Barclays Capital
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New York, NY
September 6, 2012
Nick Akins
President & Chief Executive Officer
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Execute in 2012-2014

- Maximize Operating Company ROEs and invest in the regulated utility platform
- Position the Generation Resource Portfolio for the future
- Focus Transmission business for near-term growth
- Create a robust competitive business

Our strategy outlined on February 10th remains intact
Following corporate separation, we expect earnings contributions to approximate asset split

TOTAL ASSETS, based on Y/E 2011 in 2014 business structure *

Regulated Companies

Vertically-Integrated
Appalachian Power
Kentucky Power
Indiana Michigan Power
Public Service Co of Oklahoma
Southwestern Electric Power

Regulated Generation Co
AEP Generating Company

Wires Companies
Ohio Power
Texas Central
Texas North

Transmission Companies
AEP Ohio Transco
AEP Indiana Michigan Transco
AEP Oklahoma Transco
AEP Virginia Transco
AEP West Virginia Transco
Joint Ventures (ETT, Pioneer, Transource, etc.)

Transmit Companies Awaiting Approval
AEP Southwestern Transco (AR, LA)
AEP Kentucky Transco

Competitive Companies

Power Related
AEP Generation Resources
AEP Energy

Bulk Commodity Transport
AEP River Operations

* Subsequent to corporate separation

$44.5B
86%

$7.5B
14%

p.5
Regulated Operations
Management Focus on Execution

- Operating Company Focus – strengthen local relationships, earn allowed returns, allocation of capital, rate base growth

- Obtain additional regulatory approvals for state Transcos (KY, AR, LA) and JVs

- Focus on prudence, reliability, financial discipline and capital efficiency

- Significant focus on O&M rationalization – repositioning study on-going

Regulated Total Assets, post corporate separation

$44.5B
86%

Operating company line-of-sight drives results
**Earned ROEs**

*2011/2012 Proforma* Earned ROEs

Our portfolio diversity helps maintain system ROE above 10 percent
Two Areas of Regulated Rate Base Growth Focus

- Expected 2012-2020 regulated environmental capex of $5 - $6B
- Retire ~3,000MW regulated plants
- Add new capacity in 2012 – Dresden NG Combined Cycle Plant, Turk Ultra-Supercritical Coal Plant
- Recent CSAPR decision has minimal impact on capital plans

Transmission CAPEX & EPS for 2010-2015 period *

Environmental CAPEX by Rule for 2012-2020 period
Corporate Separation & Competitive Operations
AEP Ohio Regulatory Update

- Capacity order received July 2, 2012
- ESP 1 fuel deferral (PIRR) order received August 1, 2012
- ESP 2 order received August 8, 2012
- Corporate separation order pending approval at PUCO
- Rehearings for capacity, PIRR and ESP orders in process
- Corporate separation filings will be made at the FERC once the PUCO order is received

Targeting corporate separation as of January 1, 2014
We will manage this business by exploring all sales opportunities:

- Capacity sales – participated in 2015/16 RPM auction; all MWs offered cleared the auction
- Energy sales
  - Bilateral contracts with munis/co-ops
  - Formula rates
  - Wholesale auctions
  - Retail sales

AEP Energy’s retail sales growing through acquisition of BlueStar Energy

- Enhances our already successful wholesale business
- Focused on margins, not volumes
- 2Q12 delivered load of 1,703GWh – 56% from Ohio
- 114,000+ customer accounts as of June 30, 2012; 95% residential and small commercial

Generation capacity consists primarily of competitive, controlled coal and natural gas-fired resources. Uncontrolled coal units are slated for retirement.

2012 Capacity Profile (12,932MW)

- Coal Controlled: 61%
- Coal Uncontrolled: 18%
- Natural Gas: 20%
- Renewables: 1%

2011 Fuel Statistics (Ohio fleet average)
Delivered coal price -- $2.35/mmBtu ($56/ton)
Delivered gas price -- $4.23/mmBtu
Capital Plan
&
Summary
AEP System Capital Spending

Regulated Operations

- Cumulative change in net regulated PP&E from 2011 to 2014 is $6.5B
- 6.4% CAGR in net regulated PP&E from 2011 to 2014
- Regulated ROEs range from 9.96% to 11.49%

Competitive Operations

- Unregulated generation capital is under review due to the change in business environment

Regulated capital spending supports earnings growth of 4 – 6%

* - represents midpoint of capital range previously disclosed of $3.5B - $3.7B
Summary of Discussion

- **Regulated companies offer 4 - 6% growth in net PP&E**
  - Operating company model
  - Improved recovery mechanisms
  - Regulated fleet transformation
  - Efficient allocation of capital

- **Ohio transition moving towards clarity and a path forward**
  - Awaiting conclusion of PUCO rehearing process in the capacity, fuel (PIRR) and ESP cases
  - Awaiting a PUCO order in the corporate separation case
  - Targeting finalization of corporate separation as of 1/1/2014

- **Competitive operations**
  - Retirements due to environmental rules
  - Low-emitting natural gas and controlled coal fleet in 2015
  - Retail and wholesale platform for hedging and growth

- **Total return opportunity of 8-10%**
  - 4 – 6% regulated earnings growth
  - Slightly offset by reduced returns at AEP Ohio
  - 4+% dividend yield

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**TOTAL ASSETS, Y/E 2011 in 2014 business structure** *

- **$44.5B**
  - 86%
- **$7.5B**
  - 14%

* Subsequent to corporate separation
Appendix
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

Industrial and Commercial growth; Residential decline

Note: Chart represents connected load
AEP Industrial GWh by Sector

These 5 sectors account for approximately 60% of AEP's total Industrial Sales.

Industry | 2Q12 vs. 2Q11 | YTD vs PY |
----------|----------------|-----------|
Primary Metals | -1.2% | 1.4% |
Chemical Mfg | -0.0% | -0.8% |
Petroleum & Coal Products | 8.0% | 7.1% |
Mining (except Oil & Gas) | -2.6% | -1.6% |
Paper Mfg | 2.5% | 1.1% |

Industrial sales continue to improve
Coal to Gas Switching

2Q12 vs. 2Q11 Capacity Factor

- Overall generation from natural gas has increased over 80 percent
- East combined cycle statistics include the addition of the Dresden Plant, which came on line in February 2012
- 48 days system average coal inventory at June 30, 2012
- Coal fully hedged for 2012; approximately 90% hedged for 2013

YTD 2012 vs. 2011 Capacity Factor

- Ability for additional coal to gas switching in AEP East fleet is minimal
Coal Procurement – 2012 Projected

**Coal Stats:**
- fully contracted for 2012 and 90% contracted for 2013
- Avg. system delivered price ~ $47/ton in 2011
  - East ~ $55/ton, West ~ $30/ton
- System price increase of approximate 4% in 2012 ~ $49/ton
  - East ~ $56/ton, West ~ $31/ton
Capitalization & Liquidity

Credit Statistics

<table>
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<tr>
<th>Actual</th>
<th>Target</th>
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<tbody>
<tr>
<td>FFO Interest Coverage</td>
<td>4.7</td>
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<tr>
<td>FFO To Total Debt</td>
<td>19.9%</td>
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Note: Credit statistics represent the trailing 12 months as of 06/30/2012

Liquidity Summary (06/30/2012)

<table>
<thead>
<tr>
<th>Liquidity Summary (unaudited)</th>
<th>Actual</th>
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<tbody>
<tr>
<td>($ in millions)</td>
<td>Amount</td>
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<tr>
<td>Revolving Credit Facility</td>
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<tr>
<td>Revolving Credit Facility</td>
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<td>Total Credit Facilities</td>
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<td>Plus</td>
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<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>297</td>
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<tr>
<td>Less</td>
<td></td>
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<tr>
<td>Commercial Paper Outstanding</td>
<td>(550)</td>
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<tr>
<td>Letters of credit issued</td>
<td>(167)</td>
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<tr>
<td>Net available Liquidity</td>
<td>$2,830</td>
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</tbody>
</table>

Remaining 2012 debt issuances of $700M

Strong balance sheet, solid credit metrics and adequate liquidity; rating agencies monitoring Ohio regulatory decisions
Securitization Opportunities Update

West Virginia

- Legislation was signed into law in March 2012 with both the WV Commission and Consumer Advocate office support for securitization for the large deferred fuel balances at Appalachian Power.

- In June, all parties settled on approximately $312M as the deferred ENEC balance; however, there are other items that are included in the application for a total of approximately $415M, exclusive of financing costs.

- The filing for the Financing Order was made in August 2012, and we expect to issue the securitization bonds in the 1st quarter 2013.

Ohio

- In December 2011, the governor signed a bill that allows Ohio’s electric utilities to utilize securitization as a financing tool for certain utility assets. AEP Ohio has two separate securitization opportunities.

  Distribution Regulatory Assets
  - In December 2011, the PUCO ordered OPCo to implement a new rider, the Deferred Asset Recovery Rider (DARR), to collect certain distribution-related deferred costs, which meet the requirements for securitization under the new law.
  - OPCo filed its financing application with the PUCO in July 2012 requesting an issuance amount of up to $320M. We expect to issue the securitization bonds in the 1st quarter 2013.

  Deferred Fuel Regulatory Asset
  - The deferred fuel balance from the 2009-2011 ESP is currently being collected from September 2012 – August 2018.
  - This asset also meets the requirements for securitization, once a final, nonappealable order is obtained, which we anticipate within 18 months.
  - The June 30, 2012 deferral balance was $538M.
Ohio Power Recapitalization

DEBT RECONCILIATION
assuming separation by 1/1/2014

$ millions

$3,868 Debt Outstanding at Ohio Power as of 6/30/2012
(1,196) 2012/2013 Sr. Note Maturities, PCRB ‘puts’, Debt with Par Call
(404) Maturities within one year of Corporate Separation

$2,268

$2,150 Senior Notes due after 2013
$118 PCRBs Tender Date after 2013

Debt capacity at Ohio Power - $1.9 to $2.4 B

Note: Columbus Southern merged with Ohio Power on 12/31/11. Ohio Power assumed all outstanding obligations of Columbus Southern.

AEP is committed to managing the business as investment grade
AEP Transmission’s investment portfolio is focused on near term projects and follows a diversified approach to capital investment. Investments include:

- Replacement of aging infrastructure
- System renewal and lower voltage projects to improve local reliability
- RTO mandated projects to support regional reliability (current investment portfolio includes over $2 billion in RTO mandated projects)

AEP has established cost recovery mechanisms that allow for timely recovery on base transmission investment.

### AEP Transmission Investment Portfolio, 2012 - 2015

<table>
<thead>
<tr>
<th>RTO Approved Projects greater than $100MM</th>
<th>RTO</th>
<th>Investment $ MM</th>
<th>In-Svc Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vassell</td>
<td>PJM</td>
<td>$239</td>
<td>2014</td>
</tr>
<tr>
<td>Sorenson</td>
<td>PJM</td>
<td>$200</td>
<td>2015</td>
</tr>
<tr>
<td>Sporn-Muskingum</td>
<td>PJM</td>
<td>$200</td>
<td>2015</td>
</tr>
<tr>
<td>Amos-Kanawha</td>
<td>PJM</td>
<td>$180</td>
<td>2015</td>
</tr>
<tr>
<td>North Fork</td>
<td>PJM</td>
<td>$100</td>
<td>2016</td>
</tr>
<tr>
<td>Jacksons Ferry</td>
<td>PJM</td>
<td>$100</td>
<td>2015</td>
</tr>
<tr>
<td>Turk</td>
<td>SPP</td>
<td>$137</td>
<td>2012</td>
</tr>
<tr>
<td>Valliant NW Texarkana</td>
<td>SPP</td>
<td>$128</td>
<td>2014</td>
</tr>
<tr>
<td>Shipe Road - Kings River</td>
<td>SPP</td>
<td>$100</td>
<td>2016</td>
</tr>
<tr>
<td>Valley 345 kV</td>
<td>ERCOT</td>
<td>$313</td>
<td>2015</td>
</tr>
</tbody>
</table>

Indicates project under construction
# Corporate Separation Transition

<table>
<thead>
<tr>
<th>Ohio Power</th>
<th>Competitive Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current: 2012 - 2013</strong></td>
<td><strong>Grow Retail Business</strong></td>
</tr>
<tr>
<td>Ohio generation remains in four-company pool</td>
<td>Hedge Generation</td>
</tr>
<tr>
<td>Capacity Order Received $188.88/MW-day</td>
<td></td>
</tr>
<tr>
<td>ESP 2 Order Received</td>
<td>Ohio generation separated</td>
</tr>
<tr>
<td>Awaiting Corporate Separation Order from PUCO; then make Corporate Separation filing at FERC</td>
<td>Serve remaining Ohio Power SSO load via affiliate agreement</td>
</tr>
<tr>
<td>Delivery begins under initial 10% of load SSO auction</td>
<td>Continue retail business</td>
</tr>
<tr>
<td></td>
<td>Continue hedging generation</td>
</tr>
<tr>
<td><strong>Transition: 1Q 2014 to May 2015</strong></td>
<td></td>
</tr>
<tr>
<td>Anticipated FERC approval of corporate separation effective 1/1/2014</td>
<td>All capacity and energy available for competitive operations</td>
</tr>
<tr>
<td>Pool agreement modified or terminated</td>
<td></td>
</tr>
<tr>
<td>Subsequent SSO auctions: 60% of load on June 1, 2014 and 100% of load on January 1, 2015</td>
<td></td>
</tr>
<tr>
<td>Remaining SSO load served by AEP Generation Resources</td>
<td></td>
</tr>
<tr>
<td><strong>Market: post May 2015</strong></td>
<td></td>
</tr>
<tr>
<td>SSO for remaining Ohio Power customers at auction price for capacity and energy</td>
<td></td>
</tr>
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</table>
## Generation Assets (in Megawatts)

<table>
<thead>
<tr>
<th>Generation Assets</th>
<th>Coal</th>
<th>Megawatts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gavin 1,2</td>
<td>Coal</td>
<td>2,640</td>
</tr>
<tr>
<td>Cardinal 1</td>
<td>Coal</td>
<td>595</td>
</tr>
<tr>
<td>Conesville 4</td>
<td>Coal</td>
<td>340</td>
</tr>
<tr>
<td>Conesville 5,6</td>
<td>Coal</td>
<td>800</td>
</tr>
<tr>
<td>Zimmer</td>
<td>Coal</td>
<td>330</td>
</tr>
<tr>
<td>Stuart 1-4</td>
<td>Coal</td>
<td>600</td>
</tr>
<tr>
<td>OVEC Ownership</td>
<td>Coal</td>
<td>434</td>
</tr>
<tr>
<td>Musk. River 5</td>
<td>Gas</td>
<td>600</td>
</tr>
<tr>
<td>Lawrenceburg</td>
<td>Gas</td>
<td>1,186</td>
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<tr>
<td>Waterford</td>
<td>Gas</td>
<td>840</td>
</tr>
<tr>
<td>Darby</td>
<td>Gas</td>
<td>507</td>
</tr>
<tr>
<td>Racine</td>
<td>Hydro</td>
<td>26</td>
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</table>

<table>
<thead>
<tr>
<th>Generation Assets</th>
<th>Coal</th>
<th>Megawatts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amos 3</td>
<td>Coal</td>
<td>870</td>
</tr>
<tr>
<td>Mitchell 1,2</td>
<td>Coal</td>
<td>1,560</td>
</tr>
<tr>
<td>Kammer 1-3</td>
<td>Coal</td>
<td>630</td>
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<tr>
<td>Musk. River 1-4</td>
<td>Coal</td>
<td>840</td>
</tr>
<tr>
<td>Sporn 2, 4, 5</td>
<td>Coal</td>
<td>750</td>
</tr>
<tr>
<td>Picway</td>
<td>Coal</td>
<td>100</td>
</tr>
<tr>
<td>Conesville 3</td>
<td>Coal</td>
<td>165</td>
</tr>
<tr>
<td>Beckjord</td>
<td>Coal</td>
<td>53</td>
</tr>
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## Post-2014 COAL MIX

- **NAPP**: 87%
- **CAPP**: 5%
- **ILB**: 8%

## POST-2014 COAL DELIVERY

- **Barge**: 73%
- **Rail**: 10%
- **Truck**: 17%
Competitive Ohio CAPEX

Competitive generation (OH) environmental CAPEX spending reduced by $700M for 2012-2020 period

Capital for 2012 is approximately $160M (about $15/kW) for the entire Ohio Generation portfolio, mostly allocated to the large, controlled power plants. At this time, we expect 2013 and 2014 to be ~$100M per year.

Note: Estimates reflected above exclude ~$800 M related to the Mitchell and Amos 3 Plants (included in regulated capital); Capital reduced due to MATS PM limit changes

All capital for our competitive generation fleet in Ohio is under study due to the change in business environment; capital discipline will be exercised.
2012 Total System Capital *

- AEP Ohio Transco - $206M
- AEP Indiana Michigan Transco - $79M
- AEP Oklahoma Transco - $65M

- SO2 Program - $201M
- NOx Program - $72M
- Precipitators - $62M
- Ash / CCR - $79M
- Mercury Program - $39M
- Effluent WWT - $19M
- Other - $31M

- Turk - $171M
- Dresden - $30M

- ETT - $107M
- ETA - $9M

Trans JV Equity Contributions, $116

Operating Company Transmission, $456

Corporate, $76

Distribution, $845

Environmental Generation, $503

New Generation, $201

Base Fossil/Hydro Generation, $313

Nuclear Life Cycle Management, $153

Base Nuclear Generation, $62

River Ops & Other Non-Utility, $39

AEP Transco, $350

* Excludes AFUDC; $ in millions

Total 2012 Capital & Equity Contributions of $3.1B
2012 Capital by Operating Company

Excludes AFUDC

Note: Ohio Power capex includes $103M related to Mitchell and Amos Unit 3 plants (to be transferred from Ohio Power to APCo and KPCo)
### Pending Rate Cases

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>Company</th>
<th>Intervenor Testimony</th>
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</thead>
<tbody>
<tr>
<td><strong>I&amp;M - Indiana</strong></td>
<td>Request</td>
<td></td>
</tr>
<tr>
<td>Rate increase</td>
<td>$140.4</td>
<td>$28</td>
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<tr>
<td>Rate base/investment</td>
<td>$2,391.6</td>
<td>$2,324.5</td>
</tr>
<tr>
<td>Return on equity</td>
<td>11.15%</td>
<td>9.20%</td>
</tr>
<tr>
<td>Equity component</td>
<td>42.67%</td>
<td>41.956%</td>
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<table>
<thead>
<tr>
<th>$ in millions</th>
<th>Company</th>
<th>Intervenor/Staff Testimony</th>
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<tbody>
<tr>
<td><strong>SWEPCO - Texas</strong></td>
<td>Request</td>
<td>n/a</td>
</tr>
<tr>
<td>Rate increase</td>
<td>$83.1</td>
<td></td>
</tr>
<tr>
<td>Rate base/investment</td>
<td>$1,199.3</td>
<td></td>
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<tr>
<td>Return on equity</td>
<td>11.25%</td>
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<tr>
<td>Equity component</td>
<td>49.10%</td>
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## Credit Ratings

### Current Ratings for AEP, Inc. & Subsidiaries

<table>
<thead>
<tr>
<th>Company</th>
<th>Moody's Senior Unsecured</th>
<th>Moody's Senior Outlook</th>
<th>S&amp;P Senior Unsecured</th>
<th>S&amp;P Senior Outlook</th>
<th>Fitch Senior Unsecured</th>
<th>Fitch Senior Outlook</th>
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<tbody>
<tr>
<td>American Electric Power Company Inc.</td>
<td>Baa2</td>
<td>S</td>
<td>BBB</td>
<td>S</td>
<td>BBB</td>
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<tr>
<td>AEP, Inc. Short Term Rating</td>
<td>P2</td>
<td>S</td>
<td>A2</td>
<td>S</td>
<td>F2</td>
<td>S</td>
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<tr>
<td>AEP Texas Central Company</td>
<td>Baa2</td>
<td>S</td>
<td>BBB</td>
<td>S</td>
<td>A-</td>
<td>S</td>
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<tr>
<td>AEP Texas North Company</td>
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<td>BBB</td>
<td>S</td>
<td>A-</td>
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<td>BBB</td>
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<td>BBB</td>
<td>S</td>
<td>BBB</td>
<td>S</td>
</tr>
<tr>
<td>Ohio Power Company</td>
<td>Baa1</td>
<td>S</td>
<td>BBB</td>
<td>S</td>
<td>A-</td>
<td>N</td>
</tr>
<tr>
<td>Public Service Company of Oklahoma</td>
<td>Baa1</td>
<td>S</td>
<td>BBB</td>
<td>S</td>
<td>BBB+</td>
<td>S</td>
</tr>
<tr>
<td>Southwestern Electric Power Company</td>
<td>Baa3</td>
<td>S</td>
<td>BBB</td>
<td>S</td>
<td>BBB</td>
<td>S</td>
</tr>
</tbody>
</table>

as of 08/31/2012
## Long-term Debt Maturities

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEP, Inc.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$243</td>
</tr>
<tr>
<td>AEP Generating Company</td>
<td>-</td>
<td>-</td>
<td>$45</td>
<td>-</td>
</tr>
<tr>
<td>Appalachian Power</td>
<td>-</td>
<td>$470</td>
<td>$204</td>
<td>$500</td>
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<tr>
<td>Indiana Michigan Power</td>
<td>$100</td>
<td>$77</td>
<td>$275</td>
<td>$176</td>
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<tr>
<td>Kentucky Power</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Ohio Power</td>
<td>-</td>
<td>$856</td>
<td>$404</td>
<td>$86</td>
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<tr>
<td>Public Service of Oklahoma</td>
<td>-</td>
<td>-</td>
<td>$34</td>
<td>-</td>
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<tr>
<td>Southwestern Electric Power</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$304</td>
</tr>
<tr>
<td>Texas Central Company</td>
<td>-</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Texas North Company</td>
<td>-</td>
<td>$225</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$100</td>
<td>$1,628</td>
<td>$962</td>
<td>$1,308</td>
</tr>
</tbody>
</table>

Includes mandatory tenders (put bonds)

Data as of August 31, 2012