

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO**

DIANA NICKERSON, Individually and on)	
Behalf of All Others Similarly Situated,)	
)	
Plaintiff,)	
	)	Case No. 2:20-cv-04243-SDM-EPD
vs.)	
	)	Judge Sarah D. Morrison
AMERICAN ELECTRIC POWER	)	Magistrate Judge Elizabeth Preston Deavers
COMPANY, INC., NICHOLAS K. AKINS,)	
and BRIAN X. TIERNEY,	)	ORAL ARGUMENT REQUESTED
)	
Defendants.)	

DEFENDANTS’ MOTION TO DISMISS PLAINTIFFS’ AMENDED COMPLAINT

Pursuant to Federal Rules of Civil Procedure 12(b) and 9(b), AEP¹ and the Individual Defendants respectfully move the Court for an Order dismissing Plaintiffs’ Amended Complaint dated March 9, 2021 (the “Complaint”) in its entirety and with prejudice.² The bases for this Motion are fully set forth in the accompanying Memorandum in Support.

¹ As used herein, “AEP” refers to American Electric Power Company Inc. “Individual Defendants” refers to Nicholas K. Akins and Brian X. Tierney (collectively with AEP, “Defendants”). References to the “Complaint”—cited herein as (“Compl. ¶__”)—means the Amended Complaint filed on March 9, 2021. “Plaintiffs” refers to Lead Plaintiffs Seafarers Health and Benefits Plan, Seafarers Vacation Plan, and James J. Durrett, Jr., individually and on behalf of all others purportedly similarly situated. Defendants treat Plaintiffs’ factual allegations as true for purposes of this motion only, as required on a motion to dismiss.

² Although the original complaint named Joseph M. Buonaiuto as a defendant in this action, the Amended Complaint does not name Mr. Buonaiuto as a defendant and makes no allegations about him. Mr. Buonaiuto should, therefore, be formally dismissed from the case. *See Howard v. Montgomery Cnty. Jail*, No. 3:16-CV-517, 2018 WL 3020216, at *3 (S.D. Ohio June 18, 2018), *report and recommendation adopted*, 2018 WL 3832946 (S.D. Ohio Aug. 13, 2018) (granting motion to dismiss and explaining that “Plaintiff voluntarily dismissed . . . parties by not including them as named Defendants in his first amended complaint”); *Courser v. Allard*, No. 1:16-cv-1108, 2018 WL 2447970, at *4 (W.D. Mich. May 31, 2018) (holding that an amended complaint that drops a party obviates need for Rule 41 dismissal).

Defendants request oral argument pursuant to Local Rule 7.1(b)(2). This case presents numerous complex legal and factual issues. Accordingly, the Defendants respectfully submit that oral argument would assist the Court in its decision-making process.

TABLE OF CONTENTS, SUMMARY OF PRINCIPAL ARGUMENTS, AND CITATIONS TO PRIMARY AUTHORITIES

INTRODUCTION.....1

BACKGROUND3

LEGAL STANDARD5

ARGUMENT.....8

I. The Court Should Dismiss Count I Because Plaintiffs Have Not Sufficiently Pled Scienter.8

A. Plaintiffs Do Not Allege Facts Sufficient To Infer That Defendants, Or Anyone Else At AEP, Knew About Or Participated In Householder’s Criminal Bribery Scheme.8

The Complaint does not satisfy the PLSRA’s heightened pleading standards because it fails to “state with particularity facts giving rise to a strong inference that the defendant acted with the required state of mind.” *In re Omnicare, Inc. Sec. Litig.* (“*Omnicare III*”), 769 F.3d 455, 472–73 (6th Cir. 2014) (citing 15 U.S.C. § 78u-4(b)(2)) (emphasis added). Plaintiffs are required to plead particular facts establishing that Defendants acted with a “knowing and deliberate intent to manipulate, deceive, or defraud.” *Ley v. Visteon Corp.*, 543 F.3d 801, 809 (6th Cir. 2008); 15 U.S.C. § 78u-4(b)(2). Plaintiffs must plead an inference of scienter that is “cogent and at least as compelling as any opposing inference one could draw from the facts alleged.” *In re EveryWare Glob., Inc. Sec. Litig.*, 175 F. Supp. 3d 837, 856 (S.D. Ohio 2016) (quoting *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 324 (2007)). Plaintiffs must also plead scienter as to each of the Defendants. *See Loc. 295/Loc. 851 IBT Employer Grp. Pension Tr. and Welfare Fund v. Fifth Third Bancorp*, 731 F. Supp. 2d 689, 719–20 (S.D. Ohio 2010).

Here, Plaintiffs’ claims fail because they do not allege a single particularized fact to support the conclusion that any of the Defendants knew about, or participated in, former Speaker of the Ohio House of Representatives Larry Householder’s bribery scheme. This defeats scienter because the only fraud Plaintiffs attempt to plead is based on Householder’s scheme. Plaintiffs rely solely on conclusory allegations and attempt to heap inference upon inference to support their claims, but the Sixth Circuit specifically rejected this approach in *Omnicare III*, 769 F.3d at 482–83 (affirming dismissal where plaintiffs failed to plead “concrete details” sufficient to establish defendants had “actual knowledge” of the alleged wrongdoing). Allegations that AEP “long sought the benefits” of Ohio House Bill 6 (“HB6,” the legislation at the center of the alleged bribery scheme), and that the Individual Defendants had access to relevant information, do not give rise to a strong inference of scienter. *In re Comshare Inc. Sec. Litig.*, 183 F.3d 542, 553 (6th Cir. 1999) (allegations that defendants profited from effect of misleading statements may “illustrate . . . motive and opportunity,” but are insufficient for

pleading scienter); *Loc. 295/Loc. 851 IBT*, 731 F. Supp. 2d at 726 (holding no scienter where plaintiffs’ allegations relied heavily on defendants’ supposed service on committees and access to pertinent information, in the absence of particular facts demonstrating defendants actually received the information). Plaintiffs’ unsupported contention that political contributions made by individual AEP employees or the AEP PAC to Householder and other Ohio representatives does not create an inference of scienter because making contributions to a politician who turns out to be corrupt does not demonstrate knowledge or participation in that corruption. *See Omnicare III*, 769 F.3d at 482–83.

B. The Individual Defendants’ Stock Sales Do Not Create The Necessary Strong Inference Of Scienter.14

Plaintiffs’ allegations of insider trading do not support a strong inference of scienter because Plaintiffs fail to plead facts establishing that the Individual Defendants knew of any alleged wrongdoing and fail to plead facts establishing that the relative size, timing, and other context of their stock sales support an inference of scienter. *In re Ferro Corp.*, Nos. 1:04-CV-1440 & 1:04-CV-1589, 2007 WL 1691358, at *14–15 (N.D. Ohio June 11, 2007) (“The mere sale of stock is not enough to lead the Court to infer scienter.”); *In re Vantive Corp. Sec. Litig.*, 283 F.3d 1079, 1092–93 (9th Cir. 2002) (holding stock sales did not support inference of scienter).

C. The Only Reasonable Inference Is That There Was No Scienter.177

Taken as a whole, Plaintiffs’ allegations do not support any inference of scienter because Plaintiffs do not plead Defendants knew about the specific fraud underlying their claims (Householder’s bribery scheme).

II. The Court Should Dismiss Count I For The Independent Reason That Plaintiffs Fail To Plead Any Actionable, Material Misstatements Or Omissions.18

A. Defendants Did Not Omit Or Misstate Material Information Concerning AEP’s Support For HB6.18

Plaintiffs claim that Defendants misled investors about the nature and extent of AEP’s support for HB6, primarily by not disclosing AEP’s desire for certain Ohio Valley Electric Corporation (“OVEC”) cost recovery provisions, is flatly contradicted by AEP’s numerous and robust public disclosures about its support for HB6 and the importance of OVEC cost recovery. *See Ashland, Inc. v. Oppenheimer & Co., Inc.*, 648 F.3d 461, 468 (6th Cir. 2011), (holding alleged omissions inactionable because they consisted of public information); *Walker v. L Brands, Inc.*, No. 2:19-CV-3186, 2020 WL 6118467, at *11 (S.D. Ohio Oct. 16, 2020) (finding plaintiff’s proposed inferences “unreasonable and thus, immaterial” given that it was “widely known that L Brands’ performance had declined steadily for several years”).

B. Defendants Non-Disclosure Of 501(c)(4) Contributions Does Not Give Rise To An Actionable Omission.23

Plaintiffs’ allegations that Defendants “fraudulently concealed” AEP’s contributions to a 501(c)(4) organization are not actionable because AEP had no duty to disclose the contributions, and the contributions were not material.

1. Defendants Had No Duty To Disclose AEP’s 501(c)(4) Contributions.....23

AEP had no legal duty to disclose contributions to any 501(c)(4) organization, and Plaintiffs do not plead facts demonstrating that Defendants omitted information that was “necessary” to make the statements at issue not misleading. *Walker*, 2020 WL 6118467, at *8 (an alleged omission is only actionable when the defendant has a “duty to affirmatively disclose” the information, which duty may arise by statute or if the plaintiff sufficiently pleads facts demonstrating that the omitted information was “necessary in order to make [a defendant’s prior] statements . . . not misleading”). Plaintiffs plead no statutory duty to disclose, and there is none. Plaintiffs’ claim that AEP’s contributions to EOE were subject to disclosure as political contributions is refuted by federal and state regulations. 11 CFR § 100.52(a), § 100.54; Ohio Rev. Code § 3517.01(C)(5). Plaintiffs do not plead facts demonstrating anyone at AEP knew EOE’s contributions were being misused. *See Zaluski v. United Am. Healthcare Corp.*, 527 F.3d 564, 575 (6th Cir. 2008) (finding no duty to disclose prohibited payments to state official that jeopardized government contract, where there was no evidence suggesting that defendants were aware of risk). Courts have made clear that an allegation of illegal conduct, on its own, does not create a duty to disclose information related to the alleged misconduct. *See, e.g., Indiana State Dist. Council of Laborers and Hod Carriers Pension and Welfare Fund v. Omnicare, Inc.* (“*Omnicare I*”), 583 F.3d 935, 945–46 (6th Cir. 2009) (finding statements regarding defendants’ legal compliance not actionable absent detailed allegations that defendants knew statements were false when made).

The fact that Defendants made statements about HB6 or AEP’s political contributions or lobbying does not impose on them a duty to discuss every potentially relevant aspect of those topics. *See Pension Fund Grp. v. Tempur-Pedic Int’l, Inc.*, 614 F. App’x 237, 246 (6th Cir. 2015); *Walker*, 2020 WL 6118467, at *11. There was also no duty to disclose the allegedly omitted information (*e.g.*, Defendants’ alleged “contributions to Householder’s criminal enterprise”), because Defendants’ actual statements (*e.g.*, general statements about provisions in HB6) lacked a “direct connection” to what Plaintiffs claim was supposedly omitted. *See e.g., In re ITT Educ. Services, Inc. Sec. and S’holder Derivatives Litig.*, 859 F. Supp. 2d 572, 579 (S.D.N.Y. 2012) (dismissing complaint because plaintiffs did not establish any “direct connection between Defendants’ statements regarding the sources of its revenue and enrollment growth and the omitted information regarding [the company’s] predatory business practices”).

2. Defendants’ Contributions To EOE Were Not Material.28

Defendants’ non-disclosure of AEP’s contributions to EOE are not actionable for the separate reason that they were not material when evaluated in the context of AEP’s total financial picture. *See In re Nokia Corp. Sec. Litig.*, 423 F. Supp. 2d 364, 408 (S.D.N.Y. 2006). Given that AEP generated over \$14.5 billion in revenue in both 2019 and 2020, and had a market cap of approximately \$40 billion, AEP’s contributions to EOE—\$550,000 in the class period and \$900,000 between 2017–2019—are immaterial as a matter of law. *See ECA, Local 134 IBEW Joint Pension Trust of Chicago v. JP Morgan Chase Co.*, 553 F.3d 187, 203 (2d Cir. 2009); *In re Nokia Corp.*, 423 F. Supp. at 408; *In re Duke Energy Corp. Sec. Litig.*, 282 F. Supp. 2d 158, 160–61 (S.D.N.Y. 2003).

C. The Alleged Misstatements And Omissions Are Insufficiently Pled For Several Other Reasons.29

The alleged misstatements and omissions are also inactionable because they consist of inactionable opinion statements, *Pension Fund Grp.*, 614 Fed. App'x at 247 (holding statements of opinion to be inactionable where plaintiffs failed to plead facts showing that defendants did not believe their opinions to be true when made), puffery, *In re MGT Cap. Invs., Inc. Sec. Litig.*, No. 16 Civ. 7415 (NRB), 2018 WL 1224945, at *13 (S.D.N.Y. Feb. 27, 2018) (courts have determined that statements touting a company’s “transparency” are “textbook examples of inactionable puffery”), and forward-looking statements, *Omnicare I*, 583 F.3d at 943 (6th Cir. 2009) (“[PSLRA] safe-harbor excuses liability for defendants’ projections, statements of plans and objectives, and estimates of future economic performance”) (citation omitted). Plaintiffs also rely on unreasonable inferences that facially true statements created “false impressions.” *Walker*, 2020 WL 6118467, at *11, 13, 14 (refusing to accept plaintiff’s unreasonable inferences that defendant’s statements created false impressions).

III. The Court Should Dismiss Count I For The Independent Reason That Plaintiffs Have Failed To Adequately Plead Loss Causation.32

Plaintiffs fail to plead “a causal connection between the material misrepresentation and the [Plaintiff’s] loss” because they fail to “explain” how the alleged misstatements and omissions “were revealed to be false and thereby caused a drop in the stock price.” *Omnicare I*, 583 F.3d at 944. Plaintiffs allege that AEP’s stock dropped because of a news article discussing Householder’s criminal activity, but Plaintiffs allege no facts demonstrating AEP was involved in or knew of the criminal activity, and the news article did not correct any of the supposed false statements or omissions that Plaintiffs allege. Therefore the stock could not have dropped based on any supposed revelation brought to light by the article that related to the misstatements or omissions alleged in the Complaint. *Id.* To the extent Plaintiffs are inferring the article disclosed the *possibility* of AEP’s involvement in the alleged bribery, courts have made clear that alleging the disclosure of a risk or potential for fraud, such as the announcement of an investigation into alleged

misconduct, does not plead loss causation. *See, e.g., Metzler Inv. GMBH v. Corinthian Colls., Inc.*, 540 F.3d 1049, 1064 (9th Cir. 2008), (holding plaintiffs failed to plead loss causation based on news story which only reported the risk or potential that the operator committed alleged fraudulent activity, but not that operator necessarily did so).

IV. Count I Against The Individual Defendants Should Be Dismissed For Failure To State A Claim For All Of The Reasons Discussed Herein.35

Plaintiffs’ failure to adequately plead scienter, any actionable misstatement or omission, or loss causation requires dismissal of Count I as alleged against each of Defendants Akins and Tierny, just as it requires dismissal of AEP.

V. The Court Should Dismiss Plaintiffs’ Count II Because Plaintiffs Have Failed To Plead A Primary Securities Law Violation (Count I) As Required To Sustain Their Claim Of Control Person Liability (Count II).36

The control person claim (Count II) must be dismissed because Plaintiffs fail to “state a claim for a primary securities law violation under Rule 10b–5.” *Dailey v. Medlock*, 551 F. App’x 841, 849 (6th Cir. 2014).

VI. The Court Should Dismiss The Complaint With Prejudice.37

The Court should dismiss the Complaint with prejudice because Plaintiffs had over six months from the filing of the original complaint to investigate and attempt to substantiate their claims, but still have failed to plead cognizable claims. *Walker*, 2020 WL 6118467, at *18 (dismissing with prejudice because “the mandatory language in the PSLRA requires courts to restrict the ability of plaintiffs to amend their complaint,” and plaintiffs already had one opportunity to amend) (citing *Miller v. Champion Enters. Inc.*, 346 F.3d 660, 692 (6th Cir. 2003)) (quotation marks omitted).

CONCLUSION37

TABLE OF AUTHORITIES

Cases	Page(s)
<i>In re 21st Century Holding Co. Sec. Litig.</i> , No. 07-61057-CIV, 2008 WL 5749572 (S.D. Fla. Nov. 7, 2008)	31
<i>Albert Fadem Tr. v. Am. Elec. Power Co.</i> , 334 F. Supp. 2d 985 (S.D. Ohio 2004)	3
<i>In re Almost Fam., Inc. Sec. Litig.</i> , No. 3:10-CV-00520-H, 2012 WL 443461 (W.D. Ky. Feb. 10, 2012).....	33
<i>Ashcroft v. Iqbal</i> , 556 U.S. 662 (2009).....	5
<i>Ashland, Inc. v. Oppenheimer & Co., Inc.</i> , 648 F.3d 461 (6th Cir. 2011)	7, 14, 23
<i>Beaver Cnty. Ret. Bd. v. LCA-Vision Inc.</i> , No. 1:07-CV_750, 2009 WL 806714 (S.D. Ohio Mar. 25, 2009)	337
<i>Bondali, v. YumA Brands, Inc.</i> , 620 Fed. App’x 483 (6th Cir. 2015)	12
<i>In re Burlington Coat Factory Sec. Litig.</i> , 114 F.3d 1410, 1424 (3d Cir. 1997).....	15, 16
<i>City of Pontiac Policemen’s & Firemen’s Ret. Sys.</i> , 752 F.3d 173 (2d Cir. 2020).....	25
<i>Com. Money Ctr., Inc. v. Ill. Union Ins.</i> , 508 F.3d 327 (6th Cir. 2007)	3
<i>In re Comshare Inc. Sec. Litig.</i> , 183 F.3d 542 (6th Cir. 1999)	6, 12, 14
<i>D.E. & J Ltd. P’ship v. Conaway</i> , 133 Fed. App’x 994 (6th Cir. 2005)	33, 34
<i>Dailey v. Medlock</i> , 551 F. App’x 841 (6th Cir. 2014)	36
<i>Darby v. Cent. Bus. Servs., Inc.</i> , 96 Fed. App’x 277 (6th Cir. 2004)	12
<i>In re Duke Energy Corp. Sec. Litig.</i> , 282 F. Supp. 2d 158 (S.D.N.Y. 2003).....	28

ECA, Local 134 IBEW Joint Pension Tr. of Chicago v. JP Morgan Chase Co.,
553 F.3d 187 (2d Cir. 2009).....28

Elam v. Neidorff,
544 F.3d 921 (8th Cir. 2008)17

Emps.’ Ret. Sys. v. Whole Foods Mkt., Inc.,
905 F.3d 892 (5th Cir. 2018)30

In re EveryWare Glob., Inc. Sec. Litig.,
175 F. Supp. 3d 837 (S.D. Ohio 2016)6, 24

In re FBR Inc. Sec. Litig.,
544 F. Supp. 2d 346 (S.D.N.Y. 2008).....26

In re Ferro Corp.,
Nos. 1:04-CV-1440 & 1:04-CV-1589, 2007 WL 1691358 (N.D. Ohio June 11,
2007)14, 15, 16

Fidel v. Farley,
392 F.3d 220 (6th Cir. 2004).....37

Gamm v. Sanderson Farms, Inc.,
944 F.3d 455 (2d Cir. 2019).....26

In re Harley-Davidson, Inc. Sec. Litig.,
660 F. Supp. 2d 969 (E.D. Wis. 2009).....17

Helwig v. Vencor, Inc.,
251 F.3d 540 (6th Cir. 2001)6

I.B.E.W. v. Ltd. Brands, Inc.,
788 F. Supp. 2d 609 (S.D. Ohio 2011)26, 31

In re ITT Educ. Servs., Inc. Sec. & S’holder Derivatives Litig.,
859 F. Supp. 2d 572 (S.D.N.Y. 2012).....27, 32

Janus Cap. Grp., Inc. v. First Derivative Traders,
564 U.S. 135 (2011).....36

Ley v. Visteon Corp.,
543 F.3d 801 (6th Cir. 2008)5, 9

*Loc. 295/Loc. 851 IBT Employer Grp. Pension Tr. and Welfare Fund v. Fifth
Third Bancorp*,
731 F. Supp. 2d 689 (S.D. Ohio 2010)6, 8, 10, 12

Metzler Inv. GMBH v. Corinthian Colls., Inc.,
 540 F.3d 1049 (9th Cir. 2008)27, 32, 33

Meyer v. Greene,
 710 F.3d 1189 (11th Cir. 2013)33, 34

In re MGT Cap. Invs., Inc. Sec. Litig.,
 No. 16 CIV. 7415 (NRB), 2018 WL 1224945 (S.D.N.Y. Feb. 27, 2018)30

Miller v. Champion Enters. Inc.,
 346 F.3d 660 (6th Cir. 2003)37

In re Nokia Corp. Sec. Litig.,
 423 F. Supp. 2d 364 (S.D.N.Y. 2006).....28

Indiana State Dist. Council of Laborers & Hod Carriers Pension Welfare Fund v. Omnicare, Inc.,
 583 F.3d 935 (6th Cir. 2009)25, 31, 32, 34

In re Omnicare, Inc. Sec. Litig.,
 769 F.3d 455 (6th Cir. 2014) *passim*

In re Party City Sec. Litig.,
 147 F. Supp. 2d 282 (D.N.J. 2001)17

Pension Fund Grp. v. Tempur-Pedic Int’l, Inc.,
 614 F. App’x 237 (6th Cir. 2015)26, 29, 30

Pension Tr. Fund for Operating Eng’rs v. Kohl’s Corp.,
 895 F.3d (7th Cir. 2018)17

PR Diamonds, Inc. v. Chandler,
 364 F.3d 671 (6th Cir. 2004)36

Ricker v. Zoo Ent., Inc.,
 534 F. App’x 495 (6th Cir. 2013)5

Roeder v. Alpha Indus., Inc.,
 814 F.2d 22 (1st Cir. 1987).....26

Societe Generale Sec. Servs., GbmH v. Caterpillar, Inc.,
 No. 17-CV-1713, 2018 WL 4616356 (N.D. Ill. Sept. 26, 2018)25

Tellabs, Inc. v. Makor Issues & Rights, Ltd.,
 551 U.S. 308 (2007).....5, 6, 36, 37

TERA II, LLC v. Rice Drilling D, LLC,
 No. 2:19-CV-2221, 2019 WL 6051115 (S.D. Ohio Nov. 15, 2019)5

In re TransDigm Grp., Inc. Sec. Litig.,
 440 F. Supp. 3d 740 (N.D. Ohio 2020).....27, 28, 33

In re Vantive Corp. Sec. Litig.,
 283 F.3d 1079 (9th Cir. 2002)14, 15, 16, 17

In re Veon Ltd. Sec. Litig.,
 No. 15-cv-08672 (ALC), 2021 WL 930478 (S.D.N.Y.).....26

Walker v. L Brands, Inc.,
 No. 2:19-CV-3186, 2020 WL 6118467 (S.D. Ohio Oct. 16, 2020) *passim*

Western & Southern Life Ins. Co. v. JPMorgan Chase Bank, N.A.,
 54 F. Supp. 3d 888 (S.D. Ohio 2014)3

Woolgar v. Kingstone Cos., Inc.,
 477 F. Supp. 3d 193 (S.D.N.Y. 2020).....17

In re Yum! Brands, Inc. Sec. Litig.,
 73 F. Supp. 3d 846 (2014)29

Zaluski v. United Am. Healthcare Corp.,
 527 F.3d 564 (6th Cir. 2008)25

Zucco Partners, LLC v. Digimarc Corp.,
 552 F.3d 981 (9th Cir. 2009)17

Statutes

15 U.S.C. § 78t(a)36

15 U.S.C. § 78u-4(b)(2)6

Ohio Rev. Code § 3517.01(C)(5).....24

Securities Exchange Act of 1934 § 10(b)4, 5, 8, 23

Securities Exchange Act of 1934 § 20(a)5, 36

Other Authorities

11 CFR § 100.52(a).....24

11 CFR § 100.54.....24

IRC § 501(c)(4).....13

IRS, *IRS Issues Guidelines for Tax-Exempt Groups Engaged in Public Advocacy* (Dec. 23, 2003), <https://www.irs.gov/newsroom/irs-issues-guidelines-for-tax-exempt-groups-engaged-in-public-advocacy> (last reviewed/updated Mar. 3, 2020)11

IRS, *Public Disclosure and Availability of Exempt Organizations Returns and Applications: Documents Subject to Public Disclosure* available at <https://www.irs.gov/charities-non-profits/public-disclosure-and-availability-of-exempt-organizations-returns-and-applications-documents-subject-to-public-disclosure> (last reviewed/updated Jan. 7, 2021)13

IRS, *Social Welfare Organizations* (Apr. 2, 2021), <https://www.irs.gov/charities-non-profits/other-non-profits/social-welfare-organizations>.....11

MEMORANDUM IN SUPPORT

INTRODUCTION

This case is a meritless attempt to implicate AEP and the Individual Defendants in the criminal scheme alleged against former Speaker of the Ohio House of Representatives Larry Householder and certain of his associates. Plaintiffs' expansive allegations about the indictments, guilty pleas, and wrongdoing of Householder, his associates, Generation Now, and FirstEnergy Corp. ("FirstEnergy") speak volumes about Plaintiffs' effort to rely on the alleged wrongdoing of parties other than AEP.

Plaintiffs' theory is that Defendants (AEP and Messrs. Akins and Tierney) committed securities fraud by misstating or failing to disclose AEP's "direct involvement in funding Householder's criminal enterprise" to "pass and then defend" Ohio House Bill 6 ("HB6"), the legislation at the center of Householder's scheme that provided a billion-dollar bailout for two nuclear facilities owned by the energy company that engaged in the scheme, which was not AEP. The fundamental defect in Plaintiffs' Complaint is that Plaintiffs do not plead *facts* to support any plausible—let alone cogent and compelling—inference that Defendants were aware of or involved in the bribery scheme. Rather, Plaintiffs ask this Court to presume Defendants' knowledge and involvement because certain provisions of HB6 benefited AEP and because AEP contributed money to a 501(c)(4) organization (Empowering Ohio's Economy ("EOE")), which in turn contributed to other 501(c)(4) organizations, including Generation Now, the organization Householder and his associates allegedly used to further their criminal scheme. But that is not a legally sufficient basis to support a complaint.

As a result, Plaintiffs' claims do not meet the basic pleading standards of the Private Securities Litigation Reform Act ("PSLRA"). *First*, Plaintiffs fail to plead scienter because they fail to plead *facts* sufficient to allege that the Individual Defendants, or anyone else at AEP, knew

about or participated in the bribery scheme. Without such allegations, Plaintiffs' claims fall apart. Indeed, Plaintiffs' allegations that Defendants "fraudulently concealed" that AEP was actively supporting HB6, including by legally contributing money to EOE, can only satisfy the requisite intent to defraud investors if Defendants knew about Householder's bribery scheme.

Second, Plaintiffs fail to allege any actionable misstatement or omission. Plaintiffs identify statements made in AEP's SEC filings, conference calls, newsletters, and "Corporate Accountability Reports" (or "CARs") to claim that Defendants concealed the truth of AEP's support for HB6 and contributions to 501(c)(4) organizations. But the statements Plaintiffs identify can only be material if Defendants knew about Householder's bribery scheme, which Plaintiffs do not sufficiently allege. In addition, on their face, none of Plaintiffs' claimed omissions required disclosure in order to make the identified statements not misleading. The alleged omissions and misstatements are even more baseless when viewed in the context of AEP's extensive public disclosures concerning HB6, including the importance to AEP's business of its ability to continue to recover certain costs related to the Ohio Valley Electric Corporation ("OVEC") plants.

In addition to those defects, Defendants had no legal duty to disclose information regarding AEP's 501(c)(4) contributions, nor do Plaintiffs plausibly allege otherwise. And other alleged misstatements are inactionable because they are either too vague, amount to puffery, were made after-the-fact, or are forward-looking statements protected by the PSLRA. Without specific allegations demonstrating how Defendants' statements made at the time were material, false, or misleading, Plaintiffs have failed to state a claim.

Finally, Plaintiffs fail to sufficiently allege loss causation. Plaintiffs clearly allege that AEP's stock dropped because of a *Columbus Dispatch* news article that discussed Householder's alleged criminal activity, and which generated unsupported speculation that AEP may be

connected to that activity. But Plaintiffs plead no facts demonstrating AEP was involved in or knew of the criminal activity, and the news article did not correct any of the supposed false statements or omissions that Plaintiffs allege here. As a result, the stock could not have dropped based on any supposed revelation that Defendants made the misstatements or omissions alleged in the Complaint.

For each of these reasons, and because leave to replead is not readily granted in securities cases, the Court should dismiss the Complaint with prejudice.³

BACKGROUND

AEP is a publicly-traded utility holding company that is one of America's largest generators of electricity. (Compl. ¶ 27). Together with various subsidiaries, AEP owns an approximate 43% interest in the power generated by OVEC, which owns and operates two coal-fired generation plants. (*Id.* ¶¶ 29–30.) Under the terms of AEP's agreement with OVEC, Ohio Power Company ("OPCo"), an AEP subsidiary, is entitled—and required—to purchase approximately 20% of the power OVEC's plants generate. (Decl., Ex. 1 at 19.)⁴

³ For the Court's convenience, attached hereto as Exhibit A is a summary of the reasons that each alleged misstatement and omission is not actionable.

⁴ "Decl." refers to the Declaration of Nicole A. Allen, which is attached hereto as Exhibit B. The relevant facts are drawn from the Complaint and from other sources that the Court is permitted to review. To the extent the Amended Complaint quotes, cites, or references a document, that document is considered part of the Complaint. It is well settled that the Court can take judicial notice of documents "embraced by pleadings" or that are "part of the public record." *Albert Fadem Tr. v. Am. Elec. Power Co.*, 334 F. Supp. 2d 985, 995 (S.D. Ohio 2004) (citations omitted); *see also Com. Money Ctr., Inc. v. Ill. Union Ins.*, 508 F.3d 327, 335-36 (6th Cir. 2007) (explaining that, when a document is attached to or "referred to in the pleadings and is integral to the claims, it may be considered without converting a motion to dismiss into one for summary judgment"); *W. & S. Life Ins. Co. v. JPMorgan Chase Bank, N.A.*, 54 F. Supp. 3d 888, 898 (S.D. Ohio 2014) (courts "may consider SEC filings, other public records, and other materials appropriate for the taking of judicial notice.").

AEP was by no means the primary architect or beneficiary of HB6. HB6 was introduced in the Ohio House of Representatives on April 12, 2019, and signed into law on July 23, 2019. (Compl. ¶¶ 1, 56). The bill included a billion-dollar bailout for two nuclear plants owned by FirstEnergy. (*Id.* ¶ 74.) In its final form, HB6 also included a provision that extended the time period (from 2024 to 2030) that OPCo was permitted to recover certain costs associated with purchasing power from OVEC. (Decl., Ex. 2 at 2; Decl., Ex. 3 at 206 of Ex. 13 thereto.)⁵

Plaintiffs allege HB6 “entailed a \$61 million bribery scandal” involving Householder and his associates, two of whom have pled guilty to a RICO conspiracy. (Compl. ¶ 1.) Plaintiffs further allege that Generation Now, a 501(c)(4) organization connected to Householder, pled guilty to racketeering and admitted that it “received money from [FirstEnergy] for the benefit of . . . others in return for specific official action by HOUSEHOLDER relating to the passage and preservation of legislation that would go into effect and save the operation of two nuclear power plants in Ohio.” (*Id.* ¶ 5, n.2, quoting Generation Now Plea Agreement.)

Plaintiffs do not plead any facts sufficient to demonstrate that AEP or the Individual Defendants knew of, or were involved in, Householder’s alleged bribery scheme. Nevertheless, Plaintiffs’ claims are based primarily on the assertion that Defendants’ public statements made during the class period were false because they did not disclose certain facts related to Householder’s scheme. In Count I, Plaintiffs allege that Defendants violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), and Rule 10b-5 promulgated thereunder. In

⁵ As first introduced on April 12, 2019, HB6 did not contain a provision extending the time period for which OPCo was permitted to recover certain costs associated with purchasing power from OVEC, which cost recovery was already permitted until 2024 under current law. (*See* Decl., Ex. 4; Decl., Ex. 3 at 206 of Ex. 13 thereto.) A provision extending cost recovery past 2024 was added to the version of the bill that passed the House on May 29, 2019, (*see* Decl., Ex. 5), but was removed sometime before June 27, 2019, (*see* Decl., Ex. 6), and then added back in the final version of the bill that passed in July. (*See* Decl., Ex. 7.)

Count II, Plaintiffs allege “control person” violations against the Individual Defendants under Section 20(a) of the Exchange Act.

LEGAL STANDARD

A complaint must be dismissed under Federal Rule of Civil Procedure 12(b)(6) unless it contains “sufficient factual matter, accepted as true, ‘to state a claim to relief that is plausible on its face.’” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). The complaint “must include more than labels, conclusions, and formulaic recitations of the elements of a cause of action.” *TERA II, LLC v. Rice Drilling D, LLC*, No. 2:19-CV-2221, 2019 WL 6051115, at *5 (S.D. Ohio Nov. 15, 2019) (citing *Directv, Inc. v. Treesh*, 487 F.3d 471, 476 (6th Cir. 2007)). The Court “must consider the complaint in its entirety, as well as other sources courts ordinarily examine when ruling on Rule 12(b)(6) motions to dismiss, in particular, documents incorporated into the complaint by reference, and matters of which a court may take judicial notice.” *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 322 (2007).

A plaintiff asserting a federal securities fraud claim must satisfy the heightened pleading standards imposed by the PSLRA. *See In re Omnicare, Inc. Sec. Litig.* (“*Omnicare III*”), 769 F.3d 455, 472–73 (6th Cir. 2014). The PSLRA requires a plaintiff to “state with particularity facts giving rise to a strong inference that the defendant acted with the required state of mind.” *Id.* (citing 15 U.S.C. § 78u-4(b)(2)) (emphasis added). That state of mind is scienter, which requires a plaintiff to plead particular facts establishing that each defendant acted with a “knowing and deliberate intent to manipulate, deceive, or defraud.”⁶ *Ley v. Visteon Corp.*, 543 F.3d 801, 809 (6th

⁶ Recklessness may satisfy Section 10(b)’s scienter element, but only if Plaintiffs plead facts demonstrating that Defendants “engaged in highly unreasonable conduct which is an extreme departure from the standards of ordinary care.” *Ricker v. Zoo Ent., Inc.*, 534 F. App’x 495, 499 (6th Cir. 2013) (citation omitted). This is a high standard that is only satisfied when the falsity of

Cir. 2008). When evaluating a plaintiff’s allegations, courts “must consider the complaint in its entirety” and decide whether all of the facts collectively give rise to a strong inference of scienter, rather than evaluating any allegation in isolation. *Omnicare III*, 769 F.3d at 473 (citation omitted). Even assuming the allegations create a “powerful or cogent” inference of scienter, the complaint goes forward “only if a reasonable person would find the inference of scienter cogent and at least as compelling as any opposing inference one could draw from the facts alleged.” *Id.*; see also *In re EveryWare Glob., Inc. Sec. Litig.*, 175 F. Supp. 3d 837, 856 (S.D. Ohio 2016) (“An inference of scienter . . . ‘must be more than merely reasonable or permissible[.]’ . . . it must be ‘cogent and at least as compelling as any opposing inference one could draw from the facts alleged.’”) (quoting *Tellabs, Inc.*, 551 U.S. at 324). A plaintiff must plead scienter with respect to each defendant as of the time of each of the alleged misstatements or omissions. See 15 U.S.C. § 78u-4(b)(2) (requiring plaintiffs adequately plead scienter for “each act or omission”); *Loc. 295/Loc. 851 IBT Employer Grp. Pension Tr. and Welfare Fund v. Fifth Third Bancorp*, 731 F. Supp. 2d 689, 703, 719–20 (S.D. Ohio 2010) (rejecting the group pleading doctrine and explaining that “the complaint must plead scienter with particularity as to each defendant in the case”). To evaluate whether a “strong inference” of scienter is adequately pled for an individual defendant, courts in this district sometimes consider the non-exhaustive list of factors identified in *Helwig v. Vencor, Inc.*, 251 F.3d 540, 552 (6th Cir. 2001),⁷ although the Sixth Circuit has cautioned that no single factor is

the information should have been obvious or when defendants “consciously disregarded red flags.” *In re Comshare Inc. Sec. Litig.*, 183 F.3d 542, 554 (6th Cir. 1999).

⁷ The nine *Helwig* factors are: “(1) insider trading at a suspicious time or in an unusual amount; (2) divergence between internal reports and external statements on the same subject; (3) closeness in time of an allegedly fraudulent statement or omission and the later disclosure of inconsistent information; (4) evidence of bribery by a top company official; (5) existence of an ancillary lawsuit charging fraud by a company and the company’s quick settlement of that suit; (6) disregard of the most current factual information before making statements; (7) disclosure of accounting information in such a way that its negative implications could only be understood by someone with

controlling and the court must still analyze all of a plaintiff's allegations holistically. *See Ashland, Inc. v. Oppenheimer & Co., Inc.*, 648 F.3d 461, 469 (6th Cir. 2011). The Sixth Circuit also requires all fraud claims to satisfy the heightened pleading standards of Federal Rule of Civil Procedure 9(b). *See Walker v. L Brands, Inc.*, Nos. 2:19-cv-3186 & 2:19-cv-3961, 2020 WL 6118467, at *7 (S.D. Ohio Oct. 16, 2020) (Morrison, J.).

In addition to pleading scienter, the PSLRA requires a plaintiff to plead an actionable misstatement or omission. To be actionable, a plaintiff must allege facts demonstrating that: (1) a defendant made a statement or omission that was false or misleading; and (2) the statement or omission concerned a material fact. *Omnicare III*, 769 F.3d at 470. Information is "material only if a reasonable investor would have viewed the misrepresentation or omission as having significantly altered the total mix of information" available. *Walker*, 2020 WL 6118467, at *9 (quoting *In re Sofamor Danek Grp., Inc.*, 123 F.3d 394, 400 (6th Cir. 1997)). Additionally, an alleged omission is actionable only if the defendant had a duty to disclose the information, and is material only if disclosure of the omitted facts are "necessary in order to make the statements made . . . not misleading." *Walker*, 2020 WL 6118467, at *8 (quoting *Dura Pharms., Inc. v. Broudo*, 544 U.S. 336, 341 (2005) (citing 17 C.F.R. § 240.10b-5)).

a high degree of sophistication; (8) the personal interest of certain directors in not informing disinterested directors of an impending sale of stock; and (9) the self-interested motivation of defendants in the form of saving their salaries or jobs." 251 F.3d at 552.

ARGUMENT

I. The Court Should Dismiss Count I Because Plaintiffs Have Not Sufficiently Pled Scierter.

A. Plaintiffs Do Not Allege Facts Sufficient To Infer That Defendants, Or Anyone Else At AEP, Knew About Or Participated In Householder’s Criminal Bribery Scheme.

Plaintiffs’ claims fail because they do not plead a single particularized fact to support the conclusion that any of the Defendants knew about, or participated in, Householder’s alleged bribery scheme. This negates the scierter element of their Section 10(b) claim because the only fraud Plaintiffs attempt to plead is based on the criminal bribery scheme Householder allegedly employed in connection with HB6. This is clear from the Complaint, which is premised on the notion that Defendants “fund[ed] Householder’s criminal enterprise” (Compl. ¶ 1), were “involve[d] with the criminal enterprise” (*id.* ¶ 70), and which references “Householder” 90 times, “Generation Now” 48 times, “FirstEnergy” 17 times, and “Company A” (another reference to FirstEnergy) 5 times. Without adequate allegations that Defendants knew about or participated in Householder’s scheme—including knowledge of Householder’s alleged use of Generation Now and Coalition for Opportunity and Growth (“Coalition”) to carry out the scheme—Plaintiffs’ assertions that Defendants made omissions and misrepresentations related to AEP’s support for HB6 or contributions to EOE do not demonstrate any intent to commit fraud.⁸

Plaintiffs’ scierter allegations against Mr. Akins and Mr. Tierney are especially deficient. Plaintiffs fail to “plead scierter with particularity as to each defendant in the case,” and as to each alleged misstatement or omission, *Loc. 295/Loc. 851 IBT*, 731 F. Supp. 2d at 703, 719–20, and fail to satisfy the heightened pleading standards of Rule 9(b), *Walker*, 2020 WL 6118467, at *7.

⁸ AEP did not contribute money to Generation Now or Coalition and Plaintiffs do not plead otherwise.

Plaintiffs also fail to plead any of the nine *Helwig* factors. Plaintiffs do not credibly attempt to plead facts sufficient to support a finding that factors 2–9 are met, and the first factor (alleged “insider trading”), which Plaintiffs do purport to allege, is insufficiently pled as explained in detail in Section I.B, below. See *Omnicare III*, 769 F.3d at 484 (affirming dismissal of complaint where only one *Helwig* factor was adequately pled); *Ley*, 543 F.3d at 810–14 (affirming dismissal and finding no *Helwig* factors adequately pled).

As to all Defendants, the Sixth Circuit’s decision in *Omnicare III*, 769 F.3d 455 (6th Cir. 2014), is instructive. The plaintiff in *Omnicare III* claimed that the company and several high-ranking executive defendants failed to disclose the results of three internal audits that revealed the company was engaged in “pervasive fraud” involving (among other things) the submission of “false and fraudulent” claims and invoices to Medicare and Medicaid. *Id.* at 462. Plaintiffs alleged the defendants knew about the fraud because the results of the internal audits were provided to Omnicare’s audit and compliance committees and “immediately given to the [individual] defendants.” *Id.* Rather than disclosing the fraud, however, the plaintiffs alleged the defendants knowingly misrepresented in SEC filings and other public statements that the company was in compliance with applicable federal regulations. *Id.* at 463–64.

Despite these allegations, the Sixth Circuit affirmed dismissal of the complaint because the plaintiffs failed to plead “concrete details” sufficient to establish the defendants’ “actual knowledge” of the alleged wrongdoing. *Id.* at 482–83. For example, the plaintiffs failed to allege what the specific results of the audits demonstrated—*i.e.*, how many company facilities were involved, what specific billing irregularities were found, and how many supposedly fraudulent claims were involved. *Id.* at 482. Nor did the plaintiffs allege with particularity what specific information concerning the audit results was actually communicated to each of the individual

defendants. *Id.* As a result, the court found dismissal was appropriate because the plaintiffs made only “general statements” of knowledge and “heap[ed] inference upon inference” but “never allege[d] that Person A did Act B at Time C, [as] required by the PSLRA.” *Id.* (alterations, quotations, and citations removed).

Plaintiffs’ allegations of scienter in this case are significantly weaker than in *Omnicare III*. Plaintiffs go into great detail reciting the criminal charges and guilty pleas involving Householder and his associates, including Generation Now, but those criminal charges and guilty pleas do not identify anyone at AEP (including the Individual Defendants) as being involved in Householder’s scheme.⁹ To the contrary, the plea agreements on which Plaintiffs rely specifically state that the purpose of Householder’s scheme was to “save the operation of two nuclear plants in Ohio”—plants owned and operated by FirstEnergy, *not AEP*. (Compl. ¶¶ 5, 77–79, quoting Generation Now and Cespedes Plea Agreements.) The plea agreement for Generation Now further states it received money from FirstEnergy—*not AEP*—which Generation Now took steps to conceal as part of carrying out the criminal scheme, the purpose of which was to save the FirstEnergy nuclear plants. (*Id.* ¶¶ 5 & n.2, 79.)

Plaintiffs allege in conclusory fashion that “AEP . . . knew that its contributions to EOE were being paid by EOE directly to Householder’s criminal enterprise[.]” (*Id.* ¶ 86.) But Plaintiffs do not plead facts—and certainly no sufficiently particularized facts—to support their conclusion. The fact that AEP’s Vice President of External Affairs, Tom Froehle, served on the board of EOE

⁹ Even if someone from AEP was identified as having participated in the alleged scheme—and to be clear, no one has been—that alone would be insufficient to state a claim. Plaintiffs would still be required to plead particularized facts concerning what any participant in the scheme knew, when, how, and why that knowledge might be imputed to AEP. *See Loc. 295/Loc. 851 IBT*, 731 F. Supp. 2d at 721 (holding failure to establish scienter where plaintiffs failed to allege facts establishing that knowledge of corporate agents who participated in the alleged wrongdoing could be imputed to the corporation).

during the relevant time period, as Plaintiffs allege (*id.*), is legally irrelevant and grossly insufficient to conclude Mr. Froehle was aware of either Householder’s bribery scheme or the role Generation Now or any other entity played in that scheme. *See Omnicare III*, 769 F.3d at 462.

Tellingly, Plaintiffs admit the grant agreement between EOE and Generation Now obligated Generation Now to use the money it received from EOE for legitimate purposes consistent with EOE’s mission as a 501(c)(4) organization—specifically, “educating, equipping, and mobilizing . . . citizens to take action on critical economic and legislative issues.” (Compl. ¶¶ 6, 85, quoting EOE-Generation Now Grant Agreement (Decl. Ex. 8).) Issue advocacy of this nature is precisely the type of activity 501(c)(4) organizations are authorized to undertake. *See IRS, IRS Issues Guidelines for Tax-Exempt Groups Engaged in Public Advocacy* (Dec. 23, 2003), <https://www.irs.gov/newsroom/irs-issues-guidelines-for-tax-exempt-groups-engaged-in-public-advocacy> (last reviewed/updated Mar. 3, 2020) (“Under the Internal Revenue Code, social welfare organizations . . . are permitted to engage in advocacy or lobbying related to their exempt purposes.”). Indeed, the IRS has expressly stated that “[s]eeking legislation germane to [a 501(c)(4)] organization’s programs is a permissible means of attaining social welfare purposes. Thus, a section 501(c)(4) social welfare organization may further its exempt purposes through lobbying as its primary activity without jeopardizing its exempt status.” *IRS, Social Welfare Organizations* (Apr. 2, 2021), <https://www.irs.gov/charities-non-profits/other-non-profits/social-welfare-organizations>.

The grant agreement between EOE and Generation Now also clearly stated that EOE’s contributions to Generation Now would be used “exclusively in connection with programs, efforts, and activities that promote the social welfare” and “may not be used in furtherance of any political or campaign intervention activities (as those terms are currently defined by the IRS).” (Decl., Ex.

8.) Plaintiffs plead no facts indicating anyone at AEP or EOE, including Mr. Froehle, knew EOE's contributions to Generation Now were being misused in violation of that written agreement.

Similarly, Plaintiffs' vague and unsubstantiated allegations that the Individual Defendants "were active and culpable participants in the fraud scheme" "[b]y virtue of their receipt of information reflecting the true facts regarding AEP's operations" (Compl. ¶ 82)—with no particular information about what "facts" Plaintiffs are referring to, when they were received, by whom, and what these mystery facts supposedly showed—do not give rise to a cogent and compelling inference of scienter. *See Omnicare III*, 769 F.3d at 482 (holding that, because "concrete details" of information allegedly provided to defendants are required to determine knowledge of falsity, dismissal is required where a plaintiff "merely makes general statements and heaps inference upon inference"); *Loc. 295/Loc. 851 IBT*, 731 F. Supp. 2d at 726 (holding no scienter where plaintiffs' allegations relied heavily on defendants' supposed service on committees and access to pertinent information in the absence of particular facts demonstrating defendants actually received the information).

Allegations that AEP "long sought the benefits" and ultimately did benefit from HB6 (Compl. ¶ 89), do not support a cogent and compelling inference of scienter because benefitting from some alleged misconduct does not create an inference of knowledge or participation in the misconduct. *See In re Comshare Inc. Sec. Litig.*, 183 F.3d 542, 553 (6th Cir. 1999) (allegations that defendants profited from effect of misleading statements may "illustrate . . . motive and opportunity" but are insufficient to plead scienter); *Bondali, v. YumA Brands, Inc.*, 620 Fed. App'x 483, 492 (6th Cir. 2015) (allegations that concealed information was important to profitability and director compensation only reflected motive, not scienter); *Darby v. Cent. Bus. Servs., Inc.*, 96 Fed. App'x 277, 283 (6th Cir. 2004) (allegations that defendants benefitted from inflated stock

price only reflected a motive for concealing the truth, and was insufficient for pleading scienter); *see also Omnicare III*, 769 F.3d at 483 (affirming dismissal of complaint because plaintiff failed to plead “concrete details” sufficient to establish the defendants’ “actual knowledge” of the alleged wrongdoing).

Unable to plead facts necessary to support any plausible (let alone cogent and compelling) inference that any of the Defendants were aware of or involved in the purported criminal scheme, Plaintiffs attempt to inject an element of the sinister into the Complaint by referring to AEP’s contributions to EOE as so-called “dark money contributions.” (Compl. ¶¶ 2, 5, 7, 64, 73, 83–84, 87, 89, 99). Plaintiffs’ characterization is legally meaningless. 501(c)(4) organizations, like EOE, operate pursuant to federal law—in particular, Section 501(c)(4) of the Internal Revenue Code—and there is no legal requirement that contributions made to those organizations be disclosed.¹⁰ Thus, AEP’s making of contributions to any 501(c)(4) organization adds nothing to an inference of scienter, particularly in light of the grant agreement between EOE and Generation Now specifically pled in the Complaint, which required Generation Now to use any money from EOE for specific and permissible purposes.

The Court should also reject Plaintiffs’ unsupported contention that political contributions made by individual AEP employees or the AEP PAC to Householder and other Ohio representatives somehow “demonstrate[s] a level of intimacy and support” sufficient to “raise a strong inference of scienter.” (*Id.* ¶ 94.) Making contributions to a politician who turns out to be

¹⁰ *See IRS, Public Disclosure and Availability of Exempt Organizations Returns and Applications: Documents Subject to Public Disclosure*, <https://www.irs.gov/charities-non-profits/public-disclosure-and-availability-of-exempt-organizations-returns-and-applications-documents-subject-to-public-disclosure> (last reviewed/updated Jan. 7, 2021) (“With the exception of private foundations, an exempt organization is not required to disclose the name and address of any contributor to the organization.”).

corrupt is a far cry from knowledge or participation in that corruption. Plaintiffs' scienter allegations are precisely the type of unsupported, vague speculation that *Omnicare III* and other Sixth Circuit authority prohibit. *See Omnicare III*, 769 F.3d at 481 (affirming dismissal because plaintiff failed to plead "concrete details" sufficient to establish defendants had "actual knowledge" of alleged wrongdoing); *Ashland*, 648 F.3d at 470 (affirming dismissal for failure to allege "any facts explaining why or how Oppenheimer possessed advance, non-public knowledge" of alleged wrongdoing) (emphasis in original).

B. The Individual Defendants' Stock Sales Do Not Create The Necessary Strong Inference Of Scienter.

Plaintiffs' contention that scienter can be inferred from the Individual Defendants' stock sales (Compl. ¶¶ 91–92) similarly falls short of the PSLRA's standards. "The mere sale of stock is not enough to lead the Court to infer scienter." *In re Ferro Corp*, Nos. 1:04CV1440 & 1:04CV1589, 2007 WL 1691358, *14 (N.D. Ohio June 11, 2007); *In re Comshare*, 183 F.3d at 553 (affirming dismissal of complaint and explaining that "the charge that corporate officers engaged in insider sales at unusual or suspicious levels is probative of motive," but "do[es] not, without more, suffice to give rise to a 'strong inference' of scienter"). Rather, stock sales are probative *only* "when those sales are able to be related to" the alleged misstatements or omissions. *In re Vantive Corp. Sec. Litig.*, 283 F.3d 1079, 1093 (9th Cir. 2002) (explaining individual defendants' stock sales did not support inference of scienter because "the insufficient allegations of fraud elsewhere in the complaint have a spillover effect here").

Given the utter lack of any allegations to support that Mr. Akins or Mr. Tierney knew about Householder's fraud, the Court need not evaluate their stock sales to determine Plaintiffs have failed to plead scienter. But even if the Court did evaluate Messrs. Akins's and Tierney's stock sales, the sales do not support an inference of scienter.

To evaluate whether scienter might be supported by allegations of stock sales, courts in this district have considered (1) whether the alleged trades were normal or routine based on the defendant's trading history; (2) whether the profits reaped were substantial enough in relation to the defendant's compensation level; and (3) whether in light of the defendant's total stock holdings, the sales were unusual or suspicious. *In re Ferro Corp.*, 2007 WL 1691358, at *14. Courts may also consider "the timing of the sales." *In re Vantive Corp.*, 283 F.3d at 1092. None of these factors support an inference of scienter here.

First, the largest stock sales at issue (18,573 shares for Mr. Tierney and 69,657 shares for Mr. Akins) occurred on February 24, 2020—four days after those shares vested.¹¹ Similarly, the majority of the sales Plaintiffs point to in May 2019 occurred immediately after or close in time to vesting events. (*See* Decl., Ex. 9; Decl., Ex. 10.) Plaintiffs plead no facts suggesting Messrs. Akins or Tierney intended anything other than to convert their recently-vested stock awards into cash, and the more reasonable inference is that they, like many executives, were selling stock "in the normal course of events." *In re Burlington Coat Factory Sec. Litig.*, 114 F.3d 1410, 1424 (3d Cir. 1997) (recognizing that "[a] large number of today's corporate executives are compensated in terms of stock and stock options" and "trade those securities in the normal course of events"). Additionally, in the instances in which Plaintiffs allege Messrs. Akins's and Tierney's stock settled for cash (as designated in grey in Plaintiffs' chart) (Compl. ¶ 91), Messrs. Akins and Tierney

¹¹ Based on publicly available Form 4s for Messrs. Akins and Tierney, on February 20, 2020, Mr. Tierney received 33,989 shares (Decl., Ex. 9), withheld 15,416 for taxes (*id.*), and sold the remaining 18,573 on February 24, 2020. (*Id.*) Likewise, Mr. Akins received 127,462 shares on February 20, 2020 (Decl., Ex. 10), withheld 57,805 for taxes (*id.*), and sold the remaining 69,657 on February 24, 2020. (*Id.*)

actually received cash—not stock—and had no discretion over the timing of those transactions.¹²

Thus, the transactions cannot be considered unusual or suspicious.

Second, Plaintiffs make no allegations regarding Messrs. Akins’s and Tierney’s total compensation, as required to enable the Court to “fully understand the relationship the alleged insider trading had on [the executive]’s compensation structure.” *In re Ferro Corp.*, 2007 WL 1691358, at *14–15 (holding no inference of scienter for failure to adequately plead facts about compensation); *In re Burlington Coat Factory*, 114 F.3d at 1423 (same). In fact, Messrs. Akins’s and Tierney’s 2019–2020 stock sales constituted, at most, approximately 33% and 26%, respectively, of their total compensation in those years (Compl. ¶ 91; Decl., Ex. 11 at 49),¹³ which is insufficient to infer scienter. *See In re Ferro Corp.*, 2007 WL 1691358, at *14–15 (holding no inference of scienter where proceeds from stock sales were greater than 70% of annual compensation).

Third, the annual percentage of stock sales in comparison to settled shares that Plaintiffs allege (Compl. ¶¶ 91-92)—the calculation for which is unclear—even taken as true, do not purport to reflect sales as a percentage of Messrs. Akins’s and Tierney’s total *holdings*, and, in any event, are not large enough to support an inference of scienter. *See In re Vantive Corp.*, 283 F.3d at 1094–

¹² Plaintiffs incorrectly designate as “insider sales” two May 1, 2019 transactions that were, in fact, cash settlements—5,546 shares for Mr. Akins and 1,539 shares for Mr. Tierney. (Compl. ¶ 91; Decl., Ex. 9; Decl., Ex. 10.) There are other errors in Plaintiffs’ chart that Defendants have not attempted to correct, but Defendants reserve the right to do so on reply to the extent those inaccuracies become relevant.

¹³ Plaintiffs overstate Defendant Akins’s and Tierney’s stock sales. But even using Plaintiffs’ inflated figures, Mr. Akins’s alleged \$9.8 million in stock sales in 2019-2020 constituted at most approximately 33% of his \$30 million in total compensation for those years. (Compl. ¶ 91; Decl., Ex. 11 at 49.) Mr. Tierney’s alleged \$2.9 million in stock sales in 2019-2020 constituted at most approximately 26% of his \$11 million in total compensation for those years. (*Id.*) This is insufficient to infer scienter as a matter of law. *See In re Ferro Corp.*, 2007 WL 1691358, at *14–15.

96 (no inference of scienter for sales of 74%, 26%, 32%, 48%, 55%, and 49% of holdings); *Zucco Partners, LLC v. Digimarc Corp.*, 552 F.3d 981, 1005 (9th Cir. 2009) (same for sale of 48% of holdings).

Fourth, the stock sales at issue occurred five to fourteen months *before* publication of the July 2020 *Columbus Dispatch* article that Plaintiffs claim triggered their losses. Plaintiffs allege no facts to suggest Messrs. Akins or Tierney had advance knowledge of the article or control over when it was published. This “dissipate[s]” any inference of suspicion. *Pension Tr. Fund for Operating Eng’rs v. Kohl’s Corp.*, 895 F.3d, 933, 940 (7th Cir. 2018); *see also In re Party City Sec. Litig.*, 147 F. Supp. 2d 282, 313 (D.N.J. 2001) (“A broad temporal distance between stock sales and a disclosure of bad news defeats any inference of scienter.”); *In re Harley-Davidson, Inc. Sec. Litig.*, 660 F. Supp. 2d 969, 985, 1002–03 (E.D. Wis. 2009) (holding stock sales nine months before market learned of alleged fraud not suspicious).

Finally, the class period stock sales by Mr. Akins were made pursuant to a 10b5-1 plan (Decl., Ex. 10), which negates any inference of scienter because “it is well established that trades under 10b5-1 plans do not raise a strong inference of scienter.” *Woolgar v. Kingstone Cos., Inc.*, 477 F. Supp. 3d 193, 236 (S.D.N.Y. 2020); *Elam v. Neidorff*, 544 F.3d 921, 928 (8th Cir. 2008) (same).

C. The Only Reasonable Inference Is That There Was No Scienter.

Taken as a whole, Plaintiffs’ allegations are patently inadequate to support any inference of scienter. They show, at most, that AEP contributed to an organization (EOE), that contributed to another organization (Generation Now), that was not in any way controlled by Defendants, but allegedly was used by Householder and his associates in a bribery scheme that Defendants knew nothing about and that was designed to benefit a completely different energy company. Defendants’ knowledge of specific fraudulent conduct cannot be inferred on these facts. Plaintiffs

simply do not plead any direct connection between the Individual Defendants, AEP, and the specific fraud underlying Plaintiffs' claims (Householder's bribery scheme). As a result, Plaintiffs have failed to plead scienter and their claims must be dismissed.

II. The Court Should Dismiss Count I For The Independent Reason That Plaintiffs Fail To Plead Any Actionable, Material Misstatements Or Omissions.

Faced with their inability to allege AEP or the Individual Defendants knew of any wrongdoing by Householder and his associates, Plaintiffs point to snippets of public statements and claim Defendants should have disclosed more about AEP's support for HB6 and involvement in the legislative process. But none of the alleged omissions or misstatements were material or required disclosure in order to make the identified statements not misleading, particularly in light of AEP's extensive public disclosures on the topics about which Plaintiffs complain. These defects provide an independent basis for the Court to dismiss the Complaint.

A. Defendants Did Not Omit Or Misstate Material Information Concerning AEP's Support For HB6.

Six of the eight alleged omissions or misstatements on which Plaintiffs rely to support their claims are statements Defendants made about the HB6 legislation, either prior to its being adopted (Compl. ¶¶ 54–55), shortly after HB6 was signed into law (*id.* ¶¶ 60, 62), or around the time of the referendum. (*Id.* ¶¶ 65–66, 69–70.) In each instance, Plaintiffs claim Defendants' statements misled investors about the nature and extent of AEP's support for HB6, primarily by not disclosing AEP's desire for OVEC cost recovery provisions in the legislation. (*Id.* ¶¶ 56, 59, 61, 63–64, 67, 71.)

For example, Plaintiffs allege that Mr. Tierney, in an April 21, 2019 conference call in which he discussed the draft HB6 legislation, concealed from investors that the “primary driver for AEP's lack of support for HB6” at that time “was the lack of any cost-recovery provision governing AEP's own coal-fired plants.” (*Id.* ¶¶ 54–56.) Plaintiffs similarly allege that Mr. Akins's

statements on July 25, 2019—two days after HB6 became law—that AEP saw “positives from [the HB6] legislation . . . namely recovery of OVEC [costs] . . . on a statewide basis through 2030,” (¶ 62, quoting Q2 2019 earnings call (Decl., Ex. 12)) created the misimpression that HB6 was passed pursuant to legitimate process and that AEP was not “actively involved in getting the bill passed.” (*Id.* ¶ 63.) And Plaintiffs allege that AEP’s statements in a September 2019 newsletter discussing certain provisions of HB6 and the impending referendum were “false and misleading” because “Defendants concealed that AEP was a driving force behind the coal-fired cost recovery provisions in HB6,” and “created the false impression that only FirstEnergy was opposing the referendum” by stating (correctly) that FirstEnergy filed a challenge to the referendum petition. (*Id.* ¶¶ 65–68.)

Plaintiffs’ contention that Defendants’ statements somehow concealed or misled investors about AEP’s support for HB6—in particular, the OVEC cost recovery provisions in the legislation—are belied by AEP’s numerous public disclosures addressing the importance of OVEC cost recovery to its financial performance, and by Plaintiffs’ own allegations acknowledging AEP’s extensive efforts to obtain OVEC cost recovery over several years. In the face of AEP’s robust disclosures, nothing Plaintiffs allege Defendants concealed could have changed the “total mix of information” available to investors as a matter of law. *See Walker*, 2020 WL 6118467, at *11 (dismissing complaint on this basis).

Indeed, Plaintiffs devote thirteen paragraphs of the Complaint to explaining all of the ways in which AEP clearly and publicly disclosed the importance of OVEC plant cost recovery to its business. (Compl. ¶¶ 40–52.) According to Plaintiffs, AEP was “seeking cost recovery for the OVEC Plants” as early as 2014. (*Id.* ¶ 43.) In May 2015, AEP’s then-COO publicly addressed the

need for that cost recovery in front of the Public Utilities Commission of Ohio (“PUCO”). (*Id.*)¹⁴ AEP then engaged in “years of briefing, discovery, hearings and public comments” related to its cost-recovery request, which the PUCO approved in March 2016, but FERC subsequently denied. (*Id.* ¶¶ 44–45.) FERC’s denial resulted in legal challenges that made their way to the Ohio Supreme Court (*id.* ¶ 49), and resulted in Mr. Akins stating in a first quarter 2017 investor call that AEP was “*looking for permanent support*” for cost recovery for OVEC, including “*through legislation.*” (*Id.* ¶ 50, quoting Q1 2017 earnings call.)

Plaintiffs admit that Ohio House Bill 239 (“HB239”) was introduced in the Ohio House in May 2017. (*Id.* ¶ 52.) “As introduced, HB239 would provide nearly \$256.6 million in subsidies to the OVEC Plants to be recovered annually from ratepayers for the 24-year period of 2017–2040,” and would have “guaranteed income for all the OVEC Plants’ owners for the remaining years of the ICPA.” (*Id.*) AEP publicly supported HB239 and lobbied for the bill,¹⁵ but ultimately it did not pass. (*Id.* ¶¶ 50, 52.)

HB6 was formally introduced in the Ohio House of Representatives on April 12, 2019. (*Id.* ¶ 56.) Every one of AEP’s ten lobbyists made public filings that disclosed “active advocacy” on behalf of AEP in support of HB6 in both the January–April 2019, and May–August 2019, lobbying periods. (Decl., Exs. 14–17.) On April 23, 2019 (11 days after HB6’s introduction), Mr. Froehle publicly testified on behalf of AEP as an “interested party” in front of the House Energy and

¹⁴ Pablo Vegas, who Plaintiffs identify as “AEP’s . . . President and [COO]” in May 2015 (Compl. ¶ 43), was actually the President and COO of OPCo. Plaintiffs make other factually inaccurate statements in their Complaint, which Defendants have not attempted to point out or correct to the extent such statements are not directly relevant to this motion.

¹⁵ Mr. Froehle’s publicly available lobbying disclosures during that time stated that he lobbied in regards to HB239 on behalf of AEP and that the bill would have “[a]llow[ed] recovery of national security generation resource cost.” (Decl., Ex. 13.)

Natural Resources Subcommittee on Energy Generation. (Decl., Ex. 18.) Plaintiffs acknowledge that, on May 22, 2019, Mr. Froehle wrote a letter on behalf of AEP to the Members of the Ohio House of representatives, stating that “American Electric Power – Ohio supports House Bill 6” and explaining some of the reasons for AEP’s support. (*Id.* ¶ 7, quoting Mr. Froehle’s May 22, 2019 letter (Decl., Ex. 19).)

On June 12, 2019, Mr. Froehle publicly testified on behalf of AEP on HB6 in front of the Senate Committee on Energy and Public Utilities (*id.* ¶ 90(c)), stating, in part:

As it relates to Ohio Valley Electric Corporation (OVEC), HB 6 provides ongoing certainty for an important and longstanding baseload generating asset. The bill also includes rates caps for customers while allowing for the continued operation of OVEC generating units, which will provide certainty for AEP Ohio’s customers and Ohio jobs.

On June 27, 2019, Mr. Froehle testified again in front of the Senate Committee on Energy and Public Utilities—this time as an opponent of HB6 because the then-current version of the bill had eliminated cost recovery for OVEC and made other revisions objectionable to AEP. (Decl., Ex. 6.) Significantly, Mr. Froehle testified that AEP had “worked carefully” with the legislature to ensure that HB6 provided, among other things, “greater certainty to legacy and future energy generation in Ohio,” but that AEP opposed the new version of the bill unless the Committee would “[e]ither reinstate House language concerning the Ohio Valley Electric Corporation, along with the amendments submitted by utilities to the Senate, or amend the Senate language to achieve the same effect.” (*Id.*) Froehle noted that the OVEC change—among others—was necessary “for AEP Ohio to support the legislation.” (*Id.*)

HB6 became law on July 23, 2019, and ultimately included an extension of AEP’s ability to recover costs related to its OVEC plants from 2024 (the end date already in place) (Decl., Ex. 3 at 206 of Ex. 13 thereto) through 2030. (Decl., Ex. 2, at 16.) Additional details related to AEP’s efforts to recover costs associated with its OVEC plants, and support for HB6, are disclosed in

numerous AEP SEC filings.¹⁶ AEP also disclosed its participation in the legislative and regulatory process more generally in its publicly issued Corporate Accountability Reports, including between 2018 and 2019, which Plaintiffs themselves rely on in the Complaint. (*See e.g.*, Compl. ¶ 88 (quoting AEP’s 2018 CAR) (“AEP has a public policy strategy that seeks to influence decisions being made at Congress, FERC, state legislatures and regulatory commissions. We do this to mitigate our risk exposure and to help us achieve our business objectives.”); Decl., Ex. 20 at 16 (“As our industry evolves, we will continue working with our regulators and legislators at the federal, state and local levels.”); *id.* at 19 (“For the benefit of all stakeholders, we actively participate in the political process and in lobbying activities at the national, state and local levels.”).)

In light of these disclosures—which go back to at least 2014—no reasonable investor would think, as Plaintiffs claim, that Defendants misrepresented or concealed AEP’s active support for HB6 (Compl. ¶¶ 59, 63–64, 71); AEP’s desire for the OVEC cost recovery provisions in HB6

¹⁶ From 2014 through 2019, AEP’s public filings discuss its OVEC-related losses and AEP’s commitment to find a legislative and/or regulatory solution. (*See, e.g.*, Decl., Ex. 21 at 18, and at 4 of Ex. 13 thereto (“OPCo has filed an application with the PUCO to approve a purchased power agreement (PPA) rider [to recover OVEC-related costs] . . . [which] would initially be based upon OPCo’s contractual entitlement under the Inter-Company Agreement which is approximately 20% of OVEC’s capacity”); Decl., Ex. 22 at 18, and at 4–5, 95, 167, 180 of Ex. 13 thereto (disclosing “\$27 million” of losses “from a power contract with OVEC”); Decl., Ex. 23 at 18, and at 28, 166–68 of Ex. 13 thereto (discussing challenges in front of the PUCO to “the OVEC-only PPA Rider”); Decl., Ex. 3 at 19, and at 6, 32–33, 133 of Ex. 13 thereto (noting that the company recovered \$62 million from “recovery of losses from a power contract with OVEC,” which became possible after the PUCO “approved a PPA rider beginning in January 2017 to recover any net expense related to the deferral of OVEC losses starting in June 2016”); Decl., Ex. 24 at 18, and at 30–33, 212–213 of Ex. 13 thereto (disclosing an October 2018 appeal “filed with the Ohio Supreme Court challenging various approved riders,” including for the rider providing for OVEC cost recovery); Decl., Ex. 1 at 18–19, and at 4, 28 of Ex. 13 thereto (describing HB6, which “replace[d] the PPA rider and enable[d] OPCo to continue recovering the net cost associated with the [OVEC] ICPA, including any additional contractual entitlement received as a result of the FirstEnergy Solutions (FES) bankruptcy, through 2030”)). The Court may take judicial notice of these materials. (*Supra* at 3, n. 4.)

or that the inclusion of such provisions was important to AEP's support of HB6 (*id.* ¶¶ 56, 61, 67); or the fact that AEP was working directly with the legislature on those very issues. (*Id.* ¶¶ 61, 63.) Indeed, it is difficult to conceive that any investor would have made a different investment decision had AEP provided even more information about the importance of cost-recovery provisions to its support for HB6 or its legislative strategy more generally. Rather, AEP's numerous statements addressing those exact issues render any information Plaintiffs claim was missing from any particular disclosure immaterial because it would not have altered the total mix of information available to investors. *See Ashland*, 648 F.3d at 468 (holding alleged omissions inactionable because they consisted of public information); *Walker*, 2020 WL 6118467, at *11 (finding plaintiff's proposed inferences "unreasonable and thus, immaterial" given that it was "widely known that L Brands' performance had declined steadily for several years").

B. Defendants Non-Disclosure Of 501(c)(4) Contributions Does Not Give Rise To An Actionable Omission.

Plaintiffs' allegations that Defendants "concealed" AEP's contributions to EOE (*e.g.*, Compl. ¶¶ 56-57, 59, 61, 64, 67, 71, 73) are not actionable because Defendants had no duty to disclose the contributions, and the contributions were not material.

1. Defendants Had No Duty To Disclose AEP's 501(c)(4) Contributions.

It "bears emphasis that §10(b) and Rule 10b-5 do not create an affirmative duty to disclose any and all information." *Walker*, 2020 WL 6118467, at *8 (citation omitted). Rather, an alleged omission is only actionable when the defendant has a "duty to affirmatively disclose" the information, which duty may arise by statute or if the plaintiff sufficiently pleads facts demonstrating that the omitted information was "necessary in order to make [a defendant's prior] statements . . . not misleading." *Id.*; *see also In re EveryWare Glob.*, 175 F. Supp. 3d at 870 ("An omission is only actionable if there was a prior statement of material fact that is false, inaccurate,

incomplete or misleading in light of the undisclosed information.”) (citation omitted). Here, Plaintiffs have alleged no facts that would trigger a duty to disclose contributions to EOE, much less contributions from EOE to Generation Now, particularly given the absence of any factual allegations that Defendants knew its contributions to EOE, or EOE’s contributions to Generation Now, were allegedly being misused as part of a bribery scheme.

Plaintiffs have not identified any statutory duty to disclose 501(c)(4) contributions, and there is none. To the contrary, there is no IRS regulation or other authority requiring an organization to disclose its contributions to 501(c)(4) organizations. IRS regulations specifically exempt 501(c)(4) organizations from disclosing their contributors.¹⁷ Contributions to 501(c)(4) organizations do not meet the definition of political “contributions” that are subject to disclosure under federal or Ohio law, *see* 11 CFR § 100.52(a), § 100.54; Ohio Rev. Code § 3517.01(C)(5),¹⁸ and thus are *not* political contributions as a legal matter, as Plaintiffs incorrectly assert. (Compl. ¶¶ 2, 59, 61, 71.)

Plaintiffs’ reliance on AEP’s “Corporate Political Contributions Policy” is also misplaced. (*Id.* ¶¶ 56, 61, 64, 67, 71, 73.) That policy “addresses the processes for requesting and authorizing the making of Corporate Political Contributions”—meaning, the process for requesting and authorizing AEP to contribute to “candidates for elected office” under federal and state law. (Decl.,

¹⁷ *See supra* at 13, n. 10.

¹⁸ Under federal law, a “contribution” is “[a] gift, subscription, loan, . . . advance or deposit of money or anything of value . . . made by any person *for the purpose of influencing any election for Federal office*,” 11 CFR § 100.52(a) (emphasis added), or “[t]he payment by any person of compensation for the personal services of another person if those services are rendered without charge to a political committee for any purpose.” *Id.* § 100.54. Under Ohio law, a “contribution” is “a loan, gift, deposit, forgiveness of indebtedness, donation, advance, payment, or transfer of funds or anything of value . . . which contribution is made, received, or used *for the purpose of influencing the results of an election*.” Ohio Rev. Code § 3517.01(C)(5) (emphasis added).

Ex. 25.) The policy does not purport to impose on AEP a disclosure requirement related to its contributions to 501(c)(4) organizations, and in fact states that “[c]ontributions to entities qualified under sections 501(c)(4) . . . of the Internal Revenue Code are not included under this policy,” provided such contributions are not be used in the same way as a corporate political contribution—*i.e.*, contributed to a candidate for elected office. (*Id.*) Plaintiffs do not allege that anyone at AEP knew that any money AEP contributed to EOE was subsequently contributed to a candidate for elected office, nor was such a contribution permissible under the EOE grant agreement with Generation Now. (Decl., Ex. 8.)

Plaintiffs do not plead any facts giving rise to a duty to disclose AEP’s contributions to EOE, given that there are no particularized allegations that anyone at AEP knew EOE’s contributions to Generation Now were being misused in the Householder scheme. *See Zaluski v. United Am. Healthcare Corp.*, 527 F.3d 564, 575 (6th Cir. 2008) (finding no duty to disclose prohibited payments to state official that jeopardized government contract, where there was no evidence of internal investigations or reports suggesting that defendants were aware of risk). Courts have made clear that an allegation of illegal conduct, on its own, does not create a duty to disclose information related to the alleged misconduct. *See Omnicare I*, 583 F.3d at 945–46 (finding statements regarding defendants’ legal compliance not actionable absent detailed allegations that defendants knew statements were false when made); *City of Pontiac Policemen’s & Firemen’s Ret. Sys.*, 752 F.3d 173, 184 (2d Cir. 2020) (no duty to disclose “uncharged, unadjudicated wrongdoing”) (quoting *Ciresi v. Citicorp*, 782 F. Supp. 819, 823 (S.D.N.Y.1991)).¹⁹

¹⁹ The absence of factual allegations supporting any inference that Defendants had knowledge of the Householder scheme is a particularly compelling reason to dismiss given that Plaintiffs’ allegations of indictments and guilty pleas notably omit any reference to AEP in those public charges—and even if any such allegations were directed at AEP, that would not be sufficient. *See Societe Generale Sec. Servs., GbmH v. Caterpillar, Inc.*, No. 17-CV-1713, 2018 WL 4616356, at

Nor have Plaintiffs pled facts demonstrating that any information they claim Defendants omitted was “necessary” to make the statements at issue not misleading. *First*, the fact that Defendants made statements addressing HB6 (Compl. ¶¶ 54–55, 60, 62, 65–66, 69–70), or AEP’s political contributions or lobbying (*id.* ¶¶ 58, 72), in general does not impose on them a duty to discuss every potentially relevant aspect of those topics. *See Pension Fund Grp. v. Tempur-Pedic Int’l, Inc.*, 614 F. App’x 237, 246 (6th Cir. 2015) (company was not obligated to “disclose all facts” it had regarding the company’s recent performance on an earnings call because “such a rule would require almost unlimited disclosure on any conceivable topic related to an issuer’s financial condition whenever an issuer released any kind of financial data”) (quotation omitted); *Walker*, 2020 WL 6118467, at *11 (CFO “was not obligated [to] disclose all future possibilities regarding [a] dividend” merely “because he chose to speak about the dividend” in response to an analyst’s question); *I.B.E.W. v. Ltd. Brands, Inc.*, 788 F. Supp. 2d 609, 630 (S.D. Ohio 2011) (statements company officers made about new projects were not misleading even though the officers “did not disclose all of the information they had” about project difficulties).

*6 (N.D. Ill. Sept. 26, 2018) (“[S]ecurities laws generally do not impose such a duty upon publicly traded corporations to confess to uncharged, unadjudicated claims of wrongdoing.”); *Roeder v. Alpha Indus., Inc.*, 814 F.2d 22, 27–28 (1st Cir. 1987) (finding no securities violation based on duty to disclose where company did not disclose impending bribery charges against company officers until eve of indictment); *In re Veon Ltd. Sec. Litig.*, No. 15-cv-08672 (ALC), 2021 WL 930478, at *5 (S.D.N.Y. March 11, 2021) (securities laws do not create “a rite of confession” whereby corporations have a duty “to disclose uncharged, unadjudicated wrongdoing”). When a securities claim is premised on the nondisclosure of a defendant’s involvement in an illegal scheme, a complaint must plead defendant’s involvement in the scheme with particularity. *Gamm v. Sanderson Farms, Inc.*, 944 F.3d 455, 463–66 (2d Cir. 2019) (dismissing claim premised on nondisclosure of defendant’s involvement in antitrust conspiracy because complaint did not plead particularized facts detailing defendant’s involvement in the conspiracy); *In re FBR Inc. Sec. Litig.*, 544 F. Supp. 2d 346, 354 (S.D.N.Y. 2008) (dismissing claim based on non-disclosure of involvement in insider trading scheme because plaintiffs failed to plead with particularity that “executives knowingly provided substantial assistance to those engaged in insider trading”).

Second, there is no nexus between Defendants’ actual statements and what Plaintiffs claim was omitted. Plaintiffs repeatedly claim that Defendants concealed that AEP “made substantial contributions to Householder’s criminal enterprise,” was “actively involved in funding the passage and defense of HB6,” “secretly funnel[ed]” money to Generation Now and Coalition, or something similar. (Compl. ¶¶ 56–57, 59, 61, 63–64, 67, 71, 73.) But the statements Plaintiffs identify as mandating additional disclosure simply do not sufficiently relate to those allegedly undisclosed topics. Instead, they consist of the following: observation that “[i]f [HB6 is] just a bailout for one company or another, it’s not as beneficial to all Ohio customers” (*id.* ¶ 55, quoting Q1 2019 earnings call (Decl., Ex. 26)); disclosure that two days after HB6 was signed into law “[m]anagement is analyzing the impact of [HB6],” but “cannot estimate the impact” at this time (*id.* ¶ 60, quoting 2019 Q2 10-Q, (Decl., Ex. 27 at 2)); description of the passage and various provisions of HB6 (*id.* ¶ 62); summary of certain provisions of HB6 (*id.* ¶¶ 65, 69, 70); and discussion of the possibility of a referendum on HB6. (*Id.* ¶ 66.) Because what Plaintiffs claim was omitted is not “sufficient[ly] connected to Defendants’ [statements] to make those public statements misleading,” Defendants had no duty to disclose the purportedly omitted information. *See In re ITT Educ. Servs., Inc. Sec. & S’holder Derivatives Litig.*, 859 F. Supp. 2d 572, 579 (S.D.N.Y. 2012) (dismissing complaint because plaintiffs did not establish any “direct connection between Defendants’ statements regarding the sources of its revenue and enrollment growth and the omitted information regarding [the company’s] predatory business practices”) (quotation omitted); *Metzler Inv. GMBH v. Corinthian Colls., Inc.*, 540 F.3d 1049, 1071 (9th Cir. 2008) (dismissing complaint where plaintiff failed to plead a sufficient connection between defendant’s statements “regarding its financial health” and the allegedly omitted information concerning a regulatory investigation); *In re TransDigm Grp., Inc. Sec. Litig.*, 440 F. Supp. 3d 740, 766 (N.D.

Ohio 2020) (dismissing complaint where there was no “direct nexus between the illegal conduct and the challenged statements”).

2. Defendants’ Contributions To EOE Were Not Material.

Defendants’ non-disclosure of AEP’s contributions to EOE are not actionable for the separate reason that the contributions were not material. Plaintiffs allege AEP concealed \$550,000 in contributions to EOE in 2019 (the only contributions during the proposed class period), and a total of \$900,000 in contributions to EOE between 2017 and 2019. (Compl. ¶¶ 4, 57, 59, 61, 64, 67, 71, 73.) They further allege that AEP concealed that its contributions to EOE “increased ten-fold from \$50,000 in 2018 to \$550,000 in 2019.” (*Id.* ¶ 61.)

The Court must evaluate Plaintiffs’ allegations in the context of AEP’s “total financial picture.” *See In re Nokia Corp. Sec. Litig.*, 423 F. Supp. 2d 364, 408 (S.D.N.Y. 2006). Significantly, because AEP generated \$15.5 billion and \$14.9 billion in revenue in 2019 and 2020 (Decl., Ex. 28 at 125) and had around a \$40 billion market capitalization (Decl., Ex. 1; Decl., Ex 28), the contributions Plaintiffs complain about are immaterial as a matter of law. *See ECA, Local 134 IBEW Joint Pension Trust of Chi. v. JP Morgan Chase Co.*, 553 F.3d 187, 203 (2d Cir. 2009) (“An accounting classification decision that affects less than one-third of a percent of total assets does not suggest materiality”); *In re Nokia Corp. Sec. Litig.*, 423 F. Supp. at 408 (dismissing case where alleged misstatements concerning “millions of dollars” of defective products were not material “in relation to [Defendant’s] total financial picture,” which included “net sales over \$37 billion”); *In re Duke Energy Corp. Sec. Litig.*, 282 F. Supp. 2d 158, 160–61 (S.D.N.Y. 2003) (“The undisputed portions of the Company’s financial statements referenced in the Complaint establish that an inflation of \$217 million in the Company’s revenues for the relevant period amounts to about 0.3% of Duke Energy’s total revenues for that period—an immaterial percentage as a matter of law.”). Indeed, it is only through the inference of AEP’s involvement in

Householder’s illegal scheme that the contributions could possibly be considered material. But as explained herein, Plaintiffs offer no specific factual allegations to support that inference, as required to sufficiently plead their claims, so the Court must reject it. (*See* Section I.)

In addition, Plaintiffs’ allegations that Defendants concealed contributions to EOE so that AEP could “advocate for HB6 in the dark” and “fund the passage of HB6,” including “HB6’s coal-fired cost recovery amendments” (Compl. ¶¶ 61, 64, 67, 71, 73), do not state a claim for the same reasons described in Section II.A—namely, that AEP’s extensive disclosure of its support for HB6, including related to the OVEC cost recovery provisions, render any allegedly omitted information on that same topic immaterial. (*See* Section II.A, citing authority).

C. The Alleged Misstatements And Omissions Are Insufficiently Pled For Several Other Reasons.

Plaintiffs’ allegations are deficient, and therefore not actionable, for a variety of other reasons.

Inactionable Opinion Statements. Mr. Tierney’s comments in the April 2019 investor call that, “we think if there’s a full package where all of Ohio customers can benefit, then [HB6 is] a worthy effort” (Compl. ¶ 55, quoting Q1 2019 earnings call (Decl., Ex. 26)), is an opinion statement that is not actionable. *See Pension Fund Grp. v. Tempur-Pedic Int’l, Inc.*, 614 Fed. App’x 237, 247 (6th Cir. 2015) (holding statements of opinion to be inactionable where plaintiffs failed to plead facts showing that defendants did not believe their opinions to be true when made); *In re Yum! Brands, Inc. Sec. Litig.*, 73 F. Supp. 3d 846, 863–64 (2014) (holding “vague, subjective assertions, such as ‘strict’ food safety standards, [etc.]” were “mere opinions of management and hold no obvious, objective meaning to a reasonable investor” where statements did not refer to purported hard evidence). Similarly, Mr. Akins’s July 25, 2019 statement that, “as far as AEP is

concerned, we see positives from this legislation for us . . .” (Compl. ¶ 62, quoting Q2 2019 earnings call (Decl., Ex. 12)), is also an inactionable opinion.²⁰

Inactionable Puffery. The May 9, 2019 Corporate Accountability Report addressing AEP’s lobbying and political contributions, which states, in part, that AEP “believe[s] in transparency and active participation in public debate” and “publicly discloses lobbying activities and political contributions” (Compl. ¶ 58, quoting 2019 CAR (Decl., Ex. 20)), and the May 20, 2020 CAR which similarly said “[w]e believe in transparency and active participation in public policy development, regardless of the issue or position” (*id.* ¶ 72, quoting 2020 CAR), are not actionable because those statements are not “tethered to any kind of objective standard” and lack sufficient specificity to be material. *Walker*, 2020 WL 6118467, at *11. Indeed, courts have determined that statements touting a company’s “transparency” are “textbook examples of inactionable puffery.” *See In re MGT Cap. Invs., Inc. Sec. Litig.*, No. 16 CIV. 7415 (NRB), 2018 WL 1224945, at *13 (S.D.N.Y. Feb. 27, 2018); *Emps.’ Ret. Sys. v. Whole Foods Mkt., Inc.*, 905 F.3d 892, 902 (5th Cir. 2018) (agreeing with the district court that “generalized statements about [the company’s] transparency, quality, and responsibility are the sort of puffery that a reasonable investor would not rely on”).

Forward-Looking Statements. Three of the statements are inactionable because they are forward-looking statements accompanied by meaningful cautionary language. Statements indicating that a company is evaluating the ramifications of certain legislation or that certain

²⁰ As explained immediately below, the statement “we see positives from this legislation for us . . .” (Compl. ¶ 62, quoting Q2 2019 earnings call (Decl., Ex. 12)) is also a forward-looking statement. The Court can find that the statement is inactionable on the ground that it is a statement of opinion and a forward-looking statement. *See Pension Fund Grp. v. Tempur-Pedic Int’l, Inc.*, 614 F. App’x 237, 246-47 (6th Cir. 2015) (holding statement was inactionable because it was both forward-looking and an opinion).

legislation’s impact is difficult to predict or still unknown are considered forward-looking. *See In re 21st Century Holding Co. Sec. Litig.*, No. 07-61057-CIV, 2008 WL 5749572, at *11 (S.D. Fla. Nov. 7, 2008) (holding that statement regarding projection of how recently-passed legislation would impact the company was forward-looking because it “appears to be a statement of future economic performance or a statement containing a projection or estimate”); *Omnicare I*, 583 F.3d at 943 (noting that “safe-harbor excuses liability for defendants’ projections, statements of plans and objectives, and estimates of future economic performance”) (internal quotations and citations omitted).²¹ Here, (1) Mr. Tierney’s explanation of AEP’s position “if” HB6 ended up being structured to provide a bailout for one company (Compl. ¶ 55, quoting Q1 2019 earnings call (Decl., Ex. 26)); (2) the statement that AEP was “analyzing the impact” of the legislation and “cannot estimate [its] impact” (*id.* ¶ 60, quoting 2019 Q2 10-Q (Decl., Ex. 27 at 2)); and (3) Mr. Akins’s statement in July 2019, two days after HB6 became law, that “we see positives from this legislation” (*id.* ¶ 62, quoting 2019 Q2 earnings call (Decl., Ex. 12)), are all forward-looking.

No Nexus Between the Challenged Statement and Alleged Misstatement or Omission.

Plaintiffs’ attempts (Compl. ¶¶ 61, 63, 68) to cast certain of Defendants’ statements as creating “false” or “misleading” “impression[s]” fail because there is no nexus between Plaintiffs’ proposed

²¹ AEP’s forward-looking statements were “accompanied by meaningful cautionary statements,” rendering them inactionable under the PSLRA’s safe harbor provision. *See I.B.E.W. v. Ltd. Brands, Inc.*, 788 F. Supp. 2d 609, 633, 635 (S.D. Ohio 2011) (holding that defendant provided “adequate cautionary language” by identifying the “risk associated with [defendant’s] new distribution center” in defendant’s “third quarter form 10-Q”). Specifically, AEP’s 10-Q addressed “risk factors” that “could cause actual results to differ materially from those in the forward-looking statements.” (Decl., Ex. 27 at v-vi.). Those risk factors included: “The ability to recover fuel and other energy costs through regulated or competitive electric rates”; “[n]ew legislation”; and “[t]he 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.” (*Id.*) During both earnings calls from which Plaintiffs quote, an AEP representative explicitly noted that AEP would be “making forward-looking statements during the call” and referred listeners to AEP’s “SEC filings for a discussion” of risk factors. (Decl., Ex. 26; Decl., Ex 12.)

inferences and the statements themselves. *See Walker*, 2020 WL 6118467, at *11, 13–14 (dismissing because plaintiffs’ proposed inferences were not reasonable); *In re ITT Educ. Servs.*, 859 F. Supp. 2d at 579 (dismissing because plaintiffs did not establish any “direct connection” between Defendants’ statements and the allegedly omitted information); *see also supra* at 27-28 (citing cases). In *Walker*, the plaintiff alleged that certain statements were misleading because they created “false impressions,” but this Court refused to accept those proposed inferences because they were not reasonable based on a plain reading of the statements, and the plaintiff did not allege the statements were false. 2020 WL 6118467, at *11, 13, 14. Here, Plaintiffs allege that Mr. Akins’s general statements about HB6, “including congratulating Householder,” created the “false impression” that “the legislation was drafted and passed pursuant to a legitimate process” and that “AEP was merely a distant beneficiary of the bill.” (Compl. ¶ 63.) But Plaintiffs’ proposed inferences are not reasonable because there is no nexus between the statement and those topics (it is simply a general statement about the legislation passing), and because Plaintiffs do not allege the statement is facially false. Plaintiffs’ other allegations of “false” and “misleading” “impressions” (*id.* ¶¶ 61, 68) are not viable for the same reasons.

III. The Court Should Dismiss Count I For The Independent Reason That Plaintiffs Have Failed To Adequately Plead Loss Causation.

“Loss causation requires a causal connection between the material misrepresentation and the [Plaintiff’s] loss.” *Omnicare I*, 583 F.3d at 944 (quotations omitted) (dismissing for failure to allege loss causation). To adequately plead loss causation, a complaint must “explain” how the alleged misstatements or omissions “were revealed to be false and thereby caused a drop in the stock price.” *Id.* (holding complaint failed to allege loss causation because it did not explain why news article’s revelation of glitches with company’s Medicare Part D program, and not government raids on company facilities, caused a decline in stock price); *Metzler*, 540 F.3d at 1064

(explaining a plaintiff must “plead . . . the necessary connection between defendant’s fraud and the actual loss”); *D.E. & J Ltd. P’ship v. Conaway*, 133 Fed. App’x 994, 1000–1001 (6th Cir. 2005) (affirming dismissal of complaint where plaintiff pled “nothing more than note that a stock price dropped after a bankruptcy announcement, [and] never alleg[ed] that the market’s acknowledgment of prior misrepresentations caused that drop”).

Courts have made clear that disclosure of a risk or potential for fraud does not plead loss causation. For example, the court in *Metzler*, 540 F.3d at 1064, held that plaintiffs failed to plead loss causation against the operator of certain private colleges based on a news story disclosing the Department of Education’s investigation into misconduct at one of the operator’s campuses, because the news story only reported the risk or potential that the operator committed the alleged fraudulent activity (which led to the stock price drop), but not that the operator necessarily did so. The court in *Meyer v. Greene*, 710 F.3d 1189, 1200–01 (11th Cir. 2013) held that the announcement of a government investigation into allegedly fraudulent misconduct was not a corrective disclosure sufficient to establish loss causation because the announcement of an investigation “reveals just that—an investigation—and nothing more.” And the court in *In re TransDigm Grp.*, 440 F. Supp. 3d at 772, determined that a Congressperson’s request for investigation into the defendant company, which investigation raised concerns about a pervasive price-gouging fraud, was “not sufficient to constitute a corrective disclosure in the absence of an actual revelation of fraud or admission of wrongdoing.” *See also In re Almost Fam., Inc. Sec. Litig.*, No. 3:10-CV-00520-H, 2012 WL 443461, at *13 (W.D. Ky. Feb. 10, 2012) (finding a failure to plead loss causation based on news article and press releases that “revealed nothing more than a risk, a possibility, that Defendants may have made misrepresentations,” absent specific allegations of fraud or disclosures of actual misconduct).

Here, Plaintiffs allege AEP's stock dropped on publication of the *Columbus Dispatch* article. That article, however, did not purport to correct any of what Plaintiffs claim are the actionable misstatements or omissions. Rather, the article discussed Householder's scheme and reported that EOE used a portion of funds received from AEP to make contributions of \$150,000 to Generation Now and \$200,000 to Coalition. (Compl. ¶ 74.) Plaintiffs clearly allege that AEP's stock price dropped because of the news regarding Householder's scheme and the speculation that AEP might have been involved in the scheme because EOE subsequently contributed to Generation Now and Coalition. (*Id.* ¶¶ 74–75.) But Plaintiffs allege no facts (based on the article or anywhere else) demonstrating that AEP was actually involved in or knew of the bribery scheme. Nor did the article purport to correct any of the other supposed false statements or omissions that Plaintiffs allege. As a result, AEP's stock price could not have dropped based on any supposed revelation of the truth gleaned from the article about the purported misstatements and omissions alleged in the Complaint. *Omnicare I*, 583 F.3d at 944; *D.E. & J*, 133 Fed. App'x at 1000–01.

At most, the article revealed the *potential* that AEP's contributions were used in the criminal scheme or that AEP otherwise may have been involved in that scheme, but that is not an actionable allegation of causation. *Metzler*, 540 F.3d at 1064; *Meyer*, 710 F.3d at 1200–01. For example, the article said nothing about the following allegation: “Tierney concealed that the primary driver for AEP's lack of support for HB6 (as introduced in the House on April 12, 2019) was the lack of any cost-recovery provision governing AEP's own coal-fired plants. AEP thus was not concerned about ‘a bailout for one company,’ as Tierney expressed, provided that it too was included in that bailout.” (Compl. ¶ 56, quoting, in part, Q1 2019 earnings call (Decl., Ex. 26).) The article also did not address Plaintiffs' allegation that AEP's statement that “[m]anagement is analyzing the impact of this legislation and at this time cannot estimate the impact on results of

operations, cash flows or financial condition,” (*id.* ¶ 60, quoting 2019 Q2 10-Q (Decl., Ex. 27 at 2) (emphasis removed)) was false because “AEP, in fact, was able to estimate the impact of the legislation on its financial results, at least with respect to coal-fired cost recovery.” (*Id.* ¶ 61.) Clearly, the article did not reveal AEP’s support for HB6 (which was anyway a matter of public record), and therefore it corrected nothing about these alleged misstatements and omissions. The article also fails to correct anything about any other alleged misstatement or omission.

Plaintiffs’ reference to the *Columbus Dispatch* article, and the failure of that article to touch upon the alleged non-disclosures, coupled with the absence of any specific factual allegation as to Defendants’ knowledge of the misuse of AEP or EOE contributions, is dispositive. There is no loss causation.

IV. Count I Against The Individual Defendants Should Be Dismissed For Failure To State A Claim For All Of The Reasons Discussed Herein.

The above arguments (Sections I–III) apply with equal force to AEP, Mr. Akins, and Mr. Tierney, and require the dismissal of Count I as to each of them. For all of the reasons discussed herein, the fatal defects in Count I—namely, Plaintiffs’ failure to adequately plead scienter, any actionable misstatement or omissions, or loss causation—each require dismissal of Count I as alleged against each of Mr. Akins and Mr. Tierney, just as they require dismissal with regards to AEP.

Plaintiffs fail to plead that either Mr. Akins or Mr. Tierney was aware of Householder’s bribery scheme or any other particularized facts supporting the conclusion that Mr. Akins or Mr. Tierney knew that any respective statement was false or misleading at the time it was made. (*See* Section I.) Nor have Plaintiffs pled facts suggesting Mr. Akins or Mr. Tierney had any knowledge that EOE contributions were being misused in any way. (*Id.*) As explained in Section I.B, Mr.

Akins's and Mr. Tierney's stock sales do not support an inference of scienter, and certainly do not constitute the cogent and compelling inference of scienter required to sustain Plaintiffs' claims.

Plaintiffs also fail to identify any actionable misstatement or omission by Mr. Akins or Mr. Tierney. The five alleged misstatements that Plaintiffs attribute to Mr. Akins and/or Mr. Tierney (Compl. ¶¶ 54–55, 60, 62, 69, 70) are not actionable for the reasons described in Section II. (*See also* Ex. A, Nos. 1, 3–4, 7–8.) Mr. Akins and Mr. Tierney cannot be liable for the remaining three alleged misstatements (*id.* ¶¶ 58, 65–66, 72), because Plaintiffs do not plead that either Mr. Akins or Mr. Tierney was the “maker” of those statements. *Janus Cap. Grp., Inc. v. First Derivative Traders*, 564 U.S. 135, 142, 147 (2011) (holding defendant was not liable for alleged misstatements because there was not “anything on the face of the prospectuses [to] indicate that any statements therein came from [defendant]”).

V. The Court Should Dismiss Plaintiffs' Count II Because Plaintiffs Have Failed To Plead A Primary Securities Law Violation (Count I) As Required To Sustain Their Claim Of Control Person Liability (Count II).

“Where plaintiffs do not state a claim for a primary securities law violation under Rule 10b–5, dismissal of a ‘control person’ liability claim under 15 U.S.C. § 78t(a) is also proper.” *Dailey v. Medlock*, 551 F. App'x 841, 849 (6th Cir. 2014); *see PR Diamonds, Inc. v. Chandler*, 364 F.3d 671, 696 (6th Cir. 2004), *abrogated on other grounds by Tellabs*, 551 U.S. at 324 (dismissing Section 20(a) claim for failure to plead a primary violation of the securities laws); *Walker*, 2020 WL 6118467, at *17 (“Because it is clear that Plaintiff must plead a primary violation of the Exchange Act in order to adequately claim control personal liability, Count Two is necessarily deficient and must also be dismissed.”) Here, the control person claim (Count II) must be dismissed because Plaintiffs fails to plead a primary violation of the securities laws.

VI. The Court Should Dismiss The Complaint With Prejudice.

The PSLRA compels dismissal of the Complaint with prejudice. Although leave to amend a complaint is generally liberally granted, “in cases involving the PSLRA, leave to amend is not as readily granted.” *Beaver Cnty. Ret. Bd. v. LCA-Vision Inc.*, No. 1:07-CV-750, 2009 WL 806714, at *26 (S.D. Ohio Mar. 25, 2009) (citing *Miller v. Champion Enters. Inc.*, 346 F.3d 660, 692 (6th Cir. 2003)). The Sixth Circuit has recognized that “the purpose of the PSLRA would be frustrated if district courts were required to allow repeated amendments to complaints filed under the PSLRA.” *Miller*, 346 F.3d at 692.

Here, Plaintiffs had over six months from the filing of the original complaint to investigate and attempt to substantiate their claims. Their failure to plead cognizable claims, despite having significant time in which to investigate their allegations, warrants dismissal with prejudice. *See Walker*, 2020 WL 6118467, at *18 (dismissing with prejudice because “the mandatory language in the PSLRA requires courts to restrict the ability of plaintiffs to amend their complaint,” and plaintiffs already had one opportunity to amend) (citing *Miller*, 346 F.3d at 692) (quotation marks omitted); *Fidel v. Farley*, 392 F.3d 220, 236 (6th Cir. 2004), *abrogated on other grounds by Tellabs*, 551 U.S. at 324 (affirming dismissal with prejudice because plaintiffs had two opportunities to plead scienter and provided no indication that amended complaint would satisfy PSLRA’s pleading requirements); *Beaver Cnty.*, 2009 WL 806714, at *26–27 (denying leave to amend after plaintiffs filed their consolidated complaint and had “a five-month opportunity to investigate their allegations and replead their claims”).

CONCLUSION

For the foregoing reasons, Defendants respectfully request that this Court dismiss the Complaint with prejudice.

Dated: May 10, 2021

By: /s/ James A. King

James A. King (0040270)

Trial Attorney

PORTER, WRIGHT, MORRIS & ARTHUR LLP

41 S. High Street

Columbus, OH 43215

Telephone: (614) 227-2000

jking@porterwright.com

J. Kevin McCall (*admitted pro hac vice*)

Nicole A. Allen (*admitted pro hac vice*)

JENNER & BLOCK LLP

353 N. Clark Street

Chicago, IL 60654

Telephone: (312) 222-9350

jmccall@jenner.com

nallen@jenner.com

*Attorneys for Defendants American Electric
Power Company, Inc., Nicholas K. Akins,
Brian X. Tierney, and Joseph M. Buonaiuto*

EXHIBIT A

Summary Of Reasons The Statements Plaintiffs Allege To Be False Or Misleading Are Not Actionable

No.	Statement	Complaint	Reason Statement Is Not Actionable
1.	<p data-bbox="415 337 806 370"><u>April 25, 2019 conference call</u></p> <p data-bbox="321 410 915 659">Now to the Ohio clean air fund legislation. The company is supportive of the Ohio House leadership’s focus and efforts on addressing key energy policy issues that have plagued the state for years. In order for the legislation to benefit all Ohio customers, there are certain issues that must be addressed.</p> <p data-bbox="321 699 957 984">First, an elimination of the renewable portfolio standard should be replaced with the opportunity for utilities to voluntarily develop economic renewable resources in the state. In addition, contracts entered into under the existing renewable portfolio standard must be grandfathered so as to not punish utilities who are compliant with Ohio law.</p> <p data-bbox="321 1024 957 1341">Second, in regards to energy efficiency. AEP is concerned about a rapid elimination of EE programs that have benefited our customers for many years. In lieu of immediate elimination of EE programs, previously approved plans should be phased out over the next several years. We look forward to working with lawmakers during the process to achieve a balanced energy bill that provides benefits to all Ohio customers.</p>	¶¶ 54-55	<p data-bbox="1144 337 1894 410">Plaintiffs fail to adequately allege this statement was made with scienter. (Section I.)</p> <p data-bbox="1144 451 1879 524">Defendants did not omit or misstate material information. (Section II.A.)</p> <p data-bbox="1144 565 1864 638">AEP had no duty to disclose any facts allegedly omitted from this statement. (Section II.B.1.)</p> <p data-bbox="1144 678 1864 776">Plaintiffs fail to sufficiently plead a connection between this statement and the facts allegedly omitted from it. (Section II.B.1.)</p> <p data-bbox="1144 816 1864 889">AEP’s contributions to EOE were not material. (Section II.B.2.)</p> <p data-bbox="1144 930 1854 1003">This statement includes statements of opinion. (Section II.C.)</p> <p data-bbox="1144 1044 1812 1117">This statement includes forward-looking statements. (Section II.C.)</p> <p data-bbox="1144 1157 1791 1182">Plaintiffs fail to plead loss causation. (Section III.)</p>

	<p style="text-align: center;">* * *</p> <p>[PAUL PATTERSON:] Okay. And then with respect to the Ohio legislation, previously, you guys, I think, had concerns about AEP utility ratepayers paying for other companies’ nuclear plants. How do you guys feel about HB 6 as it currently stands? I mean I know you raised a couple of the issues in your prepared remarks this morning. Can you just give a little more color on that?</p> <p>[BRIAN X. TIERNEY:] So we think if there’s a full package where all of Ohio customers can benefit, then it’s a worthy effort. If it’s just a bailout for one company or another, it’s not as beneficial to all Ohio customers. So there needs to be a full package of things that get addressed. And energy efficiency, the renewable portfolio standard, ability of utilities to invest in renewables going forward are all important things that need to be in the bill. And if they’re not, it’s not as beneficial for ratepayers in the state.</p>		
<p>2.</p>	<p style="text-align: center;"><u>May 9, 2019 announcement over PRNewswire releasing 2019 Corporate Accountability Report</u></p> <p style="text-align: center;">Lobbying and Political Contributions</p> <p style="text-align: center;">* * *</p> <p>The investments needed to modernize the</p>	<p>¶ 58</p>	<p>Plaintiffs fail to adequately allege this statement was made with scienter. (Section I.)</p> <p>Defendants did not omit or misstate material information. (Section II.A.)</p> <p>AEP had no duty to disclose any facts allegedly omitted from this statement. (Section II.B.1.)</p>

	<p>power grid are in the billions of dollars, and the stakes have never been higher. <i>To understand the policies and regulations that could affect our business, we participate in a number of organizations, lobby on our customers’ behalf and contribute to political candidates, where allowed by law.</i></p> <p><i>Each year, AEP publicly discloses lobbying activities and political contributions.</i> We also annually report on the portions of membership dues paid to organizations such as the U.S. Chamber of Commerce and Edison Electric Institute (EEI) that go toward lobbying. We post our lobbying policy online and we discuss political contributions annually with AEP’s Board of Directors’ Committee on Directors and Corporate Governance.</p> <p style="text-align: center;">* * *</p> <p><i>We believe in transparency and active participation in public debate. Our experience is that open, candid discussion and a good-faith attempt to reach common ground is the best way to do business.</i></p>		<p>Plaintiffs fail to sufficiently plead a connection between this statement and the facts allegedly omitted from it. (Section II.B.1.)</p> <p>AEP’s contributions to EOE were not material. (Section II.B.2.)</p> <p>This statement contains mere “puffery.” (Section II.C.)</p> <p>Plaintiffs fail to plead loss causation. (Section III.)</p> <p>Plaintiffs do not allege Mr. Tierney or Mr. Akins was the maker of the statement. (Section IV.)</p>
<p>3.</p>	<p><u>July 25, 2019 Form 10-Q</u></p> <p>In July 2019, clean energy legislation which offers incentives for power-generating facilities with zero- or reduced carbon emissions was signed</p>	<p>¶ 60</p>	<p>Plaintiffs fail to adequately allege this statement was made with scienter. (Section I.)</p> <p>Defendants did not omit or misstate material information. (Section II.A.)</p>

	<p>into law by the Ohio Governor. The clean energy legislation phases out current energy efficiency and renewable mandates after 2020 and 2026, respectively. The bill also provides for the recovery of existing renewable energy contracts on a bypassable basis through 2032 and includes a provision for recovery of certain legacy generation resources which will be allocated to all electric distribution utilities on a non-bypassable basis.</p> <p><i>Management is analyzing the impact of this legislation and at this time cannot estimate the impact on results of operations, cash flows or financial condition.</i></p>		<p>AEP had no duty to disclose any facts allegedly omitted from this statement. (Section II.B.1.)</p> <p>Plaintiffs fail to sufficiently plead a connection between this statement and the facts allegedly omitted from it. (Sections II.B.1 and II.C.)</p> <p>The facts allegedly omitted from this statement were not material. (Section II.B.2.)</p> <p>Plaintiffs fail to plead loss causation. (Section III.)</p>
<p>4.</p>	<p><u>July 25, 2019 conference call</u></p> <p><i>Now onto the next hot issue, the Ohio House Bill 6 legislation.</i> Governor DeWine earlier this week signed legislation that will provide support to the nuclear units in Ohio as well as support for the OVEC generating units. While the legislation phases out the RPS mandate after 2026, it still provides benefits for the recovery of existing renewable contracts until 2032 and provides additional support for solar projects that have already received signing approval, including our 400 megawatts of proposed solar project, which can also collect from the same clean energy fund as the nuclear units.</p> <p><i>So to reiterate, as far as AEP is</i></p>	<p>¶ 62</p>	<p>Plaintiffs fail to adequately allege this statement was made with scienter. (Section I.)</p> <p>Defendants did not omit or misstate material information. (Section II.A.)</p> <p>AEP had no duty to disclose any facts allegedly omitted from this statement. (Section II.B.1.)</p> <p>Plaintiffs fail to sufficiently plead a connection between this statement and the facts allegedly omitted from it. (Sections II.B.1 and II.C.)</p> <p>The facts allegedly omitted from this statement were not material. (Section II.B.2.)</p>

<p><i>concerned, we see positives from this legislation for us, namely recovery of OVEC collected – that’s collected on a statewide basis through 2030.</i> Secondly, recovery of our existing renewable contracts entered into to comply with previous legislation and approved by the PECO. The opportunity for AEP Ohio to enter into bilateral contracts with certain customers. This one is an important issue for AEP as we have had specific requests from various customers for AEP Ohio to be the provider of renewable resources in addition to being the wires provider.</p> <p>And fourth, the ability for solar projects that have siting board approval to access the \$20 million of the clean air funds, which includes the 400 megawatts of solar that we now have before the PECO. The access to these funds make these particular projects even more beneficial for customers and, as you recall, the request for these projects include a \$6 million per year debt equivalency rider to maintain AEP Ohio's capital structure.</p> <p>And finally, the net impact of HB 6 will provide headroom to our rate payers, which will enable potential additional distribution investments to improve the customer experience and grid reliability.</p> <p>AEP does believe in the importance of nuclear generation as a part of the portfolio of this country and the State of Ohio. <i>We congratulate Speaker Householder; Senate President Obhof;</i></p>		<p>This statement includes statements of opinion. (Section II.C.)</p> <p>This statement includes forward-looking statements. (Section II.C.)</p> <p>Plaintiffs fail to plead loss causation. (Section III.)</p>
---	--	---

	<p><i>Governor DeWine; Lieutenant Governor Husted and Chairman Randazzo</i>, along with many other members of the Ohio - legislature in balancing the interest of a need for a balanced portfolio, employment and economic development issues and customer benefits.</p>		
<p>5.</p>	<p><u>September 16, 2019 newsletter</u></p> <p>What is Ohio’s HB 6?</p> <p>When initially introduced, the purpose of the legislation was for all Ohio electricity customers to pay to keep open Lake County’s Perry and Ottawa County’s Davis- Besse nuclear plants, owned by FirstEnergy Solutions (FES), a subsidiary of FirstEnergy Corp. <i>However, the goal of the legislation expanded to support additional renewable energy resources while eliminating certain utility energy efficiency activities and renewable portfolio compliance standards.</i> The expansion to HB 6 came with the expectation that distribution charges would be reduced by eliminating the energy efficiency rider charge while promoting clean air resources.</p> <p>On July 24, 2019, Ohio Governor Mike DeWine signed into law HB 6. This law creates the Nuclear Generation Fund and the Renewable Generation Fund, to be administered by the Ohio Air Quality Development Authority. These funds allow for a “qualifying nuclear resource” or a “qualifying renewable resource” to be eligible for</p>	<p>¶¶ 65-66</p>	<p>Plaintiffs fail to adequately allege this statement was made with scienter. (Section I.)</p> <p>Defendants did not omit or misstate material information. (Section II.A.)</p> <p>AEP had no duty to disclose any facts allegedly omitted from this statement. (Section II.B.1.)</p> <p>Plaintiffs fail to sufficiently plead a connection between this statement and the facts allegedly omitted from it. (Sections II.B.1 and II.C.)</p> <p>The facts allegedly omitted from this statement were not material. (Section II.B.2.)</p> <p>Plaintiffs fail to plead loss causation. (Section III.)</p> <p>Plaintiffs do not allege Mr. Tierney or Mr. Akins was the maker of the statement. (Section IV.)</p>

<p>participation in the programs for one or more program years, as determined by the Authority.</p> <p style="text-align: center;">* * *</p> <p>What are the details of each provision in HB 6?</p> <p style="text-align: center;">* * *</p> <p><i>Renewable Funding Opportunity</i></p> <p>HB 6 supports eligible solar facilities over 50MW that already have siting certification as of June 2019. <i>AEP Ohio has two eligible solar renewable facilities located in Highland County.</i> These are the Willowbrook project (100MW) and the Hecate project (300MW).</p> <p><i>Through the renewable funding opportunity, a \$9 per MWh credit is paid to project owners of eligible solar facilities for a total of \$20 million annually, which covers about 1,000MW of solar.</i> This credit is assessed from the \$20 million renewable portion of the Clean Air Fund as described above.</p> <p><i>OVEC Statewide Recovery</i></p> <p>The Ohio Valley Electric Corporation (OVEC) and the Indiana-Kentucky Electric Corporation (IKEC) are generating stations originally built in the 1950s and provided electric power for the U.S. Department of Energy's</p>		
--	--	--

<p>uranium enrichment facilities then near Portsmouth, Ohio. Today, OVEC and IKEC own two coal power plants; Kyger Creek Generating Station (1.1GW) in Cheshire, Ohio and Clifty Creek Generating Station (1.3GW) in Madison, Indiana. Under HB 6, OVEC and IKEC will receive subsidies to support their coal-fired power plants.</p> <p><i>Effective January 1, 2020, distribution customers throughout Ohio will incur a non-bypassable charge, called the Purchased Power Agreement (PPA) Rider. The rider for residential customers is \$1.50 per month. Commercial and industrial customers' monthly charge is \$1,500 for this rider.</i> The PPA Rider will begin in 2021 and will be reviewed by the Commission every three years to determine continuation of the rider, which is to end December 31, 2030.</p> <p><i>Reduced Renewable Portfolio Standards</i></p> <p>In 2008, the State of Ohio established their Renewable Portfolio Standards (RPS) policy. This policy required providers selling electricity to consumers to provide a specific percentage of that supply from renewable sources. Currently, the RPS policy states 12.5% of your electricity must come from renewable energy sources by 2027, with 0.5% required to be solar.</p> <p><i>HB 6 reduces the RPS target for utilities</i></p>		
---	--	--

and competitive retail energy suppliers to 8.5%, and the solar portion is eliminated by December 31, 2026. This means that most Ohio customers will see a price reduction by the elimination of RPS requirements effective January 1, 2027. ***However, an AEP Ohio customer should read the section below on the AEP Ohio bypassable renewable legacy charge, as you will continue to receive this charge through 2032.***

* * *

Potential Referendum on Ohio HB 6

Groups are forming a campaign to add a referendum on the November 2020 ballot to repeal HB 6. Opponents include environmental groups opposed to the elimination of energy efficiency programs and developers of natural gas-fired power plants opposed to the subsidy for nuclear generation. These groups are circulating a petition, seeking 1,000 signatures from registered Ohio voters in hopes of adding a referendum to the 2020 election.

The petition was approved by the Ohio Attorney General David Yost on August 29, 2019. ***The next step opponents will take is to obtain approximately 266,000 additional signatures to place the petition on the November 2020 ballot for a vote.*** Finally, a majority vote is needed to approve the petition for the repeal of HB 6.

	<p><i>Meanwhile FES [FirstEnergy Solutions Corp., now Energy Harbor Corp.] filed a challenge to the petition with the Supreme Court of Ohio on September 4, stating HB 6 is a tax and tax laws are exempt from referendums.</i></p> <p>This petition process will take a long time before being resolved and may create market uncertainty for everyone at each step of the process. This uncertainty may impact energy supply plans and strategies for all involved.</p>		
<p>6.</p>	<p><u>October 24, 2019 Form 10-Q</u></p> <p>In July 2019, clean energy legislation which offers incentives for power-generating facilities with zero or reduced carbon emissions was signed into law by the Ohio Governor. The clean energy legislation phases out current energy efficiency and renewable mandates no later than 2020 and after 2026, respectively. The bill provides for the recovery of existing renewable energy contracts on a bypassable basis through 2032. <i>The clean energy legislation also includes a provision for recovery of OVEC costs through 2030 which will be allocated to all electric distribution utilities on a non-bypassable basis.</i> OPCo’s Inter-Company Power Agreement for OVEC terminates in June 2040. To the extent that OPCo is unable to recover the costs of renewable energy contracts on a bypassable basis by the end of 2032, recover</p>	<p>¶ 69</p>	<p>Plaintiffs fail to adequately allege this statement was made with scienter. (Section I.)</p> <p>Defendants did not omit or misstate material information. (Section II.A.)</p> <p>AEP had no duty to disclose any facts allegedly omitted from this statement. (Section II.B.1.)</p> <p>Plaintiffs fail to sufficiently plead a connection between this statement and the facts allegedly omitted from it. (Section II.B.1.)</p> <p>The facts allegedly omitted from this statement were not material. (Section II.B.2.)</p> <p>Plaintiffs fail to plead loss causation. (Section III.)</p>

	costs of OVEC after 2030 or fully recover energy efficiency costs through 2020 it could reduce future net income and cash flows and impact financial condition.		
7.	<p><u>February 20, 2020 Form 10-K</u></p> <p><i>In January 2020, provisions enacted as part of Ohio Am. Sub. H.B. 6 went into effect that replace the PPA rider and enable OPCo to continue recovering the net cost associated with the ICPA [Inter-Company Power Agreement], including any additional contractual entitlement received as a result of the FirstEnergy Solutions (FES) bankruptcy, through 2030.</i></p>	¶ 70	<p>Plaintiffs fail to adequately allege this statement was made with scienter. (Section I.)</p> <p>Defendants did not omit or misstate material information. (Section II.A.)</p> <p>AEP had no duty to disclose any facts allegedly omitted from this statement. (Section II.B.1.)</p> <p>Plaintiffs fail to sufficiently plead a connection between this statement and the facts allegedly omitted from it. (Section II.B.1.)</p> <p>The facts allegedly omitted from this statement were not material. (Section II.B.2.)</p> <p>Plaintiffs fail to plead loss causation. (Section III.)</p>
8.	<p><u>May 20, 2020 Corporate Accountability Report</u></p> <p>At AEP, we never have been more certain of our responsibility to a sustainable future for our customers, communities and employees. We will continue to take steps to reduce our carbon footprint, to empower customers and to value and develop our workforce. Together, our energy and</p>	¶ 72	<p>Plaintiffs fail to adequately allege this statement was made with scienter. (Section I.)</p> <p>AEP had no duty to disclose any facts allegedly omitted from this statement. (Section II.B.1.)</p>

<p>future are truly boundless.</p> <p style="text-align: center;">* * *</p> <p style="text-align: center;">Public Policy & Issue Management</p> <p>Similar to other companies, AEP has a public policy strategy that seeks to inform decisions made by Congress, the Federal Energy Regulatory Commission (FERC), North American Electric Reliability Corporation (NERC), state legislatures and regulatory commissions, and Regional Transmission Organizations (RTOs).</p> <p>AEP’s Policy Advisory Team (PAT), consisting of senior executives across all business functions and departments, considers policy options on issues of relevance to the company and supports internal policy analysis and debate. This approach ensures that AEP is speaking with one voice and that all employees with external contacts are clear on our policy positions and objectives. Since its inception in May 2017, the PAT has reviewed more than two dozen issues, including 13 in 2019.</p> <p style="text-align: center;">* * *</p> <p style="text-align: center;">Climate & Lobbying</p> <p>Some stakeholders are asking AEP whether our lobbying practices and the policy positions taken by trade organizations to which we belong are in alignment with the Paris</p>		<p>Plaintiffs fail to sufficiently plead a connection between this statement and the facts allegedly omitted from it. (Section II.B.1.)</p> <p>The facts allegedly omitted from this statement were not material. (Section II.B.2.)</p> <p>This statement contains mere “puffery.” (Section II.C.)</p> <p>Plaintiffs fail to plead loss causation. (Section III.)</p> <p>Plaintiffs do not allege Mr. Tierney or Mr. Akins was the maker of the statement. (Section IV.)</p>
--	--	--

	<p>Climate Agreement. <i>We believe in transparency and active participation in public policy development, regardless of the issue or position.</i> Moreover, AEP is a respected and sought-after voice when it comes to energy policy-related matters in the U.S.</p> <p><i>We report on our public policy positions, annual lobbying and political contributions, policy on political contributions and trade association memberships.</i> We post our lobbying policy online and have consistently acknowledged our intent to participate actively in the political process and in lobbying activities at the national, state and local levels. At AEP, we must consider a number of factors when engaging in this arena, as public policy develops through negotiation and compromise. While many divergent issues are of importance to us, we cannot invest all of our efforts to focus on a single issue. We are obligated to deliver safe, reliable, affordable and secure electricity to all of our customers, and we develop our public policy positions with that in mind.</p>		
--	--	--	--

EXHIBIT B

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO**

DIANA NICKERSON, Individually and On)	
Behalf of All Others Similarly Situated,)	
)	
Plaintiff,)	
	)	Case No. 2:20-cv-04243-SDM-EPD
vs.)	
	)	Judge Sarah D. Morrison
AMERICAN ELECTRIC POWER	)	Magistrate Judge Elizabeth Preston Deavers
COMPANY, INC., NICHOLAS K. AKINS,)	
and BRIAN X. TIERNEY,)	
)	
Defendants.)	
)	

**DECLARATION OF NICOLE ALLEN IN
SUPPORT OF DEFENDANTS’ MOTION TO DISMISS**

I, Nicole Allen, declare as follows:

1. I am a partner at the law firm Jenner & Block LLP, located at 353 North Clark Street, Chicago, Illinois 60654-3456, and counsel for the defendants American Electric Power Company, Inc., Nicholas K. Akins, Brian X. Tierney, and Joseph M. Buonaiuto (collectively, “Defendants”) in the above captioned matter. I am a member in good standing of the bar of the State of Illinois. I am admitted *pro hac vice* in this case.

2. I make this declaration to place before the Court certain materials in the public record and/or that are incorporated by reference in the Complaint.¹

3. Attached hereto as Exhibit 1 is an excerpted copy of AEP’s Form 10-K for 2019, pages 18-19 and pages 4, 27-29 of Ex. 13 to same, filed with the Securities and Exchange Commission on February 20, 2020, and publicly available via the SEC’s EDGAR filing system.

¹ Capitalized terms have the definitions set forth in Defendants’ Memorandum in Support of Motion to Dismiss or as stated herein.

4. Attached hereto as Exhibit 2 is an excerpted copy of AEP's Form 10-Q for the third quarter of 2019, pages 1-2, 16-17, filed with the Securities and Exchange Commission on October 24, 2019, and publicly available via the SEC's EDGAR filing system.

5. Attached hereto as Exhibit 3 is an excerpted copy of AEP's Form 10-K for 2017, page 19 and pages 6, 32-34, 133-134, 206 of Ex. 13 to same, filed with the Securities and Exchange Commission on February 23, 2018, and publicly available via the SEC's EDGAR filing system.

6. Attached hereto as Exhibit 4 is a true and accurate copy of House Bill 6 as introduced on April 12, 2019. The version of the bill as introduced is publicly available online on the Ohio Legislature's website, at <https://tinyurl.com/4fyc8w4c>.

7. Attached hereto as Exhibit 5 is a true and accurate copy of House Bill 6 as passed by the Ohio House of Representatives on May 29, 2019. The version of the bill as passed by the House is publicly available online on the Ohio Legislature's website, at <https://tinyurl.com/2xc2nwrj>

8. Attached hereto as Exhibit 6 is a true and accurate copy of Thomas Froehle's testimony in opposition to House Bill 6, delivered on behalf of AEP Ohio in front of the Ohio Senate Committee on Energy and Public Utilities on June 27, 2019. The testimony is publicly available online on the Ohio Legislature's website, at <https://tinyurl.com/2p4wurfs>

9. Attached hereto as Exhibit 7 is a true and accurate copy of House Bill 6 as enrolled on July 23, 2019. The version of the bill as enrolled is publicly available online on the Ohio Legislature's website, <https://tinyurl.com/52vx8788>.

10. Attached hereto as Exhibit 8 is a true and accurate copy of Empowering Ohio's Economy's Grant Agreement with Generation Now, Inc., effective December 20, 2017. The Agreement is referenced in the Complaint at paragraphs 6 and 85.

11. Attached hereto as Exhibit 9 is a true and accurate compendium of Brian Tierney's Form 4 filings. The compendium contains the following documents:

- a. Brian Tierney's Form 4 for May 1, 2019, as filed with the Securities and Exchange Commission on May 2, 2019, and publicly available via the SEC's EDGAR filing system.
- b. Brian Tierney's Form 4 for May 14, 2019, as filed with the Securities and Exchange Commission on May 15, 2019, and publicly available via the SEC's EDGAR filing system.
- c. Brian Tierney's Form 4 for February 20, 2020, as filed with the Securities and Exchange Commission on February 21, 2020, and publicly available via the SEC's EDGAR filing system.
- d. Brian Tierney's Form 4 for February 24, 2020, as filed with the Securities and Exchange Commission on February 26, 2020, and publicly available via the SEC's EDGAR filing system.

12. Attached hereto as Exhibit 10 is a true and accurate compendium of Nicholas Akins's Form 4 filings. The compendium contains the following documents:

- a. Nicholas Akins's Form 4 for May 1, 2019, as filed with the Securities and Exchange Commission on May 2, 2019, and publicly available via the SEC's EDGAR filing system.
- b. Nicholas Akins's Form 4 for February 20, 2020, as filed with the Securities and Exchange Commission on February 21, 2020, and publicly available via the SEC's EDGAR filing system.

c. Nicholas Akins's Form 4 for February 24, 2020, as filed with the Securities and Exchange Commission on February 26, 2020, and publicly available via the SEC's EDGAR filing system.

13. Attached hereto as Exhibit 11 is an excerpted copy of AEP's Definitive Proxy Statement on Schedule 14A, page 49, filed with the Securities and Exchange Commission on March 10, 2021, and publicly available via the SEC's EDGAR filing system.

14. Attached hereto as Exhibit 12 is a transcript of AEP's July 25, 2019 Second Quarter 2019 earnings call, as transcribed by S&P Global Market Intelligence. The transcript is referenced in the complaint at paragraphs 62–63.

15. Attached hereto as Exhibit 13 is a true and accurate copy of Thomas Froehle's legislative lobbying Activity and Expenditure Report for May to August 2017, as filed with the Ohio General Assembly Office of the Legislative Inspector General on September 28, 2017. The Report is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/39239x83>.

16. Attached hereto as Exhibit 14 is a true and accurate copy of AEP's legislative lobbying Activity and Expenditure Report for January to April 2019, as filed with the Ohio General Assembly Office of the Legislative Inspector General on May 23, 2019. The Report is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/nrmn4afb>.

17. Attached hereto as Exhibit 15 is a true and accurate copy of AEP's legislative lobbying Activity and Expenditure Report for May to August 2019, as filed with the Ohio General Assembly Office of the Legislative Inspector General on September 20, 2019. The Report is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/3t2zm8xc>.

18. Attached hereto as Exhibit 16 is a true and accurate compendium of legislative lobbying Activity and Expenditure Reports for AEP's nine disclosed lobbyists for January to April 2019, as filed with the Ohio General Assembly Office of the Legislative Inspector General. The compendium contains the following documents:

- a. Thomas Froehle's Report, filed on May 29, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/4y738tmv>.
- b. Robert Klaffky's Report, filed on May 31, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/f4m4ps8h>.
- c. Douglas Preisse's Report, filed on May 31, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/5ba4a8b5>.
- d. Ben Kaiser's Report, filed on May 31, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/j7s3nnyv>.
- e. Chad Hawley's Report, filed on May 28, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/y36hxc9j>.
- f. Troy Judy's Report, filed on June 2, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/d4587jvt>.
- g. John McClelland's Report, filed on May 31, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/xdz5pkrk>.
- h. Maria Haberman's Report, filed on May 30, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/fdc44r>.
- i. Markee Osborne's Report, filed on May 29, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/s5e6mk5w>.

19. Attached hereto as Exhibit 17 is a true and accurate compendium of legislative lobbying Activity and Expenditure Reports for AEP's ten disclosed lobbyists for May to August 2019, as filed with the Ohio General Assembly Office of the Legislative Inspector General. The compendium contains the following documents:

- a. Thomas Froehle's Report, filed on September 30, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/7rzcw4h2>.
- b. Robert Klaffky's Report, filed on October 1, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/4bryjs69>.
- c. Douglas Preisse's Report, filed on October 1, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/a236vrvn>.
- d. Ben Kaiser's Report, filed on October 1, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/279nn5eb>.
- e. Chad Hawley's Report, filed on September 23, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/58f9fnpa>.
- f. Troy Judy's Report, filed on October 1, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/3mwduda8>.
- g. John McClelland's Report, filed on September 30, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/7scpfh3k>.
- h. Maria Haberman's Report, filed on September 13, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/62rfb74f>.
- i. Zachary Frymier's Report, filed on September 27, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/2jht3h7h>.

j. Markee Osborne's Report, filed on September 30, 2019, is publicly available online via the Ohio Lobbying Activity Center at <https://tinyurl.com/2b2ud5td>.

20. Attached hereto as Exhibit 18 is a true and accurate copy of Thomas Froehle's testimony as an "interested party" regarding House Bill 6, delivered on behalf of American Electric Power in front of the Ohio House Energy and Natural Resources Subcommittee on Energy Generation on April 23, 2019. The testimony is publicly available online on the Ohio Legislature's website, at <https://tinyurl.com/d2ukm7x5>.

21. Attached hereto as Exhibit 19 is a true and accurate copy of a letter emailed by Thomas Froehle to members of the Ohio House of Representatives, dated May 22, 2019. The letter is referenced in the Complaint at paragraphs 7 and 90.

22. Attached hereto as Exhibit 20 is a true and accurate copy of AEP's 2019 Corporate Accountability Report. The Report is publicly available on AEP's website at <https://tinyurl.com/477s8zbn>. The Report is also referenced in the Complaint at paragraph 58.

23. Attached hereto as Exhibit 21 is an excerpted copy of AEP's Form 10-K for 2014, pages 17-18 and pages 4-5 of Ex. 13 to same, filed with the Securities and Exchange Commission on February 20, 2015, and publicly available via the SEC's EDGAR filing system.

24. Attached hereto as Exhibit 22 is an excerpted copy of AEP's Form 10-K for 2015, page 18 and pages 3-5, 95, 165-168, 180 of Ex. 13 to same, filed with the Securities and Exchange Commission on February 24, 2016, and publicly available via the SEC's EDGAR filing system.

25. Attached hereto as Exhibit 23 is an excerpted copy of AEP's Form 10-K for 2016, page 18 and pages 27-28, 165-168 of Ex. 13 to same, filed with the Securities and Exchange Commission on February 28, 2017, and publicly available via the SEC's EDGAR filing system.

26. Attached hereto as Exhibit 24 is an excerpted copy of AEP's Form 10-K for 2018, pages 17-18 and pages 30-34, 212-213 of Ex. 13 to same, filed with the Securities and Exchange Commission on February 21, 2019, and publicly available via the SEC's EDGAR filing system.

27. Attached hereto as Exhibit 25 is a true and accurate copy of AEP's Corporate Political Contributions Policy effective March 1, 2017. The Policy is referenced in the Complaint at paragraphs 56, 59, 61, 64, 67, 71, and 73 and is hyperlinked in AEP's 2019 Corporate Accountability Report (Ex. 21.).

28. Attached hereto as Exhibit 26 is a transcript of AEP's April 25, 2019 First Quarter 2019 earnings call, as transcribed by S&P Global Market Intelligence. The transcript is referenced in the complaint at paragraphs 1, 3, 8, and 54-56.

29. Attached hereto as Exhibit 27 is an excerpted copy of AEP's Form 10-Q for the second quarter of 2019, pages v-vi, 1-2, filed with the Securities and Exchange Commission on July 25, 2019, and publicly available via the SEC's EDGAR filing system.

30. Attached hereto as Exhibit 28 is an excerpted copy of AEP's Form 10-K for 2020, page 125, filed with the Securities and Exchange Commission on February 25, 2021, and publicly available via the SEC's EDGAR filing system.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed in Chicago, IL on May 10, 2021.

/s/ Nicole Allen
Nicole Allen

EXHIBIT 1

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **December 31, 2019**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number	Registrants; Address and Telephone Number	States of Incorporation	I.R.S. Employer Identification Nos.
1-3525	AMERICAN ELECTRIC POWER CO INC.	New York	13-4922640
333-221643	AEP TEXAS INC.	Delaware	51-0007707
333-217143	AEP TRANSMISSION COMPANY, LLC	Delaware	46-1125168
1-3457	APPALACHIAN POWER COMPANY	Virginia	54-0124790
1-3570	INDIANA MICHIGAN POWER COMPANY	Indiana	35-0410455
1-6543	OHIO POWER COMPANY	Ohio	31-4271000
0-343	PUBLIC SERVICE COMPANY OF OKLAHOMA	Oklahoma	73-0410895
1-3146	SOUTHWESTERN ELECTRIC POWER COMPANY 1 Riverside Plaza, Columbus, Ohio 43215-2373 Telephone (614) 716-1000	Delaware	72-0323455

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Trading Symbol	Name of Each Exchange on Which Registered
American Electric Power Company Inc.	Common Stock, \$6.50 par value	AEP	New York Stock Exchange
American Electric Power Company Inc.	6.125% Corporate Units	AEP PR B	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant American Electric Power Company, Inc., AEP Transmission Company, LLC, Indiana Michigan Power Company and Southwestern Electric Power Company, are well-known seasoned issuers, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants AEP Texas Inc., Appalachian Power Company, Ohio Power Company, Public Service Company of Oklahoma, are well-known seasoned issuers, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether American Electric Power Company, Inc. is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

Indicate by check mark whether AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company are large accelerated filers, accelerated filers, non-accelerated filers, smaller reporting companies, or emerging growth companies. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act). Yes No

AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company meet the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and are therefore filing this Form 10-K with the reduced disclosure format specified in General Instruction I(2) to such Form 10-K.

	Aggregate Market Value of Voting and Non-Voting Common Equity Held by Nonaffiliates of the Registrants as of June 30, 2019 the Last Trading Date of the Registrants' Most Recently Completed Second Fiscal Quarter	Number of Shares of Common Stock Outstanding of the Registrants as of December 31, 2019
American Electric Power Company, Inc.	\$43,491,855,142	494,169,471 ((\$6.50 par value)
AEP Texas Inc.	None	100 ((\$0.01 par value)
AEP Transmission Company, LLC (a)	None	NA
Appalachian Power Company	None	13,499,500 (no par value)
Indiana Michigan Power Company	None	1,400,000 (no par value)
Ohio Power Company	None	27,952,473 (no par value)
Public Service Company of Oklahoma	None	9,013,000 ((\$15 par value)
Southwestern Electric Power Company	None	7,536,640 ((\$18 par value)

(a) 100% interest is held by AEP Transmission Holdco.

NA Not applicable.

Note on Market Value of Common Equity Held by Nonaffiliates

American Electric Power Company, Inc. owns all of the common stock of AEP Texas Inc., Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company and all of the LLC membership interest in AEP Transmission Company, LLC (see Item 12 herein).

Low-Level Radioactive Waste

The Low-Level Waste Policy Act of 1980 mandates that the responsibility for the disposal of low-level radioactive waste rests with the individual states. Low-level radioactive waste consists largely of ordinary refuse and other items that have come in contact with radioactive materials. Michigan does not currently have a disposal site for such waste available. I&M cannot predict when such a site may be available. However, the states of Utah and Texas have licensed low level radioactive waste disposal sites which currently accept low level radioactive waste from Michigan waste generators. There is currently no set date limiting I&M's access to either of these facilities. The Cook Plant has a facility onsite designed specifically for the storage of low level radioactive waste. In the event that low level radioactive waste disposal facility access becomes unavailable, it can be stored onsite at this facility.

Counterparty Risk Management

The Vertically Integrated Utilities segment also sells power and enters into related energy transactions with wholesale customers and other market participants. As a result, counterparties and exchanges may require cash or cash related instruments to be deposited on transactions as margin against open positions. As of December 31, 2019, counterparties posted approximately \$13 million in cash, cash equivalents or letters of credit with AEPSC for the benefit of AEP's public utility subsidiaries (while, as of that date, AEP's public utility subsidiaries posted approximately \$24 million with counterparties and exchanges). Since open trading contracts are valued based on market prices of various commodities, exposures change daily. See the "Quantitative and Qualitative Disclosures About Market Risk" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2019 Annual Report for additional information.

Certain Power Agreements***I&M***

The UPA between AEGCo and I&M, dated March 31, 1982, provides for the sale by AEGCo to I&M of all the capacity (and the energy associated therewith) available to AEGCo at the Rockport Plant. Whether or not power is available from AEGCo, I&M is obligated to pay a demand charge for the right to receive such power (and an energy charge for any associated energy taken by I&M). The agreement will continue in effect until the last of the lease terms of Unit 2 of the Rockport Plant have expired (currently December 2022) unless extended in specified circumstances.

Pursuant to an assignment between I&M and KPCo, and a UPA between AEGCo and KPCo, AEGCo sells KPCo 30% of the capacity (and the energy associated therewith) available to AEGCo from both units of the Rockport Plant. KPCo has agreed to pay to AEGCo the amounts that I&M would have paid AEGCo under the terms of the UPA between AEGCo and I&M for such entitlement. The KPCo UPA expires in December 2022.

OVEC

AEP and several nonaffiliated utility companies jointly own OVEC. The aggregate equity participation of AEP in OVEC is 43.47%. Parent owns 39.17% and OPCo owns 4.3%. Under the Inter-Company Power Agreement (ICPA), which defines the rights of the owners and sets the power participation ratio of each, the sponsoring companies are entitled to receive and are obligated to pay for all OVEC capacity (approximately 2,400 MWs) in proportion to their respective power participation ratios. The aggregate power participation ratio of APCo, I&M and OPCo is 43.47%. The ICPA terminates in June 2040. The proceeds from charges by OVEC to sponsoring companies under the ICPA based on their prower participation ratios are designed to be sufficient for OVEC to meet its operating expenses and fixed costs. OVEC's Board of Directors, as elected by AEP and the other owners, has authorized environmental investments related to their ownership interests, with resulting expenses (including for related debt and interest thereon) included in charges under the ICPA. OVEC financed capital expenditures totaling \$1.3 billion in connection with flue gas desulfurization projects and the associated scrubber waste disposal landfills at its two generation plants through debt issuances, including tax-advantaged debt issuances. Both OVEC generation plants are operating with the new environmental controls in service. OPCo attempted to assign its rights and obligations under the ICPA to an affiliate

as part of its transfer of its generation assets and liabilities in keeping with corporate separation required by Ohio law. OPCo failed to obtain the consent to assignment from the other owners of OVEC and therefore filed a request with the PUCO seeking authorization to maintain its ownership of OVEC. In December 2013, the PUCO approved OPCo's request, subject to the condition that energy from the OVEC entitlements are sold into the day-ahead or real-time PJM energy markets, or on a forward basis through a bilateral arrangement. In November 2016, the PUCO approved OPCo's request to approve a cost-based purchased power agreement (PPA) rider, effective in January 2017, that would initially be based upon OPCo's contractual entitlement under the ICPA which is approximately 20% of OVEC's capacity. In January 2020, provisions enacted as part of Ohio Am. Sub. H.B. 6 went into effect that replace the PPA rider and enable OPCo to continue recovering the net cost associated with the ICPA, including any additional contractual entitlement received as a result of the FirstEnergy Solutions (FES) bankruptcy, through 2030.

In March 2018, FES, with an aggregate power participation ratio of approximately 5% under the ICPA, filed bankruptcy. In July 2018, the Bankruptcy Court granted FES's motion to reject the ICPA. OVEC appealed this decision in the United States Court of Appeals for the Sixth Circuit and in December 2019 the Sixth Circuit remanded the rejection of the ICPA back to the Bankruptcy Court for further consideration based on reversing the Bankruptcy Court's application of the business judgment standard in rejecting the ICPA. If OVEC does not have sufficient funds to honor its payment obligations, there is risk that APCo, I&M and/or OPCo may need to make payments in addition to their power participation ratio payments. Further, if OVEC's indebtedness is accelerated for any reason, there is risk that APCo, I&M and/or OPCo may be required to pay some or all of such accelerated indebtedness in amounts equal to their aggregate power participation ratio of 43.47%. The foregoing and other related actions have adversely impacted the credit ratings of OVEC.

ELECTRIC DELIVERY

General

Other than AEGCo, AEP's vertically integrated public utility subsidiaries own and operate transmission and distribution lines and other facilities to deliver electric power. See Item 2 – Properties for more information regarding the transmission and distribution lines. Most of the transmission and distribution services are sold to retail customers of AEP's vertically integrated public utility subsidiaries in their service territories. These sales are made at rates approved by the state utility commissions of the states in which they operate, and in some instances, approved by the FERC. See Item 1. Business – Vertically Integrated Utilities – Regulation – Rates. The FERC regulates and approves the rates for both wholesale transmission transactions and wholesale generation contracts. The use and the recovery of costs associated with the transmission assets of the AEP vertically integrated public utility subsidiaries are subject to the rules, principles, protocols and agreements in place with PJM and SPP, and as approved by the FERC. See Item 1. Business – Vertically Integrated Utilities – Regulation – FERC. As discussed below, some transmission services also are separately sold to nonaffiliated companies.

Other than AEGCo, AEP's vertically integrated public utility subsidiaries hold franchises or other rights to provide electric service in various municipalities and regions in their service areas. In some cases, these franchises provide the utility with the exclusive right to provide electric service within a specific territory. These franchises have varying provisions and expiration dates. In general, the operating companies consider their franchises to be adequate for the conduct of their business. For a discussion of competition in the sale of power, see Item 1. Business – Vertically Integrated Utilities – Competition.

Transmission Agreement (TA)

APCo, I&M, KGPCo, KPCo and WPCo own and operate transmission facilities that are used to provide transmission service under the PJM OATT and are parties to the TA. OPCo, which is a subsidiary in AEP's Transmission and Distribution Utilities segment that provides transmission service under the PJM OATT, is also a party to the TA. The TA defines how the parties to the agreement share the revenues associated with their transmission facilities and the costs of transmission service provided by PJM. The TA has been approved by the FERC.

2019 Annual Reports

American Electric Power Company, Inc. and Subsidiary Companies

AEP Texas Inc. and Subsidiaries

AEP Transmission Company, LLC and Subsidiaries

Appalachian Power Company and Subsidiaries

Indiana Michigan Power Company and Subsidiaries

Ohio Power Company and Subsidiaries

Public Service Company of Oklahoma

Southwestern Electric Power Company Consolidated

Audited Financial Statements and

Management's Discussion and Analysis of Financial Condition and Results of Operations



BOUNDLESS ENERGY™

- *2020 Increase in West Virginia Retail Rates for WPCo 17.5% Merchant Share of Mitchell Plant* - In 2015, the WVPSC approved a settlement agreement in which 82.5% of the West Virginia jurisdictional costs associated with WPCo's acquired interest were prospectively reflected in retail rates with the remaining 17.5% of costs associated with the acquired interest to be included in rates starting January 2020. APCo and WPCo file joint retail rates in West Virginia. In June 2019, APCo and WPCo filed with the WVPSC to increase each company's retail rates through a surcharge to reflect the recovery of WPCo's remaining 17.5% interest in the Mitchell Plant. In December 2019, the WVPSC issued an order approving a stipulation and settlement agreement that will allow APCo and WPCo to recover the remaining 17.5% West Virginia share of costs related to the Mitchell Plant and increase pretax earnings on a combined company basis by approximately \$21 million annually beginning January 1, 2020.
- *2012 Texas Base Rate Case* - In 2012, SWEPCo filed a request with the PUCT to increase annual base rates primarily due to the completion of the Turk Plant. In 2013, the PUCT issued an order affirming the prudence of the Turk Plant. In July 2018, the Texas Third Court of Appeals reversed the PUCT's judgment affirming the prudence of the Turk Plant and remanded the issue back to the PUCT. In January 2019, SWEPCo and the PUCT filed petitions for review with the Texas Supreme Court. In May 2019, various intervenors filed replies to the petition. In July 2019, SWEPCo filed its response to these replies. In the fourth quarter of 2019 and first quarter of 2020, SWEPCo and various intervenors filed briefs with the Texas Supreme Court. As of December 31, 2019, the net book value of Turk Plant was \$1.5 billion, before cost of removal, including materials and supplies inventory and CWIP. SWEPCo's Texas jurisdictional share of the Turk Plant investment is approximately 33%.
- In July 2019, clean energy legislation which offers incentives for power-generating facilities with zero or reduced carbon emissions was signed into law by the Ohio Governor. The clean energy legislation phases out current energy efficiency including lost shared savings revenues of \$26 million annually and renewable mandates no later than 2020 and after 2026, respectively. The bill provides for the recovery of existing renewable energy contracts on a bypassable basis through 2032. The clean energy legislation also includes a provision for recovery of OVEC costs through 2030 which will be allocated to all electric distribution utilities on a non-bypassable basis. OPCo's Inter-Company Power Agreement for OVEC terminates in June 2040. To the extent that OPCo is unable to recover the costs of renewable energy contracts on a bypassable basis by the end of 2032, recover costs of OVEC after 2030 or fully recover energy efficiency costs through 2020 it could reduce future net income and cash flows and impact financial condition.

Utility Rates and Rate Proceedings

The Registrants file rate cases with their regulatory commissions in order to establish fair and appropriate electric service rates to recover their costs and earn a fair return on their investments. The outcomes of these regulatory proceedings impact the Registrants' current and future results of operations, cash flows and financial position.

The following tables show the Registrants' completed and pending base rate case proceedings in 2019. See Note 4 - Rate Matters for additional information.

Completed Base Rate Case Proceedings

Company	Jurisdiction	Approved Revenue Requirement Increase	Approved ROE	New Rates Effective
(in millions)				
APCo	West Virginia	\$ 35.8	9.75%	March 2019
WPCo	West Virginia	8.4	9.75%	March 2019
PSO	Oklahoma	46.0	9.4%	April 2019
SWEPCo	Arkansas	52.8	9.45%	January 2020
I&M	Michigan	36.4	9.86%	February 2020

2019 Compared to 2018

Reconciliation of Year Ended December 31, 2018 to Year Ended December 31, 2019
Earnings Attributable to AEP Common Shareholders from Transmission and Distribution Utilities
(in millions)

Year Ended December 31, 2018	\$ 527.4
Changes in Gross Margin:	
Retail Margins	(65.2)
Margins from Off-system Sales	11.8
Transmission Revenues	85.6
Other Revenues	19.8
Total Change in Gross Margin	52.0
Changes in Expenses and Other:	
Other Operation and Maintenance	(86.4)
Asset Impairments and Other Related Charges	(32.5)
Depreciation and Amortization	(55.4)
Taxes Other Than Income Taxes	(29.7)
Interest and Investment Income	2.4
Carrying Costs Income	(0.7)
Allowance for Equity Funds Used During Construction	3.5
Non-Service Cost Component of Net Periodic Benefit Cost	(2.0)
Interest Expense	4.8
Total Change in Expenses and Other	(196.0)
Income Tax Expense (Benefit)	67.6
Year Ended December 31, 2019	\$ 451.0

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of purchased electricity and amortization of generation deferrals were as follows:

- **Retail Margins** decreased \$65 million primarily due to the following:
 - A \$103 million net decrease in Ohio Basic Transmission Cost Rider revenues and recoverable PJM expenses. This decrease was partially offset in Other Operation and Maintenance expenses below.
 - A \$30 million decrease due to a provision for refund in the 2019 Texas Base Rate Case.
 - A \$25 million decrease in Ohio Deferred Asset Phase-In-Recovery Rider revenues which ended in the second quarter of 2019. This decrease was offset in Depreciation and Amortization expenses below.
 - A \$22 million decrease in revenues associated with a vegetation management rider in Ohio. This decrease was offset in Other Operation and Maintenance expenses below.
 - A \$21 million net decrease in margin in Ohio for the Phase-In-Recovery Rider including associated amortizations which ended in the first quarter of 2019.
 - A \$21 million net decrease in margin in Ohio for the Rate Stability Rider including associated amortizations which ended in the third quarter of 2019.
 - A \$10 million decrease in weather-normalized margins primarily in the residential and commercial classes.

These decreases were partially offset by:

- A \$58 million increase due to a reversal of a regulatory provision in Ohio.
- A \$41 million increase in revenues associated with Ohio smart grid riders. This increase was partially offset in other expense items below.
- A \$33 million net increase due to 2018 adjustments to the distribution decoupling under-recovery balance as a result of the 2018 Ohio Tax Reform settlement and changes in tax riders. This increase was partially offset in Income Tax Expense (Benefit) below.

- A \$30 million increase due to the recovery of higher current year losses from a power contract with OVEC in Ohio. This increase was offset in Margins from Off-system Sales below.
- An \$11 million increase in Ohio Energy Efficiency/Peak Demand Reduction rider revenues. This increase was offset in Other Operation and Maintenance expenses below.
- **Margins from Off-system Sales** increased \$12 million primarily due to the following:
 - A \$42 million increase due to higher affiliated PPA revenues in Texas. This increase was partially offset in Other Operation and Maintenance expenses below.This increase was partially offset by:
 - A \$31 million decrease primarily due to higher current year losses from a power contract with OVEC as a result of the OVEC PPA rider in Ohio. This decrease was offset in Retail Margins above.
- **Transmission Revenues** increased \$86 million primarily due to recovery of increased transmission investment in ERCOT.
- **Other Revenues** increased \$20 million primarily due to the following:
 - An \$11 million increase primarily due to securitization revenue. This increase was offset below in Depreciation and Amortization expenses and in Interest Expense.
 - A \$7 million increase primarily due to distribution connection fees and pole attachment revenues in Ohio.

Expenses and Other and Income Tax Expense (Benefit) changed between years as follows:

- **Other Operation and Maintenance** expenses increased \$86 million primarily due to the following:
 - A \$68 million increase in PJM expenses primarily related to the annual formula rate true-up.
 - A \$64 million increase in expense due to the partial amortization of the Texas Storm Cost Securitization regulatory asset as a result of the final PUCT order in the Texas Storm Cost Case. This increase was offset in Income Tax Expense (Benefit) below.
 - A \$49 million increase in affiliated PPA expenses in Texas. This increase was offset in Margins from Off-system Sales above.
 - A \$12 million increase due to a charitable contribution to the AEP Foundation.These increases were partially offset by:
 - A \$117 million decrease in transmission expenses that were fully recovered in rate riders/trackers in Gross Margin above.
- **Asset Impairments and Other Related Charges** increased \$33 million due to regulatory disallowances in the 2019 Texas Base Rate Case.
- **Depreciation and Amortization** expenses increased \$55 million primarily due to the following:
 - A \$68 million increase in depreciation expense due to an increase in the depreciable base of transmission and distribution assets.
 - A \$17 million increase in securitization amortizations in Texas. This increase was offset in Other Revenues above and in Interest Expense below.
 - An \$11 million increase due to lower deferred equity amortizations associated with the Deferred Asset Phase-In-Recovery Rider in Ohio which ended in the second quarter of 2019.
 - A \$6 million increase in depreciation expense related to the Oklaunion Power Station.These increases were partially offset by:
 - A \$26 million decrease in Ohio recoverable DIR depreciation expense. This decrease was partially offset in Retail Margins above.
 - A \$23 million decrease in amortizations associated with the Deferred Asset Phase-In-Recovery Rider in Ohio which ended in the second quarter of 2019. This decrease was offset in Retail Margins above.
- **Taxes Other Than Income Taxes** increased \$30 million primarily due to an increase in property taxes driven by additional investments in transmission and distribution assets and higher tax rates.
- **Allowance for Equity Funds Used During Construction** increased \$4 million primarily due to the following:
 - An \$8 million increase in Ohio primarily due to adjustments that resulted from 2019 FERC audit findings.This increase was partially offset by:
 - A \$5 million decrease in the Equity component as a result of higher short-term debt balances, partially offset by increased transmission projects.

- **Interest Expense** decreased \$5 million primarily due to the following:
 - A \$21 million decrease due to the deferral of previously recorded interest expense approved for recovery as a result of the Texas Storm Cost Securitization financing order issued by the PUCT in June 2019.
 - An \$11 million decrease in expense related to Securitization assets. This decrease was offset in Other Revenues and Depreciation and Amortization expenses above.These decreases were partially offset by:
 - A \$22 million increase due to higher long-term debt balances.
 - A \$2 million increase due to higher short-term debt balances.
 - **Income Tax Expense (Benefit)** decreased \$68 million primarily due to an increase in amortization of Excess ADIT not subject to normalization requirements as approved in the Texas Storm Cost Securitization financing order issued by the PUCT in June 2019 and a decrease in pretax book income. This decrease was partially offset above in Retail Margins and Other Operation and Maintenance expenses.
-

EXHIBIT 2

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For The Quarterly Period Ended **September 30, 2019**
or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For The Transition Period from ____ to ____

Commission File Number	Registrants; Address and Telephone Number	States of Incorporation	I.R.S. Employer Identification Nos.
1-3525	AMERICAN ELECTRIC POWER CO INC.	New York	13-4922640
333-221643	AEP TEXAS INC.	Delaware	51-0007707
333-217143	AEP TRANSMISSION COMPANY, LLC	Delaware	46-1125168
1-3457	APPALACHIAN POWER COMPANY	Virginia	54-0124790
1-3570	INDIANA MICHIGAN POWER COMPANY	Indiana	35-0410455
1-6543	OHIO POWER COMPANY	Ohio	31-4271000
0-343	PUBLIC SERVICE COMPANY OF OKLAHOMA	Oklahoma	73-0410895
1-3146	SOUTHWESTERN ELECTRIC POWER COMPANY 1 Riverside Plaza, Columbus, Ohio 43215-2373 Telephone (614) 716-1000	Delaware	72-0323455

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Trading Symbol	Name of Each Exchange on Which Registered
American Electric Power Company Inc.	Common Stock, \$6.50 par value	AEP	New York Stock Exchange
American Electric Power Company Inc.	6.125% Corporate Units	AEP PR B	New York Stock Exchange

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit such files).

Yes No

Indicate by check mark whether American Electric Power Company, Inc. is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

Indicate by check mark whether AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company are large accelerated filers, accelerated filers, non-accelerated filers, smaller reporting companies, or emerging growth companies. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

Yes No

AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company meet the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and are therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) to Form 10-Q.

**AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

EXECUTIVE OVERVIEW

Customer Demand

AEP's weather-normalized retail sales volumes for the third quarter of 2019 were flat compared to the third quarter of 2018. AEP's third quarter 2019 industrial sales decreased by 1.1% compared to the third quarter of 2018. The decline in industrial sales was spread across most operating companies and most industries outside of the oil and gas sector. Weather-normalized residential sales increased 0.7% while weather-normalized commercial sales increased by 0.4% in the third quarter of 2019 compared to the third quarter of 2018.

AEP's weather-normalized retail sales volumes for the nine months ended September 30, 2019 decreased by 0.6% compared to the nine months ended September 30, 2018. AEP's industrial sales volumes for the nine months ended September 30, 2019 decreased 1.4% compared to the nine months ended September 30, 2018. The decline in industrial sales was spread across most operating companies and most industries outside of the oil and gas sector. Weather-normalized commercial sales decreased 0.7% for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, while weather-normalized residential sales increased by 0.2%.

Regulatory Matters

AEP's public utility subsidiaries are involved in rate and regulatory proceedings at the FERC and their state commissions. Depending on the outcomes, these rate and regulatory proceedings can have a material impact on results of operations, cash flows and possibly financial condition. AEP is currently involved in the following key proceedings. See Note 4 - Rate Matters for additional information.

- In May 2019, AEP Texas filed a request with the PUCT for a \$56 million annual increase in rates based upon a proposed 10.5% return on common equity. In July and August 2019, PUCT Staff and various intervenors filed testimony that includes recommended disallowances that could potentially result in write-offs exceeding \$450 million. The PUCT staff's recommended disallowances primarily consisted of \$85 million in capital incentives and \$26 million for capitalized vegetation management expenses. The intervenors recommended disallowances primarily consisted of (a) \$173 million for a newly constructed transmission operations center and other service centers, (b) \$94 million for Hurricane Harvey costs, (c) \$36 million for capitalized cross arms and (d) \$21 million for capitalized plant costs related to unreimbursed damages to assets caused by third-parties. In addition, one intervenor recommended AEP Texas refund \$115 million of Excess ADIT, which includes \$2 million in interest, related to previously owned deregulated generation assets. AEP Texas recorded \$113 million as a favorable adjustment to income tax expense in 2017 as a result of Tax Reform. The PUCT is expected to issue an order on the case by the first quarter of 2020.
- In May 2019, I&M filed a request with the IURC for a \$172 million annual increase. The requested increase in Indiana rates would be phased in through January 2021 and is based upon a proposed 10.5% return on common equity. In August 2019, various intervenors filed testimony that includes recommended disallowances that could potentially result in write-offs of \$41 million related to the remaining book value of existing Indiana jurisdictional meters and \$11 million associated with certain Cook Plant study costs. The IURC is expected to issue an order on the case by the first quarter of 2020.

- *Virginia Legislation Affecting Earnings Reviews* - In March 2018, Virginia enacted legislation requiring APCo to file its next generation and distribution base rate case by March 31, 2020 using 2017, 2018 and 2019 test years (triennial review). Triennial reviews are subject to an earnings test which provides that 70% of any earnings exceeding 70 basis points over the Virginia SCC authorized return on common equity would be refunded to customers or be used to lower APCo's Virginia retail base rates on a prospective basis. The Virginia legislation also states that, under certain circumstances, costs associated with asset impairments related to early retirement determinations made by a utility for generation facilities fueled by coal, natural gas or oil or for automated meters be considered fully recovered in the period recorded. Management has reviewed APCo's actual and forecasted earnings for the triennial period and concluded that it is not probable, but is reasonably possible, that APCo will over-earn in Virginia during the 2017-2019 triennial period. Due to various uncertainties, including weather, storm restoration, weather-normalized demand and potential customer shopping during 2019, management cannot estimate a range of potential APCo Virginia over-earnings during the 2017-2019 triennial period.
- *Virginia Staff Depreciation Study Request* - In November 2018, Virginia staff recommended that APCo implement new Virginia jurisdictional depreciation rates effective January 1, 2018 based on APCo's depreciation study that was prepared at Virginia staff's request using December 31, 2017 APCo property balances. Implementation of those depreciation rates would result in a \$21 million pretax increase in annual depreciation expense with no corresponding increase in retail base rates. In December 2018, APCo submitted a response to the Virginia Staff stating that it was inappropriate for APCo to change Virginia depreciation rates in advance of APCo's triennial review, citing the Virginia SCC's November 2014 order to not change APCo's Virginia depreciation rates until APCo's next base rate case/review.
- *2020 Increase in West Virginia Retail Rates for WPCo 17.5% Merchant Share of Mitchell Plant* - In January 2015, the WVPSC approved a settlement agreement in which 82.5% of the costs associated with WPCo's acquired interest were prospectively reflected in retail rates with the remaining 17.5% of costs associated with the acquired interest to be included in rates starting January 2020. APCo and WPCo file joint retail rates in West Virginia. In June 2019, APCo and WPCo filed with the WVPSC to increase each company's retail rates (through a surcharge) starting January 1, 2020 to reflect the recovery of WPCo's remaining 17.5% interest in the Mitchell Plant. The joint filing will increase APCo's and WPCo's combined West Virginia retail rates by approximately \$21 million annually.
- *2012 Texas Base Rate Case* - In 2012, SWEPCo filed a request with the PUCT to increase annual base rates primarily due to the completion of the Turk Plant. In 2013, the PUCT issued an order affirming the prudence of the Turk Plant. In July 2018, the Texas Third Court of Appeals reversed the PUCT's judgment affirming the prudence of the Turk Plant and remanded the issue back to the PUCT. In August 2018, SWEPCo filed a Motion for Reconsideration at the Court of Appeals, which was denied. In January 2019, SWEPCo and the PUCT filed petitions for review with the Texas Supreme Court. In May 2019, various intervenors filed replies to the petition. In July 2019, SWEPCo filed its response to these briefs. The Texas Supreme Court has requested full briefing by the parties. SWEPCo's initial brief is due in October 2019. Response briefs are due in November 2019 and SWEPCo's reply brief is due in December 2019. As of September 30, 2019, the net book value of Turk Plant was \$1.5 billion, before cost of removal, including materials and supplies inventory and CWIP. SWEPCo's Texas jurisdictional share of the Turk Plant investment is approximately 33%.
- In July 2019, clean energy legislation which offers incentives for power-generating facilities with zero or reduced carbon emissions was signed into law by the Ohio Governor. The clean energy legislation phases out current energy efficiency and renewable mandates no later than 2020 and after 2026, respectively. The bill provides for the recovery of existing renewable energy contracts on a bypassable basis through 2032. The clean energy legislation also includes a provision for recovery of OVEC costs through 2030 which will be allocated to all electric distribution utilities on a non-bypassable basis. OPCo's Inter-Company Power Agreement for OVEC terminates in June 2040. To the extent that OPCo is unable to recover the costs of renewable energy contracts on a bypassable basis by the end of 2032, recover costs of OVEC after 2030 or fully recover energy efficiency costs through 2020 it could reduce future net income and cash flows and impact financial condition.

Third Quarter of 2019 Compared to Third Quarter of 2018

Reconciliation of Third Quarter of 2018 to Third Quarter of 2019
Earnings Attributable to AEP Common Shareholders from Vertically Integrated Utilities
(in millions)

Third Quarter of 2018	\$ 344.2
Changes in Gross Margin:	
Retail Margins	145.1
Margins from Off-system Sales	(0.9)
Transmission Revenues	23.8
Other Revenues	1.2
Total Change in Gross Margin	169.2
Changes in Expenses and Other:	
Other Operation and Maintenance	10.8
Depreciation and Amortization	(24.2)
Taxes Other Than Income Taxes	(9.1)
Other Income	(3.2)
Allowance for Equity Funds Used During Construction	2.9
Non-Service Cost Components of Net Periodic Pension Cost	(1.0)
Interest Expense	8.6
Total Change in Expenses and Other	(15.2)
Income Tax Expense (Benefit)	(61.2)
Net Income Attributable to Noncontrolling Interests	0.6
Third Quarter of 2019	\$ 437.6

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances, and purchased electricity were as follows:

- **Retail Margins** increased \$145 million primarily due to the following:
 - A \$91 million increase at APCo and WPCo due to a 2018 reduction in the deferred fuel under recovery balance as a result of the 2018 West Virginia Tax Reform settlement. This increase was partially offset in Income Tax Expense (Benefit) below.
 - A \$23 million increase in weather-related usage primarily in the residential class.
 - A \$15 million increase at APCo in deferred fuel related to recoverable PJM expenses that were offset below.
 - A \$10 million increase due to 2018 Virginia legislation which increased non-recoverable fuel expense at APCo in the prior year.
 - A \$4 million increase in weather-normalized retail margins across all classes.
 - The effect of rate proceedings in AEP's service territories which included:
 - A \$19 million increase from rate proceedings at I&M. This increase was partially offset in other expense items below.
 - A \$14 million increase at PSO due to new base rates implemented in April 2019.
 - A \$10 million increase at APCo and WPCo due to revenue primarily from rate riders in West Virginia. This increase was offset in other expense items below.
 - An \$8 million increase related to rider revenues at I&M, primarily due to the timing of the Indiana PJM/OSS rider recovery. This increase was partially offset in other expense items below.
 - A \$7 million increase at APCo and WPCo due to base rate increases in West Virginia implemented in March 2019.

These increases were partially offset by:

- A \$74 million decrease due to customer refunds related to Tax Reform. This decrease was partially offset in Income Tax Expense (Benefit) below.

- **Transmission Revenues** increased \$24 million primarily due to the following:
 - A \$16 million increase due to SPP provisions for refund recorded in 2018.
 - A \$16 million increase primarily due to 2018 PJM provisions for refunds mainly at APCo.These increases were partially offset by:
 - An \$8 million decrease primarily due to a reduction in SPP Base Plan Funding revenues and a decrease in nonaffiliated transmission services.

Expenses and Other and Income Tax Expense (Benefit) changed between years as follows:

- **Other Operation and Maintenance** expenses decreased \$11 million primarily due to the following:
 - A \$40 million decrease at APCo and WPCo due to the extinguishment of certain regulatory asset balances as agreed to within the 2018 West Virginia Tax Reform settlement.
 - A \$12 million decrease in planned plant outage and maintenance expenses primarily at APCo and I&M.
 - A \$9 million decrease due to Wind Catcher Project expenses incurred in 2018 for SWEPCo and PSO.
 - A \$3 million decrease in recoverable expenses primarily associated with Energy Efficiency/Demand Response and storm expenses fully recovered in rate riders/trackers within Gross Margin above.These decreases were partially offset by:
 - A \$45 million increase due to PJM transmission services including the annual formula rate true-up.
 - An \$8 million increase due to the modification of the NSR consent decree impacting I&M and AEGCo.
 - A \$2 million increase due to North Central Wind Energy Facilities expenses for SWEPCo and PSO.
- **Depreciation and Amortization** expenses increased \$24 million primarily due to a higher depreciable base and increased depreciation rates approved at APCo, I&M and SWEPCo.
- **Taxes Other Than Income Taxes** increased \$9 million primarily due to the following:
 - A \$5 million increase in property taxes driven by an increase in utility plant.
 - A \$5 million increase in West Virginia business and occupational taxes at APCo and WPCo.
- **Interest Expense** decreased \$9 million primarily due to lower interest rates on outstanding long-term debt at I&M and SWEPCo.
- **Income Tax Expense (Benefit)** increased \$61 million primarily due to the one time recognition of \$86 million of additional amortization of Excess ADIT as a result of the West Virginia Tax Reform order received in the third quarter of 2018. The additional excess amortization from the West Virginia Tax Reform order was partially offset in Retail Margins and Other Operation and Maintenance expenses above.

EXHIBIT 3

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number	Registrants; States of Incorporation; Address and Telephone Number	I.R.S. Employer Identification Nos.
1-3525	AMERICAN ELECTRIC POWER COMPANY, INC. (A New York Corporation)	13-4922640
333-221643	AEP TEXAS INC. (A Delaware Corporation)	51-0007707
333-217143	AEP TRANSMISSION COMPANY, LLC (A Delaware Limited Liability Company)	46-1125168
1-3457	APPALACHIAN POWER COMPANY (A Virginia Corporation)	54-0124790
1-3570	INDIANA MICHIGAN POWER COMPANY (An Indiana Corporation)	35-0410455
1-6543	OHIO POWER COMPANY (An Ohio Corporation)	31-4271000
0-343	PUBLIC SERVICE COMPANY OF OKLAHOMA (An Oklahoma Corporation)	73-0410895
1-3146	SOUTHWESTERN ELECTRIC POWER COMPANY (A Delaware Corporation) 1 Riverside Plaza, Columbus, Ohio 43215 Telephone (614) 716-1000	72-0323455

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Name of Each Exchange on Which Registered
American Electric Power Company, Inc.	Common Stock, \$6.50 par value	New York Stock Exchange
AEP Texas Inc.	None	
AEP Transmission Company, LLC	None	
Appalachian Power Company	None	
Indiana Michigan Power Company	None	
Ohio Power Company	None	
Public Service Company of Oklahoma	None	
Southwestern Electric Power Company	None	

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant American Electric Power Company, Inc. is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company, are well-known seasoned issuers, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrants American Electric Power Company, Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant AEP Texas Inc. (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrants have submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether American Electric Power Company, Inc. is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

Indicate by check mark whether AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company are large accelerated filers, accelerated filers, non-accelerated filers, smaller reporting companies, or emerging growth companies. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark if the registrants are shell companies, as defined in Rule 12b-2 of the Exchange Act. Yes No

AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company meet the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and are therefore filing this Form 10-K with the reduced disclosure format specified in General Instruction I(2) to such Form 10-K.

	Aggregate Market Value of Voting and Non-Voting Common Equity Held by Non-Affiliates of the Registrants as of June 30, 2017 the Last Trading Date of the Registrants' Most Recently Completed Second Fiscal Quarter	Number of Shares of Common Stock Outstanding of the Registrants as of December 31, 2017
American Electric Power Company, Inc.	\$34,179,628,893	492,005,598 ((\$6.50 par value))
AEP Texas Inc.	None	100 ((\$0.01 par value))
AEP Transmission Company, LLC (a)	None	NA
Appalachian Power Company	None	13,499,500 (no par value)
Indiana Michigan Power Company	None	1,400,000 (no par value)
Ohio Power Company	None	27,952,473 (no par value)
Public Service Company of Oklahoma	None	9,013,000 ((\$15 par value))
Southwestern Electric Power Company	None	7,536,640 ((\$18 par value))

(a) 100% interest is held by AEP Transmission Holding Company, LLC, a wholly-owned subsidiary of American Electric Power Company, Inc.

NA Not applicable.

Note on Market Value of Common Equity Held by Non-Affiliates

American Electric Power Company, Inc. owns all of the common stock of AEP Texas Inc., Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company (see Item 12 herein).

Certain Power Agreements

I&M

The Unit Power Agreement between AEGCo and I&M, dated March 31, 1982, provides for the sale by AEGCo to I&M of all the capacity (and the energy associated therewith) available to AEGCo at the Rockport Plant. Whether or not power is available from AEGCo, I&M is obligated to pay a demand charge for the right to receive such power (and an energy charge for any associated energy taken by I&M). The agreement will continue in effect until the last of the lease terms of Unit 2 of the Rockport Plant have expired (currently December 2022) unless extended in specified circumstances.

Pursuant to an assignment between I&M and KPCo, and a unit power agreement between AEGCo and KPCo, AEGCo sells KPCo 30% of the capacity (and the energy associated therewith) available to AEGCo from both units of the Rockport Plant. KPCo has agreed to pay to AEGCo the amounts that I&M would have paid AEGCo under the terms of the Unit Power Agreement between AEGCo and I&M for such entitlement. The KPCo unit power agreement expires in December 2022.

OVEC

AEP and several nonaffiliated utility companies jointly own OVEC. The aggregate equity participation of AEP in OVEC is 43.47%. Parent owns 39.17% and OPCo owns 4.3%. Under the Inter-Company Power Agreement (ICPA), which defines the rights of the owners and sets the power participation ratio of each, the sponsoring companies are entitled to receive and are obligated to pay for all OVEC capacity (approximately 2,400 MWs) in proportion to their respective power participation ratios. The aggregate power participation ratio of APCo, I&M and OPCo is 43.47%. The ICPA terminates in June 2040. The proceeds from the sale of power by OVEC are designed to be sufficient for OVEC to meet its operating expenses and fixed costs and to provide a return on its equity capital. AEP and the other owners have authorized environmental investments related to their ownership interests. OVEC financed capital expenditures totaling \$1.3 billion in connection with flue gas desulfurization projects and the associated scrubber waste disposal landfills at its two generation plants through debt issuances, including tax-advantaged debt issuances. Both OVEC generation plants are operating with the new environmental controls in service. OPCo attempted to assign its rights and obligations under the ICPA to an affiliate as part of its transfer of its generation assets and liabilities in keeping with corporate separation required by Ohio law. OPCo failed to obtain the consent to assignment from the other owners of OVEC and therefore filed a request with the PUCO seeking authorization to maintain its ownership of OVEC. In December 2013, the PUCO approved OPCo's request, subject to the condition that energy from the OVEC entitlements are sold into the day-ahead or real-time PJM energy markets, or on a forward basis through a bilateral arrangement. In November 2016, the PUCO approved OPCo's request to approve a cost-based purchased power agreement (PPA) rider, effective in January 2017, that would initially be based upon OPCo's contractual entitlement under the ICPA which is approximately 20% of OVEC's capacity. Some parties filed a rehearing challenge to the PUCO decision, which was denied. Those parties filed an appeal before the Supreme Court of Ohio to challenge the PUCO's decision, which remains pending. In late 2016, two nonaffiliated parties to the ICPA owned by First Energy Corp. ("FE") announced its intention to exit its merchant business and that it may pursue restructuring or bankruptcy. FE's aggregate power participation ratio is approximately 8% under the ICPA. Presently, FE has yet to pursue restructuring or bankruptcy. However, as a result of this announcement and other related developments, Moody's downgraded OVEC's rating with a negative outlook for possible downgrade, while Fitch and S&P have revised OVEC's outlook to negative.

2017 Annual Reports

American Electric Power Company, Inc. and Subsidiary Companies

AEP Texas Inc. and Subsidiaries

AEP Transmission Company, LLC and Subsidiaries

Appalachian Power Company and Subsidiaries

Indiana Michigan Power Company and Subsidiaries

Ohio Power Company and Subsidiaries

Public Service Company of Oklahoma

Southwestern Electric Power Company Consolidated

Audited Financial Statements and

Management's Discussion and Analysis of Financial Condition and Results of Operations



BOUNDLESS ENERGY™

Hurricane Harvey

In August 2017, Hurricane Harvey hit the coast of Texas, causing power outages in the AEP Texas service territory. As rebuilding efforts continue, AEP Texas' total costs related to this storm are not yet final. AEP Texas' current estimated cost is approximately \$325 million to \$375 million, including capital expenditures. AEP Texas has a PUCT approved catastrophe reserve which allows for the deferral of incremental storm expenses as a regulatory asset, and currently recovers approximately \$1 million annually through base rates. As of December 31, 2017, the total balance of AEP Texas' catastrophe reserve deferral is \$123 million, inclusive of approximately \$100 million of net incremental storm expenses related to Hurricane Harvey. AEP Texas currently estimates that it will incur approximately \$12 million of additional incremental expense related to Hurricane Harvey service restoration efforts. As of December 31, 2017, AEP Texas has recorded approximately \$133 million of capital expenditures related to Hurricane Harvey. Also, as of December 31, 2017, AEP Texas has received \$10 million in insurance proceeds, which were applied to the regulatory asset and property, plant and equipment. Management, in conjunction with the insurance adjusters, is reviewing all damages to determine the extent of coverage for additional insurance reimbursement. Any future insurance recoveries received will also be applied to, and will offset, the regulatory asset and property, plant and equipment, as applicable. Management believes the amount recorded as a regulatory asset is probable of recovery and AEP Texas is currently evaluating recovery options for the regulatory asset. The other named 2017 hurricanes did not have a material impact on AEP's operations. If the ultimate costs of the incident are not recovered by insurance or through the regulatory process, it would have an adverse effect on future net income, cash flows and financial condition.

June 2015 - May 2018 ESP Including PPA Application and Proposed ESP Extension through 2024

In March 2016, a contested stipulation agreement related to the PPA rider application was modified and approved by the PUCO. The approved PPA rider is subject to audit and review by the PUCO. Consistent with the terms of the modified and approved stipulation agreement, and based upon a September 2016 PUCO order, in November 2016, OPCo refiled its amended ESP extension application and supporting testimony. The amended filing proposed to extend the ESP through May 2024 and included (a) an extension of the OVEC PPA rider, (b) a proposed 10.41% return on common equity on capital costs for certain riders, (c) the continuation of riders previously approved in the June 2015 - May 2018 ESP, (d) proposed increases in rate caps related to OPCo's DIR and (e) the addition of various new riders, including a Renewable Resource Rider.

In August 2017, OPCo and various intervenors filed a stipulation agreement with the PUCO. The stipulation extends the term of the ESP through May 2024 and includes: (a) an extension of the OVEC PPA rider, (b) a proposed 10% return on common equity on capital costs for certain riders, (c) the continuation of riders previously approved in the June 2015 - May 2018 ESP, (d) rate caps related to OPCo's DIR ranging from \$215 million to \$290 million for the periods 2018 through 2021, (e) the addition of various new riders, including a Smart City Rider and a Renewable Generation Rider, (f) a decrease in annual depreciation rates based on a depreciation study using data through December 2015 and (g) amortization of approximately \$24 million annually beginning January 2018 of OPCo's excess distribution accumulated depreciation reserve, which was \$239 million as of December 31, 2015. Upon PUCO approval of the stipulation, effective January 2018, OPCo will cease recording \$39 million in annual amortization previously approved to end in December 2018 in accordance with PUCO's December 2011 OPCo distribution base rate case order. In the stipulation, OPCo and intervenors agree that OPCo can request in future proceedings a change in meter depreciation rates due to retired meters pursuant to the smart grid Phase 2 project. DIR rate caps will be reset in OPCo's next distribution base rate case which must be filed by June 2020.

In October 2017, intervenor testimony opposing the stipulation agreement was filed recommending: (a) a return on common equity to not exceed 9.3% for riders earning a return on capital investments, (b) that OPCo should file a base distribution case concurrent with the conclusion of the current ESP in May 2018 and (c) denial of certain new riders proposed in OPCo's ESP extension. The stipulation is subject to review by the PUCO. A hearing at the PUCO was held in November 2017. An order from the PUCO is expected in the first quarter of 2018.

If OPCo is ultimately not permitted to fully collect all components of its ESP rates, it could reduce future net income and cash flows and impact financial condition. See "Ohio Electric Security Plan Filings" section of Note 4 for additional information.

2017 Compared to 2016

Reconciliation of Year Ended December 31, 2016 to Year Ended December 31, 2017
Earnings Attributable to AEP Common Shareholders from Transmission and Distribution Utilities
(in millions)

Year Ended December 31, 2016	\$ 482.1
Changes in Gross Margin:	
Retail Margins	(25.7)
Off-system Sales	(83.8)
Transmission Revenues	32.3
Other Revenues	6.9
Total Change in Gross Margin	(70.3)
Changes in Expenses and Other:	
Other Operation and Maintenance	196.3
Depreciation and Amortization	(17.6)
Taxes Other Than Income Taxes	(19.4)
Interest and Investment Income	(7.1)
Carrying Costs Income	(16.4)
Allowance for Equity Funds Used During Construction	(1.9)
Interest Expense	12.8
Total Change in Expenses and Other	146.7
Income Tax Expense	77.9
Year Ended December 31, 2017	\$ 636.4

The major components of the decrease in Gross Margin, defined as revenues less the related direct cost of purchased electricity and amortization of generation deferrals were as follows:

- **Retail Margins** decreased \$26 million primarily due to the following:
 - A \$178 million decrease in Ohio revenues associated with the Universal Service Fund (USF) surcharge rate decrease. This decrease was offset by a corresponding decrease in Other Operating and Maintenance expenses below.
 - An \$83 million decrease due to the impact of a 2016 regulatory deferral of capacity costs related to OPCo's December 2016 Global Settlement.
 - A \$23 million net decrease in recovery of equity carrying charges related to the PIRR in Ohio, net of associated amortizations.
 - A \$21 million decrease in revenues associated with smart grid riders in Ohio. This decrease was offset in various expense items below.
 - A \$15 million decrease in weather-normalized margins, primarily in the residential class.
 - A \$9 million decrease in Energy Efficiency/Peak Demand Reduction rider revenues and associated deferrals in Ohio. This decrease was offset by a corresponding decrease in Other Operation and Maintenance expenses below.
 - A \$7 million decrease in state excise taxes due to a decrease in metered KWh in Ohio. This decrease was offset by a corresponding decrease in Taxes Other Than Income Taxes.

These decreases were partially offset by:

- A \$150 million net increase due to the impact of 2016 provisions for refund primarily related to OPCo's December 2016 Global Settlement.

- A \$62 million increase in Ohio due to the recovery of losses from a power contract with OVEC. The PUCO approved a PPA rider beginning in January 2017 to recover any net margin related to the deferral of OVEC losses starting in June 2016. This increase was offset by a corresponding decrease in Margins from Off-System Sales below.
- A \$45 million increase in Texas revenues associated with the Distribution Cost Recovery Factor revenue rider.
- A \$31 million net increase in Ohio Basic Transmission Cost Rider revenues and recoverable PJM expenses. This increase was offset by a corresponding increase in Other Operation and Maintenance below.
- A \$16 million net increase in Ohio RSR revenues less associated amortizations.
- A \$7 million increase in Ohio rider revenues associated with the DIR. This increase was partially offset in other expense items below.
- **Margins from Off-system Sales** decreased \$84 million primarily due to the following:
 - A \$62 million decrease in Ohio due to current year losses from a power contract with OVEC, which was offset in Retail Margins above as a result of the OVEC PPA rider beginning in January 2017.
 - A \$41 million decrease in Ohio due to the 2016 reversal of prior year provisions for regulatory loss.
 This decrease was partially offset by:
 - An \$18 million increase in Ohio primarily due to the impact of prior year losses from a power contract with OVEC which was not included in the OVEC PPA rider.
- **Transmission Revenues** increased \$32 million primarily due to recovery of increased transmission investment in ERCOT.
- **Other Revenues** increased \$7 million primarily due the following:
 - A \$12 million increase in securitization revenue in Texas. This increase was offset below in Depreciation and Amortization and in Interest Expense.
 This increase was partially offset by:
 - A \$4 million decrease in Texas performance bonus revenues and true-ups related to energy efficiency programs.

Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses decreased \$196 million primarily due to the following:
 - A \$178 million decrease in remitted USF surcharge payments to the Ohio Department of Development to fund an energy assistance program for qualified Ohio customers. This decrease was offset by a corresponding decrease in Retail Margins above.
 - A \$29 million decrease primarily due to charitable donations in 2016, including the AEP Foundation.
 - A \$17 million decrease in employee-related expenses.
 These decreases were partially offset by:
 - A \$19 million increase in recoverable expenses primarily in PJM as well as increased ERCOT transmission expenses, partially offset by energy efficiency expenses that were fully recovered in rate recovery riders/trackers within Gross Margins above.
 - A \$14 million increase in PJM expenses related to the annual formula rate true-up that will be recovered in 2018.
 - A \$6 million increase in non-deferred storm expenses, primarily in the Texas region.
- **Depreciation and Amortization** expenses increased \$18 million primarily due to the following:
 - A \$21 million increase due to securitization amortizations related to Texas securitized transition funding. This increase was offset in Other Revenues above and in Interest Expense below.
 - A \$15 million increase in depreciation expense primarily due to an increase in depreciable base of transmission and distribution assets.
 - An \$8 million increase due to amortization of capitalized software costs.
 These increases were partially offset by:
 - An \$8 million decrease due to recoveries of transmission cost rider carrying costs in Ohio. This decrease was partially offset in Retail Margins above.
 - An \$8 million decrease in recoverable DIR depreciation expense in Ohio.
 - A \$7 million decrease in recoverable smart grid rider depreciation expenses in Ohio. This decrease was partially offset in Retail Margins above.

- **Taxes Other Than Income Taxes** increased \$19 million primarily due to the following:
 - A \$26 million increase in property taxes due to additional investments in transmission and distribution assets and higher tax rates. This increase was partially offset by:
 - A \$7 million decrease in state excise taxes due to a decrease in metered KWhs in Ohio. This decrease was offset in Retail Margins above.
- **Interest and Investment Income** decreased \$7 million primarily due to a prior year tax adjustment in Texas.
- **Carrying Costs Income** decreased \$16 million primarily due to the impact of a 2016 regulatory deferral of capacity related carrying costs in Ohio.
- **Interest Expense** decreased \$13 million primarily due to the following:
 - A \$10 million decrease primarily due to the maturity of a senior unsecured note in June 2016 in Ohio.
 - A \$9 million decrease in the Texas securitization transition assets due to the final maturity of the first Texas securitization bond. This decrease was offset above in Other Revenues and in Depreciation and Amortization.These decreases were partially offset by:
 - A \$7 million increase due to the issuance of long-term debt in September 2017 in Texas.
- **Income Tax Expense** decreased \$78 million primarily due to the following:
 - A \$138 million decrease due to the recording of federal income tax adjustments related to Tax Reform.This decrease was partially offset by:
 - A \$60 million increase in pretax book income and by the recording of federal and state income tax adjustments.

2017 Compared to 2016

Reconciliation of Year Ended December 31, 2016 to Year Ended December 31, 2017

Net Income
(in millions)

Year Ended December 31, 2016	\$ 282.2
Changes in Gross Margin:	
Retail Margins	(59.5)
Off-system Sales	(84.7)
Transmission Revenues	(3.5)
Other Revenues	(0.7)
Total Change in Gross Margin	(148.4)
Changes in Expenses and Other:	
Other Operation and Maintenance	202.1
Depreciation and Amortization	12.7
Taxes Other Than Income Taxes	(4.7)
Interest Income	1.1
Carrying Costs Income	(16.3)
Allowance for Equity Funds Used During Construction	0.4
Interest Expense	10.3
Total Change in Expenses and Other	205.6
Income Tax Expense	(15.5)
Year Ended December 31, 2017	\$ 323.9

The major components of the decrease in Gross Margin, defined as revenues less the related direct cost of purchased electricity and amortization of generation deferrals were as follows:

- **Retail Margins** decreased \$60 million primarily due to the following:
 - A \$178 million decrease in revenues associated with the Universal Service Fund (USF) surcharge rate decrease. This decrease was offset by a corresponding decrease in Other Operation and Maintenance expenses below.
 - An \$83 million decrease due to the impact of a 2016 regulatory deferral of capacity costs related to OPCo's December 2016 Global Settlement.
 - A \$23 million net decrease in recovery of equity carrying charges related to the PIRR, net of associated amortizations.
 - A \$21 million decrease in revenues associated with smart grid riders. This decrease was offset in various expenses below.
 - A \$9 million decrease in Energy Efficiency/Peak Demand Reduction rider revenues and associated deferrals. This decrease was offset by a corresponding decrease in Other Operation and Maintenance expenses below.
 - A \$7 million decrease in state excise taxes due to a decrease in metered KWh. This decrease was offset by a corresponding decrease in Taxes Other Than Income Taxes below.

These decreases were partially offset by:

- A \$150 million net increase due to regulatory provisions for refund primarily due to the impact of 2016 provisions for refund related to OPCo's December 2016 Global Settlement.
- A \$62 million increase due to the recovery of losses from a power contract with OVEC. The PUCO approved a PPA rider beginning in January 2017 to recover any net expense related to the deferral of OVEC losses starting in June 2016. This increase was offset by a corresponding decrease in Margins from Off-system Sales below.
- A \$31 million net increase in Basic Transmission Cost Rider revenues and recoverable PJM expenses. This increase was offset by a corresponding increase in Other Operation and Maintenance below.

- A \$16 million net increase in RSR revenues less associated amortizations.
- A \$7 million increase in rider revenues associated with the DIR. This increase was partially offset in various expenses below.
- **Margins from Off-system Sales** decreased \$85 million primarily due to the following:
 - A \$62 million decrease due to current year losses from a power contract with OVEC which was offset in Retail Margins above as a result of the OVEC PPA rider beginning in January 2017.
 - A \$41 million decrease due to the 2016 reversal of prior year provisions for regulatory loss.These decreases were partially offset by:
 - An \$18 million increase primarily due to the impact of prior year losses from a power contract with OVEC which was not included in the OVEC PPA rider.

Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses decreased \$202 million primarily due to the following:
 - A \$178 million decrease in remitted USF surcharge payments to the Ohio Department of Development to fund an energy assistance program for qualified Ohio customers. This decrease was offset by a corresponding decrease in Retail Margins above.
 - A \$22 million decrease primarily due to charitable donations in 2016, including the AEP Foundation.
 - A \$13 million decrease in recoverable smart grid expenses. This decrease was offset in Retail Margins above.
 - A \$10 million decrease in Energy Efficiency/Peak Demand Reduction rider costs and associated deferrals. This decrease was partially offset by a corresponding decrease in Retail Margins above.
 - An \$8 million decrease in employee-related expenses.
 - A \$7 million decrease in securitized customer accounts receivable expenses.These decreases were partially offset by:
 - A \$33 million increase in recoverable PJM expenses. This increase was partially offset by a corresponding increase in Retail Margins above.
 - A \$14 million increase due to formula rate true-ups related to transmission expenses that will be recovered in 2018.
- **Depreciation and Amortization** expenses decreased \$13 million primarily due to the following:
 - An \$8 million decrease in recoveries of transmission cost rider carrying costs. This decrease was partially offset in Retail Margins above.
 - An \$8 million decrease in recoverable DIR depreciation expense in Ohio.
 - A \$7 million decrease in recoverable smart grid depreciation expenses. This decrease was partially offset in Retail Margins above.These decreases were partially offset by:
 - A \$7 million increase in depreciation expense due to an increase in depreciable base of transmission and distribution assets.
 - A \$4 million increase due to amortization of capitalized software costs.
- **Taxes Other Than Income Taxes** increased \$5 million primarily due to the following:
 - A \$12 million increase in property taxes due to additional investments in transmission and distribution assets and higher tax rates.This increase was partially offset by:
 - A \$7 million decrease in state excise taxes due to a decrease in metered KWh. This decrease was offset by a corresponding decrease in Retail Margins above.
- **Carrying Costs Income** decreased \$16 million primarily due to the impact of a 2016 regulatory deferral of capacity related carrying costs as a result of OPCo's December 2016 Global Settlement.
- **Interest Expense** decreased \$10 million primarily due to the maturity of a senior unsecured note in June 2016.
- **Income Tax Expense** increased \$16 million primarily due to an increase in pretax book income, the recording of federal income tax adjustments and consolidated savings from Parent, partially offset by the recording of federal income tax adjustments related to Tax Reform.

OPCo Rate Matters (Applies to AEP and OPCo)

Ohio Electric Security Plan Filings

June 2015 - May 2018 ESP Including PPA Application and Proposed ESP Extension through 2024

In 2013, OPCo filed an application with the PUCO to approve an ESP that included proposed rate adjustments and the continuation and modification of certain existing riders, including the DIR, effective June 2015 through May 2018. The proposal also involved a PPA rider that would include OPCo's OVEC contractual entitlement (OVEC PPA) and would allow retail customers to receive a rate stabilizing charge or credit by hedging market-based prices with a cost-based PPA.

In 2015 and 2016, the PUCO issued orders in this proceeding. As part of the issued orders, the PUCO approved (a) the DIR with modified rate caps, (b) recovery of OVEC-related net margin incurred beginning June 2016, (c) potential additional contingent customer credits of up to \$15 million to be included in the PPA rider over the final four years of the PPA rider and (d) the limitation that OPCo will not flow through any capacity performance penalties or bonuses through the PPA rider. Additionally, subject to cost recovery and PUCO approval, OPCo agreed to develop and implement, by 2021, a solar energy project(s) of at least 400 MWs and a wind energy project(s) of at least 500 MWs, with 100% of all output to be received by OPCo. AEP affiliates could own up to 50% of these solar and wind projects. In December 2016, in accordance with the stipulation agreement, OPCo filed a carbon reduction plan that focused on fuel diversification and carbon emission reductions. In April 2017, the PUCO rejected all pending rehearing requests and the orders are all now final. In June 2017, intervenors filed appeals to the Supreme Court of Ohio stating that the PUCO's approval of the OVEC PPA was unlawful and does not provide customers with rate stability.

In November 2016, OPCo refiled its amended ESP extension application and supporting testimony, consistent with the terms of the modified and approved stipulation agreement and based upon a 2016 PUCO order. The amended filing proposed to extend the ESP through May 2024 and included (a) an extension of the OVEC PPA rider, (b) a proposed 10.41% return on common equity on capital costs for certain riders, (c) the continuation of riders previously approved in the June 2015 - May 2018 ESP, (d) proposed increases in rate caps related to OPCo's DIR and (e) the addition of various new riders, including a Renewable Resource Rider.

In August 2017, OPCo and various intervenors filed a stipulation agreement with the PUCO. The stipulation extends the term of the ESP through May 2024 and includes: (a) an extension of the OVEC PPA rider, (b) a proposed 10% return on common equity on capital costs for certain riders, (c) the continuation of riders previously approved in the June 2015 - May 2018 ESP, (d) rate caps related to OPCo's DIR ranging from \$215 million to \$290 million for the periods 2018 through 2021 and (e) the addition of various new riders, including a Smart City Rider and a Renewable Generation Rider. DIR rate caps will be reset in OPCo's next distribution base rate case which must be filed by June 2020.

In October 2017, intervenor testimony opposing the stipulation agreement was filed recommending: (a) a return on common equity to not exceed 9.3% for riders earning a return on capital investments, (b) that OPCo should file a base distribution case concurrent with the conclusion of the current ESP in May 2018 and (c) denial of certain new riders proposed in OPCo's ESP extension. The stipulation is subject to review by the PUCO. A hearing at the PUCO was held in November 2017. An order from the PUCO is expected in the first quarter of 2018.

If OPCo is ultimately not permitted to fully collect all components of its ESP rates, it could reduce future net income and cash flows and impact financial condition.

2016 SEET Filing

Ohio law provides for the return of significantly excessive earnings to ratepayers upon PUCO review. Significantly excessive earnings are measured by whether the earned return on common equity of the electric utility is significantly in excess of the return on common equity that was earned during the same period by publicly traded companies, including utilities, that face comparable business and financial risk.

EXHIBIT 4

As Introduced

133rd General Assembly

Regular Session

2019-2020

H. B. No. 6

Representatives Callender, Wilkin

A BILL

To amend sections 3706.02, 3706.03, 4928.644, and 1
4928.66 and to enact sections 3706.40, 3706.42, 2
3706.44, 3706.45, 3706.46, 3706.47, 3706.471, 3
3706.48, 3706.481, 3706.482, 3706.49, 3706.50, 4
4928.46, 4928.47, and 4928.471 of the Revised 5
Code to create the Ohio Clean Air Program, to 6
facilitate and encourage electricity production 7
and use from clean air resources, to facilitate 8
investment to reduce the emissions from other 9
generating technologies that can be readily 10
dispatched to satisfy demand in real time, and 11
proactively engage the buying power of consumers 12
in this state for the purpose of improving air 13
quality in this state. 14

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 3706.02, 3706.03, 4928.644, and 15
4928.66 be amended and sections 3706.40, 3706.42, 3706.44, 16
3706.45, 3706.46, 3706.47, 3706.471, 3706.48, 3706.481, 17
3706.482, 3706.49, 3706.50, 4928.46, 4928.47, and 4928.471 of 18
the Revised Code be enacted to read as follows: 19

**H. B. No. 6
As Introduced**

Sec. 3706.02. (A) There is hereby created the Ohio air 20
quality development authority. Such authority is a body both 21
corporate and politic in this state, and the carrying out of its 22
purposes and the exercise by it of the powers conferred by 23
Chapter 3706. of the Revised Code shall be held to be, and are 24
hereby determined to be, essential governmental functions and 25
public purposes of the state, but the authority shall not be 26
immune from liability by reason thereof. 27

(B) The authority shall consist of ~~seven~~ eleven members as 28
follows: ~~five~~ 29

(1) Five members appointed by the governor, with the 30
advice and consent of the senate, no more than three of whom 31
shall be members of the same political party, ~~and the~~ 32

(2) The director of environmental protection and the, who 33
shall be a member ex officio without compensation; 34

(3) The director of health, who shall be ~~members~~ a member 35
ex officio without compensation; 36

(4) Four legislative members, who shall be members ex 37
officio without compensation. The speaker of the house of 38
representatives, the president of the senate, and the minority 39
leader of each house shall each appoint one of the legislative 40
members. The legislative members may participate fully in all 41
the board's deliberations and activities. ~~Each~~ 42

Each appointive member shall be a resident of the state, 43
and a qualified elector therein. The members of the authority 44
first appointed shall continue in office for terms expiring on 45
June 30, 1971, June 30, 1973, June 30, 1975, June 30, 1977, and 46
June 30, 1978, respectively, the term of each member to be 47
designated by the governor. Appointed members' terms of office 48

**H. B. No. 6
As Introduced****Page 3**

shall be for eight years, commencing on the first day of July 49
and ending on the thirtieth day of June. Each appointed member 50
shall hold office from the date of ~~his~~ appointment until the end 51
of the term for which ~~he was~~ appointed. Any member appointed to 52
fill a vacancy occurring prior to the expiration of the term for 53
which ~~his~~ the member's predecessor was appointed shall hold 54
office for the remainder of such term. Any appointed member 55
shall continue in office subsequent to the expiration date of 56
~~his~~ the member's term until ~~his~~ the member's successor takes 57
office, or until a period of sixty days has elapsed, whichever 58
occurs first. A member of the authority is eligible for 59
reappointment. Each appointed member of the authority, before 60
entering upon ~~his~~ official duties, shall take an oath as 61
provided by Section 7 of Article XV, Ohio Constitution. The 62
governor may at any time remove any member of the authority for 63
misfeasance, nonfeasance, or malfeasance in office. The 64
authority shall elect one of its appointed members as ~~chairman~~ 65
chairperson and another as ~~vice-chairman~~ vice-chairperson, and 66
shall appoint a secretary-treasurer who need not be a member of 67
the authority. Four members of the authority shall constitute a 68
quorum, and the affirmative vote of four members shall be 69
necessary for any action taken by vote of the authority. No 70
vacancy in the membership of the authority shall impair the 71
rights of a quorum by such vote to exercise all the rights and 72
perform all the duties of the authority. 73

~~Before~~ (C) Except as provided in division (D) of this 74
section, before the issuance of any air quality revenue bonds 75
under Chapter 3706. of the Revised Code, each appointed member 76
of the authority shall give a surety bond to the state in the 77
penal sum of twenty-five thousand dollars and the secretary- 78
treasurer shall give such a bond in the penal sum of fifty 79

**H. B. No. 6
As Introduced****Page 4**

thousand dollars, each such surety bond to be conditioned upon 80
the faithful performance of the duties of the office, to be 81
executed by a surety company authorized to transact business in 82
this state, and to be approved by the governor and filed in the 83
office of the secretary of state. ~~Each~~ Except as provided in 84
division (B) (4) of this section, each appointed member of the 85
authority shall receive an annual salary of five thousand 86
dollars, payable in monthly installments. Each member shall be 87
reimbursed for ~~his~~ the actual expenses necessarily incurred in 88
the performance of ~~his~~ official duties. All expenses incurred in 89
carrying out Chapter 3706. of the Revised Code shall be payable 90
solely from funds provided under Chapter 3706. of the Revised 91
Code, appropriated for such purpose by the general assembly, or 92
provided by the controlling board. No liability or obligation 93
shall be incurred by the authority beyond the extent to which 94
moneys have been so provided or appropriated. 95

(D) The four legislative members appointed under division 96
(B) (4) of this section shall be exempt from the requirement 97
under division (C) of this section to give a surety bond. 98

Sec. 3706.03. (A) It is hereby declared to be the public 99
policy of the state through the operations of the Ohio air 100
quality development authority under this chapter to contribute 101
toward one or more of the following: ~~to~~ 102

(1) To provide for the conservation of air as a natural 103
resource of the state, ~~and to~~ ; 104

(2) To prevent or abate the pollution thereof, ~~to~~ ; 105

(3) To provide for the comfort, health, safety, and 106
general welfare of all employees, as well as all other 107
inhabitants of the state, ~~to~~ ; 108

**H. B. No. 6
As Introduced**

(4) To assist in the financing of air quality facilities 109
for industry, commerce, distribution, and research, including 110
public utility companies, ~~to~~; 111

(5) To create or preserve jobs and employment 112
opportunities or improve the economic welfare of the people, or 113
assist and cooperate with governmental agencies in achieving 114
such purposes; 115

(6) To maintain operations of certified clean air 116
resources, as defined in section 3706.40 of the Revised Code, 117
that, through continued operation, are expected to provide the 118
greatest quantity of carbon-dioxide-free electric energy 119
generation, and to encourage the operation and development of 120
other clean air resources that provide carbon-dioxide-free 121
electric energy generation; 122

(7) To encourage reduced emissions resources, as defined 123
in section 3706.40 of the Revised Code, to reduce the resources' 124
emissions. 125

(B) In furtherance of such public policy the Ohio air 126
quality development authority may ~~initiate~~ do any of the 127
following: 128

(1) Initiate, acquire, construct, maintain, repair, and 129
operate air quality projects or cause the same to be operated 130
pursuant to a lease, sublease, or agreement with any person or 131
governmental agency; ~~may make~~ 132

(2) Make loans and grants to governmental agencies for the 133
acquisition or construction of air quality facilities by such 134
governmental agencies; ~~may make~~ 135

(3) Make loans to persons for the acquisition or 136
construction of air quality facilities by such persons; ~~may~~ 137

H. B. No. 6
As Introduced

Page 6

enter	138
<u>(4) Enter</u> into commodity contracts with, or make loans for	139
the purpose of entering into commodity contracts to, any person,	140
governmental agency, or entity located within or without the	141
state in connection with the acquisition or construction of air	142
quality facilities; and may issue	143
<u>(5) Issue</u> air quality revenue bonds of this state payable	144
solely from revenues, to pay the cost of such projects,	145
including any related commodity contracts.	146
<u>(C) Any</u> air quality project shall be determined by the	147
authority to be not inconsistent with any applicable air quality	148
standards duly established and then required to be met pursuant	149
to the "Clean Air Act," 84 Stat. 1679 (1970), 42 U.S.C.A. 1857,	150
as amended. Any resolution of the authority providing for	151
acquiring or constructing such projects or for making a loan or	152
grant for such projects shall include a finding by the authority	153
that such determination has been made. Determinations by	154
resolution of the authority that a project is an air quality	155
facility under this chapter and is consistent with the purposes	156
of section 13 of Article VIII, Ohio Constitution, and this	157
chapter, shall be conclusive as to the validity and	158
enforceability of the air quality revenue bonds issued to	159
finance such project and of the resolutions, trust agreements or	160
indentures, leases, subleases, sale agreements, loan agreements,	161
and other agreements made in connection therewith, all in	162
accordance with their terms.	163
<u>Sec. 3706.40.</u> As used in sections 3706.40 to 3706.50 of	164
<u>the Revised Code:</u>	165
<u>(A) "Clean air resource" means an electric generating</u>	166

**H. B. No. 6
As Introduced****Page 7**

facility that emits zero carbon dioxide and that produces 167
electricity from the utilization or consumption of any form of 168
primary energy that satisfies all of the following criteria: 169

(1) The facility does not receive state tax exemptions, 170
deferrals, exclusions, allowances, payments, credits, 171
deductions, or reimbursements calculated using a metric that 172
provides a value for air emissions not produced by the facility 173
through any program other than the Ohio clean air program 174
created under section 3706.42 of the Revised Code. 175

(2) The facility is not wholly owned by a municipal or 176
cooperative corporation or a group, association, or consortium 177
of those corporations. 178

(3) The facility is not used to supply customers of a 179
wholly owned municipal or cooperative corporation or a group, 180
association, or consortium of those corporations. 181

(4) Either of the following: 182

(a) The facility has made a significant historical 183
contribution to the air quality of the state by minimizing 184
emissions that result from electricity generated in this state. 185

(b) The facility will make a significant contribution 186
toward minimizing emissions that result from electric generation 187
in this state. 188

(5) The facility is interconnected with PJM 189
interconnection, L.L.C., or its successor organization. 190

(6) The facility is either of the following: 191

(a) A major utility facility as defined in section 4906.01 192
of the Revised Code; 193

**H. B. No. 6
As Introduced****Page 8**

- (b) An economically significant wind farm as defined in section 4906.13 of the Revised Code. 194
195
- (B) "Reduced emissions resource" means an electric generating facility that emits a reduced amount of carbon dioxide in the production of electricity from the utilization or consumption of any form of primary energy that satisfies all of the following criteria: 196
197
198
199
200
- (1) The facility does not receive state tax exemptions, deferrals, exclusions, allowances, payments, credits, deductions, or reimbursements calculated using a metric that provides a value for air emissions not produced by the facility through any program other than the Ohio clean air program created under section 3706.42 of the Revised Code. 201
202
203
204
205
206
- (2) The facility is not wholly owned by a municipal or cooperative corporation or a group, association, or consortium of those corporations. 207
208
209
- (3) The facility is not used to supply customers of a wholly owned municipal or cooperative corporation or a group, association, or consortium of those corporations. 210
211
212
- (4) Either of the following: 213
- (a) The facility has made a significant historical contribution to the air quality of the state by minimizing emissions that result from electricity generated in this state. 214
215
216
- (b) The facility will make a significant contribution toward minimizing emissions that result from electric generation in this state. 217
218
219
- (5) The facility is interconnected with PJM interconnection, L.L.C., or its successor organization. 220
221

**H. B. No. 6
As Introduced****Page 9**

(6) The facility is a major utility facility as defined in 222
section 4906.01 of the Revised Code. 223

(C) "Program year" means the twelve-month period beginning 224
the first day of June of a given year of the Ohio clean air 225
program and ending the thirty-first day of May of the following 226
year. 227

(D) "Electric distribution utility" and "renewable energy 228
resource" have the same meanings as in section 4928.01 of the 229
Revised Code. 230

(E) "Annual capacity factor" means the actual energy 231
produced in a year divided by the energy that would have been 232
produced if the facility was operating continuously at the 233
maximum rating. 234

(F) "Clean air credit" means a credit that represents the 235
clean air attributes of one megawatt hour of electric energy 236
produced from a certified clean air resource. 237

Sec. 3706.42. (A) There is hereby created the Ohio clean 238
air program. 239

(B) Any person owning or controlling an electric 240
generating facility that meets the definition of a clean air 241
resource or reduced emissions resource in section 3706.40 of the 242
Revised Code may submit a written application with the Ohio air 243
quality development authority for certification as a clean air 244
resource or reduced emissions resource to be eligible to 245
participate in the Ohio clean air program. Applications shall be 246
submitted by the first day of February for any program year 247
beginning the first day of June of the same calendar year. 248

(C) Applications shall include all of the following 249
information: 250

**H. B. No. 6
As Introduced****Page 10**

- (1) The in-service date and estimated remaining useful life of the resource; 251
252
- (2) For existing resources, the quantity of megawatt hours generated by the resource annually and the annual capacity factor for each of the previous five calendar years; 253
254
255
- (3) A forecast estimate of the annual quantity of megawatt hours to be generated by the resource and the projected annual capacity factor over the remaining useful life of the resource; 256
257
258
- (4) A forecast estimate of the emissions that would occur in this state during the remaining useful life of the resource if the resource discontinued operations prior to the end of the resource's useful life; 259
260
261
262
- (5) Verified documentation demonstrating all of the following: 263
264
- (a) That certification as a clean air resource or reduced emissions resource and participation in the Ohio clean air program will permit the resource to reduce future emissions per unit of electrical energy generated in this state; 265
266
267
268
- (b) That without certification as a clean air resource or reduced emissions resource, the positive contributions to the air quality of this state that the resource has made and is capable of making in the future may be diminished or eliminated; 269
270
271
272
- (c) That the clean air resource or reduced emissions resource meets the definition of a clean air resource or reduced emissions resource, as applicable, in section 3706.40 of the Revised Code; 273
274
275
276
- (d) That the person seeking certification owns or controls the resource. 277
278

**H. B. No. 6
As Introduced****Page 11**

<u>(6) The resource's nameplate capacity;</u>	279
<u>(7) The level of funding requested from the Ohio clean air program;</u>	280 281
<u>(8) Any other data or information that the authority requests and determines is necessary to evaluate an application for certification as a clean air resource or reduced emissions resource or to demonstrate that certification would be in the public interest.</u>	282 283 284 285 286
<u>(D) The authority shall post on the authority's web site all applications and nonconfidential supporting materials submitted under this section.</u>	287 288 289
<u>(E) Interested persons may file comments not later than twenty days after the date that an application is posted on the authority's web site. All comments shall be posted on the authority's web site. An applicant may respond to those comments not later than ten days thereafter.</u>	290 291 292 293 294
Sec. 3706.44. <u>(A) On or before the thirty-first day of March, the Ohio air quality development authority shall review all applications timely submitted under section 3706.42 of the Revised Code and issue an order certifying a clean air resource or reduced emissions resource for one or more program years as determined by the authority in its sole discretion. A certified clean air resource or certified reduced emissions resource shall be eligible to participate in the Ohio clean air program, provided that the resource continues to meet the definition of a clean air resource or reduced emissions resource, as applicable, in section 3706.40 of the Revised Code and any additional requirements set by the authority.</u>	295 296 297 298 299 300 301 302 303 304 305 306
<u>(B) In the event the authority does not issue an order</u>	307

under division (A) of this section by the thirty-first day of 308
March, each electric generating facility included in a timely 309
and properly filed application shall be deemed a clean air 310
resource or reduced emissions resource, as applicable, that is 311
eligible for participation in the Ohio clean air program. 312

(C) (1) The authority, in its sole discretion, may 313
decertify a clean air resource or reduced emissions resource at 314
any time if it determines that certification is not in the 315
public interest. 316

(2) Before decertifying a clean air resource or reduced 317
emissions resource, the authority shall hold a public hearing 318
and allow for public comment. 319

Sec. 3706.45. (A) During the last year in which 320
certification as a clean air resource or reduced emissions 321
resource is effective under section 3706.44 of the Revised Code, 322
the Ohio air quality development authority shall reevaluate the 323
eligibility of the clean air resource or reduced emissions 324
resource for participation in the Ohio clean air program. At the 325
time of reevaluation, if the clean air resource or reduced 326
emissions resource still meets the definition of a clean air 327
resource or reduced emissions resource, as applicable, in 328
section 3706.40 of the Revised Code and any additional 329
requirements that were imposed by the authority when the 330
resource was last certified, the authority shall recertify the 331
resource for one or more program years. 332

(B) (1) If the authority recertifies the clean air resource 333
or reduced emissions resource under division (A) of this 334
section, the authority may impose requirements on the clean air 335
resource or reduced emissions resource that are in addition to 336
any requirements that were imposed when the resource was last 337

certified. If additional requirements are imposed at the time of 338
recertification, the resource shall comply with both the old 339
requirements and the new requirements. 340

(2) The authority shall adopt rules in accordance with 341
Chapter 119. of the Revised Code to determine the amount of time 342
during which a clean air resource or reduced emissions resource 343
must come into compliance with the new requirements. 344

Sec. 3706.46. (A) For the purpose of funding benefits 345
provided by the Ohio clean air program, there is hereby created 346
the Ohio clean air program fund. The fund shall be in the 347
custody of the state treasurer but shall not be part of the 348
state treasury. The fund shall consist of the charges under 349
section 3706.47 of the Revised Code. All interest generated by 350
the fund shall be retained in the fund and used for the purpose 351
of funding the Ohio clean air program. 352

(B) The treasurer shall distribute the moneys in the Ohio 353
clean air program fund in accordance with the directions 354
provided by the Ohio air quality development authority. 355

Sec. 3706.47. (A) Each retail electric customer of an 356
electric distribution utility in this state shall pay a per- 357
account monthly charge, which shall be billed and collected by 358
each electric distribution utility and remitted to the state 359
treasurer for deposit into the Ohio clean air program fund, 360
created under section 3706.46 of the Revised Code. 361

(B) The monthly charges established under division (A) of 362
this section shall be: 363

(1) For customers classified by the utility as 364
residential, two dollars and fifty cents; 365

(2) For customers classified by the utility as commercial, 366

**H. B. No. 6
As Introduced****Page 14**

twenty dollars, except as provided in division (B) (4) of this section; 367
368

(3) For customers classified by the utility as industrial, two hundred fifty dollars, except as provided in division (B) (4) of this section; 369
370
371

(4) For customers classified by the utility as commercial or industrial that exceeded forty-five million kilowatt hours of electricity at a single location in the preceding year, two thousand five hundred dollars. 372
373
374
375

(C) Except as provided in division (D) of this section, a customer required to pay the monthly charge under divisions (A) and (B) of this section shall be exempt from paying costs associated with the requirements under sections 4928.64 and 4928.66 of the Revised Code, unless the customer opts, in accordance with section 3706.471 of the Revised Code, to pay those costs in addition to the charge imposed under this section. 376
377
378
379
380
381
382
383

(D) A customer required to pay the monthly charge under divisions (A) and (B) of this section shall continue to pay the following costs associated with the requirements under sections 4928.64 and 4928.66 of the Revised Code: 384
385
386
387

(1) Costs prudently incurred for contractual obligations that existed prior to the effective date of this section by an electric distribution utility in reliance on the requirements under sections 4928.64 and 4928.66 of the Revised Code; 388
389
390
391

(2) Costs prudently incurred by an electric distribution utility associated with programs approved by the public utilities commission under section 4928.64 or 4928.66 of the Revised Code that are modified or eliminated as a result of 392
393
394
395

...B... of the 133rd general assembly, including any costs to 396
discontinue those programs. 397

Sec. 3706.471. Any customer opting to pay costs associated 398
with the requirements under sections 4928.64 and 4928.66 of the 399
Revised Code shall do so by providing a written notice of intent 400
to opt in to pay either or both the renewable energy monthly 401
charge or the energy efficiency and peak demand reduction 402
monthly charge to the electric distribution utility from which 403
it receives service. The customer shall submit a complete copy 404
of the opt-in notice to the secretary of the public utilities 405
commission. The notice shall include all of the following: 406

(A) A statement indicating that the customer has elected 407
to opt in; 408

(B) An indication of whether the customer is opting to pay 409
both charges or which charge the customer is opting to pay; 410

(C) The effective date of the election to opt in; 411

(D) The account number for each customer account to which 412
the opt in shall apply; 413

(E) The physical location of the customer's load center. 414

Sec. 3706.48. Each owner of a certified clean air resource 415
or certified reduced emissions resource shall report to the Ohio 416
air quality development authority, not later than seven days 417
after the close of each month during a program year, the number 418
of megawatt hours the resource produced in the previous month. 419

Sec. 3706.481. A certified clean air resource shall earn a 420
clean air credit for each megawatt hour of electricity it 421
produces. 422

Sec. 3706.482. (A) Not later than fourteen days after the 423

close of each month during a program year, the Ohio air quality 424
development authority shall direct the treasurer of state to 425
remit money from the Ohio clean air program fund, as long as 426
there is sufficient money in the fund, to each owner of a 427
certified clean air resource in the amount equivalent to the 428
number of credits earned by the resource during the previous 429
month multiplied by the credit price. 430

(B) (1) The price for each clean air credit in the first 431
program year shall be nine dollars and twenty-five cents. 432

(2) In subsequent program years, the price may be adjusted 433
for inflation using the gross domestic product implicit price 434
deflator as published by the United States department of 435
commerce, bureau of economic analysis. 436

Sec. 3706.49. (A) To facilitate air quality development 437
related capital formation and investment by or in a certified 438
reduced emissions resource, the Ohio air quality development 439
authority may pledge a portion of moneys that may, in the 440
future, be accumulated in the Ohio clean air program fund for 441
the benefit of any certified reduced emissions resource, 442
provided the resource agrees to be bound by the conditions the 443
authority, in its sole discretion, may attach to the pledge. 444

(B) The authority shall not be required to direct 445
distribution of moneys in the Ohio clean air program fund unless 446
or until there are adequate moneys available in the Ohio clean 447
air program fund. Nothing herein shall cause any such pledge to 448
be construed or applied to create, directly or indirectly, a 449
general obligation of or for this state. 450

Sec. 3706.50. (A) Not later than ninety days after the 451
effective date of this section, the Ohio air quality development 452

authority shall adopt rules under Chapter 119. of the Revised 453
Code that are necessary to begin implementation of the Ohio 454
clean air program. The rules adopted under this division shall 455
include provisions for tracking the number of clean air credits 456
earned by each certified clean air resource during each month of 457
a program year, based on the information reported under section 458
3706.48 of the Revised Code. 459

(B) Not later than two hundred seventy-five days after the 460
effective date of this section, the authority shall adopt rules 461
under Chapter 119. of the Revised Code that are necessary for 462
the further implementation and administration of the Ohio clean 463
air program. 464

Sec. 4928.46. (A) In the event that the federal energy 465
regulatory commission authorizes a program by which this state 466
may take action to satisfy any portion of the capacity resource 467
obligation associated with the organized wholesale market that 468
functions to meet the capacity, energy services, and ancillary 469
services needs of consumers in this state, the public utilities 470
commission shall promptly review the program and submit a report 471
of its findings to the general assembly. 472

(B) The report shall include any recommendations for 473
legislation that may be necessary to permit this state to 474
beneficially participate in any such program. 475

Sec. 4928.47. (A) As used in this section, "clean air 476
resource" means any of the following: 477

(1) A clean air resource as defined in section 3706.40 of 478
the Revised Code; 479

(2) A customer-sited renewable energy resource; 480

(3) A renewable energy resource that is a self-generator. 481

(B) (1) Through its general supervision, ratemaking, cost assignment, allocation, rate schedule approval, and rulemaking authority, as well as its authority under section 4905.31 of the Revised Code, the public utilities commission shall facilitate and encourage the establishment of retail purchased power agreements having a term of three years or more through which consumers commit to satisfy a portion of their electricity requirements from the output of a clean air resource. 482
483
484
485
486
487
488
489

(2) The commission's application and administration of this section shall be the same for all clean air resources regardless of whether the resource is certified or eligible for certification under the Ohio clean air program created under section 3706.42 of the Revised Code. 490
491
492
493
494

(3) In addition to any other benefits that may be available as a result of the commission's application of its authority under this section, on the effective date of a retail purchased power agreement, the commission may exempt such purchasing consumer from all of the following, provided the customer agrees to forgo the benefits from compliance with the programs established in sections 3706.42, 4928.64, and 4928.66 of the Revised Code: 495
496
497
498
499
500
501
502

(a) The Ohio clean air program charge established in section 3706.47 of the Revised Code; 503
504

(b) The renewable energy charge for compliance with section 4928.64 of the Revised Code; 505
506

(c) The energy efficiency and peak demand reduction charge for compliance with section 4928.66 of the Revised Code. 507
508

(C) (1) Not later than ninety days after the effective date of this section, the commission shall promulgate rules under 509
510

Chapter 119. of the Revised Code as necessary to begin the 511
implementation of this section. 512

(2) Not later than two hundred seventy-five days after the 513
effective date of this section, the commission shall promulgate 514
rules for further implementation and administration of this 515
section. 516

Sec. 4928.471. (A) Not earlier than thirty days after the 517
effective date of this section, an electric distribution utility 518
may file an application to implement a decoupling mechanism for 519
the 2019 calendar year and each calendar year thereafter. For an 520
electric distribution utility that applies for a decoupling 521
mechanism under this section, the base distribution rates for 522
residential and commercial customers shall be decoupled to the 523
base distribution revenue and revenue resulting from 524
implementation of section 4928.66 of the Revised Code and 525
recovered pursuant to an approved electric security plan under 526
section 4928.143 of the Revised Code, as of the twelve-month 527
period ending on December 31, 2018. An application under this 528
division shall not be considered an application under section 529
4909.18 of the Revised Code. 530

(B) The commission shall issue an order approving an 531
application for a decoupling mechanism filed under division (A) 532
of this section not later than sixty days after the application 533
is filed. Before approving the application, the commission shall 534
verify that the rate schedule or schedules are designed to 535
recover the electric distribution utility's 2018 annual revenues 536
as described in division (A) of this section and that the 537
decoupling rate design is aligned with the rate design of the 538
electric distribution utility's existing base distribution 539
rates. The decoupling mechanism shall recover an amount equal to 540

the base distribution revenue and revenue resulting from 541
implementation of section 4928.66 of the Revised Code and 542
recovered pursuant to an approved electric security plan under 543
section 4928.143 of the Revised Code, as of the twelve-month 544
period ending on December 31, 2018. The decoupling mechanism 545
shall be adjusted annually thereafter to reconcile any over 546
recovery or under recovery from the prior year and to enable an 547
electric distribution utility to recover the same level of 548
revenues described in division (A) of this section in each year. 549

(C) The commission's approval of a decoupling mechanism 550
under this section shall not affect any other rates, riders, 551
charges, schedules, classifications, or services previously 552
approved by the commission. The decoupling mechanism shall 553
remain in effect until the next time that the electric 554
distribution utility applies for and the commission approves 555
base distribution rates for the utility under section 4909.18 of 556
the Revised Code. 557

Sec. 4928.644. (A) The public utilities commission may 558
reduce either baseline described in section 4928.643 of the 559
Revised Code to adjust for new economic growth in the electric 560
distribution utility's certified territory or in the electric 561
services company's service area in this state. 562

(B) For an electric distribution utility, neither baseline 563
shall include the load and usage of a customer who is subject to 564
the monthly charge established under section 3706.47 of the 565
Revised Code unless or until the customer opts to pay the charge 566
associated with compliance with section 4928.64 of the Revised 567
Code. 568

Sec. 4928.66. (A) (1) (a) Beginning in 2009, an electric 569
distribution utility shall implement energy efficiency programs 570

**H. B. No. 6
As Introduced****Page 21**

that achieve energy savings equivalent to at least three-tenths 571
of one per cent of the total, annual average, and normalized 572
kilowatt-hour sales of the electric distribution utility during 573
the preceding three calendar years to customers in this state. 574
An energy efficiency program may include a combined heat and 575
power system placed into service or retrofitted on or after the 576
effective date of the amendment of this section by S.B. 315 of 577
the 129th general assembly, September 10, 2012, or a waste 578
energy recovery system placed into service or retrofitted on or 579
after September 10, 2012, except that a waste energy recovery 580
system described in division (A) (38) (b) of section 4928.01 of 581
the Revised Code may be included only if it was placed into 582
service between January 1, 2002, and December 31, 2004. For a 583
waste energy recovery or combined heat and power system, the 584
savings shall be as estimated by the public utilities 585
commission. The savings requirement, using such a three-year 586
average, shall increase to an additional five-tenths of one per 587
cent in 2010, seven-tenths of one per cent in 2011, eight-tenths 588
of one per cent in 2012, nine-tenths of one per cent in 2013, 589
and one per cent in 2014. In 2015 and 2016, an electric 590
distribution utility shall achieve energy savings equal to the 591
result of subtracting the cumulative energy savings achieved 592
since 2009 from the product of multiplying the baseline for 593
energy savings, described in division (A) (2) (a) of this section, 594
by four and two-tenths of one per cent. If the result is zero or 595
less for the year for which the calculation is being made, the 596
utility shall not be required to achieve additional energy 597
savings for that year, but may achieve additional energy savings 598
for that year. Thereafter, the annual savings requirements shall 599
be, for years 2017, 2018, 2019, and 2020, one per cent of the 600
baseline, and two per cent each year thereafter, achieving 601
cumulative energy savings in excess of twenty-two per cent by 602

the end of 2027. For purposes of a waste energy recovery or 603
combined heat and power system, an electric distribution utility 604
shall not apply more than the total annual percentage of the 605
electric distribution utility's industrial-customer load, 606
relative to the electric distribution utility's total load, to 607
the annual energy savings requirement. 608

(b) Beginning in 2009, an electric distribution utility 609
shall implement peak demand reduction programs designed to 610
achieve a one per cent reduction in peak demand in 2009 and an 611
additional seventy-five hundredths of one per cent reduction 612
each year through 2014. In 2015 and 2016, an electric 613
distribution utility shall achieve a reduction in peak demand 614
equal to the result of subtracting the cumulative peak demand 615
reductions achieved since 2009 from the product of multiplying 616
the baseline for peak demand reduction, described in division 617
(A) (2) (a) of this section, by four and seventy-five hundredths 618
of one per cent. If the result is zero or less for the year for 619
which the calculation is being made, the utility shall not be 620
required to achieve an additional reduction in peak demand for 621
that year, but may achieve an additional reduction in peak 622
demand for that year. In 2017 and each year thereafter through 623
2020, the utility shall achieve an additional seventy-five 624
hundredths of one per cent reduction in peak demand. 625

(2) For the purposes of divisions (A) (1) (a) and (b) of 626
this section: 627

(a) The baseline for energy savings under division (A) (1) 628
(a) of this section shall be the average of the total kilowatt 629
hours the electric distribution utility sold in the preceding 630
three calendar years. The baseline for a peak demand reduction 631
under division (A) (1) (b) of this section shall be the average 632

peak demand on the utility in the preceding three calendar 633
years, except that the commission may reduce either baseline to 634
adjust for new economic growth in the utility's certified 635
territory. Neither baseline shall include the load and usage of 636
any of the following customers: 637

(i) Beginning January 1, 2017, a customer for which a 638
reasonable arrangement has been approved under section 4905.31 639
of the Revised Code; 640

(ii) A customer that has opted out of the utility's 641
portfolio plan under section 4928.6611 of the Revised Code; 642

(iii) A customer that has opted out of the utility's 643
portfolio plan under Section 8 of S.B. 310 of the 130th general 644
assembly; 645

(iv) A customer who is subject to the monthly charge 646
established by section 3706.47 of the Revised Code until or 647
unless the customer opts to pay the costs associated with 648
compliance with this section. 649

(b) The commission may amend the benchmarks set forth in 650
division (A)(1)(a) or (b) of this section if, after application 651
by the electric distribution utility, the commission determines 652
that the amendment is necessary because the utility cannot 653
reasonably achieve the benchmarks due to regulatory, economic, 654
or technological reasons beyond its reasonable control. 655

(c) Compliance with divisions (A)(1)(a) and (b) of this 656
section shall be measured by including the effects of all 657
demand-response programs for mercantile customers of the subject 658
electric distribution utility, all waste energy recovery systems 659
and all combined heat and power systems, and all such mercantile 660
customer-sited energy efficiency, including waste energy 661

recovery and combined heat and power, and peak demand reduction 662
programs, adjusted upward by the appropriate loss factors. Any 663
mechanism designed to recover the cost of energy efficiency, 664
including waste energy recovery and combined heat and power, and 665
peak demand reduction programs under divisions (A) (1) (a) and (b) 666
of this section may exempt mercantile customers that commit 667
their demand-response or other customer-sited capabilities, 668
whether existing or new, for integration into the electric 669
distribution utility's demand-response, energy efficiency, 670
including waste energy recovery and combined heat and power, or 671
peak demand reduction programs, if the commission determines 672
that that exemption reasonably encourages such customers to 673
commit those capabilities to those programs. If a mercantile 674
customer makes such existing or new demand-response, energy 675
efficiency, including waste energy recovery and combined heat 676
and power, or peak demand reduction capability available to an 677
electric distribution utility pursuant to division (A) (2) (c) of 678
this section, the electric utility's baseline under division (A) 679
(2) (a) of this section shall be adjusted to exclude the effects 680
of all such demand-response, energy efficiency, including waste 681
energy recovery and combined heat and power, or peak demand 682
reduction programs that may have existed during the period used 683
to establish the baseline. The baseline also shall be normalized 684
for changes in numbers of customers, sales, weather, peak 685
demand, and other appropriate factors so that the compliance 686
measurement is not unduly influenced by factors outside the 687
control of the electric distribution utility. 688

(d) (i) Programs implemented by a utility may include the 689
following: 690

(I) Demand-response programs; 691

**H. B. No. 6
As Introduced****Page 25**

(II) Smart grid investment programs, provided that such programs are demonstrated to be cost-beneficial; 692
693

(III) Customer-sited programs, including waste energy recovery and combined heat and power systems; 694
695

(IV) Transmission and distribution infrastructure improvements that reduce line losses; 696
697

(V) Energy efficiency savings and peak demand reduction that are achieved, in whole or in part, as a result of funding provided from the universal service fund established by section 4928.51 of the Revised Code to benefit low-income customers through programs that include, but are not limited to, energy audits, the installation of energy efficiency insulation, appliances, and windows, and other weatherization measures. 698
699
700
701
702
703
704

(ii) No energy efficiency or peak demand reduction achieved under divisions (A) (2) (d) (i) (IV) and (V) of this section shall qualify for shared savings. 705
706
707

(iii) Division (A) (2) (c) of this section shall be applied to include facilitating efforts by a mercantile customer or group of those customers to offer customer-sited demand-response, energy efficiency, including waste energy recovery and combined heat and power, or peak demand reduction capabilities to the electric distribution utility as part of a reasonable arrangement submitted to the commission pursuant to section 4905.31 of the Revised Code. 708
709
710
711
712
713
714
715

(e) No programs or improvements described in division (A) (2) (d) of this section shall conflict with any statewide building code adopted by the board of building standards. 716
717
718

(B) In accordance with rules it shall adopt, the public utilities commission shall produce and docket at the commission 719
720

**H. B. No. 6
As Introduced****Page 26**

an annual report containing the results of its verification of 721
the annual levels of energy efficiency and of peak demand 722
reductions achieved by each electric distribution utility 723
pursuant to division (A) of this section. A copy of the report 724
shall be provided to the consumers' counsel. 725

(C) If the commission determines, after notice and 726
opportunity for hearing and based upon its report under division 727
(B) of this section, that an electric distribution utility has 728
failed to comply with an energy efficiency or peak demand 729
reduction requirement of division (A) of this section, the 730
commission shall assess a forfeiture on the utility as provided 731
under sections 4905.55 to 4905.60 and 4905.64 of the Revised 732
Code, either in the amount, per day per undercompliance or 733
noncompliance, relative to the period of the report, equal to 734
that prescribed for noncompliances under section 4905.54 of the 735
Revised Code, or in an amount equal to the then existing market 736
value of one renewable energy credit per megawatt hour of 737
undercompliance or noncompliance. Revenue from any forfeiture 738
assessed under this division shall be deposited to the credit of 739
the advanced energy fund created under section 4928.61 of the 740
Revised Code. 741

(D) The commission may establish rules regarding the 742
content of an application by an electric distribution utility 743
for commission approval of a revenue decoupling mechanism under 744
this division. Such an application shall not be considered an 745
application to increase rates and may be included as part of a 746
proposal to establish, continue, or expand energy efficiency or 747
conservation programs. The commission by order may approve an 748
application under this division if it determines both that the 749
revenue decoupling mechanism provides for the recovery of 750
revenue that otherwise may be forgone by the utility as a result 751

**H. B. No. 6
As Introduced****Page 27**

of or in connection with the implementation by the electric 752
distribution utility of any energy efficiency or energy 753
conservation programs and reasonably aligns the interests of the 754
utility and of its customers in favor of those programs. 755

(E) The commission additionally shall adopt rules that 756
require an electric distribution utility to provide a customer 757
upon request with two years' consumption data in an accessible 758
form. 759

Section 2. That existing sections 3706.02, 3706.03, 760
4928.644, and 4928.66 of the Revised Code are hereby repealed. 761

Section 3. (A) Not earlier than two years after the 762
effective date of this section, the Director of Environmental 763
Protection may apply to the Administrator of the United States 764
Environmental Protection Agency for an exemption from the 765
requirement to implement the decentralized motor vehicle 766
inspection and maintenance program established under section 767
3704.14 of the Revised Code. In making the application and for 768
purposes of complying with the "Federal Clean Air Act," the 769
Director shall request the Administrator to authorize the 770
implementation of the Ohio Clean Air Program established by this 771
act as an alternative to the decentralized program in those 772
areas of the state where the program is currently operating. 773

(B) As used in this section, "Federal Clean Air Act" has 774
the same meaning as in section 3704.01 of the Revised Code. 775

EXHIBIT 5

As Passed by the House

133rd General Assembly

Regular Session

2019-2020

Sub. H. B. No. 6

Representatives Callender, Wilkin

**Cosponsors: Representatives Cross, DeVitis, Ghanbari, Hillyer, Jones, Reineke,
Seitz, Stein, Vitale**

A BILL

To amend sections 303.213, 519.213, 713.081, 1
1710.06, 3706.02, 3706.03, 4906.10, 4906.13, 2
4906.20, 4906.201, 4928.01, 4928.02, 4928.142, 3
4928.143, 4928.20, 4928.61, 4928.62, 4928.641, 4
4928.645, 4928.66, 4928.6610, 5501.311, 5727.47, 5
and 5727.75; to amend, for the purpose of 6
adopting a new section number as indicated in 7
parentheses, section 519.214 (519.215); and to 8
enact new section 519.214 and sections 3706.40, 9
3706.42, 3706.44, 3706.46, 3706.47, 3706.48, 10
3706.481, 3706.482, 3706.483, 3706.485, 11
3706.486, 3706.49, 3706.50, 4905.311, 4906.101, 12
4906.203, 4928.147, 4928.148, 4928.46, 4928.47, 13
4928.471, 4928.647, 4928.661, 4928.75, and 14
4928.80; to repeal section 4928.6616; and to 15
repeal, effective January 1, 2020, sections 16
1710.061, 4928.64, 4928.643, 4928.644, and 17
4928.65 of the Revised Code to create the Ohio 18
Clean Air Program, to facilitate and encourage 19
electricity production and use from clean air 20
resources, and to proactively engage the buying 21

power of consumers in this state for the purpose 22
of improving air quality in this state. 23

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 303.213, 519.213, 713.081, 24
3706.02, 3706.03, 4906.10, 4906.13, 4906.20, 4906.201, 4928.01, 25
4928.02, 4928.66, 4928.6610, 5727.47, and 5727.75 be amended; 26
section 519.214 (519.215) be amended for the purpose of adopting 27
a new section number as indicated in parentheses; and new 28
section 519.214 and sections 3706.40, 3706.42, 3706.44, 3706.46, 29
3706.47, 3706.48, 3706.481, 3706.482, 3706.483, 3706.485, 30
3706.486, 3706.49, 3706.50, 4905.311, 4906.101, 4906.203, 31
4928.147, 4928.148, 4928.46, 4928.47, 4928.471, 4928.647, 32
4928.661, 4928.75, and 4928.80 of the Revised Code be enacted to 33
read as follows: 34

Sec. 303.213. (A) As used in this section, "small wind 35
farm" means wind turbines and associated facilities ~~with a~~ 36
~~single interconnection to the electrical grid and designed for,~~ 37
~~or capable of, operation at an aggregate capacity of less than~~ 38
five megawatts that are not subject to the jurisdiction of the 39
power siting board under sections 4906.20 and 4906.201 of the 40
Revised Code. 41

(B) Notwithstanding division (A) of section 303.211 of the 42
Revised Code, sections 303.01 to 303.25 of the Revised Code 43
confer power on a board of county commissioners or board of 44
zoning appeals to adopt zoning regulations governing the 45
location, erection, construction, reconstruction, change, 46
alteration, maintenance, removal, use, or enlargement of any 47

Sub. H. B. No. 6
As Passed by the House

Page 3

small wind farm, whether publicly or privately owned, or the use 48
of land for that purpose, which regulations may be more strict 49
than the regulations prescribed in rules adopted under division 50
(B) (2) of section 4906.20 of the Revised Code. 51

(C) The designation under this section of a small wind 52
farm as a public utility for purposes of sections 303.01 to 53
303.25 of the Revised Code shall not affect the classification 54
of a small wind farm for purposes of state or local taxation. 55

(D) Nothing in division (C) of this section shall be 56
construed as affecting the classification of a 57
telecommunications tower as defined in division (B) or (E) of 58
section 303.211 of the Revised Code or any other public utility 59
for purposes of state and local taxation. 60

Sec. 519.213. (A) As used in this section, "small wind 61
farm" means wind turbines and associated facilities ~~with a~~ 62
~~single interconnection to the electrical grid and designed for,~~ 63
~~or capable of, operation at an aggregate capacity of less than~~ 64
~~five megawatts~~ that are not subject to the jurisdiction of the 65
power siting board under sections 4906.20 and 4906.201 of the 66
Revised Code. 67

(B) Notwithstanding division (A) of section 519.211 of the 68
Revised Code, sections 519.02 to 519.25 of the Revised Code 69
confer power on a board of township trustees or board of zoning 70
appeals with respect to the location, erection, construction, 71
reconstruction, change, alteration, maintenance, removal, use, 72
or enlargement of any small wind farm, whether publicly or 73
privately owned, or the use of land for that purpose, which 74
regulations may be more strict than the regulations prescribed 75
in rules adopted under division (B) (2) of section 4906.20 of the 76
Revised Code. 77

Sub. H. B. No. 6
As Passed by the House**Page 4**

(C) The designation under this section of a small wind farm as a public utility for purposes of sections 519.02 to 519.25 of the Revised Code shall not affect the classification of a small wind farm or any other public utility for purposes of state or local taxation.

(D) Nothing in division (C) of this section shall be construed as affecting the classification of a telecommunications tower as defined in division (B) or (E) of section 519.211 of the Revised Code or any other public utility for purposes of state and local taxation.

Sec. 519.214. (A) If the power siting board issues a certificate to an economically significant wind farm or a large wind farm as those terms are defined in section 4906.13 of the Revised Code, to be located in whole or in part in the unincorporated area of a township, the certificate shall become effective on the ninetieth day after the day it is issued, unless, not later than that day, a referendum petition is filed with the board of elections to require the certificate to be submitted to the electors of the unincorporated area of the township for approval or rejection.

(B) (1) A referendum petition submitted under division (A) of this section shall be signed by a number of qualified electors residing in the unincorporated area of the township equal to not less than eight per cent of the total votes cast for all candidates for governor in the unincorporated area of the township at the most recent general election at which a governor was elected.

(2) Each part petition shall contain a brief description of the wind farm the certificate authorizes that is sufficient to identify the certificate. In addition to the requirements of

**Sub. H. B. No. 6
As Passed by the House**

this section, the requirements of section 3501.38 of the Revised Code shall apply to the petition. 108
109

(3) The form of the petition shall be substantially as follows: 110
111

"PETITION FOR REFERENDUM OF WIND FARM CERTIFICATE 112

A proposal to approve or reject the wind farm certificate issued for (description of wind farm) in the unincorporated area of Township, County, Ohio, adopted on (date) by the Board of Township Trustees of Township, County, Ohio. 113
114
115
116
117

We, the undersigned, being electors residing in the unincorporated area of Township, equal to not less than eight per cent of the total vote cast for all candidates for governor in the area at the preceding general election at which a governor was elected, request the Board of Elections to submit this proposal to the electors of the unincorporated area of Township for approval or rejection at a special election to be held on the day of the primary or general election to be held on (date), pursuant to section 519.214 of the Revised Code. 118
119
120
121
122
123
124
125
126
127

..... Signature 128

..... Residence address 129

..... Date of signing 130

STATEMENT OF CIRCULATOR 131

I, (name of circulator), declare under penalty of election falsification that I reside at the address appearing below my signature; that I am the circulator of the foregoing part petition containing (number) signatures; that I 132
133
134
135

**Sub. H. B. No. 6
As Passed by the House**

have witnessed the affixing of every signature; that all signers 136
were to the best of my knowledge and belief qualified to sign; 137
and that every signature is to the best of my knowledge and 138
belief the signature of the person whose signature it purports 139
to be or of an attorney in fact acting pursuant to section 140
3501.382 of the Revised Code. 141

..... (Signature of circulator) 142

..... (Circulator's residence address) 143

WHOEVER COMMITS ELECTION FALSIFICATION IS GUILTY OF A 144
FELONY OF THE FIFTH DEGREE." 145

(C) Upon receiving the referendum petition, the board of 146
elections shall notify the board of township trustees that the 147
petition has been filed. If the board of elections determines 148
that the referendum petition is sufficient and valid, the board 149
shall notify the board of township trustees of that fact and 150
shall submit the certificate to the electors of the 151
unincorporated area of the township for approval or rejection at 152
a special election held on the day of the next primary or 153
general election occurring at least ninety days after the board 154
receives the petition. 155

(D) The certificate shall not take effect unless it is 156
approved by a majority of the electors voting on it. If the 157
certificate is approved by a majority of the electors voting on 158
it, the certificate shall take immediate effect. 159

Sec. ~~519.214~~ 519.215. Township zoning commissions, boards 160
of township trustees, and township boards of zoning appeals 161
shall comply with section 5502.031 of the Revised Code. 162

Sec. 713.081. (A) As used in this section, "small wind 163
farm" means wind turbines and associated facilities ~~with a~~ 164

Sub. H. B. No. 6
As Passed by the House

Page 7

~~single interconnection to the electrical grid and designed for,~~ 165
~~or capable of, operation at an aggregate capacity of less than~~ 166
~~five megawatts that are not subject to the jurisdiction of the~~ 167
power siting board under sections 4906.20 and 4906.201 of the 168
Revised Code. 169

(B) Sections 713.06 to 713.15 of the Revised Code confer 170
power on the legislative authority of a municipal corporation 171
with respect to the location, erection, construction, 172
reconstruction, change, alteration, maintenance, removal, use, 173
or enlargement of any small wind farm as a public utility, 174
whether publicly or privately owned, or the use of land for that 175
purpose, which regulations may be more strict than the 176
regulations prescribed in rules adopted under division (B) (2) of 177
section 4906.20 of the Revised Code. 178

(C) The designation under this section of a small wind 179
farm as a public utility for purposes of sections 713.06 to 180
713.15 of the Revised Code shall not affect the classification 181
of a small wind farm or any other public utility for purposes of 182
state or local taxation. 183

Sec. 3706.02. (A) There is hereby created the Ohio air 184
quality development authority. Such authority is a body both 185
corporate and politic in this state, and the carrying out of its 186
purposes and the exercise by it of the powers conferred by 187
Chapter 3706. of the Revised Code shall be held to be, and are 188
hereby determined to be, essential governmental functions and 189
public purposes of the state, but the authority shall not be 190
immune from liability by reason thereof. 191

(B) The authority shall consist of ~~seven~~ thirteen members 192
as follows: ~~five~~ 193

Sub. H. B. No. 6
As Passed by the House

Page 8

(1) Five members appointed by the governor, with the 194
advice and consent of the senate, no more than three of whom 195
shall be members of the same political party,~~and the~~ 196

(2) The director of environmental protection~~and the~~, who 197
shall be a member ex officio without compensation; 198

(3) The director of health, who shall be ~~members~~a member 199
ex officio without compensation; 200

(4) Four legislative members, who shall be nonvoting 201
members ex officio without compensation. The speaker of the 202
house of representatives, the president of the senate, and the 203
minority leader of each house shall each appoint one of the 204
legislative members. The legislative members may not vote but 205
may otherwise participate fully in all the board's deliberations 206
and activities.~~Each appointive~~ 207

(5) Two members of the general public, who shall be voting 208
members without compensation. The speaker of the house of 209
representatives and the president of the senate shall each 210
appoint one member. These members' terms of office shall be for 211
four years. 212

Each appointed member shall be a resident of the state, 213
and a qualified elector therein. The members of the authority 214
first appointed shall continue in office for terms expiring on 215
June 30, 1971, June 30, 1973, June 30, 1975, June 30, 1977, and 216
June 30, 1978, respectively, the term of each member to be 217
designated by the governor. ~~Appointed~~Except as provided in 218
division (B) (5) of this section, appointed members' terms of 219
office shall be for eight years, commencing on the first day of 220
July and ending on the thirtieth day of June. Each appointed 221
member shall hold office from the date of ~~his~~ appointment until 222

**Sub. H. B. No. 6
As Passed by the House****Page 9**

the end of the term for which ~~he was~~ appointed. Any member 223
appointed to fill a vacancy occurring prior to the expiration of 224
the term for which ~~his~~ the member's predecessor was appointed 225
shall hold office for the remainder of such term. Any appointed 226
member shall continue in office subsequent to the expiration 227
date of ~~his~~ the member's term until ~~his~~ the member's successor 228
takes office, or until a period of sixty days has elapsed, 229
whichever occurs first. A member of the authority is eligible 230
for reappointment. Each appointed member of the authority, 231
before entering upon ~~his~~ official duties, shall take an oath as 232
provided by Section 7 of Article XV, Ohio Constitution. The 233
governor may at any time remove any member of the authority for 234
misfeasance, nonfeasance, or malfeasance in office. The 235
authority shall elect one of its appointed members as ~~chairman~~ 236
chairperson and another as ~~vice chairman~~ vice-chairperson, and 237
shall appoint a secretary-treasurer who need not be a member of 238
the authority. Four members of the authority shall constitute a 239
quorum, and the affirmative vote of four members shall be 240
necessary for any action taken by vote of the authority. No 241
vacancy in the membership of the authority shall impair the 242
rights of a quorum by such vote to exercise all the rights and 243
perform all the duties of the authority. 244

~~Before~~ (C) Except as provided in division (D) of this 245
section, before the issuance of any air quality revenue bonds 246
under Chapter 3706. of the Revised Code, each appointed member 247
of the authority shall give a surety bond to the state in the 248
penal sum of twenty-five thousand dollars and the secretary- 249
treasurer shall give such a bond in the penal sum of fifty 250
thousand dollars, each such surety bond to be conditioned upon 251
the faithful performance of the duties of the office, to be 252
executed by a surety company authorized to transact business in 253

Sub. H. B. No. 6
As Passed by the House

Page 10

this state, and to be approved by the governor and filed in the 254
office of the secretary of state. ~~Each~~ Except as provided in 255
division (B) (4) of this section, each appointed member of the 256
authority shall receive an annual salary of five thousand 257
dollars, payable in monthly installments. Each member shall be 258
reimbursed for ~~his~~ the actual expenses necessarily incurred in 259
the performance of ~~his~~ official duties. All expenses incurred in 260
carrying out Chapter 3706. of the Revised Code shall be payable 261
solely from funds provided under Chapter 3706. of the Revised 262
Code, appropriated for such purpose by the general assembly, or 263
provided by the controlling board. No liability or obligation 264
shall be incurred by the authority beyond the extent to which 265
moneys have been so provided or appropriated. 266

(D) The six members appointed under divisions (B) (4) and 267
(5) of this section shall be exempt from the requirement under 268
division (C) of this section to give a surety bond. 269

Sec. 3706.03. (A) It is hereby declared to be the public 270
policy of the state through the operations of the Ohio air 271
quality development authority under this chapter to contribute 272
toward one or more of the following: ~~to~~ 273

(1) To provide for the conservation of air as a natural 274
resource of the state, ~~and to~~ ; 275

(2) To prevent or abate the pollution thereof, ~~to~~ ; 276

(3) To provide for the comfort, health, safety, and 277
general welfare of all employees, as well as all other 278
inhabitants of the state, ~~to~~ ; 279

(4) To assist in the financing of air quality facilities 280
for industry, commerce, distribution, and research, including 281
public utility companies, ~~to~~ ; 282

Sub. H. B. No. 6
As Passed by the House

Page 11

<u>(5) To create or preserve jobs and employment</u>	283
opportunities or improve the economic welfare of the people, or	284
assist and cooperate with governmental agencies in achieving	285
such purposes;	286
<u>(6) To maintain operations of certified clean air</u>	287
<u>resources, as defined in section 3706.40 of the Revised Code,</u>	288
<u>that, through continued operation, are expected to provide the</u>	289
<u>greatest quantity of carbon-dioxide-free electric energy</u>	290
<u>generation.</u>	291
<u>(B) In furtherance of such public policy the Ohio air</u>	292
quality development authority may initiate <u>do any of the</u>	293
<u>following:</u>	294
<u>(1) Initiate, acquire, construct, maintain, repair, and</u>	295
operate air quality projects or cause the same to be operated	296
pursuant to a lease, sublease, or agreement with any person or	297
governmental agency; may make	298
<u>(2) Make loans and grants to governmental agencies for the</u>	299
acquisition or construction of air quality facilities by such	300
governmental agencies; may make	301
<u>(3) Make loans to persons for the acquisition or</u>	302
construction of air quality facilities by such persons; may	303
enter	304
<u>(4) Enter into commodity contracts with, or make loans for</u>	305
the purpose of entering into commodity contracts to, any person,	306
governmental agency, or entity located within or without the	307
state in connection with the acquisition or construction of air	308
quality facilities; and may issue	309
<u>(5) Issue air quality revenue bonds of this state payable</u>	310
solely from revenues, to pay the cost of such projects,	311

including any related commodity contracts. 312

(C) Any air quality project shall be determined by the 313
authority to be not inconsistent with any applicable air quality 314
standards duly established and then required to be met pursuant 315
to the "Clean Air Act," 84 Stat. 1679 (1970), 42 U.S.C.A. 1857, 316
as amended. Any resolution of the authority providing for 317
acquiring or constructing such projects or for making a loan or 318
grant for such projects shall include a finding by the authority 319
that such determination has been made. Determinations by 320
resolution of the authority that a project is an air quality 321
facility under this chapter and is consistent with the purposes 322
of section 13 of Article VIII, Ohio Constitution, and this 323
chapter, shall be conclusive as to the validity and 324
enforceability of the air quality revenue bonds issued to 325
finance such project and of the resolutions, trust agreements or 326
indentures, leases, subleases, sale agreements, loan agreements, 327
and other agreements made in connection therewith, all in 328
accordance with their terms. 329

Sec. 3706.40. As used in sections 3706.40 to 3706.50 of 330
the Revised Code: 331

(A) "Clean air resource" means both of the following: 332

(1) An electric generating facility in this state fueled 333
by nuclear power that satisfies all of the following criteria: 334

(a) The facility is not wholly or partially owned by a 335
municipal or cooperative corporation or a group, association, or 336
consortium of those corporations. 337

(b) The facility is not used to supply customers of a 338
wholly owned municipal or cooperative corporation or a group, 339
association, or consortium of those corporations. 340

Sub. H. B. No. 6
As Passed by the House

Page 13

- (c) Either of the following: 341
- (i) The facility has made a significant historical 342
contribution to the air quality of the state by minimizing 343
emissions that result from electricity generated in this state. 344
- (ii) The facility will make a significant contribution 345
toward minimizing emissions that result from electric generation 346
in this state. 347
- (d) The facility is interconnected with the transmission 348
grid that is subject to the operational control of PJM 349
interconnection, L.L.C., or its successor organization. 350
- (e) The facility is a major utility facility in this state 351
as defined in section 4906.01 of the Revised Code. 352
- (f) The facility's owner maintains operations in this 353
state. 354
- (2) An electric generating facility in this state that 355
uses or will use solar energy as the primary energy source that 356
satisfies all of the criteria in divisions (A) (1) (a) to (e) of 357
this section and that has obtained a certificate from the power 358
siting board prior to June 1, 2019. 359
- (B) "Program year" means the twelve-month period beginning 360
the first day of June of a given year of the Ohio clean air 361
program and ending the thirty-first day of May of the following 362
year. 363
- (C) "Electric distribution utility" and "renewable energy 364
resource" have the same meanings as in section 4928.01 of the 365
Revised Code. 366
- (D) "Annual capacity factor" means the actual energy 367
produced in a year divided by the energy that would have been 368

Sub. H. B. No. 6
As Passed by the House

Page 14

produced if the facility was operating continuously at the 369
maximum rating. 370

(E) "Clean air credit" means a credit that represents the 371
clean air attributes of one megawatt hour of electric energy 372
produced from a certified clean air resource. 373

(F) "Credit price adjustment" means a reduction to the 374
price for each clean air credit equal to the market price index 375
minus the strike price. 376

(G) "Strike price" means forty-six dollars per megawatt 377
hour. 378

(H) "Market price index" means the sum, expressed in 379
dollars per megawatt hour, of both of the following for the 380
upcoming program year: 381

(1) Projected energy prices, determined using futures 382
contracts for the PJM AEP-Dayton hub; 383

(2) Projected capacity prices, determined using PJM's 384
rest-of-RTO market clearing price. 385

Sec. 3706.42. (A) There is hereby created the Ohio clean 386
air program, which shall terminate on December 31, 2026. 387

(B) Any person owning or controlling an electric 388
generating facility that meets the definition of a clean air 389
resource in section 3706.40 of the Revised Code may submit a 390
written application with the Ohio air quality development 391
authority for certification as a clean air resource to be 392
eligible to participate in the Ohio clean air program. 393
Applications shall be submitted by the first day of February for 394
any program year beginning the first day of June of the same 395
calendar year. 396

<u>(C) Applications shall include all of the following</u>	397
<u>information:</u>	398
<u>(1) The in-service date and estimated remaining useful</u>	399
<u>life of the resource;</u>	400
<u>(2) For an existing resource, the quantity of megawatt</u>	401
<u>hours generated by the resource annually during each of the</u>	402
<u>previous five calendar years during which the resource was</u>	403
<u>generating, and the annual capacity factor for each of those</u>	404
<u>calendar years;</u>	405
<u>(3) A forecast estimate of the annual quantity of megawatt</u>	406
<u>hours to be generated by the resource and the projected annual</u>	407
<u>capacity factor over the remaining useful life of the resource;</u>	408
<u>(4) A forecast estimate of the emissions that would occur</u>	409
<u>in this state during the remaining useful life of the resource</u>	410
<u>if the resource discontinued operations prior to the end of the</u>	411
<u>resource's useful life;</u>	412
<u>(5) Verified documentation demonstrating all of the</u>	413
<u>following:</u>	414
<u>(a) That certification as a clean air resource and</u>	415
<u>participation in the Ohio clean air program will permit the</u>	416
<u>resource to reduce future emissions per unit of electrical</u>	417
<u>energy generated in this state;</u>	418
<u>(b) That without certification as a clean air resource,</u>	419
<u>the positive contributions to the air quality of this state that</u>	420
<u>the resource has made and is capable of making in the future may</u>	421
<u>be diminished or eliminated;</u>	422
<u>(c) That the clean air resource meets the definition of a</u>	423
<u>clean air resource in section 3706.40 of the Revised Code;</u>	424

Sub. H. B. No. 6
As Passed by the House

Page 16

(d) That the person seeking certification owns or controls 425
the resource. 426

(6) The resource's nameplate capacity; 427

(7) Any other data or information that the authority 428
requests and determines is necessary to evaluate an application 429
for certification as a clean air resource or to demonstrate that 430
certification would be in the public interest. 431

(D) The authority shall post on the authority's web site 432
all applications and nonconfidential supporting materials 433
submitted under this section. 434

(E) Interested persons may file comments not later than 435
twenty days after the date that an application is posted on the 436
authority's web site. All comments shall be posted on the 437
authority's web site. An applicant may respond to those comments 438
not later than ten days thereafter. 439

Sec. 3706.44. (A) (1) On or before the thirty-first day of 440
March, the Ohio air quality development authority shall review 441
all applications timely submitted under section 3706.42 of the 442
Revised Code and issue an order certifying a clean air resource 443
that meets the definition of a clean air resource in section 444
3706.40 of the Revised Code. 445

(2) A clean air resource shall remain certified as a clean 446
air resource as long as the resource continues to meet the 447
definition of a clean air resource in section 3706.40 of the 448
Revised Code. 449

(B) In the event the authority does not issue an order 450
under division (A) of this section by the thirty-first day of 451
March, each electric generating facility included in a timely 452
and properly filed application shall be deemed a clean air 453

resource. 454

(C) (1) The authority may decertify a clean air resource at 455
any time if it determines that certification is not in the 456
public interest. 457

(2) Before decertifying a clean air resource, the 458
authority shall do both of the following: 459

(a) Allow the resource to provide additional information 460
in support of remaining certified; 461

(b) Hold a public hearing and allow for public comment. 462

Sec. 3706.46. (A) For the purpose of funding benefits 463
provided by the Ohio clean air program, there is hereby created 464
the Ohio clean air program fund. The fund shall be in the 465
custody of the state treasurer but shall not be part of the 466
state treasury. The fund shall consist of the charges under 467
section 3706.47 of the Revised Code. All interest generated by 468
the fund shall be retained in the fund and used for the purpose 469
of funding the Ohio clean air program. 470

(B) The treasurer shall distribute the moneys in the Ohio 471
clean air program fund in accordance with the directions 472
provided by the Ohio air quality development authority. 473

Sec. 3706.47. (A) Beginning January 1, 2020, and ending on 474
December 31, 2026, each retail electric customer of an electric 475
distribution utility in this state shall pay a per-account 476
monthly charge, which shall be billed and collected by each 477
electric distribution utility and remitted to the state 478
treasurer for deposit into the Ohio clean air program fund, 479
created under section 3706.46 of the Revised Code. 480

(B) The monthly charges established under division (A) of 481

**Sub. H. B. No. 6
As Passed by the House**

this section shall be in accordance with the following: 482

(1) For customers classified by the utility as 483
residential: 484

(a) For the year 2020, fifty cents; 485

(b) For the years 2021, 2022, 2023, 2024, 2025, and 2026, 486
one dollar. 487

(2) For customers classified by the utility as commercial, 488
except as provided in division (B)(4) of this section, a charge 489
that is determined by a structure and design that the public 490
utilities commission shall, not later than October 1, 2019, 491
establish. The commission shall establish the structure and 492
design of the charge such that the average charge across all 493
customers subject to the charge under division (B)(2) of this 494
section is: 495

(a) For the year 2020, ten dollars; and 496

(b) For the years 2021, 2022, 2023, 2024, 2025, and 2026, 497
fifteen dollars. 498

(3) For customers classified by the utility as industrial, 499
except as provided in division (B)(4) of this section, a charge 500
that is determined by a structure and design that the commission 501
shall, not later than October 1, 2019, establish. The commission 502
shall establish the structure and design of the charge such that 503
the average charge across all customers subject to the charge 504
under division (B)(3) of this section is two hundred fifty 505
dollars; 506

(4) For customers classified by the utility as commercial 507
or industrial that exceeded forty-five million kilowatt hours of 508
electricity at a single location in the preceding year, two 509

thousand five hundred dollars. 510

(C) The commission shall comply with divisions (B) (2) and 511
(3) of this section in a manner that avoids abrupt or excessive 512
total electric bill impacts for typical customers with a 513
classification of commercial or industrial. 514

(D) For purposes of division (B) of this section, the 515
classification of residential, commercial, and industrial 516
customers shall be consistent with the utility's reporting under 517
its approved rate schedules. 518

Sec. 3706.48. Each owner of a certified clean air resource 519
shall report to the Ohio air quality development authority, not 520
later than seven days after the close of each month during a 521
program year, the number of megawatt hours the resource produced 522
in the previous month. 523

Sec. 3706.481. A certified clean air resource shall earn a 524
clean air credit for each megawatt hour of electricity it 525
produces. 526

Sec. 3706.482. (A) Not later than fourteen days after the 527
close of each month during a program year, the Ohio air quality 528
development authority shall direct the treasurer of state to 529
remit money from the Ohio clean air program fund, subject to 530
section 3706.486 of the Revised Code, to each owner of a 531
certified clean air resource in the amount equivalent to the 532
number of credits earned by the resource during the previous 533
month multiplied by the credit price. 534

(B) The price for each clean air credit shall be nine 535
dollars, except as provided in division (C) of this section. 536

(C) To ensure that the purchase of clean air credits 537
remains affordable to retail customers if electricity prices 538

increase, on the first day of April during the first program 539
year and annually on that date in subsequent program years, the 540
authority shall apply the credit price adjustment for the 541
upcoming program year if the market price index exceeds the 542
strike price on that date. This division shall apply only to 543
clean air resources fueled by nuclear power. 544

Sec. 3706.483. The Ohio air quality development authority 545
shall adopt rules to provide for this state a system of 546
registering clean air credits by specifying that the generation 547
attribute tracking system may be used for that purpose and not 548
by creating a registry. 549

Sec. 3706.485. (A) An electric distribution utility shall 550
submit an application to the Ohio air quality development 551
authority for reimbursement from the Ohio clean air program fund 552
of the net costs that are recoverable under section 4928.641 of 553
the Revised Code. The public utilities commission shall certify 554
the utility's net costs to be recovered in accordance with 555
division (F) of section 4928.641 of the Revised Code. 556

(B) Not later than ninety days after the receipt of an 557
application under division (A) of this section, the authority 558
shall direct the treasurer of state to remit money from the Ohio 559
clean air program fund to the electric distribution utility as 560
reimbursement for those costs. 561

Sec. 3706.486. (A) If the money in the Ohio clean air 562
program fund is insufficient in a particular month to make the 563
remittances in the amount required under division (A) of section 564
3706.482 of the Revised Code, the Ohio air quality development 565
authority shall, not later than fourteen days after the close of 566
that month, direct the treasurer of state to remit money from 567
the Ohio clean air program fund to pay for the unpaid credits 568

before any other remittances are made. Remittances made under 569
division (A) of this section shall be made in the following 570
order of priority: 571

(1) To the owners of clean air resources fueled by nuclear 572
power; 573

(2) To the owners of clean air resources that use or will 574
use solar energy. 575

(B) After any remittances are made under division (A) of 576
this section, the remittances under sections 3706.482 and 577
3706.485 of the Revised Code shall be made in the following 578
order of priority: 579

(1) Under section 3706.482 of the Revised Code, to the 580
owners of clean air resources fueled by nuclear power; 581

(2) Under section 3706.482 of the Revised Code, to the 582
owners of clean air resources that use or will use solar energy; 583

(3) Under section 3706.485 of the Revised Code, to 584
electric distribution utilities as reimbursement for costs as 585
described in that section. 586

Sec. 3706.49. (A) To facilitate air quality development 587
related capital formation and investment by or in a certified 588
clean air resource, the Ohio air quality development authority 589
may pledge a portion of moneys that may, in the future, be 590
accumulated in the Ohio clean air program fund for the benefit 591
of any certified clean air resource, provided the resource 592
agrees to be bound by the conditions the authority may attach to 593
the pledge. 594

(B) The authority shall not be required to direct 595
distribution of moneys in the Ohio clean air program fund unless 596

or until there are adequate moneys available in the Ohio clean 597
air program fund. Nothing herein shall cause any such pledge to 598
be construed or applied to create, directly or indirectly, a 599
general obligation of or for this state. 600

Sec. 3706.50. (A) In the years 2021, 2022, 2023, 2024, 601
2025, 2026, and 2027, an unaffiliated and independent third 602
party shall conduct an annual audit of the Ohio clean air 603
program. 604

(B) Not later than ninety days after the effective date of 605
this section, the authority shall adopt rules that are necessary 606
to begin implementation of the Ohio clean air program. The rules 607
adopted under this division shall include provisions for both of 608
the following: 609

(1) Tracking the number of clean air credits earned by 610
each certified clean air resource during each month of a program 611
year, based on the information reported under section 3706.48 of 612
the Revised Code; 613

(2) The annual audit required under division (A) of this 614
section. 615

(C) Not later than two hundred seventy-five days after the 616
effective date of this section, the authority shall adopt rules 617
that are necessary for the further implementation and 618
administration of the Ohio clean air program. 619

Sec. 4905.311. In order to promote job growth and 620
retention in this state, the public utilities commission, when 621
ruling on a reasonable arrangement application under section 622
4905.31 of the Revised Code, shall attempt to minimize electric 623
rates to the maximum amount possible on trade-exposed industrial 624
manufacturers. 625

Sub. H. B. No. 6
As Passed by the House

Page 23

Sec. 4906.10. (A) The power siting board shall render a 626
decision upon the record either granting or denying the 627
application as filed, or granting it upon such terms, 628
conditions, or modifications of the construction, operation, or 629
maintenance of the major utility facility as the board considers 630
appropriate. The certificate shall be subject to section 631
4906.101 of the Revised Code and conditioned upon the facility 632
being in compliance with standards and rules adopted under 633
sections 1501.33, 1501.34, and 4561.32 and Chapters 3704., 634
3734., and 6111. of the Revised Code. An applicant may withdraw 635
an application if the board grants a certificate on terms, 636
conditions, or modifications other than those proposed by the 637
applicant in the application. 638

The board shall not grant a certificate for the 639
construction, operation, and maintenance of a major utility 640
facility, either as proposed or as modified by the board, unless 641
it finds and determines all of the following: 642

(1) The basis of the need for the facility if the facility 643
is an electric transmission line or gas pipeline; 644

(2) The nature of the probable environmental impact; 645

(3) That the facility represents the minimum adverse 646
environmental impact, considering the state of available 647
technology and the nature and economics of the various 648
alternatives, and other pertinent considerations; 649

(4) In the case of an electric transmission line or 650
generating facility, that the facility is consistent with 651
regional plans for expansion of the electric power grid of the 652
electric systems serving this state and interconnected utility 653
systems and that the facility will serve the interests of 654

electric system economy and reliability; 655

(5) That the facility will comply with Chapters 3704., 656
3734., and 6111. of the Revised Code and all rules and standards 657
adopted under those chapters and under sections 1501.33, 658
1501.34, and 4561.32 of the Revised Code. In determining whether 659
the facility will comply with all rules and standards adopted 660
under section 4561.32 of the Revised Code, the board shall 661
consult with the office of aviation of the division of multi- 662
modal planning and programs of the department of transportation 663
under section 4561.341 of the Revised Code. 664

(6) That the facility will serve the public interest, 665
convenience, and necessity; 666

(7) In addition to the provisions contained in divisions 667
(A) (1) to (6) of this section and rules adopted under those 668
divisions, what its impact will be on the viability as 669
agricultural land of any land in an existing agricultural 670
district established under Chapter 929. of the Revised Code that 671
is located within the site and alternative site of the proposed 672
major utility facility. Rules adopted to evaluate impact under 673
division (A) (7) of this section shall not require the 674
compilation, creation, submission, or production of any 675
information, document, or other data pertaining to land not 676
located within the site and alternative site. 677

(8) That the facility incorporates maximum feasible water 678
conservation practices as determined by the board, considering 679
available technology and the nature and economics of the various 680
alternatives. 681

(B) If the board determines that the location of all or a 682
part of the proposed facility should be modified, it may 683

condition its certificate upon that modification, provided that 684
the municipal corporations and counties, and persons residing 685
therein, affected by the modification shall have been given 686
reasonable notice thereof. 687

(C) A copy of the decision and any opinion issued 688
therewith shall be served upon each party. 689

Sec. 4906.101. (A) If the power siting board issues a 690
certificate to a large wind farm as defined in section 4906.13 691
of the Revised Code and the large wind farm is to be located in 692
the unincorporated area of a township, the certificate shall be 693
conditioned upon the right of referendum as provided in section 694
519.214 of the Revised Code. 695

(B) If the certificate is rejected in a referendum under 696
section 519.214 of the Revised Code, one of the following 697
applies: 698

(1) If the large wind farm is to be located in the 699
unincorporated area of a single township, the certificate shall 700
be invalid; 701

(2) If the large wind farm is to be located in the 702
unincorporated area of more than one township, one of the 703
following applies: 704

(a) If less than all of the townships with electors voting 705
on the referendum reject the certificate, the power siting board 706
shall modify the certificate to exclude the area of each 707
township whose electors rejected the certificate. 708

(b) If all the townships with electors voting on the 709
referendum reject the certificate, the certificate is invalid. 710

Sec. 4906.13. (A) As used in this section and sections 711

Sub. H. B. No. 6
As Passed by the House

Page 26

4906.20, 4906.201, 4906.203, and 4906.98 of the Revised Code, 712

"economically: 713

"Economically significant wind farm" means wind turbines 714

and associated facilities with a single interconnection to the 715

electrical grid and designed for, or capable of, operation at an 716

aggregate capacity of five or more megawatts but less than fifty 717

megawatts. The term excludes any such wind farm in operation on 718

June 24, 2008. The term also excludes one or more wind turbines 719

and associated facilities that are primarily dedicated to 720

providing electricity to a single customer at a single location 721

and that are designed for, or capable of, operation at an 722

aggregate capacity of less than twenty megawatts, as measured at 723

the customer's point of interconnection to the electrical grid. 724

"Large wind farm" means an electric generating plant that 725

consists of wind turbines and associated facilities with a 726

single interconnection to the electrical grid that is a major 727

utility facility as defined in section 4906.01 of the Revised 728

Code. 729

(B) No public agency or political subdivision of this 730

state may require any approval, consent, permit, certificate, or 731

other condition for the construction or operation of a major 732

utility facility or economically significant wind farm 733

authorized by a certificate issued pursuant to Chapter 4906. of 734

the Revised Code. Nothing herein shall prevent the application 735

of state laws for the protection of employees engaged in the 736

construction of such facility or wind farm nor of municipal 737

regulations that do not pertain to the location or design of, or 738

pollution control and abatement standards for, a major utility 739

facility or economically significant wind farm for which a 740

certificate has been granted under this chapter. 741

Sub. H. B. No. 6
As Passed by the House

Page 27

Sec. 4906.20. (A) ~~No~~ Subject to section 4906.203 of the 742
Revised Code, no person shall commence to construct an 743
economically significant wind farm in this state without first 744
having obtained a certificate from the power siting board. An 745
economically significant wind farm with respect to which such a 746
certificate is required shall be constructed, operated, and 747
maintained in conformity with that certificate and any terms, 748
conditions, and modifications it contains. A certificate shall 749
be issued only pursuant to this section. The certificate may be 750
transferred, subject to the approval of the board, to a person 751
that agrees to comply with those terms, conditions, and 752
modifications. 753

(B) The board shall adopt rules governing the 754
certificating of economically significant wind farms under this 755
section. Initial rules shall be adopted within one hundred 756
twenty days after June 24, 2008. 757

(1) The rules shall provide for an application process for 758
certificating economically significant wind farms that is 759
identical to the extent practicable to the process applicable to 760
certificating major utility facilities under sections 4906.06, 761
4906.07, 4906.08, 4906.09, 4906.10, 4906.11, and 4906.12 of the 762
Revised Code and shall prescribe a reasonable schedule of 763
application filing fees structured in the manner of the schedule 764
of filing fees required for major utility facilities. 765

(2) Additionally, the rules shall prescribe reasonable 766
regulations regarding any wind turbines and associated 767
facilities of an economically significant wind farm, including, 768
but not limited to, their location, erection, construction, 769
reconstruction, change, alteration, maintenance, removal, use, 770
or enlargement and including erosion control, aesthetics, 771

recreational land use, wildlife protection, interconnection with 772
power lines and with regional transmission organizations, 773
independent transmission system operators, or similar 774
organizations, ice throw, sound and noise levels, blade shear, 775
shadow flicker, decommissioning, and necessary cooperation for 776
site visits and enforcement investigations. 777

(a) The rules also shall prescribe a minimum setback for a 778
wind turbine of an economically significant wind farm. That 779
minimum shall be equal to a horizontal distance, from the 780
turbine's base to the property line of the wind farm property, 781
equal to one and one-tenth times the total height of the turbine 782
structure as measured from its base to the tip of its highest 783
blade and be at least one thousand one hundred twenty-five feet 784
in horizontal distance from the tip of the turbine's nearest 785
blade at ninety degrees to the property line of the nearest 786
adjacent property at the time of the certification application. 787

(b) (i) For any existing certificates and amendments 788
thereto, and existing certification applications that have been 789
found by the chairperson to be in compliance with division (A) 790
of section 4906.06 of the Revised Code before the effective date 791
of the amendment of this section by H.B. 59 of the 130th general 792
assembly, September 29, 2013, the distance shall be seven 793
hundred fifty feet instead of one thousand one hundred twenty- 794
five feet. 795

(ii) Any amendment made to an existing certificate after 796
the effective date of the amendment of this section by H.B. 483 797
of the 130th general assembly, September 15, 2014, shall be 798
subject to the setback provision of this section as amended by 799
that act. The amendments to this section by that act shall not 800
be construed to limit or abridge any rights or remedies in 801

equity or under the common law. 802

(c) The setback shall apply in all cases except those in 803
which all owners of property adjacent to the wind farm property 804
waive application of the setback to that property pursuant to a 805
procedure the board shall establish by rule and except in which, 806
in a particular case, the board determines that a setback 807
greater than the minimum is necessary. 808

Sec. 4906.201. (A) ~~An electric generating plant that~~ 809
~~consists of wind turbines and associated facilities with a~~ 810
~~single interconnection to the electrical grid that is designed~~ 811
~~for, or capable of, operation at an aggregate capacity of fifty-~~ 812
~~megawatts or more~~ A large wind farm is subject to the minimum 813
setback requirements established in rules adopted by the power 814
siting board under division (B) (2) of section 4906.20 of the 815
Revised Code. 816

(B) (1) For any existing certificates and amendments 817
thereto, and existing certification applications that have been 818
found by the chairperson to be in compliance with division (A) 819
of section 4906.06 of the Revised Code before the effective date 820
of the amendment of this section by H.B. 59 of the 130th general 821
assembly, September 29, 2013, the distance shall be seven 822
hundred fifty feet instead of one thousand one hundred twenty- 823
five feet. 824

(2) Any amendment made to an existing certificate after 825
the effective date of the amendment of this section by H.B. 483 826
of the 130th general assembly, September 15, 2014, shall be 827
subject to the setback provision of this section as amended by 828
that act. The amendments to this section by that act shall not 829
be construed to limit or abridge any rights or remedies in 830
equity or under the common law. 831

Sec. 4906.203. (A) If the power siting board issues a 832
certificate under section 4906.20 of the Revised Code to an 833
economically significant wind farm to be located in the 834
unincorporated area of a township, the certificate shall be 835
conditioned upon the right of referendum as provided in section 836
519.214 of the Revised Code. 837

(B) If the certificate is rejected in a referendum under 838
section 519.214 of the Revised Code, one of the following 839
applies: 840

(1) If the economically significant wind farm is to be 841
located in the unincorporated area of a single township, the 842
certificate is invalid; 843

(2) If the economically significant wind farm is to be 844
located in the unincorporated area of more than one township, 845
one of the following applies: 846

(a) If less than all of the townships with electors voting 847
on the referendum reject the certificate, the power siting board 848
shall modify the certificate to exclude the area of each 849
township whose electors rejected the certificate. 850

(b) If all the townships with electors voting on the 851
referendum reject the certificate, the certificate is invalid. 852

Sec. 4928.01. (A) As used in this chapter: 853

(1) "Ancillary service" means any function necessary to 854
the provision of electric transmission or distribution service 855
to a retail customer and includes, but is not limited to, 856
scheduling, system control, and dispatch services; reactive 857
supply from generation resources and voltage control service; 858
reactive supply from transmission resources service; regulation 859
service; frequency response service; energy imbalance service; 860

**Sub. H. B. No. 6
As Passed by the House****Page 31**

operating reserve-spinning reserve service; operating reserve- 861
supplemental reserve service; load following; back-up supply 862
service; real-power loss replacement service; dynamic 863
scheduling; system black start capability; and network stability 864
service. 865

(2) "Billing and collection agent" means a fully 866
independent agent, not affiliated with or otherwise controlled 867
by an electric utility, electric services company, electric 868
cooperative, or governmental aggregator subject to certification 869
under section 4928.08 of the Revised Code, to the extent that 870
the agent is under contract with such utility, company, 871
cooperative, or aggregator solely to provide billing and 872
collection for retail electric service on behalf of the utility 873
company, cooperative, or aggregator. 874

(3) "Certified territory" means the certified territory 875
established for an electric supplier under sections 4933.81 to 876
4933.90 of the Revised Code. 877

(4) "Competitive retail electric service" means a 878
component of retail electric service that is competitive as 879
provided under division (B) of this section. 880

(5) "Electric cooperative" means a not-for-profit electric 881
light company that both is or has been financed in whole or in 882
part under the "Rural Electrification Act of 1936," 49 Stat. 883
1363, 7 U.S.C. 901, and owns or operates facilities in this 884
state to generate, transmit, or distribute electricity, or a 885
not-for-profit successor of such company. 886

(6) "Electric distribution utility" means an electric 887
utility that supplies at least retail electric distribution 888
service. 889

(7) "Electric light company" has the same meaning as in 890
section 4905.03 of the Revised Code and includes an electric 891
services company, but excludes any self-generator to the extent 892
that it consumes electricity it so produces, sells that 893
electricity for resale, or obtains electricity from a generating 894
facility it hosts on its premises. 895

(8) "Electric load center" has the same meaning as in 896
section 4933.81 of the Revised Code. 897

(9) "Electric services company" means an electric light 898
company that is engaged on a for-profit or not-for-profit basis 899
in the business of supplying or arranging for the supply of only 900
a competitive retail electric service in this state. "Electric 901
services company" includes a power marketer, power broker, 902
aggregator, or independent power producer but excludes an 903
electric cooperative, municipal electric utility, governmental 904
aggregator, or billing and collection agent. 905

(10) "Electric supplier" has the same meaning as in 906
section 4933.81 of the Revised Code. 907

(11) "Electric utility" means an electric light company 908
that has a certified territory and is engaged on a for-profit 909
basis either in the business of supplying a noncompetitive 910
retail electric service in this state or in the businesses of 911
supplying both a noncompetitive and a competitive retail 912
electric service in this state. "Electric utility" excludes a 913
municipal electric utility or a billing and collection agent. 914

(12) "Firm electric service" means electric service other 915
than nonfirm electric service. 916

(13) "Governmental aggregator" means a legislative 917
authority of a municipal corporation, a board of township 918

**Sub. H. B. No. 6
As Passed by the House****Page 33**

trustees, or a board of county commissioners acting as an 919
aggregator for the provision of a competitive retail electric 920
service under authority conferred under section 4928.20 of the 921
Revised Code. 922

(14) A person acts "knowingly," regardless of the person's 923
purpose, when the person is aware that the person's conduct will 924
probably cause a certain result or will probably be of a certain 925
nature. A person has knowledge of circumstances when the person 926
is aware that such circumstances probably exist. 927

(15) "Level of funding for low-income customer energy 928
efficiency programs provided through electric utility rates" 929
means the level of funds specifically included in an electric 930
utility's rates on October 5, 1999, pursuant to an order of the 931
public utilities commission issued under Chapter 4905. or 4909. 932
of the Revised Code and in effect on October 4, 1999, for the 933
purpose of improving the energy efficiency of housing for the 934
utility's low-income customers. The term excludes the level of 935
any such funds committed to a specific nonprofit organization or 936
organizations pursuant to a stipulation or contract. 937

(16) "Low-income customer assistance programs" means the 938
percentage of income payment plan program, the home energy 939
assistance program, the home weatherization assistance program, 940
and the targeted energy efficiency and weatherization program. 941

(17) "Market development period" for an electric utility 942
means the period of time beginning on the starting date of 943
competitive retail electric service and ending on the applicable 944
date for that utility as specified in section 4928.40 of the 945
Revised Code, irrespective of whether the utility applies to 946
receive transition revenues under this chapter. 947

**Sub. H. B. No. 6
As Passed by the House****Page 34**

(18) "Market power" means the ability to impose on 948
customers a sustained price for a product or service above the 949
price that would prevail in a competitive market. 950

(19) "Mercantile customer" means a commercial or 951
industrial customer if the electricity consumed is for 952
nonresidential use and the customer consumes more than seven 953
hundred thousand kilowatt hours per year or is part of a 954
national account involving multiple facilities in one or more 955
states. 956

(20) "Municipal electric utility" means a municipal 957
corporation that owns or operates facilities to generate, 958
transmit, or distribute electricity. 959

(21) "Noncompetitive retail electric service" means a 960
component of retail electric service that is noncompetitive as 961
provided under division (B) of this section. 962

(22) "Nonfirm electric service" means electric service 963
provided pursuant to a schedule filed under section 4905.30 of 964
the Revised Code or pursuant to an arrangement under section 965
4905.31 of the Revised Code, which schedule or arrangement 966
includes conditions that may require the customer to curtail or 967
interrupt electric usage during nonemergency circumstances upon 968
notification by an electric utility. 969

(23) "Percentage of income payment plan arrears" means 970
funds eligible for collection through the percentage of income 971
payment plan rider, but uncollected as of July 1, 2000. 972

(24) "Person" has the same meaning as in section 1.59 of 973
the Revised Code. 974

(25) "Advanced energy project" means any technologies, 975
products, activities, or management practices or strategies that 976

**Sub. H. B. No. 6
As Passed by the House****Page 35**

facilitate the generation or use of electricity or energy and 977
that reduce or support the reduction of energy consumption or 978
support the production of clean, renewable energy for 979
industrial, distribution, commercial, institutional, 980
governmental, research, not-for-profit, or residential energy 981
users, including, but not limited to, advanced energy resources 982
and renewable energy resources. "Advanced energy project" also 983
includes any project described in division (A), (B), or (C) of 984
section 4928.621 of the Revised Code. 985

(26) "Regulatory assets" means the unamortized net 986
regulatory assets that are capitalized or deferred on the 987
regulatory books of the electric utility, pursuant to an order 988
or practice of the public utilities commission or pursuant to 989
generally accepted accounting principles as a result of a prior 990
commission rate-making decision, and that would otherwise have 991
been charged to expense as incurred or would not have been 992
capitalized or otherwise deferred for future regulatory 993
consideration absent commission action. "Regulatory assets" 994
includes, but is not limited to, all deferred demand-side 995
management costs; all deferred percentage of income payment plan 996
arrears; post-in-service capitalized charges and assets 997
recognized in connection with statement of financial accounting 998
standards no. 109 (receivables from customers for income taxes); 999
future nuclear decommissioning costs and fuel disposal costs as 1000
those costs have been determined by the commission in the 1001
electric utility's most recent rate or accounting application 1002
proceeding addressing such costs; the undepreciated costs of 1003
safety and radiation control equipment on nuclear generating 1004
plants owned or leased by an electric utility; and fuel costs 1005
currently deferred pursuant to the terms of one or more 1006
settlement agreements approved by the commission. 1007

**Sub. H. B. No. 6
As Passed by the House****Page 36**

(27) "Retail electric service" means any service involved 1008
in supplying or arranging for the supply of electricity to 1009
ultimate consumers in this state, from the point of generation 1010
to the point of consumption. For the purposes of this chapter, 1011
retail electric service includes one or more of the following 1012
"service components": generation service, aggregation service, 1013
power marketing service, power brokerage service, transmission 1014
service, distribution service, ancillary service, metering 1015
service, and billing and collection service. 1016

(28) "Starting date of competitive retail electric 1017
service" means January 1, 2001. 1018

(29) "Customer-generator" means a user of a net metering 1019
system. 1020

(30) "Net metering" means measuring the difference in an 1021
applicable billing period between the electricity supplied by an 1022
electric service provider and the electricity generated by a 1023
customer-generator that is fed back to the electric service 1024
provider. 1025

(31) "Net metering system" means a facility for the 1026
production of electrical energy that does all of the following: 1027

(a) Uses as its fuel either solar, wind, biomass, landfill 1028
gas, or hydropower, or uses a microturbine or a fuel cell; 1029

(b) Is located on a customer-generator's premises; 1030

(c) Operates in parallel with the electric utility's 1031
transmission and distribution facilities; 1032

(d) Is intended primarily to offset part or all of the 1033
customer-generator's requirements for electricity. For an 1034
industrial customer-generator with a net metering system that 1035

has a capacity of less than twenty megawatts and uses wind as 1036
energy, this means the net metering system was sized so as to 1037
not exceed one hundred per cent of the customer-generator's 1038
annual requirements for electric energy at the time of 1039
interconnection. 1040

(32) "Self-generator" means an entity in this state that 1041
owns or hosts on its premises an electric generation facility 1042
that produces electricity primarily for the owner's consumption 1043
and that may provide any such excess electricity to another 1044
entity, whether the facility is installed or operated by the 1045
owner or by an agent under a contract. 1046

(33) "Rate plan" means the standard service offer in 1047
effect on the effective date of the amendment of this section by 1048
S.B. 221 of the 127th general assembly, July 31, 2008. 1049

(34) "Advanced energy resource" means any of the 1050
following: 1051

(a) Any method or any modification or replacement of any 1052
property, process, device, structure, or equipment that 1053
increases the generation output of an electric generating 1054
facility to the extent such efficiency is achieved without 1055
additional carbon dioxide emissions by that facility; 1056

(b) Any distributed generation system consisting of 1057
customer cogeneration technology; 1058

(c) Clean coal technology that includes a carbon-based 1059
product that is chemically altered before combustion to 1060
demonstrate a reduction, as expressed as ash, in emissions of 1061
nitrous oxide, mercury, arsenic, chlorine, sulfur dioxide, or 1062
sulfur trioxide in accordance with the American society of 1063
testing and materials standard D1757A or a reduction of metal 1064

**Sub. H. B. No. 6
As Passed by the House****Page 38**

oxide emissions in accordance with standard D5142 of that 1065
society, or clean coal technology that includes the design 1066
capability to control or prevent the emission of carbon dioxide, 1067
which design capability the commission shall adopt by rule and 1068
shall be based on economically feasible best available 1069
technology or, in the absence of a determined best available 1070
technology, shall be of the highest level of economically 1071
feasible design capability for which there exists generally 1072
accepted scientific opinion; 1073

(d) Advanced nuclear energy technology consisting of 1074
generation III technology as defined by the nuclear regulatory 1075
commission; other, later technology; or significant improvements 1076
to existing facilities; 1077

(e) Any fuel cell used in the generation of electricity, 1078
including, but not limited to, a proton exchange membrane fuel 1079
cell, phosphoric acid fuel cell, molten carbonate fuel cell, or 1080
solid oxide fuel cell; 1081

(f) Advanced solid waste or construction and demolition 1082
debris conversion technology, including, but not limited to, 1083
advanced stoker technology, and advanced fluidized bed 1084
gasification technology, that results in measurable greenhouse 1085
gas emissions reductions as calculated pursuant to the United 1086
States environmental protection agency's waste reduction model 1087
(WARM); 1088

(g) Demand-side management and any energy efficiency 1089
improvement; 1090

(h) Any new, retrofitted, refueled, or repowered 1091
generating facility located in Ohio, including a simple or 1092
combined-cycle natural gas generating facility or a generating 1093

**Sub. H. B. No. 6
As Passed by the House****Page 39**

facility that uses biomass, coal, modular nuclear, or any other 1094
fuel as its input; 1095

(i) Any uprated capacity of an existing electric 1096
generating facility if the uprated capacity results from the 1097
deployment of advanced technology. 1098

~~"Advanced energy resource" does not include a waste energy-~~ 1099
~~recovery system that is, or has been, included in an energy-~~ 1100
~~efficiency program of an electric distribution utility pursuant-~~ 1101
~~to requirements under section 4928.66 of the Revised Code.~~ 1102

(35) "Air contaminant source" has the same meaning as in 1103
section 3704.01 of the Revised Code. 1104

(36) "Cogeneration technology" means technology that 1105
produces electricity and useful thermal output simultaneously. 1106

(37) (a) "Renewable energy resource" means any of the 1107
following: 1108

(i) Solar photovoltaic or solar thermal energy; 1109

(ii) Wind energy; 1110

(iii) Power produced by a hydroelectric facility; 1111

(iv) Power produced by a small hydroelectric facility, 1112
which is a facility that operates, or is rated to operate, at an 1113
aggregate capacity of less than six megawatts; 1114

(v) Power produced by a run-of-the-river hydroelectric 1115
facility placed in service on or after January 1, 1980, that is 1116
located within this state, relies upon the Ohio river, and 1117
operates, or is rated to operate, at an aggregate capacity of 1118
forty or more megawatts; 1119

(vi) Geothermal energy; 1120

**Sub. H. B. No. 6
As Passed by the House****Page 40**

- (vii) Fuel derived from solid wastes, as defined in 1121
section 3734.01 of the Revised Code, through fractionation, 1122
biological decomposition, or other process that does not 1123
principally involve combustion; 1124
- (viii) Biomass energy; 1125
- (ix) Energy produced by cogeneration technology that is 1126
placed into service on or before December 31, 2015, and for 1127
which more than ninety per cent of the total annual energy input 1128
is from combustion of a waste or byproduct gas from an air 1129
contaminant source in this state, which source has been in 1130
operation since on or before January 1, 1985, provided that the 1131
cogeneration technology is a part of a facility located in a 1132
county having a population of more than three hundred sixty-five 1133
thousand but less than three hundred seventy thousand according 1134
to the most recent federal decennial census; 1135
- (x) Biologically derived methane gas; 1136
- (xi) Heat captured from a generator of electricity, 1137
boiler, or heat exchanger fueled by biologically derived methane 1138
gas; 1139
- (xii) Energy derived from nontreated by-products of the 1140
pulping process or wood manufacturing process, including bark, 1141
wood chips, sawdust, and lignin in spent pulping liquors. 1142
- "Renewable energy resource" includes, but is not limited 1143
to, any fuel cell used in the generation of electricity, 1144
including, but not limited to, a proton exchange membrane fuel 1145
cell, phosphoric acid fuel cell, molten carbonate fuel cell, or 1146
solid oxide fuel cell; wind turbine located in the state's 1147
territorial waters of Lake Erie; methane gas emitted from an 1148
abandoned coal mine; waste energy recovery system placed into 1149

service or retrofitted on or after the effective date of the 1150
amendment of this section by S.B. 315 of the 129th general 1151
assembly, September 10, 2012, except that a waste energy 1152
recovery system described in division (A) (38) (b) of this section 1153
may be included only if it was placed into service between 1154
January 1, 2002, and December 31, 2004; storage facility that 1155
will promote the better utilization of a renewable energy 1156
resource; or distributed generation system used by a customer to 1157
generate electricity from any such energy. 1158

~~"Renewable energy resource" does not include a waste 1159
energy recovery system that is, or was, on or after January 1, 1160
2012, included in an energy efficiency program of an electric 1161
distribution utility pursuant to requirements under section 1162
4928.66 of the Revised Code. 1163~~

(b) As used in division (A) (37) of this section, 1164
"hydroelectric facility" means a hydroelectric generating 1165
facility that is located at a dam on a river, or on any water 1166
discharged to a river, that is within or bordering this state or 1167
within or bordering an adjoining state and meets all of the 1168
following standards: 1169

(i) The facility provides for river flows that are not 1170
detrimental for fish, wildlife, and water quality, including 1171
seasonal flow fluctuations as defined by the applicable 1172
licensing agency for the facility. 1173

(ii) The facility demonstrates that it complies with the 1174
water quality standards of this state, which compliance may 1175
consist of certification under Section 401 of the "Clean Water 1176
Act of 1977," 91 Stat. 1598, 1599, 33 U.S.C. 1341, and 1177
demonstrates that it has not contributed to a finding by this 1178
state that the river has impaired water quality under Section 1179

**Sub. H. B. No. 6
As Passed by the House****Page 42**

303(d) of the "Clean Water Act of 1977," 114 Stat. 870, 33 1180
U.S.C. 1313. 1181

(iii) The facility complies with mandatory prescriptions 1182
regarding fish passage as required by the federal energy 1183
regulatory commission license issued for the project, regarding 1184
fish protection for riverine, anadromous, and catadromous fish. 1185

(iv) The facility complies with the recommendations of the 1186
Ohio environmental protection agency and with the terms of its 1187
federal energy regulatory commission license regarding watershed 1188
protection, mitigation, or enhancement, to the extent of each 1189
agency's respective jurisdiction over the facility. 1190

(v) The facility complies with provisions of the 1191
"Endangered Species Act of 1973," 87 Stat. 884, 16 U.S.C. 1531 1192
to 1544, as amended. 1193

(vi) The facility does not harm cultural resources of the 1194
area. This can be shown through compliance with the terms of its 1195
federal energy regulatory commission license or, if the facility 1196
is not regulated by that commission, through development of a 1197
plan approved by the Ohio historic preservation office, to the 1198
extent it has jurisdiction over the facility. 1199

(vii) The facility complies with the terms of its federal 1200
energy regulatory commission license or exemption that are 1201
related to recreational access, accommodation, and facilities 1202
or, if the facility is not regulated by that commission, the 1203
facility complies with similar requirements as are recommended 1204
by resource agencies, to the extent they have jurisdiction over 1205
the facility; and the facility provides access to water to the 1206
public without fee or charge. 1207

(viii) The facility is not recommended for removal by any 1208

federal agency or agency of any state, to the extent the 1209
particular agency has jurisdiction over the facility. 1210

(c) The standards in divisions (A) (37) (b) (i) to (viii) of 1211
this section do not apply to a small hydroelectric facility 1212
under division (A) (37) (a) (iv) of this section. 1213

(38) "Waste energy recovery system" means either of the 1214
following: 1215

(a) A facility that generates electricity through the 1216
conversion of energy from either of the following: 1217

(i) Exhaust heat from engines or manufacturing, 1218
industrial, commercial, or institutional sites, except for 1219
exhaust heat from a facility whose primary purpose is the 1220
generation of electricity; 1221

(ii) Reduction of pressure in gas pipelines before gas is 1222
distributed through the pipeline, provided that the conversion 1223
of energy to electricity is achieved without using additional 1224
fossil fuels. 1225

(b) A facility at a state institution of higher education 1226
as defined in section 3345.011 of the Revised Code that recovers 1227
waste heat from electricity-producing engines or combustion 1228
turbines and that simultaneously uses the recovered heat to 1229
produce steam, provided that the facility was placed into 1230
service between January 1, 2002, and December 31, 2004. 1231

(39) "Smart grid" means capital improvements to an 1232
electric distribution utility's distribution infrastructure that 1233
improve reliability, efficiency, resiliency, or reduce energy 1234
demand or use, including, but not limited to, advanced metering 1235
and automation of system functions. 1236

**Sub. H. B. No. 6
As Passed by the House**

Page 44

(40) "Combined heat and power system" means the 1237
coproduction of electricity and useful thermal energy from the 1238
same fuel source designed to achieve thermal-efficiency levels 1239
of at least sixty per cent, with at least twenty per cent of the 1240
system's total useful energy in the form of thermal energy. 1241

(41) "National security generation resource" means all 1242
generating facilities owned directly or indirectly by a 1243
corporation that was formed prior to 1960 by investor-owned 1244
utilities for the original purpose of providing capacity and 1245
electricity to the federal government for use in the nation's 1246
defense or in furtherance of national interests. The term 1247
includes the Ohio valley electric corporation. 1248

(42) "Prudently incurred costs related to a national 1249
security generation resource" means, subject to section 4928.148 1250
of the Revised Code, costs, including deferred costs, allocated 1251
pursuant to a power agreement approved by the federal energy 1252
regulatory commission that relates to a national security 1253
generation resource. Such costs shall exclude any return on 1254
investment in common equity and, in the event of a premature 1255
retirement of a national security generation resource, shall 1256
exclude any recovery of remaining debt. Such costs shall include 1257
any incremental costs resulting from the bankruptcy of a current 1258
or former co-owner of the national security generation resource 1259
if not otherwise recovered through a utility rate cost recovery 1260
mechanism. 1261

(43) "National security generation resource net impact" 1262
means retail recovery of prudently incurred costs related to a 1263
national security generation resource, less any revenues 1264
realized from offering the contractual commitment related to a 1265
national security generation resource into the wholesale 1266

markets, provided that where the net revenues exceed net costs, 1267
those excess revenues shall be credited to customers. 1268

(B) For the purposes of this chapter, a retail electric 1269
service component shall be deemed a competitive retail electric 1270
service if the service component is competitive pursuant to a 1271
declaration by a provision of the Revised Code or pursuant to an 1272
order of the public utilities commission authorized under 1273
division (A) of section 4928.04 of the Revised Code. Otherwise, 1274
the service component shall be deemed a noncompetitive retail 1275
electric service. 1276

Sec. 4928.02. It is the policy of this state to do the 1277
following throughout this state: 1278

(A) Ensure the availability to consumers of adequate, 1279
reliable, safe, efficient, nondiscriminatory, and reasonably 1280
priced retail electric service; 1281

(B) Ensure the availability of unbundled and comparable 1282
retail electric service that provides consumers with the 1283
supplier, price, terms, conditions, and quality options they 1284
elect to meet their respective needs; 1285

(C) Ensure diversity of electricity supplies and 1286
suppliers, by giving consumers effective choices over the 1287
selection of those supplies and suppliers and by encouraging the 1288
development of distributed and small generation facilities; 1289

(D) Encourage innovation and market access for cost- 1290
effective supply- and demand-side retail electric service 1291
including, but not limited to, demand-side management, time- 1292
differentiated pricing, waste energy recovery systems, smart 1293
grid programs, and implementation of advanced metering 1294
infrastructure; 1295

**Sub. H. B. No. 6
As Passed by the House****Page 46**

(E) Encourage cost-effective and efficient access to 1296
information regarding the operation of the transmission and 1297
distribution systems of electric utilities in order to promote 1298
both effective customer choice of retail electric service and 1299
the development of performance standards and targets for service 1300
quality for all consumers, including annual achievement reports 1301
written in plain language; 1302

(F) Ensure that an electric utility's transmission and 1303
distribution systems are available to a customer-generator or 1304
owner of distributed generation, so that the customer-generator 1305
or owner can market and deliver the electricity it produces; 1306

(G) Recognize the continuing emergence of competitive 1307
electricity markets through the development and implementation 1308
of flexible regulatory treatment; 1309

(H) Ensure effective competition in the provision of 1310
retail electric service by avoiding anticompetitive subsidies 1311
flowing from a noncompetitive retail electric service to a 1312
competitive retail electric service or to a product or service 1313
other than retail electric service, and vice versa, including by 1314
prohibiting the recovery of any generation-related costs through 1315
distribution or transmission rates; 1316

(I) Ensure retail electric service consumers protection 1317
against unreasonable sales practices, market deficiencies, and 1318
market power; 1319

(J) Provide coherent, transparent means of giving 1320
appropriate incentives to technologies that can adapt 1321
successfully to potential environmental mandates; 1322

(K) Encourage implementation of distributed generation 1323
across customer classes through regular review and updating of 1324

**Sub. H. B. No. 6
As Passed by the House****Page 47**

administrative rules governing critical issues such as, but not 1325
limited to, interconnection standards, standby charges, and net 1326
metering; 1327

(L) Protect at-risk populations, including, but not 1328
limited to, when considering the implementation of any new 1329
advanced energy or renewable energy resource; 1330

(M) Encourage the education of small business owners in 1331
this state regarding the use of, and encourage the use of, 1332
energy efficiency programs and alternative energy resources in 1333
their businesses; 1334

(N) Facilitate the state's effectiveness in the global 1335
economy; 1336

(O) Provide clarity in cost recovery for Ohio-based 1337
electric distribution utilities in conjunction with national 1338
security generation resources and support electric distribution 1339
utility and affiliate divestiture of ownership interests in any 1340
national security generation resource if divestiture efforts 1341
result in no adverse consequences to the utility. 1342

In carrying out this policy, the commission shall consider 1343
rules as they apply to the costs of electric distribution 1344
infrastructure, including, but not limited to, line extensions, 1345
for the purpose of development in this state. 1346

Sec. 4928.147. (A) Upon the expiration of any mechanism 1347
authorized by the public utilities commission to recover an 1348
electric distribution utility's national security generation 1349
resource net impact, an electric distribution utility may 1350
recover, subject to an audit, reconciliation, and prudence 1351
review under section 4928.148 of the Revised Code, the national 1352
security generation resource net impact that remains unrecovered 1353

at the time of expiration. 1354

(B) An electric distribution utility, including all 1355
electric distribution utilities in the same holding company, 1356
shall bid all output from the national security generation 1357
resource into the wholesale market and shall not use the output 1358
in supplying its standard service offer provided under section 1359
4928.142 or 4928.143 of the Revised Code. 1360

Sec. 4928.148. (A) In establishing a nonbypassable rate 1361
mechanism for recovery of a national security generation 1362
resource net impact under section 4928.147 of the Revised Code, 1363
the public utilities commission shall do all of the following: 1364

(1) Determine, every three years, the prudence and 1365
reasonableness of the electric distribution utility's actions 1366
related to the national security generation resource, including 1367
its decisions related to offering the contractual commitment 1368
into the wholesale markets, and exclude from recovery those 1369
costs that it determines imprudent and unreasonable. 1370

(2) Determine the proper rate design for recovering or 1371
remitting the national security generation resource net impact, 1372
provided, however, that the monthly charge or credit recovering 1373
that impact, including any deferrals or credits, shall not 1374
exceed two dollars and fifty cents per customer per month for 1375
residential customers. For all other customer classes, the 1376
commission shall establish comparable monthly caps for each at 1377
or below two thousand five hundred dollars per customer per 1378
month. Insofar as the national security generation resource net 1379
impact exceeds these monthly limits, the electric distribution 1380
utility shall defer the remaining net impact as a regulatory 1381
asset or liability that shall be recovered as determined by the 1382
commission subject to the monthly rate caps set forth in this 1383

division. 1384

(3) Provide for discontinuation, subject to final 1385
reconciliation, of the nonbypassable rate mechanism on December 1386
31, 2030, unless the mechanism is extended by the general 1387
assembly under division (B) of this section. 1388

(B) The commission shall conduct an inquiry in 2029 to 1389
determine whether it is in the public interest to continue 1390
recovery of a national security generation resource net impact 1391
after 2030, and report its findings to the general assembly. 1392

Sec. 4928.46. (A) In the event that the federal energy 1393
regulatory commission authorizes a program by which this state 1394
may take action to satisfy any portion of the capacity resource 1395
obligation associated with the organized wholesale market that 1396
functions to meet the capacity, energy services, and ancillary 1397
services needs of consumers in this state, the public utilities 1398
commission shall promptly review the program and submit a report 1399
of its findings to the general assembly. 1400

(B) The report shall include any recommendations for both 1401
of the following: 1402

(1) Legislation that may be necessary to permit this state 1403
to beneficially participate in any such program; 1404

(2) How to maintain participation by end-use customers in 1405
this state in the demand response program offered by PJM 1406
Interconnection, L.L.C., or its successor organization, 1407
including how the state may consider structuring procurement for 1408
demand response that would allow demand response to satisfy a 1409
portion of the state's capacity resource obligation. 1410

(C) The report shall incorporate the policy of 1411
facilitating the state's effectiveness in the global economy by 1412

minimizing any adverse impact on trade-exposed industrial 1413
manufacturers. 1414

Sec. 4928.47. (A) As used in this section, "clean air 1415
resource" means any of the following: 1416

(1) A clean air resource as defined in section 3706.40 of 1417
the Revised Code; 1418

(2) A customer-sited renewable energy resource; 1419

(3) A renewable energy resource that is a self-generator. 1420

(B)(1) Through its general supervision, ratemaking, cost 1421
assignment, allocation, rate schedule approval, and rulemaking 1422
authority, as well as its authority under section 4905.31 of the 1423
Revised Code, the public utilities commission shall facilitate 1424
and encourage the establishment of retail purchased power 1425
agreements having a term of three years or more through which 1426
mercantile customers of an electric distribution utility commit 1427
to satisfy a material portion of their electricity requirements 1428
from the output of a clean air resource. 1429

(2) The commission's application and administration of 1430
this section shall be the same for all clean air resources 1431
regardless of whether the resource is certified or eligible for 1432
certification under the Ohio clean air program created under 1433
section 3706.42 of the Revised Code. 1434

(3) In addition to any other benefits that may be 1435
available as a result of the commission's application of its 1436
authority under this section, on the effective date of a retail 1437
purchased power agreement, the commission may exempt such 1438
purchasing mercantile customer from the Ohio clean air program 1439
per-account monthly charge established in section 3706.47 of the 1440
Revised Code. 1441

Sub. H. B. No. 6
As Passed by the House

Page 51

(C) (1) Not later than ninety days after the effective date 1442
of this section, the commission shall promulgate rules as 1443
necessary to begin the implementation of this section. 1444

(2) Not later than two hundred seventy-five days after the 1445
effective date of this section, the commission shall promulgate 1446
rules for further implementation and administration of this 1447
section. 1448

Sec. 4928.471. (A) Except as provided in division (E) of 1449
this section, not earlier than thirty days after the effective 1450
date of this section, an electric distribution utility may file 1451
an application to implement a decoupling mechanism for the 2019 1452
calendar year and each calendar year thereafter. For an electric 1453
distribution utility that applies for a decoupling mechanism 1454
under this section, the base distribution rates for residential 1455
and commercial customers shall be decoupled to the base 1456
distribution revenue and revenue resulting from implementation 1457
of section 4928.66 of the Revised Code, excluding program costs 1458
and shared savings, and recovered pursuant to an approved 1459
electric security plan under section 4928.143 of the Revised 1460
Code, as of the twelve-month period ending on December 31, 2018. 1461
An application under this division shall not be considered an 1462
application under section 4909.18 of the Revised Code. 1463

(B) The commission shall issue an order approving an 1464
application for a decoupling mechanism filed under division (A) 1465
of this section not later than sixty days after the application 1466
is filed. In determining that an application is not unjust and 1467
unreasonable, the commission shall verify that the rate schedule 1468
or schedules are designed to recover the electric distribution 1469
utility's 2018 annual revenues as described in division (A) of 1470
this section and that the decoupling rate design is aligned with 1471

Sub. H. B. No. 6
As Passed by the House

Page 52

the rate design of the electric distribution utility's existing 1472
base distribution rates. The decoupling mechanism shall recover 1473
an amount equal to the base distribution revenue and revenue 1474
resulting from implementation of section 4928.66 of the Revised 1475
Code, excluding program costs and shared savings, and recovered 1476
pursuant to an approved electric security plan under section 1477
4928.143 of the Revised Code, as of the twelve-month period 1478
ending on December 31, 2018. The decoupling mechanism shall be 1479
adjusted annually thereafter to reconcile any over recovery or 1480
under recovery from the prior year and to enable an electric 1481
distribution utility to recover the same level of revenues 1482
described in division (A) of this section in each year. 1483

(C) The commission's approval of a decoupling mechanism 1484
under this section shall not affect any other rates, riders, 1485
charges, schedules, classifications, or services previously 1486
approved by the commission. The decoupling mechanism shall 1487
remain in effect until the next time that the electric 1488
distribution utility applies for and the commission approves 1489
base distribution rates for the utility under section 4909.18 of 1490
the Revised Code. 1491

(D) If the commission determines that approving a 1492
decoupling mechanism will result in a double recovery by the 1493
electric distribution utility, the commission shall not approve 1494
the application unless the utility cures the double recovery. 1495

(E) Divisions (A), (B), and (C) of this section shall not 1496
apply to an electric distribution utility that has base 1497
distribution rates that became effective between December 31, 1498
2018, and the effective date of this section pursuant to an 1499
application for an increase in base distribution rates filed 1500
under section 4909.18 of the Revised Code. 1501

Sec. 4928.647. Subject to approval by the public utilities commission and regardless of any limitations set forth in any other section of Chapter 4928. of the Revised Code, an electric distribution utility may offer a customer the opportunity to purchase renewable energy services on a nondiscriminatory basis, by doing either of the following:

(A) (1) An electric distribution utility may seek approval from the commission to establish a schedule or schedules applicable to residential, commercial, industrial, or other customers and provide a customer the opportunity to purchase renewable energy credits for any purpose the customer elects.

(2) The commission shall not approve any schedule unless it determines both of the following:

(a) The proposed schedule or schedules do not create an undue burden or unreasonable preference or disadvantage to nonparticipating customers.

(b) The electric distribution utility seeking approval commits to comply with any conditions the commission may impose to ensure that the electric distribution utility and any participating customers are solely responsible for the risks, costs, and benefits of any schedule or schedules.

(B) (1) Consistent with section 4905.31 of the Revised Code, an electric distribution utility, a customer, or a group of customers may seek approval of a nondiscriminatory schedule or reasonable arrangement involving the production and supply of renewable energy, including long-term renewable energy purchase agreements through which an electric distribution utility may construct, lease, finance, or operate renewable energy resources dedicated to that customer or customers.

(2) The commission shall not approve any schedule or arrangement unless it determines both of the following: 1531
1532

(a) The proposed schedule or arrangement does not create an undue burden or unreasonable preference or disadvantage to nonparticipating customers. 1533
1534
1535

(b) The electric distribution utility seeking approval commits to comply with any conditions the commission may impose to ensure that the electric distribution utility and any participating customers are solely responsible for the risks, costs, and benefits of any schedule or reasonable arrangement. 1536
1537
1538
1539
1540

Sec. 4928.66. (A) (1) (a) Beginning in 2009, an electric distribution utility shall implement energy efficiency programs that achieve energy savings equivalent to at least three-tenths of one per cent of the total, annual average, and normalized kilowatt-hour sales of the electric distribution utility during the preceding three calendar years to customers in this state. An energy efficiency program may include a combined heat and power system placed into service or retrofitted on or after the effective date of the amendment of this section by S.B. 315 of the 129th general assembly, September 10, 2012, or a waste energy recovery system placed into service or retrofitted on or after September 10, 2012, except that a waste energy recovery system described in division (A) (38) (b) of section 4928.01 of the Revised Code may be included only if it was placed into service between January 1, 2002, and December 31, 2004. For a waste energy recovery or combined heat and power system, the savings shall be as estimated by the public utilities commission. The savings requirement, using such a three-year average, shall increase to an additional five-tenths of one per cent in 2010, seven-tenths of one per cent in 2011, eight-tenths 1541
1542
1543
1544
1545
1546
1547
1548
1549
1550
1551
1552
1553
1554
1555
1556
1557
1558
1559
1560

**Sub. H. B. No. 6
As Passed by the House****Page 55**

of one per cent in 2012, nine-tenths of one per cent in 2013, 1561
and one per cent in 2014. In 2015 and 2016, an electric 1562
distribution utility shall achieve energy savings equal to the 1563
result of subtracting the cumulative energy savings achieved 1564
since 2009 from the product of multiplying the baseline for 1565
energy savings, described in division (A) (2) (a) of this section, 1566
by four and two-tenths of one per cent. If the result is zero or 1567
less for the year for which the calculation is being made, the 1568
utility shall not be required to achieve additional energy 1569
savings for that year, but may achieve additional energy savings 1570
for that year. ~~Thereafter, the~~ The annual savings requirements 1571
shall be, for years 2017, 2018, 2019, and 2020, an additional 1572
~~one per cent of the baseline, and two per cent each year~~ 1573
~~thereafter, achieving cumulative energy savings in excess of~~ 1574
~~twenty two per cent by the end of 2027.~~ For purposes of a waste 1575
energy recovery or combined heat and power system, an electric 1576
distribution utility shall not apply more than the total annual 1577
percentage of the electric distribution utility's industrial- 1578
customer load, relative to the electric distribution utility's 1579
total load, to the annual energy savings requirement. 1580

(b) Beginning in 2009, an electric distribution utility 1581
shall implement peak demand reduction programs designed to 1582
achieve a one per cent reduction in peak demand in 2009 and an 1583
additional seventy-five hundredths of one per cent reduction 1584
each year through 2014. In 2015 and 2016, an electric 1585
distribution utility shall achieve a reduction in peak demand 1586
equal to the result of subtracting the cumulative peak demand 1587
reductions achieved since 2009 from the product of multiplying 1588
the baseline for peak demand reduction, described in division 1589
(A) (2) (a) of this section, by four and seventy-five hundredths 1590
of one per cent. If the result is zero or less for the year for 1591

Sub. H. B. No. 6
As Passed by the House

Page 56

which the calculation is being made, the utility shall not be 1592
required to achieve an additional reduction in peak demand for 1593
that year, but may achieve an additional reduction in peak 1594
demand for that year. In 2017 and each year thereafter through 1595
2020, the utility shall achieve an additional seventy-five 1596
hundredths of one per cent reduction in peak demand. 1597

(2) For the purposes of divisions (A) (1) (a) and (b) of 1598
this section: 1599

(a) The baseline for energy savings under division (A) (1) 1600
(a) of this section shall be the average of the total kilowatt 1601
hours the electric distribution utility sold in the preceding 1602
three calendar years. The baseline for a peak demand reduction 1603
under division (A) (1) (b) of this section shall be the average 1604
peak demand on the utility in the preceding three calendar 1605
years, except that the commission may reduce either baseline to 1606
adjust for new economic growth in the utility's certified 1607
territory. Neither baseline shall include the load and usage of 1608
any of the following customers: 1609

(i) Beginning January 1, 2017, a customer for which a 1610
reasonable arrangement has been approved under section 4905.31 1611
of the Revised Code; 1612

(ii) A customer that has opted out of the utility's 1613
portfolio plan under section 4928.6611 of the Revised Code; 1614

(iii) A customer that has opted out of the utility's 1615
portfolio plan under Section 8 of S.B. 310 of the 130th general 1616
assembly. 1617

(b) The commission may amend the benchmarks set forth in 1618
division (A) (1) (a) or (b) of this section if, after application 1619
by the electric distribution utility, the commission determines 1620

that the amendment is necessary because the utility cannot 1621
reasonably achieve the benchmarks due to regulatory, economic, 1622
or technological reasons beyond its reasonable control. 1623

(c) Compliance with divisions (A)(1)(a) and (b) of this 1624
section shall be measured by including the effects of all 1625
demand-response programs for mercantile customers of the subject 1626
electric distribution utility, all waste energy recovery systems 1627
and all combined heat and power systems, and all such mercantile 1628
customer-sited energy efficiency, including waste energy 1629
recovery and combined heat and power, and peak demand reduction 1630
programs, adjusted upward by the appropriate loss factors. Any 1631
mechanism designed to recover the cost of energy efficiency, 1632
including waste energy recovery and combined heat and power, and 1633
peak demand reduction programs under divisions (A)(1)(a) and (b) 1634
of this section may exempt mercantile customers that commit 1635
their demand-response or other customer-sited capabilities, 1636
whether existing or new, for integration into the electric 1637
distribution utility's demand-response, energy efficiency, 1638
including waste energy recovery and combined heat and power, or 1639
peak demand reduction programs, if the commission determines 1640
that that exemption reasonably encourages such customers to 1641
commit those capabilities to those programs. If a mercantile 1642
customer makes such existing or new demand-response, energy 1643
efficiency, including waste energy recovery and combined heat 1644
and power, or peak demand reduction capability available to an 1645
electric distribution utility pursuant to division (A)(2)(c) of 1646
this section, the electric utility's baseline under division (A) 1647
(2)(a) of this section shall be adjusted to exclude the effects 1648
of all such demand-response, energy efficiency, including waste 1649
energy recovery and combined heat and power, or peak demand 1650
reduction programs that may have existed during the period used 1651

to establish the baseline. The baseline also shall be normalized 1652
for changes in numbers of customers, sales, weather, peak 1653
demand, and other appropriate factors so that the compliance 1654
measurement is not unduly influenced by factors outside the 1655
control of the electric distribution utility. 1656

(d) (i) Programs implemented by a utility may include the 1657
following: 1658

(I) Demand-response programs; 1659

(II) Smart grid investment programs, provided that such 1660
programs are demonstrated to be cost-beneficial; 1661

(III) Customer-sited programs, including waste energy 1662
recovery and combined heat and power systems; 1663

(IV) Transmission and distribution infrastructure 1664
improvements that reduce line losses; 1665

(V) Energy efficiency savings and peak demand reduction 1666
that are achieved, in whole or in part, as a result of funding 1667
provided from the universal service fund established by section 1668
4928.51 of the Revised Code to benefit low-income customers 1669
through programs that include, but are not limited to, energy 1670
audits, the installation of energy efficiency insulation, 1671
appliances, and windows, and other weatherization measures. 1672

(ii) No energy efficiency or peak demand reduction 1673
achieved under divisions (A) (2) (d) (i) (IV) and (V) of this 1674
section shall qualify for shared savings. 1675

(iii) Division (A) (2) (c) of this section shall be applied 1676
to include facilitating efforts by a mercantile customer or 1677
group of those customers to offer customer-sited demand- 1678
response, energy efficiency, including waste energy recovery and 1679

**Sub. H. B. No. 6
As Passed by the House****Page 59**

combined heat and power, or peak demand reduction capabilities 1680
to the electric distribution utility as part of a reasonable 1681
arrangement submitted to the commission pursuant to section 1682
4905.31 of the Revised Code. 1683

(e) No programs or improvements described in division (A) 1684
(2) (d) of this section shall conflict with any statewide 1685
building code adopted by the board of building standards. 1686

(B) In accordance with rules it shall adopt, the public 1687
utilities commission shall produce and docket at the commission 1688
an annual report containing the results of its verification of 1689
the annual levels of energy efficiency and of peak demand 1690
reductions achieved by each electric distribution utility 1691
pursuant to division (A) of this section. A copy of the report 1692
shall be provided to the consumers' counsel. 1693

(C) If the commission determines, after notice and 1694
opportunity for hearing and based upon its report under division 1695
(B) of this section, that an electric distribution utility has 1696
failed to comply with an energy efficiency or peak demand 1697
reduction requirement of division (A) of this section, the 1698
commission shall assess a forfeiture on the utility as provided 1699
under sections 4905.55 to 4905.60 and 4905.64 of the Revised 1700
Code, ~~either~~ in the amount, per day per undercompliance or 1701
noncompliance, relative to the period of the report, equal to 1702
that prescribed for noncompliances under section 4905.54 of the 1703
Revised Code, ~~or in an amount equal to the then existing market-~~ 1704
~~value of one renewable energy credit per megawatt hour of~~ 1705
~~undercompliance or noncompliance.~~ Revenue from any forfeiture 1706
assessed under this division shall be deposited to the credit of 1707
the advanced energy fund created under section 4928.61 of the 1708
Revised Code. 1709

Sub. H. B. No. 6
As Passed by the House

Page 60

(D) The commission may establish rules regarding the 1710
content of an application by an electric distribution utility 1711
for commission approval of a revenue decoupling mechanism under 1712
this division. Such an application shall not be considered an 1713
application to increase rates and may be included as part of a 1714
proposal to establish, continue, or expand energy efficiency or 1715
conservation programs. The commission by order may approve an 1716
application under this division if it determines both that the 1717
revenue decoupling mechanism provides for the recovery of 1718
revenue that otherwise may be forgone by the utility as a result 1719
of or in connection with the implementation by the electric 1720
distribution utility of any energy efficiency or energy 1721
conservation programs and reasonably aligns the interests of the 1722
utility and of its customers in favor of those programs. 1723

(E) The commission additionally shall adopt rules that 1724
require an electric distribution utility to provide a customer 1725
upon request with two years' consumption data in an accessible 1726
form. 1727

(F) (1) All the terms and conditions of an electric 1728
distribution utility's portfolio plan in effect as of the 1729
effective date of the amendments to this section by H.B. 6 of 1730
the 133rd general assembly shall remain in place through 1731
December 31, 2020, and terminate on that date. 1732

(2) If a portfolio plan is extended beyond its commission- 1733
approved term by division (F) (1) of this section, the existing 1734
plan's budget shall be increased for the extended term to 1735
include an amount equal to the annual average of the approved 1736
budget for all years of the portfolio plan in effect as of the 1737
effective date of the amendments to this section by H.B. 6 of 1738
the 133rd general assembly. 1739

Sub. H. B. No. 6
As Passed by the House

Page 61

(3) All other terms and conditions of a portfolio plan 1740
extended beyond its commission-approved term by division (F) (1) 1741
of this section shall remain the same unless changes are 1742
authorized by the commission upon the electric distribution 1743
utility's request. 1744

(G) All requirements imposed and all programs implemented 1745
under this section shall terminate on December 31, 2020, 1746
provided an electric distribution utility recovers in the 1747
following year all remaining program costs incurred or to be 1748
incurred, including costs incurred for contractual obligations 1749
and any costs to discontinue the portfolio plan programs, 1750
through applicable tariff schedules or riders in effect on the 1751
effective date of the amendments to this section by H.B. 6 of 1752
the 133rd general assembly. 1753

Sec. 4928.661. (A) Not earlier than January 1, 2020, an 1754
electric distribution utility may submit an application to the 1755
public utilities commission for approval of programs to 1756
encourage energy efficiency or peak demand reduction. The 1757
application may include descriptions of the proposed programs 1758
including all of the following: 1759

(1) The size and scope of the programs; 1760

(2) Applicability of the programs to specific customer 1761
classes; 1762

(3) Recovery of costs and incentives; 1763

(4) Any other information determined by the electric 1764
distribution utility to be appropriate for the commission's 1765
review. 1766

(B) The commission shall issue an order approving or 1767
modifying and approving an application if it finds that the 1768

Sub. H. B. No. 6
As Passed by the House

Page 62

proposed programs will be cost-effective, in the public 1769
interest, and consistent with state policy as specified in 1770
section 4928.02 of the Revised Code. 1771

(C) Applications submitted and approved under this section 1772
shall not take effect earlier than January 1, 2021. 1773

Sec. 4928.6610. As used in sections 4928.6611 to ~~4928.6616~~ 1774
4928.6615 of the Revised Code: 1775

(A) "Customer" means ~~any~~ either of the following: 1776

(1) Effective January 1, 2020, a mercantile customer as 1777
defined in section 4928.01 of the Revised Code; 1778

(2) Any customer of an electric distribution utility to 1779
 which either of the following applies: 1780

~~(1)~~ (a) The customer receives service above the primary 1781
 voltage level as determined by the utility's tariff 1782
 classification. 1783

~~(2)~~ (b) The customer is a commercial or industrial 1784
 customer to which both of the following apply: 1785

~~(a)~~ (i) The customer receives electricity through a meter 1786
 of an end user or through more than one meter at a single 1787
 location in a quantity that exceeds forty-five million kilowatt 1788
 hours of electricity for the preceding calendar year. 1789

~~(b)~~ (ii) The customer has made a written request for 1790
 registration as a self-assessing purchaser pursuant to section 1791
 5727.81 of the Revised Code. 1792

(B) "Energy intensity" means the amount of energy, from 1793
 electricity, used or consumed per unit of production. 1794

(C) "Portfolio plan" means either of the following: 1795

Sub. H. B. No. 6
As Passed by the House

Page 63

(1) The comprehensive energy efficiency and peak-demand reduction program portfolio plan required under rules adopted by the public utilities commission and codified in Chapter 4901:1-39 of the Administrative Code or hereafter recodified or amended; 1796
1797
1798
1799
1800

(2) A plan approved under section 4928.661 of the Revised Code or under rules adopted under that section. 1801
1802

Sec. 4928.75. Beginning in fiscal year 2021 and each fiscal year thereafter, the director of development services shall, in each fiscal year, submit a completed waiver request in accordance with section 96.83 of Title 45 of the Code of Federal Regulations to the United States department of health and human services and any other applicable federal agencies for the state to expend twenty-five per cent of federal low-income home energy assistance programs funds from the home energy assistance block grants for weatherization services allowed by section 96.83(a) of Title 45 of the Code of Federal Regulations to the United States department of health and human services. 1803
1804
1805
1806
1807
1808
1809
1810
1811
1812
1813

Sec. 4928.80. (A) Each electric distribution utility shall file with the public utilities commission a tariff applicable to county fairs and agricultural societies that includes either of the following: 1814
1815
1816
1817

(1) A fixed monthly service fee; 1818

(2) An energy charge on a kilowatt-hour basis. 1819

(B) The minimum monthly charge shall not exceed the fixed monthly service fee and the customer shall not be subject to any demand-based riders. 1820
1821
1822

(C) The electric distribution utility shall be eligible to recover any revenue loss associated with customer migration to 1823
1824

this new tariff.

1825

Sec. 5727.47. (A) Notice of each assessment certified or 1826
issued pursuant to section 5727.23 or 5727.38 of the Revised 1827
Code shall be mailed to the public utility, and its mailing 1828
shall be prima-facie evidence of its receipt by the public 1829
utility to which it is addressed. With the notice, the tax 1830
commissioner shall provide instructions on how to petition for 1831
reassessment and request a hearing on the petition. ~~If~~ Except as 1832
otherwise provided in division (G) of this section, if a public 1833
utility objects to such an assessment, it may file with the 1834
commissioner, either personally or by certified mail, within 1835
sixty days after the mailing of the notice of assessment a 1836
written petition for reassessment signed by the utility's 1837
authorized agent having knowledge of the facts. The date the 1838
commissioner receives the petition shall be considered the date 1839
of filing. The petition shall indicate the utility's objections, 1840
but additional objections may be raised in writing if received 1841
by the commissioner prior to the date shown on the final 1842
determination. 1843

In the case of a petition seeking a reduction in taxable 1844
value filed with respect to an assessment certified under 1845
section 5727.23 of the Revised Code, the petitioner shall state 1846
in the petition the total amount of reduction in taxable value 1847
sought by the petitioner. If the petitioner objects to the 1848
percentage of true value at which taxable property is assessed 1849
by the commissioner, the petitioner shall state in the petition 1850
the total amount of reduction in taxable value sought both with 1851
and without regard to the objection pertaining to the percentage 1852
of true value at which its taxable property is assessed. If a 1853
petitioner objects to the commissioner's apportionment of the 1854
taxable value of the petitioner's taxable property, the 1855

**Sub. H. B. No. 6
As Passed by the House****Page 65**

petitioner shall distinctly state in the petition that the 1856
petitioner objects to the commissioner's apportionment, and, 1857
within forty-five days after filing the petition for 1858
reassessment, shall submit the petitioner's proposed 1859
apportionment of the taxable value of its taxable property among 1860
taxing districts. If a petitioner that objects to the 1861
commissioner's apportionment fails to state its objections to 1862
that apportionment in its petition for reassessment or fails to 1863
submit its proposed apportionment within forty-five days after 1864
filing the petition for reassessment, the commissioner shall 1865
dismiss the petitioner's objection to the commissioner's 1866
apportionment, and the taxable value of the petitioner's taxable 1867
property, subject to any adjustment to taxable value pursuant to 1868
the petition or appeal, shall be apportioned in the manner used 1869
by the commissioner in the preliminary or amended preliminary 1870
assessment certified under section 5727.23 of the Revised Code. 1871

If an additional objection seeking a reduction in taxable 1872
value in excess of the reduction stated in the original petition 1873
is properly and timely raised with respect to an assessment 1874
issued under section 5727.23 of the Revised Code, the petitioner 1875
shall state the total amount of the reduction in taxable value 1876
sought in the additional objection both with and without regard 1877
to any reduction in taxable value pertaining to the percentage 1878
of true value at which taxable property is assessed. If a 1879
petitioner fails to state the reduction in taxable value sought 1880
in the original petition or in additional objections properly 1881
raised after the petition is filed, the commissioner shall 1882
notify the petitioner of the failure by certified mail. If the 1883
petitioner fails to notify the commissioner in writing of the 1884
reduction in taxable value sought in the petition or in an 1885
additional objection within thirty days after receiving the 1886

commissioner's notice, the commissioner shall dismiss the 1887
petition or the additional objection in which that reduction is 1888
sought. 1889

(B) (1) Subject to divisions (B) (2) and (3) of this 1890
section, a public utility filing a petition for reassessment 1891
regarding an assessment certified or issued under section 1892
5727.23 or 5727.38 of the Revised Code shall pay the tax with 1893
respect to the assessment objected to as required by law. The 1894
acceptance of any tax payment by the treasurer of state, tax 1895
commissioner, or any county treasurer shall not prejudice any 1896
claim for taxes on final determination by the commissioner or 1897
final decision by the board of tax appeals or any court. 1898

(2) If a public utility properly and timely files a 1899
petition for reassessment regarding an assessment certified 1900
under section 5727.23 of the Revised Code, the petitioner shall 1901
pay the tax as prescribed by divisions (B) (2) (a), (b), and (c) 1902
of this section: 1903

(a) If the petitioner does not object to the 1904
commissioner's apportionment of the taxable value of the 1905
petitioner's taxable property, the petitioner is not required to 1906
pay the part of the tax otherwise due on the taxable value that 1907
the petitioner seeks to have reduced, subject to division (B) (2) 1908
(c) of this section. 1909

(b) If the petitioner objects to the commissioner's 1910
apportionment of the taxable value of the petitioner's taxable 1911
property, the petitioner is not required to pay the tax 1912
otherwise due on the part of the taxable value apportioned to 1913
any taxing district that the petitioner objects to, subject to 1914
division (B) (2) (c) of this section. If, pursuant to division (A) 1915
of this section, the petitioner has, in a proper and timely 1916

manner, apportioned taxable value to a taxing district to which 1917
the commissioner did not apportion the petitioner's taxable 1918
value, the petitioner shall pay the tax due on the taxable value 1919
that the petitioner has apportioned to the taxing district, 1920
subject to division (B)(2)(c) of this section. 1921

(c) If a petitioner objects to the percentage of true 1922
value at which taxable property is assessed by the commissioner, 1923
the petitioner shall pay the tax due on the basis of the 1924
percentage of true value at which the public utility's taxable 1925
property is assessed by the commissioner. In any case, the 1926
petitioner's payment of tax shall not be less than the amount of 1927
tax due based on the taxable value reflected on the last appeal 1928
notice issued by the commissioner under division (C) of this 1929
section. Until the county auditor receives notification under 1930
division (E) of this section and proceeds under section 5727.471 1931
of the Revised Code to issue any refund that is found to be due, 1932
the county auditor shall not issue a refund for any increase in 1933
the reduction in taxable value that is sought by a petitioner 1934
later than forty-five days after the petitioner files the 1935
original petition as required under division (A) of this 1936
section. 1937

(3) Any part of the tax that, under division (B)(2)(a) or 1938
(b) of this section, is not paid shall be collected upon receipt 1939
of the notification as provided in section 5727.471 of the 1940
Revised Code with interest thereon computed in the same manner 1941
as interest is computed under division (E) of section 5715.19 of 1942
the Revised Code, subject to any correction of the assessment by 1943
the commissioner under division (E) of this section or the final 1944
judgment of the board of tax appeals or a court to which the 1945
board's final judgment is appealed. The penalty imposed under 1946
section 323.121 of the Revised Code shall apply only to the 1947

**Sub. H. B. No. 6
As Passed by the House****Page 68**

unpaid portion of the tax if the petitioner's tax payment is 1948
less than the amount of tax due based on the taxable value 1949
reflected on the last appeal notice issued by the commissioner 1950
under division (C) of this section. 1951

(C) Upon receipt of a properly filed petition for 1952
reassessment with respect to an assessment certified under 1953
section 5727.23 of the Revised Code, the tax commissioner shall 1954
notify the treasurer of state or the auditor of each county to 1955
which the assessment objected to has been certified. In the case 1956
of a petition with respect to an assessment certified under 1957
section 5727.23 of the Revised Code, the commissioner shall 1958
issue an appeal notice within thirty days after receiving the 1959
amount of the taxable value reduction and apportionment changes 1960
sought by the petitioner in the original petition or in any 1961
additional objections properly and timely raised by the 1962
petitioner. The appeal notice shall indicate the amount of the 1963
reduction in taxable value sought in the petition or in the 1964
additional objections and the extent to which the reduction in 1965
taxable value and any change in apportionment requested by the 1966
petitioner would affect the commissioner's apportionment of the 1967
taxable value among taxing districts in the county as shown in 1968
the assessment. If a petitioner is seeking a reduction in 1969
taxable value on the basis of a lower percentage of true value 1970
than the percentage at which the commissioner assessed the 1971
petitioner's taxable property, the appeal notice shall indicate 1972
the reduction in taxable value sought by the petitioner without 1973
regard to the reduction sought on the basis of the lower 1974
percentage and shall indicate that the petitioner is required to 1975
pay tax on the reduced taxable value determined without regard 1976
to the reduction sought on the basis of a lower percentage of 1977
true value, as provided under division (B) (2) (c) of this 1978

section. The appeal notice shall include a statement that the
reduced taxable value and the apportionment indicated in the
notice are not final and are subject to adjustment by the
commissioner or by the board of tax appeals or a court on
appeal. If the commissioner finds an error in the appeal notice,
the commissioner may amend the notice, but the notice is only
for informational and tax payment purposes; the notice is not
subject to appeal by any person. The commissioner also shall
mail a copy of the appeal notice to the petitioner. Upon the
request of a taxing authority, the county auditor may disclose
to the taxing authority the extent to which a reduction in
taxable value sought by a petitioner would affect the
apportionment of taxable value to the taxing district or
districts under the taxing authority's jurisdiction, but such a
disclosure does not constitute a notice required by law to be
given for the purpose of section 5717.02 of the Revised Code.

(D) If the petitioner requests a hearing on the petition,
the tax commissioner shall assign a time and place for the
hearing on the petition and notify the petitioner of such time
and place, but the commissioner may continue the hearing from
time to time as necessary.

(E) The tax commissioner may make corrections to the
assessment as the commissioner finds proper. The commissioner
shall serve a copy of the commissioner's final determination on
the petitioner in the manner provided in section 5703.37 of the
Revised Code. The commissioner's decision in the matter shall be
final, subject to appeal under section 5717.02 of the Revised
Code. With respect to a final determination issued for an
assessment certified under section 5727.23 of the Revised Code,
the commissioner also shall transmit a copy of the final
determination to the applicable county auditor. In the absence

Sub. H. B. No. 6
As Passed by the House

Page 70

of any further appeal, or when a decision of the board of tax 2010
 appeals or of any court to which the decision has been appealed 2011
 becomes final, the commissioner shall notify the public utility 2012
 and, as appropriate, shall proceed under section 5727.42 of the 2013
 Revised Code, or notify the applicable county auditor, who shall 2014
 proceed under section 5727.471 of the Revised Code. 2015

The notification made under this division is not subject 2016
 to further appeal. 2017

(F) On appeal, no adjustment shall be made in the tax 2018
 commissioner's assessment certified under section 5727.23 of the 2019
 Revised Code that reduces the taxable value of a petitioner's 2020
 taxable property by an amount that exceeds the reduction sought 2021
 by the petitioner in its petition for reassessment or in any 2022
 additional objections properly and timely raised after the 2023
 petition is filed with the commissioner. 2024

(G) An electric company with taxable property that is, or 2025
is part of, a clean air resource fueled by nuclear power and 2026
certified under section 3706.44 of the Revised Code may file a 2027
petition for reassessment seeking a reduction in taxable value 2028
of that property, provided that any such petition shall not 2029
request, and the tax commissioner shall have no authority to 2030
grant, a reduction in taxable value below the taxable values for 2031
such property as of the effective date of the amendments to this 2032
section by H.B. 6 of the 133rd general assembly. As used in this 2033
division, "clean air resource" has the same meaning as defined 2034
by section 3706.40 of the Revised Code. 2035

Sec. 5727.75. (A) For purposes of this section: 2036

(1) "Qualified energy project" means an energy project 2037
 certified by the director of development services pursuant to 2038

**Sub. H. B. No. 6
As Passed by the House****Page 71**

this section. 2039

(2) "Energy project" means a project to provide electric 2040
power through the construction, installation, and use of an 2041
energy facility. 2042

(3) "Alternative energy zone" means a county declared as 2043
such by the board of county commissioners under division (E) (1) 2044
(b) or (c) of this section. 2045

(4) "Full-time equivalent employee" means the total number 2046
of employee-hours for which compensation was paid to individuals 2047
employed at a qualified energy project for services performed at 2048
the project during the calendar year divided by two thousand 2049
eighty hours. 2050

(5) "Solar energy project" means an energy project 2051
composed of an energy facility using solar panels to generate 2052
electricity. 2053

(6) "Internet identifier of record" has the same meaning 2054
as in section 9.312 of the Revised Code. 2055

(B) (1) Tangible personal property of a qualified energy 2056
project using renewable energy resources is exempt from taxation 2057
for tax years 2011 through 2021 if all of the following 2058
conditions are satisfied: 2059

(a) On or before December 31, 2020, the owner or a lessee 2060
pursuant to a sale and leaseback transaction of the project 2061
submits an application to the power siting board for a 2062
certificate under section 4906.20 of the Revised Code, or if 2063
that section does not apply, submits an application for any 2064
approval, consent, permit, or certificate or satisfies any 2065
condition required by a public agency or political subdivision 2066
of this state for the construction or initial operation of an 2067

energy project. 2068

(b) Construction or installation of the energy facility 2069
begins on or after January 1, 2009, and before January 1, 2021. 2070
For the purposes of this division, construction begins on the 2071
earlier of the date of application for a certificate or other 2072
approval or permit described in division (B)(1)(a) of this 2073
section, or the date the contract for the construction or 2074
installation of the energy facility is entered into. 2075

(c) For a qualified energy project with a nameplate 2076
capacity of ~~five~~twenty megawatts or greater, a board of county 2077
commissioners of a county in which property of the project is 2078
located has adopted a resolution under division (E)(1)(b) or (c) 2079
of this section to approve the application submitted under 2080
division (E) of this section to exempt the property located in 2081
that county from taxation. A board's adoption of a resolution 2082
rejecting an application or its failure to adopt a resolution 2083
approving the application does not affect the tax-exempt status 2084
of the qualified energy project's property that is located in 2085
another county. 2086

(2) If tangible personal property of a qualified energy 2087
project using renewable energy resources was exempt from 2088
taxation under this section beginning in any of tax years 2011 2089
through 2021, and the certification under division (E)(2) of 2090
this section has not been revoked, the tangible personal 2091
property of the qualified energy project is exempt from taxation 2092
for tax year 2022 and all ensuing tax years if the property was 2093
placed into service before January 1, 2022, as certified in the 2094
construction progress report required under division (F)(2) of 2095
this section. Tangible personal property that has not been 2096
placed into service before that date is taxable property subject 2097

to taxation. An energy project for which certification has been 2098
revoked is ineligible for further exemption under this section. 2099
Revocation does not affect the tax-exempt status of the 2100
project's tangible personal property for the tax year in which 2101
revocation occurs or any prior tax year. 2102

(C) Tangible personal property of a qualified energy 2103
project using clean coal technology, advanced nuclear 2104
technology, or cogeneration technology is exempt from taxation 2105
for the first tax year that the property would be listed for 2106
taxation and all subsequent years if all of the following 2107
circumstances are met: 2108

(1) The property was placed into service before January 1, 2109
2021. Tangible personal property that has not been placed into 2110
service before that date is taxable property subject to 2111
taxation. 2112

(2) For such a qualified energy project with a nameplate 2113
capacity of ~~five~~twenty megawatts or greater, a board of county 2114
commissioners of a county in which property of the qualified 2115
energy project is located has adopted a resolution under 2116
division (E) (1) (b) or (c) of this section to approve the 2117
application submitted under division (E) of this section to 2118
exempt the property located in that county from taxation. A 2119
board's adoption of a resolution rejecting the application or 2120
its failure to adopt a resolution approving the application does 2121
not affect the tax-exempt status of the qualified energy 2122
project's property that is located in another county. 2123

(3) The certification for the qualified energy project 2124
issued under division (E) (2) of this section has not been 2125
revoked. An energy project for which certification has been 2126
revoked is ineligible for exemption under this section. 2127

Revocation does not affect the tax-exempt status of the 2128
project's tangible personal property for the tax year in which 2129
revocation occurs or any prior tax year. 2130

(D) Except as otherwise provided in this section, real 2131
property of a qualified energy project is exempt from taxation 2132
for any tax year for which the tangible personal property of the 2133
qualified energy project is exempted under this section. 2134

(E) (1) (a) A person may apply to the director of 2135
development services for certification of an energy project as a 2136
qualified energy project on or before the following dates: 2137

(i) December 31, 2020, for an energy project using 2138
renewable energy resources; 2139

(ii) December 31, 2017, for an energy project using clean 2140
coal technology, advanced nuclear technology, or cogeneration 2141
technology. 2142

(b) The director shall forward a copy of each application 2143
for certification of an energy project with a nameplate capacity 2144
of ~~five~~ twenty megawatts or greater to the board of county 2145
commissioners of each county in which the project is located and 2146
to each taxing unit with territory located in each of the 2147
affected counties. Any board that receives from the director a 2148
copy of an application submitted under this division shall adopt 2149
a resolution approving or rejecting the application unless it 2150
has adopted a resolution under division (E) (1) (c) of this 2151
section. A resolution adopted under division (E) (1) (b) or (c) of 2152
this section may require an annual service payment to be made in 2153
addition to the service payment required under division (G) of 2154
this section. The sum of the service payment required in the 2155
resolution and the service payment required under division (G) 2156

**Sub. H. B. No. 6
As Passed by the House****Page 75**

of this section shall not exceed nine thousand dollars per 2157
megawatt of nameplate capacity located in the county. The 2158
resolution shall specify the time and manner in which the 2159
payments required by the resolution shall be paid to the county 2160
treasurer. The county treasurer shall deposit the payment to the 2161
credit of the county's general fund to be used for any purpose 2162
for which money credited to that fund may be used. 2163

The board shall send copies of the resolution to the owner 2164
of the facility and the director by certified mail or, if the 2165
board has record of an internet identifier of record associated 2166
with the owner or director, by ordinary mail and by that 2167
internet identifier of record. The board shall send such notice 2168
within thirty days after receipt of the application, or a longer 2169
period of time if authorized by the director. 2170

(c) A board of county commissioners may adopt a resolution 2171
declaring the county to be an alternative energy zone and 2172
declaring all applications submitted to the director of 2173
development services under this division after the adoption of 2174
the resolution, and prior to its repeal, to be approved by the 2175
board. 2176

All tangible personal property and real property of an 2177
energy project with a nameplate capacity of ~~five~~twenty 2178
megawatts or greater is taxable if it is located in a county in 2179
which the board of county commissioners adopted a resolution 2180
rejecting the application submitted under this division or 2181
failed to adopt a resolution approving the application under 2182
division (E) (1) (b) or (c) of this section. 2183

(2) The director shall certify an energy project if all of 2184
the following circumstances exist: 2185

**Sub. H. B. No. 6
As Passed by the House****Page 76**

- (a) The application was timely submitted. 2186
- (b) For an energy project with a nameplate capacity of 2187
~~five~~ twenty megawatts or greater, a board of county 2188
commissioners of at least one county in which the project is 2189
located has adopted a resolution approving the application under 2190
division (E) (1) (b) or (c) of this section. 2191
- (c) No portion of the project's facility was used to 2192
supply electricity before December 31, 2009. 2193
- (3) The director shall deny a certification application if 2194
the director determines the person has failed to comply with any 2195
requirement under this section. The director may revoke a 2196
certification if the director determines the person, or 2197
subsequent owner or lessee pursuant to a sale and leaseback 2198
transaction of the qualified energy project, has failed to 2199
comply with any requirement under this section. Upon 2200
certification or revocation, the director shall notify the 2201
person, owner, or lessee, the tax commissioner, and the county 2202
auditor of a county in which the project is located of the 2203
certification or revocation. Notice shall be provided in a 2204
manner convenient to the director. 2205
- (F) The owner or a lessee pursuant to a sale and leaseback 2206
transaction of a qualified energy project shall do each of the 2207
following: 2208
- (1) Comply with all applicable regulations; 2209
- (2) File with the director of development services a 2210
certified construction progress report before the first day of 2211
March of each year during the energy facility's construction or 2212
installation indicating the percentage of the project completed, 2213
and the project's nameplate capacity, as of the preceding 2214

**Sub. H. B. No. 6
As Passed by the House****Page 77**

thirty-first day of December. Unless otherwise instructed by the 2215
director of development services, the owner or lessee of an 2216
energy project shall file a report with the director on or 2217
before the first day of March each year after completion of the 2218
energy facility's construction or installation indicating the 2219
project's nameplate capacity as of the preceding thirty-first 2220
day of December. Not later than sixty days after June 17, 2010, 2221
the owner or lessee of an energy project, the construction of 2222
which was completed before June 17, 2010, shall file a 2223
certificate indicating the project's nameplate capacity. 2224

(3) File with the director of development services, in a 2225
manner prescribed by the director, a report of the total number 2226
of full-time equivalent employees, and the total number of full- 2227
time equivalent employees domiciled in Ohio, who are employed in 2228
the construction or installation of the energy facility; 2229

(4) For energy projects with a nameplate capacity of ~~five-~~ 2230
twenty megawatts or greater, repair all roads, bridges, and 2231
culverts affected by construction as reasonably required to 2232
restore them to their preconstruction condition, as determined 2233
by the county engineer in consultation with the local 2234
jurisdiction responsible for the roads, bridges, and culverts. 2235
In the event that the county engineer deems any road, bridge, or 2236
culvert to be inadequate to support the construction or 2237
decommissioning of the energy facility, the road, bridge, or 2238
culvert shall be rebuilt or reinforced to the specifications 2239
established by the county engineer prior to the construction or 2240
decommissioning of the facility. The owner or lessee of the 2241
facility shall post a bond in an amount established by the 2242
county engineer and to be held by the board of county 2243
commissioners to ensure funding for repairs of roads, bridges, 2244
and culverts affected during the construction. The bond shall be 2245

released by the board not later than one year after the date the 2246
repairs are completed. The energy facility owner or lessee 2247
pursuant to a sale and leaseback transaction shall post a bond, 2248
as may be required by the Ohio power siting board in the 2249
certificate authorizing commencement of construction issued 2250
pursuant to section 4906.10 of the Revised Code, to ensure 2251
funding for repairs to roads, bridges, and culverts resulting 2252
from decommissioning of the facility. The energy facility owner 2253
or lessee and the county engineer may enter into an agreement 2254
regarding specific transportation plans, reinforcements, 2255
modifications, use and repair of roads, financial security to be 2256
provided, and any other relevant issue. 2257

(5) Provide or facilitate training for fire and emergency 2258
responders for response to emergency situations related to the 2259
energy project and, for energy projects with a nameplate 2260
capacity of ~~five~~twenty megawatts or greater, at the person's 2261
expense, equip the fire and emergency responders with proper 2262
equipment as reasonably required to enable them to respond to 2263
such emergency situations; 2264

(6) Maintain a ratio of Ohio-domiciled full-time 2265
equivalent employees employed in the construction or 2266
installation of the energy project to total full-time equivalent 2267
employees employed in the construction or installation of the 2268
energy project of not less than eighty per cent in the case of a 2269
solar energy project, and not less than fifty per cent in the 2270
case of any other energy project. In the case of an energy 2271
project for which certification from the power siting board is 2272
required under section 4906.20 of the Revised Code, the number 2273
of full-time equivalent employees employed in the construction 2274
or installation of the energy project equals the number actually 2275
employed or the number projected to be employed in the 2276

certificate application, if such projection is required under 2277
regulations adopted pursuant to section 4906.03 of the Revised 2278
Code, whichever is greater. For all other energy projects, the 2279
number of full-time equivalent employees employed in the 2280
construction or installation of the energy project equals the 2281
number actually employed or the number projected to be employed 2282
by the director of development services, whichever is greater. 2283
To estimate the number of employees to be employed in the 2284
construction or installation of an energy project, the director 2285
shall use a generally accepted job-estimating model in use for 2286
renewable energy projects, including but not limited to the job 2287
and economic development impact model. The director may adjust 2288
an estimate produced by a model to account for variables not 2289
accounted for by the model. 2290

(7) For energy projects with a nameplate capacity in 2291
excess of ~~two~~ twenty megawatts, establish a relationship with a 2292
member of the university system of Ohio as defined in section 2293
3345.011 of the Revised Code or with a person offering an 2294
apprenticeship program registered with the employment and 2295
training administration within the United States department of 2296
labor or with the apprenticeship council created by section 2297
4139.02 of the Revised Code, to educate and train individuals 2298
for careers in the wind or solar energy industry. The 2299
relationship may include endowments, cooperative programs, 2300
internships, apprenticeships, research and development projects, 2301
and curriculum development. 2302

~~(8) Offer to sell power or renewable energy credits from~~ 2303
~~the energy project to electric distribution utilities or~~ 2304
~~electric service companies subject to renewable energy resource~~ 2305
~~requirements under section 4928.64 of the Revised Code that have~~ 2306
~~issued requests for proposal for such power or renewable energy~~ 2307

**Sub. H. B. No. 6
As Passed by the House**

~~credits. If no electric distribution utility or electric service
company issues a request for proposal on or before December 31,
2010, or accepts an offer for power or renewable energy credits
within forty five days after the offer is submitted, power or
renewable energy credits from the energy project may be sold to
other persons. Division (F) (8) of this section does not apply
if:—~~ 2308
2309
2310
2311
2312
2313
2314

~~(a) The owner or lessee is a rural electric company or a
municipal power agency as defined in section 3734.058 of the
Revised Code.—~~ 2315
2316
2317

~~(b) The owner or lessee is a person that, before
completion of the energy project, contracted for the sale of
power or renewable energy credits with a rural electric company
or a municipal power agency.—~~ 2318
2319
2320
2321

~~(c) The owner or lessee contracts for the sale of power or
renewable energy credits from the energy project before June 17,
2010.—~~ 2322
2323
2324

~~(9) Make annual service payments as required by division
(G) of this section and as may be required in a resolution
adopted by a board of county commissioners under division (E) of
this section.~~ 2325
2326
2327
2328

(G) The owner or a lessee pursuant to a sale and leaseback
transaction of a qualified energy project shall make annual
service payments in lieu of taxes to the county treasurer on or
before the final dates for payments of taxes on public utility
personal property on the real and public utility personal
property tax list for each tax year for which property of the
energy project is exempt from taxation under this section. The
county treasurer shall allocate the payment on the basis of the

 2329
2330
2331
2332
2333
2334
2335
2336

project's physical location. Upon receipt of a payment, or if 2337
timely payment has not been received, the county treasurer shall 2338
certify such receipt or non-receipt to the director of 2339
development services and tax commissioner in a form determined 2340
by the director and commissioner, respectively. Each payment 2341
shall be in the following amount: 2342

(1) In the case of a solar energy project, seven thousand 2343
dollars per megawatt of nameplate capacity located in the county 2344
as of December 31, 2010, for tax year 2011, as of December 31, 2345
2011, for tax year 2012, as of December 31, 2012, for tax year 2346
2013, as of December 31, 2013, for tax year 2014, as of December 2347
31, 2014, for tax year 2015, as of December 31, 2015, for tax 2348
year 2016, and as of December 31, 2016, for tax year 2017 and 2349
each tax year thereafter; 2350

(2) In the case of any other energy project using 2351
renewable energy resources, the following: 2352

(a) If the project maintains during the construction or 2353
installation of the energy facility a ratio of Ohio-domiciled 2354
full-time equivalent employees to total full-time equivalent 2355
employees of not less than seventy-five per cent, six thousand 2356
dollars per megawatt of nameplate capacity located in the county 2357
as of the thirty-first day of December of the preceding tax 2358
year; 2359

(b) If the project maintains during the construction or 2360
installation of the energy facility a ratio of Ohio-domiciled 2361
full-time equivalent employees to total full-time equivalent 2362
employees of less than seventy-five per cent but not less than 2363
sixty per cent, seven thousand dollars per megawatt of nameplate 2364
capacity located in the county as of the thirty-first day of 2365
December of the preceding tax year; 2366

**Sub. H. B. No. 6
As Passed by the House****Page 82**

(c) If the project maintains during the construction or 2367
installation of the energy facility a ratio of Ohio-domiciled 2368
full-time equivalent employees to total full-time equivalent 2369
employees of less than sixty per cent but not less than fifty 2370
per cent, eight thousand dollars per megawatt of nameplate 2371
capacity located in the county as of the thirty-first day of 2372
December of the preceding tax year. 2373

(3) In the case of an energy project using clean coal 2374
technology, advanced nuclear technology, or cogeneration 2375
technology, the following: 2376

(a) If the project maintains during the construction or 2377
installation of the energy facility a ratio of Ohio-domiciled 2378
full-time equivalent employees to total full-time equivalent 2379
employees of not less than seventy-five per cent, six thousand 2380
dollars per megawatt of nameplate capacity located in the county 2381
as of the thirty-first day of December of the preceding tax 2382
year; 2383

(b) If the project maintains during the construction or 2384
installation of the energy facility a ratio of Ohio-domiciled 2385
full-time equivalent employees to total full-time equivalent 2386
employees of less than seventy-five per cent but not less than 2387
sixty per cent, seven thousand dollars per megawatt of nameplate 2388
capacity located in the county as of the thirty-first day of 2389
December of the preceding tax year; 2390

(c) If the project maintains during the construction or 2391
installation of the energy facility a ratio of Ohio-domiciled 2392
full-time equivalent employees to total full-time equivalent 2393
employees of less than sixty per cent but not less than fifty 2394
per cent, eight thousand dollars per megawatt of nameplate 2395
capacity located in the county as of the thirty-first day of 2396

December of the preceding tax year.	2397
(H) The director of development services in consultation	2398
with the tax commissioner shall adopt rules pursuant to Chapter	2399
119. of the Revised Code to implement and enforce this section.	2400
Section 2. That existing sections 303.213, 519.213,	2401
519.214, 713.081, 3706.02, 3706.03, 4906.10, 4906.13, 4906.20,	2402
4906.201, 4928.01, 4928.02, 4928.66, 4928.6610, 5727.47, and	2403
5727.75 of the Revised Code are hereby repealed.	2404
Section 3. That section 4928.6616 of the Revised Code is	2405
hereby repealed.	2406
Section 4. The amendments by this act to division (A) (34)	2407
of section 4928.01 of the Revised Code, division (C) of section	2408
4928.66 of the Revised Code, and divisions (F) (8) and (9) of	2409
section 5727.75 of the Revised Code take effect January 1, 2020.	2410
Section 5. That sections 1710.06, 4928.142, 4928.143,	2411
4928.20, 4928.61, 4928.62, 4928.641, 4928.645, and 5501.311 of	2412
the Revised Code be amended to read as follows:	2413
Sec. 1710.06. (A) The board of directors of a special	2414
improvement district may develop and adopt one or more written	2415
plans for public improvements or public services that benefit	2416
all or any part of the district. Each plan shall set forth the	2417
specific public improvements or public services that are to be	2418
provided, identify the area in which they will be provided, and	2419
specify the method of assessment to be used. Each plan for	2420
public improvements or public services shall indicate the period	2421
of time the assessments are to be levied for the improvements	2422
and services and, if public services are included in the plan,	2423
the period of time the services are to remain in effect. Plans	2424
for public improvements may include the planning, design,	2425

**Sub. H. B. No. 6
As Passed by the House****Page 84**

construction, reconstruction, enlargement, or alteration of any 2426
public improvements and the acquisition of land for the 2427
improvements. Plans for public improvements or public services 2428
may also include, but are not limited to, provisions for the 2429
following: 2430

(1) Creating and operating the district and the nonprofit 2431
corporation under this chapter, including hiring employees and 2432
professional services, contracting for insurance, and purchasing 2433
or leasing office space and office equipment and other 2434
requirements of the district; 2435

(2) Planning, designing, and implementing a public 2436
improvements or public services plan, including hiring 2437
architectural, engineering, legal, appraisal, insurance, 2438
consulting, energy auditing, and planning services, and, for 2439
public services, managing, protecting, and maintaining public 2440
and private facilities, including public improvements; 2441

(3) Conducting court proceedings to carry out this 2442
chapter; 2443

(4) Paying damages resulting from the provision of public 2444
improvements or public services and implementing the plans; 2445

(5) Paying the costs of issuing, paying interest on, and 2446
redeeming notes and bonds issued for funding public improvements 2447
and public services plans; and 2448

(6) Sale, lease, lease with an option to purchase, 2449
conveyance of other interests in, or other contracts for the 2450
acquisition, construction, maintenance, repair, furnishing, 2451
equipping, operation, or improvement of any special energy 2452
improvement project by the special improvement district, between 2453
a participating political subdivision and the special 2454

**Sub. H. B. No. 6
As Passed by the House****Page 85**

improvement district, and between the special improvement 2455
district and any owner of real property in the special 2456
improvement district on which a special energy improvement 2457
project has been acquired, installed, equipped, or improved, ~~and~~ 2458

~~(7) Aggregating the renewable energy credits generated by 2459
one or more special energy improvement projects within a special- 2460
improvement district, upon the consent of the owners of the 2461
credits and for the purpose of negotiating and completing the 2462
sale of such credits. 2463~~

(B) Once the board of directors of the special improvement 2464
district adopts a plan, it shall submit the plan to the 2465
legislative authority of each participating political 2466
subdivision and the municipal executive of each municipal 2467
corporation in which the district is located, if any. The 2468
legislative authorities and municipal executives shall review 2469
the plan and, within sixty days after receiving it, may submit 2470
their comments and recommendations about it to the district. 2471
After reviewing these comments and recommendations, the board of 2472
directors may amend the plan. It may then submit the plan, 2473
amended or otherwise, in the form of a petition to members of 2474
the district whose property may be assessed for the plan. Once 2475
the petition is signed by those members who own at least sixty 2476
per cent of the front footage of property that is to be assessed 2477
and that abuts upon a street, alley, public road, place, 2478
boulevard, parkway, park entrance, easement, or other public 2479
improvement, or those members who own at least seventy-five per 2480
cent of the area to be assessed for the improvement or service, 2481
the petition may be submitted to each legislative authority for 2482
approval. Except as provided in division (H) of section 1710.02 2483
of the Revised Code, if the special improvement district was 2484
created for the purpose of developing and implementing plans for 2485

Sub. H. B. No. 6
As Passed by the House

Page 86

special energy improvement projects or shoreline improvement 2486
 projects, the petition required under this division shall be 2487
 signed by one hundred per cent of the owners of the area of all 2488
 real property located within the area to be assessed for the 2489
 special energy improvement project or shoreline improvement 2490
 project. 2491

Each legislative authority shall, by resolution, approve 2492
 or reject the petition within sixty days after receiving it. If 2493
 the petition is approved by the legislative authority of each 2494
 participating political subdivision, the plan contained in the 2495
 petition shall be effective at the earliest date on which a 2496
 nonemergency resolution of the legislative authority with the 2497
 latest effective date may become effective. A plan may not be 2498
 resubmitted to the legislative authorities and municipal 2499
 executives more than three times in any twelve-month period. 2500

(C) Each participating political subdivision shall levy, 2501
 by special assessment upon specially benefited property located 2502
 within the district, the costs of any public improvements or 2503
 public services plan contained in a petition approved by the 2504
 participating political subdivisions under this section or 2505
 division (F) of section 1710.02 of the Revised Code. The levy 2506
 shall be made in accordance with the procedures set forth in 2507
 Chapter 727. of the Revised Code, except that: 2508

(1) The assessment for each improvements or services plan 2509
 may be levied by any one or any combination of the methods of 2510
 assessment listed in section 727.01 of the Revised Code, 2511
 provided that the assessment is uniformly applied. 2512

(2) For the purpose of levying an assessment, the board of 2513
 directors may combine one or more improvements or services plans 2514
 or parts of plans and levy a single assessment against specially 2515

benefited property. 2516

(3) For purposes of special assessments levied by a 2517
township pursuant to this chapter, references in Chapter 727. of 2518
the Revised Code to the municipal corporation shall be deemed to 2519
refer to the township, and references to the legislative 2520
authority of the municipal corporation shall be deemed to refer 2521
to the board of township trustees. 2522

Church property or property owned by a political 2523
subdivision, including any participating political subdivision 2524
in which a special improvement district is located, shall be 2525
included in and be subject to special assessments made pursuant 2526
to a plan adopted under this section or division (F) of section 2527
1710.02 of the Revised Code, if the church or political 2528
subdivision has specifically requested in writing that its 2529
property be included within the special improvement district and 2530
the church or political subdivision is a member of the district 2531
or, in the case of a district created by an existing qualified 2532
nonprofit corporation, if the church is a member of the 2533
corporation. 2534

(D) All rights and privileges of property owners who are 2535
assessed under Chapter 727. of the Revised Code shall be granted 2536
to property owners assessed under this chapter, including those 2537
rights and privileges specified in sections 727.15 to 727.17 and 2538
727.18 to 727.22 of the Revised Code and the right to notice of 2539
the resolution of necessity and the filing of the estimated 2540
assessment under section 727.13 of the Revised Code. Property 2541
owners assessed for public services under this chapter shall 2542
have the same rights and privileges as property owners assessed 2543
for public improvements under this chapter. 2544

Sec. 4928.142. (A) For the purpose of complying with 2545

**Sub. H. B. No. 6
As Passed by the House****Page 88**

section 4928.141 of the Revised Code and subject to division (D) 2546
of this section and, as applicable, subject to the rate plan 2547
requirement of division (A) of section 4928.141 of the Revised 2548
Code, an electric distribution utility may establish a standard 2549
service offer price for retail electric generation service that 2550
is delivered to the utility under a market-rate offer. 2551

(1) The market-rate offer shall be determined through a 2552
competitive bidding process that provides for all of the 2553
following: 2554

(a) Open, fair, and transparent competitive solicitation; 2555

(b) Clear product definition; 2556

(c) Standardized bid evaluation criteria; 2557

(d) Oversight by an independent third party that shall 2558
design the solicitation, administer the bidding, and ensure that 2559
the criteria specified in ~~division~~ divisions (A) (1) (a) to (c) of 2560
this section are met; 2561

(e) Evaluation of the submitted bids prior to the 2562
selection of the least-cost bid winner or winners. 2563

No generation supplier shall be prohibited from 2564
participating in the bidding process. 2565

(2) The public utilities commission shall modify rules, or 2566
adopt new rules as necessary, concerning the conduct of the 2567
competitive bidding process and the qualifications of bidders, 2568
which rules shall foster supplier participation in the bidding 2569
process and shall be consistent with the requirements of 2570
division (A) (1) of this section. 2571

(B) Prior to initiating a competitive bidding process for 2572
a market-rate offer under division (A) of this section, the 2573

electric distribution utility shall file an application with the 2574
commission. An electric distribution utility may file its 2575
application with the commission prior to the effective date of 2576
the commission rules required under division (A) (2) of this 2577
section, and, as the commission determines necessary, the 2578
utility shall immediately conform its filing to the rules upon 2579
their taking effect. 2580

An application under this division shall detail the 2581
electric distribution utility's proposed compliance with the 2582
requirements of division (A) (1) of this section and with 2583
commission rules under division (A) (2) of this section and 2584
demonstrate that all of the following requirements are met: 2585

(1) The electric distribution utility or its transmission 2586
service affiliate belongs to at least one regional transmission 2587
organization that has been approved by the federal energy 2588
regulatory commission; or there otherwise is comparable and 2589
nondiscriminatory access to the electric transmission grid. 2590

(2) Any such regional transmission organization has a 2591
market-monitor function and the ability to take actions to 2592
identify and mitigate market power or the electric distribution 2593
utility's market conduct; or a similar market monitoring 2594
function exists with commensurate ability to identify and 2595
monitor market conditions and mitigate conduct associated with 2596
the exercise of market power. 2597

(3) A published source of information is available 2598
publicly or through subscription that identifies pricing 2599
information for traded electricity on- and off-peak energy 2600
products that are contracts for delivery beginning at least two 2601
years from the date of the publication and is updated on a 2602
regular basis. 2603

The commission shall initiate a proceeding and, within 2604
ninety days after the application's filing date, shall determine 2605
by order whether the electric distribution utility and its 2606
market-rate offer meet all of the foregoing requirements. If the 2607
finding is positive, the electric distribution utility may 2608
initiate its competitive bidding process. If the finding is 2609
negative as to one or more requirements, the commission in the 2610
order shall direct the electric distribution utility regarding 2611
how any deficiency may be remedied in a timely manner to the 2612
commission's satisfaction; otherwise, the electric distribution 2613
utility shall withdraw the application. However, if such remedy 2614
is made and the subsequent finding is positive and also if the 2615
electric distribution utility made a simultaneous filing under 2616
this section and section 4928.143 of the Revised Code, the 2617
utility shall not initiate its competitive bid until at least 2618
one hundred fifty days after the filing date of those 2619
applications. 2620

(C) Upon the completion of the competitive bidding process 2621
authorized by divisions (A) and (B) of this section, including 2622
for the purpose of division (D) of this section, the commission 2623
shall select the least-cost bid winner or winners of that 2624
process, and such selected bid or bids, as prescribed as retail 2625
rates by the commission, shall be the electric distribution 2626
utility's standard service offer unless the commission, by order 2627
issued before the third calendar day following the conclusion of 2628
the competitive bidding process for the market rate offer, 2629
determines that one or more of the following criteria were not 2630
met: 2631

(1) Each portion of the bidding process was 2632
oversubscribed, such that the amount of supply bid upon was 2633
greater than the amount of the load bid out. 2634

(2) There were four or more bidders. 2635

(3) At least twenty-five per cent of the load is bid upon 2636
by one or more persons other than the electric distribution 2637
utility. 2638

All costs incurred by the electric distribution utility as 2639
a result of or related to the competitive bidding process or to 2640
procuring generation service to provide the standard service 2641
offer, including the costs of energy and capacity and the costs 2642
of all other products and services procured as a result of the 2643
competitive bidding process, shall be timely recovered through 2644
the standard service offer price, and, for that purpose, the 2645
commission shall approve a reconciliation mechanism, other 2646
recovery mechanism, or a combination of such mechanisms for the 2647
utility. 2648

(D) The first application filed under this section by an 2649
electric distribution utility that, as of July 31, 2008, 2650
directly owns, in whole or in part, operating electric 2651
generating facilities that had been used and useful in this 2652
state shall require that a portion of that utility's standard 2653
service offer load for the first five years of the market rate 2654
offer be competitively bid under division (A) of this section as 2655
follows: ten per cent of the load in year one, not more than 2656
twenty per cent in year two, thirty per cent in year three, 2657
forty per cent in year four, and fifty per cent in year five. 2658
Consistent with those percentages, the commission shall 2659
determine the actual percentages for each year of years one 2660
through five. The standard service offer price for retail 2661
electric generation service under this first application shall 2662
be a proportionate blend of the bid price and the generation 2663
service price for the remaining standard service offer load, 2664

which latter price shall be equal to the electric distribution 2665
utility's most recent standard service offer price, adjusted 2666
upward or downward as the commission determines reasonable, 2667
relative to the jurisdictional portion of any known and 2668
measurable changes from the level of any one or more of the 2669
following costs as reflected in that most recent standard 2670
service offer price: 2671

(1) The electric distribution utility's prudently incurred 2672
cost of fuel used to produce electricity; 2673

(2) Its prudently incurred purchased power costs; 2674

(3) Its prudently incurred costs of ~~satisfying the supply~~ 2675
~~and demand portfolio requirements of this state, including, but~~ 2676
~~not limited to, renewable energy resource and energy efficiency~~ 2677
~~requirements programs;~~ 2678

(4) Its costs prudently incurred to comply with 2679
environmental laws and regulations, with consideration of the 2680
derating of any facility associated with those costs. 2681

In making any adjustment to the most recent standard 2682
service offer price on the basis of costs described in division 2683
(D) of this section, the commission shall include the benefits 2684
that may become available to the electric distribution utility 2685
as a result of or in connection with the costs included in the 2686
adjustment, including, but not limited to, the utility's receipt 2687
of emissions credits or its receipt of tax benefits or of other 2688
benefits, and, accordingly, the commission may impose such 2689
conditions on the adjustment to ensure that any such benefits 2690
are properly aligned with the associated cost responsibility. 2691
The commission shall also determine how such adjustments will 2692
affect the electric distribution utility's return on common 2693

equity that may be achieved by those adjustments. The commission 2694
shall not apply its consideration of the return on common equity 2695
to reduce any adjustments authorized under this division unless 2696
the adjustments will cause the electric distribution utility to 2697
earn a return on common equity that is significantly in excess 2698
of the return on common equity that is earned by publicly traded 2699
companies, including utilities, that face comparable business 2700
and financial risk, with such adjustments for capital structure 2701
as may be appropriate. The burden of proof for demonstrating 2702
that significantly excessive earnings will not occur shall be on 2703
the electric distribution utility. 2704

Additionally, the commission may adjust the electric 2705
distribution utility's most recent standard service offer price 2706
by such just and reasonable amount that the commission 2707
determines necessary to address any emergency that threatens the 2708
utility's financial integrity or to ensure that the resulting 2709
revenue available to the utility for providing the standard 2710
service offer is not so inadequate as to result, directly or 2711
indirectly, in a taking of property without compensation 2712
pursuant to Section 19 of Article I, Ohio Constitution. The 2713
electric distribution utility has the burden of demonstrating 2714
that any adjustment to its most recent standard service offer 2715
price is proper in accordance with this division. 2716

(E) Beginning in the second year of a blended price under 2717
division (D) of this section and notwithstanding any other 2718
requirement of this section, the commission may alter 2719
prospectively the proportions specified in that division to 2720
mitigate any effect of an abrupt or significant change in the 2721
electric distribution utility's standard service offer price 2722
that would otherwise result in general or with respect to any 2723
rate group or rate schedule but for such alteration. Any such 2724

Sub. H. B. No. 6
As Passed by the House**Page 94**

alteration shall be made not more often than annually, and the 2725
commission shall not, by altering those proportions and in any 2726
event, including because of the length of time, as authorized 2727
under division (C) of this section, taken to approve the market 2728
rate offer, cause the duration of the blending period to exceed 2729
ten years as counted from the effective date of the approved 2730
market rate offer. Additionally, any such alteration shall be 2731
limited to an alteration affecting the prospective proportions 2732
used during the blending period and shall not affect any 2733
blending proportion previously approved and applied by the 2734
commission under this division. 2735

(F) An electric distribution utility that has received 2736
commission approval of its first application under division (C) 2737
of this section shall not, nor ever shall be authorized or 2738
required by the commission to, file an application under section 2739
4928.143 of the Revised Code. 2740

Sec. 4928.143. (A) For the purpose of complying with 2741
section 4928.141 of the Revised Code, an electric distribution 2742
utility may file an application for public utilities commission 2743
approval of an electric security plan as prescribed under 2744
division (B) of this section. The utility may file that 2745
application prior to the effective date of any rules the 2746
commission may adopt for the purpose of this section, and, as 2747
the commission determines necessary, the utility immediately 2748
shall conform its filing to those rules upon their taking 2749
effect. 2750

(B) Notwithstanding any other provision of Title XLIX of 2751
the Revised Code to the contrary except division (D) of this 2752
section, divisions (I), (J), and (K) of section 4928.20, 2753
~~division (E) of section 4928.64,~~ and section 4928.69 of the 2754

Revised Code: 2755

(1) An electric security plan shall include provisions 2756
relating to the supply and pricing of electric generation 2757
service. In addition, if the proposed electric security plan has 2758
a term longer than three years, it may include provisions in the 2759
plan to permit the commission to test the plan pursuant to 2760
division (E) of this section and any transitional conditions 2761
that should be adopted by the commission if the commission 2762
terminates the plan as authorized under that division. 2763

(2) The plan may provide for or include, without 2764
limitation, any of the following: 2765

(a) Automatic recovery of any of the following costs of 2766
the electric distribution utility, provided the cost is 2767
prudently incurred: the cost of fuel used to generate the 2768
electricity supplied under the offer; the cost of purchased 2769
power supplied under the offer, including the cost of energy and 2770
capacity, and including purchased power acquired from an 2771
affiliate; the cost of emission allowances; and the cost of 2772
federally mandated carbon or energy taxes; 2773

(b) A reasonable allowance for construction work in 2774
progress for any of the electric distribution utility's cost of 2775
constructing an electric generating facility or for an 2776
environmental expenditure for any electric generating facility 2777
of the electric distribution utility, provided the cost is 2778
incurred or the expenditure occurs on or after January 1, 2009. 2779
Any such allowance shall be subject to the construction work in 2780
progress allowance limitations of division (A) of section 2781
4909.15 of the Revised Code, except that the commission may 2782
authorize such an allowance upon the incurrence of the cost or 2783
occurrence of the expenditure. No such allowance for generating 2784

facility construction shall be authorized, however, unless the 2785
commission first determines in the proceeding that there is need 2786
for the facility based on resource planning projections 2787
submitted by the electric distribution utility. Further, no such 2788
allowance shall be authorized unless the facility's construction 2789
was sourced through a competitive bid process, regarding which 2790
process the commission may adopt rules. An allowance approved 2791
under division (B) (2) (b) of this section shall be established as 2792
a nonbypassable surcharge for the life of the facility. 2793

(c) The establishment of a nonbypassable surcharge for the 2794
life of an electric generating facility that is owned or 2795
operated by the electric distribution utility, was sourced 2796
through a competitive bid process subject to any such rules as 2797
the commission adopts under division (B) (2) (b) of this section, 2798
and is newly used and useful on or after January 1, 2009, which 2799
surcharge shall cover all costs of the utility specified in the 2800
application, excluding costs recovered through a surcharge under 2801
division (B) (2) (b) of this section. However, no surcharge shall 2802
be authorized unless the commission first determines in the 2803
proceeding that there is need for the facility based on resource 2804
planning projections submitted by the electric distribution 2805
utility. Additionally, if a surcharge is authorized for a 2806
facility pursuant to plan approval under division (C) of this 2807
section and as a condition of the continuation of the surcharge, 2808
the electric distribution utility shall dedicate to Ohio 2809
consumers the capacity and energy and the rate associated with 2810
the cost of that facility. Before the commission authorizes any 2811
surcharge pursuant to this division, it may consider, as 2812
applicable, the effects of any decommissioning, deratings, and 2813
retirements. 2814

(d) Terms, conditions, or charges relating to limitations 2815

**Sub. H. B. No. 6
As Passed by the House****Page 97**

on customer shopping for retail electric generation service, 2816
bypassability, standby, back-up, or supplemental power service, 2817
default service, carrying costs, amortization periods, and 2818
accounting or deferrals, including future recovery of such 2819
deferrals, as would have the effect of stabilizing or providing 2820
certainty regarding retail electric service; 2821

(e) Automatic increases or decreases in any component of 2822
the standard service offer price; 2823

(f) Consistent with sections 4928.23 to 4928.2318 of the 2824
Revised Code, both of the following: 2825

(i) Provisions for the electric distribution utility to 2826
securitize any phase-in, inclusive of carrying charges, of the 2827
utility's standard service offer price, which phase-in is 2828
authorized in accordance with section 4928.144 of the Revised 2829
Code; 2830

(ii) Provisions for the recovery of the utility's cost of 2831
securitization. 2832

(g) Provisions relating to transmission, ancillary, 2833
congestion, or any related service required for the standard 2834
service offer, including provisions for the recovery of any cost 2835
of such service that the electric distribution utility incurs on 2836
or after that date pursuant to the standard service offer; 2837

(h) Provisions regarding the utility's distribution 2838
service, including, without limitation and notwithstanding any 2839
provision of Title XLIX of the Revised Code to the contrary, 2840
provisions regarding single issue ratemaking, a revenue 2841
decoupling mechanism or any other incentive ratemaking, and 2842
provisions regarding distribution infrastructure and 2843
modernization incentives for the electric distribution utility. 2844

The latter may include a long-term energy delivery 2845
infrastructure modernization plan for that utility or any plan 2846
providing for the utility's recovery of costs, including lost 2847
revenue, shared savings, and avoided costs, and a just and 2848
reasonable rate of return on such infrastructure modernization. 2849
As part of its determination as to whether to allow in an 2850
electric distribution utility's electric security plan inclusion 2851
of any provision described in division (B) (2) (h) of this 2852
section, the commission shall examine the reliability of the 2853
electric distribution utility's distribution system and ensure 2854
that customers' and the electric distribution utility's 2855
expectations are aligned and that the electric distribution 2856
utility is placing sufficient emphasis on and dedicating 2857
sufficient resources to the reliability of its distribution 2858
system. 2859

(i) Provisions under which the electric distribution 2860
utility may implement economic development, job retention, and 2861
energy efficiency programs, which provisions may allocate 2862
program costs across all classes of customers of the utility and 2863
those of electric distribution utilities in the same holding 2864
company system. 2865

(C) (1) The burden of proof in the proceeding shall be on 2866
the electric distribution utility. The commission shall issue an 2867
order under this division for an initial application under this 2868
section not later than one hundred fifty days after the 2869
application's filing date and, for any subsequent application by 2870
the utility under this section, not later than two hundred 2871
seventy-five days after the application's filing date. Subject 2872
to division (D) of this section, the commission by order shall 2873
approve or modify and approve an application filed under 2874
division (A) of this section if it finds that the electric 2875

security plan so approved, including its pricing and all other 2876
terms and conditions, including any deferrals and any future 2877
recovery of deferrals, is more favorable in the aggregate as 2878
compared to the expected results that would otherwise apply 2879
under section 4928.142 of the Revised Code. Additionally, if the 2880
commission so approves an application that contains a surcharge 2881
under division (B) (2) (b) or (c) of this section, the commission 2882
shall ensure that the benefits derived for any purpose for which 2883
the surcharge is established are reserved and made available to 2884
those that bear the surcharge. Otherwise, the commission by 2885
order shall disapprove the application. 2886

(2) (a) If the commission modifies and approves an 2887
application under division (C) (1) of this section, the electric 2888
distribution utility may withdraw the application, thereby 2889
terminating it, and may file a new standard service offer under 2890
this section or a standard service offer under section 4928.142 2891
of the Revised Code. 2892

(b) If the utility terminates an application pursuant to 2893
division (C) (2) (a) of this section or if the commission 2894
disapproves an application under division (C) (1) of this 2895
section, the commission shall issue such order as is necessary 2896
to continue the provisions, terms, and conditions of the 2897
utility's most recent standard service offer, along with any 2898
expected increases or decreases in fuel costs from those 2899
contained in that offer, until a subsequent offer is authorized 2900
pursuant to this section or section 4928.142 of the Revised 2901
Code, respectively. 2902

(D) Regarding the rate plan requirement of division (A) of 2903
section 4928.141 of the Revised Code, if an electric 2904
distribution utility that has a rate plan that extends beyond 2905

**Sub. H. B. No. 6
As Passed by the House****Page 100**

December 31, 2008, files an application under this section for 2906
the purpose of its compliance with division (A) of section 2907
4928.141 of the Revised Code, that rate plan and its terms and 2908
conditions are hereby incorporated into its proposed electric 2909
security plan and shall continue in effect until the date 2910
scheduled under the rate plan for its expiration, and that 2911
portion of the electric security plan shall not be subject to 2912
commission approval or disapproval under division (C) of this 2913
section, and the earnings test provided for in division (F) of 2914
this section shall not apply until after the expiration of the 2915
rate plan. However, that utility may include in its electric 2916
security plan under this section, and the commission may 2917
approve, modify and approve, or disapprove subject to division 2918
(C) of this section, provisions for the incremental recovery or 2919
the deferral of any costs that are not being recovered under the 2920
rate plan and that the utility incurs during that continuation 2921
period to comply with section 4928.141, ~~division (B) of section~~ 2922
~~4928.64, the Revised Code~~ or division (A) of section 4928.66 of 2923
the Revised Code. 2924

(E) If an electric security plan approved under division 2925
(C) of this section, except one withdrawn by the utility as 2926
authorized under that division, has a term, exclusive of phase- 2927
ins or deferrals, that exceeds three years from the effective 2928
date of the plan, the commission shall test the plan in the 2929
fourth year, and if applicable, every fourth year thereafter, to 2930
determine whether the plan, including its then-existing pricing 2931
and all other terms and conditions, including any deferrals and 2932
any future recovery of deferrals, continues to be more favorable 2933
in the aggregate and during the remaining term of the plan as 2934
compared to the expected results that would otherwise apply 2935
under section 4928.142 of the Revised Code. The commission shall 2936

also determine the prospective effect of the electric security 2937
plan to determine if that effect is substantially likely to 2938
provide the electric distribution utility with a return on 2939
common equity that is significantly in excess of the return on 2940
common equity that is likely to be earned by publicly traded 2941
companies, including utilities, that face comparable business 2942
and financial risk, with such adjustments for capital structure 2943
as may be appropriate. The burden of proof for demonstrating 2944
that significantly excessive earnings will not occur shall be on 2945
the electric distribution utility. If the test results are in 2946
the negative or the commission finds that continuation of the 2947
electric security plan will result in a return on equity that is 2948
significantly in excess of the return on common equity that is 2949
likely to be earned by publicly traded companies, including 2950
utilities, that will face comparable business and financial 2951
risk, with such adjustments for capital structure as may be 2952
appropriate, during the balance of the plan, the commission may 2953
terminate the electric security plan, but not until it shall 2954
have provided interested parties with notice and an opportunity 2955
to be heard. The commission may impose such conditions on the 2956
plan's termination as it considers reasonable and necessary to 2957
accommodate the transition from an approved plan to the more 2958
advantageous alternative. In the event of an electric security 2959
plan's termination pursuant to this division, the commission 2960
shall permit the continued deferral and phase-in of any amounts 2961
that occurred prior to that termination and the recovery of 2962
those amounts as contemplated under that electric security plan. 2963

(F) With regard to the provisions that are included in an 2964
electric security plan under this section, the commission shall 2965
consider, following the end of each annual period of the plan, 2966
if any such adjustments resulted in excessive earnings as 2967

measured by whether the earned return on common equity of the 2968
electric distribution utility is significantly in excess of the 2969
return on common equity that was earned during the same period 2970
by publicly traded companies, including utilities, that face 2971
comparable business and financial risk, with such adjustments 2972
for capital structure as may be appropriate. Consideration also 2973
shall be given to the capital requirements of future committed 2974
investments in this state. The burden of proof for demonstrating 2975
that significantly excessive earnings did not occur shall be on 2976
the electric distribution utility. If the commission finds that 2977
such adjustments, in the aggregate, did result in significantly 2978
excessive earnings, it shall require the electric distribution 2979
utility to return to consumers the amount of the excess by 2980
prospective adjustments; provided that, upon making such 2981
prospective adjustments, the electric distribution utility shall 2982
have the right to terminate the plan and immediately file an 2983
application pursuant to section 4928.142 of the Revised Code. 2984
Upon termination of a plan under this division, rates shall be 2985
set on the same basis as specified in division (C)(2)(b) of this 2986
section, and the commission shall permit the continued deferral 2987
and phase-in of any amounts that occurred prior to that 2988
termination and the recovery of those amounts as contemplated 2989
under that electric security plan. In making its determination 2990
of significantly excessive earnings under this division, the 2991
commission shall not consider, directly or indirectly, the 2992
revenue, expenses, or earnings of any affiliate or parent 2993
company. 2994

Sec. 4928.20. (A) The legislative authority of a municipal 2995
corporation may adopt an ordinance, or the board of township 2996
trustees of a township or the board of county commissioners of a 2997
county may adopt a resolution, under which, on or after the 2998

starting date of competitive retail electric service, it may 2999
aggregate in accordance with this section the retail electrical 3000
loads located, respectively, within the municipal corporation, 3001
township, or unincorporated area of the county and, for that 3002
purpose, may enter into service agreements to facilitate for 3003
those loads the sale and purchase of electricity. The 3004
legislative authority or board also may exercise such authority 3005
jointly with any other such legislative authority or board. For 3006
customers that are not mercantile customers, an ordinance or 3007
resolution under this division shall specify whether the 3008
aggregation will occur only with the prior, affirmative consent 3009
of each person owning, occupying, controlling, or using an 3010
electric load center proposed to be aggregated or will occur 3011
automatically for all such persons pursuant to the opt-out 3012
requirements of division (D) of this section. The aggregation of 3013
mercantile customers shall occur only with the prior, 3014
affirmative consent of each such person owning, occupying, 3015
controlling, or using an electric load center proposed to be 3016
aggregated. Nothing in this division, however, authorizes the 3017
aggregation of the retail electric loads of an electric load 3018
center, as defined in section 4933.81 of the Revised Code, that 3019
is located in the certified territory of a nonprofit electric 3020
supplier under sections 4933.81 to 4933.90 of the Revised Code 3021
or an electric load center served by transmission or 3022
distribution facilities of a municipal electric utility. 3023

(B) If an ordinance or resolution adopted under division 3024
(A) of this section specifies that aggregation of customers that 3025
are not mercantile customers will occur automatically as 3026
described in that division, the ordinance or resolution shall 3027
direct the board of elections to submit the question of the 3028
authority to aggregate to the electors of the respective 3029

municipal corporation, township, or unincorporated area of a 3030
county at a special election on the day of the next primary or 3031
general election in the municipal corporation, township, or 3032
county. The legislative authority or board shall certify a copy 3033
of the ordinance or resolution to the board of elections not 3034
less than ninety days before the day of the special election. No 3035
ordinance or resolution adopted under division (A) of this 3036
section that provides for an election under this division shall 3037
take effect unless approved by a majority of the electors voting 3038
upon the ordinance or resolution at the election held pursuant 3039
to this division. 3040

(C) Upon the applicable requisite authority under 3041
divisions (A) and (B) of this section, the legislative authority 3042
or board shall develop a plan of operation and governance for 3043
the aggregation program so authorized. Before adopting a plan 3044
under this division, the legislative authority or board shall 3045
hold at least two public hearings on the plan. Before the first 3046
hearing, the legislative authority or board shall publish notice 3047
of the hearings once a week for two consecutive weeks in a 3048
newspaper of general circulation in the jurisdiction or as 3049
provided in section 7.16 of the Revised Code. The notice shall 3050
summarize the plan and state the date, time, and location of 3051
each hearing. 3052

(D) No legislative authority or board, pursuant to an 3053
ordinance or resolution under divisions (A) and (B) of this 3054
section that provides for automatic aggregation of customers 3055
that are not mercantile customers as described in division (A) 3056
of this section, shall aggregate the electrical load of any 3057
electric load center located within its jurisdiction unless it 3058
in advance clearly discloses to the person owning, occupying, 3059
controlling, or using the load center that the person will be 3060

enrolled automatically in the aggregation program and will 3061
remain so enrolled unless the person affirmatively elects by a 3062
stated procedure not to be so enrolled. The disclosure shall 3063
state prominently the rates, charges, and other terms and 3064
conditions of enrollment. The stated procedure shall allow any 3065
person enrolled in the aggregation program the opportunity to 3066
opt out of the program every three years, without paying a 3067
switching fee. Any such person that opts out before the 3068
commencement of the aggregation program pursuant to the stated 3069
procedure shall default to the standard service offer provided 3070
under section 4928.14 or division (D) of section 4928.35 of the 3071
Revised Code until the person chooses an alternative supplier. 3072

(E) (1) With respect to a governmental aggregation for a 3073
municipal corporation that is authorized pursuant to divisions 3074
(A) to (D) of this section, resolutions may be proposed by 3075
initiative or referendum petitions in accordance with sections 3076
731.28 to 731.41 of the Revised Code. 3077

(2) With respect to a governmental aggregation for a 3078
township or the unincorporated area of a county, which 3079
aggregation is authorized pursuant to divisions (A) to (D) of 3080
this section, resolutions may be proposed by initiative or 3081
referendum petitions in accordance with sections 731.28 to 3082
731.40 of the Revised Code, except that: 3083

(a) The petitions shall be filed, respectively, with the 3084
township fiscal officer or the board of county commissioners, 3085
who shall perform those duties imposed under those sections upon 3086
the city auditor or village clerk. 3087

(b) The petitions shall contain the signatures of not less 3088
than ten per cent of the total number of electors in, 3089
respectively, the township or the unincorporated area of the 3090

**Sub. H. B. No. 6
As Passed by the House****Page 106**

county who voted for the office of governor at the preceding 3091
general election for that office in that area. 3092

(F) A governmental aggregator under division (A) of this 3093
section is not a public utility engaging in the wholesale 3094
purchase and resale of electricity, and provision of the 3095
aggregated service is not a wholesale utility transaction. A 3096
governmental aggregator shall be subject to supervision and 3097
regulation by the public utilities commission only to the extent 3098
of any competitive retail electric service it provides and 3099
commission authority under this chapter. 3100

(G) This section does not apply in the case of a municipal 3101
corporation that supplies such aggregated service to electric 3102
load centers to which its municipal electric utility also 3103
supplies a noncompetitive retail electric service through 3104
transmission or distribution facilities the utility singly or 3105
jointly owns or operates. 3106

(H) A governmental aggregator shall not include in its 3107
aggregation the accounts of any of the following: 3108

(1) A customer that has opted out of the aggregation; 3109

(2) A customer in contract with a certified electric 3110
services company; 3111

(3) A customer that has a special contract with an 3112
electric distribution utility; 3113

(4) A customer that is not located within the governmental 3114
aggregator's governmental boundaries; 3115

(5) Subject to division (C) of section 4928.21 of the 3116
Revised Code, a customer who appears on the "do not aggregate" 3117
list maintained under that section. 3118

(I) Customers that are part of a governmental aggregation 3119
under this section shall be responsible only for such portion of 3120
a surcharge under section 4928.144 of the Revised Code that is 3121
proportionate to the benefits, as determined by the commission, 3122
that electric load centers within the jurisdiction of the 3123
governmental aggregation as a group receive. The proportionate 3124
surcharge so established shall apply to each customer of the 3125
governmental aggregation while the customer is part of that 3126
aggregation. If a customer ceases being such a customer, the 3127
otherwise applicable surcharge shall apply. Nothing in this 3128
section shall result in less than full recovery by an electric 3129
distribution utility of any surcharge authorized under section 3130
4928.144 of the Revised Code. Nothing in this section shall 3131
result in less than the full and timely imposition, charging, 3132
collection, and adjustment by an electric distribution utility, 3133
its assignee, or any collection agent, of the phase-in-recovery 3134
charges authorized pursuant to a final financing order issued 3135
pursuant to sections 4928.23 to 4928.2318 of the Revised Code. 3136

(J) On behalf of the customers that are part of a 3137
governmental aggregation under this section and by filing 3138
written notice with the public utilities commission, the 3139
legislative authority that formed or is forming that 3140
governmental aggregation may elect not to receive standby 3141
service within the meaning of division (B) (2) (d) of section 3142
4928.143 of the Revised Code from an electric distribution 3143
utility in whose certified territory the governmental 3144
aggregation is located and that operates under an approved 3145
electric security plan under that section. Upon the filing of 3146
that notice, the electric distribution utility shall not charge 3147
any such customer to whom competitive retail electric generation 3148
service is provided by another supplier under the governmental 3149

aggregation for the standby service. Any such consumer that 3150
returns to the utility for competitive retail electric service 3151
shall pay the market price of power incurred by the utility to 3152
serve that consumer ~~plus any amount attributable to the~~ 3153
~~utility's cost of compliance with the renewable energy resource~~ 3154
~~provisions of section 4928.64 of the Revised Code to serve the~~ 3155
~~consumer~~. Such market price shall include, but not be limited 3156
to, capacity and energy charges; all charges associated with the 3157
provision of that power supply through the regional transmission 3158
organization, including, but not limited to, transmission, 3159
ancillary services, congestion, and settlement and 3160
administrative charges; and all other costs incurred by the 3161
utility that are associated with the procurement, provision, and 3162
administration of that power supply, as such costs may be 3163
approved by the commission. The period of time during which the 3164
market price ~~and renewable energy resource amount~~ shall be so 3165
assessed on the consumer shall be from the time the consumer so 3166
returns to the electric distribution utility until the 3167
expiration of the electric security plan. However, if that 3168
period of time is expected to be more than two years, the 3169
commission may reduce the time period to a period of not less 3170
than two years. 3171

(K) The commission shall adopt rules to encourage and 3172
promote large-scale governmental aggregation in this state. For 3173
that purpose, the commission shall conduct an immediate review 3174
of any rules it has adopted for the purpose of this section that 3175
are in effect on the effective date of the amendment of this 3176
section by S.B. 221 of the 127th general assembly, July 31, 3177
2008. Further, within the context of an electric security plan 3178
under section 4928.143 of the Revised Code, the commission shall 3179
consider the effect on large-scale governmental aggregation of 3180

any nonbypassable generation charges, however collected, that 3181
would be established under that plan, except any nonbypassable 3182
generation charges that relate to any cost incurred by the 3183
electric distribution utility, the deferral of which has been 3184
authorized by the commission prior to the effective date of the 3185
amendment of this section by S.B. 221 of the 127th general 3186
assembly, July 31, 2008. 3187

Sec. 4928.61. (A) There is hereby established in the state 3188
treasury the advanced energy fund, into which shall be deposited 3189
all advanced energy revenues remitted to the director of 3190
development under division (B) of this section, for the 3191
exclusive purposes of funding the advanced energy program 3192
created under section 4928.62 of the Revised Code and paying the 3193
program's administrative costs. Interest on the fund shall be 3194
credited to the fund. 3195

(B) Advanced energy revenues shall include all of the 3196
following: 3197

(1) Revenues remitted to the director after collection by 3198
each electric distribution utility in this state of a temporary 3199
rider on retail electric distribution service rates as such 3200
rates are determined by the public utilities commission pursuant 3201
to this chapter. The rider shall be a uniform amount statewide, 3202
determined by the director of development, after consultation 3203
with the public benefits advisory board created by section 3204
4928.58 of the Revised Code. The amount shall be determined by 3205
dividing an aggregate revenue target for a given year as 3206
determined by the director, after consultation with the advisory 3207
board, by the number of customers of electric distribution 3208
utilities in this state in the prior year. Such aggregate 3209
revenue target shall not exceed more than fifteen million 3210

Sub. H. B. No. 6
As Passed by the House

Page 110

dollars in any year through 2005 and shall not exceed more than 3211
 five million dollars in any year after 2005. The rider shall be 3212
 imposed beginning on the effective date of the amendment of this 3213
 section by Sub. H.B. 251 of the 126th general assembly, January 3214
 4, 2007, and shall terminate at the end of ten years following 3215
 the starting date of competitive retail electric service or 3216
 until the advanced energy fund, including interest, reaches one 3217
 hundred million dollars, whichever is first. 3218

(2) Revenues from payments, repayments, and collections 3219
 under the advanced energy program and from program income; 3220

(3) Revenues remitted to the director after collection by 3221
 a municipal electric utility or electric cooperative in this 3222
 state upon the utility's or cooperative's decision to 3223
 participate in the advanced energy fund; 3224

~~(4) Revenues from renewable energy compliance payments as~~ 3225
~~provided under division (C) (2) of section 4928.64 of the Revised~~ 3226
~~Code;~~ 3227

~~(5) Revenue from forfeitures under division (C) of section~~ 3228
~~4928.66 of the Revised Code;~~ 3229

~~(6) (5) Funds transferred pursuant to division (B) of~~ 3230
~~Section 512.10 of S.B. 315 of the 129th general assembly;~~ 3231

~~(7) (6) Interest earnings on the advanced energy fund.~~ 3232

(C) (1) Each electric distribution utility in this state 3233
 shall remit to the director on a quarterly basis the revenues 3234
 described in divisions (B) (1) and (2) of this section. Such 3235
 remittances shall occur within thirty days after the end of each 3236
 calendar quarter. 3237

(2) Each participating electric cooperative and 3238

participating municipal electric utility shall remit to the 3239
director on a quarterly basis the revenues described in division 3240
(B) (3) of this section. Such remittances shall occur within 3241
thirty days after the end of each calendar quarter. For the 3242
purpose of division (B) (3) of this section, the participation of 3243
an electric cooperative or municipal electric utility in the 3244
energy efficiency revolving loan program as it existed 3245
immediately prior to the effective date of the amendment of this 3246
section by Sub. H.B. 251 of the 126th general assembly, January 3247
4, 2007, does not constitute a decision to participate in the 3248
advanced energy fund under this section as so amended. 3249

(3) All remittances under divisions (C) (1) and (2) of this 3250
section shall continue only until the end of ten years following 3251
the starting date of competitive retail electric service or 3252
until the advanced energy fund, including interest, reaches one 3253
hundred million dollars, whichever is first. 3254

(D) Any moneys collected in rates for non-low-income 3255
customer energy efficiency programs, as of October 5, 1999, and 3256
not contributed to the energy efficiency revolving loan fund 3257
authorized under this section prior to the effective date of its 3258
amendment by Sub. H.B. 251 of the 126th general assembly, 3259
January 4, 2007, shall be used to continue to fund cost- 3260
effective, residential energy efficiency programs, be 3261
contributed into the universal service fund as a supplement to 3262
that required under section 4928.53 of the Revised Code, or be 3263
returned to ratepayers in the form of a rate reduction at the 3264
option of the affected electric distribution utility. 3265

Sec. 4928.62. (A) There is hereby created the advanced 3266
energy program, which shall be administered by the director of 3267
development. Under the program, the director may authorize the 3268

use of moneys in the advanced energy fund for financial, 3269
technical, and related assistance for advanced energy projects 3270
in this state or for economic development assistance, in 3271
furtherance of the purposes set forth in section 4928.63 of the 3272
Revised Code. 3273

(1) To the extent feasible given approved applications for 3274
assistance, the assistance shall be distributed among the 3275
certified territories of electric distribution utilities and 3276
participating electric cooperatives, and among the service areas 3277
of participating municipal electric utilities, in amounts 3278
proportionate to the remittances of each utility and cooperative 3279
under divisions (B)(1) and (3) of section 4928.61 of the Revised 3280
Code. 3281

(2) The funds described in division (B) ~~(6)~~ (5) of section 3282
4928.61 of the Revised Code shall not be subject to the 3283
territorial requirements of division (A)(1) of this section. 3284

(3) The director shall not authorize financial assistance 3285
for an advanced energy project under the program unless the 3286
director first determines that the project will create new jobs 3287
or preserve existing jobs in this state or use innovative 3288
technologies or materials. 3289

(B) In carrying out sections 4928.61 to 4928.63 of the 3290
Revised Code, the director may do all of the following to 3291
further the public interest in advanced energy projects and 3292
economic development: 3293

(1) Award grants, contracts, loans, loan participation 3294
agreements, linked deposits, and energy production incentives; 3295

(2) Acquire in the name of the director any property of 3296
any kind or character in accordance with this section, by 3297

**Sub. H. B. No. 6
As Passed by the House****Page 113**

purchase, purchase at foreclosure, or exchange, on such terms 3298
and in such manner as the director considers proper; 3299

(3) Make and enter into all contracts and agreements 3300
necessary or incidental to the performance of the director's 3301
duties and the exercise of the director's powers under sections 3302
4928.61 to 4928.63 of the Revised Code; 3303

(4) Employ or enter into contracts with financial 3304
consultants, marketing consultants, consulting engineers, 3305
architects, managers, construction experts, attorneys, technical 3306
monitors, energy evaluators, or other employees or agents as the 3307
director considers necessary, and fix their compensation; 3308

(5) Adopt rules prescribing the application procedures for 3309
financial assistance under the advanced energy program; the 3310
fees, charges, interest rates, payment schedules, local match 3311
requirements, and other terms and conditions of any grants, 3312
contracts, loans, loan participation agreements, linked 3313
deposits, and energy production incentives; criteria pertaining 3314
to the eligibility of participating lending institutions; and 3315
any other matters necessary for the implementation of the 3316
program; 3317

(6) Do all things necessary and appropriate for the 3318
operation of the program. 3319

(C) The department of development may hold ownership to 3320
any unclaimed energy efficiency and renewable energy emission 3321
allowances provided for in Chapter 3745-14 of the Administrative 3322
Code or otherwise, that result from advanced energy projects 3323
that receive funding from the advanced energy fund, and it may 3324
use the allowances to further the public interest in advanced 3325
energy projects or for economic development. 3326

**Sub. H. B. No. 6
As Passed by the House**

Page 114

(D) Financial statements, financial data, and trade secrets submitted to or received by the director from an applicant or recipient of financial assistance under sections 4928.61 to 4928.63 of the Revised Code, or any information taken from those statements, data, or trade secrets for any purpose, are not public records for the purpose of section 149.43 of the Revised Code.

(E) Nothing in the amendments of sections 4928.61, 4928.62, and 4928.63 of the Revised Code by Sub. H.B. 251 of the 126th general assembly shall affect any pending or effected assistance, pending or effected purchases or exchanges of property made, or pending or effected contracts or agreements entered into pursuant to division (A) or (B) of this section as the section existed prior to the effective date of those amendments, January 4, 2007, or shall affect the exemption provided under division (C) of this section as the section existed prior to that effective date.

(F) Any assistance a school district receives for an advanced energy project, including a geothermal heating, ventilating, and air conditioning system, shall be in addition to any assistance provided under Chapter 3318. of the Revised Code and shall not be included as part of the district or state portion of the basic project cost under that chapter.

Sec. 4928.641. (A) As used in this section, "net cost" means a charge or a credit and constitutes the ongoing costs including the charges incurred by the utility under each contract, including the annual renewable energy credit inventory amortization charge in division (E) (3) of this section, the carrying charges, less the revenue received by the utility as a result of liquidating into competitive markets the electrical

and renewable products provided to the utility under the same 3357
contract, including capacity, ancillary services, and renewable 3358
energy credits. 3359

(B) All prudently incurred costs incurred by an electric 3360
distribution utility associated with contractual obligations 3361
that existed prior to the effective date of the amendments to 3362
this section by H.B. 6 of the 133rd general assembly to 3363
implement section 4928.64 of the Revised Code shall be 3364
recoverable from the utility's retail customers as a 3365
distribution expense if the money received from the Ohio clean 3366
air program fund, created under section 3706.46 of the Revised 3367
Code, is insufficient to offset those costs. Such costs are 3368
ongoing costs and shall include costs incurred to discontinue 3369
existing programs that were implemented by the electric 3370
distribution utility under section 4928.64 of the Revised Code. 3371

(C) If an electric distribution utility has executed a 3372
contract before April 1, 2014, to procure renewable energy 3373
resources to implement section 4928.64 of the Revised Code and 3374
there are ongoing costs associated with that contract that are 3375
being recovered from customers through a bypassable charge as of 3376
the effective date of S.B. 310 the amendments to this section by 3377
H.B. 6 of the 130th-133rd general assembly, that cost recovery 3378
shall continue on a bypassable basis, upon final 3379
reconciliation, be replaced with the accounting mechanism 3380
permitted under this section. The accounting mechanism shall be 3381
effective for the remaining term of the contract and for a 3382
subsequent reconciliation period until all the prudently 3383
incurred costs associated with that contract are fully 3384
recovered. 3385

~~(B) Division (A) of this section applies only to costs~~ 3386

**Sub. H. B. No. 6
As Passed by the House**

Page 116

~~associated with the original term of a contract described in~~ 3387
~~that division and entered into before April 1, 2014. This~~ 3388
~~section does not permit recovery of costs associated with an~~ 3389
~~extension of such a contract. This section does not permit~~ 3390
~~recovery of costs associated with an amendment of such a~~ 3391
~~contract if that amendment was made on or after April 1, 2014.~~ 3392

(D) Subject to the requirements for recovery of ongoing 3393
costs under section 4928.64 of the Revised Code, the public 3394
utilities commission shall, in accordance with division (E) of 3395
this section, approve an accounting mechanism for each electric 3396
distribution utility that demonstrates that it has incurred or 3397
will incur ongoing costs as described in division (B) of this 3398
section. 3399

(E) All of the following shall apply to the accounting 3400
mechanism: 3401

(1) Subject to division (F) of this section, the 3402
accounting mechanism shall reflect the forecasted annual net 3403
costs to be incurred by the utility under each contract 3404
described in division (C) of this section, subject to subsequent 3405
reconciliation to actual net costs. 3406

(2) The book value of an electric distribution utility's 3407
inventory of renewable energy credits, as of the effective date 3408
of the amendments to this section by H.B. 6 of the 133rd general 3409
assembly, shall be reflected in the accounting mechanism over an 3410
amortization period that is substantially similar to the 3411
remaining term of any contracts described in division (C) of 3412
this section. 3413

(3) The electric distribution utility shall, in a timely 3414
manner, liquidate the renewable energy credits in its inventory 3415

and apply the resulting revenue against such recovery. 3416

(F) Not later than ninety days after the effective date of 3417
the amendments to this section by H.B. 6 of the 133rd general 3418
assembly, the commission shall approve an appropriate accounting 3419
mechanism that is reasonable and appropriate to implement the 3420
requirements of this section and permits a full recovery of the 3421
utility's net costs, including the accounting authority for the 3422
utility to establish and adjust regulatory assets and regulatory 3423
liabilities consistent with this section. The electric 3424
distribution utility shall be entitled to collect a carrying 3425
charge on such regulatory assets on the effective date of the 3426
amendments to this section by H.B. 6 of the 133rd general 3427
assembly and continuing until the regulatory asset is completely 3428
recovered. Such carrying charge shall include the electric 3429
distribution utility's cost of capital including the most recent 3430
authorized rate of return on equity. The carrying charge shall 3431
also be applied to any regulatory liability created as a result 3432
of the cost recovery mechanism. In each subsequent rate 3433
proceeding under Chapter 4909. of the Revised Code or section 3434
4928.143 of the Revised Code involving the electric distribution 3435
utility, the commission shall permit recovery as a distribution 3436
expense of the regulatory assets existing at that time until the 3437
utility's net costs are fully recovered. Those costs shall be 3438
assigned to each customer class using the base distribution 3439
revenue allocation. 3440

(G) The electric distribution utility shall apply to the 3441
Ohio air quality development authority for reimbursement of its 3442
net costs, in accordance with section 3706.485 of the Revised 3443
Code. To facilitate the authority's consideration of the 3444
utility's application, the commission shall annually certify 3445
each electric distribution utility's forecasted net costs under 3446

this section to the authority. The commission shall credit any 3447
revenue received by the utility from the Ohio clean air program 3448
fund under section 3706.485 of the Revised Code against the net 3449
costs that would otherwise be recovered through the utility's 3450
rates. 3451

Sec. 4928.645. (A) An electric distribution utility or 3452
electric services company may use, ~~for the purpose of complying~~ 3453
~~with the requirements under divisions (B) (1) and (2) of section~~ 3454
~~4928.64 of the Revised Code,~~ renewable energy credits any time 3455
in the five calendar years following the date of their purchase 3456
or acquisition from any entity, including, but not limited to, 3457
the following: 3458

(1) A mercantile customer; 3459

(2) An owner or operator of a hydroelectric generating 3460
facility that is located at a dam on a river, or on any water 3461
discharged to a river, that is within or bordering this state or 3462
within or bordering an adjoining state, or that produces power 3463
that can be shown to be deliverable into this state; 3464

(3) A seller of compressed natural gas that has been 3465
produced from biologically derived methane gas, provided that 3466
the seller may only provide renewable energy credits for metered 3467
amounts of gas. 3468

(B) (1) The public utilities commission shall adopt rules 3469
specifying that one unit of credit shall equal one megawatt hour 3470
of electricity derived from renewable energy resources, except 3471
that, for a generating facility of seventy-five megawatts or 3472
greater that is situated within this state and has committed by 3473
December 31, 2009, to modify or retrofit its generating unit or 3474
units to enable the facility to generate principally from 3475

biomass energy by June 30, 2013, each megawatt hour of 3476
electricity generated principally from that biomass energy shall 3477
equal, in units of credit, the product obtained by multiplying 3478
the actual percentage of biomass feedstock heat input used to 3479
generate such megawatt hour by the quotient obtained by dividing 3480
the ~~then existing~~ unit dollar amount used, on December 31, 2019, 3481
to determine a renewable energy compliance payment as provided 3482
under former division (C) (2) (b) of section 4928.64 of the 3483
Revised Code by the then existing market value of one renewable 3484
energy credit, but such megawatt hour shall not equal less than 3485
one unit of credit. Renewable energy resources do not have to be 3486
converted to electricity in order to be eligible to receive 3487
renewable energy credits. The rules shall specify that, for 3488
purposes of converting the quantity of energy derived from 3489
biologically derived methane gas to an electricity equivalent, 3490
one megawatt hour equals 3,412,142 British thermal units. 3491

(2) The rules also shall provide for this state a system 3492
of registering renewable energy credits by specifying which of 3493
any generally available registries shall be used for that 3494
purpose and not by creating a registry. That selected system of 3495
registering renewable energy credits shall allow a hydroelectric 3496
generating facility to be eligible for obtaining renewable 3497
energy credits and shall allow customer-sited projects or 3498
actions the broadest opportunities to be eligible for obtaining 3499
renewable energy credits. 3500

Sec. 5501.311. (A) Notwithstanding sections 123.01 and 3501
127.16 of the Revised Code the director of transportation may 3502
lease or lease-purchase all or any part of a transportation 3503
facility to or from one or more persons, one or more 3504
governmental agencies, a transportation improvement district, or 3505
any combination thereof, and may grant leases, easements, or 3506

**Sub. H. B. No. 6
As Passed by the House****Page 120**

licenses for lands under the control of the department of 3507
transportation. The director may adopt rules necessary to give 3508
effect to this section. 3509

(B) Plans and specifications for the construction of a 3510
transportation facility under a lease or lease-purchase 3511
agreement are subject to approval of the director and must meet 3512
or exceed all applicable standards of the department. 3513

(C) Any lease or lease-purchase agreement under which the 3514
department is the lessee shall be for a period not exceeding the 3515
then current two-year period for which appropriations have been 3516
made by the general assembly to the department, and such 3517
agreement may contain such other terms as the department and the 3518
other parties thereto agree, notwithstanding any other provision 3519
of law, including provisions that rental payments in amounts 3520
sufficient to pay bond service charges payable during the 3521
current two-year lease term shall be an absolute and 3522
unconditional obligation of the department independent of all 3523
other duties under the agreement without set-off or deduction or 3524
any other similar rights or defenses. Any such agreement may 3525
provide for renewal of the agreement at the end of each term for 3526
another term, not exceeding two years, provided that no renewal 3527
shall be effective until the effective date of an appropriation 3528
enacted by the general assembly from which the department may 3529
lawfully pay rentals under such agreement. Any such agreement 3530
may include, without limitation, any agreement by the department 3531
with respect to any costs of transportation facilities to be 3532
included prior to acquisition and construction of such 3533
transportation facilities. Any such agreement shall not 3534
constitute a debt or pledge of the faith and credit of the 3535
state, or of any political subdivision of the state, and the 3536
lessor shall have no right to have taxes or excises levied by 3537

**Sub. H. B. No. 6
As Passed by the House****Page 121**

the general assembly, or the taxing authority of any political 3538
subdivision of the state, for the payment of rentals thereunder. 3539
Any such agreement shall contain a statement to that effect. 3540

(D) A municipal corporation, township, or county may use 3541
service payments in lieu of taxes credited to special funds or 3542
accounts pursuant to sections 5709.43, 5709.47, 5709.75, and 3543
5709.80 of the Revised Code to provide its contribution to the 3544
cost of a transportation facility, provided such facility was 3545
among the purposes for which such service payments were 3546
authorized. The contribution may be in the form of a lump sum or 3547
periodic payments. 3548

(E) Pursuant to the "Telecommunications Act of 1996," 110 3549
Stat. 152, 47 U.S.C. 332 note, the director may grant a lease, 3550
easement, or license in a transportation facility to a 3551
telecommunications service provider for construction, placement, 3552
or operation of a telecommunications facility. An interest 3553
granted under this division is subject to all of the following 3554
conditions: 3555

(1) The transportation facility is owned in fee simple or 3556
easement by this state at the time the lease, easement, or 3557
license is granted to the telecommunications provider. 3558

(2) The lease, easement, or license shall be granted on a 3559
competitive basis in accordance with policies and procedures to 3560
be determined by the director. The policies and procedures may 3561
include provisions for master leases for multiple sites. 3562

(3) The telecommunications facility shall be designed to 3563
accommodate the state's multi-agency radio communication system, 3564
the intelligent transportation system, and the department's 3565
communication system as the director may determine is necessary 3566

for highway or other departmental purposes. 3567

(4) The telecommunications facility shall be designed to 3568
accommodate such additional telecommunications equipment as may 3569
feasibly be co-located thereon as determined in the discretion 3570
of the director. 3571

(5) The telecommunications service providers awarded the 3572
lease, easement, or license, agree to permit other 3573
telecommunications service providers to co-locate on the 3574
telecommunications facility, and agree to the terms and 3575
conditions of the co-location as determined in the discretion of 3576
the director. 3577

(6) The director shall require indemnity agreements in 3578
favor of the department as a condition of any lease, easement, 3579
or license granted under this division. Each indemnity agreement 3580
shall secure this state and its agents from liability for 3581
damages arising out of safety hazards, zoning, and any other 3582
matter of public interest the director considers necessary. 3583

(7) The telecommunications service provider fully complies 3584
with any permit issued under section 5515.01 of the Revised Code 3585
pertaining to land that is the subject of the lease, easement, 3586
or license. 3587

(8) All plans and specifications shall meet with the 3588
director's approval. 3589

(9) Any other conditions the director determines 3590
necessary. 3591

(F) In accordance with section 5501.031 of the Revised 3592
Code, to further efforts to promote energy conservation and 3593
energy efficiency, the director may grant a lease, easement, or 3594
license in a transportation facility to a utility service 3595

provider that has received its certificate from the Ohio power 3596
siting board or appropriate local entity for construction, 3597
placement, or operation of an alternative energy generating 3598
facility service provider as defined in section 4928.64 of the 3599
Revised Code as that section existed prior to January 1, 2020. 3600
An interest granted under this division is subject to all of the 3601
following conditions: 3602

(1) The transportation facility is owned in fee simple or 3603
in easement by this state at the time the lease, easement, or 3604
license is granted to the utility service provider. 3605

(2) The lease, easement, or license shall be granted on a 3606
competitive basis in accordance with policies and procedures to 3607
be determined by the director. The policies and procedures may 3608
include provisions for master leases for multiple sites. 3609

(3) The alternative energy generating facility shall be 3610
designed to provide energy for the department's transportation 3611
facilities with the potential for selling excess power on the 3612
power grid, as the director may determine is necessary for 3613
highway or other departmental purposes. 3614

(4) The director shall require indemnity agreements in 3615
favor of the department as a condition of any lease, easement, 3616
or license granted under this division. Each indemnity agreement 3617
shall secure this state from liability for damages arising out 3618
of safety hazards, zoning, and any other matter of public 3619
interest the director considers necessary. 3620

(5) The alternative energy service provider fully complies 3621
with any permit issued by the Ohio power siting board under 3622
Chapter 4906. of the Revised Code and complies with section 3623
5515.01 of the Revised Code pertaining to land that is the 3624

**Sub. H. B. No. 6
As Passed by the House****Page 124**

subject of the lease, easement, or license. 3625

(6) All plans and specifications shall meet with the 3626
director's approval. 3627

(7) Any other conditions the director determines 3628
necessary. 3629

(G) Money the department receives under this section shall 3630
be deposited into the state treasury to the credit of the 3631
highway operating fund. 3632

(H) A lease, easement, or license granted under division 3633
(E) or (F) of this section, and any telecommunications facility 3634
or alternative energy generating facility relating to such 3635
interest in a transportation facility, is hereby deemed to 3636
further the essential highway purpose of building and 3637
maintaining a safe, energy-efficient, and accessible 3638
transportation system. 3639

Section 6. That existing sections 1710.06, 4928.142, 3640
4928.143, 4928.20, 4928.61, 4928.62, 4928.641, 4928.645, and 3641
5501.311 of the Revised Code are hereby repealed. 3642

Section 7. That sections 1710.061, 4928.64, 4928.643, 3643
4928.644, and 4928.65 of the Revised Code are hereby repealed. 3644

Section 8. Sections 5, 6, and 7 of this act take effect 3645
January 1, 2020. 3646

Section 9. (A) Not earlier than two years after the 3647
effective date of this section, the Director of Environmental 3648
Protection may apply to the Administrator of the United States 3649
Environmental Protection Agency for an exemption from the 3650
requirement to implement the decentralized motor vehicle 3651
inspection and maintenance program established under section 3652

3704.14 of the Revised Code. In making the application and for 3653
purposes of complying with the "Federal Clean Air Act," the 3654
Director shall request the Administrator to authorize the 3655
implementation of the Ohio Clean Air Program established by this 3656
act as an alternative to the decentralized program in those 3657
areas of the state where the program is currently operating. 3658

(B) As used in this section, "Federal Clean Air Act" has 3659
the same meaning as in section 3704.01 of the Revised Code. 3660

Section 10. (A) In 2020, the Public Utilities Commission 3661
shall review an electric distribution utility's or electric 3662
services company's compliance with the benchmarks for 2019 under 3663
division (B) (2) of section 4928.64 of the Revised Code as that 3664
division existed on the effective date of this section, and in 3665
the course of that review, shall identify any undercompliance or 3666
noncompliance of the utility or company that it determines is 3667
weather-related, related to equipment or resource shortages for 3668
qualifying renewable energy resources as applicable, or is 3669
otherwise outside the utility's or company's control. 3670

(B) Subject to the cost cap provisions of division (C) (3) 3671
of section 4928.64 of the Revised Code as that section existed 3672
on the effective date of this section, if the commission 3673
determines, after notice and opportunity for hearing, and based 3674
upon its findings in the review under division (A) of this 3675
section regarding avoidable undercompliance or noncompliance, 3676
but subject to the force-majeure provisions of division (C) (4) 3677
(a) of section 4928.64 of the Revised Code as that section 3678
existed on the effective date of this section, that the utility 3679
or company has failed to comply with the benchmarks for 2019, 3680
the commission shall impose a renewable energy compliance 3681
payment on the utility or company. 3682

(1) The compliance payment pertaining to the solar energy resource benchmark for 2019 shall be two hundred dollars per megawatt hour of undercompliance or noncompliance in the period under review.

(2) The compliance payment pertaining to the renewable energy resource benchmark for 2019 shall be assessed in accordance with division (C) (2) (b) of section 4928.64 of the Revised Code as that section existed on the effective date of this section.

(C) Division (C) (2) (c) of section 4928.64 of the Revised Code as that section existed on the effective date of this section applies to compliance payments imposed under this section.

Section 11. If any provisions of a section as amended or enacted by this act, or the application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the section or related sections that can be given effect without the invalid provision or application, and to this end the provisions are severable.

Section 12. The amendment by this act of divisions (B) (1) (c), (C) (2), (E), and (F) (4), (5), and (7) of section 5727.75 of the Revised Code applies to both of the following:

(A) Energy projects certified by the Director of Development Services on or after the effective date of this section;

(B) Existing qualified energy projects that, on the effective date of this section, have a nameplate capacity of fewer than five megawatts.

EXHIBIT 6



June 27, 2019

Members of the Ohio Senate
The Ohio Senate
One Capitol Square
Columbus, Ohio 43215

Dear Members of the Senate:

AEP Ohio has worked carefully through the legislative process to ensure House Bill 6 (HB 6) provides benefits to our customers and greater certainty to legacy and future energy generation in Ohio. This comes at a time when business and residential customers continue to seek creative, forward-looking solutions to power their needs. We have supported previous versions of HB 6 that give utilities the ability to invest in Ohio and provide opportunities to meet that need and drive economic growth in the state. Because much of the carefully-crafted language resulting from an extensive stakeholder process in the House was replaced in the "dash 1" version released by the Senate yesterday to the detriment of AEP Ohio and its customers, however, the Company opposes this new version of HB 6.

In order to support the Senate version, AEP Ohio requests the Senate Energy and Public Utilities Committee make several modifications to the bill that will protect consumers from unintended rate increases and language that provides certainty to true economic development in Ohio. The critical items for consideration are as follows:

- Remove Senate language prohibiting an electric distribution utility from submitting otherwise qualifying renewable resources to the Ohio air quality development authority for supplemental credits as this jeopardizes our ability to invest in Ohio. Related adjustments are needed to avoid excluding projects that are completed after the legislation passes, including new renewable projects under R.C. 4928.47.
- Amend Senate energy efficiency mandate language to permit (as the House version did) utility incentives or return on cost-effective investments approved by the Public Utilities Commission.
- Either reinstate House language concerning the Ohio Valley Electric Corporation, along with the amendments submitted by utilities to the Senate, or amend the Senate language to achieve the same effect. The language was altered in a way so that it now provides uncertainty for our customers and OVEC's 345 Ohio employees.
- Amend renewable mandate language to either reinstate the provisions of R.C. 4928.641 adopted by the House for application with the renewable mandate retained by the Senate or clarify that the renewable mandate retained in the Senate version applies through 2026 "and thereafter" consistent with the current law.
- Replace the Senate version of R.C. 4928.47 with the version of R.C. 4928.647 passed by the House.

Thank you for consideration of these modifications that are needed for AEP Ohio to support the legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Froehle", is written over a light blue horizontal line.

Tom Froehle
VP, External Affairs
AEP

EXHIBIT 7

(133rd General Assembly)
(Amended Substitute House Bill Number 6)

AN ACT

To amend sections 303.213, 519.213, 713.081, 4906.13, 4928.01, 4928.64, 4928.641, 4928.644, 4928.645, 4928.66, 4928.6610, and 5727.75, to enact sections 3706.40, 3706.41, 3706.43, 3706.431, 3706.45, 3706.46, 3706.49, 3706.53, 3706.55, 3706.59, 3706.61, 3706.63, 3706.65, 4928.148, 4928.47, 4928.471, 4928.642, 4928.75, 4928.80, and 5727.231, and to repeal section 4928.6616 of the Revised Code to facilitate and continue the development, production, and use of electricity from nuclear, coal, and renewable energy resources in this state, to modify the existing mandates for renewable energy and energy efficiency savings, and to determine amounts of federal funding received for home weatherization services.

Be it enacted by the General Assembly of the State of Ohio:

SECTION 1. That sections 303.213, 519.213, 713.081, 4906.13, 4928.01, 4928.64, 4928.641, 4928.644, 4928.645, 4928.66, 4928.6610, and 5727.75 be amended and sections 3706.40, 3706.41, 3706.43, 3706.431, 3706.45, 3706.46, 3706.49, 3706.53, 3706.55, 3706.59, 3706.61, 3706.63, 3706.65, 4928.148, 4928.47, 4928.471, 4928.642, 4928.75, 4928.80, and 5727.231 of the Revised Code be enacted to read as follows:

Sec. 303.213. (A) As used in this section, "small wind farm" means wind turbines and associated facilities ~~with a single interconnection to the electrical grid and designed for, or capable of, operation at an aggregate capacity of less than five megawatts~~ that are not subject to the jurisdiction of the power siting board under sections 4906.20 and 4906.201 of the Revised Code.

(B) Notwithstanding division (A) of section 303.211 of the Revised Code, sections 303.01 to 303.25 of the Revised Code confer power on a board of county commissioners or board of zoning appeals to adopt zoning regulations governing the location, erection, construction, reconstruction, change, alteration, maintenance, removal, use, or enlargement of any small wind farm, whether publicly or privately owned, or the use of land for that purpose, which regulations may be more strict than the regulations prescribed in rules adopted under division (B)(2) of section 4906.20 of the Revised Code.

(C) The designation under this section of a small wind farm as a public utility for purposes of sections 303.01 to 303.25 of the Revised Code shall not affect the classification of a small wind farm for purposes of state or local taxation.

(D) Nothing in division (C) of this section shall be construed as affecting the classification of a telecommunications tower as defined in division (B) or (E) of section 303.211 of the Revised Code or any other public utility for purposes of state and local taxation.

Sec. 519.213. (A) As used in this section, "small wind farm" means wind turbines and associated facilities ~~with a single interconnection to the electrical grid and designed for, or capable~~

Am. Sub. H. B. No. 6

133rd G.A.

2

of, operation at an aggregate capacity of less than five megawatts that are not subject to the jurisdiction of the power siting board under sections 4906.20 and 4906.201 of the Revised Code.

(B) Notwithstanding division (A) of section 519.211 of the Revised Code, sections 519.02 to 519.25 of the Revised Code confer power on a board of township trustees or board of zoning appeals with respect to the location, erection, construction, reconstruction, change, alteration, maintenance, removal, use, or enlargement of any small wind farm, whether publicly or privately owned, or the use of land for that purpose, which regulations may be more strict than the regulations prescribed in rules adopted under division (B)(2) of section 4906.20 of the Revised Code.

(C) The designation under this section of a small wind farm as a public utility for purposes of sections 519.02 to 519.25 of the Revised Code shall not affect the classification of a small wind farm or any other public utility for purposes of state or local taxation.

(D) Nothing in division (C) of this section shall be construed as affecting the classification of a telecommunications tower as defined in division (B) or (E) of section 519.211 of the Revised Code or any other public utility for purposes of state and local taxation.

Sec. 713.081. (A) As used in this section, "small wind farm" means wind turbines and associated facilities ~~with a single interconnection to the electrical grid and designed for, or capable of, operation at an aggregate capacity of less than five megawatts that are not subject to the jurisdiction of the power siting board under sections 4906.20 and 4906.201 of the Revised Code.~~

(B) Sections 713.06 to 713.15 of the Revised Code confer power on the legislative authority of a municipal corporation with respect to the location, erection, construction, reconstruction, change, alteration, maintenance, removal, use, or enlargement of any small wind farm as a public utility, whether publicly or privately owned, or the use of land for that purpose, which regulations may be more strict than the regulations prescribed in rules adopted under division (B)(2) of section 4906.20 of the Revised Code.

(C) The designation under this section of a small wind farm as a public utility for purposes of sections 713.06 to 713.15 of the Revised Code shall not affect the classification of a small wind farm or any other public utility for purposes of state or local taxation.

Sec. 3706.40. As used in sections 3706.40 to 3706.65 of the Revised Code:

(A) "Qualifying nuclear resource" means an electric generating facility in this state fueled by nuclear power.

(B) "Qualifying renewable resource" means an electric generating facility in this state to which all of the following apply:

(1) The facility uses or will use solar energy as the primary energy source.

(2) The facility obtained a certificate for construction of a major utility facility from the power siting board prior to June 1, 2019.

(3) The facility is interconnected with the transmission grid that is subject to the operational control of PJM interconnection, L.L.C., or its successor organization.

(C) "Credit price adjustment" means a reduction to the price for each nuclear resource credit equal to the market price index minus the strike price.

(D) "Strike price" means forty-six dollars per megawatt hour.

(E) "Market price index" means the sum, expressed in dollars per megawatt hour, of both of the following for the upcoming twelve-month period that begins the first day of June and ends the

Am. Sub. H. B. No. 6

133rd G.A.

3

thirty-first day of May:

- (1) Projected energy prices, determined using futures contracts for the PJM AEP-Dayton hub;
- (2) Projected capacity prices, determined using PJM's rest-of-RTO market clearing price.
- (F) "Electric distribution utility" has the same meaning as in section 4928.01 of the Revised

Code.

Sec. 3706.41. (A) Not later than February 1, 2020, the owner or operator of a qualifying nuclear resource or qualifying renewable resource may apply to the Ohio air quality development authority to receive payments for nuclear resource credits or renewable energy credits, as applicable, under section 3706.55 of the Revised Code.

(B) An application submitted under division (A) of this section for a qualifying nuclear resource shall include all of the following information pertaining to the resource:

- (1) Financial information;
- (2) Certified cost and revenue projections through December 31, 2026;
- (3) Operation and maintenance expenses;
- (4) Fuel expenses, including spent-fuel expenses;
- (5) Nonfuel capital expenses;
- (6) Fully allocated overhead costs;
- (7) The cost of operational risks and market risks that would be avoided by ceasing operation

of the resource;

(8) Any other information, financial or otherwise, that demonstrates that the resource is projected not to continue being operational.

(C) As used in this section:

(1) "Operational risks" include the risk that operating costs will be higher than anticipated because of new regulatory mandates or equipment failures and the risk that per-megawatt-hour costs will be higher than anticipated because of a lower than expected capacity factor.

(2) "Market risks" include the risk of a forced outage and the associated costs arising from contractual obligations, and the risk that output from the resource may not be able to be sold at projected levels.

Sec. 3706.43. After receiving an application under section 3706.41 of the Revised Code, the Ohio air quality development authority shall review and approve the application, not later than March 31, 2020, if all of the following apply, as applicable:

(A) The resource meets the definition of a qualifying nuclear resource or qualifying renewable resource in section 3706.40 of the Revised Code.

(B) For a qualifying nuclear resource only, both of the following apply:

(1) The application meets the requirements of section 3706.41 of the Revised Code.

(2) The resource's operator maintains both a principal place of business in this state and a substantial presence in this state with regard to its business operations, offices, and transactions.

Sec. 3706.431. All financial and proprietary information, including trade secrets, submitted to the Ohio air quality development authority under sections 3706.41 and 3706.43 of the Revised Code is confidential information and is not a public record for the purpose of section 149.43 of the Revised Code.

Sec. 3706.45. (A) An owner or operator of a qualifying nuclear resource or qualifying

Am. Sub. H. B. No. 6

133rd G.A.

4

renewable resource whose application was approved under section 3706.43 of the Revised Code shall report to the Ohio air quality development authority, not later than seven days after the close of each quarter, the number of megawatt hours the resource produced, if any, in the previous quarter. The first report shall be made not later than April 7, 2020, and the last report shall be made not later than January 7, 2027. The information reported shall be in accordance with data from the generation attribute tracking designated by the authority.

(B) The authority shall issue one nuclear resource credit to a qualifying nuclear resource for each megawatt hour of electricity that is both reported under division (A) of this section and approved by the authority. The authority shall issue one renewable energy credit to a qualifying renewable resource for each megawatt hour of electricity that is both reported under division (A) of this section and approved by the authority.

(C) Except as provided in section 3706.61 of the Revised Code, the price for a nuclear resource credit paid under section 3706.55 of the Revised Code shall be nine dollars.

(D) The price for a renewable energy credit paid under section 3706.55 of the Revised Code shall be nine dollars.

Sec. 3706.46. (A)(1) Beginning for all bills rendered on or after January 1, 2021, by an electric distribution utility in this state, such electric distribution utility shall collect from all of its retail electric customers in this state, each month, a charge or charges which, in the aggregate, are sufficient to produce the following revenue requirements:

(a) One hundred fifty million dollars annually for total disbursements required under section 3706.55 of the Revised Code from the nuclear generation fund;

(b) Twenty million dollars annually for total disbursements required under section 3706.55 of the Revised Code from the renewable generation fund.

(2) The public utilities commission shall determine the method by which the revenue is allocated or assigned to each electric distribution utility for billing and collection, provided that the method of allocation shall be based on the relative number of customers, relative quantity of kilowatt hour sales, or a combination of the two. The level and structure of the charge shall be authorized by the commission through a process that the commission shall determine is not for an increase in any rate, joint rate, toll, classification, charge, or rental, notwithstanding anything to the contrary in Title XLIX of the Revised Code.

(B) In authorizing the level and structure of any charge or charges to be billed and collected by each electric distribution utility, the commission shall ensure that the per-customer monthly charge for residential customers does not exceed eighty-five cents and that the per-customer monthly charge for industrial customers eligible to become self-assessing purchasers pursuant to division (C) of section 5727.81 of the Revised Code does not exceed two thousand four hundred dollars. For nonresidential customers that are not self-assessing purchasers, the level and design of the charge or charges shall be established in a manner that avoids abrupt or excessive total net electric bill impacts for typical customers.

(C) Each charge authorized by the commission under this section shall be subject to adjustment so as to reconcile actual revenue collected with the revenue needed to meet the revenue requirements under division (A)(1) of this section. The commission shall authorize each electric distribution utility to adopt accounting practices to facilitate such reconciliation. Notwithstanding any

Am. Sub. H. B. No. 6

133rd G.A.

5

other provisions of the Revised Code, the charge or charges authorized by the commission may continue beyond December 31, 2027, only if it is necessary to reconcile actual revenue collected under this section during the period ending on December 31, 2027, with the actual revenue needed to meet the revenue requirements under division (A)(1) of this section for required disbursements under section 3706.55 of the Revised Code that may be due and owing during the same period. Such continuation shall be authorized only for such period of time beyond December 31, 2027, as may be reasonably necessary to complete the reconciliation.

Sec. 3706.49. (A) There is hereby created the nuclear generation fund and the renewable generation fund. Each fund shall be in the custody of the treasurer of state but shall not be part of the state treasury. Each fund shall consist of the charges collected under section 3706.46 of the Revised Code and deposited in accordance with section 3706.53 of the Revised Code. The interest generated by each fund shall be retained by each respective fund and used for the purposes set forth in sections 3706.40 to 3706.65 of the Revised Code.

(B) The treasurer of state shall distribute the moneys in the funds in accordance with directions provided by the Ohio air quality development authority. Before giving directions under this division, the authority shall consult with the public utilities commission.

Sec. 3706.53. Subject to section 3706.61 of the Revised Code:

(A) Eighty-eight and twenty-five hundredths per cent of the charges collected under section 3706.46 of the Revised Code shall be deposited to the credit of the nuclear generation fund created under section 3706.49 of the Revised Code.

(B) Eleven and seventy-five hundredths per cent of the charges collected under section 3706.46 of the Revised Code shall be deposited to the credit of the renewable generation fund created under section 3706.49 of the Revised Code.

Sec. 3706.55. (A) For the period beginning with April of 2021 and ending with January of 2028, the Ohio air quality development authority shall, in April of 2021 and every three months thereafter through the end of the period, and not later than the twenty-first day of the month, direct the treasurer of state to remit money from the funds created under section 3706.49 of the Revised Code as follows:

(1) Subject to sections 3706.59 and 3706.61 of the Revised Code, from the nuclear generation fund to the owner or operator of a qualifying nuclear resource, in the amount equivalent to the number of credits earned by the resource during the quarter that ended twelve months prior to the last day of the previous quarter multiplied by the credit price, and as directed by the authority in accordance with section 3706.61 of the Revised Code;

(2) Subject to section 3706.59 of the Revised Code, from the renewable generation fund to the owners or operators of qualifying renewable resources, in the amount equivalent to the number of credits earned by the resources during the quarter that ended twelve months prior to the last day of the previous quarter multiplied by the credit price.

(B) Notwithstanding section 4905.32 of the Revised Code, any amounts remaining in the nuclear generation fund and the renewable generation fund as of December 31, 2027, minus the remittances that are required to be made between that date and January 21, 2028, shall be refunded to customers in a manner that shall be determined by the authority in consultation with the public utilities commission.

Am. Sub. H. B. No. 6

133rd G.A.

6

Sec. 3706.59. (A) If the money in the nuclear generation fund is insufficient in a particular quarter to make the payments in the amount required under division (A)(1) of section 3706.55 of the Revised Code, then the Ohio air quality development authority shall, not later than twenty-one days after the close of any quarter in which the owner or operator was not fully compensated, direct the treasurer of state to remit money from the nuclear generation fund to pay for the unpaid credits.

(B) If the money in the renewable generation fund is insufficient to make the payments in the amounts required under division (A)(2) of section 3706.55 of the Revised Code for all owners and operators of qualifying renewable resources, then the authority shall do both of the following:

(1) Not later than twenty-one days after the close of the quarter in which the charges collected were insufficient, direct the treasurer to prorate payments from the total amount available in the renewable generation fund, based on the number of each resource's credits earned during the quarter that ended twelve months prior to the last day of the previous quarter;

(2) Not later than twenty-one days after the close of any quarter in which the owners or operators received prorated payments under division (B)(1) of this section, direct the treasurer of state to remit money from the renewable generation fund to pay for the unpaid credits. Unpaid credits paid for under division (B)(2) of this section shall be paid before any other remittances are made under division (A)(2) of section 3706.55 of the Revised Code.

Sec. 3706.61. (A) In each year beginning in 2021 and ending in 2027, the public utilities commission shall, not later than the first day of May of each of those years, conduct a retrospective management and financial review of the owner or operator of a qualifying nuclear resource and any such resource that receives payments for nuclear resource credits under section 3706.55 of the Revised Code. In doing so, the commission may retain consultants and advisors to perform all or any portion of the annual reviews, the cost of which shall be paid, at the direction of the Ohio air quality development authority, by the treasurer of state from the nuclear generation fund in accordance with section 3706.55 of the Revised Code.

(B) Any owner or operator subject to a review under division (A) of this section may, for purposes of the review, provide the commission or the commission's consultants or advisors with any information the owner or operator chooses. The owner or operator shall promptly and fully respond to any document, information, data, or other request that may be directed to its attention by the commission or the commission's consultants or advisors for the purpose of the review. Any material failure to timely and fully respond shall result in suspension of further receipt of payments for nuclear resource credits under section 3706.55 of the Revised Code until the failure is cured to the satisfaction of the commission.

(C) The commission shall submit a report summarizing the findings of each annual review to the president and minority leader of the senate, the speaker and minority leader of the house of representatives, and the Ohio air quality development authority, and shall make the report publicly available, provided that the report shall not reveal any confidential or proprietary information. The submission shall include a copy of the owner's or operator's own certified annual audit that was obtained during the review performed under this section.

(D) In consultation with the commission, the Ohio air quality development authority shall consider the findings of the review and may cease or reduce payments for nuclear resource credits under section 3706.55 of the Revised Code if the authority determines any of the following:

Am. Sub. H. B. No. 6

133rd G.A.

7

(1) That the federal energy regulatory commission or the nuclear regulatory commission has established a monetary benefit or other incentive payment to continue the resource's commercial operation;

(2) That either requirement under division (A) or (B)(2) of section 3706.43 of the Revised Code is no longer being met;

(3) That the resource's owner or operator applies, before May 1, 2027, to decommission the resource;

(4) That, for the purpose of ensuring that the funding for nuclear resource credits remains reasonable, the market price index exceeds the strike price on the first day of June in the year in which the report is submitted, in which case the authority shall apply the credit price adjustment for the twelve-month period that begins on that day and ends the thirty-first day of May, or, for 2027, for the seven-month period that begins on that day and ends the thirty-first day of December.

(E)(1) If the authority determines it necessary to make reductions under division (D) of this section, the commission shall do all of the following, as necessary:

(a) Reduce the revenue requirement under division (A)(1)(a) of section 3706.46 of the Revised Code;

(b) Except when the authority has applied the credit price adjustment under division (D)(4) of this section, reduce the price of a nuclear resource credit under section 3706.45 of the Revised Code, in accordance with a reduced revenue requirement;

(c) Reduce the charge or charges under section 3706.46 of the Revised Code, to conform with a reduced revenue requirement;

(d) Adjust the percentages under section 3706.53 of the Revised Code in accordance with a reduced revenue requirement.

(2) Any revisions made by the commission under division (E)(1) of this section shall be made through a process that the commission shall determine is not for an increase in any rate, joint rate, toll, classification, charge, or rental, notwithstanding anything to the contrary in Title XLIX of the Revised Code.

(F) If the payments for nuclear resource credits are suspended or ceased under this section, the commission shall instruct the electric distribution utilities to accordingly suspend or cease billing and collecting customer charges under section 3706.46 of the Revised Code.

(G) Chapter 4903. of the Revised Code shall not apply to this section.

Sec. 3706.63. Not later than January 1, 2020, the Ohio air quality development authority shall adopt rules under Chapter 119. of the Revised Code that are necessary to implement sections 3706.40 to 3706.65 of the Revised Code.

Sec. 3706.65. (A) For the purpose of carrying out the Ohio air quality development authority's duties under sections 3706.40 to 3706.63 of the Revised Code, the authority may make use of the staff and experts employed at the public utilities commission in such manner as is provided by mutual arrangement between the authority and the commission. Any information, data, and equipment of the commission shall be placed at the disposal of the authority.

(B) If any information, data, or equipment is not a public record for purposes of section 149.43 of the Revised Code because either the authority or the commission possesses that information, data, or equipment, then the operation of division (A) of this section shall not be

construed to render that information, data, or equipment a public record, notwithstanding any provision of the Revised Code to the contrary.

Sec. 4906.13. (A) As used in this section and sections 4906.20 and 4906.98 of the Revised Code, "economically significant wind farm" means wind turbines and associated facilities with a single interconnection to the electrical grid and designed for, or capable of, operation at an aggregate capacity of five or more megawatts but less than fifty megawatts. The term excludes any such wind farm in operation on June 24, 2008. The term also excludes one or more wind turbines and associated facilities that are primarily dedicated to providing electricity to a single customer at a single location and that are designed for, or capable of, operation at an aggregate capacity of less than twenty megawatts, as measured at the customer's point of interconnection to the electrical grid.

(B) No public agency or political subdivision of this state may require any approval, consent, permit, certificate, or other condition for the construction or operation of a major utility facility or economically significant wind farm authorized by a certificate issued pursuant to Chapter 4906. of the Revised Code. Nothing herein shall prevent the application of state laws for the protection of employees engaged in the construction of such facility or wind farm nor of municipal regulations that do not pertain to the location or design of, or pollution control and abatement standards for, a major utility facility or economically significant wind farm for which a certificate has been granted under this chapter.

Sec. 4928.01. (A) As used in this chapter:

(1) "Ancillary service" means any function necessary to the provision of electric transmission or distribution service to a retail customer and includes, but is not limited to, scheduling, system control, and dispatch services; reactive supply from generation resources and voltage control service; reactive supply from transmission resources service; regulation service; frequency response service; energy imbalance service; operating reserve-spinning reserve service; operating reserve-supplemental reserve service; load following; back-up supply service; real-power loss replacement service; dynamic scheduling; system black start capability; and network stability service.

(2) "Billing and collection agent" means a fully independent agent, not affiliated with or otherwise controlled by an electric utility, electric services company, electric cooperative, or governmental aggregator subject to certification under section 4928.08 of the Revised Code, to the extent that the agent is under contract with such utility, company, cooperative, or aggregator solely to provide billing and collection for retail electric service on behalf of the utility company, cooperative, or aggregator.

(3) "Certified territory" means the certified territory established for an electric supplier under sections 4933.81 to 4933.90 of the Revised Code.

(4) "Competitive retail electric service" means a component of retail electric service that is competitive as provided under division (B) of this section.

(5) "Electric cooperative" means a not-for-profit electric light company that both is or has been financed in whole or in part under the "Rural Electrification Act of 1936," 49 Stat. 1363, 7 U.S.C. 901, and owns or operates facilities in this state to generate, transmit, or distribute electricity, or a not-for-profit successor of such company.

(6) "Electric distribution utility" means an electric utility that supplies at least retail electric distribution service.

(7) "Electric light company" has the same meaning as in section 4905.03 of the Revised Code and includes an electric services company, but excludes any self-generator to the extent that it consumes electricity it so produces, sells that electricity for resale, or obtains electricity from a generating facility it hosts on its premises.

(8) "Electric load center" has the same meaning as in section 4933.81 of the Revised Code.

(9) "Electric services company" means an electric light company that is engaged on a for-profit or not-for-profit basis in the business of supplying or arranging for the supply of only a competitive retail electric service in this state. "Electric services company" includes a power marketer, power broker, aggregator, or independent power producer but excludes an electric cooperative, municipal electric utility, governmental aggregator, or billing and collection agent.

(10) "Electric supplier" has the same meaning as in section 4933.81 of the Revised Code.

(11) "Electric utility" means an electric light company that has a certified territory and is engaged on a for-profit basis either in the business of supplying a noncompetitive retail electric service in this state or in the businesses of supplying both a noncompetitive and a competitive retail electric service in this state. "Electric utility" excludes a municipal electric utility or a billing and collection agent.

(12) "Firm electric service" means electric service other than nonfirm electric service.

(13) "Governmental aggregator" means a legislative authority of a municipal corporation, a board of township trustees, or a board of county commissioners acting as an aggregator for the provision of a competitive retail electric service under authority conferred under section 4928.20 of the Revised Code.

(14) A person acts "knowingly," regardless of the person's purpose, when the person is aware that the person's conduct will probably cause a certain result or will probably be of a certain nature. A person has knowledge of circumstances when the person is aware that such circumstances probably exist.

(15) "Level of funding for low-income customer energy efficiency programs provided through electric utility rates" means the level of funds specifically included in an electric utility's rates on October 5, 1999, pursuant to an order of the public utilities commission issued under Chapter 4905. or 4909. of the Revised Code and in effect on October 4, 1999, for the purpose of improving the energy efficiency of housing for the utility's low-income customers. The term excludes the level of any such funds committed to a specific nonprofit organization or organizations pursuant to a stipulation or contract.

(16) "Low-income customer assistance programs" means the percentage of income payment plan program, the home energy assistance program, the home weatherization assistance program, and the targeted energy efficiency and weatherization program.

(17) "Market development period" for an electric utility means the period of time beginning on the starting date of competitive retail electric service and ending on the applicable date for that utility as specified in section 4928.40 of the Revised Code, irrespective of whether the utility applies to receive transition revenues under this chapter.

(18) "Market power" means the ability to impose on customers a sustained price for a product or service above the price that would prevail in a competitive market.

(19) "Mercantile customer" means a commercial or industrial customer if the electricity

consumed is for nonresidential use and the customer consumes more than seven hundred thousand kilowatt hours per year or is part of a national account involving multiple facilities in one or more states.

(20) "Municipal electric utility" means a municipal corporation that owns or operates facilities to generate, transmit, or distribute electricity.

(21) "Noncompetitive retail electric service" means a component of retail electric service that is noncompetitive as provided under division (B) of this section.

(22) "Nonfirm electric service" means electric service provided pursuant to a schedule filed under section 4905.30 of the Revised Code or pursuant to an arrangement under section 4905.31 of the Revised Code, which schedule or arrangement includes conditions that may require the customer to curtail or interrupt electric usage during nonemergency circumstances upon notification by an electric utility.

(23) "Percentage of income payment plan arrears" means funds eligible for collection through the percentage of income payment plan rider, but uncollected as of July 1, 2000.

(24) "Person" has the same meaning as in section 1.59 of the Revised Code.

(25) "Advanced energy project" means any technologies, products, activities, or management practices or strategies that facilitate the generation or use of electricity or energy and that reduce or support the reduction of energy consumption or support the production of clean, renewable energy for industrial, distribution, commercial, institutional, governmental, research, not-for-profit, or residential energy users, including, but not limited to, advanced energy resources and renewable energy resources. "Advanced energy project" also includes any project described in division (A), (B), or (C) of section 4928.621 of the Revised Code.

(26) "Regulatory assets" means the unamortized net regulatory assets that are capitalized or deferred on the regulatory books of the electric utility, pursuant to an order or practice of the public utilities commission or pursuant to generally accepted accounting principles as a result of a prior commission rate-making decision, and that would otherwise have been charged to expense as incurred or would not have been capitalized or otherwise deferred for future regulatory consideration absent commission action. "Regulatory assets" includes, but is not limited to, all deferred demand-side management costs; all deferred percentage of income payment plan arrears; post-in-service capitalized charges and assets recognized in connection with statement of financial accounting standards no. 109 (receivables from customers for income taxes); future nuclear decommissioning costs and fuel disposal costs as those costs have been determined by the commission in the electric utility's most recent rate or accounting application proceeding addressing such costs; the undepreciated costs of safety and radiation control equipment on nuclear generating plants owned or leased by an electric utility; and fuel costs currently deferred pursuant to the terms of one or more settlement agreements approved by the commission.

(27) "Retail electric service" means any service involved in supplying or arranging for the supply of electricity to ultimate consumers in this state, from the point of generation to the point of consumption. For the purposes of this chapter, retail electric service includes one or more of the following "service components": generation service, aggregation service, power marketing service, power brokerage service, transmission service, distribution service, ancillary service, metering service, and billing and collection service.

(28) "Starting date of competitive retail electric service" means January 1, 2001.

(29) "Customer-generator" means a user of a net metering system.

(30) "Net metering" means measuring the difference in an applicable billing period between the electricity supplied by an electric service provider and the electricity generated by a customer-generator that is fed back to the electric service provider.

(31) "Net metering system" means a facility for the production of electrical energy that does all of the following:

(a) Uses as its fuel either solar, wind, biomass, landfill gas, or hydropower, or uses a microturbine or a fuel cell;

(b) Is located on a customer-generator's premises;

(c) Operates in parallel with the electric utility's transmission and distribution facilities;

(d) Is intended primarily to offset part or all of the customer-generator's requirements for electricity. For an industrial customer-generator with a net metering system that has a capacity of less than twenty megawatts and uses wind as energy, this means the net metering system was sized so as to not exceed one hundred per cent of the customer-generator's annual requirements for electric energy at the time of interconnection.

(32) "Self-generator" means an entity in this state that owns or hosts on its premises an electric generation facility that produces electricity primarily for the owner's consumption and that may provide any such excess electricity to another entity, whether the facility is installed or operated by the owner or by an agent under a contract.

(33) "Rate plan" means the standard service offer in effect on the effective date of the amendment of this section by S.B. 221 of the 127th general assembly, July 31, 2008.

(34) "Advanced energy resource" means any of the following:

(a) Any method or any modification or replacement of any property, process, device, structure, or equipment that increases the generation output of an electric generating facility to the extent such efficiency is achieved without additional carbon dioxide emissions by that facility;

(b) Any distributed generation system consisting of customer cogeneration technology;

(c) Clean coal technology that includes a carbon-based product that is chemically altered before combustion to demonstrate a reduction, as expressed as ash, in emissions of nitrous oxide, mercury, arsenic, chlorine, sulfur dioxide, or sulfur trioxide in accordance with the American society of testing and materials standard D1757A or a reduction of metal oxide emissions in accordance with standard D5142 of that society, or clean coal technology that includes the design capability to control or prevent the emission of carbon dioxide, which design capability the commission shall adopt by rule and shall be based on economically feasible best available technology or, in the absence of a determined best available technology, shall be of the highest level of economically feasible design capability for which there exists generally accepted scientific opinion;

(d) Advanced nuclear energy technology consisting of generation III technology as defined by the nuclear regulatory commission; other, later technology; or significant improvements to existing facilities;

(e) Any fuel cell used in the generation of electricity, including, but not limited to, a proton exchange membrane fuel cell, phosphoric acid fuel cell, molten carbonate fuel cell, or solid oxide fuel cell;

(f) Advanced solid waste or construction and demolition debris conversion technology, including, but not limited to, advanced stoker technology, and advanced fluidized bed gasification technology, that results in measurable greenhouse gas emissions reductions as calculated pursuant to the United States environmental protection agency's waste reduction model (WARM);

(g) Demand-side management and any energy efficiency improvement;

(h) Any new, retrofitted, refueled, or repowered generating facility located in Ohio, including a simple or combined-cycle natural gas generating facility or a generating facility that uses biomass, coal, modular nuclear, or any other fuel as its input;

(i) Any uprated capacity of an existing electric generating facility if the uprated capacity results from the deployment of advanced technology.

"Advanced energy resource" does not include a waste energy recovery system that is, or has been, included in an energy efficiency program of an electric distribution utility pursuant to requirements under section 4928.66 of the Revised Code.

(35) "Air contaminant source" has the same meaning as in section 3704.01 of the Revised Code.

(36) "Cogeneration technology" means technology that produces electricity and useful thermal output simultaneously.

(37)(a) "Renewable energy resource" means any of the following:

(i) Solar photovoltaic or solar thermal energy;

(ii) Wind energy;

(iii) Power produced by a hydroelectric facility;

(iv) Power produced by a small hydroelectric facility, which is a facility that operates, or is rated to operate, at an aggregate capacity of less than six megawatts;

(v) Power produced by a run-of-the-river hydroelectric facility placed in service on or after January 1, 1980, that is located within this state, relies upon the Ohio river, and operates, or is rated to operate, at an aggregate capacity of forty or more megawatts;

(vi) Geothermal energy;

(vii) Fuel derived from solid wastes, as defined in section 3734.01 of the Revised Code, through fractionation, biological decomposition, or other process that does not principally involve combustion;

(viii) Biomass energy;

(ix) Energy produced by cogeneration technology that is placed into service on or before December 31, 2015, and for which more than ninety per cent of the total annual energy input is from combustion of a waste or byproduct gas from an air contaminant source in this state, which source has been in operation since on or before January 1, 1985, provided that the cogeneration technology is a part of a facility located in a county having a population of more than three hundred sixty-five thousand but less than three hundred seventy thousand according to the most recent federal decennial census;

(x) Biologically derived methane gas;

(xi) Heat captured from a generator of electricity, boiler, or heat exchanger fueled by biologically derived methane gas;

(xii) Energy derived from nontreated by-products of the pulping process or wood

manufacturing process, including bark, wood chips, sawdust, and lignin in spent pulping liquors.

"Renewable energy resource" includes, but is not limited to, any fuel cell used in the generation of electricity, including, but not limited to, a proton exchange membrane fuel cell, phosphoric acid fuel cell, molten carbonate fuel cell, or solid oxide fuel cell; wind turbine located in the state's territorial waters of Lake Erie; methane gas emitted from an abandoned coal mine; waste energy recovery system placed into service or retrofitted on or after the effective date of the amendment of this section by S.B. 315 of the 129th general assembly, September 10, 2012, except that a waste energy recovery system described in division (A)(38)(b) of this section may be included only if it was placed into service between January 1, 2002, and December 31, 2004; storage facility that will promote the better utilization of a renewable energy resource; or distributed generation system used by a customer to generate electricity from any such energy.

"Renewable energy resource" does not include a waste energy recovery system that is, or was, on or after January 1, 2012, included in an energy efficiency program of an electric distribution utility pursuant to requirements under section 4928.66 of the Revised Code.

(b) As used in division (A)(37) of this section, "hydroelectric facility" means a hydroelectric generating facility that is located at a dam on a river, or on any water discharged to a river, that is within or bordering this state or within or bordering an adjoining state and meets all of the following standards:

(i) The facility provides for river flows that are not detrimental for fish, wildlife, and water quality, including seasonal flow fluctuations as defined by the applicable licensing agency for the facility.

(ii) The facility demonstrates that it complies with the water quality standards of this state, which compliance may consist of certification under Section 401 of the "Clean Water Act of 1977," 91 Stat. 1598, 1599, 33 U.S.C. 1341, and demonstrates that it has not contributed to a finding by this state that the river has impaired water quality under Section 303(d) of the "Clean Water Act of 1977," 114 Stat. 870, 33 U.S.C. 1313.

(iii) The facility complies with mandatory prescriptions regarding fish passage as required by the federal energy regulatory commission license issued for the project, regarding fish protection for riverine, anadromous, and catadromous fish.

(iv) The facility complies with the recommendations of the Ohio environmental protection agency and with the terms of its federal energy regulatory commission license regarding watershed protection, mitigation, or enhancement, to the extent of each agency's respective jurisdiction over the facility.

(v) The facility complies with provisions of the "Endangered Species Act of 1973," 87 Stat. 884, 16 U.S.C. 1531 to 1544, as amended.

(vi) The facility does not harm cultural resources of the area. This can be shown through compliance with the terms of its federal energy regulatory commission license or, if the facility is not regulated by that commission, through development of a plan approved by the Ohio historic preservation office, to the extent it has jurisdiction over the facility.

(vii) The facility complies with the terms of its federal energy regulatory commission license or exemption that are related to recreational access, accommodation, and facilities or, if the facility is not regulated by that commission, the facility complies with similar requirements as are

recommended by resource agencies, to the extent they have jurisdiction over the facility; and the facility provides access to water to the public without fee or charge.

(viii) The facility is not recommended for removal by any federal agency or agency of any state, to the extent the particular agency has jurisdiction over the facility.

(c) The standards in divisions (A)(37)(b)(i) to (viii) of this section do not apply to a small hydroelectric facility under division (A)(37)(a)(iv) of this section.

(38) "Waste energy recovery system" means either of the following:

(a) A facility that generates electricity through the conversion of energy from either of the following:

(i) Exhaust heat from engines or manufacturing, industrial, commercial, or institutional sites, except for exhaust heat from a facility whose primary purpose is the generation of electricity;

(ii) Reduction of pressure in gas pipelines before gas is distributed through the pipeline, provided that the conversion of energy to electricity is achieved without using additional fossil fuels.

(b) A facility at a state institution of higher education as defined in section 3345.011 of the Revised Code that recovers waste heat from electricity-producing engines or combustion turbines and that simultaneously uses the recovered heat to produce steam, provided that the facility was placed into service between January 1, 2002, and December 31, 2004.

(39) "Smart grid" means capital improvements to an electric distribution utility's distribution infrastructure that improve reliability, efficiency, resiliency, or reduce energy demand or use, including, but not limited to, advanced metering and automation of system functions.

(40) "Combined heat and power system" means the coproduction of electricity and useful thermal energy from the same fuel source designed to achieve thermal-efficiency levels of at least sixty per cent, with at least twenty per cent of the system's total useful energy in the form of thermal energy.

(41) "Legacy generation resource" means all generating facilities owned directly or indirectly by a corporation that was formed prior to 1960 by investor-owned utilities for the original purpose of providing power to the federal government for use in the nation's defense or in furtherance of national interests, including the Ohio valley electric corporation.

(42) "Prudently incurred costs related to a legacy generation resource" means costs, including deferred costs, allocated pursuant to a power agreement approved by the federal energy regulatory commission that relates to a legacy generation resource, less any revenues realized from offering the contractual commitment for the power agreement into the wholesale markets, provided that where the net revenues exceed net costs, those excess revenues shall be credited to customers. Such costs shall exclude any return on investment in common equity and, in the event of a premature retirement of a legacy generation resource, shall exclude any recovery of remaining debt. Such costs shall include any incremental costs resulting from the bankruptcy of a current or former sponsor under such power agreement or co-owner of the legacy generation resource if not otherwise recovered through a utility rate cost recovery mechanism.

(B) For the purposes of this chapter, a retail electric service component shall be deemed a competitive retail electric service if the service component is competitive pursuant to a declaration by a provision of the Revised Code or pursuant to an order of the public utilities commission authorized under division (A) of section 4928.04 of the Revised Code. Otherwise, the service component shall

be deemed a noncompetitive retail electric service.

Sec. 4928.148. (A) On January 1, 2020, any mechanism authorized by the public utilities commission prior to the effective date of this section for retail recovery of prudently incurred costs related to a legacy generation resource shall be replaced by a nonbypassable rate mechanism established by the commission for recovery of those costs through December 31, 2030, from customers of all electric distribution utilities in this state. The nonbypassable rate mechanism shall be established through a process that the commission shall determine is not for an increase in any rate, joint rate, toll, classification, charge, or rental, notwithstanding anything to the contrary in Title XLIX of the Revised Code. All of the following shall apply to the nonbypassable rate mechanism established under this section:

(1) The commission shall determine, in the years specified in this division, the prudence and reasonableness of the actions of electric distribution utilities with ownership interests in the legacy generation resource, including their decisions related to offering the contractual commitment into the wholesale markets, and exclude from recovery those costs that the commission determines imprudent and unreasonable. The initial determination shall be made during 2021 regarding the prudence and reasonableness of such actions during calendar year 2020. The commission shall again make the determination in 2024, 2027, and 2030 regarding the prudence and reasonableness of such actions during the three calendar years that preceded the year in which the determination is made.

(2) The commission shall determine the proper rate design for recovering or remitting the prudently incurred costs related to a legacy generation resource, provided, however, that the monthly charge or credit for those costs, including any deferrals or credits, shall not exceed one dollar and fifty cents per customer per month for residential customers. For all other customer classes, the commission shall establish comparable monthly caps for each class at or below one thousand five hundred dollars per customer. Insofar as the prudently incurred costs related to a legacy generation resource exceed these monthly limits, the electric distribution utility shall defer the remaining prudently incurred costs as a regulatory asset or liability that shall be recovered as determined by the commission subject to the monthly caps set forth in this division.

(3) The commission shall provide for discontinuation, subject to final reconciliation, of the nonbypassable rate mechanism on December 31, 2030, including recovery of any deferrals that exist at that time.

(4) The commission shall determine the manner in which charges collected under this section by a utility with no ownership interest in a legacy generation resource shall be remitted to the utilities with such ownership interests, in direct proportion to each utility's sponsorship interest.

(B) An electric distribution utility, including all electric distribution utilities in the same holding company, shall bid all output from a legacy generation resource into the wholesale market and shall not use the output in supplying its standard service offer provided under section 4928.142 or 4928.143 of the Revised Code.

Sec. 4928.47. (A) An electric distribution utility may, on a nondiscriminatory basis and subject to approval by the public utilities commission, enter into an agreement having a term of three years or more with a mercantile customer or group of mercantile customers for the purpose of constructing a customer sited renewable energy resource in this state that will provide the mercantile customer or group with a material portion of the customer's or group's electricity requirements.

(B) Any direct or indirect costs, including costs for infrastructure development or generation, associated with the in-state customer-sited renewable energy resource shall be paid for solely by the utility and the mercantile customer or group of mercantile customers. At no point shall the commission authorize the utility to collect, nor shall the utility ever collect, any of those costs from any customer other than the mercantile customer or group of mercantile customers.

Sec. 4928.471. (A) Except as provided in division (E) of this section, not earlier than thirty days after the effective date of this section, an electric distribution utility may file an application to implement a decoupling mechanism for the 2019 calendar year and each calendar year thereafter. For an electric distribution utility that applies for a decoupling mechanism under this section, the base distribution rates for residential and commercial customers shall be decoupled to the base distribution revenue and revenue resulting from implementation of section 4928.66 of the Revised Code, excluding program costs and shared savings, and recovered pursuant to an approved electric security plan under section 4928.143 of the Revised Code, as of the twelve-month period ending on December 31, 2018. An application under this division shall not be considered an application under section 4909.18 of the Revised Code.

(B) The commission shall issue an order approving an application for a decoupling mechanism filed under division (A) of this section not later than sixty days after the application is filed. In determining that an application is not unjust and unreasonable, the commission shall verify that the rate schedule or schedules are designed to recover the electric distribution utility's 2018 annual revenues as described in division (A) of this section and that the decoupling rate design is aligned with the rate design of the electric distribution utility's existing base distribution rates. The decoupling mechanism shall recover an amount equal to the base distribution revenue and revenue resulting from implementation of section 4928.66 of the Revised Code, excluding program costs and shared savings, and recovered pursuant to an approved electric security plan under section 4928.143 of the Revised Code, as of the twelve-month period ending on December 31, 2018. The decoupling mechanism shall be adjusted annually thereafter to reconcile any over recovery or under recovery from the prior year and to enable an electric distribution utility to recover the same level of revenues described in division (A) of this section in each year.

(C) The commission's approval of a decoupling mechanism under this section shall not affect any other rates, riders, charges, schedules, classifications, or services previously approved by the commission. The decoupling mechanism shall remain in effect until the next time that the electric distribution utility applies for and the commission approves base distribution rates for the utility under section 4909.18 of the Revised Code.

(D) If the commission determines that approving a decoupling mechanism will result in a double recovery by the electric distribution utility, the commission shall not approve the application unless the utility cures the double recovery.

(E) Divisions (A), (B), and (C) of this section shall not apply to an electric distribution utility that has base distribution rates that became effective between December 31, 2018, and the effective date of this section pursuant to an application for an increase in base distribution rates filed under section 4909.18 of the Revised Code.

Sec. 4928.64. (A)(1) As used in this section, "qualifying renewable energy resource" means a renewable energy resource, as defined in section 4928.01 of the Revised Code that:

- (a) Has a placed-in-service date on or after January 1, 1998;
- (b) Is any run-of-the-river hydroelectric facility that has an in-service date on or after January 1, 1980;
- (c) Is a small hydroelectric facility;
- (d) Is created on or after January 1, 1998, by the modification or retrofit of any facility placed in service prior to January 1, 1998; or
- (e) Is a mercantile customer-sited renewable energy resource, whether new or existing, that the mercantile customer commits for integration into the electric distribution utility's demand-response, energy efficiency, or peak demand reduction programs as provided under division (A)(2)(c) of section 4928.66 of the Revised Code, including, but not limited to, any of the following:
 - (i) A resource that has the effect of improving the relationship between real and reactive power;
 - (ii) A resource that makes efficient use of waste heat or other thermal capabilities owned or controlled by a mercantile customer;
 - (iii) Storage technology that allows a mercantile customer more flexibility to modify its demand or load and usage characteristics;
 - (iv) Electric generation equipment owned or controlled by a mercantile customer that uses a renewable energy resource.

(2) For the purpose of this section and as it considers appropriate, the public utilities commission may classify any new technology as such a qualifying renewable energy resource.

(B)(1) ~~By 2027 and thereafter~~ the end of 2026, an electric distribution utility shall ~~provide~~ have provided from qualifying renewable energy resources, including, at its discretion, qualifying renewable energy resources obtained pursuant to an electricity supply contract, a portion of the electricity supply required for its standard service offer under section 4928.141 of the Revised Code, and an electric services company shall ~~provide~~ have provided a portion of its electricity supply for retail consumers in this state from qualifying renewable energy resources, including, at its discretion, qualifying renewable energy resources obtained pursuant to an electricity supply contract. That portion shall equal ~~twelve~~ eight and one-half per cent of the total number of kilowatt hours of electricity sold by the subject utility or company to any and all retail electric consumers whose electric load centers are served by that utility and are located within the utility's certified territory or, in the case of an electric services company, are served by the company and are located within this state. However, nothing in this section precludes a utility or company from providing a greater percentage.

(2) ~~The~~ Subject to section 4928.642 of the Revised Code, the portion required under division (B)(1) of this section shall be generated from renewable energy resources, ~~including one-half per cent from solar energy resources,~~ in accordance with the following benchmarks:

By end of year	Renewable energy resources	Solar energy resources
2009	0.25%	0.004%
2010	0.50%	0.010%
2011	1%	0.030%

Am. Sub. H. B. No. 6

133rd G.A.

18

2012	1.5%	0.060%
2013	2%	0.090%
2014	2.5%	0.12%
2015	2.5%	0.12%
2016	2.5%	0.12%
2017	3.5%	0.15%
2018	4.5%	0.18%
2019	5.5%	0.22%
2020	6.5 <u>5.5</u> %	0.26 <u>0</u> %
2021	7.5 <u>6</u> %	0.30 <u>0</u> %
2022	8.5 <u>6.5</u> %	0.34 <u>0</u> %
2023	9.5 <u>7</u> %	0.38 <u>0</u> %
2024	10.5 <u>7.5</u> %	0.42 <u>0</u> %
2025	11.5 <u>8</u> %	0.46 <u>0</u> %
2026 and each calendar	12.5 <u>8.5</u> %	0.5 <u>0</u> %.

_____ year thereafter

(3) The qualifying renewable energy resources implemented by the utility or company shall be met either:

- (a) Through facilities located in this state; or
- (b) With resources that can be shown to be deliverable into this state.

(C)(1) The commission annually shall review an electric distribution utility's or electric services company's compliance with the most recent applicable benchmark under division (B)(2) of this section and, in the course of that review, shall identify any undercompliance or noncompliance of the utility or company that it determines is weather-related, related to equipment or resource shortages for qualifying renewable energy resources as applicable, or is otherwise outside the utility's or company's control.

(2) Subject to the cost cap provisions of division (C)(3) of this section, if the commission determines, after notice and opportunity for hearing, and based upon its findings in that review regarding avoidable undercompliance or noncompliance, but subject to division (C)(4) of this section, that the utility or company has failed to comply with any such benchmark, the commission shall impose a renewable energy compliance payment on the utility or company.

(a) The compliance payment pertaining to the solar energy resource benchmarks under division (B)(2) of this section shall be an amount per megawatt hour of undercompliance or noncompliance in the period under review, as follows:

- (i) Three hundred dollars for 2014, 2015, and 2016;
- (ii) Two hundred fifty dollars for 2017 and 2018;

(iii) Two hundred dollars for 2019 ~~and 2020~~;

(iv) ~~Similarly reduced every two years thereafter through 2026 by fifty dollars, to a minimum of fifty dollars.~~

(b) The compliance payment pertaining to the renewable energy resource benchmarks under division (B)(2) of this section shall equal the number of additional renewable energy credits that the electric distribution utility or electric services company would have needed to comply with the applicable benchmark in the period under review times an amount that shall begin at forty-five dollars and shall be adjusted annually by the commission to reflect any change in the consumer price index as defined in section 101.27 of the Revised Code, but shall not be less than forty-five dollars.

(c) The compliance payment shall not be passed through by the electric distribution utility or electric services company to consumers. The compliance payment shall be remitted to the commission, for deposit to the credit of the advanced energy fund created under section 4928.61 of the Revised Code. Payment of the compliance payment shall be subject to such collection and enforcement procedures as apply to the collection of a forfeiture under sections 4905.55 to 4905.60 and 4905.64 of the Revised Code.

(3) An electric distribution utility or an electric services company need not comply with a benchmark under division (B)(2) of this section to the extent that its reasonably expected cost of that compliance exceeds its reasonably expected cost of otherwise producing or acquiring the requisite electricity by three per cent or more. The cost of compliance shall be calculated as though any exemption from taxes and assessments had not been granted under section 5727.75 of the Revised Code.

(4)(a) An electric distribution utility or electric services company may request the commission to make a force majeure determination pursuant to this division regarding all or part of the utility's or company's compliance with any minimum benchmark under division (B)(2) of this section during the period of review occurring pursuant to division (C)(2) of this section. The commission may require the electric distribution utility or electric services company to make solicitations for renewable energy resource credits as part of its default service before the utility's or company's request of force majeure under this division can be made.

(b) Within ninety days after the filing of a request by an electric distribution utility or electric services company under division (C)(4)(a) of this section, the commission shall determine if qualifying renewable energy resources are reasonably available in the marketplace in sufficient quantities for the utility or company to comply with the subject minimum benchmark during the review period. In making this determination, the commission shall consider whether the electric distribution utility or electric services company has made a good faith effort to acquire sufficient qualifying renewable energy or, as applicable, solar energy resources to so comply, including, but not limited to, by banking or seeking renewable energy resource credits or by seeking the resources through long-term contracts. Additionally, the commission shall consider the availability of qualifying renewable energy or solar energy resources in this state and other jurisdictions in the PJM interconnection regional transmission organization, L.L.C., or its successor and the midcontinent independent system operator or its successor.

(c) If, pursuant to division (C)(4)(b) of this section, the commission determines that qualifying renewable energy or solar energy resources are not reasonably available to permit the

electric distribution utility or electric services company to comply, during the period of review, with the subject minimum benchmark prescribed under division (B)(2) of this section, the commission shall modify that compliance obligation of the utility or company as it determines appropriate to accommodate the finding. Commission modification shall not automatically reduce the obligation for the electric distribution utility's or electric services company's compliance in subsequent years. If it modifies the electric distribution utility or electric services company obligation under division (C)(4)(c) of this section, the commission may require the utility or company, if sufficient renewable energy resource credits exist in the marketplace, to acquire additional renewable energy resource credits in subsequent years equivalent to the utility's or company's modified obligation under division (C)(4)(c) of this section.

(5) The commission shall establish a process to provide for at least an annual review of the renewable energy resource market in this state and in the service territories of the regional transmission organizations that manage transmission systems located in this state. The commission shall use the results of this study to identify any needed changes to the amount of the renewable energy compliance payment specified under divisions (C)(2)(a) and (b) of this section. Specifically, the commission may increase the amount to ensure that payment of compliance payments is not used to achieve compliance with this section in lieu of actually acquiring or realizing energy derived from qualifying renewable energy resources. However, if the commission finds that the amount of the compliance payment should be otherwise changed, the commission shall present this finding to the general assembly for legislative enactment.

(D) The commission annually shall submit to the general assembly in accordance with section 101.68 of the Revised Code a report describing all of the following:

(1) The compliance of electric distribution utilities and electric services companies with division (B) of this section;

(2) The average annual cost of renewable energy credits purchased by utilities and companies for the year covered in the report;

(3) Any strategy for utility and company compliance or for encouraging the use of qualifying renewable energy resources in supplying this state's electricity needs in a manner that considers available technology, costs, job creation, and economic impacts.

The commission shall begin providing the information described in division (D)(2) of this section in each report submitted after September 10, 2012. The commission shall allow and consider public comments on the report prior to its submission to the general assembly. Nothing in the report shall be binding on any person, including any utility or company for the purpose of its compliance with any benchmark under division (B) of this section, or the enforcement of that provision under division (C) of this section.

(E) All costs incurred by an electric distribution utility in complying with the requirements of this section shall be bypassable by any consumer that has exercised choice of supplier under section 4928.03 of the Revised Code.

Sec. 4928.641. (A) If an electric distribution utility has executed a contract before April 1, 2014, to procure renewable energy resources and there are ongoing costs associated with that contract that are being recovered from customers through a bypassable charge as of ~~the effective date of S.B. 310 of the 130th general assembly, September 12, 2014,~~ that cost recovery shall, regardless of

~~the amendments to section 4928.64 of the Revised Code by H.B. 6 of the 133rd general assembly, continue on a bypassable basis until the prudently incurred costs associated with that contract are fully recovered through December 31, 2032.~~

(B) Division (A) of this section applies only to costs associated with the original term of a contract described in that division and entered into before April 1, 2014. This section does not permit recovery of costs associated with an extension of such a contract. This section does not permit recovery of costs associated with an amendment of such a contract if that amendment was made on or after April 1, 2014.

Sec. 4928.642. Beginning with compliance year 2020, the public utilities commission shall, in accordance with this section, reduce the number of kilowatt hours required for compliance with section 4928.64 of the Revised Code for all electric distribution utilities and all electric services companies in this state. The commission shall determine each utility's and each company's reduction by taking the total amount of kilowatt hours produced, if any, by all qualifying renewable resources, as defined in section 3706.40 of the Revised Code, during the preceding compliance year, allocating that total among all electric distribution utilities and electric services companies in proportion to their baselines for the subject compliance year, and subtracting that allocated amount from the utility's or company's compliance amount as otherwise determined under section 4928.64 of the Revised Code.

Sec. 4928.644. (A) The public utilities commission may reduce either baseline described in section 4928.643 of the Revised Code to adjust for new economic growth in the electric distribution utility's certified territory or in the electric services company's service area in this state.

(B) To facilitate the competitiveness of mercantile customers located in this state that are registered as self-assessing purchasers under division (C) of section 5727.81 of the Revised Code, the commission shall reduce both baselines described in section 4928.643 of the Revised Code to exclude the load and usage of those self-assessing purchasers. Upon the effective date of this reduction, both of the following shall apply:

(1) Any electric distribution utility or electric services company serving such a self-assessing purchaser shall be relieved of the amount of compliance with section 4928.64 of the Revised Code that would be required but for the baseline reduction.

(2) Such a self-assessing purchaser shall be exempt from any bypassable charge imposed under division (E) of section 4928.64 of the Revised Code.

Sec. 4928.645. (A) An electric distribution utility or electric services company may use, for the purpose of complying with the requirements under divisions (B)(1) and (2) of section 4928.64 of the Revised Code, renewable energy credits any time in the five calendar years following the date of their purchase or acquisition from any entity, including, but not limited to, the following:

(1) A mercantile customer;

(2) An owner or operator of a hydroelectric generating facility that is located at a dam on a river, or on any water discharged to a river, that is within or bordering this state or within or bordering an adjoining state, or that produces power that can be shown to be deliverable into this state;

(3) A seller of compressed natural gas that has been produced from biologically derived methane gas, provided that the seller may only provide renewable energy credits for metered amounts of gas.

(B)(1) The public utilities commission shall adopt rules specifying that one unit of credit shall equal one megawatt hour of electricity derived from renewable energy resources, except that, for a generating facility of seventy-five megawatts or greater that is situated within this state and has committed by December 31, 2009, to modify or retrofit its generating unit or units to enable the facility to generate principally from biomass energy by June 30, 2013, each megawatt hour of electricity generated principally from that biomass energy shall equal, in units of credit, the product obtained by multiplying the actual percentage of biomass feedstock heat input used to generate such megawatt hour by the quotient obtained by dividing the then existing unit dollar amount used to determine a renewable energy compliance payment as provided under division (C)(2)(b) of section 4928.64 of the Revised Code by the then existing market value of one renewable energy credit, but such megawatt hour shall not equal less than one unit of credit. Renewable energy resources do not have to be converted to electricity in order to be eligible to receive renewable energy credits. The rules shall specify that, for purposes of converting the quantity of energy derived from biologically derived methane gas to an electricity equivalent, one megawatt hour equals 3,412,142 British thermal units.

(2) The rules also shall provide for this state a system of registering renewable energy credits by specifying which of any generally available registries shall be used for that purpose and not by creating a registry. That selected system of registering renewable energy credits shall allow a hydroelectric generating facility to be eligible for obtaining renewable energy credits and shall allow customer-sited projects or actions the broadest opportunities to be eligible for obtaining renewable energy credits.

(C) Beginning January 1, 2020, a qualifying renewable resource as defined in section 3706.40 of the Revised Code is not eligible to obtain a renewable energy credit under this section for any megawatt hour for which the resource has been issued a renewable energy credit under section 3706.45 of the Revised Code.

Sec. 4928.66. (A)(1)(a) Beginning in 2009, an electric distribution utility shall implement energy efficiency programs that achieve energy savings equivalent to at least three-tenths of one per cent of the total, annual average, and normalized kilowatt-hour sales of the electric distribution utility during the preceding three calendar years to customers in this state. An energy efficiency program may include a combined heat and power system placed into service or retrofitted on or after the effective date of the amendment of this section by S.B. 315 of the 129th general assembly, September 10, 2012, or a waste energy recovery system placed into service or retrofitted on or after September 10, 2012, except that a waste energy recovery system described in division (A)(38)(b) of section 4928.01 of the Revised Code may be included only if it was placed into service between January 1, 2002, and December 31, 2004. For a waste energy recovery or combined heat and power system, the savings shall be as estimated by the public utilities commission. The savings requirement, using such a three-year average, shall increase to an additional five-tenths of one per cent in 2010, seven-tenths of one per cent in 2011, eight-tenths of one per cent in 2012, nine-tenths of one per cent in 2013, and one per cent in 2014. In 2015 and 2016, an electric distribution utility shall achieve energy savings equal to the result of subtracting the cumulative energy savings achieved since 2009 from the product of multiplying the baseline for energy savings, described in division (A)(2)(a) of this section, by four and two-tenths of one per cent. If the result is zero or less for the year for which the calculation is

being made, the utility shall not be required to achieve additional energy savings for that year, but may achieve additional energy savings for that year. ~~Thereafter, the~~ The annual savings requirements shall be, for years 2017, 2018, 2019, and 2020, an additional one per cent of the baseline, ~~and two per cent each year thereafter, achieving cumulative energy savings in excess of twenty-two per cent by the end of 2027.~~ For purposes of a waste energy recovery or combined heat and power system, an electric distribution utility shall not apply more than the total annual percentage of the electric distribution utility's industrial-customer load, relative to the electric distribution utility's total load, to the annual energy savings requirement.

(b) Beginning in 2009, an electric distribution utility shall implement peak demand reduction programs designed to achieve a one per cent reduction in peak demand in 2009 and an additional seventy-five hundredths of one per cent reduction each year through 2014. In 2015 and 2016, an electric distribution utility shall achieve a reduction in peak demand equal to the result of subtracting the cumulative peak demand reductions achieved since 2009 from the product of multiplying the baseline for peak demand reduction, described in division (A)(2)(a) of this section, by four and seventy-five hundredths of one per cent. If the result is zero or less for the year for which the calculation is being made, the utility shall not be required to achieve an additional reduction in peak demand for that year, but may achieve an additional reduction in peak demand for that year. In 2017 and each year thereafter through 2020, the utility shall achieve an additional seventy-five hundredths of one per cent reduction in peak demand.

(2) For the purposes of divisions (A)(1)(a) and (b) of this section:

(a) The baseline for energy savings under division (A)(1)(a) of this section shall be the average of the total kilowatt hours the electric distribution utility sold in the preceding three calendar years. The baseline for a peak demand reduction under division (A)(1)(b) of this section shall be the average peak demand on the utility in the preceding three calendar years, except that the commission may reduce either baseline to adjust for new economic growth in the utility's certified territory. Neither baseline shall include the load and usage of any of the following customers:

(i) Beginning January 1, 2017, a customer for which a reasonable arrangement has been approved under section 4905.31 of the Revised Code;

(ii) A customer that has opted out of the utility's portfolio plan under section 4928.6611 of the Revised Code;

(iii) A customer that has opted out of the utility's portfolio plan under Section 8 of S.B. 310 of the 130th general assembly.

(b) The commission may amend the benchmarks set forth in division (A)(1)(a) or (b) of this section if, after application by the electric distribution utility, the commission determines that the amendment is necessary because the utility cannot reasonably achieve the benchmarks due to regulatory, economic, or technological reasons beyond its reasonable control.

(c) Compliance with divisions (A)(1)(a) and (b) of this section shall be measured by including the effects of all demand-response programs for mercantile customers of the subject electric distribution utility, all waste energy recovery systems and all combined heat and power systems, and all such mercantile customer-sited energy efficiency, including waste energy recovery and combined heat and power, and peak demand reduction programs, adjusted upward by the appropriate loss factors. Any mechanism designed to recover the cost of energy efficiency, including

waste energy recovery and combined heat and power, and peak demand reduction programs under divisions (A)(1)(a) and (b) of this section may exempt mercantile customers that commit their demand-response or other customer-sited capabilities, whether existing or new, for integration into the electric distribution utility's demand-response, energy efficiency, including waste energy recovery and combined heat and power, or peak demand reduction programs, if the commission determines that that exemption reasonably encourages such customers to commit those capabilities to those programs. If a mercantile customer makes such existing or new demand-response, energy efficiency, including waste energy recovery and combined heat and power, or peak demand reduction capability available to an electric distribution utility pursuant to division (A)(2)(c) of this section, the electric utility's baseline under division (A)(2)(a) of this section shall be adjusted to exclude the effects of all such demand-response, energy efficiency, including waste energy recovery and combined heat and power, or peak demand reduction programs that may have existed during the period used to establish the baseline. The baseline also shall be normalized for changes in numbers of customers, sales, weather, peak demand, and other appropriate factors so that the compliance measurement is not unduly influenced by factors outside the control of the electric distribution utility.

(d)(i) Programs implemented by a utility may include the following:

- (I) Demand-response programs;
- (II) Smart grid investment programs, provided that such programs are demonstrated to be cost-beneficial;
- (III) Customer-sited programs, including waste energy recovery and combined heat and power systems;
- (IV) Transmission and distribution infrastructure improvements that reduce line losses;
- (V) Energy efficiency savings and peak demand reduction that are achieved, in whole or in part, as a result of funding provided from the universal service fund established by section 4928.51 of the Revised Code to benefit low-income customers through programs that include, but are not limited to, energy audits, the installation of energy efficiency insulation, appliances, and windows, and other weatherization measures.

(ii) No energy efficiency or peak demand reduction achieved under divisions (A)(2)(d)(i)(IV) and (V) of this section shall qualify for shared savings.

(iii) Division (A)(2)(c) of this section shall be applied to include facilitating efforts by a mercantile customer or group of those customers to offer customer-sited demand-response, energy efficiency, including waste energy recovery and combined heat and power, or peak demand reduction capabilities to the electric distribution utility as part of a reasonable arrangement submitted to the commission pursuant to section 4905.31 of the Revised Code.

(e) No programs or improvements described in division (A)(2)(d) of this section shall conflict with any statewide building code adopted by the board of building standards.

(B) In accordance with rules it shall adopt, the public utilities commission shall produce and docket at the commission an annual report containing the results of its verification of the annual levels of energy efficiency and of peak demand reductions achieved by each electric distribution utility pursuant to division (A) of this section. A copy of the report shall be provided to the consumers' counsel.

(C) If the commission determines, after notice and opportunity for hearing and based upon its

report under division (B) of this section, that an electric distribution utility has failed to comply with an energy efficiency or peak demand reduction requirement of division (A) of this section, the commission shall assess a forfeiture on the utility as provided under sections 4905.55 to 4905.60 and 4905.64 of the Revised Code, either in the amount, per day per undercompliance or noncompliance, relative to the period of the report, equal to that prescribed for noncompliances under section 4905.54 of the Revised Code, or in an amount equal to the then existing market value of one renewable energy credit per megawatt hour of undercompliance or noncompliance. Revenue from any forfeiture assessed under this division shall be deposited to the credit of the advanced energy fund created under section 4928.61 of the Revised Code.

(D) The commission may establish rules regarding the content of an application by an electric distribution utility for commission approval of a revenue decoupling mechanism under this division. Such an application shall not be considered an application to increase rates and may be included as part of a proposal to establish, continue, or expand energy efficiency or conservation programs. The commission by order may approve an application under this division if it determines both that the revenue decoupling mechanism provides for the recovery of revenue that otherwise may be forgone by the utility as a result of or in connection with the implementation by the electric distribution utility of any energy efficiency or energy conservation programs and reasonably aligns the interests of the utility and of its customers in favor of those programs.

(E) The commission additionally shall adopt rules that require an electric distribution utility to provide a customer upon request with two years' consumption data in an accessible form.

(F)(1) As used in divisions (F)(2), (3), and (4) of this section, "portfolio plan" has the same meaning as in division (C)(1) of section 4928.6610 of the Revised Code.

(2) If an electric distribution utility has a portfolio plan in effect as of the effective date of the amendments to this section by H.B. 6 of the 133rd general assembly and that plan expires before December 31, 2020, the commission shall extend the plan through that date. All portfolio plans shall terminate on that date.

(3) If a portfolio plan is extended beyond its commission approved term by division (F)(2) of this section, the existing plan's budget shall be increased for the extended term to include an amount equal to the annual average of the approved budget for all years of the portfolio plan in effect as of the effective date of the amendments to this section by H.B. 6 of the 133rd general assembly.

(4) All other terms and conditions of a portfolio plan extended beyond its commission-approved term by division (F)(2) of this section shall remain the same unless changes are authorized by the commission.

(G)(1) Not later than February 1, 2021, the commission shall determine the cumulative energy savings collectively achieved, since 2009, by all electric distribution utilities in this state as of December 31, 2020. In determining that cumulative total, the commission shall do both of the following:

(a) Include energy savings that were estimated by the commission to be achieved as of December 31, 2020, and banked under division (G) of section 4928.662 of the Revised Code;

(b) Use an energy savings baseline that is the average of the total kilowatt hours sold by all electric distribution utilities in this state in the calendar years 2018, 2019, and 2020. The baseline shall exclude the load and usage described in division (A)(2)(a)(i), (ii), and (iii) of this section. That

baseline may also be reduced for new economic growth in the utility's certified territory as provided in division (A)(2)(a) of this section and adjusted and normalized as provided in division (A)(2)(c) of this section.

(2)(a) If the cumulative energy savings collectively achieved as determined by the commission under division (G)(1) of this section is at least seventeen and one-half per cent of the baseline described in division (G)(1)(b) of this section, then full compliance with division (A)(1)(a) of this section shall be deemed to have been achieved notwithstanding any provision of this section to the contrary.

(b) If the cumulative energy savings collectively achieved as determined by the commission under division (G)(1) of this section is less than seventeen and one-half per cent of the baseline described in division (G)(1)(b) of this section, then both of the following shall apply:

(i) The commission shall determine the manner in which further implementation of energy efficiency programs shall occur as may be reasonably necessary for collective achievement of cumulative energy savings equal to seventeen and one-half percent, and not more, of the baseline described in division (G)(1)(b) of this section.

(ii) Full compliance with division (A)(1)(a) of this section shall be deemed to be achieved as of a date certain established by the commission notwithstanding any provision of this section to the contrary.

(3) Upon the date that full compliance with division (A)(1)(a) of this section is deemed achieved under division (G)(2)(a) or (b) of this section, any electric distribution utility cost recovery mechanisms authorized by the commission for compliance with this section shall terminate except as may be necessary to reconcile the difference between revenue collected and the allowable cost of compliance associated with compliance efforts occurring prior to the date upon which full compliance with division (A)(1)(a) of this section is deemed achieved. No such cost recovery mechanism shall be authorized by the commission beyond the period of time required to complete this final reconciliation.

Sec. 4928.6610. As used in sections 4928.6611 to ~~4928.6616~~ 4928.6615 of the Revised Code:

(A) "Customer" means ~~any~~ either of the following:

(1) Effective January 1, 2020, a mercantile customer as defined in section 4928.01 of the Revised Code;

(2) Any customer of an electric distribution utility to which either of the following applies:

~~(1)-(a)~~ The customer receives service above the primary voltage level as determined by the utility's tariff classification.

~~(2)-(b)~~ The customer is a commercial or industrial customer to which both of the following apply:

~~(a)-(i)~~ The customer receives electricity through a meter of an end user or through more than one meter at a single location in a quantity that exceeds forty-five million kilowatt hours of electricity for the preceding calendar year.

~~(b)-(ii)~~ The customer has made a written request for registration as a self-assessing purchaser pursuant to section 5727.81 of the Revised Code.

(B) "Energy intensity" means the amount of energy, from electricity, used or consumed per unit of production.

(C) "Portfolio plan" means either of the following:

(1) The comprehensive energy efficiency and peak-demand reduction program portfolio plan required under rules adopted by the public utilities commission and codified in Chapter 4901:1-39 of the Administrative Code or hereafter recodified or amended;

(2) Any plan implemented pursuant to division (G) of section 4928.66 of the Revised Code.

Sec. 4928.75. Beginning in fiscal year 2021 and each fiscal year thereafter, the director of development services shall, in each fiscal year, submit a completed waiver request in accordance with section 96.83 of Title 45 of the Code of Federal Regulations to the United States department of health and human services and any other applicable federal agencies for the state to expend twenty-five per cent of federal low-income home energy assistance programs funds from the home energy assistance block grants for weatherization services allowed by section 96.83(a) of Title 45 of the Code of Federal Regulations to the United States department of health and human services.

Sec. 4928.80. (A) Each electric distribution utility shall file with the public utilities commission a rate schedule applicable to county fairs and agricultural societies that includes either of the following:

(1) A fixed monthly service fee;

(2) An energy charge on a kilowatt-hour basis.

(B) The minimum monthly charge shall not exceed the fixed monthly service fee and the customer shall not be subject to any demand-based riders.

(C) The electric distribution utility shall be eligible to recover any revenue loss associated with customer migration to this new rate schedule.

Sec. 5727.231. The taxable property of an electric company that is or is part of a qualifying nuclear resource receiving payments for nuclear resource credits under section 3706.55 of the Revised Code for any part of a tax year may not be assessed for that year under section 5727.23 of the Revised Code at less than the taxable value of such property as of the effective date of H.B. 6 of the 133rd general assembly. The electric company may not value such property at less than its taxable value as of that date in its annual report filed under section 5727.08 of the Revised Code or file a petition for reassessment seeking a reduction in taxable value below the taxable value of such property as of that date, and the tax commissioner may not grant such a reduction, under section 5727.47 of the Revised Code.

Sec. 5727.75. (A) For purposes of this section:

(1) "Qualified energy project" means an energy project certified by the director of development services pursuant to this section.

(2) "Energy project" means a project to provide electric power through the construction, installation, and use of an energy facility.

(3) "Alternative energy zone" means a county declared as such by the board of county commissioners under division (E)(1)(b) or (c) of this section.

(4) "Full-time equivalent employee" means the total number of employee-hours for which compensation was paid to individuals employed at a qualified energy project for services performed at the project during the calendar year divided by two thousand eighty hours.

(5) "Solar energy project" means an energy project composed of an energy facility using solar panels to generate electricity.

(6) "Internet identifier of record" has the same meaning as in section 9.312 of the Revised Code.

(B)(1) Tangible personal property of a qualified energy project using renewable energy resources is exempt from taxation for tax years 2011 through 2021 if all of the following conditions are satisfied:

(a) On or before December 31, 2020, the owner or a lessee pursuant to a sale and leaseback transaction of the project submits an application to the power siting board for a certificate under section 4906.20 of the Revised Code, or if that section does not apply, submits an application for any approval, consent, permit, or certificate or satisfies any condition required by a public agency or political subdivision of this state for the construction or initial operation of an energy project.

(b) Construction or installation of the energy facility begins on or after January 1, 2009, and before January 1, 2021. For the purposes of this division, construction begins on the earlier of the date of application for a certificate or other approval or permit described in division (B)(1)(a) of this section, or the date the contract for the construction or installation of the energy facility is entered into.

(c) For a qualified energy project with a nameplate capacity of ~~five~~twenty megawatts or greater, a board of county commissioners of a county in which property of the project is located has adopted a resolution under division (E)(1)(b) or (c) of this section to approve the application submitted under division (E) of this section to exempt the property located in that county from taxation. A board's adoption of a resolution rejecting an application or its failure to adopt a resolution approving the application does not affect the tax-exempt status of the qualified energy project's property that is located in another county.

(2) If tangible personal property of a qualified energy project using renewable energy resources was exempt from taxation under this section beginning in any of tax years 2011 through 2021, and the certification under division (E)(2) of this section has not been revoked, the tangible personal property of the qualified energy project is exempt from taxation for tax year 2022 and all ensuing tax years if the property was placed into service before January 1, 2022, as certified in the construction progress report required under division (F)(2) of this section. Tangible personal property that has not been placed into service before that date is taxable property subject to taxation. An energy project for which certification has been revoked is ineligible for further exemption under this section. Revocation does not affect the tax-exempt status of the project's tangible personal property for the tax year in which revocation occurs or any prior tax year.

(C) Tangible personal property of a qualified energy project using clean coal technology, advanced nuclear technology, or cogeneration technology is exempt from taxation for the first tax year that the property would be listed for taxation and all subsequent years if all of the following circumstances are met:

(1) The property was placed into service before January 1, 2021. Tangible personal property that has not been placed into service before that date is taxable property subject to taxation.

(2) For such a qualified energy project with a nameplate capacity of ~~five~~twenty megawatts or greater, a board of county commissioners of a county in which property of the qualified energy project is located has adopted a resolution under division (E)(1)(b) or (c) of this section to approve the application submitted under division (E) of this section to exempt the property located in that

county from taxation. A board's adoption of a resolution rejecting the application or its failure to adopt a resolution approving the application does not affect the tax-exempt status of the qualified energy project's property that is located in another county.

(3) The certification for the qualified energy project issued under division (E)(2) of this section has not been revoked. An energy project for which certification has been revoked is ineligible for exemption under this section. Revocation does not affect the tax-exempt status of the project's tangible personal property for the tax year in which revocation occurs or any prior tax year.

(D) Except as otherwise provided in this section, real property of a qualified energy project is exempt from taxation for any tax year for which the tangible personal property of the qualified energy project is exempted under this section.

(E)(1)(a) A person may apply to the director of development services for certification of an energy project as a qualified energy project on or before the following dates:

- (i) December 31, 2020, for an energy project using renewable energy resources;
- (ii) December 31, 2017, for an energy project using clean coal technology, advanced nuclear technology, or cogeneration technology.

(b) The director shall forward a copy of each application for certification of an energy project with a nameplate capacity of ~~five~~twenty megawatts or greater to the board of county commissioners of each county in which the project is located and to each taxing unit with territory located in each of the affected counties. Any board that receives from the director a copy of an application submitted under this division shall adopt a resolution approving or rejecting the application unless it has adopted a resolution under division (E)(1)(c) of this section. A resolution adopted under division (E)(1)(b) or (c) of this section may require an annual service payment to be made in addition to the service payment required under division (G) of this section. The sum of the service payment required in the resolution and the service payment required under division (G) of this section shall not exceed nine thousand dollars per megawatt of nameplate capacity located in the county. The resolution shall specify the time and manner in which the payments required by the resolution shall be paid to the county treasurer. The county treasurer shall deposit the payment to the credit of the county's general fund to be used for any purpose for which money credited to that fund may be used.

The board shall send copies of the resolution to the owner of the facility and the director by certified mail or, if the board has record of an internet identifier of record associated with the owner or director, by ordinary mail and by that internet identifier of record. The board shall send such notice within thirty days after receipt of the application, or a longer period of time if authorized by the director.

(c) A board of county commissioners may adopt a resolution declaring the county to be an alternative energy zone and declaring all applications submitted to the director of development services under this division after the adoption of the resolution, and prior to its repeal, to be approved by the board.

All tangible personal property and real property of an energy project with a nameplate capacity of ~~five~~twenty megawatts or greater is taxable if it is located in a county in which the board of county commissioners adopted a resolution rejecting the application submitted under this division or failed to adopt a resolution approving the application under division (E)(1)(b) or (c) of this section.

(2) The director shall certify an energy project if all of the following circumstances exist:

(a) The application was timely submitted.

(b) For an energy project with a nameplate capacity of ~~five~~twenty megawatts or greater, a board of county commissioners of at least one county in which the project is located has adopted a resolution approving the application under division (E)(1)(b) or (c) of this section.

(c) No portion of the project's facility was used to supply electricity before December 31, 2009.

(3) The director shall deny a certification application if the director determines the person has failed to comply with any requirement under this section. The director may revoke a certification if the director determines the person, or subsequent owner or lessee pursuant to a sale and leaseback transaction of the qualified energy project, has failed to comply with any requirement under this section. Upon certification or revocation, the director shall notify the person, owner, or lessee, the tax commissioner, and the county auditor of a county in which the project is located of the certification or revocation. Notice shall be provided in a manner convenient to the director.

(F) The owner or a lessee pursuant to a sale and leaseback transaction of a qualified energy project shall do each of the following:

(1) Comply with all applicable regulations;

(2) File with the director of development services a certified construction progress report before the first day of March of each year during the energy facility's construction or installation indicating the percentage of the project completed, and the project's nameplate capacity, as of the preceding thirty-first day of December. Unless otherwise instructed by the director of development services, the owner or lessee of an energy project shall file a report with the director on or before the first day of March each year after completion of the energy facility's construction or installation indicating the project's nameplate capacity as of the preceding thirty-first day of December. Not later than sixty days after June 17, 2010, the owner or lessee of an energy project, the construction of which was completed before June 17, 2010, shall file a certificate indicating the project's nameplate capacity.

(3) File with the director of development services, in a manner prescribed by the director, a report of the total number of full-time equivalent employees, and the total number of full-time equivalent employees domiciled in Ohio, who are employed in the construction or installation of the energy facility;

(4) For energy projects with a nameplate capacity of ~~five~~twenty megawatts or greater, repair all roads, bridges, and culverts affected by construction as reasonably required to restore them to their preconstruction condition, as determined by the county engineer in consultation with the local jurisdiction responsible for the roads, bridges, and culverts. In the event that the county engineer deems any road, bridge, or culvert to be inadequate to support the construction or decommissioning of the energy facility, the road, bridge, or culvert shall be rebuilt or reinforced to the specifications established by the county engineer prior to the construction or decommissioning of the facility. The owner or lessee of the facility shall post a bond in an amount established by the county engineer and to be held by the board of county commissioners to ensure funding for repairs of roads, bridges, and culverts affected during the construction. The bond shall be released by the board not later than one year after the date the repairs are completed. The energy facility owner or lessee pursuant to a sale and leaseback transaction shall post a bond, as may be required by the Ohio power siting board in the

certificate authorizing commencement of construction issued pursuant to section 4906.10 of the Revised Code, to ensure funding for repairs to roads, bridges, and culverts resulting from decommissioning of the facility. The energy facility owner or lessee and the county engineer may enter into an agreement regarding specific transportation plans, reinforcements, modifications, use and repair of roads, financial security to be provided, and any other relevant issue.

(5) Provide or facilitate training for fire and emergency responders for response to emergency situations related to the energy project and, for energy projects with a nameplate capacity of ~~five~~ twenty megawatts or greater, at the person's expense, equip the fire and emergency responders with proper equipment as reasonably required to enable them to respond to such emergency situations;

(6) Maintain a ratio of Ohio-domiciled full-time equivalent employees employed in the construction or installation of the energy project to total full-time equivalent employees employed in the construction or installation of the energy project of not less than eighty per cent in the case of a solar energy project, and not less than fifty per cent in the case of any other energy project. In the case of an energy project for which certification from the power siting board is required under section 4906.20 of the Revised Code, the number of full-time equivalent employees employed in the construction or installation of the energy project equals the number actually employed or the number projected to be employed in the certificate application, if such projection is required under regulations adopted pursuant to section 4906.03 of the Revised Code, whichever is greater. For all other energy projects, the number of full-time equivalent employees employed in the construction or installation of the energy project equals the number actually employed or the number projected to be employed by the director of development services, whichever is greater. To estimate the number of employees to be employed in the construction or installation of an energy project, the director shall use a generally accepted job-estimating model in use for renewable energy projects, including but not limited to the job and economic development impact model. The director may adjust an estimate produced by a model to account for variables not accounted for by the model.

(7) For energy projects with a nameplate capacity in excess of ~~two~~ twenty megawatts, establish a relationship with a member of the university system of Ohio as defined in section 3345.011 of the Revised Code or with a person offering an apprenticeship program registered with the employment and training administration within the United States department of labor or with the apprenticeship council created by section 4139.02 of the Revised Code, to educate and train individuals for careers in the wind or solar energy industry. The relationship may include endowments, cooperative programs, internships, apprenticeships, research and development projects, and curriculum development.

(8) Offer to sell power or renewable energy credits from the energy project to electric distribution utilities or electric service companies subject to renewable energy resource requirements under section 4928.64 of the Revised Code that have issued requests for proposal for such power or renewable energy credits. If no electric distribution utility or electric service company issues a request for proposal on or before December 31, 2010, or accepts an offer for power or renewable energy credits within forty-five days after the offer is submitted, power or renewable energy credits from the energy project may be sold to other persons. Division (F)(8) of this section does not apply if:

(a) The owner or lessee is a rural electric company or a municipal power agency as defined in

section 3734.058 of the Revised Code.

(b) The owner or lessee is a person that, before completion of the energy project, contracted for the sale of power or renewable energy credits with a rural electric company or a municipal power agency.

(c) The owner or lessee contracts for the sale of power or renewable energy credits from the energy project before June 17, 2010.

(9) Make annual service payments as required by division (G) of this section and as may be required in a resolution adopted by a board of county commissioners under division (E) of this section.

(G) The owner or a lessee pursuant to a sale and leaseback transaction of a qualified energy project shall make annual service payments in lieu of taxes to the county treasurer on or before the final dates for payments of taxes on public utility personal property on the real and public utility personal property tax list for each tax year for which property of the energy project is exempt from taxation under this section. The county treasurer shall allocate the payment on the basis of the project's physical location. Upon receipt of a payment, or if timely payment has not been received, the county treasurer shall certify such receipt or non-receipt to the director of development services and tax commissioner in a form determined by the director and commissioner, respectively. Each payment shall be in the following amount:

(1) In the case of a solar energy project, seven thousand dollars per megawatt of nameplate capacity located in the county as of December 31, 2010, for tax year 2011, as of December 31, 2011, for tax year 2012, as of December 31, 2012, for tax year 2013, as of December 31, 2013, for tax year 2014, as of December 31, 2014, for tax year 2015, as of December 31, 2015, for tax year 2016, and as of December 31, 2016, for tax year 2017 and each tax year thereafter;

(2) In the case of any other energy project using renewable energy resources, the following:

(a) If the project maintains during the construction or installation of the energy facility a ratio of Ohio-domiciled full-time equivalent employees to total full-time equivalent employees of not less than seventy-five per cent, six thousand dollars per megawatt of nameplate capacity located in the county as of the thirty-first day of December of the preceding tax year;

(b) If the project maintains during the construction or installation of the energy facility a ratio of Ohio-domiciled full-time equivalent employees to total full-time equivalent employees of less than seventy-five per cent but not less than sixty per cent, seven thousand dollars per megawatt of nameplate capacity located in the county as of the thirty-first day of December of the preceding tax year;

(c) If the project maintains during the construction or installation of the energy facility a ratio of Ohio-domiciled full-time equivalent employees to total full-time equivalent employees of less than sixty per cent but not less than fifty per cent, eight thousand dollars per megawatt of nameplate capacity located in the county as of the thirty-first day of December of the preceding tax year.

(3) In the case of an energy project using clean coal technology, advanced nuclear technology, or cogeneration technology, the following:

(a) If the project maintains during the construction or installation of the energy facility a ratio of Ohio-domiciled full-time equivalent employees to total full-time equivalent employees of not less than seventy-five per cent, six thousand dollars per megawatt of nameplate capacity located in the

county as of the thirty-first day of December of the preceding tax year;

(b) If the project maintains during the construction or installation of the energy facility a ratio of Ohio-domiciled full-time equivalent employees to total full-time equivalent employees of less than seventy-five per cent but not less than sixty per cent, seven thousand dollars per megawatt of nameplate capacity located in the county as of the thirty-first day of December of the preceding tax year;

(c) If the project maintains during the construction or installation of the energy facility a ratio of Ohio-domiciled full-time equivalent employees to total full-time equivalent employees of less than sixty per cent but not less than fifty per cent, eight thousand dollars per megawatt of nameplate capacity located in the county as of the thirty-first day of December of the preceding tax year.

(H) The director of development services in consultation with the tax commissioner shall adopt rules pursuant to Chapter 119. of the Revised Code to implement and enforce this section.

SECTION 2. That existing sections 303.213, 519.213, 713.081, 4906.13, 4928.01, 4928.64, 4928.641, 4928.644, 4928.645, 4928.66, 4928.6610, and 5727.75 of the Revised Code are hereby repealed.

SECTION 3. That section 4928.6616 of the Revised Code is hereby repealed.

SECTION 4. The amendment by this act of section 5727.75 of the Revised Code applies to both of the following:

(A) Energy projects certified by the Director of Development Services on or after the effective date of this section;

(B) Existing qualified energy projects that, on the effective date of this section, have a nameplate capacity of fewer than five megawatts.

SECTION 5. HEAP WEATHERIZATION

Pursuant to section 4928.75 of the Revised Code, twenty-five per cent of the federal funds deposited to the credit of the Home Energy Assistance Block Grant Fund (Fund 3K90) may be expended from appropriation item 195614, HEAP Weatherization, to provide home weatherization services in the state as determined by the Director of Development Services.

Am. Sub. H. B. No. 6

34

133rd G.A.

Speaker _____ *of the House of Representatives.*

President _____ *of the Senate.*

Passed _____, 20____

Approved _____, 20____

Governor.

Am. Sub. H. B. No. 6

133rd G.A.

35

The section numbering of law of a general and permanent nature is complete and in conformity with the Revised Code.

Director, Legislative Service Commission.

Filed in the office of the Secretary of State at Columbus, Ohio, on the ____ day of _____, A. D. 20 ____.

Secretary of State.

File No. _____ Effective Date _____

EXHIBIT 8

**Empowering Ohio's Economy
Grant Agreement**

Grant Recipient: Generation Now Inc.

Empower Ohio's Economy (EOE) makes this grant to Generation Now Inc. under the following terms, conditions, and understandings:

Tax Exempt Status: Generation Now Inc. is a tax-exempt, not-for-profit organization that operates in accordance with Internal Revenue Code Section 501 (c) (4). Generation Now Inc. was issued a tax exempt status determination letter by the Internal Revenue Service (IRS), formally recognizing the organization's tax-exempt status under Section 501 (c) (4) on NA (date). Since that determination letter was (check one) issued or organization self-certified, the tax-exempt status of Generation Now Inc. has not changed or been revoked. In addition, your tax-exempt status under Section 501 (c) (4) is not currently the subject of tax-exempt status revocation proceedings at the IRS.

Financial Documentation: Generation Now Inc. has provided EOE with requested financial documents, and agrees to update these documents as requested. In addition, Generation Now Inc. warrants that any grant or grants received from EOE will represent less than half of Generation Now Inc.' total funding for the applicable tax year.

General Use of Funds: This grant is made by EOE to Generation Now Inc. with the mutual understanding that these grant funds will be used by Generation Now Inc. in furtherance of its primary tax exempt purpose, and exclusively in connection with programs, efforts, and activities that promote the social welfare. Funds provided by EOE to Generation Now Inc. may not be used in furtherance of any political or campaign intervention activities (as those terms are currently defined by the IRS).

Specific Use of Funds: (insert description of specific purpose of grant, or project funding, if any)

Educating, equipping, and mobilizing our citizens to take action on critical economic and legislative issues that will shape Ohio's and our nation's future in the years ahead. We are committed to advancing legislative policies that will strengthen our economic security, and one of our strategies is to partner with other tax-exempt, non-profit organizations to help promote such policies.

Return of Unexpended Funds: If this grant is intended to support a specific project or to provide general support for a specific period, any portion of the grant that is unexpended at the completion of the project or end of the period shall be returned to EOE.

Required Notification: Generation Now Inc. must provide EOE with immediate written notification of: (1) any changes in your organization's tax exempt status; (2) the organization's inability to expend the grant, or any portion of the grant, for the purposes set forth above; or (3) any expenditure of grant funds for a purpose other than those for which the grant was intended.

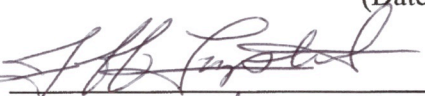
Reasonable Access For Evaluation: Generation Now Inc. agrees that it will provide EOE with reasonable access to review relevant records for the purpose of evaluating the expenditure of grant funds.

Records and Reports: Generation Now Inc. is required to keep a record of all receipts and expenditures relating to this grant, and to provide EOE with a written report summarizing the use of grant funds upon the completion of the project or period for which the grant was provided. EOE may, at its option, require interim reports, supplemental information, or detailed financial records or reports pertaining to the use of grant funds.

Right to Modify or Revoke Grant: EOE reserves the right to discontinue, modify, or withhold any payments to be made under this grant agreement, or to require a total or partial refund of any grant funds if EOE deems such action necessary.

The undersigned certifies that he or she is a duly elected and authorized officer of Generation Now Inc., and is authorized to accept this grant on behalf of Generation Now Inc., to obligate Generation Now Inc. to observe all of the terms and conditions placed on this grant, and in connection with this grant to make, execute and deliver on behalf of Generation Now Inc. all grant agreements, representations, receipts, reports, and other instruments of any kind.

ACCEPTED AND AGREED TO:

December 20, 2017
(Date)
Name: 
Title: Jeff Longstreth, Executive Director
Generation Now Inc.

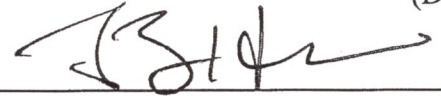
September 7, 2017
(Date)

Title: JB Hadden, President
Empowering Ohio's Economy

EXHIBIT 9

SEC Form 4

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0287
Estimated average burden hours per response:	0.5

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person* <u>TIERNEY BRIAN X</u> (Last) (First) (Middle) 1 RIVERSIDE PLAZA (Street) COLUMBUS OH 43215 (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>AMERICAN ELECTRIC POWER CO INC</u> [AEP]	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) Executive VP, CFO
	3. Date of Earliest Transaction (Month/Day/Year) 05/01/2019	
	4. If Amendment, Date of Original Filed (Month/Day/Year)	6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/01/2019		M		2,816 ⁽¹⁾	A	\$83.67 ⁽⁴⁾	49,082	D	
Common Stock	05/01/2019		F		1,277	D	\$83.67 ⁽⁴⁾	47,805	D	
Common Stock	05/01/2019		D		1,539	D	\$83.67 ⁽⁴⁾	46,266	D	
Common Stock	05/01/2019		F		1,262 ⁽²⁾	D	\$84.95 ⁽⁵⁾	45,004	D	
Common Stock	05/01/2019		F		1,402 ⁽³⁾	D	\$84.95 ⁽⁵⁾	43,840	D	
Common Stock								10,662	I	by 401(k) Plan

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date						Title	Amount or Number of Shares
Restricted Stock Units	(1)	05/01/2019		M		2,816		05/01/2019	05/01/2019	Common Stock	2,816	(4)	0	D	

Explanation of Responses:

- A portion of Mr. Tierney's restricted stock units (2,816) that were granted 2/23/2016 vested on 5/1/2019. Upon vesting, 1,277 restricted stock units were withheld to satisfy the reporting person's tax liability and the remaining restricted stock units were settled in cash.
- A portion of Mr. Tierney's restricted stock units (2,782) that were granted on 2/20/2017 vested on 5/1/2019. Upon vesting, 1,262 restricted stock units were withheld to satisfy the reporting person's tax liability.
- A portion of Mr. Tierney's restricted stock units (2,566) that were granted 2/19/2018 vested on 5/1/2019. Upon vesting, 1,164 restricted stock units were withheld to satisfy the reporting person's tax liability and the remaining restricted stock units were settled in cash.
- Value is based on 20 day average stock closing price.
- Value is based on the closing price of the stock.

Remarks:

/s/ Thomas G. Berkemeyer,
Attorney-in-Fact for Brian X. Tierney 05/02/2019

** Signature of Reporting Person Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.

SEC Form 4

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0287
Estimated average burden	
hours per response:	0.5

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person* <u>TIERNEY BRIAN X</u> (Last) (First) (Middle) <u>1 RIVERSIDE PLAZA</u> (Street) <u>COLUMBUS OH 43215</u> (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>AMERICAN ELECTRIC POWER CO</u> <u>INC [AEP]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <u>Executive VP, CFO</u>
	3. Date of Earliest Transaction (Month/Day/Year) <u>05/14/2019</u>	
	4. If Amendment, Date of Original Filed (Month/Day/Year)	6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/14/2019		S		4,392	D	\$86.02	39,448.63	D	
Common Stock								10,662	I	by 401(k) Plan

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V		(A)	(D)						Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Explanation of Responses:

Remarks:

/s/ Thomas G. Berkemeyer,
Attorney-in-Fact for Brian X. Tierney 05/15/2019

** Signature of Reporting Person Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.

SEC Form 4

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0287
Estimated average burden hours per response:	0.5

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person* <u>TIERNEY BRIAN X</u> (Last) (First) (Middle) <u>1 RIVERSIDE PLAZA</u> (Street) <u>COLUMBUS OH 43215</u> (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>AMERICAN ELECTRIC POWER CO INC [AEP]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <u>Executive VP, CFO</u>
	3. Date of Earliest Transaction (Month/Day/Year) <u>02/20/2020</u>	
	4. If Amendment, Date of Original Filed (Month/Day/Year)	6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/20/2020		A		33,989	A	\$0	79,151	D	
Common Stock	02/20/2020		F		15,416	D	\$0	63,735	D	

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V		Date Exercisable	Expiration Date						Amount or Number of Shares

Explanation of Responses:

Remarks:

/s/ Thomas G. Berkemeyer,
Attorney-in-Fact for Brian X. Tierney 02/21/2020

** Signature of Reporting Person Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.

SEC Form 4

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0287
Estimated average burden hours per response:	0.5

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person* <u>TIERNEY BRIAN X</u> (Last) (First) (Middle) <u>1 RIVERSIDE PLAZA</u> (Street) <u>COLUMBUS OH 43215</u> (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>AMERICAN ELECTRIC POWER CO INC [AEP]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <u>Executive VP, CFO</u>
	3. Date of Earliest Transaction (Month/Day/Year) <u>02/24/2020</u>	
	4. If Amendment, Date of Original Filed (Month/Day/Year)	6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/24/2020		S		18,573	D	\$101.55 ⁽¹⁾	45,162	D	

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date						Title	Amount or Number of Shares

Explanation of Responses:

1. This transaction was executed in multiple trades at prices ranging from \$101.51 to \$101.63. The price reported above reflects the weighted average sale. The reporting person hereby undertakes to provide upon request to the SEC staff, the issuer or a security holder full information regarding the number of shares and prices at which the transaction was effected.

Remarks:

/s/ Thomas G. Berkemeyer,
Attorney-in-Fact for Brian X. Tierney 02/26/2020

** Signature of Reporting Person Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.

EXHIBIT 10

SEC Form 4

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0287
Estimated average burden hours per response:	0.5

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person* <u>Akins Nicholas K</u> (Last) (First) (Middle) AMERICAN ELECTRIC POWER 1 RIVERSIDE PLAZA (Street) COLUMBUS OH 43215 (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>AMERICAN ELECTRIC POWER CO INC</u> [AEP]	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner Officer (give title below) Other (specify below) X President, CEO
	3. Date of Earliest Transaction (Month/Day/Year) 05/01/2019	
	4. If Amendment, Date of Original Filed (Month/Day/Year)	6. Individual or Joint/Group Filing (Check Applicable Line) X Form filed by One Reporting Person Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/01/2019		M		9,985 ⁽¹⁾	A	\$83.67 ⁽⁴⁾	148,376	D	
Common Stock	05/01/2019		F		4,528	D	\$83.67 ⁽⁴⁾	143,848	D	
Common Stock	05/01/2019		D		5,457	D	\$83.67 ⁽⁴⁾	138,391	D	
Common Stock	05/01/2019		F		4,733 ⁽²⁾	D	\$84.95 ⁽⁵⁾	133,658	D	
Common Stock	05/01/2019		F		4,524 ⁽³⁾	D	\$84.95 ⁽⁵⁾	129,134	D	
Common Stock	05/02/2019		S		11,152 ⁽⁶⁾	D	\$84.938 ⁽⁷⁾	117,982	D	

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)	
				Code	V		Date Exercisable	Expiration Date						Title	Amount or Number of Shares
Restricted Stock Units	(1)	05/01/2019		M		9,985	05/01/2019	05/01/2019	Common Stock	9,985	(4)	0	D	

Explanation of Responses:

- A portion of Mr. Akins' restricted stock units (9,985) that were granted on 2/23/2016 vested on 5/1/2019. Upon vesting, 4,528 restricted stock units were withheld to satisfy the reporting person's tax liability and the remaining restricted stock units were settled in cash.
- A portion of Mr. Akins' restricted stock units (10,435) that were granted on 2/20/2017 vested on 5/1/2019. Upon vesting, 4,733 restricted stock units were withheld to satisfy the reporting person's tax liability.
- A portion of Mr. Akins' restricted stock units (9,974) that were granted on 2/20/2017 vested on 5/1/2019. Upon vesting, 4,524 restricted stock units were withheld to satisfy the reporting person's tax liability.
- Value is based on 20 day average stock closing price.
- Value is based on closing price of the stock.
- Sold pursuant to a 10b5-1 Plan executed on November 29, 2018.
- This transaction was executed in multiple trades at prices ranging from \$84.72 to \$85.20. The price reported above reflects the weighted average sale price. The reporting person hereby undertakes to provide upon request to the SEC staff, the issuer or a security holder of the issuer full information regarding the number of shares and prices at which the transaction was effected.

Remarks:

/s/ Thomas G. Berkemeyer,
Attorney-in-Fact for Nicholas K. Akins 05/02/2019

** Signature of Reporting Person Date

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.

SEC Form 4

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0287
Estimated average burden hours per response:	0.5

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person* <u>Akins Nicholas K</u> (Last) (First) (Middle) AMERICAN ELECTRIC POWER 1 RIVERSIDE PLAZA (Street) COLUMBUS OH 43215 (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>AMERICAN ELECTRIC POWER CO INC [AEP]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) President, CEO
	3. Date of Earliest Transaction (Month/Day/Year) 02/20/2020		6. Individual or Joint/Group Filing (Check Applicable Line) ☒ Form filed by One Reporting Person Form filed by More than One Reporting Person
4. If Amendment, Date of Original Filed (Month/Day/Year)		

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/20/2020		A		127,462	A	\$0	266,134	D	
Common Stock	02/20/2020		F		57,805	D	\$0	208,329	D	

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V		Date Exercisable	Expiration Date						Title	Amount or Number of Shares

Explanation of Responses:

Remarks:

/s/ Thomas G. Berkemeyer,
Attorney-in-Fact for Nicholas 02/21/2020
K. Akins

** Signature of Reporting Person Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.

SEC Form 4

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0287
Estimated average burden hours per response:	0.5

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person* <u>Akins Nicholas K</u> (Last) (First) (Middle) AMERICAN ELECTRIC POWER 1 RIVERSIDE PLAZA (Street) COLUMBUS OH 43215 (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>AMERICAN ELECTRIC POWER CO INC [AEP]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) President and CEO
	3. Date of Earliest Transaction (Month/Day/Year) 02/24/2020		6. Individual or Joint/Group Filing (Check Applicable Line) ☒ Form filed by One Reporting Person Form filed by More than One Reporting Person
4. If Amendment, Date of Original Filed (Month/Day/Year)		

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock ⁽¹⁾	02/24/2020		S		37,807	D	\$100.57 ⁽²⁾	170,522	D	
Common Stock ⁽¹⁾	02/24/2020		S		29,950	D	\$101.58 ⁽³⁾	140,572	D	
Common Stock ⁽¹⁾	02/24/2020		S		1,900	D	\$102.2 ⁽⁴⁾	138,672	D	

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V		(A)	(D)						Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Explanation of Responses:

- The sales reported in this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on November 21, 2019.
- This transaction was executed in multiple trades at prices ranging from \$100.06 to \$101.06. The price reported above reflects the weighted average sale. The reporting person hereby undertakes to provide upon request to the SEC staff, the issuer or a security holder full information regarding the number of shares and prices at which the transaction was effected.
- This transaction was executed in multiple trades at prices ranging from \$101.07 to \$102.07. The price reported above reflects the weighted average sale. The reporting person hereby undertakes to provide upon request to the SEC staff, the issuer or a security holder full information regarding the number of shares and prices at which the transaction was effected.
- This transaction was executed in multiple trades at prices ranging from \$102.08 to \$102.30. The price reported above reflects the weighted average sale. The reporting person hereby undertakes to provide upon request to the SEC staff, the issuer or a security holder full information regarding the number of shares and prices at which the transaction was effected.

Remarks:

/s/ Thomas G. Berkemeyer,
Attorney-in-Fact for Nicholas 02/26/2020
K. Akins

** Signature of Reporting Person Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.

EXHIBIT 11

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12.

American Electric Power Company, Inc.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:
-

Executive Compensation

Summary Compensation Table

The following table provides summary information concerning compensation earned by our Chief Executive Officer, our Chief Financial Officer and the three other most highly compensated executive officers, to whom we refer collectively as the named executive officers.

Name and Principal Position	Year	Salary \$(1)	Bonus (\$)	Stock Awards \$(2)	Non-Equity Incentive Plan Compensation \$(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$(4)	All Other Compensation \$(5)	Total (\$)
Nicholas K. Akins								
Chairman of the Board and Chief Executive Officer	2020	1,521,615	—	9,615,116	3,500,000	698,612	168,091	15,503,434
	2019	1,475,654	—	8,775,003	3,600,000	530,151	111,628	14,492,436
	2018	1,415,423	—	7,564,313	2,900,000	207,401	114,891	12,202,028
Brian X. Tierney								
Executive Vice President and Chief Financial Officer	2020	826,308	—	2,160,666	1,050,000	422,536	107,217	4,566,727
	2019	793,039	—	4,064,681	1,088,000	470,138	95,560	6,511,418
	2018	771,958	—	1,945,785	890,000	—	59,547	3,667,290
Lisa M. Barton								
Executive Vice President-Utilities	2020	665,077	—	1,620,475	856,000	206,833	81,600	3,429,985
	2019	588,254	—	3,238,802	825,000	173,781	67,799	4,893,636
	2018	571,189	—	1,167,470	575,000	40,845	55,264	2,409,768
David M. Feinberg								
Executive Vice President, General Counsel and Secretary	2020	699,339	—	1,512,527	847,000	235,404	81,738	3,376,008
	2019	677,596	—	1,445,289	865,000	173,983	73,436	3,235,304
	2018	650,492	—	1,362,082	655,000	25,724	48,106	2,741,404
Lana L. Hillebrand(6)								
Executive Vice President- Chief Administrative Officer	2020	637,365	—	1,688,344	771,862	247,260	1,186,196	4,531,027
	2019	615,358	—	1,135,625	800,000	221,245	74,831	2,847,059
	2018	597,289	—	972,924	600,000	47,656	57,530	2,275,399

- (1) Amounts in the salary column are composed of executive salaries earned for the year shown, which include 262 days of pay for 2020. This is two days more than the standard 260 calendar work days and holidays in a year.
- (2) The amounts reported in this column reflect the aggregate grant date fair value calculated in accordance with FASB ASC Topic 718 of the performance shares, restricted stock units (RSUs) and unrestricted shares granted under our Long-Term Incentive Plan. See Note 15 to the Consolidated Financial Statements included in our Form 10-K for the year ended December 31, 2020 for a discussion of the relevant assumptions used in calculating these amounts. The number of shares realized and the value of the performance shares, if any, will depend on the Company's performance during a 3 year performance period. The potential payout can range from 0 percent to 200 percent of the target number of performance shares, plus any dividend equivalents. The value of the 2018 and 2019 performance shares will be based on two equally weighted measures: a Board approved cumulative operating earnings per share measure (Cumulative EPS) and a total shareholder return measure (Relative TSR). The value of the 2020 performance shares will be based on three measures: a Board approved cumulative operating earnings per share measure (Cumulative EPS 50%), a total shareholder return measure (Relative TSR 40%) and a carbon free capacity mix (Carbon Free Capacity 10%). The grant date fair value of the 2018, 2019 and 2020 performance shares that are based on Cumulative EPS was computed in accordance with FASB ASC Topic 718 and was measured based on the closing price of AEP's common stock on the grant date. The maximum amount payable for the 2020 performance shares that are based on Cumulative EPS is equal to \$6,674,985 for Mr. Akins; \$1,499,955 for Mr. Tierney; \$1,050,051 for Mr. Feinberg; \$1,124,966 for Ms. Barton and \$824,996 for Ms. Hillebrand. The maximum amount payable for the 2020 performance shares that are based on Non-Emitting Generation Capacity is equal to \$1,334,997 for Mr. Akins; \$299,991 for Mr. Tierney; \$210,010 for Mr. Feinberg; \$224,993 for Ms. Barton and \$164,999 (pro-rated \$55,000) for Ms. Hillebrand. The grant date fair value of the 2020 performance shares that are based on Relative TSR is calculated using a Monte-Carlo model as of the date of grant, in accordance with FASB ASC Topic 718. Because the performance shares that are based on Relative TSR are subject to market conditions as defined under FASB ASC Topic 718, they did not have a maximum value on the grant date that differed from the grant date fair values presented in the table. Instead, the maximum value is factored into the calculation of the grant date fair value. The values realized from the 2018 performance shares are included in the Option Exercises and Stock Vested for 2020 table.
- (3) The amounts shown in this column reflect annual incentive compensation paid for the year shown.
- (4) The amounts shown in this column are attributable to the increase in the actuarial values of each of the named executive officer's combined benefits under AEP's qualified and non-qualified defined benefit pension plans determined using interest rate and mortality assumptions consistent with those used in the Company's financial statements. See the Pension Benefits for 2020 table and related footnotes for additional information. See Note 8 to the Consolidated Financial Statements included in our Form 10-K for the year ended December 31, 2020 for a discussion of the relevant assumptions. None of the named executive officers received preferential or above-market earnings on deferred compensation. No value is shown for Mr. Tierney in 2018 because the actual change in pension value was a negative amount.
- (5) Amounts shown in the All Other Compensation column for 2020 include: (a) Company matching contributions to the Company's Retirement Savings Plan, (b) Company matching contributions to the Company's Supplemental Retirement Savings Plan, (c) perquisites and (d) severance benefits. The 2020 values for these items are listed in the following table:

EXHIBIT 12

American Electric Power Company, Inc.

NYSE:AEP

FQ2 2019 Earnings Call Transcripts

Thursday, July 25, 2019 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2019-			-FQ3 2019-	-FY 2019-	-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.97	1.00	▲ 3.09	1.23	4.13	4.40
Revenue (mm)	4134.29	3589.00	▼ (13.19 %)	4583.03	16575.34	17135.71

Currency: USD

Consensus as of Jul-23-2019 3:09 PM GMT

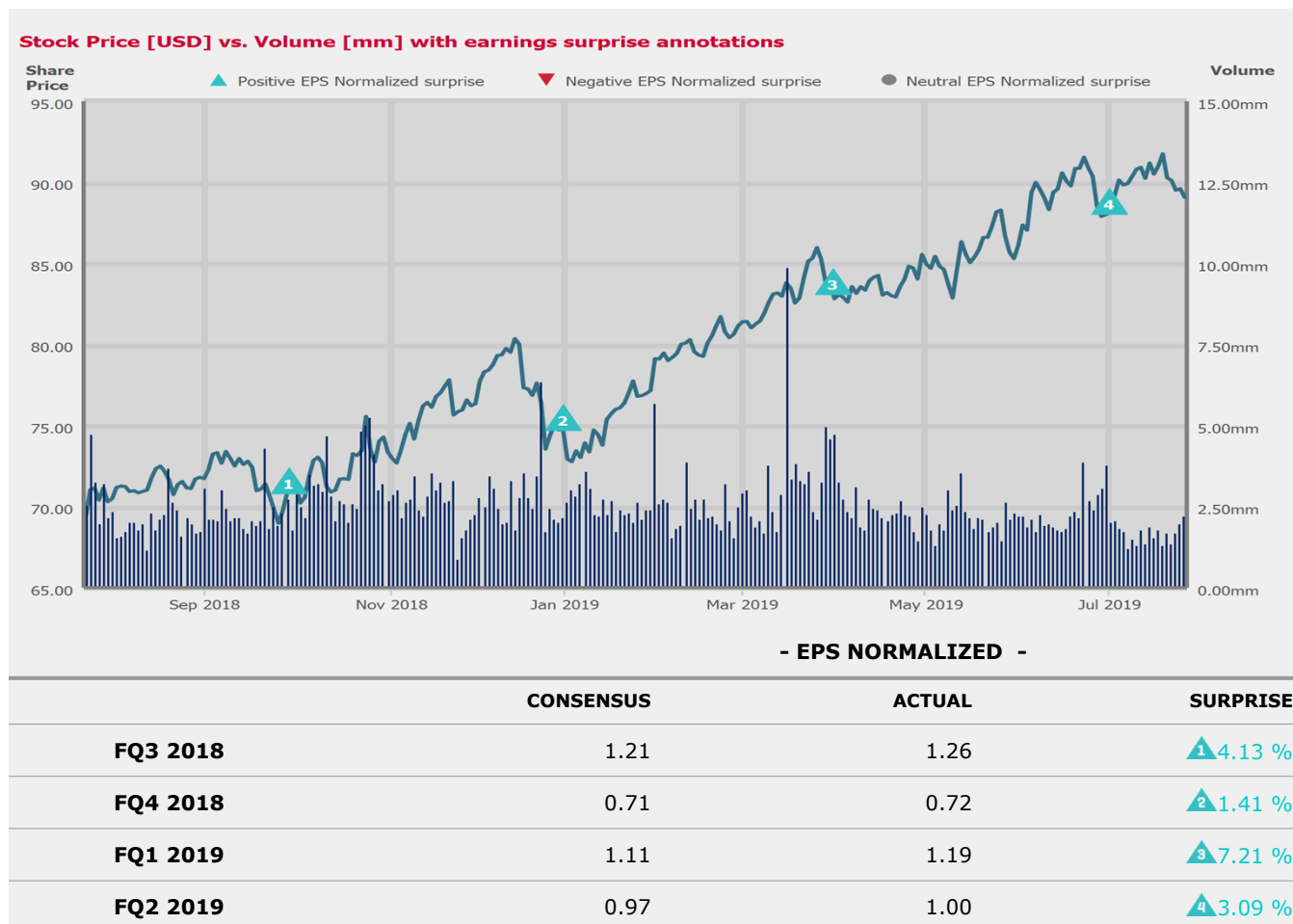


Table of Contents

Call Participants	.....	3
Presentation	.....	4
Question and Answer	.....	12

Call Participants

EXECUTIVES

Bette Jo Rozsa

Managing Director of Investor Relations

Brian X. Tierney

Executive VP & CFO

Nicholas K. Akins

Chairman, President & CEO

ANALYSTS

Agnieszka Anna Storzynski

Macquarie Research

Ali Agha

SunTrust Robinson Humphrey, Inc., Research Division

Gregory Harmon Gordon

Evercore ISI Institutional Equities, Research Division

Michael Jay Lapidis

Goldman Sachs Group Inc., Research Division

Praful Mehta

Citigroup Inc, Research Division

Steven Isaac Fleishman

Wolfe Research, LLC

Unknown Analyst

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the American Electric Power Second Quarter 2019 Earnings Call. [Operator Instructions]

As a reminder, today's call is being recorded, and replay information will be given out at the conclusion of the conference.

I will now turn the call over to your host, Bette Jo Rozsa. Please go ahead.

Bette Jo Rozsa

Managing Director of Investor Relations

Thank you, Kevin. Good morning, everyone, and welcome to the Second Quarter 2019 Earnings Call for American Electric Power. Thank you for taking the time to join us today. Our earnings release, presentation slides and related financial information are available on our website at aep.com.

Today, we will be making forward-looking statements during the call. There are many factors that may cause future results to differ materially from these statements. Please refer to our SEC filings for a discussion of these factors.

Our presentation also includes references to non-GAAP financial information. Please refer to the reconciliation of the applicable GAAP measures provided in the appendix of today's presentation.

Joining me this morning for our opening remarks are Nick Akins, our Chairman, President and Chief Executive Officer; and Brian Tierney, our Chief Financial Officer. We will take your questions following their remarks.

However, before I turn the call over to Nick, I would like to share with you that this will be my last earnings call here at AEP. After 39 years with the company, including 22 years in IR, I have decided to retire effective September 30. While I thoroughly enjoy my role here at AEP and interacting with all of you, there are other adventures I would like to explore and decided now is the right time. Nick and Brian have graciously invited me to come to EEI Fall Conference so that I can say goodbye to you, and I look forward to seeing you there. In the meantime, I'm leaving you all in very good hands with Darcy Reese, who most of you already know; and our new addition to IR, Tom Scott, who many of you will get to meet in the coming months.

I will now turn the call over to Nick.

Nicholas K. Akins

Chairman, President & CEO

Thanks, Bette Jo. Before I get started with the earnings call, I would like to recognize Bette Jo for the wonderful job she's done representing this company and our investors. I am a CEO that's been trained by Bette Jo Rozsa. I have the permanent bruises on my shins to prove it. I've looked to her for guidance, no pun intended, with a message of our company, and we will sorely miss her. She mentioned to me that she actually did our first earnings call and has done all of them since. 114 years of earnings calls is a lot. Just kidding. She's been with the company 39 years, and we have done earnings calls beginning in 2000. So again, Bette Jo, thank you.

Now off to the second quarter. We are doing this a little differently this time. I'm deferring the actual discussion of the GAAP and operating financial performance to Brian's part of the presentation other than to say, it was another steady-as-she-goes quarter with financial operating performance consistent with our expectations. So no surprise there. We continue to confirm our operating guidance for the year of \$4 to \$4.20 per share for the year and our long-term 5% to 7% growth rate.

And of course, our Board earlier this year approved the second quarter dividend consistent with our financial plan, which Brian will also cover in more detail.

While the financials for the quarter met our expectations, there were some important catalysts for future growth that developed during the quarter. I'll continue by covering those as well as other highlights and topics for the quarter that we believe you might all be interested in.

First, we've made several wind resource filings in Arkansas, Louisiana, Texas and Oklahoma and our SWEPCO and PSO operating companies consistent with our integrated resource plan expectations. SWEPCO and PSO are seeking regulatory approvals to acquire 3 wind generation facilities currently under development in North Central Oklahoma that total 1,485 megawatts. Hence, the name North Central Wind initiative. These projects are being developed by Invenergy and will be acquired on a fixed price turn-key basis at COD. If approved, 200 megawatts will be acquired by the end of 2020 with the balance being acquired at the end of 2021.

This \$2 billion investment -- regulated investment opportunity represents a unique win-win for customers and shareholders. The investment is expected to both lower customer rates and provide a long-term earnings opportunity for shareholders. Customer benefits total approximately \$3 billion nominal cost -- net of costs over the 30-year life of the facilities. The investments produce near-term customer savings and positive customer benefits under a wide array of power, natural gas and production sensitivities. We are seeking timely regulatory approvals in each state in order to take advantage of the expiring federal PTC. The net value of the PTC is accrued to our customers total approximately \$1.4 billion and offset nearly 70% of the total capital investment over the first 10 years of the project.

The acquisition can be scaled subject to commercial limitations to align with individual state resource needs and approvals. We have the ability to take a minimum of 810 megawatts and provided states the ability to take more megawatts should another state or states reject our applications, and we have designed enough flexibility into our applications to move forward in the scenarios where only 1, 2, 3 or 4 states approved. These highly efficient 44% capacity factor wind investments will serve to further diversify our generation fuel mix and act as a valuable fuel price hedge for our customers over the long term.

You might wonder why we didn't apply for the full 2,200 megawatts that our SWEPCO and PSO integrated resource plans proposed. Because these projects were competitively bid, we recognized a clear breakpoint between the winning 3 projects that happened to be Invenergy projects who we have worked with them in the past and others from a pricing perspective. We want to position the best projects first and clear winners from an end of money viewpoint so that our commissions could clearly recognize the value for our customers. We can always come in later to fill in the rest of the resource planning requirements with future bids, and we feel good about that from a risk perspective. By following the normal regulatory processes that exist with projects that clearly benefit our customers and with less risky multiple projects that are already being developed and utilization of existing SPP transmission capacity, we believe that these projects are set up for success with our regulators, our customers and our shareholders. We learned a lot from the experience of Wind Catcher, and these filings prove that.

Now onto the next hot issue, the Ohio House Bill 6 legislation. Governor DeWine earlier this week signed legislation that will provide support to the nuclear units in Ohio as well as support for the OVEC generating units. While the legislation phases out the RPS mandate after 2026, it still provides benefits for the recovery of existing renewable contracts until 2032 and provides additional support for solar projects that have already received signing approval, including our 400 megawatts of proposed solar project, which can also collect from the same clean energy fund as the nuclear units.

So to reiterate, as far as AEP is concerned, we see positives from this legislation for us, namely recovery of OVEC collected -- that's collected on a statewide basis through 2030. Secondly, recovery of our existing renewable contracts entered into to comply with previous legislation and approved by the PECO. The opportunity for AEP Ohio to enter into bilateral contracts with certain customers. This one is an important issue for AEP as we have had specific requests from various customers for AEP Ohio to be the provider of renewable resources in addition to being the wires provider. And fourth, the ability for solar projects that have siting board approval to access the \$20 million of the clean air funds, which includes the 400 megawatts of solar that we now have before the PECO. The access to these funds make these particular

projects even more beneficial for customers and, as you recall, the request for these projects include a \$6 million per year debt equivalency rider to maintain AEP Ohio's capital structure. And finally, the net impact of HB 6 will provide headroom to our rate payers, which will enable potential additional distribution investments to improve the customer experience and grid reliability.

AEP does believe in the importance of nuclear generation as a part of the portfolio of this country and the State of Ohio. We congratulate Speaker Householder; Senate President Obhof; Governor DeWine; Lt. Governor Husted and Chairman Randazzo, along with many other members of the Ohio legislature in balancing the interest of a need for a balanced portfolio, employment and economic development issues and customer benefits.

I also do not think we should view this as the end of energy policy activities in Ohio. From our perspective, HB 247 that includes provisions for grid modernization and behind-the-meter technologies is important. This legislation would clarify the ability for AEP Ohio to continue to deliver emerging technologies to our customers that not only improve their customer experience but enhances grid resiliency and efficiency. This is a critical area to provide clarity regarding these types of investments that will define the future of the electric utility. HB 247 will continue review in the House with hearings expected in September, and AEP believes this to be the companion bill that will complete a redefinition of Ohio energy policy.

Another legislative session that just concluded was in Texas that provided some important wins for SWEPCO and AEP Texas. SWEPCO can now recover reasonable cost for deployment of advanced metering technologies while providing customer protections. AMI technology has been implemented in the ERCOT portion of Texas but not in the SWEPCO Texas jurisdiction. So we are pleased that, that can proceed. Also new legislation allows SWEPCO to obtain approval for a rider from the PUCT to recover the investment in power generation facilities outside of rate case when the generation goes into operation with certain provisions being made for subsequent rate case timing and the size of the investment. Also affecting both SWEPCO and AEP Texas, the legislature passed Senate Bill 1938, a roper bill that clarifies rules regarding the investment in any new interconnected transmission facilities.

Yesterday, we announced the purchase of 227 megawatts, 75% interest in the Santa Rita wind farm for approximately \$356 million. This is just another example of our continued growth consistent with the capital plan for our contracted renewables business. We also could not be more pleased with the outcome of the purchase of the Sempra wind assets. We're already seeing the prospects of this business continue to grow beyond the value of the original deal financial expectations. Not only are earnings so far from the business toward the upper end of our acquisition modeling, but the development projects are moving along nicely as well.

AEP clean energy resources is close to completing negotiations related to the construction of one of these development projects that uses the safe harbor equipment. This project, along with others amounting to 1,000 megawatts, are in various stages of development. This business now has committed \$1.5 billion of the \$2.2 billion committed at EEI last November. So very good progress there.

Brian will be discussing the economy and load a few minutes in more detail, but I will say while we have seen areas of load decline primarily tariff related, we do expect better performance from our load growth in the second half of the year as a result of a number of new customers or expansions that will come on board primarily in the oil and gas area and data center load areas. The biggest economic headwind we have at this point is the impact of the trade war on the businesses in AEP service territory. The increasing number of tariffs on goods beyond steel and aluminum have impacted export manufacturers in our service territory. Certainly, the trade wars have weakened the world economy and caused a strengthened U.S. dollar, which adds even more of a hurdle. Hopefully, all of this can get resolved during the election season since a strong economy is one of President Trump's major reelection tenet. So we will continue to monitor this closely as we move forward in finalizing our expectations for next year regarding load growth.

Because the rate cases on SWEPCO Arkansas and AEP Texas are in their initial stages, I'll cover them as we go through the equalizer charts. So we'll go through that.

Turning to that chart on Page 5. AEP's overall regulated operations ROE is currently 9.7% versus 10.1% last quarter. The primary reason for the decrease in quarter 2 2019 versus quarter 1 2019 was the

significantly unfavorable weather versus the year before and lower normalized load mainly in our Vertically Integrated Utilities.

Looking at the individual companies. The ROE for AEP Ohio at the end of the second quarter was 12.2%. We expect to end 2019 in this 12.5% to 13% range as we continue to invest in the distribution smart grid partially offset by the legacy fuel carrying charges rolling off.

The ROE for Appalachian Power at the end of the second quarter was 8.9% compared to 9.5% at the end of first quarter '19.

APCo's change in ROE from the previous quarter is primarily attributable to stronger weather results in second quarter 2018 versus this year. Lower normalized margins also contributed to lower ROE, but this was offset by the payable rate proceeding in West Virginia.

The ROE for Kentucky Power at the end of the second quarter 2019 was 7.6% compared to 8.6% at the end of first quarter '19. Kentucky's second quarter ROE versus the first quarter was down primarily due to unfavorable weather and an unfavorable transmission true-up. We are working on optimizing revenue and scrutinizing the O&M and capital to improve ROE by the end of the year.

The ROE for I&M at the end of the second quarter was 11.1%. I&M's positive performance in the second quarter was primarily driven by timing of the expenses and multiple onetime adjustments. I&M expects to end the year with an ROE around 10%, which is in line with the authorized ROEs in Indiana and Michigan. I&M continues to successfully execute its capital programs and generation, transmission and distribution and recently filed future test year rate cases in both Indiana and Michigan to seek timely recovery of the ongoing capital cost.

In Indiana, I&M filed for a \$94 million net increase with a 10.5% requested ROE. Intervenor testimony is due in August, and hearings are anticipated in October with an expected effective date of March 2020.

In Michigan, I&M filed for a net increase of \$52 million with a 10.5% ROE. Intervenor testimony is due in October, and hearings will occur in November with the commission order expected in April of 2020.

The ROE for PSO at the end of the second quarter was 8.4%. PSO received an order on its base case settlement in March 2019, which contained an important provision for a full transmission tracker and a partial distribution tracker. With the continued implementation of new base rates and tracker, we believe that PSO will earn its authorized ROE by the end of the year.

The ROE for SWEPCO at the end of the second quarter was 5.9% versus 7.2% at the end of first quarter '19. The most recent 12-month ROE decreased primarily due to unfavorable weather, lots of normalized load margins and the 2018 wholesale formula rate true-up. However, the PUCT approved the company's DCRF settlement in July, which will produce approximately \$11 million of additional annual revenue.

Additionally, we filed in Arkansas -- an Arkansas base rate case in February 2019. SWEPCO's ROE continues to be affected by the Arkansas share of the Turk plant that is not in retail rates and this impacts the ROE by about 125 basis points. SWEPCO filed in Arkansas for a net increase of \$34 million, which is a \$46 million minus 12 depreciation with a 10.5% ROE. Arkansas Public Service Commission staff recommended a \$20 million increase based upon a 9.5% ROE. The following provides for SWEPCO's movement to an annual formula-based rate review mechanism. Hearings are expected in October with new rates expected to go in effect in early 2020.

The ROE for AEP Texas at the end of the second quarter was 8.5%. The reason for the increased ROE this year -- this quarter is primarily due to a onetime deferral of previously reported interest expense approved for recovery in AEP Texas storm cost securitization financing order issued in June 2019. We expect the ROE to decline by year-end due to lag associated with the timing of annual filings and our base rate review filed with the PUCT on May 1, 2019. During a rate review year, there is a lag associated with these filings. Continued high levels of investment will continue to have an impact on the ROE in 2019.

Regarding the rate review, we filed a net increase of \$35 million with a 10.5% ROE. Intervenor testimony is due today, and hearings are set for August with an expected effective date in the first quarter 2020.

The ROE for AEP Transmission Holdco at the end of the second quarter 2019 was 10.6%. AEP Transmission Holdco quarter 2 ROE is higher than quarter 1 due to a favorable change in onetime event such as the prior year true-up in June.

Regarding the FERC 206 filings in the AEP East and West territories, we have obtained settlement orders in both cases. In May, the FERC issued a settlement order -- approval order for the East territory of AEP that includes a base ROE of 9.85% effective January 1, '18, with a total ROE of 10.35%, including the 50 basis point RTO Adder. The settlement includes a cap on the equity portion of the cap structure at 55%.

In the West transmission area, the FERC issued an order at the end of June that includes a base ROE of 10% effective back to the date of the first complaint. This is a total ROE of 10.5%, including the 50 basis point RTO Adder. There are no caps on the equity portion of the cap structure, and implementation of the new rates will occur in the third quarter. Refunds for prior week periods will be made part of the annual true-ups, and the parties agreed not to seek any change in the ROE prior to January 2021.

So all in all, another great quarter, particularly with the headwinds of tariff-related economic conditions. The second quarter still met expectations financially, but more importantly, the predicate has been set for some important growth opportunities.

I would be remiss not mentioning an evolving size of the earnings growth equation bending the O&M curve. In the face of operational challenges that the industry has recently faced, operational excellence is paramount as the foundation of AEP's ability to advance the creativity and innovation necessary to move our company forward in our transformation to be the premium utility of the future. Technology innovation through digitization and automation is absolutely required to get us there.

There will be more to come in November ER, but I just want to give you a couple of examples that we have implemented in this space. When we call the asset damage assessment tool, ADAT, that digitizes information to more effectively screen facility locates for underground facilities, we expect to be able to clear requests without sending crews for inspection so -- as we do today, saving time and resources. And two, our breaker shot digital maintenance platform, where digitized real-time information will improve efficiency, thereby allowing more preventative maintenance inspections of our over 7,500 generation-related breakers to be brought in-house as opposed to more expensive outside contractors being used for the work. Just a couple of examples, but many others will continue to move the needle on reducing O&M and provide better service to our customers.

These efforts remind me of a drummer that creates new rhythms that can only be grounded by the rudiments or fundamentals of drumming, a lot of practice to develop muscle memory and the creativity to develop new complicated rhythms that redefine the notion of operating rhythm. As an example, just listen to a famous drummer, Gavin Harrison, who played an unusual 7/4 time signature beat in Sound of Muzak, which is M-U-Z-A-K, if you're looking at that, by Porcupine Tree, a great sounding song but very difficult to learn and play. This is what AEP is in the process of doing now, focusing on the fundamentals of operational excellence to provide the muscle memory while establishing the culture of creativity and innovation necessary to define a new operating rhythm of technology deployment to bend the O&M curve and find new avenues for growth.

So while this quarter is another solid quarter, just know that we are feverishly in the background driving forward and providing future shareholder value and improving our customers' experience. Brian?

Brian X. Tierney
Executive VP & CFO

Thank you, Nick, and good morning, everyone. I will take us through the second quarter and year-to-date financial results, provide some insight on load and the economy and finish with a review of our balance sheet and liquidity.

Let's start briefly on Slide 6, which shows the comparison of GAAP to operating earnings for the quarter and the year-to-date periods. GAAP earnings for the second quarter were \$0.93 per share compared to \$1.07 per share in 2018. GAAP earnings through June were \$2.10 per share compared to \$2 per share in 2018. There's a reconciliation of GAAP to operating earnings in the appendix.

Let's go into the detail on Slide 7 and look at the drivers of quarterly operating earnings by segment. Operating earnings for the second quarter were \$1 per share or \$494 million compared to \$1.01 per share or \$498 million in 2018.

Operating earnings for the Vertically Integrated Utilities were \$0.38 per share, down \$0.18. Weather was the largest driver of the variance this quarter, down \$0.13 from last year, driven by the warmer-than-normal temperatures experienced in the spring of 2018.

Normalized load was also unfavorable with decreases across all classes. We will talk more in detail about our normalized load in regional economies a little bit later. Rate changes helped offset these declines. You can see other smaller impacts for this segment listed on the slide.

Transmission & Distribution Utilities segment earned \$0.27 per share, up \$0.04 from last year. Favorable items included rate changes and recovery of increased transmission investment in ERCOT as well as favorable carrying charges in Texas. These favorable items were partially offset by higher depreciation and property taxes on the increased investment and higher O&M due to storms.

The AEP Transmission Holdco segment continued to grow, contributing \$0.31 per share, an improvement of \$0.10 over last year. This growth reflected the return on incremental rate base as well as the impacts of the annual true-up and a favorable FERC settlement. Net plant increased by \$1.4 billion or 19% since June of last year.

Generation & Marketing produced earnings of \$0.06 per share, up \$0.01 from last year, primarily driven by the growing renewables business and the repowering of Trent Mesa and Desert Sky as well as the acquisition of the Sempra wind assets.

Corporate and Other was up \$0.02, primarily due to the consolidating tax items that should levelize over the year and were partially offset by higher interest expense and a positive tax adjustment from last year that did not recur.

Let's turn to Slide 8 and review our year-to-date results. Operating earnings through June were \$2.19 per share or \$1.1 billion compared to \$1.97 per share or \$972 million in 2018.

Looking at the earning drivers by segment. Operating earnings for the Vertically Integrated Utilities were \$1.01 per share, down \$0.02, with weather subtracting \$0.15 compared to last year. Normalized load was also down for the year across all classes, and depreciation increased due to incremental investment.

On the positive side, rate changes added \$0.18 per share, lower O&M added \$0.06, and AFUDC and transmission revenue were each favorable by \$0.02.

Through June, the Transmission & Distribution Utilities segment earned \$0.58 per share, up \$0.09 from last year, influenced by the reversal of a regulatory provision in Ohio. Other favorable drivers included higher rate changes and transmission revenue as well as favorable carrying charges in Texas. Partially offsetting these favorable items were higher depreciation and property taxes from increased investment as well as higher O&M and unfavorable weather.

The AEP Transmission Holdco segment contributed \$0.57 per share, up \$0.15 from last year. This growth in earnings reflected a return on incremental rate base as well as the impact of the annual true-up and the FERC settlement.

Generation & Marketing produced \$0.14 per share, up \$0.01 from last year. Increases in retail margins and the growth in the renewables business were offset by lower generation sales due to plant retirements and outages.

Finally, Corporate and Other was down \$0.01, primarily driven by higher interest expense and taxes, which were partially offset by lower O&M.

Overall, we are pleased with our financial results and are confident in reaffirming our annual operating earnings guidance of \$4 to \$4.20 per share.

Now let's turn to Slide 9 and update you on our load performance. Starting in the lower right chart. Normalized retail sales decreased by 1.8% for the quarter compared to 2018. This decline is largely responsible for the 1% decrease in the year-to-date comparison. For both comparisons, normalized retail sales were down across all operating companies and retail classes. We now anticipate 2019 normalized sales to come in 0.2% below 2018.

Moving clockwise. Industrial sales decreased by 2.7% for the quarter, which brought the year-to-date comparison down to 1.5% below last year. Sales to the industrial class have been slowing in recent quarters as the impact of a strong dollar and more restrictive trade policy have challenged export manufacturers within AEP's footprint.

For both the quarter and the year-to-date comparison, industrial sales were down across all operating companies with the exception of Public Service Company of Oklahoma, which benefited from increased oil and gas activity in 2019. I'll provide more color on our industrial sales on the next slide.

In the upper-left chart, normalized residential sales decreased by 1.4% compared to the second quarter of 2018. As described earlier, the weak second quarter performance erased the positive momentum from earlier this year, making the year-to-date comparison essentially flat. The decline in normalized usage for the quarter more than offset the 0.4% growth in customer accounts.

Finally, in the upper-right chart, commercial sales decreased by 0.9% for the quarter and were down 1.3% year-to-date. For both comparisons, commercial sales were down across all operating companies. The tightening labor market and rising interest rates have limited this sector's growth in recent quarters.

Turning to Slide 10. I'll provide more color with respect to our industrial sales growth. This chart shows the disparity in growth between the oil and gas sectors and all other industrial sectors. The oil and gas sector load, shown in blue, mirrors the pattern for oil prices. For the quarter, industrial sales in the oil and gas sectors increased by 2.8%. We expect growth in oil and gas to continue throughout 2019 based on a number of new projects identified to come online later this year, primarily in the mid- and downstream part of the sector.

Focusing on the red bars. The nonoil and gas industrials have struggled since the tariffs -- since the first tariffs were announced last year. For the quarter, industrial sales other than oil and gas declined by 4.6% compared to last year. Most of the slowdown can be tracked to the export industries such as chemicals manufacturing, which is down 14% for the quarter. Ironically, sales to the primary metals sector declined by 1% this quarter despite the tariffs on steel and aluminum. As discussed on previous calls, AEP has a higher exposure to trade policy given the higher concentration of export manufacturers located within the service territory.

Despite these headwinds, we have a number of new industrial expansions, as I said earlier, largely focused in oil and gas, and we expect this to drive industrial sales into the positive territory for the full year.

Now let's turn to Slide 11 and review the status of our regional economies. As shown in the upper-left chart, GDP growth in AEP service territory was 1.8% for the quarter, which is 0.8% below the U.S. Strongest growth for the quarter came from the AEP Texas service territory. All of our service territories experienced GDP growth with the exception of Kentucky.

Moving to the upper-right chart. You see that employment growth for the AEP service territory improved this quarter to 1% above last year, while U.S. growth moderated slightly in the second quarter. Throughout the AEP footprint, over 18,000 jobs were added in the second quarter with 37% of those coming from the education and health care sector. Other sectors that experienced strong growth in employment in the quarter included construction and natural resources and mining.

Final chart at the bottom shows that income growth within AEP's footprint moderated slightly in the second quarter, while U.S. income growth accelerated. For the quarter, personal incomes within AEP service territory increased by 3.4%, which was 0.7% below the U.S. Income growth is a key driver for residential and commercial sales.

Now let's turn to -- let's move on to Slide 11 -- I'm sorry, let's move on to Slide 12 and review the company's capitalization and liquidity. Our debt-to-total capital ratio increased 1% during the quarter to 58.8%. Our FFO to debt ratio was solidly in the BAA 1 range at 15.3%, and our net liquidity stood at about \$2.6 billion supported by our revolving credit facility. Our qualified pension funding decreased approximately 2% to 96%, and our OPEB funding decreased approximately 1% to 130%. A drop in interest rates was the largest driver in the decreased funding status, but strong equity and fixed income returns helped offset much of the liability increases.

Let's try to wrap this up on Slide 13, so we can get to your questions. We have successfully achieved outcomes in all expected regulatory cases, and we will work with our regulators to obtain approval in the North Central Wind initiative benefiting our PSO and SWEPCO customers. Our year-to-date performance and the stability of our regulated business model gives us the confidence to reaffirm our operating earnings guidance range of \$4 to \$4.20 per share.

With that, I will turn the call over to the operator for your questions.

Question and Answer

Operator

[Operator Instructions] Our first question is Greg Gordon, Evercore.

Gregory Harmon Gordon

Evercore ISI Institutional Equities, Research Division

Bette Jo, like an institution, is leaving. It's very -- I'm happy for you but, at the same time, sad that we're going to miss you. Looking forward to seeing you.

That's my question. That's it. Just kidding. No, my question is as regards -- my question is with regard -- just a little bit more thought, perhaps, on what's going on, on the demand side. I mean clearly, on the industrial side, you've been upfront on saying that things are a little bit behind plan, and you pointed sort of trade tensions and other factors. At the same time, it looks like the demand from the oil and gas sectors remained strong, and we're seeing signs of significant weakening in activity there in real time. So how do you guys manage around the potential volatility in those areas of the economy if they wind up trending weaker than planned over the next several years?

Brian X. Tierney

Executive VP & CFO

Greg, we've always, of course, monitored load and what's going on with that, and we've tried to adjust over time our O&M spend in response to how load is impacted either by trade tariffs, the dollar or things like weather, and we saw that impact this quarter as well. We -- you mentioned seeing slowdown in oil and gas, we're kind of seeing the opposite of that. We're seeing uptick in oil and gas right now, including expansions through the end of the year. And whereas previously, we've seen things really on the upstream side, we're now starting to see things on the mid and downstream side as things -- as the infrastructure comes in to fulfill what's been happening in the producing part of that industry.

So we're still seeing uptick in oil and gas and anticipate increases in that throughout the balance of the year. But we are subject, as everyone else, to what's happening with the general economy and weather. We've been very successful in responding to that over the last several years and anticipate doing the same going forward.

Nicholas K. Akins

Chairman, President & CEO

The interesting thing is, Greg, the oil prices remain at least relatively decent unlike, I guess, natural gas prices continue to be relatively low, but there's a lot of oilfield activity. But also, as Brian said, the infrastructure pipeline activity continues because there's a lot of production that -- and that's why our prices are so low in lot of territories, they just can't get the transmission capability. So a lot of work continues in that regard.

The other part is even our industrial base is pretty diversified. And it's unusual to see several of them wind up. 8 out of 10, I believe, of the sectors are decreasing. And you can really point to the tariff activity. So if that gets resolved, we should be in a much better shape in our territory. That being said, there is expansion going on. As a matter of fact, there was just an announcement in Corpus Christi of a large expansion there. It was announced a couple of days ago.

So we continue to see the pipeline of activity. And I think, we just need to get past these tariff issues so that people really understand, the companies understand the rules of the game so they can make investments. And so we'll get there. But until then, we'll do, we've always done. No matter what's going on with all the fundamentals associated with our business, we pull levers we need to, to make sure externally we provide that consistent quality of earnings going forward. So if the economy's adjusting, we have to adjust.

Operator

And our next question is from the line of Julien Dumoulin-Smith, Bank of America.

Unknown Analyst

This is [Alex] calling in for Julien. Congratulations, by the way, Bette Jo.

Bette Jo Rozsa

Managing Director of Investor Relations

Thank you.

Unknown Analyst

I have 2 quick questions, and 1 is first on Ohio. I was wondering if you have looked into and could detail the impact of decoupling from the Ohio Bill 6. I know that this is something that for synergy is exploring, and I was wondering if this could potentially be a positive for you as well.

Nicholas K. Akins

Chairman, President & CEO

So we're already decoupled in Ohio, so that really isn't an issue for us.

Unknown Analyst

Okay. Great. And then my second question is plans for AMI and SWEPCO, if this could also be another positive for the company. And if so, when we might anticipate future announcements about it?

Nicholas K. Akins

Chairman, President & CEO

Yes. I think it is -- it will be positive for SWEPCO and, certainly, we want to go back to process as quickly as possible to get AMI metering put in place as a predicate for many of the technologies that we're working with. So it's important to do that. I think you're probably going to be seeing focus on that very soon now that the legislation is done.

Unknown Analyst

Okay. And also including like Arkansas and states like that rather than just Texas?

Nicholas K. Akins

Chairman, President & CEO

Well, certainly, we'll install AMI metering wherever we can install it, but -- and I think I have to check, but I'm pretty sure we could do that in the other states already. We just haven't gotten to the point of moving that process ahead in those jurisdictions yet, but we're getting there.

We had recently installed some AMR meters in SWEPCO. And so we're really managing through dealing with the replacement of those at the same time putting in AMI metering. So it's one of those areas where timing is going to be really important and, certainly, the regulatory process will be key in terms of the implementation.

Operator

Next question is Steve Fleishman, Wolfe Research.

Steven Isaac Fleishman

Wolfe Research, LLC

Bette Jo, congratulations. Definitely wish you the best.

Bette Jo Rozsa

Managing Director of Investor Relations

Copyright © 2019 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Thank you.

Steven Isaac Fleishman
Wolfe Research, LLC

So just this maybe -- I don't know if you have this detail, but out of curiosity, when you talk about the strength in oil and gas, is there a big difference between the AEP East and AEP West businesses, mainly in the West?

Brian X. Tierney
Executive VP & CFO

Yes. Steve, yes. So we're seeing it in the West, particularly in Texas and Oklahoma.

Steven Isaac Fleishman
Wolfe Research, LLC

Okay. How about the AEP East oil and gas? Is that down or flat or still up?

Brian X. Tierney
Executive VP & CFO

It's still up, but it's not to the degree that the West part is.

Steven Isaac Fleishman
Wolfe Research, LLC

Okay. And then maybe could you just talk about maybe a little more color on the regulatory approval process Northwest -- North wind and just kind of time lines and the like?

Nicholas K. Akins
Chairman, President & CEO

Yes. So I guess the beauty of all this is using the standard integrated resource plan processes, and we'll go through the normal hearings. But we're expecting having an outcome in about a year. The filings have just been made and, obviously, we'll go through the testimony and all that kind of stuff in the meantime. We're trying to move it as expeditiously as we can to take advantage of the PTC, but we expect the procedural schedules to come out soon. But expectation is, it'll take about a year to get those approvals.

Steven Isaac Fleishman
Wolfe Research, LLC

Okay. And do you just -- you just need to prove that -- you don't need to prove need. You just need to prove this is like lease cost or public interest?

Nicholas K. Akins
Chairman, President & CEO

Yes. That's right. There is capacity needs and PSO, and then SWEPCO has been -- is looking at it from really a customer benefit perspective.

Yes. Really, nothing unusual about these filings, and that's really the good thing. We went after Wind Catcher because it was a unique opportunity, and we certainly wanted to be able to perform that project. But it was outside the regulatory process and all that kind of stuff. So -- and the risk involved with large transmission. So this is a very different proposition within the framework of the existing processes. So we feel good about it.

Operator

Next question is from the line of Angie Storzynski, Macquarie.

Agnieszka Anna Storzynski
Macquarie Research

Bette Jo, congratulations. So 2 questions. You mentioned that the Sempra wind portfolio, both the operating assets and the development pipeline, are actually exceeding your expectations. That, together with some of the cost cutting, is that enough to keep you in the middle of your guidance range for this year and fight the weakness as well?

Nicholas K. Akins
Chairman, President & CEO

Yes. We feel good about where we stand for the guidance of this year and with the additions there, along with our optimization activities. But also, we have gone through several series of rate cases in previous years that continue to benefit us as well. I mean obviously, there's a lot of issues to look at, a lot of areas where -- every year, we have positives and negatives, but all in all, it comes down to where we fully support the guidance that we've given. I don't see an issue there at all.

Agnieszka Anna Storzynski
Macquarie Research

Okay. And then secondly, so you have those additional growth drivers like the AMI, CapEx, the potentially rate base renewables in SWEPCO and PSO. How should we think about those? Are those going to elongate the current growth rate for the company, i.e., there's going to be some reduction of, say, transmission spending or some other CapEx, so we basically keep the growth rate unchanged? Or is this incremental to the current growth rate?

Nicholas K. Akins
Chairman, President & CEO

Yes. So we continue to look at what the future holds still. Obviously, long-term growth rate of positive 7%. We're still -- we'd be disappointed if it wasn't in the upper end of that because we expect approvals for these additional wind projects that we haven't included in our plan.

We're watching the economy, obviously, and you tell me what the timing is of getting tariff issues resolved. But you'd probably get resolved before the election, I would presume. If that's the case, then we should be in a really good shape. And of course, every year that goes by, we're a large company, and fueling 5% to 7% growth is more and more of a challenge. But that's why we look at things like what is going on with our contractor renewables, the value of the Sempra deal, what's going on with the regulated additions, not just regulated additions in the Western territories, but in the Eastern territories as well, particularly with the legislation. And keep in mind, too, I think it's really important to focus on what Ohio has just done. It's opened up the ability for us to work directly with customers on the AEP Ohio side where they wanted to because there's customers who have said, "We want you to do our solar projects. We want you to do the resources for these facilities." And at this point, we've been unable to say that AEP Ohio could do that. Now we can.

And so I think that's going to fuel a further expansion from a renewables standpoint and from a resource standpoint, Microgrid and so forth. And watch this House Bill 247 because I think that's really important around what we do on the digitization, automation, the technologies, the distribution side, and I continue to view the distribution wedge, capital wedge of this company continuing to grow considerably as a result of that.

The other thing, too, is transmission. Transmission, we have to spend \$2.5 billion just to keep the present average age. So if you think about that, that's a foundation. And if we ever want to advance the age, which is pretty old at this point, we have to continue to invest to a large degree in transmission to make sure that our system remains reliable and resilient. So there's so many opportunities. And I -- well, no one I would point out is a pilot that we're doing in Virginia right now around broadband. We're doing sort of a midstream broadband that the others -- AT&T and others are supportive of us doing because we're already putting in fiber for resiliency of the grid itself in terms of analytics. There's available capacity. We can bring the urban areas closer -- the rural areas closer to the urban centers as well, allow broadband to exist in these communities that don't have it today. And that's another opportunity for us to continue to go and then less [indiscernible] of the economy.

So I'm bullish about the growth opportunities of this business. The question on our minds is how we manage our balance sheet around FFO to debt and those kinds of metrics and be able to address all the capital opportunities we have. And of course, that may mean recycling assets, doing what we need to do to optimize the efficiency of the use of that balance sheet. So there's still a lot of work for us to do, but there really is good work.

Agnieszka Anna Storzynski

Macquarie Research

Just 1 follow-up to the balance sheet management. You never mentioned how you're going to finance this -- those rate base renewables at SWEPCO and PSO. Is this fair to say that this update is coming on once the approvals are in, i.e. about 12 months from now?

Brian X. Tierney

Executive VP & CFO

Yes, absolutely, Andrea. So obviously, when we talked about this opportunity, it's not what we've laid out in our current financing plans. This would be incremental to it. And we would update that as we get approvals, but I think you've seen from us in the past really putting generally equal measures of debt and equity together to finance our capital plans and really fairly conservative management of our balance sheet. And I think you'll see that continuing going forward.

Operator

Our next question is from Ali Agha, SunTrust.

Ali Agha

SunTrust Robinson Humphrey, Inc., Research Division

Bette Jo, best wishes to you as well.

Bette Jo Rozsa

Managing Director of Investor Relations

Thank you.

Ali Agha

SunTrust Robinson Humphrey, Inc., Research Division

First question, Nick or Brian. Just wanted to clarify the growth outlook. I recall back in the past, when you've talked about your base plan, and that was before you announced the wind projects and renewable projects, that you thought that your base plan could track you to the high end of the 5% to 7% growth rate. Is that still your expectation? And if so, and if you get these wind approvals, could that theoretically actually take you above the 5% to 7% growth rate?

Nicholas K. Akins

Chairman, President & CEO

Well, I've always said and I continue to say, we believe it certainly will make 5% to 7% more robust, and we'd be disappointed if we weren't in the upper end. And we're going to have to get through and determine what happens to the load going forward. We have the growth opportunities there, but if you have tempering aspects of load growth, I think it'd be probably good for us right now to stand pat at the 5% to 7% of what we said previously that we expect to be. And certainly, we'd be disappointed if we weren't in the upper end of that 5% to 7%.

Ali Agha

SunTrust Robinson Humphrey, Inc., Research Division

Okay. And then more near term again, just to clarify, you brought down your load expectations for this year from up 1% to now slightly down. Weather obviously has been a drag. Can you just kind of remind us

in the very short term what are sort of the immediate offsets to think about that could help you this year? Is it all O&M? Or is there something that's actually gone better than perhaps budgeted to offset that?

Brian X. Tierney
Executive VP & CFO

Yes. Ali, it's a couple of things. One is O&M. The other one is we've had some positive rate outcomes that have outpaced our expectations for the year.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

I see. Okay. And then lastly, just to also clarify, assuming that the entire \$2 billion investment is approved, would you consider that all incremental? Or is there an opportunity for you to stand out some of the base CapEx and sort of fit it in -- within the current CapEx profile?

Brian X. Tierney
Executive VP & CFO

We've not made a determination on that yet, Ali.

Operator

Our next question is from the line of Michael Lapedes, Goldman Sachs.

Michael Jay Lapedes
Goldman Sachs Group Inc., Research Division

Nick, kind of a longer-term question for you. When you look around across the jurisdictions, where do you have -- where do you lack regulatory mechanisms that you would like to seek to get put in place? Kind of which of the jurisdictions where you think your regulatory team has the most wood to chop? And how do you think that process plays out in those few jurisdictions? Like what's on your wish list?

Nicholas K. Akins
Chairman, President & CEO

Yes. I have a lot of wishes. But we have about 65 -- I mean 2/3 or 70% of our rate recovery is through tracker rider mechanism. So we're doing pretty well from that perspective, but there are things, obviously, I'd like to see because this utility business right now, we're needing to invest in the resiliency and reliability of this grid and really refurbish the grid in a major way. And that tells me that it'd be great to have more forward-looking type of test years like we do in Indiana.

The former base rate mechanisms are really good, but they're still somewhat lagging, but they're better than waiting on rate cases and stuff. And I think it's important to have mechanisms in place where the formula base rates, where the forward test years, those kinds of things need to be in place to allow us to continue to invest and not impact our balance sheet from an FFO debt perspective. And keep in mind, AEP did not go out for additional equity or anything with tax reform. So certainly, it brought our credit metrics to something that obviously we need to watch, particularly as you're investing capital. And then with load decreasing and revenue having an impact associated with that, that's going to further impact FFO to debt. So we're watching that very closely, those metrics, to preserve our balance sheet. And then that's obviously something we're going to have to continue to work through. So on this, do you have anything to add, Brian?

Brian X. Tierney
Executive VP & CFO

Michael, we don't have any jurisdictions where we have real concerns any longer. There's been a lot of progress that's been made in places like Oklahoma, where we still have integrated utilities, and it's not just wires only. One of the initiatives that we're working and taking a close look at from -- in terms of the risk of the customer and ourselves are the depreciation rates associated with our fossil-generating stations

and making sure that they're in line. So that's an issue that all of our Vertically Integrated Utilities are looking at.

We've made some headway in that in regards to the Rockport generation depreciation in Indiana where we had an offset associated with the flowback of the deferred income taxes. We were able to shorten up the depreciation period and not impact customer rates by having that offset from the deferred income tax flowback. So that's an initiative that we're working across the jurisdictions. But kind of a blessing, we don't have any that we would call troubled jurisdictions today. Jurisdictions are operating well, and our operating companies have strong relationships with the regulators and legislators. And we're good outcomes, like Nick described, in Ohio. So there's no sore point that we are overly concerned about but just some broad-based initiatives that we continue to work.

Nicholas K. Akins

Chairman, President & CEO

Yes. The lot of balls on our equalizer chart, it's either because of weather or that we continue to invest heavily in these jurisdictions, but it's clearly important for us and you're seeing advancement of formula-based rate mechanism. In Arkansas, for example, we now have some riders -- significant riders and PSO in Oklahoma and, of course, the other riders in Indiana and Michigan and so forth. And those are beneficial, but if I look at 2 things forward looking for this industry with the issues of cyber-physical security, refurbishment of the grid, ensuring that we maintain a reliable system going forward, it's imperative that we're able to invest and recover on a timely basis. And that tells me, formula-based rates, I'll take it; forward test years, even better, and we need to work that around a horn across all the jurisdictions.

Bette Jo Rozsa

Managing Director of Investor Relations

Operator, we have time for one more call.

Operator

Okay. And that question is from the line of Praful Mehta, Citi.

Praful Mehta

Citigroup Inc, Research Division

Congratulations, Bette Jo. All the best.

Bette Jo Rozsa

Managing Director of Investor Relations

Thank you.

Praful Mehta

Citigroup Inc, Research Division

So maybe the first question on Slide 9 where you have the industrial growth, and I know you've touched on this in the past. But just wanted to confirm. Year-to-date down 1.5, but your budget clearly is positive. So you clearly see already things that are in place that would increase the load between now and year-end. Is that right, just to confirm?

Brian X. Tierney

Executive VP & CFO

That's correct, Praful. And when we see expansions that are out a year, more than a year, we need to really weight those for probability of them coming in. We feel pretty confident about things as close in as 6 months.

Praful Mehta

Citigroup Inc, Research Division

Yes, exactly. That's what I would have thought. So thanks for confirming.

And secondly, maybe on the credit point that you all made because you have all these opportunities for investment, and you will be conservative by the sounds of it on the financing side. Just wanted to understand how the cash, effective tax rate fits into that because it's helpful on Slide 34, you've indicated around 5% cash tax rate. Is that something that you expect will stay around that level? Or does that -- you expect that to change? And would that put any pressure on the metrics over time?

Brian X. Tierney
Executive VP & CFO

We do expect cash tax rate to be around that 5.25% going forward. Clearly, the flowback of the deferred taxes is a big use of our cash these days. But remember, we had gone in with a strong balance sheet before tax reform, thinking we're going to become a big payer of taxes. And now that we're not a big payer of taxes, we're a big flowbacker of deferred income tax. That's -- I don't think that's a word. But we are now flowing back significant amounts of deferred taxes.

So for this year, given the orders that we have, we had anticipated flowing back, both protected and unprotected, about \$267 million. We're now going to be flowing back around \$330 million in 2019. Going forward, in the next 3 years, we anticipate that number being a lot closer to about \$200 million.

Praful Mehta
Citigroup Inc, Research Division

Got you. And that was a choice in terms of flowing back more this year given you have some room in the metrics?

Brian X. Tierney
Executive VP & CFO

It was a choice by our regulators.

Bette Jo Rozsa
Managing Director of Investor Relations

Thank you for joining us on today's call, and thank you all for the kind comments on the phone and all your e-mails. I'm a bit overwhelmed right now. And as always, the IR team will be available to answer any additional questions you may have. Kevin, would you please give the replay information?

Operator

Thank you. Ladies and gentlemen, if you wish to call the replay number, you will call 1 (800) 475-6701 with the access code 469236. International callers may dial area code (320) 365-3844. That does conclude your conference. We do thank you for joining. You may now disconnect.

Copyright © 2019 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2019 S&P Global Market Intelligence.

EXHIBIT 13

Close Window

AER Agent Legislative

Agent: Agent: Thomas Froehle
Employer: Employer: American Electric Power
Reporting Period: May-Aug17
File Date: 9/28/2017
Confirmation: 20170928LUPA592652

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 114 Revise energy efficiency provisions
- o HB 133 Exempt out-of-state disaster relief persons from taxes and laws
- o HB 143 Clarify definition of electric distribution company for tax
- o HB 173 Count home-based employees for job creation tax credit
- o HB 178 Address zero-emissions nuclear resource program
- o HB 239 Allow recovery of national security generation resource cost
- o HB 247 Regards utility refunds, market rate service, corporate being
- o HB 249 Adopt rules governing residential utility reselling
- o HB 276 Prohibit menacing utility worker with intent to obstruct utility
- o SB 128 Address zero-emissions nuclear resource program
- o SB 155 Allow recovery of national security generation resource costs
- o SB 157 Regulate reselling public utility service

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

A. Gifts

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

B. Itemized Meals and Beverages

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

C. Dinner, Party or Other Similar Functions to which all Members of the General Assembly where invited

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

D. Non-Itemized Meals and Beverages

Meals Under \$50:	\$15.00
Speaking Engagements	\$0.00
National Conference Meals:	\$990.81

Total Aggregate (A + B + C)

\$1,005.81

EXHIBIT 14

Close Window

AER Employer Legislative

Employer: American Electric Power
Reporting Period: Jan-Apr19
File Date: 5/23/2019
Confirmation: 20190523LUPE825600

I. List of Agents

- o Thomas Froehle
- o Robert F Klaffky
- o Douglas J Preisse
- o Ben Kaiser
- o Chad Hawley
- o Troy Judy
- o John McClelland
- o Maria Haberman
- o Markee Osborne

II. Legislative Employer Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

No Activity Reported

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

III. Legislative Expenditure Statement

No Expenditures

EXHIBIT 15

Close Window

AER Employer Legislative

Employer: American Electric Power
Reporting Period: May-Aug19
File Date: 9/20/2019
Confirmation: 20190920LUPE848960

I. List of Agents

- o Thomas Froehle
- o Robert F Klaffky
- o Douglas J Preisse
- o Ben Kaiser
- o Chad Hawley
- o Troy Judy
- o John McClelland
- o Zachary Frymier
- o Maria Haberman
- o Markee Osborne

II. Legislative Employer Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

No Activity Reported

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

III. Legislative Expenditure Statement

No Expenditures

EXHIBIT 16

Close Window

AER Agent Legislative

Agent: Agent: Thomas Froehle
Employer: Employer: American Electric Power
Reporting Period: Jan-Apr19
File Date: 5/29/2019
Confirmation: 20190529LUPA827884

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- HB 6 Creates Ohio Clean Air Program
- HB 166 Creates FY 2020-2021 operating budget
- HB 223 Alter setback-wind farms of 5 or more megawatts
- SB 8 Authorize tax credit for investment in opportunity zone
- SB 86 Regulate certain resellers of utility service
- SB 95 Enhance tax inducements for fixed asset and employment investment

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

A. Gifts

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

B. Itemized Meals and Beverages

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

C. Dinner, Party or Other Similar Functions to which all Members of the General Assembly where invited

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

D. Non-Itemized Meals and Beverages

Meals Under \$50:	\$263.50
Speaking Engagements	\$0.00
National Conference Meals:	\$0.00

Total Aggregate (A + B + C)

\$263.50

Close Window

AER Agent Legislative

Agent: Agent: Robert F Klaffky
Employer: Employer: American Electric Power
Reporting Period: Jan-Apr19
File Date: 5/31/2019
Confirmation: 20190531LUPA837942

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

No Expenditures

Close Window

AER Agent Legislative

Agent: Agent: Douglas J Preisse
Employer: Employer: American Electric Power
Reporting Period: Jan-Apr19
File Date: 5/31/2019
Confirmation: 20190531LUPA838168

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

No Expenditures

Close Window

AER Agent Legislative

Agent: Agent: Ben Kaiser
Employer: Employer: American Electric Power
Reporting Period: Jan-Apr19
File Date: 5/31/2019
Confirmation: 20190531LUPA838190

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

No Expenditures

Close Window

AER Agent Legislative

Agent: Agent: Chad Hawley
Employer: Employer: American Electric Power
Reporting Period: Jan-Apr19
File Date: 5/28/2019
Confirmation: 20190528LUPA828866

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program
- o HB 13 Establish residential broadband expansion program
- o HB 166 Creates FY 2020-2021 operating budget
- o HB 197 Make technical and corrective changes to tax law
- o HB 223 Alter setback-wind farms of 5 or more megawatts
- o HB 246 Reform and modernize PUCO and Consumers' Counsel
- o HB 247 Regards competitive retail electric service law
- o SB 8 Authorize tax credit for investment in opportunity zone
- o SB 86 Regulate certain resellers of utility service
- o SB 95 Enhance tax inducements for fixed asset and employment investment

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

No Expenditures

Close Window

AER Agent Legislative

Agent: Agent: Troy Judy
Employer: Employer: American Electric Power
Reporting Period: Jan-Apr19
File Date: 6/2/2019
Confirmation: 20190602LUPA839280

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program
- o HB 13 Establish residential broadband expansion program
- o HB 166 Creates FY 2020-2021 operating budget
- o HB 197 Make technical and corrective changes to tax law
- o HB 223 Alter setback-wind farms of 5 or more megawatts
- o HB 246 Reform and modernize PUCO and Consumers' Counsel
- o HB 247 Regards competitive retail electric service law
- o SB 8 Authorize tax credit for investment in opportunity zone
- o SB 86 Regulate certain resellers of utility service
- o SB 95 Enhance tax inducements for fixed asset and employment investment

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

No Expenditures

Close Window

AER Agent Legislative

Agent: Agent: John McClelland
Employer: Employer: American Electric Power
Reporting Period: Jan-Apr19
File Date: 5/31/2019
Confirmation: 20190531LUPA836540

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program
- o HB 166 Creates FY 2020-2021 operating budget
- o SB 8 Authorize tax credit for investment in opportunity zone

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

No Expenditures

Close Window

AER Agent Legislative

Agent: Agent: Maria Haberman
Employer: Employer: American Electric Power
Reporting Period: Jan-Apr19
File Date: 5/30/2019
Confirmation: 20190530LUPA834576

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program
- o HB 93 Make appropriations related to public transportation
- o HB 166 Creates FY 2020-2021 operating budget
- o HB 202 Establishes Electric Vehicle Infrastructure Study Committee
- o HB 223 Alter setback-wind farms of 5 or more megawatts
- o SB 1 Reduce number of regulatory restrictions
- o SB 8 Authorize tax credit for investment in opportunity zone
- o SB 33 Modify criminal and civil law for critical infrastructure damage
- o SB 95 Enhance tax inducements for fixed asset and employment investment

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

A. Gifts

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

B. Itemized Meals and Beverages

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

C. Dinner, Party or Other Similar Functions to which all Members of the General Assembly where invited

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

D. Non-Itemized Meals and Beverages

Meals Under \$50:	\$42.00
Speaking Engagements	\$0.00
National Conference Meals:	\$0.00

Total Aggregate (A + B + C)

\$42.00

Close Window

AER Agent Legislative

Agent: Agent: Markee Osborne
Employer: Employer: American Electric Power
Reporting Period: Jan-Apr19
File Date: 5/29/2019
Confirmation: 20190529LUPA829678

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program
- o HB 166 Creates FY 2020-2021 operating budget
- o HB 223 Alter setback-wind farms of 5 or more megawatts
- o SB 8 Authorize tax credit for investment in opportunity zone
- o SB 86 Regulate certain resellers of utility service
- o SB 95 Enhance tax inducements for fixed asset and employment investment

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

A. Gifts

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

B. Itemized Meals and Beverages

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

C. Dinner, Party or Other Similar Functions to which all Members of the General Assembly where invited

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

D. Non-Itemized Meals and Beverages

Meals Under \$50: \$13.00

Speaking Engagements \$0.00

National Conference Meals: \$0.00

Total Aggregate (A + B + C)

\$13.00

EXHIBIT 17

Close Window

AER Agent Legislative

Agent: Agent: Thomas Froehle
Employer: Employer: American Electric Power
Reporting Period: May-Aug19
File Date: 9/30/2019
Confirmation: 20190930LUPA859024

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program
- o HB 13 Establish residential broadband expansion program
- o HB 166 Creates FY 2020-2021 operating budget
- o HB 246 Reform and modernize PUCO and Consumers' Counsel
- o HB 247 Regards competitive retail electric service law
- o SB 95 Enhance tax inducements for fixed asset and employment investment

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

A. Gifts

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

B. Itemized Meals and Beverages

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

C. Dinner, Party or Other Similar Functions to which all Members of the General Assembly where invited

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

D. Non-Itemized Meals and Beverages

Meals Under \$50:	\$37.63
Speaking Engagements	\$0.00
National Conference Meals:	\$0.00

Total Aggregate (A + B + C)

\$37.63

Close Window

AER Agent Legislative

Agent: Agent: Robert F Klaffky
Employer: Employer: American Electric Power
Reporting Period: May-Aug19
File Date: 10/1/2019
Confirmation: 20191001LUPA863544

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program
- o HB 166 Creates FY 2020-2021 operating budget
- o HB 246 Reform and modernize PUCO and Consumers' Counsel
- o HB 247 Regards competitive retail electric service law

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

No Expenditures

Close Window

AER Agent Legislative

Agent: Agent: Douglas J Preisse
Employer: Employer: American Electric Power
Reporting Period: May-Aug19
File Date: 10/1/2019
Confirmation: 20191001LUPA863552

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program
- o HB 166 Creates FY 2020-2021 operating budget
- o HB 246 Reform and modernize PUCO and Consumers' Counsel
- o HB 247 Regards competitive retail electric service law

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

No Expenditures

Close Window

AER Agent Legislative

Agent: Agent: Ben Kaiser
Employer: Employer: American Electric Power
Reporting Period: May-Aug19
File Date: 10/1/2019
Confirmation: 20191001LUPA863548

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program
- o HB 166 Creates FY 2020-2021 operating budget
- o HB 246 Reform and modernize PUCO and Consumers' Counsel
- o HB 247 Regards competitive retail electric service law

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

No Expenditures

Close Window

AER Agent Legislative

Agent: Agent: Chad Hawley
Employer: Employer: American Electric Power
Reporting Period: May-Aug19
File Date: 9/23/2019
Confirmation: 20190923LUPA849864

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

No Expenditures

Close Window

AER Agent Legislative

Agent: Agent: Troy Judy
Employer: Employer: American Electric Power
Reporting Period: May-Aug19
File Date: 10/1/2019
Confirmation: 20191001LUPA863746

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

No Expenditures

Close Window

AER Agent Legislative

Agent: Agent: John McClelland
Employer: Employer: American Electric Power
Reporting Period: May-Aug19
File Date: 9/30/2019
Confirmation: 20190930LUPA858792

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program
- o HB 13 Establish residential broadband expansion program
- o HB 166 Creates FY 2020-2021 operating budget
- o HB 246 Reform and modernize PUCO and Consumers' Counsel
- o HB 247 Regards competitive retail electric service law
- o SB 1 Reduce number of regulatory restrictions
- o SB 33 Modify criminal and civil law for critical infrastructure damage

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

No Expenditures

Close Window

AER Agent Legislative

Agent: Agent: Maria Haberman
Employer: Employer: American Electric Power
Reporting Period: May-Aug19
File Date: 9/13/2019
Confirmation: 20190913LUPA845016

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program
- o HB 13 Establish residential broadband expansion program
- o HB 166 Creates FY 2020-2021 operating budget
- o HB 246 Reform and modernize PUCO and Consumers' Counsel
- o HB 247 Regards competitive retail electric service law
- o SB 1 Reduce number of regulatory restrictions
- o SB 33 Modify criminal and civil law for critical infrastructure damage

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

A. Gifts

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

B. Itemized Meals and Beverages

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

C. Dinner, Party or Other Similar Functions to which all Members of the General Assembly where invited

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

D. Non-Itemized Meals and Beverages

Meals Under \$50:	\$75.00
Speaking Engagements	\$0.00
National Conference Meals:	\$0.00

Total Aggregate (A + B + C)

\$75.00

Close Window

AER Agent Legislative

Agent: Agent: Zachary Frymier
Employer: Employer: American Electric Power
Reporting Period: May-Aug19
File Date: 9/27/2019
Confirmation: 20190927LUPA855136

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program
- o HB 13 Establish residential broadband expansion program
- o HB 166 Creates FY 2020-2021 operating budget
- o HB 190 Create Broadband Development Grant Program/DOT help laying cable
- o HB 202 Establishes Electric Vehicle Infrastructure Study Committee
- o HB 246 Reform and modernize PUCO and Consumers' Counsel
- o HB 247 Regards competitive retail electric service law
- o SB 33 Modify criminal and civil law for critical infrastructure damage

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

A. Gifts

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

B. Itemized Meals and Beverages

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

C. Dinner, Party or Other Similar Functions to which all Members of the General Assembly where invited

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

D. Non-Itemized Meals and Beverages

Meals Under \$50:	\$21.50
Speaking Engagements	\$0.00
National Conference Meals:	\$0.00

Total Aggregate (A + B + C)

\$21.50

Close Window

AER Agent Legislative

Agent: Agent: Markee Osborne
Employer: Employer: American Electric Power
Reporting Period: May-Aug19
File Date: 9/30/2019
Confirmation: 20190930LUPA859232

I. Legislative Agent Activity

Please disclose specific bills and resolutions on which active advocacy occurred during this reporting period.

- o HB 6 Creates Ohio Clean Air Program
- o HB 13 Establish residential broadband expansion program
- o HB 166 Creates FY 2020-2021 operating budget
- o HB 247 Regards competitive retail electric service law
- o SB 95 Enhance tax inducements for fixed asset and employment investment

*** ANY LEGISLATIVE TITLES APPEARING IN THE DISCLOSURE ABOVE ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE AN OFFICIAL OR EXCLUSIVE DESIGNATION OF ANY LEGISLATION CURRENTLY BEFORE OR ENACTED BY THE OHIO GENERAL ASSEMBLY.

II. Legislative Agent Expenditure Statement

A. Gifts

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

B. Itemized Meals and Beverages

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

C. Dinner, Party or Other Similar Functions to which all Members of the General Assembly where invited

Date	Recipient	Description	Decision	Date Notified	Amount
------	-----------	-------------	----------	---------------	--------

D. Non-Itemized Meals and Beverages

Meals Under \$50: \$216.43

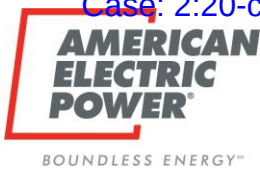
Speaking Engagements \$0.00

National Conference Meals: \$0.00

Total Aggregate (A + B + C)

\$216.43

EXHIBIT 18



House Bill 6 Interested Party Testimony
Tom Froehle, Vice President External Affairs, AEP
April 23, 2019

Good Morning Co-Chairs O'Brien and Stein, and members of the House Energy and Natural Resources Subcommittee on Energy Generation. Thank you for the opportunity to provide Interested Party Testimony on House Bill 6.

My name is Tom Froehle, and I am the Vice President of External Affairs for American Electric Power (AEP) testifying on behalf of AEP Ohio.

AEP operates in 11 states including Ohio which has 1.5 million customers. AEP is headquartered here in Columbus and currently has over 6,500 employees working in the state.

AEP Ohio appreciates the efforts to address key energy policy issues that have plagued Ohio and understands the urgency to address the impending nuclear plant retirements. AEP is focused on bringing more renewable energy resources into our generation mix throughout our 11 state territory for the last several years. AEP plans to expand its generation portfolio and add renewable sources through our regulated business and other agreements. Furthermore, all sectors of AEP Ohio customers are increasingly seeking renewable energy sources for their electricity supply. Some large commercial customers have also expressed a desire for renewable power from AEP Ohio. Having these resources readily available helps make Ohio a more attractive place for these companies to locate and expand their operations. Thus, if the renewable mandate is going to be eliminated going forward, our proposal would be to replace it with an opportunity for utilities to voluntarily develop new renewable resources based on economical projects located in Ohio. In addition certain utilities like AEP have entered into long term contracts to meet the current RPS mandate and the legislation needs to grandfather those programs and not harm the utility as a result of this legislation change.

There is also concern with a rapid elimination of Energy Efficiency programs that the customers currently prefer and have enjoyed for multiple years – those large customers who undertake their own EE programs can already opt out of the utility charges. In addition these programs also employ significant amount of third party vendors (AEP Ohio programs employ 600 employees from various third party contractors that perform energy audits, work with residential real estate developers on building energy efficient homes etc). In lieu of immediate elimination of utility EE programs, our preference would be to finish implementation of currently-approved plans and phase out the programs over a couple years beyond the currently approved plans.

We look forward to working with lawmakers during the process to achieve a balanced energy bill that provides benefits to all customers in Ohio.

Thank you for the opportunity to provide testimony. I would be happy to answer any questions the committee may have.

EXHIBIT 19



1 Riverside Plaza
Columbus, Ohio 43215

Ohio House of Representatives
77 S. High Street
Columbus, Ohio 43215

May 22, 2019

Members of the Ohio House of Representatives:

American Electric Power- Ohio supports House Bill 6 legislation that is currently working its way through the Ohio House of Representatives.

Ohio's increasing reliance on out-of-state generation will be addressed under House Bill 6 as there has been a decline of in state generation. This bill will allow AEP Ohio to make investments that our customers have been asking us to provide. Specifically investments that help drive economic development in the state. As a result, this legislation will keep and bring jobs to the state of Ohio.

We look forward to the passage of the legislation. If you have any further questions, please feel free to call me at 614-716-3200.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Froehle". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

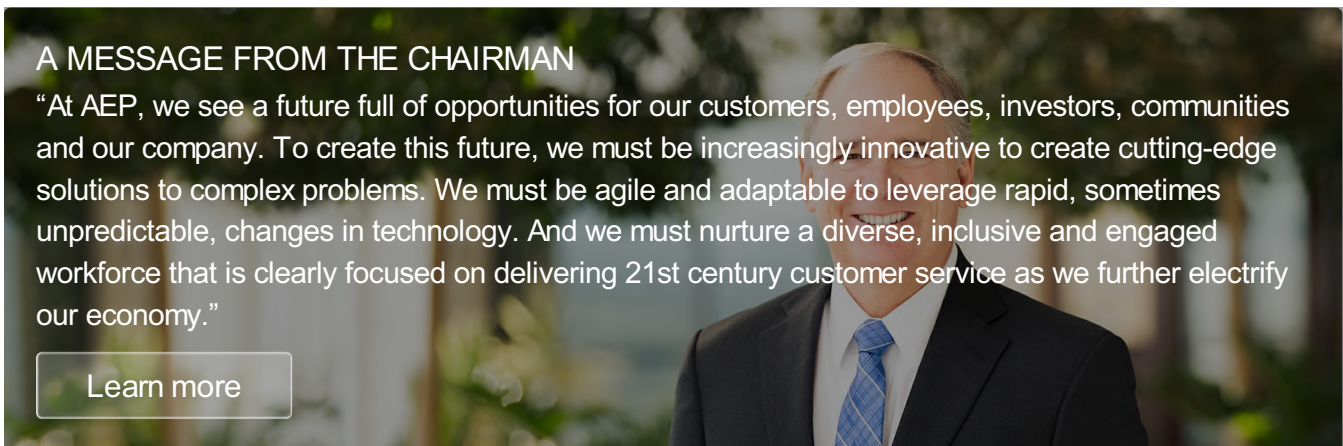
Tom Froehle
Vice President, External Affairs
American Electric Power

EXHIBIT 20



ENSURING A BRIGHTER, BOUNDLESS FUTURE

With more than a century of ingenuity and innovation, AEP is putting its experience to work, preparing for a future that we are still imagining. As we shape the future with our customers, we are dedicated to safely delivering on our commitment to an exceptional customer experience. This is an exciting time for our industry and our company; the pace of change is exponentially accelerating. We are confident in AEP's foundation for growth and we are learning to be more flexible in our resolve to lead the way forward.





INNOVATING FOR TOMORROW

Innovation has been part of the fabric of AEP's culture for more than a century. We are committed to continue providing our customers the innovations that will power the 21st century.

[Learn more](#)



DIVERSITY & INCLUSION

At AEP, we take deliberate actions to create a work environment in which employees are valued and the diversity and richness of the backgrounds and perspectives of our people are embraced.

[Learn more](#)



CUSTOMER COMMITMENT

We are committed to meeting the demands of our customers by investing in new technologies, modernizing the grid, investing in renewables and engaging with customers in their channel of choice.

[Learn more](#)

AEP'S STRATEGIC VISION FOR A CLEAN ENERGY FUTURE

We believe sustainable electricity is an essential tool for managing the company's carbon emissions and reducing the broader global carbon footprint. We are evaluating business risks and potential new opportunities, from the boardroom to the customers' side of the meter. AEP's sustainability goals reflects our strategy to transition to a cleaner energy economy and our commitment to transparency as we move forward.

[Learn more](#)



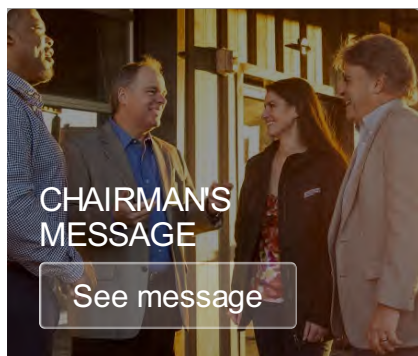


ABOUT AEP

STRATEGY FOR THE FUTURE

“Change has come. It is here, it is accelerating, and AEP is prepared to lead it. We see many challenges ahead, but also significant opportunities as we work for a sustainable future. We’ve accomplished a great deal over the past decade, but we must lead at an ever-quickening pace. Our strategy to be more innovative, more engaged and more customer-focused is well underway and we will continue to execute it with discipline and conviction. Our 2023 strategy will stretch and push us toward achieving our vision for the future.”













– Nicholas Akins, Chairman, President & Chief Executive Officer



CHAIRMAN'S MESSAGE

[See message](#)

2018 COMPANY OVERVIEW

	Number of Employees	17,582		Transmission	40,000 miles
	Regulated & Competitive Customers	5.8 million		Distribution	220,000 miles
	Service Territory	200,000 square miles		Total Generating Capacity (owned & PPA)	32,000 MW
	Total Revenues	\$16.2 billion		Total Renewable Portfolio*	5,272 MW
	Capital Investments	\$6 billion		Total Assets	\$68.8 billion
	Cash Dividends Per Share	\$2.53		Charitable Giving	\$25.5 million

* Includes expected capacity as of year-end 2019.



AEP'S STRATEGIC PLAN

AEP's strategy for growth and the way we are advancing our business model are changing as we plan for a future that is evolving.

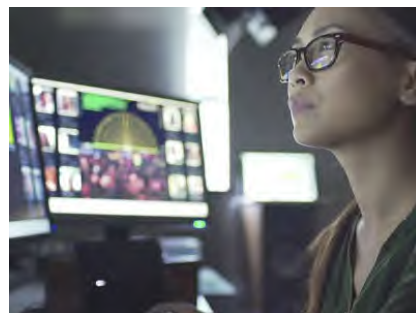
[Learn more](#)



REGULATORY AND PUBLIC POLICY

AEP is committed to enhancing regulatory models to give utilities the ability to explore new and evolving solutions that deliver the best value for our customers.

[Learn more](#)



RISK MANAGEMENT

AEP has a robust risk management process that helps us proactively identify and mitigate potential risks to our businesses and operating companies.

[Learn more](#)

SUSTAINABILITY GOVERNANCE

There is no one-size-fits-all approach to sustainability governance, but AEP believes it is fundamental to building and strengthening sustained business value. Good governance ensures transparency, fairness and accountability, and gives us a structured way to manage the challenges of a changing society.

[Learn more](#)

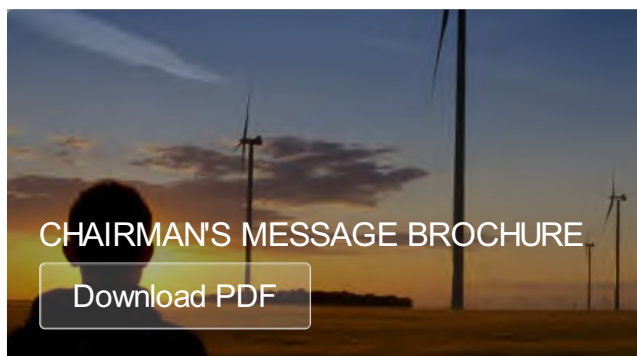
Dear Friends and Colleagues,

At AEP, we see a future full of opportunities for our customers, employees, investors, communities and our company. To create this future, we must be increasingly innovative to develop cutting-edge solutions to complex problems. We must be agile and adaptable to leverage rapid, sometimes unpredictable, changes in technology. And we must nurture a diverse, inclusive and engaged workforce that is clearly focused on delivering 21st century customer service as we further electrify our economy.

We're meeting these inter-connected challenges, by partnering with start-up companies and working in global innovation hubs to incubate and test new, leading-edge technologies and processes. We're seeking collaborative opportunities to improve our operational efficiency, enhance our ability to collect and analyze data, and deliver a superior customer experience.

Our stakeholders are critical to our success and we have engaged them on numerous issues, especially climate change. For decades, we have listened to diverse viewpoints from customers, investors, the environmental community and others about the potential impacts and magnitude of climate change, and about what we can, and should, do to set and meet ambitious goals in a timely manner. We embraced their aspirations for a clean energy future and together set a realistic path to achieve it.

We are making progress. We have retired approximately 7,800 MW of coal-fueled generation since 2011, increased the size of our renewable portfolio, and helped our customers become more energy efficient. In 2018, we set new carbon



reduction goals – 60 percent by 2030 and 80 percent by 2050 (both from a 2000 baseline). At the end of 2018, our carbon emissions were 59 percent lower than in 2000 – exceeding targets set by the U.S. EPA’s Clean Power Plan for the electric sector. Since we are so close to achieving our 2030 goal more than a decade ahead of schedule, we are reevaluating this target. We review these targets annually in the context of where we see regulations, policies and technology advancing and what we believe we can achieve. Our ability to move technology forward will only accelerate what we are able to do.



We’ve invested significantly to modernize the electricity grid, making it more efficient, enabling the growth of distributed energy production, and transforming it into the information and clean energy platform we need to power the future.

We’re building a new talent pipeline and developing our current workforce for a digital future. This is critical as we shift from being a generating resources-driven company to a people, data and technology-driven company. We’re talking to our customers, understanding their needs and seeking new solutions for their benefit. And we are delivering value to our shareholders while having positive impacts on the environment, our communities and society in general. I am confident we are on the right path and excited about our future.

As we grow and invest in a smarter, cleaner energy system, we continuously reward our shareholders. AEP has paid quarterly dividends to our investors since 1910 and we are proud of the consistency and quality of the earnings and dividends we deliver. In 2018, we provided a total shareholder return of 5.4 percent – exceeding the 4.2 percent total return for the S&P 500 Electric Utilities Index. From April 2018 to April 2019, AEP has delivered a total shareholder return of 25.4 percent. In addition to investing capital, we closely manage our costs and expenditures, using the savings to deliver additional benefits to our customers and investors.

AEP EARNINGS & DIVIDEND DATA \$/per share

	2014	2015	2016*	2017	2018
Earnings Per Share (GAAP)	\$3.34	\$4.17	\$1.24	\$3.89	\$3.90
Operating Earnings Per Share	\$3.43	\$3.69	\$3.94	\$3.68	\$3.95
Cash Dividends Per Common Share	\$2.03	\$2.15	\$2.27	\$2.39	\$2.53

* The difference between year-end 2016 GAAP and Operating Earnings was primarily due to the impairment of certain merchant generation assets.

As always, I am extremely proud and deeply appreciative of the employees of AEP who are paving the way for our future success. They give generously, work tirelessly and provide the knowledge, experience and creativity that keep us moving ahead. It is a privilege to lead and work beside them. Together, we are creating a clean, bright energy future for us all.

Achieving Zero Harm

Safety is our most important value – nothing we do is more important than working to prevent harm to our employees, contractors and the public. Our success as an organization is based on working safely to ensure the well-being of all. At the end of each workday, everyone must return to their loved ones in the same condition as when they arrived at work. All of us at AEP are personally committed to Zero Harm, starting with me.

Zero Harm requires hard work, including knowledge, determination, vigilance, patience, and a round- the-clock effort to look out for ourselves and for each other. In an instant, one error, one shortcut, can result in grave consequences.

In 2018, AEP employees and contractors worked 4.3 million more hours than in 2017 to serve our customers. At the same time, our DART rate (Days Away, Restricted or Transfer) improved approximately 11 percent compared to the three-year

historical average. This is encouraging and demonstrates significant progress towards Zero Harm. But we must maintain focus and resolve. We must believe that we can reach our goal and be relentless every minute of every day on every job.

Last year, more than 80 percent of all work locations across AEP achieved Zero Harm, which tells us three important things: harm can be eliminated, we are working hard to prove it, and we still have a long way to go.

We know this all too well. I am deeply saddened to report that in 2018 an AEP employee was fatally injured on the job and, in March 2019 another AEP employee lost his life in a job-related accident. Everyone at AEP feels these profound losses, both personally and professionally. One of the best ways we can pay tribute to them and their families is to learn from these events.

We held company-wide Safety Stand Downs to refocus on and reinforce our commitment to Zero Harm. We implemented new life-saving rules; recorded more than 16,000 CORE visits (coaching through observation, recognition and engagement) in 2018 to create meaningful interactions and reinforce positive safety behaviors; and logged more than 5,000 “Good Catches” from employees and contractors who found ways to prevent harm. And, through continuous communications, we share information and best practices and recognize those who excel at achieving Zero Harm. We are also piloting an assessment process to look more closely at our training and skills, and our critical safety measures and protections. I can’t say this enough: our most important goal is to ensure that everyone goes home in the same condition as when they came to work.

We’re also building stronger contractor and public safety programs to ensure that our safety expectations are clear and are being met.

Creating A Culture of Diversity and Inclusion

Diversity and inclusion are as important to our success as any strategic or operational action. We require a diverse, inclusive workforce and a culture that values the differences among us. Our success lies in large part with our ability to respect and embrace all people and divergent views that allow us to have a clearer view of obstacles and opportunities. We’re all on the same team, striving for the same bright future, and when we appreciate and value our differences as well as our similarities, that’s when we succeed as an entire company.

Diversity and inclusion are not checklists or slogans. Like safety, they require focused action and changes in how we think and act. Diversity and inclusion improve morale and our ability to work as a team, they enhance our reputation and our brand, they help drive innovation, help to engage the diverse communities we serve, and strengthen us as an organization and as individuals. If we are not diverse and inclusive, we will be left behind.

In 2017 we established a Diversity and Inclusion Council to focus on our workforce, supply chain and community engagement, and in 2018, we appointed a Chief Diversity and Inclusion Officer. Together, they are helping us with this business-critical mission. Our 2025 Diversity and Inclusion Roadmap, which includes accountability metrics and extensive partnering with other committed organizations, will help us attract, develop and retain the strongest talent from an increasingly diverse talent pool, while enhancing the engagement, knowledge and skills of our current employees. We also plan to achieve gender and wage parity and break down barriers caused by unconscious biases. We are committed to holding ourselves accountable for maintaining a supportive culture.

Creating gender parity in leadership roles is critical because of a strong correlation between success and diversity. In collaboration with Paradigm for Parity®, a coalition of business leaders working to address gender inequality, we are making progress toward gender parity at all levels of corporate leadership.

This commitment extends to our Board of Directors. The Board’s Committee on Directors and Corporate Governance has committed to include in each director search qualified candidates who reflect diverse backgrounds, including diversity of gender and race.

The Board regularly considers AEP’s strategy and the skills, experiences and qualifications that should be represented on the Board to effectively oversee the company’s strategic direction. In 2019, we welcomed a new Board member with digital/technology, marketing and IT skills. Her election increases the diversity of our 13-member Board to 31 percent.

We conducted a listening tour and survey in 2018 to determine what employees think about diversity and inclusion at AEP. I am grateful to over 700 employees who participated – opening themselves up to share honest and important

personal insights. They expressed a desire to learn more about why diversity is so important to our business and want accountability, education and engagement from leadership.

As a new generation enters the workforce, we want the best and the brightest minds to join AEP. We are working to understand their needs and desires and what the future of work holds for them to ensure that we attract and retain the top talent to lead us forward. Diversity and inclusion are at the heart of that effort, and I am confident we will succeed.

Improving Customer Relationships

Our customers want and expect more from us today than reliable, on-demand energy. With expectations shaped by their experiences with companies like Netflix, Google and Amazon, they are demanding personalized, on-line information and services delivered instantly, with more choices, convenience and control. We are providing them with easier ways to interact with us because their choices are critical to our future success.

For example, in 2018 we partnered with Google, Amazon and Tendril (a home energy management technology platform) to pilot a voice activated application on Google Assistant and Amazon's Alexa. Customers can now ask out loud, "How much is my bill?" or "How can I save energy?" and get immediate answers, day or night. We intend to expand this service across all of our operating companies. We also opened our Social Media Center in 2018, run jointly by our communications and customer services organizations, and available to customers seven days a week.

To track our performance and hold ourselves accountable, we developed a Customer Experience Dashboard that provides us with information on customer satisfaction, ease of doing business with us, and how customers are feeling about the company. We can track "message sentiment" data, determine the percentage of positive, negative and neutral messages about AEP on social media, and work to improve those numbers. As a result, we are engaging customers in ways that meet their specific needs.



Voice engagement channels will allow customers to access information within their home energy management platform and other AEP digital customer applications.

We are also working to improve service to large customers who connect directly to our transmission grid. We are testing a system in Oklahoma, for example, that leverages our smart meters to track and report momentary outages, or "blinks," on the system. These blinks can shut down production lines for large customers where equipment is hyper-sensitive to momentary disruptions. We will soon have the intelligence we need to inform solutions to better serve our larger customers' needs.

Our 2023 strategy clearly identifies significant opportunities for advancing our vision and our entire company is working to meet our customers' needs. As our regulated utility companies continue to invest in distribution and transmission to modernize the grid and develop capabilities to meet future customer expectations, we are also looking at new opportunities to serve customers. AEP Energy and its unregulated subsidiaries are well-positioned to offer customer solutions, including renewables, distributed generation and storage, and can deploy them within and beyond our traditional service territory boundaries. This team effort allows us to provide customers with an array of solutions.

In April 2019, we completed the acquisition of Sempra Renewables, LLC, adding 724 MW to our renewable portfolio from seven wind farms and one battery installation in seven states. This acquisition, and completion of the Santa Rita East Wind Project currently under construction in Texas, will boost AEP's total regulated and contracted renewable portfolio to more than 5,000 MW.

Strong customer interest in renewable energy is also driving multiple efforts to increase our clean energy resources within our regulated utilities. In 2019, Appalachian Power is seeking proposals to add up to 200 MW of solar energy projects in Virginia to reduce customer costs and further diversify its electricity generation mix. Southwestern Electric Power Company and Public Service Company of Oklahoma are both working to add new wind energy resources for their

customers, too.

By modernizing the grid and diversifying resources, investing in innovation, piloting new technologies and engaging customers in their channels of choice, we can deliver the excellent service our customers expect.

Innovating for a Clean Energy Future

A clean energy economy requires a combination of resources, innovation and technology. In fact, innovation and technology are fast becoming an integrated resource that drives efficiencies and optimization of the electricity grid, benefitting customers and the environment. Enabling a clean energy future also requires taking a hard look at how the traditional regulated utility business model treats innovation, because business-as-usual is not a viable option.

As we advocate for changes that reward innovation in the energy industry, we're pursuing innovation along a number of parallel tracks. Our experience working with technology providers and start-ups tells us energy companies must be involved in the early stages of innovation. We must demonstrate and validate new technologies at a large scale to maximize benefits for all customers.

We are co-presenting an IllumiNation Energy Summit in Columbus, Ohio, with Battelle, The Ohio State University and other sponsors in May 2019. Established technology providers, start-ups, regulators, legislators, environmental organizations, trade groups, academia and research organizations will meet in an immersive technology forum to demonstrate and discuss the technology opportunities we have before us. It also provides an opportunity to engage with policymakers on achieving a clean energy future.

We recently launched our IllumiNationLAB to help us identify promising entrepreneurs and early growth stage companies in four areas: customer experience; grid optimization; efficiency, operations and maintenance; and electric mobility. Our intent is to select promising tech startups to work with an AEP mentor to advance and shape their solutions. We will provide resources and access to subject matter experts and to help start-ups develop products, platforms and processes that we can validate and provide at scale. IllumiNationLAB is focused on renewable energy resources, smart connected devices, customer engagement, predictive analytics and virtual assessments.

We're also working with Free Electrons, a global technology accelerator for the energy industry, that gives us access to hundreds of start-ups around the world. In 2018, we chartered an Enterprise Innovation and Technology team to establish a new process to test ideas that deliver value to customers and deploy them, if validated. The team is actively seeking partnerships and potential investors to enable us to bring new products to market.

Finally, we've created "Charge" – an AEP digital hub that incubates and develops new ideas and creative concepts in a contained space – one that won't affect day-to-day operations. Our new Chief Digital Officer leads this team with a five-year roadmap to achieve our digital transformation. Each Charge project seeks improved customer or employee experience, while creating financial value (reducing spend, creating efficiencies, or increasing revenue). Charge is a microcosm of what we envision for all of AEP – thinking differently about how our company operates and how we interact with our customers.

Our overall approach to innovation is to check and adjust as we learn. We are carefully managing our investment risk by assessing each new technology to ensure it is something that provides value to customers, will be profitable, feasible and that we clearly understand the resources needed to go to market. We take prudent risks, recognizing that there will be challenges on the road to success, as we innovate to create a new, clean and secure energy future.

Protecting The Grid

Protecting the electric power grid is a major priority for our industry as the system is threatened by natural phenomena like extreme weather or geomagnetic disturbances, or deliberate attacks from malicious hackers or nation-states. We invest in protecting our system and participate in drills to test our defenses to help us prepare for and guard against a potentially catastrophic event. We work in partnership with the federal government to anticipate and respond as effectively as possible. We participate in the Electricity Subsector Coordinating Council that focuses on threat information sharing and coordination between industry and government, research and development and working across sectors, such as with the

oil and natural gas industries.

Through the years, the North American Electric Reliability Corporation (NERC) has developed and enforced Critical Infrastructure Protection (CIP) standards to protect the grid from cyber and physical attacks. These standards are constantly evolving, requiring increased focus to ensure compliance. Consequently, in 2018, we strengthened our governance and the central team devoted to ensuring our compliance with the NERC standards.

As we modernize the grid, making it smarter and more resilient, we are also upgrading the telecommunications network which serves as the backbone of the grid, enabling the flow of information and data critically needed to operate the system. This upgrade will enhance cybersecurity and improve reliability and resilience by providing real-time data on equipment condition.

We also take measures to secure and protect employee and customer data. Our Personally Identifiable Information (PII) protection program includes several measures such as blocking outbound emails containing unencrypted PII and a data classification tool that prompts users to classify documents and data before sharing them. We also formed a data governance program to improve how we manage data across the company. This program looks at privacy risks, customer data monitoring and protection, and internal controls to prevent misuse of customer data.

Preparing Our Workforce

One of our biggest challenges is to ensure that our employees have the knowledge, skills and abilities we need, and they need, to succeed today and in the years ahead. We must understand emerging workforce requirements and ensure that our employees and recruits are being trained and educated to meet them, while strengthening the skills required for our company today. We invest in education and collaborate with others to create the talent pipeline we need.

We partnered with the Business Roundtable (BRT), the Ohio Business Roundtable and the International Brotherhood of Electrical Workers, as well as community colleges and businesses across central Ohio in 2018 to host the BRT's Workforce Partnership Initiative (WPI). The WPI will develop education and training opportunities to prepare students, and current AEP employees, for the jobs of the future.

Our charitable foundation's signature Credits CountSM STEM education program helps high school students who otherwise may not be able to afford a college education to earn college credits toward STEM-related careers while still in high school. The AEP Foundation has committed \$14.2 million since we created this program in 2014.

We also launched Transmission University (TU) in 2018, a pilot program to revolutionize learning within AEP. TU provides transmission employees and contractors with self-guided learning opportunities that empower them to take control of their professional development.

We have several development programs across AEP to identify potential company leaders and provide them with skills and experiences that put them on a path for future leadership roles. We partner with numerous colleges, universities and technical schools across the country and we provide experiential learning through apprenticeships and co-ops. We encourage our employees to be continuous learners and provide education assistance to support those efforts. We proudly support and hire military veterans, who bring the technical skills and discipline we need.

A major generational shift is underway as Baby Boomers retire and Generation Z enters the workforce. More people are working independently and remotely in jobs that didn't exist even a decade ago, such as data analysts, cyber specialists, and renewable energy experts. We are re-imagining many of our traditional job roles and reassessing how we will get our work done in the future.

Workforce development is a critical concern. We must be agile and creative to attract and retain the best talent, including



We must understand emerging workforce requirements and ensure that our employees and recruits are being trained and educated to meet these needs.

the potential for making advance job commitments to students who successfully complete programs in key areas such as cyber security and data analytics. As technology rapidly changes, so must the knowledge, skills and capabilities of our workforce.

Electrifying to Create Shared Value and a Cleaner Energy Future

The benefits of converting industrial equipment and processes to be powered by electricity, combined with cleaner energy from the grid and better ways to store it, will lead us on a clear pathway to a low-carbon future and universal access to clean energy. Electrification converts end-uses powered by fossil fuels, such as forklifts and other industrial applications, to electricity.

As part of our beneficial electrification program, we launched a new website in 2018, www.energyconversionhub.com, for commercial and industrial companies. The site highlights the economic and environmental benefits of using electricity to improve their operations. For example, an online calculator shows the cost and environmental benefits of operating gas or diesel-fueled equipment versus electricity-powered equipment.

The electric vehicle (EV) revolution is accelerating. A 2018 study by the Edison Electric Institute estimates that EVs in the U.S. will increase from 1 million on the road today, to over 18 million by 2030. In our service territory more than 10,000 EVs were registered by the end of 2018. Replacing an internal combustion engine vehicle with a similar EV can reduce first year fuel costs by over 50 percent and tailpipe emissions by about 40 percent. EVs are good for consumers, the environment and the electric industry.



The road to electrification is complex and challenging, but the long-term reward is significant for the environment, society and business.

We are well-positioned to play a significant role in supporting EV market development. We are working to increase adoption of EVs and provide charging options that optimize the use of the grid for the benefit of all customers.

To lead by example, we are increasing the proportion of electric cars in our fleet and installing workplace charging infrastructure for employees. We have deployed over 100 EV charging ports at our facilities to date – one of the largest workplace deployments in the U.S. – with plans to expand this number dramatically in coming years.

In 2018, AEP Ohio received regulatory approval for an EV incentive program that offers financial incentives for EV charging stations in workplaces, multi-family housing units, low-income neighborhoods and government-owned properties.

Energy storage plays a vital role in the electrification of the economy and the transition to renewable energy. Batteries can provide back-up power or power during peak demand times and can respond rapidly in order to balance load and generation. They also help us to maintain a constant flow of energy when intermittent resources like wind and solar power are not available or are not needed at the time of generation.

Our 4 MW energy storage system with Appalachian Power's Buck and Byllesby hydroelectric power plants in Southwest Virginia is one of the first integrated energy storage systems in the PJM transmission region, balancing load and generation to maintain system stability and increase the integration of variable renewable resources. This demonstrates the game-changing impact energy storage can have as the technology matures.

Creating a Brighter Energy Future – Together

Change has come. It is accelerating, and we stand ready to lead AEP into an innovative energy future that shines for us all. We see many challenges ahead, but also significant opportunities as we work for a sustainable future. We've accomplished a great deal over the past decade, but we must lead at an ever-quickening pace. Our strategy to be more innovative, more engaged and more customer-focused is well underway and we will continue to execute it with discipline

and conviction. Our 2023 strategy will stretch and push us toward achieving our vision of powering a new and brighter future for our customers and communities.

I am confident that we are well positioned, and on the right road for sustainable growth in the months and years ahead. We have always led the way in our industry and we will continue to work on what matters most to our customers and our communities.

I feel confident about the future whenever I am with our employees. They are the strength and spirit of American Electric Power and I am so proud of what they are doing, and are preparing to do. As we work to create our future, I would like to thank them and our customers for making us a stronger, better company.

I invite you to learn more about AEP in our 2019 Corporate Accountability Report.

Sincerely,



Nicholas K. Akins
Chairman, President & Chief Executive Officer
American Electric Power

STRATEGY FOR THE FUTURE

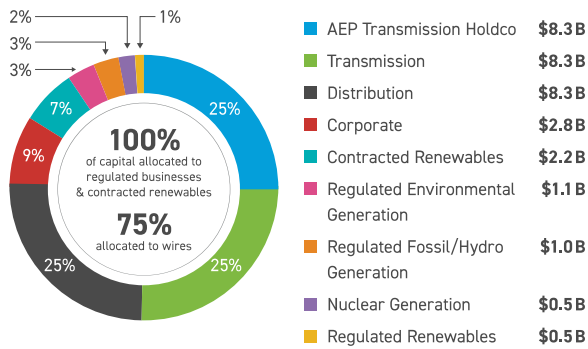
The rapid changes transforming the energy industry, driven by technological innovation and interconnectivity, are altering the dynamics of how people interact with the power grid. These changes are turning consumers into active, not passive, participants. Every interaction our customers have with us is compared to their experiences with companies in other industries, which changes their expectations of AEP and challenges us to redefine the relationship we have with our customers. From decentralized power generation and beneficial electrification to digitization and process automation, disruptive innovation is reshaping our industry and our company.

AEP's strategy for growth and the way we are advancing our business model are also changing as we plan for a future that is evolving. Historically, our capital investments focused primarily on large, centralized power stations, building new capacity and applying new engineering practices to comply with environmental regulations and extend their life.

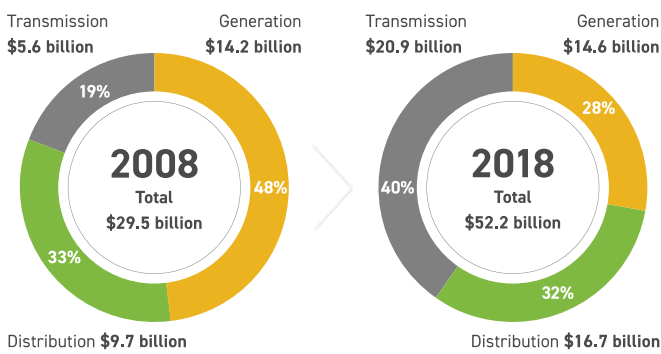
Today, our capital investment strategy spans the value chain of generation, transmission and distribution spurring innovation, with the customer at the center. Our focus is on providing customer solutions through technology; diversifying our resources for a cleaner, more balanced portfolio; working with regulators to modernize the regulatory compact to keep pace with the changing needs of all our customers; and preparing for the future of work and the new skills our workforce will need. At the same time, we continue to reduce our environmental footprint, remove risk from our business and deliver value to our customers and shareholders.

Between 2019 and 2023, AEP plans to invest \$33 billion in capital, with 75 percent of it targeted for transmission and distribution.

AEP'S 2019-2023 CAPITAL FORECAST



HISTORICAL NET PLANT PROFILES



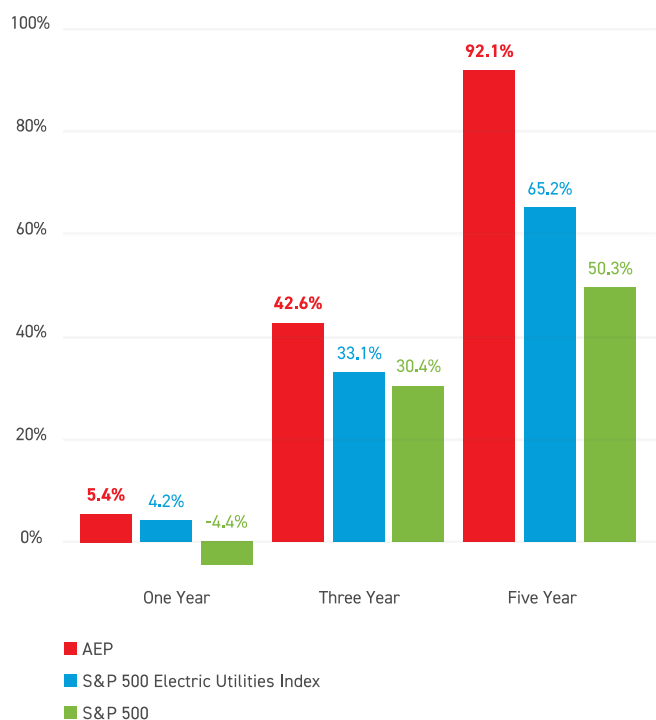
Strong Financial Performance

AEP's transformation is well underway and our track record of consistent, quality earnings and dividends positions us for a bright future. In 2018, AEP's strong earnings performance was driven by a robust economy, our continued focus on investing in our system to enhance services for our customers, managing our costs and favorable weather throughout much of the year. In 2018, AEP announced plans to increase capital investments in its regulated operations over the next five years to provide more advanced, resilient and cleaner energy solutions for customers. We also committed to investing \$2.2 billion in contracted renewables through 2023.

Our projected operating earnings growth of five to seven percent is predicated on our ability to continue efficiently investing capital to modernize the grid. We have thousands of smaller capital projects that are within our control to execute as we replace aging infrastructure and transform the grid to a platform of two-way flows of information and energy. Our fundamentals for growth are strong, giving us options about how we invest today and what we invest in for the future.

Maintaining a strong balance sheet and credit profile is a

2018 TOTAL SHAREHOLDER RETURN

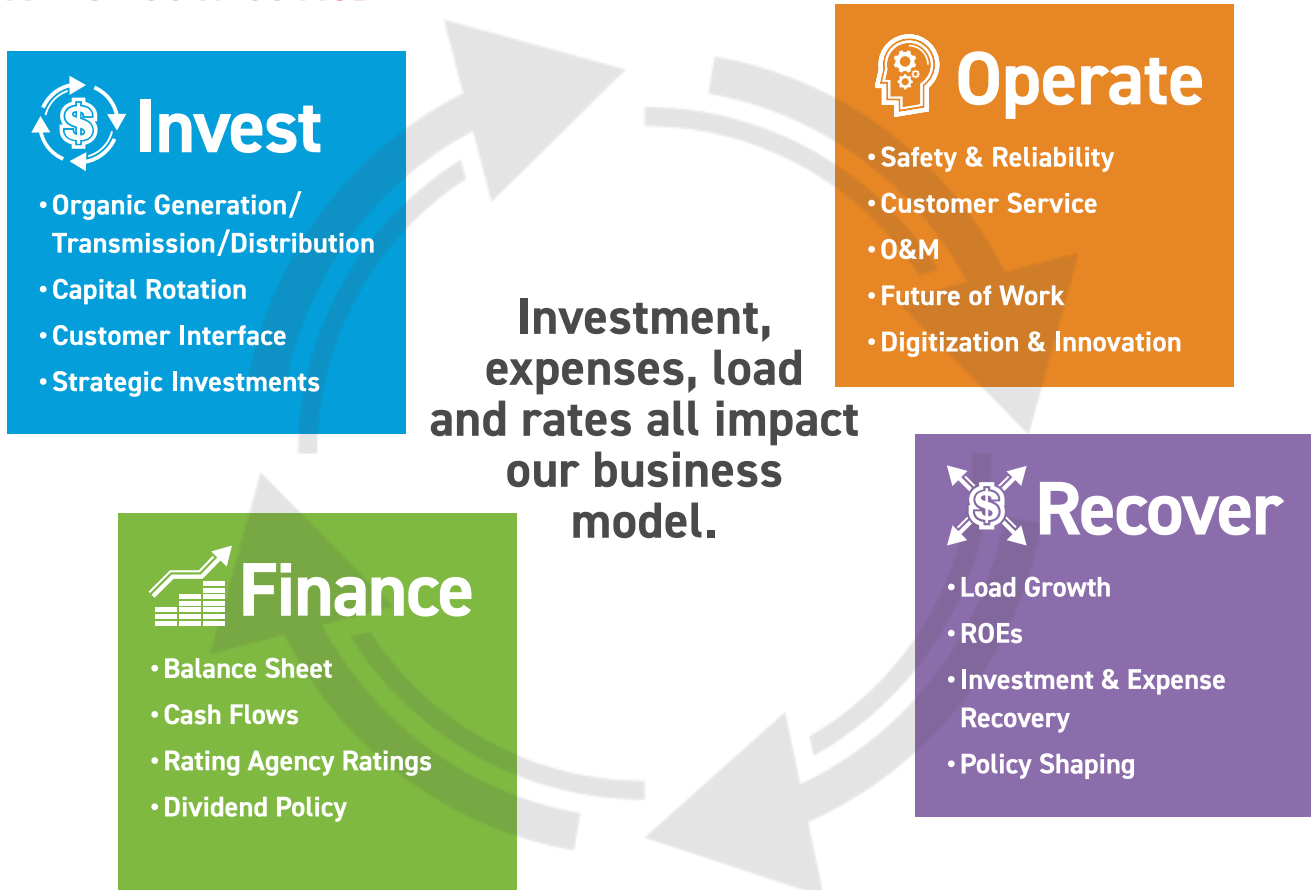


priority. We regularly monitor a variety of metrics that help us to know when we will need to access the capital markets for funding to support our capital investment program, which, in turn, allows us to grow earnings and provide reliable service to our customers.

We are proud that we have paid a quarterly dividend to our shareholders since 1910. In 2018, AEP delivered a total shareholder return of 5.4 percent, exceeding a 4.2 percent total return for the S&P 500 Electric Utilities Index. In fact, over the past five years, we've provided a total shareholder return of more than 92 percent. This outperformed the broader S&P 500 Index total return of 50 percent and 65 percent total return for the S&P 500 Electric Utilities Index.

Managing O&M (operations and maintenance) costs as capital investments increase is part of our culture at AEP. Because we believe that every dollar counts, we are focused on managing costs to optimize our spending on the customer experience and to deliver operational excellence. That includes our transition to a clean energy future and ensuring that every customer has access to the resources and technologies the grid provides.

AEP'S BUSINESS MODEL



AEP's 2023 Strategic Plan

AEP has laid a strong foundation for growth as we transform our company for operational excellence, financial strength and workforce readiness. This will bring us closer to our customers, delivering reliable and affordable energy; providing innovative and tailored solutions that improve their businesses and their lives; while maintaining universal access to the grid. To achieve this, we need a culture of diversity and inclusion; relentless focus on controlling costs; continuous learning to be the disruptor and adopter of new technologies; and process efficiencies to optimize technology, automation and digitization. We must bring regulators and legislators along with us so we can secure supportive policies that allow us to continue investing in the right assets and resources that improve the customer experience.

Today, AEP is financially strong and well-positioned for the future. As we are investing in our future, we have a lot of options to maximize those investments. Our grid modernization investments are creating the platform to enable expansion of distributed resources, more efficient use of energy, two-way flow of communication and power, and expanded electrification. We are working to expand both our regulated and competitive renewable portfolio to deliver clean energy to

customers within and outside of our traditional service territory.

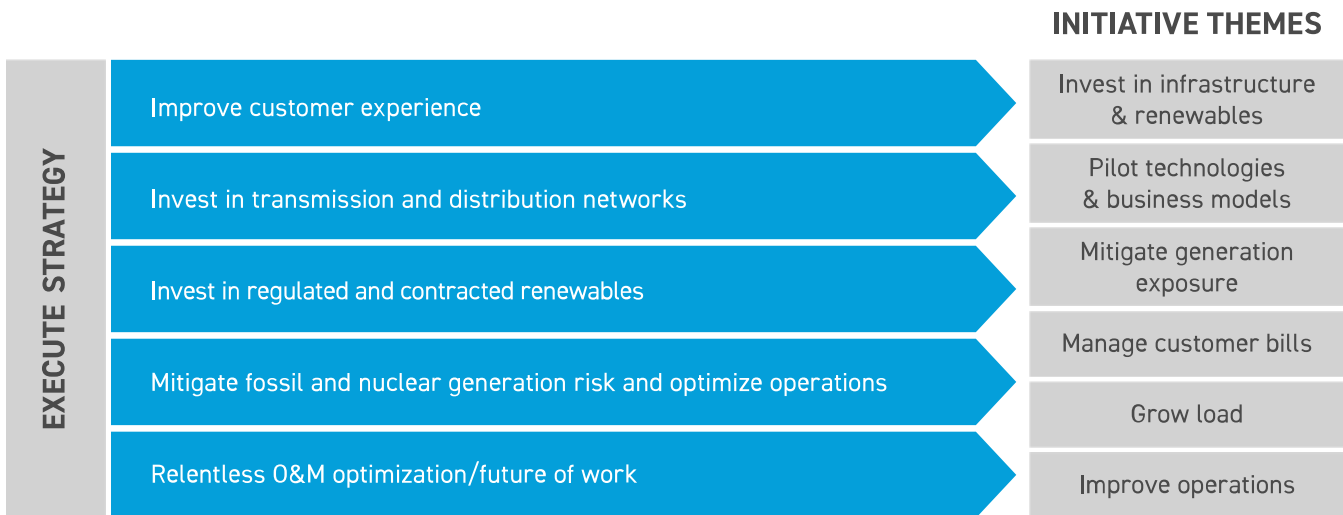
Our investments in transmission are critical to enabling renewable resources to connect to the grid as well as improving local and regional reliability for customers. It also makes economic development possible, which supports our mission of building stronger communities. We are projected to invest about \$3 billion per year through 2023 to strengthen and modernize transmission.

We are strategically partnering with start-ups to pilot an array of technologies so that we can be the digital energy company of the future. We want to be ready when new technologies are set to be mass-marketed, which means being an early adopter. There's risk in this approach – we know some technologies will fail – but it's fundamental to delivering an excellent customer experience.

To better support our innovation strategy we hired a Chief Digital Officer in 2018 who formed a new team, called Charge, to incubate and develop new ideas, without disrupting day-to-day operations. The teams look for projects that will add value for AEP and quickly discard those that won't. This means the project must improve the customer or employee experience while creating financial value, such as reducing spend, creating efficiencies or increasing revenue. This team is charged with reimagining our business for the future.

We are also growing our competitive business. AEP Energy Partners has subsidiaries that are serving wholesale markets, retail electric and gas customers across the country and providing tailored energy solutions to large commercial and industrial customers. Our commitment to grow contracted renewables was bolstered in early 2019 with the acquisition of Sempra Renewables LLC. When combined with the completion of the Santa Rita wind farm in San Angelo, Texas this year, AEP's total renewable capacity will increase to 16 percent from 4 percent in 2005.

AEP'S 2023 STRATEGY & EXECUTION



WE ARE FOCUSED ON EXECUTING OUR STRATEGY WHILE IMPROVING THE CUSTOMER EXPERIENCE.

Culture Makes It Happen

Without engaged employees, executing on our strategy would not be successful. To AEP, engagement means including everyone, solving problems and working as a team. That is why we are transforming our culture to foster an environment that welcomes and encourages diversity and inclusion, collaboration, openness and engagement. Our safety culture continues to be a strength and core value for AEP. [Learn more about culture at AEP.](#)

SUSTAINABILITY GOVERNANCE

There is heightened demand for transparency and expectation that business leaders adopt holistic, long-term approaches to managing environment, social and governance (ESG) performance. Companies are judged on performance and how well they link tangibles (such as financial capital and physical assets) with intangibles (such as reputation, brand, customer loyalty, risk management, trust and credibility) and show bottom-line benefits.

There is no one-size-fits-all approach to sustainability governance, but AEP believes it is fundamental to building and strengthening sustained business value. Good governance ensures transparency, fairness and accountability, and gives us a structured way to manage the challenges of a changing society.

Through AEP’s Enterprise Sustainability Council (ESC) – with oversight from executive management and the Committee on Directors and Corporate Governance of the Board of Directors – we have clear guidance on our ESG responsibilities for sustainable business development. ESC members, who represent all aspects of AEP’s business, serve as strategic ambassadors, providing guidance and support to ensure the success of AEP’s sustainable development strategy. They do this by enabling cross-functional integration of sustainability across the enterprise.

The ESC is also responsible for monitoring the progress of AEP’s sustainability goals and the timely and accurate production of AEP’s annual Corporate Accountability Report. In addition, the ESC helps increase internal and external stakeholder awareness of the relevance and value of sustainability to AEP’s success. The ESC also provides a forum for sharing work, best practices and ideas, and identifying trends and emerging issues that could impact AEP financially or operationally.

Executive sponsors of the ESC include the Chairman, President and CEO; Executive Vice President, General Counsel and Corporate Secretary; and Executive Vice President of External Affairs.

In addition to the ESC, the Committee on Directors and Corporate Governance of the Board of Directors reviews the Corporate Accountability Report annually and actively monitors AEP’s ESG performance. The Committee provides feedback and develops the Board Statement supporting AEP’s commitment to sustainable business development and performance accountability. The combined governance from the Board of Directors and the ESC helps us ensure our disclosure undergoes a disciplined review and validation process.

While these issues are discussed by the Board of Directors throughout the year, we report to the Committee on our sustainability-related activities at least twice per year. In addition, the Lead Director of AEP’s Board of Directors conducts annual outreach to engage with investors on important ESG and governance matters.

AEP’s Enterprise Sustainability Council Representation

AEP Energy	Ethics & Compliance
Audit Services	Generation
Chief Customer Officer	Human Resources
Chief Digital Officer	Information Technology
Commercial Operations	Investor Relations
Continuous Improvement	Legal
Corporate Communications	NERC Reliability Assurance
Corporate Finance	Operating Company President

Corporate Planning & Budgeting	Public Policy
Customer Solutions & Policy	Real Estate & Workplace Services
Distribution Services	Regulatory Services
Economic & Business Development	Resource Planning
Enterprise Risk Management	Safety & Health
Enterprise Security	Supply Chain & Procurement
Environmental Services	Transmission

[Learn more about AEP's Corporate Governance](#) and see our report: [American Electric Power: Strategic Vision for a Clean Energy Future](#) for climate risk information.

REGULATORY AND PUBLIC POLICY

The energy industry is one of the most highly regulated sectors of the U.S. economy and is undergoing a major transformation to modernize the grid – making it more reliable, resilient and customer friendly. As our industry evolves, we will continue working with our regulators and legislators at the federal, state and local levels.

AEP operates in 11 states within a variety of jurisdictional regulatory frameworks. Those frameworks are primarily governed by state legislatures that direct state regulatory commissions to achieve overarching policy goals. These regulatory and legislative environments, in conjunction with federal regulation and legislation, define the parameters of AEP's business and planning models.

One aspect of fast change is the North American Electric Reliability Corporation (NERC) Compliance Standards and Requirements that require increased security and reliability of the bulk electric system. This means more frequent audits focusing on documentation and evaluation of controls, and increased regulatory scrutiny and pressure. It also means the potential for higher penalties and greater reputational risk for companies. In response to the constantly evolving nature of NERC Critical Infrastructure Protection (CIP) standards, we formed a separate governance structure and associated teams devoted to NERC reliability assurance.

Our priority is to maintain and operate a safe and reliable grid that is resilient and adaptive. Our generation, transmission and distribution system investments directly affect our customers and shareholders. These investments must coexist with regulation and policy considerations, such as environmental rules and affordability. Regulatory frameworks must be responsive to today's technology and customer preference environment. As we transition to a clean energy future, we are reshaping our asset base in a reliable and affordable manner for our customers while managing the financial risk for our shareholders.

Regulatory Compact

The regulatory compact is a term used to describe traditional regulation of vertically integrated utilities. It is a regulatory environment in which an energy company makes prudent investments to ensure safe and reliable electric service for all customers. Under the regulatory compact, a utility has an obligation to provide service to all customers in a certain territory. In exchange, government regulatory agencies allow the opportunity for the utility to earn a fair and reasonable profit. The company applies to its state regulatory commission for cost recovery of its investments, and the commission approves the expense with an opportunity to earn a fair rate of return on investment.

The majority of electric utilities operated in this way until the deregulation trends began in the 1990s. Now, states have varying levels of competition where the generation and/or access to retail customers is competitive. However, even in

those states, the regulatory compact is still responsible for the regulation of the “wires.”

AEP embraces the regulatory compact, but we also see a need for more flexibility through alternative ratemaking models to keep pace with advances in technology and ensure timely recovery of costs. This is imperative to meeting the changing needs of our customers. For example, as more customers demand clean energy, we need support from state regulators to enable investments in renewable resources.

Today’s technologies offer creative energy solutions that were not envisioned just a few years ago. To respond to these technological advancements, we need regulatory models that give utilities the ability to explore new and evolving solutions as they determine what delivers the best value for our customers today and in the future.

The classifications of generation, transmission and distribution should also be revisited, as those boundaries are becoming blurred with the advent of new technologies and distributed resources. We also need to consider transition issues as utilities move from central station generation to more distributed energy resources.

As we look at the regulatory future of our industry, we need the ability to offer customized goods and services to our customers while maintaining system reliability and universal access to the grid. In 2018, we introduced several innovative rate offerings to maximize value for our customers. For example, Indiana Michigan Power (I&M) introduced a flat rate bill called EZ Bill for residential and small commercial customers in Indiana. The program, approved by state regulators, allows I&M to offer individualized rates to customers who sign up.

This is an important option for customers who value the predictability and convenience of receiving a predetermined, fixed monthly charge for their electric service. This makes budgeting and financial planning easier, especially for customers with fixed or limited incomes. For customers who want to know what their electric bill will be in advance, the EZ Bill program meets that need.

In Oklahoma, we introduced a pre-pay program, known as Power Pay, which functions similarly to a prepaid phone card. This program offers customers of Public Service Company of Oklahoma (PSO) a voluntary payment option, giving them more control over when and how they pay for their electric service. Dozens of authorized payment kiosks are located throughout PSO’s service territory, giving customers additional payment options. Power Pay also gives our customers information about their usage and cost so they can make informed decisions. At the end of 2018, nearly 20,000 customers were taking advantage of this program.

In 2019, Appalachian Power received approval to establish a seasonal rate in West Virginia that would apply to electricity sales above a specific threshold during winter months. With the seasonal rate structure, customers with higher winter usage, such as those with electric heat, will see little or no increase, or even a decrease, in their bills.

These are some examples of alternative rate models that are needed today to meet the changing needs of customers.

Public Policy and Issue Management

Similar to other companies, AEP has a public policy strategy that seeks to inform decisions made by Congress, Federal Energy Regulatory Commission (FERC), North American Electric Reliability Corporation (NERC), state legislatures and regulatory commissions, and Regional Transmission Organizations (RTOs).

In 2017, AEP formed the Policy Advisory Team (PAT) to create a more efficient and consistent policy strategy across the company. The team comprises senior executives across multiple business functions and departments, including some who represent the company in Washington, D.C., and the state capitals in our service territory.

The PAT considers policy options on issues of relevance to the company and supports internal policy analysis and debate. This approach ensures that AEP is speaking with one voice, and that all employees with external contacts are clear on our policy positions and objectives. Since its inception, the PAT has considered roughly a dozen issues on which we have developed positions.

In strategic discussions about how we can best align ourselves to maximize the customer benefits of new technologies, we talk about “future-proofing” our company. To adapt to the changing energy landscape, we require a regulatory and legislative framework that enables the flexibility to incorporate new technologies, including those we have not yet even envisioned.

Expanding Broadband

AEP is installing fiber cable as part of our grid modernization efforts, which provides a new opportunity to piggyback on this installation to extend broadband service to unserved or underserved areas throughout our service territory. Fiber cable provides the best technology to meet our needs for upgrading the grid: it is highly resistant to corrosion and is critical to providing a modern communications infrastructure as the demand for two-way flows of data and power increase. We believe broadband technology plays an important role in the economic development and sustainable quality of life of rural and suburban America. We are exploring new options for the dual use of fiber for grid modernization and enabling Internet Service Providers to make the final connection to areas that lack broadband coverage.

In 2018, Appalachian Power (APCo) completed a Broadband Feasibility Study as required by the Virginia Grid Transformation and Security Act of 2018. The study found that several barriers prevent broadband from using distribution and transmission infrastructure, including the ability to recover costs. The study also identified potential strategies to support broadband development, including increasing the capacity of fiber that APCo would install to support its grid modernization program. For projects already planned, it would require increasing the fiber capacity with the intent of leasing the extra fiber strands to broadband service providers.

There are significant challenges including legislative restrictions in many states that prohibit us from recovering our investments if we install additional fiber to support broadband expansion. We are working with legislators and regulators in our states to gauge interest and explore options.

In a promising move, Virginia lawmakers took steps in March 2019 to address the geographic disparities in broadband coverage. Lawmakers approved House Bill 2691, giving the state's two largest electric utilities – including APCo – the green light to create a pilot to expand “middle mile” broadband coverage. This is the infrastructure that connects the networks and core routers on the internet to local service providers and consumers directly. Importantly, the bill allows the companies to recover the cost of the pilot from ratepayers. The final connection, called the “last mile,” would be the responsibility of third-party internet providers.

In addition to delivering modern-day technology to underserved areas, this is a potential new business opportunity for AEP. Providing the means to extend high-speed internet to these areas also creates new opportunities for home-based work and helps to power economic stability for customers and communities.

Existing and Emerging Models

Traditionally, distribution service has been totally within the purview of the local electric utility. This is true whether the retail model in a state is regulated or competitive. It provides the utility with a direct customer relationship. AEP thinks that relationship is invaluable for both assuring universal service and in optimizing service delivery; therefore, we want to do everything we can to preserve it.

New models, however, have arisen. New York and California have led the way in creating energy market platforms at the retail level very similar to regional wholesale markets. By doing so, these models allow entrants other than utilities to have full retail access to the customer. This includes those areas that traditionally have been preserved for the distribution/wires utility. It is clear that technology and potentially competitive opportunities for new entrants are challenging the existing regulatory paradigm. As distributive, non-wires and behind-the-meter technologies evolve, so will competition where appropriate. It is imperative, however, that the traditional utility not be precluded from participating in these new markets, thereby ensuring that these technologies are available to all and are deployed in a manner consistent with customer demands.

States within the AEP footprint are exploring other models, such as Ohio with its PowerForward Initiative. AEP believes conversations between the utility and regulators early in the process, similar to those ongoing as part of PowerForward, provide for an optimal model design to seamlessly enable these technologies to customers' benefit.

Tax Reform

The Tax Cuts and Jobs Act (TCJA) enacted in late 2017 reduced the corporate tax rate from 35 percent to 21 percent, effective in 2018, and resulted in ongoing rate reductions for customers. The tax bill also maintains the federal income tax deduction for interest expense for regulated electric companies and preserves the federal income tax deduction for state and local taxes, resulting in positive outcomes for both AEP and our customers. Additionally, AEP's FERC jurisdictional formula rates allow the benefits of tax reform to flow through efficiently to wholesale transmission and generation customers.

Grid Reliability and Resilience - NERC Oversight

The North American Electric Reliability Corporation (NERC) develops and enforces the rules and standards that protect the North American bulk power system. NERC Compliance Standards and Requirements are rapidly evolving, requiring increased security and reliability of the grid. This means increased scrutiny of compliance efforts. In response, we are changing our structure to align with our compliance requirements, ensuring the appropriate focus on the evolving regulations.

The new structure comprises of three layers of governance with distinct responsibilities. The Reliability Compliance Committee (RCC) includes AEP's top executives who are accountable for establishing the vision, mission and culture expectations of the program. Additional governance teams are all working toward a common goal of achieving operational excellence in grid reliability and security.

In 2018, we established a multiyear strategic plan for NERC compliance operational excellence. This strategic plan is being rolled out in 2019, and will focus our work on four areas: governance, program consistency, communication and culture, and audit readiness.

Although the strategic plan will address all of the NERC standards, it will have a major focus on Critical Infrastructure Protection (CIP) Standards. The CIP Standards are evolving at a faster rate and represent increased regulation to protect against cyber threats. To date, new versions of the CIP Standards have significantly expanded the scope of cyber systems associated with grid reliability.

Our goal is to improve our program and establish AEP as an industry leader in NERC reliability.

Lobbying and Political Contributions

The electric utility industry is undergoing a fundamental transformation driven by a number of factors, including new public policies. For the benefit of all stakeholders, we actively participate in the political process and in lobbying activities at the national, state and local levels.

The investments needed to modernize the power grid are in the billions of dollars, and the stakes have never been higher. To understand the policies and regulations that could affect our business, we participate in a number of organizations, lobby on our customers' behalf and contribute to political candidates, where allowed by law.

Each year, AEP publicly discloses [lobbying activities](#) and [political contributions](#). We also annually report on the portions of membership dues paid to organizations such as the U.S. Chamber of Commerce and Edison Electric Institute (EEI) that go toward lobbying. We post our [lobbying policy online](#) and we discuss political contributions annually with AEP's Board of Directors' Committee on Directors and Corporate Governance.

We have been asked by stakeholders why we belong to some organizations whose positions may conflict with AEP's. In general, we believe it is better to be at the table and engaged in the discussion whether or not we are in total agreement. When we disagree, we voice our concerns and work to change the position. Sometimes we prevail, and sometimes we do not, but we strive to reach an appropriate position based on the facts available. In addition, many of our customers belong to these organizations, and this helps us better understand their concerns and needs.

We believe in transparency and active participation in public debate. Our experience is that open, candid discussion and a good-faith attempt to reach common ground is the best way to do business.

ETHICS AND COMPLIANCE

At AEP, we are committed to health, safety, financial, operational and environmental compliance while holding ourselves to a high standard of ethical conduct – always doing what is right.

AEP's [Principles of Business Conduct](#) places responsibility for acting legally and ethically with every individual – from the Board of Directors and management to employees on the front line. We want employees to speak up, ask questions and report potential violations without fear of retaliation. Our culture supports the interests of both employees and AEP by maintaining a vigilant approach to practicing compliance and acting with integrity. We will continue to build a reputation of trust by holding people accountable and taking appropriate actions when necessary.

In 2018, we updated the Principles of Business Conduct to reflect our cultural transformation and to provide clear direction on our expectations. For example, we enhanced the section on social media to remind employees that they represent the company, even when off the job. We also added a section on our supplier diversity initiatives and highlighted the importance of sustainability and protection of personally identifiable information (PII). We rolled out mandatory training on the updated Principles to all employees. The training consists of evaluating several distinct scenarios in some of our higher-risk areas such as conflicts of interest, appropriate use of company assets, fraud, management of PII, intellectual property and insider information and trading.

The Committee on Directors and Corporate Governance of the Board oversees AEP's Corporate Compliance Program and receives regular reports from the Chief Compliance Officer.

Our Ethics & Compliance team (including our Chief Compliance Officer) met with employees across AEP in 2018 to raise awareness of our programming and conduct comprehensive work group culture assessments.

Starting in 2019, all employees will be required annually to complete a conflict of interest disclosure as part of their mandatory training. This new process of soliciting potential conflicts of interest will be centralized and documented electronically, allowing our Ethics & Compliance department to review and clear (or flag) conflicts as needed. Our intent is to share what we learn with employees and managers to continuously set clear expectations for ethical behavior.

AEP also offers a confidential 24/7 hotline that allows employees to report concerns anonymously or to seek guidance on ethical, safety or compliance matters. Additionally, we created a quarterly "Ethics Hotspot" feature for managers and supervisors to use while engaging employees on these issues. These "Hotspots" demonstrate what is acceptable or unacceptable conduct and the associated consequences that come with it.

Our Ethics & Compliance team, with input from Human Resources and Legal, identified areas where we could improve training. For example, we will begin rolling out a new Sexual Harassment Prevention Workshop for managers in 2019. We want everyone who works for us to know that abuse of any kind is not only offensive but a violation of company policy and won't be tolerated. We are committed to providing a work environment that is free from intimidation and harassment.

As our business makes the transition to a clean energy future, we want to be more closely connected with our customers and to be a good corporate citizen. It is important to us that our employees are engaged members of their communities because they carry AEP's reputation with them wherever they go. We strongly urge our employees to uphold our values beyond the workplace by always acting with integrity.

ENTERPRISE SECURITY

Like all major infrastructure, the nation's power grid is subject to an array of threats, from naturally caused phenomena such as extreme weather to vandalism, terrorism and insider risks that jeopardize reliability, safety and data security. The stakes are high; our response to an event affects our customers, our reputation and the reliability of the power grid.

Growing risk from third-party products and services has prompted new regulations to protect the grid's resilience and reliability. As threats become more sophisticated and massive breaches occur, it is a constant challenge to achieve the

appropriate level of risk management. Our comprehensive security strategy – known as “Defense in Depth” – assumes a broader range of possibilities such as physical theft, unauthorized access to data and incidental threats that do not specifically target protected systems or assets.

We continue to incorporate cyber and physical security risks into our enterprise risk management framework. This provides a more comprehensive approach to understanding these risks in relation to other enterprise risks. It also allows us to make security decisions based on the level of risk, as well as our priorities and resources.

In May 2018, AEP Ohio awarded The Ohio State University a \$250,000 grant to fund research on cyber-resilient power grids. The research is being done through OSU’s Electric Power Grid Research Group, which is focused on electric power distribution networks to make electricity supply more reliable, secure, energy efficient and environmentally friendly.



AEP’s Defense in Depth approach to cyber and physical security allows us to deal with threats in real time. These strategies include monitoring, alerting and emergency response; employee education; forensic analysis; disaster recovery; and criminal activity reporting.

Cyber & Physical Security

New threats and security risks to the electric power grid are constantly emerging as we continue to connect a greater variety of web-connected devices, also referred to as the Internet of Things (IoT). This includes sensors, routers, drones and smart devices that are essential to a modern grid, 24/7 business transactions and data transfers. New mobile apps and services that we develop or buy for customers and our own increasing reliance on cloud-based programs increases external connectivity to our network, creating new entry points for potential attackers and posing new challenges for grid security. It is up to each utility to be prepared to contain and minimize the consequences of cyber and physical security incidents.

We recognize that technology is rapidly changing and that we have to keep pace to stay relevant with customers, modernize the grid and become more efficient in our work. But the fact remains that the growth of smart energy devices, which are increasingly decentralized and interconnected, creates more entry points for threats to cause harm. Breaches can come from anywhere, even a trusted contractor connecting to the AEP network. We’ve put a new security access program in place to monitor and manage these connections while providing controlled access that allows us to get our work done. And, we have a new procurement policy prohibiting the purchase of anything that requires connecting to the network without first following steps to protect the system. We are proactively considering possible ways attackers could breach our systems, and we are preparing for recovery if a breach occurs, through policies, procedures and technology, as well as educating our workforce about the growing threat.

AEP learns from and takes actions based on real-world events that occur. Our Defense in Depth approach to cyber and physical security allows us to deal with threats in real time. These strategies include monitoring, alerting and emergency response; employee education; forensic analysis; disaster recovery; and criminal activity reporting. We also maintain critical partnerships with the public sector, peers and other industries. Through rapid notification and response when attacks and disasters are underway, we can reduce the impacts of cyberattacks and avoid or mitigate the damage before the full effect of the threat is realized.

In 2018, AEP established a working group to vet IoT technology to further strengthen our defenses against cyber risks. Our goal is to align business units with consistent processes and policies to ensure security across the enterprise.

The AEP Foundation awarded Louisiana Tech University a \$1 million grant in 2018 to support a new cyber and academic center in Bossier City, La. The new Academic Success Center located inside Bossier Parish Community College STEM Building in the National Cyber Research Park will enable enhanced educational services, provide cyber education and research, support economic development and engage in workforce development activities. This investment will help to increase opportunities for students to pursue cyber careers and strengthen the future workforce in this high demand field.

Drones have great potential to improve efficiency and safety but can also pose physical and cyber risk. AEP is seeking to develop consistent processes and policies for drone usage. In 2018, AEP developed a new Drone Governance Team to identify and implement recommendations that enhance the coordination of AEP's drone operations.

Security Policy Management

The cyber and physical security of the bulk electric system (BES) is regulated by the federal government through the North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection (CIP) Reliability Standards. We are routinely audited for compliance with federal standards in both cyber and physical security. In addition, the Board of Directors' Audit Committee reviews our cyber and physical security efforts, which also are reviewed annually with the full Board.

To ensure our security controls are comprehensive, effective and in compliance with regulatory requirements, we have established a robust, collaborative security policy management program that aligns with the National Institute of Standards and Technology (NIST) Cybersecurity Framework. Our resulting policies and standards are jointly developed with AEP's business areas, through the Enterprise Security Advisory Council, to maximize adoption and implementation of standard controls, thereby reducing security risk to AEP.

We classify all BES facilities based on their criticality to determine the level of physical security needed. This approach allows us to design security controls for new infrastructure from the start, building the costs into capital projects as needed. It also allows us to be more proactive with new and existing infrastructure while balancing risks with mitigation solutions.

Security Training

Our most important partner in protecting AEP's cyber and physical security is our people. AEP's Security Awareness program reduces risk by promoting security best practices and providing awareness education to our employees and contractors. The success of our program depends on constant communication and reinforcement. Our goal is to protect AEP's assets and information, enable the business to work securely and efficiently, and educate employees and contractors about their responsibility to keep AEP secure.

We provide annual training on enterprise security, including regulatory compliance. We use web-based training programs, newsletters, articles, security alerts and road shows to engage employees and contractors. In 2018, we also conducted phishing email tests and shared security trends and initiatives with employees and contractors. Our training covers a wide variety of topics such as policies and standards, domestic violence, workplace aggression, personally identifiable information (PII), password protection, phishing and active shooter situations. We focus on current security topics, such as techniques for identifying phishing emails, classifying data and protecting personal devices against new vulnerabilities. Our Security Ambassadors help educate project teams and business units on the risks introduced by new initiatives and help them identify ways to reduce risk.

Physical threats to our electric infrastructure could target our people, office buildings and substations. Our priorities for physical security are workplace aggression, threats and attacks by customers against employees, attacks on substations, and vandalism/copper theft. We address these priorities through training, access control at our facilities and the use of technology where appropriate. Learn more about our [employee training for workplace aggression](#).

Supply Chain Security

In 2018, we initiated a two-year project to assess the security risks posed by third party vendors. By evaluating their security controls through a series of questionnaires and on-site assessments, we seek to mitigate AEP's exposure to excessive risk. We've also added a new set of security requirements to all primary contracts.

In addition, FERC has approved new mandatory reliability standards to protect the BES from cybersecurity risks in the supply chain. The new and revised standards take effect in June 2020. We have already begun the process of gathering information and planning for compliance. Our plan is to achieve full compliance when the rules take effect.

As technology evolves, more and more devices are participating in cloud computing. While the cloud opens new opportunities, we must mitigate the additional cybersecurity risks that come with it. We recognize the role of cloud technology, and we continually work with cloud vendors to secure the solutions they provide that connect to our systems. As this area evolves, we'll continue to identify and assess risks as we invest in our technology infrastructure.

ENTERPRISE RISK & RESILIENCY

AEP's Enterprise Risk & Resiliency team works with business units and operating companies to proactively identify and mitigate risks, and to respond to and recover from disruptive events. With the collaboration between the Enterprise and Operational Risk teams, the Enterprise Business Continuity Resilience (EBCR) team and the Crisis Response team, AEP is able to see the full picture of a hazardous or threat event.

The team is continuously looking for strategic, financial, operational and regulatory risks across the enterprise, and working with the business units and operating companies to apply our risk management framework. This is the process we use to identify risks, assess the risks and controls, plan mitigation strategies and monitor risks. This process informs and prioritizes asset replacement strategies and enables us to make risk-based investment management decisions.

AEP'S RISK MANAGEMENT PROCESS



AEP's EBCR team provides support to the business units and operating companies for planning, preparation and related activities. This support ensures our organization's critical business functions and core assets – our people, equipment, technology, facilities and vendors – will either continue to operate in the event of an emergency, or be recovered to operational status within a defined timeframe.

Business continuity planning prepares the enterprise when an event happens that disrupts our operations. The threat of a cyber or physical attack or workplace-related incident is a risk for AEP, as are many other events that could interrupt

business operations in one or all of our facilities.

In 2018, our Cyber Attack Resiliency Program focused on protecting AEP's data from a data destruction event, created operational strategies to sustain the business through an extended business disruption and tested the response and recovery through an enterprise tabletop exercise.

In addition, in 2018, construction began on AEP's backup data center. This data center will replace our current disaster recovery center. The 10,000-square-foot space is expected to be fully operational by 2020 and will serve as the backup data center for disaster recovery while providing flexibility for business-critical applications and greater resiliency. AEP's Crisis Response team drives emergency management planning and preparedness that provides a coordinated and standardized approach to responding to emergencies. This team is responsible for maintaining and exercising AEP's enterprise-wide emergency oversight structure, which includes roles and responsibilities for all levels of leadership and each specific response plan.

Significant environmental, social, and governance (ESG) issues, including climate change impacts, are identified and assessed, and mitigation plans are developed through AEP's enterprise risk management process. In 2019, we identified ESG and wildfires as additional risks we are monitoring.

As we have seen through recent events in California, wildfires can represent a serious risk to the electric grid and surrounding areas. AEP has evaluated and will continue to evaluate as part of its ongoing enterprise risk management function the risk of wildfires to its system. To the extent that significant risks are identified, the company will appropriately assess and mitigate these risks as it does other enterprise level risks. In addition, the Edison Electric Institute (EEI) has launched a new CEO-led task force to address the growing threat of wildfires to the power sector, and AEP is participating in this ongoing effort.

We have an obligation to maintain reliable service while keeping our customers and our employees safe. We test our plans to continuously improve our ability to effectively respond and recover in the event of an emergency.

Data Privacy and Protection

AEP collects a significant amount of personal data from customers, employees and business partners. When they share information with us, we have a responsibility to protect it. AEP's Personally Identifiable Information (PII) Data Protection Program seeks to protect and secure the personal data we maintain.

For example, outbound emails containing PII are encrypted or blocked if they are not. We also ask PII owners to confirm they need the data and that it is properly protected. We also use a Personal Data Portal that allows PII to be securely transferred into AEP when new contractors come onboard, including information that was historically transmitted via email or telephone.

Another way we are protecting the data we collect is to classify it based on its sensitivity. In early 2019, we deployed a data classification tool to make it easier for employees to properly classify data before sharing it. This helps us to strengthen our data protection program and is a part of our ongoing efforts to build an industry-leading cyber security program.

AEP continues to advance our data loss prevention program, bolstered significantly by the new data classification tool. We are expanding our focus to prevent the unsecured transmission of other sensitive information, the loss of which can have significant regulatory compliance ramifications. Alerts generated from the data loss prevention tools result in comprehensive response and correction measures, and generate prompts to employees informing them of the appropriate methods of securely transferring sensitive information to external parties.

We are organizing a formal, enterprise-wide data privacy program to weave together our privacy risks, customer data monitoring and protection, and controls to prevent the unauthorized loss or misuse of customer data. While we have had customer data privacy disciplines within the company for years, they have been isolated within each operating company and business unit without a methodology to ensure that privacy practices are not only effective but also consistent across our business and evaluated regularly for improvement opportunities.

To support this, we formed a data governance program focused on defining and sustaining the trustworthiness and "fitness-for-purpose" of data. In the first year of operation, we created governing bodies in three lines of business that are accountable for decision making, priority setting and resource allocation. In addition, data governance and data stewardship roles and activities were formalized through policies, standards, and the addition of tools and technologies

for data quality assessment and management. Through this program, we will better understand where data is located and develop methodologies to improve how we manage data across the enterprise.



AEP'S STRATEGY FOR A SUSTAINABLE FUTURE

Our strategy for a sustainable future is to ensure that the production and delivery of energy enables positive social and economic change for our customers, employees and communities as we collaboratively shape our future. This is grounded by our culture of safety, continuous improvement and customer focus. We commit to aggressively support economic development, develop innovative solutions, champion education and make smart infrastructure investments that power our communities and improve lives.



In 2018, AEP was added to the Nasdaq CRD Global Sustainability Index, one of the leading Global Sustainability Indexes.

[Learn more](#)

OUR COMMITMENT TO STAKEHOLDER ENGAGEMENT

Our engagement efforts are integral to the success of our strategy for a clean energy future. Through our commitment to transparency, engagement, candor and honesty we have seen relationships with our stakeholders transform and become more collaborative. We believe strong relationships create better partnerships to address issues that can influence or shape our business future.

[Learn more](#)



SUSTAINABILITY GOALS

In 2018, AEP publicly announced our Corporate Sustainability Goals in parallel with our carbon reduction goals. View the progress made toward our goals.



ABOUT THIS REPORT

The 2019 Corporate Accountability Report marks AEP's 13th year of reporting on our environmental, social and economic performance. Download a PDF version of this report.



PERFORMANCE SUMMARY

AEP is committed to reporting on our sustainability performance. View AEP's 2018 environmental, social and economic performance.

[Learn more](#)

[Learn more](#)

[Learn more](#)

DISCLOSURE & TRANSPARENCY

Our investors, business partners, suppliers, capital providers, customers and employees increasingly want to know about the direct impacts AEP's business has on broader environmental, social and governance (ESG) issues. Because sustainability encompasses a wide range of ESG actions and issues, our integrated reporting is one way we demonstrate the connections between financial and nonfinancial performance, as well as our commitment to transparency.

[Learn more](#)

AEP's Sustainability Strategy

In 2018, AEP developed a Corporate Sustainability Strategy that is aligned with AEP's 2023 Strategy. The purpose of this strategy is to guide our efforts over the next three to five years as we look to drive customer value, boost employee engagement, drive innovation, encourage agility, inform our future strategy and manage risks while enhancing our brand and reputation.

Our Sustainability Strategy has three main focus areas:



Engagement: Engage diverse stakeholders who are material to our business, involving internal business units as appropriate, in order to manage risk and capture emerging opportunities.



Transparency: Proactively share data and information about AEP's goals, performance and strategy to demonstrate that we are listening and responding to stakeholder concerns, needs and aspirations.



Integration: Integrate sustainability into strategy, governance, and operations in order to drive shared value for our business and society.

For more information about our sustainability strategy, please read AEP's Corporate Sustainability Strategic Plan.

MATERIAL SUSTAINABILITY ISSUES

Reporting on AEP's non-financial performance is as important as reporting on our financial performance. Our investors, business partners, suppliers, capital providers, customers and employees increasingly want to know about the direct impacts of AEP's businesses, as well as broader environmental, social and governance (ESG) issues and trends. As stakeholders demand deeper levels of transparency, the evolution of corporate sustainability disclosure and reporting has become more detailed and complex. Because sustainability encompasses a wide range of ESG actions and issues, our integrated reporting is one way we demonstrate the connections between financial and nonfinancial performance, as well as our commitment to transparency. AEP has been reporting in this way for more than a decade.

AEP has a robust process for determining material sustainability issues and disclosure. This process ensures we are listening to our stakeholders and addressing issues that are most relevant for our business, as well as choosing the best approach for what we report. AEP defines material sustainability issues as those that reflect our most relevant economic, environmental and social impacts and contributions

because they can:

1. have a significant impact on the company’s finances and/or operations;
2. have or may have significant impact on the environment or society now or in the future; and/or
3. substantially influence the assessments, decisions and actions of our stakeholders.

In 2017, we leveraged Datamaran’s Materiality Analysis tool – a business intelligence tool that uses big data and artificial intelligence to conduct real-time materiality assessments. This tool enabled us to identify and prioritize the ESG impacts, risks and opportunities most important to internal and external stakeholders by analyzing a universe of sources such as corporate reports, global regulations and initiatives, social media and online news. Internal and external stakeholders then completed a survey to validate the universe of issues.

Through the materiality assessment, our internal stakeholders identified Workforce Safety & Health, Data/Cyber Security and a Clean Energy Transition strategy as most important, while external stakeholders see Energy Efficiency, Stakeholder Dialogue & Engagement and Climate Change Strategy as most material. Important to all stakeholders is our commitment to addressing climate change and executing a strategy to transform our business for a clean energy future. We continue to view these topics as material in 2019, and we are making progress on their associated goals and strategies linked to operations and financial performance measurement.

We also take an industry view of priority issues through the Electric Power Research Institute (EPRI), with which we participated in publishing its second report on [Priority Sustainability Issues for the North American Electric Power Industry](#) in 2017.

AEP’s Priority Sustainability Issues

Sustainability Pillar	Issues
Environmental	Air Emissions Clean Energy Transition Energy Efficiency Energy Reliability and Resilience Environmental Performance Greenhouse Gas Emissions Sustainable Procurement Practices Waste Water
Social	Employee Safety and Health Engagement and Collaboration Job Satisfaction Public Safety and Health
Economic	Community Support and Economic Development Economic Viability of Electric Utilities Energy Reliability Energy Affordability Skilled Workforce Availability

STAKEHOLDER ENGAGEMENT

Now, more than ever, our stakeholders want a voice in determining the future of energy and our company. These stakeholders include our employees, our customers, our investors and the communities in which we operate. We also engage “shapeholders” – those who don’t have a direct stake in our success, but exert significant influence over our

business. These include industry groups, policymakers, consumer advocates, professional associations, non-governmental organizations (NGOs), thought leaders, utility peers, and the media.

When we talk to our stakeholders about sustainable electricity, they ask us about resource diversity, advanced technologies that enable energy efficiency, distributed resources, and regulations and public policies that could affect future operations or investments. They also want to know our plan for smart, modern infrastructure that informs and empowers customers and creates a more resilient and robust system. Across the board, the question we are asked most frequently is whether we are sufficiently prepared for the transition to a cleaner energy economy.

Strategic Priorities for Sustainable Engagement

Our Purpose:

Inspire and engage our stakeholders to co-create a sustainable energy future and make a positive difference.

Customers	Improve our ability to partner with sustainability-oriented customers to meet their needs, prevent disintermediation and promote regulatory and policy changes that support a cleaner energy future.
Employees	Engage and empower our people to lead the future of sustainability at AEP to attract and retain the best talent and succeed in our transformation journey.
Investors	Leverage sustainability to position AEP as an attractive investment, and prevent divestment.
NGOs	Strengthen NGO-AEP relationships and continue to raise awareness internally about NGO activities to capitalize on collaboration opportunities.
Communities	Strengthen our brand and stakeholder relationships locally to build support for infrastructure investments and new programs and services.
Policymakers	Proactively engage policymakers to enable our clean energy strategy.

Customers

AEP’s customer-centric culture includes a commitment to better anticipating and serving their needs. By engaging with our customers, we can identify energy solutions that help them save money, use energy more efficiently, and achieve their own energy and sustainability goals. Customers are also an important voice to bring into the conversation with policymakers, as we design and seek approval for investments to realize a cleaner energy future and advance innovation and technology.

In May 2018, we convened a customer meeting featuring a two-way dialogue about potential solutions to enhance the customer experience. We not only strengthened our relationships with customers, but also learned about the issues they care about most. Additionally, we met with customers at the Renewable Energy Buyers Alliance and through our work with the World Resources Institute’s (WRI) Clean Power Council. These interactions focused on opportunities for co-creating solutions to meet customers’ business needs. Many customers share AEP’s vision for a clean energy future and have goals for carbon reduction and renewable energy, and they are looking to us to help them meet their goals.

To deliver solutions that meet customers’ needs, we are leveraging both our regulated and competitive businesses. We bring our whole team to the table, recognizing that being flexible can mean the difference between a satisfied customer and a missed opportunity. This gives us greater flexibility to deliver on customer expectations. For example, several large customers contacted AEP after hearing of our new carbon reduction goals. They wanted to learn more about potential opportunities to work together since they have similar goals.

In addition, we are actively engaged with the Edison Electric Institute’s (EEI) Customer Solutions Advisory Group, which meets with large customers regularly to understand their concerns and issues and collaborate on solutions. The group is

made up of EEI utility members and large commercial and industrial customers. One pain point identified through both the EEI group and the Clean Power Council is the need for timely greenhouse gas emissions data to help customers more accurately calculate their carbon footprint. EEI and WRI have teamed up to develop a template for providing customers this data, which will be piloted in 2019. AEP is also working to make it easier for customers to gain access to more timely information.

Communities

From hosting open houses and gathering public input about new transmission projects to developing a resource plan that meets a community's energy and capacity needs, AEP is committed to being open, accessible, honest and responsive. To us, it's all about relationships. Community and landowner involvement is very important to AEP where significant investment in critical electric infrastructure is vital to the communities we serve.

AEP Transmission's project outreach team uses open house events, interactive project websites, visual simulation, fact sheets, direct mail and other proactive tools to gather input and work with stakeholders. This proactive approach promotes transparency and two-way communication, ensures compliance with laws and regulations, and gives directly impacted property owners and communities a voice throughout the process. In 2018, project outreach specialists supported 514 projects across AEP's system and hosted 32 community open house events. We engaged one-on-one with landowners to acquire more than 5,300 easements for transmission rights-of-way, which translates into more than 80,000 interactions with directly-involved property owners.

In late 2018, Indiana Michigan Power Company (I&M) collaborated with the City of Fort Wayne, Indiana, on the Spy Run Extended project to restore and enhance a transmission right-of-way that passes through a city park and along a greenway trail. This project was the final piece of the Powering Up Central project, one of five Powering Up Indiana projects to replace aging transmission infrastructure and improve reliability for customers. Thanks to a partnership between I&M and the City of Fort Wayne, we created environmentally balanced habitats in an important recreation area of the community.

Appalachian Power hosted five open houses to meet customers where they live and listen to their concerns and questions. About 350 customers in Logan, Beckley and Elkview, W.Va., Grundy, Va., and Kingsport, Tenn., took advantage of the meetings, where our employees provided information on a range of issues, including electric bills, service reliability and energy efficiency.

Investors

The universe of environmental, social and governance (ESG) ratings and rankings continued to expand in 2018, as did the demand for ESG-related information. Climate change, governance, risk and strategy continue to be the main focus; however, increasingly, investors are looking more closely at companies' social performance to see how they are delivering profits while making a positive contribution to society. Many institutional investors issued clear intentions to consider ESG performance in their investment decisions, demonstrating the drive for more robust disclosure and engagement.

In response to this growing interest, we've sharpened our focus on ESG and responded to 10 ESG investor-focused surveys in 2018. In addition to the surveys, AEP published a [2018 Strategic Vision for a Clean Energy Future](#) report, which is solely devoted to addressing climate-related risk management, scenario analysis and governance, as well as opportunities and challenges. This report provides significant additional disclosure on how AEP is managing its transition to a clean energy/low carbon future, as well as setting new mid- and long-term goals for carbon emission reductions.

Part of this engagement included a productive year-end meeting with a group of investors that was led by our CEO and

Lead Director of AEP's Board of Directors. During our meeting we shared our progress toward a clean energy future. The discussion was open and candid, and we agreed to continue the dialogue. We remain committed to engaging with AEP's ESG-focused investors and other interested stakeholders to understand what they expect from AEP and to inform them of our progress as we execute our strategy.

As part of its oversight role, the Board monitors climate risks and reviews opportunities that may be realized with climate change and other issues, including technology changes, renewable energy and energy efficiency. As AEP continues to transition its business, the Board works with senior management to adjust plans as needed to respond to rapid change in the industry, including technology and public policy. Management identifies and incorporates significant ESG issues, including climate change impacts, into the business strategy. We believe our ESG performance is linked to our ability to create long-term value for our shareholders.

In recognition of AEP's overall financial and nonfinancial performance and commitment to ESG, in 2018, AEP was added to the Nasdaq CRD Global Sustainability Index, one of the leading Global Sustainability Indexes. The Index measures the performance of 400 public companies executing a business strategy for shared value focused on long-term value creation, financial returns, environmental performance and positive societal impact.

AEP is also highly engaged within our industry through the Edison Electric Institute's (EEI) ESG/Sustainability reporting effort. AEP is a member of the EEI committee that created a template to provide electric industry investors with more uniform and consistent quantitative and qualitative ESG and sustainability-related metrics. This was done in collaboration with institutional investors and ESG research organizations who specialize in asset management, ESG/sustainability, investment banking, and buy-side and sell-side research. We piloted the report in 2017 and issued the first formal report in 2018. We intend to publish this report annually. In addition, the EEI ESG Committee meets twice per year with investors to check and adjust the template, ensuring it remains relevant in today's rapidly changing ESG landscape.



Non-Governmental Organizations

Our engagement efforts are integral to the success of our strategy for a clean energy future. For more than a decade, we have been engaging with various non-governmental organizations (NGOs), including environmental organizations. Through our commitment to transparency, engagement, candor and honesty we have seen these relationships transform from adversarial at times to complementary and collaborative. We believe strong relationships with NGOs create better partnerships to address issues that can influence or shape our business future.

Throughout 2018, AEP engaged with numerous NGOs to seek their feedback and educate them on several important sustainability issues. We asked them for input as we developed a new stakeholder engagement strategy, and they acknowledged the value of having access to AEP leaders and commended our commitment to engagement and transparency. AEP's sponsorship of the Electric Power Research Institute's Electrification Conference enabled several NGOs to attend and learn about the technologies, challenges and opportunities of electrification. Additionally, Ceres, Sierra Club, Environmental Defense Fund, Natural Resources Defense Council (NRDC) and Clean Air Task Force members joined AEP executives and several large customers for an in-person meeting at the conference. We also held meetings in Columbus, Ohio, with NRDC and The Nature Conservancy. In addition, we communicated with NGOs about key events, leadership changes and updates on our clean energy strategy as they occurred.

Clean Power Council

The World Resources Institute's (WRI) Clean Power Council (CPC) is a two-year collaboration composed of U.S. electric utilities and major commercial and industrial customers from the technology, manufacturing, automotive, retail and hospitality sectors. The CPC is committed to the rapid deployment of low-carbon energy supply and increased use of

beneficial electrification through innovative and mutually beneficial utility sector solutions. The main work streams for the group are to address customers' needs for GHG data as well as fleet electrification opportunities. In early 2019, WRI/CPC joined with the EEI Customers Solutions Advisory Group to address the GHG need. For more information on the CPC, please [visit the WRI website](#).

AEP'S SUSTAINABILITY GOALS

In 2018, AEP publicly announced our Corporate Sustainability Goals in parallel with our carbon reduction goals. Our sustainability goals are guided by AEP's Strategic Framework for Sustainable Development, which provides context for our core business and a roadmap to implement throughout our value chain. We support our goals with metrics and methodologies to measure performance against our business plan and across our operations.

AEP employee teams developed the goals to ensure we effectively assess and communicate the return on investment (ROI) and shared value we create for AEP and all our stakeholders. We mapped our sustainability goals to the United Nations Sustainable Development Goals (SDGs) to further demonstrate how we create shared value for our business and society. In 2020, we will begin to report on the connections between AEP's performance and the SDGs.

Specific to our carbon reduction goals, AEP has a target to reduce carbon dioxide emissions (CO₂) from our generating facilities by 60 percent by 2030 and by 80 percent by 2050 (from a 2000 baseline). To meet these targets, we are investing in cleaner energy such as wind and solar and advancing technologies to enable a smarter, more efficient power grid. We are leveraging our scale, experience and partnerships to help find new ways to better serve our customers. And we are taking part in initiatives such as the Free Electrons global energy accelerator and IlluminationLAB, which both help AEP identify innovative ideas from startup companies around the world on technologies that add value for customers.

For more information on our carbon reduction goals, please [see Carbon & Climate](#).



Corporate Sustainability Goals



Corporate Sustainability Goals

ECONOMIC IMPACT

- We strive to improve the communities we serve by helping to create employment opportunities that enhance the quality of life in and sustainability of our communities.



CUSTOMER FOCUS

- Through technology-enabled innovation and process improvements, we make it easier and more cost-effective for customers to interact with us and give them access to personalized energy solutions and services to help them better manage their energy use.



COMMUNITY BUILDING

- The engagement of AEP employees in company-led or -supported volunteer activities helps to enhance quality of life, advance and expand access to education opportunities, and create shared social and economic benefits for our customers and communities.
- Quantify the impact of AEP philanthropic giving to address STEM education and hunger and housing.



DIVERSITY & INCLUSION

- Build a diverse, high-performing workforce that reflects the communities we serve.
- Cultivate a collaborative and inclusive work environment that empowers employees and provides opportunities for advancement.
- Provide competitive access to a pool of diverse, strategic suppliers and business partners that mirror the communities we serve.



ENVIRONMENT

- Reduce carbon dioxide emissions from AEP generating units by 60 percent from 2000 levels by 2030.
- Reduce carbon dioxide emissions from AEP generating units by 80 percent from 2000 levels by 2050.



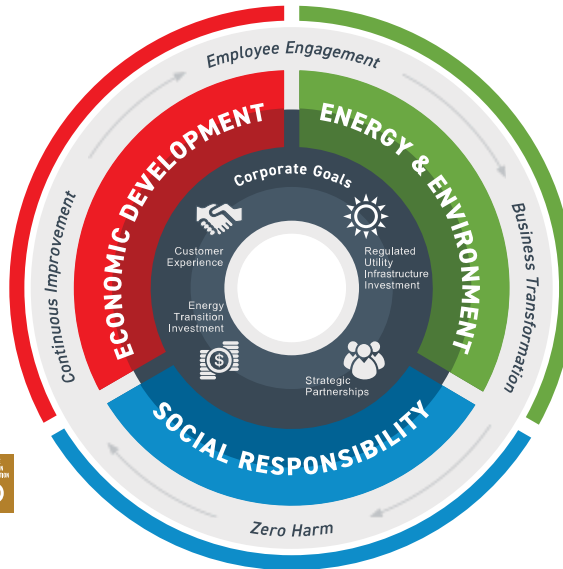
ENERGY

- Grow regulated renewables on the AEP system by approximately 8,000 MW (per integrated resource plans and pending regulatory approval), and continue expansion of competitive, contracted renewables.
- Continued investments in grid modernization to ensure reliability, resilience and security of the power system to meet our customers' needs and future energy requirements.
- Use new and innovative business models (regulated and competitive businesses) and create energy solutions and services that improve how we manage the grid's total value stream and deliver an exceptional customer experience.



WORKFORCE SAFETY & HEALTH

- Achieve Zero Harm through forward-looking safety initiatives that assess both leading and lagging indicators for risks and opportunities.
- Increase public awareness about how to stay safe around AEP energy systems and facilities, and build strong and effective partnerships to help protect the public.



AEP's Strategic Framework for Sustainable Development

Our strategy for a sustainable future is to ensure that the production and delivery of energy enables positive social and economic change for our customers, employees and communities as we collaboratively shape our future. This is grounded by our culture of safety, continuous improvement and customer focus. We commit to aggressively support economic development, develop innovative solutions, champion education and make smart infrastructure investments that power our communities and improve lives. AEP is leading by example by setting strategic performance targets and goals, and we are guided by these key principles:

- Be a catalyst for change
- Advance environmental stewardship
- Help to build strong local communities
- Develop a brighter energy future

STATEMENT OF AEP'S BOARD OF DIRECTORS

The AEP Board of Directors receives frequent reports from management about the company's sustainability initiatives and financial reporting, policy matters, and social and economic performance. These issues are the subject of active discussion at Board meetings and Board committee meetings.

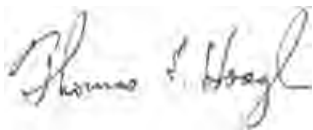
The AEP Board of Directors has assigned responsibility for overseeing the company's sustainability initiatives to the Board's Committee on Directors and Corporate Governance (the Committee). This report provides a comprehensive

account of AEP's performance, integrating financial with sustainability reporting. Stakeholders have expressed approval and appreciation for AEP's leadership with this integrated approach to corporate reporting, and the Committee fully supports this approach.

Throughout the year, the Committee and company management review and discuss AEP's sustainability initiatives in the context of environmental, social and governance (ESG) issues impacting the company. Our ability to create long-term value for our shareholders is linked to our ESG performance. This comprehensive report reflects our commitment to transparency on these issues.

The 2019 Corporate Accountability Report provides robust disclosure about AEP's 2018 performance as well as a forward look of the company's 2023 strategy. This report describes AEP's ongoing transition to a clean energy future, including progress toward achieving carbon dioxide emissions reduction goals. It also outlines how the company is driving innovation to deliver on its customer promise, improving efficiencies for operational excellence, and preparing our workforce for the future.

The Committee believes this document provides a clear presentation of the company's strategy and of its ESG performance. The Board has emphasized that management will continue to be evaluated by its success in executing the company's strategic plan, including its ability to respond to changing circumstances.



Thomas E. Hoaglin
Lead Director of the AEP Board of Directors and Chairman of the Committee on Directors and Corporate Governance
May 2019

2019 AUDIT STATEMENT

AEP Audit Services performed a limited review of select company performance statements within the 2019 AEP Corporate Accountability Report that were deemed to have reputational, financial, or compliance aspects. Financial information was reconciled with AEP's audited financial statements and other sources as deemed appropriate. Non-financial statements were substantiated with applicable source data. Forward-looking information was verified as consistent with other public information disclosed by AEP.

Based upon our limited review, we believe the performance information contained within the Report is appropriately stated, and that the processes followed in accumulating both the financial and nonfinancial information were reasonable.

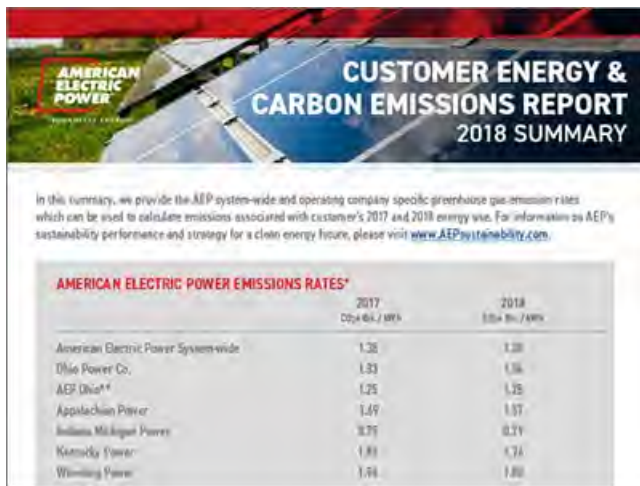


Andrew Reis
Vice President Audit Services
May 3, 2019

Customer Emissions Report

In this summary, we provide the AEP system-wide and operating company specific greenhouse gas emission rates which can be used to calculate emissions associated with customer's 2017 and 2018 energy use.

[Supplemental GHG Emissions Data](#)



[View Report](#)

EEI ESG/Sustainability Reports

AEP participates in an EEI-led stakeholder working group composed of electric companies and financial industry specialists in asset management, ESG/sustainability, investment banking, and buy-side and sell-side analysts to develop industry-focused and investor-driven ESG/sustainability reporting practices. The effort encourages voluntary reporting of ESG/sustainability information in both quantitative and qualitative formats and is the first and only industry-focused and investor-driven ESG reporting framework.

The EEI ESG/Sustainability Report template provides information in a measurable and consistent format for investors and customers to accurately assess long-term ESG/sustainability progress. Within the quantitative section, companies report sector-specific information, including data on a company's portfolio, emissions, capital expenditures and resources. The use of these universal metrics provides comparable data. The qualitative section provides an opportunity for companies to share additional information and context about their ESG/sustainability governance and strategy.

AEP's 2018 EEI ESG/Sustainability Report highlights the company's emission reductions and clean energy strategy, which is focused on modernizing the power grid, expanding renewable energy resources and delivering cost-effective, reliable energy to its customers.

[View AEP's 2018 EEI ESG/Sustainability Report](#)

GRI Reports

AEP's 2019 Corporate Accountability Report has been prepared in accordance with the GRI Standards: Core option. The GRI Standards provide a voluntary reporting framework used by organizations around the world as the basis for sustainability reporting. We are also using the Electric Utility Sector Supplement for reporting on industry-specific information.

[AEP's 2018 GRI Report](#)

[AEP's 2017 GRI Report](#)

[AEP's 2016 GRI Report](#)

[AEP's 2015 GRI Report](#)

CDP Reports

AEP's commitment to transparency includes responding annually to CDP (formerly the Carbon Disclosure Project) surveys on carbon, water and supply chain. We have been reporting to CDP for almost a decade on the carbon survey

and have participated in the water survey since it began. These surveys are important to our stakeholders, particularly investors.

CDP is an international, not-for-profit organization providing a global system for companies and cities to measure, disclose, manage and share vital environmental information. To ensure easy access to our responses for our stakeholders, we are providing a three-year archive of our CDP reports.

2018:

[Carbon Disclosure Project – AEP’s 2018 Response \(PDF\)](#)

[CDP Water Disclosure Project – AEP’s 2018 Response \(PDF\)](#)

2017:

[Carbon Disclosure Project – AEP’s 2017 Response \(PDF\)](#)

[CDP Water Disclosure Project – AEP’s 2017 Response \(PDF\)](#)

[CDP Supply Chain Disclosure Project – AEP’s 2017 Response \(PDF\)](#)

2016:

[Carbon Disclosure Project – AEP’s 2016 Response \(PDF\)](#)

[CDP Water Disclosure Project – AEP’s 2016 Response \(PDF\)](#)

[CDP Supply Chain Disclosure Project – AEP’s 2016 Response \(PDF\)](#)

PERFORMANCE SUMMARY

At AEP, we understand the importance of providing clear, accurate and consistent data and information in a timely manner. AEP's Performance Summary and Sustainability Goals section of this report, reflects our commitment to transparency by proactively sharing data and information about our sustainability goals, strategy and environmental, social and economic performance. This demonstrates that we are listening to our stakeholders and addressing issues that are most relevant for our business.



Environmental Performance

Emissions

	2016	2017	2018
CO ₂ (Metric Tons)	93,460,481	72,344,128	68,732,609
Mercury (lbs)	675	432	417
SO ₂ (US Tons)	99,443	75,677	68,646
NO _x (US Tons)	65,118	52,490	49,915

Waste

	2016	2017	2018
Total Coal Combustion Products Generated (Tons)	8,660,027	6,240,397	4,846,451
Total Coal Combustion Products Diverted from Landfill (Tons)	2,866,085	2,556,315	3,730,803

Water

	2016	2017	2018
Total Water Consumption (Million Gallons per day)	197.88	157.61	132.10
Freshwater Withdrawal (Million Gallons per day)	4,970.00	4,914.53	4,172.84

Energy Efficiency

	2016	2017	2018
Incremental Annual Electricity Savings (MWh)	1,055,046	1,032,000	1,022,257
Avoided CO ₂ Emissions (Metric Tons)	-	886,000	525,189

Social Performance

Safety & Health

	2016	2017	2018
Employee and Contractor Days Away, Restricted or Job Transfer Cases (DART rate)	0.542	0.507	0.446
Employee Fatalities	4	2	1
Public Fatalities	11	5	6

Leadership Diversity

	2016	2017	2018
Total Number of Employees	17,701	17,666	17,582
Total Number on Board of Directors/Trustees	12	12	12
Total Women on Board of Directors/Trustees	3	3	3
Total Minorities on Board of Directors/Trustees	2	2	2

Economic Performance

Economic Impact

	2016	2017	2018
Total Annual Capital Expenditures (nominal dollars)	\$4,934 Million	\$6,045 Million	\$5,964 Million
Economic Development Contributions	\$6,800,000	\$621,000	\$1,323,038
Jobs Supported by AEP's Economic and Business Development Efforts	18,000	18,000	14,700
Wages, Incentives and Fringe Benefits	\$2.3 Billion	\$2.3 Billion	\$2.3 Billion
Charitable Giving	\$20.9 Million	\$16.8 Million	\$25.5 Million
Local Taxes	\$750 Million	\$817 Million	\$827 Million
State Taxes	\$349 Million	\$353 Million	\$339 Million
Federal Taxes	\$141 Million	\$198 Million	\$80 Million

Supply Chain

	2016	2017	2018
Total Supplier Spend	\$6.2 Billion	\$7 Billion	\$6.9 Billion
Local Based Supplier Spend	\$3 Billion	\$3.1 Billion	\$3.4 Billion
Small Business Spend	-	-	\$971 Million
Diverse Supplier Spend	-	-	\$365 Million



CLIMATE CHANGE

For more than a decade, AEP has engaged various stakeholders on the impacts, risks and opportunities associated with climate change. Today, AEP's transition to a clean energy economy is making good progress as the path forward begins to come into sharper focus. We are achieving carbon dioxide (CO₂) emissions reductions on pace with our goals for 2030 and 2050. In 2018, AEP's CO₂ emissions were approximately 59 percent lower from a 2000 baseline.

[Learn more](#)



MANAGING CLIMATE RISK

In our *Strategic Vision for a Clean Energy Future* report we outlined our risk management process, which includes executive management and board oversight for climate risk. We agree that climate change is a significant issue facing AEP and other companies, and it is one of many material issues for which we manage and plan. We have a robust enterprise risk management process to do this.

[Learn more](#)



WATER

Water is an increasingly important sustainability issue for society and our company. We have a responsibility to manage this resource to mitigate our impacts and reduce consumption where we can.

[Learn more](#)



WASTE

AEP remains committed to diverting waste from landfills through beneficial reuse or recycling to minimize our environmental impacts.

[Learn more](#)



CONSERVATION

As stewards of the ecological richness of our geographies, we remain committed to protecting the habitats in which we live and operate by taking the necessary steps to ensure wildlife protection.

[Learn more](#)

ENVIRONMENTAL PERFORMANCE

Our commitment to operational excellence includes complying with all applicable environmental regulations and being good stewards of natural resources. To help us achieve the level of excellence we strive for, we push ourselves toward prevention, accountability, engagement and continuous improvement.

[Learn more](#)

CLIMATE CHANGE

For more than a decade, AEP has engaged various stakeholders on the impacts, risks and opportunities associated with climate change. Today, AEP's transition to a clean energy economy is making good progress as the path forward begins to come into sharper focus. We are achieving carbon dioxide (CO₂) emissions reductions on pace with our goals for 2030 and 2050. In 2018, AEP's CO₂ emissions were approximately 59 percent lower from a 2000 baseline. Since we are already so close to our 2030 goal, we are reevaluating the 2030 target this year.

We review these targets annually as public policies, regulations and advancing technologies change. We view these goals and our approach to achieving them as a work in progress. As the electric power grid becomes a more efficient optimizer of resources and advanced technologies, our ability to further reduce emissions is enhanced. Through this report, stakeholders can follow our progress.

Our CO₂ emissions will continue to decline as we retire less efficient units, increase renewable energy and natural gas, invest in a more efficient and modern grid to enable greater penetration of distributed resources, and embrace new technologies that improve operational efficiencies and meet customers' needs. As we manage this transition, we are committed to going at an appropriate pace while engaging with our regulators to ensure our actions are in the public interest.

We report our efforts toward achieving our climate goals annually. We measure our progress directly as a function of our total carbon emissions (and associated percentage reduction from 2000 levels). We also measure our progress indirectly as a function of retirements of less efficient generation capacity, and the addition of cleaner energy resources to the AEP system and new technologies that increase efficiency and reduce emissions.

AEP's total carbon emissions reduced slightly in 2018 compared with 2017, which is direct progress toward our carbon reduction goals. Indirect progress towards our carbon goals was also made in 2018 with the retirement of the coal-fired Stuart plant, of which AEP was a minority owner. Additionally, we announced the future closure of two coal-fueled facilities by the end of 2020 for economic reasons – the Oklaunion plant in Texas and Conesville plant in Ohio. The closure of these facilities will result in further carbon reductions going forward as they cease to generate emissions. AEP's renewable portfolio continued to grow in 2018, increasing the carbon-free energy serving customers.

AEP recognizes, with the measures we have already taken to reduce our carbon footprint, we still have important work to do in this area. However, we remain confident in our strategy and resource planning process to guide our journey and achieve our carbon reduction goals.

Managing Climate Risk

In our 2018 report, "[American Electric Power: Strategic Vision for a Clean Energy Future](#)," we outlined our risk management process, which includes executive management and board oversight for climate risk. We agree that climate change is a significant issue facing AEP and other companies, and it is one of many material issues for which we manage and plan. We have a robust enterprise risk management process to do this, and in 2019, climate change was formally added to AEP's enterprise risk "watch" list.

As part of our ongoing dialogue with stakeholders, particularly investors, we often get asked about climate risk and oversight. AEP's 2018 clean energy report has helped guide stakeholders on our overall process, but subsequent

conversations have identified additional opportunities for disclosure. For instance, we have received questions about AEP’s board expertise in climate change.

Our board is elected based on providing a diverse mix of viewpoints, skills and experiences relevant to managing a large corporation. Relevant experience to the board in addressing climate impacts comes from managing long-term changes in investment strategy, operations and technology use, in which our board has considerable expertise.

The Board’s Committee on Directors and Corporate Governance receives updates at every regular meeting about AEP’s environmental performance. In addition, the Board’s Policy Committee (which comprises the entire Board) invites speakers to share varying viewpoints on a wide variety of topics. In 2019, the Board heard from an outside climate change expert.

Each year, the board’s lead director conducts outreach to AEP’s largest institutional investors. In 2018, about a dozen shareholders requested meetings. Environmental, social and governance (ESG) issues, including climate risk, were discussed with nearly all of them.

At AEP, employee incentive compensation is tied to our environmental performance and our clean energy transition. For example, 9 percent of annual incentive compensation is tied to performance related to investing in infrastructure for the benefits of our customers, including transmission investments and increasing renewables in our portfolio.

We have new renewable options we are pursuing in 2019, including wind projects with Public Service Company of Oklahoma and Southwestern Electric Power Company and solar projects in AEP Ohio and Appalachian Power. In addition, we are investing \$2.2 billion in contracted renewables by 2023, which was accelerated in 2019 with the acquisition of Semptra Renewables.

Significant environmental, social, and governance issues, including climate change impacts are identified and assessed, and mitigation plans are developed through AEP’s enterprise risk management process.

RISK ANALYSIS: VIEWING RISKS THROUGH LENSES

Consistent, transparent, repeatable process for risk management. Six impact categories to evaluate consequences of a risk event.



Range of potential consequences (levels 1-7) in each category:



Climate Opportunities

While climate change is often framed as a risk for electric utilities, there are distinct opportunities provided by the potential pathways for carbon reductions. Many sectors of the economy face potentially higher costs to achieve emissions reductions. Electrification can provide a pathway for carbon reductions that is more cost-effective and achieves the significant emission reductions our customers and society want.

Beneficial electrification allows AEP to invest capital in assets to serve the incremental load on the system. This investment provides a return for AEP shareholders while giving customers access to environmentally beneficial technology, as well as clean sources of energy. Additionally, when customer usage grows, we can spread the cost of fixed investments over a broader base of customers. This helps reduce customer charges per kilowatt-hour (kWh), providing an

economic benefit to all customers.

Electric transportation is the biggest opportunity for electrification. Today, transportation is the largest contributor to U.S. carbon emissions. However, transportation is becoming increasingly electrified as more consumers purchase electric vehicles (EVs), helping to reduce CO₂ emissions from this sector. AEP will continue to support electric vehicle adoption through investments in charging infrastructure, offering charging options that lower customer costs and optimize the efficiency of the grid, as well as advocating for sensible public policy in this space. We have deployed a network of vehicle charging stations at our own facilities, and our network now represents one of the few large corporate workplace EV infrastructure deployments in the U.S. AEP has also been [marketing other electrification opportunities](#), with the potential to make emission reductions in other sectors.

Opportunities to invest in low-emission technologies and earn a return on equity for our shareholders is another potential avenue of growth as we address climate risk. Renewable technologies such as wind and solar are especially attractive to investors and customers because they are mainly capital investments. Most of the cost of electricity is tied to the capital investment, which provides universal access to clean energy for all customers while enhancing earning opportunity for shareholders. For example, coal and natural gas plants have fuel costs that are passed through to customers. Investing in renewables benefits customers in that they become insulated from unpredictable fuel costs over time because there is no direct fuel cost associated with renewables. This has a positive impact on customers in the form of more stable bills.

Scenario Analysis

Stakeholders are increasingly asking companies to analyze potential risks associated with climate change consistent with international goals to limit global warming to 2 degrees Celsius (and potentially 1.5 degrees Celsius). AEP has also received requests to conduct scenario analyses consistent with these global targets. This is a complex process, especially when there are so many differing recommendations, methodologies and tools for doing it. In 2018, AEP joined a research study with the Electric Power Research Institute (EPRI) to better understand current scientific knowledge of climate policy scenario analysis and how it might apply to our own analysis.

The [EPRI study](#) evaluated the relationship between global temperature goals and a company to identify pathways for reducing emissions. The findings provided clarity of the fact that this is a process laden with many different pathways to choose from. AEP has not conducted a 2-degree analysis because we believe the uncertainties – from new and unknown technologies and other externalities – are so significant that they would make AEP's analysis of many of the proposed recommendations misguided. It would also undermine our credibility and be costly for customers and shareholders if the wrong pathway were to be unknowingly chosen.

AEP is a large and diversified energy provider that faces a multitude of potential challenges, risks and opportunities that could have implications on our business model. Our current business model includes electric distribution, transmission and generation. Generation has increasingly become a smaller share of our capital investment and asset base over time due to unit retirements and asset divestitures. Therefore, modeling scenarios relating solely to climate policy objectives (and the associated effect on generation choices) do little to inform our overall business strategy.

Changes in regulation, technology, economic growth and customer preferences have been present throughout AEP's history and will continue to provide uncertainty in business planning and strategy going forward. To explore different outcomes, AEP does review and test planning assumptions through the use of informative scenarios that encompass all relevant factors that may influence our operations in the future, including technology, public policy, regulation, market shifts and customer preferences.

AEP's generation portfolio is modeled through the Integrated Resource Planning (IRP) process, which looks at portfolios of energy and capacity that can be used to serve customer demands in the future. These are evaluated under a range of assumptions, most notably changes in potential carbon regulation and fuel costs. The current IRPs show an increased reliance on renewable energy and decreased reliance on coal. While we did not conduct a specific 2-degree analysis, these plans led AEP to establish a 2050 goal for carbon reduction, which we believe is consistent with plausible emission pathways toward achieving a 2-degree climate future.

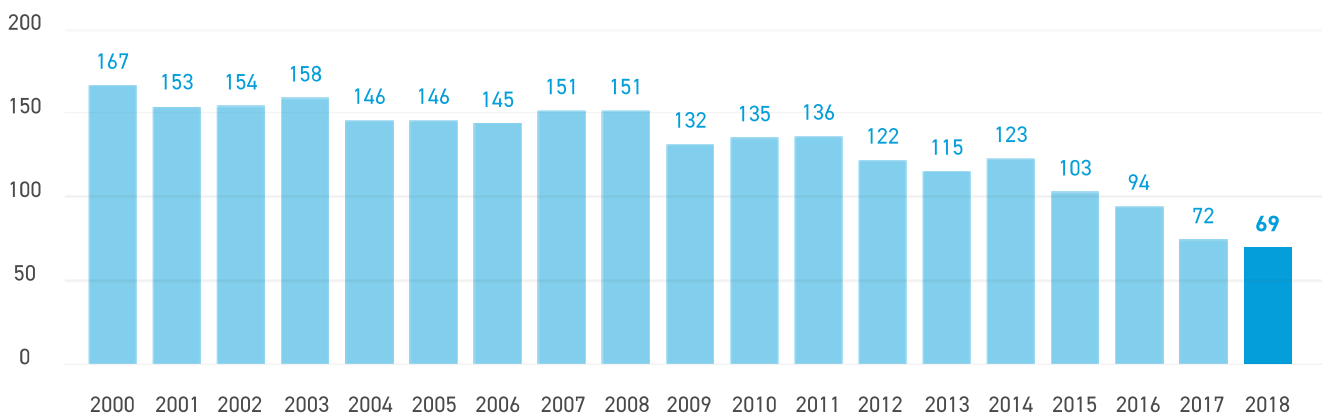
Environmental Public Policy and Regulation

Several significant developments occurred in 2018 relating to carbon regulation of the electric sector. In August 2018, the U.S. Environmental Protection Agency (EPA) proposed the Affordable Clean Energy (ACE) rule to replace the Clean Power Plan with new emission guidelines for regulating CO₂ from existing sources. ACE would establish a framework for states to adopt standards of performance for utility boilers based on heat rate improvements for those boilers. In December 2018, the EPA filed a proposed rule revising the standards for new sources and determined that partial carbon capture and storage is not the best system of emissions reduction because it is not available throughout the U.S. and is not cost-effective.

We actively monitor these rulemakings and generally support both rules, as we believe they are more consistent with the language of the Clean Air Act than what was proposed in previous rulemakings. As the rules are both still in the proposal stage, it is unclear what the final rules may dictate or what may be the ultimate impact on AEP, its emissions or customer costs.

AEP believes that the existing Clean Air Act is an ineffective vehicle to regulate carbon emissions. We have long maintained an economy-wide legislative approach to address carbon is the preferred route for climate action. A legislative approach would allow for proper consideration of costs, benefits, rate of emissions reductions, incentives for technology development and all associated economic impacts with input from all stakeholders. With a new Congress in 2019, a variety of legislative solutions are likely to be discussed and debated, including, but not limited to, renewable mandates and carbon taxes. AEP will remain engaged in the climate policy debate to address the interests of customers, investors and policymakers.

TOTAL AEP SYSTEM – ANNUAL CO₂ EMISSIONS in million metric tons



Direct CO₂ emissions from AEP's ownership share of generation as reported under Title IV of the 1990 Clean Air Act.

ENVIRONMENTAL PERFORMANCE

Our commitment to operational excellence includes complying with all applicable environmental regulations and being good stewards of natural resources. To help us achieve the level of excellence we strive for, we push ourselves toward prevention, accountability, engagement and continuous improvement.

The primary federal statutes we are subject to include the Clean Air Act, Clean Water Act, Resource Conservation and Recovery Act, Endangered Species Act and Safe Drinking Water Act. Environmental regulations developed under these laws are periodically revised and it is critical that we stay current with changes to them to ensure we remain in compliance. While some regulations have an unclear path forward, there are many others that we must comply with and new ones that are still being finalized.

As the scope and stringency of environmental regulations evolve, we are faced with technical, operational and financial challenges that are common for our industry. These challenges include uncertainties with timing, scope and magnitude of future environmental regulations, which influences our decisions to upgrade or retire generating units. They also impact the

planning process for new generation and transmission projects across our industry.

Our facilities are subject to a variety of environmental, regulatory and permitting requirements at the federal, state and local levels with which we must comply. Our goal is zero – zero violations of environmental regulations or laws and zero enforcement actions. We are subject to routine environmental inspections of our facilities through scheduled and unannounced visits. During these visits, regulators inspect physical facilities and monitor our compliance with regulatory requirements, permit limits and record-keeping obligations.

Whenever agencies identify concerns, we work with them to address those issues in a timely fashion. This could include identifying and implementing any corrective measures that may be needed to mitigate future risks.



One way we check on our own compliance is through internal audits which provide additional focus on controlling risks and providing assurance.

REGULATIONS UPDATE

Mercury and Air Toxics Standards (MATS)

The final MATS Rule became effective on April 16, 2012, and required compliance by April 16, 2015. This rule currently regulates emissions of hazardous air pollutants (HAPs) from coal- and oil-fired electric generating units through emission rate limits. The rule has been subject to both judicial and regulatory review since it was finalized; AEP has been complying with the rule for several years. One of the key questions raised in the review process is how compliance costs are factored into the need for the rule.

In December 2018, the U.S. Environmental Protection Agency (EPA) released a proposed finding that the costs of reducing HAP emissions to the level in the current rule exceed the benefits of those emission reductions. The EPA also determined that there are no significant changes in control technologies and that the remaining risks associated with HAP emissions do not justify any more stringent standards. However, the agency also proposed that it would not remove the source category or alter MATS and no further reductions are necessary. AEP is generally supportive of these proposed findings as our units are in compliance and we made significant investments in emission controls to achieve compliance.

Effluent Limitation Guidelines

In November 2015, the U.S. EPA issued a final rule revising effluent limitation guidelines for electricity generating facilities. The rule establishes limits on flue gas desulfurization (FGD) wastewater, fly ash and bottom ash transport water and flue gas mercury control wastewater, to be imposed as soon as possible after November 2018 and no later than December 2023. The rule was challenged in the U.S. Court of Appeals for the Fifth Circuit and in March 2017 by industry associations, including groups AEP is part of, who filed petitions for reconsideration of the rule with EPA. The agency granted those petitions and is actively working on revisions to the requirements for FGD wastewater and bottom ash transport water.

In the interim, a final rule revising the compliance deadlines for FGD wastewater and bottom ash transport water to be no earlier than 2020 was issued in September 2017. A draft rule regarding FGD wastewater and bottom ash transport water is anticipated by May or June 2019, with a final rule to be issued by December 2019. We have actively engaged with the EPA during this rulemaking to ensure the agency has the best technical and cost information as it makes decisions on possible changes.

Waters of the United States

In December 2018, the EPA and U.S. Army Corp of Engineers released a proposed rule revising the definition of “Waters of the United States” (WOTUS), which would replace the previously revised definition finalized in a 2015 rule. The term WOTUS is used in a number of environmental regulations to determine when certain federally mandated permits or

activities involving waterbodies are required. Examples that are commonly applicable to AEP's facilities and projects are:

Wastewater and/or stormwater discharge permits that are required under the National Pollutant Discharge Elimination System (NPDES) permit program,

A permit and any associated mitigation as required from the Corps of Engineers for impacts to wetlands and other waterbodies; and

When an oil spill prevention plan is required to be written and implemented under the federal spill prevention program.

The delineation of jurisdiction between federal and state responsibilities in maintaining the integrity of waterbodies is a core issue in this rulemaking. The outcome of this rulemaking will directly affect the level of permitting required for AEP projects.

Our responsibility to environmental compliance will continue for requirements that remain effective at AEP-owned properties where generating units have been retired. This includes many existing state environmental requirements, in particular those related to the management of water and coal-combustion byproducts. We continue to work closely with regulators and our local communities as we move through the decommissioning process.

We actively participate in the development of regulations at the federal, state and local levels to ensure that new requirements are achievable, based on sound science, consistent with statutory authority and balanced with other rulemakings. New requirements should also consider the cost of compliance for customers and allow sufficient time for compliance. For full disclosure on other regulations affecting AEP, please [read our 10-K](#).

CHECKS AND BALANCES

One way we check on our own compliance is through internal audits. Audits provide additional focus on controlling risks and providing assurance that robust compliance processes are developed and implemented system-wide. In 2018, we conducted internal audits of environmental programs at 49 locations.

Environmental audits reveal areas where performance related to regulatory requirements and company policies may be improved, such as recordkeeping details, inspection criteria, training topics and equipment configuration. Auditors also work to recognize practices that go beyond requirements to bring about robust and sustained compliance. Although reports are site-specific, results – including best practices – are aggregated and shared systemwide to improve performance throughout AEP.

DRIVING CONTINUOUS IMPROVEMENT

AEP's Generation business unit has long used metrics to encourage self-reporting of events and to improve environmental performance. An Environmental Performance Index (EPI) was established to set annual goals related to opacity, water discharge permits and oil and chemical spills at our generating facilities. In the past, the EPI tracked only events where we had immediate and significant control. Our incentive compensation within the Generation group is also tied to EPI performance.

In 2017, we expanded the EPI to include all reported events specific to National Pollutant Discharge Elimination System (NPDES) permit expectations and spill events. By expanding the focus to all events, we are increasing awareness on prevention, which encourages sharing as we learn and drives us to be more proactive in protecting the environment.

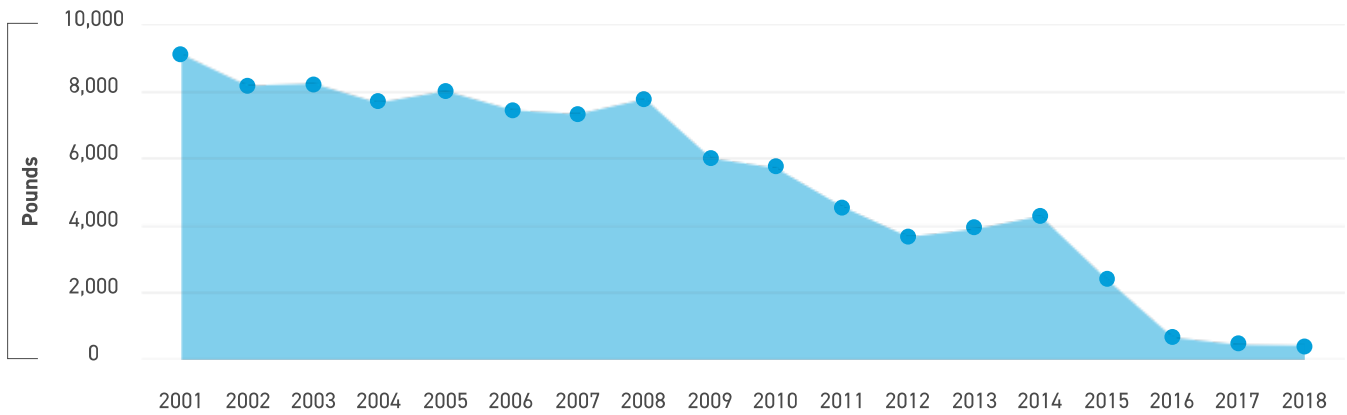
We set annual targets focusing on continuous improvement as we strive for zero enforcement actions and zero events. In addition, AEP's Generation organization instituted an Environmental Good Catch program, similar in manner to our safety and health Good Catch program. "Good Catch" is an observation or recognition of a condition that could lead to a reportable environmental event and the subsequent actions taken by employees to correct the situation to prevent the event from occurring. This demonstrates AEP's commitment to an engaging and accountable culture – using knowledge-sharing and lessons learned to prevent future non-compliance events.

Environmental compliance is a high priority for the lifecycle of every project we undertake. In our Transmission business, where a great deal of construction work is taking place, project teams must complete a mandatory environmental compliance training program. Our environmental specialists and engineers also provide support to ensure we achieve full compliance with environmental permit requirements. This is important to us as we invest approximately \$3 billion annually to modernize transmission infrastructure across the country.

EMISSIONS

AEP has made, and continues to make, significant long-term investments in environmental controls to reduce the impact of how we generate electricity. Between 2000 and 2018, AEP invested approximately \$9 billion in environmental controls that are primarily related to the Clean Air Act and have significantly reduced emissions. Since 1990, AEP reduced its annual emissions of sulfur dioxide (SO₂) and nitrogen oxide (NO_x) by approximately 96 percent and 92 percent, respectively. Since 2001, AEP reduced its annual mercury emissions by approximately 95 percent.

TOTAL AEP SYSTEM MERCURY AIR EMISSIONS

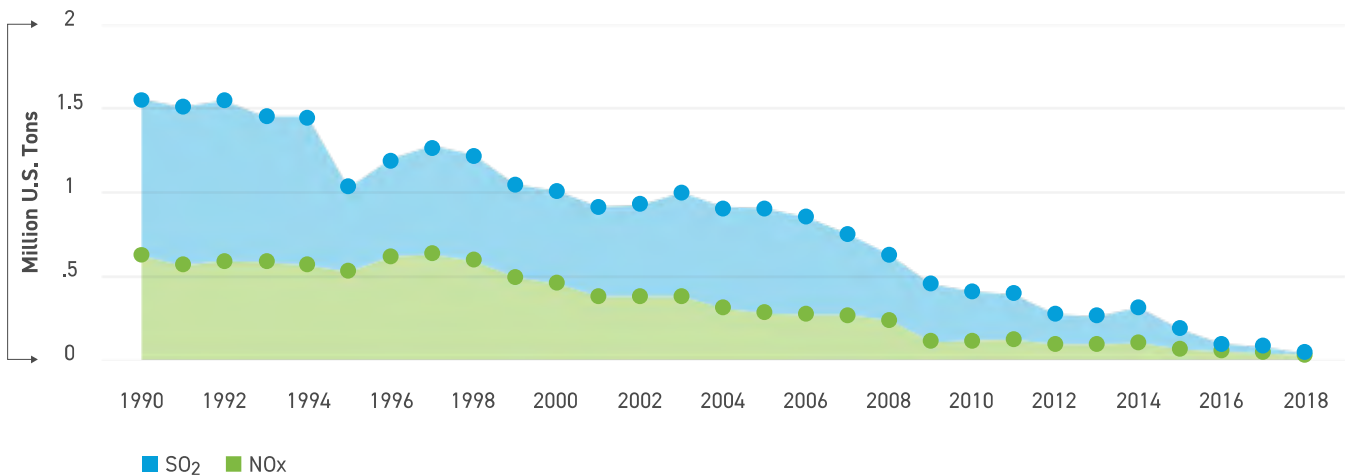


AEP equity share of mercury air emissions from Toxic Release Inventory reporting. 2018 was estimated with MATS program emission monitors.

In 2018, the Indiana Utility Regulatory Commission approved Indiana Michigan Power Company's (I&M) plan to install selective catalytic reduction (SCR) technology on the second of two units at the Rockport Plant. The \$274 million SCR project will reduce nitrogen oxides (NO_x), adding another form of clean-coal technology to the plant. The SCR project follows the installation of Dry Sorbent injection technology, which was added to both Rockport units to reduce sulfur dioxide (SO₂) emissions. The project is scheduled to go into service in the spring of 2020.

Additional information about mercury is located within the [Toxics Release Inventory program](#). Read more information about [carbon emissions](#).

TOTAL AEP SYSTEM NO_x & SO₂ EMISSIONS



Direct annual emissions of SO₂ and NO_x from AEP's ownership share of generation as reported under Title IV of the 1990 Clean Air Act.

NEW SOURCE REVIEW

In 2007, AEP signed a court-approved settlement of New Source Review (NSR) litigation. In 2013, a modification to the decree was approved by the U.S. District Court for the Southern District of Ohio, Eastern Division. The modification lowered a systemwide SO₂ emission cap for AEP plants that becomes increasingly stringent through 2029.

We report annually on our compliance with the consent decree requirements. The reports are available here:

- [2018 NSR Annual Report](#)
- [2017 NSR Annual Report](#)
- [2016 NSR Annual Report](#)
- [2015 NSR Annual Report](#)
- [2014 NSR Annual Report](#)
- [2013 NSR Annual Report](#)

WATER MANAGEMENT

Water quality, availability, use and management are increasingly important sustainability issues for society and our company. We are continuing to take steps to reduce our water consumption, improve water quality and address water availability issues as we comply with current regulations and prepare for new ones.

Water is essential for the production of electricity. Currently, 91 percent of power generated by AEP requires water. Water is used in the steam electric process to cool equipment, scrub flue gas and transport combustion byproducts – and hydroelectric power is completely derived from the energy of flowing water. The water we use is generally returned to its original water source. Water consumption occurs when some of the water is lost to evaporation or to a water-consuming process, such as flue gas scrubbing. Our captive barge fleet operates on several rivers and relies on consistent water levels to maintain operations, delivering fuel and other supplies to our generating facilities. Our coal and natural gas supply chains also rely on water to mine the coal and extract the natural gas.

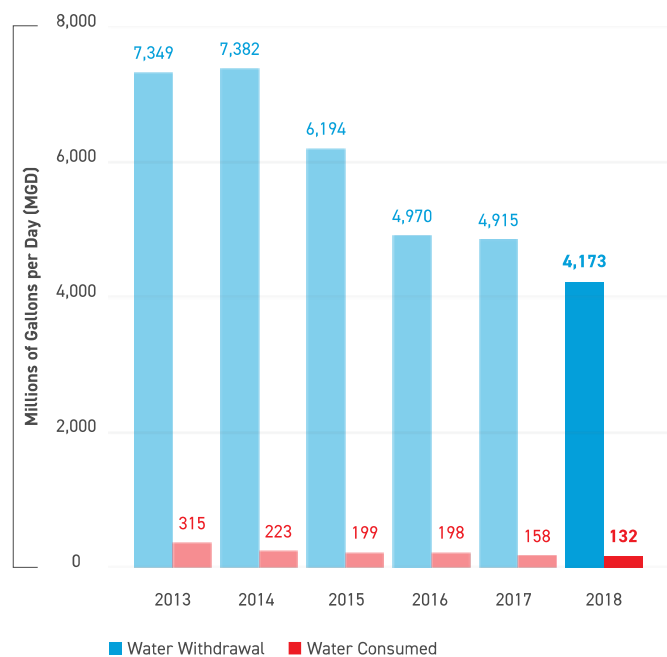
As much as we need access to water, we also have a responsibility to manage this resource to minimize potential impacts and to reduce consumption. As AEP continues to diversify its generating portfolio and retire coal generation capacity, our water use will continue to decrease, and we have already significantly reduced our water footprint through plant retirements.

Since 2013, we have reduced our water use from 7,349 million gallons/day (MGD) to 4,173 MGD – a reduction of nearly 43 percent. During that same time period, we have reduced our water consumption by almost 58 percent from 315 MGD to 132 MGD.

We participate in collaborative industry research to find new ways to reduce the use and consumption of water by power plants. In 2019, AEP received two Electric Power Research Institute (EPRI) Technology Transfer Awards, which were the result of research projects involving our western fleet. The first was the study of three AEP power plants and the use of alternative water supplies and transfers between water basins. The study provided understanding of the drivers for, and implications of, using alternative water sources. For example, the use of reclaimed municipal wastewater for the Comanche Plant in Oklahoma resulted in cost savings for Public Service Company of Oklahoma customers and revenue for the City of Lawton, while eliminating our need for fresh water.

The second award recognized the application of case study research at our John W. Turk, Jr., Plant in Arkansas. The plant

AEP'S WATER WITHDRAWAL & CONSUMPTION



normally uses water from the Little River, a tributary of the Red River, which is a source of high dissolved solids that has affected plant operations. For example, during 2018, the Red River was flowing at a higher-than-normal level near the plant while the U.S. Army Corps of Engineers was attempting to perform repairs on the nearby Lake Millwood spillway upstream of Turk's intake.

The Corps' activity allowed poor-quality water to approach the Turk Plant's water intake system. The case study looked at on-site alternatives (adding pond storage capacity) and a watershed-based solution. The results found that by working with the U.S. Army Corps of Engineers to optimize water releases from the nearby reservoir, AEP could address the plant's water needs and provide a net benefit of \$5 million through avoided generation curtailments or the need to build additional water storage capacity.

We are also working with EPRI to test the application of a water footprint tool. A water "footprint" is the amount of water used in the production of the goods or services by a business – for example, the amount of water needed to make a pair of jeans or to produce a kilowatt of electricity. This analysis will help us better understand how we use water resources, which will support better water management, reporting, benchmarking and disclosure activities at AEP's generation facilities.

Water Use Reporting

Because we place a high value on the importance of transparency, AEP extensively reports on our usage and management of water throughout our system in different forums. We do this through both required reporting, such as the U.S. Energy Information Administration, and through voluntary reporting efforts. For example, we participate annually in the [CDP Water Survey](#). The 2018 questionnaire was issued on behalf of 655 investors representing \$87 trillion in assets who seek business-critical information about water consumption and water use strategy and planning. In addition, AEP provides extensive water data in our [Global Reporting Initiative \(GRI\) report](#).

As part of our disclosure, we report if our ability to generate electricity has been compromised by inadequate water (droughts or poor quality) or too much water (floods). For example, in 2018, a 500-year flood event occurred at our Indiana Michigan (I&M) hydroelectric projects on the St. Joseph River in Michigan. In some of these areas, the St. Joseph River crested at levels two feet higher than the prior record. The flood impacted our ability to generate electricity and disrupted distribution service to the flooded areas. In response, we created detailed standard work procedures to address the changes we need to make in our work during times of high-water events. This includes operating spillway gates at certain plants or electrically disconnecting the hydro projects. We also purchased additional equipment to use during flood events and created a staffing plan to enable 24/7 coverage at the plants during emergency events.

Water Management in High-Risk Areas

AEP operates several power plants in areas that necessitate the careful use of water. Since 1999, the Texas Commission on Environmental Control has mandated that all Texas water rights holders implement a water conservation plan. Each entity is required to have voluntary, site-specific five-year and ten-year water conservation goals that must be updated every five years. Annual updates must be filed with the Texas Water Development Board. We have comprehensive water conservation plans in place for the Oklaunion, Pirkey, Welsh, Wilkes and Knox Lee Power Plants. In 2017, the plants conserved an estimated 1,700 million gallons through these plans, demonstrating their effectiveness.

We also have a Drought Contingency Plan in place for the Knox Lee Plant, and we have to comply with Drought Contingency Plans for three water providers we secure water from to operate the plant. These plans are based on the storage volume of area reservoirs. We work with water providers to ensure the plans call for reasonable actions.

AEP is also participating with other water users during water supply planning efforts. Texas is divided into 16 regional water planning groups that are charged with developing cost-effective solutions to ensure adequate water supply for all users in their regions. The regional water plans are incorporated into the state water plan, which is updated every five years. By frequently planning for future water supplies, the state is able to plan for and finance water supply projects that are needed by communities, big and small.

Watershed Protection

Water is important to power production, but it's also essential for agriculture, drinking water and economic growth. In addition to planning for water needs, the states of Texas and Arkansas have initiatives to protect watersheds, in which AEP participates. For example, AEP Texas participates in a state-mandated effort to quantify necessary environmental

flows for streams and rivers. Environmental flows are the properties of water flow that strengthen or support aquatic ecosystems and human livelihood.

In addition, AEP participates in voluntary efforts to protect the watershed of Caddo Lake, a Ramsar Convention designated wetland area. The Caddo Lake Ramsar wetlands is one of only 26 such sites in the United States and were the 13th site to gain this designation. In Arkansas, AEP is actively involved in the Illinois River Watershed Partnership, including planting trees to stabilize riverbanks.

WASTE MANAGEMENT AND RECYCLING

We manage many types of waste resulting from the process of providing electricity, operating office buildings, and repairing and replacing equipment. We continue to reduce and divert waste from landfills through beneficial reuse or recycling to minimize our environmental impacts caused by waste.

The amount of polychlorinated biphenyl (PCB)-containing equipment used across the company continues to decline. PCBs, which are known to have adverse health effects, have not been used in new electrical equipment in the U.S. since 1979 but are present in some of our older transformers and other pieces of electric equipment. We removed and recycled approximately 46,500 pieces of electrical equipment in 2018, of which 1,400 contained PCBs at regulated levels.

While we had approximately 1,200 transmission and distribution equipment oil spills in 2018, only two of the spills contained greater than 500 parts per million (ppm) PCBs. Most spills are caused by severe weather and public vehicle accidents that damage the equipment. Regardless of the cause, we respond immediately to each spill to clean up the materials released, notify regulatory agencies where required, and restore areas to pre-spill conditions.

During 2018, the waste we recycled included approximately 382,000 pounds of paper and mixed office waste, 50.5 million pounds of scrap metal, 40,200 pounds of light bulbs, 216,000 pounds of batteries, and more than 234,000 pounds of electronic equipment, such as computers and phones. We also recycled nearly 400,500 gallons of used oil. These numbers are not all-inclusive but are considered a good representation of waste management across AEP and show progress in reducing waste.

AEP reports through the Toxic Release Inventory (TRI) program, part of the Emergency Planning and Community Right-to-Know Act (EPCRA). EPCRA requires companies with 10 or more employees, in certain industries, to collect and publicly disclose information about how they manufacture, process or use any of nearly 650 chemicals on a special list developed by the U.S. EPA. Read more on our [TRI website](#).

Coal Combustion Residuals

Coal ash disposal and handling came to the forefront nearly a decade ago and has since been subjected to a new federal rule covering the handling, disposal and storage of coal combustion residuals (CCR). Coal ash is AEP's single largest waste stream.

CCRs are the solid material left over after coal is burned to generate electricity. For decades, many state environmental agencies regulated landfills and surface impoundments where CCRs are placed. In 2015, the U.S. Environmental Protection Agency (EPA) established minimum federal rules for storage and disposal of these materials. These minimum requirements were designed to be self-implementing and enforced by the public.

In March 2018, EPA proposed revisions to the CCR rule in order to address provisions of the April 2015 final rule that were remanded back to EPA and to provide states with approved CCR permit programs the ability to set certain alternative performance standards. EPA has indicated its intent to complete additional rulemaking by the end of 2019.

CCR Rule Implementation

AEP remains committed to handling coal ash disposal in a way that puts safety first while protecting the environment, minimizing impacts to the communities near our facilities and managing our customers' costs.

AEP is in the midst of a multiyear plan to address the company's use of coal ash disposal areas. Currently, AEP has responsibility for 31 CCR ponds and landfills that fall under the CCR Rule. We have posted a large number of documents, including structural stability assessments, initial closure plans and inspection reports on our public website. We have also posted on our website all monitoring data and reports required by this program, including groundwater monitoring reports, and location restrictions for all ponds and landfills covered by the CCR Rule.

In February 2019, we reported statistical data related to potential groundwater contamination for four of our power plants. Outreach was conducted with the surrounding communities as well as around another nine plants with regulated CCR units. In addition to informing the nearby residents, we offered to test the wells of neighbors who wished to have that peace of mind. We will continue to engage with our neighbors on these issues, sharing information on an ongoing basis and conducting public meetings to discuss management of our facilities. All of our reports and required documentation are available online at our dedicated [CCR Rule Compliance site](#).

2018 AEP Total System Coal Combustion Products (CCP) Utilization Summary

Total CCR Produced (tons)	4,846,451
CCP Donated (tons)	35,705
CCP Used Internally (tons)	895,920
CCP Sold (tons)	933,777
CCP Utilized (tons)	1,865,401
Total CCP Avoided Cost	\$28,633,471
Total CCP Revenues	\$11,025,635
Total Value	\$39,659,106
Percent Total Utilization Based on Total Production.	38%

Includes fly ash, bottom ash, flue gas desulfurization material and gypsum.

Beneficial Reuse

CCRs have long been used in concrete, wallboard and a wide variety of construction materials. While this benefits other industries, it also provides a source of financial and environmental benefits to AEP. In February 2014, the EPA completed a risk evaluation of the beneficial uses of coal fly ash in concrete and flue gas desulfurization (FGD) material and gypsum in wallboard, and its conclusions support these beneficial uses. Coal ash and other residual products from AEP's generating facilities are used in the production of concrete and wallboard, as structural fill or soil additives, as abrasives or road treatment materials and for other beneficial uses. By diverting the coal ash to beneficial uses, we are reducing the need for waste disposal sites.

In 2018, AEP generated more than 4.8 million tons of CCRs and was able to beneficially use more than 1.8 million tons, or nearly 38 percent of the total produced. Beneficial use of CCRs (considered to be products if they are beneficially used) avoided more than \$28 million in disposal costs in 2018 and generated more than \$11 million in revenues.

NUCLEAR WASTE MANAGEMENT

The U.S. Department of Energy oversees permanent disposal of spent nuclear fuel and historically has charged fees to plant owners for this disposal. However, the government stopped developing the Yucca Mountain storage facility in Nevada, leaving generators with no place for permanent disposal.

Like the rest of the nuclear industry, we face a significant future financial commitment to dispose of spent nuclear fuel. We need a national solution for the long-term disposal of spent nuclear fuel, which should be part of a national energy plan.

The uncertainty associated with long-term storage places the burden of interim storage on each nuclear facility. AEP is addressing this issue through dry cask storage on the assumption that a workable off-site solution will not exist before the current operating licenses for both Cook units expire in 2034 and 2037.

In 2012, AEP's Donald C. Cook Nuclear Plant in Bridgman, Michigan, began a program of loading spent nuclear fuel into dry casks. The latest loading campaign took place in 2018, bringing the total to 44 dry casks that have been loaded into storage. The casks are designed to withstand tornadoes, earthquakes, floods, sabotage, missiles, aircraft and temperature extremes. They are licensed by the Nuclear Regulatory Commission and meet all applicable security, environmental and radiological requirements.

The current cask storage facility is designed to store 94 casks for a total of 3,008 spent nuclear fuel assemblies. This

would support the operation of both units through the current operating license dates of 2034 for Unit 1 and 2037 for Unit 2. The pad could be expanded to facilitate removal of all fuel assemblies from the plant's spent fuel pool and full decommissioning of both units.

Nuclear plant operators are required to maintain a plant decommissioning trust fund to safely decommission and decontaminate the plant upon closure. At the end of 2018, the trust fund balance for the Cook Plant was approximately \$2.2 billion.

WILDLIFE PROTECTION

Many of AEP's business decisions involve finding the right balance between environmental protection and economics. Compromises are often necessary, yet it can be difficult to please all stakeholders involved. AEP is not immune to these issues and always strives to balance the needs of our stakeholders with the need to protect the environment and keep the lights on.

In 2018, AEP authored a chapter in the book, "Sustainable Electricity II: A Conversation on Tradeoffs," that examines how some of those tradeoffs have played out for AEP over time. The book describes the many challenges we are faced with while managing a 60,000-acre tract of land in Southeastern Ohio and how we achieved a balance between the needs of the local community and of other stakeholders. The book also includes case studies of how AEP resolves some of the toughest choices facing electric power companies today.



On July 17, 2018, AEP completed the sale of a portion of its ReCreation Lands in southeastern Ohio to the State of Ohio, creating a new state park named in honor of Jesse Owens.

As we build and maintain new and existing infrastructure across our service territory, such as transmission or renewable generation facilities, we are mindful of the potential impacts we may have on wildlife. This includes species protected under the Endangered Species Act (ESA), the Migratory Bird Treaty Act and the Bald and Golden Eagle Protection Act. As careful stewards of the ecological richness of our geographies, we take the necessary steps to ensure wildlife protection. We remain committed to protecting the habitats in which we live and operate.

Avian Protection

For more than three decades, the utility industry, conservation groups, wildlife resource agencies and others have worked together to understand why and how birds collide with or are electrocuted by power lines.

To reduce avian mortality, utilities have adopted voluntary company-specific Avian Protection Plans to mitigate the risks associated with bird interactions with electric facilities. We completed our Plan in 2013, and we continue implementing it today. The plan's purpose is to reduce the incidences of bird electrocutions and collisions with AEP's equipment, and to reduce the frequency of bird-caused outages.

We take avian protection into account when we design and engineer new facilities. When birds interact with electrical equipment and cause outages, it impacts service to our customers. For example, the design of the BOLD® transmission line is shorter in stature than traditional transmission lines and structures. Benefits of this design include reduced nesting because of the curved arm, and reductions in both collisions and electrocutions, which are less likely with shorter transmission towers.

AEP manages interactions between birds and power lines through a system-wide program across our 11-state service territory, where a wide variety of bird species can be found. Currently, AEP's primary challenge is on larger species that are more likely to be electrocuted in substations and on poles, or to collide with towers and lines.

The Plan has several key components:

Employee training and compliance – We educate our employees and provide training on compliance with all federal and state laws. Our goal is to be proactive in preventing bird collisions and electrocutions.

Construction design standards and mortality reduction measures – We have a process to incorporate bird safety into the design of new lines and facilities.

Nest management and avian enhancement options – We apply bird-safety tactics such as installing a dedicated de-energized pole for bird nesting or bird diverters to keep them away from wires.

Avian reporting systems and risk assessment methodologies – We continue to improve our monitoring and reporting capabilities to allow us to be more proactive.

Public education – We promote the need for migratory bird and habitat conservation and work cooperatively with federal and state agencies and nonprofit organizations.

Avian Conservation Efforts

In April 2018, Indiana Michigan Power Company (I&M) transmission crews worked with local conservationists to protect a nesting Red-tailed hawk that was located within a construction zone. One of the nesting platforms that we installed in various locations was occupied by Red-tailed hawks. To avoid disturbing the birds, which are protected under the Migratory Bird Treaty Act, our crews stopped all work within the vicinity of the platform so we could inspect the nest and determine next steps. For the transmission project to continue, we had to move the platform and the nest, which contained eggs.

We secured a State Migratory Bird Permit and contacted Soarin' Hawk Raptor Rehabilitation Center, a nonprofit raptor foundation from Fort Wayne, Indiana, to help us move the platform without impacting the nest. Once the platform and nest were moved, we kept an eye on it. In time, the eggs hatched and the mating pair are still using the nesting platform.

Habitat Conservation Plans

AEP's infrastructure modernization program requires balancing business needs with environmental protection. With the magnitude of our construction activities, it is inevitable that we will come in contact with, or potentially have an impact on, a range of species. One way we are addressing this is by working with the U.S. Fish and Wildlife Service (USFWS) to establish Habitat Conservation Plans (HCP).

In 2018, the USFWS finalized its environmental review and issued a permit to AEP related to the American burying beetle (ABB). This beetle is listed as endangered, and the permit and associated HCP gives us a mechanism to comply with the Endangered Species Act (ESA). The permit covers portions of Arkansas, Oklahoma and northern Texas – where AEP currently has operations or the potential for future development.

The cooperative stewardship effort with the USFWS helps AEP continue operating efficiently and provide safe, reliable electricity to our customers while assisting in the conservation of the ABB and its habitat through mitigation and minimization measures. The program aims to conserve and recover the endangered species.

We also continued development of a 30-year, system-wide multispecies HCP. Development of the HCP began in 2016 and covers several species potentially affected by our transmission construction activities. During 2018, we continued to refine the list of species covered by the plan, which currently includes five bat species, four bird species, the eastern massasauga rattlesnake and the rusty-patched bumble bee.

We are also working closely with wildlife protection agencies in each of our states to ensure the HCP will be consistent with their goals and regulations. Administered by the USFWS, the HCP will enable transmission construction activities with potential impacts to endangered species to proceed without agency consultation on a project-by-project basis. The plan will cover construction activities in all 11 states in which we currently operate.

This HCP is important because it will not only protect the covered species but also generate cost and time savings for our customers and AEP. Portions of the draft HCP are currently under review by USFWS, and we have initiated the required third-party review under the National Environmental Policy Act (NEPA). In 2019, we anticipate having a complete HCP ready for public review.

Monarch Butterfly Conservation Plan

In August 2014, the USFWS received a petition to list the monarch butterfly under the Endangered Species Act (ESA) due to its notable decline in recent years. In December 2014, the agency made an initial finding that a status review was appropriate and it is currently gathering information to determine whether the monarch needs protection under the ESA, with a listing decision anticipated June 2019.

During the summer, monarchs can be found throughout the United States, particularly in areas where milkweed, their host plant, is available. Each year, monarchs undertake a multi-generational migration of thousands of miles to and from overwintering and breeding areas. These areas significantly overlap AEP's generation and transmission network.



An ESA listing for the butterfly could affect our ability to build new or replace old infrastructure as well as impact vegetation maintenance activities. We are well-positioned to participate in an effort to manage habitat within our right-of-way (ROW) corridors to help the butterfly and avoid an endangered species listing.

As a result, we have joined a conservation initiative with the USFWS to develop a Candidate Conservation Agreement with Assurances (CCAA). A CCAA is a formal agreement between the USFWS and one or more parties to address the conservation needs of a candidate species before the species becomes listed as endangered or threatened. Property managers voluntarily commit to conservation actions that will help stabilize or restore the species and avoid a listing. The University of Illinois-Chicago is coordinating the development of the collaborative monarch CCAA, which includes AEP as well as other power companies, oil and gas companies and state departments of transportation.

CONSERVATION AND STEWARDSHIP

We value and practice environmental stewardship and conservation across our service territory. Whether through reclaiming former industrial land for outdoor recreation areas such as nature trails and campsites, to integrating conservation measures into new and rebuilt transmission lines, AEP takes steps to preserve our natural ecosystem, especially as we grow our business.

In 2018, the Generation organization included in its business plan a commitment to executing at least 25 targeted environmental stewardship activities over a five-year period. Work is underway to determine how these goals can be achieved.

Flint Creek Eagle Watch

Southwestern Electric Power Company's (SWEPCO) Flint Creek Power Plant in northwest Arkansas has been home to the Eagle Watch Nature Trail for almost 20 years. SWEPCO Lake, the coal-fueled power plant's reservoir, attracts wintering American bald eagles, making it a perfect place for bird watching. The 65-acre area opened to the public in 1999, and includes a trail and pavilions to provide a safe place from which to view visiting the bald eagles and other species.

In 2018, plant staff and volunteers built a new walkway to a viewing pavilion that extends out over a marshy section of the lake frequented by eagles and many other birds and wildlife. Groups, such as the Northwest Arkansas Audubon Society, visit the site to view birds and other wildlife along the quarter-mile walking trail. Current and retired plant employees lead field trips and coordinate many other activities at the site.

Flint Creek was awarded Conservation Certification by the Wildlife Habitat Council (WHC) in 2018, in recognition of the plant's commitment to environmental stewardship. We received the certification for habitat enhancement programs, including tall grass prairie restoration, nesting boxes, pollinator garden landscapes and other bird habitat improvements. Flint Creek has held certification under the WHC's Corporate Lands for Learning and Wildlife at Work programs since 2004 and 2005, respectively, and since 2016 when the two programs were combined into the Conservation Certification.



From Mine to State Park

Beginning in 1947, surface mining operations helped convert millions of tons of coal into electric power for Ohio customers. When the mining stopped in the early 2000s, AEP began efforts to reclaim the land for public use. On July 17, 2018, AEP completed the sale of a portion of the land to create a new state park named in honor of Jesse Owens, turning it over to the State of Ohio.

At more than 13,000 acres, the Jesse Owens State Park and Wildlife Area is poised to become one of the state's largest parks once future sales are complete, attracting hundreds of thousands of visitors each year for fishing, canoeing, hiking, camping and other outdoor activities.

The transfer of land to the Ohio Department of Natural Resources (ODNR) was part of our ReCreation Land program, which seeks to ecologically reclaim Ohio land that was once surface-mined for coal. Throughout the history of this program, AEP has planted over 63 million trees, created 380 campsites and established 350 lakes and ponds stocked for fishing. As of February 2017, 58,800 acres have been reclaimed in Ohio through the program.

In 2018, we received an Electric Power Research Institute (EPRI) Energy and Environment Sector Technology Transfer Award for our work in assessing the remaining property acreage set aside for the Jesse Owens State Park and Wildlife Area. Moving forward, we will apply the results of this work to estimate the potential value of remaining ReCreation Land property and to make decisions regarding the divestment of the property for future environmental mitigations and eco-asset transactions.

Pollinator Week

During Pollinator Week (June 18-24), AEP joined other power companies across the country to raise awareness about the crucial role of pollinators in flower and plant fertilization, and about our efforts to facilitate pollinator population growth through vegetation management. We highlighted Pollinator Week through social and internal media and provided anecdotes, photos and information on how AEP supports pollinators throughout our 11-state service territory. In addition to social media posts, numerous photographs were displayed on the large interactive video screens in our headquarters lobby in Columbus, Ohio. We will continue to participate in this effort in 2019.

Right-of-Way Conservation

AEP partners with a number of communities and nonprofit organizations for voluntary initiatives and projects that benefit pollinators and other wildlife. As part of these ongoing efforts, we partner with EPRI to create pollinator initiatives and right-of-way (ROW) vegetation management studies. One such initiative created a biodiverse prairie habitat on a transmission ROW near Newark, Ohio, in partnership with the nonprofit Dawes Arboretum. As part of this effort, we planted native prairie species in six test plots along the ROW, which includes forest and farmland habitat. In the first year of monitoring, researchers documented rich biodiversity: nine bee species, 21 bird species and nine butterfly species.

Over the next few years, researchers will continue monitoring the site's habitat quality, erosion control and tree growth.

ENVIRONMENT, SAFETY AND HEALTH PHILOSOPHY

No aspect of operations is more important than the health and safety of people. Our customers' needs are met in harmony with environmental protection.

ENVIRONMENT, SAFETY AND HEALTH POLICY

AEP is committed to social responsibility and sustainability. We are proactive in our efforts to protect people and the environment by committing to:

- Maintain compliance with all applicable Environment, Safety and Health (ES&H) requirements while pursuing the spirit of ES&H stewardship.

- Ensure that people working for or on behalf of AEP understand and integrate ES&H responsibilities into their business functions.

- Support continual improvement of environmental performance and pollution prevention.

- Hazard elimination through employee involvement and continual health and safety improvement.



INNOVATING FOR A CLEAN ENERGY FUTURE

“A clean energy future requires a combination of resources, innovation and technology. It also requires a hard look at how the traditional regulated utility business model treats innovation, because business-as-usual is not a viable option. We are thus advocating for changes that reward innovation in the energy industry while pursuing innovation along a number of parallel tracks.”

–Nick Akins, Chairman, President & Chief Executive Officer

SUSTAINABLE ELECTRICITY

Today's age of technology, innovation and disruption is transforming the electric industry. We have to be agile, innovative and more efficient to respond to this rapidly changing environment, stay relevant to our customers and be competitive in new markets. We see sustainable electricity as being cleaner, more technologically advanced, cost-effective and efficient.

[Learn more](#)



TECHNOLOGY & INNOVATION

Innovation has been fundamental to AEP's growth and development throughout our history. We are harnessing new, digital technologies to create a smart, distributed grid.

[Learn more](#)



GRID MODERNIZATION

Today, customers expect their electric service to be more flexible, efficient and reliable. In response, we are modernizing and strengthening the grid to meet their needs today and in the future.

[Learn more](#)



BENEFICIAL ELECTRIFICATION

We envision a future where beneficial electrification creates new opportunities for growth, fewer CO₂ emissions, greater mobility, and optimization of the grid for all resources and technologies.

[Learn more](#)

ACCESS TO CLEAN ENERGY

As technology advances, we envision universal solar or wind projects that incorporate low-cost and

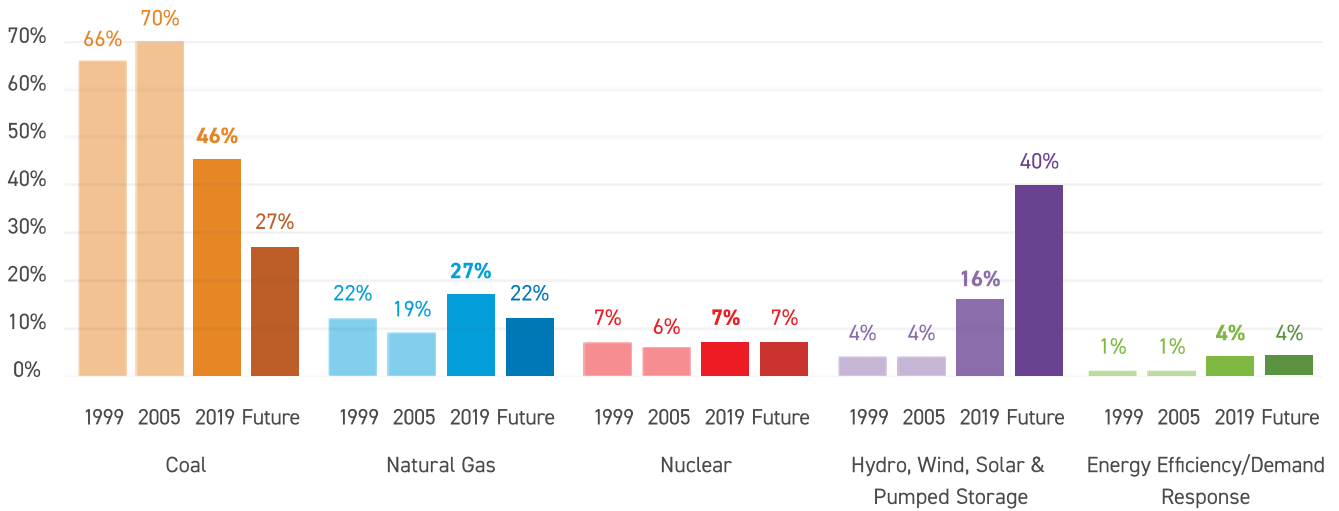
reliable energy storage. We are working with some of our large customers on this type of approach because it can provide a dual benefit of clean energy and resilience for the customer and the grid. As we do this, we are protecting the universal access to the grid that we believe all customers deserve.

[Learn more](#)

SUSTAINABLE ELECTRICITY

Today’s age of technology, innovation and disruption is transforming the electric industry. A changing fuel mix, falling power prices, increasing demand for renewables, the surge of distributed energy resources, higher customer expectations, and a deeper focus on cybersecurity and grid resilience are the catalysts for change. We have to be agile, innovative and more efficient to lead in this rapidly changing environment, stay relevant to our customers and be competitive in new markets. We see sustainable electricity as being cleaner, more technologically advanced, cost-effective and efficient.

TRANSFORMING OUR GENERATION FLEET – AEP’S GENERATING RESOURCE PORTFOLIO



2019 includes expected capacity as of year-end 2019. Future includes IRP forecasted additions and retirements through 2030. Energy Efficiency/Demand Response represents avoided capacity rather than physical assets.

We are diversifying our resource mix to serve our customers’ needs, with an eye to the future of an electrified economy – the use of electricity to power not only buildings but also transportation systems and industrial processes. We must manage the transition carefully to protect the reliability and resilience of the power grid. At the same time, we envision a future where beneficial electrification across industry sectors creates new opportunities for growth, fewer CO₂ emissions economy-wide, greater transportation mobility, and optimization of the grid for all resources and technologies.

When we think about sustainable electricity, we look across the value chain to include fuel resources as well as transmission and distribution, energy efficiency, advanced technologies such as battery storage, distributed resources and data analytics. These give us the information we need to proactively operate and maintain the grid more efficiently. That’s what our “all of the above” strategy is all about. At the center of this is our commitment to deliver an exceptional customer experience.

Our first obligation is to serve our customers with safe, reliable, reasonably priced and increasingly cleaner electricity and to maintain the reliability and resilience of the power grid. AEP’s current business strategy and resource plans reflect a comprehensive and diverse approach to meeting those needs efficiently and cost-effectively. Our plan includes:

- Near-term investments in renewable energy within and outside of our service territory
- Technology deployment
- Modernization of the grid to optimize all resources and technologies with significant investments in our transmission

and distribution systems

Increased use of low-carbon-emitting generation resources, such as natural gas

Advancement of our integrated resource plans with regulators

Energy efficiency and savings through technology, energy management and conservation programs on both sides of the meter

Demand response programs

Increased integration of distributed resources, including community and large-scale renewables

Optimization of our existing generating fleet

Support for advancing low-carbon fossil technologies

We have already made significant progress in reducing our carbon emissions from our early commitment as a founding member of the Chicago Climate Exchange. In February 2018, we announced new goals to reduce CO₂ emissions from generating facilities 60 percent from 2000 levels by 2030; and 80 percent by 2050. At the end of 2018, we had already reduced our CO₂ emissions by 59 percent. We are reevaluating our 2030 carbon reduction goal since we are so close to achieving it.

These goals reflect our current business strategy but will challenge us as our operating environment evolves. A combination of factors gives us confidence in our ability to achieve these reductions, including an aging coal fleet, our growing investments in clean energy and the potential of new and emerging technologies to make the power system more efficient, more decentralized, fully integrated and digitized. Read more about this in [Carbon & Climate](#).










RESOURCE PLANNING & DIVERSITY

As a regulated utility, we must provide our customers with reliable energy at all times. To meet this demand in a cost-effective manner, we use a long-term approach to resource planning. We determine our energy and capacity needs well into the future so we may find the best mix of energy resources at reasonable costs to our customers. Achieving this proper energy mix requires a balance of both renewable energy sources – such as solar, wind and hydro – and 24/7 sources such as natural gas, nuclear and coal.

Integrated Resource Plans (IRP) provide a snapshot of a potential future generating mix, based on today's assumptions. An IRP is not a commitment to a specific course of action, as the future is uncertain and decisions relating to AEP's generation resources are subject to regulatory approval. Rather, it is a roadmap that shows the amount, timing, cost and type of potential future resource additions to meet customers' future energy needs at a reasonable cost.

Our publicly filed IRP's use a planning horizon of 10 to 20 years. They demonstrate how we will meet customer demands for reliable and affordable energy and allow us to estimate future emissions from our generation resources. The potential for carbon regulation has been part of our IRP process for many years and provides an important market signal when we are determining resource needs and costs.

AEP'S PROJECTED RESOURCE ADDITIONS

Operating Company	2020-2023			2024-2027			2028-2030		
									
AEP Ohio	Up to 400*	Up to 500*	—	—	—	—	—	—	—
Appalachian Power	15	—	—	300	300	—	450	—	—
Indiana Michigan Power	—	—	—	150	600	—	150	450	1,500
Kentucky Power	30*	—	—	20	—	—	40	—	—
Public Service Company of Oklahoma	11	up to 1,000*	410**	600	—	373**	600	200	—
Southwestern Electric Power Company	—	up to 1,200*	—	450	200	—	550	600	—
Totals	up to 456	up to 2,700	410	1,520	1,100	373	1,790	1,250	1,500

 **up to 3,766**
 **up to 5,050**
 **up to 2,283**

* Subject to regulatory filings currently underway

** To replace expiring PPA

To develop our IRPs, we systematically evaluate and balance multiple issues, including the increasingly complex existing and pending environmental regulations, technology advancements, changes in pricing fundamentals, load growth forecasts, energy efficiency advancements, growth in customer-adopted distributed resources and other complexities. Additionally, many IRP processes include stakeholder outreach.

“The Stakeholder Committee of the Southwestern Electric Power Company’s (SWEPCO) 2018 Integrated Resource Planning process would like to commend the company on an excellently prepared IRP and a thoroughly collaborative process. The Arkansas Public Service Commission (PSC) IRP Guidelines underscore the importance of a robust stakeholder engagement process, and SWEPCO has exceeded those Guidelines. Even when SWEPCO and the Stakeholder Committee disagreed, SWEPCO still performed additional analysis at the request of the Stakeholder Committee and provided rationale.”

Once an IRP is developed, it is filed with the state regulatory commission. In some states, the commission will approve the IRP, determining that the plan is reasonable and in the public interest for its intended purpose.

INTEGRATED RESOURCE PLAN PROCESS

State Jurisdiction	AEP Operating Company	Filing Frequency	Planning Period	Stakeholder Input Process
Arkansas	Southwestern Electric Power Company	3 years	10 years	Yes
Indiana	Indiana Michigan Power Company	3 years	20 years	Yes
Louisiana	Southwestern Electric Power Company	4 years	20 years	Yes
Kentucky	Kentucky Power Company	3 years	15 years	No
Michigan	Indiana Michigan Power Company	5 years	20 years*	Yes
Ohio**	AEP Ohio	**	**	No
Oklahoma	Public Service Company of Oklahoma	3 years	10 years	No
Virginia	Appalachian Power Company	3 years	15 years	No***
West Virginia	Appalachian Power Company & Wheeling Power Company	5 years	10 years	No

* I&M's 2018/19 MI IRP filing will be prepared according to the Indiana Commission's IRP requirements as permitted by 2016 MI Public Act 341 Section 6 t (4).

** Integrated resource plan only required under special circumstances.

*** Virginia has a formal regulatory hearing, with public intervention, before the Virginia SCC for such IRP submittals.

New IRPs filed by SWEPCO and Public Service Company of Oklahoma (PSO) call for significant additions of renewable energy. If approved, these additions would result in significant customer savings of fuel costs.

Read about the details of these and other projects in our [Regulated Renewables](#) discussion.

AEP Operating Company by State	Case Number/Docket
Southwestern Electric Power Company – Louisiana	SWEPCO LA I-33013 SWEPCO's LA DRAFT 2019 IRP
Southwestern Electric Power Company – Arkansas	SWEPCO AR Doc.07-011-U
Public Service Company of Oklahoma - Oklahoma	Docketless Case
Kentucky Power Company 2016 IRP - Kentucky	Case NO. 2016-00413
Appalachian Power Company – Virginia	Case NO. PUE-2016-00050
Appalachian Power Company – West Virginia	Case 15-2003-E-IRP
Wheeling Power Company – West Virginia	Case 15-2004-E-IRP
Indiana Michigan Power - Indiana	Docketless Case

RENEWABLES

According to the U.S. Energy Information Administration (EIA), roughly 36 percent of new generation sources brought online in the U.S. in 2018 were renewables. This marks the first time since 2013 that renewables accounted for a minority of new generation capacity in the U.S. Despite this recent slowdown, renewable energy sources are becoming further integrated into the national energy mix as technology advances and customer demand for clean

power increases.

Transmission is important to connecting renewables to the grid. Electric Transmission Texas (ETT), a joint venture between AEP and Berkshire Hathaway Energy, is interconnecting renewable generation in Texas at an impressive rate. For example, the Public Utility Commission of Texas (PUCT) issued a final order in September 2018 approving the Foard City Wind Project in less than four months. The new 345 kV transmission line in Foard County, Texas, will interconnect the 350 MW Foard City Wind Farm facilities to the grid. The project is expected to be placed in-service in May 2019.

As renewable energy becomes a larger part of AEP's clean energy future, we asked a sampling of our customers about their preferences. Prior to announcing two new solar projects totaling 400 MW in Ohio, AEP Ohio commissioned a study to better understand customers' attitudes and expectations for renewable energy. Navigant Consulting found a strong majority of customers believe it is important we make greater use of renewable energy, supporting our IRPs and energy strategy. Our new sustainability goal is to increase regulated renewable energy on our system by approximately 8,000 MW (per our integrated resource plans and pending regulatory approval) by 2030 and continue to expand competitive, contracted renewables. However, AEP needs support from state regulators to be able to invest in clean energy resources within our regulated utilities.

In September 2018, AEP Ohio filed a plan with the Public Utilities Commission of Ohio (PUCO) to support the development of 400 MW of solar power in the state's Highland County as part of a 2016 commitment to develop 900 MW of renewable resources in the state. This filing represents the single largest clean energy commitment in Ohio history and would more than double the state's renewable generation capacity. If approved, the projects would add 4,000 construction jobs and 150 permanent jobs, add approximately \$24 million in new state tax revenue, and save customers an estimated \$200 million over the 20-year life of the project compared with other sources for electricity.

AEP Ohio currently receives renewable generation service from the Wyandot Solar Farm near Upper Sandusky, Ohio; Fowler Ridge in Benton County, Indiana, and Timber Road in Paulding County, Ohio. Wyandot produces 10 MW of energy, and Fowler Ridge and Timber Road each produce about 100 MW.

As technology advances, we envision universal solar or wind projects that incorporate low-cost energy storage to minimize or smooth intermittency on the grid and increase reliability. We are working with some of our large customers on this type of approach because it can provide a dual benefit of clean energy and resilience for the

customer and the grid. As we do this, we are protecting the universal access to the grid that we believe all customers deserve.



APPROXIMATELY
11,900 MW of
Renewable Generation Interconnected
Across the U.S. via AEP's
Transmission System Today

AEP'S 2019 RENEWABLE PORTFOLIO

Hydro, Wind, Solar & Pumped Storage	Owned MW	PPA MW	Total MW
AEP Ohio	—	209	209
Appalachian Power	785	575	1,360
Indiana Michigan Power	36	450	486
Public Service Company of Oklahoma	—	1,137	1,137
Southwestern Electric Power Company	—	469	469
Competitive Operations	1,436	175	1,611
Total	2,257	3,015	5,272

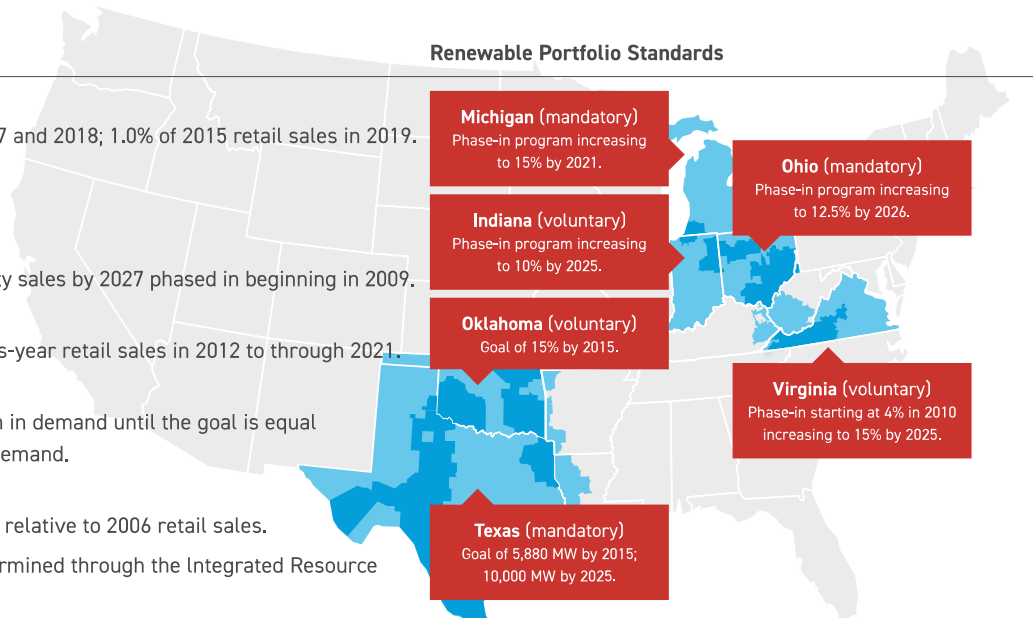
Includes expected capacity as of year-end 2019.

RENEWABLE PORTFOLIO & ENERGY EFFICIENCY STANDARDS

Energy Efficiency Standards

- ARKANSAS** (mandatory)
0.9% of 2015 retail sales in 2017 and 2018; 1.0% of 2015 retail sales in 2019.
 - LOUISIANA** (voluntary)
Voluntary 2-phase EE plan.
 - OHIO** (mandatory)
22% reduction of retail electricity sales by 2027 phased in beginning in 2009.
 - MICHIGAN** (mandatory)
1% annual reduction of previous-year retail sales in 2012 to through 2021.
 - TEXAS** (mandatory)
30% reduction in annual growth in demand until the goal is equal to 0.4% of previous-year peak demand.
 - VIRGINIA** (voluntary)
10% electricity savings by 2022 relative to 2006 retail sales.
- Note: Indiana EE goals are determined through the Integrated Resource Planning Process (SB 412).

Renewable Portfolio Standards



There are currently no energy efficiency standards in Kentucky, Oklahoma, Tennessee or West Virginia.

There are currently no renewable portfolio standards in Arkansas, Kentucky, Louisiana, Tennessee or West Virginia.

Regulated Renewables

We continued efforts to expand our regulated renewable portfolio across our service territory. Based on current resource

plans, up to 3,766 MW of solar energy and 5,050 MW of wind energy additions are projected to come online between 2020 and 2030.

Southwestern Electric Power Company (SWEPCO) and Public Service Company of Oklahoma (PSO) are currently evaluating proposals for new wind energy projects expected to be operational by the end of 2021. SWEPCO is seeking to add up to 1,200 MW of wind energy, and PSO is seeking up to 1,000 MW of added wind capacity. These new projects will comprise multiple smaller-scale installations, each with at least 100 MW in capacity.

Projects must qualify for at least 80 percent of the federal Production Tax Credit, and those that are selected will be reviewed by the appropriate state and federal regulatory commissions. SWEPCO and PSO anticipate filing for regulatory approval in the third quarter of 2019. The new projects will add to SWEPCO's 469 MW of existing wind energy through power purchase agreements with facilities in Texas, Oklahoma and Kansas, and PSO's 1,137 MW of existing wind energy in Oklahoma.

In November 2018, Appalachian Power (APCo) began seeking proposals to acquire up to 200 MW of new solar energy projects in Virginia. This is in response to the Virginia Senate's passage of Bill 966, requiring APCo to build or acquire new solar generation before 2028.

In early 2019, the Virginia State Corporation Commission (SCC) approved APCo's proposal to provide its customers with the opportunity to purchase 100 percent renewable energy at a modest premium. The renewable energy will come from APCo's existing or planned renewable resources. Participants who use 1,000 kWh of energy per month will pay an additional \$4.25 per month.

Meanwhile, Kentucky Power issued a request for proposals (RFP) in 2018 to add up to 20 MW of solar energy to meet growing customer interest in renewables. The project will be located within Kentucky Power's service territory and is expected to be operational by the end of 2021.

Contracted Renewables

As we balance our resource portfolio mix with renewables, we are looking beyond our traditional service territory for investments. We offer low cost of capital and energy project expertise to potential partners, creating attractive solutions to energy customers. This is especially appealing to companies, universities and municipalities that often have their own renewable energy goals.

Between 2019 and 2023, we plan to invest \$2.2 billion in contracted renewables to provide the energy solutions our customers desire. In April 2019, we acquired Sempra Renewables LLC and its 724 MW of operating wind generation and battery storage assets. This accelerates our contracted renewable strategy and expands our total renewable portfolio to 16 percent of our 2019 generating capacity mix, making AEP the seventh largest utility owner of competitive wind projects in the U.S.

The deal includes seven operating wind farms in Colorado, Hawaii, Indiana, Kansas, Michigan, Minnesota and Pennsylvania, and all have long-term power purchase agreements in place for 100 percent of the energy produced. In addition, AEP Renewables signed a separate agreement to purchase a 75 percent stake (227 MW) in the Santa Rita East Wind Project currently under construction near San Angelo, Texas.

In 2018, AEP Renewables formed a joint partnership to re-power roughly 350 MW at two previously wholly-owned Texas wind farms, Desert Sky and Trent Mesa. The project re-powered and/or replaced 207 aging wind turbines with new equipment, resulting in a 20 percent increase in annual energy production. AEP Renewables owns 79.9 percent of the project, or 261 MW.

Today, AEP Renewables portfolio includes 351 MW of wind and solar. With the acquisition of Sempra Renewables and



In 2018, AEP Renewables formed a joint partnership to re-power roughly 350 MW at two previously wholly-owned Texas wind farms, Desert Sky and Trent Mesa.

the mid-2019 completion of the Santa Rita wind farm, the portfolio will grow to 1,302 MW of renewable generation.

OnSite Partners

OnSite Partners is another AEP competitive business offering energy solutions for customers to reduce emissions or lower their cost and energy profile. OnSite Partners’ portfolio of distributed energy solutions currently includes 56 projects across 15 states, with a total investment of \$335 million. The projects use a variety of technologies, such as behind-the-meter solar, community solar, substations, batteries and a fuel cell. OnSite Partners currently has approximately 85 MW of installed direct current solar capacity and approximately 57 MW under construction.

OnSite Partners also has an active joint venture in New Mexico with PNM Resources to invest in renewable generation for customers and other public power entities. The project has a total of 21 MW of direct current solar sites in operation and another 67 MW of solar under construction.



+ click to enlarge

Traditional Programs

Over the years, AEP has provided a broad array of traditional energy efficiency and demand response programs for customers. We have excelled in meeting the requirements and expectations of legislators and regulators, worked cooperatively with a variety of interested stakeholders, and delivered exceptional results for our customers and environmental benefits.

The same objectives of these traditional programs remain as relevant today as they’ve always been – helping customers save money, reducing environmental impacts, and optimizing the use of the grid. Only now, there are boundless new technologies and customer engagement options in how we manage energy. Electric vehicles, voice-enabled home energy management apps, and high-tech industrial technologies are just a few of the many ways we can work with our customers to achieve even better results.

Energy Efficiency Programs

We view energy efficiency as a readily deployable, competitively priced and clean energy resource that provides many benefits to our customers and the environment. Today, AEP offers customers more than 120 programs across nearly all of our 11-state service territory. In 2018, AEP’s energy efficiency programs were credited with more than 1 million megawatt hours (MWh) of energy reduction and more than 270 megawatts (MW) of demand reduction.

For the period 2008 through 2018, these programs have cumulatively reduced annual consumption by over 8 million MWh and peak demand by approximately 2,555 MW.

2018 AEP SYSTEM ENERGY EFFICIENCY RESULTS & ESTIMATED AVOIDED CO₂ EMISSIONS

Operating Company	Annual Energy Savings (MWh)	Annual Demand Savings (MW)	Avoided CO ₂ Emissions (Metric Tons)
AEP Ohio	509,963	80	235,668
Appalachian Power	61,505	4.9	51,677
Kentucky Power	3,064	0.5	3,167
Southwestern Electric Power Company	66,398	30	61,850
Indiana Michigan Power	169,032	32	61,426
Public Service Company of Oklahoma	137,783	74	73,803
AEP Texas	74,512	52	37,599
2018 Total	1,022,257	273.4	525,189

In 2018, the U.S. Environmental Protection Agency announced its annual ENERGY STAR® awards for businesses and organizations that have made outstanding contributions to protecting the environment through superior energy efficiency achievements. AEP Ohio was recognized as ENERGY STAR Partner of the Year – Sustained Excellence winner.

Southwestern Electric Power Company (SWEPCO) was recognized as an ENERGY STAR Partner of the Year for its program in Arkansas. Public Service Company of Oklahoma (PSO) received the ENERGY STAR Partner of the Year – Energy Efficiency Program Delivery award.

In 2019, the American Council for an Energy Efficient Economy (ACEEE) recognized SWEPCO for having one of the nation's outstanding energy efficiency programs. In a national review, ACEEE selected SWEPCO's Arkansas Home Performance with ENERGY STAR program to receive an Exemplary Program Award based on its effectiveness and innovation in helping residential customers achieve greater levels of energy efficiency.

The AEP Ohio Energy Efficiency Marketplace is a one-stop shop for our customers to save energy, money and time. The marketplace analyzes data on more than 50,000 energy-efficient products, such as appliances, televisions, smart thermostats and water heaters. Customers can go online and find prices, consumer ratings, energy efficiency ratings and product details in one convenient spot to help them find the most efficient products at the lowest prices.

Appalachian Power's new TakeCharge energy efficiency programs in Virginia and West Virginia give customers more options for taking control of their energy use, costs and bills. In addition to the portfolio of programs the company has offered in both states, it recently received approval for two new programs in Virginia. The Bring Your Own Thermostat program allows residential customers with qualifying smart thermostats to earn incentives for allowing APCo to adjust their central air conditioning by a few degrees during peak summer demand periods. And the Small Business Direct Install Program helps small businesses with no-cost energy-saving upgrades, such as LED bulbs, showerheads, faucet aerators and more.

We have also taken measures to reduce energy consumption in AEP's office buildings and service centers. We reduced our kilowatt-hour (kWh) usage, when normalized for weather, by 27 percent in 2018, compared to the 2007 baseline, in nearly 280 buildings. The dollar savings from the reduced energy consumption was approximately \$6 million in cost savings in 2018. We achieved these energy consumption reductions mostly through equipment investments, such as new lighting, heating and cooling systems, along with employee education.

AEP recently received LEED certification for our transmission service center in Oklahoma and two service centers in Indiana, bringing the total number of AEP LEED-certified facilities to nine.

Demand Response

AEP's demand response programs support the power grid by helping to reduce load in periods of peak demand, such as during heat waves and cold spells. Some programs include special rate structures that encourage our customers to reduce their energy consumption during these peak demand periods. For some customers, we have contracts that allow us to "interrupt" their power consumption during peak times in exchange for reduced rates.

Peak demand is the amount of power used at times of maximum power usage, and varies across our service territory. For example, Appalachian Power Company's system peak generally occurs on winter weekday mornings, when electric heating and appliance usage are happening at the same time that commercial equipment and industrial machinery are ramping up for the workday. Public Service Company of Oklahoma's system, on the other hand, typically peaks in the afternoon of a summer weekday, as people get home from work or school and increase their use of air conditioners and fans while the demand from commercial and industrial customers remains high.

Historically, as peak demand grows with the economy and population, new capacity would ultimately be needed. Today, AEP can reduce the need for building new power plants through the use of our demand response programs that are managed on the grid.

Challenges

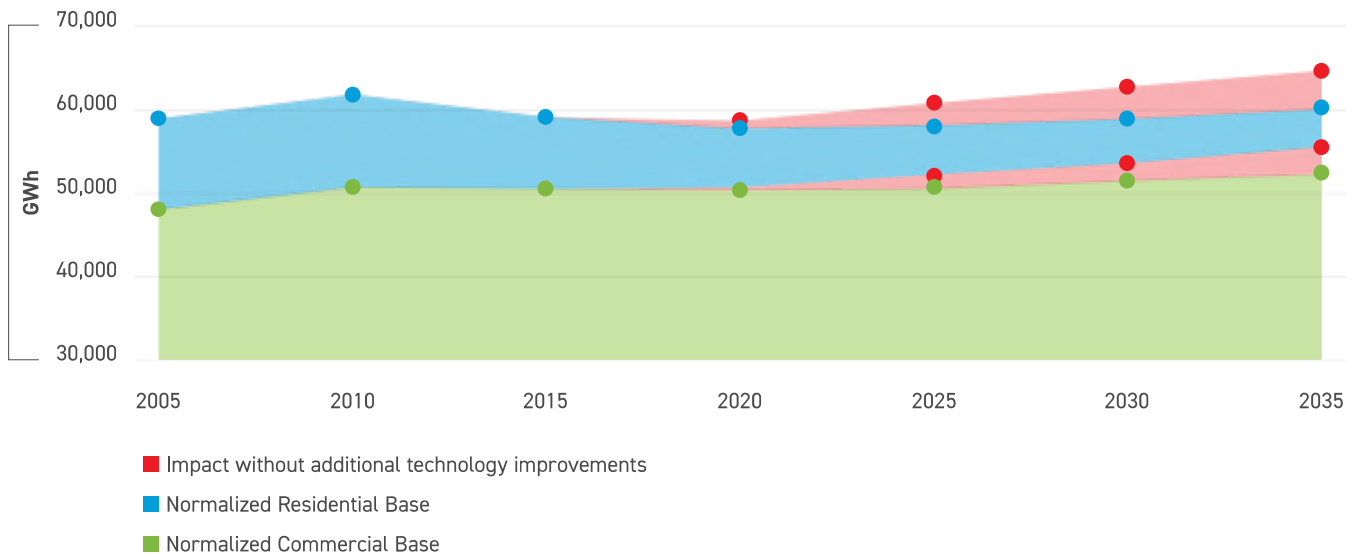
The successes of our energy efficiency and demand response programs in recent years has reduced overall electricity usage and demand requirements across the power grid. A significant amount of this improvement has come from programs such as our efficient lighting upgrades. In the past, we could provide incentives for our customers to upgrade their lighting from incandescent bulbs to compact fluorescent or LEDs. The cost of this incentive was fairly low, and the decrease in energy use was significant, resulting in a very cost-effective efficiency program. However, as lighting and

other appliance standards increase, these low-cost options are dwindling.

The next generation of energy efficiency options includes relatively expensive and more involved customer decisions, such as improving home insulation or upgrading HVAC equipment. The incentives required to achieve these types of energy efficiency reductions are much higher, making them relatively less cost-effective. Even though AEP provides incentives to our customers for these upgrades, they are often prohibitively expensive for many of our customers.

AEP shares the concern that some legislators and regulators have expressed regarding the impact of increased rates resulting from these programs, especially among our low- and moderate-income customers. We have seen this concern raised by policymakers in several states across our service territory. For example, Kentucky regulators ordered Kentucky Power to suspend most of its energy efficiency programs in 2018 to address cost impacts to customers.

ENERGY EFFICIENCY TECHNOLOGY IMPACTS TO AEP'S SALES FORECAST



This chart reflects forecasted impacts of energy efficiency on residential and commercial sales within AEP's service territory. The red shaded area represents what our residential and commercial sales would have been if not for the increasing energy efficiency that is assumed will occur.

Demand Management

Home Energy Management

Our customers have access to an ever-increasing number of choices for home energy management, and they expect a personalized experience with their products and services. To be their preferred choice, we have to provide our customers with the relevant energy insights and tailored solutions they need to understand and control their energy use and bills. And we have to do it in a manner that is consistent with their lifestyle while simultaneously managing the system for the benefit of all customers.

Customer surveys show AEP's residential customers want more timely and detailed information about their energy usage to manage their bills and reduce costs, with 58 percent saying they want personalized energy guidance from us. As 39 percent of customers already own a smart thermostat, we have an opportunity to add value by using the smart hardware already installed in our customers' homes.

Home Energy Management (HEM) is a suite of integrated solutions from AEP that gives us the foundation to do all of these things. In 2018, personalized HEM information was available to customers in AEP Ohio, Public Service Company of Oklahoma (PSO) and Indiana Michigan Power (I&M).

IM Home, Indiana Michigan Power (I&M) Company's innovative home energy management program, allows our customers to use a mobile app and a Wi-Fi-enabled thermostat to control their energy use at any time. The program can automatically pick the best time to cool the home, using the least amount of energy, according to the customer's comfort preferences. The smart thermostat program gives customers year-round energy savings.

A feature of this program was the release in 2018 of our HEM voice-assisted app that works with Google Assistant and Amazon's Alexa platforms. Through the app, customers can use voice commands to access their account or energy use information using either platform. The program is currently available only to I&M customers, but we are considering expansion across our service territory. Learn more in [Customer Channels](#).

Residential customers of AEP Ohio who have smart meters can participate in a home energy management program that allows them to manage their energy use in real time. Through the It's Your Power! program, customers can download an app that allows them to automate and control smart devices as well as receive real-time updates on the energy their home is using. Other benefits of the program include the ability to remotely adjust their thermostat, set a budget goal for electricity usage and pay their bill online.

Beneficial Electrification

Electrification of end-use technologies in industry, buildings and the transportation sector, combined with cleaner electricity from the grid, creates a clear pathway for a low-carbon future and universal access to clean energy. The road to electrification is complex and challenging, but the long-term reward is significant for the environment, society and business.

Electrification technologies, such as electric vehicles (EVs) require effective planning to ensure the technology and infrastructure are in place to meet our customers' needs. We must also have the right policies and regulations in place to support them. We are working with technology and research partners, customers, policymakers and other stakeholders to understand the implications and opportunities of large-scale electrification as we transform to a digital economy. This engagement will allow us to identify and support these technologies, maximize customer benefits and ensure development of policies and regulations that help our customers and communities.

New Opportunities

In 2018, AEP launched a new energyconversionhub.com website as part of our new beneficial electrification program for commercial and industrial (C&I) customers. The intent is to highlight the economic and environmental benefits of using electricity to improve their operations. The website provides easy access to a portal of useful information on:

Infrared (IR) curing and drying – IR is commonly used to dry textiles and paper products, heat metals and plastics, and dry and cure paint. Electrifying this process is more energy efficient and flexible in terms of achieving the desired heating intensity compared with using natural gas.

Pipeline compression – Compressor stations for natural gas pipelines serve as a type of engine that compresses gas (increases its pressure) to provide the energy needed to move the gas through the pipeline. Electrification of compressors can improve efficiency and operations, as well as reduce air emissions.

Induction surface treatment – Induction hardening uses electromagnetic fields to induce electric currents into metal, rapidly heating the steel and then rapidly cooling (quenching) it to increase hardness and durability. The power and frequency of the electromagnetic fields can be adjusted to regulate the depth and temperature of surface heating. Underlying metal layers remain unaffected.

Forklifts – While forklifts have historically used internal combustion engines and fossil fuels, electric technology advancements allow users to achieve substantial benefits. In addition to being more energy efficient, they are better for the environment, allow service in challenging enclosed spaces and reduce noise while increasing safety.

Electric Transportation

The electric mobility revolution continues to accelerate throughout the world and in our service territory. Electric vehicle (EV) adoption provides substantial environmental and economic benefits for society. It will also have substantial impacts on many major industries, including the electric utility industry.

According to a 2018 study by the Edison Electric Institute (EEI), there are more than 1 million EVs on the road today.

Another million EVs are expected over the next three years, and by 2030, the total number of EVs will climb above 18 million in the U.S. AEP is working to help customers and communities achieve the benefits and rewards of electric transportation by improving customer awareness of and education about EVs, supporting EV charging options where we park, and helping to mature transportation corridors to enable long-distance electric travel for all drivers. We are seeing greater adoption: at the end of 2018, there were more than 10,000 registered EVs and plug-in hybrid electric vehicles (PHEVs) across our service territory, with nearly half of those in Ohio.

We are also providing tools and guidance to our customers on how to better manage their fleet. These analytical tools show that replacing a vehicle with a similar EV that is on the market can provide a 50 percent reduction in first-year fuel cost, as well as a 40 percent reduction in first-year tailpipe emissions. When fleet managers understand these benefits specific to their needs, they are empowered to make decisions to adopt EVs that benefit their business, customers and communities.

We are working today to identify and deploy technologies, solutions and programs to address the challenges and opportunities that EVs will present. Our objective is to increase adoption of electric transportation in our service territory and provide charging options that optimize the use of the grid for the benefit of all customers. This will require leading by example with our own fleet transformation, customer outreach and education; managing charging to optimally integrate EVs with the grid; increasing public infrastructure; and engaging with our legislative and regulatory stakeholders to get the rules right.

We believe we are well-positioned to play an important role in supporting EV market development. We are actively working with policymakers and customers to develop and implement incentive programs to help jump-start and support adoption of EVs in our service territories.

2018 EV Accomplishments:

In 2018, AEP began expanding the use of EVs throughout our own company, including integration of EVs into our fleet of work vehicles. We have a program in place to prioritize EV charging stations, with approximately 100 ports installed across our facilities and plans to install more. This workplace EV charging system received an Electric Power Research Institute (EPRI) Technology Transfer Award in 2018, demonstrating its applicability across our industry.

In April 2018, AEP Ohio received regulatory approval to implement an EV charging station incentive program. The program offers incentives for up to 375 charging stations at government-owned properties, workplaces, multifamily housing units and in low-income neighborhoods. In 2018, 54 projects were approved through this program, representing 136 Level 2 charging ports and nine DC Fast Charging Stations. Read more in [Smart Columbus](#).

As we optimize our existing grid assets, we are offering customers options and rates that encourage the efficient use of the grid. Our goal is to simplify charge-at-home options and enable our customers to charge their EVs in an affordable way. For example, having a special rate for night-time charging would make it more cost-effective for customers to recharge their EVs later at night to save money. It would also help us better manage the demand on the grid to ensure reliability.

Indiana Michigan Power (I&M) received approval to update its EV tariff to improve home charging options and make it easier for customers to gain access to EV infrastructure. This type of policy change is what's needed to enable quicker adoption of EVs and the supporting infrastructure.

AEP'S ELECTRIC TRANSPORTATION STRATEGIC FRAMEWORK

Mission: Increase adoption of electric vehicles in our service territory and provide customer charging options that optimize the use of the grid for the benefit of all customers.

	<p>Education & Outreach</p> <ul style="list-style-type: none"> • Proactively engage customers to normalize electric car ownership • Advise customers on benefits, economics and program offerings
	<p>Lead by Example</p> <ul style="list-style-type: none"> • Procure AEP fleet EVs • Increase employee access to charging at AEP workplaces
	<p>Increase Off-Peak Load</p> <ul style="list-style-type: none"> • Deploy residential solution to accommodate load and move off-peak • Design and deploy customer fleet charging solution
	<p>Improve Public Infrastructure</p> <ul style="list-style-type: none"> • Design and deploy customer workplace charging solution • Advise and support municipalities on electric transit opportunities and vehicle corridors
	<p>Get the Rules Right</p> <ul style="list-style-type: none"> • Advocate for policies that support increased EV sales and access to charging infrastructure • Advocate for active utility role in transportation electrification

Following a legal settlement between Volkswagen and the federal government over violations of the Clean Air Act, Volkswagen agreed to provide \$2.7 billion to the states for environmental mitigation projects. AEP continues to advocate for using these funds to support EV charging infrastructure.

Technology Transfer Award

An AEP team received a Technology Transfer Award from EPRI in 2019, recognizing the team's use of standards and methodologies created by EPRI to figure out how to deploy a network of vehicle charging stations at a workplace in an economical and scalable way. Access to charging at work can be an important enabling factor in wider adoption and leverages one of the longest vehicle idle time applications, second only to residential charging. The team led the installation of EV charging infrastructure at AEP's corporate headquarters, which is one of the largest workplace installations in the country, proving a pathway for reducing the cost of incremental port additions and slashing the installed cost by over 70 percent compared to traditional approaches.

TRADITIONAL GENERATION

Coal Fleet Optimization

At the end of 2018, coal represented 47 percent of AEP's generating capacity, compared with 70 percent in 2005. While coal is a smaller portion of our fuel portfolio today than in the past, it will continue to remain an important resource for the foreseeable future. Coal helps provide us with the flexibility necessary to manage the intermittent nature of renewable and distributed energy resources and maintain grid reliability.

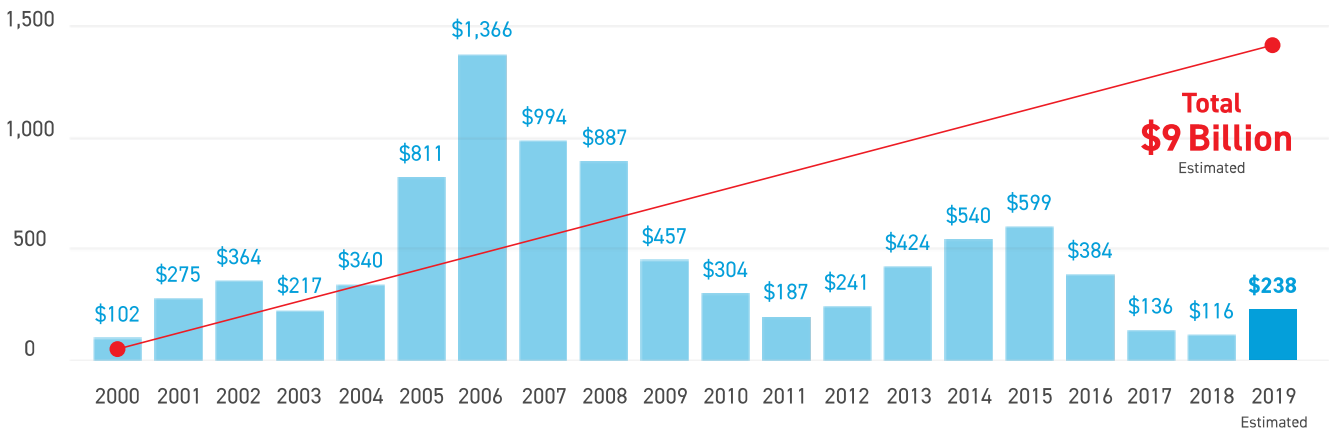


**AEP has retired approximately
7,800MW
of coal-fueled generating capacity
since 2011**

AEP has retired approximately 7,800 MW of coal-fueled generating capacity since 2011. Our remaining coal units will continue to provide critical 24/7 energy and other services to the grid to ensure reliable, uninterrupted electricity for our customers. These facilities are equipped with environmental controls to assure compliance with current regulations. We make investments as needed to comply with environmental regulations that keep our fossil-fueled generating capacity available to serve customers. These environmental upgrades will continue through 2025.

In 2018, we announced the retirement of two more coal generation facilities. AEP Generation Resources will close Conesville Units 5 and 6 with a total generating capacity of 820 MW (AEP's ownership) – in May 2019 and will close the 651 MW-Unit 4 in May 2020. We also announced the closure of our 460 MW (AEP's ownership) Oklaunion Plant in Oklahoma. The Oklaunion Plant, co-owned by AEP Texas and Public Service Company of Oklahoma, will retire in 2020.

INVESTMENTS IN ENVIRONMENTAL CONTROLS \$ in millions



Our use of coal generating facilities changes in response to changing market conditions. Factors such as fluctuating natural gas prices and seasonal capacity needs dictate when coal units are used to serve customer demand. Today, we manage the remaining coal fleet to reduce the need for capital investment over time, allowing us to optimize the operation of the units, as well as investment and depreciation rates. This approach delivers value to both our customers and shareholders. By 2030, more than half of AEP’s coal units will be within 10 years of reaching the end of their 60-year typical useful lifespan.

Although we have no plans to build another coal plant, we continue to monitor the development of new technologies, including carbon capture and storage. Should any of these technologies be demonstrated commercially to improve the scalability and cost-competitiveness of low-carbon fossil-fueled power generation in the future, we would want to have those technology options available for consideration.

To support development, demonstration and deployment of these technologies, the industry - along with the Electric Power Research Institute, the U.S. Department of Energy, technology suppliers and academia is working to develop state-of-the-art processes, equipment and components, new metal alloys, alternative materials and advanced manufacturing techniques, all of which could have beneficial impact on the industry.

Learn more about [AEP’s strategic vision for reducing carbon emissions](#).

Natural Gas

In 2018, natural gas accounted for approximately 28 percent of AEP’s generating capacity. According to the U.S. Energy Information Administration (EIA), natural gas has surpassed coal as the main fuel for electricity generation and will continue to grow its share of power production through 2050. AEP’s consumption of natural gas to generate electricity by our regulated utilities in 2018 was up by 29 percent from 2017, largely due to lower natural gas prices and increased demand for electricity. As natural gas becomes an increasingly important 24/7 resource for the future, price, availability and security of supply become higher priorities.

Natural gas is a fundamental part of our portfolio as we seek to diversify our resources while maintaining 24/7 reliability and resilience of the power grid. As wind and solar capacity increases, we need a back-up source of power to ensure the grid operates uninterrupted when other resources are unavailable. Natural gas provides the flexibility renewables need due to their intermittency.

NATURAL GAS

	2016	2017	2018
Total Delivered (billion cubic feet)	103.9	86.3	111.6
Average Price Per MMBtu of Purchased Natural Gas	\$2.77	\$3.37	\$3.26

Includes Vertically Integrated Utilities

Natural gas emits approximately 50 percent less carbon dioxide compared with coal when burned to generate electricity. High-efficiency combined-cycle natural gas plants can also be built and operated with fewer environmental control systems than a coal-fueled plant. Since 2005, AEP has added over 3,000 MW of natural gas generating capacity to our portfolio, and we anticipate continued growth. At the same time, we are looking for new technologies that are more efficient and have the flexibility needed to meet changing customer

needs.

Reliability of supply is vital to reliability of the grid, which is why we remain concerned that an overreliance on natural gas for power generation comes with great risk to the grid and our customers. Assuming favorable foreign markets, as the U.S. continues to export more natural gas, we expect prices to increase in the long term. If our industry becomes overly dependent on natural gas generation, our customers will be more exposed to the potential volatility and price increases in the natural gas market.

Because natural gas facilities rely on a constant supply of fuel to operate, it is critical that we maintain a steady flow of natural gas to our generation plants at all times. This is why several of our natural gas plants are connected to two pipelines or have alternative fuel capabilities. Another challenge we face is limited and aging natural gas infrastructure, which limits our ability to receive natural gas to meet demand at all times. We continue to work with regulators to help manage this risk and gain more certainty and flexibility when procuring and scheduling natural gas delivery for our units.

We remain concerned that the majority of current natural gas security issues (cyber and physical) are addressed through voluntary guidelines. The Energy Policy Act of 2005 authorized the creation of an audited self-regulatory “electric reliability organization” that spanned North America, with FERC oversight in the United States. The legislation made compliance with reliability standards both mandatory and enforceable. In July 2006 FERC certified NERC as the electric reliability organization for the United States. While NERC takes its security responsibilities very seriously, it does not currently have jurisdiction over the natural gas industry. As the electric industry becomes ever more reliant on the natural gas industry, the disparity in regulation is of growing concern.

Carbon Capture and Storage for Natural Gas

To date, the vast majority of the work on carbon capture and storage (CCS) has been performed on coal-fired generation. However, since AEP completed the Mountaineer CCS validation project in 2010, the development of the technology has slowed significantly. In that time, there have only been two commercial scale demonstrations of CCS technology. This slow pace of development can largely be attributed to the high cost of CCS; technical and financial risks associated with capture, storage and enhanced oil recovery; and the lack of regulatory compliance mandates for CO₂ reductions. We will continue to monitor CCS technology development.

Nuclear & Hydro

Carbon-free electricity has been part of AEP’s generating portfolio for decades. Customers across our service territory continue to benefit from our operation of nuclear and hydroelectric generation.

Nuclear energy is one of the most reliable carbon-free sources of electricity. The Donald C. Cook Nuclear Plant in Bridgman, Michigan, can provide 2,278 MW of electricity when operating at full power. The plant’s two units are located along Lake Michigan’s eastern shore, producing electricity to serve our customers in Michigan and Indiana.

Cook’s two units were originally designed for a 40-year life, but in 2005 the licenses were extended by 20 years to 2034 for Unit 1 and 2037 for Unit 2. In 2018, Unit 1 surpassed four years of continuous service (excluding time to refuel, which occurs every 18 months), an industry leading accomplishment.



AEP has 933 MW of hydro and pumped storage on its system, serving customers in five states.

We are undergoing a Life Cycle Management (LCM) project to replace key components and extend the useful life of the Cook facility. We are starting to upgrade the electronic systems throughout the plant, including the reactor protection systems.

The Cook Plant is part of an industrywide, multi-year strategy to transform the industry and ensure the plant’s long-term

viability. The strategy, called Delivering the Nuclear Promise, identifies efficiency measures; adopts best practices; and applies new technology solutions that improve operations, reduce costs and drive regulatory and market change to ensure nuclear energy facilities are fully recognized for their value and don't succumb to premature reactor retirements.

Another clean energy resource serving our customers for more than a century is hydroelectric power. AEP has 933 MW of hydro and pumped storage on its system, serving customers in five states.

The Byllesby hydro plant, owned and operated by Appalachian Power, was inducted into the Hydro Hall of Fame in 2018. To be eligible, plants must be in continuous operation for more than a century. The 19 MW plant on the New River in southwestern Virginia began operation in 1912.

GRID RELIABILITY & RESILIENCE

Maintaining the approximately 260,000 miles in our transmission and distribution network comes with an array of challenges even as we upgrade our infrastructure to meet modern-day needs. These challenges include the age of our infrastructure, the threat of external interruptions, the transformation of our generation fleet, the difficulty of siting new facilities, new and future environmental regulations and the magnitude of investments needed.

As we modernize the grid, we are designing in practices, materials and standards for ensuring long-term reliability and security of the system. However, we can't prevent all power outages, so our response to them, when they do occur, is critical for our customers and our reputation.

Severe weather, vegetation that comes in contact with our electric facilities and the collision of vehicles with power poles are major causes of power outages. In fact, distracted driving is fast becoming a leading cause of crashes with poles in parts of our service territory. The terrain in our service territory is also a factor. For example, in West Virginia and Kentucky, where it is mountainous and our facilities are difficult to reach, outages are more likely to be caused by vegetation and harder to restore because of the location of equipment.

In response, we are investing in infrastructure and using technology and data analytics to predict, prevent, and mitigate service disruptions and better communicate with our customers. We are installing new equipment and facilities that support and integrate renewable and distributed energy resources, and using analytics and other tools to monitor and predict events. These efforts make our system more resilient and agile by allowing us to be proactive with maintenance of the system. We are also providing better information to our customers about their energy usage, outages and other issues. Through these efforts, we can ensure our ability to provide our customers with the energy they need, when they need it.

Grid Reliability Modeling

In 2018, AEP Transmission hosted the Power System Modeling Conference, a two-day event sponsored by the North American Electric Reliability Corporation (NERC), the North American Transmission Forum (NATF) and the Electric Power Research Institute (EPRI). Experts from AEP joined about 150 others from around the industry to cover a wide range of topics related to modeling energy reliability and resilience, including energy storage systems, real-time grid assessments and the impacts of distributed energy resources on the power system.

This type of modeling uses real-world information, such as the physical characteristics of equipment deployed in the field, to help system planners and operators predict what could happen on the system during certain conditions and events. This modeling is particularly important due to the growth of distributed energy resources on our system, such as wind and solar, and the evolution of technologies such as energy storage.

RELIABILITY INVESTMENTS

The Regional Transmission Organizations (RTOs) in which AEP operates often determine upgrades to the transmission grid to address region-wide reliability, market efficiency and public policy needs. RTOs will then assign these projects to transmission owners such as AEP to build the lines and facilities.

We plan to invest \$24.9 billion between 2019 and 2023 on transmission and distribution infrastructure to strengthen and modernize our network to address critical system reliability risks and protect the grid from physical and cyber threats. AEP will direct a large portion of this investment to improve local reliability issues, many of which are the result of our aging system. In 2018, AEP invested roughly \$4.5 billion in these infrastructure improvements.

The primary direct benefit that customers receive from these investments is improved reliability and resiliency. To ensure every dollar we invest counts, we conducted a system-wide audit to identify our least reliable facilities and equipment at the greatest risk of failure and scheduled these for expedited upgrade or replacement. Based on a sampling of 14 completed transmission line rebuild projects, customer outage duration was decreased by 97 percent from pre-investment levels.

A more robust transmission grid also supports economic and job growth. According to an AEP-commissioned study, between 2017 and 2019, our planned \$9 billion transmission investment will produce an estimated \$12.7 billion in economic activity and support roughly 34,000 jobs. In addition, the new transmission developments will provide more than \$600 million in additional state and local tax revenues.

In the same study on the direct and indirect impact of our transmission investments, we applied this historical effectiveness to a sample of 62 transmission local reliability upgrades targeted for completion in the 2012–2019 capital budget. The report concludes these investments will yield an estimated customer outage reduction benefit of approximately \$75 million per year and a net present value of \$1.4 billion of benefits over the lifetime of the investments.

AEP Texas submitted two major 345-kV double-circuit transmission lines for approval to the Public Utility Commission of Texas (PUCT) in October 2018. The new transmission lines are the Bakersfield to Solstice Project and the Sand Lake to Solstice Project in Pecos, Reeves and Ward counties. The Electric Reliability Council of Texas (ERCOT) recommended both projects as critical to the reliability of the region's transmission system, and we expect a decision to be made on the proposed projects in 2019. If approved, the projects are scheduled to be in-service by December 2020.

In 2018, AEP Transmission became a member of the Midcontinent Independent System Operator (MISO) RTO, bringing to four the number of RTOs within which AEP has assets. A project mandated by MISO in northern Indiana was the \$347 million Greentown-to-Reynolds Project, which went into service in 2018. The project was built by Northern Indiana Public Service Company (NIPSCO) and Pioneer Transmission, a joint venture between AEP Transmission and Duke Energy. The 70-mile line links Greentown Station with NIPSCO's Reynolds Station. The new line improves reliability in that region and assures access to regional sources of competitively priced power. The Greentown-Reynolds line is the first phase of Pioneer Transmission's 290-mile plan to connect the Greentown Station to AEP's Rockport Station, east of Evansville, Indiana.

Public Service Company of Oklahoma (PSO) is upgrading the electric transmission grid in McCurtain and Choctaw counties in southeast Oklahoma. The Hugo – Fort Towson – Valliant Transmission Line Rebuild Project upgrades the existing transmission infrastructure to provide a reliable flow of electricity to our customers. The project provides additional electric capacity to better serve local customers and accommodate future growth. The estimated investment on this project is \$27 million.

AEP Ohio has more than 30 transmission projects in process to enhance reliability, replace or rebuild aging infrastructure and accommodate future growth across the state. For example, about 13 miles of 69 kV transmission lines between Flushing and Smyrna Stations in Belmont and Harrison counties in Ohio is being rebuilt. In the Findlay area, AEP Ohio is rebuilding approximately 30 miles of 34.5 kV transmission line to 69 kV. This Findlay area improvement project is an example of infrastructure that has reached an age where it needs to be replaced to improve reliability in that region.

Competitive Transmission

Transource® is a partnership between American Electric Power (AEP) and Great Plains Energy (GPE) focused on the development and investment in competitive electric transmission projects across the U.S. Transource is a member of three regional transmission organizations - the PJM Interconnection, the Midwest Independent System Operator (MISO) and the Southwest Power Pool (SPP) - which together serve all or part of 28 U.S. states, the District of Columbia and the

province of Manitoba in Canada.

The Transource West Virginia Clendenin-Walton Area Improvements transmission line project is located in an area north of Clendenin, West Virginia. This project was identified in PJM's 2014 Regional Transmission Expansion Plan (RTEP) as key to ensuring continued reliable electric service in Kanawha and Roane counties in West Virginia. The project provides an interconnection with First Energy and brings a second 138kV power source into the Clendenin area. The project is scheduled to go in service by June 2019.

Transource is also developing the Independence Energy Connection (IEC), a new project to increase consumer access to more affordable power in the PJM region, including Pennsylvania and Maryland. The project will be built in two segments, with approximately 45 miles of transmission line in Pennsylvania and Maryland. The project also includes construction of two new substations in Pennsylvania and upgrades to two existing substations in Maryland.

The need for this project stemmed from transmission congestion impacting the delivery of electricity into the region. Following a competitive bidding process, PJM awarded construction of the project to Transource in August 2016. These new lines and substations are due to go in-service in November 2020.

Electric Transmission Texas (ETT), a joint venture between AEP and Berkshire Hathaway Energy Company, is piloting an initiative to expedite the ability to interconnect generation with the transmission grid. In September 2018, the Public Utility Commission of Texas (PUCT) issued a final order approving a new transmission line to serve the Foard City Wind Project in Foard County, Texas. Without the new line, the wind farm could not connect to the grid. ETT's new approximately 2.7 mile 345-kV line will provide the interconnection needed and is expected to be placed in service in May 2019.

MANAGING AN AGING INFRASTRUCTURE

At AEP, we constantly evaluate the performance and condition of the grid. We prioritize investments by identifying the aging facilities that have historically caused customer outages and using analytics to help us predict where failures will occur in the future. Making the investments necessary to upgrade and replace our aging transmission and distribution grid is essential to maintaining the highest levels of reliability and resiliency.

The Edison Electric Institute (EEI) estimates that at least 30 percent of the U.S. transmission system is at or near the end of its useful life. AEP is a part of this aging system; we own and operate the largest transmission network in America, with approximately 40,000 miles of transmission lines spanning across 11 states. The average age of these lines is 47 years. In addition, the average age of our transformers is 34 years. As a result, replacement parts for certain pieces of equipment are no longer available. This poses a substantial challenge to keeping our system in working order. While AEP has always invested in our transmission system, at this time, there is significant focus on renewing aging transmission infrastructure which is why we are currently investing billions of dollars to modernize the power grid, make it more resilient and increase customer value.

AEP's distribution system is no exception. The average age of our distribution poles is 32 years, with an expected life of 45 years. Throughout AEP's service territory, there are more than 86,000 miles of small conductors that are at least 40 years old.

As we rely on a system that is at or near the end of its useful life, we become more susceptible to experiencing more frequent and prolonged power outages from equipment failure. In addition, older transmission and distribution equipment is not compatible with newer grid technology, such as digital meters and sensors, which poses an increasing challenge to grid modernization efforts.

Some recent examples of our progress in replacing our aging infrastructure include:



Making investments to upgrade and replace our aging transmission and distribution grid is essential to maintaining the highest levels of reliability and resiliency.

In Shreveport, Louisiana, Southwestern Electric Power Company (SWEPCO) is investing \$9 million to replace a three-mile stretch of 69 kV transmission line and 60-year-old wooden poles and upgrade two substations. The installations will improve reliability of the local grid, and the project is scheduled to go into service in 2019.

AEP Ohio is rebuilding approximately 55 miles of a 138-kV system built in 1954 in Athens and Hocking counties, Ohio. The \$62 million project is expected to go online in mid-2019.

In southern West Virginia, Appalachian Power is investing approximately \$100 million to make significant upgrades to the existing transmission system. The two-phase project will strengthen the grid in Boone and Kanawha counties by replacing aging equipment with modern technology. The project is expected to be completed by the end of 2020. With more than 210,000 wooden power poles to maintain, a Kentucky Power initiative targeted poles that are 50 years or older to be treated, reinforced or replaced. Treated and reinforced poles are less likely to topple during storms and can last as many as 20 additional years, reducing replacement costs.

We rely on having instantly available accurate data to manage and operate the electric power grid. The two systems integral to operating and managing the grid are the Energy Management System (EMS) and the Supervisory Control and Data Acquisition (SCADA) system. These are critically important because of the wide range of age, health and complexities of the network that makes up the North American Transmission Systems (Eastern Interconnect, Western Interconnect and Texas Interconnect). To help us gain greater visibility of all elements of the grid we have been increasing the scale of these systems to gain more real-time monitoring and assessments. During the last three years, AEP has added up to 130,000 points per year to the SCADA system and up to 5,000 nodes to the EMS system. These enhancements help us detect equipment failures as well as gain advance notice of potential trouble spots before they can affect customers. The investments we are making to enhance these systems also strengthen the resilience of the grid.

ASSET HEALTH CENTER

The Asset Health Center (AHC) exemplifies our early adoption of digital technology to reduce failures, increase safety, improve grid reliability and reduce risks through proactive operational and predictive awareness. Since 2012, the AEP Transmission System and Asset Monitoring teams have installed and managed real-time performance monitors that give us an opportunity to prevent transformer failures, saving the company up to \$36 million.

There are two main components to the AHC – an analytical software platform with algorithms that provide health indices, risks of failure and actionable notifications; and a fleet-wide installation of asset monitoring devices that provide instant data through a robust communication infrastructure, allowing us to monitor the system in real-time.

In 2018, AEP Transmission deployed monitoring on 70 additional Extra High Voltage (EHV) transformers and reactors. This brings the total to more than 360 EHV transformers and reactors that are now monitored in real-time through the AHC. We also created and piloted a new standard for circuit breaker monitoring.

The information we receive from the AHC is an input into our Reliability Assessment Tool so we can make more informed decisions about asset renewals for maintenance or replacement. This increased awareness helps us reduce risk by identifying safety issues in real-time and informs our capital investment strategy. In addition, we are using predictive algorithms and the data collected from sensors to see if we can anticipate equipment failures even sooner.

DISTRIBUTED ENERGY RESOURCES

Integrating distributed energy resources (DERs) into the grid presents both challenges and opportunities for the electric power industry. This requires changing the traditional business models, forming strategic partnerships and regulatory reform – all while maintaining the reliability and security of the grid.

DERs have the potential to provide society with increased energy reliability and security while also reducing our reliance on traditional large, centralized generating stations. DERs include rooftop solar panels, wind turbines, home energy management systems and battery storage systems. As these decentralized, local sources of energy generation become more widespread, AEP continues to ensure the infrastructure exists to integrate these resources safely and efficiently.

These smaller power sources can work together – such as advanced renewable technology, small natural gas-fueled engines, turbines and fuel cells – to meet energy and demand. Widespread deployment of DERs requires planning and coordination to integrate them with the rest of the power grid. These are often deployed as demand-side installations by

our commercial customers and can potentially provide benefits for the grid and customers.

AEP is investing in a company that has developed an advanced natural gas-fueled distributed generation solution for customers and communities. The gas-fired linear generator developed by EtaGen is highly efficient and is low-maintenance because it has so few moving parts. These are the types of technologies we are seeking to complement and support the grid.

As power from more and more alternative energy sources enters the grid, we face some significant challenges, such as maintaining grid reliability when voltage levels vary. This includes balancing the load when excess power is generated and flows back through the grid from DERs. We need to understand and plan for these dramatic changes so we can integrate them into our planning and future operation of the grid.

Many of our large commercial and industrial (C&I) customers have been early adopters of local generation. These users want more control over their systems, as well as lower costs and increased reliability of the power that drives their businesses and keeps them competitive. As the economics of DERs, such as private solar, continues to improve, C&I customers are increasing their adoption rate.

Examples of local generation systems in use by residential, commercial and industrial customers

Residential sector	Commercial and Industrial Sector
Solar photovoltaic panels	Solar photovoltaic panels
Small wind turbines	Wind
Natural gas fuel cells	Natural gas or biogas fuel cells
Emergency backup generators	Reciprocating internal combustion engines, including back-up generators
	Combined heat and power systems

Net Energy Metering

As DERs continue to increase in use, the debate over the continued need for and structure of net energy metering (NEM) rules continues in both regulatory and legislative arenas across the country. Under traditional NEM, customers are credited for any excess electricity they generate from DERs and sell back to the grid.

The number of NEM customers in AEP’s footprint is relatively modest, but growing. At the end of 2018, 5,369 net metering installations with a capacity of approximately 103 MW were on the grid in our service territory. Most of these are private solar generators who have rooftop solar installations.

In the past few years, policymakers across the country have started evaluating NEM. So far, 17 states have moved to reduce the compensation given to private solar customers on the grounds that the policy is inefficient and/or unfair. This includes several states in our service territory.

We believe the policies around NEM should ensure that customers pay equitably for the electric services they use and do not shift their costs to others, thus ensuring that all customers pay a just and reasonable rate. We continue to review compensation policies and mechanisms in other states to learn what would work best for our operations and our customers.

DERs and Grid Reliability

DERs may be changing the way we view the electric power system, but they won’t change our need for a resilient, reliable system that provides customers with the energy and capacity they need every day. All customers – including those with installed private generation – will require supplemental power from the grid at times, such as when weather conditions

prevent solar and wind farms from producing sufficient energy or during scheduled maintenance of private generation sources. DERs also need the grid to accept excess electricity when they produce more energy than they need, in addition to providing voltage control, frequency support and other services that are essential to reliability and living in a connected society.

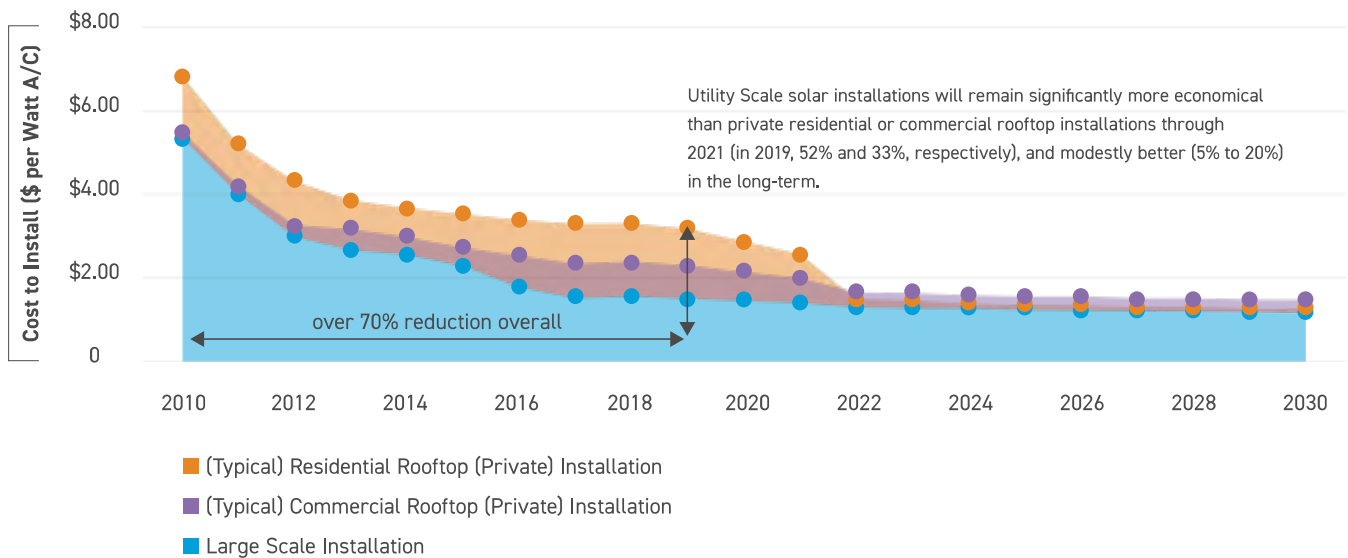
As DERs become more common, the demand for traditional generation will decrease. At the same time, we will continue to rely upon 24/7 capacity from reliable resources such as natural gas as a cost-effective way to meet demand and maintain the reliability of the grid. AEP continues to invest in our transmission and distribution systems to prepare the grid to integrate with a multitude of DERs.



As we modernize the grid, we are designing in practices, materials and standards for ensuring long-term reliability and security of the system.

SOLAR PHOTOVOLTAIC (PV) INSTALLATION COST TRENDS (U.S. Average)

Excluding Investment Tax Credit Benefits



Note: All costs reflected in "nominal" (as-spent) dollars with wattage denominated in "alternating current" (AC) basis.
 Source: AEP (Based on Bloomberg New Energy Finance Projections).

VEGETATION MANAGEMENT

Outages and equipment failures related to overgrown and/or fallen vegetation – trees and other vegetation – are among the biggest challenges to AEP’s service reliability. To meet AEP’s standards for transmission and distribution system reliability, we must manage vegetation in, and along, our rights-of-way (ROW). We manage vegetation growth immediately surrounding our power lines with a combination of performance-based (such as targeting low-performing circuits) and cycle-based (regularly scheduled) maintenance strategies.

Executing an effective tree-trimming cycle across our service area is a significant expense that has a direct effect on service reliability and customer satisfaction. During the past five years, AEP has spent more than \$1.78 billion on vegetation management, including \$388 million in 2018. We carefully manage our programs to ensure they are cost-effective; we do this by using a variety of tools and techniques to manage vegetation. But challenging terrain in parts of our service territory can often limit the options we can use. For example, in the mountains of West Virginia, Appalachian Power (APCo) regularly uses helicopters for aerial inspections, herbicide applications and tree trimming. In these rugged, undeveloped areas, the use of helicopters reduces impacts to the local environment by eliminating the need to build access roads to each structure. It is also a safer alternative than having workers hike through thick forests and climb steep

terrain with chainsaws, tree climbing equipment, and backpack spray units loaded with herbicide.

Our operating companies continue to work with state regulatory commissions for approval to implement more aggressive and proactive cycle-based vegetation management programs. Such management cycles have already been established in Ohio, Oklahoma and Kentucky. In West Virginia, where vegetation growing into and trees falling onto power lines are major causes of outages, 2018 marked the fourth year of a program to aggressively clear all distribution circuits end-to-end to establish a formal vegetation management cycle.

In 2019, Kentucky Power's five-year trimming cycle began across its entire service area. The increased trimming efforts we've used to prepare for this new cyclic program have resulted in significant reductions in tree-caused outages. Since 2010, Kentucky Power has cleared nearly 10,000 miles of overhead lines in its service territory, reducing outages caused by trees inside the ROW by over 70 percent.

Falling trees and limbs from outside the traditional ROW are increasingly a major threat to reliability. When a heavy tree or tree limb hits a power line, the poles and wires are often broken, extending the time it takes to restore service to customers. In 2018, falling trees accounted for approximately 24 percent of the total AEP customer minutes of interruption, and, over the past five years, we have seen the number of these outages caused by trees outside of the ROW increase by 29 percent across our system. The largest increases in outages due to this are in APCo and AEP Ohio, with 72 percent and 80 percent increases, respectively. Ash trees are a prevalent species in eastern forests and infestations of the emerald ash borer insects that kill these trees are primary contributors to downed trees and outages.

In 2018, AEP spent approximately \$103 million on proactive tree removals – including approximately \$11 million to widen “up-the-hill” ROWs in targeted areas above our transmission lines in the mountains of West Virginia and Kentucky.

With the increase in outages caused by trees outside of the ROW and with sensitivity toward the customer experience, AEP Ohio conducted a yearlong review of its forestry program which resulted in several changes to our vegetation management approach. In addition, we are using historical data to help us more methodically maintain at-risk circuits.

We have also stepped up our community outreach to alert residents of upcoming tree maintenance and hazard-tree work that is scheduled in their neighborhood. Our intent is to keep customers more informed about the work we are doing and what they should expect during these projects.

RELIABILITY PERFORMANCE

The electric power grid is essential to the economic vitality and well-being of society. It is our top-priority to provide customers with a safe, reliable, secure and resilient power grid to meet their energy needs at all times. We are dedicated to meeting this standard and continuously improving upon it.

Despite our excellent service record and our continuous efforts to improve reliability, there are times when our performance does not meet our customers' needs or expectations. Equipment failure from aging grid components, falling trees and tree limbs, and damage from severe weather cause outages that, depending on the severity, can have negative impacts on our customers.

We rely on three key metrics to measure the reliability of our system.

The System Average Interruption Duration Index (SAIDI) represents how many minutes the average customer experiences an interruption in electric service in a given year. During 2018, the AEP System SAIDI was 256.6 minutes, excluding major events, a 19% percent increase from 2017. The growth of vegetation contributed to about 38 percent of SAIDI results, and equipment failure accounted for about 22 percent of SAIDI.

The System Average Interruption Frequency Index (SAIFI) represents the number of interruptions experienced by



Outages and equipment failures related to overgrown and/or fallen vegetation – trees and other vegetation – are among the biggest challenges to AEP's service reliability.

customers in a year. During 2018, the system's SAIFI was 1.531, a 10 percent increase from 2017.

Vegetation and Distribution Line equipment failures were also the major contributors to SAIFI performance.

The Customer Average Interruption Duration Index (CAIDI) represents the average length of time it takes to restore service when an outage occurs. AEP's 2018 CAIDI was 167.7 minutes, an 8 percent degradation from 2017.

ANNUAL AEP SYSTEMWIDE RELIABILITY INDICES

	2016	2017	2018
SAIFI ¹	1,428	1,389	1,531
SAIDI ²	216,3	215,0	256.6
CAIDI ³	151,5	154,8	167.7

¹ System Average Interruption Frequency Index is the average number of sustained interruptions experienced by customers in a year.

² System Average Interruption Duration Index is the average number of minutes customers are without electric service in a year.

³ Customer Average Interruption Duration Index represents the average time required to restore service after a sustained interruption occurs.

The deterioration of performance in 2018 was due to a combination of many factors, most notably a higher frequency of storms, an increasing number of vehicle accidents that damaged equipment and trees outside of rights-of-way (ROW) falling into our equipment.

When an outage occurs, the first thing a customer wants to know is when the power will be restored to their home or business. One of AEP's primary concerns during these events is to quickly establish and share with customers a global estimated time of restoration (ETR). Providing an accurate ETR – and restoring power within that timeframe – is crucial to maintaining high customer satisfaction. Because it is such an effective and important tool for keeping our customers informed, we are continually looking for new ways to share and improve the accuracy of the ETR.

AEP provides customers with an array of tools to make it easy to report service interruptions and track their ETR. Customers who sign up to receive service alerts can receive timely information about their ETR by text message or email. More than 2 million customers have already enrolled in AEP's mobile alerts. In addition, the mobile app is particularly useful during outages as it allows customers to use their smart-phones to instantly report and monitor our restoration progress. Read more about this in the customer experience section of this report.

AEP also provides public access to mobile-friendly, online interactive maps that provide detailed information about power outages. These maps are easily accessible on the AEP website and mobile app and provide all interested stakeholders with greater transparency regarding outages. Users can search for details and updates by street, city, ZIP code or county to track AEP's restoration progress, without the need to log into a customer account.

Public Service Company of Oklahoma's Distribution Automation Circuit Reconfiguration Program allows circuits to "self-heal" to the extent that is practical in the event of a power outage. This technology is currently on 45 circuits including locations where customers have expressed a need for continuous power.

We are currently working on the development of a storm prediction model in partnership with major universities. In addition to enhancing our ability to predict and prepare ourselves when severe weather is imminent, the prediction tool will also alert our customers to help them prepare for potential power outages that could impact them as a result of severe weather. This is an example of enhancing the customer experience by providing value-added information they can use.

Momentary Average Interruption Frequency Index

We expect momentary outages will become a more significant concern for our customers as consumers use more electronics. The Oklahoma Corporation Commission now requires electric utilities to start reporting a Momentary Average Interruption Frequency Index (MAIFI) to the extent possible. Due to the nature of this metric, gathering the data necessary to track and report MAIFI was not possible before we implemented smart metering.

In 2018, PSO partnered with GridCure, a third party data company, to develop a "blink module." The technology uses Advanced Metering Infrastructure (AMI) data to target potential power quality issues on the distribution system before they become a problem for customers. This will allow us to pinpoint areas where problems occur and take proactive corrective action. The technology will be released in 2019.

GRID RESILIENCE

Resilience is our ability to maintain optimal grid performance and recover quickly from system disruptions. Many external factors influence how AEP addresses the resilience of the grid, including severe weather, cyberattacks, terrorism, theft, electromagnetic impulses, vandalism and supply chain disruptions.

Making the grid more resilient goes hand-in-hand with grid modernization. Today, we are using technology to help us find, fix and restore service faster. For example, we are putting sensors on power lines and circuits that can quickly tell us where a system fault has occurred so we can dispatch crews to make repairs. Without the sensors, our crews would first have to find the problem before they could make repairs. These initiatives have the support of state utility commissions because these types of activities improve system reliability and satisfaction for all customers.

Grid “hardening” refers to the ability of the grid to withstand and recover from abnormalities and external forces. Actions that we take to harden the grid include replacing infrastructure when needed or before assets fail in severe weather. Grid hardening incorporates higher-strength line designs, effective tree trimming and vegetation management and strategic system reinforcements (e.g., storm guys) to assure a reliable delivery of energy to customers.

Building out our fiber communication systems and cybersecurity protections allows us to manage the system remotely. We are implementing several telecommunications projects that will modernize the grid and improve the speed and efficiency by which AEP can relay and respond to information in the field. We have also invested significantly to modernize our underground networks on our distribution system to give us real-time visibility to how the system is working.

Severe Weather

Weather remains one of the greatest threats to the electric power grid, and the impacts caused by significant storms can be long-lasting and widespread. In 2017, AEP Texas experienced its strongest storm in 44 years when Hurricane Harvey hit the southeastern Texas coast, knocking out power to approximately 220,000 customers. While power was restored to all remaining customers following the storm, the work of repairing transmission lines and poles, substations and service centers continues today.

As part of these restoration efforts, AEP Texas is executing a long-term plan to enhance the resiliency of the system against future severe weather events. This includes using stronger transmission poles and shorter line spans between towers.

In 2018, we completed an expedited rebuild project near Aransas Pass, Texas, to replace a 69 kV transmission line knocked out during Hurricane Harvey. The new line spans an eight-mile section between substations in Aransas Pass and Mustang Island and will serve to strengthen the local power grid.

During the course of one week in April 2018, five tornados touched down in the state of Ohio, including an EF-1 tornado that caused significant damage in Grove City. The storm knocked down 32 wooden poles and cut power to 8,500 people. In the immediate aftermath of the tornado and before our crews began restoring power, they safely rescued nearly a dozen people trapped in their cars under downed power lines. We were able to restore power to nearly all customers within a few hours thanks to creative solutions to route power around the damaged areas and minimize the disruption to our customers. As a result of that storm, we replaced 24 wooden transmission structures with new steel poles.

The electric utility industry has a longstanding mutual aid agreement that provides support – people and equipment – to utilities in the wake of a natural disaster. AEP has helped other utilities in states across the U.S., and we have also received help when we needed it. The original agreement did not provide for mutual aid to utilities off the mainland, so when Hurricane Maria struck Puerto Rico in 2017, the industry worked with Edison Electric Institute (EEI) and the island’s utility to extend the agreement to Puerto Rico.

Recovery efforts in Puerto Rico continued well into 2018, during which time AEP deployed 157 employees, including incident command teams and frontline workers, in support of the mission. In total, nearly 60 electric companies and public power utilities sent more than 3,000 employees, plus equipment and/or materials to Puerto Rico. Eleven months after Hurricane Maria struck the island, the Puerto Rico Electric Power Authority (PREPA) announced that power had been



Weather remains one of the greatest threats to the electric power grid, and the impacts caused by significant storms can be long-lasting and widespread.

restored to its customers, ending the longest blackout in U.S. history.

Each year, EEI recognizes member companies who show outstanding efforts to restore service to areas following severe weather or other natural disasters. In 2018, EEI presented AEP with the 2018 Emergency Assistance Award for Puerto Rico Power Restoration. This award was also given to each AEP operating company and AEP Transmission for their support in the emergency power restoration mission after Hurricane Maria.

Grid Assurance

While the nation has improved its ability to respond to major grid disasters and power outages that frequently result from catastrophes, there are increasing threats – including more frequent and extreme weather events and physical, cyber or electromagnetic attacks – which present new challenges for protecting and recovering quickly from a catastrophic power outage. Maintaining an adequate inventory of vital equipment needed to replace critical infrastructure in the case of such an event is one challenge to improving grid resiliency.

Transmission components are expensive and often difficult to transport over long distances, and the manufacturing process itself is complex, with many components being hand-assembled at the factory. This dramatically increases lead time in ordering new equipment, and it is not uncommon to wait 18 months for delivery of some components. As a result, it is expensive for individual companies to purchase and keep a large quantity of spare transmission equipment on standby. For this reason, in 2018, AEP joined seven other major utility companies in becoming founding subscribers of Grid Assurance, LLC.

Grid Assurance was designed to help restore power more quickly following a high-impact, low-frequency event by providing subscribers a cost-effective method of meeting the collective resilience needs of the transmission grid. The new company houses and maintains long-lead-time critical transmission equipment, such as transformers, in secure storage facilities throughout the country. Grid Assurance also offers pre-planned transportation and logistics support for equipment delivery. As a subscriber, AEP has faster access to both the equipment and logistical support necessary for quickly deploying equipment to an affected location following a catastrophic event.

GRID MODERNIZATION

Today, customers expect their electric service to be more flexible, efficient and reliable. As we modernize and strengthen the system to meet their needs today and in the future, we are creating a smarter and more sophisticated system that provides universal access to cleaner, cost-effective power and tailored energy solutions.

Each of our operating companies varies its speed and level of investment in grid modernization based on customers' needs and regulatory support. We strive to find the right mix of projects and technologies that modernize and optimize the grid while maintaining affordability for our customers. Having the right public policies and regulations in place directly impacts our ability to meet customers' expectations.

In Ohio, state regulators convened a grid modernization initiative, called PowerForward, which explored how the distribution system can be improved through innovation to better the lives of Ohioans. The result was a comprehensive roadmap, which AEP provided input for, that lays out a path for supporting innovation to enhance the customer experience. PowerForward Roadmap envisions the distribution grid as a secure and open access platform that allows for customer applications to interface seamlessly with it. The Public Utilities Commission of Ohio also identified advanced meters as a core component of this platform.



We strive to find the right mix of projects and technologies that modernize and optimize the grid while maintaining affordability for our customers.

In 2018, the Commonwealth of Virginia adopted a new energy plan designed to “promote the transition to a more flexible, resilient, affordable and environmentally responsible energy system.” The Grid Transformation and Security Act (Senate

Bill 966) outlined recommendations for the electric sector as well as the shifts anticipated in the transportation sector that will impact the electric sector. Virginia's new energy plan for the Commonwealth includes:

- 5,000 MW of utility-owned and utility-operated wind and solar
- 500 MW of rooftop solar resources less than 1 MW of which are in the public interest
- \$1.1 billion investment in energy efficiency programs by investor-owned utilities
- Cost recovery structures for projects that modernize the grid and support the integration of distributed energy resources

The initiatives in Ohio and Virginia are examples of the types of public policies that are needed to support the growth of a modern grid. [Read more about this in Public Policy.](#)

SMART METERING

Automated Metering Infrastructure (AMI), or smart metering, is a foundational technology of the modern power grid that enables other technologies and grid modernization efforts. With AMI meters, customers have access to both historical and real-time usage data, giving them more control over their energy consumption and helping them identify ways to save money through more efficient energy use.

As early as 2008, AEP's operating companies began installing AMI meters and their supporting infrastructure across our footprint. As of January 1, 2019, we have deployed nearly 2.6 million AMI meters, with 537,000 more planned over the next several years. Our long-term goal is to achieve full installation across our entire customer base, as AMI becomes the industry-standard metering technology and replaces older equipment.

AMI continuously captures a massive amount of data across many metrics, including energy usage, voltage and temperature. These data points enable a wide range of customer engagement programs, as well as other service enhancements. These include:

- Reduce the number of estimated bills
- Quickly initiate service and reconnect customers
- Identify, communicate and restore customer outages more quickly
- Educate customers about their energy habits by sharing usage data through web portals and mobile applications to allow more customer control over their energy use
- Empower customers to manage their specific energy usage through energy efficiency and/or other approaches
- Proactively identify and address customer theft of service



AMI, or smart metering, is a foundational technology of the modern power grid that enables other technologies and grid modernization efforts.

The data that AMI meters collect also helps us operate the grid more efficiently as local generation, such as rooftop solar integration, increases.

ENERGY STORAGE

As we introduce more renewable generation, such as wind and solar power into our energy mix, the need to invest in energy storage grows. Energy storage helps us maintain a constant flow of power when intermittent resources such as wind and solar are not available.

Storage technology supports local reliability and demand response for our customers and is integrated into our distribution and resource planning processes. For example, batteries are a relatively flexible solution that can be mobilized and relocated to meet changing demand in the system. Today, we are also exploring new ways of combining energy storage with renewable generation to support the grid.

The system provides one of the first energy storage systems in the PJM transmission region to support frequency regulation.

The concept of energy storage is not new, but the need for reliable, cost-effective solutions has never been more critical. We are exploring new ways of using different types of energy storage to manage demand and support a more agile grid. Today, as the energy landscape transitions to more distributed and intermittent energy resources, we need to expand our ability to store energy to maintain grid reliability.

Another type of storage – pumped storage – has been serving customers of Appalachian Power since the mid-1960s. APCo's Smith Mountain Pumped Storage Project can generate 585 MW of electricity for up to 11 hours or can be used for short periods of time to meet peak energy needs.

Applications of Distributed Energy Storage

Reliability improvements - AEP has more than a decade of experience with battery storage, which can provide back-up power in case of an outage. During that time we installed three 2-MW NaS (sodium sulfur) batteries in Appalachian Power, Ohio Power and Indiana Michigan Power. Each battery is capable of providing back-up power for more than seven hours when loss of power from the substation occurs.

Frequency regulation - Batteries have the ability to rapidly respond to balance load and generation in real time on the grid. Regional transmission organizations (RTOs) are recognizing the need for greater amounts of frequency regulation to maintain system stability with the increased integration of variable generation resources.

Firming of renewables - Wind and solar often do not generate energy when and where it is needed most. Deploying batteries to combine with wind and/or solar energy can allow for better use and management of variable renewable energy sources.

Peak shaving - Batteries can provide power during peak demand times to meet customer demand while alleviating strain on the power grid.

Power quality - Batteries are capable of conditioning the flow of power so it can be used to protect sensitive electronic equipment.

New energy storage projects will allow solar power to extend operation past sunset and into evening peak demand periods. We continue to explore new opportunities to leverage the unique aspects of energy storage resources for expanded use in transmission, distribution and wholesale applications. Policymaking on these issues is extremely important to our ability to enable new technology and deploy it on the transmission and distribution grid.

MODERNIZING DISTRIBUTION

As we incorporate more smart technologies, the distribution grid becomes more complex and an increasingly important resource. We use advanced planning tools to help us better understand how changing energy resources will impact our distribution system. We are also coordinating with transmission planning to understand how the changes in distribution affect the transmission grid.

Replacing our aging infrastructure to provide higher levels of reliability and grid resilience is just one piece of the puzzle. Our modernization efforts also include increasing substation and circuit capacity to prepare for increased use of Distributed Energy Resources (DERs), such as photovoltaic solar, fossil fuel generation and energy storage. We are also physically relocating and strengthening circuits to make them less vulnerable to weather-related damage and to reduce the time it takes to make repairs. In some areas, we relocate overhead facilities underground to improve local reliability. As electric vehicles become more common, our modernization efforts are critical to managing the increased loads from electric vehicle charging across the grid.

In remote areas historically prone to outages, we are working to provide power redundancy in the form of back-up energy sources such as new circuits, circuit ties and substations. Depending on local site conditions, we also consider DERs to provide enhanced grid reliability and resilience.

GRID MODERNIZATION ACTIVITY SUMMARY

In 2018, AEP Ohio continued installation of distribution automation circuit reconfiguration (DACR) in our systems. DACR automatically detects outages and reconfigures an affected circuit to isolate the problem, quickly restoring service to other parts of the circuit. Using this “self-healing” technology, we can strategically reroute electricity, reducing the number of customers affected during an outage while AEP crews make repairs to the damaged circuit(s). AEP Ohio is in the midst of installing DACR on 250 distribution circuits serving more than 330,000 customers. When the project is completed in 2023, we estimate that the added DACR will reduce SAIFI by nearly 16 percent.

Company	Smart Meters	DACR Circuits	VVO Circuits
AEP Ohio	706,027	90	41
AEP Texas	1,077,173	27	0
Public Service Company of Oklahoma	575,574	45	52
Indiana Michigan Power Company	15,366	36	49
Kentucky Power Company	—	24	27
Appalachian Power Company	197,985	46	3
Southwestern Electric Power Company	—	34	0

Smart Grid plans are continuously evolving. Data is approximate/estimated.
 DACR – Distribution Automation Circuit Reconfiguration. VVO – Volt VAR Optimization.
 As of March 2019.
 AMI/Smart Meter data through January 25, 2019.

We are seeing results from the investments we’ve already made. For example, in April 2018, an equipment issue led to a power outage affecting 6,000 customers in northeast Columbus, Ohio. DACR restored power to every single customer in just 100 seconds. Without DACR, this type of outage would typically last approximately 83 minutes.

Another technology being implemented through AEP Ohio’s gridSMARTSM program is Volt/VAR Optimization (VVO). In some areas, the technology is also known as Conservation Voltage Reduction (CVR). This technology automatically controls voltage levels on distribution circuits to more closely match the voltages demanded by our customers. Using VVO/CVR helps both the distribution system and our customers achieve greater energy efficiency while ensuring the same customer experience. In addition, the technology helps the power grid balance DER hosting capacity, improving grid adaptability. We plan to install VVO on 1,600 distribution circuits serving nearly 110,000 customers.

In 2018, PSO expanded its CVR program and began implementing new technology using data from its automated metering infrastructure (AMI) to better determine problems that may affect power quality for customers. PSO installed this technology on an additional 14 circuits in 2018. Currently, 52 PSO circuits are equipped with this technology.

Successful implementation of technologies such as DACR and VVO must be rigorously tested to ensure a seamless and reliable experience for our customers. Field testing new equipment can be a time-consuming and labor-intensive process, which can lead to delays in bringing these smart grid technologies online. In 2018, AEP Ohio opened a commissioning lab at our Operations Center in Groveport, Ohio. The new lab can complete critical diagnostic tests remotely with fewer employees than traditional on-site testing. This new testing process is a much safer and more efficient way for us to meet our smart grid goals.

Smart Grid Command Center

Network disruptions do not always happen during normal business hours. For this reason, our experts must be available quickly to identify and resolve issues whenever they occur. Our Smart Grid Command Center in Gahanna, Ohio, now offers 24/7 service monitoring for our entire network communications between AMI, DACR, VVO/CVR and underground network vaults. The Command Center team also supports the smart meters being installed throughout our Ohio operations.

What does this mean for our customers? More reliable service through faster identification and resolution of issues. If a router fails on a utility pole in Texas, the first to know about it will be our Smart Grid Command Center, more than 1,300 miles away. The Command Center will identify the problem and resolve it remotely, if possible, or dispatch a local work crew to the site to make the repair.



Our Smart Grid Command Center offers 24/7 service monitoring for our entire network communications between AMI, DACR, VVO/CVR and underground network vaults.

Underground Network Monitoring

At year-end 2018, we completed our multi-year, \$84 million initiative across six operating companies to modernize and reinforce AEP's 14 underground electrical networks. This Underground Network (UGN) monitoring project is changing the way we collect, communicate and use information and data to support the Operations, Engineering and Planning functions of the operating companies' critical UGN systems.

The UGN project gives us the capability to monitor the networks in real time using fiber optics and cutting-edge sensor technology to capture data in five-second intervals. This gives us a real-time view of the distribution underground network. Our future success as an energy company depends on this capability as the distribution system becomes a more diverse, flexible system, allowing all resources to connect and manage demand at the same time.

With sensors and state-of-the-art telecom technology, we have a view of the underground system that we've never had before, allowing us to proactively manage the system. The insights we get from monitoring the system in real-time will also give underground network line crews more information about the facilities before they enter and as they prepare to perform their work, making it a safer work environment. Having this data will also support our ability to predict and prevent failures and fulfill other needs.

MODERNIZING TRANSMISSION

AEP continues to make significant investments to modernize the transmission grid, replace aging facilities, target poorly performing assets such as outdated substations and utility poles, and improve grid security. Investing in these updates helps reduce our future costs to maintain the electric power system and ensures the continued reliability of the power grid for our customers. A large portion of AEP's investment is focused on replacing or upgrading facilities that have been identified as underperforming or obsolete. These aging facilities require more frequent and costly maintenance. Replacing them not only reduces the cost of maintenance but it also improves efficiency and reliability performance. In addition, AEP is investing in projects that enhance grid security and modernize the telecommunications network that supports the electric system. These improvements help us locate, diagnose and respond more quickly when reliability issues occur.

Our transmission modernization investments are providing significant financial benefits for our customers, as well as operational improvements for how we manage the grid. We studied a sample of 84 transmission modernization projects and found that line losses decreased by an average of 55 percent after the projects. Reducing these transmission losses means that AEP needs to produce or purchase less power, which directly reduces the cost of serving our retail customers. The total estimated savings are forecasted to be \$108 million over the lifetime of these investments. In addition to these energy savings are potential avoided capacity cost savings. We would expect to see similar savings from other grid investment projects. Economic and Business Development

In addition to modernizing the hardware, we are modernizing the fiber-optic telecommunications system that is the backbone of the transmission grid. In 2017, we began an initiative to address several key issues, including:

- bandwidth demands;
- reliability and resiliency of our network;
- data connectivity to substations; and
- asset renewal.

The \$480 million Telecom Transmission Modernization Program will continue through 2021. Our initial focus has been to upgrade major backbone routes and expand telecom networks to our substations. Through 2018, we have installed 1,260 miles of fiber optic cable, with another 3,300 miles currently in-process through 2020.



Our transmission modernization investments are providing significant financial benefits for our customers, as well as operational improvements for how we manage the grid.

Demonstrated Performance Benefits of Investments in Transmission

Tangible Reliability Improvements

A sample of line rebuild projects shows a projected 47% reduction in total transmission-related power outages

Efficient Solutions

Recently completed projects have shown to be 97% effective in cutting the duration of customer outages

New transmission lines are 55% more energy efficient than those being replaced

Resilient New Infrastructure

Modern engineering standards ensure public safety and protect against severe weather, terrorism and other threats

New fiber-optic communications networks expand system automation capabilities and enhance cybersecurity

BOLD® Advantages

When it comes to electric infrastructure, size and aesthetics matter to the public. That's where AEP's new Breakthrough Overhead Line Design® (BOLD®) technology comes in. BOLD features lower, more aesthetically pleasing tower profiles and provides increased capacity within the same right-of-way. This makes it an attractive design option in dense areas and a conscientious response to public objections to taller and more conspicuous traditional towers. In addition, the single-pole design reduces or eliminates avian nesting, potentially reducing outages caused by birds. The deployment of BOLD continues to grow throughout our service territories.

We completed Phase 1 of a rebuild of the Roanoke-Marion transmission line to replace aging infrastructure with more than 200 new towers southwest of Fort Wayne, Indiana. This project was the first to deploy a double-circuit 138 kV BOLD line design. Though completion is scheduled for December 2019, parts of the line rebuild have already been energized.



BOLD is an example of groundbreaking innovation designed to improve reliability, grid resilience and services for customers.

In addition to BOLD projects in Indiana, we broke ground on a BOLD line near New Albany, Ohio in November 2018. We selected BOLD for this location due to the new power requirements in the area and limited rights-of-way. The small footprint of BOLD and its shorter towers will allow more power to pass through an existing right-of-way that traverses soccer fields and communal parks and will be nearly the same height as the existing lower-capacity lines. Additional BOLD projects are in the planning stages.

BOLD is an example of groundbreaking innovation designed to improve reliability, grid resilience and services for customers. It also provides important environmental benefits, including fewer line losses and avian interactions, as well as lowering the electromagnetic field (EMF) levels. We are now marketing BOLD technology to other utilities around the world. In 2018, we licensed four engineering firms to promote and use BOLD technology for their clients. We are proud of our employees who helped make this innovative design a reality and who continue to lead the way as we prepare our company – and the industry – for the future.

MODERNIZING TELECOMMUNICATIONS

Although we are an energy company, not a single part of our jobs can happen without a robust telecommunications network operating behind the scenes. Our ability to capture and communicate the vast amounts of data coming through our smart grid is essential to every single one of our business activities – and our data needs are growing every day. Our telecommunications system is a complex and integrated complement of technologies, devices, equipment, facilities, networks and applications that make it possible to communicate effectively with customers and deliver high standards of customer service.

Having the proper infrastructure in place to support our evolving telecommunication needs to meet both current and future operational demands is imperative. Much like the aging grid, our telecommunications system is undergoing a significant transformation.

AEP operates one of the largest private fiber optics network of any energy company in the U.S. From collecting and transmitting outage updates to customers via our mobile apps to downloading real-time grid data in the field, this network supports everything we do. We are expanding the network to meet the data needs of an increasingly digital smart grid, our operations and our customers' needs.

This is a 10-year, \$1.5 billion initiative (\$480 million approved so far), and we are in the third year of modernizing a system that serves as the backbone of the power grid and our business operations. Key benefits of these investments will be the creation of system redundancies to ensure reliability of the grid and reduce our reliance on third parties to maintain the infrastructure we rely upon so heavily.

The capital investment plan includes running new fiber along portions of AEP's 40,000 circuit miles of transmission lines, a new 800-megahertz (MHz) radio system that is critical to communicating with crews in the field, upgrading network systems on dozens of facilities, improved cybersecurity protections and additions of system redundancies that allow rerouting of data during outages to keep the system running.

As the use of online videos increase, we need more bandwidth to support this business need. One example is the increased use of drone technology for maintenance and assessment of storm damage. Without a strong telecommunications network, the videos from those drones would not be available or would take a long time to download, making it inefficient. Read more about using AEP's fiber network to expand broadband.



Having the proper infrastructure in place to support our evolving telecommunication needs to meet both current and future operational demands is imperative.

TECHNOLOGY & INNOVATION

Innovation has been fundamental to AEP's growth and development throughout our history. We understand the continually increasing demands of modern society will require smart, integrated, and sustainable infrastructure and technology solutions. That is why, as one of the largest energy companies in the U.S., we work each day to identify innovative solutions that meet the rapidly evolving needs of our customers. This means staying ahead of the curve with advanced energy infrastructure, piloting new technologies and preparing for advancements in transportation and other major catalysts for economic growth – before they become commonplace.

In 2018, we took bold steps to create new avenues for corporate-wide innovation. From generation to transmission to distribution, we are employing the power of data analytics to better understand our infrastructure and our customers. We are harnessing new, digital technologies – such as smart

TECHNOLOGICAL INNOVATION AT AEP

<p>We will be a leader in new technology incubation and deployment to enhance the customer experience and drive value for shareholders</p>	<p>We will collaborate with other companies, learning from and leveraging their experiences (e.g., Free Electrons Global Energy Technology Accelerator)</p>	<p>We will employ an agile, collaborative operating model and engage our employees and regulators</p>	<p>The future will be challenging, exciting and rewarding</p>

metering and sensors, mobile applications and process automation – to create a smart, distributed grid. We are partnering with our communities and entrepreneurial businesses and using next-generation tools, including virtual and augmented reality, autonomous vehicles, robots and more, to propel our services and solutions forward.

We believe AEP is well-positioned to leverage our scale, industry experience and skilled workforce to achieve our goal of being the energy company of the future. In many ways, we are still at the beginning of this journey, and we know it will take time – but we remain committed to providing our customers the innovations that will power the 21st century.

DATA ANALYTICS

Technology advancements in analytics are making things possible today that were unimaginable not so long ago. At AEP, we are using these advancements to help position ourselves as the energy company of the future.

We are advancing the use of data and analytics to solve problems, optimize processes and discover new business opportunities. For example, we completed a strategic segmentation of our residential customers to help us better understand what they need and expect of AEP. This gives us important information as we design new programs and services.

Within grid operations, several initiatives have been completed that provide monitoring, prediction and optimization capabilities that we didn't have before. These efforts enable increased safety, reliability and customer value.

Examples of data and advanced analytics initiatives:

Microgrid analytics leverages internal and external data to optimize the siting of distribution microgrid/distributed energy resources. This reduces the amount of time needed to conduct site research and provides innovative partnership opportunities with the Enterprise Innovation and Charge organizations.

In 2018, we developed an analytics tool to automatically generate a list of transmission meter points requiring investigation. It is critical that meters are accurate to ensure more accurate bills for customers.

In 2018, we continued the development of a new tool to help automate the classification of some network faults on the grid. Where there's an outage on the transmission grid, our dispatchers are expected to make a determination of what caused it. The classification of network faults can be a time-consuming process that in some cases requires a physical inspection to confirm the problem before repairs can be made. This tool allows us to target our outage response more accurately, saving time and money and enhancing the customer experience.

In 2017, a data analytics team was established to support both distribution- and customer-related needs. On the customer side, the focus was on customer segmentation and propensity modeling to help identify potential new service offerings. For distribution, the focus is on improving operational efficiencies and driving more informed business decisions.

We are planning to build our text analytics capabilities to automate document searches in our system. For example, our Enterprise Risk Management group is examining how to automate the review of current and historical damage or insurance claims. The result will be faster claim resolution for customers at a reduced operational cost for AEP.

To learn more about process automation, visit [The Future of Work](#). As we continue to learn and advance in this space, we are beginning to focus on cognitive analytics to enable us to make recommendations to our customers based on their interactions with us. Currently, our customer interactions are largely transactional, such as paying a bill or turning power on and off. Having this new functionality will give us more information to better serve our customers, based on their usage and interests.

BECOMING DIGITAL

Across society, consumers are increasingly integrating mobile digital technology into their daily lives, from online shopping and operating their home security systems to remotely turning lights on and off and adjusting thermostats. At AEP, we are integrating digital into the way we organize, behave and operate to remain competitive, better serve our customers and create sustainable value. This agile operating model gives us a place to test insights and develop valuable products, services and solutions quickly for customers and become more efficient ourselves.

We envision a future where the power grid is fully digital. From a diverse and decentralized network of distributed energy

resources (DERs) equipped with advanced monitoring and controls and a self-healing grid, we empower our customers to understand and manage their energy use from their mobile device. Through these advancements, we are reinventing what it means to be an energy company.

As we continue our digital transformation, we are creating opportunities for employees to stay curious and test new ideas. We are encouraging a collaborative mindset that sparks creativity and innovation – staying true to our heritage of innovation. We developed new work spaces that are more conducive to creating, innovating and developing new ideas. This also gives us the freedom to develop those that show promise with an avenue to fast-track them to market when ready or move on when they don't. We are also giving employees tools such as mobile apps, augmented and virtual reality environments, and automated controls and sensors that provide real-time data to improve network operations, resilience and safety.

Digital transformation is a massive undertaking, and we have a five-year roadmap to align our actions around a new organizational and governance structure and strategic workforce plan. Our employees must be agile, willing to challenge the status quo to test new ideas and insights and able to accept failure as part of success. In preparation, we are undertaking strategic workforce planning as we create the future of work – what the work will be and which skills are needed to be successful.

What Digital Can Do

Becoming digital will change how we work, as well as alter the processes we use to get the work done. We are using integrated digital solutions throughout the company and using technology to make these solutions effective across our footprint, so our jobs can truly become more efficient and measurable and skills are transferrable.

AEP Charge

In 2018, AEP created Charge, a new team who represent all functions across AEP and who will manage transformative innovation projects focused upon delivering incremental value to our customers and employees. Charge works closely with our IT, Innovation, Continuous Improvement and Customer Experience teams. Charge is led by our Chief Digital Officer, a new role formed in 2018.

The Charge team engages the business at large, prioritizes opportunities against an established framework and rapidly creates technologies for immediate consideration and implementation at a proof of concept scale. Upon successful rollout and realization of benefits, Charge partners with IT to scale the solution for broader consumption.

In early 2019, Charge moved into a new development factory space in an up-and-coming technology center in Columbus, Ohio, to foster an environment of innovation, a departure from the traditional corporate workplace. The organization is sub-divided into pods consisting of four to six technologists who work on specific new ideas in rapid succession.

Charge's goal is to achieve \$200 million in savings for AEP over the next five years. The team has already delivered the first big innovation to improve the customer experience – a Claim Submission Portal that went live in early 2019. The new portal allows customers to quickly and easily file claims digitally with AEP online. It eliminates the need for call centers to handle claims, freeing them up to focus more on servicing other customer needs.

In 2019, Charge will continually seek to develop internally generated intellectual property and to build partnerships in the Columbus, Ohio, area to potentially co-author offerings. We are also investigating ways of sharing solutions we develop with others in our industry.

IllumiNation Energy Summit & LAB

On May 15-16, 2019, AEP will co-present the IllumiNation Energy Summit with The Ohio State University, Battelle Memorial Research Institute and Smart Columbus. The Summit is designed to ignite conversations that reimagine the future of energy and how we can collaborate with our various stakeholders to make it happen. The Summit will feature panel discussions, immersive technology experiences and thought-provoking discussions with policymakers, technology companies, customers and other stakeholders.

In early 2019, AEP launched IlluminationLAB, a strategic initiative designed to identify innovative technology solutions that will drive improved performance and enhance customer experiences in the energy industry. IlluminationLAB will help AEP find promising new technologies and innovative ideas focused in four areas – customer experience; grid optimization; efficiency, operations and maintenance; and electric mobility/electrification. We partnered with innovation specialist L Marks to help identify promising entrepreneurs and early growth stage companies in the energy sector to apply. If selected to participate, each tech start-up will work directly with an AEP mentor and industry experts for 10 weeks to help advance and shape its idea or technology. The start-up will be given access to working space, potential funding and the chance to develop products, platforms and processes that will help AEP expand its technology-driven offerings and processes. In addition, the start-ups will have the opportunity to further develop their companies alongside leading subject matter experts in the energy sector.

Enterprise Innovation

At AEP, innovation has been part of the fabric of our culture for more than a century. Today, our sights are set on the next 100 years. In 2018, we formed an Enterprise Innovation and Technology team to establish an experimentation process to bring forward ideas that deliver value to customers, test them and, if validated, deploy them. Our strategy is to bring technical and business insights to AEP while seeking partnerships and potential investors to bring new products and services to market.

The speed of innovation is measured in two ways, the rate that learnings are translated into new value and the speed in which that value is delivered to customers. The faster the velocity of learnings the more cost-effective and likely a new value will be discovered and delivered to customers. AEP's innovation company, Kyte Works, was created to give us the ability to validate an insight or concept in the same way a start-up company would.

For example, we developed a pilot process to validate microgrid and distributed energy technologies using a shared value business model. The shared value model produces benefits for the grid and society while addressing specific customer needs. We interviewed customers and employees who work with customers to gain insights. We will use what we learned to develop a value proposition and present a valid business case for the expanded use of microgrids and distributed resources.

We focused on commercial and industrial customers who might be willing to pay for the specific benefits offered by these technologies. For many large industrial and commercial customers, energy is a major factor in their success.

Our plan to develop microgrids as part of AEP Ohio's Smart City initiative is an example of creating shared value. The planned microgrids, which received regulatory support in 2018, would be designed to maintain power in areas where critical public service facilities, such as police and fire stations, medical facilities and emergency shelters are located. This also provides a measure of resilience for the local communities.

In 2017, AEP Transmission piloted the use of a remote-controlled robot for inspecting the internal components of power transformers using a decommissioned 1950s-era transformer. Today, our Generation team also uses autonomous underwater vehicles, known as remotely operated vehicles (ROVs), to conduct inspections of submerged equipment. Crews use ROVs to inspect intake screens, storage tank liners and other submerged facilities at our dams and power plants. Using ROVs instead of human divers, saves time and money, and avoids the safety hazards associated with working in confined, submerged spaces. We are also conducting similar robotic inspections at our coal-fired plants, achieving similar cost and safety benefits.

Spark Tank Challenge

As technologies advance at an unprecedented pace, our customers expect us to develop innovative solutions and technology to move us into the future. In 2017, we launched our first enterprise wide Spark Tank Challenge, challenging our employees to collaborate, amplify and pitch their innovative ideas as products or services that customers will want today or in the future. Our intent is to convert viable ideas into revenue streams for AEP that bring value to those we serve.

The ideas were evaluated by AEP's Innovation Council before being presented to a panel of internal and external judges. A handful of ideas made it to the last round; some were reserved for future development; and others offered continuous improvement value. We invited employees to participate in another innovation challenge in 2019, called Spark Tank 2.0.

AEP's Enterprise Innovation Council (functions represented)

Transmission	Strategy & Innovation
Chief Customer Officer	Enterprise Innovation & Technology
Charge	Regulatory Affairs
NERC Reliability Assurance	Strategic Investment
External Affairs	Utilities
Chief Information Officer	Regulated Generation Development
Corporate International Affairs	Distribution Asset Management
Advanced Transmission Studies & Technology	Customer Solutions & Policy
Innovation & Technology	

Smart City

AEP continues to play an important role as a Foundational Partner in the Smart Columbus initiative that began in 2016 when the City of Columbus, Ohio – home to AEP’s corporate headquarters – won the U.S. Department of Transportation’s (DOT) \$40 million Smart City Challenge. Columbus was awarded an additional \$10 million for the initiative from the Paul G. Allen Vulcan Foundation. Smart Columbus is executing on its vision to reinvent mobility, improve people’s quality of life, drive local economic growth, improve access to jobs and job opportunities, foster a sustainable community and become a world-class logistics center.

As a partner, AEP supports and contributes to the Smart Columbus priorities where we can have the greatest impact. Our initiatives include modernizing the transportation network with incentives to increase the number of electric vehicle charging stations and reducing carbon emissions in the electric power sector through energy efficiency and grid modernization.

This includes making strategic investments in a seven-county region in central Ohio to establish the smart grid as the platform for a clean energy future. While the partnership is focused on central Ohio, the lessons we learn will benefit all of AEP. In 2018, we continued implementing several smart technologies to modernize the grid, including:

Deploying smart meters throughout Columbus and across Ohio. Since 2017, we have installed over 700,000 smart meters in Columbus and across the state, and our goal is to install more than 900,000 smart meters. In a filing with state regulators, we are seeking approval to complete installation of smart meters for all of our remaining Ohio customers. This will enable real-time data collection, such as meter readings and power outages.

Leveraging distribution automation circuit reconfiguration (DACR), which detects outages and



reroutes energy to quickly restore service.

Deploying Volt/VAR Optimization, which enhances our ability to monitor and control voltage across the system.

Providing customers with real-time information on their energy usage through a mobile app, which gives customers greater control over their energy use.

[Read more about these technologies in Grid Modernization.](#)

As part of this initiative, AEP Ohio helps drive consumer adoption of electric vehicles (EVs) by removing barriers and investing in and supporting the deployment of EV station infrastructure. In 2018, the Public Utilities Commission of Ohio (PUCO) approved AEP Ohio's Electric Security Plan (ESP), supporting expanded access to EV charging infrastructure and authorizing up to \$10 million for incentives to support it.

In August 2018, AEP Ohio launched its Electric Vehicle Charging Station Incentive Program for business customers. This enables the installation of hardware and networking for 300 Level 2 and 75 direct current fast charging stations throughout Columbus and our Ohio service territory. This is a critical step toward enabling faster adoption of EVs.

To ensure underserved communities also benefit from having access to this technology, we will locate a minimum of 30 Level 2 chargers and eight fast chargers in low-income areas in our service territory, as required in our ESP agreement. Since 2016, AEP has invested approximately \$12 million in fleet electrification. We are also pursuing a plan to invest approximately \$175 million to improve energy efficiency, advance clean energy and energy storage, and usher along the electrification of transportation systems throughout the state.

AEP Ohio also received approval for renewable generation and reliability improvements to the distribution system. Up to \$10.5 million was approved for demonstration microgrid projects targeting nonprofit, public-serving AEP Ohio customers, such as fire and police stations, municipal and medical facilities, social service agencies, emergency shelters and water and sewer facilities. Microgrids provide resiliency to a community in the event of a major outage event by allowing critical services to stay connected and serving vital community needs.

AEP Ohio will invest up to \$200,000 to research ways to continue developing and to maintain Smart City efforts in the long term. We are excited about the opportunities this partnership provides, including improving quality of life in our communities through innovations in transportation and data collection.

In October 2018, Columbus, Ohio, was selected one of 20 winning cities in Bloomberg Philanthropies' American Cities Climate Challenge. The Cities Climate Challenge is a \$70 million program to promote efforts in cities to fight climate change and provide a more sustainable future for their citizens.

Columbus is using resources from the Cities Climate Challenge to establish a workforce development program for energy efficiency auditors to increase the number of homes that receive an energy audit. The city plans to expand programs for financing energy efficiency and renewable energy for commercial buildings. AEP Ohio's robust energy efficiency programs support the city's goals and help broaden our reach in delivering energy efficient solutions and clean power to customers.

INNOVATION GOES GLOBAL

AEP is developing initiatives and forming partnerships in the U.S. and around the world to scout new innovation technologies, validate them fast, demonstrate their benefits to customers and policymakers, secure timely regulatory support or contractual approvals for innovation and deployment, and deploy them at scale.

By participating in global accelerator programs for startup companies, technology innovation networks, joint utility collaborations and global technology innovation information hubs, we can move faster to identify and deliver new solutions for all of our customers within the next five years.

AEP is one of 10 international utilities in the [Free Electrons](#) global energy accelerator program, giving us access to the world's most innovative technology entrepreneurs from more than 60 countries. Free Electrons allows us to choose the ones that we think will best fit our customers' needs which we then validate with other members of the group and within our service territory. We are currently validating two technologies in Oklahoma and Ohio.

The CEOs of AEP, Enel (Italy) and Hydro-Quebec (Canada) formed the International Energy Innovators Consortium to co-develop technologies that are not currently available. This collaboration of technology experts for microgrids, big data analytical tools and e-mobility yields joint initiatives with the potential to serve the customers of all three companies.

We are also partnering bilaterally with Enel-X (Italy), Innogy (Germany), ESG (Ireland), China Light and Power (Hong Kong), Hydro-Quebec and other international utilities, to identify opportunities to co-validate, co-develop and co-invest in new technologies.

In addition, the CEO-led Global Sustainable Electricity Partnership provides access to a global information hub for innovative technologies, business models and public policies that are enabling new technologies to be developed and deployed. AEP has been a member since the 1990s and gains important insights from other international CEOs on how they are working to solve similar challenges facing our customers.

Augmented/Virtual Reality

The thread that connects the legacy analog power grid of the past with the modern, digital grid of the future may lie in the three-dimensional and colorful world of augmented and virtual reality (AR/VR). We are learning how AR/VR and its wearable technology can help us bridge the real world with the digital to become as common as smart-phones and tablets, saving us money and time while enhancing safety and training efforts.

We began learning about the benefits of AR/VR when we initiated a proof of concept in 2017 as a potential tool for conducting virtual site visits of field operations. One of the project's deliverables was a white paper to document what employees will need to know in order to use AR/VR technology to meet a business need. AEP also signed on to an Electric Power Research Institute (EPRI) study identifying practical AR/VR applications in the industry. What we learned will improve operational efficiency and safety for our employees. For example, a single employee equipped with the AR/VR goggles can conduct a virtual site visit, entering a station and interacting with stakeholders remotely through web streaming.



We are learning how AR/VR and its wearable technology can help us bridge the real world with the digital.

We have found that people who wear the goggles and immerse themselves in the experience of AR/VR actually forget they are not physically there and start solving problems through what they are seeing. This demonstrates that we can collaborate remotely, using technology to “see” our way to a solution. In addition, this technology enables us to study and possibly identify defects in construction projects before they are built can keep employees safe.

We have developed several new projects around this exciting technology. These include:

A mobile phone application for the BOLD transmission line that incorporates AR, giving viewers a real-world look at the structure on their phone. In addition, we developed two Microsoft HoloLens applications (a mixed reality technology). One is used to share information about BOLD with industry and public stakeholders. A second version is more technical for engineers.

A mobile app that allows workers at one of our power plants to view certain types of equipment through a phone's camera to see real-time data and visuals. This allows employees to stay a safe distance from the equipment while inspecting its performance.

We are leveraging Microsoft's HoloLens to enable transmission engineers to remotely collaborate on station standards design. They can virtually walk through their designs in an immersive 3-D experience to correct potential issues earlier, before construction begins.

Drones in Flight

Drones are an effective means of inspecting power lines for regular maintenance and to survey damage after storms. In

2017, we began using a camera-equipped drone for power line patrols to test how well the drones work for inspections. We also use drones to conduct inspections of generation, transmission telecommunications and distribution equipment. The advantages include:

- Cameras can capture images underneath components on a structure, such as insulator assemblies, compared to helicopter pilots and observers, who can only look down
- Safer working conditions because no one is required to climb a tower or ride in a helicopter
- Drones can access hard-to-reach areas possibly not accessible by helicopter
- Drones are quieter than helicopters, which is a benefit when flying in populated areas



Drones are an effective means of inspecting power lines for regular maintenance and to survey damage after storms.

Drones also can help us assess damage more quickly after an outage. In late 2018, an ice storm swept through the Appalachian Power service area, leaving more than 50,000 customers without power. Following the storm, we hired a commercial drone company to test the effectiveness of drone fly-bys to survey the damaged areas. Within 30 minutes, the drone pilot identified three spans of downed wire and one span where vegetation needed to be cleared. The drone video was also streamed directly to our operations center for further analysis by our employees. The drone flight saved at least a half-day of work and kept employees out of challenging terrain.

As drone usage becomes more widespread, we are establishing a governance structure to ensure our use of drones complies with specific requirements around physical and cybersecurity, corporate risk assessments and federal regulations.

Transmission Integrated Design and Construction

Integrated design and construction (IDC) is a new process to bring cost and schedule certainty to projects. It requires the creation of 3-D and 4-D models that help guide collaborative stakeholder discussions and facilitate the early engagement of construction experts. The IDC process also allows engineers to design and build a project virtually before steel goes in the ground, enabling us to identify and mitigate issues that could cause project delays and cost overruns. The IDC also improves safety because the work is done in a virtual environment rather than in the field.

In 2018, AEP Transmission leveraged the IDC process for six station projects that are in different stages of development. We are learning important lessons that will improve future project work. Brownfield projects are among those that benefit most from the IDC process because of their complexity with sequencing of work, limited construction space and the engagement of multiple stakeholders.

Prefabricated Transmission

Since 2015, AEP has increasingly worked with prefabricated technology to build transmission substations more efficiently, safely and less expensively. In addition to efficiency gains, prefabrication can reduce the length of construction-related outages, speed up installation, improve safety by minimizing risk exposure and minimize waste. There were 14 prefabricated bus and structure installations in 2018, with 17 more currently projected to be installed in 2019.

In 2018, we installed 184 prefabricated foundations in eight different stations, including four hurricane restoration projects along the Texas Gulf Coast. The ability to prefabricate foundations and streamline material handling and construction allowed us to restore station functionality more quickly than would have been possible using traditional construction methods. In fact, it only took approximately 30 minutes to complete bolting the prefabricated bus and structure assembly onto the awaiting columns at the Verhalen Substation near Pecos, Texas.

It is our intent to make these foundations the standard, rather than the exception, as cost savings and time efficiencies grow.



ZERO HARM

No aspect of our work is more important than safety and health, whether it is an AEP employee, contractor or a member of the public. Zero Harm is at the heart of everything we do. It means we believe all occupational illnesses and injuries are preventable Because We Care that everyone goes home in the same or better condition than when they came to work.



UNLOCKING THE POWER OF PERSPECTIVES

We are committed to providing a pathway for employees to advance and unlock the power of perspectives to better serve our customers, drive innovation and generate sustainable growth for our company.

[Learn more](#)



WORKFORCE DEVELOPMENT

AEP provides a broad range of training and assistance that supports lifelong learning and transition development, which is especially important as we move toward a more digital future.

[Learn more](#)



DIVERSITY & INCLUSION

A diverse, inclusive and highly engaged workforce not only improves performance, it also improves company culture.

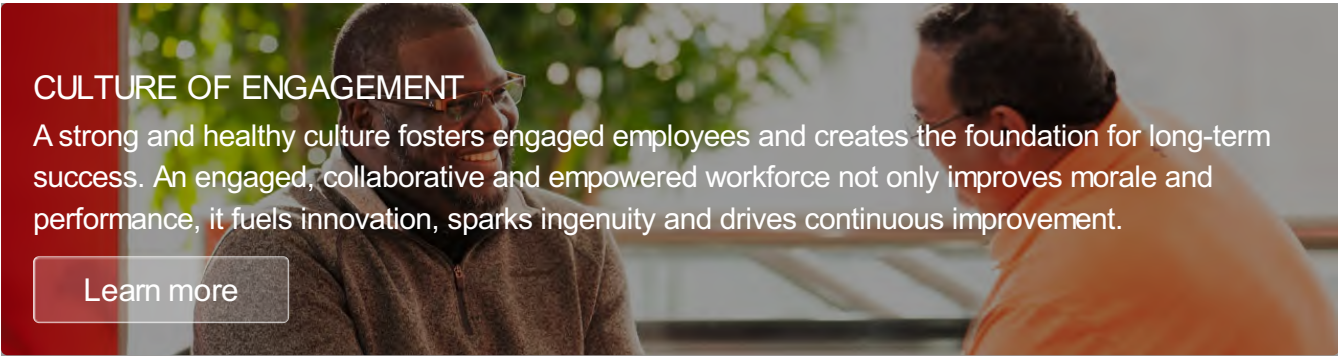
[Learn more](#)



SUPPLIER DIVERSITY

AEP's diversity and inclusion efforts extend beyond our workforce to the customers and communities we serve, including our supplier base.

[Learn more](#)



CULTURE OF ENGAGEMENT

A strong and healthy culture fosters engaged employees and creates the foundation for long-term success. An engaged, collaborative and empowered workforce not only improves morale and performance, it fuels innovation, sparks ingenuity and drives continuous improvement.

[Learn more](#)

SAFETY & HEALTH AT AEP

No aspect of our work is more important than safety and health, whether it is an AEP employee, a contractor or a member of the public. Zero Harm is at the heart of everything we do. It means we believe all occupational illnesses and injuries are preventable Because We Care that everyone goes home in the same or better condition than when they came to work. We Care about our people, our customers and our communities.

Sadly, we lost one employee in 2018 and one in 2019 to injuries sustained on the job. A line mechanic with our Southwestern Electric Power Company died on the job from an electrical contact in Shreveport, Louisiana. In March 2019, an Appalachian Power Company meter servicer was fatally injured when his vehicle rolled over a hill due to road erosion.

The impact of these losses to their families and coworkers is profound and unacceptable to us. We believe safety is personal, and we accept that each of us has a responsibility to look out for each other and say something when safety and health are at risk. We are committed to doing all we can to prevent this from happening again. We took immediate action to refocus our workforce by taking time to pause and think about additional steps that can be taken to mitigate risks. We held company-wide Safety Stand-Downs, during which employees discussed the events, as well as the importance of work planning.



AEP's comprehensive safety programs are the foundation for our safety and health transformation.

2018 marked the beginning of the third year of our five-year safety and health transformation to achieving Zero Harm – zero injuries, zero occupational illnesses and zero fatalities. Getting to Zero Harm means reflecting on our past, with an understanding of how much we stand to lose with just a single shortcut. We have established several programs and activities that serve as the foundation for our journey. Our objective is to take our safety and health culture from good to great by making it personal and holding each other accountable. We are doing this one day at a time.

We know we can achieve Zero Harm because work groups across the company achieve it every year. We are creating a learning-centric safety culture where events are looked at objectively and used as opportunities to prevent future harm, while learning from those who do it well. It's a culture that focuses on communicating, learning and continuously improving so the same events aren't repeated. Our efforts include:

- Building a comprehensive governance structure that allows us to be more proactive, break down silos and remove obstacles to preventing harm



- Enhancing training to objectively evaluate safety-related events
- Implementing employee recommended policies to make driving safer
- Improving accessibility of safety and health information through online platforms
- Analyzing and sharing injury data and trends with business units in a timely manner
- Producing video messages to educate employees
- Coaching employees to have meaningful conversations about safety and health

SAFETY & HEALTH PERFORMANCE

We are making steady improvement on our journey to achieving Zero Harm. We are on a journey with no end and can't afford to take our eyes off the ball for a single second. In 2018, 11 fewer employees and contractors were injured, and more than 80 percent of AEP work reporting locations did not experience a DART (Days Away, Restricted or Job Transfer) event.

2018 Safety & Health Performance Overview:

The DART rate for AEP employees was 0.393 compared with 0.445 in 2017.

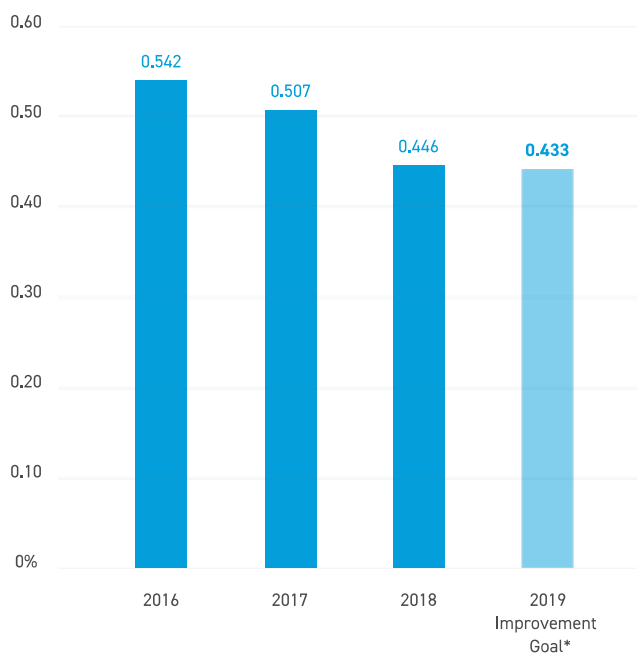
We calculate a combined DART rate for employee and contractor performance, which gives us a total picture of the progress our entire workforce is making toward Zero Harm. The combined DART rate was 0.446 compared with 0.507 for 2017.

AEP contractors' DART rate for 2018 was 0.507 compared with 0.582 for 2017. There was additional focus on contractor safety in 2018, which will continue. In 2018, AEP employees and contractors experienced 161 DART events compared with 172 in 2017.

The severity days/rate for 2018 was 17.568, a reduction from 22.324 in 2017. The severity rate is meant to show how critical each injury and illness is.

The concept is that an employee who must miss time from work or be restricted in their activity to heal and recover has a more severe injury or illness than one who can immediately return to work.

AEP EMPLOYEE & CONTRACTOR DART RATE



■ Actual
 ■ 10% Improvement Goal

DART Rate = Days Away, Restricted or Job Transfer Cases x 200,000/hours worked.
 DART Rate is an industry-accepted measure that allows companies to isolate more serious events.

* Improvement goals are based on three-year historical averages.

We are proud of the progress we have made so far; however, we know that reaching Zero Harm takes persistence and continued effort. No single solution or activity will improve AEP's safety and health performance. However, we are confident that the programs, policies and procedures we have in place will make a positive difference in the lives of our employees, contractors and their families.

Managing Performance

Internal audits of our safety and health management system and compliance processes are part of our quest for Zero Harm. The audits help flag potential hazards that could lead to harm, allowing us to take proactive corrective and preventive action. In 2018, we audited safety and health programs at more than 50 locations. We share the audit results with business unit leaders and safety professionals across the company to leverage best practices and lessons learned.

Assessing Effectiveness

We want to take every opportunity to get better at what we do and learn how we can work safer. This is why Safety and Health and AEP Texas are partnering on a pilot to set up an assessment process. It looks at how we use our skills and training, along with critical safety measures and protections, to influence the outcome of our work. We'll take what we learn to create a framework for an assessment standard that can be applied to a variety of tasks across all business units.

SAFETY & HEALTH INITIATIVES

The safety and health of our employees, contractors and the public is our highest priority. We continue to make significant progress; however, we still have work to do to get to Zero.

AEP's comprehensive safety programs are the foundation for our safety and health transformation. To achieve it we focus on engagement, accountability, proactive hazard identification and correction and continuous improvement.

To empower a culture of safety across the organization, we have created several technical committees that tap into the experience of front-line supervisors and employees to create and implement safety solutions. These committees enable quick communication and planning on safety issues and ensure our safety messages reach everyone at AEP and drive deeper safety engagement within the organization.

To help us gauge our progress, in 2018 we conducted our second Safety Perception Survey. Results from this survey help us identify areas where our safety programs are effective and where they can be improved. More than 90 percent of our employees participated in the survey, which showed many strengths in our safety culture, including:

- A strong focus and commitment to safety
- More employees believe leaders are accountable for preventing injuries
- Employees appreciate the structure of the new Safety and Health committees
- Employees continue to feel empowered and expected to take action to prevent injuries

We know we are making progress. Today, more employees believe all injuries are preventable compared with the survey results in 2015, when the survey was first administered. To achieve Zero Harm, everyone must believe all injuries and illnesses are preventable. It's the only way to change the way we behave. We look for ways to mitigate risks instead of accepting them. The Safety Perception Survey identified the following areas of opportunity for improvement:

- Better recognition of safety achievements and milestones is needed
- Office-based employees want a greater connection to safety
- Greater employee engagement will be critical to achieving sustainable best safety performance

Safety & Health Analytics

We continue to see the benefits of data analytics on our safety and health programs. In 2017, we began using data analytics to provide business unit leaders and their safety committees more detailed analysis regarding injuries in their respective organizations. Data visualization tools are used to help illustrate safety data in a graphical way so that we can more easily spot patterns and trends. The data showed that similar injuries occur across AEP. By using these reports, we can help our employees better understand the underlying causes of common injuries and how to improve injury prevention efforts.

Safety & Health Manual

We know that our employees have the greatest insight on how to work better and safer, because they are performing the work every day. In 2018, we enlisted our employees to help revise the AEP Safety and Health Manual, which is available



The Good Catch program encourages employees to proactively share information about unsafe conditions or events where there was no resulting harm or damage.

in multiple formats. The eBook version is accessible through mobile devices and offers additional features to users beyond the print manual, such as infographics, a search function, and a bookmark feature to save key safety information for quick access.

The revised manual includes AEP's newly developed, company-wide [Life Saving Rules](#). Rather than maintaining a set of rules for each business unit, this update provides a standard set of rules that are foundational to our safety culture and apply to everyone. These rules rise above the rest at AEP, and they come with the highest standard of accountability and enforcement.

Site Inspection Program

We established our Site Inspection Program in 2016, following a fatal crash between a train and an AEP vehicle at a private rail crossing at a construction laydown yard. Through this program, we inspect sites across our service territory to identify potential safety hazards that could put our employees and contractors at risk. Our Site Inspection Team uses a standardized approach, with an owner assigned to each facility inspection. More than 3,700 sites were inspected during the first year of the program, including substations, laydown yards, generation plants and office facilities.

In 2018, we expanded this effort to create mitigation plans for the next tier of risks. Through 2018, the Site Inspection Team completed 159 physical projects and developed 80 revised work practices. This work will continue in 2019. The types of risks we focused on included vehicle crashes while turning onto public roadways and vehicle impact by a train in the entrance/exit area of specific sites.

CORE Visits

Coaching through Observation, Recognition and Engagement (CORE) visits are a leadership tool that can be used to assess a variety of activities. The visits connect employees with their leaders in a two-way dialogue to improve engagement and performance. Even though safety and health is the focus, the interactions can include discussions on continuous improvement, work expectations and opportunities to develop standard work. In 2018, leaders documented more than 16,000 CORE visits. This information is used to identify trends on where we can improve across AEP as well as be an early indicator of risk or harm.

In 2018, we continued the Shadow of the Leader – CORE Visit Training to improve employee engagement and reinforce positive behaviors. This provides leaders with more ways to build trust and engage with their team members. In 2018, more than 400 employees participated in 30 classes. In total, more than 4,000 employees have participated in this training.

Good Catch Program

The Good Catch program encourages employees to proactively share information about unsafe conditions or events where there was no resulting harm or damage. Through the program, situations are reported and corrected, and learnings are communicated throughout the organization. In 2018, nearly 5,000 good catches were reported by employees and more than 500 good catches by contractors.

Preventing Overexertion

One of the more common types of employee injuries is overexertion. In 2018, we formed an employee team to develop a strategy to reduce these types of injuries. About 25 percent of all reported serious injuries are attributed to overexertion, such as muscle sprains and strains. The team developed four key recommendations to prevent overexertion injuries from occurring. These include:

- Improve lifting and weight limit awareness
- Create instructional videos on how to provide feedback about safety issues

- Incorporate ergonomics into tool selection criteria
- Develop role-specific stretching and flexibility plans for employees

We conducted a series of pilot programs on lifting and weight awareness, during which employees weighed, tagged and developed lifting plans for a variety of common objects at their work location. Employees also received ergonomics training to remove risk hazards that lead to common injuries. The training focused on those areas most vulnerable to lifting and repetitive task injuries, including arms, elbows, wrists, knees and the neck.

Driving Safety

Driving is a critical task for many people at AEP. Our employees collectively average more than 91 million miles behind the wheel per year for work. AEP's Attentive Driving Policy prohibits the use of cellphones and hands-free devices while driving for company business. The policy reinforces the importance of seat belt use to saving lives. In 2019, we extended this policy to our contractor workforce.

In 2018, we began using new telematics technology across our fleet and coaching our drivers on its use. Many companies use telematics for a number of reasons, including to improve safety on the job. Telematics equipment is used in vehicles to monitor speed, idling, braking, driving, seat belt use, fuel consumption and other vehicle data.

We now have telematics installed in more than 5,200 AEP vehicles, which include tools such as dual-facing dash cameras and vehicle health-monitoring equipment on hydraulic vehicles. The information gathered from these technologies will help improve our drivers' skills and safety, as well as reduce fuel usage and improve vehicle maintenance and claims costs. AEP uses this information to coach our drivers.

Our employees who operate heavy equipment or drive large vehicles for their work are required to have a commercial driver's license (CDL). Training is integral to driver safety, and we want to ensure our employees are receiving consistent training that matches our expectations for safe vehicle operation. In 2018, we instituted a new CDL program to ensure the training our employees receive comes from a certified provider. One feature of the CDL program is to pair our newly licensed drivers with a mentor, so they can gain valuable on-the-road experience from a more experienced driver. Between 300 and 500 AEP employees will participate annually.

Communicating Safety & Health

To be effective in communicating important safety and health information, communication has to be clear and sent through multiple channels. To maintain our focus on safety throughout the year, we communicate key safety events and outcomes with one-page alerts sent to affected employees. We also communicate when there are new or changing policies that impact safety. Alerts prove to be an effective way to communicate with employees in an easily accessible format. In 2018, we issued 15 safety and health alerts.

We implemented several web-based communication platforms for instant and easily-accessible safety-related information, including a safety and health dashboard on our internal website. This gives employees instant access to information on Good Catches, DART and other recordable events. We also maintain a private Facebook page where we share valuable safety and health information and recognize safe behaviors at work and home.

AEP has its own Safety and Health Video Channel, where we share safety messages monthly across the company. These messages elevate awareness of our greatest safety challenges. We also feature first-hand accounts of safety experiences



Driving is a critical task for many people at AEP, which is why we have an Attentive Driving Policy to help keep employees safe while operating a vehicle.

from employees from across the company. So far, we have released 16 safety videos featuring our frontline employees, with more planned in 2019.

SAFETY OF OUR CONTRACTORS

The safety of our contractor workforce is as important to us as the safety of our employees because harm doesn't discriminate in the pain it causes. We have a strong contractor safety program that we continuously improve upon. We're doing this in collaboration with contractors to ensure understanding and to set clear expectations.

To help our contractors achieve Zero Harm, each business unit has a rigorous contractor pre-qualification process that sets clear expectations for compliance and commitment. We are beginning to incorporate leading indicators into the contractor safety management program so we can proactively address trends.

We frequently communicate with our contractors to ensure compliance with our Safety & Health requirements. In addition, we meet regularly and set an expectation for them to align with our value of Zero Harm. We also regularly seek opportunities to learn best practices from them.

When performance doesn't match expectations, we hold in-person meetings with contractors to identify the areas in which they can improve upon their safety practices, and ultimately improve their performance. In 2018, we conducted 50 in-person safety meetings with our contractors and saw immediate, positive results. Out of the 19 Transmission contractors who completed an in-person safety meeting, 18 experienced improved DART rates in 2018, and 15 had zero DART cases for the entire year. The results were similar for Distribution contractors, with 11 of the 13 contractors improving their DART rate following a face-to-face safety review, and eight contractors experiencing zero DART cases in 2018.

Our continued focus on contractor safety is an important part of our strategy and our goal for Zero Harm, especially as our contractor workforce continues to grow.

Contractor Safety Committee

In 2018, we created a Contractor Safety Technical Committee to accomplish four initiatives to improve contractor safety. These initiatives included a common data collection system, a standardized contractor prequalification process, a common set of supplemental safety terms and conditions, and oversight training. The data system houses the contractor qualification data we collect and keeps track of all contractor hours worked. The system also serves as a resource center where users can find AEP's Contractor Terms and Conditions, document templates and safety and training videos.

This new committee is focusing on creating a common contractor onboarding and work experience, regardless of the AEP business unit for which they are working. To achieve this, we are working toward establishing an AEP systemwide common prequalification process and set of supplemental terms and conditions. The committee will also develop oversight training for those with contractor management responsibilities at AEP.

Safety Recognition

Being recognized for our safety programs means a lot to us. We are committed to Zero Harm, and we don't do it for awards. It is gratifying to know that we are making a difference.

In 2018, the National Maintenance Agreements Policy Committee, Inc., presented Zero Injury Safety Awards (ZISA) to 10 different AEP projects. ZISA is a premier award for industry safety, honoring union contractors, labor representatives and



To help our contractors achieve Zero Harm, each business unit has a rigorous contractor pre-qualification process that sets clear expectations for compliance and commitment.

owner-clients who create injury-free jobsites. To qualify for ZISA recognition, a project must have zero OSHA recordable incidents.

SAFETY OF THE PUBLIC

Our commitment to safety extends to the public. We are constantly seeking better ways to communicate safety information to our neighbors, public contractors and first responders who may come in contact with our electrical facilities. We use multiple communication channels, including videos, direct mail, in-person training, social media campaigns and school education programs.

Unfortunately, despite our education and outreach efforts, six public fatalities occurred in the AEP service territory in 2018 due to electrical contact. In response, we redoubled our public safety efforts to increase public education and awareness for staying safe near AEP facilities.

One of our focus areas is on public commercial contractors and businesses. We are providing them with printed information about how to work safely around overhead and underground electrical facilities, and we encourage them to contact us at any time.

Because first responders may be the first to encounter a downed power line, we conduct outreach and education with them to ensure they stay safe when responding to an emergency. We also engage with the public in a variety of ways, including:

- Electrical safety awareness events and school safety programs
- Social media safety campaigns
- Videos and reference materials with graphics to promote public safety
- Promotion of "Call Before You Dig"

We continue to develop our public safety education program, including participating in an Edison Electric Institute (EEI) working group that is developing common public safety messaging for all electric utilities to use. Once complete, this will provide a stronger, more consistent message about public safety across our industry.

WORKFORCE SAFETY & SECURITY

AEP's quest for Zero Harm reaches beyond occupational safety and health to include employee security and workplace aggression. While in the field or in the office, we believe every employee should come to work feeling safe and secure. In response, AEP has developed policies, procedures and training to increase employees' ability to recognize, report and respond to workplace aggression.

AEP has a mandatory self-reporting policy that requires all employees to report within 24 hours to their immediate supervisor and/or their local Human Resources representative the following events:

- An arrest, charge, indictment or conviction of a felony or misdemeanor criminal charge (except minor traffic offenses that will not result in incarceration)
- Service of a protection order or restraining order when the employee is listed as the subject of the protection or restraining order.

The mandatory self-reporting policy makes us aware of these events sooner so we can prepare for events that could potentially put our employees or our operations at risk.

We offer several workplace safety training initiatives to our employees. In 2018, we launched an Active Shooter Response



We are constantly seeking better ways to communicate safety information to our neighbors, public contractors and first responders who may come in contact with our electrical facilities.

table-top exercise to train our employees on how to handle active shooter situations. This training teaches people to think about safety not just at work, but at home and in public as well.

While we take great measures to ensure our employees' physical security at work - such as identification badges, secured turnstile entrances and physical security desks and personnel - we stress the need for situational awareness at all times. In 2018, we conducted more than 180 active shooter training sessions that reached more than 3,000 employees.



While in the field or in the office, we believe every employee should come to work feeling safe and secure.

For our field employees, we provide face-to-face and video Customer Threat and Aggressive Behavior training, which includes de-escalation techniques that can be used when someone threatens the safety of our employees. In 2018, we completed 69 sessions with more than 2,800 employees. In March 2019, we rewrote our policy for dealing with threatening customers. If a customer threatens physical violence to our employees, business partners or company assets, we now require a police escort and we're training our employees on what to do. We also code these customers in our system so that we know in advance of the potential threat and can prearrange a police escort.

We are developing a training program in 2019 to focus more on prevention techniques, such as understanding the warning signs of an event. If we see employees are struggling emotionally, we want to be able to identify it and provide any help that we can. Once developed, this type of proactive training will be provided to managers and supervisors across AEP.

By putting these efforts in place, we stay true to our commitment to providing a safe working environment for all employees.

OUR WORKFORCE

A fundamental transformation is occurring in the way we do our work, the skills we need and the expectations of new generations who are fast becoming the majority of our workforce. The competition for talent is fierce, and the skills we are looking for are evolving. Technology is playing a pivotal role in how this unfolds. Digital platforms and artificial intelligence (AI) are creating greater efficiencies, cost savings and new career opportunities. Access to enormous amounts of data are informing how we act, invest and engage.

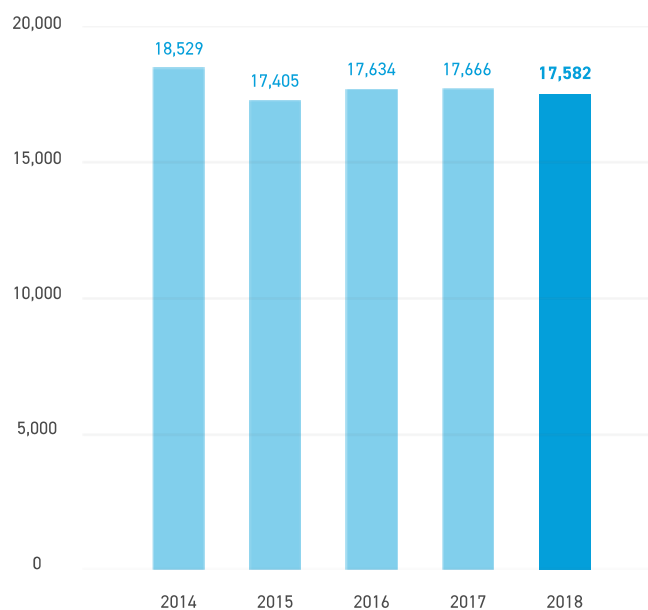
Amid this rollercoaster of change, agility and speed are essential. At AEP, we are preparing our workforce for the future by providing opportunities to learn new skills and engaging higher education institutions to better prepare the next generation with the skills that will be needed.

The Future of Work

The rise of mobile and wearable technology, artificial intelligence (AI), Internet of Things (IoT), virtual and augmented reality, drones and networks powered by 5G are among the transformational changes that are forever reshaping the workplace and how we do our work. We rely on smart devices to organize our lives, conduct business and do our jobs. Today, these technologies make life easier and are also changing how we do our work.

As our physical and digital worlds converge, we have to innovate more aggressively and constantly transform. At AEP, we

NUMBER OF AEP EMPLOYEES* year-end



* Does not include Dolet Hills Lignite Mine employees.

are experiencing the disruption and change that come with the need to adapt to this evolving landscape. We now have a multigenerational workforce that prefers alternative work styles and work environments beyond the traditional office. At the same time that the work is changing, the technical and physical skills required to maintain and operate the grid remain critical. Merging these needs requires a core mindset of continuous learning and continuous improvement.

The new demands of our work include implementing process automations and augmenting our systems with digital technologies. We must transform our workforce by helping employees develop the skills needed to accomplish their work using these new digital platforms.

The workplace as we know it today will also transform to accommodate the work of the future. We will adapt our offices and other facilities to accommodate new technology and enable our employees to be more productive and collaborative. We are also rethinking where work is required to be performed by assessing options such as virtual or remote work, and we're exploring new talent models. For example, we are asking ourselves whether the work can be done more effectively and efficiently through contractors or third parties. This allows us to be more flexible as business needs and skillsets change.

Process Automation

When looking at the future of work, one of the ways our work is changing is through process automation. We use process automation to free up our employees to focus on more complex or valuable tasks, and to reduce error rates and improve standardization of administrative tasks across the company. Tasks frequently selected for process automation include data entry, performing calculations, filling out paperwork and logging in or out of applications.

To socialize the benefits of process automation, a series of work planning strategy sessions were held across AEP. These sessions challenged teams to assess their future needs by asking questions such as: Can we accomplish our work in a different way, and can we get people to think differently about the work that needs to be done?

This socialization resulted in submission of over 150 process automation ideas for consideration in 2018. And, subsequently, a governance structure was established to review and approve the ideas for automation appropriateness and viability.

In 2018, several new process automations were implemented, including:

Decreasing the turnaround time for assigning customer "No-Bill" events to the appropriate member of the Customer Operations Billing team for further investigation. When customers don't receive bills, there are financial ramifications for them and for AEP. The "No-Bill" assignment process is done during off business hours prior to when the team starts its day, saving time and resources from having to manually conduct these assignments during work hours.

Automating the creation of contractor user IDs during the employee and contractor onboarding process. Individuals must be properly credentialed before they can access AEP facilities and critical infrastructure. During 2018, over 3,500 new user IDs were created through process automation, saving time and resources while expediting the process.

We are exploring additional process automation capabilities, including chat bots and other cognitive technologies. Chat bots simulate a conversation with human users – such as between our customers and employees. While still limited to a few specific purposes, this new technology will provide us with additional opportunities for automating some of our most basic and repetitive tasks.

WORKFORCE PLANNING & DEVELOPMENT

Although our annual employee turnover rate remains steadily low at approximately 6.8 percent, we anticipate that approximately 4,000 employees will retire or leave for other opportunities within the next five years. Many of these employees have institutional knowledge of the company, our operations and systems. In a robust economy where employment levels are high, the competition for talent is fierce, and we have to be more deliberate and strategic in seeking individuals with the right mix of talent and experience.

We see this level of turnover across our workforce as an important opportunity to change our approach to how we identify our true talent needs within AEP. While we will still have a significant need to hire new talent, we are re-organizing many of our traditional job roles and reassessing how we will get our work done in the future. For example, several expected job

vacancies can be absorbed through new process automations and the use of other technologies. In other areas of the company, some of our existing job functions may no longer be required due to the shifting nature of our work as an energy provider.

Our digital transformation will require employees to have skillsets that merge analytics with traditional job functions. The need for analytics integration is occurring everywhere, from our facility maintenance staff and our line workers to our customer service teams. Sometimes, a new technology simply requires a quick update of existing equipment. Other times, it requires a more thorough examination of the staffing capabilities needed to manage new equipment, new processes or new software. Developing or acquiring these new skillsets is critical to becoming the energy company of the future.

We must also look to new sources of talent to meet our future demands. Many of the skill sets we will require may not exist in today's job market, so we must be proactive in creating a talent pool that meets our specific business needs. One example is our work with the Business Roundtable (BRT), the Ohio BRT, the International Brotherhood of Electrical Workers, and universities and community colleges in Ohio to develop a reskilling of the workforce plan. Together we are working to develop educational programs to provide students, as well as current and future AEP employees, with the tools to transition into these new skillsets.

AEP also has training alliances with several community colleges, universities and vocational and technical schools across our 11-state service territory. We work with these institutions to develop academic programs that will prepare employees for upward mobility opportunities and to attract external job seekers interested in careers in our industry. Our education partners include [The Ohio State University](#), [Columbus State Community College](#), [Mid-East Career & Technical Center](#), [Texas State Technical College](#), [Morgan State University](#), [Tennessee State University](#) and [Oklahoma State University Institute of Technology](#), among many others. In 2018, AEP supported more than 1,100 employees with education reimbursement.

We are also committed to equipping our employees with job readiness as we retire coal plants. Our Conesville Plant, located in Coshocton, Ohio, will retire two units in 2019 and the remaining unit in 2020. Approximately 165 employees will be impacted; some will continue to work at AEP, while others will be challenged with finding new jobs. To help support their search, AEP partnered with Coshocton County Job and Family Services to provide a series of job readiness programs and resources. Through the Ohio Means Jobs program, displaced employees will have access to workforce trainers and career counselors to prepare them for their next career move.

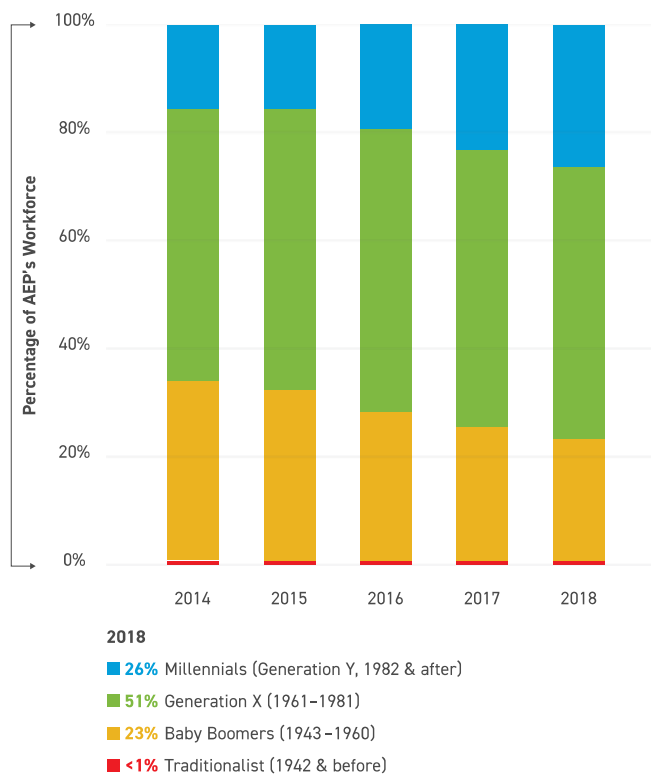
Developing our Employees

Transformational change requires a more progressive and thoughtful approach in how we train, develop and retain our employees. As the nature of our work changes, so do the skillsets, experience required, and knowledge that are necessary to remain competitive. Our goal is to prepare our company and workforce for those changes so that we are aligned with our future strategy. AEP provides a broad range of training and assistance that supports lifelong learning and transition development. This is especially important as we move toward a more digital future that requires a more flexible, innovative and diverse workforce.

We have robust processes to achieve this, including ongoing performance coaching, operational skills training, resources to support our commitment to environment, safety and health, job progression training, tuition assistance and other forms of training that help employees improve their skills and become better leaders. In 2018, AEP employees completed just over 1 million hours of training in programs for which we track participation.

AEP provides development opportunities for employees at every level, whether through informal professional

AEP WORKFORCE DEMOGRAPHICS



development opportunities or formal targeted development programs. Several of AEP's Employee Resource Groups and utility professional groups, such as Women's International Network of Utility Professionals (WiNUP), sponsor programs and events that focus on employee education, career advancement, and personal and professional development.

In 2018, we launched Transmission University (TU), a development initiative that seeks to transform learning within the organization. This initiative equips Transmission employees and contractors with self-guided learning opportunities that empower them to take control of their professional development.

CULTURE OF ENGAGEMENT

A strong and healthy culture fosters engaged employees and creates the foundation for long-term success. An engaged, collaborative and empowered workforce not only improves morale and performance but also fuels innovation, sparks ingenuity and drives continuous improvement. We need a culture that supports agility to succeed in a fast-paced, changing work environment. This includes building on our commitment to customers, safety, operational excellence and innovation. Our focus on culture is deliberate and unwavering and we are making good progress to achieving the high-performing culture we are seeking.

To measure our progress, AEP conducts an annual employee culture survey through Gallup, Inc. In 2018, we achieved an 89 percent participation rate for the second year in a row. While we are proud of this level of engagement, we continue to reach for 100 percent participation because we truly believe that every voice counts.

Our 2018 engagement survey results were very positive, as we achieved top-quartile performance in Gallup's overall company database – a full year ahead of our stated goal. This includes our improved overall average engagement score in the 76th percentile, compared with the 69th percentile the previous year.

Our progress is a result of a deliberate and determined effort throughout the year to engage with employee teams who were struggling to improve their performance. We also improved in our Inclusiveness Index score, which was in the 77th percentile, compared to the 68th percentile in 2017. We are confident that this score will continue to increase as we build our diversity and inclusion programs.

In 2018, we introduced a question about well-being to the survey to begin measuring the overall well-being of our employees. Gallup defines well-being as a life well-lived – how we experience our lives, measured by purpose, social and community connections, financial well-being and physical health. Well-being is an important indicator of employee engagement. It follows that companies who build a culture of well-being position their employees to perform at their best.

Today, AEP provides a wide range of programs that support employees' well-being. These include a wellness program, financial planning and advice experts, mental health benefits, adoption assistance, and many other benefits that support employees in their personal and professional lives.

Having a high-performing, highly engaged workforce requires giving people the tools they need to be successful and to contribute in meaningful ways. One way we do this is through our Power up & Lead culture leadership workshop. Since the workshop began in 2013, more than 19,000 employees have completed Power up & Lead. The workshop equips them with knowledge, tools and resources to be more collaborative, effective and engaged. In 2018, we began offering refresher courses to employees, and we will continue to offer Power up & Lead workshops.



At AEP, we continually work to foster a culture that supports the agility and focus needed to succeed in a fast-paced, changing work environment. We measure our progress through employee culture surveys.

SUPPORTING OUR VETERANS

AEP actively supports, recruits and hires military veterans, and educates, trains and prepares them to successfully

transition into rewarding energy industry jobs. Our veterans have the technical training, experience and personal characteristics that make them a great fit for careers in the energy industry. They bring important skillsets to the workforce, including leadership, discipline, teamwork and reliability. They also bring a mindset of safety, which is a core value of AEP's business, making them attractive recruits for our company.

We are proud that approximately 10 percent of AEP's employees are military veterans, and 8 percent of AEP's new hires are veterans. We hold open houses for veterans so they can learn about skilled craft positions within the company, watch live demonstrations of line mechanic work and learn about technologies used to operate the grid. We encourage veterans to actively seek and apply for jobs at AEP that match their training and skills.

AEP is a member of the U.S. Army Partnership for Youth Success (PaYS), a program designed to accelerate the transition of veterans to careers in the private sector. Through the Army PaYS program, active and reserve servicemen and servicewomen in the Army and Army Reserve Officers' Training Corps (ROTC) are matched with civilian job opportunities that require the skills acquired during their military service. Soldiers who qualify with a skills match are guaranteed an interview for the job by participating companies.



Veteran's from Appalachian Power participate in a Veterans Day Parade in Welch, West Virginia.

We also support our military veterans through the benefits we provide them. Military veterans and reservists are allowed paid time off to attend funeral services for a service member with whom they have served. This is in addition to AEP's regular employee bereavement policy. We understand that a fellow service member is often as close as a family member, and the loss is deeply felt by our veterans. We also provide pay differential for employees in the Reserves or National Guard who are ordered to active duty in emergency situations.

AEP's Military Veteran Employee Resource Group (ERG) is another way we support our more than 1,800 military veteran employees. The mission of the Military Veteran ERG is to promote the roles and contributions of veterans and active-duty military employees, provide professional development and networking opportunities, and serve as a liaison between AEP and the veteran and military communities.

We are proud of our work to support military veterans. AEP was one of six energy companies that developed the Troops to Energy Jobs initiative to provide veterans with a career path for jobs in the energy industry. AEP also participates in the Veteran Jobs Mission, which has grown to more than 200 companies. The coalition is committed to hiring veterans and has collectively hired more than 450,000 veterans since its inception in 2011.

LABOR RELATIONS

Nearly one fourth of AEP's workforce is represented by labor unions. We value the relationships we have with our unionized employees and believe in a trusting, collaborative and respectful partnership. We are working with our labor partners to strengthen these relationships to ensure we have a culture that attracts and supports employees who can adapt to the rapid changes occurring in our company and industry. Our partnership with labor unions is critical to meeting the growing expectations of our customers and adapting to the challenges of rapidly changing technologies.

We also have in place multiyear contracts with our union partners to enhance continuity for both the company and the workforce.

Our relationship often goes beyond the confines of a contract. Together, we're expanding our focus on safety while enhancing productivity. We are also working together with labor leaders to support infrastructure development across the

2018 ORGANIZED LABOR AT AEP

Labor Unions	Number of Employees
International Brotherhood of Electrical Workers	3,374
Utility Workers Union of America	549
United Steelworkers of America	360
United Mine Workers of America	132
International Union of Operating Engineers	2
Total	4,417

nation. And we are partnering with labor leaders to develop the talent pipeline and skills needed for the future. Our labor-management relationship continues to strengthen as our workforce becomes more flexible, creative and engaged.

DIVERSITY & INCLUSION

To be a successful business, we must embrace diversity and inclusion as an integral part of our business strategy and company culture. We are committed to providing a pathway for employees to advance and unlock the power of perspectives to better serve our customers, drive innovation and generate sustainable growth for our company. At AEP, we value a supportive, inclusive business environment for our employees that reflects the diversity of the communities where we live, work and operate.

Diversity and inclusion have become increasingly important concepts to our employees and leaders, shareholders, suppliers and customers.

Our Diversity & Inclusion Vision Statement – We are committed to a culture where differences are valued and recognized as a significant, positive influence on AEP’s ability to serve and support our employees, customers, suppliers and other key stakeholders.

Diversity – Boundless range of differences and similarities represented by ALL of our employees, customers, suppliers and stakeholders.

Inclusion - Intentional focus on ensuring that ALL employees are valued, respected, and have a sense of belonging.

Diversity and inclusion are key components to our business strategy and help us remain competitive and attract and retain the best talent. A diverse, inclusive and highly engaged workforce not only improves performance but also improves company culture – creating an environment that welcomes different experiences, beliefs, ideas, backgrounds and thoughts.

2018 was the second year of the Diversity and Inclusion Strategic Plan – The Roadmap to 2025. The plan focuses on four key areas:

Diverse Workforce: Build a diverse, high-performing workforce that reflects the communities we serve. Eliminate barriers that prevent employees from maximizing opportunities and potential.

Inclusive and Engaged Workforce: Cultivate a collaborative and inclusive work environment that empowers all employees.

Accountability & Sustainability: Establish accountability measures to ensure that AEP’s management and leadership teams model the behavior that advances diversity and inclusion initiatives.

External Partnerships: Foster relationships with external partners and stakeholders to broaden access to diverse talent by building partnerships with educational institutions, diverse community organizations and professional associations.

Each of the four goals is accompanied by strategies and measures designed for successful companywide implementation. In addition, we created a shared accountability structure to ensure our continued progress. This structure includes the accountability of AEP’s leadership team for implementation and management of this plan, a Diversity and Inclusion Advisory Council, and employees who are responsible for living AEP’s inclusive culture. Learn more about our progress in our 2018 Sustainability Goals Progress Report.

Listening Tour

In 2018, AEP launched a Diversity & Inclusion Listening Tour – a process designed to hear firsthand the state of diversity and inclusion across our company. The listening tour gave employees a safe place to talk about diversity within AEP, to

engage leaders and discuss ways to take ownership by cultivating a culture of inclusion. We held 54 sessions at 21 locations across the AEP service territory, reaching more than 700 employees.

Participants were asked to grade AEP and their local workplace on diversity and inclusion. Overall, 64 percent rated the company and their local workplaces an “A” or “B” but more than 25 percent gave us low marks. During the sessions, employees asked about the business case for diversity and inclusion – how it supports our business, employees, shareholders, communities and our customers. Participants also stressed the need for accountability, education and engagement from leadership and for change readiness – equipping leaders to have conversations with employees on these issues.

The second phase of the tour takes place in 2019. It will include sharing feedback with all participants and developing action plans to address site-specific biases.

Inclusive Leadership Education & Awareness

As part of our commitment to the [CEO Action for Diversity & Inclusion Pledge](#) and as part of our strategic initiatives, executive leadership attended an Inclusive Leadership education and awareness session that focused on understanding and disrupting biased decision-making patterns in talent management. Based on feedback from senior executives, we will launch a 2019 leadership initiative with a goal to have 90 percent of all AEP leaders attend an Inclusive Leadership workshop.

Multicultural Holiday

In 2019, we began offering employees the choice of a multicultural holiday such as religious observances, cultural celebrations and federal holidays that are not currently observed by the company. This approach fosters a more openly inclusive work environment for all AEP employees.

PARTNERSHIPS FOR SUCCESS

Our diversity efforts are fueled by a number of internal and external initiatives, programs and partnerships. Whether through educational institutions, professional associations, community organizations, employee resource groups (ERGs) or leadership development forums, we are focused on building and fostering partnerships that give us greater access to diverse talent.

We are proud to support and participate in [Paradigm for Parity®](#), the [CEO Action for Diversity & Inclusion™](#) pledge and the [Columbus Commitment: Achieving Pay Equity](#). We also have relationships with many other diverse organizations such as the National Society of Black Engineers, to assist us with our diversity efforts. These partnerships not only expose AEP to more diverse talent but also help us become a recognized partner and leader among potential employees.



AEP has relationships with many diverse organizations such as the National Urban League, to assist us with our diversity efforts.

We have alliances with several colleges and universities that broaden our access to diverse candidates. Through our 2025 Diversity and Inclusion Roadmap, we will implement a companywide targeted college recruiting initiative that focuses on partnerships with schools representing Historically Black Colleges and Universities, the Hispanic Association of Colleges and Universities and women’s colleges and universities, as well as working with offices of diversity and inclusion at other colleges and universities. We set a 2025 goal that at least 10 percent of new hires into full-time, entry-level jobs will come from targeted high school development programs, technical colleges and/or universities (based on available opportunities).

EMPLOYEE RESOURCE GROUPS

One of the best ways for AEP to demonstrate its commitment to a trusting and inclusive work environment is to empower employees to form and participate in Employee Resource Groups (ERGs). Our ERGs reflect the diverse makeup of our workforce and enable us to gain valuable insight into the diverse communities we serve. They also help increase engagement across the company by providing employees with a safe space to discuss work-related issues and to develop innovative solutions.

In 2018, Indiana Michigan Power launched a new multicultural ERG called VOICE – Valuing Organizational Improvement and Community Excellence. The group’s mission is to foster an inclusive work environment that promotes respect and value of employees through cultural awareness where employees are provided the opportunity to develop while giving back to the community.

AEP’s Employee Resource Groups

- Abled and Disabled Allies Partnering Together (ADAPT)
- African-American Employee Resource Group (AAERG)
- Asian-American Employee Partnership (AAEP)
- Hispanic Origin Latin American Employee Resource Group (HOLA)
- Military Veterans Employee Resource Group (MVERG)
- Native American Tribes Interacting Observing Networking (NATION)
- Pride Partnership (for LGBTQ employees and their allies)
- Valuing Organizational Improvement and Community Excellence (VOICE)



Open to all employees, the ERGs sponsor programs and events focused on culture, education and personal and professional development. ERG members are active community volunteers supporting efforts such as Project Mentor and Make a Difference Day. ERGs also play an active role in AEP’s diversity and inclusion efforts, including recruitment of new employees.

The support from senior managers is a key factor to the growth and success of the ERGs. Executive sponsors advocate for the ERGs and their interests, provide strategic guidance, enlist the support of other senior leaders and connect ERG members with relevant stakeholders.

RECOGNIZING DIVERSITY & INCLUSION

At AEP, we take deliberate actions to create a work environment in which employees are valued and the diversity and richness of the backgrounds and perspectives of our people are embraced. An inclusive environment allows us to leverage the diverse talent of our workforce for business success. In turn, employees who are included and respected are more likely to be engaged, to be innovative and creative, and to be high-performing contributors. It also says a lot about who we are as a company.

According to the latest Gallup research, the most engaged employees are those working in an open, fair and diverse environment. For the second consecutive year, we are continuing to use the Inclusiveness Index to measure our progress. On a scale of one to five, our mean score was 4.01. We anticipate continued improvement based on the tactics in the diversity and inclusion roadmap through 2025.

AEP EMPLOYEE REPRESENTATION*

as of Dec. 31, 2018	Employees	Females	%	Minorities	%
Total Employment	17,930	3,409	19%	3,127	17%
Officials & Managers	3,288	494	15%	384	12%
Professionals	5,598	1,503	27%	1,062	19%
as of Dec. 31, 2017	Employees	Females	%	Minorities	%
Total Employment	17,716	3,299	19%	3,014	17%
Officials & Managers	3,228	457	14%	363	11%
Professionals	5,413	1,433	26%	995	18%

* Does not include all AEP subsidiaries, co-ops and interns, AEP Energy and employees on unpaid leave-of-absence.

Recognition for our Diversity and Inclusion efforts:

For the third year in a row, AEP was recognized as one of the nation's 2018 Best Places to Work in the [Disability Equality Index \(DEI\)](#). The Abled and Disabled Allies Partnering Together (ADAPT) ERG is one of the driving forces behind our continued recognition.

In January 2019, we were recognized among the top 230 companies in 10 sectors included in Bloomberg's 2019 [Gender-Equality Index \(GEI\)](#), which recognizes companies who are trailblazers in their commitment to gender reporting and advancing women's equality. In early 2019, AEP was named to Forbes [America's Best Employers for Diversity](#), which includes 500 of the top companies that disclose the most diverse boards and executive ranks and the most proactive diversity and inclusion initiatives.

We also earned a spot on Forbes inaugural [Best Employers for Women](#) list in 2018. AEP ranked 193 out of 300 corporations, universities and organizations, and third in the Utilities category.

LEADERSHIP DIVERSITY

It is important to us to be diverse from the board room to the front line. Having employees and board members who represent different experiences, thought processes, generations, genders, and racial and ethnic backgrounds gives us a broader perspective on business issues, challenges and solutions. It moves us to a place of viewing differences as strengths. It also solidifies our commitment to building a high-performing workforce that reflects the diverse communities we serve.

In 2018, AEP was recognized as a [Winning "W"](#) Company by the 2020 Women on Boards campaign. The mission of the campaign is to increase the percentage of women who sit on U.S. company boards to 20 percent or greater by 2020. In 2019, the number of women serving on AEP's board has increased to four with the election of Margaret McCarthy at the Annual Meeting of Shareholders. Women now account for 31 percent of AEP's Board of Directors. Additionally, three members of our Board of Directors have been named to Women Inc. magazine's list of 2018 Most Influential Corporate Directors.

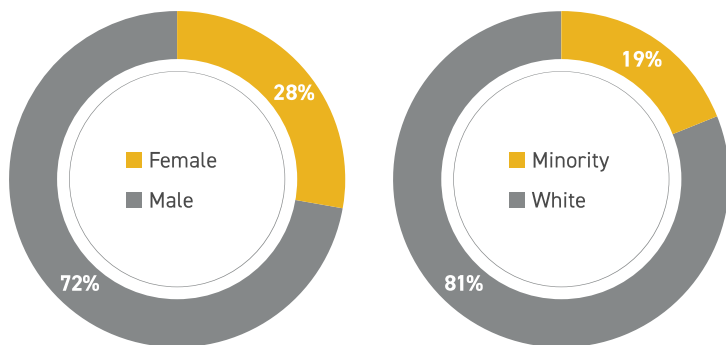


In 2018, AEP was recognized as a Winning "W" Company by the 2020 Women on Boards campaign, whose mission is to increase the percentage of women who sit on U.S. company boards to 20 percent or greater by 2020.

At the leadership level, we are proud of our efforts in conjunction with the [Paradigm for Parity®](#), which seeks to fix the corporate leadership gender gap. In 2018, Public Service Company of Oklahoma announced the promotion of a female leader to serve as president and chief operating officer. Currently, two of the seven AEP operating companies are led by women.

Today, AEP's leadership is made up of 28 percent women and 19 percent minorities due to recent leadership changes. Our Board of Directors, AEP leadership team and regional utility presidents include nine women, three African Americans, two Hispanics and one Asian American. Leadership diversity lays the foundation for enabling a more inclusive workforce that breaks down silos and creates a trusting, engaging and collaborative work environment. While we are making progress, this is a journey and we still have a way to go.

AEP'S LEADERSHIP DIVERSITY



Includes AEP's Board of Directors, AEP Leadership and Regional Utility Presidents.

SUPPLIER DIVERSITY

AEP's diversity and inclusion efforts extend beyond our workforce to the customers and communities we serve, including our supplier base. Small and diverse suppliers enable innovation, increase competition, improve savings and enhance the AEP brand. We want our pool of suppliers and business partners to align to the diversity of our communities by making it easier for diverse suppliers to do business with us.

The Supplier Diversity Program focuses on maximizing opportunities for diverse businesses, which include businesses owned by women, minorities (including Hispanic, African American, Asian American, Native American), veterans, LGBTQ, HUBZone and service-disabled veterans. We set a goal to generate a pool of diverse strategic suppliers and business partners that mirror the customers we serve by reaching 13 percent diverse spend by 2023 (includes Tier 1 (prime) and Tier 2 (subcontractors) suppliers). In 2018, we increased our diverse spend by 1.45 percent (\$95 million) and achieved our goal of 1 percent enterprisewide.

We continue to improve our Tier 2 supplier program, which allows us to understand the impact our spend is having on diverse suppliers through our direct suppliers. The Tier 2 program demonstrates the importance we place in understanding how our spend trickles down through our supply chain to impact the communities we serve. We are focused on specific outreach with targeted suppliers to create more opportunities that will grow our Tier 2 program.

SUPPLIER DIVERSITY – 2018





CUSTOMER EXPERIENCE

At AEP, our goal is to provide world-class service while creating positive, lasting relationships with our customers. We want to be the people that our customers and communities turn to first when they have energy needs. We also want to meet our customers in the communication channel of their choice while providing tailored solutions and making it simple, fast, and convenient to do business with us. That's how we create value for each customer.

INVESTING IN EDUCATION

A significant focus of our corporate giving is on education, especially STEM (Science, Technology, Engineering and Math) programs, and basic human needs, such as hunger and housing. Complementing the focus on education is a commitment to work with the public and private sectors to help those students and their families gain access to nutritious food and a secure, safe place to live.

[Learn more](#)



CUSTOMER ENGAGEMENT

Expectations and new technologies are changing the way we interact with our customers. Giving customers multiple channels to engage with us, including self-serve options, is critical to their experience with AEP.

[Learn more](#)



ECONOMIC DEVELOPMENT

Whether through supporting business expansion or relocation, community training and education or financial support – we are connecting customers with communities to create shared value for all.

[Learn more](#)



COMMUNITY SUPPORT

Through volunteerism and corporate giving, AEP is proud to support the vibrancy and resilience of the communities we serve – as an energy provider and a system of community support.

[Learn more](#)

ENERGY ASSISTANCE

Sometimes our customers experience financial hardships and need help paying their energy bills.

Sometimes our customers experience financial hardships and need help paying their energy bills.

AEP has several initiatives and resources to help customers manage these situations, including monthly payment plans and energy assistance grants and programs. We also offer programs and resources to help our customers lower their electric bills and reduce their energy consumption.

[Learn more](#)

CUSTOMER EXPERIENCE

We are experts at producing and delivering safe, reliable electricity to our customers. However, we want to be much more than that. At AEP, our goal is to provide world-class service while creating positive, lasting relationships with our customers. We want to be the people who our customers and communities turn to first when they have energy needs. We also want to meet our customers in the communication channel of their choice while providing tailored solutions and making it simple, fast and convenient to do business with us. That's how we create value for each customer.

Our customer experience strategy includes a variety of initiatives over multiple years focused on developing people, processes and customer-driven insights to help us exceed our customers' growing expectations and changing needs. We are moving from being transactional focused to emphasizing the total customer experience. As part of this change, we are improving the interactions customers have with us. From first contact to delivery of service, changes in service and even termination of service, we are studying each touchpoint with our customers to improve their overall experience and satisfaction. We are also using new tools and technologies to help us do it better and more efficiently.



In 2018, we opened a dedicated Social Media Center to better meet our customers needs in the communication channel of their choice.

CUSTOMER-DRIVEN INSIGHTS

To understand what our customers want, what their perceptions and expectations of AEP are, and how they want to engage with us, we need their input. One way we gather this information is through surveys, online panels, email and phone interviews.

Through the J.D. Power Customer Satisfaction Survey coupled with data we receive from Market Strategies International, we are able to compare our performance with that of our utility peers and other industries, such as banking, telecommunications and retail.

We also monitor customers' experience after a phone or online interaction. This feedback is collected through phone interviews and email invitations and helps us understand how difficult or easy it was for them to get their needs met. We also randomly select residential and commercial customers and survey them about their overall satisfaction with our brand, ease of doing business and other relationship attributes.

We collect all of this information in a dashboard so that we can get a total picture of a customer's experience with AEP, including any feedback they provide and preferences. This gives us a centralized location to look at all of this data on each customer so we can better serve their needs through tailored energy solutions.

ENGAGING WITH CUSTOMERS IN THEIR CHANNEL OF CHOICE

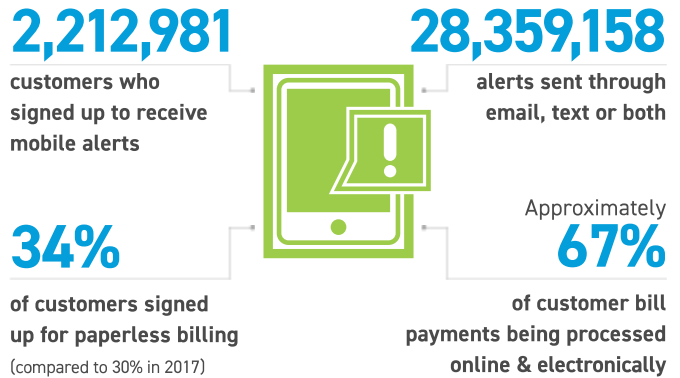
Expectations and new technologies are changing the way we interact with our customers. In 2018, our customers

conducted nearly 31 million online transactions, more than a 37 percent increase over the previous year. Giving customers multiple channels to engage with us, including self-serve options, is critical to their experience with AEP. For example, if customers can check their bill through a voice channel (such as Amazon’s Alexa or Google Assistant) or mobile app, they won’t need to call us. This expedites the solution they are seeking and reduces the volume of calls to which we must respond. In addition, with the integration of new customer relationship management tools, we will be better equipped to respond to customers’ individual needs more efficiently and cost-effectively.

Improving the interaction customers have with AEP is better for them and for us. In 2018, we installed new technology in our Customer Solutions Center that allows customers to engage with AEP more easily using the communication channel of their choice. This includes online chat, email or phone.

In 2019, we are rolling out an automated call-back feature where customers will be able to opt for a return call rather than waiting on hold. This will be especially helpful during times of heavy call volumes, such as during a major outage event. In preparation for this technology change, our customer care agents received 15 weeks of advanced skills training, empowering them to give every AEP customer a positive experience

COMMUNICATING WITH OUR CUSTOMERS – 2018



Social Media

Our customers are increasingly using a variety of social media platforms to connect with us. Because they are always plugged in, they expect immediate response from us, day or night. This is especially true during outages, when customers expect real-time, accurate information about restoration efforts. AEP manages several social media channels including Facebook, Twitter and LinkedIn. Over the past several years, we experienced a significant increase in social media followers and activity, which only increases the need for AEP to provide effective, real-time communications with our customers on our social media channels.

To do this, in 2018 we opened a dedicated Social Media Center at our corporate headquarters in Columbus, Ohio. The new center is run by a combined staff of Customer Care Agents and Corporate Communications team members who are now available seven days a week. The team closely monitors social media feeds for all AEP-related customer posts and interacts instantly with customers, letting them know we are listening and responding to their needs.

With our Social Media Center staff, we are able to quickly respond to customers’ online posts or begin a direct dialogue to learn more about the issue they are experiencing. Through technology enhancements, we are also able to collect better data, such as message sentiment and how often the Social Media team is able to “elevate” an AEP-related post from negative to neutral, or from neutral to a positive post.

Having a dedicated Social Media Center will help us make a significant impact on our customer sentiment, improve our overall customer satisfaction, provide new marketing channels and enhance our company’s reputation. Social media is important because it gives us a near-real-time snapshot of our overall customer satisfaction levels.

Social Media Center Strategy:

- Deliver proactive communications to our customers and stakeholders
- Enhance relationships with key organizations, businesses and other stakeholders
- Protect and enhance our reputation
- Promptly address customer questions and complaints
- Enhance the customer experience
- Promote self-service options
- Deliver real-time outage and safety communications
- Identify and mitigate reputational, information security, physical security and legal risks through 24/7 listening
- Learn what customers and stakeholders say about us and our industry

Customer Digital Assistant

Advancing our capabilities to use new technology systems and communication tools is a fundamental focus of our Customer Experience Strategy. Customers today expect more personalized products and services, and we recognize the opportunity to increase their satisfaction by making it easier for our customers to interact with us. A significant number of consumers are adopting digital assistance technology, illustrating a growing interest in the voice channel, including the use of smart home applications to handle everyday tasks.

In 2018, Indiana Michigan (I&M) Power partnered with Google and Tendril (a home energy management technology platform) to launch a new voice channel application on Google Assistant for I&M customers. We also made this application available on Amazon Alexa with a soft launch in late 2018. With this new voice/digital assistant channel, customers can more easily interact with us. They can also get answers to questions, such as “How can I save energy?” or “How much is my average bill?”

We are developing a plan to provide a common home energy management platform, complete with voice channel access. The new voice engagement channel will allow customers to access information within their home energy management platform and other AEP digital customer applications, such as the mobile app.

In the future, we plan to integrate additional features into our voice/digital assistant channel, including the ability for customers to report an outage or enroll in an AEP program or service.

Customer Mobile App

Mobile apps are popular because of their ease of use and access to self-serve options, such as online banking, shopping or bill payment. In 2017, AEP launched a mobile app to give customers tools to make it easier to do business with AEP using mobile devices. The top requests customers ask for are the ability to pay their bill, monitor their energy use and report or check on the status of an outage.

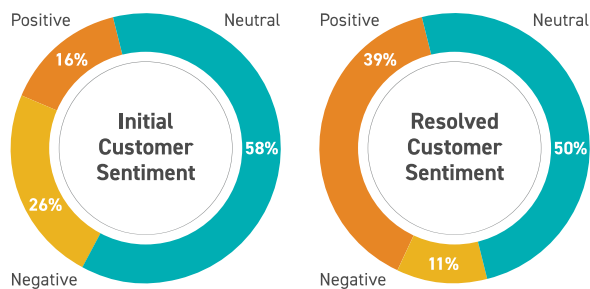
New features we added in 2018 include:

- Biometric login capability
- Proactive outage alerts and interactive outage maps
- Meter barcode scanning for outage reporting and account registration
- Ability to edit account information, including signup/cancel billing and outage alerts, edit payment accounts, view payment history and add additional electric accounts
- Access to 13-month historical energy usage data and graphs

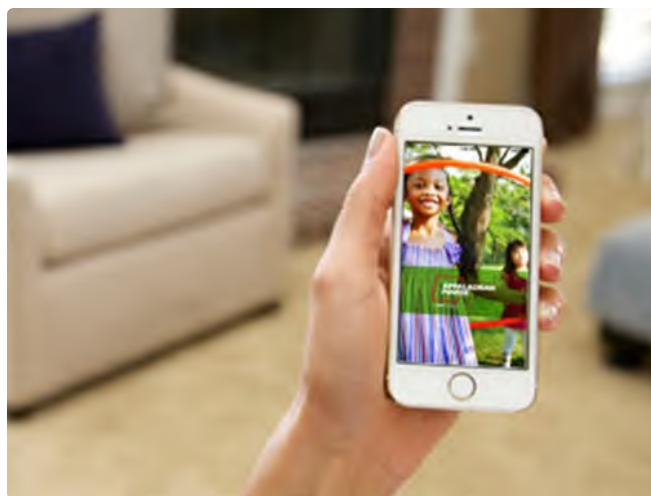
One of the top pain points for our customers is their billing and payment experience. Our customers want simple, secure and multiple digital payment options. In 2018, we completed many projects to meet these customer expectations. We integrated our third-party credit card vendor to streamline the customer experience by removing duplicate entry of their information.

In addition, third-party fees charged to customers who use a credit card to pay their bills is another common pain point. In 2018, we reduced our customers' credit card fee from \$2.95 to \$1.85 per transaction. I&M elected to eliminate the fee altogether, serving as a model for the rest of AEP in the future. Based on feedback from our business customers, we also expanded our credit card payment option to our commercial and industrial customers.

SHIFTING SOCIAL MEDIA SENTIMENT



AEP's social media team captures a customer's sentiment at the beginning and end of a conversation, known as a case. The Initial Case Sentiment and Resolution Case Sentiment demonstrate our ability to improve the customer experience by responding and providing service through social media. This sentiment tracking is a subjective record of feelings expressed by a customer during a conversation. Data includes Q1 2019 cases with a brand response from AEP corporate, AEP Energy or any of our seven operating companies on Facebook, Twitter, Instagram, LinkedIn or YouTube.



AEP's mobile app makes it easier for customers to do business with us, including the ability to pay their bill, monitor their energy use and report or check on the status of an outage.

Some customers want options, such as auto- or pre-pay and monthly billing plans. Others simply want the ease of paying with their smartphone. In 2019, we will roll out a simplified auto-pay process providing an easier and faster sign-up process. Customers using the new feature can save their payment information online, expediting their transaction. We will also pilot a “flat bill” concept to some of our I&M customers.

In Oklahoma, we introduced a pre-pay program, known as Power Pay, which functions similarly to a prepaid phone card. This program offers customers of Public Service Company of Oklahoma a voluntary payment option, giving them more control over when and how they pay for their electric service.

CUSTOMER ENGAGEMENT & RELATIONSHIP MANAGEMENT

We have many touchpoints with our customers that help shape their overall AEP experience. Traditionally, these customer interactions were managed and tracked by separate groups within AEP. But what if we could bring a customer’s entire history with us onto a single platform?

To do this, we need to understand every interaction a customer has with us, from initial communication and account management to billing, payment history and social media posts. We call this the 360-degree view of the customer. This tells us what we need to know up front so that we can provide the best solutions for customers.

An important tool to effectively do this is known as a customer relationship management (CRM) system. In 2018, AEP kicked off a project to implement a new CRM system from the ground up. The new system, once operational, will consolidate customer touchpoints into a single place and allow us to view the total customer experience and provide more tailored solutions.

Transmission Customer Experience

When we think about customers, we generally think about the customers of local distribution companies. However, AEP also serves very large customers who directly connect to our transmission grid and have very different needs. These customers include Independent Power Producers (IPPs) and other transmission owners, such as electric cooperatives (co-ops). Power quality is a priority issue with these very large customers. As companies continue to modernize their manufacturing equipment, their systems become more sensitive to quality issues such as voltage variations and momentary power outages. We are working to understand the operating needs of our commercial and industrial (C&I) users and will continue to improve our level of service and reliability to meet the increasingly strict standards required by these key customers.

We provide targeted support to our electric co-ops and municipal electric utility partners through internal communication groups and ongoing stakeholder process meetings.

This group’s objective is to proactively identify customer pain points and work to resolve them. This includes conducting root cause analysis and developing backup service delivery plans for our large transmission customers. Our goal is to solve a customer’s problem before the customer is aware a problem even exists.

ENERGY ASSISTANCE

Sometimes our customers experience financial hardships and need help paying their energy bills. These hardships can put customers in a tough situation where they have to choose between electricity and other basic human needs. This problem is not limited to just a few people. According to the U.S. Energy Information Administration, in 2015, nearly one-third of U.S. households struggled to either pay their energy bills or maintain acceptable levels of heating and cooling in their homes.

AEP has several initiatives and resources to help customers manage these situations, including monthly payment plans

ENERGY ASSISTANCE PROVIDED THROUGH AEP TO HELP CUSTOMERS PAY THEIR ELECTRIC BILLS in millions

Operating Company	2016	2017	2018
Appalachian Power	\$26.6	\$26.0	\$24.1
AEP Ohio	\$13.0	\$10.2	\$7.2
Public Service Company of Oklahoma	\$9.9	\$10.1	\$13.3
Indiana Michigan Power	\$6.9	\$7.0	\$12.1
Southwestern Electric Power Company	\$6.1	\$5.9	\$6.9
Kentucky Power	\$2.8	\$3.6	\$2.7
2018 Total	\$65.3	\$62.8	\$66.4

and energy assistance grants and programs. We also offer programs and resources to help our customers lower their electric bills and reduce their energy consumption, such as energy efficiency programs, rebates and incentives. Learn more about some of the many energy assistance programs offered across AEP's service territory:

[Low Income Home Energy Assistance Program \(LIHEAP\)](#)

Appalachian Power: [Neighbor to Neighbor Fund](#)

AEP Ohio: [Ohio PIPP Plus](#), [Community Assistance Program](#), [Neighbor to Neighbor Program](#)

Indiana Michigan Power: [Neighbor to Neighbor Fund](#)

Public Service Company of Oklahoma: [Light A Life Fund](#)

Southwestern Electric Power Company: [Neighbor to Neighbor Fund](#)

The funding available to support our energy assistance programs comes from a variety of sources, including the government, social service agencies and even other customers. Income guidelines determine eligibility. The funding level of different programs can fluctuate from year to year based on several factors, including improvements in the economy that lessen demand for aid, increased or decreased government funding and other contributions or grants awarded to support these programs.

Government-sponsored energy assistance programs provided approximately \$66.4 million in federal and private energy assistance in 2018. We also received more than 24,800 pledges totaling more than \$5.9 million in energy assistance from our self-serve agency websites.

The U.S. federal government shutdown in late 2018 and early 2019 caused financial hardships for many of our government-employed customers. In response, we empowered our customer service agents to work in every way possible to help those impacted by the government shutdown.

In 2018, Kentucky Power revamped its former Home Energy Assistance Program (HEAP) and nearly doubled the number of low-income families who can be served. An order from the Kentucky Public Service Commission increased customer contributions to the HEAP program from 15 cents to 30 cents a month. In addition, Kentucky Power matched the customer contributions dollar for dollar with shareholder funds.

Together, the programs generated nearly \$1 million in 2018 to provide heating and cooling assistance to about 2,500 customers in the region. Program funds are distributed to customers who meet income requirements set by community action agencies. Additionally, Kentucky Power offers an opportunity for customers to contribute to the energy assistance program through their bills.

In 2018, Indiana Michigan Power (I&M) set up a Neighbor to Neighbor program to help qualified customers with their energy bills. The program provides an option for customers to contribute to the program simply by checking a box on their bill and specifying the amount they want to contribute above their bill amount. The contribution is tax-deductible. To qualify for aid, customers must meet the guidelines of the federal Low Income Home Energy Assistance Program (LIHEAP) and other eligibility standards.

I&M also provided \$400,000 to the Indiana Community Action Association (IN-CAA) to help families pay their energy bills and use energy more efficiently. IN-CAA is a nonprofit comprised of Indiana's 22 community action agencies. I&M's assistance stemmed from discussions with these agencies as part of the company's Building the Future regulatory rate review, and was approved by the Indiana Utility Regulatory Commission.

In addition to federal and private energy assistance, the AEP Foundation contributes financial support to help our customers meet basic needs including food and shelter. In early 2018, the AEP Foundation awarded a \$50,000 grant to assist low-income residents in Eastern Kentucky. The grant to the Christian Appalachian Project helped fund the nonprofit's Elder Housing and Family Housing programs. Both programs make home repairs or install weatherization measures for families and individuals who cannot afford repairs. The need is so great in this region that the Christian Appalachian Project has a waitlist of families in need.

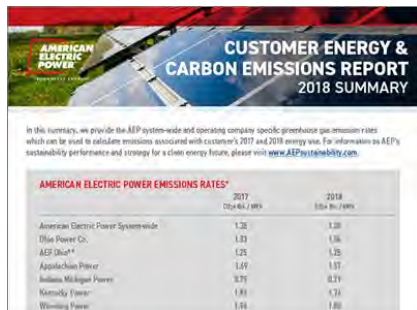
CUSTOMER EMISSIONS REPORT

At AEP, we understand the importance of providing clear, accurate and consistent data and information in a timely manner. AEP's Customer Energy & Emissions Report reflects our commitment to transparency by proactively sharing data and information about AEP's performance and strategy for a clean energy future. This demonstrates that we are

listening to our customers, addressing their need for relevant and timely information to better inform their sustainability goals and strategy.

In this summary, we provide the AEP system-wide and operating company specific greenhouse gas emission rates which can be used to calculate emissions associated with customer's 2017 and 2018 energy use.

[Supplemental GHG Emissions Data](#)



[View Report](#)

COMMUNITY ENGAGEMENT STRATEGY

The power and the human energy AEP brings to the table move people forward. We're powering a new and brighter future for our customers and our communities by:

- Expanding our employee volunteer programs companywide to encourage more volunteer activities and track positive impacts.

- Offering Community Care grants to nonprofit organizations where AEP employees volunteer significant hours.

- Focusing our philanthropic giving on causes that support our priorities around STEM education and basic needs of food, emergency and affordable housing and clothing, and measuring impacts.



Through these and other engagement initiatives, we are building on our history of helping communities thrive. And we are looking to do even more.

Giving back to our communities is fundamental to our vision of powering a new and brighter future for our customers and communities.

Corporate Giving

Giving back to our communities is fundamental to our vision of powering a new and brighter future for our customers and communities. Through volunteerism and corporate giving, AEP is proud to support the vibrancy and resilience of the communities we serve – as an energy provider and a system of community support. In 2018, AEP and the American Electric Power Foundation donated approximately \$25.5 million to support more than 1,800 community organizations. Since 2016, we have donated more than \$63 million through our philanthropic giving efforts.

For more information, see AEP's Community Impact Report.

Investing in Education

A significant focus of our corporate giving is on education, especially STEM (Science, Technology, Engineering and

Math) programs, and basic human needs, such as hunger and housing. Complementing the focus on education is a commitment to work with the public and private sectors to help those students and their families gain access to nutritious food and a secure, safe place to live. We also support many cultural and community initiatives important to our customers.

AEP's most significant area of philanthropic giving is STEM education. Focusing on STEM provides a pathway out of poverty for urban and rural youth. Many 21st century jobs will require proficiency in STEM courses, and these jobs have a high likelihood of delivering a living wage. Credits CountSM, the signature program of the AEP Foundation, addresses the issues of college preparedness and affordability for underserved urban and rural students who want to seek STEM-related career opportunities. Since the program's creation in 2014, the AEP Foundation has committed \$14.2 million to the program across our service territory.

The Credits Count program, funded by the AEP Foundation and carried out in partnership with local community colleges and public school districts, now operates in all seven AEP operating companies:

AEP Ohio - Columbus State Community College and Columbus City Schools, launched in 2014

AEP Texas - Laredo Community College and Laredo Independent School District, launched in 2017

Appalachian Power – BridgeValley Community & Technical College and Kanawha County Schools, launched in 2017

Indiana Michigan Power – IVY Tech and Marion Community Schools, launched in 2016

Kentucky Power – Ashland Community and Technical College and Lawrence County Schools, launched in 2015

PSO – Tulsa Community College and Tulsa Public Schools, launched in 2015

SWEPCO – Bossier Parish Community College and Bossier Parish and Caddo Parish school districts, launched in 2014

In conjunction with state and higher education institutions, AEP Transmission launched the AEP Opportunities iN Energy (ONE) career-readiness program in 2018. The program offers high school students a 10-week internship and mentorship. Interns participating in AEP's ONE program can earn the OhioMeansJobs Readiness Seal from the State of Ohio, a formal designation on their high school diploma and transcript indicating that they have the personal strengths, strong work ethic and professional experience that businesses need. Students who complete the program and their technical degree will be qualified to apply for permanent positions with AEP and other energy companies. 2018 marked the pilot year in central Ohio. In the future, we hope to expand the program to other areas and business units.

Having a strong higher education system directly supports economic development and growth of the local economy. In West Virginia, this is especially important in the wake of coal plant retirements and coal mine closures in the state. In 2018, the AEP Foundation awarded West Virginia State University (WVSU) a \$250,000 grant to equip laboratories in its new chemical engineering program. West Liberty University (WLU) also received a \$25,000 grant from the AEP Foundation for its STEM lab, which serves more than 200 students per semester in courses such as physiology, histology and anatomy.

The Energizing STEM Initiative – a partnership between The Education Alliance and Imagine Learning – received a \$450,000 grant from the AEP Foundation to help young students in West Virginia build a strong foundation in math. The grant provides more than 2,200 elementary students in Lincoln and Logan counties with an effective computer-based supplemental curriculum to improve math outcomes over a three-year period. West Virginia is projected to have over 25,000 jobs in STEM-related fields in the next several years, and this initiative helps ensure students are ready with the knowledge and skills they will need.

More than 1,000 students from Columbia, Hempstead, Howard, Lafayette, Little River, Miller, Nevada and Sevier counties in southwest Arkansas attended Explore Success, a youth manufacturing conference intended to introduce career

PHILANTHROPIC GIVING Corporate & AEP Foundation

	2016	2017	2018
Arkansas	\$156,106	\$206,181	\$182,515
Indiana	\$1,127,127	\$825,889	\$2,874,554
Kentucky	\$346,380	\$913,229	\$502,627
Louisiana	\$645,145	\$1,277,686	\$1,262,107
Michigan	\$514,302	\$518,117	\$1,002,976
Ohio	\$12,619,206	\$7,913,164	\$13,588,375
Oklahoma	\$736,367	\$1,455,584	\$648,412
Tennessee	\$510,694	\$45,950	\$72,822
Texas	\$1,614,117	\$1,137,950	\$1,742,257
Virginia	\$552,211	\$704,271	\$1,505,815
West Virginia	\$933,808	\$1,226,449	\$1,134,545
Other*	\$1,134,458	\$547,790	\$981,558
Total	\$20,889,921	\$16,772,260	\$25,498,563

* Giving to organizations outside AEP's Service area or those that benefit multiple states.



opportunities in manufacturing in the region. SWEPCO and our John W. Turk, Jr., Power Plant supported the event. This conference is another example of our commitment to investing in and educating students at a young age about future career opportunities with our local industries, which is key to maintaining the region's vitality.

In 2018, the AEP Foundation awarded Junior Achievement of Northern Indiana (JANI) a \$300,000 grant for a new facility to provide localized career development programs and an entrepreneurial center that can meet the needs of a younger, savvy generation of entrepreneurs. During the 2017-18 school year, JANI reached more than 142,000 students in 30 counties and has the greatest market share of any Junior Achievement chapter in the nation.

Investing in Basic Human Needs

Community organizations play a pivotal role in the well-being of individual community members, as well as the social fabric of the community. These organizations provide assistance for housing, food, education, skills training and more. Investing in the resources of community organizations helps to bridge the gap between the potential of an individual to be independent and the obstacles to success that person might face. When we elevate and invest in our communities, we are helping to build a brighter future.

Being a good neighbor means helping others in need:

In 2018, SWEPCO responded to two local Arkansas

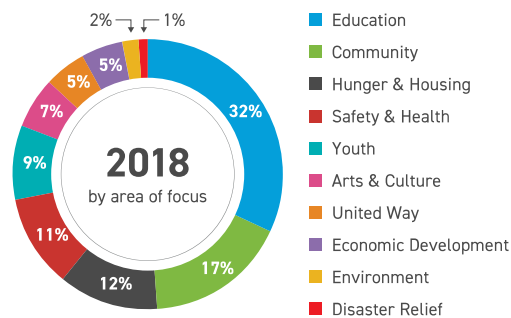
fire departments in need of equipment and land to bolster their public safety services. We provided a decommissioned truck from AEP's fleet to the Gillham volunteer fire department. The fire station needed the truck to help extinguish wildland fires that larger firefighting equipment cannot easily reach. In Gentry, SWEPCO donated land near the Flint Creek Power Plant for a new fire department helipad. The donation gives the fire department a safe and readily accessible landing and loading location for air ambulances.

In 2018, Mountain Mission School, a century-old southwest Virginia resident school for children in need, received a \$1 million grant from the AEP Foundation. The boys' residence was damaged by a fire in April 2018, and its more than 100 disadvantaged young men were being temporarily housed in the school gymnasium and chapel while the school was being refurbished. The AEP Foundation's grant allowed the school to substantially upgrade the residence hall.

Pelotonia is a bike ride in Ohio that raises funds for cancer research at The Ohio State University Comprehensive Cancer Center. The AEP Foundation is a major funding partner with Pelotonia and announced in 2018 that its donations will double to \$500,000 a year for three years. Because of the AEP Foundation's increased contributions, Pelotonia will be able to magnify its impact in raising funds for research to end cancer.

The Rescue Mission is a nonprofit organization that provides restorative care to those facing homelessness in Fort Wayne and Allen County, Indiana, and their nine surrounding counties. The AEP Foundation awarded a \$300,000 grant to its City on a Hill campaign to help the organization relocate to a larger facility and expand its women's and children's ministry. AEP supports the Rescue Mission with additional donations, including a \$50,000 AEP Foundation grant for the mission's Learning Center and volunteer work provided by Indiana Michigan Power (I&M) employees.

CHARITABLE GIVING BY AREA OF FOCUS



VOLUNTEERISM AT AEP

Supporting community projects and programs requires more than financial support. It requires time and labor to make progress possible. Every year, AEP employees from around our service territory give their time, talent and financial donations to a variety of organizations throughout our service territory. Our employees are a force of voices, hands and hearts caring together to make our communities stronger and better for us all. Most importantly, our employees are consistent in their efforts, both when times are good and when hardship strikes.

The value of employee volunteerism to our communities and to AEP is long-lasting and impactful. It helps to enhance the quality of life, advance and expand education opportunities for underserved populations, and create shared social and

economic benefits. Through the collective efforts of our employee volunteers, we are strengthening the social fabric of our communities. We set new corporate sustainability goals to better engage our employees in company-led or supported volunteer activities as well as better track the impact our employees are having within our local communities.

We were reminded of the importance of community giving as natural disasters devastated parts of our service territories and beyond. In 2018, our employees gave more than \$20,000 in special relief donations to The Salvation Army through the AEP Emergency Disaster Fund. The AEP Foundation matched 100 percent of the employee contributions to help relieve the impacts of Hurricane Florence in the Carolinas. Since 2004, employee giving along with company and AEP Foundation matches have provided more than \$1.4 million for natural disaster relief.



In 2018, our employees gave more than \$20,000 in special relief donations to The Salvation Army through the AEP Emergency Disaster Fund.

When disaster strikes, AEP employees are quick to respond. Whether they are on the job repairing storm damage or giving money and their time to help those affected by disaster or tragedy. To improve our ability to help those in need, AEP, with the help of concerned employees, established the AEP Emergency Disaster Relief Fund. Distinct from the special disaster recovery efforts, the fund provides a vehicle for the company and our employees to support each other and dependent family members who suffer losses as a result of disasters and tragedies. Employees are able to donate to the fund through a one-time donation or payroll deduction.

Employee Volunteerism in 2018

Public Service Company of Oklahoma (PSO) offers a mini-grant program to encourage and support employees' and retirees' community volunteer activities. The PSO Connects Volunteer Grant was started in 2015 and is part of the company's legacy of volunteerism in its communities. One of many examples of the company's volunteerism includes participation by dozens of PSO employees each year in the Tulsa Area United Way Day of Caring, one of the largest single days of community service in the nation.

Restoring the past for the future was the intent behind an employee-led restoration effort of a rundown 165-year old cemetery located on the property of Southwestern Electric Power Company's Welsh Power Plant. Over the course of two years, employees restored the historic Lev Old cemetery, which dates as far back as 1855. The Titus County, Texas, Historical Commission awarded the plant and its employees with its Merit Award, and installed a marker at the site – a visual symbol of the historic significance of the site.

In Corpus Christi, Texas, an elementary school nurse's plea for help with supplies for the "Nurse's Closet" became a rallying call for AEP Texas employees that sparked a new and lasting relationship. The closet stocks basic clothing needs and toiletries for students of the Crockett Elementary School, located in an economically challenged area where many students are homeless or lack basic needs such as shoes and clothes. Employees at AEP Texas responded with clothing and supplies. The company has established a long-term relationship with the school to help meet basic needs before the school year begins as well as mentor students.

Most weekdays, many AEP employees in Central Ohio can be found delivering meals to those in need over their lunch hour. During the past 13 years, an army of AEP employees have delivered more than 100,000 meals to homebound seniors. The AEP Foundation made a \$1 million commitment to LifeCare Alliance, which provides a wide range of health and nutrition services to older adults and medically challenged residents in Central Ohio. The AEP Foundation's donation enables LifeCare Alliance to buy one new delivery van annually for four years, and support the organization's core programs to keep clients safe, independent and living in their own homes. The grant is the largest in LifeCare Alliance's history, and they graciously nominated AEP for the 2019 Medical Mutual Pillar Award for Community Service for our long history of volunteerism and philanthropy. AEP was honored with this award.

INVESTMENTS SUPPORT LOCAL GROWTH

Between 2019 and 2023, AEP will invest nearly \$33 billion in capital to modernize the electric power system. Most of those investments will be directed to transmission and distribution. This magnitude of investment has significant positive impact on our communities. In 2018 we acquired a new software tool called IMPLAN, to help us more accurately measure the economic impact of our capital investments. We ran a model looking at the 2019-2023 investment plan to identify direct and indirect benefits to communities where this will occur. Here's what we learned:

Our capital investment will create or support approximately 40,000 jobs within our service territory per year over the course of our investments. The majority of these jobs are in construction, and employed directly by AEP or through contractor or vendor relationships. The additional jobs created are in supply chain and retail sectors.

The total labor income generated is over \$2 billion annually.

The investment will impact the gross regional product by \$3 billion annually.

We are reaching out and meeting with stakeholders across our service territory to help them understand why the magnitude of these investments is not only warranted but imperative to the future stability and resilience of the grid and the communities we serve. By investing capital to modernize the system, we are actually lowering customer bills in the long run because we are mitigating the future need for costly repairs when old equipment fails.

The bottom line is that the investments we are making in the grid make it more reliable, resilient and secure, and have significant positive local benefits through job creation and economic growth.

ECONOMIC AND BUSINESS DEVELOPMENT

Building strong, vibrant and sustainable communities requires innovation, investment and collaboration among state, regional and local business partners. AEP's Economic & Business Development (E&BD) team puts its expertise and partnerships to work supporting economic development and growth within our local communities. Whether through supporting business expansion or relocation, community training and education or financial support – we are connecting customers with communities to create shared value for all.

Our National Customers team manages corporate relationships with many of our largest customers to provide customized solutions to meet their energy needs. For example, when Cinemark USA, Inc., one of the world's largest motion picture theaters, needed a partner to help identify renewable energy for its facilities, AEP provided a solution.

In addition to business development, the AEP National Customers team is focused on providing exceptional customer service. Based on feedback from a group of 25 national chain customers, Edison Electric Institute (EEI) recognized the team for exceptional customer service in 2018. AEP won the National Key Accounts Executive Award for Sustained Excellence in Outstanding Customer Service. Two of our customer managers were also recognized for

2018 AEP Economic Impact

Employees (year-end)	17,582 ¹
Wages	\$2.3 billion ²
Capital Investments	\$5,964 million
Local Taxes	\$827 million
State Taxes	\$339 million
Federal Taxes	\$80 million
Goods & Services (does not include fuel)	\$6.9 billion
Total Corporate Spend on Goods & Services from Small Businesses (includes small diverse businesses)	\$971 million
Total Corporate Spend on Goods & Services from Diverse Suppliers (includes small and large diverse businesses)	\$365 million
Total Corporate Spend on Locally Based Suppliers	\$3.4 billion
Remaining Value of all Contracts	\$2.87 billion ³
Philanthropic Giving	\$25.5 million ⁴
Economic Development Contributions	\$1,323,038 ⁵
Number of Jobs Brought to Local Economies	14,700

¹ Includes subsidiaries of AEP

² Includes wages, incentives and fringe benefits (expensed and capitalized) and AEP's portion of certain payroll taxes.

³ Supply chain purchased contracts and inventory system.

⁴ Includes Corporate and AEP Foundation grants.

⁵ Includes all grants and contributions by utility units to support economic development.



AEP provides comprehensive location advisory services to

their individual performance.

companies looking to expand or locate new operations in our service territory.

AEP also provides comprehensive location advisory services to companies looking to expand or locate new operations in our service territory. This includes property searches and screening, custom community and site analysis, and introductions to local economic development partners and industry resources.

Beyond our current customers, AEP proactively identifies and manages business relationships with prospective customers in target industry sectors to try to secure investment in new facilities across the AEP system. In addition to pursuing domestic companies, our efforts include attracting foreign direct investment (FDI) to our service territory, which is a key source of capital, job creation and innovation.

In 2018, we supported 110 projects that will bring 14,700 jobs to the local economies across our 11-state service territory. Economic development helps our communities in several ways, including increasing the tax base, job development, economic diversification and capacity-building for long-term sustainability.

AEP actively works to support industries experiencing high growth, including petrochemical, data centers and shale gas. Below are examples of economic development projects we supported in 2018.

JSW Steel returned an electric arc furnace to service in Mingo Junction, Ohio, after nearly 10 years of sitting idle. The reopening of the mill is expected to eventually create 1,000 jobs and will house the largest Consteel® Tenova electric arc furnaces in North America. The company already has expansion plans in the works, including the installation of a second mill in Ohio.

AEP Ohio helped Amazon Web Services to site three data centers and a distribution center in Central Ohio in 2016. Amazon added the second of five planned data centers at each of three sites served by AEP Ohio; they have plans to continue to grow in Central Ohio. Amazon's total investment will be approximately \$1.1 billion. The combined direct and indirect impacts of Amazon's investment could create thousands of new jobs in Ohio and hundreds of millions of dollars in new regional income and gross domestic product (GDP) growth for the region.

Appalachian Power (APCo) celebrated its partnership with the ELDOR Corporation with the grand opening of its first North American plant – a \$75 million facility – in southwest Virginia. This Italian auto parts manufacturing facility is located on an AEP Quality Site and will employ 120 workers. The company's expansion plans could employ 350 workers within four years. APCo's economic development strategy is focused on new manufacturing and job growth and increased tax base for its communities.

Sofidel Group, an Italian manufacturer of tissue paper, broke ground on a \$360 million integrated paper plant that will create 300 jobs in Inola, Oklahoma. The land for the facility was sold to Sofidel by PSO. Recognizing the need to attract capital investment to the region, PSO worked to prepare the site for industrial development through the AEP Quality Sites Program. We continue to market the remaining Inola property for additional economic development projects. Sofidel's other greenfield investment in the U.S. is also AEP-served. Located in Circleville, Ohio, the \$400 million facility opened in 2018 and, at capacity, will employ approximately 700 people.

AEP's service territory overlaps many of the most productive shale gas regions in the U.S. In our AEP Texas territory, this includes the Permian Basin in West Texas and the Eagle Ford Shale in South Texas. These shale plays provide a plentiful supply of natural gas, petroleum, and natural gas liquids for current and future petrochemical facilities including liquid fractionators and cracker projects. In 2018, Cheniere Energy, Inc. opened a \$15 billion liquefied natural gas (LNG) export facility in Texas, making the state a competitive player in the global LNG market. The Corpus Christi Liquefaction project will result in the creation of more than 430 permanent jobs when fully operational, and more than 4,000 jobs during peak construction. It is projected to have a \$5 billion economic impact in the Coastal Bend region during a nine-year construction period, and \$17 billion for the State of Texas during that same time period. We also worked collaboratively with EPIC Pipeline LLC, whose pipeline project will connect crude oil and gas from West Texas to the Corpus Christi markets. We will provide electric service to some of the compression stations along the pipeline. Other petrochemical and LNG export facilities are being pursued in the region.

Quality Sites Program

A primary focus of our activities is the development of build-ready industrial properties across our 11-state territory. AEP's Quality Sites Program identifies sites that have infrastructure and utilities in place and have completed due diligence studies to help growing businesses minimize overall site location risk, save time and reduce development costs. In 2018, we added three new industrial properties to our Quality Sites Program, bringing the total number of sites to 50. Learn

more about this program and the location of quality sites in AEP's service territory.

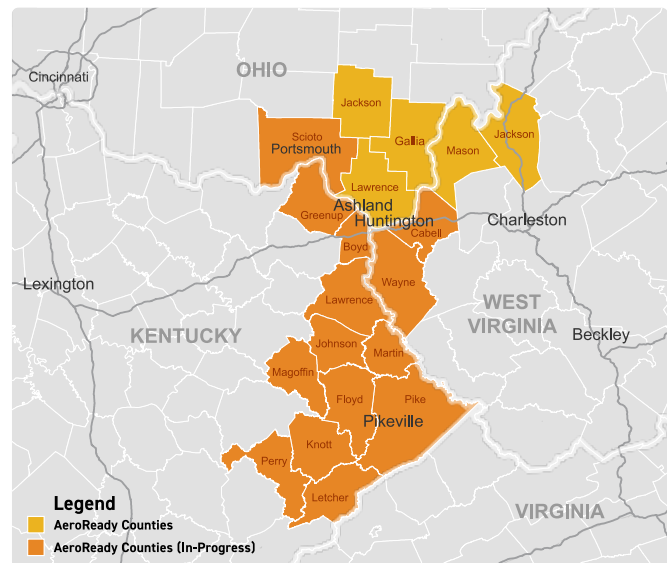
In 2018, we were named one of the nation's top utilities for economic development by [Site Selection Magazine](#), for the seventh consecutive year. AEP was recognized for its effort to cultivate commercial and industrial business development and for creating new jobs. The recognition is based on end-user project activity, website tools and data, innovative programs and incentives for businesses, and the utility's own job-creating infrastructure and facility investment trends.

SUPPORTING APPALACHIAN COMMUNITIES

We are building stronger partnerships with our local communities to help revitalize some of the hardest hit communities by the changes in the coal industry. Three states in the heart of Appalachia have been particularly affected. Kentucky, Ohio and West Virginia have experienced job losses, the loss of tax revenue to support local public services, and the loss of indirect economic benefits from having a locally employed workforce. In response, AEP is making targeted efforts to revitalize those communities to attract new industry and jobs and empower local leaders to take the lead in rebuilding their communities.

In 2017, AEP and our regional economic development partners launched Appalachian Sky – an initiative to attract the aerospace and aviation industry to AEP's central Appalachia service region. A comprehensive regional workforce analysis of AEP's Kentucky territory was the catalyst that showed that coal miners, many of whom lost their jobs due to recent mine and coal plant closings, have the skills that aerospace and advanced manufacturing companies need. The study, funded in part by a Kentucky Power Economic Growth Grant (K-PEGG), concluded that the region had eight times the national average of skilled metal workers - recognizing the potential of the aerospace industry to diversify the central Appalachian economy.

AEP commissioned a leading aerospace consultancy to determine the viability of aerospace in Appalachia's coal and steel country. Several counties in the region have been certified as AEROready™. The AEROready certification ensures aerospace companies that the certified regions, sites and communities are suitable for aerospace operations. We continue to work collaboratively with our partners in an effort to further develop and market the Appalachian Sky initiative.



Other areas within AEP's service territory are attractive for aerospace and aviation investment, and we have pursued similar AEROready certifications:

In October 2017, the City of Shreveport and surrounding communities were certified as AEROready. They saw immediate impact when Western Global Airlines announced it would establish an aircraft maintenance facility at Shreveport Regional Airport. The \$3 million investment will ultimately create 170 new direct jobs and an estimated 308 new indirect jobs.

In April 2018, the San Patricio County Economic Development Corporation and Corpus Christi Metropolitan Statistical Area announced the region received the first AEROready Certification in Texas. The move sets the stage for the Coast Bend to attract high-quality aviation and aerospace jobs to the region.

SUPPORTING THE FEDERAL SECTOR

Military and other federal government agencies and facilities are an important customer segment and growth area for AEP. We provide electric service through our regulated business to over 3,500 federal accounts. Our focus is on three areas of interest:

Utility Energy Services Contracts (UESC) within our regulated footprint

Various business development opportunities outside of our regulated service territory with our competitive

businesses (e.g., AEP Energy Partners)

Utilities Privatization (UP) of military facilities both within and outside our regulated footprint

Through these avenues, we help our federal and military customers meet their sustainability and resiliency goals and measures. The federal government has a comprehensive framework for action through 2020 that calls for using resources more efficiently and acquiring more energy from renewable resources. To support that initiative, we help the federal government mitigate the effects of climate change on military operations, installations and national security.

AEP has proposed energy resilience solutions to the Department of Defense (DoD) to assist in preparing for and recovering from energy disruptions impacting mission assurance on military installations. Further, energy resilience encourages the necessary planning and capabilities to ensure available, reliable, and quality power to continuously accomplish DoD missions.

Thirty of our large federal accounts may present new opportunities for UESC-type work. UESC provides federal customers with comprehensive energy and water efficiency improvements and demand reduction services. These projects can encompass a broad range of energy conservation measures, including system upgrades and recommissioning, retrofit projects, renewable energy, cogeneration plants and microgrids.

In 2018, AEP Energy was awarded a \$362 million contract with the Defense Logistics Agency (DLA) to provide over 6.5 terawatts of electricity to various U.S. government and military installations operating in the PJM Interconnection (regional transmission operator) over a five year period beginning in 2019.

We are also partnering with military facilities to offer solutions to privatize on-base utility systems (electricity, natural gas, water and wastewater). These opportunities allow AEP to operate and maintain the facilities' electricity systems and allow the military to stay focused on its mission. Two examples of where we are working with the military to manage their utilities include Goodfellow Air Force Base in San Angelo, Texas and Red River Army Depot in Texarkana, Texas.

SUPPLY CHAIN AND PROCUREMENT - NON-FUEL SUPPLIERS

AEP purchases billions of dollars in goods and services every year, ranging from chemical solvents and office supplies to vehicles and industrial equipment from national, regional and local suppliers. As a large company, we are able to manage costs by negotiating prices, strategically sourcing and managing inventory. By applying a procurement-category management model, we can look at the whole value chain from sourcing through inventory.

We continue to improve efficiency through strategic sourcing – optimizing what we buy and how we buy it to manage inventory and costs as well as provide standardization in our purchasing practices. Our procurement team gets involved earlier in the purchasing process to educate employees on best procurement practices.

We continue to seek opportunities to deploy technological solutions. In 2018, we went live with a robotic process automation solution in Asset Recovery that streamlines the scrap metal billing process. Additionally, we have launched a barcoding and RFID technology project to improve the materials management activity throughout our operations.



© 2019 American Electric Power.

EXHIBIT 21

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number	Registrants; States of Incorporation; Address and Telephone Number	I.R.S. Employer Identification Nos.
1-3525	AMERICAN ELECTRIC POWER COMPANY, INC. (A New York Corporation)	13-4922640
1-3457	APPALACHIAN POWER COMPANY (A Virginia Corporation)	54-0124790
1-3570	INDIANA MICHIGAN POWER COMPANY (An Indiana Corporation)	35-0410455
1-6543	OHIO POWER COMPANY (An Ohio Corporation)	31-4271000
0-343	PUBLIC SERVICE COMPANY OF OKLAHOMA (An Oklahoma Corporation)	73-0410895
1-3146	SOUTHWESTERN ELECTRIC POWER COMPANY (A Delaware Corporation) 1 Riverside Plaza, Columbus, Ohio 43215 Telephone (614) 716-1000	72-0323455

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Name of Each Exchange on Which Registered
American Electric Power Company, Inc.	Common Stock, \$6.50 par value	New York Stock Exchange
Appalachian Power Company	None	
Indiana Michigan Power Company	None	
Ohio Power Company	None	
Public Service Company of Oklahoma	None	
Southwestern Electric Power Company	None	

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant American Electric Power Company, Inc. is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company, are well-known seasoned issuers, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether American Electric Power Company, Inc., Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company have submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether American Electric Power Company, Inc. is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of 'large accelerated filer', 'accelerated filer' and 'smaller reporting company' in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer Accelerated filer
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company are large accelerated filers, accelerated filers, non-accelerated filers or smaller reporting companies. See definitions of 'large accelerated filer', 'accelerated filer' and 'smaller reporting company' in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer Accelerated filer
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark if the registrants are shell companies, as defined in Rule 12b-2 of the Exchange Act. Yes No

Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company meet the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and are therefore filing this Form 10-K with the reduced disclosure format specified in General Instruction I(2) to such Form 10-K.

	Aggregate Market Value of Voting and Non-Voting Common Equity Held by Non-Affiliates of the Registrants as of June 30, 2014 the Last Trading Date of the Registrants' Most Recently Completed Second Fiscal Quarter	Number of Shares of Common Stock Outstanding of the Registrants as of December 31, 2014
American Electric Power Company, Inc.	\$27,293,981,162	489,402,567 (\$6.50 par value)
Appalachian Power Company	None	13,499,500 (no par value)
Indiana Michigan Power Company	None	1,400,000 (no par value)
Ohio Power Company	None	27,952,473 (no par value)
Public Service Company of Oklahoma	None	9,013,000 (\$15 par value)
Southwestern Electric Power Company	None	7,536,640 (\$18 par value)

Note On Market Value Of Common Equity Held By Non-Affiliates

American Electric Power Company, Inc. owns all of the common stock of Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company (see Item 12 herein).

Nuclear Waste and Decommissioning

As the owner of the Cook Plant, I&M has a significant future financial commitment to dispose of spent nuclear fuel and decommission and decontaminate the plant safely. The cost to decommission a nuclear plant is affected by NRC regulations and the spent nuclear fuel disposal program. The most recent decommissioning cost study was completed in 2012. In it, the estimated cost of decommissioning and disposal of low-level radioactive waste for the Cook Plant ranged from \$1.3 billion to \$1.7 billion in 2012 non-discounted dollars. As of December 31, 2014, the total decommissioning trust fund balance for the Cook Plant was approximately \$1.8 billion. The balance of funds available to decommission Cook Plant will differ based on contributions and investment returns. The ultimate cost of retiring the Cook Plant may be materially different from estimates and funding targets as a result of the:

- Type of decommissioning plan selected.
- Escalation of various cost elements (including, but not limited to, general inflation and the cost of energy).
- Further development of regulatory requirements governing decommissioning.
- Technology available at the time of decommissioning differing significantly from that assumed in studies.
- Availability of nuclear waste disposal facilities.
- Availability of a United States Department of Energy facility for permanent storage of spent nuclear fuel.

Accordingly, management is unable to provide assurance that the ultimate cost of decommissioning the Cook Plant will not be significantly different than current projections. We will seek recovery from customers through our regulated rates if actual decommissioning costs exceed our projections. See Note 6 to the consolidated financial statements, entitled Commitments, Guarantees and Contingencies under the heading Nuclear Contingencies, included in the 2014 Annual Reports, for information with respect to nuclear waste and decommissioning.

Low-Level Radioactive Waste

The Low-Level Waste Policy Act of 1980 mandates that the responsibility for the disposal of low-level radioactive waste rests with the individual states. Low-level radioactive waste consists largely of ordinary refuse and other items that have come in contact with radioactive materials. Michigan does not currently have a disposal site for such waste available. I&M cannot predict when such a site may be available. However the states of Utah and Texas have licensed low level radioactive waste disposal sites which currently accept low level radioactive waste from Michigan waste generators. There is currently no set date limiting I&M's access to either of these facilities. The Cook Plant has a facility onsite designed specifically for the storage of low level radioactive waste. In the event that low level radioactive waste disposal facility access becomes unavailable, then low level radioactive waste can be stored onsite at this facility.

Certain Power Agreements

I&M

The Unit Power Agreement between AEGCo and I&M, dated March 31, 1982, provides for the sale by AEGCo to I&M of all the capacity (and the energy associated therewith) available to AEGCo at the Rockport Plant. Whether or not power is available from AEGCo, I&M is obligated to pay a demand charge for the right to receive such power (and an energy charge for any associated energy taken by I&M). The agreement will continue in effect until the last of the lease terms of Unit 2 of the Rockport Plant has expired (currently December 2022) unless extended in specified circumstances.

Pursuant to an assignment between I&M and KPCo, and a unit power agreement between AEGCo and KPCo, AEGCo sells KPCo 30% of the capacity (and the energy associated therewith) available to AEGCo from both units of the Rockport Plant. KPCo has agreed to pay to AEGCo the amounts that I&M would have paid AEGCo under the terms of the Unit Power Agreement between AEGCo and I&M for such entitlement. The KPCo unit power agreement expires in December 2022.

OVEC

AEP and several nonaffiliated utility companies jointly own OVEC. The aggregate equity participation of AEP in OVEC is 43.47%. Until 2001, OVEC supplied from its generation capacity the power requirements of a uranium enrichment plant near Portsmouth, Ohio owned by the United States Department of Energy. The sponsoring companies are entitled to receive and are obligated to pay for all OVEC capacity (approximately 2,200 MW) in proportion to their respective power participation ratios. The aggregate power participation ratio of APCo, I&M and OPCo is 43.47%. The proceeds from the sale of power by OVEC are designed to be sufficient for OVEC to meet its operating expenses and fixed costs and to provide a return on its equity capital. The Inter-Company Power Agreement, which defines the rights of the owners and sets the power participation ratio of each, was extended by the owners in 2011 from the termination date of March 2026 until June 2040. AEP and the other owners have authorized environmental investments related to their ownership interests. OVEC financed capital expenditures totaling \$1.3 billion in connection with the engineering and construction of flue gas desulfurization projects and the associated scrubber waste disposal landfills at its two generation plants through debt issuances, including tax-advantaged debt issuances. Both OVEC generation plants are operating with the new environmental controls in service. OPCo attempted to assign its rights and obligations under the Inter-Company Power Agreement to an affiliate as part of its transfer of its generation assets and liabilities in keeping with corporate separation required by Ohio law. OPCo failed to obtain the consent to assignment from the other owners of OVEC and therefore filed a request with the PUCO seeking authorization to maintain its ownership of OVEC. In December 2013, the PUCO approved OPCo's request, subject to the condition that energy from the OVEC entitlements are sold into the day-ahead or real-time PJM energy markets, or on a forward basis through a bilateral arrangement. OPCo has filed an application with the PUCO to approve a purchased power agreement (PPA) rider that would allow retail customers to receive a rate stabilizing charge or credit by hedging market-based prices with a cost-based purchase power agreement. The PPA would initially be based upon OPCo's contractual entitlement under the Inter-Company Agreement which is approximately 20% of OVEC's capacity .

ELECTRIC DELIVERY*General*

Other than AEGCo, AEP's vertically integrated public utility subsidiaries own and operate transmission and distribution lines and other facilities to deliver electric power. See Item 2 – Properties for more information regarding the transmission and distribution lines. Most of the transmission and distribution services are sold to retail customers of AEP's vertically integrated public utility subsidiaries in their service territories. These sales are made at rates approved by the state utility commissions of the states in which they operate, and in some instances, approved by the FERC. See Item 1 – Vertically Integrated Utilities – Regulation – Rates. The FERC regulates and approves the rates for both wholesale transmission transactions and wholesale generation contracts. See Item 1 – Vertically Integrated Utilities – Regulation – FERC. As discussed below, some transmission services also are separately sold to non-affiliated companies.

Other than AEGCo, AEP's vertically integrated public utility subsidiaries hold franchises or other rights to provide electric service in various municipalities and regions in their service areas. In some cases, these franchises provide the utility with the exclusive right to provide electric service. These franchises have varying provisions and expiration dates. In general, the operating companies consider their franchises to be adequate for the conduct of their business. For a discussion of competition in the sale of power, see Item 1 – Vertically Integrated Utilities – Competition.

The use and the recovery of costs associated with the transmission assets of the AEP vertically integrated public utility subsidiaries are subject to the rules, principles, protocols and agreements in place with PJM, SPP and ERCOT, and as approved by the FERC.

2014 Annual Reports

American Electric Power Company, Inc. and Subsidiary Companies

Appalachian Power Company and Subsidiaries

Indiana Michigan Power Company and Subsidiaries

Ohio Power Company and Subsidiaries

Public Service Company of Oklahoma

Southwestern Electric Power Company Consolidated

Audited Financial Statements and
Management's Discussion and Analysis of Financial Condition and Results of Operations



AEP: America's Energy Partner[®]

Ohio Electric Security Plan Filings

2009 - 2011 ESP

In August 2012, the PUCO issued an order in a separate proceeding which implemented a PIRR to recover OPCo's deferred fuel costs in rates beginning September 2012. Oral arguments at the Supreme Court of Ohio were held in February 2015. OPCo presented arguments to reinstate a weighted average cost of capital carrying charge and to defend against an intervenor argument that the carrying charges should be reduced due to an accumulated deferred income tax credit.

June 2012 - May 2015 Ohio ESP Including Capacity Charge

In August 2012, the PUCO issued an order which adopted and modified a new ESP that establishes base generation rates through May 2015. This ruling was generally upheld in PUCO rehearing orders in January and March 2013.

In July 2012, the PUCO issued an order in a separate capacity proceeding which stated that OPCo must charge CRES providers the RPM price and authorized OPCo to defer a portion of its incurred capacity costs not recovered from CRES providers up to \$188.88/MW day. The OPCo RPM price collected from CRES providers, which includes reserve margins, was approximately \$34/MW day through May 2014 and is \$150/MW day from June 2014 through May 2015. In December 2012, various parties filed notices of appeal of the capacity costs decision with the Supreme Court of Ohio.

As part of the August 2012 ESP order, the PUCO established a non-bypassable RSR, effective September 2012. The RSR was collected from customers at \$3.50/MWh through May 2014 and is currently collected at \$4.00/MWh for the period June 2014 through May 2015, with \$1.00/MWh applied to the recovery of deferred capacity costs. In April and May 2013, OPCo and various intervenors filed appeals with the Supreme Court of Ohio challenging portions of the PUCO's ESP order, including the RSR. As of December 31, 2014, OPCo's incurred deferred capacity costs balance was \$422 million, including debt carrying costs.

In November 2013, the PUCO issued an order approving OPCo's competitive bid process with modifications. As ordered, in 2014, OPCo conducted multiple energy-only auctions for a total of 100% of the SSO load with delivery beginning April 2014 through May 2015. For delivery starting in June 2015, OPCo will conduct energy and capacity auctions for its entire SSO load. The PUCO also approved the unbundling of the FAC into fixed and energy-related components and an intervenor proposal to blend the \$188.88/MW day capacity price in proportion to the percentage of energy planned to be auctioned. Additionally, the PUCO ordered that intervenor concerns related to the recovery of the fixed fuel costs through potentially both the FAC and the approved capacity charges be addressed in subsequent FAC proceedings. Management believes that these intervenor concerns are without merit.

In January 2014, the PUCO denied all rehearing requests and agreed to issue a supplemental request for an independent auditor in the 2012 - 2013 FAC proceeding to separately examine the recovery of the fixed fuel costs, including OVEC. In March 2014, the PUCO approved OPCo's request to implement riders related to the unbundling of the FAC. In October 2014, the independent auditor, selected by the PUCO, filed its report for the period August 2012 through May 2015 with the PUCO. If the PUCO ultimately concludes that a portion of the fixed fuel costs are also recovered through OPCo's \$188.88 capacity charge, the independent auditor recommends a methodology for calculating a refund of a portion of certain fixed fuel costs. The retail share of these fixed fuel costs is approximately \$90 million annually. A hearing related to this matter has not been scheduled. Management believes that no over-recovery of costs has occurred and intends to oppose the findings in the audit report.

If OPCo is ultimately not permitted to fully collect all components of its ESP rates, it could reduce future net income and cash flows and impact financial condition.

Proposed June 2015 - May 2018 ESP

In December 2013, OPCo filed an application with the PUCO to approve an ESP that includes proposed rate adjustments and the continuation and modification of certain existing riders effective June 2015 through May 2018. The proposal included a return on common equity of 10.65% on capital costs for certain riders and estimates an average decrease in rates of 9% over the three-year term of the plan for customers who receive their RPM capacity and energy auction-based generation through OPCo. The proposal also included a purchased power agreement (PPA) rider that would allow retail customers to receive a rate stabilizing charge or credit by hedging market-based prices with a cost-based purchase power agreement. In May 2014, intervenors and the PUCO staff filed testimony that provided various recommendations including the rejection and/or modification of various riders, including the Distribution Investment Rider and the proposed PPA. Hearings at the PUCO in the ESP case were held in June 2014.

In July 2014, OPCo submitted a separate application to continue the RSR established in the June 2012 - May 2015 ESP to collect the unrecovered portion of the deferred capacity costs at the rate of \$4.00/MWh, until the balance of the capacity deferrals has been collected.

In October 2014, OPCo filed a separate application with the PUCO to propose a new extended PPA for inclusion in the PPA rider, discussed above. The new PPA would include an additional 2,671 MW to be purchased from AGR over the life of the respective generating units.

If OPCo is ultimately not permitted to fully collect all components of its ESP rates, it could reduce future net income and cash flows and impact financial condition. See "Ohio Electric Security Plan Filings" section of Note 4 .

2012 Texas Base Rate Case

Upon rehearing in January 2014, the PUCT reversed its initial ruling and determined that AFUDC was excluded from the Turk Plant's Texas jurisdictional capital cost cap. As a result, in the fourth quarter of 2013, SWEPCo reversed \$114 million of previously recorded regulatory disallowances. The resulting annual base rate increase is approximately \$52 million. In May 2014, intervenors filed appeals of the order with the Texas District Court. In June 2014, SWEPCo intervened in those appeals and filed initial responses. If certain parts of the PUCT order are overturned it could reduce future net income and cash flows and impact financial condition. See the "2012 Texas Base Rate Case" section of Note 4 .

2012 Louisiana Formula Rate Filing

In 2012, SWEPCo initiated a proceeding to establish new formula base rates in Louisiana, including recovery of the Louisiana jurisdictional share of the Turk Plant. In February 2013, a settlement was approved by the LPSC that increased Louisiana total rates by approximately \$2 million annually, effective March 2013. The March 2013 base rates are based upon a 10% return on common equity and cost recovery of the Louisiana jurisdictional share of the Turk Plant and Stall Unit, subject to refund. The settlement also provided that the LPSC will review base rates in 2014 and 2015 and that SWEPCo will recover non-fuel Turk Plant costs and a full weighted-average cost of capital return on the prudently incurred Turk Plant investment in jurisdictional rate base, effective January 2013. In December 2014, the LPSC approved a settlement agreement related to the staff review of the cost of service. The settlement agreement reduced the requested revenue increase by \$3 million, primarily due to the timing of both the allowed recovery of certain existing regulatory assets and the establishment of a regulatory asset for certain previously expensed costs. See the "2012 Louisiana Formula Rate Filing" section of Note 4 .

2014 Oklahoma Base Rate Case

In January 2014, PSO filed a request with the OCC to increase annual base rates by \$38 million, based upon a 10.5% return on common equity. This revenue increase included a proposed increase in depreciation rates of \$29 million. In addition, the filing proposed recovery of advanced metering costs through a separate rider over a three-year deployment period requesting \$7 million of revenues in year one, increasing to \$28 million in year three. The filing also proposed expansion of an existing transmission rider currently recovered in base rates to include additional transmission-related costs that are expected to increase over the next several years.

EXHIBIT 22

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number	Registrants; States of Incorporation; Address and Telephone Number	I.R.S. Employer Identification Nos.
1-3525	AMERICAN ELECTRIC POWER COMPANY, INC. (A New York Corporation)	13-4922640
1-3457	APPALACHIAN POWER COMPANY (A Virginia Corporation)	54-0124790
1-3570	INDIANA MICHIGAN POWER COMPANY (An Indiana Corporation)	35-0410455
1-6543	OHIO POWER COMPANY (An Ohio Corporation)	31-4271000
0-343	PUBLIC SERVICE COMPANY OF OKLAHOMA (An Oklahoma Corporation)	73-0410895
1-3146	SOUTHWESTERN ELECTRIC POWER COMPANY (A Delaware Corporation) 1 Riverside Plaza, Columbus, Ohio 43215 Telephone (614) 716-1000	72-0323455

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Name of Each Exchange on Which Registered
American Electric Power Company, Inc.	Common Stock, \$6.50 par value	New York Stock Exchange
Appalachian Power Company	None	
Indiana Michigan Power Company	None	
Ohio Power Company	None	
Public Service Company of Oklahoma	None	
Southwestern Electric Power Company	None	

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant American Electric Power Company, Inc. is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company, are well-known seasoned issuers, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether American Electric Power Company, Inc., Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company have submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether American Electric Power Company, Inc. is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of 'large accelerated filer', 'accelerated filer' and 'smaller reporting company' in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company are large accelerated filers, accelerated filers, non-accelerated filers or smaller reporting companies. See definitions of 'large accelerated filer', 'accelerated filer' and 'smaller reporting company' in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark if the registrants are shell companies, as defined in Rule 12b-2 of the Exchange Act. Yes No

Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company meet the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and are therefore filing this Form 10-K with the reduced disclosure format specified in General Instruction I(2) to such Form 10-K.

	Aggregate Market Value of Voting and Non-Voting Common Equity Held by Non-Affiliates of the Registrants as of June 30, 2015 the Last Trading Date of the Registrants' Most Recently Completed Second Fiscal Quarter	Number of Shares of Common Stock Outstanding of the Registrants as of December 31, 2015
American Electric Power Company, Inc.	\$26,011,055,215	491,052,581 ((\$6.50 par value)
Appalachian Power Company	None	13,499,500 (no par value)
Indiana Michigan Power Company	None	1,400,000 (no par value)
Ohio Power Company	None	27,952,473 (no par value)
Public Service Company of Oklahoma	None	9,013,000 ((\$15 par value)
Southwestern Electric Power Company	None	7,536,640 ((\$18 par value)

Note On Market Value Of Common Equity Held By Non-Affiliates

American Electric Power Company, Inc. owns all of the common stock of Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company (see Item 12 herein).

Certain Power Agreements

I&M

The Unit Power Agreement between AEGCo and I&M, dated March 31, 1982, provides for the sale by AEGCo to I&M of all the capacity (and the energy associated therewith) available to AEGCo at the Rockport Plant. Whether or not power is available from AEGCo, I&M is obligated to pay a demand charge for the right to receive such power (and an energy charge for any associated energy taken by I&M). The agreement will continue in effect until the last of the lease terms of Unit 2 of the Rockport Plant have expired (currently December 2022) unless extended in specified circumstances.

Pursuant to an assignment between I&M and KPCo, and a unit power agreement between AEGCo and KPCo, AEGCo sells KPCo 30% of the capacity (and the energy associated therewith) available to AEGCo from both units of the Rockport Plant. KPCo has agreed to pay to AEGCo the amounts that I&M would have paid AEGCo under the terms of the Unit Power Agreement between AEGCo and I&M for such entitlement. The KPCo unit power agreement expires in December 2022.

OVEC

AEP and several nonaffiliated utility companies jointly own OVEC. The aggregate equity participation of AEP in OVEC is 43.47%. Under the Inter-Company Power Agreement, which defines the rights of the owners and sets the power participation ratio of each, the sponsoring companies are entitled to receive and are obligated to pay for all OVEC capacity (approximately 2,400 MW) in proportion to their respective power participation ratios. The aggregate power participation ratio of APCo, I&M and OPCo is 43.47%. The Inter-Company Power Agreement terminates in June 2040. The proceeds from the sale of power by OVEC are designed to be sufficient for OVEC to meet its operating expenses and fixed costs and to provide a return on its equity capital. AEP and the other owners have authorized environmental investments related to their ownership interests. OVEC financed capital expenditures totaling \$1.3 billion in connection with the engineering and construction of flue gas desulfurization projects and the associated scrubber waste disposal landfills at its two generation plants through debt issuances, including tax-advantaged debt issuances. Both OVEC generation plants are operating with the new environmental controls in service. OPCo attempted to assign its rights and obligations under the Inter-Company Power Agreement to an affiliate as part of its transfer of its generation assets and liabilities in keeping with corporate separation required by Ohio law. OPCo failed to obtain the consent to assignment from the other owners of OVEC and therefore filed a request with the PUCO seeking authorization to maintain its ownership of OVEC. In December 2013, the PUCO approved OPCo's request, subject to the condition that energy from the OVEC entitlements are sold into the day-ahead or real-time PJM energy markets, or on a forward basis through a bilateral arrangement. OPCo has filed an application with the PUCO to approve a cost-based purchased power agreement (PPA) rider that would initially be based upon OPCo's contractual entitlement under the Inter-Company Agreement which is approximately 20% of OVEC's capacity.

ELECTRIC DELIVERY

General

Other than AEGCo, AEP's vertically integrated public utility subsidiaries own and operate transmission and distribution lines and other facilities to deliver electric power. See Item 2 – Properties for more information regarding the transmission and distribution lines. Most of the transmission and distribution services are sold to retail customers of AEP's vertically integrated public utility subsidiaries in their service territories. These sales are made at rates approved by the state utility commissions of the states in which they operate, and in some instances, approved by the FERC. See Item 1. Business – Vertically Integrated Utilities – Regulation – Rates. The FERC regulates and approves the rates for both wholesale transmission transactions and wholesale generation contracts. The use and the recovery of costs associated with the transmission assets of the AEP vertically integrated public utility subsidiaries are subject to the rules, principles, protocols and agreements in place with PJM, SPP and ERCOT, and as approved by the FERC. See Item 1. Business – Vertically Integrated Utilities – Regulation – FERC. As discussed below, some transmission services also are separately sold to non-affiliated companies.

2015 Annual Reports

American Electric Power Company, Inc. and Subsidiary Companies

Appalachian Power Company and Subsidiaries

Indiana Michigan Power Company and Subsidiaries

Ohio Power Company and Subsidiaries

Public Service Company of Oklahoma

Southwestern Electric Power Company Consolidated

Audited Financial Statements and

Management's Discussion and Analysis of Financial Condition and Results of Operations



AEP: America's Energy PartnerSM

the investment in IMT, pension and benefit assets and liabilities and debt obligations. Prior to the closing of the sale, AEP retired the debt obligations of AEPRO. AEP retained ownership of its captive barge fleet for the company's regulated coal-fueled power plant units owned or leased by AEGCo, APCo, I&M, KPCo and WPCo. AEP signed a contract with the nonaffiliated party to dispatch and schedule its captive barge fleet for the company's regulated coal-fueled power plant units. AEP also has a separate contract with the nonaffiliated party to barge coal for AGR. Both agreements extend through the end of 2016.

AEPRO's assets and liabilities have been recorded as Assets from Discontinued Operations and Liabilities from Discontinued Operations, respectively, on the balance sheet as of December 31, 2014. The results of operations of AEPRO have been classified as Discontinued Operations on the statements of income. See "AEPRO (Corporate and Other)" section of Note 7 for additional information.

Merchant Portion of Turk Plant

SWEPCo constructed the Turk Plant, a base load 600 MW pulverized coal ultra-supercritical generating unit in Arkansas, which was placed into service in December 2012 and is included in the Vertically Integrated Utilities segment. SWEPCo owns 73% (440 MW) of the Turk Plant and operates the facility.

The APSC granted approval for SWEPCo to build the Turk Plant by issuing a Certificate of Environmental Compatibility and Public Need (CECPN) for the SWEPCo Arkansas jurisdictional share of the Turk Plant (approximately 20%). Following an appeal by certain intervenors, the Arkansas Supreme Court issued a decision that reversed the APSC's grant of the CECPN. In June 2010, in response to an Arkansas Supreme Court decision, the APSC issued an order which reversed and set aside the previously granted CECPN. This share of the Turk Plant output is currently not subject to cost-based rate recovery and is being sold into the wholesale market. Approximately 80% of the Turk Plant investment is recovered under cost-based rate recovery in Texas, Louisiana, and through SWEPCo's wholesale customers under FERC-based rates.

If SWEPCo cannot ultimately recover its investment and expenses related to the Turk Plant, it could reduce future net income and cash flows and impact financial condition.

Ohio Electric Security Plan Filings

2009 - 2011 ESP

In August 2012, the PUCO issued an order in a separate proceeding which implemented a PIRR to recover OPCo's deferred fuel costs in rates beginning September 2012. In June 2015, the Supreme Court of Ohio issued a decision that reversed, as requested by OPCo, the PUCO order on the carrying cost rate issue and dismissed an appeal filed by the IEU. In September 2015, the Supreme Court of Ohio denied a request for reconsideration filed by the IEU and in October 2015 this matter was remanded back to the PUCO for reinstatement of the WACC rate. A decision from the PUCO is pending.

June 2012 - May 2015 Ohio ESP Including Capacity Charge

In August 2012, the PUCO issued an order which adopted and modified a new ESP that established base generation rates through May 2015. This ruling was generally upheld in PUCO rehearing orders in January and March 2013.

In July 2012, the PUCO issued an order in a separate capacity proceeding which stated that OPCo must charge CRES providers the RPM price and authorized OPCo to defer a portion of its incurred capacity costs not recovered from CRES providers up to \$188.88/MW day. The OPCo RPM price collected from CRES providers, which includes reserve margins, was approximately \$34/MW day through May 2014 and \$150/MW day from June 2014 through May 2015. In December 2012, various parties filed notices of appeal of the capacity costs decision with the Supreme Court of Ohio. Oral arguments at the Supreme Court of Ohio were held in December 2015. A decision from the Supreme Court of Ohio is pending.

As part of the August 2012 ESP order, the PUCO established a non-bypassable RSR, effective September 2012. The RSR was collected from customers at \$3.50/MWh through May 2014 and at \$4.00/MWh for the period June 2014 through May 2015, with \$1.00/MWh applied to the recovery of deferred capacity costs. In April and May 2013, OPCo and various intervenors filed appeals with the Supreme Court of Ohio challenging portions of the PUCO's ESP order, including the RSR. In April 2015, the PUCO issued an order that approved, with modifications, OPCo's July 2014 application to collect the unrecovered portion of the deferred capacity costs. In May 2015, the PUCO granted intervenors requests for rehearing. As of December 31, 2015, OPCo's net deferred capacity costs balance was \$359 million, including debt carrying costs. Through December 31, 2015, OPCo has collected \$222 million in deferred capacity costs, and related carrying charges.

In 2013, the PUCO issued its Orders on Rehearing for the ESP which generally upheld its August 2012 order. The PUCO clarified that a final reconciliation of revenues and expenses would be permitted for any over- or under-recovery on several riders including fuel. In addition, the PUCO addressed certain issues around the energy auctions while other SSO issues related to the energy auctions were deferred to a separate docket related to the competitive bid process (CBP). In 2013, OPCo and various intervenors filed appeals with the Supreme Court of Ohio challenging portions of the PUCO's ESP order. Oral arguments at the Supreme Court of Ohio were held in May 2015.

In November 2013, the PUCO issued an order approving OPCo's competitive bid process with modifications. The PUCO also approved the unbundling of the FAC into fixed and energy-related components and an intervenor proposal to blend the \$188.88/MW day capacity price in proportion to the percentage of energy planned to be auctioned. Additionally, the PUCO ordered that intervenor concerns related to the recovery of the fixed fuel costs through potentially both the FAC and the approved capacity charges be addressed in subsequent FAC proceedings.

In January 2014, the PUCO denied all rehearing requests and agreed to issue a supplemental request for an independent auditor in the 2012 - 2013 FAC proceeding to separately examine the recovery of the fixed fuel costs, including OVEC. In March 2014, the PUCO approved OPCo's request to implement riders related to the unbundling of the FAC. In October 2014, the independent auditor, selected by the PUCO, filed its report for the period August 2012 through May 2015 with the PUCO. If the PUCO ultimately concludes that a portion of the fixed fuel costs are also recovered through OPCo's \$188.88/MW day capacity charge, the independent auditor has recommended a methodology for calculating a refund of a portion of certain fixed fuel costs. The retail share of these fixed fuel costs is approximately \$90 million annually. A hearing related to this matter has not been scheduled. Management believes that no over-recovery of costs has occurred and disagrees with the findings in the audit report.

If OPCo is ultimately not permitted to fully collect all components of its ESP rates, it could reduce future net income and cash flows and impact financial condition.

June 2015 - May 2018 ESP Including PPA Application

In December 2013, OPCo filed an application with the PUCO to approve an ESP that included proposed rate adjustments and the continuation and modification of certain existing riders effective June 2015 through May 2018. The proposal also included a purchased power agreement (PPA) rider that would allow retail customers to receive a rate stabilizing charge or credit by hedging market-based prices with a cost-based PPA.

In February 2015, the PUCO issued an order approving OPCo's ESP application, subject to certain modifications, with a return on common equity of 10.2% on capital costs for certain riders. The order included (a) approval of the Distribution Investment Rider (DIR) with modified rate caps established by the PUCO, (b) authorization to establish a zero rate rider for OPCo's proposed PPA, (c) the option for OPCo to reapply in a future proceeding with a more detailed PPA proposal and (d) a directive to continue to pursue the transfer of the OVEC contractual entitlement to AGR or to otherwise divest of its interest in OVEC. In May 2015, the PUCO issued an order on rehearing that increased the DIR rate caps and deferred ruling on all requests for rehearing related to the establishment of the PPA rider. In July 2015, the PUCO granted OPCo's and various intervenors' requests for rehearing related to the May 2015 order.

In October 2014, OPCo filed a separate application with the PUCO to propose a new extended PPA with AGR for 2,671 MW for inclusion in the PPA rider and an amended application was filed in May 2015. In December 2015, a non-unanimous stipulation agreement related to the PPA application was filed with the PUCO. The stipulation agreement is based upon a 10.38% return on common equity with the PPA Rider term extending through May 2024. The stipulation agreement included (a) a revised affiliate PPA between OPCo and AGR to be included in the PPA Rider, (b) OPCo's OVEC contractual entitlement, (c) a potential additional customer credit to be included in the PPA Rider, (d) annual compliance reviews before the PUCO and (e) an agreement to retire, refuel or repower, to 100% natural gas, Conesville Plant, Units 5 and 6 and Cardinal Plant, Unit 1 by 2029 and 2030, respectively. Additionally, OPCo agreed to develop and implement, by 2021, a solar energy project(s) of at least 400 MW and a wind energy project(s) of at least 500 MW, with 100% of all output to be received by OPCo. OPCo would own up to 50% of these solar and wind projects and would include cost recovery in the proposed PPA rider, subject to PUCO review and approval. OPCo agreed to file a carbon reduction plan with the PUCO by December 2016 that will focus on fuel diversification and carbon emission reductions. Hearings related to this proposed stipulation agreement were held in January 2016. Management anticipates receiving an order from the PUCO in the first quarter of 2016. In January 2016, intervenors filed a complaint at the FERC related to the affiliate PPA. The complaint asserts that the proposed affiliate PPA between AGR and OPCo is reviewable by the FERC under its standards for affiliate transactions.

If OPCo is ultimately not permitted to fully collect all components of its ESP rates, it could reduce future net income and cash flows and impact financial condition. See "Ohio Electric Security Plan Filings" section of Note 4 .

2012 Texas Base Rate Case

Upon rehearing in 2014, the PUCT reversed its initial ruling and determined that AFUDC was excluded from the Turk Plant's Texas jurisdictional capital cost cap. As a result, in the fourth quarter of 2013, SWEPCo reversed \$114 million of previously recorded regulatory disallowances. The resulting annual base rate increase was approximately \$52 million. In May 2014, intervenors filed appeals of the order with the Texas District Court. If certain parts of the PUCT order are overturned it could reduce future net income and cash flows and impact financial condition. See the "2012 Texas Base Rate Case" section of Note 4 .

2012 Louisiana Formula Rate Filing

In 2012, SWEPCo initiated a proceeding to establish new formula base rates in Louisiana, including recovery of the Louisiana jurisdictional share of the Turk Plant. In February 2013, a settlement was approved by the LPSC that increased SWEPCo's Louisiana total rates by approximately \$2 million annually, effective March 2013. The March 2013 base rates are based upon a 10% return on common equity and cost recovery of the Louisiana jurisdictional share of the Turk Plant and Stall Unit, subject to refund. The settlement also provided that the LPSC will review base rates in 2014 and 2015 and that SWEPCo will recover non-fuel Turk Plant costs and a full weighted-average cost of capital return on the prudently incurred Turk Plant investment in jurisdictional rate base, effective January 2013. In December 2014, the LPSC approved a settlement agreement related to the staff review of the cost of service. The settlement agreement reduced the requested revenue increase by \$3 million, primarily due to the timing of both the allowed recovery of certain existing regulatory assets and the establishment of a regulatory asset for certain previously expensed costs. If the LPSC orders refunds based upon the pending prudence review of the Turk Plant investment, it could reduce future net income and cash flows and impact financial condition. See the "2012 Louisiana Formula Rate Filing" section of Note 4 .

Welsh Plant - Environmental Impact

Management currently estimates that the investment necessary to meet proposed environmental regulations through 2025 for Welsh Plant, Units 1 and 3 could cost approximately \$900 million, excluding AFUDC. As part of this investment, SWEPCo is currently constructing environmental control projects to meet Mercury and Air Toxics Standards for Welsh Plant, Units 1 and 3 at a cost of approximately \$400 million, excluding AFUDC. As of December 31, 2015 , SWEPCo had incurred costs of \$343 million, including AFUDC, and had remaining contractual construction obligations of \$40 million related to these projects. SWEPCo will seek recovery of these project costs from customers through filings at the state commissions and the FERC. See "Mercury and Other Hazardous Air Pollutants (HAPs)

2015 Compared to 2014

Reconciliation of Year Ended December 31, 2014 to Year Ended December 31, 2015

Net Income
(in millions)

Year Ended December 31, 2014	\$ 216.4
Changes in Gross Margin:	
Retail Margins	180.7
Off-system Sales	(27.1)
Transmission Revenues	(107.3)
Other Revenues	10.6
Total Change in Gross Margin	56.9
Changes in Expenses and Other:	
Other Operation and Maintenance	(6.3)
Depreciation and Amortization	(3.8)
Taxes Other Than Income Taxes	(19.5)
Other Income	(2.5)
Carrying Costs Income	(14.7)
Interest Expense	0.5
Total Change in Expenses and Other	(46.3)
Income Tax Expense	5.7
Year Ended December 31, 2015	\$ 232.7

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of purchased electricity and amortization of generation deferrals were as follows:

- **Retail Margins** increased \$181 million primarily due to the following:
 - A \$131 million increase in transmission and PJM revenues primarily due to the energy supplied as result of the Ohio auction and a regulatory change which resulted in revenues collected through a non-bypassable transmission rider, partially offset by a corresponding decrease in Transmission Revenues below.
 - A \$50 million increase in rider revenues associated with the Distribution Investment Rider (DIR), the *gridSMART*[®] Rider, the Enhanced Service Reliability (ESR) Rider and the Retail Stability Rider (RSR). These increases in rider revenues are partially offset by net increase in other expense items below.
 - \$33 million in regulatory provisions recorded in 2014.
 These increases were partially offset by:
 - A \$25 million decrease in revenues associated with the recovery of 2012 storm costs under the Storm Damage Recovery Rider which ended in April 2015. This decrease in Retail Margins is offset by a decrease in Other Operation and Maintenance expenses below.
 - A \$17 million decrease in rider revenues associated with the Energy Efficiency/Peak Demand Reduction Cost Recovery Rider (EE/PDR). This decrease was offset by a corresponding decrease in Other Operation and Maintenance expenses below.
 - An \$11 million decrease in revenues associated with the Universal Service Fund (USF) surcharge. This decrease was offset by a corresponding decrease in Other Operation and Maintenance expenses below.
- **Margins from Off-system Sales** decreased \$27 million primarily due to losses from a power contract with OVEC.

Kentucky Fuel Adjustment Clause Review

In January 2015, the KPSC issued an order disallowing certain FAC costs during the period of January 2014 through May 2015 while KPCo owned and operated both Big Sandy Plant, Unit 2 and its one-half interest in the Mitchell Plant. As a result of this order, KPCo recorded a regulatory disallowance of \$36 million in December 2014. In February 2015, KPCo filed an appeal of this order with the Franklin County Circuit Court. In September 2015, the Franklin County Circuit Court issued an order that dismissed all appeals filed related to this FAC review, as agreed to by the parties to the stipulation agreement in the “2014 Kentucky Base Rate Case” discussed below.

2014 Kentucky Base Rate Case

In December 2014, KPCo filed a request with the KPSC for a net increase in rates of \$70 million . In April 2015, a stipulation agreement between KPCo and certain intervenors was filed with the KPSC that recommended a net revenue increase of \$45 million , which consisted of a \$68 million increase in rider rates, offset by a \$23 million decrease in annual base rates, to be effective July 2015. The proposed net increase reflected KPCo’s ownership interest in the Mitchell Plant, riders to recover the Big Sandy Plant retirement and operational costs and the inclusion of an environmental compliance plan. The proposed net increase of \$45 million also included (a) recovery of \$12 million of deferred storm costs, (b) any difference between the actual off-system sales margins and the \$15 million included in the proposed annual base rates to be shared with 75% to the customer and 25% to KPCo and (c) dismissal of the KPCo and the Kentucky Industrial Utility Customers appeals of the KPSC order in the KPCo fuel adjustment clause review. See “Kentucky Fuel Adjustment Clause Review” discussed above.

In June 2015, the KPSC issued an order that approved a modified stipulation agreement. The order approved a net revenue increase of \$45 million , as proposed in the stipulation agreement, and contained modifications that included (a) approval to recover \$2 million of IGCC and certain carbon capture study costs, both over 25 years, (b) no deferral of certain PJM costs and (c) denial of the recovery of certain potential purchased power costs through a rider.

KGPCo Rate Matters (Applies to AEP)

Kingsport Base Rate Case

In September 2015, KGPCo filed a request with the TRA to increase base rates by \$12 million annually based upon a proposed return on common equity of 10.66% . In December 2015, KGPCo withdrew its base rate case filing for administrative purposes and refiled its request with the TRA in January 2016. If KGPCo does not recover its costs, it could reduce future net income and cash flows and impact financial condition.

OPCo Rate Matters (Applies to AEP and OPCo)

Ohio Electric Security Plan Filings

2009 – 2011 ESP

The PUCO issued an order in March 2009 that modified and approved the ESP which established rates at the start of the April 2009 billing cycle through 2011. The order also provided a phase-in FAC, which was authorized to be recovered through a non-bypassable surcharge over the period 2012 through 2018.

In August 2012, the PUCO issued an order in a separate proceeding which implemented a PIRR to recover deferred fuel costs in rates beginning September 2012. The PUCO ruled that carrying charges should be calculated without an offset for accumulated deferred income taxes and that a long-term debt rate should be applied when collections begin. In November 2012, OPCo appealed that PUCO order to the Supreme Court of Ohio claiming a long-term debt rate modified the previously adjudicated 2009 - 2011 ESP order, which granted a WACC rate. In June 2015, the Supreme Court of Ohio issued a decision that reversed the PUCO order on the carrying cost rate issue and dismissed an appeal filed by the IEU. In September 2015, the Supreme Court of Ohio denied a request for reconsideration filed by the IEU and in October 2015 this matter was remanded back to the PUCO for reinstatement of the WACC rate. A decision from the PUCO is pending.

June 2012 – May 2015 ESP Including Capacity Charge

In August 2012, the PUCO issued an order which adopted and modified a new ESP that established base generation rates through May 2015. This ruling was generally upheld in rehearing orders in January and March 2013.

In July 2012, the PUCO issued an order in a separate capacity proceeding which stated that OPCo must charge CRES providers the RPM price and authorized OPCo to defer a portion of its incurred capacity costs not recovered from CRES providers up to \$188.88 /MW day. The OPCo RPM price collected from CRES providers, which includes reserve margins, was approximately \$34 /MW day through May 2014 and \$150 /MW day from June 2014 through May 2015. In December 2012, various parties filed notices of appeal of the capacity costs decision with the Supreme Court of Ohio. Oral arguments at the Supreme Court of Ohio were held in December 2015. A decision from the Supreme Court of Ohio is pending.

As part of the August 2012 ESP order, the PUCO established a non-bypassable RSR, effective September 2012. The RSR was collected from customers at \$3.50 /MWh through May 2014 and at \$4.00 /MWh for the period June 2014 through May 2015, with \$1.00 /MWh applied to the recovery of deferred capacity costs. In April 2015, the PUCO issued an order that approved, with modifications, OPCo's July 2014 application to collect the unrecovered portion of the deferred capacity costs. The order included approval to continue the collection of deferred capacity costs at a rate of \$4.00 /MWh beginning June 1, 2015 for approximately 32 months, with carrying costs at a long-term cost of debt rate. Additionally, the order stated that an audit will be conducted of the May 31, 2015 capacity deferral balance, which was \$444 million. In May 2015, the PUCO granted intervenors requests for rehearing. As of December 31, 2015, OPCo's net deferred capacity costs balance of \$359 million, including debt carrying costs, was recorded in Regulatory Assets on the balance sheet. Through December 31, 2015, OPCo has collected \$222 million in deferred capacity costs, and related carrying charges.

In 2013, the PUCO issued its Orders on Rehearing for the ESP which generally upheld its August 2012 order. The PUCO clarified that a final reconciliation of revenues and expenses would be permitted for any over- or under-recovery on several riders including fuel. In addition, the PUCO addressed certain issues around the energy auctions while other SSO issues related to the energy auctions were deferred to a separate docket related to the competitive bid process (CBP). In 2013, OPCo and various intervenors filed appeals with the Supreme Court of Ohio challenging portions of the PUCO's ESP order. Oral arguments at the Supreme Court of Ohio were held in May 2015.

In November 2013, the PUCO issued an order approving OPCo's CBP with modifications. The PUCO also approved the unbundling of the FAC into fixed and energy-related components and an intervenor proposal to blend the \$188.88/MW day capacity price in proportion to the percentage of energy planned to be auctioned. Additionally, the PUCO ordered that intervenor concerns related to the recovery of the fixed fuel costs through potentially both the FAC and the approved capacity charges be addressed in subsequent FAC proceedings.

In January 2014, the PUCO denied all rehearing requests and agreed to issue a supplemental request for an independent auditor in the 2012 - 2013 FAC proceeding to separately examine the recovery of the fixed fuel costs, including OVEC. In March 2014, the PUCO approved OPCo's request to implement riders related to the unbundling of the FAC. In October 2014, the independent auditor, selected by the PUCO, filed its report for the period August 2012 through May 2015 with the PUCO. If the PUCO ultimately concludes that a portion of the fixed fuel costs are also recovered through OPCo's \$188.88/MW day capacity charge, the independent auditor has recommended a methodology for calculating a refund of a portion of certain fixed fuel costs. The retail share of these fixed fuel costs is approximately \$90 million annually. A hearing related to this matter has not been scheduled. Management believes that no over-recovery of costs has occurred and disagrees with the findings in the audit report.

If OPCo is ultimately not permitted to fully collect all components of its ESP rates, it could reduce future net income and cash flows and impact financial condition.

June 2015 - May 2018 ESP Including PPA Application

In December 2013, OPCo filed an application with the PUCO to approve an ESP that included proposed rate adjustments and the continuation and modification of certain existing riders, including the Distribution Investment Rider (DIR), effective June 2015 through May 2018. The proposal also included a purchased power agreement (PPA) rider that would allow retail customers to receive a rate stabilizing charge or credit by hedging market-based prices with a cost-based PPA. The PPA would initially be based upon the OVEC contractual entitlement and could, upon further approval, be expanded to include other contracts involving other Ohio legacy generation assets.

In February 2015, the PUCO issued an order approving OPCo's ESP application, subject to certain modifications, with a return on common equity of 10.2% on capital costs for certain riders. The order included (a) approval of the DIR, with modified rate caps established by the PUCO, (b) authorization to establish a zero rate rider for OPCo's proposed PPA, (c) the option for OPCo to reapply in a future proceeding with a more detailed PPA proposal and (d) a directive to continue to pursue the transfer of the OVEC contractual entitlement to AGR or to otherwise divest of its interest in OVEC. In May 2015, the PUCO issued an order on rehearing that increased the DIR rate caps and deferred ruling on all requests for rehearing related to the establishment of the PPA rider. In July 2015, the PUCO granted OPCo's and various intervenors' requests for rehearing related to the May 2015 order. In July 2015, intervenors filed appeals with the Supreme Court of Ohio that included opposition to the authorization of a PPA rider and the modifications to a transmission rider. In October 2015, the Supreme Court of Ohio granted the PUCO's motion to dismiss these intervenor appeals, without prejudice, since rehearing related to the PPA issues was still pending.

In October 2014, OPCo filed a separate application with the PUCO to propose a new extended PPA with AGR for 2,671 MW for inclusion in the PPA rider. In May 2015, OPCo filed an amended PPA application between OPCo and AGR that (a) included OPCo's OVEC contractual entitlement, (b) addressed the PPA requirements set forth in the PUCO's February 2015 order, (c) updated supporting testimony to reflect a current analysis of the PPA proposal and (d) included the 2,671 MW to be available for capacity, energy and ancillary services, produced by AGR over the lives of the respective generating units. Hearings at the PUCO related to the PPA were concluded in November 2015.

In December 2015, a non-unanimous stipulation agreement related to the PPA application was filed with the PUCO. The stipulation agreement is based upon a 10.38% return on common equity with the PPA Rider term extending through May 2024. The stipulation agreement included (a) a revised affiliate PPA between OPCo and AGR to be included in the PPA Rider, (b) OPCo's OVEC contractual entitlement, (c) a potential additional customer credit to be included in the PPA Rider, (d) annual compliance reviews before the PUCO and (e) an agreement to retire, refuel or repower, to 100% natural gas, Conesville Plant, Units 5 and 6 and Cardinal Plant, Unit 1 by 2029 and 2030, respectively. Additionally, OPCo agreed to develop and implement, by 2021, a solar energy project(s) of at least 400 MW and a wind energy project(s) of at least 500 MW, with 100% of all output to be received by OPCo. OPCo would own up to 50% of these solar and wind projects and would include cost recovery in the proposed PPA rider, subject to PUCO review and approval. OPCo agreed to file a carbon reduction plan with the PUCO by December 2016 that will focus on fuel diversification and carbon emission reductions. Hearings related to this proposed stipulation agreement were held in January 2016. Management anticipates receiving an order from the PUCO in the first quarter of 2016. In January 2016, intervenors filed a complaint at the FERC related to the affiliate PPA. The complaint asserts that the proposed affiliate PPA between AGR and OPCo is reviewable by the FERC under its standards for affiliate transactions.

If OPCo is ultimately not permitted to fully collect all components of its ESP rates, it could reduce future net income and cash flows and impact financial condition.

Significantly Excessive Earnings Test Filings

In January 2011, the PUCO issued an order on the 2009 SEET filing. The order gave consideration for a future commitment to invest \$20 million to support the development of a large solar farm. In January 2013, the PUCO found there was not a need for the large solar farm. The PUCO noted that OPCo remains obligated to spend \$20 million on this solar project or another project. In September 2013, a proposed second phase of OPCo's *gridSMART*[®] program was filed with the PUCO which included a proposed project to satisfy this PUCO directive. A decision from the PUCO is pending.

In June 2015, OPCo submitted its 2014 SEET filing with the PUCO. Management believes its financial statements adequately address the impact of 2014 SEET requirements.

Corporate Separation

In October 2012, the PUCO issued an order which approved the corporate separation and transfer of OPCo's generation assets and associated generation liabilities at net book value to AGR. In June 2013, the IEU filed an appeal with the Supreme Court of Ohio claiming the PUCO order approving the corporate separation was unlawful. In December 2013, corporate separation of OPCo's generation assets was completed. In December 2015, the IEU withdrew its appeal.

2009 Fuel Adjustment Clause Audit

In January 2012, the PUCO issued an order in OPCo's 2009 FAC that the remaining \$65 million in proceeds from a 2008 coal contract settlement agreement be applied against OPCo's under-recovered fuel balance. In April 2012, on rehearing, the PUCO ordered that the settlement credit only needed to reflect the Ohio retail jurisdictional share of the gain not already flowed through the FAC with carrying charges. As a result, OPCo recorded a \$30 million net favorable adjustment on the statement of income in 2012. The January 2012 PUCO order also stated that a consultant should be hired to review the coal reserve valuation and recommend whether any additional value should benefit ratepayers.

In September 2014, the Supreme Court of Ohio upheld the PUCO order on appeal. A review of the coal reserve valuation by an outside consultant has not been initiated by the PUCO. If the PUCO ultimately determines that additional amounts should benefit ratepayers as a result of the consultant's review of the coal reserve valuation, it could reduce future net income and cash flows and impact financial condition.

2012 and 2013 Fuel Adjustment Clause Audits

In May 2014, the PUCO-selected outside consultant provided its final report related to its 2012 and 2013 FAC audit which included certain unfavorable recommendations related to the FAC recovery for 2012 and 2013. These recommendations are opposed by OPCo. In addition, the PUCO will consider the results of the final audit of the recovery of fixed fuel costs that was issued in October 2014. See the "June 2012 - May 2015 ESP Including Capacity Charge" section above. If the PUCO orders a reduction to the FAC deferral or a refund to customers, it could reduce future net income and cash flows and impact financial condition.

Ormet

Ormet, a large aluminum company, had a contract to purchase power from OPCo through 2018. In 2013, Ormet filed for bankruptcy and subsequently shut down operations. In March 2014, the PUCO issued an order in OPCo's Economic Development Rider (EDR) filing allowing OPCo to include \$39 million of Ormet-related foregone revenues in the EDR effective April 2014. The order stated that if the stipulation agreement between OPCo and Ormet is subsequently adopted by the PUCO, OPCo could file an application to modify the EDR rate for the remainder of the period requesting recovery of the remaining \$10 million of Ormet deferrals. In November 2015, the PUCO issued an order approving the stipulation agreement and OPCo's request to recover its remaining \$10 million of Ormet deferrals through the EDR.

In addition, in the 2009 - 2011 ESP proceeding, intervenors requested that OPCo be required to refund the Ormet-related revenues under a previous interim arrangement (effective from January 2009 through September 2009) and requested that the PUCO prevent OPCo from collecting Ormet-related revenues in the future. Through September 2009, the last month of the interim arrangement, OPCo had \$64 million of deferred FAC costs related to the interim arrangement, excluding \$2 million of unrecognized equity carrying costs. The PUCO did not take any action on this request. The intervenors raised this issue again in response to OPCo's November 2009 filing to approve recovery of the deferral under the interim agreement.

To the extent amounts discussed above are not recoverable, it could reduce future net income and cash flows and impact financial condition.

Regulatory Liabilities:	OPCo		
	December 31,		Remaining Refund Period
	2015	2014	
	(in millions)		
Current Regulatory Liabilities			
Over-recovered Fuel Costs - does not pay a return	\$ 27.6	\$ 46.3	1 year
Total Current Regulatory Liabilities	\$ 27.6	\$ 46.3	
Noncurrent Regulatory Liabilities and Deferred Investment Tax Credits			
Regulatory liabilities pending final regulatory determination:			
<u>Regulatory Liabilities Currently Not Paying a Return</u>			
Provision for Regulatory Loss	\$ 40.6	\$ 35.2	
Other Regulatory Liabilities Pending Final Regulatory Determination	0.2	0.4	
Total Regulatory Liabilities Pending Final Regulatory Determination	40.8	35.6	
Regulatory liabilities approved for payment:			
<u>Regulatory Liabilities Currently Paying a Return</u>			
Asset Removal Costs	422.3	423.2	(a)
Economic Development Rider	5.0	—	2 years
Basic Transmission Cost Rider	4.9	—	2 years
Deferred Investment Tax Credits	—	0.1	
<u>Regulatory Liabilities Currently Not Paying a Return</u>			
Unrealized Gain on Forward Commitments	15.3	47.3	17 years
Regulatory Settlement	9.0	—	2 years
Enhanced Service Reliability Plan	8.0	—	2 years
Deferred Asset Phase-In Rider	5.1	7.1	5 years
Peak Demand Reduction/Energy Efficiency	1.5	—	2 years
Storm Related Costs	1.3	—	1 year
Low Income Customers/Economic Recovery	1.0	1.3	1 year
Other Regulatory Liabilities Approved for Payment	—	0.1	
Total Regulatory Liabilities Approved for Payment	473.4	479.1	
Total Noncurrent Regulatory Liabilities and Deferred Investment Tax Credits	\$ 514.2	\$ 514.7	

(a) Relieved as removal costs are incurred.

EXHIBIT 23

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number	Registrants; States of Incorporation; Address and Telephone Number	I.R.S. Employer Identification Nos.
1-3525	AMERICAN ELECTRIC POWER COMPANY, INC. (A New York Corporation)	13-4922640
1-3457	APPALACHIAN POWER COMPANY (A Virginia Corporation)	54-0124790
1-3570	INDIANA MICHIGAN POWER COMPANY (An Indiana Corporation)	35-0410455
1-6543	OHIO POWER COMPANY (An Ohio Corporation)	31-4271000
0-343	PUBLIC SERVICE COMPANY OF OKLAHOMA (An Oklahoma Corporation)	73-0410895
1-3146	SOUTHWESTERN ELECTRIC POWER COMPANY (A Delaware Corporation) 1 Riverside Plaza, Columbus, Ohio 43215 Telephone (614) 716-1000	72-0323455

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Name of Each Exchange on Which Registered
American Electric Power Company, Inc.	Common Stock, \$6.50 par value	New York Stock Exchange
Appalachian Power Company	None	
Indiana Michigan Power Company	None	
Ohio Power Company	None	
Public Service Company of Oklahoma	None	
Southwestern Electric Power Company	None	

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant American Electric Power Company, Inc. is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company, are well-known seasoned issuers, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether American Electric Power Company, Inc., Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company have submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether American Electric Power Company, Inc. is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of 'large accelerated filer', 'accelerated filer' and 'smaller reporting company' in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company are large accelerated filers, accelerated filers, non-accelerated filers or smaller reporting companies. See definitions of 'large accelerated filer', 'accelerated filer' and 'smaller reporting company' in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark if the registrants are shell companies, as defined in Rule 12b-2 of the Exchange Act. Yes No

Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company meet the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and are therefore filing this Form 10-K with the reduced disclosure format specified in General Instruction I(2) to such Form 10-K.

	Aggregate Market Value of Voting and Non-Voting Common Equity Held by Non-Affiliates of the Registrants as of June 30, 2016 the Last Trading Date of the Registrants' Most Recently Completed Second Fiscal Quarter	Number of Shares of Common Stock Outstanding of the Registrants as of December 31, 2016
American Electric Power Company, Inc.	\$34,464,089,033	491,711,928 ((\$6.50 par value))
Appalachian Power Company	None	13,499,500 (no par value)
Indiana Michigan Power Company	None	1,400,000 (no par value)
Ohio Power Company	None	27,952,473 (no par value)
Public Service Company of Oklahoma	None	9,013,000 ((\$15 par value))
Southwestern Electric Power Company	None	7,536,640 ((\$18 par value))

Note on Market Value of Common Equity Held by Non-Affiliates

American Electric Power Company, Inc. owns all of the common stock of Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company (see Item 12 herein).

Certain Power Agreements

I&M

The Unit Power Agreement between AEGCo and I&M, dated March 31, 1982, provides for the sale by AEGCo to I&M of all the capacity (and the energy associated therewith) available to AEGCo at the Rockport Plant. Whether or not power is available from AEGCo, I&M is obligated to pay a demand charge for the right to receive such power (and an energy charge for any associated energy taken by I&M). The agreement will continue in effect until the last of the lease terms of Unit 2 of the Rockport Plant have expired (currently December 2022) unless extended in specified circumstances.

Pursuant to an assignment between I&M and KPCo, and a unit power agreement between AEGCo and KPCo, AEGCo sells KPCo 30% of the capacity (and the energy associated therewith) available to AEGCo from both units of the Rockport Plant. KPCo has agreed to pay to AEGCo the amounts that I&M would have paid AEGCo under the terms of the Unit Power Agreement between AEGCo and I&M for such entitlement. The KPCo unit power agreement expires in December 2022.

OVEC

AEP and several nonaffiliated utility companies jointly own OVEC. The aggregate equity participation of AEP in OVEC is 43.47%. Under the Inter-Company Power Agreement, which defines the rights of the owners and sets the power participation ratio of each, the sponsoring companies are entitled to receive and are obligated to pay for all OVEC capacity (approximately 2,400 MWs) in proportion to their respective power participation ratios. The aggregate power participation ratio of APCo, I&M and OPCo is 43.47%. The Inter-Company Power Agreement terminates in June 2040. The proceeds from the sale of power by OVEC are designed to be sufficient for OVEC to meet its operating expenses and fixed costs and to provide a return on its equity capital. AEP and the other owners have authorized environmental investments related to their ownership interests. OVEC financed capital expenditures totaling \$1.3 billion in connection with the engineering and construction of flue gas desulfurization projects and the associated scrubber waste disposal landfills at its two generation plants through debt issuances, including tax-advantaged debt issuances. Both OVEC generation plants are operating with the new environmental controls in service. OPCo attempted to assign its rights and obligations under the Inter-Company Power Agreement to an affiliate as part of its transfer of its generation assets and liabilities in keeping with corporate separation required by Ohio law. OPCo failed to obtain the consent to assignment from the other owners of OVEC and therefore filed a request with the PUCO seeking authorization to maintain its ownership of OVEC. In December 2013, the PUCO approved OPCo's request, subject to the condition that energy from the OVEC entitlements are sold into the day-ahead or real-time PJM energy markets, or on a forward basis through a bilateral arrangement. In November 2016, the PUCO approved OPCo's request to approve a cost-based purchased power agreement (PPA) rider, effective in January 2017, that would initially be based upon OPCo's contractual entitlement under the Inter-Company Agreement which is approximately 20% of OVEC's capacity. Some parties filed a rehearing challenge to the PUCO decision which was denied. Separately, OPCo filed a proposal to replace the PPA rider with a bypassable rate mechanism that involves serving non-shopping load with the OVEC contractual entitlement, which remains pending at this time.

2016 Annual Reports

American Electric Power Company, Inc. and Subsidiary Companies

Appalachian Power Company and Subsidiaries

Indiana Michigan Power Company and Subsidiaries

Ohio Power Company and Subsidiaries

Public Service Company of Oklahoma

Southwestern Electric Power Company Consolidated

Audited Financial Statements and

Management's Discussion and Analysis of Financial Condition and Results of Operations



AEP: America's Energy PartnerSM

2016 Compared to 2015

Reconciliation of Year Ended December 31, 2015 to Year Ended December 31, 2016
Earnings Attributable to AEP Common Shareholders from Transmission and Distribution Utilities
(in millions)

Year Ended December 31, 2015	\$ 352.4
Changes in Gross Margin:	
Retail Margins	185.4
Off-System Sales	46.3
Transmission Revenues	(0.6)
Other Revenues	(80.0)
Total Change in Gross Margin	151.1
Changes in Expenses and Other:	
Other Operation and Maintenance	(57.8)
Depreciation and Amortization	36.5
Taxes Other Than Income Taxes	(16.0)
Interest and Investment Income	8.4
Carrying Costs Income	8.2
Allowance for Equity Funds Used During Construction	(0.4)
Interest Expense	19.3
Total Change in Expenses and Other	(1.8)
Income Tax Expense	(19.6)
Year Ended December 31, 2016	\$ 482.1

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of purchased electricity and amortization of generation deferrals were as follows:

- **Retail Margins** increased \$185 million primarily due to the following:
 - A \$117 million increase in Ohio transmission and PJM revenues primarily due to the energy supplied as a result of the Ohio auction and a regulatory change which resulted in revenues collected through a non-bypassable transmission rider, partially offset by a corresponding decrease in Transmission Revenues below.
 - An \$83 million increase due to the impact of a 2016 regulatory deferral of capacity costs related to OPCo's December 2016 Global Settlement.
 - A \$44 million increase in Ohio riders such as Universal Service Fund (USF) and *gridSMART*[®]. This increase in Retail Margins was primarily offset by an increase in Other Operation and Maintenance expenses below.
 - A \$34 million increase in collections of PIRR carrying charges in Ohio as a result of the June 2016 PUCO order.
 - A \$24 million increase in revenues associated with the Ohio Distribution Investment Rider (DIR). This increase was partially offset in various line items below.
 - A \$22 million increase in AEP Texas weather-normalized margins primarily in the residential class.
 - A \$20 million increase in AEP Texas revenues primarily due to the recovery of ERCOT transmission expenses, offset in Other Operation and Maintenance expenses below.
 - A \$17 million increase in AEP Texas revenues primarily due to the recovery of distribution expenses.

These increases were partially offset by:

- A \$150 million net decrease due to the impact of 2016 provisions for refund primarily related to OPCo's December 2016 Global Settlement.
- A \$16 million decrease in revenues associated with the recovery of 2012 storm costs under the Ohio Storm Damage Recovery Rider which ended in April 2015. This decrease in Retail Margins was primarily offset by a decrease in Other Operation and Maintenance expenses below.

- **Margins from Off-system Sales** increased \$46 million primarily due to the following:
 - A \$41 million increase due to a reversal of a 2015 provision for regulatory loss in Ohio.
 - An \$8 million increase primarily due to prior year losses in Ohio from a power contract with OVEC.These increases were partially offset by:
 - A \$3 million decrease in margins from a power contract with AEPEP for Oklaunion.
 - **Transmission Revenues** decreased \$1 million primarily due to the following:
 - A \$56 million decrease in NITS revenue primarily due to OPCo assuming the responsibility for items determined to be cost-based transmission-related charges that were the responsibility of the CRES providers prior to June 2015, partially offset by a corresponding increase in Retail Margins above.This decrease was partially offset by:
 - A \$36 million increase primarily due to increased transmission investment in ERCOT.
 - A \$19 million increase in Ohio due to a FERC settlement recorded in 2015 and FERC formula rate true-up adjustments.
 - **Other Revenues** decreased \$80 million primarily due to a decrease in Texas securitization revenue as a result of the final maturity of the first Texas securitization bond, offset in Depreciation and Amortization and other expense items below.
-

Remands Related to the SEET

As part of the Global Settlement, \$20 million will be returned to customers over a 12 -month period commencing within 45 days of the final PUCO order adopting the Global Settlement. The Global Settlement states that this obligation has no precedential effect on OPCo's SEET methodology. In addition, the parties agreed that earnings were not significantly excessive in 2015. In December 2016, OPCo accrued \$20 million in Other Current Liabilities on the balance sheets with a corresponding decrease in Electricity, Transmission and Distribution revenues (Transmission and Distribution Utilities for AEP) on the statements of income. The Global Settlement resolves the issues related to the 2014 and 2015 SEET proceedings.

Fuel Adjustment Clause Proceedings

OPCo will refund \$100 million paid by SSO customers from August 2012 - May 2015 related to OVEC and Lawrenceburg purchases. In December 2016, OPCo accrued \$100 million in Other Current Liabilities on the balance sheets with a corresponding decrease in Electricity, Transmission and Distribution revenues (Transmission and Distribution Utilities for AEP) on the statements of income. The Global Settlement resolves the claimed recovery of fixed fuel costs through both the FAC and the approved capacity charges. This refund will be a one-time credit that will be applied the earlier of either 45 days after the final non-appealable order from the PUCO adopting the Global Settlement, or the December 2017 billing cycle.

Ohio Electric Security Plan Filings

2009 – 2011 ESP

The PUCO issued an order in March 2009 that modified and approved the ESP which established rates at the start of the April 2009 billing cycle through 2011. The order also provided a phase-in FAC, which was authorized to be recovered through a non-bypassable surcharge over the period 2012 through 2018.

In 2012, the PUCO issued an order in a separate proceeding which implemented a PIRR to recover OPCo's deferred fuel costs in rates beginning September 2012. The PUCO ruled that carrying charges should be calculated without an offset for accumulated deferred income taxes and that a long-term debt rate should be applied when collections begin. In November 2012, OPCo appealed that PUCO order to the Supreme Court of Ohio claiming a long-term debt rate modified the previously adjudicated 2009 - 2011 ESP order, which granted a WACC rate. In 2015, the Supreme Court of Ohio issued a decision that reversed the PUCO order on the carrying cost rate issue and remanded the matter back to the PUCO for reinstatement of the WACC rate. In June 2016, the PUCO approved OPCo's proposed increase to the PIRR rates, in accordance with the Supreme Court of Ohio ruling. The increase to PIRR rates included \$146 million in additional carrying charges and the recovery of \$40 million in additional under-recovered fuel costs resulting from a decrease in customer demand. The increase is effective July 2016 through December 2018. In July 2016, intervenors filed requests for rehearing with the PUCO, which the PUCO granted in August 2016. In December 2016, OPCo filed a Global Settlement with the PUCO related to this issue. See "Ohio Global Settlement" section above.

June 2012 – May 2015 ESP Including Capacity Charge

In August 2012, the PUCO issued an order which adopted and modified a new ESP that established base generation rates through May 2015. In 2013, this ruling was generally upheld in PUCO rehearing orders.

In July 2012, the PUCO issued an order in a separate capacity proceeding requiring OPCo to charge CRES providers the RPM price and authorized OPCo to defer a portion of its incurred capacity costs not recovered from CRES providers up to \$188.88 /MW day. The OPCo RPM price collected from CRES providers, which included reserve margins, was approximately \$34 /MW day through May 2014 and \$150 /MW day from June 2014 through May 2015. In April 2016, the Supreme Court of Ohio issued two opinions related to the deferral of OPCo's capacity charges. In one of the opinions, the Supreme Court of Ohio ruled that the PUCO must reconsider an energy credit that was used to determine OPCo's authorized capacity deferral threshold of \$188.88/MW day during the August 2012 through May 2015 period.

The PUCO reduced OPCo's authorized capacity deferral threshold to \$188.88 /MW day largely due to an offset for an energy credit of \$147.41 /MW day. The Supreme Court of Ohio directed the PUCO to substantively address OPCo's arguments that the \$147.41/MW day credit was overstated by approximately \$100 /MW day due to various inaccuracies affecting input data and assumptions. See "Ohio Global Settlement" section above.

As part of the August 2012 ESP order, the PUCO established a non-bypassable RSR, effective September 2012. The RSR was collected from customers at \$3.50 /MWh through May 2014 and at \$4.00 /MWh for the period June 2014 through May 2015, with \$1.00 /MWh applied to the recovery of deferred capacity costs. In April 2015, the PUCO issued an order that modified and approved OPCo's July 2014 application to collect the unrecovered portion of the deferred capacity costs. The order included approval to continue the collection of deferred capacity costs at a rate of \$4.00 /MWh beginning June 1, 2015 for approximately 32 months, with carrying costs at a long-term cost of debt rate. Additionally, the order stated that an audit will be conducted of the May 31, 2015 capacity deferral balance. As of December 31, 2016, OPCo's net deferred capacity costs balance was \$202 million, including debt carrying costs, and was recorded in Regulatory Assets on the balance sheets. In April 2016, the second Supreme Court of Ohio opinion rejected a portion of OPCo's RSR revenues collected during the period September 2012 through May 2015 and directed the PUCO to reduce OPCo's deferred capacity costs by these previously collected RSR revenues. The Supreme Court of Ohio was not able to determine the amount of the reduction to OPCo's deferred capacity costs and remanded the issue to the PUCO to determine the appropriate reduction. As directed by the PUCO, in May 2016, OPCo submitted revised RSR tariffs that reflect the RSR being collected subject to refund. See "Ohio Global Settlement" section above.

In April 2016, the Supreme Court of Ohio also ruled favorably on OPCo's cross-appeal regarding a previously PUCO-imposed SEET threshold under the ESP and remanded this issue to the PUCO. See "Ohio Global Settlement" section above and "Significantly Excessive Earnings Test Filings" section below.

In 2013, the PUCO issued its Orders on Rehearing for the ESP which generally upheld its August 2012 order. The PUCO clarified that a final reconciliation of revenues and expenses would be permitted for any over- or under-recovery on several riders including fuel. In November 2013, the PUCO issued an order approving OPCo's competitive bid process with modifications. Additionally, the PUCO ordered that intervenor concerns related to the recovery of the fixed fuel costs through potentially both the FAC and the approved capacity charges be addressed in subsequent FAC proceedings.

In 2014, the PUCO denied all rehearing requests, agreed to issue a supplemental request for an independent auditor in the 2012 - 2013 FAC proceeding to separately examine the recovery of the fixed fuel costs, including OVEC, and approved OPCo's request to implement riders related to the unbundling of the FAC. In October 2014, the independent auditor, selected by the PUCO, filed its report with the PUCO for the period August 2012 through May 2015. If the PUCO ultimately concludes that a portion of the fixed fuel costs are also recovered through OPCo's \$188.88 /MW day capacity charge, the independent auditor has recommended a methodology for calculating a refund of a portion of certain fixed fuel costs. The retail share of these fixed fuel costs is approximately \$90 million annually. See "2012 and 2013 Fuel Adjustment Clause Audits" section below.

In June 2016, OPCo filed a request with the PUCO that requested a consolidated procedural schedule to resolve interrelated proceedings including (a) OPCo's deferral of capacity costs for the period August 2012 through May 2015, (b) the implementation of OPCo's RSR and (c) the concerns related to the recovery of fixed fuel costs through both the FAC and the approved capacity charges. As part of the filing, and due to the interrelated nature of the two Supreme Court of Ohio opinions that directly relate to OPCo's deferred capacity costs, OPCo requested that its net deferred capacity costs balance as of May 31, 2015 increase by \$157 million, including carrying charges through September 2016. This net increase consists of a \$327 million decrease due to the non-deferral portion of the RSR collections and an increase of \$484 million for the correction of the energy credit. Additionally, OPCo filed testimony supporting the position that double recovery of fixed fuel costs could not have occurred because OPCo was unable to fully recover its capacity costs, which included fixed fuel costs, even with a corrected energy credit. In December 2016, OPCo filed a Global Settlement with the PUCO related to these issues. See "Ohio Global Settlement" section above.

June 2015 - May 2018 ESP Including PPA Application and Proposed ESP Extension through 2024

In 2013, OPCo filed an application with the PUCO to approve an ESP that included proposed rate adjustments and the continuation and modification of certain existing riders, including the Distribution Investment Rider (DIR), effective June 2015 through May 2018. The proposal also included a PPA rider that would allow retail customers to receive a rate stabilizing charge or credit by hedging market-based prices with a cost-based PPA. The PPA would initially be based upon the OVEC contractual entitlement and could, upon further approval, be expanded to include other contracts involving other Ohio legacy generation assets.

In February 2015, the PUCO issued an order approving OPCo's ESP application, subject to certain modifications, with a return on common equity of 10.2% on capital costs for certain riders. The order included (a) approval of the DIR, with modified rate caps established by the PUCO, (b) authorization to establish a zero rate rider for OPCo's proposed PPA, (c) the option for OPCo to reapply in a future proceeding with a more detailed PPA proposal and (d) a directive to continue to pursue the transfer of the OVEC contractual entitlement to AGR or to otherwise divest of its interest in OVEC. In May 2015, the PUCO issued an order on rehearing that increased the DIR rate caps and deferred ruling on all requests for rehearing related to the establishment of the PPA rider. In July 2015, the PUCO granted OPCo's and various intervenors' requests for rehearing related to the May 2015 order. In November 2016, the PUCO issued an additional order on rehearing that approved the DIR caps with additional amendments and denied the remaining requests for rehearing. In January 2017, the PUCO granted intervenors requests for rehearing that oppose the PPA rider as well as the amended DIR caps.

In May 2015, OPCo filed an amended PPA application that (a) included OPCo's OVEC contractual entitlement (OVEC PPA), (b) addressed the PPA requirements set forth in the PUCO's February 2015 order and (c) included the 2,671 MWs to be available for capacity, energy and ancillary services, produced by AGR over the lives of the respective generating units (Affiliate PPA).

In March 2016, a contested stipulation agreement related to the PPA rider application was modified and approved by the PUCO. The approved PPA rider is effective April 2016 through May 2024, subject to audit and review by the PUCO. The stipulation agreement, as approved, included (a) an Affiliate PPA between OPCo and AGR to be included in the PPA rider, (b) OPCo's OVEC PPA to be included in the PPA rider, (c) potential additional contingent customer credits of up to \$100 million to be included in the PPA rider over the final four years of the PPA rider and (d) the limitation that OPCo will not flow through any capacity performance penalties or bonuses through the PPA rider. Additionally, subject to cost recovery and PUCO approval, OPCo agreed to develop and implement, by 2021, a solar energy project(s) of at least 400 MWs and a wind energy project(s) of at least 500 MWs, with 100% of all output to be received by OPCo. AEP affiliates could own up to 50% of these solar and wind projects. In December 2016, in accordance with the stipulation agreement, OPCo filed a carbon reduction plan that focused on fuel diversification and carbon emission reductions.

In April 2016, the FERC issued an order granting a January 2016 complaint filed against AGR and OPCo. The FERC order rescinded the waivers of the FERC's affiliate rules as to the affiliate PPA between AGR and OPCo. As a result, AGR and OPCo cannot implement the affiliate PPA without the FERC review, in accordance with FERC's rules governing affiliate transactions. As a result of the April 2016 FERC order, management does not intend to pursue the affiliate PPA.

In May 2016, OPCo filed an application for rehearing with the PUCO related to certain aspects of the March 2016 PUCO order. The application included a proposed OVEC-only PPA Rider to recover the net margin after sales through PJM and included an option for the rider to be bypassable. The proposed OVEC-only PPA Rider included (a) the elimination of the PUCO-imposed customer-specific rate impact cap of 5% through May 2018, (b) modifications to decrease the amount of the potential customer credits and (c) the inclusion of PJM capacity performance penalties within the PPA rider. Also in May 2016, intervenors filed applications for rehearing with the PUCO opposing the modified and approved stipulation agreement. In November 2016, the PUCO issued an order on rehearing that approved recovery of the OVEC-related net margin incurred from June 2016 through the term of the PPA rider and the modification to reduce the customer credits to \$15 million as requested by OPCo. The PUCO rejected OPCo's request to eliminate both the 5% rate impact cap and the inclusion of the capacity performance penalties within the PPA rider. In January

2017, the PUCO granted, for further consideration, intervenors additional applications for rehearing that included arguments that opposed the OVEC-only PPA and stated that the stipulation agreement approved in March 2016 does not provide customers with rate stability.

OPCo has the option to exercise its right to withdraw from the PPA stipulation if the PUCO makes unacceptable modifications to the stipulation, including modifications as part of the pending rehearing.

Consistent with the terms of the modified and approved stipulation agreement, and based upon a September 2016 PUCO order, in November 2016, OPCo refiled its amended ESP extension application and supporting testimony. The amended filing proposed to extend the ESP through May 2024 and included (a) an extension of the OVEC PPA rider, (b) a proposed 10.41% return on common equity on capital costs for certain riders, (c) the continuation of riders previously approved in the June 2015 - May 2018 ESP, (d) proposed increases in rate caps related to OPCo's DIR and (e) the addition of various new riders, including a Distribution Technology Rider and a Renewable Resource Rider.

If OPCo is ultimately not permitted to fully collect all components of its ESP rates, it could reduce future net income and cash flows and impact financial condition.

Significantly Excessive Earnings Test Filings

Background

Ohio law provides for the return of significantly excessive earnings to ratepayers upon PUCO review. Significantly excessive earnings are measured by whether the earned return on common equity of the electric distribution utility is significantly in excess of the return on common equity that was earned during the same period by publicly traded companies, including utilities, that face comparable business and financial risk.

2009 SEET Filing

In 2011, the PUCO issued an order on the 2009 SEET filing. The order gave consideration for a future commitment to invest \$20 million to support the development of a large solar farm. In 2013, the PUCO found there was not a need for the large solar farm. The PUCO noted that OPCo remains obligated to spend \$20 million on this solar project or another project.

In September 2013, a proposed second phase of OPCo's *gridSMART*[®] (*gridSMART*[®] Phase II) program was filed with the PUCO which included a proposed project to satisfy the PUCO 2009 SEET directive. In April 2016, a stipulation agreement related to the *gridSMART*[®] Phase II program was filed with the PUCO. As part of the stipulation agreement, OPCo will invest at least \$20 million over a six-year period for the installation of Volt VAR Optimization (VVO) technology on selected circuits throughout OPCo's service territory. All parties to the stipulation agree that OPCo's proposed VVO investment resolves OPCo's outstanding obligation for renewable or similar investment associated with the PUCO's 2009 SEET directive. As a part of the December 2016 Global Settlement, OCC agreed to no longer contest the *gridSMART*[®] Phase II stipulation. In February 2017, the PUCO approved the *gridSMART*[®] Phase II stipulation agreement. See "Ohio Global Settlement" section above.

2014 and 2015 SEET Filings

The PUCO established an annual SEET earnings threshold of 12% during the June 2012 - May 2015 ESP period. In May 2013, OPCo filed a cross appeal with the Supreme Court of Ohio, asserting that the SEET threshold was not based on the earnings of comparable publicly traded companies as originally required by the SEET statute.

In April 2016, the Supreme Court of Ohio agreed with OPCo's cross-appeal assertion that a 12% SEET threshold was not based on the applicable Ohio SEET statute. The Supreme Court of Ohio reversed the 12% threshold and remanded this issue to the PUCO.

EXHIBIT 24

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number	Registrants; States of Incorporation; Address and Telephone Number	I.R.S. Employer Identification Nos.
1-3525	AMERICAN ELECTRIC POWER COMPANY, INC. (A New York Corporation)	13-4922640
333-221643	AEP TEXAS INC. (A Delaware Corporation)	51-0007707
333-217143	AEP TRANSMISSION COMPANY, LLC (A Delaware Limited Liability Company)	46-1125168
1-3457	APPALACHIAN POWER COMPANY (A Virginia Corporation)	54-0124790
1-3570	INDIANA MICHIGAN POWER COMPANY (An Indiana Corporation)	35-0410455
1-6543	OHIO POWER COMPANY (An Ohio Corporation)	31-4271000
0-343	PUBLIC SERVICE COMPANY OF OKLAHOMA (An Oklahoma Corporation)	73-0410895
1-3146	SOUTHWESTERN ELECTRIC POWER COMPANY (A Delaware Corporation) 1 Riverside Plaza, Columbus, Ohio 43215 Telephone (614) 716-1000	72-0323455

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Name of Each Exchange on Which Registered
American Electric Power Company, Inc.	Common Stock, \$6.50 par value	New York Stock Exchange
AEP Texas Inc.	None	
AEP Transmission Company, LLC	None	
Appalachian Power Company	None	
Indiana Michigan Power Company	None	
Ohio Power Company	None	
Public Service Company of Oklahoma	None	
Southwestern Electric Power Company	None	

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant American Electric Power Company, Inc. is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company, are well-known seasoned issuers, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrants American Electric Power Company, Inc., AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether American Electric Power Company, Inc. is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

Indicate by check mark whether AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company are large accelerated filers, accelerated filers, non-accelerated filers, smaller reporting companies, or emerging growth companies. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark if the registrants are shell companies, as defined in Rule 12b-2 of the Exchange Act. Yes No

AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company meet the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and are therefore filing this Form 10-K with the reduced disclosure format specified in General Instruction I(2) to such Form 10-K.

	Aggregate Market Value of Voting and Non-Voting Common Equity Held by Non-Affiliates of the Registrants as of June 30, 2018 the Last Trading Date of the Registrants' Most Recently Completed Second Fiscal Quarter	Number of Shares of Common Stock Outstanding of the Registrants as of December 31, 2018
American Electric Power Company, Inc.	\$34,157,276,913	493,245,876 ((\$6.50 par value))
AEP Texas Inc.	None	100 ((\$0.01 par value))
AEP Transmission Company, LLC (a)	None	NA
Appalachian Power Company	None	13,499,500 (no par value)
Indiana Michigan Power Company	None	1,400,000 (no par value)
Ohio Power Company	None	27,952,473 (no par value)
Public Service Company of Oklahoma	None	9,013,000 ((\$15 par value))
Southwestern Electric Power Company	None	7,536,640 ((\$18 par value))

(a) 100% interest is held by AEP Transmission Holdco.

NA Not applicable.

Note on Market Value of Common Equity Held by Non-Affiliates

American Electric Power Company, Inc. owns all of the common stock of AEP Texas Inc., Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company and all of the LLC membership interest in AEP Transmission Company, LLC (see Item 12 herein).

in 2018 non-discounted dollars. As of December 31, 2018 and 2017, the total decommissioning trust fund balance for the Cook Plant was approximately \$2.2 billion. The balance of funds available to eventually decommission Cook Plant will differ based on contributions and investment returns. The ultimate cost of retiring the Cook Plant may be materially different from estimates and funding targets as a result of the:

- Escalation of various cost elements (including, but not limited to, general inflation and the cost of energy).
- Further development of regulatory requirements governing decommissioning.
- Technology available at the time of decommissioning differing significantly from that assumed in studies.
- Availability of nuclear waste disposal facilities.
- Availability of a United States Department of Energy facility for permanent storage of SNF.

Accordingly, management is unable to provide assurance that the ultimate cost of decommissioning the Cook Plant will not be significantly different than current projections. AEP will seek recovery from customers through regulated rates if actual decommissioning costs exceed projections. See the “Nuclear Contingencies” section of Note 6 - Commitments, Guarantees and Contingencies included in the 2018 Annual Report for information with respect to nuclear waste and decommissioning.

Low-Level Radioactive Waste

The Low-Level Waste Policy Act of 1980 mandates that the responsibility for the disposal of low-level radioactive waste rests with the individual states. Low-level radioactive waste consists largely of ordinary refuse and other items that have come in contact with radioactive materials. Michigan does not currently have a disposal site for such waste available. I&M cannot predict when such a site may be available. However, the states of Utah and Texas have licensed low level radioactive waste disposal sites which currently accept low level radioactive waste from Michigan waste generators. There is currently no set date limiting I&M’s access to either of these facilities. The Cook Plant has a facility onsite designed specifically for the storage of low level radioactive waste. In the event that low level radioactive waste disposal facility access becomes unavailable, it can be stored onsite at this facility.

Counterparty Risk Management

The Vertically Integrated Utilities segment also sells power and enters into related energy transactions with wholesale customers and other market participants. As a result, counterparties and exchanges may require cash or cash related instruments to be deposited on transactions as margin against open positions. As of December 31, 2018, counterparties posted approximately \$9 million in cash, cash equivalents or letters of credit with AEPSC for the benefit of AEP’s public utility subsidiaries (while, as of that date, AEP’s public utility subsidiaries posted approximately \$54 million with counterparties and exchanges). Since open trading contracts are valued based on market prices of various commodities, exposures change daily. See the “Quantitative and Qualitative Disclosures About Market Risk” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations included in the 2018 Annual Report for additional information.

Certain Power Agreements

I&M

The UPA between AEGCo and I&M, dated March 31, 1982, provides for the sale by AEGCo to I&M of all the capacity (and the energy associated therewith) available to AEGCo at the Rockport Plant. Whether or not power is available from AEGCo, I&M is obligated to pay a demand charge for the right to receive such power (and an energy charge for any associated energy taken by I&M). The agreement will continue in effect until the last of the lease terms of Unit 2 of the Rockport Plant have expired (currently December 2022) unless extended in specified circumstances.

Pursuant to an assignment between I&M and KPCo, and a UPA between AEGCo and KPCo, AEGCo sells KPCo 30% of the capacity (and the energy associated therewith) available to AEGCo from both units of the Rockport Plant. KPCo has agreed to pay to AEGCo the amounts that I&M would have paid AEGCo under the terms of the UPA between AEGCo and I&M for such entitlement. The KPCo UPA expires in December 2022.

OVEC

AEP and several nonaffiliated utility companies jointly own OVEC. The aggregate equity participation of AEP in OVEC is 43.47%. Parent owns 39.17% and OPCo owns 4.3%. Under the Inter-Company Power Agreement (ICPA), which defines the rights of the owners and sets the power participation ratio of each, the sponsoring companies are entitled to receive and are obligated to pay for all OVEC capacity (approximately 2,400 MWs) in proportion to their respective power participation ratios. The aggregate power participation ratio of APCo, I&M and OPCo is 43.47%. The ICPA terminates in June 2040. The proceeds from the sale of power by OVEC are designed to be sufficient for OVEC to meet its operating expenses and fixed costs. AEP and the other owners have authorized environmental investments related to their ownership interests. OVEC financed capital expenditures totaling \$1.3 billion in connection with flue gas desulfurization projects and the associated scrubber waste disposal landfills at its two generation plants through debt issuances, including tax-advantaged debt issuances. Both OVEC generation plants are operating with the new environmental controls in service. OPCo attempted to assign its rights and obligations under the ICPA to an affiliate as part of its transfer of its generation assets and liabilities in keeping with corporate separation required by Ohio law. OPCo failed to obtain the consent to assignment from the other owners of OVEC and therefore filed a request with the PUCO seeking authorization to maintain its ownership of OVEC. In December 2013, the PUCO approved OPCo's request, subject to the condition that energy from the OVEC entitlements are sold into the day-ahead or real-time PJM energy markets, or on a forward basis through a bilateral arrangement. In November 2016, the PUCO approved OPCo's request to approve a cost-based purchased power agreement (PPA) rider, effective in January 2017, that would initially be based upon OPCo's contractual entitlement under the ICPA which is approximately 20% of OVEC's capacity. In late 2016, two nonaffiliated parties to the ICPA owned by First Energy Corp. announced their intention to exit its merchant business and that it may pursue restructuring or bankruptcy. In March 2018 FirstEnergy Solutions ("FES"), with an aggregate power participation ratio of approximately 5% under the ICPA, filed bankruptcy. In July 2018, the Bankruptcy Court granted FES's motion to reject the ICPA. OVEC is currently appealing this decision in the United States Court of Appeals for the Sixth Circuit. If OVEC does not have sufficient funds to honor its payment obligations, there is risk that APCo, I&M and/or OPCo may need to make payments in addition to their power participation ratio payments. Further, if OVEC's indebtedness is accelerated for any reason, there is risk that APCo, I&M and/or OPCo may be required to pay some or all of such accelerated indebtedness in amounts equal to their aggregate power participation ratio of 43.47%. The foregoing and other related actions have adversely impacted the credit ratings of OVEC.

ELECTRIC DELIVERY

General

Other than AEGCo, AEP's vertically integrated public utility subsidiaries own and operate transmission and distribution lines and other facilities to deliver electric power. See Item 2 – Properties for more information regarding the transmission and distribution lines. Most of the transmission and distribution services are sold to retail customers of AEP's vertically integrated public utility subsidiaries in their service territories. These sales are made at rates approved by the state utility commissions of the states in which they operate, and in some instances, approved by the FERC. See Item 1. Business – Vertically Integrated Utilities – Regulation – Rates. The FERC regulates and approves the rates for both wholesale transmission transactions and wholesale generation contracts. The use and the recovery of costs associated with the transmission assets of the AEP vertically integrated public utility subsidiaries are subject to the rules, principles, protocols and agreements in place with PJM and SPP, and as approved by the FERC. See Item 1. Business – Vertically Integrated Utilities – Regulation – FERC. As discussed below, some transmission services also are separately sold to nonaffiliated companies.

2018 Annual Reports

American Electric Power Company, Inc. and Subsidiary Companies

AEP Texas Inc. and Subsidiaries

AEP Transmission Company, LLC and Subsidiaries

Appalachian Power Company and Subsidiaries

Indiana Michigan Power Company and Subsidiaries

Ohio Power Company and Subsidiaries

Public Service Company of Oklahoma

Southwestern Electric Power Company Consolidated

Audited Financial Statements and

Management's Discussion and Analysis of Financial Condition and Results of Operations



BOUNDLESS ENERGY™

2018 Compared to 2017

Reconciliation of Year Ended December 31, 2017 to Year Ended December 31, 2018
Earnings Attributable to AEP Common Shareholders from Transmission and Distribution Utilities
(in millions)

Year Ended December 31, 2017	\$ 636.4
Changes in Gross Margin:	
Retail Margins	152.2
Off-system Sales	63.3
Transmission Revenues	(1.6)
Other Revenues	2.2
Total Change in Gross Margin	216.1
Changes in Expenses and Other:	
Other Operation and Maintenance	(342.4)
Depreciation and Amortization	(66.6)
Taxes Other Than Income Taxes	(31.6)
Interest and Investment Income	(3.5)
Carrying Costs Income	(1.9)
Allowance for Equity Funds Used During Construction	16.7
Non-Service Cost Component of Net Periodic Benefit Cost	23.4
Interest Expense	(4.0)
Total Change in Expenses and Other	(409.9)
Income Tax Expense	84.8
Year Ended December 31, 2018	\$ 527.4

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of purchased electricity and amortization of generation deferrals were as follows:

- **Retail Margins** increased \$152 million primarily due to the following:
 - A \$173 million net increase in Ohio Basic Transmission Cost Rider revenues and recoverable PJM expenses. This increase was partially offset by an increase in Other Operation and Maintenance below.
 - A \$77 million increase in Ohio revenues associated with the Universal Service Fund (USF). This increase was offset by a corresponding increase in Other Operation and Maintenance expenses below.
 - A \$16 million increase in Ohio rider revenues associated with the DIR. This increase was partially offset in various expenses below.
 - A \$12 million increase in Texas revenues associated with the Distribution Cost Recovery Factor revenue rider.
 - A \$10 million increase in Texas revenues associated with the Transmission Cost Recovery Factor revenue rider. This increase was offset by an increase in Other Operation and Maintenance expenses below.
 - A \$10 million increase in rider revenues recovering state excise taxes due to an increase in metered KWh in Ohio. This increase was offset by a corresponding increase in Taxes Other Than Income Taxes below.

These increases were partially offset by:

- A \$46 million decrease due to adjustments to the distribution decoupling under-recovery balance as a result of the 2018 Ohio Tax Reform settlement. This decrease was offset in Income Tax Expense below.
- A \$42 million decrease due to the 2018 provisions for customer refunds related to Tax Reform. This decrease was offset in Income Tax Expense below.
- A \$41 million decrease in Ohio due to prior year over-recoveries and the recovery of lower current year losses from a power contract with OVEC. This decrease was offset by a corresponding increase in Margins from Off-system Sales below.

- **Margins from Off-system Sales** increased \$63 million primarily due to the following:
 - A \$41 million increase due to prior year over-recoveries and lower current year losses from a power contract with OVEC in Ohio which was offset in Retail Margins above as a result of the OVEC PPA rider beginning in January 2017.
 - A \$22 million increase due to higher affiliated PPA revenues in Texas, which were partially offset by a corresponding increase in Other Operation and Maintenance expenses below.
 - **Transmission Revenues** decreased \$2 million primarily due to the following:
 - An \$11 million decrease due to the 2018 provisions for customer refunds in Texas due to Tax Reform. This decrease was offset in Income Tax Expense below.
 - An \$11 million decrease due to lower rates in Texas in order to pass the benefits of Tax Reform on to customers. This decrease was offset in Income Tax Expense below.
 - A \$10 million decrease in Ohio primarily due to the 2018 provisions for customer refunds due to Tax Reform, partially offset by increased revenues due to additional transmission investments. This decrease was offset in Income Tax Expense below.
- These decreases were offset by:
- A \$30 million increase due to recovery of increased transmission investment in ERCOT.

Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses increased \$342 million primarily due to the following:
 - A \$226 million increase primarily in transmission expenses that were fully recovered in rate riders/trackers within Gross Margins above.
 - A \$77 million increase in remitted USF surcharge payments to the Ohio Department of Development to fund an energy assistance program for qualified Ohio customers. This increase was offset by a corresponding increase in Retail Margins above.
 - A \$19 million increase in affiliated PPA expenses in Texas. This increase was offset by an increase in Margins from Off-system sales above.
- These increases were partially offset by:
- A \$58 million decrease in Ohio PJM expenses primarily related to the annual formula rate true-up that will be refunded in future periods.
- **Depreciation and Amortization** expenses increased \$67 million primarily due to the following:
 - A \$40 million increase in depreciation expense due to an increase in the depreciable base of transmission and distribution assets.
 - A \$9 million increase in securitization amortizations related to Transition Funding in Texas. This increase was offset in Other Revenues and Interest Expense.
 - An \$8 million increase in amortization due to capitalized software.
 - **Taxes Other Than Income Taxes** increased \$32 million primarily due to the following:
 - An \$18 million increase in property taxes due to additional investments in transmission and distribution assets and higher tax rates.
 - A \$12 million increase in rider revenues recovering state excise taxes due to an increase in metered KWhs. This increase was offset in Retail Margins above.
 - **Allowance for Equity Funds Used During Construction** increased \$17 million primarily due to increased transmission projects in Texas.
 - **Non-Service Cost Components of Net Periodic Benefit Cost** decreased \$23 million primarily due to favorable asset returns for the funded Pension and OPEB plans, favorable OPEB cost savings arrangements and the implementation of ASU 2017-07.
 - **Income Tax Expense** decreased \$85 million primarily due to the change in the corporate federal income tax rate from 35% in 2017 to 21% in 2018 as a result of Tax Reform, amortization of Excess ADIT and a decrease in pretax book income, partially offset by the benefit related to the remeasurement of deferred tax liabilities recognized in 2017 as a result of Tax Reform.

2017 Compared to 2016

Reconciliation of Year Ended December 31, 2016 to Year Ended December 31, 2017
Earnings Attributable to AEP Common Shareholders from Transmission and Distribution Utilities
(in millions)

Year Ended December 31, 2016	\$ 482.1
Changes in Gross Margin:	
Retail Margins	(25.7)
Off-system Sales	(83.8)
Transmission Revenues	32.3
Other Revenues	6.9
Total Change in Gross Margin	(70.3)
Changes in Expenses and Other:	
Other Operation and Maintenance	196.1
Depreciation and Amortization	(17.6)
Taxes Other Than Income Taxes	(19.4)
Interest and Investment Income	(7.1)
Carrying Costs Income	(16.4)
Allowance for Equity Funds Used During Construction	(1.9)
Non-Service Cost Component of Net Periodic Benefit Cost	0.2
Interest Expense	12.8
Total Change in Expenses and Other	146.7
Income Tax Expense	77.9
Year Ended December 31, 2017	\$ 636.4

The major components of the decrease in Gross Margin, defined as revenues less the related direct cost of purchased electricity and amortization of generation deferrals were as follows:

- **Retail Margins** decreased \$26 million primarily due to the following:
 - A \$178 million decrease in Ohio revenues associated with the Universal Service Fund (USF) surcharge rate decrease. This decrease was offset by a corresponding decrease in Other Operating and Maintenance expenses below.
 - An \$83 million decrease due to the impact of a 2016 regulatory deferral of capacity costs related to OPCo's December 2016 Global Settlement.
 - A \$23 million net decrease in recovery of equity carrying charges related to the PIRR in Ohio, net of associated amortizations.
 - A \$21 million decrease in revenues associated with smart grid riders in Ohio. This decrease was offset in various expense items below.
 - A \$15 million decrease in weather-normalized margins, primarily in the residential class.
 - A \$9 million decrease in Energy Efficiency/Peak Demand Reduction rider revenues and associated deferrals in Ohio. This decrease was offset by a corresponding decrease in Other Operation and Maintenance expenses below.
 - A \$7 million decrease in state excise taxes due to a decrease in metered KWh in Ohio. This decrease was offset by a corresponding decrease in Taxes Other Than Income Taxes.

These decreases were partially offset by:

- A \$150 million net increase due to the impact of 2016 provisions for refund primarily related to OPCo's December 2016 Global Settlement.

- A \$62 million increase in Ohio due to the recovery of losses from a power contract with OVEC. The PUCO approved a PPA rider beginning in January 2017 to recover any net margin related to the deferral of OVEC losses starting in June 2016. This increase was offset by a corresponding decrease in Margins from Off-System Sales below.
- A \$45 million increase in Texas revenues associated with the Distribution Cost Recovery Factor revenue rider.
- A \$31 million net increase in Ohio Basic Transmission Cost Rider revenues and recoverable PJM expenses. This increase was offset by a corresponding increase in Other Operation and Maintenance below.
- A \$16 million net increase in Ohio RSR revenues less associated amortizations.
- A \$7 million increase in Ohio rider revenues associated with the DIR. This increase was partially offset in other expense items below.
- **Margins from Off-system Sales** decreased \$84 million primarily due to the following:
 - A \$62 million decrease in Ohio due to current year losses from a power contract with OVEC, which was offset in Retail Margins above as a result of the OVEC PPA rider beginning in January 2017.
 - A \$41 million decrease in Ohio due to the 2016 reversal of prior year provisions for regulatory loss.This decrease was partially offset by:
 - An \$18 million increase in Ohio primarily due to the impact of prior year losses from a power contract with OVEC which was not included in the OVEC PPA rider.
- **Transmission Revenues** increased \$32 million primarily due to recovery of increased transmission investment in ERCOT.
- **Other Revenues** increased \$7 million primarily due the following:
 - A \$12 million increase in securitization revenue in Texas. This increase was offset below in Depreciation and Amortization and in Interest Expense.This increase was partially offset by:
 - A \$4 million decrease in Texas performance bonus revenues and true-ups related to energy efficiency programs.

Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses decreased \$196 million primarily due to the following:
 - A \$178 million decrease in remitted USF surcharge payments to the Ohio Department of Development to fund an energy assistance program for qualified Ohio customers. This decrease was offset by a corresponding decrease in Retail Margins above.
 - A \$29 million decrease primarily due to charitable donations in 2016, including the AEP Foundation.
 - A \$17 million decrease in employee-related expenses.These decreases were partially offset by:
 - A \$19 million increase in recoverable expenses primarily in PJM as well as increased ERCOT transmission expenses, partially offset by energy efficiency expenses that were fully recovered in rate recovery riders/trackers within Gross Margins above.
 - A \$14 million increase in PJM expenses related to the annual formula rate true-up that will be recovered in 2018.
 - A \$6 million increase in non-deferred storm expenses, primarily in the Texas region.
- **Depreciation and Amortization** expenses increased \$18 million primarily due to the following:
 - A \$21 million increase due to securitization amortizations related to Texas securitized transition funding. This increase was offset in Other Revenues above and in Interest Expense below.
 - A \$15 million increase in depreciation expense primarily due to an increase in depreciable base of transmission and distribution assets.
 - An \$8 million increase due to amortization of capitalized software costs.These increases were partially offset by:
 - An \$8 million decrease due to recoveries of transmission cost rider carrying costs in Ohio. This decrease was partially offset in Retail Margins above.
 - An \$8 million decrease in recoverable DIR depreciation expense in Ohio.
 - A \$7 million decrease in recoverable smart grid rider depreciation expenses in Ohio. This decrease was partially offset in Retail Margins above.

- **Taxes Other Than Income Taxes** increased \$19 million primarily due to the following:
 - A \$26 million increase in property taxes due to additional investments in transmission and distribution assets and higher tax rates. This increase was partially offset by:
 - A \$7 million decrease in state excise taxes due to a decrease in metered KWhs in Ohio. This decrease was offset in Retail Margins above.
- **Interest and Investment Income** decreased \$7 million primarily due to a prior year tax adjustment in Texas.
- **Carrying Costs Income** decreased \$16 million primarily due to the impact of a 2016 regulatory deferral of capacity related carrying costs in Ohio.
- **Interest Expense** decreased \$13 million primarily due to the following:
 - A \$10 million decrease primarily due to the maturity of a senior unsecured note in June 2016 in Ohio.
 - A \$9 million decrease in the Texas securitization transition assets due to the final maturity of the first Texas securitization bond. This decrease was offset above in Other Revenues and in Depreciation and Amortization.These decreases were partially offset by:
 - A \$7 million increase due to the issuance of long-term debt in September 2017 in Texas.
- **Income Tax Expense** decreased \$78 million primarily due to the following:
 - A \$138 million decrease due to the recording of federal income tax adjustments related to Tax Reform.This decrease was partially offset by:
 - A \$60 million increase in pretax book income and by the recording of federal and state income tax adjustments.

Rockport Plant, Unit 2 SCR

In 2016, I&M filed an application with the IURC for approval of a Certificate of Public Convenience and Necessity (CPCN) to install SCR technology at Rockport Plant, Unit 2. The equipment will allow I&M to reduce emissions of NO_x from Rockport Plant, Unit 2 in order for I&M to continue to operate that unit under current environmental requirements and is expected to be placed in service in May 2020. The estimated cost of the SCR project is \$274 million, excluding AFUDC, to be shared equally between I&M and AEGCo. The filing included a request for authorization for I&M to defer and recover, through a rider, its Indiana jurisdictional ownership share of costs including investment carrying costs at a weighted average cost of capital (WACC), depreciation over a 10-year period as provided by statute and other related expenses.

In March 2018, the IURC issued an order approving: (a) the CPCN, (b) the \$274 million estimated cost of the SCR, excluding AFUDC, (c) deferral of the Indiana jurisdictional ownership share of costs, including investment carrying costs, (d) depreciation of the SCR asset over 10 years and (e) recovery of these costs using an I&M Indiana rider.

Management intends to request recovery of the Michigan jurisdictional share of the SCR project in a future base rate case. If the Michigan jurisdictional share of these costs are not recoverable, it could reduce future net income and cash flows and impact financial condition. The AEGCo ownership share of the SCR project will be billable under the Rockport UPA to I&M and KPCo and will be subject to future regulatory approval for recovery.

KPCo Rate Matters (Applies to AEP)

2017 Kentucky Base Rate Case

In January 2018, the KPSC issued an order approving a non-unanimous settlement agreement with certain modifications resulting in an annual revenue increase of \$12 million, effective January 2018, based on a 9.7% return on equity. The KPSC's primary revenue requirement modification to the settlement agreement was a \$14 million annual revenue reduction for the decrease in the corporate federal income tax rate due to Tax Reform. The KPSC approved: (a) the deferral of a total of \$50 million of Rockport Plant UPA expenses for the years 2018 through 2022, with the manner and timing of recovery of the deferral to be addressed in KPCo's next base rate case, (b) the recovery/return of 80% of certain annual PJM OATT expenses above/below the corresponding level recovered in base rates, (c) KPCo's commitment to not file a base rate case for three years with rates effective no earlier than 2021 and (d) increased depreciation expense based upon updated Big Sandy Plant, Unit 1 depreciation rates using a 20-year depreciable life.

In February 2018, KPCo filed with the KPSC for rehearing of the January 2018 base case order. In June 2018, the KPSC issued an order approving an additional revenue increase of \$765 thousand related to the calculation of federal income tax expense. This rate increase was effective June, 2018.

Kentucky Tax Reform

In June 2018, the KPSC issued an order approving a settlement agreement between KPCo and an intervenor that stipulates that KPCo will refund an estimated \$82 million of Excess ADIT associated with certain depreciable property using ARAM and an estimated \$93 million of Excess ADIT that is not subject to rate normalization requirements over 18 years. The refund was effective July 1, 2018.

OPCo Rate Matters (Applies to AEP and OPCo)

Ohio Electric Security Plan Filings

June 2015 - May 2018 ESP Including PPA Application and Proposed ESP Extension through 2024

In 2013, OPCo filed an application with the PUCO to approve an ESP that included proposed rate adjustments and the continuation and modification of certain existing riders, including the DIR, effective June 2015 through May 2018.

The proposal also involved a PPA rider that would include OPCo's OVEC contractual entitlement (OVEC PPA) and would allow retail customers to receive a rate stabilizing charge or credit by hedging market-based prices with a cost-based PPA.

In 2015 and 2016, the PUCO issued orders in this proceeding. As part of the issued orders, the PUCO approved: (a) the DIR with modified revenue caps, (b) recovery of OVEC-related net margin incurred beginning June 2016, (c) potential additional contingent customer credits of up to \$15 million to be included in the PPA rider over the final four years of the PPA rider and (d) the limitation that OPCo will not flow through any capacity performance penalties or bonuses through the PPA rider. Additionally, subject to cost recovery and PUCO approval, OPCo agreed to develop and implement, by 2021, a solar energy project(s) of at least 400 MWs and a wind energy project(s) of at least 500 MWs, with 100% of all output to be received by OPCo. AEP affiliates could own up to 50% of these solar and wind projects.

In 2017, the PUCO rejected all pending rehearing requests related to the OVEC PPA. In June 2017, intervenors filed appeals to the Supreme Court of Ohio stating that the PUCO's approval of the OVEC PPA was unlawful and does not provide customers with rate stability. In June 2018, oral arguments were held before the Supreme Court of Ohio. In November 2018, the Ohio Supreme Court unanimously affirmed the PUCO's order in the June 2015 - May 2018 ESP and PPA Rider cases.

In 2016, OPCo refiled its amended ESP extension application and supporting testimony, consistent with the terms of the modified and approved stipulation agreement and based upon a 2016 PUCO order. The amended filing proposed to extend the ESP through May 2024.

In 2017, OPCo and various intervenors filed a stipulation agreement with the PUCO. The stipulation extends the term of the ESP through May 2024 and includes: (a) an extension of the OVEC PPA rider, (b) a proposed 10% return on common equity on capital costs for certain riders, (c) the continuation of riders previously approved in the June 2015 - May 2018 ESP, (d) rate caps related to OPCo's DIR ranging from \$215 million to \$290 million for the periods 2018 through 2021 and (e) the addition of various new riders, including a Smart City Rider and a Renewable Generation Rider. DIR rate caps will be reset in OPCo's next distribution base rate case which must be filed by June 2020.

In April 2018, the PUCO issued an order approving the ESP extension stipulation agreement, with no significant changes. In May 2018, OPCo and various intervenors filed requests for rehearing with the PUCO. In June 2018, these requests for rehearing were approved to allow further consideration of the requests. In August 2018, the PUCO denied all requests for rehearing. In October 2018, an appeal was filed with the Ohio Supreme Court challenging various approved riders. If the Ohio Supreme Court reverses the PUCO's decision, it could reduce future net income and cash flows and impact financial condition.

2016 SEET Filing

Ohio law provides for the return of significantly excessive earnings to ratepayers upon PUCO review. Significantly excessive earnings are measured by whether the earned return on common equity of the electric utility is significantly in excess of the return on common equity that was earned during the same period by publicly traded companies, including utilities, that face comparable business and financial risk.

In 2016, OPCo recorded a 2016 SEET provision of \$58 million based upon projected earnings data for companies in the comparable utilities risk group. In determining OPCo's return on equity in relation to the comparable utilities risk group, management excluded the following items resolved in OPCo's Global Settlement that was filed at the PUCO in December 2016 and subsequently approved in February 2017: (a) gain on the deferral of RSR costs, (b) refunds to customers related to the SEET remands and (c) refunds to customers related to fuel adjustment clause proceedings.

In 2017, OPCo submitted its 2016 SEET filing with the PUCO in which management indicated that OPCo did not have significantly excessive earnings in 2016 based upon actual earnings data for the comparable utilities risk group.

EXHIBIT 25



BOUNDLESS ENERGY™

Title:	Corporate Political Contributions	Date:	March 1, 2017
Owner:	Chief External Affairs Officer, Charles Patton	Sponsoring Area(s):	External Affairs, AEP Utilities Operations, Legal

Policy Statement:

This policy addresses the processes for requesting and authorizing the making of Corporate Political Contributions and periodic public reporting about the Corporate Political Contributions that have been made. It incorporates, expands upon and replaces a previous Corporate Political Contributions policy dated February 27, 2007, which addressed only the processes for requesting and authorizing Corporate Political Contributions.

Detail:

Scope

This policy applies to the entire corporation.

Narrative

Corporate Political Contributions are corporate contributions that are given from the general funds of the corporation (as opposed to money from a company-sponsored political action committee or PAC). Before February 8, 2006, when the repeal of the Public Utility Holding Company Act of 1935 (PUHCA) took effect, American Electric Power Company, Inc. and its subsidiaries (Collectively, "AEP") were prohibited from making Corporate Political Contributions. Even in those states that permitted corporate contributions, AEP was prohibited due to its status as a registered Public Utility Holding Company. That prohibition no longer applies.

As of January 12, 2015,

- AEP **can** lawfully make Corporate Political Contributions to candidates for elected office in Illinois, Indiana, Louisiana, Missouri, and Virginia.
- AEP **cannot** lawfully make Corporate Political Contributions to candidates for elected office in Arkansas, Kentucky, Michigan, Ohio, Oklahoma, Tennessee, Texas and West Virginia.
- AEP **cannot** lawfully make Corporate Political Contributions to candidates for federal office or to national political parties for general campaign purposes.
- The legality of Corporate Political Contributions to support national party-affiliated organizations, such as the Republican and Democratic Governors' Associations; or party events, including participation at national conventions and state or federal inaugurations needs to be examined on a case by case basis.

Standards

Any and all Corporate Political Contributions made by AEP must comply with all applicable federal and state laws, rules and regulations. The various AEP operating companies may have their own guidelines applicable to Corporate Political Contributions, provided that any such guidelines must be consistent with and subject to this policy.



BOUNDLESS ENERGY™

1. Policy about making Political Contributions

- a. As an energy company in many states, AEP is affected daily by the decisions of federal, state and local governments. It is appropriate that AEP be an active participant in the political process so that its perspectives are heard and so that it develops strong working relationships with governmental decision-makers.
- b. AEP is committed to being a good citizen of the communities it serves. Being a good citizen includes becoming informed about issues, encouraging our employees to volunteer and participate in their communities, speaking publicly about the important issues of the day, sponsoring political action committees (PACs) and other opportunities for AEP employees to participate in the political process, and within the limits of the law, contributing corporate funds to political candidates, political parties, political parties and other entities organized and operating under section 527 of the Internal Revenue Code.

2. Authorization to make Political Contributions

- a. Only the Chief Executive Officer, the President, the EVP External affairs, EVP Utilities and presidents of AEP's operating companies may initiate or make Corporate Political Contributions. An operating company president desiring to make a Corporate Political Contribution should submit the request to the EVP External Affairs and, simultaneously, to the Legal Department for review. If the Chief Executive Officer, the President, or the EVP External Affairs wishes to make Political Contributions, he or she should send a description to the Legal Department for review.
- b. The Legal Department will analyze the request to determine if it is permissible under state and federal election laws, and will provide a legal opinion to the requesting person and EVP External Affairs.
- c. Following receipt of the Legal Department's legal opinion, the EVP External Affairs will confer with the officer having budgetary responsibility for making charitable and political contributions. If the Chief Executive Officer, the President, EVP Utilities, or the EVP External Affairs initiated the request, then the EVP External Affairs will execute the request provided that a favorable legal opinion has been issued.
- d. The decision to approve or deny a request from an operating company president may be made by the Chief Executive Officer, President, EVP Utilities, or EVP External Affairs and will be communicated in writing to the operating company president.
- e. Requests, distribution, and tracking of corporate political contributions will be managed through the office of the EVP External Affairs.

3. Annual Publication of a Report about Political Contributions

- a. AEP will publish and make available to shareholders and other stakeholders an annual report about its Corporate Political Contributions. Summary parts of the report will be printed and other parts of the report will be available electronically.
- b. If AEP pays dues or makes other payments to trade associations and a portion of those dues or payments are used by those trade associations for expenditures or contributions that if made directly by AEP would not be deductible under section 162(e)(1) of the Internal Revenue Code,



BOUNDLESS ENERGY™

the report will set forth the dollar amounts that those trade associations inform AEP are not deductible under section 162(e)(1), subject to reasonable de minimis limits.

Exceptions

Contributions to charitable non-profit entities qualified under section 501(c)(3) of the Internal Revenue Code are not included under this policy. Contributions to entities qualified under sections 501(c)(4) and 501(c)(6)

of the Internal Revenue Code are not included under this policy provided the contributions will not be used for political purposes. Contributions made as a result of a decision of the AEP PAC Operating Committee or the operating committees of AEP state PACs are not included under this policy.

References

Federal and state campaign finance law, as well as various government related rules and guidelines.

Review / Revision:

Prepared & Approved by:	David M. Feinberg, Executive Vice President, General Counsel and Secretary	March 15, 2017
Reviewed by:	Charles R. Patton, Executive Vice President – External Affairs	March 15, 2017
Approved by:	Gina E. Mazzei-Smith, Sr. Counsel & Chief Compliance Officer	March 15, 2017
Approved by:	Lana Hillebrand, Executive Vice President & Chief Administrative Officer	March 15, 2017
Approved by:	Nicholas K. Akins, Chairman of the Board, President and Chief Executive Officer	March 16, 2017

EXHIBIT 26

American Electric Power Company, Inc.

NYSE:AEP

FQ1 2019 Earnings Call Transcripts

Thursday, April 25, 2019 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2019-			-FQ2 2019-	-FY 2019-	-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.11	1.19	▲ 7.21	1.00	4.13	4.40
Revenue (mm)	4225.26	4060.70	▼ (3.89 %)	4107.14	16503.93	16920.86

Currency: USD

Consensus as of Apr-24-2019 5:13 PM GMT

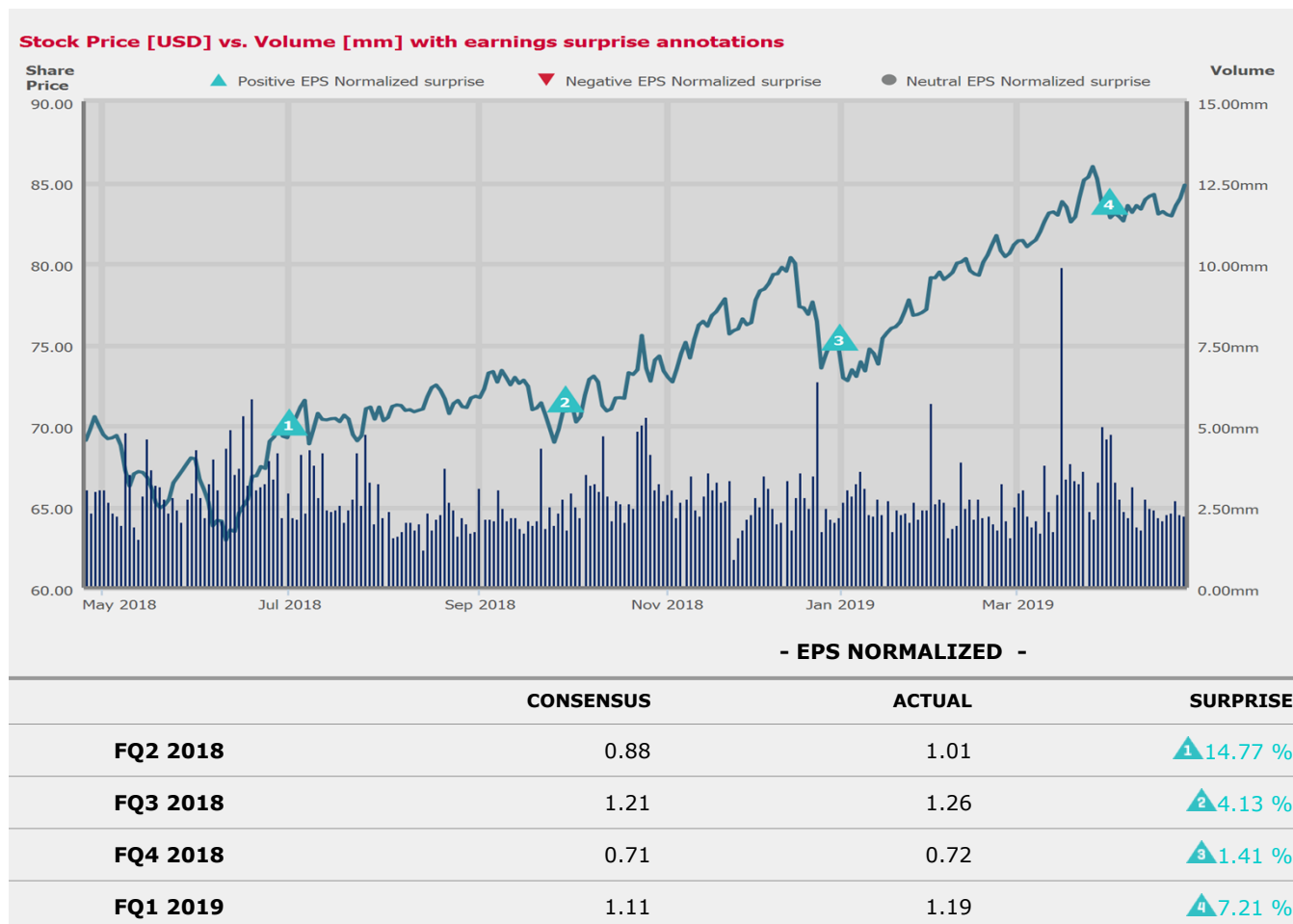


Table of Contents

Call Participants	.....	3
Presentation	.....	4
Question and Answer	.....	9

Call Participants

EXECUTIVES

Bette Jo Rozsa

Managing Director of Investor Relations

Brian X. Tierney

Executive VP & CFO

Charles E. Zebula

Executive Vice President of Energy Supply

ANALYSTS

Agnieszka Anna Storzynski

Macquarie Research

Ali Agha

SunTrust Robinson Humphrey, Inc., Research Division

Praful Mehta

Citigroup Inc, Research Division

Andrew Marc Weisel

Scotiabank Global Banking and Markets, Research Division

Christopher James Turnure

JP Morgan Chase & Co, Research Division

Gregory Harmon Gordon

Evercore ISI Institutional Equities, Research Division

Julien Patrick Dumoulin-Smith

BofA Merrill Lynch, Research Division

Michael Jay Lapidus

Goldman Sachs Group Inc., Research Division

Paul Patterson

Glenrock Associates LLC

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the American Electric Power First Quarter 2019 Earnings Call. [Operator Instructions]

As a reminder, today's conference is being recorded, and we will give the replay information at the end of the call.

I'll now turn the conference over to your host, Bette Jo Rozsa. Please go ahead.

Bette Jo Rozsa

Managing Director of Investor Relations

Thank you, Ryan. Good morning, everyone, and welcome to the First Quarter 2019 Earnings Call for American Electric Power. Thank you for taking the time to join us today.

Our earnings release, presentation slides and related financial information are available on our website, at aep.com. Today, we will be making forward-looking statements during the call. There are many factors that may cause future results to differ materially from these statements. Please refer to our SEC filings for a discussion of these factors.

Our presentation also includes references to non-GAAP financial information. Please refer to the reconciliation of the applicable GAAP measures provided in the appendix of today's presentation.

Unfortunately, Nick Akins, our Chairman, President and CEO, is not feeling well this morning and will not be joining the call. Although he expects to be back at work soon, we wanted to go forward with this call as previously scheduled.

Joining me this morning is Brian Tierney, our Chief Financial Officer; Lisa Barton, EVP of Utilities; Chuck Zebula, EVP, Energy Supply; Mark McCullough, EVP, Transmission; and Raja Sundararajan, President and COO of AEP Ohio.

Brian will provide opening remarks, and our executive team will then be available to answer your questions.

I will now turn the call over to Brian.

Brian X. Tierney

Executive VP & CFO

Thanks, Bette Jo. Good morning, everyone, and thank you for joining us today for AEP's First Quarter 2019 Earnings Call. We all wish Nick a speedy recovery and a quick return.

The company is off to an excellent start for 2019. We are pleased to report solid earnings of \$1.16 per share on a GAAP basis and \$1.19 per share operating, which compares to \$0.92 a share GAAP and \$0.96 per share operating for the first quarter of 2018.

Positive drivers were fully realized outcomes from the multitude of rate cases from 2017 to 2019; increased transmission margins from invested capital; and lower O&M, mostly timing in this case. The company continues to excel and our employees continue to deliver on the execution of our strategy of being the premium-regulated utility. Overall, this was a great quarter for the company.

There are a few topics we'd like to cover before moving on to coverage of our financial performance. First, regarding the Oklahoma rate case outcome. This was an important case. While we didn't get everything we hoped to achieve, we were successful in gaining our most important objectives: an improved ROE opportunity; riders for transmission and some distribution investments; and most of all, a much improved regulatory environment.

The outcome of the case bodes well for our continued focus on renewables, and hopefully, natural gas at some point in the state. I will discuss the regulated wind RFP initiative later. We certainly appreciate the constructive focus of the Oklahoma Corporation Commission, the staff and parties on this case.

Our acquisition of the Sempra renewables portfolio is now finalized, and we are moving forward with our renewables build-out according to plan. We have extended employment offers, which have been accepted by many of the members of the previous Sempra team, and we welcome them to the AEP family. We are excited about the acquisition of the -- of the existing operational projects, the additional development projects and the safe harbor equipment that can provide additional value.

In addition to that effort, we have significant opportunities for renewables in our regulated businesses. PSO and SWEPCO issued an RFP for up to 2,200 megawatts of wind generation. We have completed the bid process and received many quality responses. We are in the process of negotiating terms with the preferred bidders and plan to file with the state commission in July, requesting approvals to proceed. This should allow time for approvals in 2020 and for commercial operations of the project by the end of 2021.

As a reminder, these projects are consistent with our integrated resource plans, and they are currently not included in our capital and funding plans.

Now to the Ohio clean air fund legislation. The company is supportive of the Ohio House leadership's focus and efforts on addressing key energy policy issues that have plagued the state for years. In order for the legislation to benefit all Ohio customers, there are certain issues that must be addressed.

First, an elimination of the renewable portfolio standard should be replaced with the opportunity for utilities to voluntarily develop economic renewable resources in the state. In addition, contracts entered into under the existing renewable portfolio standard must be grandfathered so as to not punish utilities who are compliant with Ohio law.

Second, in regards to energy efficiency. AEP is concerned about a rapid elimination of EE programs that have benefited our customers for many years. In lieu of immediate elimination of EE programs, previously approved plans should be phased out over the next several years. We look forward to working with lawmakers during the process to achieve a balanced energy bill that provides benefits to all Ohio customers.

Turning to the equalizer chart, on Slide 5. AEP's overall regulated operations ROE is currently 10.1% versus 9.7% last quarter, placing us at the upper end of our targeted range. The improvement in the first quarter of 2019 versus the fourth quarter of 2018 is due to rate case outcomes in several of our jurisdictions as well as the timing effects of lower O&M and taxes.

Now let's take a look at the individual companies. The SEET-adjusted ROE for AEP Ohio at the end of the first quarter was 13.2% versus 13.1% in the fourth quarter of 2018 (sic) [2018]. This year, we will only be showing the SEET-adjusted ROE since the legacy items are rolling off throughout the year. We expect to end 2019 in the 13% range.

Appalachian Power's ROE at the end of the first quarter was 9.5%, comparable to last quarter. APCo received an order from West Virginia at the end of February approving their settlement, which includes a \$44 million rate base increase with a 9.75% ROE effective March 6 of this year.

The ROE for Kentucky Power at the end of the first quarter was 8.6% compared to 9% at the end of 2018. The slight decline was primarily due to lower sales and usage driven by weather and an unfavorable tax adjustment.

I&M's performance remains strong at 12.8% versus 11.4% at the end of 2018. I&M's positive performance is driven by the favorable rate reviews that occurred mid-2018 as well as continued discipline managing O&M expenses.

The ROE for PSO improved to 8% versus 6.9% at the end of 2018. This primarily reflects the implementation of the 2017 base rate case, better weather and the absence of Wind Catcher expenses.

PSO received an order on its base case settlement in March 2019, approving a \$46 million increase and a 9.4% ROE. Rates went into effect in April of this year. Importantly, the order contained a provision for full transmission tracker and a partial distribution tracker. PSO is expected to approach its authorized ROE by the end of this year.

The ROE for SWEPCO stands at 7.2% versus 6.5% at the end of 2018. This improvement is due to incremental rate relief and lower O&M expenses, also reflecting the absence of Wind Catcher expenses.

We filed an Arkansas base rate case in February, seeking a \$46 million rate increase based on a requested 10.5% ROE. SWEPCO's ROE continues to be affected by the Arkansas share of the Turk plant that is not in rates. This impacts ROE by 135 basis points.

The ROE for Texas -- AEP Texas at the end of the first quarter was 7.6% versus 8.5% at the end of 2018. The expected decline in ROE is due to lag associated with the timing of annual filings and our base rate review that we plan to file with the PUCT on May 1 of this year. Continued high level of investments and timing of our planned comprehensive rate review will continue to impact the ROE in this year.

The ROE for AEP Transmission HoldCo at the end of the first quarter was 9.9%, comparable to last quarter. The under-recovery of expenses that occurred in 2018 will be tried up this June. AEP Transmission HoldCo is projected to achieve an ROE of approximately 10% by year-end.

We are off to a great start in 2019. So let's go through the financial results for the quarter, provide some insight on load and the economy and finish with a review of our balance sheet and liquidity.

Looking at Slide 6, which shows the operating earnings for the quarter. For the first quarter, we're \$1.19 per share or \$585 million compared to \$0.96 per share or \$473 million in 2018.

Looking at the earnings drivers by segment. Operating earnings for Vertically Integrated Utilities were \$0.63 per share, up \$0.16. Favorable drivers included higher rate changes due to recovery of incremental investment, AFUDC and transmission revenue as well as lower O&M. Income taxes were also a driver for the quarter but will not be for the year due to timing. Partially offsetting these favorable items were lower normalized load, unfavorable weather compared to last year and increased depreciation expense.

The Transmission & Distribution Utilities segment earned \$0.32 per share, up \$0.07 from last year primarily driven by the reversal of the regulatory provision in Ohio. Other favorable drivers included higher transmission revenue and rate changes. Partially offsetting these favorable items were higher depreciation, O&M and unfavorable weather.

The AEP Transmission HoldCo segment continued to grow, contributing \$0.25 per share, an improvement of \$0.04 over last year. This growth reflected the return on incremental rate base. Net plant increased by \$1.4 billion or 19% since March of last year.

Generation & marketing produced earnings of \$0.09 per share, up \$0.01 from last year. Increases in retail and wholesale margins were offset by lower generation sales due to plant retirements and outages.

Finally, Corporate and Other was down \$0.05 per share from last year primarily driven by unfavorable income tax adjustment and other consolidating tax items that will reverse by year-end, other variants related to higher interest expense and lower O&M.

Overall, we experienced a solid quarter and are confident in reaffirming our annual operating earnings guidance.

Now let's turn to Slide 7. Before we dig into the detail for the quarter, let me highlight some minor changes to the slide. You may have noticed that our growth estimates for the 2019 forecast of commercial and industrial sales have changed from what we presented in the last earnings release, while total and residential sales remain unchanged. This is due to a reclassification between the commercial and industrial classes. There were no customer, tariff or revenue impacts, just geography and presentations between the 2 classes. For ease of use, we have adjusted the prior quarters to reflect the new classifications.

Now let's look at the quarterly detail. Starting in the lower-right chart, normalized retail sales decreased by 0.3% for the quarter compared to 2018. It is worth mentioning that retail sales were down at all of the Vertically Integrated Utilities while each of the T&D Utilities experienced modest growth in the quarter.

Moving clockwise, industrial sales decreased by 0.4% for the quarter. Sales in the industrial class have been slowing in recent quarters as the impact of a strong dollar and a more restrictive trade policy have challenged export manufacturers within AEP's footprint.

During last year's first quarter earnings call, we reported widespread growth across all operating companies and every one of the top 10 industrial sectors. Now a year later, industrial sales grew only in our Western operating companies and Ohio and in only 6 of the top 10 industrial sectors. The majority of this came from the oil and gas sectors. I'll provide more color on industrial sales on the next slide.

In the upper-left chart, normalized residential sales increased by 0.9% compared to the first quarter of 2018. The growth in residential sales was partially due to customer count growth, which increased by 0.05% while the rest came from growth in normalized usage. Incomes grew faster than inflation for the quarter, which provided our customers with more disposable income. I'll provide more detail on the economy later in the presentation.

Finally, in the upper-right chart, commercial sales decreased by 1.7%. Commercial sales were down across all operating companies. The tightening labor market and rising interest rates have limited this sector's growth in recent quarters.

Turning to Slide 8. I want to provide a little more color with respect to our industrial sales. The chart shows the disparity in sales between the oil and gas sectors and all other industrial sectors. The oil and gas sector load, shown in blue, mirrors the pattern in oil prices over time as expected. For the quarter, industrial sales in the oil and gas sectors increased by 5.1% while the rest of our industrial sales, shown in red, declined by 2.2%. We expect the growth in oil and gas to continue through 2019 as prices recover. In addition, our economic development team has identified a number of new oil and gas projects that are expected to come online throughout the year.

Now focusing on the red bars. You see the non-oil and gas industrials experienced robust growth in 2018 until the trade policy changes were announced at the end of the first quarter. Since then, a noticeable deceleration has occurred. Most of the slowdown can be traced back to export industries, such as chemical manufacturing, which is down 9% for the quarter. As discussed on previous calls, AEP has a higher exposure to trade policy given the higher concentration of export manufacturers located within the service territory.

Now let's turn to Slide 9 and review the status of our regional economies. As shown in the upper-left chart, GDP growth in AEP service territory was 2.9% for the quarter, which is 0.1% above the U.S. Outside of Kentucky, GDP growth for every operating company was within 0.2% of the U.S. for the quarter.

The upper-right chart shows that the gap in employment growth between AEP's service territory in the U.S. did not change in the first quarter. Job growth in AEP's territory was still 1.3% with higher growth coming from the West where most of the oil and gas activity is located. In fact, job growth in the natural resources and mining sector posted the strongest growth in the quarter at 4.3%. Other sectors that experienced robust job growth for the quarter include construction, professional and business services, education and health services and leisure and hospitality.

The final chart at the bottom shows that income growth within AEP's footprint improved in the first quarter while U.S. income growth moderated. For the quarter, personal incomes within AEP's service territory increased by 3.7%, which was a 0.5% below the U.S. As described earlier, income growth is a key driver for residential and commercial sales.

Now let's move on to Slide 10 and review the company's capitalization and liquidity. Our debt to total capital ratio increased 0.8% during the quarter to 57.8%. Our FFO to debt ratio finished the quarter at 18.1%. We expect this ratio to decline over the year as we flowback ADIT to customers but expect the number to remain in the Baa1 range.

Our net liquidity stood at about \$3.1 billion, supported by a revolving credit facility. Our qualified pension funding decreased to 98%, and our OPEB funding moderately increased to 131%. A drop in yields increased the liabilities for both plans, but strong equity returns helped offset the liability increases.

In March, AEP issued \$805 million of mandatory convertible equity units. This issuance combines a 3-year junior subordinated debt instrument with a 3-year forward purchase contract for equity. This issuance derisks our financing plan by providing required capital now and equity later when needed and not sooner. It delays equity needs above our DRIP program until 2022. The issuance maintains our balance sheet strength, enhances our credit metrics and allows us to invest growth capital for the benefit of our customers and for the recently closed renewables transaction.

Let's try and wrap this up on Slide 11 so we can get to your questions. We will move forward with the opportunities in the renewable space and continue to optimize our O&M spend. Our performance in the first quarter and the stability of our regulated business model gives us the confidence to reaffirm our operating earnings guidance range of \$4 to \$4.20 per share.

With that, I will turn the call over to the operator for your questions.

Question and Answer

Operator

[Operator Instructions] Our first question will come from the line of Praful Mehta with Citigroup.

Praful Mehta

Citigroup Inc, Research Division

So maybe just the details on the mandatory convert in '22, what are the terms in terms of what price at which -- do you expect the forward to convert into equity?

Brian X. Tierney

Executive VP & CFO

It was priced at \$82.98, and the company gets the benefit of the first 20% of upside, so almost \$100 per share. And we're locked in on the downside from that price.

Praful Mehta

Citigroup Inc, Research Division

Got you. And then on the renewables side, I wanted to understand a couple of things. Just is there any exposure that the current renewable business has to California in terms of PG&E or Edison in terms of any [BP] exposure as counterparties? And also wanted to understand, when you say move forward with the renewable opportunities in the future, are you looking at incremental investments even in 2019 beyond the Sempra acquisition?

Brian X. Tierney

Executive VP & CFO

Yes. So a couple things there, Praful. We don't have any direct credit exposure to the California utilities on those. Most of those are direct third-party consumers of that electricity. So we don't have that exposure that others do.

In regards to the investment in the renewables portfolio, we had talked about a 5-year spend of about \$2.2 billion with certain projects, including the renewables portfolio from Sempra. We spent about \$1.5 billion of that commitment. So we have roughly \$700 million left, and we're looking at opportunities as they become available. We feel that the Sempra transaction was at a very good value to the company, considering both the existing projects and the developmental project. And we were able -- by making that acquisition early in the 5-year period, we were able to solidify and derisk that \$2.2 billion forecast of spend.

So we're on our way to meeting the \$2.2 billion commitment, and we're evaluating development projects with the portfolio and looking at other opportunities as well.

Praful Mehta

Citigroup Inc, Research Division

Got you. But you don't expect to go above the \$2.2 billion? It will stay within that budget?

Brian X. Tierney

Executive VP & CFO

That's our anticipation at this point. Yes.

Operator

Next question comes from the line of Julien Dumoulin with Bank of America.

Julien Patrick Dumoulin-Smith

BofA Merrill Lynch, Research Division

So perhaps, just pick off -- pick up where Praful left off. In terms of the incremental and the \$2.2 billion versus the \$1.5 billion commitment already, I understand that you have some inventoried assets that you acquired as part of that Sempra transaction. I'd be curious, how do you think about leveraging that for further investments on the repowering side? When would you need to provide some updates, obviously, just given the limited window remaining here from a safe harbor perspective? And then separately, if you can clarify, obviously, the \$2.2 billion is over a 5-year period, it would appear that at least from a timing perspective, you're ahead of what you'd introduced from a rateable improvement in the EEI slides last November, I would think.

Brian X. Tierney
Executive VP & CFO

Yes. So Julien, I'm going to ask Chuck Zebula who runs that business and who you know to address this question.

Charles E. Zebula
Executive Vice President of Energy Supply

Yes. Julien, so yes, there are opportunities that we're pursuing. As you know, we just closed on the transaction on Monday. We're actively working with our new team members, the status of the development projects. Even as we have taken over this week, there are some positive news coming out of a township vote in Michigan on one of our projects. So there's still additional due diligence. We realize that the time is ticking to reach 2020. We may reach the light of day on 1 or 2 of these by 2020, but I can't commit to that at this point in time. They can turn into '21 projects with some structuring and items we would need to do with other parties.

But nonetheless, there are opportunities here and they're relatively small bites as opposed to significant large projects. And that's why we think a lot of these could get done within the \$700 million that Brian had talked about.

Julien Patrick Dumoulin-Smith
BofA Merrill Lynch, Research Division

Got it. And then in terms of timing?

Charles E. Zebula
Executive Vice President of Energy Supply

Well, in terms of timing, I think absolutely we'll be updating quarterly where we are in some of this stuff. It's a full push forward. So -- but yes, as we pull the transaction and the spend earlier, yes, you'll see the earnings from those contributions here in '19 and beyond.

Julien Patrick Dumoulin-Smith
BofA Merrill Lynch, Research Division

And just to clarify this point, obviously, you have a number of other RFPs out there on the Wind Catcher 2.0 structure. That's separate and distinct from any inventoried assets that you might have for repowering assets to beat the \$2.2 billion bucket, right?

Brian X. Tierney
Executive VP & CFO

That's correct, Julien, completely different efforts.

Operator

Next question comes from the line of Ali Agha with SunTrust.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

Brian, in the past, you folks have talked about confidence level trending to the higher end or the upper half of the 5% to 7% range of earnings growth that you've targeted. Are we still looking at it from that perspective? And also to clarify, that was based on the existing budget. That was not assuming new incremental CapEx. The existing budget could trend you in the upper half of the 5% to 7%. Is that correct?

Brian X. Tierney
Executive VP & CFO

That's right, Ali. And I think the way Nick has raised it before is this management team will be very disappointed if we're not in the upper end of that range.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

Upper end of the range, got you. Okay. And then separately, these RFPs and other opportunities, particularly, I guess, in renewable that you're working on, can you give us some sense of size? I mean if these do come through and you pointed out these would be incremental to the base plan, but what kind of cumulative size are we looking at in terms of that opportunity?

Brian X. Tierney
Executive VP & CFO

The regulated RFPs that we've issued in the market are for up to 2,200 megawatts, and that's the reason -- that's the number. That's consistent with what our IRPs in those jurisdictions would call for, for renewables. So a significant amount, very -- not dissimilar to what we are talking about in terms of generation with Wind Catcher.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

And that would be owned by AEP, all of that, if that comes through?

Brian X. Tierney
Executive VP & CFO

Yes. Yes.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

Okay. And the timing around that again?

Brian X. Tierney
Executive VP & CFO

We're shooting toward the end of 2021. And Ali to your point, that is -- those plans are not in our capital and funding plans today. But we'll adjust those plans as we go forward and we firm up how much it is we're talking about and confirm that the timing is at the end of 2021.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

I got you. And final question, Brian. On the Transmission front, you've laid out a very strong growth outlook through 2021 very specifically. As you look out beyond that, at least through '23, since your CapEx budget goes out that many years, are you looking at a similar kind of growth over the '22, '23 period? Or does it taper off? How are you looking at that Transmission growth?

Brian X. Tierney
Executive VP & CFO

No. We see our ability to continue to grow investment in that space for the foreseeable future. One of the things -- when you have the largest transmission system in the country, you have the largest aging transmission system in the country, so there's significant opportunity for us to continue to invest in our own assets. And then there's also significant developments that we need to do on cyber and security and other efforts where we're just beginning to see the front end of that significant increase in spend.

Operator

Our next question comes from the line of Christopher Turnure with JPMorgan.

Christopher James Turnure

JP Morgan Chase & Co, Research Division

I have another question on renewables here. Just broadly speaking, I think you talked about the value of the development portfolio within the Sempra purchase. But if you kind of step back and think about the decision to buy that versus build it and the decision to kind of go in more of a wind versus a solar direction here, what informs those decisions? And how do you think about your strategic edge in kind of owning these assets versus others?

Brian X. Tierney

Executive VP & CFO

Yes. So Christopher, Chuck and his team have been very selective in the assets that they've looked at. And they're looking for high-quality contracted assets with creditworthy counterparties. So they've been looking at that on a -- really on a project-by-project basis until this opportunity came along. And what this opportunity brought with it was a lot of wind, some battery contracted with high quality counterparties, but it also brought a team with it. And that team is something that we didn't organically have from a development standpoint. So we got not just a team, but also development projects in the pipeline that we wouldn't have had otherwise. So whether they're repowering or the new project that Chuck talked about with the municipal, it takes our business really to the next level.

And not to say we're going to be the next NextEra there because I don't think that's our aspiration. But it firms up and derisks our ability to put that \$2.2 billion to work like we talked about.

So I think with Chuck's existing commercial team, their conservative approach to making sure that we get high-quality assets, combined with the new development team that we get from Sempra, I think we have a pretty strong organization to go forward and execute against the strategic plans that we've laid out.

Christopher James Turnure

JP Morgan Chase & Co, Research Division

Is it fair to think about the returns that you're going to get there long term as being pretty competitive with what you're earning at the T&D businesses and the generation businesses today on the utilities side?

Brian X. Tierney

Executive VP & CFO

Very much so.

Christopher James Turnure

JP Morgan Chase & Co, Research Division

Okay. And then my second question is a follow-up to an earlier one on the long-term EPS guidance. I wanted to make sure I was properly understanding everything here. You have a situation where you'd be disappointed if you weren't at the high end of the 5% to 7% range. And just year-to-date, you've pulled forward that CapEx with the Sempra deal, you've had a, I guess, constructive settlement in Oklahoma that's going to allow you to earn a more fair return there and you still have the potential for the RFP on the utility side with the renewables. Is there any timing shift within that 5% to 7% range that's occurred here? Or is it kind of still back-end weighted for the high end of that range?

Brian X. Tierney

Copyright © 2019 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Executive VP & CFO

Yes. So as we talk about this year, we believe we're on track to be inside that \$4 to \$4.20 range, which puts us in the mid part of that range. I think as we execute against some of these things, it's going to take time for them to cumulatively push us to the higher end of that range. So I'd say no change on this year. And as we look forward to future years, as we execute both regulated and some of these competitive opportunities, I think that's when we'll be expecting to be in the upper end of that range.

Operator

Next question comes from the line of Paul Patterson with Glenrock.

Paul Patterson

Glenrock Associates LLC

On the significant excess, the SEET reversal, could you tell us what -- I apologize, what triggered that? Because it looks like it's a 2016 item that reversed? Could you...

Brian X. Tierney

Executive VP & CFO

So Paul, it was a number of things. It was -- 2016 was the year that we had the global settlement in Ohio, and there was some risk as to whether or not issues that were included in the global settlement would be included in the calculation of SEET for that year. We believed they should have been excluded, and that's the basis on which we filed our 2016 SEET. We had a unanimous settlement saying that there was no significantly excess earnings in 2016 and did not get an order on that until this year. So when we looked at that, we had significant risk around that. We're uncomfortable at that point given the risks that existed in taking that to income, made the reserve at the time and now with a positive order on the settlement are able to reverse that.

Paul Patterson

Glenrock Associates LLC

Wow, they took that long for a settlement, okay -- for an order, excuse me. And that's nonrecurring, right?

Brian X. Tierney

Executive VP & CFO

So I want to be clear about that. It's included in GAAP earnings, and we've included it in ongoing earnings, but it's an item that will not repeat next year.

Paul Patterson

Glenrock Associates LLC

Okay. And then with respect to the Ohio legislation, previously, you guys, I think, had concerns about AEP utility ratepayers paying for other companies' nuclear plants. How do you guys feel about HB 6 as it currently stands? I mean I know you raised a couple of the issues in your prepared remarks this morning. Can you just give a little more color on that?

Brian X. Tierney

Executive VP & CFO

So we think if there's a full package where all of Ohio customers can benefit, then it's a worthy effort. If it's just a bailout for one company or another, it's not as beneficial to all Ohio customers. So there needs to be a full package of things that get addressed. And energy efficiency, the renewable portfolio standard, ability of utilities to invest in renewables going forward are all important things that need to be in the bill. And if they're not, it's not as beneficial for ratepayers in the state.

Paul Patterson

Glenrock Associates LLC

Okay. So I guess -- okay. I got you. Then just with the energy efficiency, if those changes did take place, do you think that would have a meaningful impact on your retail sales growth?

Brian X. Tierney
Executive VP & CFO

We do not.

Operator

Next we'll go to the line of Michael Lapidés with Goldman Sachs.

Michael Jay Lapidés
Goldman Sachs Group Inc., Research Division

Brian, just curious, can you remind us what the sensitivity to changes in weather-normalized demand are in terms of meeting not just current year guidance, but kind of your multiyear growth rate? I ask and I know it's only one quarter, but some of the demand metrics on the commercial side seem pretty weak. And that's obviously -- you get a lot of demand from industrial, but it tends to be lower margin, but commercial and residential tends to be higher margin.

Brian X. Tierney
Executive VP & CFO

We're trying to look up what the sensitivities are right now. We think that we're on track to get where we need to be for the year, even though we're slightly off for the first quarter. Again, we make more from places where we sell integrated utility product than just the T&D side. But for changes, 5% change in -- I'm sorry, 0.5% change in residential is \$0.005 for T&D utilities. For Vertically Integrated Utilities, it's 1.4%. Commercial, again, is about half that, a 0.5% change. For Vertically Integrated Utilities, it's \$0.007. For T&D Utilities, it's a \$0.001. And for industrial sales, 0.05% change is the same as it is for commercial.

\$0.007 for Vertically Integrated and \$0.001 for T&D Utilities.

Michael Jay Lapidés
Goldman Sachs Group Inc., Research Division

Got it. And one other question. Just trying to think about Texas. What's driving the under-earning in Texas, I mean, if Texas is a state where you've got both transmission and distribution cost recovery riders? So just curious, what's the biggest driver of the regulatory lag you're experiencing now?

Brian X. Tierney
Executive VP & CFO

Well, there's a couple of things going on there, Michael. One is the fact that we are investing so much in the state that even with those very timely recoveries, we just can't keep up with the amount of capital that we're putting to work in the state. Second thing is as we go in for the base rate case this year, we need to suspend those short-term trackers for the near term. Until we get everything caught up in the base rate case, and then we can put those trackers back in the space. So that is going to cause a little bit of lag this year and next year as well.

Operator

And next, we go to the line of Andrew Weisel.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Congratulations on the PSO outcome. My question there is, does this change your CapEx plan at all? With a transmission tracker, would you consider increasing CapEx at PSO? And would that drive an increase to the overall spending? Or would it be shifted away from other subsidiaries? I see the pie chart is unchanged, but just wondering how to think about that.

Brian X. Tierney
Executive VP & CFO

So what this means for us is that Oklahoma is open for business again. So we had previously, when we were under that prolonged period of under-earning at PSO, we had shifted capital to more welcoming jurisdictions that allowed us to have higher ROEs and trackers.

Now that we have the appropriate trackers in public service of Oklahoma, we're going to shift capital that had been shifted away from Oklahoma back into the state and have that benefit the ratepayers and customers in that state. So it's not so much -- it's not so much a huge increase, although it is. But we're shifting dollars back in that have been shifted out, and that's positive for PSO.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Makes a lot of sense. Then my other question is on Ohio wind. My understanding is you're able to own up to 450 megawatts out of the 500 planned. My question is for the portion signed through PPA, would you expect that equivalency cost mechanism? I know you have that for solar, but it's small. But how do you think about that for wind PPAs?

Brian X. Tierney
Executive VP & CFO

Yes. We would expect that equivalency on those as well. If our utilities' balance sheets are being consumed to support PPAs, we need to be compensated for that. And the rating agencies ding us for those, and we need to make sure that we're filling in the gap that we're getting dinged for by entering into those PPAs. So we think that equivalency is appropriate really on all renewable PPAs that we don't own.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Okay. And I know there's not a lot of precedent, obviously, Michigan just settled on that. You used the word need twice in your answer there. Is that a nice-to-have or a must-have?

Brian X. Tierney
Executive VP & CFO

It's appropriate to have them and it's inappropriate not to have them.

Operator

Our next question comes from line of Angie Storozynski with Macquarie.

Agnieszka Anna Storozynski
Macquarie Research

So I wanted to go back to 2019 guidance. So the Sempra acquisition came earlier than expected, and you mentioned that it would be earnings accretive this year. The Oklahoma rate case settlement was better than expected. So what's the negative offsets that you're still in the middle of the range?

Brian X. Tierney
Executive VP & CFO

Yes. So there's a couple of things going on. In addition to the Sempra acquisition, there are also some Sempra -- there are also some financing costs associated with that. And so we do expect gen and marketing to be ahead \$0.02. We expect Corporate and Other to be a drag as we finance that. And our AEP Transmission Holdco, while improving, is not going to be as strong as what we thought it was going to be when we provided guidance due to some tracking items on O&M and due to our inability to get everything into capital base that we thought we would by the end of last year.

So like any year, there are things that are positive, there are things that are negative as we work our way through the year, and we still anticipate being in the midpoint of the guidance range.

Agnieszka Anna Storzynski

Macquarie Research

Okay. And so the SWEPCO and PSO renewables, can we assume that all of these assets would be rate based?

Brian X. Tierney

Executive VP & CFO

Yes. That's what the RFP asked for, build, operate, transfer to PSO and SWEPCO projects. And that's largely how people responded. And we would anticipate owning them, and that's how we'll file with the commissions in July.

Operator

[Operator Instructions] Our next question comes from the line of Mike Lonegan with Evercore.

Gregory Harmon Gordon

Evercore ISI Institutional Equities, Research Division

Okay. It's Greg Gordon. Just a follow-up on Paul Patterson's question on the reversal of the SEET test issue. When you initially booked that in the first instance, was that also considered an operating item? So this is sort of equal opportunity with a drag in that year; and now that you reversed it, it's a help. But in all cases, you're consistently applying that methodology?

Brian X. Tierney

Executive VP & CFO

Absolutely, Greg. It was GAAP and operating in both periods.

Gregory Harmon Gordon

Evercore ISI Institutional Equities, Research Division

Okay. Just wanted to clarify that. And the second thing, this is a follow-up to Angie's question. I just want to make sure that I'm not getting the implication wrong when you said that you're going to be ahead in the renewables business, but then you have the financing costs associated with financing Sempra. Is the implication that the Sempra transaction is not really accretive on an earnings basis in '19? And if so or if not so, what's the math there? And then how does that trend over time?

Brian X. Tierney

Executive VP & CFO

No, Greg. It will be accretive in '19. It will be accretive going forward. And remember that the financing was larger than what was needed just for that one project, but it's an accretive project in the current period and in forward periods, inclusive of financing costs.

Gregory Harmon Gordon

Evercore ISI Institutional Equities, Research Division

I understand. But then part of that equity was allocated to just general corporate needs, and we have to think about it that way?

Brian X. Tierney

Executive VP & CFO

That's correct.

Operator

And we have no further questions in queue at this time.

Bette Jo Rozsa

Managing Director of Investor Relations

Well, thank you, everyone, for joining us on today's call. As always, the IR team will be available to answer any additional questions you may have. Ryan, would you please give the replay information?

Operator

Certainly. Ladies and gentlemen, as you heard, this conference is available for replay. It starts today at 11:15 Eastern and goes through May 2 at midnight. You can access the AT&T replay system at 1 (800) 475-6701 and entering the access code 466133. International participants may dial into the United States area code (320) 365-3844.

That does conclude today's conference. I want to thank you for your participation. You may now disconnect.

Copyright © 2019 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2019 S&P Global Market Intelligence.

EXHIBIT 27

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For The Quarterly Period Ended **June 30, 2019**
or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For The Transition Period from ____ to ____

Commission File Number	Registrants; Address and Telephone Number	States of Incorporation	I.R.S. Employer Identification Nos.
1-3525	AMERICAN ELECTRIC POWER CO INC.	New York	13-4922640
333-221643	AEP TEXAS INC.	Delaware	51-0007707
333-217143	AEP TRANSMISSION COMPANY, LLC	Delaware	46-1125168
1-3457	APPALACHIAN POWER COMPANY	Virginia	54-0124790
1-3570	INDIANA MICHIGAN POWER COMPANY	Indiana	35-0410455
1-6543	OHIO POWER COMPANY	Ohio	31-4271000
0-343	PUBLIC SERVICE COMPANY OF OKLAHOMA	Oklahoma	73-0410895
1-3146	SOUTHWESTERN ELECTRIC POWER COMPANY 1 Riverside Plaza, Columbus, Ohio 43215-2373 Telephone (614) 716-1000	Delaware	72-0323455

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Trading Symbol	Name of Each Exchange on Which Registered
American Electric Power Company Inc.	Common Stock, \$6.50 par value	AEP	New York Stock Exchange
American Electric Power Company Inc.	6.125% Corporate Units	AEP PR B	New York Stock Exchange

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit such files).

Yes No

Indicate by check mark whether American Electric Power Company, Inc. is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

Indicate by check mark whether AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company are large accelerated filers, accelerated filers, non-accelerated filers, smaller reporting companies, or emerging growth companies. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act). Yes No

AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company meet the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and are therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) to Form 10-Q.

FORWARD-LOOKING INFORMATION

This report made by the Registrants contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Many forward-looking statements appear in “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” of the 2018 Annual Report, but there are others throughout this document which may be identified by words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “will,” “should,” “could,” “would,” “project,” “continue” and similar expressions, and include statements reflecting future results or guidance and statements of outlook. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Forward-looking statements in this document are presented as of the date of this document. Except to the extent required by applicable law, management undertakes no obligation to update or revise any forward-looking statement. 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.
- Decreased demand for electricity.
- 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 SNF.
- The availability of fuel and necessary generation capacity and the performance of generation plants.
- 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 PM 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 coal and other energy-related commodities, particularly changes in the price of natural gas.
- Changes in utility regulation and the allocation of costs within RTOs 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, OPEB, 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.

- Other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes, naturally occurring and human-caused fires, cyber security threats and other catastrophic events.

The forward-looking statements of the Registrants speak only as of the date of this report or as of the date they are made. The Registrants expressly disclaim any obligation to update any forward-looking information. For a more detailed discussion of these factors, see “Risk Factors” in Part I of the 2018 Annual Report and in Part II of this report.

Investors should note that the Registrants announce material financial information in SEC filings, press releases and public conference calls. Based on guidance from the SEC, the Registrants may use the Investors section of AEP’s website (www.aep.com) to communicate with investors about the Registrants. It is possible that the financial and other information posted there could be deemed to be material information. The information on AEP’s website is not part of this report.

**AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

EXECUTIVE OVERVIEW

Customer Demand

AEP's weather-normalized retail sales volumes for the second quarter of 2019 decreased by 1.8% compared to the second quarter of 2018. AEP's second quarter 2019 industrial sales decreased by 2.7% compared to the second quarter of 2018. The decline in industrial sales was spread across most operating companies and most industries outside of the oil and gas sector. Weather-normalized residential sales decreased 1.4% while weather-normalized commercial sales decreased by 0.9% in the second quarter of 2019 compared to the second quarter of 2018.

AEP's weather-normalized retail sales volumes for the six months ended June 30, 2019 decreased by 1.0% compared to the six months ended June 30, 2018. AEP's industrial sales volumes for the six months ended June 30, 2019 decreased 1.5% compared to the six months ended June 30, 2018. The decline in industrial sales was spread across most operating companies and most industries outside of the oil and gas sector. Weather-normalized residential and commercial sales decreased 0.1% and 1.3%, respectively, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Regulatory Matters

AEP's public utility subsidiaries are involved in rate and regulatory proceedings at the FERC and their state commissions. Depending on the outcomes, these rate and regulatory proceedings can have a material impact on results of operations, cash flows and possibly financial condition. AEP is currently involved in the following key proceedings. See Note 4 - Rate Matters for additional information.

- *Texas Storm Cost Securitization* - In March 2019, AEP Texas filed a request to securitize total estimated distribution-related system restoration costs with the PUCT in the amount of \$230 million, which included estimated carrying costs. In June 2019, the PUCT issued a financing order approving the filing with minimal changes. Subject to market conditions, securitization bonds are expected to be issued in the third quarter of 2019. The remaining \$95 million of estimated net transmission-related system restoration costs, including carrying charges, is expected to be recovered in the 2019 Texas Base Rate Case or through interim transmission base rate increases.
- *Virginia Legislation Affecting Earnings Reviews* - In March 2018, Virginia enacted legislation requiring APCo to file its next generation and distribution base rate case by March 31, 2020 using 2017, 2018 and 2019 test years ("triennial review"). Triennial reviews are subject to an earnings test which provides that 70% of any earnings exceeding 70 basis points over the Virginia SCC authorized return on common equity would be refunded to customers or be used to lower APCo's Virginia retail base rates on a prospective basis. The Virginia legislation also states that, under certain circumstances, costs associated with asset impairments related to early retirement determinations made by a utility for generation facilities fueled by coal, natural gas or oil or for automated meters be considered fully recovered in the period recorded. Management has reviewed APCo's actual and forecasted earnings for the triennial period and concluded that it is not probable, but is reasonably possible, that APCo will over-earn in Virginia during the 2017-2019 triennial period. Due to various uncertainties, including weather, storm restoration, weather-normalized demand and potential customer shopping during 2019, management cannot estimate a range of potential APCo Virginia over-earnings during the 2017-2019 triennial period.
- *Virginia Staff Depreciation Study Request* - In November 2018, Virginia staff recommended that APCo implement new Virginia jurisdictional depreciation rates effective January 1, 2018 based on APCo's depreciation study that was prepared at Virginia staff's request using December 31, 2017 APCo property balances. Implementation of those depreciation rates would result in a \$21 million pretax increase in annual

depreciation expense with no corresponding increase in retail base rates. In December 2018, APCo submitted a response to the Virginia Staff stating that it was inappropriate for APCo to change Virginia depreciation rates in advance of APCo's triennial review, citing the Virginia SCC's November 2014 order to not change APCo's Virginia depreciation rates until APCo's next base rate case/review.

- *2020 Increase in West Virginia Retail Rates for WPCo 17.5% Merchant Share of Mitchell Plant* - In January 2015, the WVPSC approved a settlement agreement whereby 82.5% of the costs associated with WPCo's acquired interest were prospectively reflected in retail rates with the remaining 17.5% of costs associated with the acquired interest to be included in rates starting January 2020. APCo and WPCo file joint retail rates in West Virginia. In June 2019, APCo and WPCo filed with the WVPSC to increase each company's retail rates (through a surcharge) starting January 1, 2020 to reflect the recovery of WPCo's remaining 17.5% interest in the Mitchell Plant. The joint filing will increase APCo's and WPCo's combined West Virginia retail rates by approximately \$21 million annually.
- *2012 Texas Base Rate Case* - In 2012, SWEPCo filed a request with the PUCT to increase annual base rates primarily due to the completion of the Turk Plant. In 2013, the PUCT issued an order affirming the prudence of the Turk Plant. In July 2018, the Texas Third Court of Appeals reversed the PUCT's judgment affirming the prudence of the Turk Plant and remanded the issue back to the PUCT. In August 2018, SWEPCo filed a Motion for Reconsideration at the Court of Appeals, which was denied. In January 2019, SWEPCo and the PUCT filed petitions for review with the Texas Supreme Court. In May 2019, various intervenors filed replies to the petition. SWEPCo's response to these replies is due in July 2019. As of June 30, 2019, the net book value of Turk Plant was \$1.5 billion, before cost of removal, including materials and supplies inventory and CWIP. SWEPCo's Texas jurisdictional share of the Turk Plant investment is approximately 33%.
- In July 2019, clean energy legislation which offers incentives for power-generating facilities with zero- or reduced carbon emissions was signed into law by the Ohio Governor. The clean energy legislation phases out current energy efficiency and renewable mandates after 2020 and 2026, respectively. The bill also provides for the recovery of existing renewable energy contracts on a bypassable basis through 2032 and includes a provision for recovery of certain legacy generation resources which will be allocated to all electric distribution utilities on a non-bypassable basis. Management is analyzing the impact of this legislation and at this time cannot estimate the impact on results of operations, cash flows or financial condition.

Utility Rates and Rate Proceedings

The Registrants file rate cases with their regulatory commissions in order to establish fair and appropriate electric service rates to recover their costs and earn a fair return on their investments. The outcomes of these regulatory proceedings impact the Registrants' current and future results of operations, cash flows and financial position.

The following tables show the Registrants' completed and pending base rate case proceedings in 2019. See Note 4 - Rate Matters for additional information.

Completed Base Rate Case Proceedings

Company	Jurisdiction	Approved Revenue Requirement Increase	Approved ROE	New Rates Effective
		(in millions)		
APCo	West Virginia	\$ 35.8	9.75%	March 2019
WPCo	West Virginia	8.4	9.75%	March 2019
PSO	Oklahoma	46.0	9.4%	April 2019

EXHIBIT 28

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2020**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number	Registrants; Address and Telephone Number	States of Incorporation	I.R.S. Employer Identification Nos.
1-3525	AMERICAN ELECTRIC POWER CO INC.	New York	13-4922640
333-221643	AEP TEXAS INC.	Delaware	51-0007707
333-217143	AEP TRANSMISSION COMPANY, LLC	Delaware	46-1125168
1-3457	APPALACHIAN POWER COMPANY	Virginia	54-0124790
1-3570	INDIANA MICHIGAN POWER COMPANY	Indiana	35-0410455
1-6543	OHIO POWER COMPANY	Ohio	31-4271000
0-343	PUBLIC SERVICE COMPANY OF OKLAHOMA	Oklahoma	73-0410895
1-3146	SOUTHWESTERN ELECTRIC POWER COMPANY 1 Riverside Plaza, Columbus, Ohio 43215-2373 Telephone (614) 716-1000	Delaware	72-0323455

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Trading Symbol	Name of Each Exchange on Which Registered
American Electric Power Company Inc.	Common Stock, \$6.50 par value	AEP	The NASDAQ Stock Market LLC
American Electric Power Company Inc.	6.125% Corporate Units	AEPLL	The NASDAQ Stock Market LLC
American Electric Power Company Inc.	6.125% Corporate Units	AEPPZ	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant American Electric Power Company, Inc., AEP Texas Inc., AEP Transmission Company, LLC, Ohio Power Company and Southwestern Electric Power Company, are well-known seasoned issuers, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants Appalachian Power Company, Indiana Michigan Power Company and Public Service Company of Oklahoma, are well-known seasoned issuers, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether American Electric Power Company, Inc. is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

Indicate by check mark whether AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company are large accelerated filers, accelerated filers, non-accelerated filers, smaller reporting companies, or emerging growth companies. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act). Yes No

AEP Texas Inc., AEP Transmission Company, LLC, Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company meet the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and are therefore filing this Form 10-K with the reduced disclosure format specified in General Instruction I(2) to such Form 10-K.

	Aggregate Market Value of Voting and Non-Voting Common Equity Held by Nonaffiliates of the Registrants as of June 30, 2020 the Last Trading Date of the Registrants' Most Recently Completed Second Fiscal Quarter	Number of Shares of Common Stock Outstanding of the Registrants as of December 31, 2020
American Electric Power Company, Inc.	\$39,549,558,010	496,604,194 (\$6.50 par value)
AEP Texas Inc.	None	100 (\$0.01 par value)
AEP Transmission Company, LLC (a)	None	NA
Appalachian Power Company	None	13,499,500 (no par value)
Indiana Michigan Power Company	None	1,400,000 (no par value)
Ohio Power Company	None	27,952,473 (no par value)
Public Service Company of Oklahoma	None	9,013,000 (\$15 par value)
Southwestern Electric Power Company	None	3,680 (\$18 par value)

(a) 100% interest is held by AEP Transmission Holdco.

NA Not applicable.

Note on Market Value of Common Equity Held by Nonaffiliates

American Electric Power Company, Inc. owns all of the common stock of AEP Texas Inc., Appalachian Power Company, Indiana Michigan Power Company, Ohio Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company and, indirectly, all of the LLC membership interest in AEP Transmission Company, LLC (see Item 12 herein).

AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2020, 2019 and 2018
(in millions, except per-share and share amounts)

	Years Ended December 31,		
	2020	2019	2018
REVENUES			
Vertically Integrated Utilities	\$ 8,753.2	\$ 9,245.7	\$ 9,556.7
Transmission and Distribution Utilities	4,238.7	4,319.0	4,552.3
Generation & Marketing	1,621.0	1,721.8	1,818.1
Other Revenues	305.6	274.9	268.6
TOTAL REVENUES	14,918.5	15,561.4	16,195.7
EXPENSES			
Fuel and Other Consumables Used for Electric Generation	1,439.3	1,940.9	2,359.4
Purchased Electricity for Resale	2,930.4	3,165.2	3,427.1
Other Operation	2,572.4	2,743.7	2,979.2
Maintenance	1,010.4	1,213.9	1,247.4
Asset Impairments and Other Related Charges	—	156.4	70.6
Depreciation and Amortization	2,682.8	2,514.5	2,286.6
Taxes Other Than Income Taxes	1,295.5	1,234.5	1,142.7
TOTAL EXPENSES	11,930.8	12,969.1	13,513.0
OPERATING INCOME	2,987.7	2,592.3	2,682.7
Other Income (Expense):			
Other Income	57.0	26.6	18.2
Allowance for Equity Funds Used During Construction	148.1	168.4	132.5
Non-Service Cost Components of Net Periodic Benefit Cost	119.0	120.0	124.5
Interest Expense	(1,165.7)	(1,072.5)	(984.4)
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT) AND EQUITY EARNINGS	2,146.1	1,834.8	1,973.5
Income Tax Expense (Benefit)	40.5	(12.9)	115.3
Equity Earnings of Unconsolidated Subsidiaries	91.1	72.1	73.1
NET INCOME	2,196.7	1,919.8	1,931.3
Net Income (Loss) Attributable to Noncontrolling Interests	(3.4)	(1.3)	7.5
EARNINGS ATTRIBUTABLE TO AEP COMMON SHAREHOLDERS	\$ 2,200.1	\$ 1,921.1	\$ 1,923.8
WEIGHTED AVERAGE NUMBER OF BASIC AEP COMMON SHARES OUTSTANDING	495,718,223	493,694,345	492,774,600
TOTAL BASIC EARNINGS PER SHARE ATTRIBUTABLE TO AEP COMMON SHAREHOLDERS	\$ 4.44	\$ 3.89	\$ 3.90
WEIGHTED AVERAGE NUMBER OF DILUTED AEP COMMON SHARES OUTSTANDING	497,226,867	495,306,238	493,758,277
TOTAL DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO AEP COMMON SHAREHOLDERS	\$ 4.42	\$ 3.88	\$ 3.90

See Notes to Financial Statements of Registrants beginning on page 229.