



Standard & Poor's Discussion

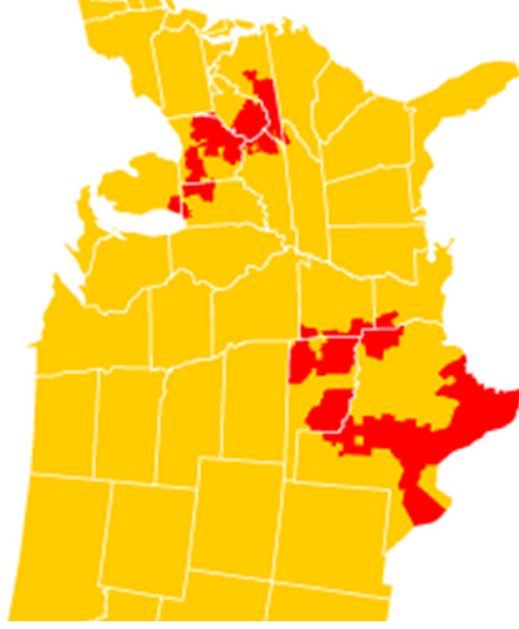
August 28, 2013

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American Electric Power



- Predominantly regulated business focused on clarity, execution, line-of-sight and discipline
- Significant transmission growth opportunities
- Stable regulatory relationships with Ohio uncertainty behind us
- Rationalized cost structure
- Dividend growth supported by regulated earnings with a strong balance sheet and numerous opportunities to securitize
- Ohio generation fleet and related retail and wholesale marketing business well-positioned for success in a competitive market



AEP Fast Facts

\$14.9B Revenues *

\$1.3B Net Income *

\$23B Market Capitalization

* represents GAAP results for 2012

Serving 5.3 million electric customers in 11 states

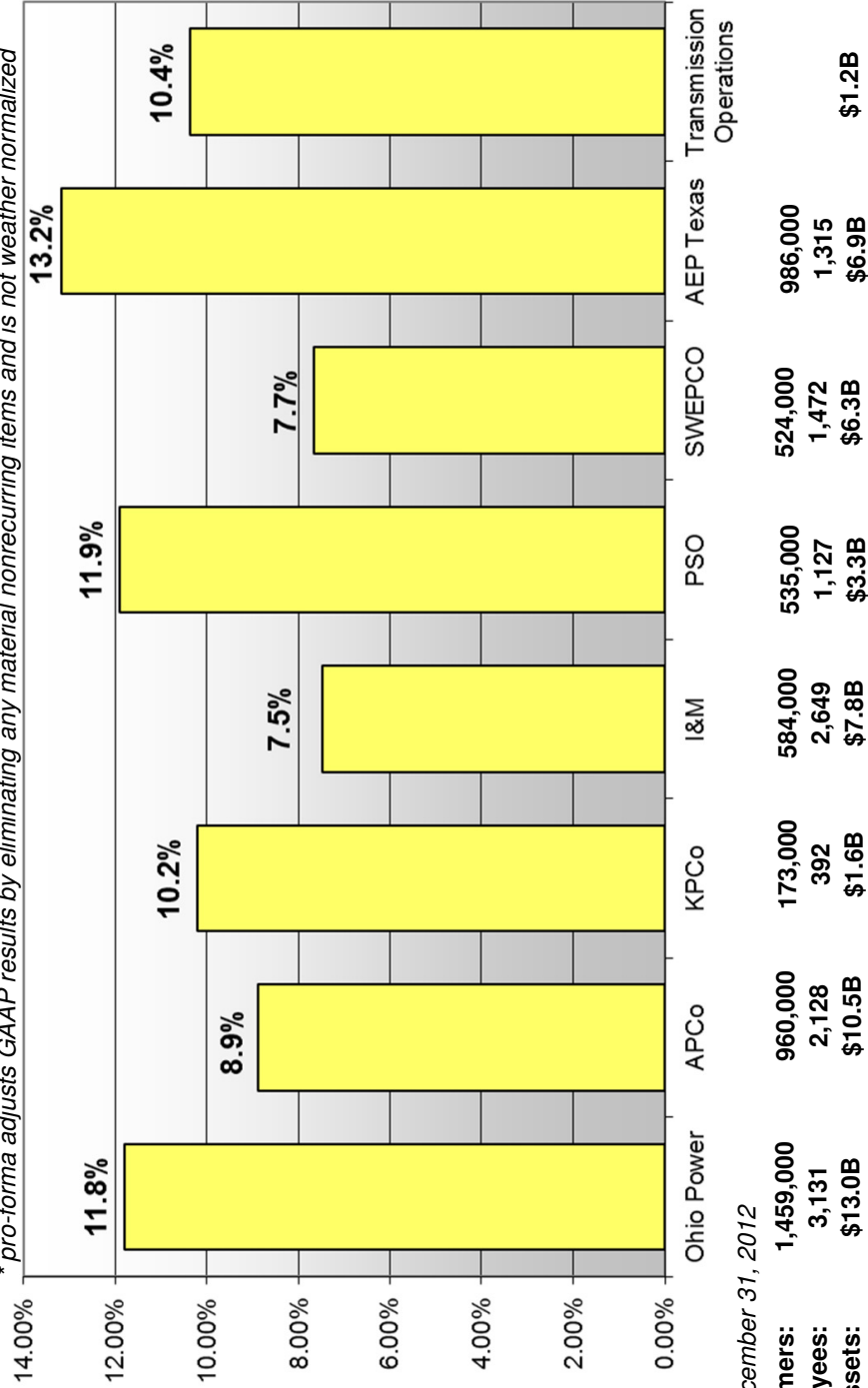
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Diversification Supports Strong Utility Operations Results



Twelve Months Ended 06/30/13 Pro-forma* Earned ROEs

* pro-forma adjusts GAAP results by eliminating any material nonrecurring items and is not weather normalized



As of December 31, 2012

Customers:	1,459,000	960,000	173,000	584,000	535,000	524,000	986,000
Employees:	3,131	2,128	392	2,649	1,127	1,472	1,315
Total Assets:	\$13.0B	\$10.5B	\$1.6B	\$7.8B	\$3.3B	\$6.3B	\$6.9B
							\$1.2B

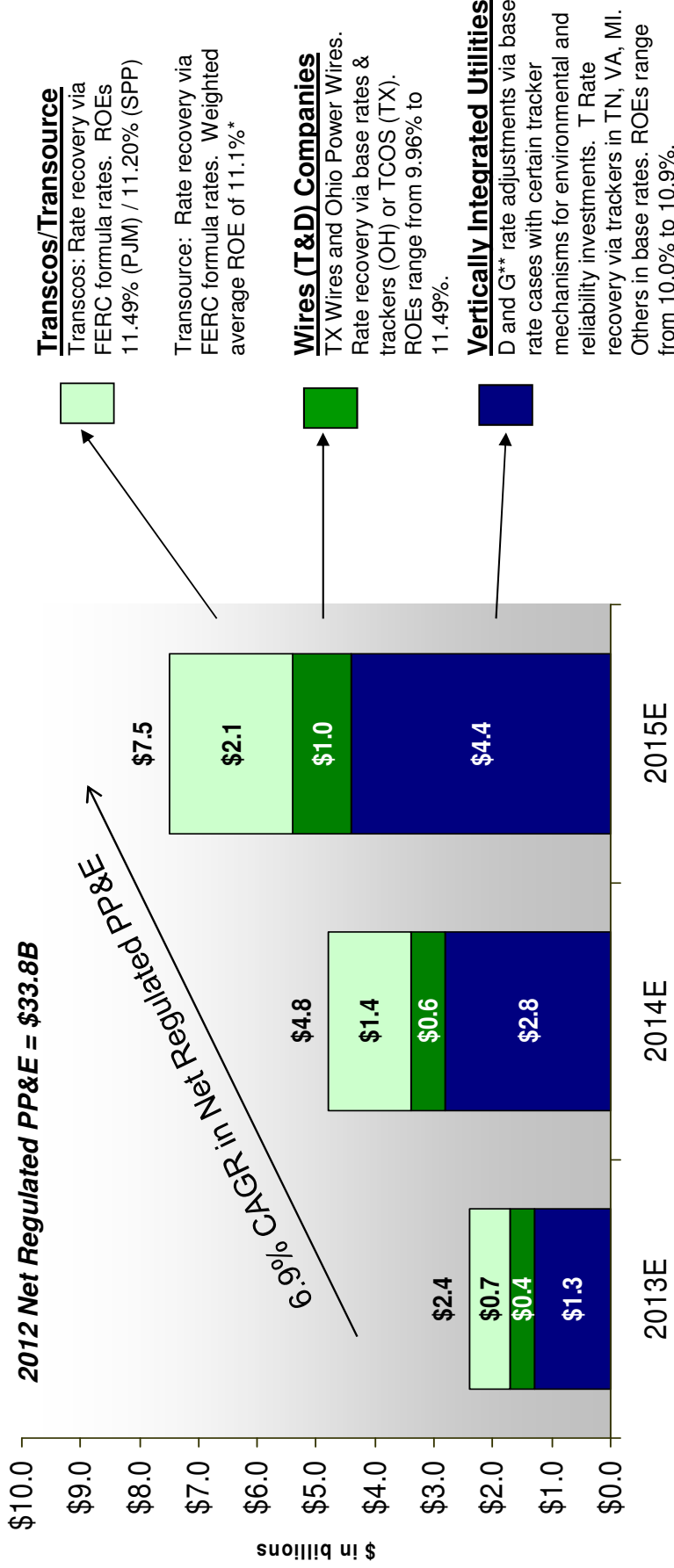
Regulated operations ROE of 10.2% as of June 30, 2013

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Regulated Business Growth Forecast

Cumulative Change in Regulated Net Property, Plant & Equipment (PP&E)



Note: 2013 annual regulated depreciation is \$1.3B; Transmission JV investments, other than Transsource, are not reflected above as the ventures are not consolidated on AEP's financial statements

*Weighted average of 11.3% and 10.3% based on the estimated cost of the projects
 **Assumes Mitchell Plant and Amos plants are transferred to APCo and KPCo as requested

Growth in regulated PP&E supports overall earnings growth of 4-6%

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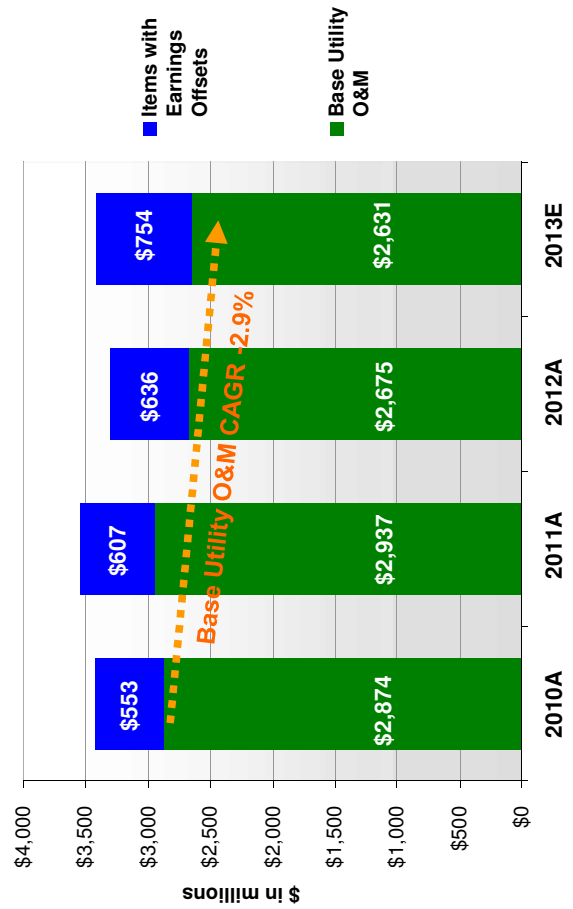
Continuous Improvement Update



- ▣ 2013 repositioning efforts focused on five areas:
 - Finance & Accounting
 - Information Technology
 - Procurement/Supply Chain
 - Generation
 - Organizational Effectiveness

- ▣ 2014 continuous improvement initiatives:
 - Lean Generation at additional plants
 - Transmission
 - Information Technology
 - Procurement/Supply Chain
 - Lean Distribution
 - Other

Utility O&M Trend



Positions AEP to better serve customers and operate more efficiently

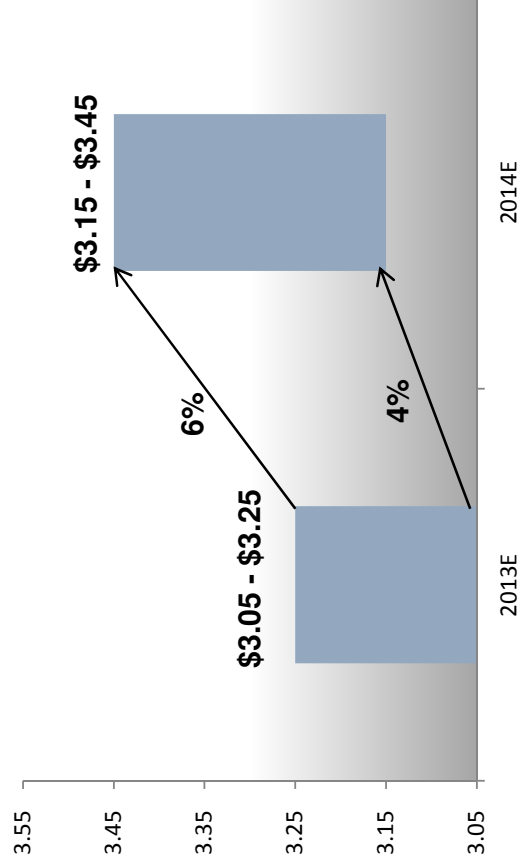
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Expected EPS Growth Rate



- Expected EPS growth rate of 4 – 6% off of 2013 operating earnings guidance range
- Supported by rate base growth of regulated operations
 - Priority allocation of capital to transmission investment
 - Authorized AEP System ROE range of 9.96% (AEP Texas) to 12.8% (Prairie Wind JV)
- Capital investment of \$3.6B in 2013 and \$3.8B in 2014 and 2015
- Significant cost and capital cutting efforts underway in the competitive business to address recent RPM auction results

Expected Operating Earnings Per Share Growth Rate

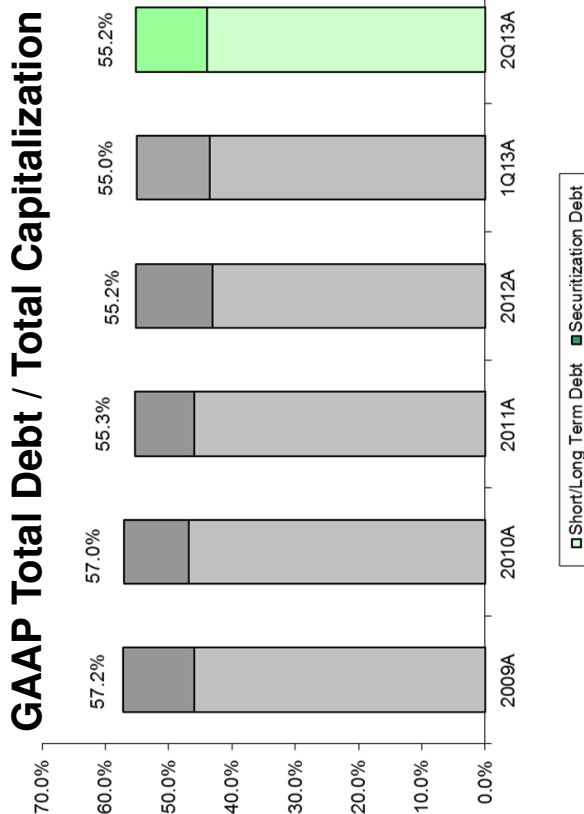


Expected Operating Earnings Per Share Growth Rate of 4-6%

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Capitalization & Liquidity



Credit Statistics

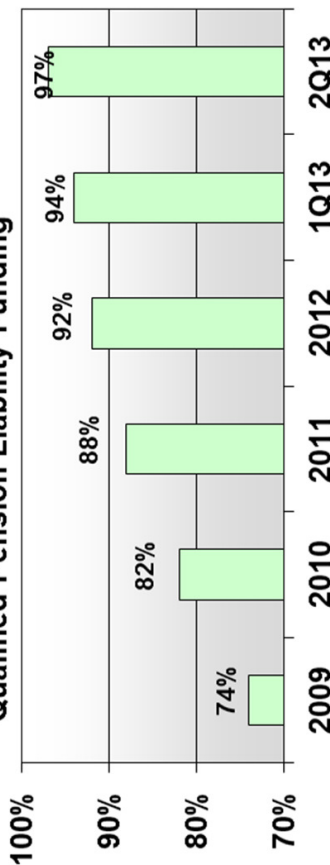
	Actual	Target
FFO Interest Coverage	4.5	>3.6x
FFO To Total Debt	19.1%	15%- 20%

Note: Credit statistics represent the trailing 12 months as of 06/30/2013

Liquidity Summary (06/30/2013)

Liquidity Summary (unaudited)	Actual Amount	Maturity
Revolving Credit Facility	\$ 1,750	Jul-17
Revolving Credit Facility	1,750	Jun-16
Term Credit Facility	1,000	May-15
Total Credit Facilities	4,500	
Plus		
Cash & Cash Equivalents	117	
Less		
Commercial Paper Outstanding	(850)	
Amount drawn on bank loans	(200)	
Letters of credit issued	(120)	
Net available Liquidity	\$ 3,447	

Qualified Pension Liability Funding



Strong balance sheet, solid credit metrics and adequate liquidity

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Forecasted Cash Flows and Financial Metrics



\$ in millions	2013	2014	2015
Cash from Operations - Excluding Bonus Depreciation Impact	3,137	3,580	3,500
Bonus Depreciation Impact	A: 792	160	-
Cash from Securitization	B: 643	450	-
Capital & JV Equity Contributions	(3,600)	(3,800)	(3,800)
Other Investing Activities	(180)	(280)	(215)
Common Dividends	(916)	(921)	(926)
Excess (Required) Capital	(124)	(811)	(1,441)
Financing (\$ in millions)	2013	2014	2015
Excess (Required) Capital	(124)	(811)	(1,441)
Debt Maturities (Senior Notes, PCRBs)	(1,649)	(995)	(1,155)
Securitization Amortizations	(280)	(350)	(330)
Interim Credit Facility	1,000	-	-
Equity (DRP/401k)	100	100	100
Debt Capital Market Needs (New)	(953)	(2,056)	(2,826)
Financial Metrics	2013	2014	2015
Debt to Capitalization Target		Mid 50s	
FFO/Total Debt Target		Mid -to- upper teens	

Cash inflows
finance capital investment:

A: Bonus Depreciation	\$ 952M
B: Securitization	\$1,093M
	OH distribution assets (\$267M) WV ENEC (\$376M) * OH deferred fuel (\$450M) *
C: DRP	\$ 300M
3-Year Total	\$2,345M

* - subject to regulatory approval

Cash needs are met through debt capital, securitization, bonus depreciation and the Dividend Reinvestment Plan



Debt Maturity Profile

(\$ in millions)

Year	Remaining 2013 as of June 30	2014	2015	2016	2017
AEP, Inc.	-	-	\$200	-	\$550
AEP Generating Company	-	\$45	-	-	-
Appalachian Power	\$345	\$204	\$625	\$65	\$250
Indiana Michigan Power	\$8	\$288	\$328	\$225	-
Kentucky Power	-	-	-	-	\$325
Ohio Power	\$250	\$454	\$86	\$350	-
Public Service of Oklahoma	-	\$34	-	\$150	-
Southwestern Electric Power	-	-	\$304	-	\$250
Texas Central Company *	\$38	-	\$250	\$192	\$288
Texas North Company	-	-	-	-	-
Total	\$691	\$1,025	\$1,793	\$982	\$1,663

* Includes \$726 million of amortizing Texas Securitization Bonds based upon scheduled final payment date

Includes mandatory tenders (put bonds)

Data as of June 30, 2013



Credit Metrics

	Trailing Twelve Months 06/30/2013			Senior Unsecured Credit Ratings*
	FFO Interest Coverage	FFO to Debt	GAAP Debt to Capitalization	
American Electric Power Company	4.54	19.1%	55.2%	Baa2/BBB-/BBB
Appalachian Power Company	4.49	17.7%	55.3%	Baa2/BBB/BBB
Indiana Michigan Power Company	4.54	19.1%	55.3%	Baa2/BBB/BBB
Kentucky Power Company	4.04	19.9%	52.8%	Baa2/BBB/BBB
Ohio Power Company	5.00	22.2%	45.7%	Baa1/BBB/A-
Public Service Company of Oklahoma	4.26	18.2%	51.2%	Baa1/BBB/BBB+
Southwestern Electric Power Company	4.30	20.9%	50.6%	Baa3/BBB/BBB
AEP Texas Central Company**	4.72	21.3%	81.0%	Baa2/BBB/A-
AEP Texas North Company	4.49	17.7%	55.8%	Baa2/BBB/A-

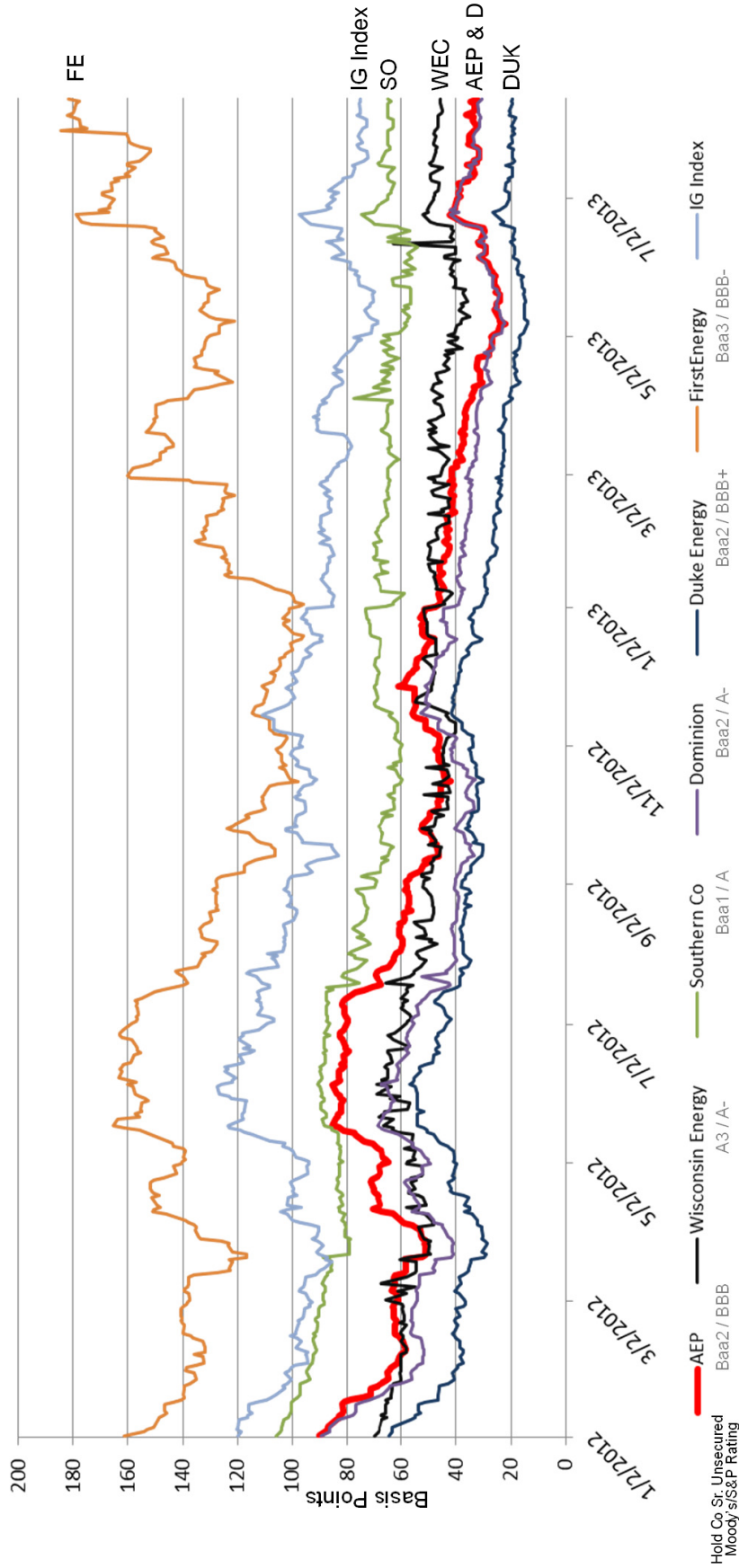
* Moody's/S&P/Fitch ** Includes securitization debt

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Credit Default Swap (CDS) Update

Historical 5YR CDS Contract Prices



Notes: The IG Index is composed of 125 equally weighted credit default swaps on investment grade entities, distributed among 6 sub-indices: High volatility, Consumer, Energy, Financial, Industrial, and Technology, Media & Tele-communications
 CDS prices are quoted on a \$10M notional contract

AEP's 5yr CDS contract currently trades at 32.5 bps.

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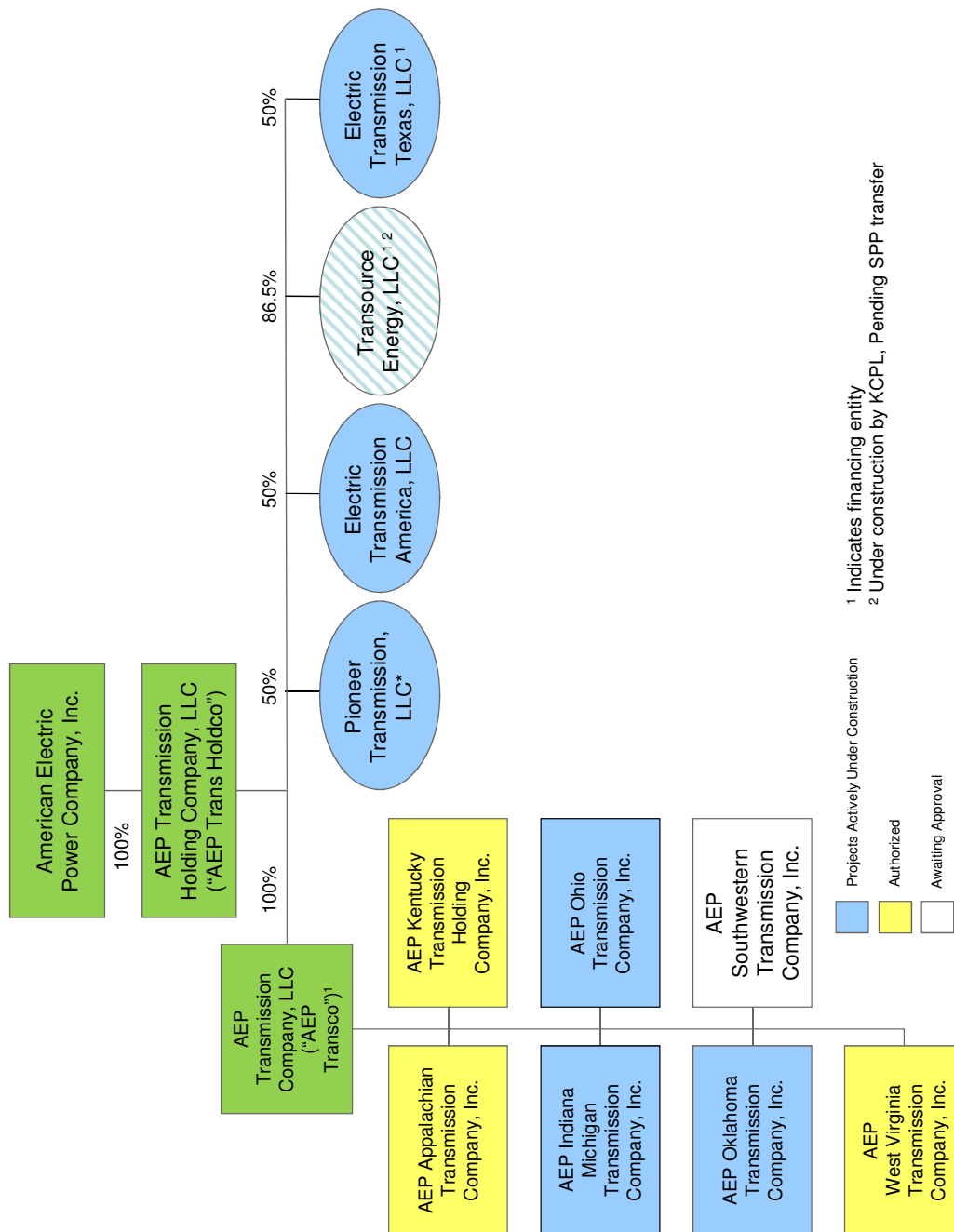


Transmission Investment Strategy

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Transmission Organizational Structure



Transmission Based Investment Strategy Continues to Drive Performance in 2013



Driving earnings growth and expanding market opportunities

Project Growth

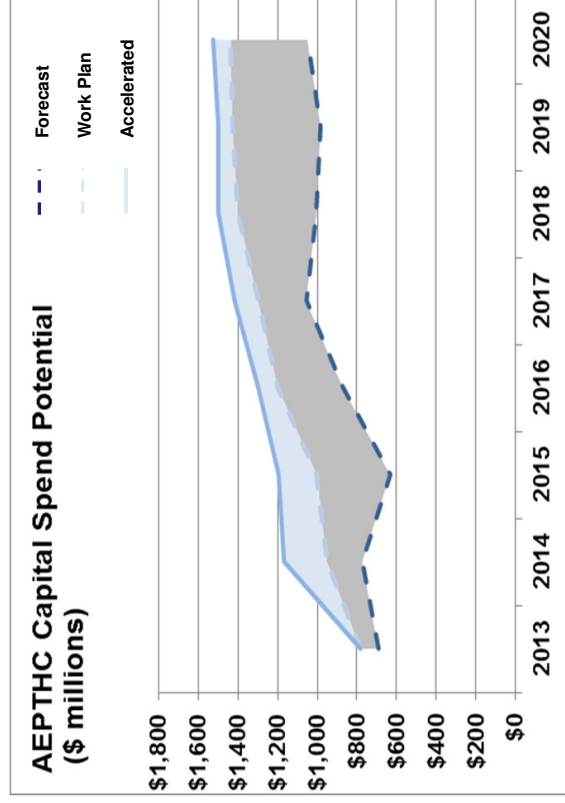
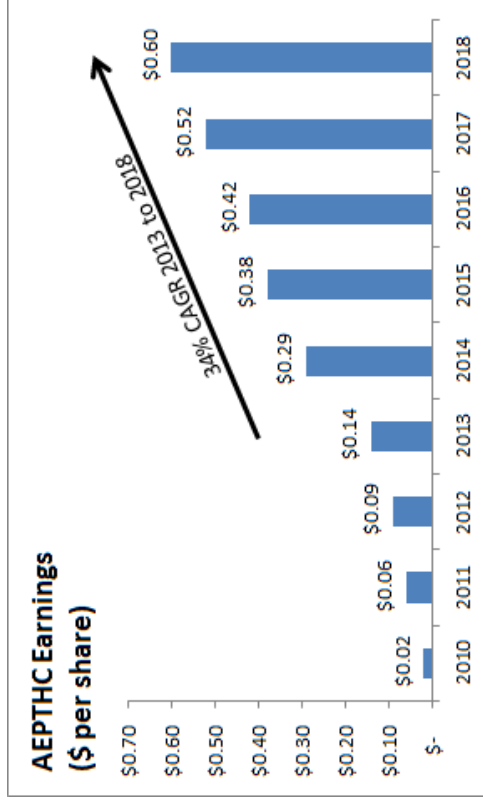
- \$870M of new regional RTO approved projects in 2013
- Operating company specific plans being developed to improve local reliability
- Asset renewal plans developed to address aging infrastructure
- Rapid investment recovery - see appendix page 40 for regulatory recovery mechanics

AEP Transmission Holding Co. (AEPTHC) Growth

- Transmission is adding meaningful earnings per share, rising from \$0.09 in 2012 to \$0.60 in 2018
- Pioneer JV – public utility status granted, under construction
- Kentucky Transco advancing
- Transource:
 - Active participant in PJM 2013 competition windows
 - Secured FERC rate settlement in Missouri
 - Missouri PSC granted public utility status and approved transfer of assets from KCPL

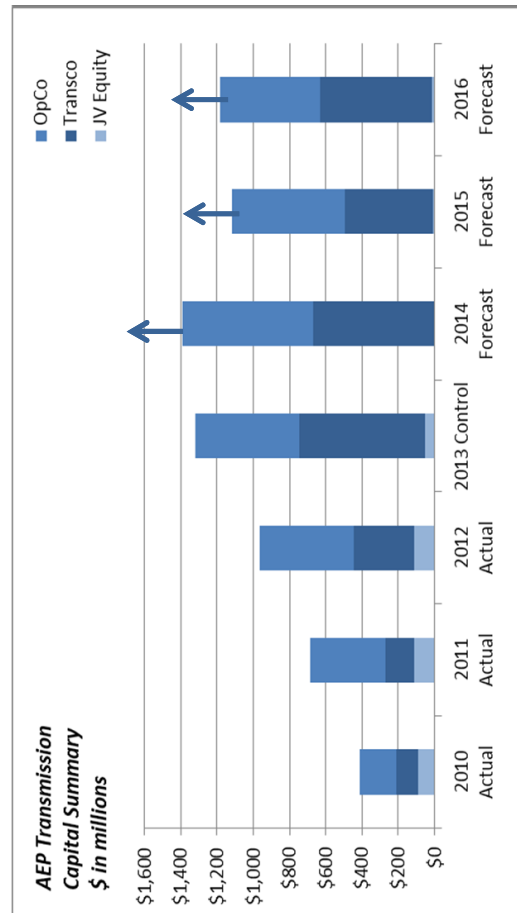
Execution Focus/Market Growth

- Securing market reforms to increase new opportunities for economic projects (increasing east transfer capacity)
- Improving in-service dates to increase cash flows



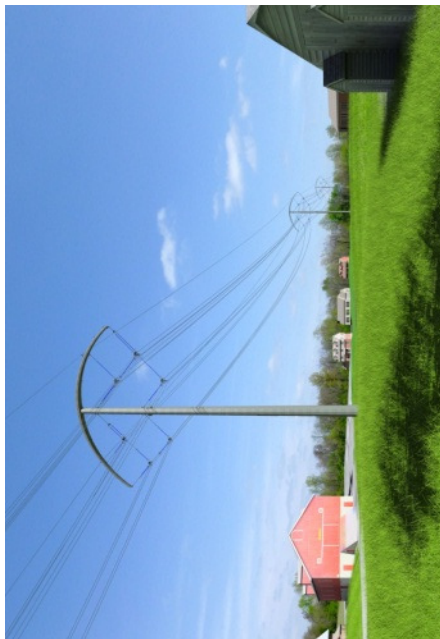


Building Organizational Capacity



Outlook for 2014-16

- ❑ As capital becomes available, opportunities exist over the next three years to ramp up local reliability spend
- ❑ Increasing operational throughput to be better positioned to increase annual Capex
- ❑ Growing and capturing market opportunities
- ❑ Improving environmental focus
- ❑ Expanding community outreach efforts in support of siting
- ❑ Continuing commercialization of BOLD*



* Breakthrough Overhead Line Design

Building/refining organizational capabilities

- ❑ Active management of capital allocation and in-service dates improves cash flows and mitigates risk
- ❑ Geographic and RTO diversity helps manage execution risk
- ❑ Over 2,000 active projects under management
- ❑ Improved equipment and material procurement management, vendor and labor relationships contain costs for the benefit of customers and position the organization for growth



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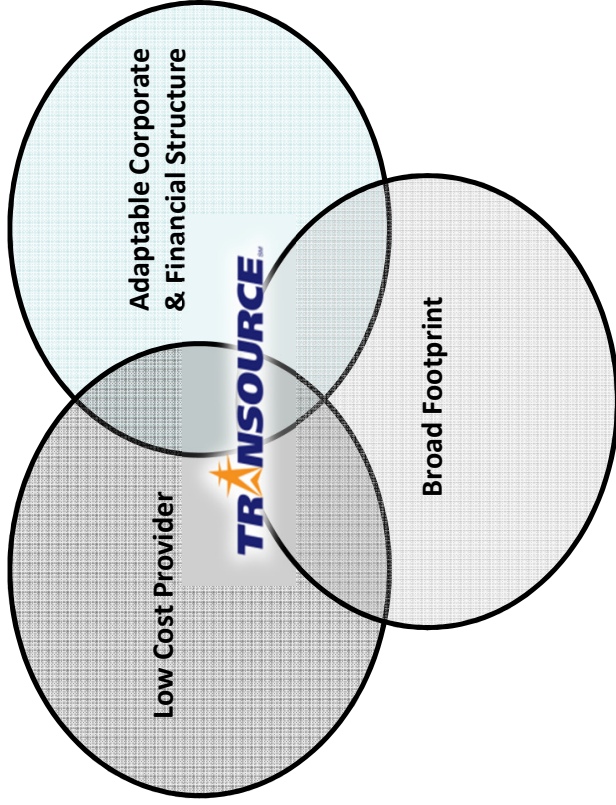


Adapting to the Competitive Market

	PJM	SPP*	MISO
Current Competitive Model	<ul style="list-style-type: none"> Competitive bidding based upon proposed technical solution and qualifications ** 	<ul style="list-style-type: none"> Competitive bidding based upon cost and qualifications 	<ul style="list-style-type: none"> Competitive bidding based upon cost and qualifications
Scope of Competitive Projects	<ul style="list-style-type: none"> Based on need date: Projects needed in service after 3-years are competitive Projects needed in service in less than 3-years are likely designated to incumbent 	<ul style="list-style-type: none"> Based on voltage class: Above 300-kV are competitive 300-kV or less retain ROFR 	<ul style="list-style-type: none"> Based on needs driver: Market Efficiency and Multi-Value Projects are competitive Baseline Reliability Projects and other classifications retain ROFR
Effective Date for Competition	<ul style="list-style-type: none"> January 1, 2014 2013 Interim competition ongoing 	<ul style="list-style-type: none"> 2014 planning process RFPs issued in early 2015 and projects awarded in mid-2015 	<ul style="list-style-type: none"> June 1, 2013 RFPs issued in early 2015 and projects awarded in mid-late 2015
Competitive Market Size	<ul style="list-style-type: none"> PJM, MISO, and SPP competitive market size totals approximately \$100 billion over the next 20-years*** 	<ul style="list-style-type: none"> PJM, MISO, and SPP competitive market size totals approximately \$100 billion over the next 20-years*** 	<ul style="list-style-type: none"> PJM, MISO, and SPP competitive market size totals approximately \$100 billion over the next 20-years***
Likely Competitors	<ul style="list-style-type: none"> Utilities & utility owned Other strategics Financial (e.g. investment banks, infrastructure funds) 	<ul style="list-style-type: none"> Utilities & utility owned Other strategics Financial Foreign (financial & strategic) 	<ul style="list-style-type: none"> Utilities & utility owned Other strategics Financial Foreign (financial & strategic)
Partnership Sign Posts	<ul style="list-style-type: none"> Cost competitiveness Regulatory and policy hurdles Planning capability parity 	<ul style="list-style-type: none"> Cost competitiveness Regulatory and policy hurdles O&M capabilities 	<ul style="list-style-type: none"> Cost competitiveness Regulatory and policy hurdles O&M capabilities

* The FERC Order on SPP has not yet been issued. Projects between 100 kV – 300 kV may be competitive given their partial regional cost allocation characteristics
 ** The current technical solution based competitive model in PJM may eventually evolve into a cost-based model when parity is achieved among competitors
 ***Source: The Brattle Group (2012)

Transource Value Proposition



Keys to Success

- Influence the development of markets
- Proactively position and adapt to align with regional markets
- Respond to regional differences with customized solutions
- Continually assess and adapt our core competencies with market needs



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FERC Policy Update



- Ron Binz nominated to replace FERC Chairman Wellinghoff June 27, 2013
 - Former Chairman of the Colorado Public Utilities Commission and director of the Colorado Office of Consumer Counsel
 - Supports renewable generation and transmission
- FERC Transmission policies expected to remain stable and supportive of electric transmission investment
 - Investments increase reliability, reduce congestion and promote integration of renewables
 - Regulatory framework considered to be more stable and predictable than state
 - Expected to remain less reformative on interregional planning
 - Cost allocation may be re-evaluated to address 7th circuit challenge
 - Incentives will continue to be limited to unique projects and tied to individual project risks
 - New 205 filings (ROE) will continue to employ methodology which has a close tie to current interest rates
- ROE Outlook
 - ROEs have remained relatively stable in a low interest rate environment
 - 10 pending base ROE complaints currently in front of FERC (most of them expected to be resolved through the settlement process)
 - Recent base ROE settlements are in the 9.5%-9.8% range (similar to our Transource Missouri settlement)
 - Edison Electric Institute (EEI) issued a white paper supporting the need for adequate return to facilitate transmission investment

□ AEP has a diverse portfolio of settled formula rates in PJM, SPP, MISO and ERCOT:

<u>Transcos & Opcos</u>	<u>Joint Ventures</u>
AEP East Transcos	ETT
AEP East Opcos	RITELine
AEP West Transcos	Prairie Wind
AEP West Opcos	Pioneer (MISO)
Transource Missouri	

□ FERC continues to support Order 1000 objectives





Regulatory Status Update

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Corporate Separation Regulatory Update



FERC:

- **Approved April 29, 2013:**
 - Ohio Corporate Separation
 - Mitchell and Amos plant transfers
 - Wheeling Power/APCo merger
- **Pending Approval:**
 - Pool termination
 - Mitchell and Sporn Plants Operating Agreement
 - Power Coordination Agreement

Asset Transfers: APCo: Amos 3 (867 MW) & 50% of Mitchell (780 MW); KPCo: 50% of Mitchell (780 MW)

- ☐ **Appalachian Power:**
 - **VA Case # PUE-2012-00141**
 - Order received July 31, 2013
 - Approved Amos Unit 3 Plant Transfer
 - Approved Wheeling Power merger
 - Denied Mitchell Plant Transfer*
 - **WV Case # 12-1655-E-PC**
 - Intervenor & Staff testimony received 06/18/13
 - Staff supports transfer of both plants at nbv and supports approval of merger
 - Hearing complete
 - Order expected 3Q2013
- ☐ **Kentucky Power:**
 - **Case # 2012-00578**
 - Intervenor & rebuttal testimony filed
 - Settlement reached with industrial parties and the Sierra Club in May 2013
 - Settlement allows transfer of Mitchell Plant at nbv effective 1/1/14, a rider for \$44M in place until the next base rate case and conversion of Big Sandy Plant Unit 1 to natural gas
 - Hearing complete
 - Order expected 3Q2013

*See page 26 for detail on impact of potential transfer to AEP Generation Resources

Approved Rate Base & ROE by Jurisdiction



Jurisdiction	Rate Base	Approved ROE	Approved Debt/Equity	Effective Date
AEP Ohio - Distribution	\$1,912MM	10.20%	47/53	1/1/2012
AEP Ohio - Transmission	\$1,075MM	11.49%	47/53	7/1/2013
APCo-Virginia	\$2,172MM*	10.90%	57/43	2/1/2012
APCo-West Virginia	\$2,428MM	10.00%	57/43	3/30/2011
KPCo-Kentucky	\$995MM	10.50%	57/43**	6/30/2010
I&M-Indiana	\$2,399MM	10.20%	57/43	2/13/2013
I&M-Michigan	\$663MM	10.20%	49/51	1/1/2012
PSO-Oklahoma	\$1,706MM	10.15%	54/46	1/5/2011
SWEPCO-Louisiana	\$1,234MM	10.00%***	49/51	3/1/2013
SWEPCO-Arkansas	\$612MM	10.25%	54/46	11/25/2009
SWEPCO-Texas	\$665MM	10.33%	49/51	4/15/2010
TCC-Texas	\$1,796MM****	9.96%	60/40	1/25/2013
TNC-Texas	\$593MM****	9.96%	60/40	1/25/2013

* represents Generation and Distribution rate base only.

**represents a negotiated settlement

*** represents the midpoint of the ROE range approved in the formula rate case settled in February 2013

****represent approval of Interim TCOS investment

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Pending Rate Changes



Current Base Rate Cases



A unit of American Electric Power

\$ in millions		Company Request	Intervenor/Staff Testimony
SWPCO - Texas			
Rate increase		\$83.5	\$16 - \$52
Rate base/investment		\$1,199.3	\$1,102.6 to \$1,197.9
Return on equity		11.25%	9.00 - 9.55%
Equity component		49.10%	48.71%/49.10%

Status: Docket No. 40443. Case filed on July 27, 2012. Hearing held in February 2013. Order expected in 3Q13, with rates going into effect retroactive to January 29, 2013.



A unit of American Electric Power

\$ in millions		Company Request	Intervenor/Staff Testimony
KPCO			
Rate increase		\$114.0	TBD
Rate base/investment		\$1,527.0	
Return on equity		10.65%	
Equity component		45.80%	

Status: Docket No. 2013-00197. Case filed on June 28, 2013. Intervenor testimony due October 23, 2013. Rebuttal testimony due December 2, 2013. Hearing date tbd. Requested rates go into effect subject to refund January 19, 2014.

Future Announced Cases



A unit of American Electric Power

Virginia	
<ul style="list-style-type: none"> Biennial review due to be filed by March 31, 2014 <ul style="list-style-type: none"> Two-year test period ended December 31, 2013 Rates effective February 2015 	



A unit of American Electric Power

Oklahoma	
<ul style="list-style-type: none"> Base rate case due to be filed no later than January 2014 <ul style="list-style-type: none"> Rates can be implemented subject to refund six months after filing of case 	



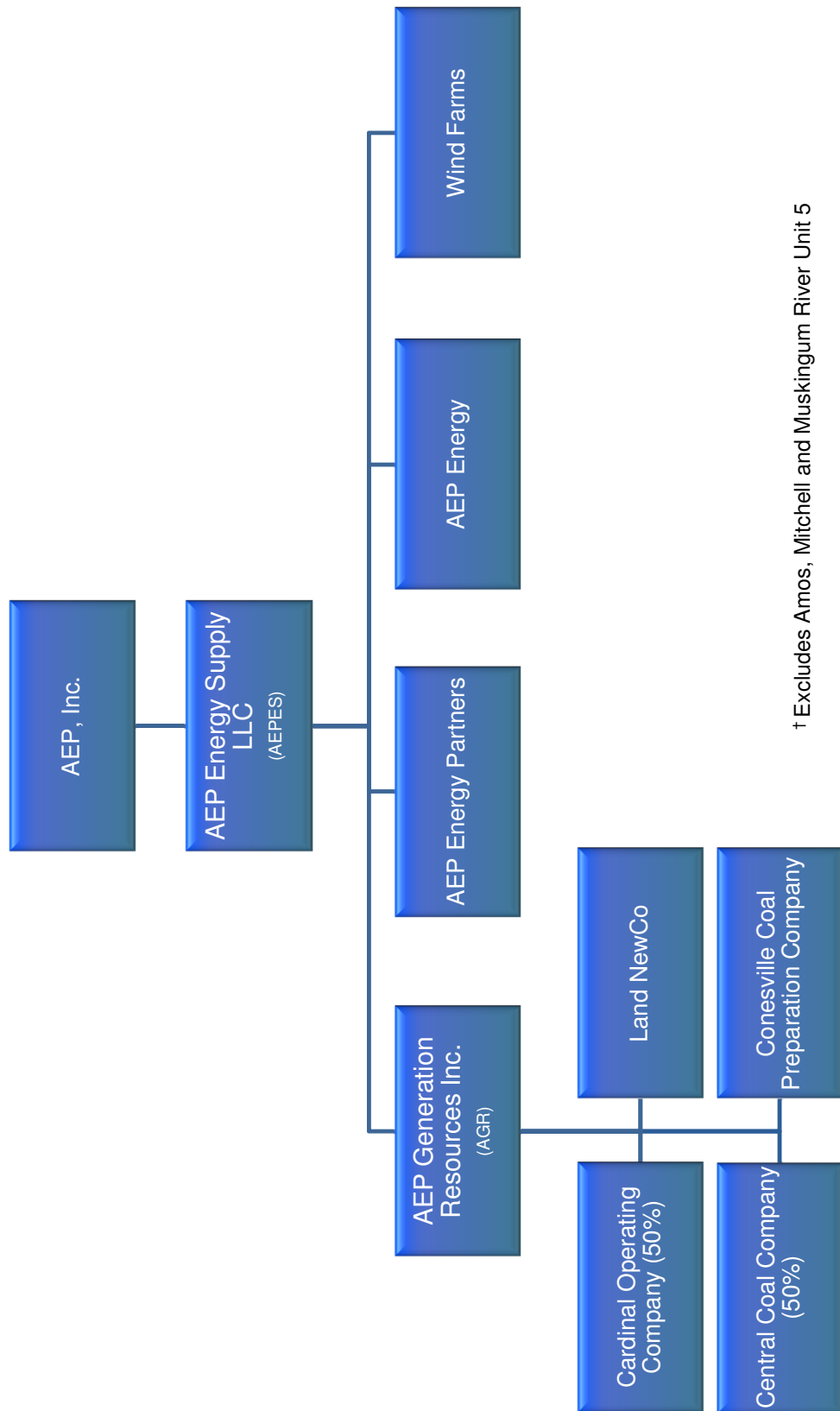
AEP Generation Resources

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Initial Competitive Company Structure

AEP's ownership in its competitive generation subsidiary and the related businesses will be held by AEP Energy Supply LLC (AEPES) – a direct subsidiary to AEP, Inc. The entity will hold assets transferred from Ohio Power with a net book value of approximately \$2.7 billion† (as of December 31, 2012). We will need to evaluate the most efficient way to finance these assets.



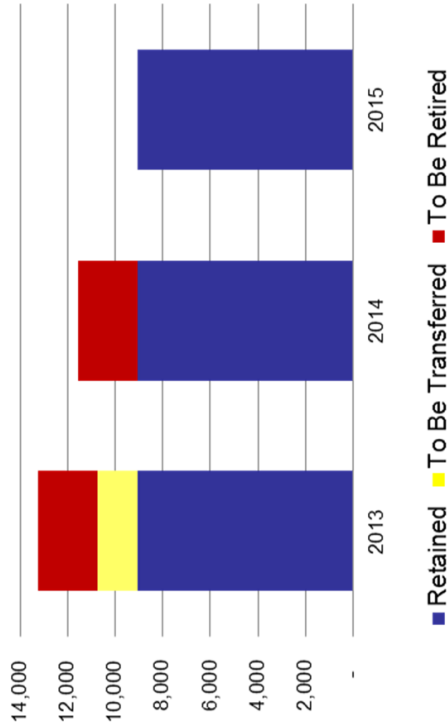
† Excludes Amos, Mitchell and Muskingum River Unit 5

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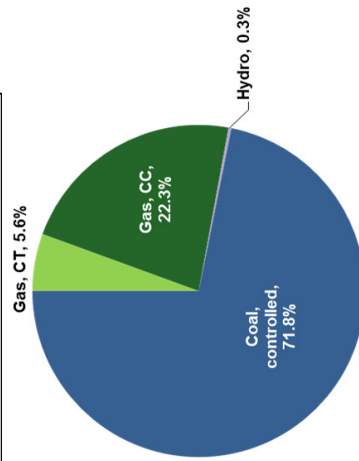
AEP Generation Resources Footprint



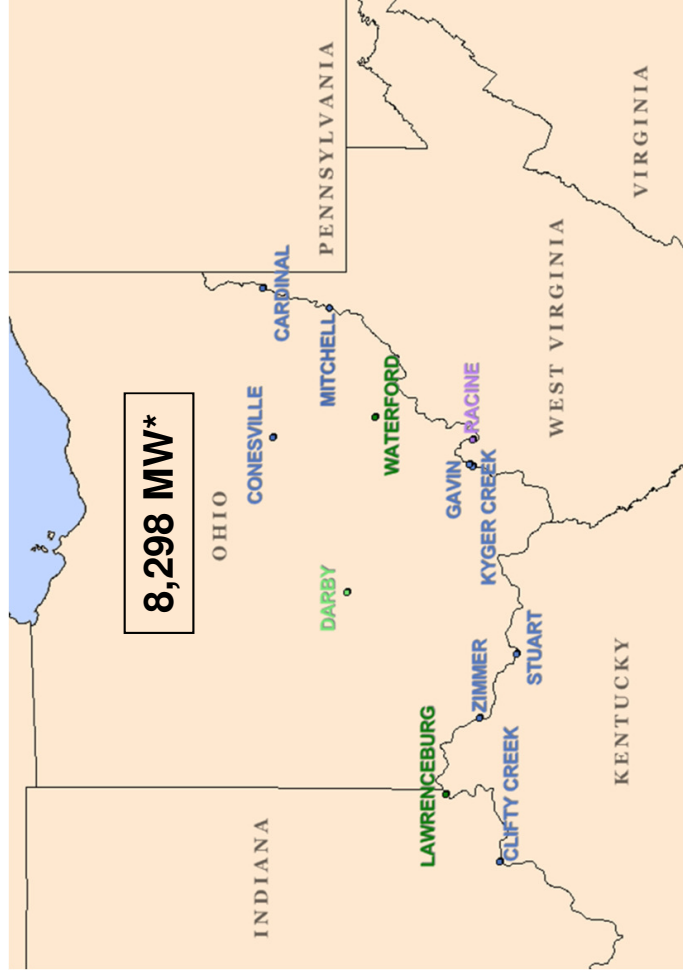
Capacity Profile (MW)



Fuel Profile (2015)



Geographic Profile



* 9,078MW if 50% of Mitchell is included

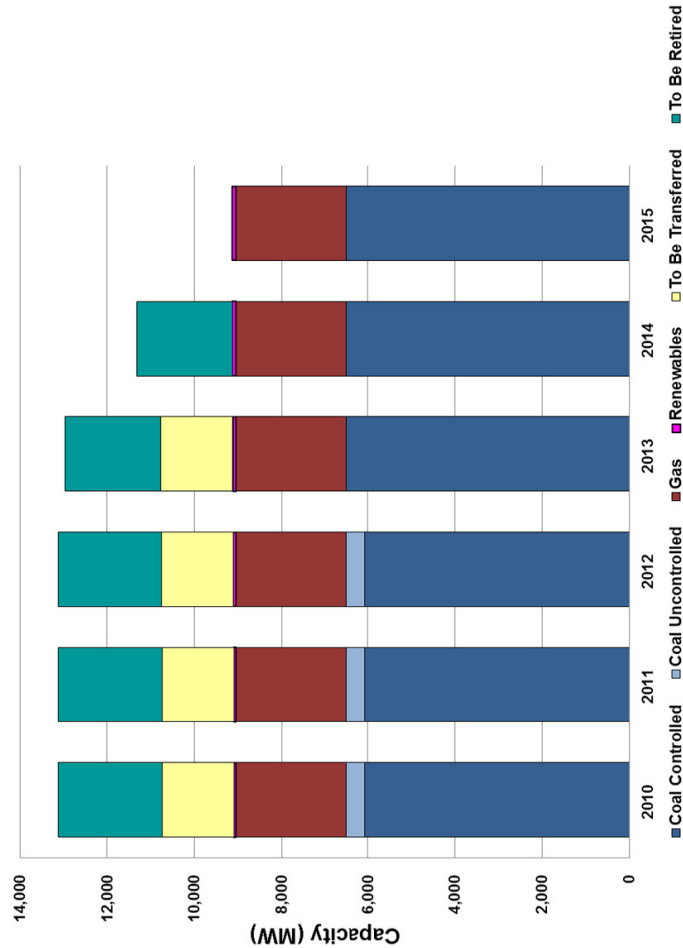
AEP Generation Resources has the competitive advantage of fuel and operational diversity

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AEP Generation Resources



Capacity Profile



Fleet Characteristics post-2014

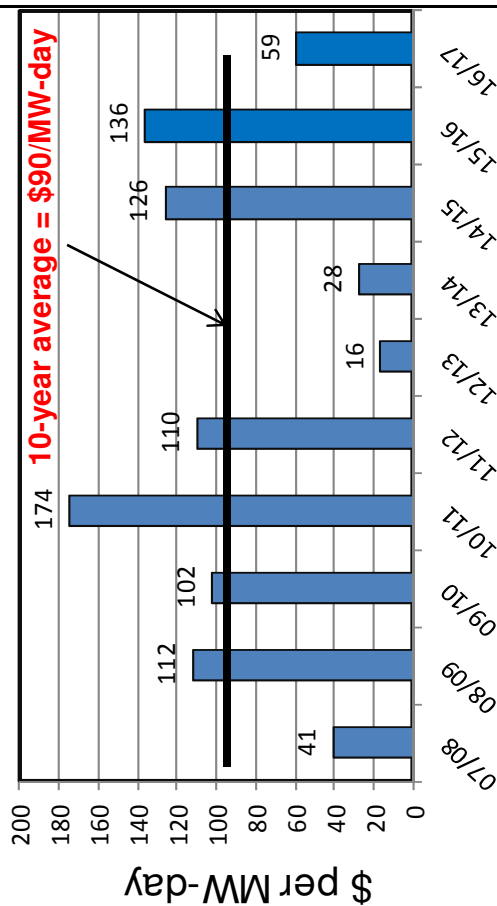
Wholly-owned, AEP operated, 65% of fleet	
Gavin	2,640 Coal, controlled
Cardinal 1	595 Coal, controlled
Conesville 5, 6	800 Coal, FGD only
Waterford	840 Gas, CC
Darby	507 Gas, CT
Racine	26 Hydro
Joint Venture, AEP operated, 4% of fleet	
Conesville 4	340 Coal, controlled
Joint Venture, operated by others, 11% of fleet	
Zimmer	330 Coal, controlled
Stuart	600 Coal, controlled
Capacity / energy entitlements, 20% of fleet	
OVEC	434 Coal, controlled
Lawrenceburg	1,186 Gas, CC
Total	8,298

- The portfolio also includes non-PJM assets including the Oklahoma Coal Plant (377 MW) and Texas Wind Farms (310 MW).
- The transfer of 50% of the Mitchell Plant (780MW) to APCo has been denied by the VA SCC and may ultimately be transferred to AEP Generation Resources. However, a FERC approved PPA to cover Wheeling Power's 538MW load would limit the additional available capacity to AEP Generation Resources to 242MW if 50% of Mitchell is transferred to it and the APCo/Wheeling Power merger does not occur.



PJM RPM Capacity Auction

PJM RPM Pricing for RTO



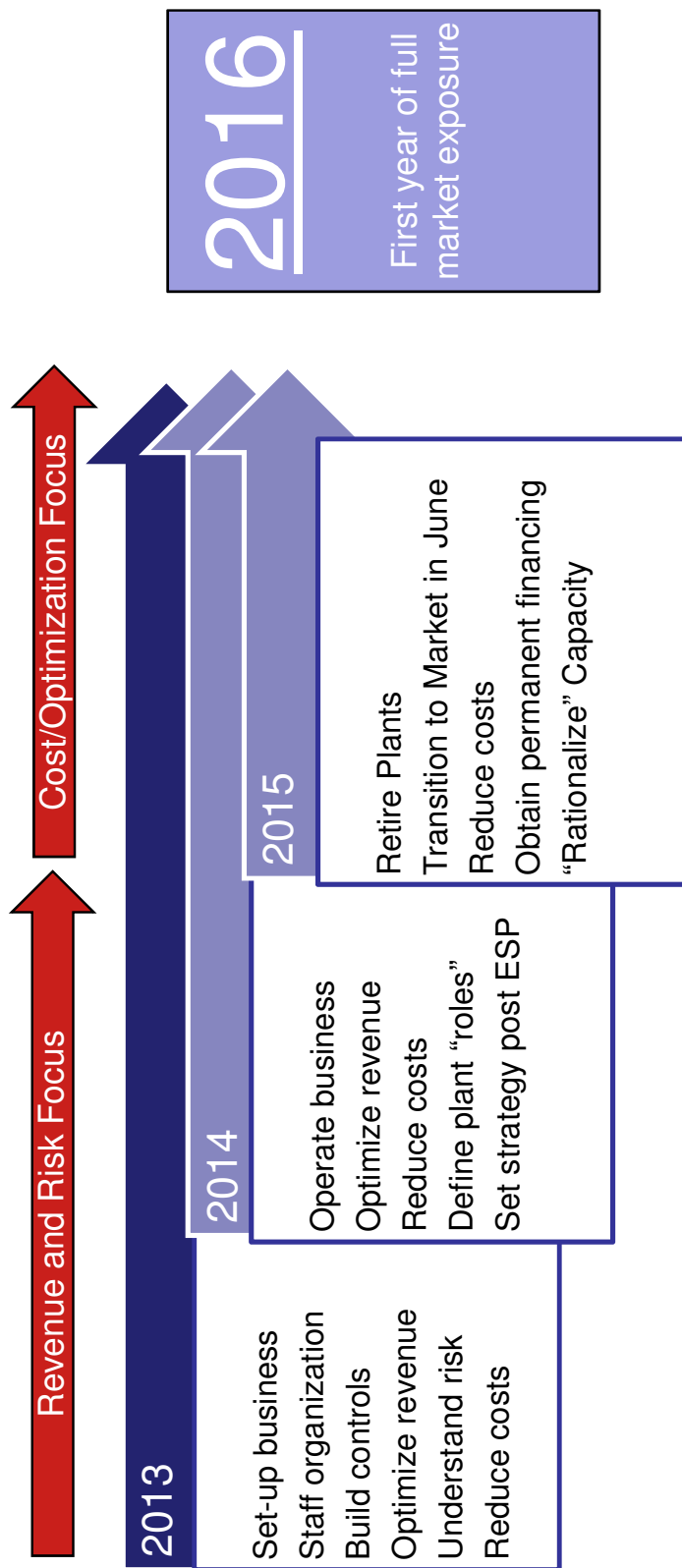
PJM Capacity Year (June - May)

Auction Drivers		
Impact on Auction	YoY (GW)	Outlook
New Generation ↓	+4.3	Challenging economics without spark spread recovery
Demand Response ↑	-2.4	Stricter compliance rules
Imports ↓	+3.6	New import limit. Significant transmission upgrades needed
Coal Retirements ↑	+4.5	Disciplined bidding. Significant un-cleared coal generation
Demand Growth ↔	Flat	Low/Moderate growth

Despite the decline in capacity prices, AEP Generation Resources is expected to be cash flow neutral in 2016. We have opportunities that can work to offset the decline in PJM RPM capacity prices which include: energy market expansion; "rationalization" of capacity; right-sizing of O&M costs; disciplined investment; finance/capitalization decisions, etc.



Strategic Timeline



Note: AEP's unregulated operations represent ~ 15% of total AEP net assets.



Appendix

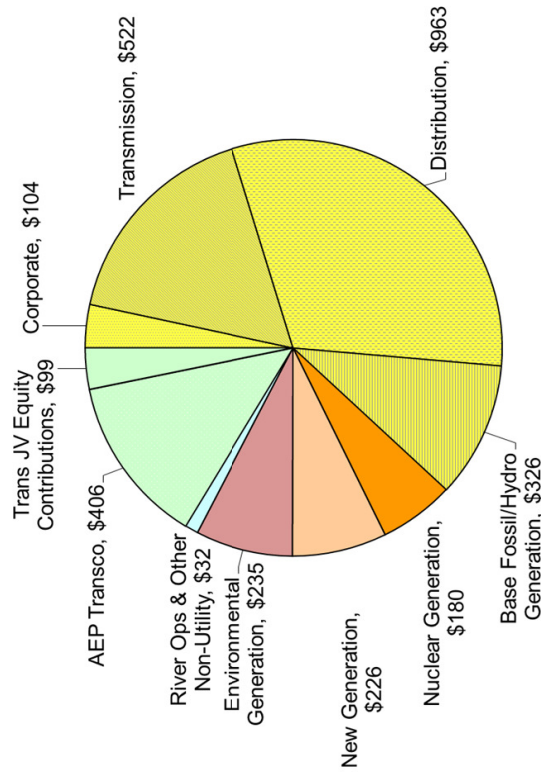
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2012 and 2013 Capital & Equity Contributions



2012A: \$3.1B

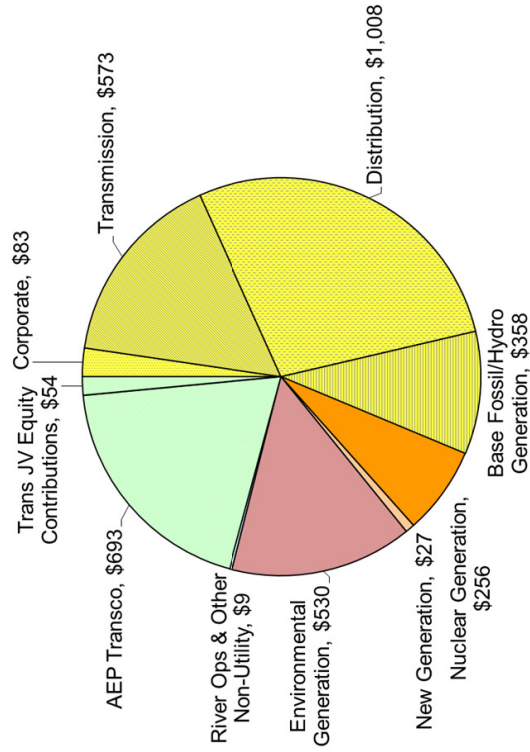
\$ in millions,
excluding AFUDC



- Transco/JV spend increased 48%
- Environmental spend increased 126%

2013E: \$3.6B

\$ in millions,
excluding AFUDC

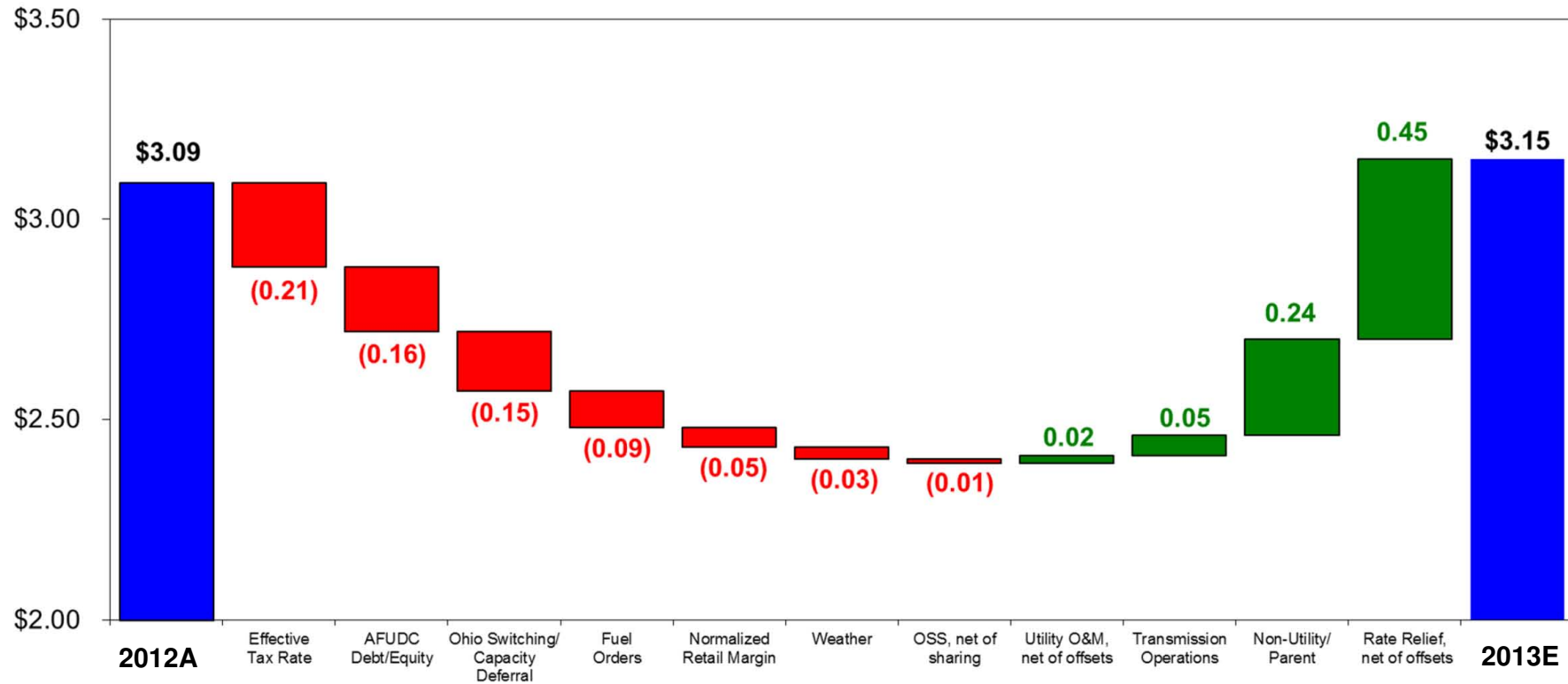


- Nuclear spend increased 42%
- New Generation spend decreased 88%

Incremental capital allocated to transmission and regulated utility investment opportunities

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2013 Operating Earnings Guidance



2013 Operating Earnings Guidance Range: \$3.05 - \$3.25 per share

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Detailed Operating Earnings Guidance



2012A: \$3.09

American Electric Power
Financial Results for 2012 Actual Vs 2013 Guidance

2013E: \$3.05 - \$3.25

	Performance Driver	2012 Actual (\$ millions)	Performance Driver	2013 Guidance (\$ millions)
UTILITY OPERATIONS:				
Gross Margin:				
1	East Regulated Integrated Utilities	65,819 GWh	66,842 GWh	3,116
2	Ohio Companies	50,294 GWh	48,481 GWh	2,207
3	West Regulated Integrated Utilities	42,234 GWh	42,473 GWh	1,539
4	Texas Wires	29,039 GWh	28,785 GWh	659
5	Off-System Sales	324		311
6	Transmission Revenue - 3rd Party	500		595
7	Other Operating Revenue	506		552
8	Utility Gross Margin	8,815		8,979
9	Operations & Maintenance	(3,311)		(3,385)
10	Depreciation & Amortization	(1,734)		(1,694)
11	Taxes Other than Income Taxes	(827)		(855)
12	Interest Expense	(882)		(906)
13	Other Income & Deductions	139		62
14	Income Taxes	(683)		(787)
15	Utility Operations Operating Earnings	1,517		1,414
16	Transmission Operations Operating Earnings	44		67
NON-UTILITY OPERATIONS:				
17	AEP River Operations	15		35
18	Generation & Marketing	7		24
19	Parent & Other Operating Earnings	(86)		(5)
20	OPERATING EARNINGS	1,497		1,535

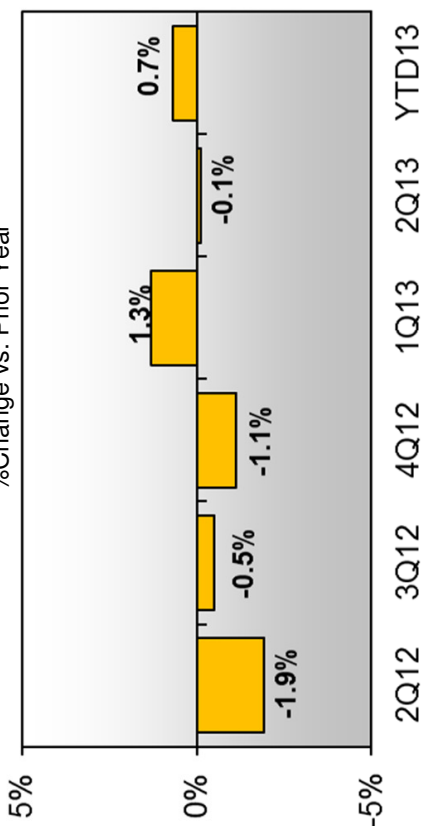
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Normalized Load Trends

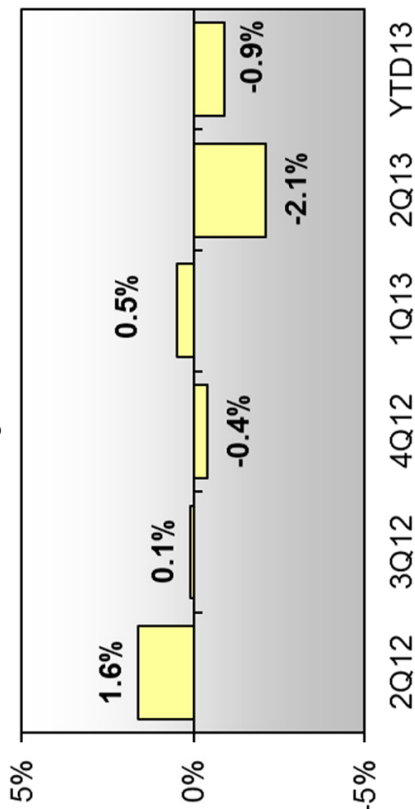
AEP Residential Normalized GWh Sales

%Change vs. Prior Year



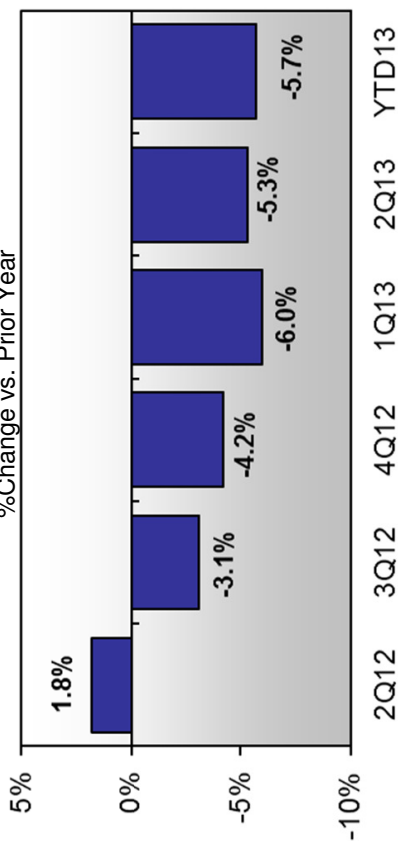
AEP Commercial Normalized GWh Sales

%Change vs. Prior Year



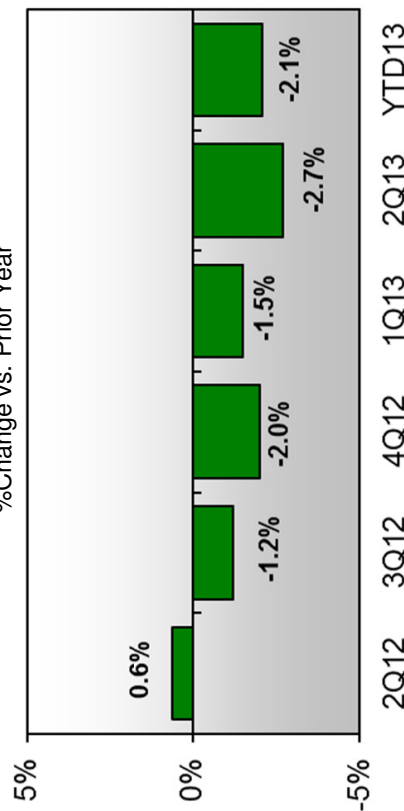
AEP Industrial Normalized GWh Sales

%Change vs. Prior Year



AEP Total Normalized GWh Sales

%Change vs. Prior Year



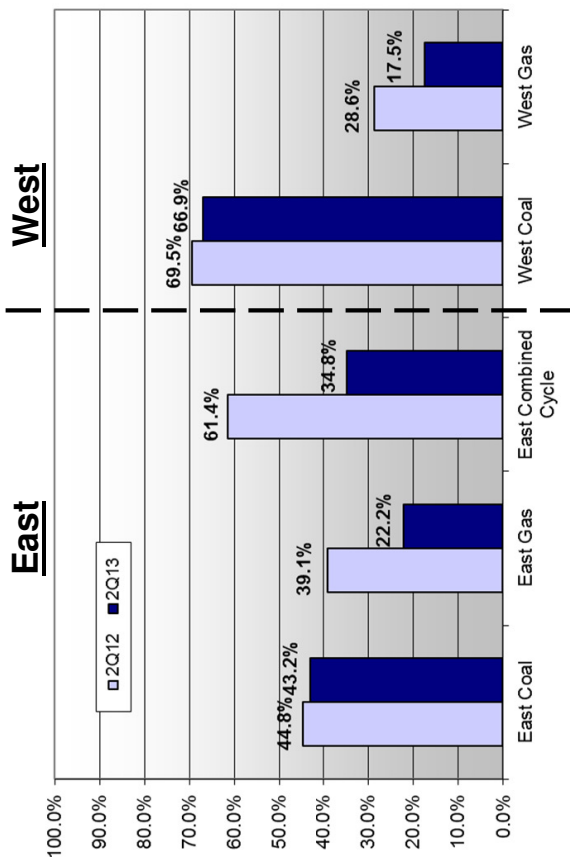
Note: Charts reflect connected load and exclude firm wholesale load & Buckeye Power backup load.

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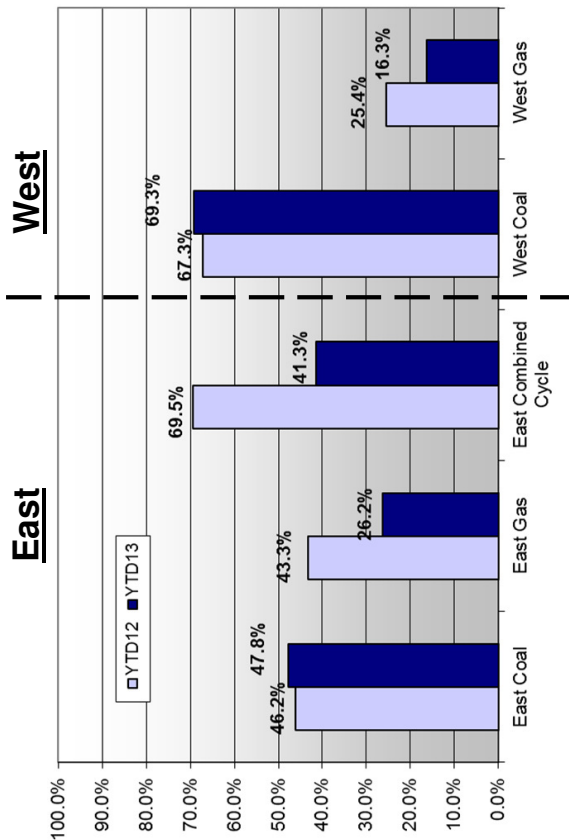


Gas to Coal Switching

2nd Quarter 2012 vs. 2013 Capacity Factor



YTD 2012 vs. 2013 Capacity Factor



- Overall generation from natural gas has decreased 37 percent year-to-date
- Overall generation from coal has increased 4 percent year-to-date
- 46 days system average coal inventory at June 30, 2013
- Coal approximately 94% hedged for 2013 and 68% hedged for 2014

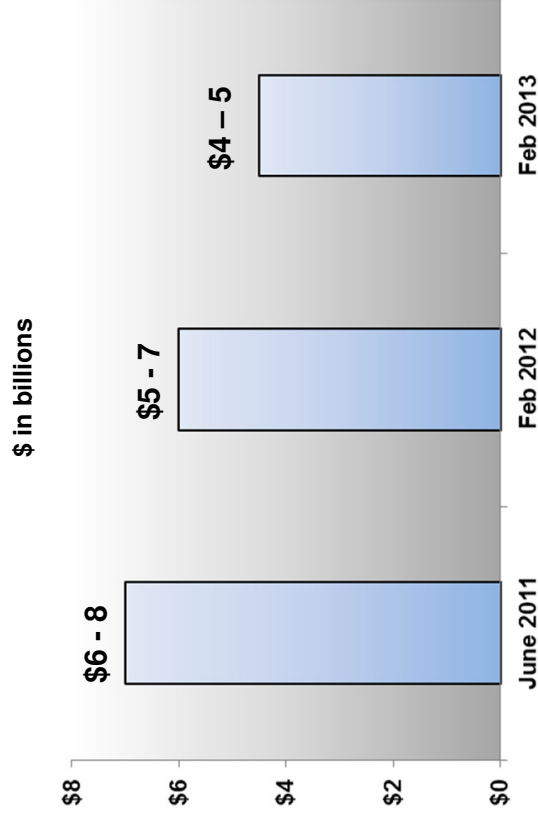
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Fleet Transformation



- ❑ 60% of our current fleet capacity comes from coal generation
- ❑ Anticipated coal capacity of 46% of the fleet by 2020
- ❑ Estimated capital spend of \$4 - \$5 billion between now and 2020 to make these remaining coal plants compliant with current and proposed EPA regulations, including MATS, coal combustion residuals and 316(b) and effluent guidelines
- ❑ Diligence in finding the lowest cost and low risk compliance options have resulted in more retirements, lower cost retrofits and reduced capital expenditures

Environmental Transition Capital Plan 2012-2020



Generation fleet will move to a more balanced portfolio while controlling costs, complying with environmental rules and benefitting our customers

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MATS Environmental Investments & Retirements



Potential Environmental Investments

Operating Company	Plant	MW	Potential Type of retrofit
AEP Ohio ⁽¹⁾	Conesville 5 & 6	800	ACI
	Gavin 1 & 2	2,640	ACI
APCO	Clinch River 1 ^(2,3)	242	Refuel with Natural Gas
	Clinch River 2 ^(2,3)	242	Refuel with Natural Gas
I&M	Tanners Creek 4 ⁽⁴⁾	482	Refuel with Natural Gas
	Rockport ⁽⁵⁾	2,620	DSI, SCR
KPCO	Big Sandy 1 ⁽⁶⁾	278	Refuel with Natural Gas
PSO	Oklauion	101	FGD upgrade, ACI
	Northeastern 3	470	ACI, DSI, Baghouse
SWEPCO	Welsh 1	528	ACI, DSI, Baghouse
	Welsh 3	528	ACI, DSI, Baghouse
	Pirkey	580	ACI
	Dolet Hills	262	ACI, Baghouse
	Flint Creek	264	FGD, ACI
TNC	Oklauion	377	FGD upgrade, ACI
	Grand Total MW	10,414	

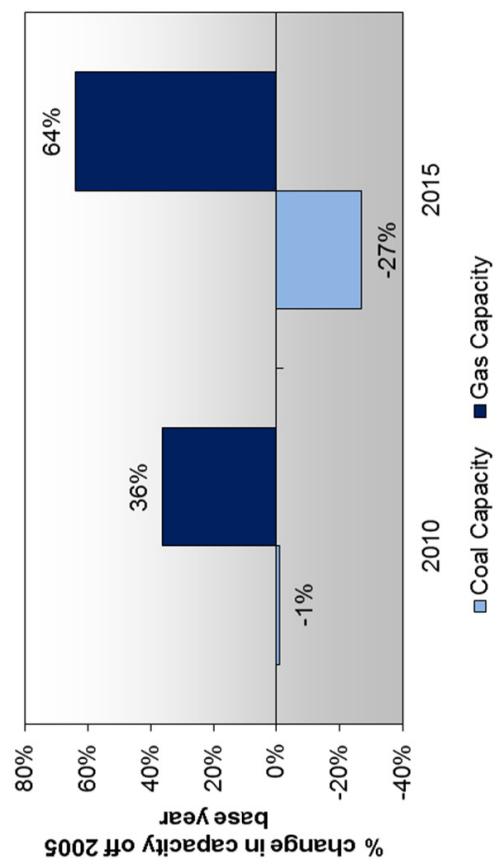
(1) Assumes investment is able to clear the market
 (2) Existing Coal Plant 235MW
 (3) Case on file, subject to regulatory and other approvals
 (4) Existing Coal Plant 500MW
 (5) Pending approval of settlement on file with IURC
 (6) Pending approval of settlement on file with KPSC
 ACI – Activated Carbon Injection
 DSI – Dry Sorbent Injection
 FGD – Flue Gas Desulfurization
 SCR – Selective Catalytic Reduction

Projected Plant Retirements through 2016

Operating Company	Plant	MW	Expected Retirement
AEP Ohio	Muskingum River 1-5	1,425	2015
	Picway 5	100	2015
	Sporn 2-4	300	2015
	Kammer 1-3	630	2015
	Beckjord	53	2015
	Total MW	2,508	
APCO	Glen Lyn 5	95	2015
	Glen Lyn 6	240	2015
	Clinch River 3	235	2015
	Sporn 1	150	2015
	Sporn 3	150	2015
	Kanawha River 1	200	2015
	Kanawha River 2	200	2015
	Total MW	1,270	
I&M	Tanners Creek 1	145	2015
	Tanners Creek 2	145	2015
	Tanners Creek 3	205	2015
	Total MW	495	
KPCO	Big Sandy 2	800	2015
	Total MW	800	
SWEPCO	Welsh 2	528	2014
	Total MW	528	
PSO	Northeastern 4	460	2016
	Total MW	460	
	Total Retirements =	6,061	

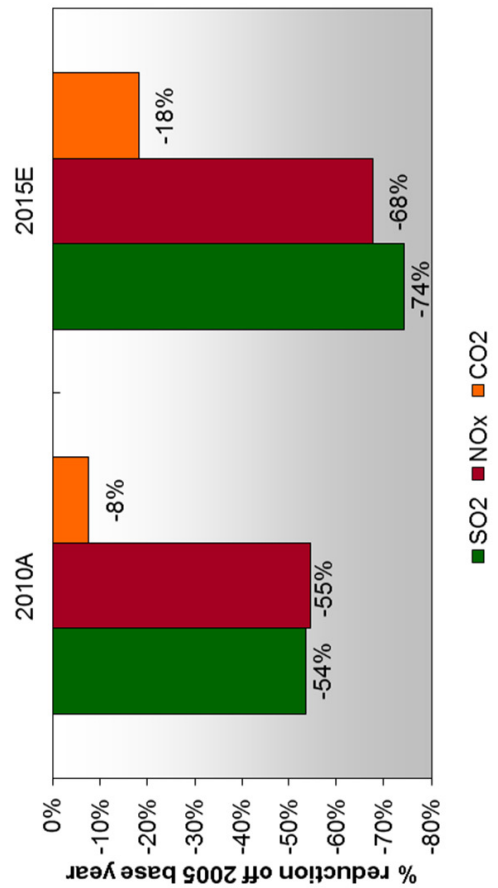
Capacity Mix Shift & Emissions Reductions

AEP Coal and Natural Gas Capacity



Existing regulations and market conditions drive a 64% increase in gas capacity and a 27% decrease in coal capacity by 2016

AEP Emissions Reductions



AEP fleet expected to meet President's 17% reduction target for CO₂ five years sooner and without additional regulation

AEP transforming fleet in response to regulation and market conditions

Transmission Outlook



2013 – 2015 Earnings Forecast Based on Approved Projects

Major Infrastructure Improvements				
	PJM	SPP	ERCOT	Total
New / Enhanced Stations	340	71	68	479
Transformation Capacity	17,900 MVA*	2,500 MVA	1,300 MVA	21,700 MVA
New Transmission Lines	260 miles	175 miles	1,350 miles	1,785 miles
Rebuilt Transmission Lines	2,675 miles	425 miles	775 miles	3,875 miles
Communication and Control	Rebuild or replace obsolete communication circuits and pilot wire protection, expand SCADA and add new equipment condition			

* MVA: Mega-Volt-Ampere

Post 2015 Investment Opportunities Drive Additional Future Earnings Growth

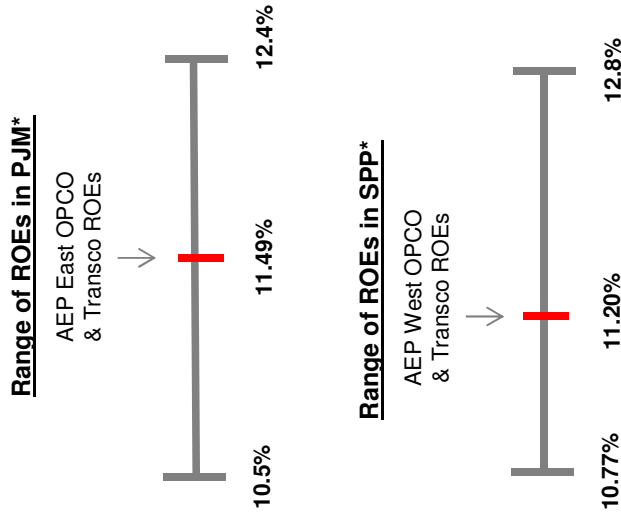


Transmission ROEs and Incentives



Actual Project ROEs are a Function of the Base ROE PLUS Applicable Project Incentives

- Transco & Operating Company ROEs are in the middle of the current range of ROEs in PJM and SPP



*includes 50 bps RTO adder

Project/Joint Venture	Requested Incentives (ROE adder)	Incentives Granted
Transource Missouri	100 bps for Sibley-Nebraska City 0 bps for Iatan-Nashua project 50 bps RTO adder for all projects	100 bps for Sibley-Nebraska City 0 bps for Iatan-Nashua project 50 bps RTO adder for all projects
RITELine	Overall risk adder of 200 bps	50 bps RTO adder 100 bps Risk Adder
Prairie Wind	150 bps Risk Adder 50 bps RTO adder	150 bps Risk Adder 50 bps RTO adder
Pioneer	150 bps Risk Adder 50 bps RTO adder	150 bps Risk Adder 50 bps RTO adder

AEP has a track record of prudently requesting and receiving incentives that are commensurate with the risk of each project



Transco Annual True-up Calculation

▶ Inclusive in each State Transco Annual Transmission Revenue Requirement (ATRR), is a true-up calculation to determine any (over) or under recovery of revenues

▶ As illustrated below, the true-up utilizes the following calculation:

Actual Prior Year Operating Expenses

+

Actual Prior Year Average Rate Base

x

WACC

-

Revenue Credits

-

Prior Year Revenues Billed

=

Prior Year (Over) / Under Recovery

+

Interest on Prior Year True-up

Note: True-up calculation as described above excludes true-up revenues that are collected / returned through RTO regional service. AEP Ohio Transco total true-up revenue in the 2013 ATRR was approximately \$6.5M including the RTO regionally allocated revenue.

Example: AEP Ohio Transco 2013 ATRR True-up

+	\$2.3M (Actual O&M expense)
+	\$2.3M (Actual D&A expense)
+	\$9.1M (Actual tax expense)

+	\$172.6M (Average plant in-service)
-	\$1.3M (Average Accumulated D&A)
-	\$36.7M (Average Deferred income taxes)
+	\$0.1M (Average Working Capital)
x	
•	8.41% (Actual WACC)

-	\$1.6M (Revenue Credits)
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-	\$18.4M (Prior year billed revenues)
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=	\$5.1M (True-up revenue amount)
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+	\$0.3M (Interest)
=	\$5.4M

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