

Potomac – Appalachian Transmission Highline: PATH (1)

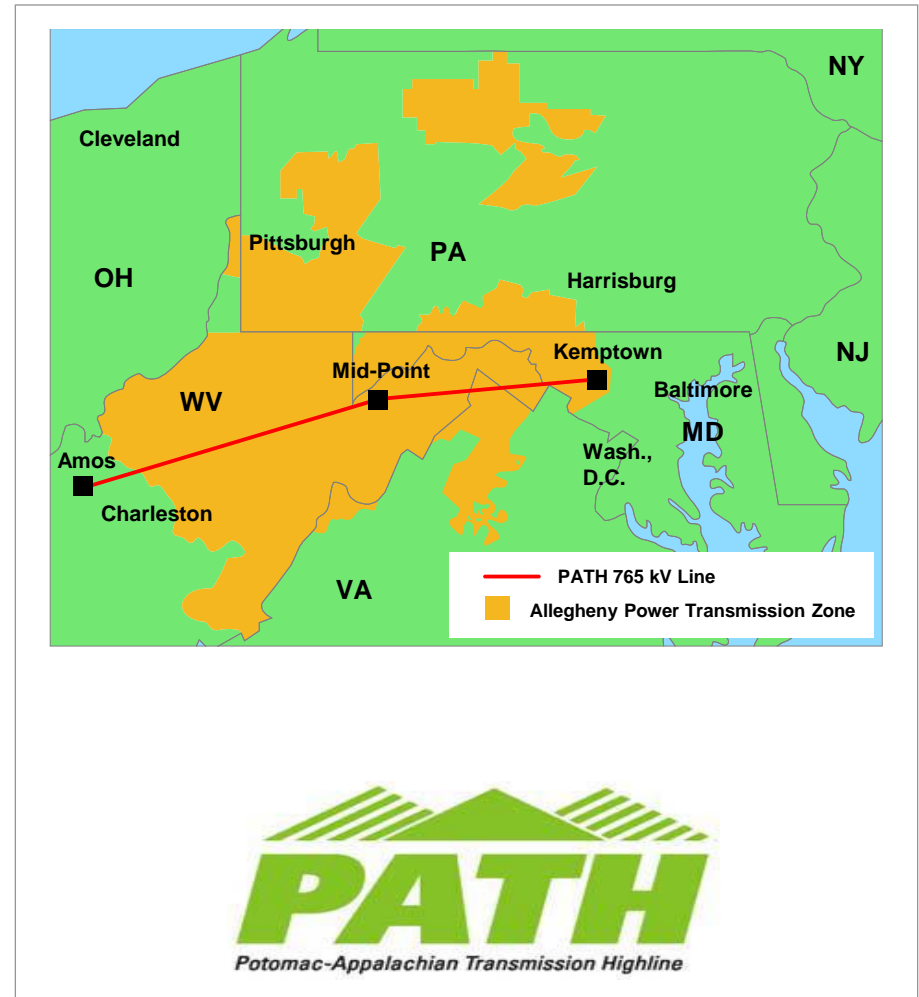
- 275 miles of 765-kV transmission line from AEP’s John Amos substation near St. Albans, WV, through a new midpoint station, ending at a new substation near Kemptown, MD
- Recently withdrew application in Virginia and filed a new application in Maryland
 - Intention to file a new application in Virginia in late 2010

Overview

- FERC order issued on 29 February 2008 approving
 - Cash return on CWIP and 14.3% incentive ROE
 - Recovery of all costs incurred prior to the time rates go into effect, and
 - Recovery of all prudently incurred development and construction costs if the project is abandoned as a result of factors beyond the control of PATH or its parents
- Rates went into effect 1 March 2008; current annual revenue requirement is \$15MM effective 1 January 2009

Key Challenges

- Obtaining a CPCN in West Virginia or costly concessions with WV to receive the CPCN; CPCN filing made 15 May 2009 with a decision expected later in 2010
- Total estimated cost of entire line is \$1.8Bn; AEP’s 50/50 JV with Allegheny will develop West Virginia section at a cost of \$1.2Bn. AEP share is approximately \$600MM
- Estimated completion date has been delayed with a final COD to be determined

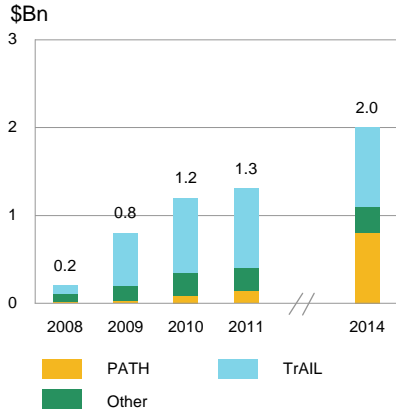


Note

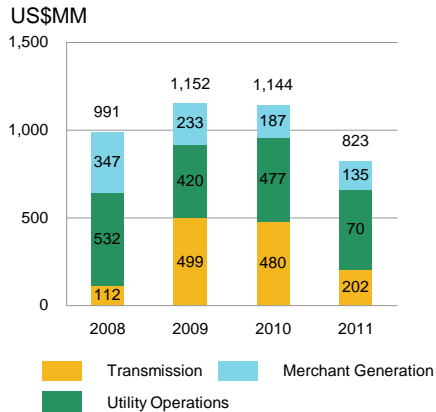
1. The ROW routes shown on the diagram are for illustrative purposes only and may not depict actual route that could eventually be selected; substation locations may also be modified

AYE Transmission Strategy

Transmission Rate Base



AYE Capital Expenditure



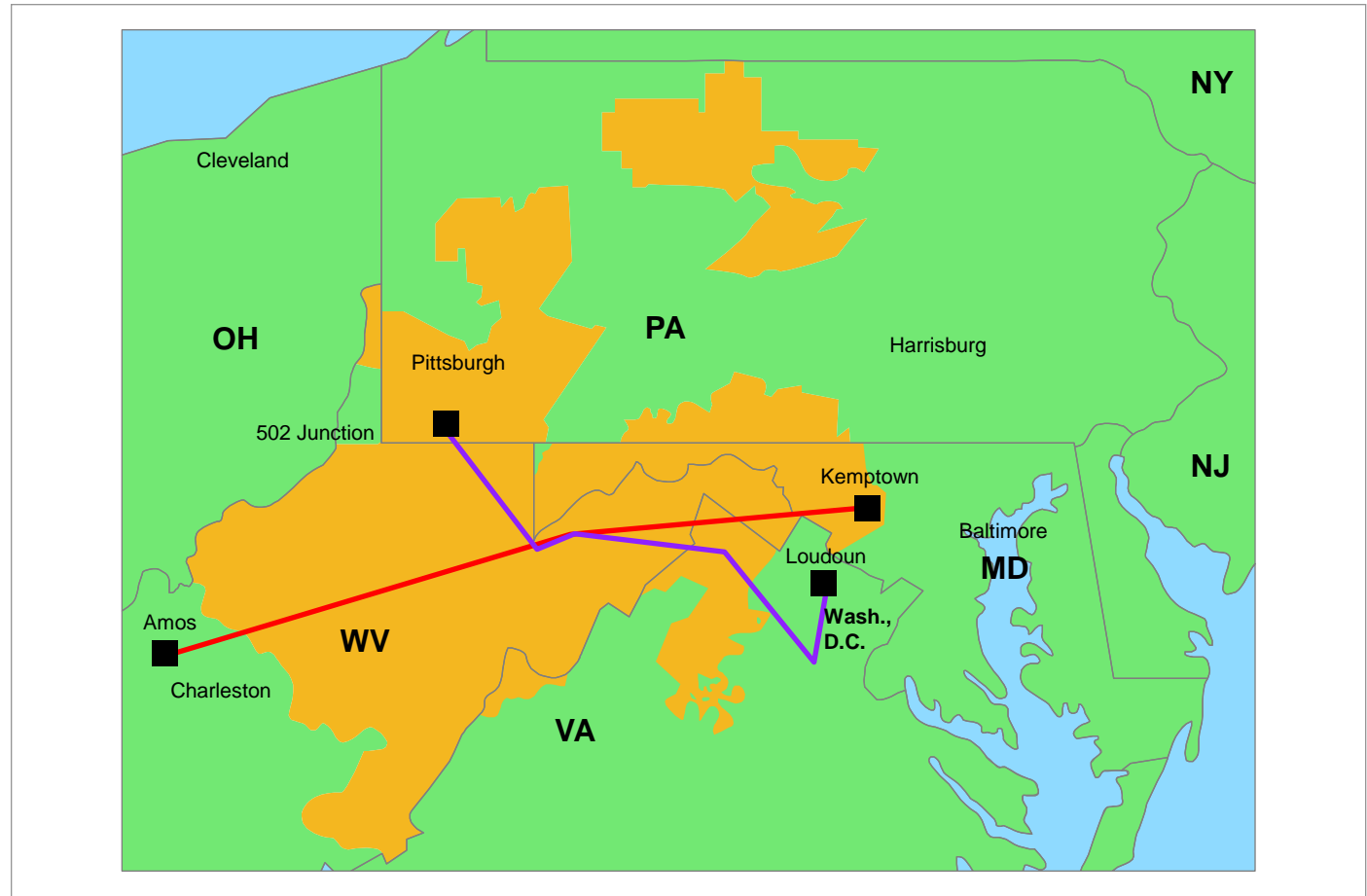
Strategy Summary

- Allegheny's existing transmission is integrated with the utility operations, but control has been given to PJM
 - Receives FERC incentive-based ROE ranging between 10.5% - 11.9%
- Allegheny is also developing transmission projects outside its utility footprint
 - PATH: 50/50 JV with AEP, 14.3% ROE
 - TrAIL: 12.7% ROE
 - Both PATH and TrAIL will give control to PJM
- Will use project financing to fund projects, rather than corporate level debt
- Allegheny is planning total capex of \$2.0Bn over the next two years, ~35% of which will be transmission investments (~\$680MM)
- Transmission rate base is projected to nearly triple in next five years from \$781MM in 2009 to \$2.0Bn in 2014
- Company's merger proposal with FirstEnergy is expected to help bring balance sheet strength to fund the proposed capital plan

AYE Transmission JV Projects

PATH and TrAIL Transmission Projects

Map of Transmission Projects

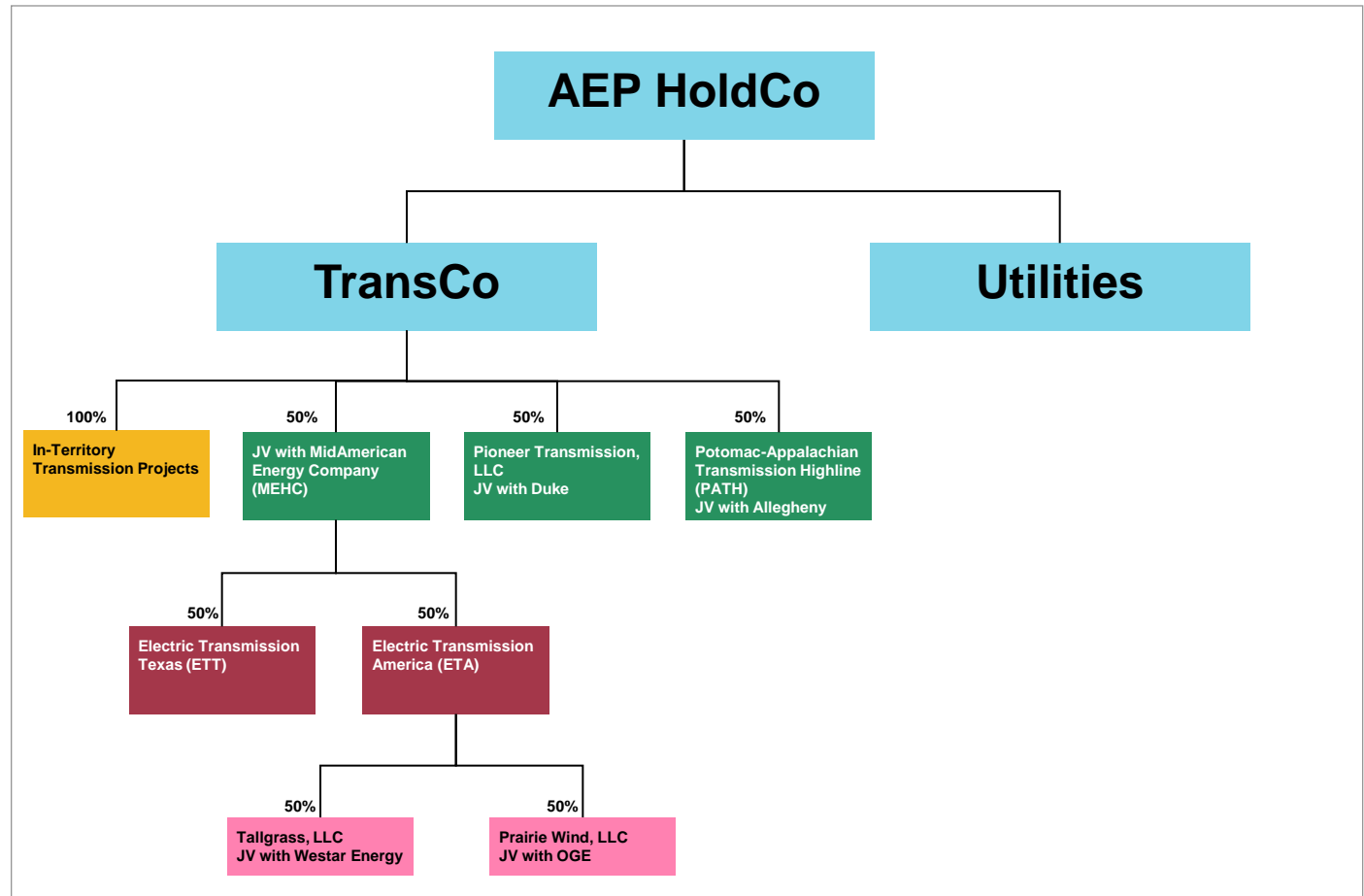


Source Company Presentation



AEP Transmission Strategy: A Separated TransCo

AEP Transmission Structure (1)



Note

1. Includes in-territory transmission projects and FERC-regulated transmission projects for which AEP has been authorized a return on equity

- AEP has established a “TransCo” structure to pursue investment opportunities within and outside its utility territories
 - In-territory projects will be 100% owned by AEP
 - Formed 50/50 JVs with MEHC, DUK and AYE to pursue national and regional opportunities, with ~\$3.5Bn in active projects
 - JVs with MEHC provide a platform for national expansion
 - ETT targets ERCOT projects
 - ETA targets projects outside ERCOT
 - JVs with DUK and AYE are focused on pursuing regional projects

AEP JV Strategy – Nationwide Grid Expansion

