



**4<sup>th</sup> Quarter 2019**  
**Earnings Release Presentation**  
February 20, 2020

# “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 coal ash and nuclear fuel, timing and resolution of pending and future rate cases, negotiations and other regulatory decisions, including rate or other recovery of new investments in generation, distribution and transmission service and environmental compliance, resolution of litigation, the ability to constrain operation and maintenance costs, prices and demand for power generated and sold at wholesale, changes in technology, particularly with respect to energy storage and new, developing, alternative or distributed sources of generation, the ability to recover through rates any remaining unrecovered investment in generation units that may be retired before the end of their previously projected useful lives, volatility and changes in markets for coal and other energy-related commodities, particularly changes in the price of natural gas, changes in utility regulation and the allocation of costs within regional transmission organizations, including ERCOT, PJM and SPP, changes in the creditworthiness of the counterparties with contractual arrangements, including participants in the energy trading market, actions of rating agencies, including changes in the ratings of debt, the impact of volatility in the capital markets on the value of the investments held by the pension, other postretirement benefit plans, captive insurance entity and nuclear decommissioning trust and the impact of such volatility on future funding requirements, accounting standards periodically issued by accounting standard-setting bodies, and other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes, naturally occurring and human-caused fires, cyber security threats and other catastrophic events, the ability to attract and retain requisite work force and key personnel.

## INVESTOR RELATIONS

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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.

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.

## 2019 Highlights

### Financial Performance

- ✓ Delivered GAAP earnings of \$0.31 per share for Q4 2019 and \$3.89 per share for 2019
- ✓ Delivered operating earnings of \$0.60 per share for Q4 2019 and \$4.24 per share for 2019
- ✓ Achieved regulated operating ROE of 9.7% for the year
- ✓ Increased quarterly dividend

### Regulatory and Strategic Initiatives

- ✓ Finalized base rate cases in West Virginia, Oklahoma and Arkansas
- ✓ Base rate case filings made in Indiana, Michigan and Texas
- ✓ Filed regulatory applications in PSO and SWEPCO jurisdictions for North Central Wind, a 1,485 MW wind investment in Oklahoma
- ✓ Acquired Contracted Renewables wind portfolio
- ✓ Launched Achieving Excellence Program for O&M optimization

## 2020 Focus

### Financial Performance

- ❑ Deliver operating earnings within the guidance range of \$4.25-\$4.45 per share
- ❑ Continue to focus on disciplined capital allocation, investing \$6.3 billion in cap-ex, substantially in regulated entities with particular emphasis on wires
- ❑ Deliver 5%-7% operating earnings growth rate

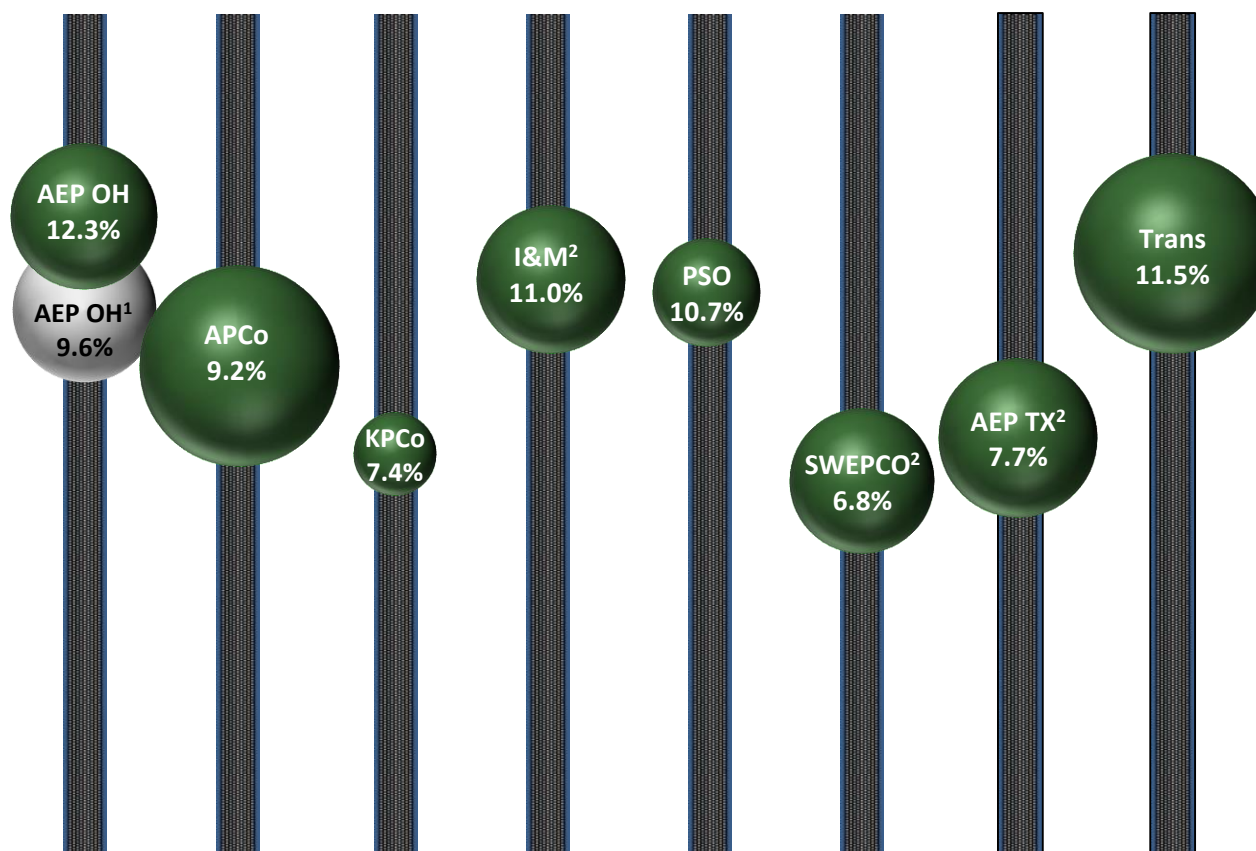
### Regulatory and Strategic Initiatives

- ❑ Finalize base rate cases in Indiana, Michigan and Texas with positive results and initiate rate cases in Ohio and Louisiana
- ❑ Secure regulatory approvals necessary to proceed with North Central Wind
- ❑ Bend the O&M curve with Achieving Excellence Program, creating headroom to focus on more value added activities for customers
- ❑ Continue to transform our generating fleet



# Regulated Returns

Twelve Months Ended 12/31/2019 Earned ROE's (non-GAAP operating earnings, not weather normalized)



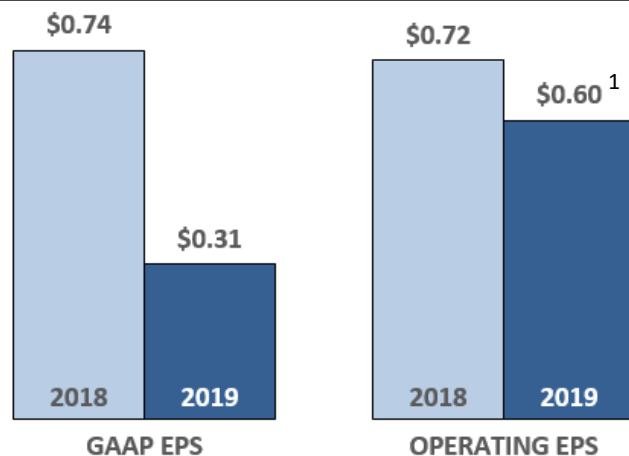
**Regulated Operations ROE of 9.7%**  
*as of December 31, 2019*

¹ AEP Ohio ROE after roll-off of legacy items | ² Base rate cases pending/settled/order recently received

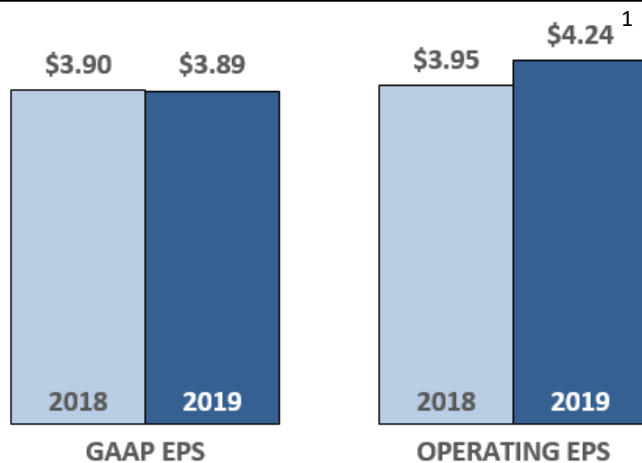
*Sphere size based on each company's relative equity balance*

# 4<sup>th</sup> Quarter 2019 Financial Update

## 4<sup>th</sup> Quarter 2019



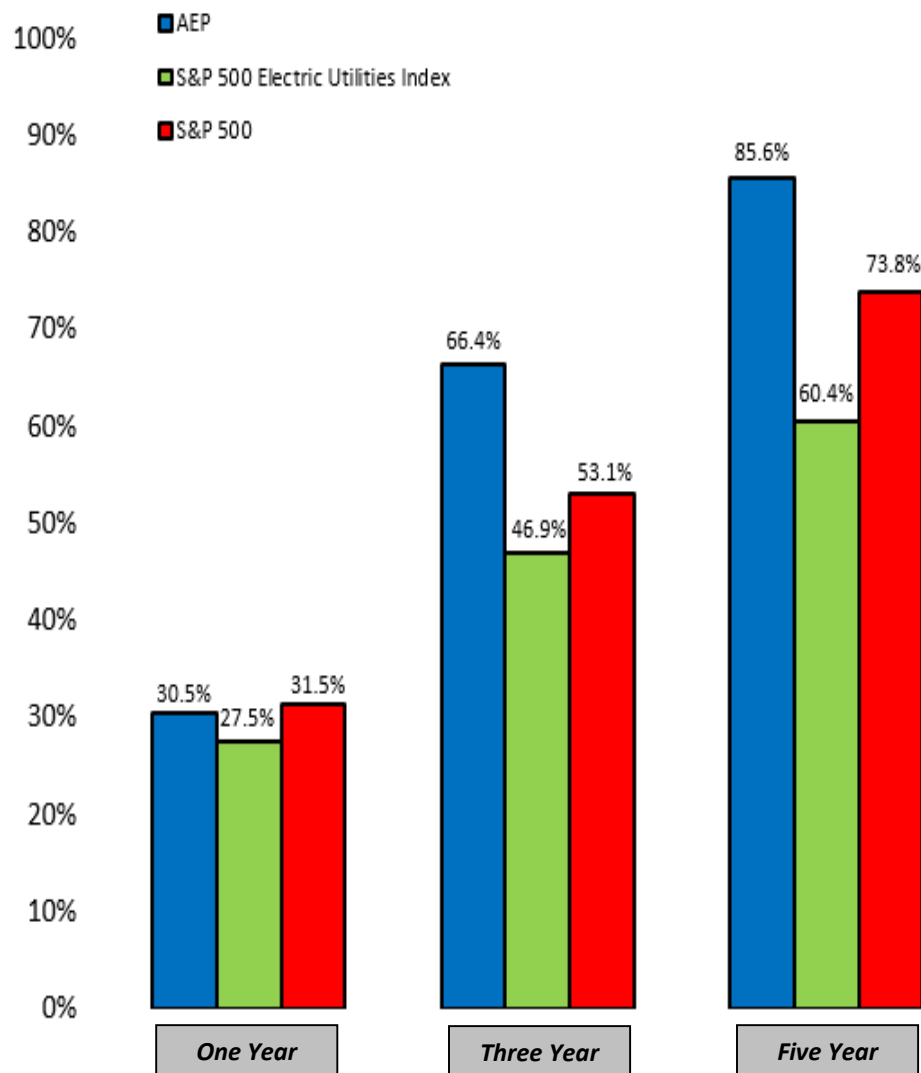
## YTD 2019



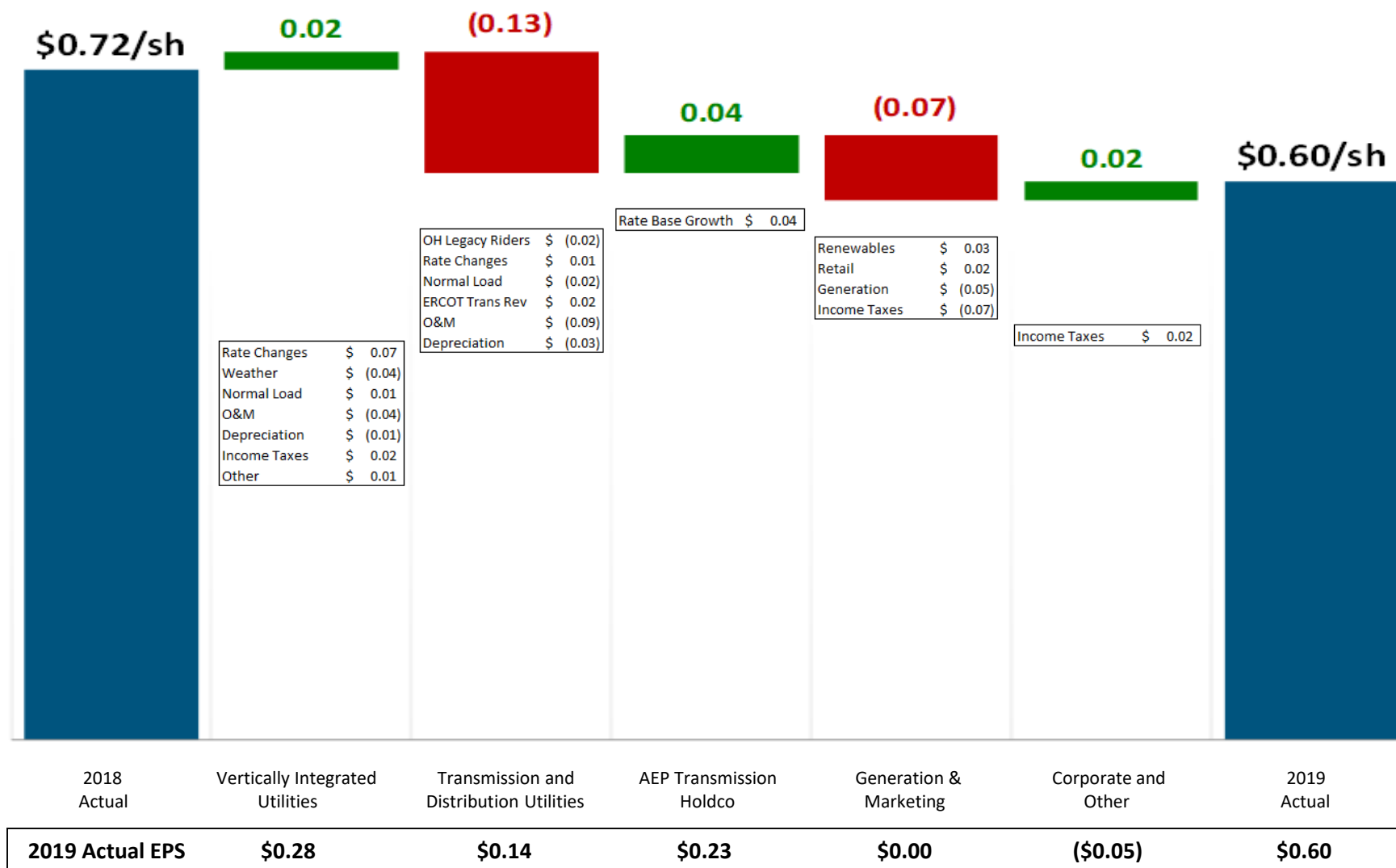
<sup>1</sup> Quarterly EPS is a stand alone amount and not always additive to full year amount due to rounding

Refer to Appendix for reconciliation between GAAP and Operating EPS

## Total Shareholder Return

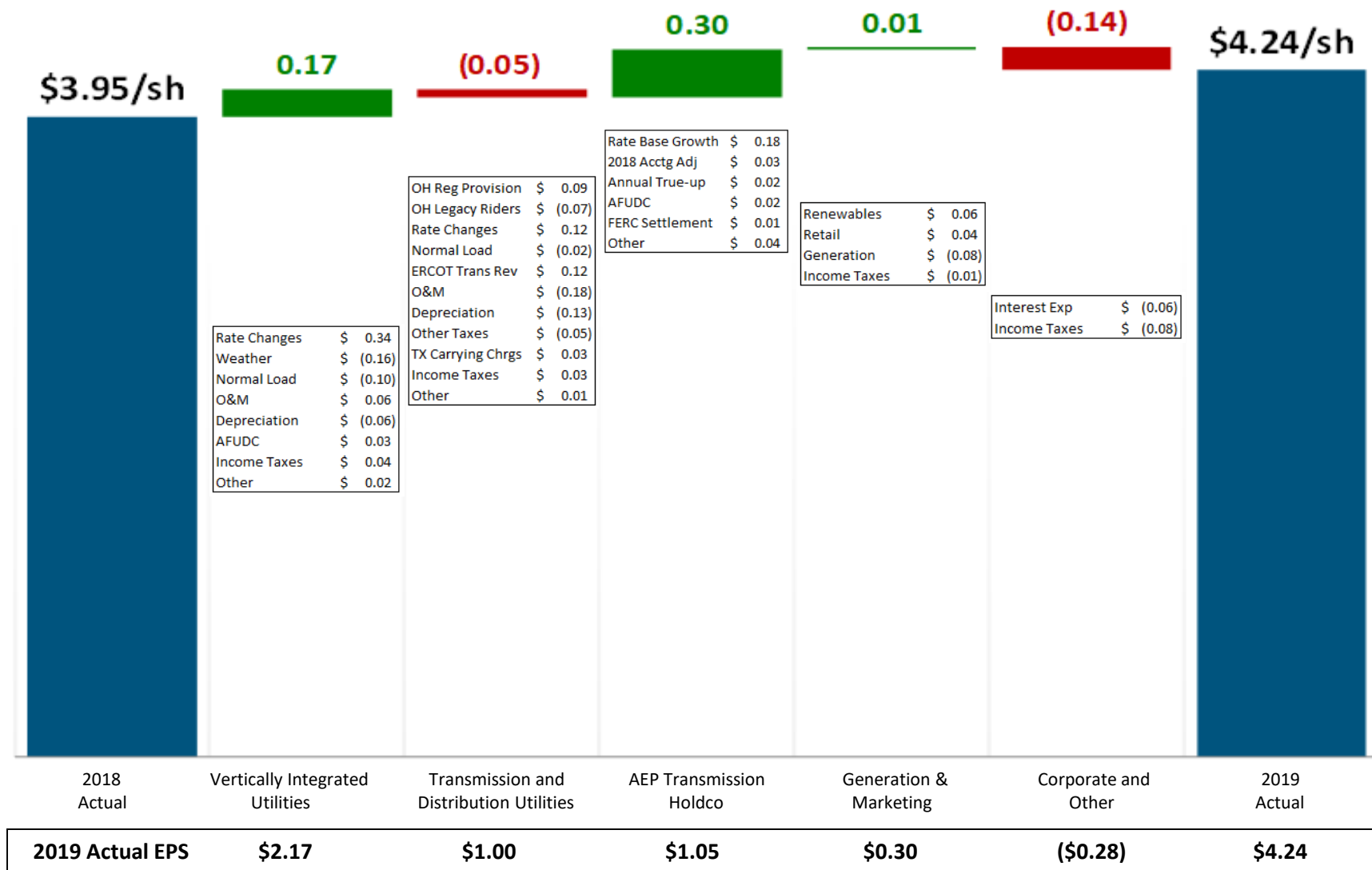


# 4<sup>th</sup> Quarter Operating Earnings Segment Detail



Refer to Appendix for additional explanation of variances by segment

# YTD Operating Earnings Segment Detail

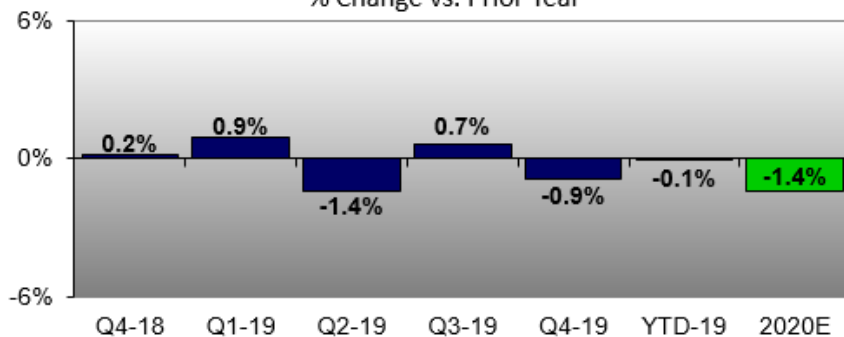


Refer to Appendix for additional explanation of variances by segment

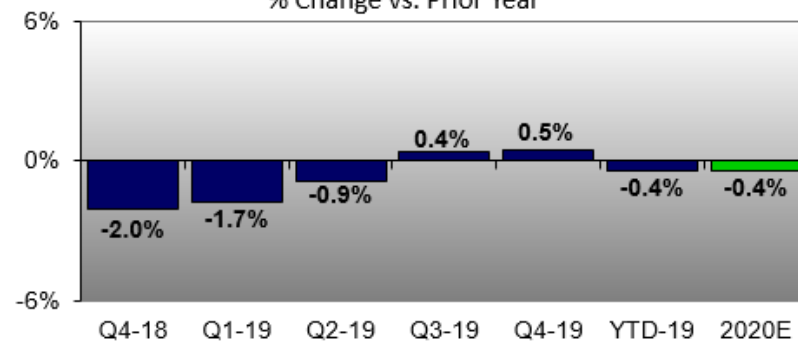


# Weather Normalized Billed Retail Load Trends

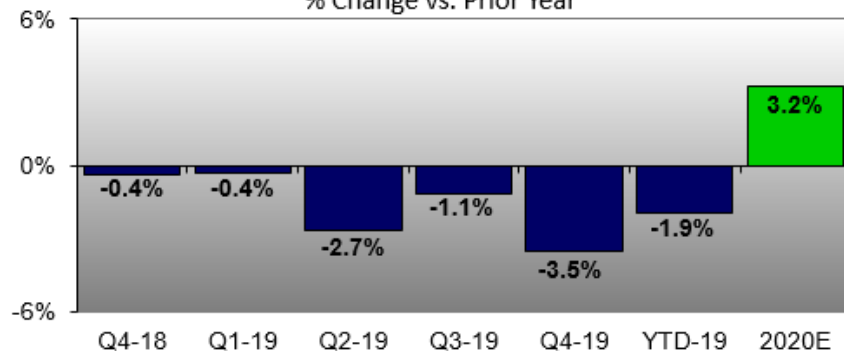
**AEP Residential Normalized GWh Sales**  
% Change vs. Prior Year



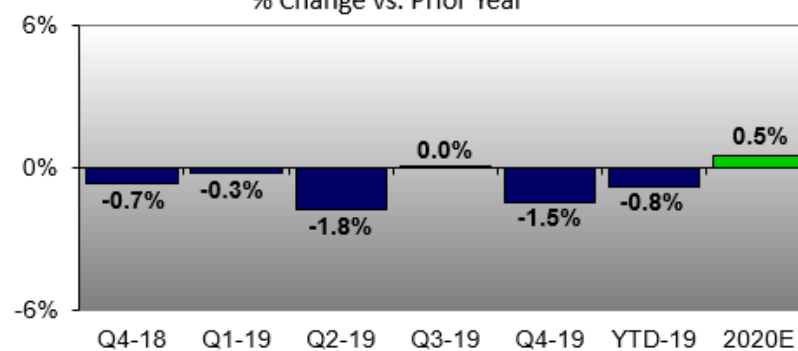
**AEP Commercial Normalized GWh Sales**  
% Change vs. Prior Year



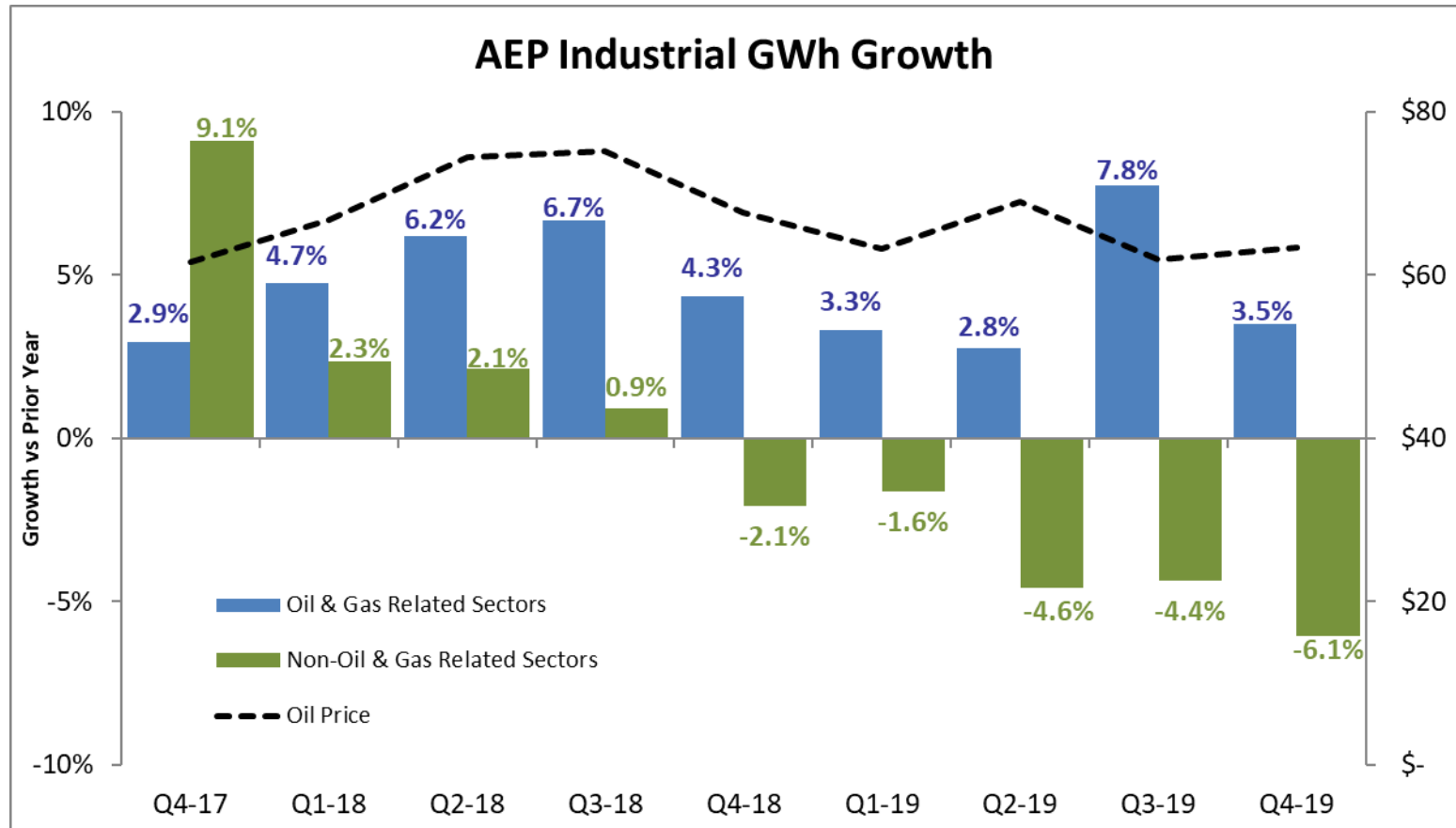
**AEP Industrial GWh Sales**  
% Change vs. Prior Year



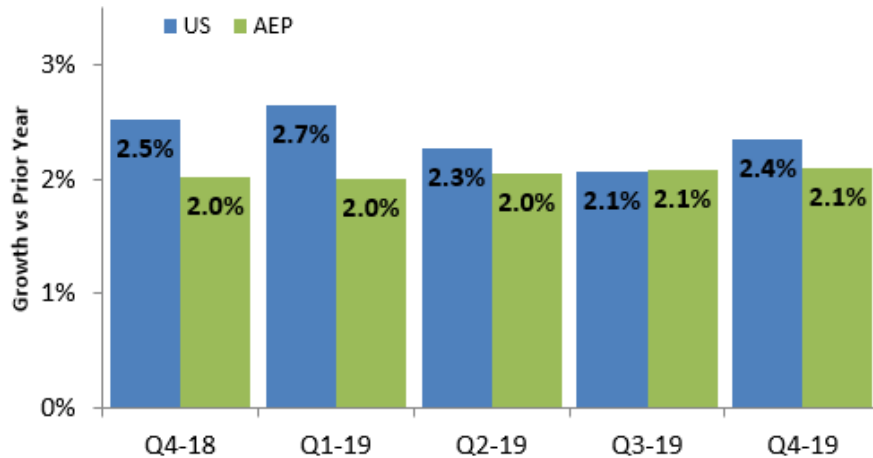
**AEP Total Normalized GWh Sales**  
% Change vs. Prior Year



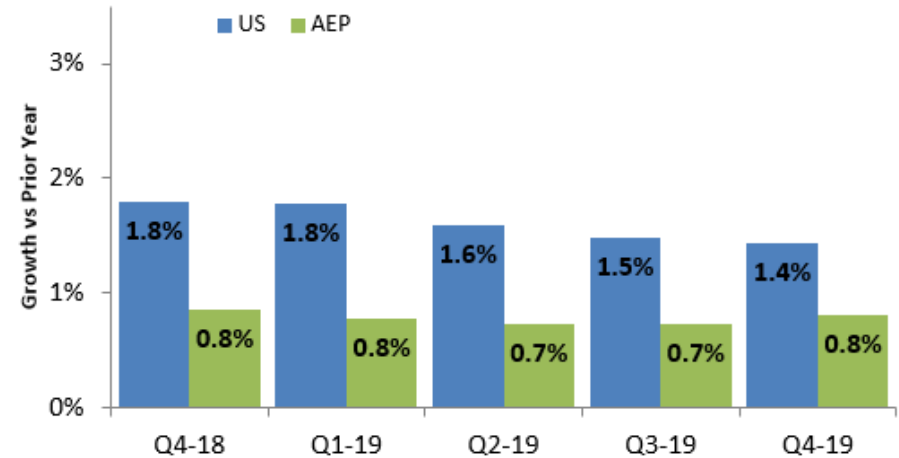
Load figures are provided on a billed basis. Charts reflect connected load and exclude firm wholesale load. Historical and 2019 data adjusted to reflect reclass of industrial and commercial industry codes for certain customers; no revenue or earnings impact. 2020 estimates based on forecast provided at 2019 EEI Financial Conference and adjusted to reflect 2019 actual results.



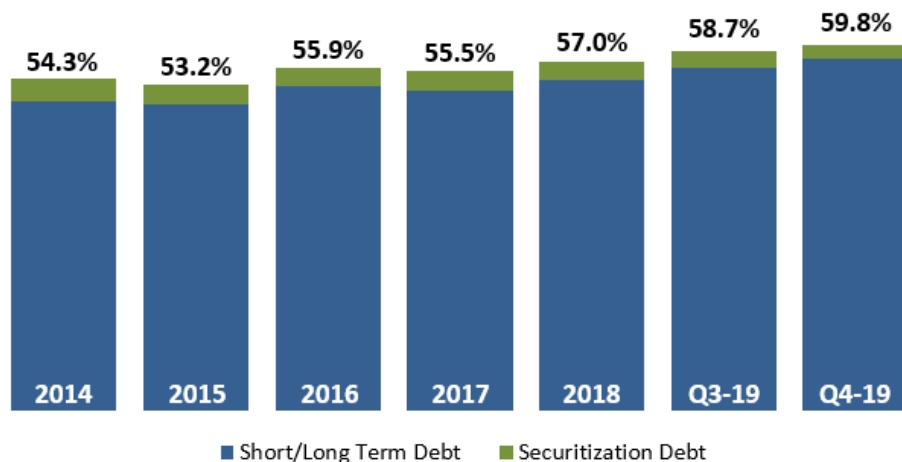
## GDP Growth by Quarter



## Employment Growth by Quarter



## Total Debt / Total Capitalization

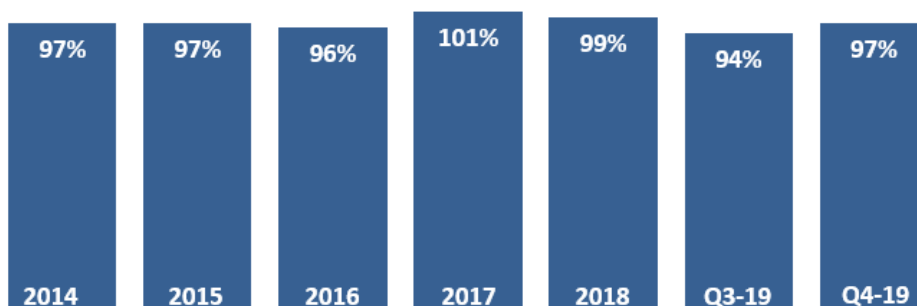


## Credit Statistics

	Actual		Target
	Moody's	GAAP	
FFO to Total Debt	13.9%	13.5%	Low to Mid Teens

*Represents the trailing 12 months as of 12/31/2019  
See Appendix for reconciliation to GAAP*

## Qualified Pension Funding



## Liquidity Summary

(unaudited)	12/31/2019 Actual	
\$ in millions	Amount	Maturity
Revolving Credit Facility	\$4,000	Jun-22
<b>Plus</b>		
Cash and Cash Equivalents	247	
<b>Less</b>		
Commercial Paper Outstanding	(2,110)	
Letters of Credit Issued	-	
<b>Net Available Liquidity</b>	<b>\$2,137</b>	

## Proven Track Record

- ✓ Solid 2019 operating earnings and dividend growth
- ✓ Disciplined capital allocation
- ✓ Successful regulatory outcomes
- ✓ Positive contracted renewables acquisition
- ✓ Continued O&M discipline

## 2020 Outlook

- ❑ 5-7% growth rate with 2020 operating earnings guidance range of \$4.25-\$4.45
- ❑ Finalize pending base rate cases
- ❑ Move forward with renewables opportunities, including North Central Wind
- ❑ Bending the O&M curve with Achieving Excellence
- ❑ Continue transforming our generation fleet



Reaffirm 2020 operating earnings guidance of \$4.25-\$4.45

# Appendix



# 4<sup>th</sup> Quarter Reconciliation of GAAP to Operating Earnings



	\$ in millions			Earnings Per Share		
	Q4-18	Q4-19	Change	Q4-18	Q4-19	Change
<b>Reported GAAP Earnings</b>	\$363	\$154	(\$209)	\$0.74	\$0.31	(\$0.43)
<b>Non Operating Items:</b>						
Mark-to-Market Impact of Commodity Hedging Activities <sup>1</sup>	-	2	2	-	0.01	0.01
Severance Charges <sup>2</sup>	-	(1)	(1)	-	-	-
Impairment of Certain Merchant Generation Assets <sup>1</sup>	9	25	16	0.02	0.05	0.03
Previously Retired Coal Generation Assets <sup>2</sup>	-	73	73	-	0.15	0.15
Texas Base Rate Case <sup>3</sup>	-	41	41	-	0.08	0.08
Effects of Tax Reform <sup>4</sup>	(18)	-	18	(0.04)	-	0.04
<b>AEP Operating Earnings</b>	<b>\$354</b>	<b>\$294</b>	<b>(\$60)</b>	<b>\$0.72</b>	<b>\$0.60</b>	<b>(\$0.12)</b>

<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 Transmission and Distribution Utilities Segment

<sup>4</sup> Items recorded across multiple segments

Weighted average no. of shares outstanding: 493M Q4-18 and 494M Q4-19

# 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>	\$1,924	\$1,921	(\$3)	\$3.90	\$3.89	(\$0.01)
<b>Non Operating Items:</b>						
Mark-to-Market Impact of Commodity Hedging Activities <sup>1</sup>	-	6	6	-	0.01	0.01
Severance Charges <sup>2</sup>	20	18	(2)	0.04	0.04	-
Impairment of Certain Merchant Generation Assets <sup>1</sup>	37	25	(12)	0.08	0.05	(0.03)
Change in Kentucky State Tax Law <sup>3</sup>	(18)	-	18	(0.03)	-	0.03
Acquisition Fees <sup>1,3</sup>	-	11	11	-	0.02	0.02
Previously Retired Coal Generation Assets <sup>4</sup>	-	73	73	-	0.15	0.15
Texas Base Rate Case <sup>5</sup>	-	41	41	-	0.08	0.08
Effects of Tax Reform <sup>2</sup>	(18)	-	18	(0.04)	-	0.04
<b>AEP Operating Earnings</b>	<b>\$1,945</b>	<b>\$2,095</b>	<b>\$150</b>	<b>\$3.95</b>	<b>\$4.24</b>	<b>\$0.29</b>

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

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

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

<sup>4</sup> Items recorded in Vertically Integrated Utilities segment

<sup>5</sup> Items recorded in Transmission and Distribution Utilities segment

Weighted average no. of shares outstanding: 493M YTD-18 and 493.7M YTD-19

## 4<sup>th</sup> Quarter Summary

	Q4-18	Q4-19
\$ in millions (except EPS)		
Operating Revenues	\$2,252	\$2,195
Operating Expenses:		
Energy Costs	(788)	(673)
Operations and Maintenance	(766)	(819)
Depreciation and Amortization	(350)	(367)
Taxes Other Than Income Taxes	(107)	(114)
Operating Income	241	222
Net Interest/AFUDC	(126)	(132)
Non-Service Benefit Cost Components	16	16
Income Taxes	(1)	30
Operating Earnings	130	136
Proforma Adjustments, Net of Tax	8	(72)
GAAP Earnings	\$138	\$64
<b>EPS from Operating Earnings</b>	<b>\$0.26</b>	<b>\$0.28</b>

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

## Key Drivers: Q4-19 vs. Q4-18

- ✓ Rate Changes: \$44M favorable vs. prior year primarily from rate increases at APCo/WPCo, I&M, PSO and SWEPCO
- ✓ Weather: \$28M unfavorable vs. prior year; \$1M unfavorable vs. normal
- ✓ Normal Load: \$7M favorable vs. prior year primarily due to favorable price variances and higher residential sales in the west, partially offset by lower industrial sales
- ✓ O&M: \$22M unfavorable (net of offsets) vs. prior year primarily due to AEP Foundation donations and increased employee-related expenses
- ✓ Depreciation: \$8M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Income Taxes: actual rate of (28.2%) Q4-19 vs. 0.04% Q4-18

## YTD Summary

	YTD-18	YTD-19
\$ in millions (except EPS)		
Operating Revenues	\$9,645	\$9,367
Operating Expenses:		
Energy Costs	(3,489)	(3,103)
Operations and Maintenance	(2,959)	(2,913)
Depreciation and Amortization	(1,316)	(1,447)
Taxes Other Than Income Taxes	(433)	(461)
Operating Income	1,448	1,443
Net Interest/AFUDC	(515)	(512)
Non-Service Benefit Cost Components	70	68
Income Taxes	(15)	73
Other	(2)	-
Operating Earnings	986	1,072
Proforma Adjustments, Net of Tax	5	(90)
GAAP Earnings	\$991	\$982
<b>EPS from Operating Earnings</b>	<b>\$2.00</b>	<b>\$2.17</b>

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

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

- ✓ Rate Changes: \$210M favorable vs. prior year primarily from rate increases at APCo/WPCo, I&M, PSO and SWEPCO
- ✓ Weather: \$102M unfavorable vs. prior year; \$49M favorable vs. normal
- ✓ Normal Load: \$61M unfavorable vs. prior year primarily due to lower residential, commercial and industrial sales
- ✓ O&M: \$37M 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: \$38M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Income Taxes: actual rate of (7.3%) YTD-19 vs. 1.4% YTD-18

# Transmission and Distribution Utilities



## 4<sup>th</sup> Quarter Summary

	Q4-18	Q4-19
\$ in millions (except EPS)		
Operating Revenues	\$1,142	\$1,057
Operating Expenses:		
Energy Costs	(198)	(191)
Amortization of Generation Deferrals	(52)	-
Operations and Maintenance	(390)	(406)
Asset Impairments and Other Related Charges	-	(10)
Depreciation and Amortization	(176)	(203)
Taxes Other Than Income Taxes	(132)	(138)
Operating Income	194	109
Net Interest/AFUDC	(54)	(58)
Non-Service Benefit Cost Components	8	8
Income Taxes	(16)	12
Operating Earnings	132	71
Proforma Adjustments, Net of Tax	11	(41)
GAAP Earnings	\$143	\$30
<b>EPS from Operating Earnings</b>	<b>\$0.27</b>	<b>\$0.14</b>

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

## Key Drivers: Q4-19 vs. Q4-18

- ✓ Rate Changes: \$7M unfavorable primarily from the roll off Ohio PIRR and RSR, partially offset by the Ohio DIR and gridSMART
- ✓ Weather: \$3M favorable vs. prior year; \$1M favorable vs. normal
- ✓ Normal Load: \$13M unfavorable vs. prior year primarily due to unfavorable price variances, partially offset by higher residential and commercial sales
- ✓ ERCOT Transmission Revenue: \$14M favorable due to recovery of increased transmission investment
- ✓ O&M: \$50M unfavorable (net of offsets) vs. prior year primarily due to the impact of the AEP Texas base rate case, AEP Foundation donation, increased transmission services and employee-related expenses
- ✓ Depreciation: \$21M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Income Taxes: actual rate of (19%) Q4-19 vs. 10.9% Q4-18

# Transmission and Distribution Utilities



## YTD Summary

	YTD-18	YTD-19
\$ in millions (except EPS)		
Operating Revenues	\$4,653	\$4,511
Operating Expenses:		
Energy Costs	(859)	(794)
Amortization of Generation Deferrals	(224)	(65)
Operations and Maintenance	(1,539)	(1,628)
Asset Impairments and Other Related Charges	-	(10)
Depreciation and Amortization	(734)	(789)
Taxes Other Than Income Taxes	(545)	(575)
Operating Income	752	650
Net Interest/AFUDC	(212)	(201)
Non-Service Benefit Cost Components	32	30
Income Taxes	(54)	14
Operating Earnings	518	493
Proforma Adjustments, Net of Tax	9	(42)
GAAP Earnings	\$527	\$451
<b>EPS from Operating Earnings</b>	<b>\$1.05</b>	<b>\$1.00</b>

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

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

- ✓ Ohio Regulatory Provision: \$58M favorable due to reversal of the 2016 SEET provision
- ✓ Rate Changes: \$29M favorable primarily from the Ohio DIR and gridSMART in addition to the Texas Distribution Cost Recovery Factor, partially offset from the roll off of the Ohio PIRR and RSR
- ✓ Weather: \$2M unfavorable vs. prior year; \$10M favorable vs. normal
- ✓ Normal Load: \$10M unfavorable vs. prior year primarily due to unfavorable price variances in Ohio, partially offset by higher commercial sales
- ✓ ERCOT Transmission Revenue: \$76M favorable due to recovery of increased transmission investment
- ✓ O&M: \$109M unfavorable (net of offsets) vs. prior year primarily due to the PJM annual formula rate true-up, the impact of the AEP Texas base rate case and AEP Foundation donation
- ✓ Depreciation: \$79M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Carrying Charges: \$21M favorable vs. prior year primarily due to the recovery of debt carrying charges approved in Texas
- ✓ Income Taxes: actual rate of (2.9%) YTD-19 vs. 9.4% YTD-18



## 4<sup>th</sup> Quarter Summary

	Q4-18	Q4-19
\$ in millions (except EPS)		
Operating Revenues	\$199	\$265
Operating Expenses:		
Operations and Maintenance	(29)	(42)
Depreciation and Amortization	(38)	(50)
Taxes Other Than Income Taxes	(36)	(44)
Operating Income	96	129
Net Interest/AFUDC	(1)	(5)
Non-Service Benefit Cost Components	1	1
Income Taxes	(20)	(30)
Equity Earnings	17	18
Other	(1)	(1)
Operating and GAAP Earnings	\$92	\$112
EPS from Operating Earnings	\$0.19	\$0.23

## Key Drivers: Q4-19 vs. Q4-18

- ✓ \$20M favorable Operating Earnings vs. prior year primarily due to increased revenues and expenses driven by increased capital investment in the wholly owned Transcos

## YTD Summary

	YTD-18	YTD-19
\$ in millions (except EPS)		
Operating Revenues	\$804	\$1,073
Operating Expenses:		
Operations and Maintenance	(105)	(119)
Depreciation and Amortization	(138)	(183)
Taxes Other Than Income Taxes	(142)	(174)
Operating Income	419	597
Net Interest/AFUDC	(21)	(16)
Non-Service Benefit Cost Components	2	2
Income Taxes	(96)	(136)
Equity Earnings	69	73
Other	(3)	(4)
Operating and GAAP Earnings	\$370	\$516
EPS from Operating Earnings	\$0.75	\$1.05

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

- ✓ \$146M 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, annual true-up and a prior year accounting adjustment

## 4<sup>th</sup> Quarter Summary

	Q4-18	Q4-19
\$ in millions (except EPS)		
Operating Revenues	\$453	\$432
Operating Expenses:		
Energy Costs	(369)	(338)
Operations and Maintenance	(38)	(66)
Depreciation and Amortization	(15)	(20)
Taxes Other Than Income Taxes	(3)	(4)
Operating Income	28	4
Net Interest/AFUDC	-	(7)
Non-Service Benefit Cost Components	4	4
Income Taxes	3	(5)
Other	-	4
Operating Earnings	35	-
Proforma Adjustments, Net of Tax	38	(27)
GAAP Earnings	\$73	(\$27)
<b>EPS from Operating Earnings</b>	<b>\$0.07</b>	<b>\$0.00</b>

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

## Key Drivers: Q4-19 vs. Q4-18

- ✓ AEP Dayton ATC liquidations down 24%: \$26.41/MWh in Q4-19 vs. \$34.96/MWh in Q4-18
- ✓ Income Taxes: actual rate of 174.8% Q4-19 vs. (9.6%) Q4-18

## YTD Summary

	YTD-18	YTD-19
\$ in millions (except EPS)		
Operating Revenues	\$1,941	\$1,865
Operating Expenses:		
Energy Costs	(1,537)	(1,456)
Operations and Maintenance	(213)	(217)
Depreciation and Amortization	(41)	(69)
Taxes Other Than Income Taxes	(13)	(16)
Operating Income	137	107
Net Interest/AFUDC	(2)	(22)
Non-Service Benefit Cost Components	15	15
Income Taxes	(12)	44
Other	1	5
Operating Earnings	139	149
Proforma Adjustments, Net of Tax	(4)	(36)
GAAP Earnings	\$135	\$113
<b>EPS from Operating Earnings</b>	<b>\$0.29</b>	<b>\$0.30</b>


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

- ✓ Generation decreased 1,819 GWh (24%) 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 23%: \$26.77/MWh in YTD-19 vs. \$34.63/MWh in YTD-18
- ✓ Income Taxes: actual rate of (46.2%) YTD-19 vs. 7.9% YTD-18


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

# 4<sup>th</sup> Quarter Rate Performance

## *Vertically Integrated Utilities*

	Rate Changes, net of offsets (\$ in millions)
	Q4-19 vs. Q4-18
APCo/WPCo	\$12
I&M	\$11
KPCo	-
PSO	\$20
SWEPCO	\$1
Kingsport	-
<b>TOTAL</b>	<b>\$44</b>
<b>Impact on EPS</b>	 <b>\$0.07</b>

## *Transmission and Distribution Utilities*

	Rate Changes, net of offsets (\$ in millions)
	Q4-19 vs. Q4-18
AEP Ohio <sup>1</sup>	(\$4)
AEP Texas	(\$3)
<b>TOTAL</b>	<b>(\$7)</b>
<b>Impact on EPS</b>	 <b>\$0.01</b>


<sup>1</sup> Includes impact of Ohio legacy riders

# YTD Rate Performance

## *Vertically Integrated Utilities*

	Rate Changes, net of offsets (\$ in millions)
	YTD-19 vs. YTD-18
APCo/WPCo	\$50
I&M	\$84
KPCo	-
PSO	\$68
SWEPCO	\$6
Kingsport	\$2
<b>TOTAL</b>	<b>\$210</b>
<b>Impact on EPS</b>	 <b>\$0.34</b>

## *Transmission and Distribution Utilities*


	Rate Changes, net of offsets (\$ in millions)
	YTD-19 vs. YTD-18
AEP Ohio <sup>1</sup>	\$23
AEP Texas	\$6
<b>TOTAL</b>	<b>\$29</b>
<b>Impact on EPS</b>	 <b>\$0.05</b>

<sup>1</sup> Includes impact of Ohio legacy riders



# 4<sup>th</sup> Quarter Weather Impact

## Vertically Integrated Utilities



	Weather Impact (\$ in millions)	
	Q4-19 vs. Q4-18	Q4-19 vs. Normal
APCo/WPCo	(\$15)	(\$1)
I&M	(\$4)	\$1
KPCo	(\$2)	-
PSO	(\$2)	-
SWEPCO	(\$5)	(\$1)
Kingsport	-	-
TOTAL	(\$28)	(\$1)
Impact on EPS	 \$0.04	-

## Transmission and Distribution Utilities


	Weather Impact (\$ in millions)	
	Q4-19 vs. Q4-18	Q4-19 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	(\$38)	\$22
I&M	(\$23)	\$11
KPCo	(\$9)	\$3
PSO	(\$13)	\$9
SWEPCO	(\$19)	\$4
Kingsport	-	-
TOTAL	(\$102)	\$49
Impact on EPS	 \$0.16	 \$0.08

## Transmission and Distribution Utilities


	Weather Impact (\$ in millions)	
	YTD-19 vs. YTD-18	YTD-19 vs. Normal
AEP Ohio	-	-
AEP Texas	(\$2)	\$10
TOTAL	(\$2)	\$10
Impact on EPS	-	 \$0.02

# 4<sup>th</sup> Quarter Retail Load Performance

## *Vertically Integrated Utilities*

	Retail Load <sup>1</sup> (weather normalized)
	Q4-19 vs. Q4-18
APCo/WPCo	(0.6%)
I&M	(2.5%)
KPCo	(2.8%)
PSO	(0.9%)
SWEPCO	(1.3%)
Kingsport	(4.4%)
TOTAL	(1.4%)
Impact on EPS <sup>2</sup>	 \$0.01

## *Transmission and Distribution Utilities*

	Retail Load <sup>1</sup> (weather normalized)
	Q4-19 vs. Q4-18
AEP Ohio	(3.1%)
AEP Texas	0.6%
TOTAL	(1.6%)
Impact on EPS <sup>2</sup>	 \$0.02

<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	(0.9%)
I&M	(2.2%)
KPCo	(2.1%)
PSO	0.1%
SWEPCO	(1.0%)
Kingsport	(3.8%)
<b>TOTAL</b>	<b>(1.1%)</b>
<b>Impact on EPS<sup>2</sup></b>	<b>\$0.10</b>

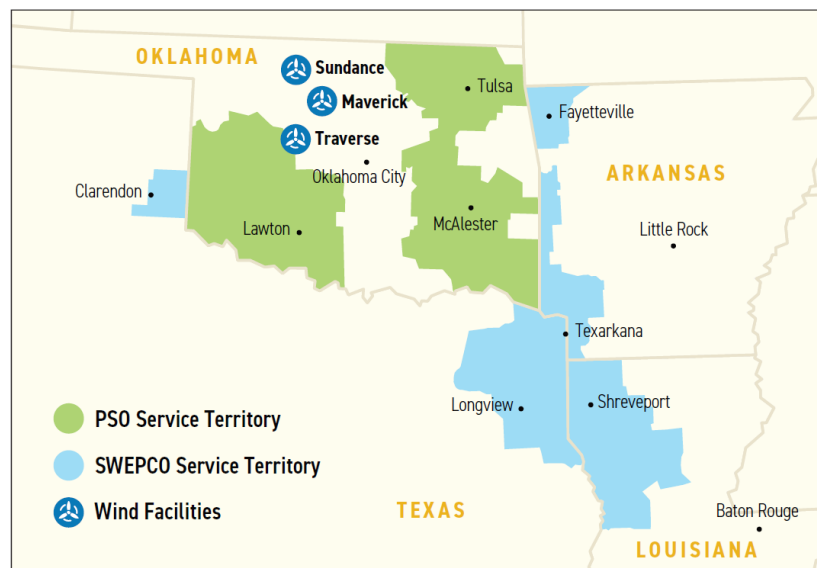
## Transmission and Distribution Utilities

	Retail Load <sup>1</sup> (weather normalized)
	YTD-19 vs. YTD-18
AEP Ohio	(0.8%)
AEP Texas	0.1%
<b>TOTAL</b>	<b>(0.5%)</b>
<b>Impact on EPS<sup>2</sup></b>	<b>\$0.02</b>

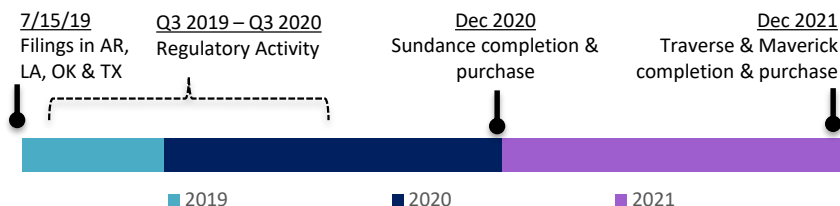
<sup>1</sup> Includes load on a billed basis only, excludes firm wholesale load and accrued sales

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

# North Central Wind Overview



Jurisdiction (Docket #)	MW	% of Project
PSO (PUD 2019-00048)	675	45.5%
SWEPCO – AR (19-035-U)	155	10.4%
SWEPCO – LA (U-35324)	268	18.1%
SWEPCO – TX (49737)	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

# North Central Wind Procedural Schedules

Jurisdiction (Docket #)	Intervenor Testimony	Staff Testimony	Rebuttal Testimony	Hearing	Status
PSO (PUD 2019-00048) <sup>1</sup>	November 1, 2019	November 1, 2019	December 4, 2019	January 13, 2020 (Settlement Hearing)	Settlement reached December 10, 2019, awaiting commission order
SWEPCO – AR (19-035-U)	December 13, 2019	December 13, 2019	January 17, 2020	N/A	Settlement reached January 24, 2020, awaiting commission order
SWEPCO – TX (49737) <sup>2</sup>	January 14, 2020	January 22, 2020	February 12, 2020	February 24, 2020	Working through procedural schedule
SWEPCO – LA (U-35324)	February 7, 2020	February 7, 2020	March 9, 2020	March 25, 2020	Working through procedural schedule

<sup>1</sup> Oklahoma has a 240-day statutory timeline for issuing an order, making the requested approval date March 11, 2020

<sup>2</sup> Texas has a 365-day statutory timeline for issuing an order, making the requested approval date July 15, 2020 (366 days, 2020 is a leap year)



# 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: \$56M (\$35M Net of Tax Rider)  
Test Year: 12/31/2018

### Settlement Summary

Unanimous Settlement Filed: 02/13/2020  
Expected Effective Date: Second quarter 2020  
(Awaiting Order)  
ROE: 9.4%  
Cap Structure: 57.5%D / 42.5%E  
Revenue Decrease: \$40M



## 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

Expected Effective Date: March 2020  
(Awaiting Order)



# Current Rate Case Activity

## 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

### Settlement Summary

Unanimous Settlement Filed: 01/08/2020  
Commission Order: 01/23/2020  
Effective Date: 02/01/2020  
ROE: 9.86%  
Cap Structure: 53.44%D / 46.56%E  
Gross Revenue Increase: \$36M  
(Less \$6M D&A)  
Net Revenue Increase: \$30M



## SWEPCO – Arkansas

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>1</sup>  
(Less \$12M D&A)  
Net Revenue Increase: \$34M  
Test Year: 12/31/2018

### Settlement Summary

Unanimous Settlement Filed: 10/15/2019  
Commission Order: 12/27/2019  
Effective Date: First Billing Cycle in January  
ROE: 9.45%  
Cap Structure: 52.1%D / 47.9%E  
Gross Revenue Increase: \$24M<sup>1</sup>  
(Less \$6M D&A)  
Net Revenue Increase: \$18M  
Formula Rate Plan (5 Year Term)

<sup>1</sup> Does not include \$29M of current riders moving to base rates



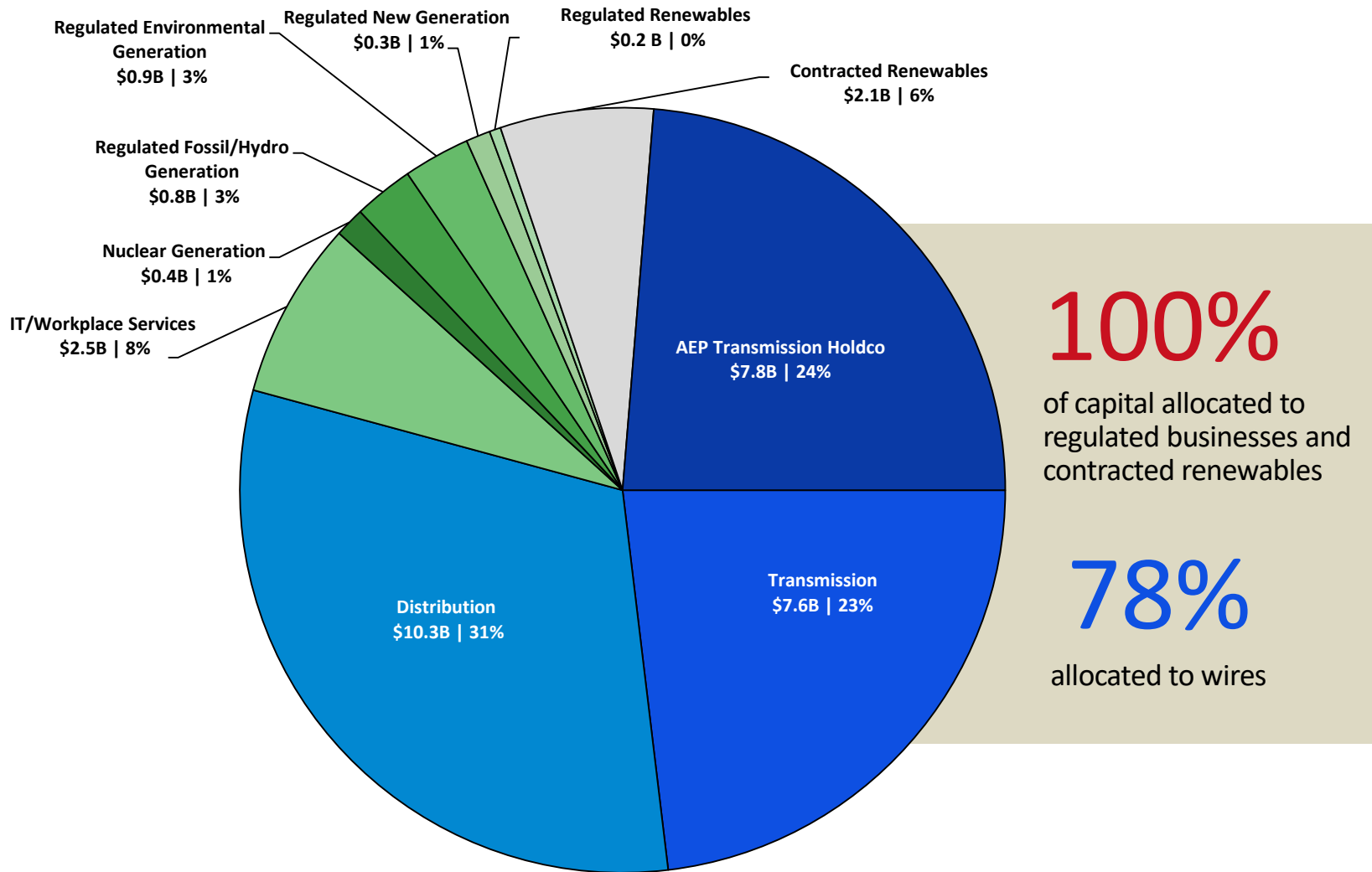
## Q4-19 Effective Tax Rate Reconciliation

Q4-19	Amount (\$ in millions)	Tax Rate
Pre-tax Income	\$1,907	
Tax at Federal Rate	\$400	21%
Tax at State Rate	\$52	3%
Tax Credits and Amortization	(\$78)	(4%)
Excess Protected and Unprotected	(\$353)	(19%)
Other	(\$34)	(2%)
Tax Expense (Benefit)	(\$13)	(1%)

## Estimated 2019 and Future Cash Tax Rates

Description	2019 (\$ in millions)	Future
Consolidated Federal Taxable Income	\$118	
Federal Income Tax Liability before Energy Credits	\$25	
Renewable Energy Credits	(\$19)	
Federal Income Tax Liability after Energy Credits	\$6	
Cash Effective Tax Rate after Energy Credits (Tax Rate after 75% Limitation)	5.25%	5.25%
Other Tax Credit Carryover Utilized	(\$6)	Not Applicable
Federal Income Tax Liability after Other Tax Credit	-	
Cash Effective Tax Rate	0%	5.25%

# 2020 - 2024 Capital Forecast: Total \$33B



Focus on wires and renewables

Note: Does not include North Central Wind

# Cash Flows and Financial Metrics

\$ in millions	2020E	2021E	2022E
Cash from Operations	\$ 4,900	\$ 4,900	\$ 5,400
Capital & JV Equity Contributions	(6,300)	(6,200)	(6,400)
Other Investing Activities	(500)	(200)	(200)
Common Dividends <sup>1</sup>	(1,400)	(1,400)	(1,400)
Excess (Required) Capital	\$ (3,300)	\$ (2,900)	\$ (2,600)
<b>Financing</b>			
Excess (Required) Capital	\$ (3,300)	\$ (2,900)	\$ (2,600)
Debt Maturities (Senior Notes, PCRBs)	(1,000)	(1,900)	(2,700)
Securitization Amortizations	(200)	(100)	(100)
Equity Units	-	-	-
Equity Units Conversion	-	-	805
Equity Issuances - Includes DRP	100	100	600
Debt Capital Market Needs (New)	\$ (4,400)	\$ (4,800)	\$ (3,995)
<b>Financial Metrics</b>			
Debt to Capitalization (GAAP)	55-60%		
FFO/Total Debt (Moody's)	Low to Mid Teens Reflecting Accelerated Flowback of ADFIT		

<sup>1</sup> Common dividends increase to \$0.70 per share Q4 2019 for total dividends of \$2.71/share; \$2.80/share 2019-2022. Dividends evaluated by Board of Directors each quarter; stated target payout ratio range is 60%-70% of operating earnings. Targeted dividend growth in line with earnings.

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 12/31/19
	\$ in millions
<b>Cash Flow From Operations</b>	\$4,270
Adjustments:	
Changes in Working Capital	122
Capitalized Interest	(89)
Securitization Amortization	(305)
<b>Adjusted Funds from Operations (FFO)</b>	<b>\$3,998</b>

## Adjusted Total Debt Calculation

	As of 12/31/19
	\$ in millions
<b>GAAP Total Debt (incl. current maturities)</b>	\$29,564
Less:	
Securitization Bonds	(1,029)
Spent Nuclear Fuel Trust	(280)
Equity Units Capital Adjust (25%)	(201)
Add:	
Finance Lease Obligations	307
Pension	221
Operating Leases	969
<b>Adjusted Total Debt (Non-GAAP)</b>	<b>\$29,551</b>

## FFO to Total Debt Ratio

$$\frac{\text{Adjusted Funds from Operations (FFO)}}{\text{Adjusted Total Debt (Non-GAAP)}} = \frac{\$3,998}{\$29,551} = 13.5\%$$