

**JP Morgan Utility
Corporate Access Day**

**Boston, MA
March 24, 2011**



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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: the economic climate and growth in, or contraction within, our service territory and changes in market demand and demographic patterns, inflationary or deflationary interest rate trends, volatility in the financial markets, particularly developments affecting the availability of capital on reasonable terms and developments impairing our ability to finance new capital projects and refinance existing debt at attractive rates, the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material, electric load, customer growth and the impact of retail competition, particularly in Ohio, weather conditions, including storms, and our ability to recover significant storm restoration costs through applicable rate mechanisms, available sources and costs of, and transportation for, fuels and the creditworthiness and performance of fuel suppliers and transporters, availability of necessary generating capacity and the performance of our generating plants, our ability to resolve I&M's Donald C. Cook Nuclear Plant Unit 1 restoration and outage-related issues through warranty, insurance and the regulatory process, our ability to recover regulatory assets and stranded costs in connection with deregulation, our ability to recover increases in fuel and other energy costs through regulated or competitive electric rates, our ability to build or acquire generating capacity, including the Turk Plant, and transmission line facilities (including our ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms and to recover those costs (including the costs of projects that are cancelled) through applicable rate cases or competitive rates, new legislation, litigation and government regulation including oversight of energy commodity trading and new or heightened requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances or additional regulation of fly ash and similar combustion products that could impact the continued operation and cost recovery of our plants, 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, our ability to constrain operation and maintenance costs, our ability to develop and execute a strategy based on a view regarding prices of electricity, natural gas and other energy-related commodities, changes in the creditworthiness of the counterparties with whom we have contractual arrangements, including participants in the energy trading market, actions of rating agencies, including changes in the ratings of debt, volatility and changes in markets for electricity, natural gas, coal, nuclear fuel and other energy-related commodities, changes in utility regulation, including the implementation of ESPs and related regulation in Ohio and the allocation of costs within regional transmission organizations, including PJM and SPP, accounting pronouncements periodically issued by accounting standard-setting bodies, the impact of volatility in the capital markets on the value of the investments held by our pension, other postretirement benefit plans and nuclear decommissioning trust and the impact on future funding requirements, prices and demand for power that we generate and sell at wholesale, changes in technology, particularly with respect to new, developing or alternative sources of generation, other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes, cyber security threats and other catastrophic events and our ability to recover through rates or prices any remaining unrecovered investment in generating units that may be retired before the end of their previously projected useful lives.

Investor Relations Contacts

Chuck Zebula
Treasurer
SVP Investor Relations
614-716-2800
cezebula@aep.com

Bette Jo Rozsa
Managing Director
Investor Relations
614-716-2840
bjrozsa@aep.com

Julie Sherwood
Director
Investor Relations
614-716-2663
jasherwood@aep.com

Sara Macioch
Analyst
Investor Relations
614-716-2835
semacioch@aep.com

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American Electric Power



- ❑ **Regulated Electric Utility**
 - Regulatory and economic diversity
 - Operating Company Model

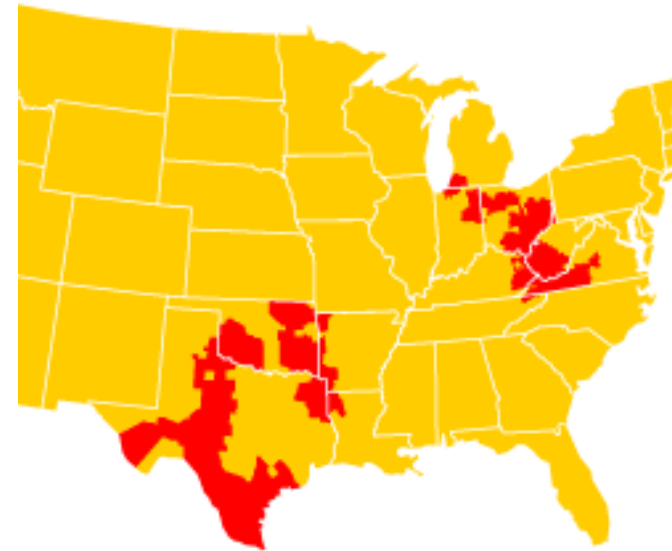
- ❑ **Focus on Capital Allocation**
 - Capital for Growth
 - Return of Capital to Shareholders
 - Pension Funding

- ❑ **Strong Balance Sheet**
 - Stable credit ratings
 - Capital plan supported by cash flow
 - Strong liquidity position

- ❑ **Growth Opportunities**
 - Capital for utility platform
 - Transmission projects

- ❑ **Dividend yield over 5%**

***Serving electric customers in
11 states***



AEP Fast Facts

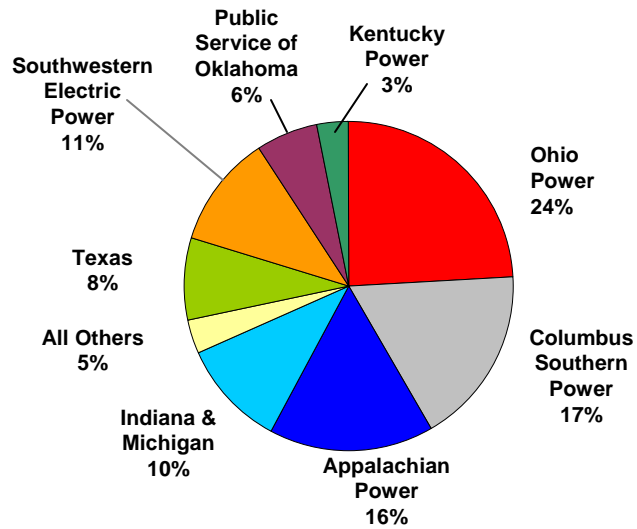
5.3 million customers
39 GW of generation capacity
39,000 miles of transmission lines

\$16.5B Market Capitalization
BBB/Baa2/BBB credit rating

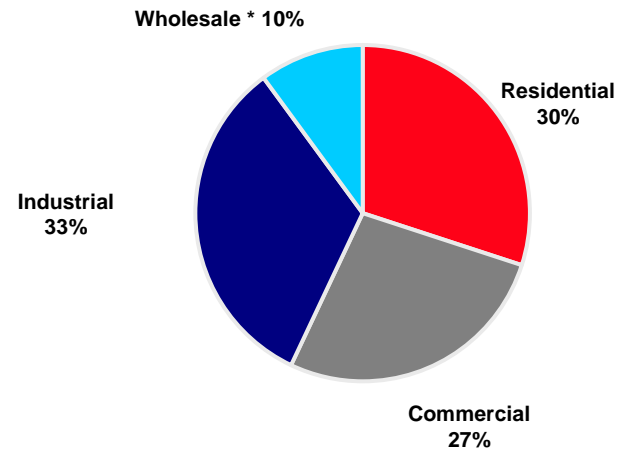
Highly Diversified Regulated Utility Platform



2010 On-Going Earnings Contribution



2010 Retail Load



* Wholesale includes sales to municipal and cooperative power systems, other wholesale, and other retail sales

| <u>Region</u> | <u># of customers</u> |
|------------------------------|-----------------------|
| Appalachian Power (incl. TN) | 1,004,000 |
| Indiana & Michigan | 582,000 |
| Kentucky Power | 174,000 |
| Ohio & Wheeling | 1,497,000 |
| PSO (Oklahoma) | 532,000 |
| SWEPCO (AR, LA, TX) | 520,000 |
| Texas | 961,000 |

Transmission Investment Strategy



- ❑ **Near-Term Investment** – Electric Transmission Texas (ETT) secures near term investment opportunities, allowing AEP to invest in the large, growth-oriented Texas transmission market. Total project cost of \$3 billion with a 9.96% ROE.
- ❑ **Mid-Term Investment** – Seven wholly-owned transcos allow for expansion and growth within AEP’s existing utility footprint through an efficient recovery mechanism. Will spend \$160 million in 2011 and more than \$350 million in 2012. Expected ROE is in the 11.20%-11.49% range.
- ❑ **Long-Term Investment** – Joint ventures provide opportunities for longer-term growth outside of AEP’s existing utility footprint with forward looking formula rates, higher ROEs and FERC incentives, and mitigated risk profiles.

Transmission has a diversified investment approach that positions it as one of the key AEP growth businesses.

Texas Transmission Growth Strategy : Near Term Investment



Ownership Structure: 50/50 (AEP/MidAmerican Energy Holding Company)

Total Project Cost: Over \$3 Billion

Growing Rate Base:

Current rate base is \$412 million; expected to grow as follows:

2011: \$473 million

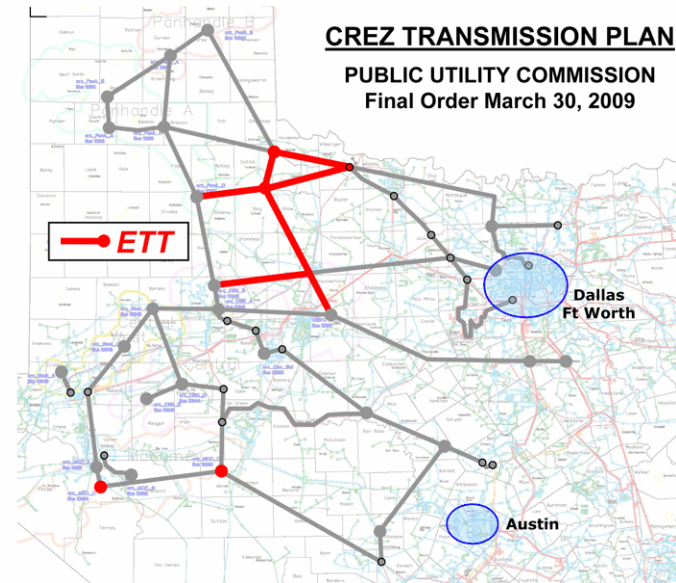
2012: \$778 million

2013: \$1,352 million



Interim TCOS filings twice per calendar year

Approved ROE: 9.96%



Additional Projects in the Pipeline ~\$1.6 B:

- Approximately 822 miles of lines and 28 substations with in-service dates through 2017

Assigned Competitive Renewable Energy Zone (CREZ) Projects ~\$1.1 B:

- Seven double-circuit 345kV transmission lines (~\$750 M), eight major 345kV stations and several series compensation installations (~\$350 M)
- PUCT Certificate of Convenience and Necessity (CCN) proceedings underway

Transco Update



Filing Status Update:

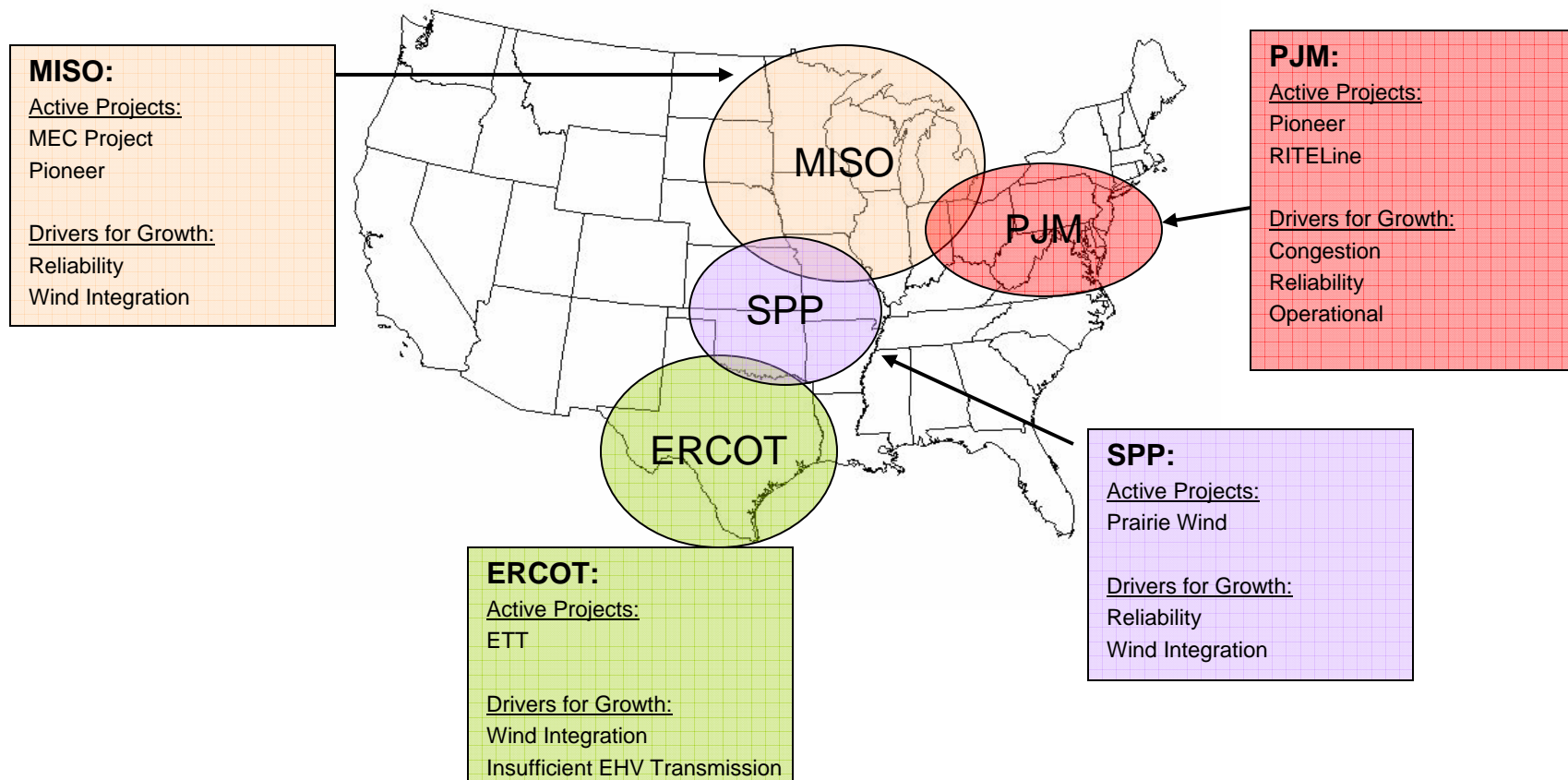
- ❑ **Ohio** (*filed and approved*) – PUCO approved the Ohio Transco December 29, 2010
- ❑ **West Virginia** (*filed*) – Procedural schedule is set, with company testimony filed January 6; Intervenor's testimony is due April 6 and rebuttal is due April 20; Hearings in June
- ❑ **Arkansas and Louisiana** – Filing date in Arkansas likely early 2011
- ❑ **Texas-SPP** – Expecting TX filing in mid 2011
- ❑ **Kentucky** – Filing made February 4, 2011; Informal conference with staff held March 2, 2011
- ❑ **Indiana** – Filing made March 1, 2011; Pre-hearing conference March 28, 2011
- ❑ **Virginia** (*withdrawn*) – Filing withdrawn to give additional time to resolve issues with Staff
- ❑ **Michigan and Oklahoma** – Do not require state filing

\$160M capital spend forecasted for 2011

Joint Venture Strategy: Long-term



- ❑ **Strategy:** JV's secure new investment opportunities with local utilities to diversify AEP's investment outside AEP's traditional footprint while providing longer-term incremental earnings. JV projects are well-suited for FERC formula rate recovery mechanism, including potential for incentive rates.
- ❑ **Future:** Federal/regional initiatives may accelerate expansion of EHV transmission (e.g. cap-and-trade, renewable portfolio standards, inter-region wide planning). Securing first mover advantage will enable AEP to secure LT investment opportunities.
- ❑ **Future flexibility:** Passive investment opportunities can be considered and can provide entry beyond SPP/PJM/ERCOT



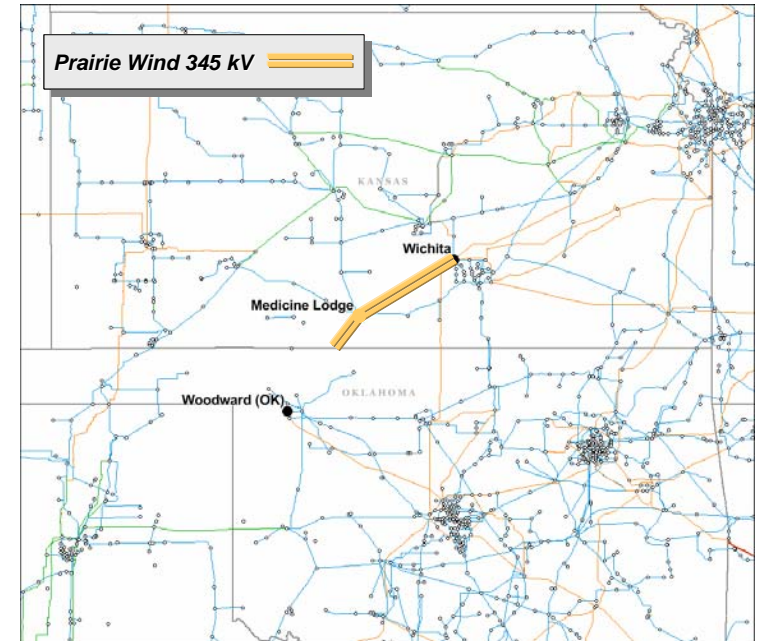
Prairie Wind Transmission, LLC



Project Description: 110 miles of EHV transmission lines extending from Wichita, KS to the KS/OK border

Overview:

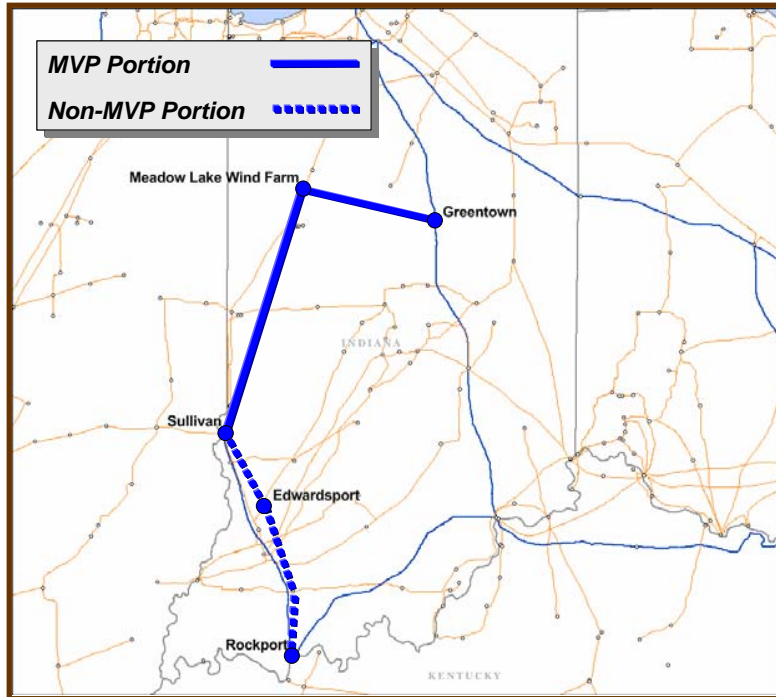
- ❑ The project will provide enhanced electricity transport in Kansas and support expansion of renewable electricity generation in the region
- ❑ The project is expected to cost \$225 million and be in-service by 2013-2014
- ❑ AEP's ownership of the joint venture is 25%
- ❑ FERC order received in December 2008:
 - ❑ Cash return on CWIP and 12.8% incentive ROE
 - ❑ Recovery of all costs incurred prior to the time rates go into effect
 - ❑ Recovery of all prudently incurred development and construction costs if the project is abandoned
- ❑ Project was approved as SPP Priority Project in April 2010
 - ❑ Notice To Construct was issued to Westar July 2010. Currently working on a novation of the NTC to Prairie Wind. As a Transmission Owner, Prairie Wind will be entitled to collect revenue upon the novation of the Notice to Construct.
 - ❑ Currently approved at 345 kV.
 - ❑ Siting permit application filed in February 2011.



The ROW routes shown on this diagram are for illustrative purposes only and may not depict the actual route that could eventually be selected. The substation locations may also be modified.



Pioneer



MVP = Multi-Value Project; projects that MISO has identified as supporting a public policy requirement or addressing reliability and/or multiple economic issues in multiple transmission zones. The costs of these projects will be allocated across the entire RTO.

Ownership Structure: 50/50 (AEP/Duke)

Total Project Cost: Up to \$1 Billion

Approved ROE: 12.54%

Line Miles: Up to 240

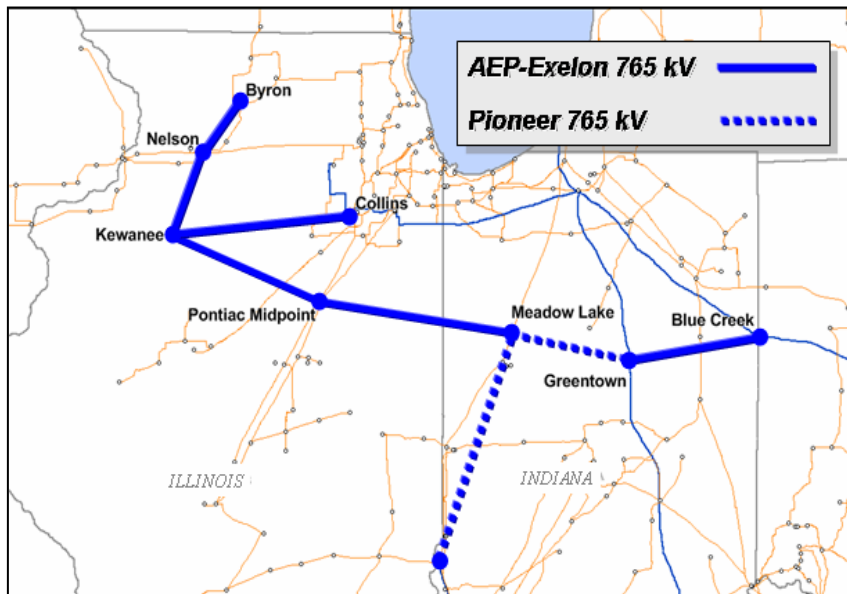
In-Service Date: 2016 (Estimate)

Greatest Risk: RTO Approval & cost allocation between PJM and MISO

RITELine Project



- ❑ AEP, ETA and Exelon Corporation executed a Memorandum of Understanding on October 26, 2010 for the development of the Reliability Interregional Transmission Extension Line (“RITELine”) project



The ROW routes shown on this diagram are for illustrative purposes only and may not depict the actual route that could eventually be selected. The substation locations may also be modified.

- ❑ Estimated Project Cost: \$1.6 billion

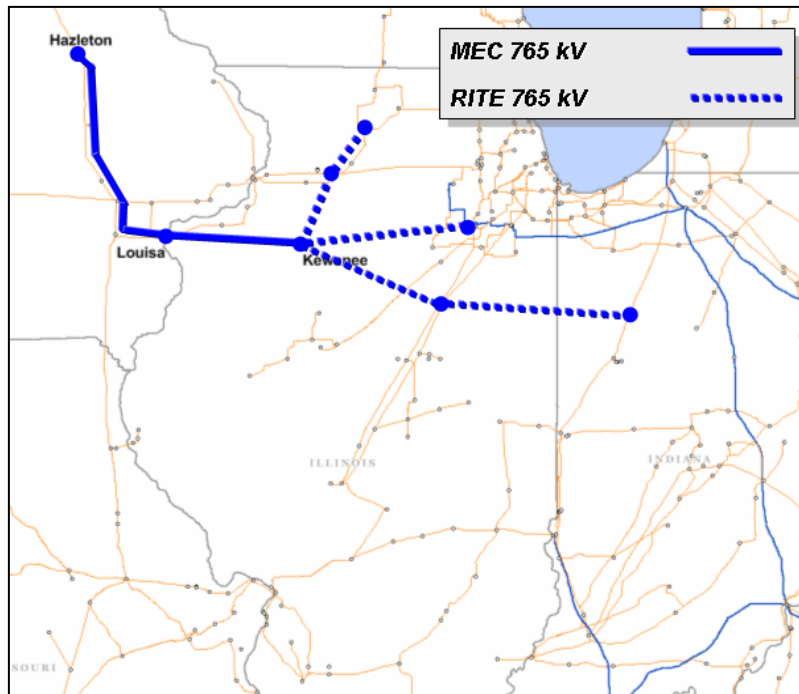
AEP = \$152 million
ETA = \$350 million
 \$175M AEP
 \$175M MEHC
Exelon = \$1.086 billion

- ❑ 765 kV transmission line (or a designated lower-voltage solution such as double-circuit 345 kV line)
- ❑ Extends approximately 420 miles from the Byron Substation in Illinois to the Blue Creek substation at the Ohio/Indiana border and from Kewanee to the Collins Substation in Illinois

MEC Project



- ❑ ETA and MidAmerican Energy Company executed a Memorandum of Understanding on October 28, 2010 for the development of the MEC project



- ❑ Estimated Project Cost: \$650 million

ETA = \$325 million
\$162.5M AEP
\$162.5M MEHC
MEC = \$325 million

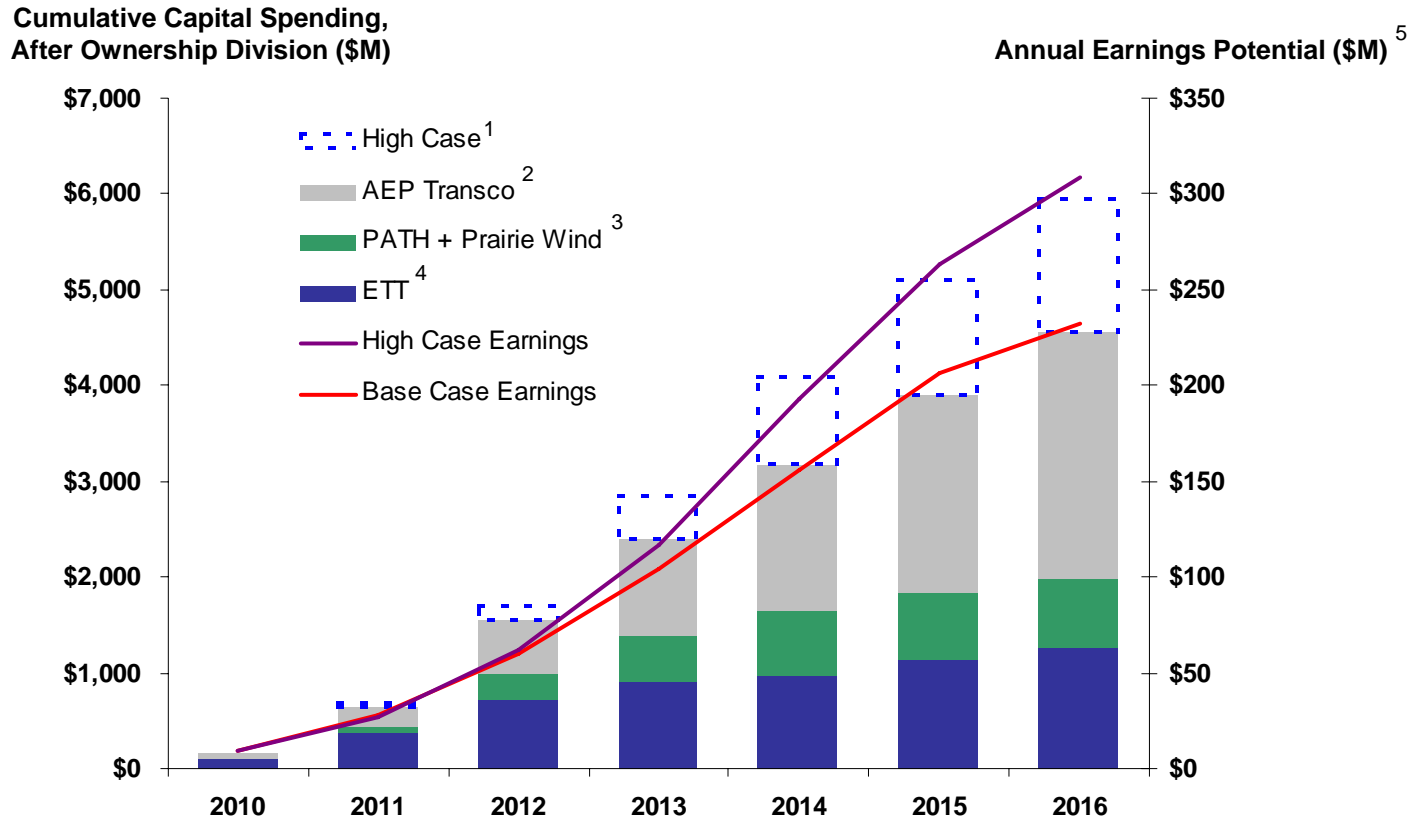
- ❑ 765 kV transmission line (or a designated lower-voltage solution such as double-circuit 345 kV)
- ❑ Extends approximately 180 miles from the Kewanee Substation in Illinois to the Louisa substation in Iowa and northwest to the Hazleton substation

The ROW routes shown on this diagram are for illustrative purposes only and may not depict the actual route that could eventually be selected. The substation locations may also be modified.

Transmission (Transco/JV's) – Capital/Earnings Profile



Transco and JV's have the potential to significantly add earnings growth to AEP.



¹ High Case includes: Pioneer (50% ownership), Prairie Wind at 765kV (25% ownership), Tallgrass at 765kV (25% ownership) and other future opportunities

² AEP Transco (100% ownership) includes spending in OH, MI & OK only through 2011 and in other jurisdictions for 2012 and beyond

³ PATH (50% ownership) assumes an in-service date of 2015 and Prairie Wind (25% ownership) assumed at 345kV

⁴ ETT (50% ownership) includes CREZ and additional projects

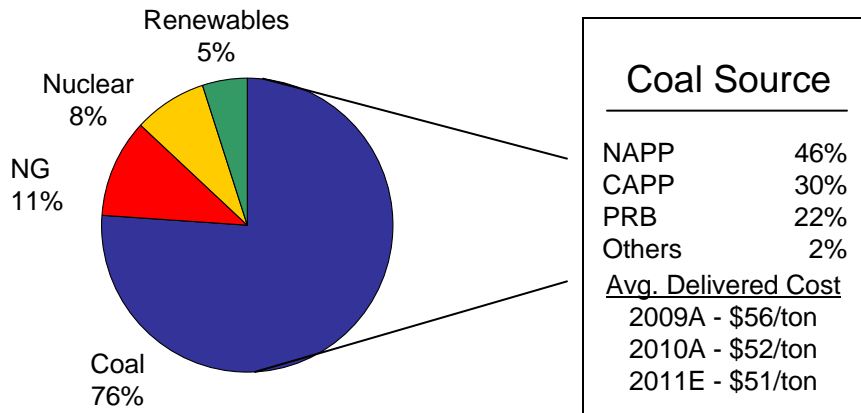
⁵ Projection of earnings potential at the transmission holding company level assuming 50/50 debt/equity capitalization and ROE of 12-13% for FERC projects; 60/40 debt/equity capitalization and 10.25% ROE (2011 forward) for ERCOT projects; and 50/50 debt/equity capitalization and ROE of 11.2-11.49% for Transco projects

AEP Generation Capacity



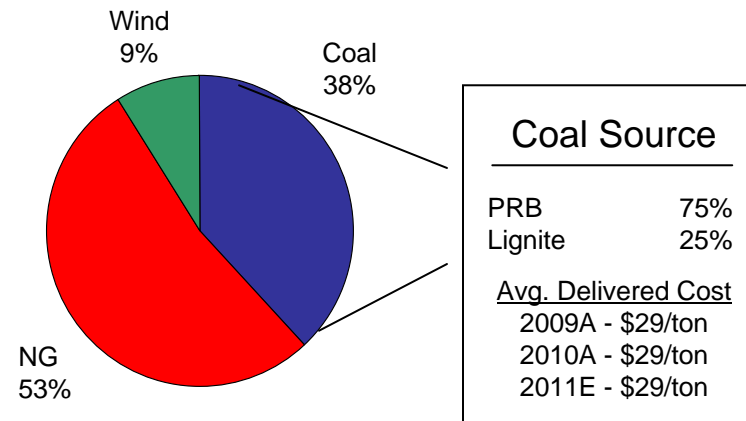
East Capacity – 27,253 MW

AEP Ohio, APCo, I&M, AEG, KPCo, Wind, Solar, Hydro

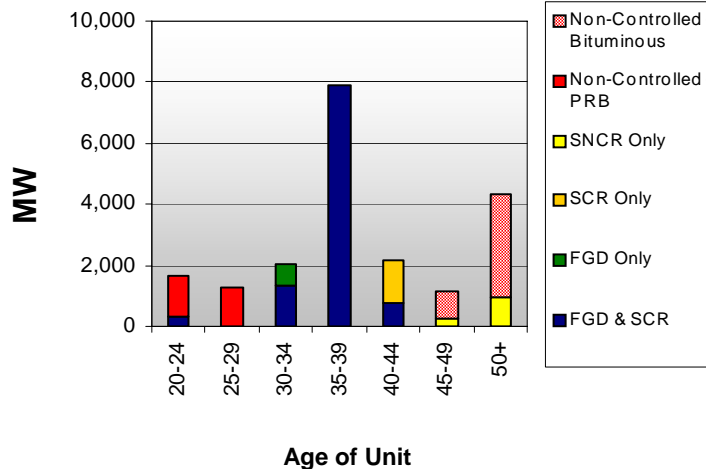


West Capacity – 11,677 MW

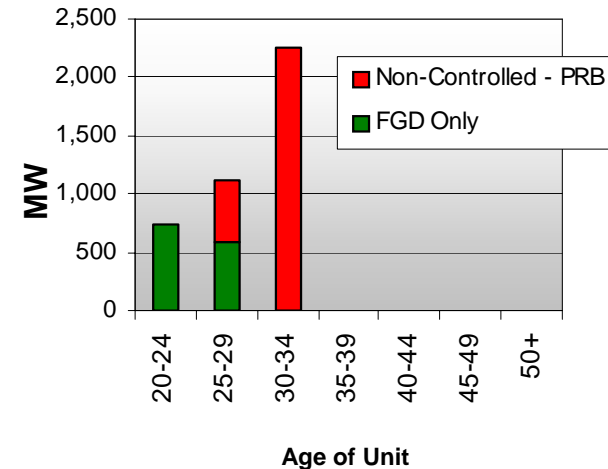
PSO, SWEPCO, TNC, Wind



Coal Unit Age & Installed Controls



Coal Unit Age & Installed Controls



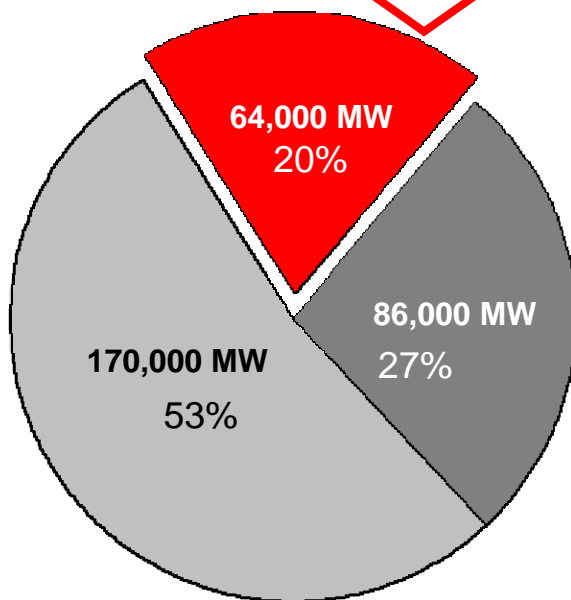
Continual Evaluation is Required



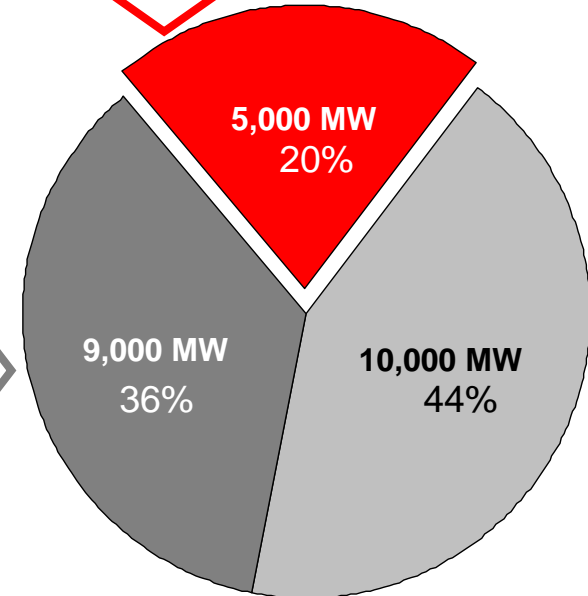
| | | |
|-----------------------------------|---|--|
| “Fully-Exposed” | “Partially-Exposed” | “Least-Exposed” |
| <i>Probable Retirement</i> | <i>Evaluating potential retirement</i> | <i>Not likely to be retired</i> |

CCS Candidates

Smaller, older, less-efficient coal units that will not be economic if retrofitted



US Coal



AEP Coal

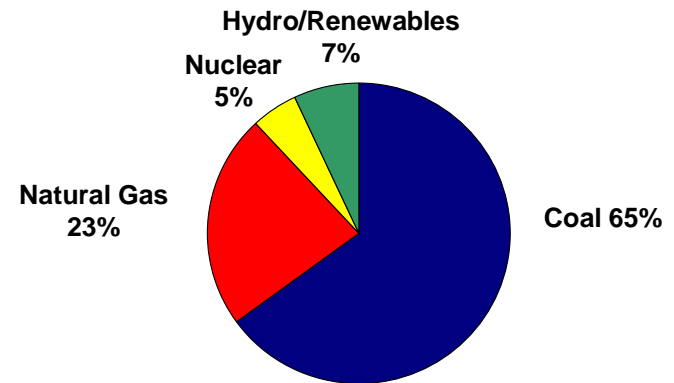
Newer and larger coal units that do not have SCR's and/or FGD's will be evaluated due to emerging environmental rulemaking and NSR requirements

Nearly 50% of U.S. coal plants are exposed

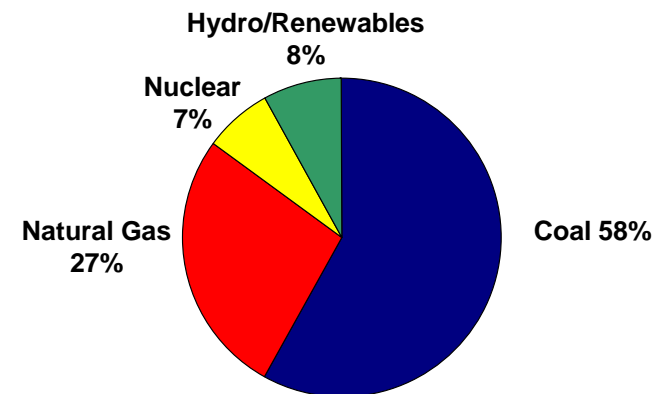
Continued Investment in Utility Platform



- ❑ Plan for old, small coal units
 - Initially operate seasonally
 - Transition towards retirement
 - Regulatory plan for recovery
- ❑ Continue evaluation of “partially exposed” units for additional controls
- ❑ Add non-coal capacity when needed
 - Dresden NGCC (under construction)
 - New NGCC at existing site
 - Cook plant uprate (under study)
 - Renewables
- ❑ Deploy technology as appropriate
 - Continue pursuit of CCS technology
 - Energy storage technologies
 - gridSMART®



Capacity - 2010

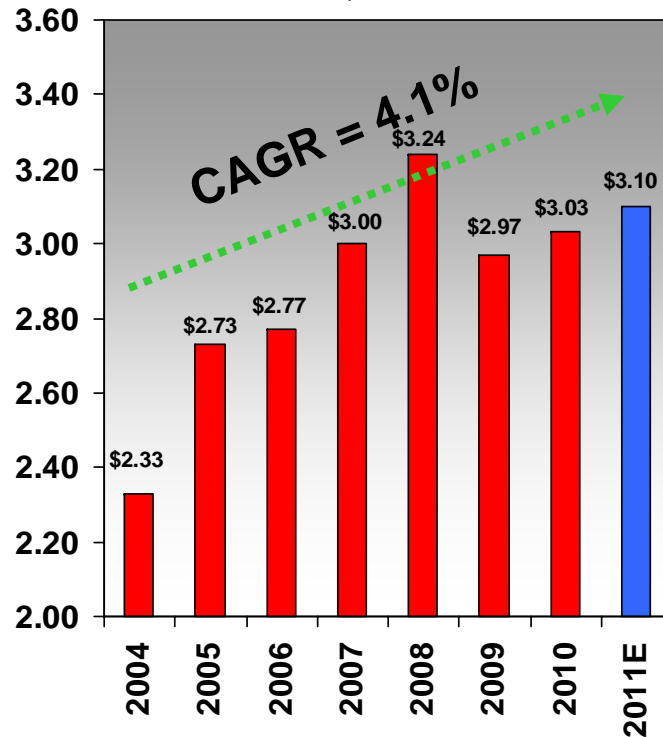


Projected Capacity - 2017

Earnings and Dividends

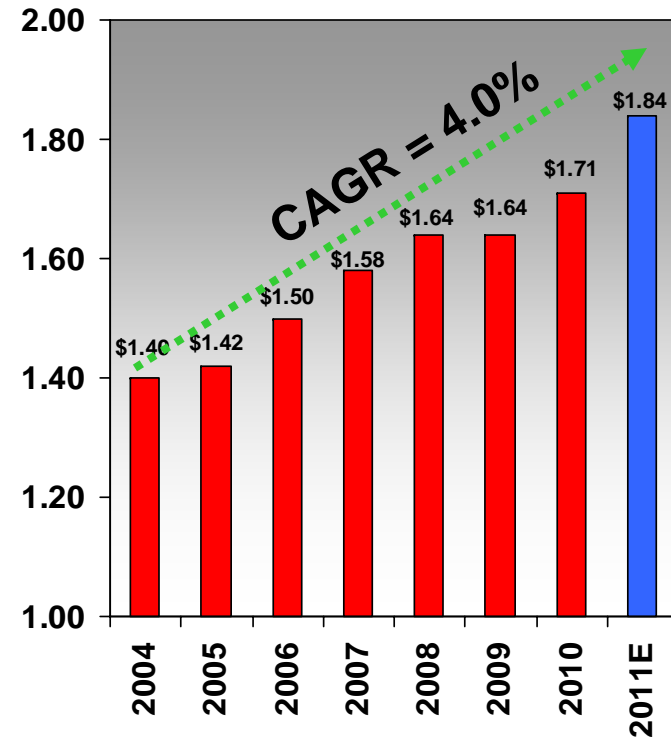


On-Going EPS History Since 2004
\$/share



- ❑ Earnings growth largely attributed to capital investment program
- ❑ Pre-recession earnings supported by robust wholesale market activity and high power prices
- ❑ Equity offering in 2009 stabilized credit and strengthened balance sheet
- ❑ 2011 guidance range of \$3.00 to \$3.20 per share

Dividend History Since 2004
\$/share



■ = subject to Board of Directors approval

- ❑ Quarterly dividend increased 12% in 2010
- ❑ 403rd consecutive quarterly dividend paid March 10, 2011
- ❑ 50-60% payout ratio target
- ❑ Current yield over 5%

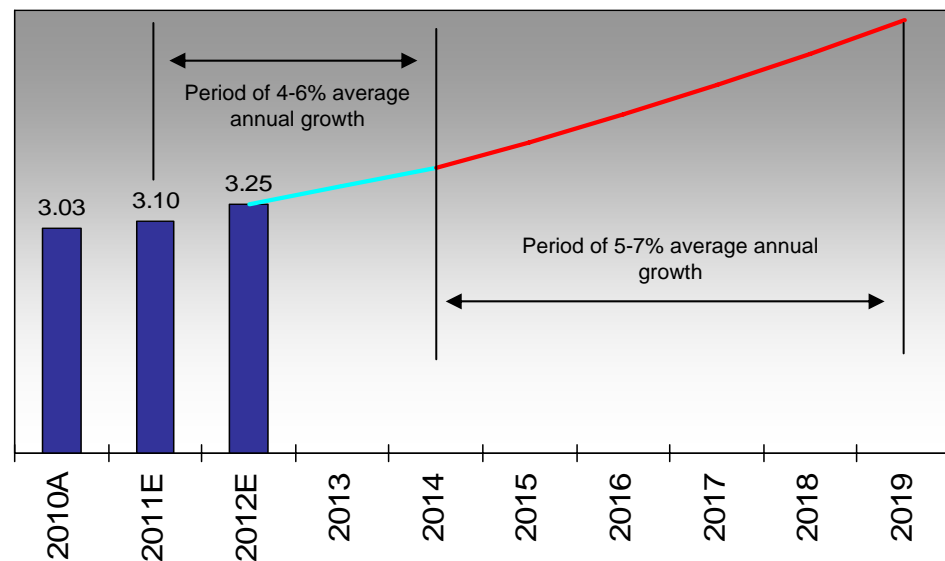
Long-term EPS Growth Rate



- ❑ 4-6% EPS growth 2012-14
 - Average annual capital spend between \$2.9-3.4B
 - Utility platform replacement capital of about \$1.4B (annual depreciation)
 - Growth in rate base of \$1.5-2.0B per year, allocated between utility platform and transmission projects
 - Average ROE of 10.5 - 11%
 - Slow, steady recovery in economy

- ❑ 5-7% EPS growth post 2014
 - Base utility platform capital including generation transformation
 - Higher allocation of discretionary capital going to opportunities in the transmission development pipeline
 - Higher overall blended ROE opportunity
 - Robust economic growth

Average Annual EPS Growth defined over two periods



Detailed Ongoing Earnings Guidance



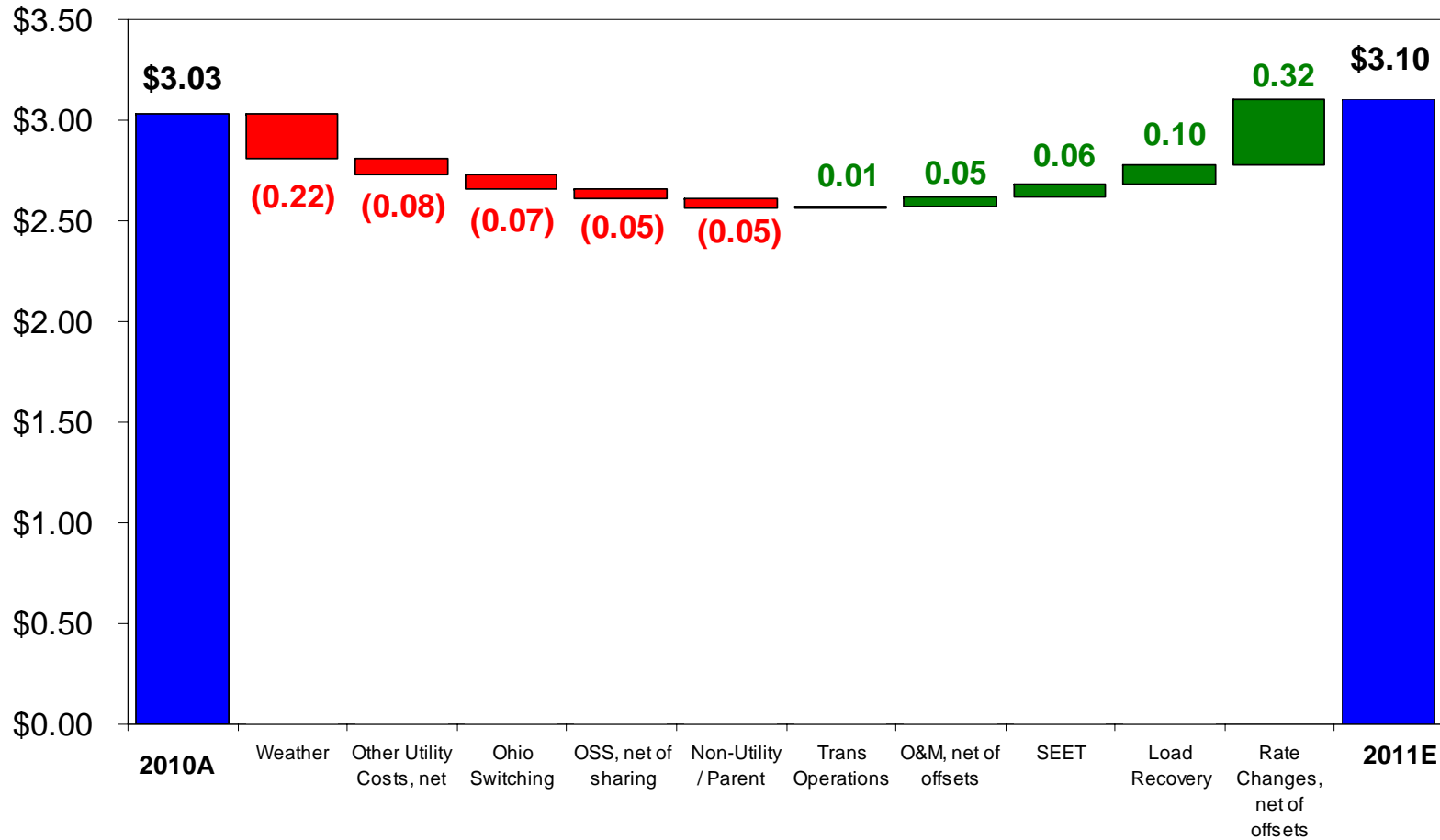
2010A: \$3.03

2011E: \$3.00 - \$3.20

American Electric Power
Financial Results for 2011 Guidance vs 2010 Actual

| | Performance Driver | 2010 Actual (\$ millions) | Performance Driver | 2011 Guidance (\$ millions) |
|--------------------------------|---|------------------------------------|------------------------------------|-----------------------------------|
| UTILITY OPERATIONS: | | | | |
| Gross Margin: | | | | |
| 1 | East Regulated Integrated Utilities | 68,761 GWh @ \$ 41.9 /MWhr = 2,882 | 67,739 GWh @ \$ 43.4 /MWhr = 2,940 | 2,940 |
| 2 | Ohio Companies | 49,465 GWh @ \$ 56.6 /MWhr = 2,800 | 49,747 GWh @ \$ 56.1 /MWhr = 2,793 | 2,793 |
| 3 | West Regulated Integrated Utilities | 42,131 GWh @ \$ 31.4 /MWhr = 1,322 | 41,536 GWh @ \$ 32.8 /MWhr = 1,361 | 1,361 |
| 4 | Texas Wires | 27,348 GWh @ \$ 22.3 /MWhr = 611 | 27,870 GWh @ \$ 22.0 /MWhr = 614 | 614 |
| 5 | Off-System Sales | 19,172 GWh @ \$ 15.6 /MWhr = 299 | 21,786 GWh @ \$ 12.0 /MWhr = 262 | 262 |
| 6 | Transmission Revenue - 3rd Party | 369 | | 429 |
| 7 | Other Operating Revenue | 511 | | 481 |
| 8 | Utility Gross Margin | 8,794 | | 8,880 |
| 9 | Operations & Maintenance | (3,427) | | (3,529) |
| 10 | Depreciation & Amortization | (1,598) | | (1,553) |
| 11 | Taxes Other than Income Taxes | (801) | | (818) |
| 12 | Interest Exp & Preferred Dividend | (945) | | (921) |
| 13 | Other Income & Deductions | 154 | | 211 |
| 14 | Income Taxes | (758) | | (787) |
| 15 | Utility Operations On-Going Earnings | 1,419 | | 1,483 |
| 16 | Transmission Operations On-Going Earnings | 10 | | 17 |
| NON-UTILITY OPERATIONS: | | | | |
| 17 | AEP River Operations | 40 | | 51 |
| 18 | Generation & Marketing | 25 | | 6 |
| 19 | Parent & Other On-Going Earnings | (43) | | (61) |
| 20 | ON-GOING EARNINGS | 1,451 | | 1,496 |

2011 Earnings Drivers



- ❑ \$235M in rate changes (69% secured)
- ❑ Weather normalized load growth of 1.7%

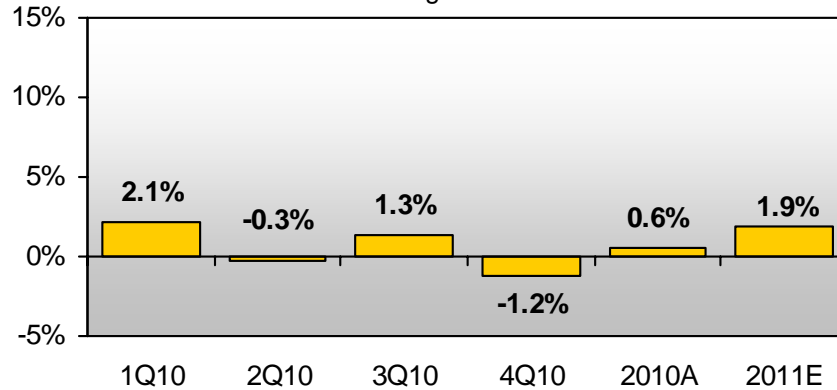
- ❑ Continued discipline in O&M
- ❑ Ohio switching assumptions (\$53M – 14% of CSP total load)

2011 Guidance Range: \$3.00 - \$3.20/share

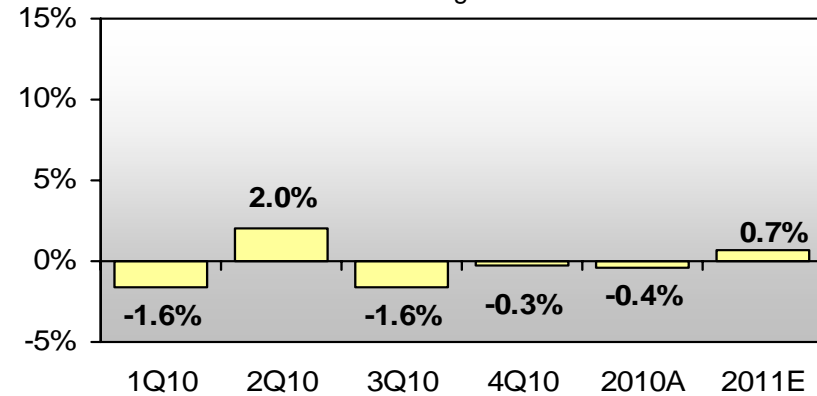
Normalized Load Trends



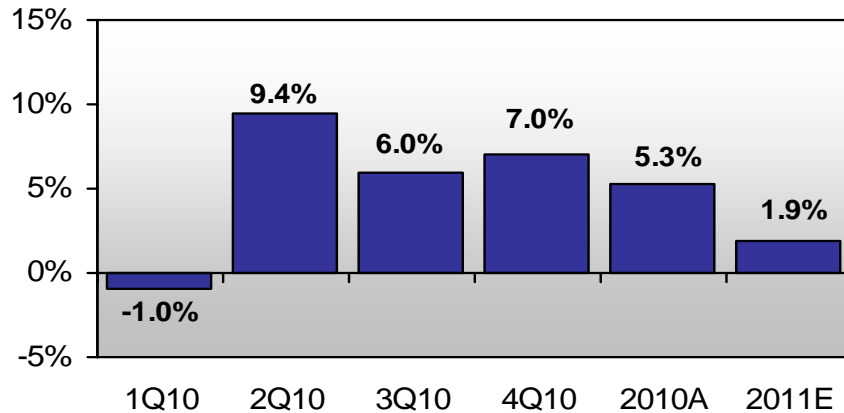
AEP Residential Normalized GWh Sales
%Change vs. Prior Year



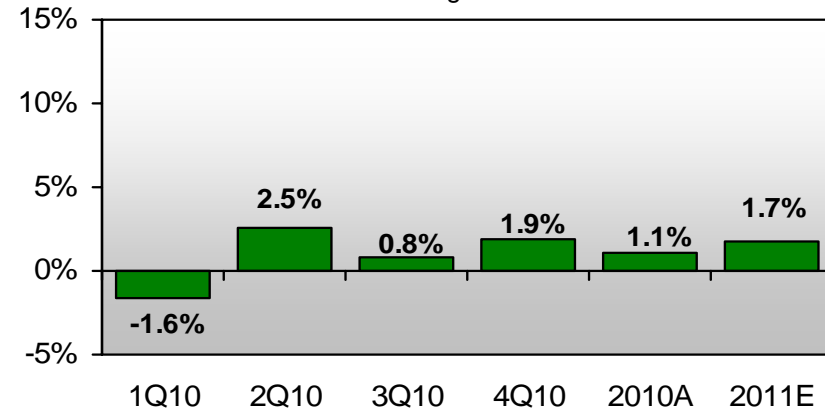
AEP Commercial Normalized GWh Sales
%Change vs. Prior Year



AEP Industrial Normalized GWh Sales
%Change vs. Prior Year



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



*includes firm wholesale load

Note: Chart represents connected load

Cash Flow Guidance

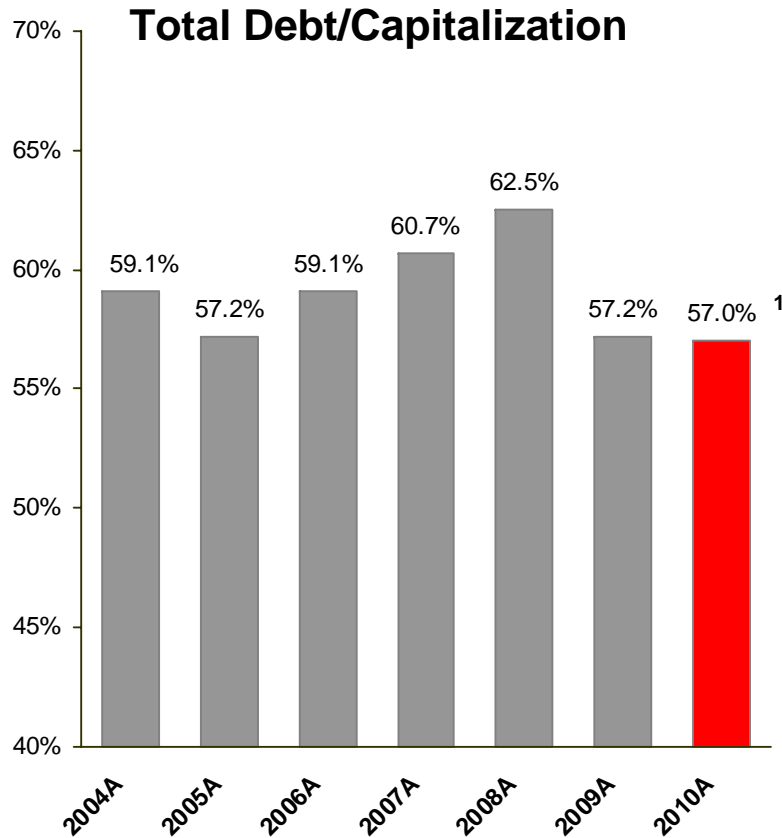


| | \$ in millions | |
|--|--------------------------|--------------------------|
| | <u>2010A</u> | <u>2011E</u> |
| Cash From Operations | | |
| Income from Continuing Operations | \$ 1,218 | \$ 1,499 |
| Depreciation & Amortization | 1,641 | 1,611 |
| Pension Funding | (500) | (150) |
| Other Cash Flow Items | 659 | 834 |
| Litigation Resolution ¹ | - | (449) |
| Working Capital ² | <u>279</u> | <u>7</u> |
| Cash From Operations | <u>\$ 3,297</u> | <u>\$ 3,352</u> |
| Investing Activities | | |
| Construction Expenditures | (2,318) | (2,644) |
| Other Investing Activity | <u>(184)</u> | <u>(205)</u> |
| Total Investing Activities | <u>\$ (2,502)</u> | <u>\$ (2,849)</u> |
| Financing Activities | | |
| Dividends | (824) | (892) |
| Net Debt Issued/(Retired) ¹ | (160) | 234 |
| Common Equity | 93 | 150 |
| Other Financing Activities | <u>(100)</u> | <u>(72)</u> |
| Total from Financing Activities | <u>\$ (991)</u> | <u>\$ (580)</u> |
| Beginning Cash Balance | \$ 490 | \$ 294 |
| Ending Cash Balance | \$ 294 | \$ 217 |

¹ Refer to the Enron Bankruptcy section of Footnote 6 in the December 31, 2010 10K for further discussion

² Pro forma to exclude effects of consolidation of AEP Credit (\$656M) in 2010

Capitalization & Liquidity



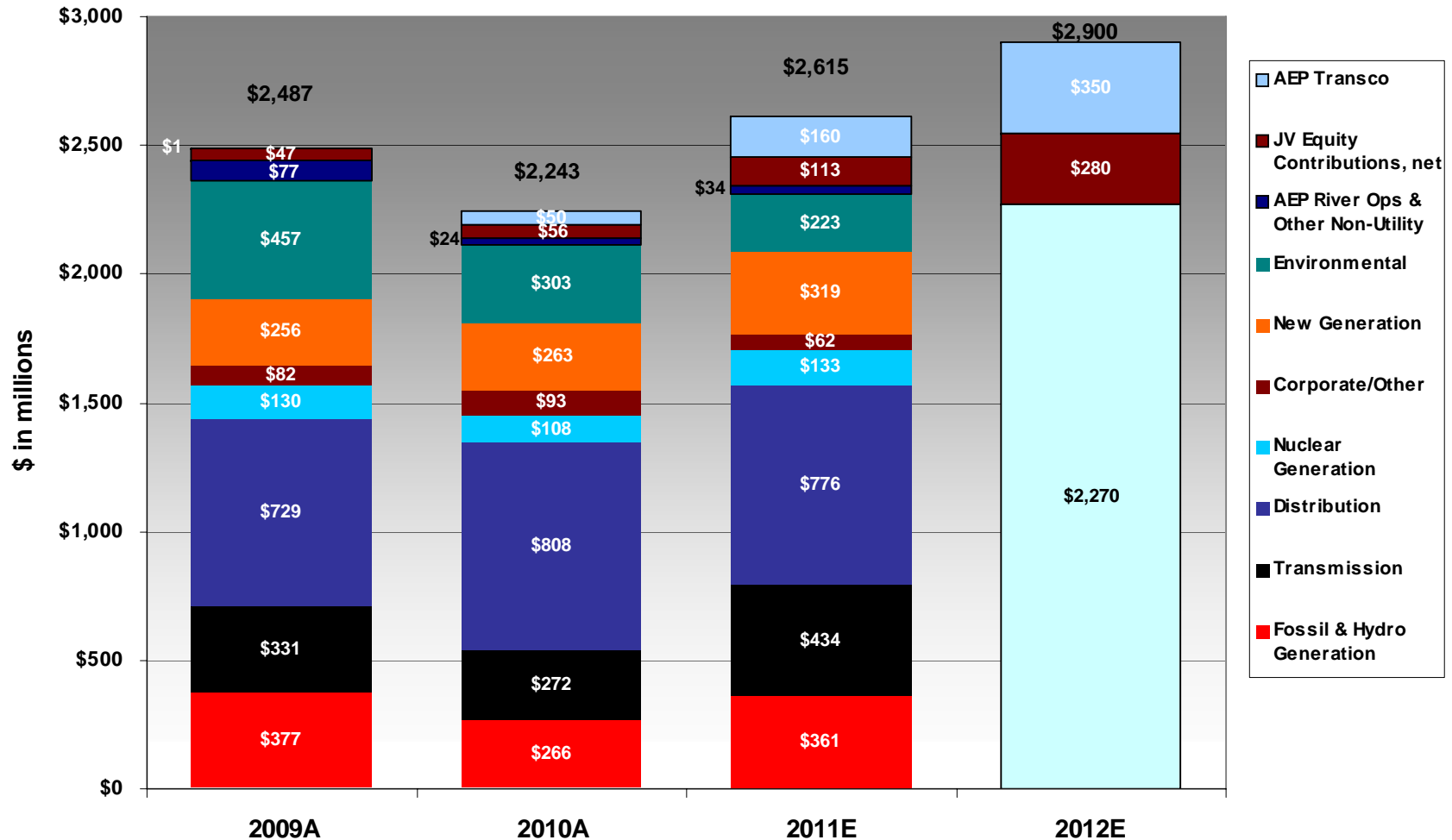
Current Liquidity Summary

| Liquidity Summary (unaudited) | Actual 12/31/10 | |
|------------------------------------|-----------------|----------|
| (\$ in millions) | Amount | Maturity |
| Revolving Credit Facility | \$1,500 | Jun-13 |
| Revolving Credit Facility | 1,454 | Apr-12 |
| Revolving Credit Facility | 478 | Apr-11 |
| Total Credit Facilities | 3,432 | |
| Plus | | |
| Cash & Cash Equivalents | 294 | |
| Less | | |
| Commercial Paper Outstanding | (650) | |
| Letters of Credit Issued | (124) | |
| Letters of Credit Issued for VRDNs | (477) | |
| Net Available Liquidity | \$2,475 | |

Note: Total Debt is calculated according to GAAP and includes securitized debt

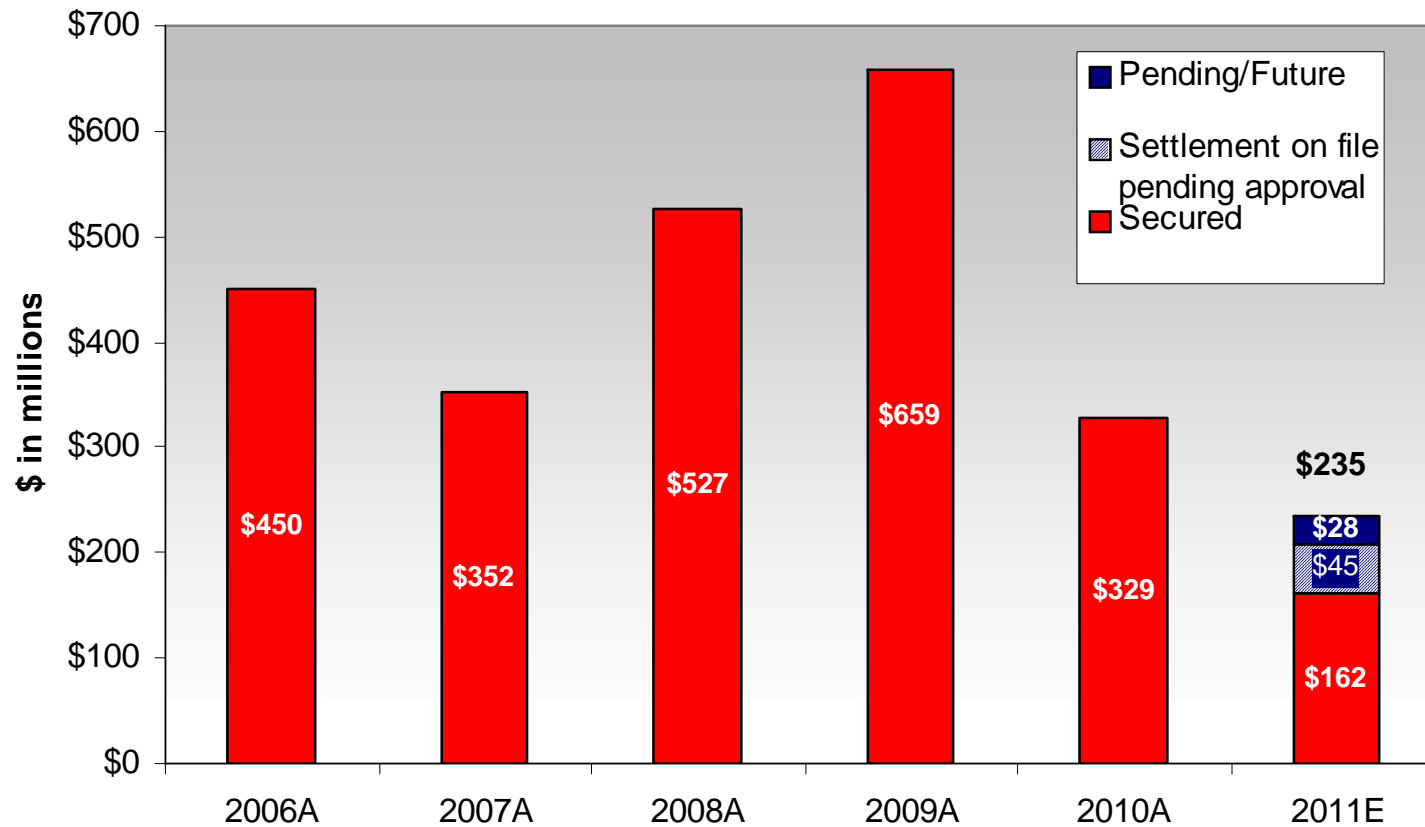
1: Effective January 1, 2010 in accordance with Transfers and Servicing accounting guidance (formerly SFAS 166), factored receivables of AEP Credit of \$750 million are classified as short-term debt; The 4Q2010 debt/capitalization ratio would be 56.1%, excluding AEP Credit.

Capital Expenditures



Investment levels greater than depreciation of \$1.4B per year cause rate base growth in 2011 and 2012

Rate Changes



Note: Rate changes in this chart exclude revenues with offsetting costs

Pending/future rate cases include cases yet to be filed

Settlement on file pending approval relates to the WV base rate case

Summary Rate Case Information



APCo West Virginia General Rate Case – Docket #10-0699-E-42T

On May 14, 2010, APCo filed a base rate case with the West Virginia Public Service Commission requesting a net increase of \$155.5 million, comprised of a \$223.8 million base rate increase and a \$68.3 million decrease in the construction surcharge. The filing related to capital investments made and to recover increased costs. In addition, APCo requested to establish a separate transmission tracker related to PJM charges. The requested ROE was 11.75%. A settlement is on file which stipulates a rate increase of \$60MM and the ability to defer \$18MM of storm damage expenses. An order is expected by the end of March 2011.

Actual Capital Structure – Company Position (@12/31/09)

| | % of Capitalization | Cost Rate | Weighted Return |
|-----------------|------------------------|-----------|--------------------|
| Short-Term Debt | 3.66% | 0.89% | 0.03% |
| Long-Term Debt | 53.42% | 6.04% | 3.23% |
| Common Equity | 42.64% | 11.75% | 5.01% |
| Preferred Stock | 0.28% | 4.35% | 0.01% |
| Total | 100.00% | | 8.28% |

Procedural Schedule

| | |
|-------------------|----------------------------------|
| July 23, 2010 | Company testimony due |
| November 10, 2010 | Staff & Intervenor testimony due |
| November 24, 2010 | Rebuttal testimony due |
| December 13, 2010 | Hearing commences |
| March 31, 2011 | Rates effective |

Required Rate Relief – Company Position (12/31/09)

(\$ in millions)

| | |
|---------------------------------------|-----------------|
| Rate Base | \$ 2,639.6 |
| Rate of Return | <u>8.28%</u> |
| Operating Income Requirement | \$ 218.6 |
| Adjusted Operating Income | <u>\$ 86.0</u> |
| Difference | \$ 132.6 |
| Revenue Conversion Factor | <u>1.6872</u> |
| Total Revenue Requirement | \$ 223.8 |
| Elimination of Construction Surcharge | \$ (68.3) |
| | <u>\$ 155.5</u> |

Summary Rate Case Information



AEP Ohio Distribution Rate Case – Docket #351/352-EL-AIR

On February 28, 2011, AEP Ohio filed a distribution base rate case with the Public Utilities Commission of Ohio requesting a net increase of \$93.8 million, and requesting authority to recover previously approved regulatory assets. The requested increase relates to capital investments made and to recover increased costs. The requested ROE was 11.15%. A procedural schedule from the PUCO is pending.

Actual Capital Structure – Company Position – 08/31/10

| CSP | % of Capitalization | Cost Rate | Weighted Return |
|----------------|---------------------|-----------|-----------------|
| Long-Term Debt | 49.36% | 5.50% | 2.71% |
| Common Equity | 50.64% | 11.15% | 5.65% |
| Total | 100.00% | | 8.36% |

| OPCO | % of Capitalization | Cost Rate | Weighted Return |
|-----------------|---------------------|-----------|-----------------|
| Long-Term Debt | 45.93% | 5.27% | 2.42% |
| Common Equity | 53.79% | 11.15% | 6.00% |
| Preferred Stock | 0.28% | 4.40% | 0.01% |
| Total | 100.00% | | 8.43% |

Required Rate Relief – Company Position (08/31/10)

(\$ in millions)

| | CSP | OPCO |
|------------------------------|----------|------------|
| Rate Base | \$ 911.0 | \$ 1,015.2 |
| Rate of Return | 8.36% | 8.43% |
| Operating Income Requirement | \$ 76.2 | \$ 85.6 |
| Adjusted Operating Income | \$ 54.3 | \$ 47.8 |
| Difference | \$ 21.9 | \$ 37.8 |
| Revenue Conversion Factor | 1.5657 | 1.5765 |
| Total Revenue Requirement | \$ 34.2 | \$ 59.6 |

Procedural Schedule - tbd

Approved Rate Bases & ROEs



| Jurisdiction | Rate Base | Approved ROE | Approved Debt/Equity | Effective Date |
|--------------------|------------|--------------|----------------------|----------------|
| APCo-Virginia | \$2,060MM* | 10.53% | 58/42 | 8/1/2010 |
| APCo-West Virginia | \$1,656MM | 10.50% | 57/43 | 7/28/2006 |
| KPCo-Kentucky | \$995MM | 10.50% | 57/43*** | 6/30/2010 |
| I&M-Indiana | \$2,000MM | 10.50% | 44/56 | 3/4/2009 |
| I&M-Michigan | \$595MM | 10.35% | 50/50 | 10/14/2010 |
| PSO-Oklahoma | \$1,706MM | 10.15% | 54/46 | 1/5/2011 |
| SWEPco-Louisiana | \$649MM | 10.57%** | 50/50 | 8/1/2010 |
| SWEPco-Arkansas | \$612MM | 10.25% | 54/46 | 11/25/2009 |
| SWEPco-Texas | \$665MM | 10.33% | 49/51 | 4/15/2010 |
| TCC-Texas | \$1,566MM | 9.96% | 60/40 | 10/17/2007 |
| TNC-Texas | \$530MM | 9.96% | 60/40 | 6/1/2007 |

* represents Generation and Distribution rate base only.

** represents the midpoint of the ROE range approved in the formula rate case settled in April 2008.

***represents a negotiated settlement

AEP Ohio ESP Filing – Core Policy Issues



Primary objective of ESP: Stabilize rates and support economic development in the state of Ohio



Summary of ESP Filing - Continued



- ❑ Pre-tax earnings impact from proposed ESP (excluding potential earnings impact from trackers)
 - Net base \$54MM or 1.4% in year 1 (2012)
 - Net base \$106MM or 2.7% in year 2 (2013)

| | 2012 | | | 2013 | | | 2014 | | |
|--------------------------------------|-----------------|-----------------|---------------|----------------|---------------|-------------|---------------|-------------|-------------|
| | Revenue | \$/MWh | % | Revenue | \$/MWh | % | Revenue | \$/MWh | % |
| Proposed ESP Changes | | | | | | | | | |
| Base Generation | \$65MM | \$1.50 | 1.7% | \$106MM | \$2.43 | 2.7% | N/C* | N/C* | N/C* |
| POLR | (\$11MM) | (\$0.23) | (0.3%) | N/C* | N/C* | N/C* | N/C* | N/C* | N/C* |
| FAC Actual Recovery 2012-2014 | Actual | | | Actual | | | Actual | | |

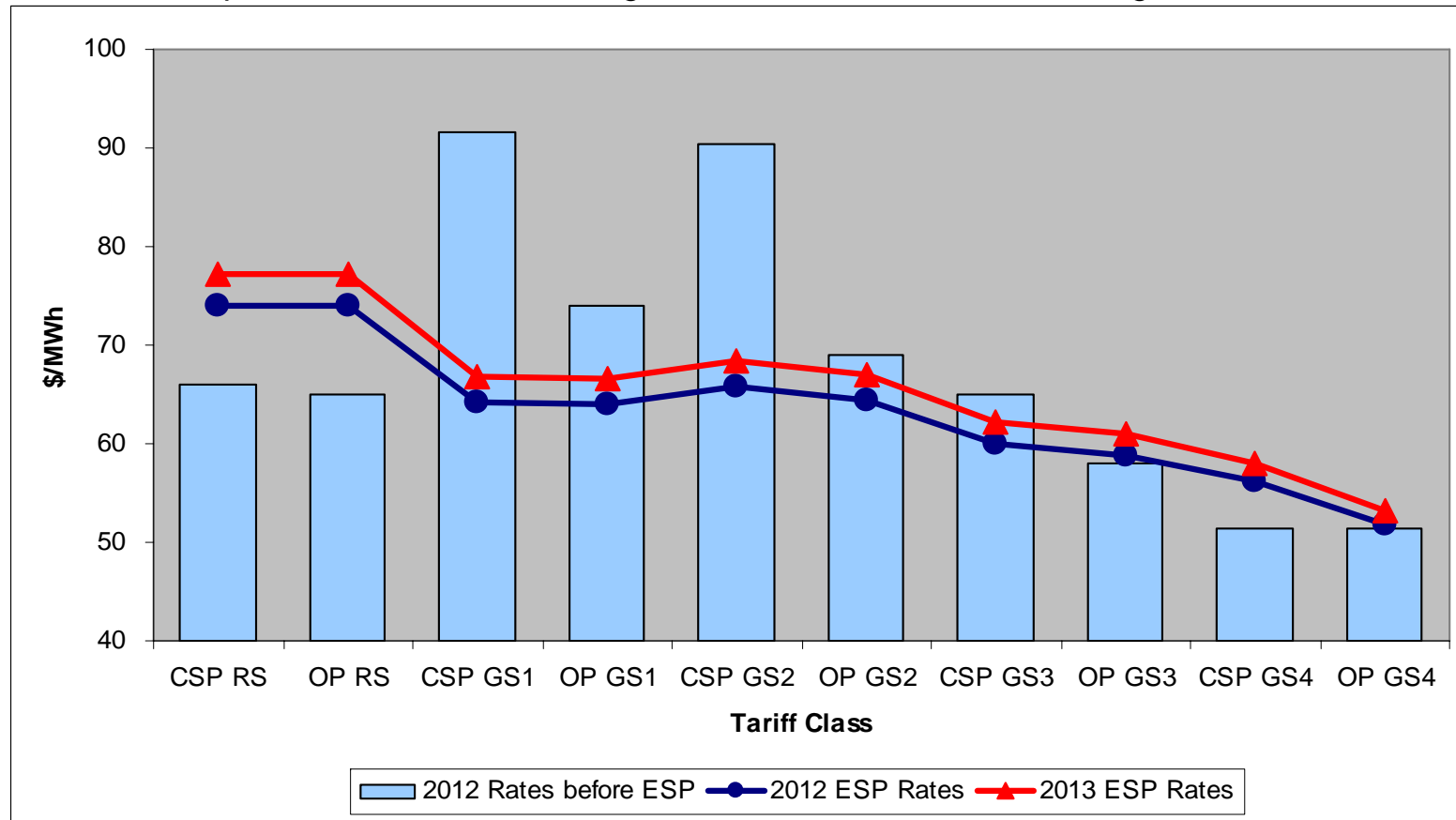
N/C* = No change from prior year

While the ESP includes a small base generation increase, the move to a market-based rate design, consistent with state policy, will result in varying impacts for different customer groups.

Price to Compare



Proposed SSO Rates Redesigned To Resemble Market Pricing Structures



Rates do not reflect mitigation impact of market transition rider
 2012 Rates before ESP reflect current 2011 rates for generation & transmission service, adjusted to reflect full cost 2011 fuel and environmental costs.

The realignment of rates with market should provide all customers with equivalent opportunities to shop. Additionally, since the proposed design eliminates explicit demand charges, customers should be more easily able to evaluate competitive offers. To ease the rate impact that customers will experience from the realignment, we have proposed a Market Transition Rider.

Market Transition Rider – Mitigates the Initial Impact of Rate Realignment

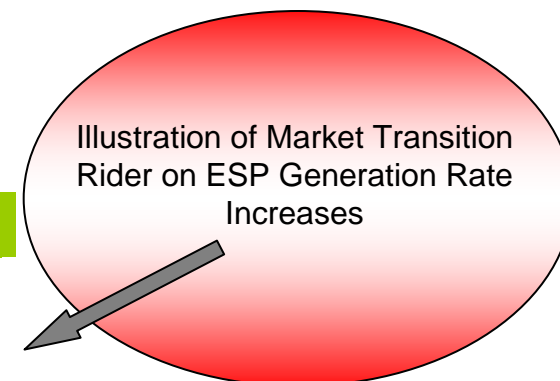


**Three-Year Market Transition Plan
Summary of AEP Ohio ESP Generation Rate Changes**

| CSP Current Customer Class | CSP New Customer Class | 2012 Increase | 2013 Increase | 2014 Increase | Total Increase |
|----------------------------|------------------------|---------------|---------------|---------------|----------------|
| Residential | Residential | 5.0% | 3.9% | 1.0% | 10.2% |
| GS1 | GS Non-Demand | (6.4%) | (5.2%) | (7.8%) | (18.1%) |
| GS2 | | (5.3%) | (5.5%) | (8.2%) | (17.8%) |
| GS3 | GS Demand | (0.3%) | 1.0% | (1.8%) | (1.2%) |
| GS4/IRP | | 2.3% | 7.7% | 4.7% | 15.3% |
| Total CSP | | 2.2% | 2.7% | 0.0% | 5.0% |

| OPCo Current Customer Class | OPCo New Customer Class | 2012 Increase | 2013 Increase | 2014 Increase | Total Increase |
|-----------------------------|-------------------------|---------------|---------------|---------------|----------------|
| Residential | Residential | 6.0% | 3.1% | 0.3% | 9.7% |
| GS1 | GS Non-Demand | 1.5% | (3.3%) | (6.1%) | (7.8%) |
| GS2 | | 0.1% | (0.7%) | (3.5%) | (4.1%) |
| GS3 | GS Demand | (0.7%) | 2.8% | (0.0%) | 2.0% |
| GS4/IRP | | (6.6%) | 5.8% | 3.0% | 1.7% |
| Total OPCo | | 0.4% | 2.7% | 0.0% | 3.1% |

| | | | | | |
|-----------------|--|-------------|-------------|-------------|-------------|
| AEP Ohio | | 1.4% | 2.7% | 0.0% | 4.2% |
|-----------------|--|-------------|-------------|-------------|-------------|



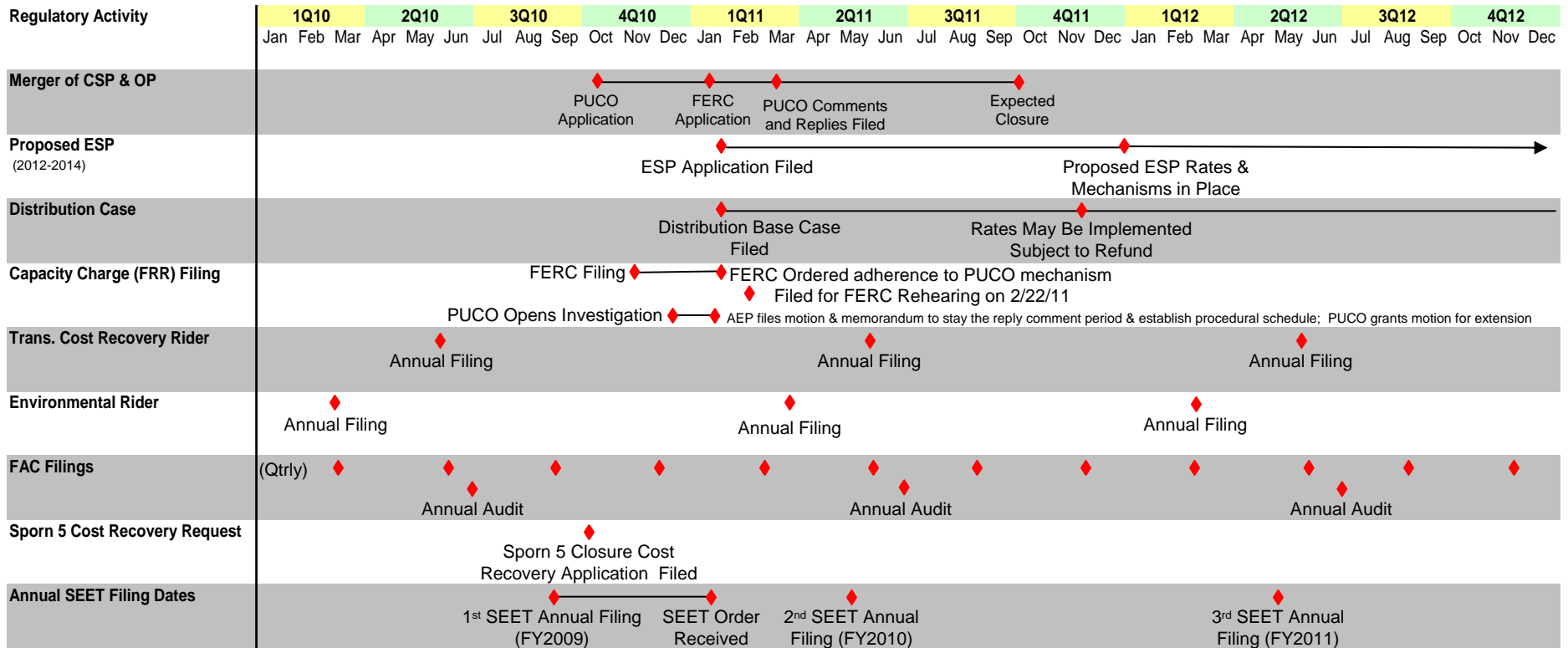
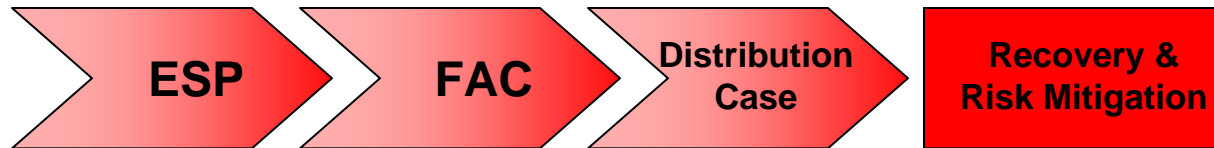
The Market Transition Rider is a transition rider designed to facilitate the transition from AEP Ohio's current rates to market-based SSO Generation Service rates. It is a non-bypassable rider designed to limit the first and second year changes for any customer classes to uniformly transition any above or below average changes in three steps. Any revenue shortfall that is produced by limiting the increases for certain customer classes is collected from those classes whose decreases are limited.

List of ESP Riders – Existing and Proposed



| Line | Rate Mechanism | Abbreviation | Bypassable | Distribution | Notes |
|------|---|--------------|------------|--------------|---|
| 1 | Current Riders | | | | |
| 2 | Universal Service Fund Rider | USF | -- | Yes | |
| 3 | Advanced Energy Fund Rider | AEF | -- | Yes | Expired 12/31/2010 |
| 4 | kWh Tax Rider | kWh Tax | -- | | May be self-assessed under specific terms |
| 5 | Provider of Last Resort Charge | POLR | No | | Option to avoid under specific terms |
| 6 | Monongahela Power Litigation Termination Rider | Mon Power | -- | Yes | Expires once amount collected |
| 7 | Transmission Cost Recovery Rider | TCRR | Yes | | |
| 8 | Fuel Adjustment Clause Rider | FAC | Yes | | |
| 9 | Energy Efficiency and Peak Demand Reduction Cost Recovery Rider | EE/PDR | -- | Yes | |
| 10 | Economic Development Cost Recovery Rider | EDR | -- | Yes | |
| 11 | Enhanced Service Reliability Rider | ESRR | -- | Yes | |
| 12 | gridSMART® Rider | gridSMART® | -- | Yes | |
| 13 | Environmental Investment Carrying Cost Rider | EICCR | No | | the current bypassable rider is proposed to be nonbypassable in the new ESP |
| 14 | | | | | |
| 15 | Proposed Riders | | | | |
| 16 | Standard Offer Generation Service Rider | GSR | Yes | | Relocation of base generation rates |
| 17 | Generation Resource Rider | GRR | No | | Capital/solar investment |
| 18 | Alternative Energy Rider | AER | Yes | | Relocation of RECs from FAC |
| 19 | Phase-In Recovery Rider | PIRR | -- | Yes | Previous ESP deferrals, possibility of securitization |
| 20 | Distribution Investment Rider | DIR | -- | Yes | |
| 21 | Market Transition Rider | MTR | -- | Yes | |
| 22 | Generation NERC Compliance Cost Recovery Rider | NERCR | No | | |
| 23 | Facility Closure Cost Recovery Rider | FCCR | No | | |
| 24 | Carbon Capture and Sequestration Rider | CCSR | No | | |
| 25 | | | | | |
| 26 | Other Provisions | | | | |
| 27 | Green Power Portfolio Rider | GPPR | -- | | Voluntary |
| 28 | Rate Security Rider | RSR | -- | | Voluntary |
| 29 | Plug-In Electric Vehicle Tariff / Costs | PEV | -- | Yes | Voluntary, Deferral of Costs |
| 30 | Emergency Curtailable Service Rider | ECS | -- | | Voluntary, pending |
| 31 | Storm Damage Recovery Mechanism | | -- | Yes | Reconciliation of storm experience to funding level |
| 32 | Pool Termination or Modification Provision | | Yes | | |
| 33 | PIPP Uncollectibles | PIPP | -- | Yes | |

Ohio Timeline



AEP Ohio's long-term strategy is designed to produce rate relief for items currently known as well as anticipated future items. The filings and riders we seek today are designed to be broad and flexible enough to accommodate a variety of circumstances, because it is impossible to know all variables and specific items for which we will desire to seek rate relief or what regulatory circumstances will prevail at the time.