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of AEP's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. 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.

- ✓ North Central Wind investment opportunity at PSO and SWEPCO
  - \$2.0B regulated rate base totaling 1,485 MW
  - Acquisition can be scaled to align with individual state resource needs and approvals
- ✓ Legislative updates in Ohio and Texas
- ✓ Contracted renewables
- ✓ Update on economy
- ✓ Reaffirm 5% to 7% long-term growth rate with 2019 operating earnings guidance range of \$4.00 to \$4.20 per share

# Regulated Returns

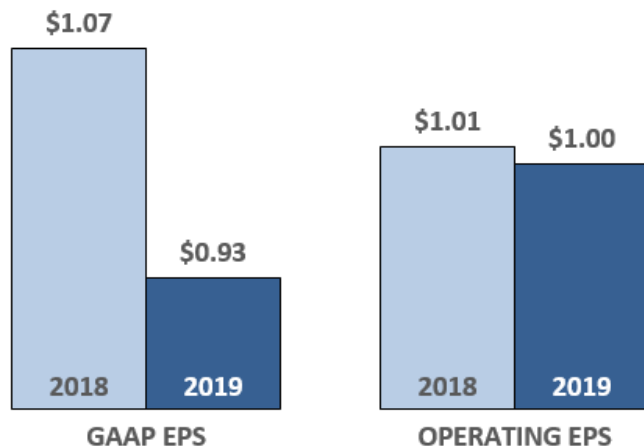
Twelve Months Ended 6/30/2019 Earned ROE's (non-GAAP operating earnings, not weather normalized)



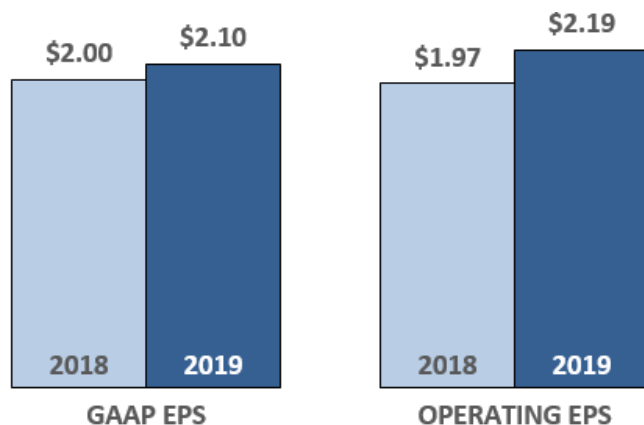
<sup>1</sup> Adjusted to reflect ROE after roll-off of legacy items | <sup>2</sup> Current base rate cases

# 2<sup>nd</sup> Quarter 2019 Financial Update

## 2<sup>nd</sup> Quarter 2019



## YTD 2019

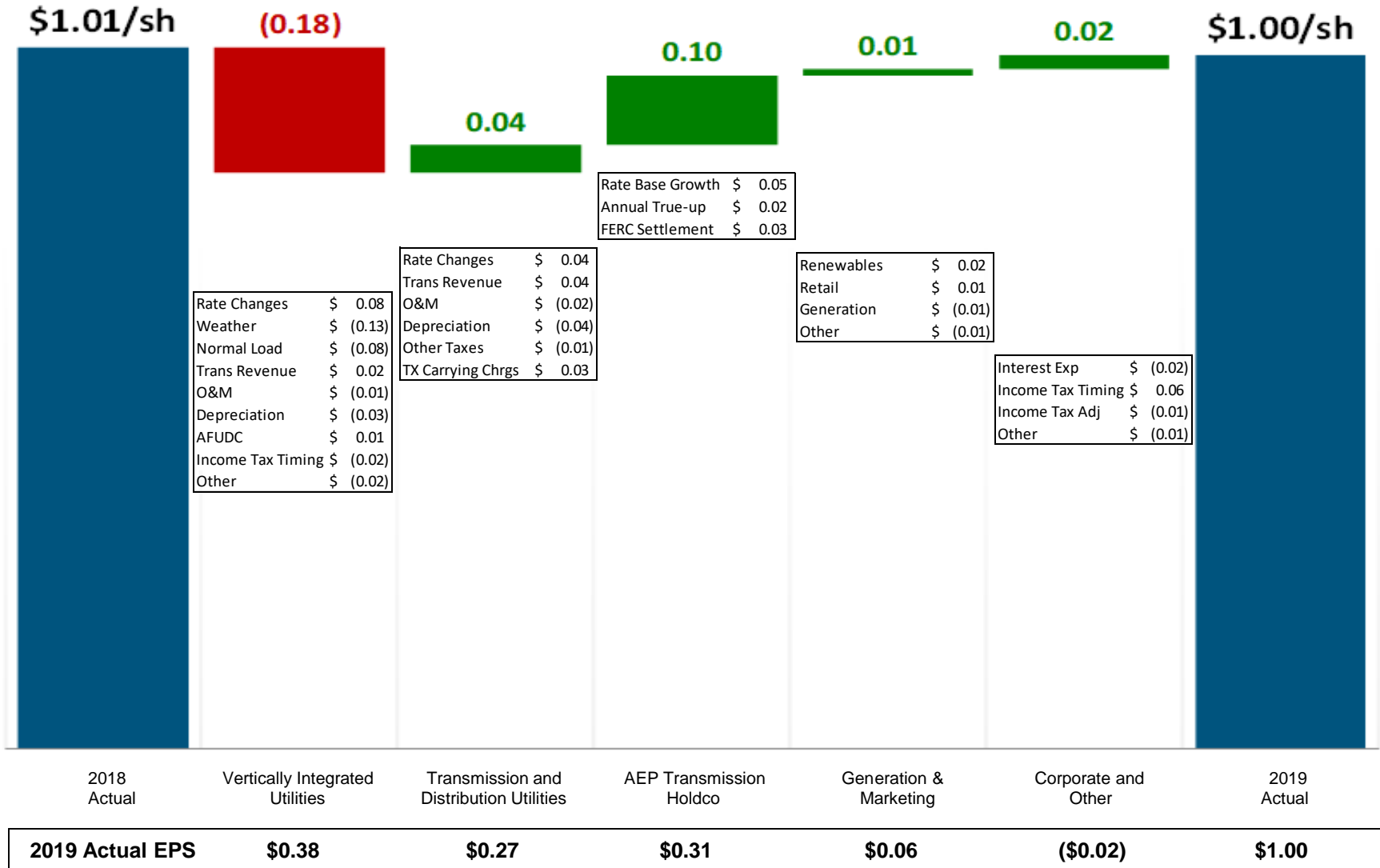


## Financial Update

- ✓ Delivered GAAP earnings of \$0.93 per share or \$461M for the second quarter of 2019
- ✓ Delivered operating earnings of \$1.00 per share or \$494M for the second quarter of 2019
- ✓ Delivered GAAP earnings of \$2.10 per share or \$1.0B for YTD June 2019
- ✓ Delivered operating earnings of \$2.19 per share or \$1.1B for YTD June 2019

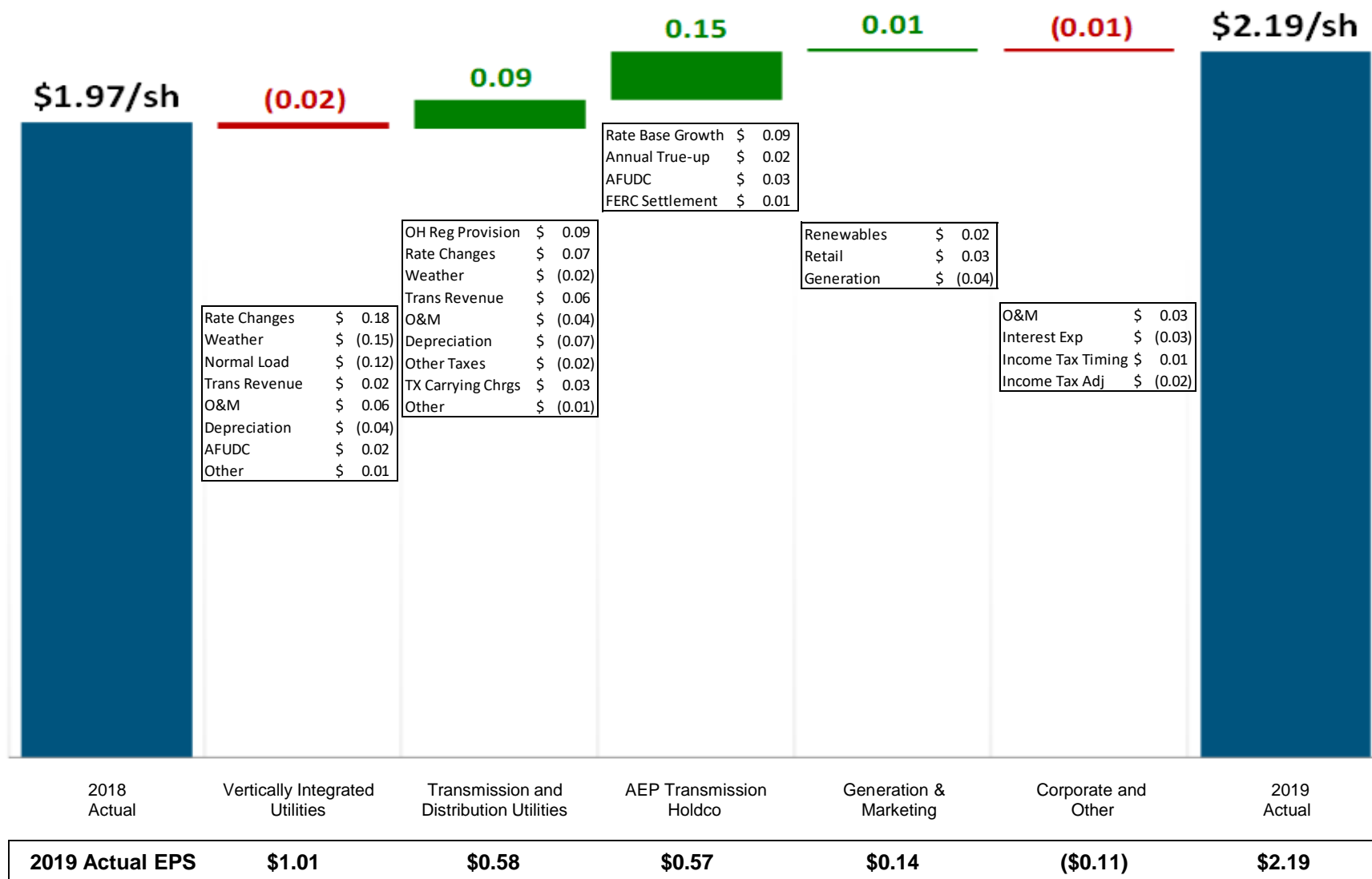
Refer to Appendix for reconciliation between GAAP and Operating EPS

## 2<sup>nd</sup> Quarter Operating Earnings Segment Detail



Refer to Appendix for additional explanation of variances by segment

# YTD Operating Earnings Segment Detail



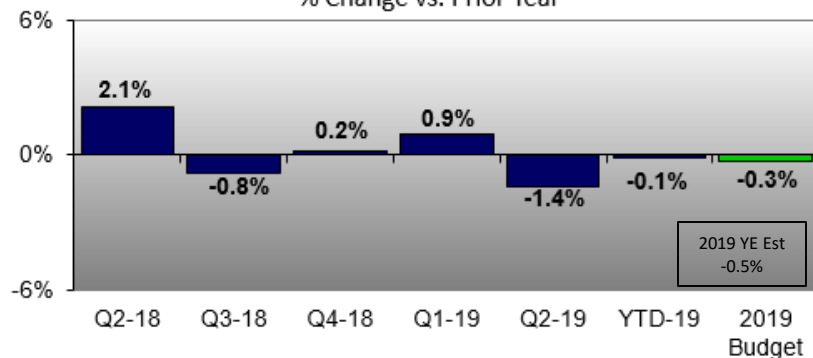
Refer to Appendix for additional explanation of variances by segment



# Weather Normalized Billed Retail Load Trends

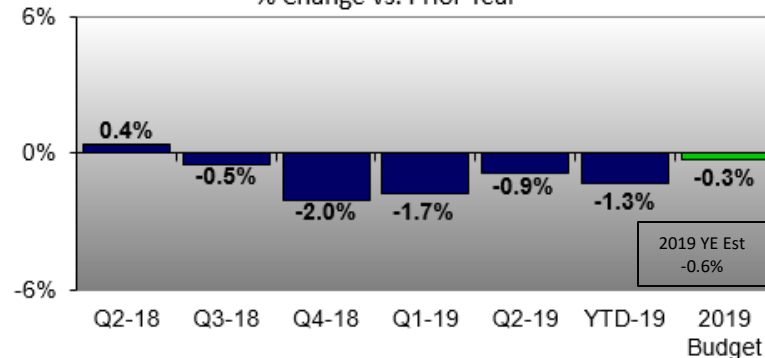
**AEP Residential Normalized GWh Sales**

% Change vs. Prior Year



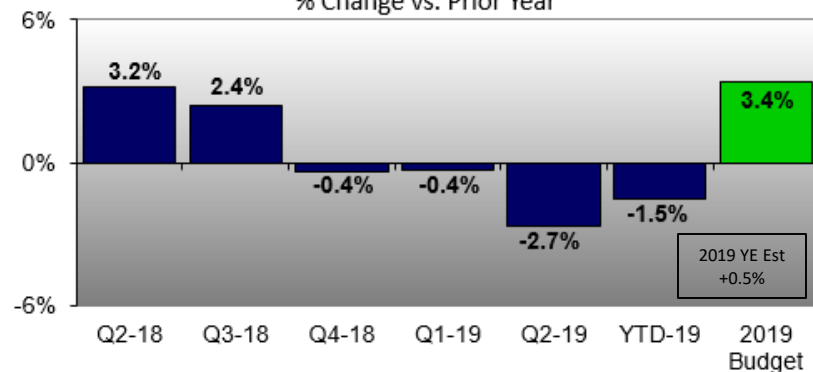
**AEP Commercial Normalized GWh Sales**

% Change vs. Prior Year



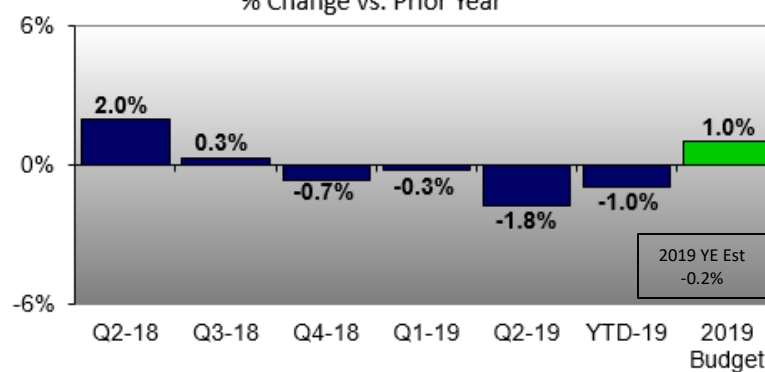
**AEP Industrial GWh Sales**

% Change vs. Prior Year



**AEP Total Normalized GWh Sales**

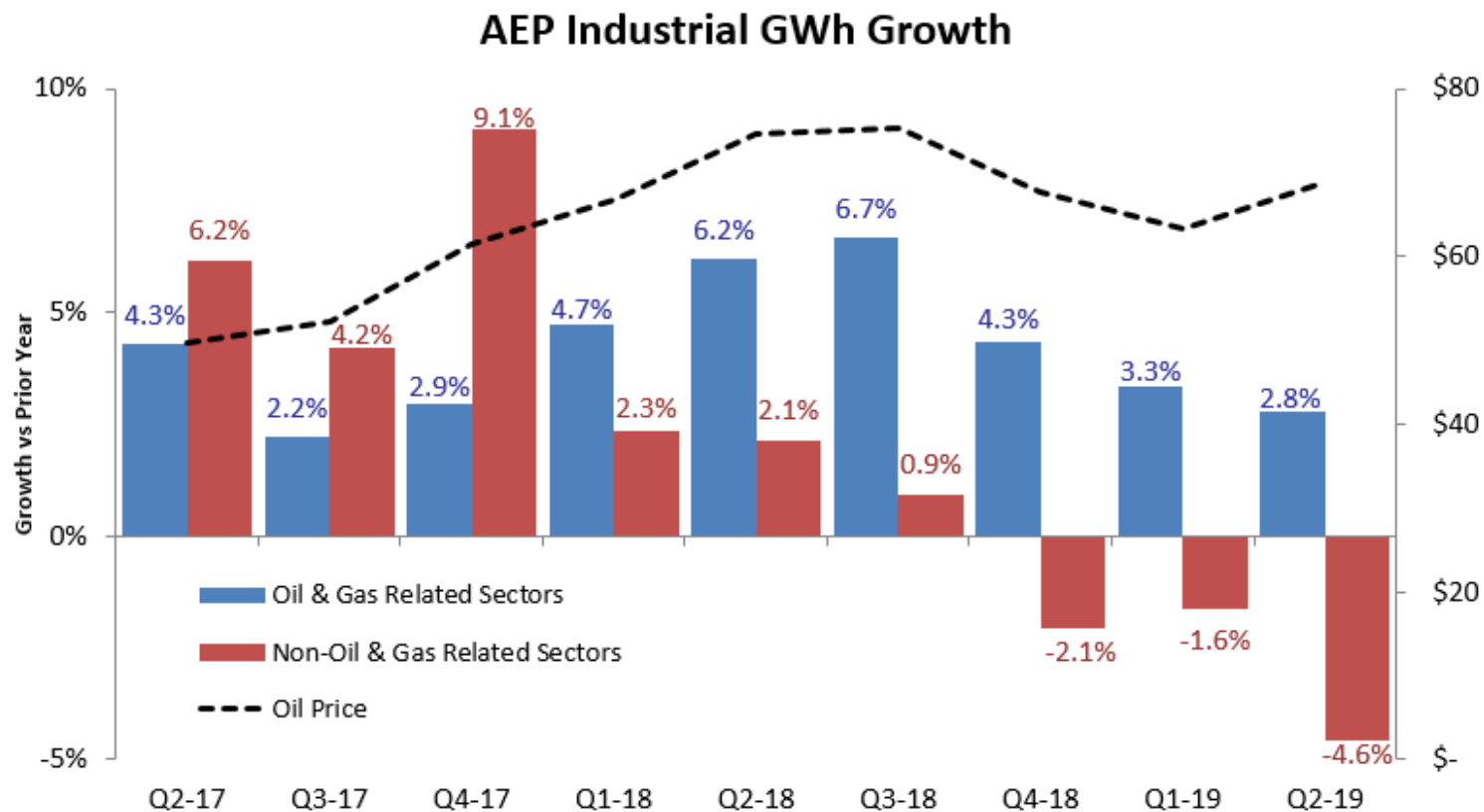
% Change vs. Prior Year



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

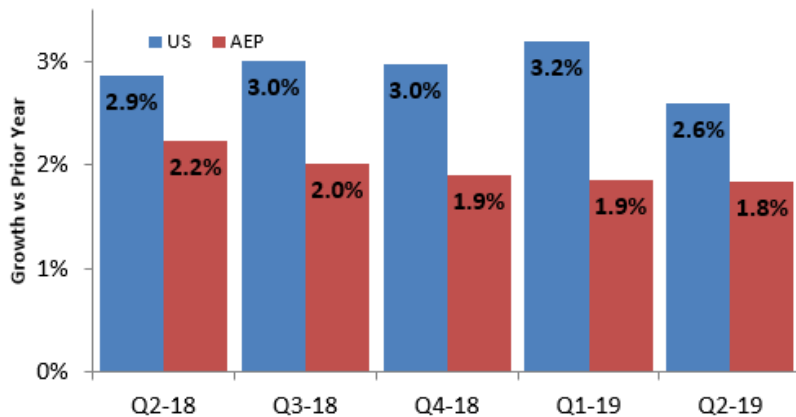
Historical and 2019 data adjusted to reflect reclass of industrial and commercial industry codes for certain customers; no revenue or earnings impact.

# Industrial Sales Growth

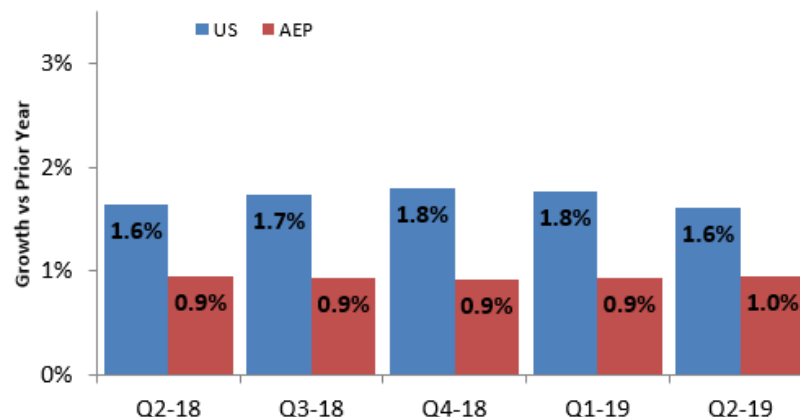


# Economic Data – AEP Service Territory

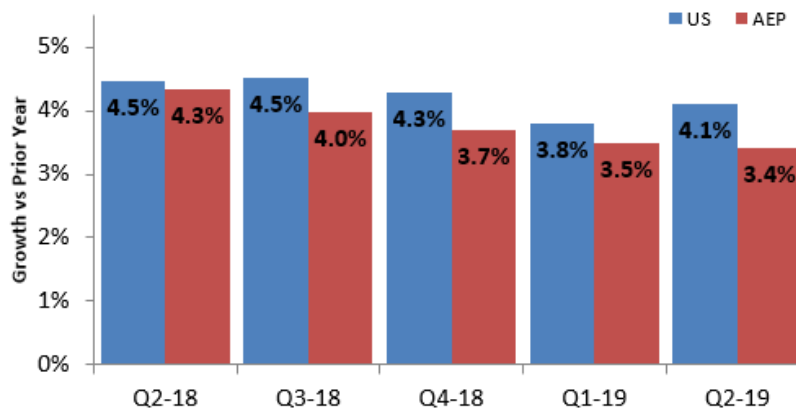
## GDP Growth by Quarter



## Employment Growth by Quarter

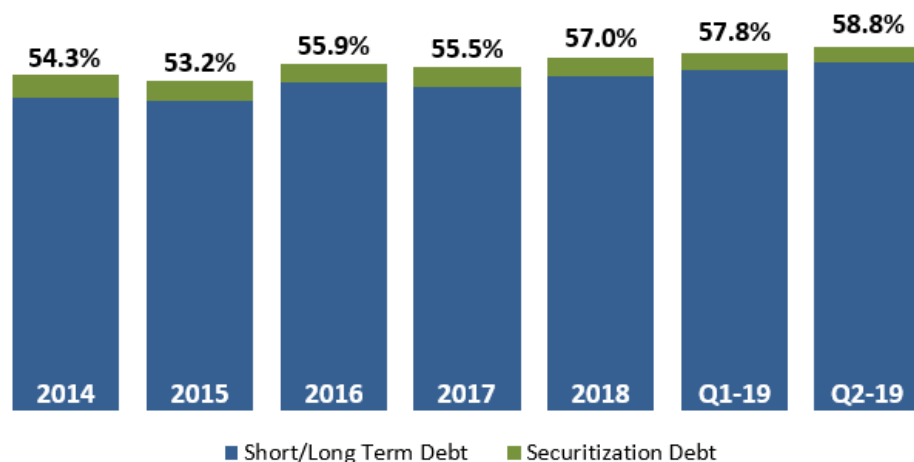


## Personal Income Growth by Quarter

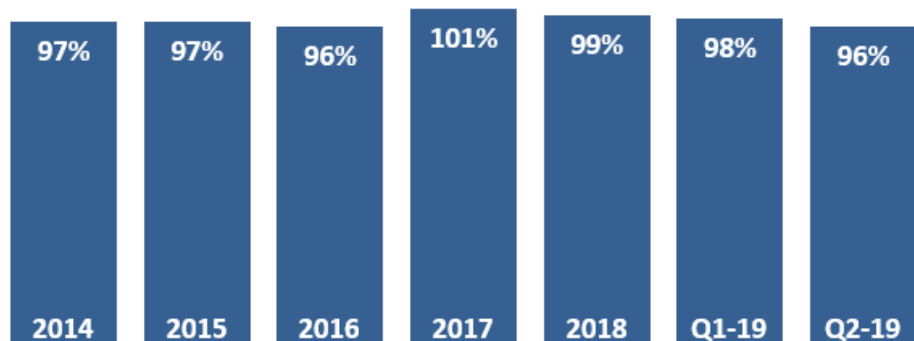


# Capitalization and Liquidity

## Total Debt / Total Capitalization



## Qualified Pension Funding



## Credit Statistics

	Actual	Target
FFO to Total Debt	15.3%	Mid Teens

*Represents the trailing 12 months as of 6/30/2019  
See Appendix for reconciliation to GAAP*

## Liquidity Summary

(unaudited)	6/30/2019 Actual	
\$ in millions	Amount	Maturity
Revolving Credit Facility	\$4,000	Jun-22
<b>Plus</b>		
Cash and Cash Equivalents	211	
<b>Less</b>		
Commercial Paper Outstanding	(1,585)	
Letters of Credit Issued	-	
<b>Net Available Liquidity</b>	<b>\$2,626</b>	

# Summary

- ✓ Successfully achieved outcomes in expected regulatory cases
- ✓ North Central Wind initiative at PSO and SWEPCO
- ✓ Reaffirm 5% to 7% growth rate with 2019 operating earnings guidance range of \$4.00 to \$4.20



# Appendix

## 2<sup>nd</sup> Quarter Reconciliation of GAAP to Operating Earnings

	\$ in millions			Earnings Per Share		
	Q2-18	Q2-19	Change	Q2-18	Q2-19	Change
<b>Reported GAAP Earnings</b>	\$528	\$461	(\$67)	\$1.07	\$0.93	(\$0.14)
<b>Non Operating Items:</b>						
Mark-to-Market Impact of Commodity Hedging Activities <sup>1</sup>	(12)	13	25	(0.02)	0.03	0.05
Severance Charges <sup>2</sup>	-	9	9	-	0.02	0.02
Change in Kentucky State Tax Law <sup>3</sup>	(18)	-	18	(0.04)	-	0.04
Acquisition Fees <sup>1,3</sup>	-	11	11	-	0.02	0.02
<b>AEP Operating Earnings</b>	\$498	\$494	(\$4)	\$1.01	\$1.00	(\$0.01)

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

<sup>2</sup> Items recorded in Vertically Integrated Utilities segment

<sup>3</sup> Items recorded in Corporate and Other segment

# YTD Reconciliation of GAAP to Operating Earnings

	\$ in millions			Earnings Per Share		
	YTD-18	YTD-19	Change	YTD-18	YTD-19	Change
<b>Reported GAAP Earnings</b>	\$983	\$1,034	\$51	\$2.00	\$2.10	\$0.10
<b>Non Operating Items:</b>						
Mark-to-Market Impact of Commodity Hedging Activities <sup>1</sup>	7	15	8	0.01	0.03	0.02
Severance Charges <sup>2</sup>	-	18	18	-	0.04	0.04
Change in Kentucky State Tax Law <sup>3</sup>	(18)	-	18	(0.04)	-	0.04
Acquisition Fees <sup>1,3</sup>	-	11	11	-	0.02	0.02
<b>AEP Operating Earnings</b>	\$972	\$1,078	\$106	\$1.97	\$2.19	\$0.22

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

<sup>2</sup> Items recorded in Vertically Integrated Utilities segment

<sup>3</sup> Items recorded in Corporate and Other segment



# Vertically Integrated Utilities

## 2<sup>nd</sup> Quarter Summary

	Q2-18	Q2-19
\$ in millions (except EPS)		
Operating Revenues	\$2,349	\$2,124
Operating Expenses:		
Energy Costs	(808)	(700)
Operations and Maintenance	(704)	(672)
Depreciation and Amortization	(313)	(359)
Taxes Other Than Income Taxes	(108)	(113)
Operating Income	416	280
Net Interest/AFUDC	(129)	(125)
Non-Service Benefit Cost Components	18	17
Income Taxes	(28)	16
Other	-	(1)
Operating Earnings	277	187
Proforma Adjustments, Net of Tax	-	(9)
GAAP Earnings	\$277	\$178
<b>EPS from Operating Earnings</b>	<b>\$0.56</b>	<b>\$0.38</b>

See slide 15 for items excluded from Net Income to reconcile to Operating Earnings

## Key Drivers: Q2-19 vs. Q2-18

- ✓ Rate Changes: \$53M favorable vs. prior year primarily from rate increases at APCo/WPCo, I&M and PSO
- ✓ Weather: \$81M unfavorable vs. prior year; \$7M unfavorable vs. normal
- ✓ Normal Load: \$48M unfavorable vs. prior year primarily due to lower residential, commercial and industrial sales
- ✓ Depreciation: \$17M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Income Taxes: actual rate of (9.0%) Q2-19 vs. 9.2% Q2-18

# Vertically Integrated Utilities

## YTD Summary

	YTD-18	YTD-19
\$ in millions (except EPS)		
Operating Revenues	\$4,757	\$4,527
Operating Expenses:		
Energy Costs	(1,666)	(1,556)
Operations and Maintenance	(1,444)	(1,351)
Depreciation and Amortization	(626)	(715)
Taxes Other Than Income Taxes	(218)	(229)
Operating Income	803	676
Net Interest/AFUDC	(254)	(252)
Non-Service Benefit Cost Components	36	34
Income Taxes	(76)	42
Other	(1)	(2)
Operating Earnings	508	498
Proforma Adjustments, Net of Tax	-	(18)
GAAP Earnings	\$508	\$480
<b>EPS from Operating Earnings</b>	<b>\$1.03</b>	<b>\$1.01</b>

See slide 16 for items excluded from Net Income to reconcile to Operating Earnings

## Key Drivers: YTD-19 vs. YTD-18

- ✓ Rate Changes: \$112M favorable vs. prior year primarily from rate increases at APCo/WPCo, I&M and PSO
- ✓ Weather: \$95M unfavorable vs. prior year; \$11M unfavorable vs. normal
- ✓ Normal Load: \$72M unfavorable vs. prior year primarily due to lower residential, commercial and industrial sales
- ✓ O&M: \$39M favorable (net of offsets) vs. prior year primarily due to decreased plant outages and maintenance in addition to the 2018 impact of Wind Catcher expenses
- ✓ Depreciation: \$27M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Income Taxes: actual rate of (9.0%) YTD-19 vs. 12.9% YTD-18

# Transmission and Distribution Utilities

## 2<sup>nd</sup> Quarter Summary

	Q2-18	Q2-19
\$ in millions (except EPS)		
Operating Revenues	\$1,137	\$1,046
Operating Expenses:		
Energy Costs	(197)	(164)
Amortization of Generation Deferrals	(56)	(24)
Operations and Maintenance	(379)	(411)
Depreciation and Amortization	(184)	(193)
Taxes Other Than Income Taxes	(133)	(140)
Operating Income	188	114
Net Interest/AFUDC	(54)	(38)
Non-Service Benefit Cost Components	8	8
Income Taxes	(28)	47
Operating and GAAP Earnings	\$114	\$131
EPS from Operating Earnings	\$0.23	\$0.27

## Key Drivers: Q2-19 vs. Q2-18

- ✓ Rate Changes: \$28M favorable primarily from the Ohio DIR and gridSMART in addition to the Texas Distribution Cost Recovery Factor
- ✓ ERCOT Transmission Revenue: \$26M favorable due to recovery of increased transmission investment
- ✓ O&M: \$10M unfavorable (net of offsets) vs. prior year primarily due to increased storm expenses and transmission services
- ✓ Depreciation: \$22M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Carrying Charges: \$19M favorable vs. prior year primarily due to the recovery of debt carrying charges approved in Texas
- ✓ Income Taxes: actual rate of (56.3%) Q2-19 vs. 19.5% Q2-18

# Transmission and Distribution Utilities

## YTD Summary

	YTD-18	YTD-19
\$ in millions (except EPS)		
Operating Revenues	\$2,299	\$2,268
Operating Expenses:		
Energy Costs	(441)	(393)
Amortization of Generation Deferrals	(115)	(57)
Operations and Maintenance	(732)	(816)
Depreciation and Amortization	(357)	(377)
Taxes Other Than Income Taxes	(270)	(286)
Operating Income	384	339
Net Interest/AFUDC	(104)	(91)
Non-Service Benefit Cost Components	16	15
Income Taxes	(57)	25
Operating and GAAP Earnings	\$239	\$288
<b>EPS from Operating Earnings</b>	<b>\$0.49</b>	<b>\$0.58</b>

## Key Drivers: YTD-19 vs. YTD-18

- ✓ Ohio Regulatory Provision: \$58M favorable due to reversal of the 2016 SEET provision
- ✓ Rate Changes: \$42M favorable primarily from the Ohio DIR and gridSMART in addition to the Texas Distribution Cost Recovery Factor
- ✓ Weather: \$13M unfavorable vs. prior year; \$1M unfavorable vs. normal
- ✓ ERCOT Transmission Revenue: \$38M favorable due to recovery of increased transmission investment
- ✓ O&M: \$23M unfavorable (net of offsets) vs. prior year primarily due to increased storm expenses and transmission services
- ✓ Depreciation: \$41M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Carrying Charges: \$19M favorable vs. prior year primarily due to the recovery of debt carrying charges approved in Texas
- ✓ Income Taxes: actual rate of (9.5%) YTD-19 vs. 19.2% YTD-18

# AEP Transmission Holdco

## 2<sup>nd</sup> Quarter Summary

	Q2-18	Q2-19
\$ in millions (except EPS)		
Operating Revenues	\$213	\$279
Operating Expenses:		
Operations and Maintenance	(23)	(23)
Depreciation and Amortization	(34)	(45)
Taxes Other Than Income Taxes	(38)	(43)
Operating Income	118	168
Net Interest/AFUDC	(5)	7
Income Taxes	(28)	(38)
Equity Earnings	17	19
Other	(1)	(1)
Operating and GAAP Earnings	\$101	\$155
EPS from Operating Earnings	\$0.21	\$0.31

## Key Drivers: Q2-19 vs. Q2-18

- ✓ \$54M favorable Operating Earnings vs. prior year primarily due to increased revenues and expenses driven by increased capital investment in the wholly owned Transcos in addition to the FERC settlement and annual true-up

# AEP Transmission Holdco

## YTD Summary

	YTD-18	YTD-19
\$ in millions (except EPS)		
Operating Revenues	\$418	\$535
Operating Expenses:		
Operations and Maintenance	(45)	(45)
Depreciation and Amortization	(66)	(86)
Taxes Other Than Income Taxes	(70)	(86)
Operating Income	237	318
Net Interest/AFUDC	(10)	(4)
Non-Service Benefit Cost Components	1	1
Income Taxes	(56)	(70)
Equity Earnings	35	36
Other	(2)	(2)
Operating and GAAP Earnings	\$205	\$279
EPS from Operating Earnings	\$0.42	\$0.57

## Key Drivers: YTD-19 vs. YTD-18

- ✓ \$74M favorable Operating Earnings vs. prior year primarily due to increased revenues and expenses driven by increased capital investment in the wholly owned Transcos in addition to the FERC settlement and annual true-up

# Generation & Marketing

## 2<sup>nd</sup> Quarter Summary

	Q2-18	Q2-19
\$ in millions (except EPS)		
Operating Revenues	\$445	\$428
Operating Expenses:		
Energy Costs	(354)	(331)
Operations and Maintenance	(57)	(56)
Depreciation and Amortization	(8)	(16)
Taxes Other Than Income Taxes	(3)	(4)
Operating Income	23	21
Net Interest/AFUDC	-	(5)
Non-Service Benefit Cost Components	4	4
Income Taxes	(1)	5
Other	1	2
Operating Earnings	27	27
Proforma Adjustments, Net of Tax	12	(18)
GAAP Earnings	\$39	\$9
<b>EPS from Operating Earnings</b>	<b>\$0.05</b>	<b>\$0.06</b>

See slide 15 for items excluded from Net Income to reconcile to Operating Earnings

## Key Drivers: Q2-19 vs. Q2-18

- ✓ Generation decreased 549 GWh (28%) Q2-19 vs. Q2-18 primarily due to retirements of Stuart Plant in May 2018 and Conesville Plant Units 5 and 6 in May 2019
- ✓ AEP Dayton ATC liquidations down 26%: \$24.83/MWh in Q2-19 vs. \$33.77/MWh in Q2-18
- ✓ Income Taxes: actual rate of (26.7%) Q2-19 vs. 3.8% Q2-18

# Generation & Marketing

## YTD Summary

	YTD-18	YTD-19
\$ in millions (except EPS)		
Operating Revenues	\$974	\$914
Operating Expenses:		
Energy Costs	(763)	(714)
Operations and Maintenance	(124)	(107)
Depreciation and Amortization	(14)	(28)
Taxes Other Than Income Taxes	(7)	(7)
Operating Income	66	58
Net Interest/AFUDC	(2)	(7)
Non-Service Benefit Cost Components	8	7
Income Taxes	(9)	10
Other	1	3
Operating Earnings	64	71
Proforma Adjustments, Net of Tax	(7)	(21)
GAAP Earnings	\$57	\$50
<b>EPS from Operating Earnings</b>	<b>\$0.13</b>	<b>\$0.14</b>

See slide 16 for items excluded from Net Income to reconcile to Operating Earnings


## Key Drivers: YTD-19 vs. YTD-18

- ✓ Generation decreased 1,583 GWh (37%) YTD-19 vs. YTD-18 primarily due to retirements of Stuart Plant in May 2018 and Conesville Plant Units 5 and 6 in May 2019
- ✓ AEP Dayton ATC liquidations down 24%: \$27.01/MWh in YTD-19 vs. \$35.54/MWh in YTD-18
- ✓ Income Taxes: actual rate of (17.8%) YTD-19 vs. 12.5% YTD-18




## 2<sup>nd</sup> Quarter Rate Performance

### Vertically Integrated Utilities


	Rate Changes, net of offsets (\$ in millions)
	Q2-19 vs. Q2-18
APCo/WPCo	\$19
I&M	\$22
KPCo	\$1
PSO	\$12
SWEPCO	(\$1)
Kingsport	-
TOTAL	\$53
Impact on EPS	 \$0.08

### Transmission and Distribution Utilities


	Rate Changes, net of offsets (\$ in millions)
	Q2-19 vs. Q2-18
AEP Ohio	\$25
AEP Texas	\$3
TOTAL	\$28
Impact on EPS	 \$0.04

# YTD Rate Performance

## Vertically Integrated Utilities


	Rate Changes, net of offsets (\$ in millions)
	YTD-19 vs. YTD-18
APCo/WPCo	\$30
I&M	\$58
KPCo	-
PSO	\$21
SWEPCO	\$3
Kingsport	-
TOTAL	\$112
Impact on EPS	 \$0.18

## Transmission and Distribution Utilities

	Rate Changes, net of offsets (\$ in millions)
	YTD-19 vs. YTD-18
AEP Ohio	\$36
AEP Texas	\$6
TOTAL	\$42
Impact on EPS	 \$0.07

# 2<sup>nd</sup> Quarter Retail Load Performance

## Vertically Integrated Utilities

	Retail Load <sup>1</sup> (weather normalized)
	Q2-19 vs. Q2-18
APCo/WPCo	(1.6%)
I&M	(2.7%)
KPCo	(1.5%)
PSO	(0.3%)
SWEPCO	(1.5%)
Kingsport	(2.7%)
TOTAL	(1.6%)
Impact on EPS <sup>2</sup>	 \$0.08

## Transmission and Distribution Utilities


	Retail Load <sup>1</sup> (weather normalized)
	Q2-19 vs. Q2-18
AEP Ohio	(1.3%)
AEP Texas	(2.9%)
TOTAL	(2.0%)
Impact on EPS <sup>2</sup>	-

<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-19 vs. YTD-18
APCo/WPCo	(1.2%)
I&M	(1.8%)
KPCo	(2.0%)
PSO	(0.3%)
SWEPCO	(0.8%)
Kingsport	(3.1%)
TOTAL	(1.2%)
Impact on EPS <sup>2</sup>	 \$0.12

## Transmission and Distribution Utilities

	Retail Load <sup>1</sup> (weather normalized)
	YTD-19 vs. YTD-18
AEP Ohio	(0.6%)
AEP Texas	(0.9%)
TOTAL	(0.7%)
Impact on EPS <sup>2</sup>	-

<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

# 2<sup>nd</sup> Quarter Weather Impact

## Vertically Integrated Utilities

	Weather Impact (\$ in millions)	
	Q2-19 vs. Q2-18	Q2-19 vs. Normal
APCo/WPCo	(\$19)	\$3
I&M	(\$19)	(\$4)
KPCo	(\$5)	-
PSO	(\$22)	(\$3)
SWEPCO	(\$16)	(\$3)
Kingsport	-	-
TOTAL	(\$81)	(\$7)
Impact on EPS	\$0.13	\$0.01

## Transmission and Distribution Utilities

	Weather Impact (\$ in millions)	
	Q2-19 vs. Q2-18	Q2-19 vs. Normal
AEP Ohio	-	-
AEP Texas	(\$3)	\$1
TOTAL	(\$3)	\$1
Impact on EPS	-	-

# YTD Weather Impact

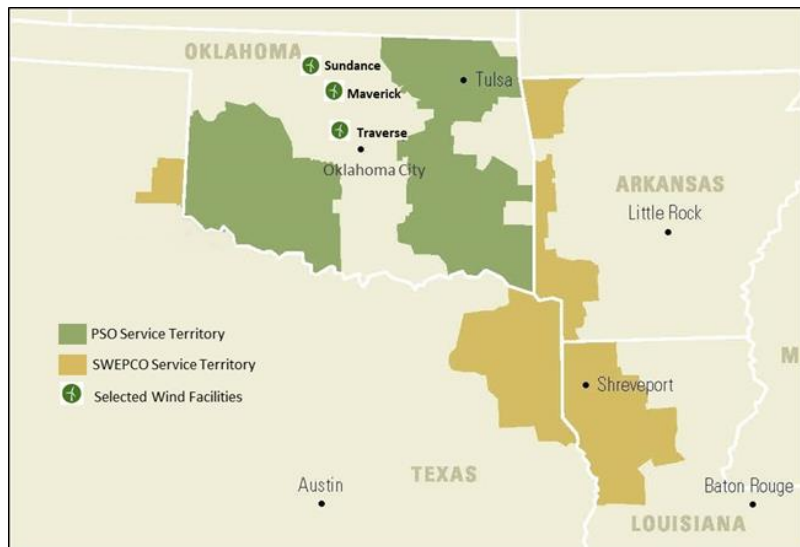
## Vertically Integrated Utilities

	Weather Impact (\$ in millions)	
	YTD-19 vs. YTD-18	YTD-19 vs. Normal
APCo/WPCo	(\$33)	(\$2)
I&M	(\$16)	(\$2)
KPCo	(\$7)	(\$1)
PSO	(\$20)	(\$2)
SWEPCO	(\$19)	(\$4)
Kingsport	-	-
TOTAL	(\$95)	(\$11)
Impact on EPS	\$0.15	\$0.02

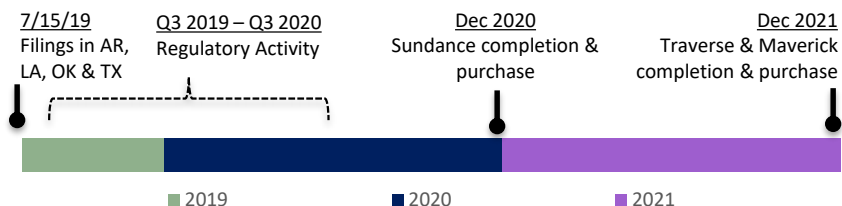
## Transmission and Distribution Utilities

	Weather Impact (\$ in millions)	
	YTD-19 vs. YTD-18	YTD-19 vs. Normal
AEP Ohio	-	-
AEP Texas	(\$13)	(\$1)
TOTAL	(\$13)	(\$1)
Impact on EPS	\$0.02	-

# North Central Wind Overview



Jurisdiction	MW	% of Project
PSO	675	45.5%
SWEPCO - AR	155	10.4%
SWEPCO - LA	268	18.1%
SWEPCO - TX	309	20.8%
SWEPCO - FERC	78	5.2%
<b>Total:</b>	<b>1,485</b>	<b>100%</b>



## SWEPCO and PSO Regulated Wind Investment Opportunity

Total Rate Base Investment	~\$2 billion (1,485 MW)			
North Central Wind	<u>Name</u>	<u>MW</u>	<u>Investment</u>	<u>In-Service</u>
	Sundance	199	\$307M	EOY 2020 (100% PTC)
	Traverse	999	\$1,287M	EOY 2021 (80% PTC)
	Maverick	287	\$402M	
Net Capacity Factor	44.0%			
Customer Savings	~\$3 billion (30-year nominal \$)			
Developer	Invenergy			
Turbine Supplier	GE			

- ❑ Regulated rate base wind investment opportunity with ability to meaningfully reduce customer rates
  - Acquiring facilities on a fixed cost, turn-key basis at completion
  - Contingent upon satisfactory regulatory approvals
- ❑ Investment not included in the Company's current capital expenditure plan
- ❑ Acquisition can be scaled, subject to commercial limitations, to align with individual state resource needs and approvals

# Current Rate Case Activity

## AEP Texas

Docket #:	49494
Filing Date:	05/01/2019
Requested Rate Base:	\$5.0B
Requested ROE:	10.5%
Cap Structure:	55%D / 45%E
Revenue Increase:	\$35M
Test Year:	12/31/2018
Procedural Schedule:	
Intervenor Testimony	07/25/2019
Staff Filing	08/01/2019
Rebuttal Testimony	08/13/2019
Hearing	08/20/2019
Expected Effective Date	First quarter 2020



## I&M – Indiana

Docket #:	45235
Filing Date:	05/14/2019
Requested Rate Base:	\$4.9B
Requested ROE:	10.5%
Cap Structure:	53.2%D / 46.8%E
Gross Revenue Increase:	\$172M
	(Less \$78M D&A)
Net Revenue Increase:	\$94M
Test Year:	2020 Forecasted
Procedural Schedule:	
Intervenor Testimony	08/20/2019
Rebuttal Testimony	09/17/2019
Hearing	10/07/2019
Expected Effective Date	March 2020





# Current Rate Case Activity (continued)

## I&M – Michigan

Docket #: U-20359  
 Filing Date: 06/24/2019  
 Requested Rate Base: \$1.2B  
 Requested ROE: 10.5%  
 Cap Structure: 53.6%D / 46.4%E  
 Gross Revenue Increase: \$58M  
 (Less \$6M D&A)  
 Net Revenue Increase: \$52M  
 Test Year: 2020 Forecasted

### Procedural Schedule:

Staff and Intervenor Testimony 10/17/2019  
 Rebuttal Testimony 11/12/2019  
 Hearing 11/21/2019  
 Expected Commission Order 04/24/2020



## SWEPCO – Arkansas<sup>1</sup>

Docket #: 19-008-U  
 Filing Date: 02/28/2019  
 Requested Rate Base: \$1.2B  
 Requested ROE: 10.5%  
 Cap Structure: 49.5%D / 50.5%E  
 Gross Revenue Increase: \$46M<sup>2</sup>  
 (Less \$12M D&A)  
 Net Revenue Increase: \$34M  
 Test Year: 12/31/2018

### Procedural Schedule:

Rebuttal Testimony 08/20/2019  
 Hearing 10/21/2019  
 Expected Effective Date January 2020

<sup>1</sup> This filing provides SWEPCO's notice of election to move to an annual formula rate review mechanism

<sup>2</sup> Does not include \$29M of current riders moving to base or \$12M for the requested Distribution Reliability Rider



# AEP and Effective Tax Rates

## Q2-19 Effective Tax Rate Reconciliation

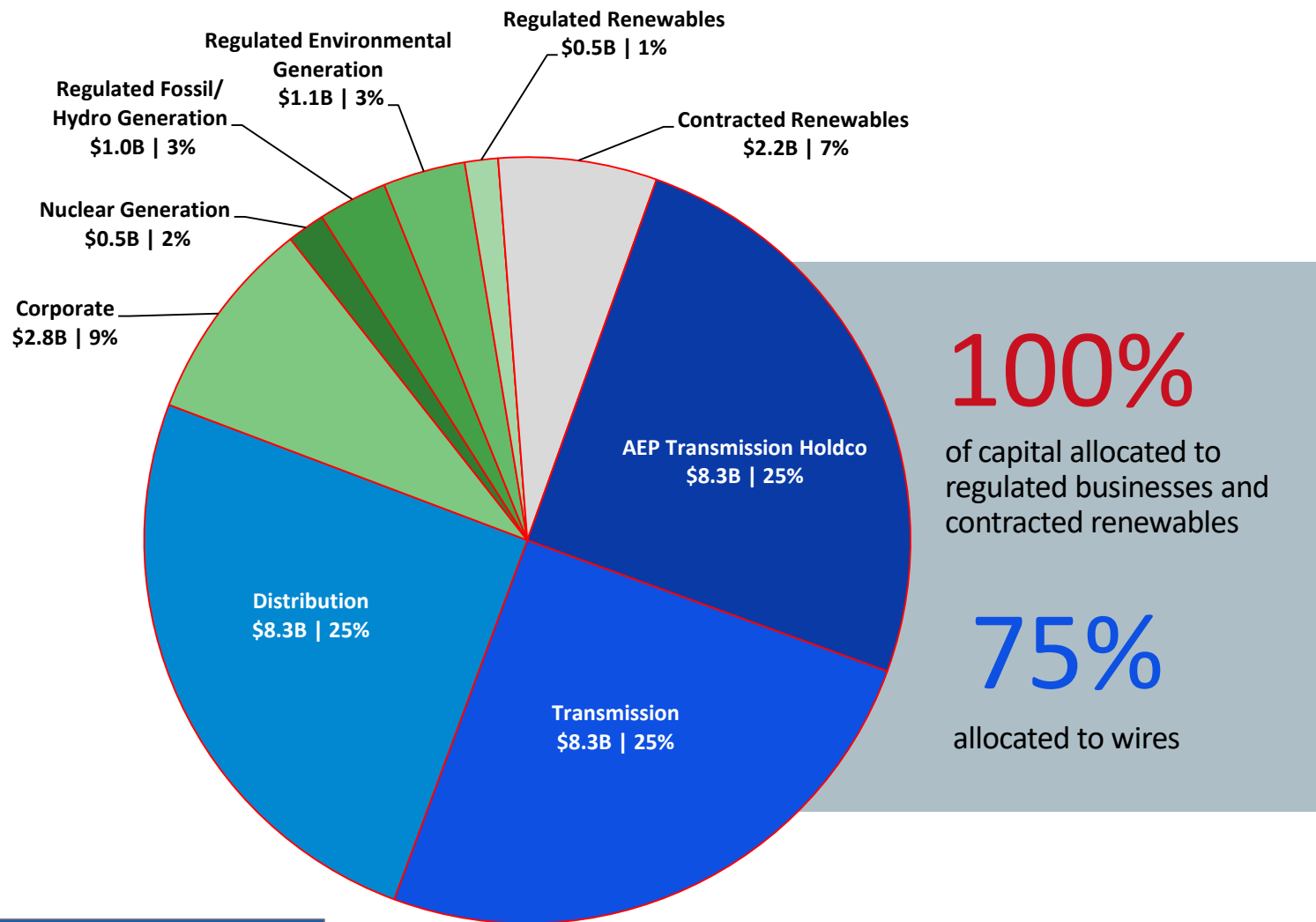
Q2-19	Amount (\$ in millions)	Tax Rate
Pre-tax Income	\$390	
Tax at Federal Rate	\$82	21%
Tax at State Rate	\$8	2%
Tax Credits and Amortization	(\$23)	(6%)
Excess Protected and Unprotected	(\$123)	(32%)
Other	(\$3)	(1%)
Tax Expense (Benefit) <sup>1</sup>	(\$58)	(15%)

## Estimated 2019 and Future Cash Tax Rates

Description	2019 (\$ in millions)	Future
Consolidated Federal Taxable Income	\$406	
Federal Income Tax Liability before Energy Credits	\$85	
Renewable Energy Credits	(\$64)	
Federal Income Tax Liability after Energy Credits	\$21	
Cash Effective Tax Rate after Energy Credits (Tax Rate after 75% Limitation)	5.17%	5.25%
Other Tax Credit Carryover Utilized	(\$14)	Not Applicable
Federal Income Tax Liability after Other Tax Credit	\$7	
Cash Effective Tax Rate	1.79%	5.25%

<sup>1</sup> Does not foot due to rounding

# 2019-2023 Capital Forecast: Total \$33B



**Focus on wires and renewables**

# Cash Flows and Financial Metrics

\$ in millions	2019E	2020E	2021E	2022E
Cash from Operations	\$ 4,700	\$ 4,900	\$ 5,300	\$ 5,800
Capital & JV Equity Contributions	(7,300)	(5,800)	(6,100)	(6,500)
Other Investing Activities	(300)	(400)	(100)	(100)
Common Dividends	(1,300)	(1,300)	(1,300)	(1,400)
Excess (Required) Capital	\$ (4,200)	\$ (2,600)	\$ (2,200)	\$ (2,200)
<b>Financing</b>				
Excess (Required) Capital	\$ (4,200)	\$ (2,600)	\$ (2,200)	\$ (2,200)
Debt Maturities (Senior Notes, PCRBs)	(1,100)	(900)	(1,500)	(1,600)
Securitization Amortizations	(300)	(200)	(100)	(100)
Equity Units	800	-	-	-
Equity Units Conversion	-	-	-	800
Equity Issuances - Includes DRP/401(k)	100	100	100	500
Debt Capital Market Needs (New)	\$ (4,700)	\$ (3,600)	\$ (3,700)	\$ (2,600)
<b>Financial Metrics</b>				
Debt to Capitalization (GAAP)	55% - 60%			
FFO/Total Debt (Moody's)	Mid Teens			

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

# GAAP to Non-GAAP Reconciliations and Ratios

## Adjusted FFO Calculation

	12 Months Ended 6/30/19
	\$ in millions
<b>Cash Flow From Operations</b>	\$5,016
Adjustments:	
Changes in Working Capital	(587)
Capitalized Interest	(83)
Securitization Amortization	(312)
Operating Lease Depreciation	224
<b>Adjusted Funds from Operations (FFO)</b>	<b>\$4,258</b>

## Adjusted Total Debt Calculation

	As of 6/30/19
	\$ in millions
<b>GAAP Total Debt (incl. current maturities)</b>	\$27,709
Less:	
Securitization Bonds	(950)
Spent Nuclear Fuel Trust	(277)
Equity Units Capital Adjust (25%)	(201)
Add:	
Finance Lease Obligations	306
Pension	114
Operating Leases	1,059
<b>Adjusted Total Debt (Non-GAAP)</b>	<b>\$27,760</b>

## FFO to Total Debt Ratio

$$\frac{\text{Adjusted Funds from Operations (FFO)}}{\text{Adjusted Total Debt (Non-GAAP)}} = \frac{\$4,258}{\$27,760} = 15.3\%$$