

# BOUNDLESS ENERGY<sup>SM</sup>

**AEP REACHES AGREEMENT TO ACQUIRE  
SEMPRA RENEWABLES WIND PORTFOLIO**

February 12, 2019

**AMERICAN  
ELECTRIC  
POWER**

# “Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995



This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Although AEP and each of its Registrant Subsidiaries believe that their expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are: changes in economic conditions, electric market demand and demographic patterns in AEP service territories, inflationary or deflationary interest rate trends, volatility in the financial markets, particularly developments affecting the availability or cost of capital to finance new capital projects and refinance existing debt, the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material, electric load and customer growth, 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, availability of necessary generation capacity, the performance of generation plants and the availability of fuel, the ability to recover fuel and other energy costs through regulated or competitive electric rates, the ability to build or acquire renewable generation, transmission lines and facilities (including the ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms and to recover those costs, new legislation, litigation and government regulation, including oversight of nuclear generation, energy commodity trading and new or heightened requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances that could impact the continued operation, cost recovery and/or profitability of generation plants and related assets, evolving public perception of the risks associated with fuels used before, during and after the generation of electricity, including 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 capacity and electricity, 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 pronouncements periodically issued by accounting standard-setting bodies, and other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes, cyber security threats and other catastrophic events.

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# Transaction Overview



## Operating Portfolio

- 724 net MW operating wind portfolio across seven states (CO, HI, IN, KS, MI, MN, PA) <sup>1</sup>
- Five of seven wind assets owned 50 / 50 with BP Wind Energy
- 16 years of weighted average power purchase agreements (“PPA”) remaining contract life <sup>2</sup>
- PPA counterparties comprised of IOUs, munis and co-ops with A/A2 <sup>2,3</sup> 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 <sup>2,4</sup>
- 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 <sup>5</sup> & \$162MM tax equity <sup>6</sup>
- 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<sup>th</sup> 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

<sup>1</sup> 724 net MW includes 6 MW battery storage at the Auwahi project | <sup>2</sup> Remaining contract life and asset age as of 12/31/2018

<sup>3</sup> 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

<sup>4</sup> Excludes Apple Blossom due to 2017 COD | <sup>5</sup> Debt balance as of 6/30/2019 | <sup>6</sup> Tax equity book value as 12/31/2018

# Investment Highlights



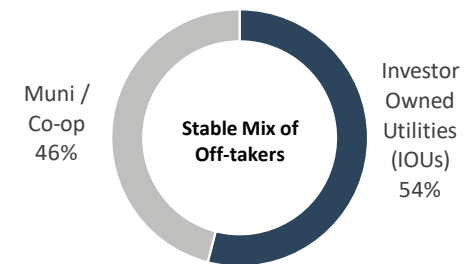
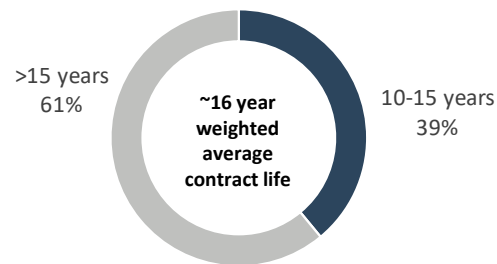
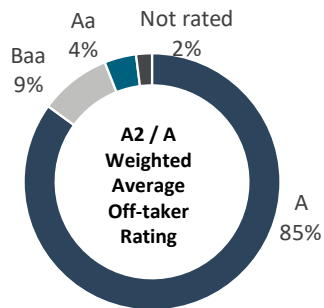
- **Delivering on our Commitment:** We committed to profitably invest \$2.2 billion in renewable generation by 2023. This \$1,056 million acquisition is a major step in meeting that commitment.
- **Immediately Accretive:** We expect the acquisition to be immediately accretive to earnings, supportive 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 <sup>1</sup> 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.

<sup>1</sup> 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

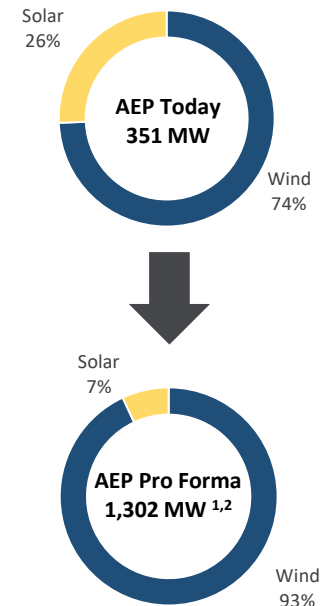
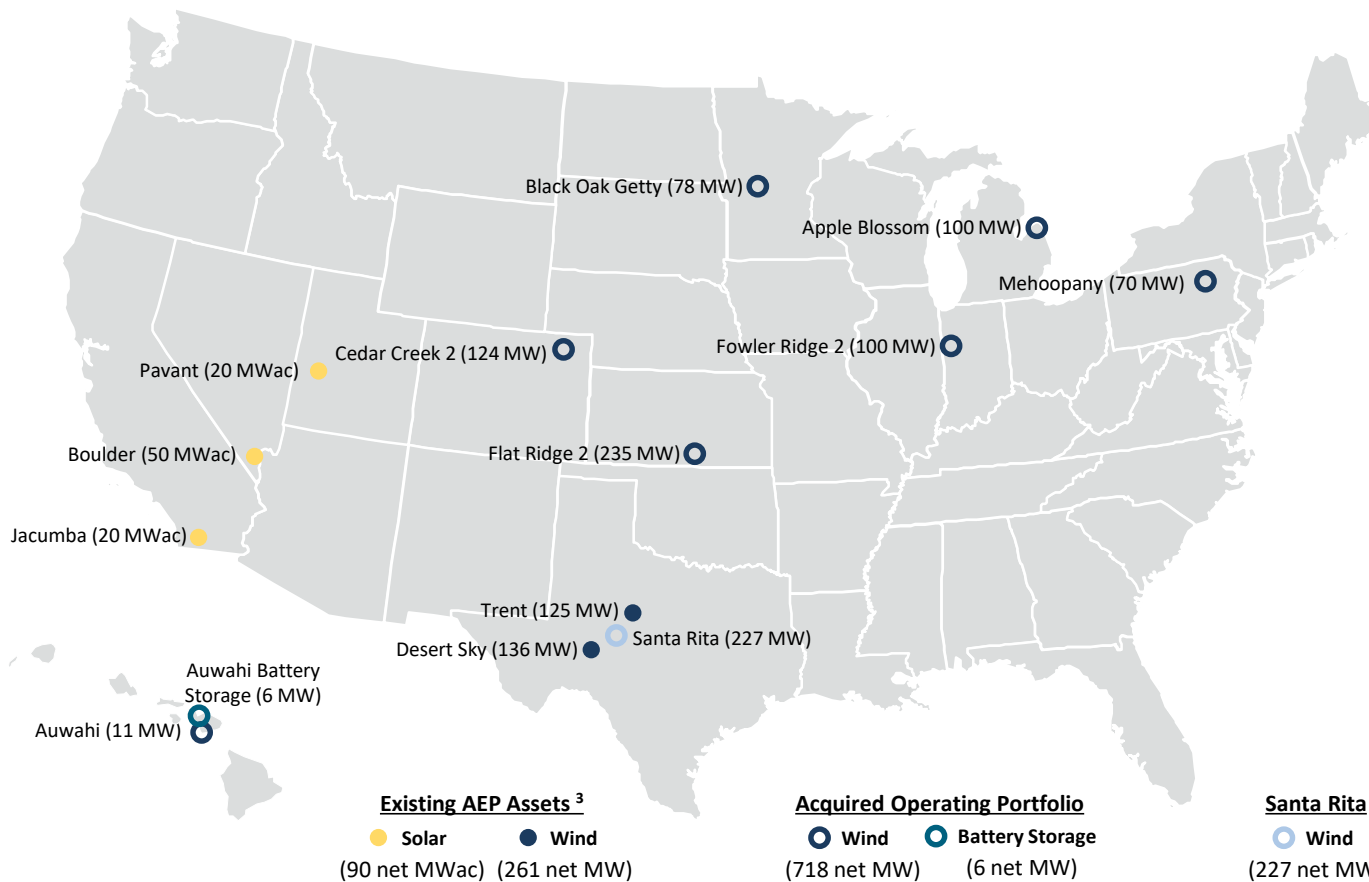


	Asset	MW Net <sup>1</sup>	Off-taker	COD	PPA Expiry	Turbine	O&M
BP JV Projects	Fowler Ridge 2 (IN)	100		2009	2029		
	Cedar Creek 2 (CO)	124		2011	2035		
	Flat Ridge 2 (KS)	235		2012	2036		
	Mehoopany (PA)	70		2012	2032		
	Auwahi (HI)	11		2012	2032		
	<b>Total</b>	<b>540</b>					
100% Owned	Black Oak Getty (MN)	78		2016	2036		
	Apple Blossom (MI)	100		2017	2033		
	<b>Total</b>	<b>178</b>					
<b>Overall Total</b>		<b>718 <sup>2</sup></b>			<b>16 yrs <sup>3</sup></b>		



<sup>1</sup> Reflects AEP's share | <sup>2</sup> Excludes 6 MW of Auwahi battery storage | <sup>3</sup> Based on weighted average contract life

# Renewables Project Map



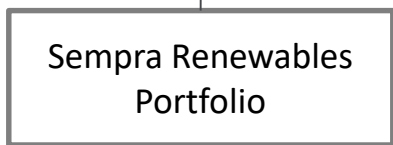
**Projects complement AEP's existing footprint of large scale renewable projects in the contracted renewable space: Texas (488 MW, wind)<sup>1</sup>, California (20 MW, solar), Nevada (50 MW, solar) and Utah (20 MW, solar)**

<sup>1</sup> 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 | <sup>2</sup> Includes 6 MW of Auwahi battery storage | <sup>3</sup> Excludes AEP OnSite Partners  
Note: MWs in map reflect net capacity

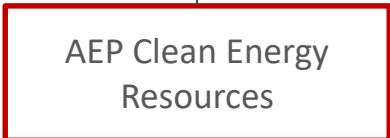
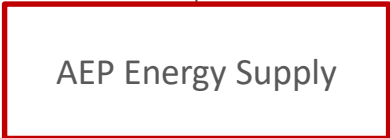
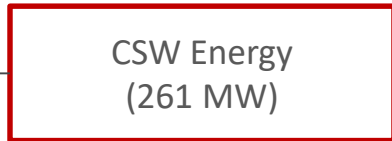
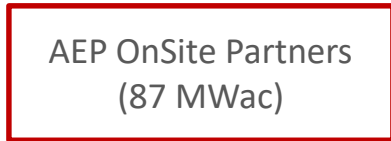
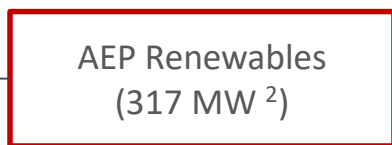
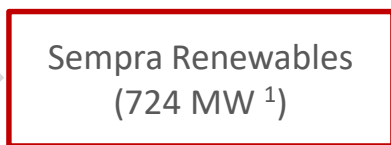
# Simplified Transaction Structure



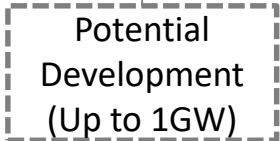
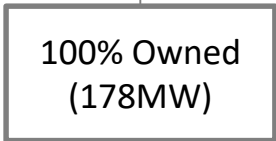
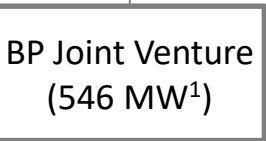
- AEP will create a new Holding Company, AEP Clean Energy Resources, to house its competitive renewable generation businesses
- The acquisition is subject to customary closing conditions and approvals (Federal Energy Regulatory Commission as well as Hart-Scott-Rodino clearance)
- Transaction expected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



Acquisition of all of Sempra's ownership interests

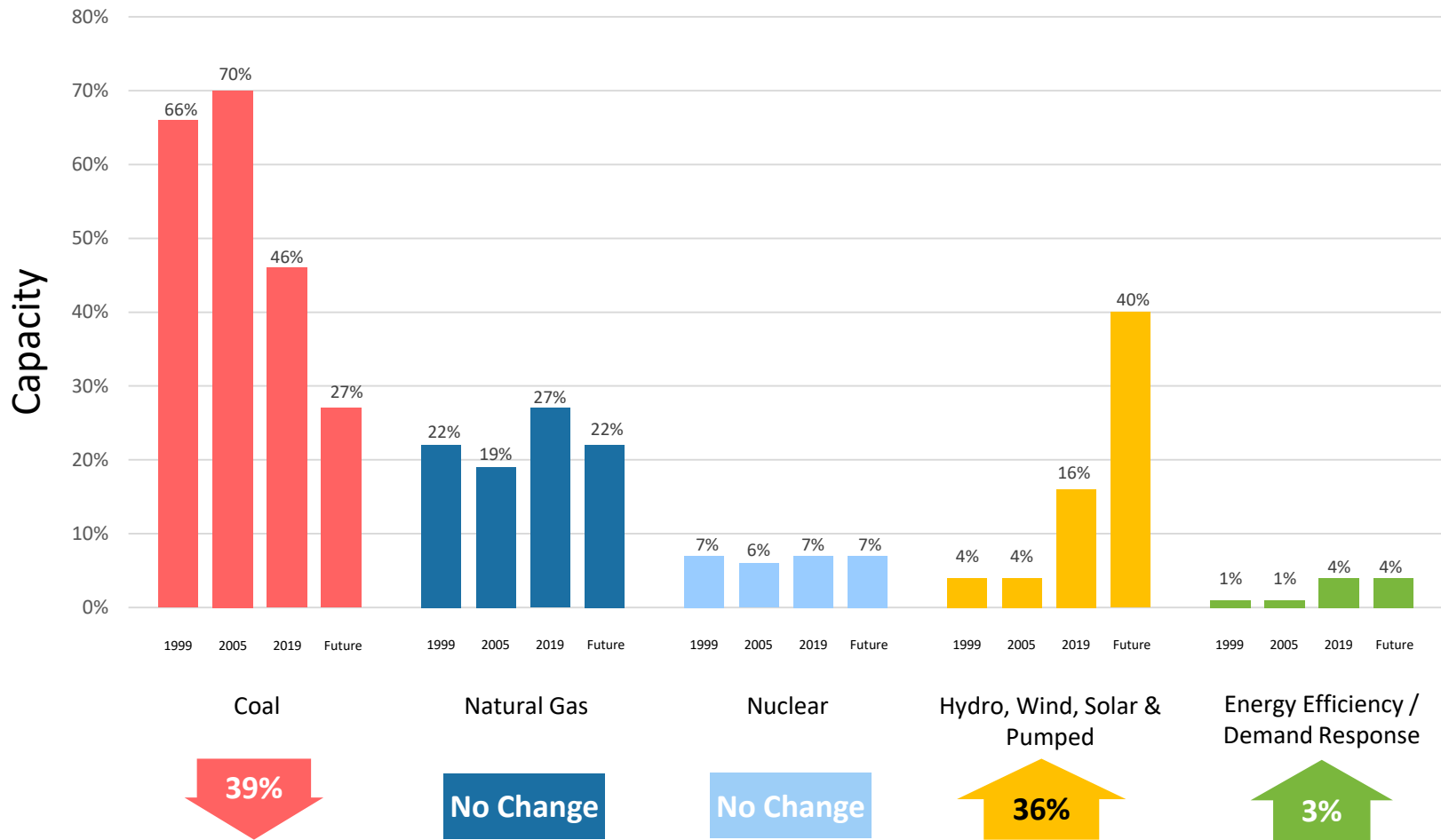


New HoldCo



<sup>1</sup> Includes 6 MW of battery storage at the Auwahi project | <sup>2</sup> 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