

# 3<sup>RD</sup> QUARTER 2021 EARNINGS RELEASE PRESENTATION

October 28, 2021

**AMERICAN  
ELECTRIC  
POWER**

BOUNDLESS ENERGY™





# “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, the impact of pandemics, including COVID-19, and any associated disruption of AEP’s business operations due to impacts on economic or market conditions, costs of compliance with vaccination or testing mandates to AEP, electricity usage, employees including employee unwillingness to comply with potential vaccination mandates, customers, service providers, vendors and suppliers, 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, including favorable tax treatment, and to recover those costs, new legislation, litigation and government regulation, including changes to tax laws and regulations, 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.

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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 2021, the estimated earnings per share on a GAAP basis would be \$4.79 to \$4.89 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.

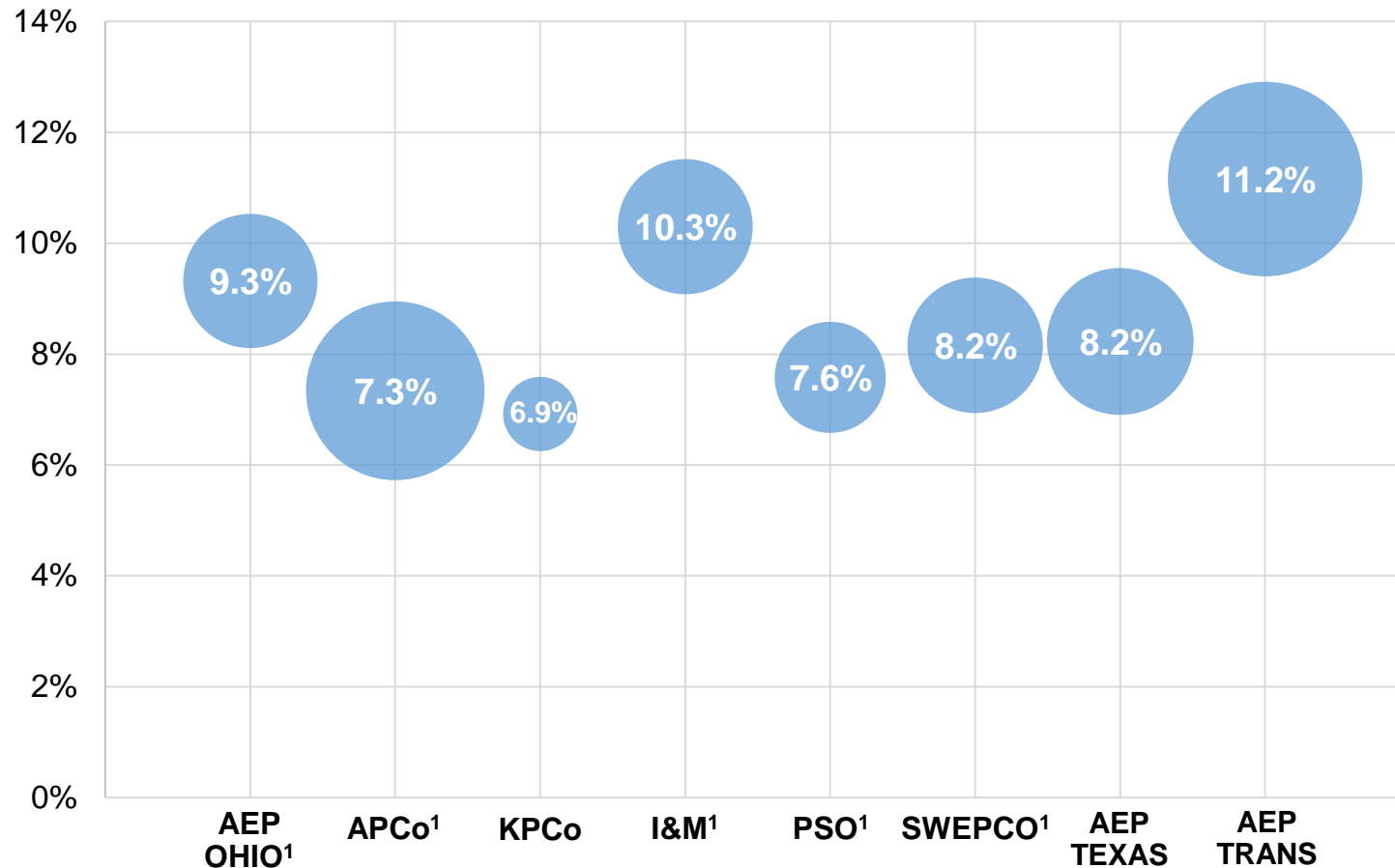
These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentations. AEP has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance 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 2021 Business Update

- ❑ Narrow 2021 operating earnings guidance range to \$4.65-\$4.75, raising midpoint to \$4.70
- ❑ Reaffirm 5%-7% long-term growth rate
- ❑ Dividend growth in line with long-term growth rate and within targeted payout ratio of 60%-70%
- ❑ Sale of Kentucky operations to Liberty (Algonquin Power & Utilities Corp.)
- ❑ Current regulatory activity: Arkansas, Indiana, Louisiana, Ohio, Oklahoma, Texas (SWEPCO)
- ❑ Execution of regulated renewables plan

# Regulated Returns

**Twelve Months Ended 9/30/2021 Earned ROE's**  
(non-GAAP operating earnings, not weather normalized)



**Regulated Operations ROE of 9.0%**  
(as of September 30, 2021)

<sup>1</sup> Base rate cases pending/order recently received

<sup>2</sup> 9/30/2021 data represents equity layers as requested in pending base rate cases

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

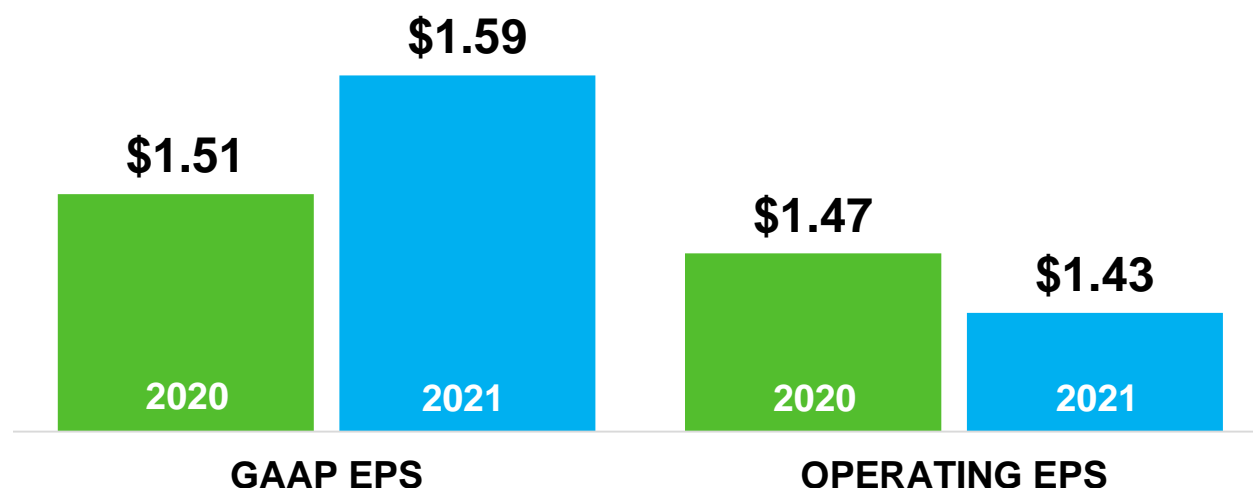
**Authorized Equity Layers**  
(in whole percentages)

Operating Company	9/30/17	9/30/21	Improvement
AEP Ohio <sup>2</sup>	48%	54%	6%
APCo – VA	43%	50%	7%
APCo – WV	47%	50%	3%
PSO <sup>2</sup>	44%	53%	9%
SWEPCO – AR <sup>2</sup>	46%	51%	5%
SWEPCO – LA <sup>2</sup>	47%	51%	4%
AEP Texas	40%	43%	3%
AEP Transmission	50%	55%	5%

**Improving Our  
Authorized Equity  
Layers Over Time**

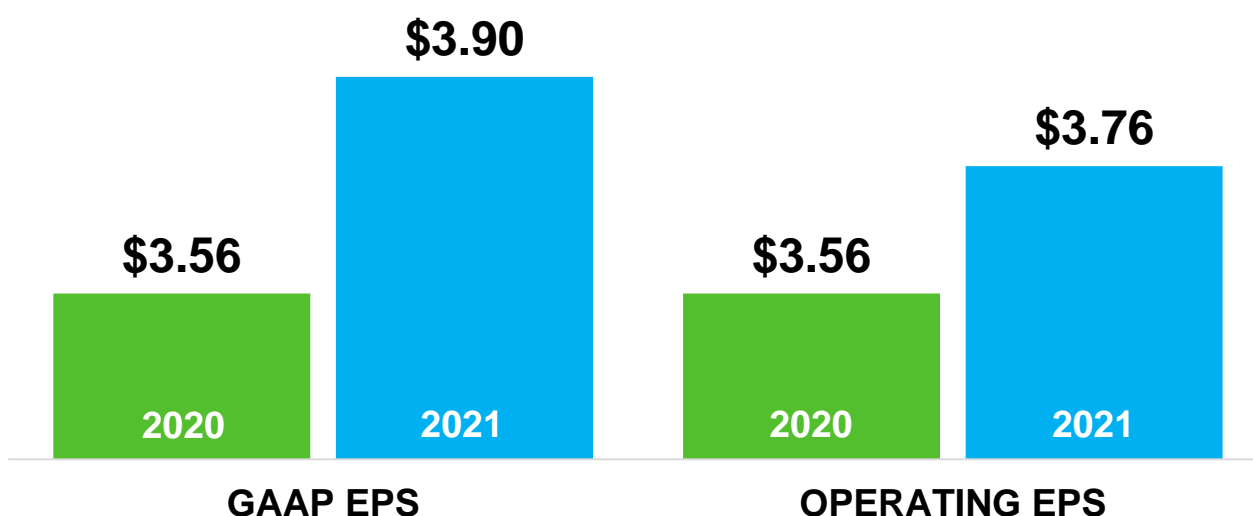
# 3<sup>rd</sup> Quarter 2021 Financial Update

## 3<sup>RD</sup> QUARTER 2021



- ✓ Delivered GAAP earnings of \$1.59 per share or \$796M for the third quarter of 2021
- ✓ Delivered operating earnings of \$1.43 per share or \$717M for the third quarter of 2021

## YTD 2021



- ✓ Delivered GAAP earnings of \$3.90 per share or \$1.95B for YTD September 2021
- ✓ Delivered operating earnings of \$3.76 per share or \$1.88B for YTD September 2021

Note: Quarterly EPS is a stand alone amount and not always additive to full year amount due to rounding

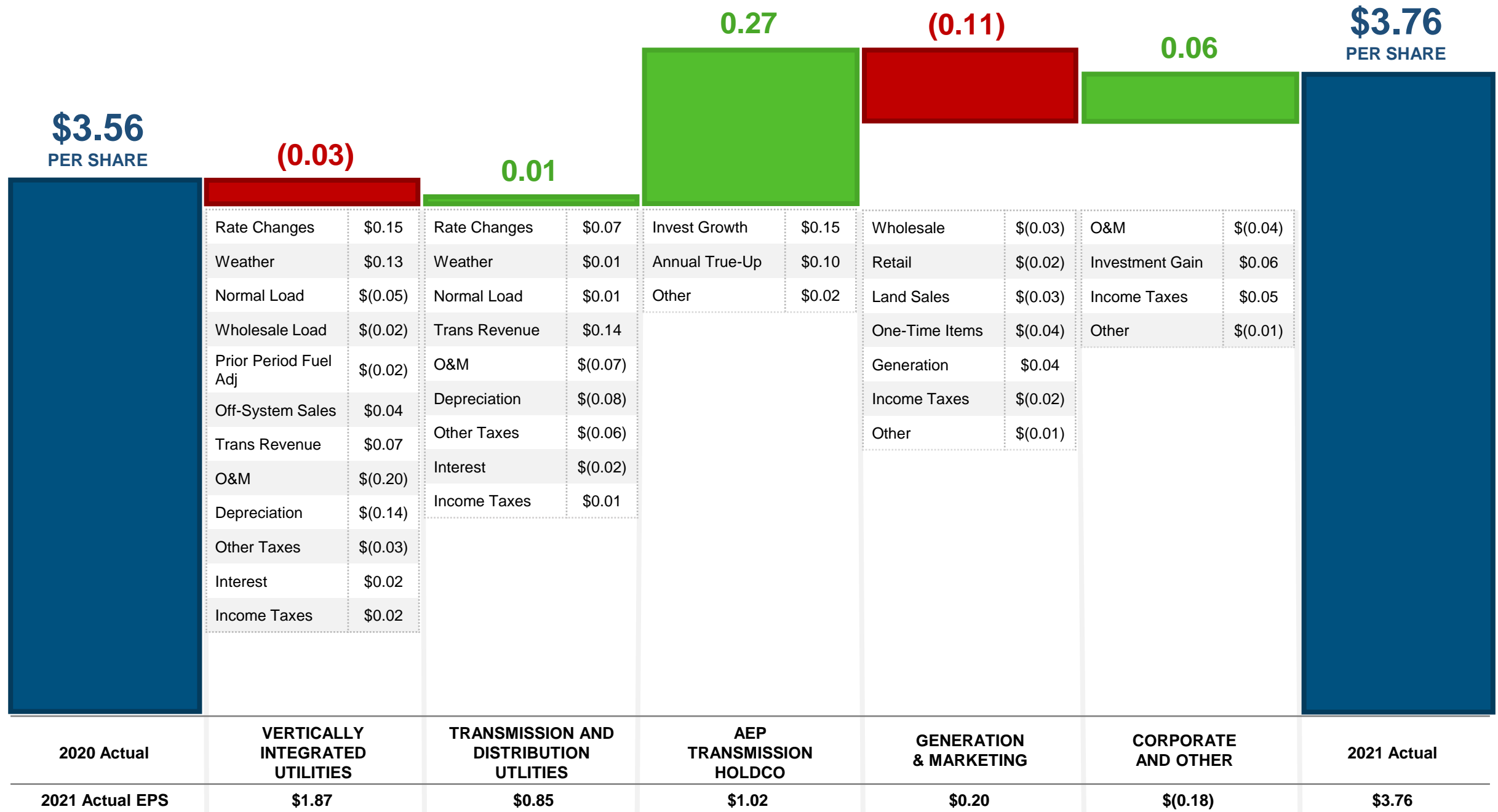
Refer to Appendix for reconciliation between GAAP and Operating EPS

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

<b>\$1.47</b> PER SHARE	0.02		0.00		0.05		(0.09)		(0.02)		<b>\$1.43</b> PER SHARE
	Rate Changes	\$0.06	Rate Changes	\$0.01	Invest Growth	\$0.05	Retail	\$(0.02)	Investment Gain	\$(0.03)	
	Weather	\$0.04	Normal Load	\$(0.01)			Land Sales	\$(0.03)	Interest	\$(0.01)	
	Normal Load	\$(0.02)	Trans Revenue	\$0.05			Generation	\$(0.01)	Income Taxes	\$0.01	
	Trans Revenue	\$0.04	O&M	\$(0.03)			Income Taxes	\$(0.02)	Other	\$0.01	
	O&M	\$(0.07)	Depreciation	\$(0.02)			Other	\$(0.01)			
	Depreciation	\$(0.04)	Other Taxes	\$(0.02)							
	AFUDC	\$(0.01)	Income Taxes	\$0.03							
	Income Taxes	\$0.03	Other	\$(0.01)							
	Other	\$(0.01)									
2020 Actual	VERTICALLY INTEGRATED UTILITIES		TRANSMISSION AND DISTRIBUTION UTILITIES		AEP TRANSMISSION HOLDCO		GENERATION & MARKETING		CORPORATE AND OTHER		2021 Actual
2021 Actual EPS	\$0.87		\$0.31		\$0.33		\$0.04		\$(0.12)		\$1.43

Refer to Appendix for additional explanation of variances by segment

# YTD Operating Earnings Segment Detail



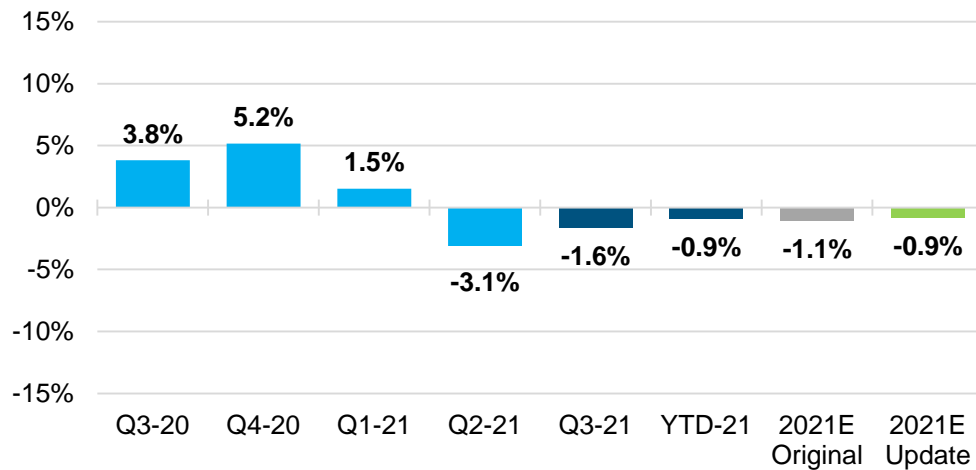
Refer to Appendix for additional explanation of variances by segment



# Weather Normalized Billed Retail Load Trends

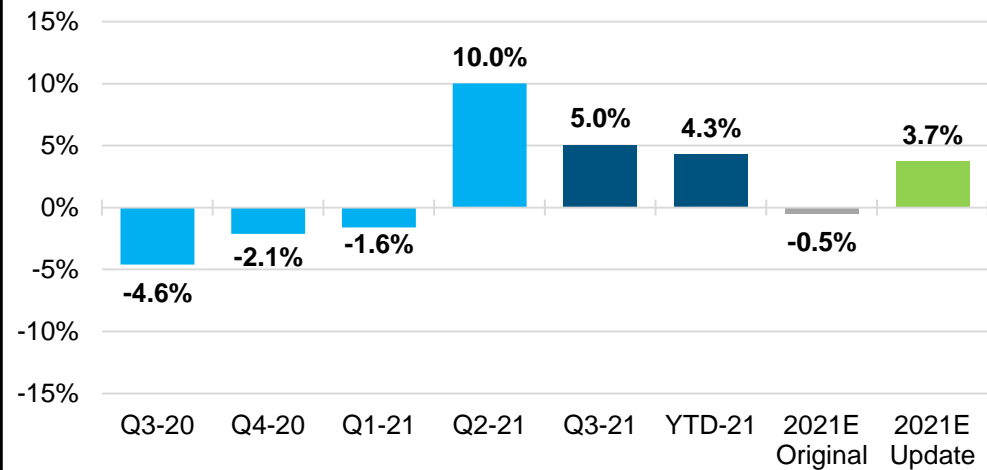
## AEP Normalized Residential GWh Sales

% Change vs. Prior Year



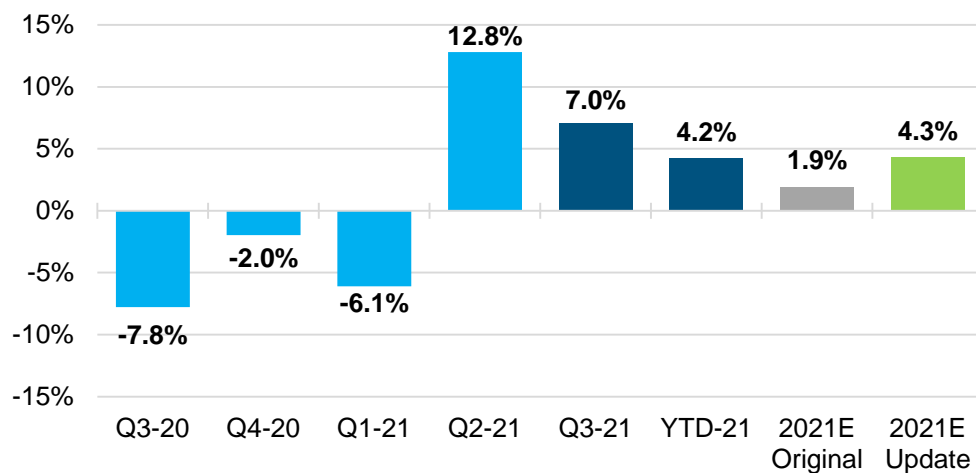
## AEP Normalized Commercial GWh Sales

% Change vs. Prior Year



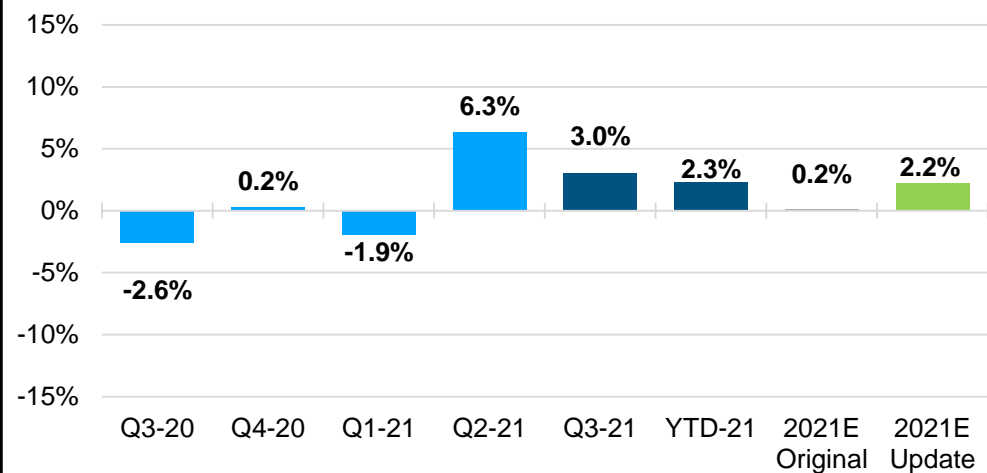
## AEP Industrial GWh Sales

% Change vs. Prior Year



## AEP Total Normalized GWh Sales

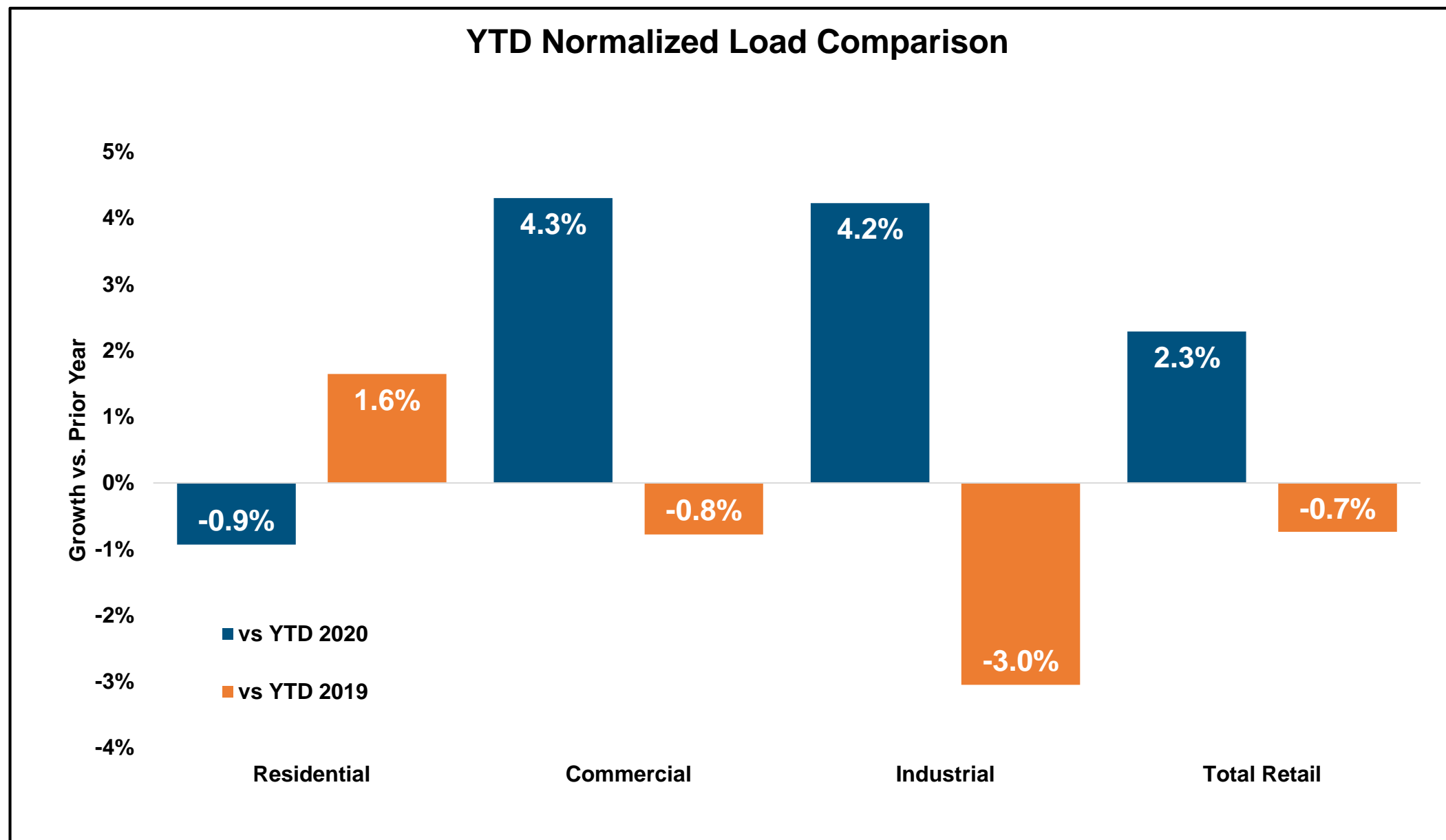
% Change vs. Prior Year



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

2021 updated estimates represent 9 months of weather normalized actual results plus 3 months of forecasted values.

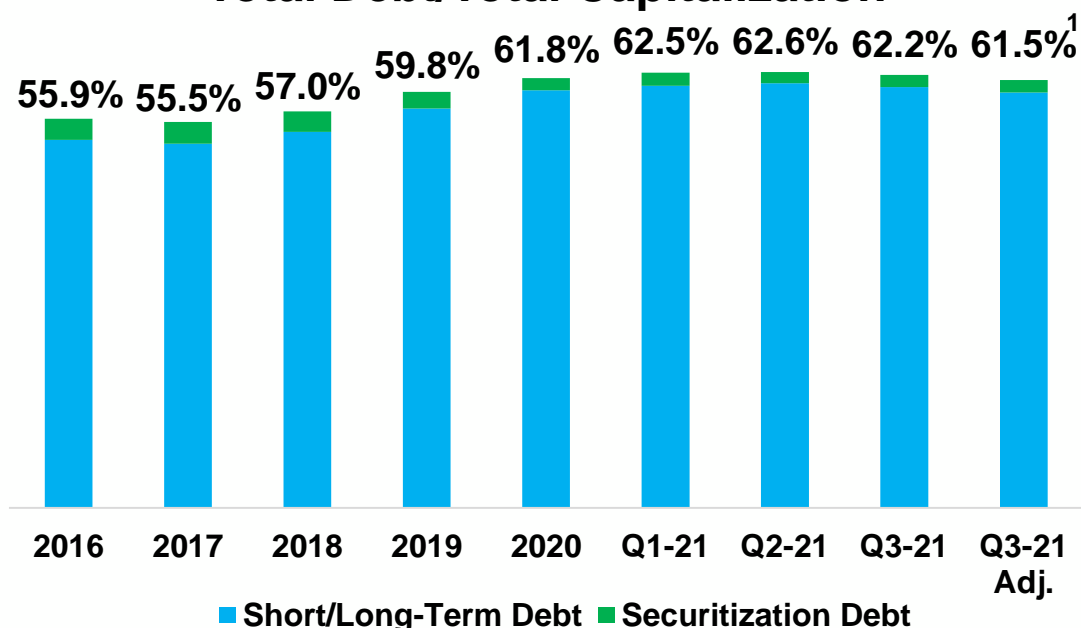
# AEP Retail Load Recovery



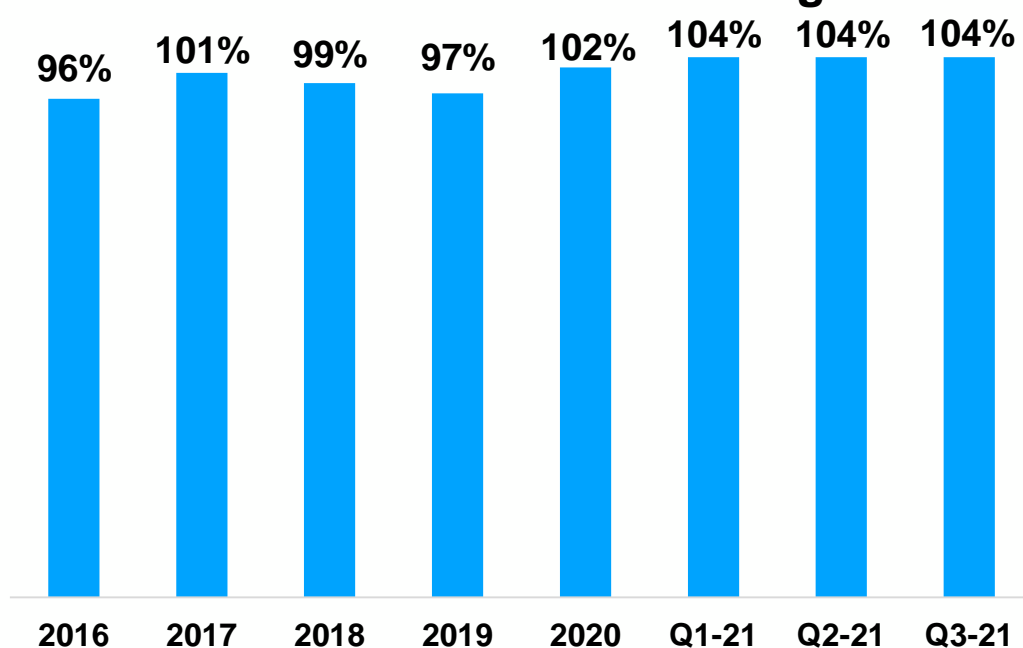
**AEP load is up in comparison to 2020 and in total approaching pre-pandemic levels**

# Capitalization & Liquidity

## Total Debt/Total Capitalization



## Qualified Pension Funding



## Credit Statistics

	Moody's	GAAP
FFO to Total Debt	10.2%	10.1%
Adj FFO to Total Debt <sup>1</sup>	13.6%	13.5%
Long-Term Target	Low to Mid Teens	

*Represents the trailing 12 months as of 9/30/2021  
See Appendix for reconciliation to GAAP*

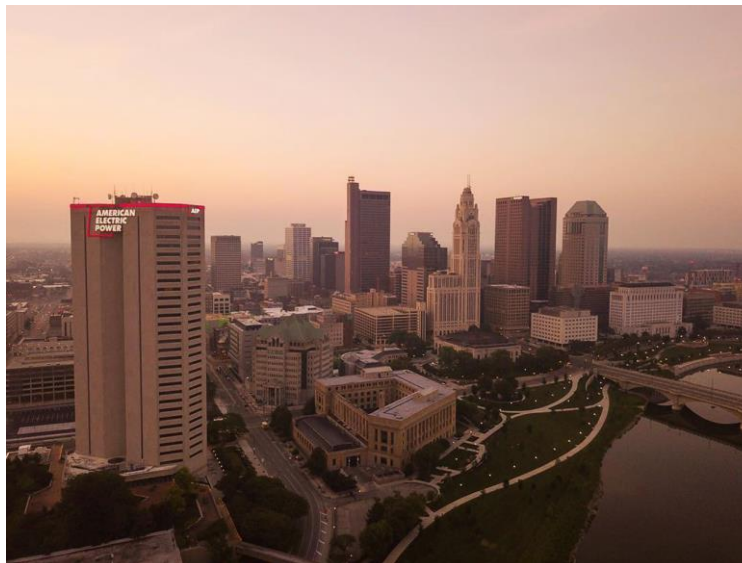
## Liquidity Summary

(\$ in millions)	9/30/2021 Actual	
	Amount	Maturity
Revolving Credit Facility	\$ 4,000	March 2026
Revolving Credit Facility	1,000	March 2023
364-Day Term Loan	500	March 2022
<b>Plus</b>		
Cash & Cash Equivalents	1,373	
<b>Less</b>		
Commercial Paper Outstanding	(1,254)	
364-Day Term Loan	(500)	
Letters of Credit Issued	-	
<b>Net Available Liquidity</b>	<b>\$ 5,119</b>	

<sup>1</sup> Adjusted data excludes impact of Storm Uri in February 2021 that resulted in significant fuel and purchased power costs at PSO and SWEPCO and related incurrence of debt as of 9/30/2021. AEP's credit metrics will see temporary pressure in 2021 as we work through the regulatory recovery process at PSO and SWEPCO. Management is in frequent contact with rating agencies to keep them apprised of all aspects of the business. AEP's long-term FFO to Total Debt target remains at low to mid teens.

# Summary

- ✓ Narrow 2021 operating earnings guidance range to \$4.65-\$4.75, raising midpoint to \$4.70
- ✓ Reaffirm 5%-7% long-term growth rate
- ✓ Sale of Kentucky operations
  - ✓ Avoid \$1.4 billion equity issuance in original 2022 forecast
  - ✓ \$0.01-\$0.02 accretive to 2022 ongoing earnings
  - ✓ Preserve credit metric outlook
- ✓ Execute on our generation transformation
- ✓ EEI expectations: detail behind 2022 guidance, 2022 financial detail, capital expenditure and cash flow detail



See You Virtually at EEI!



# APPENDIX

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

	\$ in millions			Earnings Per Share		
	Q3-20	Q3-21	Change	Q3-20	Q3-21	Change
<b>Reported GAAP Earnings</b>	\$ 749	\$ 796	\$ 47	\$ 1.51	\$ 1.59	\$ 0.08
<b>Non Operating Items:</b>						
Mark-to-Market Impact of Commodity Hedging Activities <sup>1</sup>	(7)	(79)	(72)	(0.01)	(0.16)	(0.15)
Impact of COVID-19 <sup>2</sup>	4	-	(4)	0.01	-	(0.01)
Achieving Excellence Program <sup>2</sup>	34	-	(34)	0.07	-	(0.07)
CARES Act <sup>2</sup>	(52)	-	52	(0.11)	-	0.11
<b>AEP Operating Earnings</b>	\$ 728	\$ 717	\$ (11)	\$ 1.47	\$ 1.43	\$ (0.04)

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

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

Weighted average no. of shares outstanding: 496.2M Q3-20 and 501.2M Q3-21

# YTD Reconciliation of GAAP to Operating Earnings

	\$ in millions			Earnings Per Share		
	YTD-20	YTD-21	Change	YTD-20	YTD-21	Change
<b>Reported GAAP Earnings</b>	\$ 1,765	\$ 1,949	\$ 184	\$ 3.56	\$ 3.90	\$ 0.34
<b>Non Operating Items:</b>						
Mark-to-Market Impact of Commodity Hedging Activities <sup>1</sup>	(11)	(91)	(80)	(0.02)	(0.18)	(0.16)
Impact of COVID-19 <sup>2</sup>	19	-	(19)	0.04	-	(0.04)
Achieving Excellence Program <sup>2</sup>	45	-	(45)	0.09	-	(0.09)
CARES Act <sup>2</sup>	(52)	-	52	(0.11)	-	0.11
State Tax Law Changes <sup>2</sup>	-	18	18	-	0.04	0.04
<b>AEP Operating Earnings</b>	\$ 1,766	\$ 1,876	\$ 110	\$ 3.56	\$ 3.76	\$ 0.20

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

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

Weighted average no. of shares outstanding: 495.5M YTD-20 and 499.4M YTD-21

# Vertically Integrated Utilities

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

\$ in millions (except EPS)	Q3-20	Q3-21
Operating Revenues	\$ 2,435	\$ 2,759
Operating Expenses:		
Energy Costs	(694)	(855)
Operations and Maintenance	(680)	(797)
Depreciation and Amortization	(399)	(436)
Taxes Other Than Income Taxes	(121)	(124)
Operating Income	541	547
Net Interest/AFUDC	(125)	(130)
Non-Service Benefit Cost Components	17	17
Income Taxes	(10)	4
Operating Earnings	423	438
Proforma Adjustments, Net of Tax	(29)	-
GAAP Earnings	\$ 394	\$ 438
<b>EPS from Operating Earnings</b>	<b>\$ 0.85</b>	<b>\$ 0.87</b>

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

## Key Drivers: Q3-21 vs. Q3-20

- ✓ Rate Changes: \$40M favorable vs. prior year primarily from rate increases at KPCo, I&M, PSO and SWEPCO
- ✓ Weather: \$24M favorable vs. prior year; \$35M favorable vs. normal
- ✓ Normal Load: \$15M unfavorable vs. prior year primarily due to lower residential sales, partially offset by higher commercial and industrial sales
- ✓ Transmission Revenue: \$23M favorable vs. prior year primarily due to increased transmission investment at APCo, I&M and SWEPCO
- ✓ O&M: \$44M unfavorable (net of offsets) vs. prior year primarily due to increased distribution, storm, transmission and employee-related expenses
- ✓ Depreciation: \$26M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Income Taxes: actual rate of (1.1)% Q3-21 vs. 2.4% Q3-20



# Vertically Integrated Utilities

## YTD Summary

\$ in millions (except EPS)	YTD-20	YTD-21
Operating Revenues	\$ 6,754	\$ 7,557
Operating Expenses:		
Energy Costs	(1,947)	(2,365)
Operations and Maintenance	(1,976)	(2,241)
Depreciation and Amortization	(1,174)	(1,302)
Taxes Other Than Income Taxes	(355)	(375)
Operating Income	1,302	1,274
Net Interest/AFUDC	(391)	(385)
Non-Service Benefit Cost Components	51	51
Income Taxes	(22)	(5)
Operating Earnings	940	935
Proforma Adjustments, Net of Tax	(45)	1
GAAP Earnings	\$ 895	\$ 936
<b>EPS from Operating Earnings</b>	<b>\$ 1.90</b>	<b>\$ 1.87</b>

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

## Key Drivers: YTD-21 vs. YTD-20

- ✓ Rate Changes: \$95M favorable vs. prior year primarily from rate increases at KPCo, I&M, PSO and SWEPCO and a formula rate true-up at I&M
- ✓ Weather: \$83M favorable vs. prior year; \$38M favorable vs. normal
- ✓ Normal Load: \$32M unfavorable vs. prior year primarily due to lower residential sales
- ✓ Off-System Sales: \$24M favorable vs. prior year primarily due to impacts of Storm Uri in February
- ✓ Transmission Revenue: \$45M favorable vs. prior year primarily due to increased transmission investment at APCo, I&M, PSO and SWEPCO
- ✓ O&M: \$121M unfavorable (net of offsets) vs. prior year primarily due to lower transmission expenses in 2020 and increased employee-related expenses and distribution expenses
- ✓ Depreciation: \$87M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Other Taxes: \$20M unfavorable vs. prior year primarily due to higher property taxes
- ✓ Income Taxes: actual rate of 0.5% YTD-21 vs. 2.2% YTD-20

# Transmission and Distribution Utilities

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

\$ in millions (except EPS)	Q3-20	Q3-21
Operating Revenues	\$ 1,165	\$ 1,200
Operating Expenses:		
Energy Costs	(184)	(188)
Operations and Maintenance	(430)	(443)
Depreciation and Amortization	(163)	(164)
Taxes Other Than Income Taxes	(156)	(167)
Operating Income	232	238
Net Interest/AFUDC	(64)	(66)
Non-Service Benefit Cost Components	7	7
Income Taxes	(22)	(23)
Operating Earnings	153	156
Proforma Adjustments, Net of Tax	(5)	-
GAAP Earnings	\$ 148	\$ 156
<b>EPS from Operating Earnings</b>	<b>\$ 0.31</b>	<b>\$ 0.31</b>

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

## Key Drivers: Q3-21 vs. Q3-20

- ✓ Rate Changes: \$6M favorable vs. prior year primarily from the Texas DCRF, Ohio DIR and gridSMART, partially offset by the roll-off of legacy riders in Ohio
- ✓ Transmission Revenue: \$30M favorable vs. prior year primarily due to increased transmission investment
- ✓ O&M: \$18M unfavorable (net of offsets) vs. prior year primarily due to increased distribution expenses
- ✓ Depreciation: \$15M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Other Taxes: \$11M unfavorable vs. prior year primarily due to higher property taxes
- ✓ Income Taxes: actual rate of 13.1% Q3-21 vs. 12.9% Q3-20

# Transmission and Distribution Utilities

## YTD Summary

\$ in millions (except EPS)	YTD-20	YTD-21
Operating Revenues	\$ 3,307	\$ 3,392
Operating Expenses:		
Energy Costs	(523)	(562)
Operations and Maintenance	(1,141)	(1,169)
Depreciation and Amortization	(585)	(516)
Taxes Other Than Income Taxes	(445)	(483)
Operating Income	613	662
Net Interest/AFUDC	(191)	(202)
Non-Service Benefit Cost Components	22	22
Income Taxes	(30)	(58)
Operating Earnings	414	424
Proforma Adjustments, Net of Tax	(11)	-
GAAP Earnings	\$ 403	\$ 424
<b>EPS from Operating Earnings</b>	<b>\$ 0.84</b>	<b>\$ 0.85</b>

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

## Key Drivers: YTD-21 vs. YTD-20

- ✓ Rate Changes: \$43M favorable vs. prior year primarily from the Texas DCRF, Ohio DIR and gridSMART, partially offset by the roll-off of legacy riders in Ohio
- ✓ Weather: \$10M favorable vs. prior year; \$4M favorable vs. normal
- ✓ Transmission Revenue: \$87M favorable vs. prior year primarily due to increased transmission investment
- ✓ O&M: \$42M unfavorable (net of offsets) vs. prior year primarily due to increased employee-related expenses and lower 2020 transmission expenses in Ohio
- ✓ Depreciation: \$47M unfavorable (net of offsets) vs. prior year primarily due to higher depreciable property balance
- ✓ Other Taxes: \$39M unfavorable vs. prior year primarily due to higher property taxes
- ✓ Income Taxes: actual rate of 12.0% YTD-21 vs. 6.8% YTD-20

# AEP Transmission Holdco

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

\$ in millions (except EPS)	<b>Q3-20</b>	<b>Q3-21</b>
Operating Revenues	\$ 318	\$ 392
Operating Expenses:		
Operations and Maintenance	(28)	(40)
Depreciation and Amortization	(64)	(78)
Taxes Other Than Income Taxes	(54)	(63)
Operating Income	172	211
Net Interest/AFUDC	(13)	(21)
Income Taxes	(38)	(42)
Equity Earnings	20	20
Other	(1)	(1)
Operating Earnings	140	167
Proforma Adjustments, Net of Tax	(1)	-
GAAP Earnings	\$ 139	\$ 167
<b>EPS from Operating Earnings</b>	<b>\$ 0.28</b>	<b>\$ 0.33</b>

## Key Drivers: Q3-21 vs. Q3-20

- ✓ \$27M favorable Operating Earnings vs. prior year primarily due to increased transmission investment

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



# AEP Transmission Holdco

## YTD Summary

\$ in millions (except EPS)	YTD-20	YTD-21
Operating Revenues	\$ 878	\$ 1,147
Operating Expenses:		
Operations and Maintenance	(81)	(97)
Depreciation and Amortization	(183)	(226)
Taxes Other Than Income Taxes	(157)	(183)
Operating Income	457	641
Net Interest/AFUDC	(42)	(58)
Non-Service Benefit Cost Components	1	1
Income Taxes	(102)	(131)
Equity Earnings	63	58
Other	(3)	(3)
Operating Earnings	374	508
Proforma Adjustments, Net of Tax	(4)	-
GAAP Earnings	\$ 370	\$ 508
<b>EPS from Operating Earnings</b>	<b>\$ 0.75</b>	<b>\$ 1.02</b>

## Key Drivers: YTD-21 vs. YTD-20

- ✓ \$134M favorable Operating Earnings vs. prior year primarily due to increased transmission investment and the annual true-up

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

# Generation & Marketing

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

\$ in millions (except EPS)	Q3-20	Q3-21
Operating Revenues	\$ 482	\$ 521
Operating Expenses:		
Energy Costs	(392)	(445)
Operations and Maintenance	(26)	(38)
Depreciation and Amortization	(19)	(21)
Taxes Other Than Income Taxes	(3)	(3)
Operating Income	42	14
Net Interest/AFUDC	(3)	(3)
Non-Service Benefit Cost Components	4	4
Income Taxes	24	13
Other	(4)	(7)
Operating Earnings	63	21
Proforma Adjustments, Net of Tax	54	79
GAAP Earnings	\$ 117	\$ 100
<b>EPS from Operating Earnings</b>	<b>\$ 0.13</b>	<b>\$ 0.04</b>

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

## Key Drivers: Q3-21 vs. Q3-20

- ✓ Generation increased 82 GWh or 8% Q3-21 vs. Q3-20 primarily due to higher market prices in PJM which drove increased generation at Cardinal plant, offset by lower earnings related to the retirement of Oklaunion plant in Q3-20
- ✓ AEP Dayton ATC liquidations up 79%: \$41.22/MWh in Q3-21 vs. \$23.04/MWh in Q3-20
- ✓ Income Taxes: actual rate of (174.1)% Q3-21 vs. (66.2)% Q3-20

# Generation & Marketing

## YTD Summary

\$ in millions (except EPS)	<b>YTD-20</b>	<b>YTD-21</b>
Operating Revenues	\$ 1,292	\$ 1,577
Operating Expenses:		
Energy Costs	(1,050)	(1,369)
Operations and Maintenance	(83)	(99)
Depreciation and Amortization	(54)	(60)
Taxes Other Than Income Taxes	(10)	(8)
Operating Income	95	41
Net Interest/AFUDC	(18)	(9)
Non-Service Benefit Cost Components	12	12
Income Taxes	58	55
Other	7	-
Operating Earnings	154	99
Proforma Adjustments, Net of Tax	57	91
GAAP Earnings	\$ 211	\$ 190
<b>EPS from Operating Earnings</b>	<b>\$ 0.31</b>	<b>\$ 0.20</b>


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

## Key Drivers: YTD-21 vs. YTD-20


- ✓ Generation increased 846 GWh or 38% YTD-21 vs. YTD-20 primarily due to higher market prices in PJM which drove increased generation at Cardinal plant
- ✓ AEP Dayton ATC liquidations up 65%: \$33.79/MWh in YTD-21 vs. \$20.43/MWh in YTD-20
- ✓ Wholesale decreased primarily due to unfavorable ERCOT market prices and extreme usage levels caused by Storm Uri
- ✓ Income Taxes: actual rate of (144.8)% YTD-21 vs. (66.9)% YTD-20

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

## Vertically Integrated Utilities

	Rate Changes, net of offsets (\$ in millions) Q3-21 vs. Q3-20
APCo/WPCo	\$2
I&M	\$24
KPCo	\$9
PSO	\$2
SWEPCO	\$3
Kingsport	-
Total	\$40
Impact on EPS	


## Transmission and Distribution Utilities

	Rate Changes, net of offsets (\$ in millions) Q3-21 vs. Q3-20
AEP Ohio	\$(4)
AEP Texas	\$10
Total	\$6
Impact on EPS	




# YTD Rate Performance

## Vertically Integrated Utilities



	Rate Changes, net of offsets (\$ in millions) YTD-21 vs. YTD-20
APCo/WPCo	-
I&M	\$50
KPCo	\$27
PSO	\$9
SWEPCO	\$9
Kingsport	-
Total	\$95
Impact on EPS	 \$0.15

## Transmission and Distribution Utilities


	Rate Changes, net of offsets (\$ in millions) YTD-21 vs. YTD-20
AEP Ohio	-
AEP Texas	\$43
Total	\$43
Impact on EPS	 \$0.07

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

## Vertically Integrated Utilities



	Weather Impact (\$ in millions)	
	Q3-21 vs. Q3-20	Q3-21 vs. Normal
APCo/WPCo	\$(4)	\$13
I&M	\$4	\$11
KPCo	\$(1)	\$1
PSO	\$13	\$6
SWEPCO	\$12	\$4
Kingsport	-	-
Total	\$24	\$35
Impact on EPS	 \$0.04	 \$0.06

## Transmission and Distribution Utilities



	Weather Impact (\$ in millions)	
	Q3-21 vs. Q3-20	Q3-21 vs. Normal
AEP Ohio	-	-
AEP Texas	\$(3)	\$(4)
Total	\$(3)	\$(4)
Impact on EPS	-	 \$0.01

# YTD Weather Impact

## Vertically Integrated Utilities


	Weather Impact (\$ in millions)	
	YTD-21 vs. YTD-20	YTD-21 vs. Normal
APCo/WPCo	\$29	\$12
I&M	\$14	\$15
KPCo	\$5	\$1
PSO	\$9	\$3
SWEPCO	\$26	\$7
Kingsport	-	-
Total	\$83	\$38
Impact on EPS	 \$0.13	 \$0.06

## Transmission and Distribution Utilities


	Weather Impact (\$ in millions)	
	YTD-21 vs. YTD-20	YTD-21 vs. Normal
AEP Ohio	-	-
AEP Texas	\$10	\$4
Total	\$10	\$4
Impact on EPS	 \$0.01	 \$0.01

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

## Vertically Integrated Utilities

	Retail Load <sup>1</sup> (weather normalized) Q3-21 vs. Q3-20
APCo/WPCo	2.9%
I&M	0.3%
KPCo	2.2%
PSO	3.3%
SWEPCO	(1.6)%
Kingsport	2.1%
Total	1.5%
Impact on EPS <sup>2</sup>	 \$0.02

## Transmission and Distribution Utilities


	Retail Load <sup>1</sup> (weather normalized) Q3-21 vs. Q3-20
AEP Ohio	4.7%
AEP Texas	4.9%
Total	4.8%
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

# YTD Retail Load Performance

## Vertically Integrated Utilities

	Retail Load <sup>1</sup> (weather normalized) YTD-21 vs. YTD-20
APCo/WPCo	2.2%
I&M	2.0%
KPCo	(0.1)%
PSO	2.2%
SWEPCO	(1.3)%
Kingsport	(4.1)%
Total	1.2%
Impact on EPS <sup>2</sup>	 \$0.05

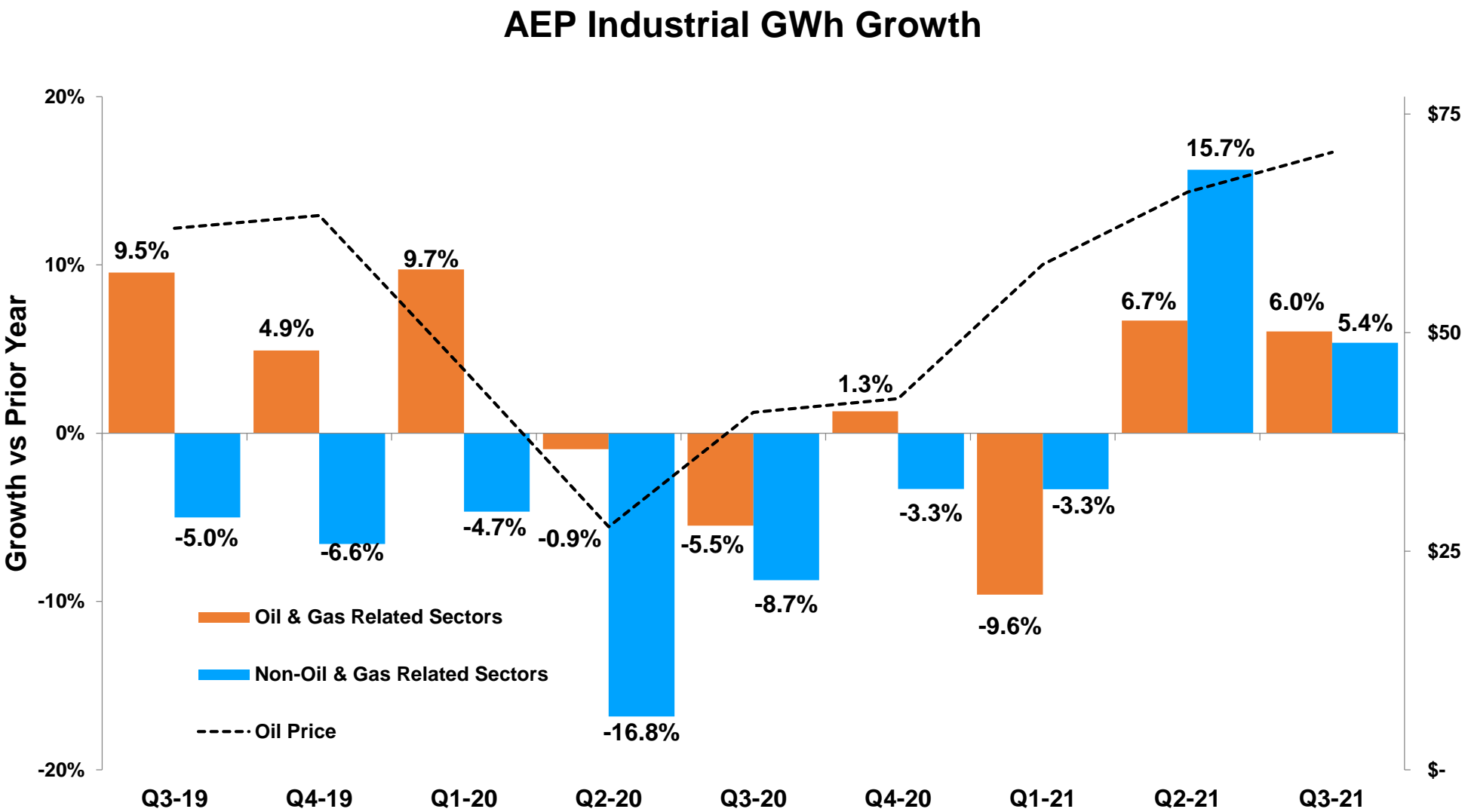
## Transmission and Distribution Utilities

	Retail Load <sup>1</sup> (weather normalized) YTD-21 vs. YTD-20
AEP Ohio	4.8%
AEP Texas	1.9%
Total	3.6%
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

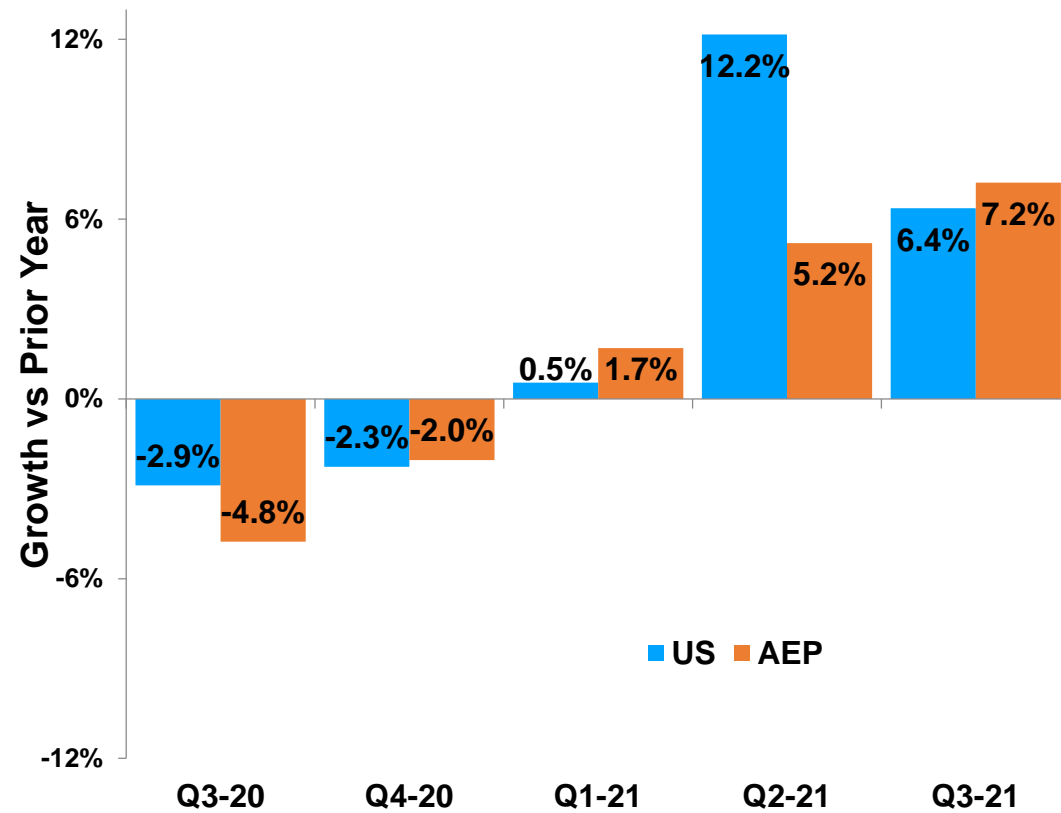
# Industrial Sales Growth



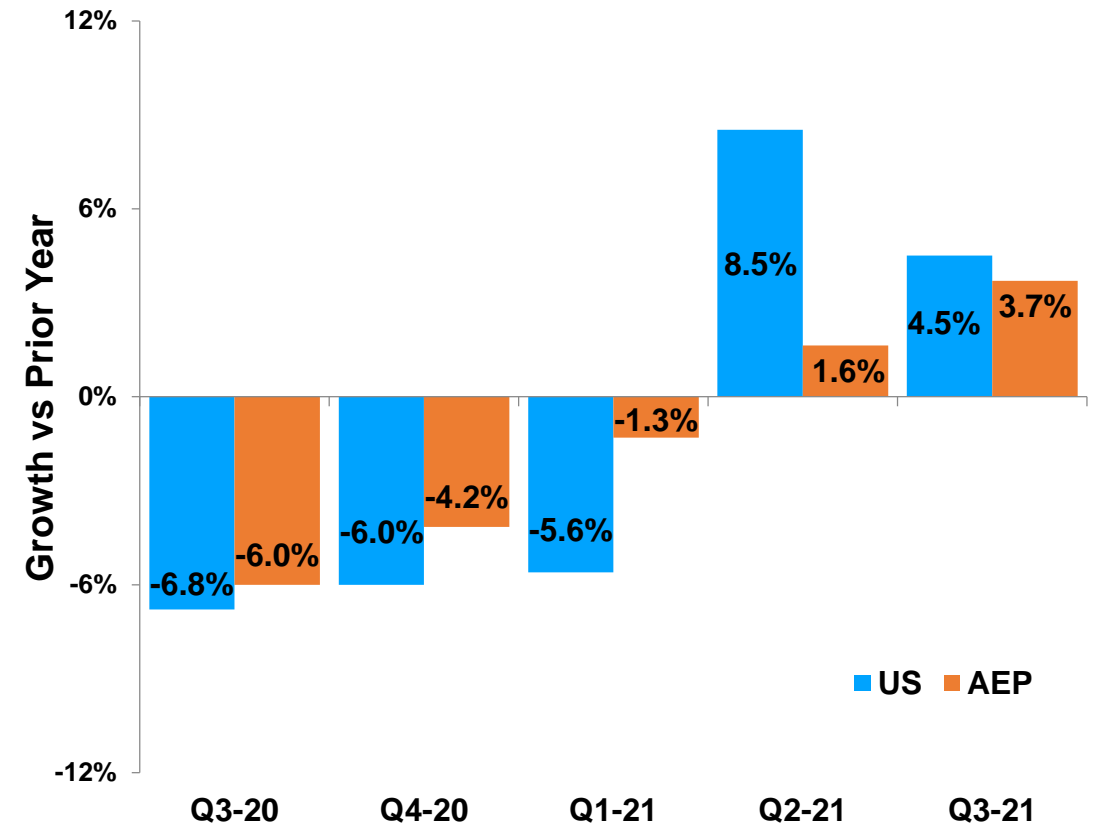


# Economic Data – AEP Service Territory

## GDP Growth by Quarter



## Employment Growth by Quarter



Source: Moody's Analytics

# Current Rate Case Activity

## AEP Ohio

Docket #	20-0585-EL-AIR
Filing Date	6/1/2020
Requested Revenue Increase	\$402M
Requested Rate Base	\$3.105B
Requested ROE	10.15%
Cap Structure	45.6%D / 54.4%E
Net Revenue Increase	\$41M <sup>1</sup>
Test Year	11/30/2020
<u>Settlement Summary</u>	Pending Commission Approval
Settlement Filed	3/12/2021
Settlement Hearing	5/12/2021
Revenue Increase	\$295M
Rate Base	\$3.088B
ROE	9.7%
Cap Structure	45.6%D / 54.4%E
Net Revenue Decrease	\$64M <sup>1</sup>
Expected Commission Order	Q4-21

<sup>1</sup> Approximately \$60M of the filed vs. settled difference reflects the discontinuation of EE/DSM programs and movement of certain items from base rates to riders; no earnings impact.



## APCo - Virginia

Docket #	PUR-2020-00015
Filing Date	3/31/2020
Requested Rate Base	\$2.5B
Requested ROE	9.9%
Cap Structure	50%D / 50%E
Gross Revenue Increase	\$65M (Less \$27M D&A)
Net Revenue Increase	\$38M
Test Year	12/31/2019
<u>Commission Order Summary</u> <sup>2</sup>	
Order Received	11/24/2020
Effective Date	1/23/2021
ROE	9.2%
Cap Structure	50%D / 50%E
Gross Revenue Increase	\$0M (Less \$25.5M D&A)
Net Revenue Decrease	\$25.5M

<sup>2</sup> APCo immediately filed an appeal of the commission order with the Virginia Supreme Court. While the court declined to expedite the appeal schedule and grant interim rates, the appeal remains on the normal timeline with a result expected in 2022.



## KPCo

Docket #	2020-00174
Filing Date	6/29/2020
Requested Rate Base	\$1.4B
Requested ROE	10%
Cap Structure	53.7%D / 3.0%AR / 43.3%E
Net Revenue Increase	\$65M
Test Year	3/31/2020
<u>Commission Order Summary</u> <sup>3</sup>	
Order Received	1/13/2021
Effective Date	1/14/2021
ROE	9.3%
Cap Structure	53.7%D / 3.0%AR / 43.3%E
Net Revenue Increase	\$52M

<sup>3</sup> On 3/12/2021, KPCo filed an appeal with the Franklin County Circuit Court, Commonwealth of Kentucky, related to basic rate design items.



# Current Rate Case Activity

## I&M - Indiana

Docket #	45576
Filing Date	7/1/2021
Requested Rate Base	\$5.2B
Requested ROE	10.0%
Cap Structure	49.1%D / 50.9%E
Gross Revenue Increase	\$104M (Less \$7M D&A)
Net Revenue Increase	\$97M
Test Year	2022 Forecasted
<u>Procedural Schedule</u>	
Intervenor Testimony	10/12/2021
Rebuttal Testimony	11/9/2021
Hearing	12/2/2021
Expected Commission Order	Q2-22



## PSO

Docket #	202100055
Filing Date	4/30/2021
Requested Rate Base	\$3.293B
Requested ROE	10.0%
Cap Structure	47.0%D / 53.0%E
Gross Revenue Increase	\$172M <sup>1</sup> (Less \$57M D&A)
Original Net Revenue Increase	\$115M
6-Month Post Test Year Net Revenue Increase	\$70M <sup>2</sup>
Test Year	12/31/2020
<u>Settlement Summary</u>	
Settlement Filed <sup>3</sup>	Pending Commission Approval
Hearing	9/30/2021
ROE	10/5/2021
Cap Structure	9.4%
Net Revenue Increase	47.0%D / 53.0%E
Expected Commission Order	\$51M
	Q4-21

<sup>1</sup> Does not include \$71M of current riders moving to base rates.

<sup>2</sup> The change in net revenue ask is the result of a 6-month post test year adjustment that included an additional \$32M of current riders moving to base rates and \$13M of rebuttal testimony adjustments.

<sup>3</sup> Joint stipulation and settlement agreement reached with many parties to the case.



# Current Rate Case Activity

## SWEPCO – Arkansas<sup>1</sup>

Docket #	21-070-U
Filing Date	7/23/2021
Requested Rate Base	\$1.56B
Requested ROE	10.35%
Cap Structure	48.7%D / 51.3%E
Gross Revenue Increase	\$85M (Less \$29M D&A)
Net Revenue Increase	\$56M
Test Year	4/30/2021 <sup>2</sup>
<u>Procedural Schedule</u>	
Intervenor Testimony	12/7/2021
Rebuttal Testimony	1/13/2022
Hearing	3/15/2022
Expected Commission Order	Q2-22

## SWEPCO - Louisiana

Docket #	U-35441
Filing Date	12/18/2020
Requested Rate Base	\$2.1B
Requested ROE	10.35%
Cap Structure	49.2%D / 50.8%E
Gross Revenue Increase	\$114M (Less \$41M D&A)
Net Revenue Increase	\$73M
Test Year	12/31/2019 <sup>3</sup>
<u>Procedural Schedule</u>	
Hearing	1/18/2022
Expected Commission Order	Q2/Q3-22

<sup>3</sup> Includes proposed pro-forma adjustment to plant in-service through 12/31/2020.

## SWEPCO - Texas

Docket #	51415
Filing Date	10/13/2020
Requested Rate Base	\$2.0B
Requested ROE	10.35%
Cap Structure	50.6%D / 49.4%E
Gross Revenue Increase	\$90M <sup>4</sup> (Less \$17M D&A)
Net Revenue Increase	\$73M
Test Year	3/31/2020
<u>Procedural Schedule</u>	
Expected Commission Order	Q4-21

<sup>4</sup> Does not include \$15M of current riders moving to base rates.

<sup>1</sup> This filing provides notice of re-election for rate regulation under a formula rate review mechanism.

<sup>2</sup> Includes adjustments for reasonably known and measurable changes through 4/30/2022, including North Central Wind.



# North Central Wind Overview



North Central Wind - Maverick

## APPROVED MW ALLOCATION


Jurisdiction (Docket #)	MW	% of Project
PSO (PUD 2019-00048)	675	45.5%
SWEPCO – AR (19-035-U)	268	18.1%
SWEPCO – LA (U-35324)	464	31.2%
SWEPCO - FERC	78	5.2%
Total:	1,485	100%


## PSO AND SWEPCO REGULATED WIND INVESTMENT


Total Rate Base Investment	~\$2 billion (1,485 MW)			
North Central Wind	<u>Name</u>	<u>MW</u>	<u>Estimated Investment</u>	<u>Commercial Date</u>
	Sundance	199	\$300M	Apr. 14, 2021 (100% PTC)
	Maverick	287	\$400M	Sept. 10, 2021 (80% PTC)
	Traverse	999	\$1,300M	Jan. 2022 to Apr. 2022 (80% PTC)
Net Capacity Factor	44%			
Customer Savings	~\$3 billion (30-year nominal \$)			
Developer	Invenergy			
Turbine Supplier	GE			
Note: Facilities acquired on a fixed cost, turn-key basis at completion				

# Future Forward - Advancing Towards a Clean Energy Future

## Projected Regulated Resource Additions

SOLAR ADDITIONS (MW) 					
Company	2021 – 2025	2026 – 2030	Total	Prior Total (2020 EEI)	Incremental Solar Opportunity
APCo	210	450	660	710	(50)
I&M	450	450	900	1,300	(400)
KPCo	150	300	450	273	177
PSO	1,350	2,250	3,600	1,211	2,389
SWEPCO	300	-	300	300	-
<b>Total</b>	<b>2,460</b>	<b>3,450</b>	<b>5,910</b>	<b>3,794</b>	<b>2,116</b>

WIND ADDITIONS (MW) 					
Company	2021 – 2025	2026 – 2030	Total	Prior Total (2020 EEI)	Incremental Wind Opportunity
APCo	1,800 <sup>1</sup>	-	1,800 <sup>1</sup>	600	1,200 <sup>1</sup>
I&M	800	-	800	750	50
KPCo	500	500	1,000	200	800
PSO	1,975 <sup>2</sup>	1,300	3,275 <sup>2</sup>	1,275 <sup>2</sup>	2,000
SWEPCO	2,310 <sup>2</sup>	1,500	3,810 <sup>2</sup>	1,410 <sup>2</sup>	2,400
<b>Total</b>	<b>7,385<sup>2</sup></b>	<b>3,300</b>	<b>10,685<sup>2</sup></b>	<b>4,235<sup>2</sup></b>	<b>6,450</b>

NATURAL GAS ADDITIONS (MW) 					
Company	2021 – 2025	2026 – 2030	Total	Prior Total (2020 EEI)	Incremental Nat. Gas Opportunity
I&M	-	952	952	824	128
PSO	-	251	251	783	(532)
SWEPCO	-	1,063	1,063	-	1,063
<b>Total</b>	<b>-</b>	<b>2,266</b>	<b>2,266</b>	<b>1,607</b>	<b>659</b>

<sup>1</sup> Includes 600 MW at WPCo

<sup>2</sup> Includes 1,485 MW North Central Wind project (675 MW at PSO and 810 MW at SWEPCO), of which 486 MW were in service as of 9/30/2021

### TOTAL PROJECTED RESOURCE ADDITIONS (MW)

Resource	2021-2030
Solar	5,910
Wind	10,685
Natural Gas	2,266
<b>Total</b>	<b>18,861</b>

**Total regulated renewable opportunity of 16.6 GW by 2030**

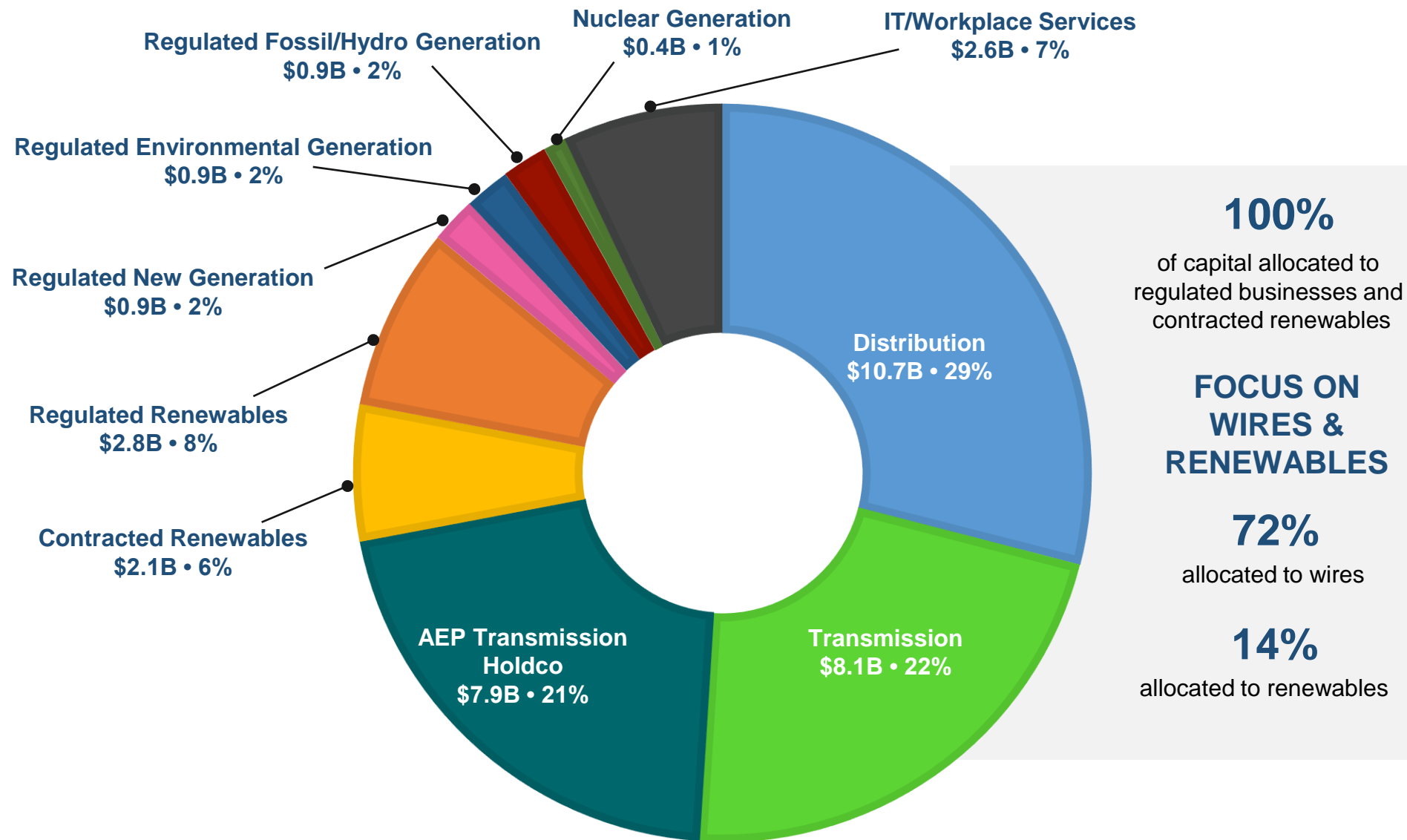
**An 8.6 GW increase since 2020 EEI update**

Projected regulated resource additions current as of 9/30/2021. AEP operating companies will continue to develop Integrated Resource Plans (IRPs) over the near-term and long-term in collaboration with stakeholders.



# 2021 - 2025 Capital Forecast of \$37B

## 2021-2025 Capital Forecast



# Kentucky Operations Transaction Overview

<b>Transaction Description</b>	<ul style="list-style-type: none"> <li>▪ Sale of 100% of stock of Kentucky Power Company and AEP Kentucky Transco</li> <li>▪ Buyer: Liberty Utilities Co., a wholly owned subsidiary of Algonquin Power &amp; Utilities Corp.</li> </ul>
<b>Kentucky Operations</b>	<ul style="list-style-type: none"> <li>▪ Approximately 165,000 customers</li> <li>▪ Approximately 10,000 distribution and 1,200 transmission miles</li> <li>▪ 1,075 MW of owned generation                             <ul style="list-style-type: none"> <li>▪ Big Sandy Unit 1: 295 MW natural gas fired plant</li> <li>▪ Mitchell: 780 MW coal fired plant (a 50% undivided interest in the 1,560 MW plant)</li> </ul> </li> </ul>
<b>Transaction Value</b>	<ul style="list-style-type: none"> <li>▪ \$2.846 billion enterprise value including estimated debt at closing to be approximately \$1.3 billion (subject to true up), leading to an equity value of \$1.5 billion</li> <li>▪ AEP expects the sale to have an immaterial, one-time impact to after-tax book earnings</li> <li>▪ Sale is \$0.01-\$0.02 accretive in 2022 to ongoing earnings</li> <li>▪ \$1.45 billion approximate cash proceeds after tax and transaction costs utilized to eliminate 2022 forecasted equity needs of \$1.4 billion</li> </ul>
<b>Transaction Timing</b>	<ul style="list-style-type: none"> <li>▪ Expected to close in the second quarter of 2022</li> <li>▪ Regulatory approvals include FERC (180 days), Kentucky PSC (120 days), federal clearance pursuant to the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976 (30-60 days) and clearance from the Committee on Foreign Investment in the United States (90-120 days)</li> </ul>

**Strengthens AEP's ability to advance our clean energy transformation**

# Cash Flows and Financial Metrics

**Cash flow has not yet been updated to include the sale of Kentucky operations announced on 10/26/21. Details will be provided at Nov EEI to reflect impacts, including use of proceeds and elimination of previously planned 2022 equity needs.**

\$ in millions	2021E	2022E	2023E
Cash from Operations	\$ 3,800	\$ 6,000	\$ 6,400
Capital and JV Equity Contributions <sup>1</sup>	(7,500)	(8,000)	(6,900)
Other Investing Activities	(300)	(300)	(300)
Common Dividends <sup>2</sup>	(1,400)	(1,500)	(1,500)
Required Capital	<b>\$ (5,400)</b>	<b>\$ (3,800)</b>	<b>\$ (2,300)</b>
<b>Financing</b>			
Required Capital	\$ (5,400)	\$ (3,800)	\$ (2,300)
Debt Maturities (Senior Notes, PCRBs)	(2,000)	(3,000)	(1,400)
Securitization Amortizations	(100)	(100)	(100)
Equity Units Conversion	-	805	850
Equity Issuances – Includes DRP <sup>3</sup>	600	1,400	100
<b>Debt Capital Market Needs (New)</b>	<b>\$ (6,900)</b>	<b>\$ (4,695)</b>	<b>\$ (2,850)</b>
<b>Financial Metrics</b>			
Debt to Capitalization (GAAP)	Approximately 60%		
FFO/Total Debt (Moody's)	2021 pressured by Storm Uri; long-term target remains at low to mid teens		

<sup>1</sup> Capital expenditures in 2021 include approximately \$700M for North Central Wind's Sundance and Maverick projects. Expenditures in 2022 include approximately \$1.3B for North Central Wind's Traverse project.

<sup>2</sup> Common dividends increased to \$0.74 per share Q4-20; \$2.96/share 2021-2023. 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.

<sup>3</sup> Equity needs in 2021 include approximately \$500M for North Central Wind's Sundance and Maverick projects. Equity needs in 2022 include approximately \$800M for North Central Wind's Traverse project. Total equity needs for the project are \$1.3B.

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 9/30/2021 (in millions)
<b>Cash Flow from Operations</b>	\$ 4,990
Adjustments:	
Changes in Working Capital	(12)
Capitalized Interest	(55)
Securitization Amortization	(95)
<b>Adjusted Funds from Operations (FFO)</b>	\$ 4,828

## Adjusted Total Debt Calculation

	As of 9/30/2021 (in millions)
<b>GAAP Total Debt (incl. current maturities)</b>	\$ 35,932
Less:	
Securitization Bonds	(645)
Spent Nuclear Fuel Trust	(281)
Equity Units Capital Adjust (25%)	(414)
Add:	
Finance Lease Obligations	267
Operating Leases	829
<b>Adjusted Total Debt (Non-GAAP)</b>	\$ 35,688

## Adjusted FFO to Total Debt Ratio

$$\frac{\text{Adjusted Funds from Operations (FFO)}}{\text{Adjusted Total Debt (Non-GAAP)}} = \frac{\$ 4,828}{\$ 35,688} = 13.5\%^1$$

<sup>1</sup> Adjusted FFO to Total Debt on a Moody's basis is 13.6%. Both GAAP and Moody's views of FFO to Total Debt exclude the impact of Storm Uri in February. Refer to slide 11 for additional information.