AEP REACHES AGREEMENT TO ACQUIRE SEMPRAPERENEWABLESWINDPORTFOLIO

February 12, 2019
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Transaction Overview

Operating Portfolio
- 724 net MW operating wind portfolio across seven states (CO, HI, IN, KS, MI, MN, PA) \(^1\)
- Five of seven wind assets owned 50 / 50 with BP Wind Energy
- 16 years of weighted average power purchase agreements (“PPA”) remaining contract life \(^2\)
- PPA counterparties comprised of IOUs, munis and co-ops with A/A2 \(^2,3\) average credit rating
- 21% of PPAs with AEP utilities AEP Ohio, SWEPCO, and Indiana Michigan Power
- Strong operating performance with 37% average 2017 asset capacity factor \(^2,4\)
- 2020E EBITDA of $70-$75MM, PTCs to AEP of $30-$35MM, and PTCs to tax equity of $12-$15MM

Transaction Value
- $1,056MM enterprise value including assumption of $343MM proportionate project debt \(^5\) & $162MM tax equity \(^6\)
- Accelerates and de-risks $2.2B planned renewable investment commitment through 2023
  - Not incremental to overall 2019-2023 capex plan
- Expect to finance with a combination of debt, equity and/or equity-linked securities
  - Financing in-line with AEP’s 5-year financing plan and will maintain AEP’s credit metric commitments
- Transaction expected to be immediately accretive to EPS in first full year by a few cents
- Further solidifies our long-term EPS growth guidance of 5% - 7%
- Financial returns in-line with regulated opportunities

AEP Opportunities
- Enhances renewable platform scale and diversity, increasing industry participation
- Become 7\(^{th}\) largest utility owner of competitive wind projects in U.S.
- Potential repowering, expansion, and optimization in connection with certain assets
- Incremental future growth from up to 1 GW of development projects, including some safe harbor equipment, pending attractive returns

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\(^1\) 724 net MW includes 6 MW battery storage at the Auwahi project
\(^2\) Remaining contract life and asset age as of 12/31/2018
\(^3\) Credit ratings as of 10/8/2018. Maui Electric Company is not rated by Moody’s and is rated BBB- by S&P. As such, Maui is shown in the Baa3 category (corresponding Moody’s category) for illustrative purposes
\(^4\) Excludes Apple Blossom due to 2017 COD
\(^5\) Debt balance as of 6/30/2019
\(^6\) Tax equity book value as 12/31/2018
Investment Highlights

- **Delivering on our Commitment:** We committed to profitably invest $2.2 billion in renewable generation by 2023. This $1,056 million acquisition is a major step in meeting that commitment.

- **Immediately Accretive:** We expect the acquisition to be immediately accretive to earnings, supportive of our long term growth guidance, and consistent with our credit metric trends.

- **Tax Efficiency:** AEP’s tax appetite allows for monetization of transaction tax attributes, including production tax credits.

- **High Quality Assets:** The acquisition includes a 724MW high quality wind generation portfolio with a proven operating history and 16 years remaining on PPAs with A/A2 rated counterparties.

- **Known Markets:** The assets are in markets that AEP knows well. They are in areas where we have generation assets or utility operations. Two of the projects have PPAs with AEP utilities.

- **Renewable Platform Initiative:** The acquisition, in addition to Santa Rita East Wind, will increase our contracted large scale renewable generation portfolio by 951 MW \(^1\) to 1,302MW giving us a greater presence in a market we expect will continue to grow.

- **Future Growth:** The business has a development pipeline that could provide incremental investment opportunities.

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\(^1\) Includes recently signed agreement to purchase 75% interest in 302 MW Santa Rita East Wind Project currently under construction in west of San Angelo, Texas
## Operating Wind Portfolio Details

<table>
<thead>
<tr>
<th>Asset</th>
<th>MW Net ¹</th>
<th>Off-taker</th>
<th>COD</th>
<th>PPA Expiry</th>
<th>Turbine</th>
<th>O&amp;M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fowler Ridge 2 (IN)</td>
<td>100</td>
<td>[Image]</td>
<td>2009</td>
<td>2029</td>
<td>[Image]</td>
<td>[Image]</td>
</tr>
<tr>
<td>Cedar Creek 2 (CO)</td>
<td>124</td>
<td>[Image]</td>
<td>2011</td>
<td>2035</td>
<td>[Image]</td>
<td>[Image]</td>
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<tr>
<td>Flat Ridge 2 (KS)</td>
<td>235</td>
<td>[Image]</td>
<td>2012</td>
<td>2036</td>
<td>[Image]</td>
<td>[Image]</td>
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<tr>
<td>Mehoopany (PA)</td>
<td>70</td>
<td>[Image]</td>
<td>2012</td>
<td>2032</td>
<td>[Image]</td>
<td>[Image]</td>
</tr>
<tr>
<td>Auwahi (HI)</td>
<td>11</td>
<td>[Image]</td>
<td>2012</td>
<td>2032</td>
<td>[Image]</td>
<td>[Image]</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>540</strong></td>
<td></td>
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<tr>
<td>Black Oak Getty (MN)</td>
<td>78</td>
<td>[Image]</td>
<td>2016</td>
<td>2036</td>
<td>[Image]</td>
<td>[Image]</td>
</tr>
<tr>
<td>Apple Blossom (MI)</td>
<td>100</td>
<td>[Image]</td>
<td>2017</td>
<td>2033</td>
<td>[Image]</td>
<td>[Image]</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>178</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>Overall Total</strong></td>
<td><strong>718</strong> ²</td>
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<td></td>
<td><strong>16 yrs</strong>³</td>
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</tr>
</tbody>
</table>

### Off-taker Rating
- A: 85%
- Aa: 4%
- Baa: 9%
- Not rated: 2%

### Contract Life
- >15 years: 61%
- 10-15 years: 39%
- Muni / Co-op: 46%
- Investor Owned Utilities (IOUs): 54%

¹ Reflects AEP’s share  | ² Excludes 6 MW of Auwahi battery storage  | ³ Based on weighted average contract life
Projects complement AEP’s existing footprint of large scale renewable projects in the contracted renewable space: Texas (488 MW, wind) \(^1\), California (20 MW, solar), Nevada (50 MW, solar) and Utah (20 MW, solar)

\(^1\) Includes recently signed agreement to purchase 75% interest in 302 MW Santa Rita East Wind Project currently under construction in west of San Angelo, Texas | \(^2\) Includes 6 MW of Auwahi battery storage | \(^3\) Excludes AEP OnSite Partners

Note: MWs in map reflect net capacity
Simplified Transaction Structure

- AEP will create a new Holding Company, AEP Clean Energy Resources, to house its competitive renewable generation businesses
- The acquisition is subject to customary closing conditions and approvals (Federal Energy Regulatory Commission as well as Hart-Scott-Rodino clearance)
- Transaction expected to close in the second quarter of 2019

![Diagram of transaction structure]

1 Includes 6 MW of battery storage at the Auwahi project |
2 Includes recently signed agreement to purchase 75% interest in 302 MW Santa Rita East Wind Project currently under construction
This Transaction Enhances AEP’s Clean Energy Transition

Note: Future includes IRP forecasted additions and retirements through 2030. Energy Efficiency / Demand Response represents avoided capacity rather than physical assets.