Retained Earnings	10,038 8	9,900 9
Accumulated Other Comprehensive Income (Loss)	(216 5)	(147 7)
TOTAL AEP COMMON SHAREHOLDERS' EQUITY	19,728 4	19,632 2
Noncontrolling Interests	279 3	281 0
TOTAL EQUITY	20,007 7	19,913 2
TOTAL LIABILITIES, MEZZANINE EQUITY AND TOTAL EQUITY	$ 77,724 0	$ 75,892 3

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
OPERATING ACTIVITIES		
Net Income	$ 499 3	$ 574 1
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	672 2	605 8
Deferred Income Taxes	27 9	16 8
Allowance for Equity Funds Used During Construction	(31 4)	(28 9)
Mark-to-Market of Risk Management Contracts	57 4	65 5
Amortization of Nuclear Fuel	23 4	25 1
Property Taxes	(59 8)	(75 6)
Deferred Fuel Over/Under-Recovery, Net	63 1	32 5
Recovery of Ohio Capacity Costs	—	14 7
Refund of Global Settlement	—	(4 1)
Change in Other Noncurrent Assets	(50 8)	(47 9)
Change in Other Noncurrent Liabilities	(74 8)	67 3
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	(32 6)	57 5
Fuel, Materials and Supplies	(35 8)	(26 4)
Accounts Payable	(111 1)	(152 6)
Accrued Taxes, Net	(93 9)	(77 0)
Other Current Assets	5 3	(18 8)
Other Current Liabilities	(242 7)	(219 7)
Net Cash Flows from Operating Activities	615 7	808 3
INVESTING ACTIVITIES		
Construction Expenditures	(1,792 7)	(1,565 4)
Purchases of Investment Securities	(632 7)	(130 4)
Sales of Investment Securities	635 6	111 9
Acquisitions of Nuclear Fuel	(1 3)	(32 4)
Other Investing Activities	25 1	33 5
Net Cash Flows Used for Investing Activities	(1,766 0)	(1,582 8)
FINANCING ACTIVITIES		
Issuance of Common Stock	56 1	14 5
Issuance of Long-term Debt	1,418 9	1,285 6
Issuance of Short-term Debt with Original Maturities greater than 90 Days	1,297 5	—
Change in Short-term Debt with Original Maturities less than 90 Days, Net	328 3	(52 0)
Retirement of Long-term Debt	(300 5)	(220 6)
Principal Payments for Finance Lease Obligations	(15 4)	(14 3)
Dividends Paid on Common Stock	(363 7)	(333 6)
Other Financing Activities	(32.7)	13 9
Net Cash Flows from Financing Activities	2,388 5	693 5
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	1,238 2	(81 0)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	432 6	444 1
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 1,670 8	$ 363 1

SUPPLEMENTARY INFORMATION

Cash Paid for Interest, Net of Capitalized Amounts	$ 212.6	$ 168 9
Net Cash Paid (Received) for Income Taxes	(0 6)	(0 6)
Noncash Acquisitions Under Finance Leases	19 4	23 1
Construction Expenditures Included in Current Liabilities as of March 31,	874 1	846 3
Construction Expenditures Included in Noncurrent Liabilities as of March 31,	8 3	—
Expected Reimbursement for Spent Nuclear Fuel Dry Cask Storage	1 3	1 0
Forward Equity Purchase Contract Included in Current and Noncurrent Liabilities as of March 31,	—	62 1

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

AEP TEXAS INC.
AND SUBSIDIARIES

AEP TEXAS INC. AND SUBSIDIARIES
MANAGEMENT'S NARRATIVE DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

KWh Sales/Degree Days

Summary of KWh Energy Sales

	Three Months Ended March 31, 2020	2019
	(in millions of KWhs)	
Retail:		
Residential	2,466	2,424
Commercial	2,357	2,091
Industrial	2,365	2,148
Miscellaneous	152	145
Total Retail	7,340	6,808

Heating degree days and cooling degree days are metrics commonly used in the utility industry as a measure of the impact of weather on revenues.

Summary of Heating and Cooling Degree Days

	Three Months Ended March 31, 2020	2019
	(in degree days)	
Actual – Heating (a)	91	177
Normal – Heating (b)	185	187
Actual – Cooling (c)	231	122
Normal – Cooling (b)	125	123

(a) Heating degree days are calculated on a 55 degree temperature base.
(b) Normal Heating/Cooling represents the thirty-year average of degree days.
(c) Cooling degree days are calculated on a 70 degree temperature base.

First Quarter of 2020 Compared to First Quarter of 2019

Reconciliation of First Quarter of 2019 to First Quarter of 2020
Net Income
(in millions)

First Quarter of 2019	$	34.4
Changes in Gross Margin:		
Retail Margins		19.5
Margins from Off-system Sales		(0.2)
Transmission Revenues		11.3
Other Revenues		11.7
Total Change in Gross Margin		42.3
Changes in Expenses and Other:		
Other Operation and Maintenance		(3.0)
Depreciation and Amortization		(23.6)
Taxes Other Than Income Taxes		2.5
Interest Income		0.2
Allowance for Equity Funds Used During Construction		3.3
Interest Expense		(5.1)
Total Change in Expenses and Other		(25.7)
Income Tax Expense		(3.4)
First Quarter of 2020	$	47.6

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

- **Retail Margins** increased $20 million primarily due to the following:
  - A $15 million increase in weather-normalized margins primarily in the commercial and residential classes.
  - A $7 million increase in revenues primarily due to the Transmission Cost Recovery Factor revenue rider.

  These increases were partially offset by:
  - A $4 million decrease in weather-related usage primarily due to a 49% decrease in heating degree days, partially offset by an 89% increase in cooling degree days.
- **Transmission Revenues** increased $11 million primarily due to the recovery of increased transmission investment in ERCOT.
- **Other Revenues** increased $12 million primarily due to securitization revenue. This increase was offset below in Depreciation and Amortization expenses and in Interest Expense.

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

- **Other Operation and Maintenance** expenses increased $3 million primarily due to an increase in distribution-related expenses.
- **Depreciation and Amortization** expenses increased $24 million primarily due to the following:
  - A $12 million increase in securitization amortizations. This increase was offset in Other Revenues above and in Interest Expense below.
  - An $11 million increase in depreciation expense due to an increase in the depreciable base of transmission and distribution assets.
- **Allowance for Equity Funds Used During Construction** increased $3 million due to an increase in the Equity component of AFUDC as a result of lower short-term balances and increased transmission projects.
- **Interest Expense** increased $5 million primarily due to higher long-term debt balances.
- **Income Tax Expense** increased $3 million primarily due to an increase in pretax book income.

AEP TEXAS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
REVENUES		
Electric Transmission and Distribution	$ 391.6	$ 349 8
Sales to AEP Affiliates	31 1	40 2
Other Revenues	0.9	0.7
TOTAL REVENUES	423 6	390 7
EXPENSES		
Fuel and Other Consumables Used for Electric Generation	—	9.4
Other Operation	117 5	109 8
Maintenance	20 6	25.3
Depreciation and Amortization	162 5	138.9
Taxes Other Than Income Taxes	34.0	36.5
TOTAL EXPENSES	334 6	319 9
OPERATING INCOME	89 0	70.8
Other Income (Expense):		
Interest Income	0.6	0.4
Allowance for Equity Funds Used During Construction	5 1	1 8
Non-Service Cost Components of Net Periodic Benefit Cost	2 8	2.8
Interest Expense	(42 5)	(37 4)
INCOME BEFORE INCOME TAX EXPENSE	55 0	38 4
Income Tax Expense	7 4	4.0
NET INCOME	$ 47 6	$ 34 4

The common stock of AEP Texas is wholly-owned by Parent

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

AEP TEXAS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Net Income	$ 47.6	$ 34.4
OTHER COMPREHENSIVE INCOME, NET OF TAXES		
Cash Flow Hedges, Net of Tax of $0 1 and $0.1 in 2020 and 2019, Respectively	0 3	0.3
TOTAL OTHER COMPREHENSIVE INCOME	0.3	0.3
TOTAL COMPREHENSIVE INCOME	$ 47.9	$ 34.7

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

AEP TEXAS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2018	$ 1,257.9	$ 1,337.7	$ (15.1)	$ 2,580.5
Capital Contribution from Parent	200.0			200.0
Net Income		34.4		34.4
Other Comprehensive Income			0.3	0.3
TOTAL COMMON SHAREHOLDER'S EQUITY – MARCH 31, 2019	$ 1,457.9	$ 1,372.1	$ (14 8)	$ 2,815 2
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2019	$ 1,457 9	$ 1,516 0	$ (12 8)	$ 2,961 1
Net Income		47.6		47 6
Other Comprehensive Income			0.3	0.3
TOTAL COMMON SHAREHOLDER'S EQUITY – MARCH 31, 2020	$ 1,457 9	$ 1,563 6	$ (12.5)	$ 3,009 0

See Condensed Notes to Condensed Fınancıal Statements of Regıstrants begınnıng on page 110

AEP TEXAS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2020 and December 31, 2019
(in millions)
(Unaudited)

	March 31, 2020	December 31, 2019
CURRENT ASSETS		
Cash and Cash Equivalents	$ 0.1	$ 3.1
Restricted Cash (March 31, 2020 and December 31, 2019 Amounts Include $100.1 and $154 7, Respectively, Related to Transition Funding and Restoration Funding)	100.1	154 7
Advances to Affiliates	7 1	207.2
Accounts Receivable		
Customers	130.1	116.0
Affiliated Companies	10 4	10 1
Accrued Unbilled Revenues	88.6	68.8
Miscellaneous	0.4	0 3
Allowance for Uncollectible Accounts	(1.8)	(1.8)
Total Accounts Receivable	227.7	193.4
Fuel	6.4	5.9
Materials and Supplies	63 8	56 7
Accrued Tax Benefits	51.5	66.1
Prepayments and Other Current Assets	6.6	5 8
TOTAL CURRENT ASSETS	463.3	692.9
PROPERTY, PLANT AND EQUIPMENT		
Electric		
Generation	351.6	351.7
Transmission	4,624 7	4,466 5
Distribution	4,303 1	4,215.2
Other Property, Plant and Equipment	829 1	805 9
Construction Work in Progress	747.0	763 9
Total Property, Plant and Equipment	10,855 5	10,603.2
Accumulated Depreciation and Amortization	1,800.1	1,758.1
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	9,055.4	8,845.1
OTHER NONCURRENT ASSETS		
Regulatory Assets	272.2	280.6
Securitized Assets (March 31, 2020 and December 31, 2019 Amounts Include $560 7 and $621.2, Respectively, Related to Transition Funding and Restoration Funding)	560 5	623.4
Deferred Charges and Other Noncurrent Assets	219.1	147.1
TOTAL OTHER NONCURRENT ASSETS	1,051.8	1,051 1
TOTAL ASSETS	$ 10,570 5	$ 10,589.1

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110.

AEP TEXAS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
March 31, 2020 and December 31, 2019
(in millions)
(Unaudited)

	March 31, 2020	December 31, 2019
CURRENT LIABILITIES		
Advances from Affiliates	$ 63.9	$ —
Accounts Payable:		
General	233 1	256.8
Affiliated Companies	20 3	35 6
Long-term Debt Due Within One Year – Nonaffiliated (March 31, 2020 and December 31, 2019 Amounts Include $178.3 and $281.4, Respectively, Related to Transition Funding and Restoration Funding)	289.0	392.1
Accrued Taxes	109 2	84 9
Accrued Interest (March 31, 2020 and December 31, 2019 Amounts Include $4.9 and $7.5, Respectively, Related to Transition Funding and Restoration Funding)	54.8	35.7
Oklaunion Purchase Power Agreement	15.1	22.1
Obligations Under Operating Leases	13.0	12.0
Provision for Refund	62 9	64 7
Other Current Liabilities	104.3	123.3
TOTAL CURRENT LIABILITIES	965 6	1,027 2
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated (March 31, 2020 and December 31, 2019 Amounts Include $484.7 and $495.4, Respectively, Related to Transition Funding and Restoration Funding)	4,156.4	4,166.3
Deferred Income Taxes	961 8	965 4
Regulatory Liabilities and Deferred Investment Tax Credits	1,321 8	1,316 9
Obligations Under Operating Leases	70 7	71 1
Deferred Credits and Other Noncurrent Liabilities	85.2	81.1
TOTAL NONCURRENT LIABILITIES	6,595.9	6,600 8
TOTAL LIABILITIES	7,561 5	7,628 0
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Paid-in Capital	1,457.9	1,457 9
Retained Earnings	1,563.6	1,516.0
Accumulated Other Comprehensive Income (Loss)	(12.5)	(12 8)
TOTAL COMMON SHAREHOLDER'S EQUITY	3,009.0	2,961.1
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 10,570.5	$ 10,589.1

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

AEP TEXAS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
OPERATING ACTIVITIES		
Net Income	$ 47.6	$ 34.4
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	162.5	138.9
Deferred Income Taxes	(7.6)	(11.0)
Allowance for Equity Funds Used During Construction	(5.1)	(1.8)
Property Taxes	(69.3)	(73.8)
Change in Other Noncurrent Assets	(10.8)	(3.2)
Change in Other Noncurrent Liabilities	3.2	(5.7)
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	(34.3)	(7.8)
Fuel, Materials and Supplies	(7.6)	(1.0)
Accounts Payable	2.4	4.2
Accrued Taxes, Net	38.9	57.5
Other Current Assets	(1.4)	0.5
Other Current Liabilities	(4.6)	(4.4)
Net Cash Flows from Operating Activities	113.9	126.8
INVESTING ACTIVITIES		
Construction Expenditures	(327.5)	(343.1)
Change in Advances to Affiliates, Net	200.1	0.3
Other Investing Activities	7.4	6.2
Net Cash Flows Used for Investing Activities	(120.0)	(336.6)
FINANCING ACTIVITIES		
Capital Contribution from Parent	—	200.0
Change in Advances from Affiliates, Net	63.9	55.2
Retirement of Long-term Debt – Nonaffiliated	(114.3)	(103.5)
Principal Payments for Finance Lease Obligations	(1.5)	(1.2)
Other Financing Activities	0.4	0.2
Net Cash Flows from (Used for) Financing Activities	(51.5)	150.7
Net Decrease in Cash, Cash Equivalents and Restricted Cash for Securitized Transition Funding	(57.6)	(59.1)
Cash, Cash Equivalents and Restricted Cash for Securitized Transition Funding at Beginning of Period	157.8	159.8
Cash, Cash Equivalents and Restricted Cash for Securitized Transition Funding at End of Period	$ 100.2	$ 100.7
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 21.1	$ 22.4
Net Cash Paid (Received) for Income Taxes	—	(5.6)
Noncash Acquisitions Under Finance Leases	3.7	2.4
Construction Expenditures Included in Current Liabilities as of March 31,	175.1	195.7

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110.

AEP TRANSMISSION COMPANY, LLC AND SUBSIDIARIES

AEP TRANSMISSION COMPANY, LLC AND SUBSIDIARIES
MANAGEMENT'S NARRATIVE DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Summary of Investment in Transmission Assets for AEPTCo

	As of March 31, 2020	As of March 31, 2019
	(in millions)	
Plant In Service	$ 8,684.9	$ 6,755.0
Construction Work in Progress	1,536.3	1,812.2
Accumulated Depreciation and Amortization	445.8	306.7
Total Transmission Property, Net	$ 9,775.4	$ 8,260.5

First Quarter of 2020 Compared to First Quarter of 2019

Reconciliation of First Quarter of 2019 to First Quarter of 2020
Net Income
(in millions)

First Quarter of 2019	$ 104.3
Changes in Transmission Revenues:	
Transmission Revenues	52.1
Total Change in Transmission Revenues	52.1
Changes in Expenses and Other:	
Other Operation and Maintenance	(6.8)
Depreciation and Amortization	(15.7)
Taxes Other Than Income Taxes	(9.0)
Interest Income	0.1
Allowance for Equity Funds Used During Construction	4.9
Interest Expense	(7.9)
Total Change in Expenses and Other	(34.4)
Income Tax Expense	(4.2)
First Quarter of 2020	$ 117.8

The major components of the increase in transmission revenues, which consists of wholesale sales to affiliates and nonaffiliates were as follows:

- **Transmission Revenues** increased $52 million primarily due to continued investment in transmission assets.

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

- **Other Operation and Maintenance** expenses increased $7 million primarily due to the following:
  - A $3 million increase due to employee-related expenses.
  - A $2 million increase due to higher rent expense.
  - A $1 million increase due to continued investment in transmission assets.
- **Depreciation and Amortization** expenses increased $16 million primarily due to a higher depreciable base.
- **Taxes Other Than Income Taxes** increased $9 million primarily due to higher property taxes as a result of increased transmission investment.

- **Allowance for Equity Funds Used During Construction** increased $5 million primarily due to the following:
  - A $9 million increase due to prior year FERC audit findings.

  This increase was partially offset by:
  - A $5 million decrease due to a decrease in CWIP.
- **Interest Expense** increased $8 million primarily due to higher long-term debt balances.
- **Income Tax Expense** increased $4 million primarily due to higher pretax book income.

AEP TRANSMISSION COMPANY, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
REVENUES		
Transmission Revenues	$ 61.3	$ 50.3
Sales to AEP Affiliates	233.7	193.2
Other Revenues	0.6	—
TOTAL REVENUES	295 6	243 5
EXPENSES		
Other Operation	23.8	17.0
Maintenance	3.2	3 2
Depreciation and Amortization	56.0	40.3
Taxes Other Than Income Taxes	50 4	41 4
TOTAL EXPENSES	133.4	101.9
OPERATING INCOME	162.2	141.6
Other Income (Expense):		
Interest Income - Affiliated	0 8	0 7
Allowance for Equity Funds Used During Construction	16.2	11.3
Interest Expense	(29 6)	(21 7)
INCOME BEFORE INCOME TAX EXPENSE	149 6	131 9
Income Tax Expense	31 8	27.6
NET INCOME	$ 117.8	$ 104 3

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

AEP TRANSMISSION COMPANY, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Paid-in Capital	Retained Earnings	Total
TOTAL MEMBER'S EQUITY – DECEMBER 31, 2018	$ 2,480.6	$ 1,089.2	$ 3,569.8
Net Income		104.3	104.3
TOTAL MEMBER'S EQUITY – MARCH 31, 2019	$ 2,480 6	$ 1,193.5	$ 3,674.1
TOTAL MEMBER'S EQUITY – DECEMBER 31, 2019	$ 2,480.6	$ 1,528 9	$ 4,009 5
Capital Contribution from Member	185 0		185 0
Net Income		117.8	117.8
TOTAL MEMBER'S EQUITY – MARCH 31, 2020	$ 2,665.6	$ 1,646 7	$ 4,312 3

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

AEP TRANSMISSION COMPANY, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2020 and December 31, 2019
(in millions)
(Unaudited)

	March 31, 2020	December 31, 2019
CURRENT ASSETS		
Advances to Affiliates	$ 128.4	$ 85.4
Accounts Receivable:		
Customers	19.3	19.0
Affiliated Companies	87 8	66.1
Total Accounts Receivable	107.1	85.1
Materials and Supplies	13.4	13.8
Accrued Tax Benefits	0.1	9.3
Prepayments and Other Current Assets	3.4	3 8
TOTAL CURRENT ASSETS	252.4	197.4
TRANSMISSION PROPERTY		
Transmission Property	8,406 4	8,137.9
Other Property, Plant and Equipment	278.5	269.6
Construction Work in Progress	1,536 3	1,485 7
Total Transmission Property	10,221.2	9,893.2
Accumulated Depreciation and Amortization	445.8	402 3
TOTAL TRANSMISSION PROPERTY – NET	9,775.4	9,490.9
OTHER NONCURRENT ASSETS		
Regulatory Assets	2 5	4 2
Deferred Property Taxes	165.1	193 5
Deferred Charges and Other Noncurrent Assets	4 5	4 8
TOTAL OTHER NONCURRENT ASSETS	172.1	202.5
TOTAL ASSETS	$ 10,199.9	$ 9,890.8

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110.

AEP TRANSMISSION COMPANY, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND MEMBER'S EQUITY
March 31, 2020 and December 31, 2019
(in millions)
(Unaudited)

	March 31, 2020	December 31, 2019
CURRENT LIABILITIES		
Advances from Affiliates	$ 297.4	$ 137.0
Accounts Payable:		
General	334.2	493.4
Affiliated Companies	73 7	71 2
Accrued Taxes	308.6	355.6
Accrued Interest	38 6	19.2
Obligations Under Operating Leases	2.1	2.1
Other Current Liabilities	17.0	14 6
TOTAL CURRENT LIABILITIES	1,071.6	1,093.1
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	3,427.8	3,427.3
Deferred Income Taxes	834.7	817.8
Regulatory Liabilities	551.6	540 9
Obligations Under Operating Leases	1.6	1.9
Deferred Credits and Other Noncurrent Liabilities	0 3	0 3
TOTAL NONCURRENT LIABILITIES	4,816.0	4,788.2
TOTAL LIABILITIES	5,887.6	5,881.3
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
MEMBER'S EQUITY		
Paid-in Capital	2,665.6	2,480 6
Retained Earnings	1,646 7	1,528.9
TOTAL MEMBER'S EQUITY	4,312.3	4,009.5
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 10,199.9	$ 9,890.8

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110.

AEP TRANSMISSION COMPANY, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31, 2020	2019
OPERATING ACTIVITIES		
Net Income	$ 117.8	$ 104.3
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	56.0	40.3
Deferred Income Taxes	13 7	14 5
Allowance for Equity Funds Used During Construction	(16.2)	(11.3)
Property Taxes	28.4	23 2
Change in Other Noncurrent Assets	2.4	2.7
Change in Other Noncurrent Liabilities	0.6	2.2
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	(22 0)	(8.2)
Materials and Supplies	0.4	(0.6)
Accounts Payable	22 7	11 4
Accrued Taxes, Net	(37.8)	(32 1)
Accrued Interest	19 4	19 2
Other Current Assets	0.4	0.4
Other Current Liabilities	1.2	0 2
Net Cash Flows from Operating Activities	187.0	166.2
INVESTING ACTIVITIES		
Construction Expenditures	(491.5)	(365 0)
Change in Advances to Affiliates, Net	(43.0)	23.4
Acquisitions of Assets	(1 7)	(2 5)
Other Investing Activities	3.8	0.3
Net Cash Flows Used for Investing Activities	(532.4)	(343 8)
FINANCING ACTIVITIES		
Capital Contributions from Member	185.0	—
Change in Advances from Affiliates, Net	160.4	177.7
Other Financing Activities	—	(0.1)
Net Cash Flows from Financing Activities	345 4	177 6
Net Change in Cash and Cash Equivalents	—	—
Cash and Cash Equivalents at Beginning of Period	—	—
Cash and Cash Equivalents at End of Period	$ —	$ —
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 9.3	$ 1.6
Net Cash Paid (Received) for Income Taxes	0 1	(1 2)
Construction Expenditures Included in Current Liabilities as of March 31,	290.6	261.1

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

APPALACHIAN POWER COMPANY
AND SUBSIDIARIES

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
MANAGEMENT'S NARRATIVE DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

KWh Sales/Degree Days

Summary of KWh Energy Sales

	Three Months Ended March 31, 2020	2019
	(in millions of KWhs)	
Retail:		
Residential	3,169	3,587
Commercial	1,477	1,596
Industrial	2,237	2,336
Miscellaneous	207	219
Total Retail	7,090	7,738
Wholesale	472	816
Total KWhs	7,562	8,554

Heating degree days and cooling degree days are metrics commonly used in the utility industry as a measure of the impact of weather on revenues.

Summary of Heating and Cooling Degree Days

	Three Months Ended March 31, 2020	2019
	(in degree days)	
Actual – Heating (a)	953	1,252
Normal – Heating (b)	1,324	1,312
Actual – Cooling (c)	20	—
Normal – Cooling (b)	6	7

(a) Heating degree days are calculated on a 55 degree temperature base.
(b) Normal Heating/Cooling represents the thirty-year average of degree days.
(c) Cooling degree days are calculated on a 65 degree temperature base.

First Quarter of 2020 Compared to First Quarter of 2019

**Reconciliation of First Quarter of 2019 to First Quarter of 2020
Net Income
(in millions)**

First Quarter of 2019	$	133.7
Changes in Gross Margin:		
Retail Margins		14.3
Margins from Off-system Sales		(0.6)
Transmission Revenues		1.4
Other Revenues		1.8
Total Change in Gross Margin		16.9
Changes in Expenses and Other:		
Other Operation and Maintenance		14.1
Depreciation and Amortization		(9.7)
Taxes Other Than Income Taxes		(2.0)
Interest Income		(0.5)
Allowance for Equity Funds Used During Construction		0.7
Non-Service Cost Components of Net Periodic Benefit Cost		0.4
Interest Expense		(3.8)
Total Change in Expenses and Other		(0.8)
Income Tax Expense		(34.5)
First Quarter of 2020	$	115.3

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 $14 million primarily due to the following:
  - A $17 million increase due to customer refunds related to the 2018 Tax Reform. This increase was partially offset in Income Tax Expense (Benefit) below.
  - A $14 million increase in deferred fuel primarily due to the timing of recoverable PJM expenses. This increase was offset in other expense items below.
  - A $12 million increase due to the impact of the 2019 WVPSC order which required the Company to offset Excess ADIT not subject to normalization requirements against the deferred fuel under-recovery balance in 2019.
  - A $10 million increase due to a base rate increase in West Virginia that was partially offset in Depreciation and Amortization expenses below.
  - A $4 million increase due to revenue primarily from rate riders in West Virginia.

These increases were partially offset by:

  - A $33 million decrease in weather-related usage primarily driven by a 24% decrease in heating degree days.
  - A $9 million decrease in weather-normalized margins occurring across all retail classes.

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

- **Other Operation and Maintenance** expenses decreased $14 million primarily due to the following:
  - A $5 million decrease in maintenance expense at various generation plants.
  - A $5 million decrease in employee-related expenses.
  - A $4 million decrease in PJM expenses primarily related to the annual formula rate true-up.
  - A $4 million decrease in storm and vegetation management services.

  These decreases were partially offset by:
  - A $5 million increase in recoverable PJM transmission expenses which were partially offset within Retail Margins above.
- **Depreciation and Amortization** expenses increased $10 million primarily due to a higher depreciable base and an increase in West Virginia depreciation rates beginning in March 2019. This increase was partially offset within Retail Margins above.
- **Interest Expense** increased $4 million primarily due to higher long-term debt balances.
- **Income Tax Expense** increased $35 million primarily due to a decrease in amortization of excess ADIT and an increase in pretax book income. The decrease in amortization of excess ADIT is partially offset above in Gross Margin and Other Operation and Maintenance expenses.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
REVENUES		
Electric Generation, Transmission and Distribution	$ 697.0	$ 738.7
Sales to AEP Affiliates	49.7	51 7
Other Revenues	2.7	2.4
TOTAL REVENUES	749 4	792 8
EXPENSES		
Fuel and Other Consumables Used for Electric Generation	111.0	183.3
Purchased Electricity for Resale	122.6	110 6
Other Operation	134.0	136.9
Maintenance	50.3	61 5
Depreciation and Amortization	122.2	112.5
Taxes Other Than Income Taxes	37 9	35 9
TOTAL EXPENSES	578.0	640.7
OPERATING INCOME	171.4	152.1
Other Income (Expense):		
Interest Income	0 3	0 8
Allowance for Equity Funds Used During Construction	2.4	1.7
Non-Service Cost Components of Net Periodic Benefit Cost	4.7	4.3
Interest Expense	(53.1)	(49.3)
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)	125.7	109.6
Income Tax Expense (Benefit)	10.4	(24.1)
NET INCOME	$ 115.3	$ 133.7

The common stock of APCo is wholly-owned by Parent

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
Net Income	$ 115.3	$ 133.7
OTHER COMPREHENSIVE LOSS, NET OF TAXES		
Cash Flow Hedges, Net of Tax of $(1 1) and $(0 1) in 2020 and 2019, Respectively	(4 2)	(0 2)
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $(0.3) and $(0.2) in 2020 and 2019, Respectively	(0.9)	(0.6)
TOTAL OTHER COMPREHENSIVE LOSS	(5.1)	(0.8)
TOTAL COMPREHENSIVE INCOME	$ 110.2	$ 132.9

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2018	$ 260.4	$ 1,828.7	$ 1,922.0	$ (5.0)	$ 4,006.1
Common Stock Dividends			(50.0)		(50.0)
Net Income			133 7		133.7
Other Comprehensive Loss				(0.8)	(0.8)
TOTAL COMMON SHAREHOLDER'S EQUITY – MARCH 31, 2019	$ 260 4	$ 1,828.7	$ 2,005.7	$ (5.8)	$ 4,089 0
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2019	$ 260.4	$ 1,828.7	$ 2,078 3	$ 5 0	$ 4,172 4
Common Stock Dividends			(50 0)		(50.0)
Net Income			115.3		115.3
Other Comprehensive Loss				(5 1)	(5.1)
TOTAL COMMON SHAREHOLDER'S EQUITY – MARCH 31, 2020	$ 260.4	$ 1,828.7	$ 2,143.6	$ (0.1)	$ 4,232.6

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2020 and December 31, 2019
(in millions)
(Unaudited)

	March 31, 2020	December 31, 2019
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2.8	$ 3.3
Restricted Cash for Securitized Funding	15.7	23.5
Advances to Affiliates	21.8	22.1
Accounts Receivable		
Customers	132.6	129.0
Affiliated Companies	78.0	64.3
Accrued Unbilled Revenues	46.1	59.7
Miscellaneous	0.6	0.5
Allowance for Uncollectible Accounts	(2.9)	(2.6)
Total Accounts Receivable	254.4	250.9
Fuel	160.0	149.7
Materials and Supplies	100.4	105.2
Risk Management Assets	18.1	39.4
Regulatory Asset for Under-Recovered Fuel Costs	34.9	42.5
Prepayments and Other Current Assets	33.1	64.0
TOTAL CURRENT ASSETS	641.2	700.6
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	6,602.1	6,563.7
Transmission	3,613.2	3,584.1
Distribution	4,279.1	4,201.7
Other Property, Plant and Equipment	585.5	571.3
Construction Work in Progress	574.0	593.4
Total Property, Plant and Equipment	15,653.9	15,514.2
Accumulated Depreciation and Amortization	4,497.0	4,432.3
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	11,156.9	11,081.9
OTHER NONCURRENT ASSETS		
Regulatory Assets	464.0	457.2
Securitized Assets	228.5	234.7
Long-term Risk Management Assets	0.1	0.1
Operating Lease Assets	77.5	78.5
Deferred Charges and Other Noncurrent Assets	225.4	215.3
TOTAL OTHER NONCURRENT ASSETS	995.5	985.8
TOTAL ASSETS	$ 12,793.6	$ 12,768.3

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
March 31, 2020 and December 31, 2019
(Unaudited)

	March 31, 2020	December 31, 2019
	(in millions)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 355.3	$ 236.7
Accounts Payable		
General	198.7	307 8
Affiliated Companies	75 2	92.5
Long-term Debt Due Within One Year – Nonaffiliated	583.3	215.6
Risk Management Liabilities	15.0	1 9
Customer Deposits	84.5	85.8
Accrued Taxes	102 7	99.6
Accrued Interest	67.0	47.9
Obligations Under Operating Leases	15.4	15 2
Other Current Liabilities	90.1	123.0
TOTAL CURRENT LIABILITIES	1,587 2	1,226 0
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	3,769 1	4,148.2
Long-term Risk Management Liabilities	0 1	—
Deferred Income Taxes	1,680.9	1,680.8
Regulatory Liabilities and Deferred Investment Tax Credits	1,254.5	1,268 7
Asset Retirement Obligations	103.6	102.1
Employee Benefits and Pension Obligations	47 3	50 9
Obligations Under Operating Leases	63.1	64.0
Deferred Credits and Other Noncurrent Liabilities	55.2	55 2
TOTAL NONCURRENT LIABILITIES	6,973.8	7,369.9
TOTAL LIABILITIES	8,561.0	8,595.9
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – No Par Value:		
Authorized – 30,000,000 Shares		
Outstanding – 13,499,500 Shares	260.4	260.4
Paid-in Capital	1,828 7	1,828 7
Retained Earnings	2,143.6	2,078.3
Accumulated Other Comprehensive Income (Loss)	(0 1)	5 0
TOTAL COMMON SHAREHOLDER'S EQUITY	4,232.6	4,172.4
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 12,793.6	$ 12,768.3

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31, 2020	2019
OPERATING ACTIVITIES		
Net Income	$ 115 3	$ 133.7
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	122.2	112 5
Deferred Income Taxes	(5 1)	(45 0)
Allowance for Equity Funds Used During Construction	(2 4)	(1 7)
Mark-to-Market of Risk Management Contracts	29 6	50 6
Deferred Fuel Over/Under-Recovery, Net	7.6	20 8
Change in Other Noncurrent Assets	(24 4)	(12 1)
Change in Other Noncurrent Liabilities	(16 1)	(20 5)
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	(2.6)	19 5
Fuel, Materials and Supplies	(5 5)	(9 6)
Accounts Payable	(86.6)	(8 3)
Accrued Taxes, Net	14 5	13 7
Other Current Assets	19 2	(0 8)
Other Current Liabilities	(11 1)	(2 3)
Net Cash Flows from Operating Activities	154.6	250 5
INVESTING ACTIVITIES		
Construction Expenditures	(219 1)	(205 1)
Change in Advances to Affiliates, Net	0 3	(193 6)
Other Investing Activities	1 1	15 2
Net Cash Flows Used for Investing Activities	(217.7)	(383 5)
FINANCING ACTIVITIES		
Issuance of Long-term Debt – Nonaffiliated	—	393 3
Change in Advances from Affiliates, Net	118 6	(205 6)
Retirement of Long-term Debt – Nonaffiliated	(12 2)	(12 0)
Principal Payments for Finance Lease Obligations	(1 8)	(1 6)
Dividends Paid on Common Stock	(50 0)	(50 0)
Other Financing Activities	0 2	0 3
Net Cash Flows from Financing Activities	54 8	124 4
Net Decrease in Cash, Cash Equivalents and Restricted Cash for Securitized Funding	(8 3)	(8 6)
Cash, Cash Equivalents and Restricted Cash for Securitized Funding at Beginning of Period	26 8	29 8
Cash, Cash Equivalents and Restricted Cash for Securitized Funding at End of Period	$ 18 5	$ 21 2
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 31 9	$ 14 5
Net Cash Paid for Income Taxes	—	8 0
Noncash Acquisitions Under Finance Leases	1 9	2.1
Construction Expenditures Included in Current Liabilities as of March 31,	103 7	87 8

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110.

**INDIANA MICHIGAN POWER COMPANY
AND SUBSIDIARIES**

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
MANAGEMENT'S NARRATIVE DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

KWh Sales/Degree Days

Summary of KWh Energy Sales

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
	(in millions of KWhs)	
Retail:		
Residential	1,455	1,615
Commercial	1,122	1,156
Industrial	1,845	1,888
Miscellaneous	18	19
Total Retail	4,440	4,678
Wholesale	1,693	2,423
Total KWhs	6,133	7,101

Heating degree days and cooling degree days are metrics commonly used in the utility industry as a measure of the impact of weather on revenues.

Summary of Heating and Cooling Degree Days

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
	(in degree days)	
Actual – Heating (a)	1,836	2,239
Normal – Heating (b)	2,182	2,160
Actual – Cooling (c)	—	—
Normal – Cooling (b)	2	2

(a) Heating degree days are calculated on a 55 degree temperature base.
(b) Normal Heating/Cooling represents the thirty-year average of degree days.
(c) Cooling degree days are calculated on a 65 degree temperature base.

First Quarter of 2020 Compared to First Quarter of 2019

Reconciliation of First Quarter of 2019 to First Quarter of 2020
Net Income
(in millions)

First Quarter of 2019	$	98.9
Changes in Gross Margin:		
Retail Margins		2.7
Margins from Off-system Sales		0.1
Transmission Revenues		1.4
Other Revenues		(0.7)
Total Change in Gross Margin		3.5
Changes in Expenses and Other:		
Other Operation and Maintenance		5.0
Depreciation and Amortization		(7.7)
Taxes Other Than Income Taxes		0.9
Other Income		(3.2)
Non-Service Cost Components of Net Periodic Benefit Cost		(0.2)
Interest Expense		(1.8)
Total Change in Expenses and Other		(7.0)
Income Tax Expense		(3.1)
First Quarter of 2020	$	92.3

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 $3 million primarily due to the following:
  - A $14 million increase from rate proceedings. This increase was partially offset in other expense items below.
  - An $11 million increase related to fuel, primarily due to the timing of recoverable PJM expenses. This increase was partially offset in other expense items below.
  - A $4 million increase due to decreased costs for power acquired under the UPA between AEGCo and I&M.
  - A $3 million decrease in fuel-related expenses due to timing of recovery for fuel and other variable production costs related to wholesale contracts.

  These increases were partially offset by:
  - A $16 million decrease in weather-normalized margins.
  - A $14 million decrease in weather-related usage primarily due to an 18% decrease in heating degree days.

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

- **Other Operation and Maintenance** expenses decreased $5 million primarily due to the following:
  - A $7 million decrease due to an increased Nuclear Electric Insurance Limited distribution in 2020.
  - A $5 million decrease in employee-related expenses.
  - A $2 million decrease in vegetation management expenses.
  - A $2 million decrease in Cook Plant refueling outage amortization expense, primarily due to decreased costs of outages.

  These decreases were partially offset by:
  - An $11 million increase in transmission expenses primarily due to an increase in recoverable PJM expenses. This increase was partially offset in Retail Margins above.
- **Depreciation and Amortization** expenses increased $8 million primarily due to a higher depreciable base and an increase in depreciation rates. This increase was partially offset in Retail Margins above.

- **Other Income** decreased $3 million primarily due to AFUDC adjustments that resulted from 2019 FERC audit findings.
- **Income Tax Expense** increased $3 million primarily due to the recognition of a discrete tax adjustment and a decrease in favorable flow through tax benefits.

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31, 2020	2019
REVENUES		
Electric Generation, Transmission and Distribution	$ 553.4	$ 596.7
Sales to AEP Affiliates	2 9	2 3
Other Revenues – Affiliated	12.5	13.3
Other Revenues – Nonaffiliated	1.5	2 0
TOTAL REVENUES	570 3	614.3
EXPENSES		
Fuel and Other Consumables Used for Electric Generation	53 2	57.6
Purchased Electricity for Resale	50.1	69.6
Purchased Electricity from AEP Affiliates	36.2	59.8
Other Operation	144.7	140.5
Maintenance	49 1	58 3
Depreciation and Amortization	93.9	86.2
Taxes Other Than Income Taxes	26.4	27 3
TOTAL EXPENSES	453.6	499.3
OPERATING INCOME	116.7	115.0
Other Income (Expense):		
Other Income	2 5	5 7
Non-Service Cost Components of Net Periodic Benefit Cost	4.2	4 4
Interest Expense	(30 7)	(28.9)
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)	92 7	96.2
Income Tax Expense (Benefit)	0 4	(2 7)
NET INCOME	$ 92 3	$ 98 9

The common stock of I&M is wholly-owned by Parent

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
Net Income	$ 92.3	$ 98.9
OTHER COMPREHENSIVE INCOME, NET OF TAXES		
Cash Flow Hedges, Net of Tax of $0.1 and $0.1 in 2020 and 2019, Respectively	0 4	0 4
TOTAL COMPREHENSIVE INCOME	$ 92 7	$ 99.3

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2018	$ 56 6	$ 980.9	$ 1,329.1	$ (13.8)	$ 2,352.8
Common Stock Dividends			(20.0)		(20.0)
Net Income			98 9		98 9
Other Comprehensive Income				0.4	0.4
TOTAL COMMON SHAREHOLDER'S EQUITY – MARCH 31, 2019	$ 56 6	$ 980 9	$ 1,408 0	$ (13.4)	$ 2,432.1
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2019	$ 56 6	$ 980 9	$ 1,518 5	$ (11 6)	$ 2,544 4
Common Stock Dividends			(21 3)		(21 3)
ASU 2016-13 Adoption			0 4		0.4
Net Income			92 3		92 3
Other Comprehensive Income				0.4	0 4
TOTAL COMMON SHAREHOLDER'S EQUITY – MARCH 31, 2020	$ 56 6	$ 980.9	$ 1,589 9	$ (11 2)	$ 2,616 2

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2020 and December 31, 2019
(in millions)
(Unaudited)

	March 31, 2020	December 31, 2019
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1.8	$ 2.0
Advances to Affiliates	13 3	13 2
Accounts Receivable:		
Customers	47 5	53.6
Affiliated Companies	51.1	53.7
Accrued Unbilled Revenues	1.8	2 5
Miscellaneous	1.3	0.3
Allowance for Uncollectible Accounts	(0.3)	(0.6)
Total Accounts Receivable	101.4	109.5
Fuel	71 7	56 2
Materials and Supplies	171.1	171.3
Risk Management Assets	6.7	9.8
Regulatory Asset for Under-Recovered Fuel Costs	1.2	3.0
Accrued Reimbursement of Spent Nuclear Fuel Costs	8 4	24 0
Prepayments and Other Current Assets	16.4	14.0
TOTAL CURRENT ASSETS	392.0	403 0
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	5,114 0	5,099 7
Transmission	1,647.5	1,641.8
Distribution	2,474.8	2,437 6
Other Property, Plant and Equipment (Including Coal Mining and Nuclear Fuel)	617.4	632.6
Construction Work in Progress	420 1	382 3
Total Property, Plant and Equipment	10,273.8	10,194.0
Accumulated Depreciation, Depletion and Amortization	3,356 3	3,294.3
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	6,917.5	6,899.7
OTHER NONCURRENT ASSETS		
Regulatory Assets	459 0	482 1
Spent Nuclear Fuel and Decommissioning Trusts	2,679.2	2,975.7
Long-term Risk Management Assets	0.1	0.1
Operating Lease Assets	273.6	294.9
Deferred Charges and Other Noncurrent Assets	184 0	181 9
TOTAL OTHER NONCURRENT ASSETS	3,595.9	3,934.7
TOTAL ASSETS	$ 10,905.4	$ 11,237.4

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
March 31, 2020 and December 31, 2019
(dollars in millions)
(Unaudited)

	March 31, 2020	December 31, 2019
CURRENT LIABILITIES		
Advances from Affiliates	$ 103 7	$ 114.4
Accounts Payable·		
General	131 5	169.4
Affiliated Companies	71 0	68 4
Long-term Debt Due Within One Year – Nonaffiliated (March 31, 2020 and December 31, 2019 Amounts Include $80.0 and $86.1, Respectively, Related to DCC Fuel)	133 6	139.7
Risk Management Liabilities	1.7	0.5
Customer Deposits	38.8	39.4
Accrued Taxes	137 4	112.4
Accrued Interest	20 3	36.2
Obligations Under Operating Leases	85.3	87 3
Regulatory Liability for Over-Recovered Fuel Costs	26.7	6.1
Other Current Liabilities	70.8	109.6
TOTAL CURRENT LIABILITIES	820.8	883.4
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	2,894.4	2,910 5
Long-term Risk Management Liabilities	0.1	—
Deferred Income Taxes	984 3	979 7
Regulatory Liabilities and Deferred Investment Tax Credits	1,550.4	1,891.4
Asset Retirement Obligations	1,766 0	1,748 6
Obligations Under Operating Leases	209.0	211.6
Deferred Credits and Other Noncurrent Liabilities	64 2	67 8
TOTAL NONCURRENT LIABILITIES	7,468.4	7,809.6
TOTAL LIABILITIES	8,289.2	8,693 0
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – No Par Value·		
Authorized – 2,500,000 Shares		
Outstanding – 1,400,000 Shares	56.6	56.6
Paid-in Capital	980 9	980 9
Retained Earnings	1,589.9	1,518.5
Accumulated Other Comprehensive Income (Loss)	(11 2)	(11 6)
TOTAL COMMON SHAREHOLDER'S EQUITY	2,616.2	2,544.4
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 10,905.4	$ 11,237.4

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31, 2020	2019
OPERATING ACTIVITIES		
Net Income	$ 92.3	$ 98 9
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	93.9	86 2
Deferred Income Taxes	(16 3)	(13 9)
Amortization (Deferral) of Incremental Nuclear Refueling Outage Expenses, Net	15 2	(14 8)
Allowance for Equity Funds Used During Construction	(2 0)	(6 2)
Mark-to-Market of Risk Management Contracts	4 4	4.7
Amortization of Nuclear Fuel	23 4	25 1
Deferred Fuel Over/Under-Recovery, Net	22 5	(5.2)
Change in Other Noncurrent Assets	14 4	13 5
Change in Other Noncurrent Liabilities	10 0	5 2
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	8 6	16 0
Fuel, Materials and Supplies	(16 2)	6 6
Accounts Payable	(21.6)	(3 1)
Accrued Taxes, Net	25 0	25 6
Other Current Assets	18.2	1 4
Other Current Liabilities	(62 7)	(35 2)
Net Cash Flows from Operating Activities	209 1	204.8
INVESTING ACTIVITIES		
Construction Expenditures	(141 4)	(149 3)
Change in Advances to Affiliates, Net	(0 1)	(0 1)
Purchases of Investment Securities	(626 0)	(130 3)
Sales of Investment Securities	612.4	111 9
Acquisitions of Nuclear Fuel	(1 3)	(32 4)
Other Investing Activities	4.2	8 6
Net Cash Flows Used for Investing Activities	(152 2)	(191 6)
FINANCING ACTIVITIES		
Change in Advances from Affiliates, Net	(10 7)	33 6
Retirement of Long-term Debt – Nonaffiliated	(23 7)	(26 5)
Principal Payments for Finance Lease Obligations	(1 5)	(1 2)
Dividends Paid on Common Stock	(21 3)	(20 0)
Other Financing Activities	0 1	0 2
Net Cash Flows Used for Financing Activities	(57 1)	(13 9)
Net Decrease in Cash and Cash Equivalents	(0 2)	(0 7)
Cash and Cash Equivalents at Beginning of Period	2 0	2 4
Cash and Cash Equivalents at End of Period	$ 1 8	$ 1 7
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 44 3	$ 43.3
Net Cash Paid (Received) for Income Taxes	—	(3 3)
Noncash Acquisitions Under Finance Leases	1 4	1 7
Construction Expenditures Included in Current Liabilities as of March 31,	67 8	80 0

Acquisition of Nuclear Fuel Included in Current Liabilities as of March 31,	—	1 0
Expected Reimbursement for Capital Cost of Spent Nuclear Fuel Dry Cask Storage	1 3	7 9

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

OHIO POWER COMPANY AND SUBSIDIARIES

OHIO POWER COMPANY AND SUBSIDIARIES
MANAGEMENT'S NARRATIVE DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

KWh Sales/Degree Days

Summary of KWh Energy Sales

	Three Months Ended March 31, 2020	2019
	(in millions of KWhs)	
Retail:		
Residential	3,834	4,123
Commercial	3,516	3,527
Industrial	3,543	3,623
Miscellaneous	30	31
Total Retail (a)	10,923	11,304
Wholesale (b)	390	638
Total KWhs	11,313	11,942

(a) Represents energy delivered to distribution customers.
(b) Primarily Ohio's contractually obligated purchases of OVEC power sold to PJM.

Heating degree days and cooling degree days are metrics commonly used in the utility industry as a measure of the impact of weather on revenues.

Summary of Heating and Cooling Degree Days

	Three Months Ended March 31, 2020	2019
	(in degree days)	
Actual – Heating (a)	1,473	1,892
Normal – Heating (b)	1,898	1,877
Actual – Cooling (c)	3	1
Normal – Cooling (b)	3	3

(a) Heating degree days are calculated on a 55 degree temperature base.
(b) Normal Heating/Cooling represents the thirty-year average of degree days.
(c) Cooling degree days are calculated on a 65 degree temperature base.

First Quarter of 2020 Compared to First Quarter of 2019

Reconciliation of First Quarter of 2019 to First Quarter of 2020
Net Income
(in millions)

First Quarter of 2019	$	128.0
Changes in Gross Margin:		
Retail Margins		(93.7)
Margins from Off-system Sales		2.3
Transmission Revenues		0.6
Other Revenues		5.5
Total Change in Gross Margin		(85.3)
Changes in Expenses and Other:		
Other Operation and Maintenance		40.5
Depreciation and Amortization		(7.2)
Taxes Other Than Income Taxes		(3.1)
Interest Income		(0.6)
Carrying Costs Income		0.2
Allowance for Equity Funds Used During Construction		(3.3)
Non-Service Cost Components of Net Periodic Benefit Cost		0.1
Interest Expense		(4.3)
Total Change in Expenses and Other		22.3
Income Tax Expense		10.1
First Quarter of 2020	$	75.1

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 $94 million primarily due to the following:
  - A $58 million decrease due to a reversal of a regulatory provision in the first quarter of 2019.
  - A $39 million net decrease in Basic Transmission Cost Rider revenues and recoverable PJM expenses. This decrease was partially offset in Other Operation and Maintenance expenses below.
  - A $13 million decrease in 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 $7 million net decrease in margin for the Rate Stability Rider including associated amortizations which ended in the third quarter of 2019.
  - A $5 million decrease due to the OVEC PPA rider which was replaced by the Legacy Generation Resource Rider (LGRR). This decrease was offset in Margins from Off-system Sales and Other Revenues below.
  - A $3 million decrease in revenues associated with a vegetation management rider. This decrease was offset in Other Operation and Maintenance expenses below.

  These decreases were partially offset by:
  - A $17 million increase in rider revenues associated with the DIR. This increase was partially offset in other expense items below.
  - A $7 million increase in revenues associated with smart grid riders. This increase was partially offset in other expense items below.
  - A $7 million increase in revenues associated with the Universal Service Fund (USF). This increase was offset in Other Operation and Maintenance expenses below.
  - A $3 million increase in Energy Efficiency/Peak Demand Reduction rider revenues. This increase was offset in Other Operation and Maintenance expenses below.
- **Other Revenues** increased $6 million primarily due to third-party LGRR revenue related to the recovery of OVEC costs. This increase was offset in Retail Margins above.

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

- **Other Operation and Maintenance** expenses decreased $41 million primarily due to the following:
  - A $40 million decrease in recoverable PJM expenses. This decrease was offset in Gross Margin above.
  - A $6 million decrease in PJM expenses primarily related to the annual formula rate true-up.
  - A $4 million decrease in recoverable distribution expenses related to vegetation management. This decrease was partially offset in Retail Margins above.

  These decreases were partially offset by:
  - A $7 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 in Retail Margins above.
- **Depreciation and Amortization** expenses increased $7 million primarily due to the following:
  - A $5 million increase in depreciation expense due to an increase in the depreciable base of transmission and distribution assets.
  - A $5 million increase due to lower deferred equity amortizations associated with the Deferred Asset Phase-In-Recovery Rider which ended in the second quarter of 2019.
  - A $5 million increase in recoverable DIR depreciation expense. This increase was partially offset in Retail Margins above.

  These increases were partially offset by:
  - A $10 million decrease in amortizations associated with the Deferred Asset Phase-In-Recovery Rider which ended in the second quarter of 2019. This decrease was offset in Retail Margins above.
- **Taxes Other Than Income Taxes** increased $3 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** decreased $3 million primarily due to adjustments that resulted from 2019 FERC audit findings and decreased projects.
- **Interest Expense** increased $4 million primarily due to higher long-term debt balances.
- **Income Tax Expense** decreased $10 million due to a decrease in pretax book income partially offset by a decrease in amortization of Excess ADIT. The decrease in amortization of Excess ADIT is partially offset in Retail Margins above.

OHIO POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
REVENUES		
Electricity, Transmission and Distribution	$ 679.2	$ 826.5
Sales to AEP Affiliates	8 4	7.5
Other Revenues	2.7	2.8
TOTAL REVENUES	690.3	836.8
EXPENSES		
Purchased Electricity for Resale	149.1	174.2
Purchased Electricity from AEP Affiliates	42 4	46.1
Amortization of Generation Deferrals	—	32.4
Other Operation	177.3	216.9
Maintenance	31.6	32.5
Depreciation and Amortization	70 5	63.3
Taxes Other Than Income Taxes	112.0	108.9
TOTAL EXPENSES	582 9	674 3
OPERATING INCOME	107 4	162.5
Other Income (Expense):		
Interest Income	0.2	0.8
Carrying Costs Income	0 4	0 2
Allowance for Equity Funds Used During Construction	1 9	5.2
Non-Service Cost Components of Net Periodic Benefit Cost	3 8	3.7
Interest Expense	(28.9)	(24.6)
INCOME BEFORE INCOME TAX EXPENSE	84.8	147.8
Income Tax Expense	9.7	19 8
NET INCOME	$ 75.1	$ 128 0

The common stock of OPCo is wholly-owned by Parent

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

OHIO POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Net Income	$ 75.1	$ 128 0
OTHER COMPREHENSIVE LOSS, NET OF TAXES		
Cash Flow Hedges, Net of Tax of $0 and $(0 1) in 2020 and 2019, Respectively	—	(0.3)
TOTAL COMPREHENSIVE INCOME	$ 75 1	$ 127 7

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

OHIO POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2018	$ 321.2	$ 838.8	$ 1,136.4	$ 1 0	$ 2,297.4
Common Stock Dividends			(25.0)		(25.0)
Net Income			128 0		128 0
Other Comprehensive Loss				(0.3)	(0.3)
TOTAL COMMON SHAREHOLDER'S EQUITY – MARCH 31, 2019	$ 321 2	$ 838 8	$ 1,239 4	$ 0 7	$ 2,400 1
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2019	$ 321 2	$ 838 8	$ 1,348 5	$ —	$ 2,508.5
Common Stock Dividends			(21 9)		(21 9)
ASU 2016-13 Adoption			0 3		0.3
Net Income			75 1		75 1
TOTAL COMMON SHAREHOLDER'S EQUITY – MARCH 31, 2020	$ 321.2	$ 838.8	$ 1,402.0	$ —	$ 2,562.0

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

OHIO POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2020 and December 31, 2019
(in millions)
(Unaudited)

	March 31, 2020	December 31, 2019
CURRENT ASSETS		
Cash and Cash Equivalents	$ 3.1	$ 3.7
Accounts Receivable:		
Customers	42.9	53.0
Affiliated Companies	73.1	59.3
Accrued Unbilled Revenues	34.2	20.3
Miscellaneous	3 8	0 5
Allowance for Uncollectible Accounts	(0.4)	(0 7)
Total Accounts Receivable	153 6	132 4
Materials and Supplies	58.3	52.3
Renewable Energy Credits	26.9	30 9
Prepayments and Other Current Assets	23.7	19.2
TOTAL CURRENT ASSETS	265 6	238 5
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Transmission	2,713 0	2,686.3
Distribution	5,404.5	5,323 5
Other Property, Plant and Equipment	797 2	765 8
Construction Work in Progress	412.5	394.4
Total Property, Plant and Equipment	9,327.2	9,170 0
Accumulated Depreciation and Amortization	2,292.8	2,263.0
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	7,034 4	6,907 0
OTHER NONCURRENT ASSETS		
Regulatory Assets	396.4	351.8
Deferred Charges and Other Noncurrent Assets	485 6	546 3
TOTAL OTHER NONCURRENT ASSETS	882.0	898.1
TOTAL ASSETS	$ 8,182.0	$ 8,043 6

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110.

OHIO POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
March 31, 2020 and December 31, 2019
(dollars in millions)
(Unaudited)

	March 31, 2020	December 31, 2019
CURRENT LIABILITIES		
Advances from Affiliates	$ 29 4	$ 131.0
Accounts Payable		
General	220.3	233.7
Affiliated Companies	109 0	103 6
Long-term Debt Due Within One Year – Nonaffiliated	0.1	0.1
Risk Management Liabilities	8.7	7.3
Customer Deposits	74.1	70.6
Accrued Taxes	449 2	587 9
Obligations Under Operating Leases	13.0	12.5
Other Current Liabilities	139.5	151.2
TOTAL CURRENT LIABILITIES	1,043.3	1,297.9
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	2,429 0	2,081 9
Long-term Risk Management Liabilities	112.2	96.3
Deferred Income Taxes	871 0	849 4
Regulatory Liabilities and Deferred Investment Tax Credits	1,040.6	1,090.9
Obligations Under Operating Leases	79 8	76.0
Deferred Credits and Other Noncurrent Liabilities	44.1	42.7
TOTAL NONCURRENT LIABILITIES	4,576.7	4,237 2
TOTAL LIABILITIES	5,620 0	5,535 1
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – No Par Value:		
Authorized – 40,000,000 Shares		
Outstanding – 27,952,473 Shares	321 2	321 2
Paid-in Capital	838.8	838.8
Retained Earnings	1,402.0	1,348.5
TOTAL COMMON SHAREHOLDER'S EQUITY	2,562.0	2,508.5
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 8,182 0	$ 8,043.6

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

OHIO POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31, 2020	2019
OPERATING ACTIVITIES		
Net Income	$ 75.1	$ 128.0
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	70.5	63.3
Amortization of Generation Deferrals	—	32.4
Deferred Income Taxes	12.9	10.1
Allowance for Equity Funds Used During Construction	(1.9)	(5.2)
Mark-to-Market of Risk Management Contracts	17.3	6.7
Property Taxes	74.4	66.0
Refund of Global Settlement	—	(4.1)
Reversal of Regulatory Provision	—	(56.2)
Change in Other Noncurrent Assets	(61.5)	(7.5)
Change in Other Noncurrent Liabilities	(36.4)	17.6
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	(19.9)	31.7
Materials and Supplies	(10.2)	(3.4)
Accounts Payable	35.5	(23.9)
Accrued Taxes, Net	(141.9)	(114.4)
Other Current Assets	(2.0)	(7.7)
Other Current Liabilities	(8.4)	(16.2)
Net Cash Flows from Operating Activities	3.5	117.2
INVESTING ACTIVITIES		
Construction Expenditures	(232.8)	(198.5)
Other Investing Activities	5.9	3.7
Net Cash Flows Used for Investing Activities	(226.9)	(194.8)
FINANCING ACTIVITIES		
Issuance of Long-term Debt – Nonaffiliated	347.1	—
Change in Advances from Affiliates, Net	(101.6)	113.5
Retirement of Long-term Debt – Nonaffiliated	—	(23.4)
Principal Payments for Finance Lease Obligations	(1.2)	(0.7)
Dividends Paid on Common Stock	(21.9)	(25.0)
Other Financing Activities	0.4	0.5
Net Cash Flows from Financing Activities	222.8	64.9
Net Decrease in Cash, Cash Equivalents and Restricted Cash for Securitized Funding	(0.6)	(12.7)
Cash, Cash Equivalents and Restricted Cash for Securitized Funding at Beginning of Period	3.7	32.5
Cash, Cash Equivalents and Restricted Cash for Securitized Funding at End of Period	$ 3.1	$ 19.8
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 16.7	$ 17.0
Net Cash Paid (Received) for Income Taxes	—	(0.2)
Noncash Acquisitions Under Finance Leases	4.3	3.2
Construction Expenditures Included in Current Liabilities as of March 31,	72.9	72.8

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

PUBLIC SERVICE COMPANY OF OKLAHOMA

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PUBLIC SERVICE COMPANY OF OKLAHOMA
MANAGEMENT'S NARRATIVE DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

KWh Sales/Degree Days

Summary of KWh Energy Sales

	Three Months Ended March 31,	
	2020	2019
	(in millions of KWhs)	
Retail:		
Residential	1,362	1,520
Commercial	1,055	1,089
Industrial	1,437	1,433
Miscellaneous	272	274
Total Retail	4,126	4,316
Wholesale	53	245
Total KWhs	4,179	4,561

Heating degree days and cooling degree days are metrics commonly used in the utility industry as a measure of the impact of weather on revenues.

Summary of Heating and Cooling Degree Days

	Three Months Ended March 31,	
	2020	2019
	(in degree days)	
Actual – Heating (a)	799	1,171
Normal – Heating (b)	1,034	1,032
Actual – Cooling (c)	33	3
Normal – Cooling (b)	17	17

(a) Heating degree days are calculated on a 55 degree temperature base.
(b) Normal Heating/Cooling represents the thirty-year average of degree days.
(c) Cooling degree days are calculated on a 65 degree temperature base.

First Quarter of 2020 Compared to First Quarter of 2019

Reconciliation of First Quarter of 2019 to First Quarter of 2020
Net Income (Loss)
(in millions)

First Quarter of 2019	$	6.2
Changes in Gross Margin:		
Retail Margins (a)		—
Margins from Off-system Sales		(0.2)
Transmission Revenues		(0.5)
Other Revenues		(1.2)
Total Change in Gross Margin		(1.9)
Changes in Expenses and Other:		
Other Operation and Maintenance		(15.5)
Depreciation and Amortization		(1.2)
Taxes Other Than Income Taxes		0.1
Interest Income		0.1
Allowance for Equity Funds Used During Construction		0.9
Interest Expense		1.1
Total Change in Expenses and Other		(14.5)
Income Tax Expense		(0.1)
First Quarter of 2020	$	(10.3)

(a) Includes firm wholesale sales to municipals and cooperatives.

The major components of the decrease 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** were consistent with the prior year due to the following:
  - An $11 million increase due to new base rates implemented in April 2019.

  This increase was partially offset by:
  - A $7 million decrease in revenue from rate riders. This decrease was partially offset in other expense items below.
  - A $3 million decrease in weather-related usage due to a 32% decrease in heating degree days.

Expenses and Other changed between years as follows:

- **Other Operation and Maintenance** expenses increased $16 million primarily due the following:
  - A $6 million increase in transmission expenses primarily due to increased SPP transmission services.
  - A $5 million increase in distribution expenses primarily due to an increase in vegetation management expenses.
  - A $1 million increase in Energy Efficiency program costs. This increase was offset in Retail Margins above.

PUBLIC SERVICE COMPANY OF OKLAHOMA
CONDENSED STATEMENTS OF OPERATIONS
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
REVENUES		
Electric Generation, Transmission and Distribution	$ 295.4	$ 329.2
Sales to AEP Affiliates	1.1	1.6
Other Revenues	0.8	2.0
TOTAL REVENUES	297 3	332 8
EXPENSES		
Fuel and Other Consumables Used for Electric Generation	16.9	38.0
Purchased Electricity for Resale	110 4	122.9
Other Operation	87.2	73.6
Maintenance	24 4	22 5
Depreciation and Amortization	44.7	43.5
Taxes Other Than Income Taxes	11.3	11 4
TOTAL EXPENSES	294.9	311.9
OPERATING INCOME	2 4	20.9
Other Income (Expense):		
Interest Income	0.1	—
Allowance for Equity Funds Used During Construction	1.0	0.1
Non-Service Cost Components of Net Periodic Benefit Cost	2 1	2 1
Interest Expense	(15.8)	(16.9)
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	(10.2)	6.2
Income Tax Expense	0.1	—
NET INCOME (LOSS)	$ (10.3)	$ 6.2

The common stock of PSO is wholly-owned by Parent

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

PUBLIC SERVICE COMPANY OF OKLAHOMA
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Net Income (Loss)	$ (10.3)	$ 6.2
OTHER COMPREHENSIVE LOSS, NET OF TAXES		
Cash Flow Hedges, Net of Tax of $(0.1) and $(0 1) in 2020 and 2019, Respectively	(0 2)	(0 2)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ (10.5)	$ 6 0

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

PUBLIC SERVICE COMPANY OF OKLAHOMA
CONDENSED STATEMENTS OF CHANGES IN
COMMON SHAREHOLDER'S EQUITY
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2018	$ 157.2	$ 364.0	$ 724.7	$ 2.1	$ 1,248.0
Common Stock Dividends			(11.3)		(11.3)
Net Income			6.2		6.2
Other Comprehensive Loss				(0.2)	(0.2)
TOTAL COMMON SHAREHOLDER'S EQUITY – MARCH 31, 2019	$ 157 2	$ 364 0	$ 719 6	$ 1 9	$ 1,242.7
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2019	$ 157.2	$ 364 0	$ 851 0	$ 1.1	$ 1,373.3
ASU 2016-13 Adoption			0 3		0 3
Net Loss			(10.3)		(10.3)
Other Comprehensive Loss				(0.2)	(0 2)
TOTAL COMMON SHAREHOLDER'S EQUITY – MARCH 31, 2020	$ 157.2	$ 364.0	$ 841.0	$ 0.9	$ 1,363.1

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

PUBLIC SERVICE COMPANY OF OKLAHOMA
CONDENSED BALANCE SHEETS
ASSETS
March 31, 2020 and December 31, 2019
(in millions)
(Unaudited)

	March 31, 2020	December 31, 2019
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1.1	$ 1.5
Advances to Affiliates	—	38.8
Accounts Receivable:		
Customers	28.4	28.9
Affiliated Companies	19.9	20.6
Miscellaneous	0.8	0.6
Allowance for Uncollectible Accounts	(0.2)	(0.3)
Total Accounts Receivable	48.9	49.8
Fuel	19.6	12.2
Materials and Supplies	47.9	46.8
Risk Management Assets	6.4	15.8
Accrued Tax Benefits	5.7	11.3
Prepayments and Other Current Assets	13.4	12.0
TOTAL CURRENT ASSETS	143.0	188.2
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	1,577.2	1,574.6
Transmission	959.5	948.5
Distribution	2,724.3	2,684.8
Other Property, Plant and Equipment	350.3	342.1
Construction Work in Progress	144.9	133.4
Total Property, Plant and Equipment	5,756.2	5,683.4
Accumulated Depreciation and Amortization	1,615.8	1,580.1
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	4,140.4	4,103.3
OTHER NONCURRENT ASSETS		
Regulatory Assets	378.4	375.2
Employee Benefits and Pension Assets	44.2	43.9
Operating Lease Assets	38.0	36.8
Deferred Charges and Other Noncurrent Assets	34.0	4.1
TOTAL OTHER NONCURRENT ASSETS	494.6	460.0
TOTAL ASSETS	$ 4,778.0	$ 4,751.5

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110.

PUBLIC SERVICE COMPANY OF OKLAHOMA
CONDENSED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
March 31, 2020 and December 31, 2019
(Unaudited)

	March 31, 2020	December 31, 2019
	(in millions)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 70.9	$ —
Accounts Payable		
General	102.5	134.3
Affiliated Companies	39.8	59.3
Long-term Debt Due Within One Year – Nonaffiliated	263.2	13.2
Risk Management Liabilities	0.1	—
Customer Deposits	59.3	58.9
Accrued Taxes	42.4	22.9
Obligations Under Operating Leases	6.0	5.8
Regulatory Liability for Over-Recovered Fuel Costs	68.0	63.9
Other Current Liabilities	78.6	87.5
TOTAL CURRENT LIABILITIES	730.8	445.8
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	1,123.1	1,373.0
Deferred Income Taxes	629.6	628.3
Regulatory Liabilities and Deferred Investment Tax Credits	835.0	837.2
Asset Retirement Obligations	45.3	44.5
Obligations Under Operating Leases	32.1	31.0
Deferred Credits and Other Noncurrent Liabilities	19.0	18.4
TOTAL NONCURRENT LIABILITIES	2,684.1	2,932.4
TOTAL LIABILITIES	3,414.9	3,378.2
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – Par Value – $15 Per Share:		
Authorized – 11,000,000 Shares		
Issued – 10,482,000 Shares		
Outstanding – 9,013,000 Shares	157.2	157.2
Paid-in Capital	364.0	364.0
Retained Earnings	841.0	851.0
Accumulated Other Comprehensive Income (Loss)	0.9	1.1
TOTAL COMMON SHAREHOLDER'S EQUITY	1,363.1	1,373.3
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 4,778.0	$ 4,751.5

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110.

PUBLIC SERVICE COMPANY OF OKLAHOMA
CONDENSED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
OPERATING ACTIVITIES		
Net Income (Loss)	$ (10 3)	$ 6 2
Adjustments to Reconcile Net Income (Loss) to Net Cash Flows from (Used for) Operating Activities:		
Depreciation and Amortization	44 7	43 5
Deferred Income Taxes	(5 3)	(5 8)
Allowance for Equity Funds Used During Construction	(1 0)	(0 1)
Mark-to-Market of Risk Management Contracts	9 5	5 1
Property Taxes	(29.8)	(29 9)
Deferred Fuel Over/Under-Recovery, Net	4 1	(2 4)
Change in Other Noncurrent Assets	(0.1)	8 0
Change in Other Noncurrent Liabilities	4 2	(0 7)
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	0 9	2 0
Fuel, Materials and Supplies	(8.5)	3 2
Accounts Payable	(39 1)	(23 3)
Accrued Taxes, Net	25.1	25 3
Other Current Assets	(1 7)	(3 8)
Other Current Liabilities	(7 2)	4 4
Net Cash Flows from (Used for) Operating Activities	(14 5)	31 7
INVESTING ACTIVITIES		
Construction Expenditures	(96 5)	(70 7)
Change in Advances to Affiliates, Net	38 8	—
Other Investing Activities	1.6	0 4
Net Cash Flows Used for Investing Activities	(56 1)	(70 3)
FINANCING ACTIVITIES		
Issuance of Long-term Debt – Nonaffiliated	—	99 9
Change in Advances from Affiliates, Net	70 9	(50 3)
Retirement of Long-term Debt – Nonaffiliated	(0 1)	(0 1)
Principal Payments for Finance Lease Obligations	(0 8)	(0 7)
Dividends Paid on Common Stock	—	(11 3)
Other Financing Activities	0 2	0 6
Net Cash Flows from Financing Activities	70 2	38.1
Net Decrease in Cash and Cash Equivalents	(0 4)	(0 5)
Cash and Cash Equivalents at Beginning of Period	1 5	2 0
Cash and Cash Equivalents at End of Period	$ 1 1	$ 1 5
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 16 7	$ 10 9
Net Cash Paid for Income Taxes	—	0 6
Noncash Acquisitions Under Finance Leases	0 9	1 1
Construction Expenditures Included in Current Liabilities as of March 31,	30 8	15 6

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED

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SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
MANAGEMENT'S NARRATIVE DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

KWh Sales/Degree Days

Summary of KWh Energy Sales

	Three Months Ended March 31, 2020	2019
	(in millions of KWhs)	
Retail:		
Residential	1,406	1,528
Commercial	1,228	1,273
Industrial	1,242	1,250
Miscellaneous	20	20
Total Retail	3,896	4,071
Wholesale	1,326	1,979
Total KWhs	5,222	6,050

Heating degree days and cooling degree days are metrics commonly used in the utility industry as a measure of the impact of weather on revenues.

Summary of Heating and Cooling Degree Days

	Three Months Ended March 31, 2020	2019
	(in degree days)	
Actual – Heating (a)	497	708
Normal – Heating (b)	698	698
Actual – Cooling (c)	69	20
Normal – Cooling (b)	39	39

(a) Heating degree days are calculated on a 55 degree temperature base.
(b) Normal Heating/Cooling represents the thirty-year average of degree days.
(c) Cooling degree days are calculated on a 65 degree temperature base.

First Quarter of 2020 Compared to First Quarter of 2019

Reconciliation of First Quarter of 2019 to First Quarter of 2020
Earnings Attributable to SWEPCo Common Shareholder
(in millions)

First Quarter of 2019	$	27.8
Changes in Gross Margin:		
Retail Margins (a)		(4.2)
Margins from Off-system Sales		(1.6)
Transmission Revenues		4.8
Other Revenues		(0.3)
Total Change in Gross Margin		(1.3)
Changes in Expenses and Other:		
Other Operation and Maintenance		(12.5)
Depreciation and Amortization		(5.2)
Interest Income		(0.1)
Allowance for Equity Funds Used During Construction		(0.4)
Interest Expense		(0.4)
Total Change in Expenses and Other		(18.6)
Income Tax Expense		6.9
Equity Earnings of Unconsolidated Subsidiary		0.1
Net Income Attributable to Noncontrolling Interest		0.2
First Quarter of 2020	$	15.1

(a) Includes firm wholesale sales to municipals and cooperatives.

The major components of the decrease 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** decreased $4 million primarily due to the following:
  - An $8 million decrease in weather-normalized margins.
  - A $5 million decrease in weather-related usage primarily due to a 30% decrease in heating degree days.
  - A $3 million decrease due to an increase in the return of Excess ADIT benefits to customers. This decrease was offset in Income Tax Expense (Benefit) below.

  These decreases were partially offset by:
  - An $11 million increase primarily due to capital investment rider and base rate revenue increases in Texas, Arkansas and Louisiana.
- **Transmission Revenues** increased $5 million primarily due to an increase in SPP transmission services revenue.

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

- **Other Operation and Maintenance** expenses increased $13 million primarily due to the following:
  - A $5 million increase in storm-related expenses.
  - A $3 million increase in SPP transmission expenses.
  - A $2 million increase in employee-related expenses.
- **Depreciation and Amortization** expenses increased $5 million primarily due to a higher depreciable base and an increase in Arkansas depreciation rates beginning in January 2020. This increase was partially offset within Retail Margins above.
- **Income Tax Expense** decreased $7 million primarily due to a decrease in pretax book income and an increase in amortization of excess ADIT. The increase in amortization of excess ADIT was partially offset in Retail Margins above.

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31, 2020	2019
REVENUES		
Electric Generation, Transmission and Distribution	$ 377.6	$ 414.3
Sales to AEP Affiliates	7 5	6 4
Other Revenues	0.8	0.4
TOTAL REVENUES	385 9	421.1
EXPENSES		
Fuel and Other Consumables Used for Electric Generation	89.1	133.5
Purchased Electricity for Resale	43.1	32 6
Other Operation	92.2	84.6
Maintenance	33.8	28 9
Depreciation and Amortization	67.3	62.1
Taxes Other Than Income Taxes	25 3	25 3
TOTAL EXPENSES	350.8	367.0
OPERATING INCOME	35.1	54.1
Other Income (Expense):		
Interest Income	0.6	0 7
Allowance for Equity Funds Used During Construction	1.4	1.8
Non-Service Cost Components of Net Periodic Benefit Cost	2.1	2 1
Interest Expense	(30.1)	(29.7)
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT) AND EQUITY EARNINGS	9.1	29.0
Income Tax Expense (Benefit)	(6.2)	0.7
Equity Earnings of Unconsolidated Subsidiary	0.8	0 7
NET INCOME	16.1	29 0
Net Income Attributable to Noncontrolling Interest	1 0	1 2
EARNINGS ATTRIBUTABLE TO SWEPCo COMMON SHAREHOLDER	$ 15.1	$ 27 8

The common stock of SWEPCo is wholly-owned by Parent.

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net Income	$ 16.1	$ 29.0
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAXES		
Cash Flow Hedges, Net of Tax of $0 1 and $0 1 in 2020 and 2019, Respectively	0.4	0 4
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $(0.1) and $(0.1) in 2020 and 2019, Respectively	(0.4)	(0.3)
TOTAL OTHER COMPREHENSIVE INCOME	—	0.1
TOTAL COMPREHENSIVE INCOME	16.1	29.1
Total Comprehensive Income Attributable to Noncontrolling Interest	1.0	1 2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SWEPCo COMMON SHAREHOLDER	$ 15.1	$ 27.9

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	SWEPCo Common Shareholder					
	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
TOTAL EQUITY – DECEMBER 31, 2018	$ 135 7	$ 676 6	$ 1,508 4	$ (5 4)	$ 0.3	$ 2,315.6
Common Stock Dividends			(18 7)			(18 7)
Common Stock Dividends – Nonaffiliated					(1 1)	(1 1)
Net Income			27 8		1.2	29 0
Other Comprehensive Income				0 1		0 1
TOTAL EQUITY – MARCH 31, 2019	$ 135.7	$ 676 6	$ 1,517.5	$ (5 3)	$ 0 4	$ 2,324.9
TOTAL EQUITY – DECEMBER 31, 2019	$ 135 7	$ 676 6	$ 1,629 5	$ (1.3)	$ 0 6	$ 2,441.1
Common Stock Dividends – Nonaffiliated					(0.7)	(0 7)
ASU 2016-13 Adoption			1 6			1 6
Net Income			15 1		1 0	16.1
TOTAL EQUITY – MARCH 31, 2020	$ 135 7	$ 676 6	$ 1,646 2	$ (1 3)	$ 0 9	$ 2,458 1

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2020 and December 31, 2019
(in millions)
(Unaudited)

	March 31, 2020	December 31, 2019
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1.4	$ 1.6
Advances to Affiliates	2 1	2 1
Accounts Receivable:		
Customers	25 6	29 0
Affiliated Companies	24.4	34.5
Miscellaneous	14 3	13.5
Allowance for Uncollectible Accounts	(0.3)	(1.7)
Total Accounts Receivable	64.0	75.3
Fuel (March 31, 2020 and December 31, 2019 Amounts Include $42 and $47, Respectively, Related to Sabine)	147.9	140.1
Materials and Supplies (March 31, 2020 and December 31, 2019 Amounts Include $23.3 and $23 1, Respectively, Related to Sabine)	93 8	94 0
Risk Management Assets	2.6	6.4
Regulatory Asset for Under-Recovered Fuel Costs	—	4 9
Prepayments and Other Current Assets	34.3	29.7
TOTAL CURRENT ASSETS	346 1	354.1
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	4,703 0	4,691 4
Transmission	2,061.6	2,056.5
Distribution	2,300.8	2,270 7
Other Property, Plant and Equipment (March 31, 2020 and December 31, 2019 Amounts Include $213.5 and $212.3, Respectively, Related to Sabine)	767.2	733.4
Construction Work in Progress	232 7	216.9
Total Property, Plant and Equipment	10,065 3	9,968.9
Accumulated Depreciation and Amortization (March 31, 2020 and December 31, 2019 Amounts Include $112 and $107 5, Respectively, Related to Sabine)	2,918 7	2,873 7
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	7,146.6	7,095.2
OTHER NONCURRENT ASSETS		
Regulatory Assets	236.6	222 4
Deferred Charges and Other Noncurrent Assets	214.8	160.5
TOTAL OTHER NONCURRENT ASSETS	451.4	382.9
TOTAL ASSETS	$ 7,944 1	$ 7,832.2

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
March 31, 2020 and December 31, 2019
(Unaudited)

	March 31, 2020	December 31, 2019
	(in millions)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 148.1	$ 59.9
Accounts Payable.		
General	102.5	138.0
Affiliated Companies	37 3	53 6
Short-term Debt – Nonaffiliated	30.5	18 3
Long-term Debt Due Within One Year – Nonaffiliated	121.2	121 2
Risk Management Liabilities	2.2	1.9
Customer Deposits	65 1	65 0
Accrued Taxes	93 0	41.8
Accrued Interest	21 9	34 6
Obligations Under Operating Leases	7.1	6.5
Regulatory Liability for Over-Recovered Fuel Costs	29.7	13 6
Other Current Liabilities	87.8	120.3
TOTAL CURRENT LIABILITIES	746.4	674 7
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	2,533.2	2,534.4
Long-term Risk Management Liabilities	2 9	3 1
Deferred Income Taxes	944.4	940 9
Regulatory Liabilities and Deferred Investment Tax Credits	885 8	892 3
Asset Retirement Obligations	219.7	196.7
Obligations Under Operating Leases	38.2	34 7
Deferred Credits and Other Noncurrent Liabilities	115.4	114.3
TOTAL NONCURRENT LIABILITIES	4,739 6	4,716 4
TOTAL LIABILITIES	5,486.0	5,391.1
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
EQUITY		
Common Stock – Par Value – $18 Per Share:		
Authorized – 7,600,000 Shares		
Outstanding – 7,536,640 Shares	135.7	135 7
Paid-in Capital	676.6	676.6
Retained Earnings	1,646 2	1,629.5
Accumulated Other Comprehensive Income (Loss)	(1.3)	(1.3)
TOTAL COMMON SHAREHOLDER'S EQUITY	2,457 2	2,440 5
Noncontrolling Interest	0 9	0 6
TOTAL EQUITY	2,458.1	2,441 1
TOTAL LIABILITIES AND EQUITY	$ 7,944.1	$ 7,832 2

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2020 and 2019
(in millions)
(Unaudited)

	Three Months Ended March 31, 2020	2019
OPERATING ACTIVITIES		
Net Income	$ 16 1	$ 29.0
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	67 3	62 1
Deferred Income Taxes	(9 2)	(2 5)
Allowance for Equity Funds Used During Construction	(1 4)	(1 8)
Mark-to-Market of Risk Management Contracts	3 9	2 3
Property Taxes	(49.0)	(48 9)
Deferred Fuel Over/Under-Recovery, Net	21 0	10 3
Change in Other Noncurrent Assets	(4 0)	2.9
Change in Other Noncurrent Liabilities	9 8	7 9
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	11 3	6 3
Fuel, Materials and Supplies	(7 6)	(16.2)
Accounts Payable	(31 2)	(55 0)
Accrued Taxes, Net	51 2	52 7
Accrued Interest	(12 7)	(12 7)
Other Current Assets	(4.0)	(10 0)
Other Current Liabilities	(35 7)	(17 0)
Net Cash Flows from Operating Activities	25 8	9.4
INVESTING ACTIVITIES		
Construction Expenditures	(122 4)	(86 6)
Change in Advances to Affiliates, Net	—	81 4
Other Investing Activities	0 8	(3 1)
Net Cash Flows Used for Investing Activities	(121 6)	(8 3)
FINANCING ACTIVITIES		
Change in Short-term Debt – Nonaffiliated	12 2	—
Change in Advances from Affiliates, Net	88 2	74 0
Retirement of Long-term Debt – Nonaffiliated	(1 6)	(55 1)
Principal Payments for Finance Lease Obligations	(2 7)	(2 7)
Dividends Paid on Common Stock	—	(18 7)
Dividends Paid on Common Stock – Nonaffiliated	(0 7)	(1 1)
Other Financing Activities	0 2	0 1
Net Cash Flows from (Used for) Financing Activities	95 6	(3.5)
Net Decrease in Cash and Cash Equivalents	(0 2)	(2.4)
Cash and Cash Equivalents at Beginning of Period	1 6	24 5
Cash and Cash Equivalents at End of Period	$ 1 4	$ 22 1
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 40 7	$ 40 5
Net Cash Paid for Income Taxes	—	0 2
Noncash Acquisitions Under Finance Leases	3 0	0 8
Construction Expenditures Included in Current Liabilities as of March 31,	45.2	44 8

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 110

INDEX OF CONDENSED NOTES TO CONDENSED FINANCIAL STATEMENTS OF REGISTRANTS

The condensed notes to condensed financial statements are a combined presentation for the Registrants. The following list indicates Registrants to which the notes apply. Specific disclosures within each note apply to all Registrants unless indicated otherwise:

1. SIGNIFICANT ACCOUNTING MATTERS

The disclosures in this note apply to all Registrants unless indicated otherwise.

General

The unaudited condensed financial statements and footnotes were prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the SEC. Accordingly, they do not include all of the information and footnotes required by GAAP for complete annual financial statements.

In the opinion of management, the unaudited condensed interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair statement of the net income, financial position and cash flows for the interim periods for each Registrant. Net income for the three months ended March 31, 2020 is not necessarily indicative of results that may be expected for the year ending December 31, 2020. The condensed financial statements are unaudited and should be read in conjunction with the audited 2019 financial statements and notes thereto, which are included in the Registrants' Annual Reports on Form 10-K as filed with the SEC on February 20, 2020.

COVID-19

In March 2020, COVID-19 was declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention. Its rapid spread around the world and throughout the United States prompted many countries, including the United States, to institute restrictions on travel, public gatherings and certain business operations. These restrictions significantly disrupted economic activity in AEP's service territory and could reduce future demand for energy, particularly from commercial and industrial customers. The Registrants are taking steps to mitigate the potential risks to customers, suppliers and employees posed by the spread of COVID-19.

As of March 31, 2020 and through the date of this report, the Registrants assessed certain accounting matters that require consideration of forecasted financial information, including, but not limited to, the allowance for credit losses and the carrying value of long-lived assets. While there were not any impairments or significant increases in credit allowances resulting from these assessments as of and for the quarter ended March 31, 2020, the ultimate impact of COVID-19 also depends on factors beyond management's knowledge or control, including the duration and severity of this outbreak as well as third-party actions taken to contain its spread and mitigate its public health effects. Therefore, management cannot estimate the potential future impact to financial position, results of operations and cash flows, but the impacts could be material.

Earnings Per Share (EPS) (Applies to AEP)

Basic EPS is calculated by dividing net earnings available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted EPS is calculated by adjusting the weighted-average outstanding common shares, assuming conversion of all potentially dilutive stock awards.

The following table presents AEP's basic and diluted EPS calculations included on the statements of income:

	Three Months Ended March 31,			
	2020		2019	
	(in millions, except per share data)			
		$/share		$/share
Earnings Attributable to AEP Common Shareholders	$ 495.2		$ 572.8	
Weighted Average Number of Basic Shares Outstanding	494.6	$ 1.00	493.3	$ 1.16
Weighted Average Dilutive Effect of Stock-Based Awards	2.0	—	1.2	—
Weighted Average Number of Diluted Shares Outstanding	496.6	$ 1.00	494.5	$ 1.16

Equity Units issued in March 2019 are potentially dilutive securities but were excluded from the calculation of diluted EPS for the three months ended March 31, 2020 and 2019, as the dilutive stock price threshold was not met. See Note 12 - Financing Activities for more information related to Equity Units.

There were 697 thousand and 0 antidilutive shares outstanding as of March 31, 2020 and 2019, respectively. The antidilutive shares were excluded from the calculation of diluted EPS.

Restricted Cash (Applies to AEP, AEP Texas and APCo)

Restricted Cash primarily included funds held by trustee for the payment of securitization bonds and contractually restricted deposits held for the future payment of the remaining construction activities at Santa Rita East.

Reconciliation of Cash, Cash Equivalents and Restricted Cash

The following tables provide a reconciliation of Cash, Cash Equivalents and Restricted Cash reported within the balance sheets that sum to the total of the same amounts shown on the statements of cash flows:

	March 31, 2020		
	AEP	AEP Texas	APCo
	(in millions)		
Cash and Cash Equivalents	$ 1,554.6	$ 0.1	$ 2.8
Restricted Cash	116.2	100.1	15.7
Total Cash, Cash Equivalents and Restricted Cash	**$ 1,670.8**	**$ 100.2**	**$ 18.5**

	December 31, 2019		
	AEP	AEP Texas	APCo
	(in millions)		
Cash and Cash Equivalents	$ 246.8	$ 3.1	$ 3.3
Restricted Cash	185.8	154.7	23.5
Total Cash, Cash Equivalents and Restricted Cash	**$ 432.6**	**$ 157.8**	**$ 26.8**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allowance for Uncollectible Accounts

Generally, AEP Credit records bad debt expense based upon a 12-month rolling average of bad debt write-offs in proportion to gross accounts receivable purchased from participating AEP subsidiaries. The assessment is performed separately by each participating AEP subsidiary, which inherently contemplates any differences in geographical risk characteristics for the allowance. For receivables related to APCo's West Virginia operations, the bad debt reserve is calculated based on a rolling two-year average write-off in proportion to gross accounts receivable. For customer accounts receivables relating to risk management activities, accounts receivables are reviewed for bad debt reserves at a specific counterparty level basis. For AEP Texas, bad debt reserves are calculated using the specific identification of receivable balances greater than 120 days delinquent, and for those balances less than 120 days where the collection is doubtful. For miscellaneous accounts receivable, bad debt expense is recorded based upon a 12-month rolling average of bad debt write-offs in proportion to gross accounts receivable, unless specifically identified. In addition to these processes, management contemplates available current information, as well as any reasonable and supportable forecast information, to determine if allowances for uncollectible accounts should be further adjusted in accordance with the accounting guidance for Credit Losses. Management's assessments contemplate expected losses over the life of the accounts receivable.

2. NEW ACCOUNTING STANDARDS

The disclosures in this note apply to all Registrants unless indicated otherwise.

During the FASB's standard-setting process and upon issuance of final standards, management reviews the new accounting literature to determine its relevance, if any, to the Registrants' business. The following standards will impact the financial statements.

ASU 2016-13 "Measurement of Credit Losses on Financial Instruments" (ASU 2016-13)

In June 2016, the FASB issued ASU 2016-13 requiring the recognition of an allowance for expected credit losses for financial instruments within its scope. Examples of financial instruments that are in scope include trade receivables, certain financial guarantees and held-to-maturity debt securities. The allowance for expected credit losses should be based on historical information, current conditions and reasonable and supportable forecasts. Entities are required to evaluate, and if necessary, recognize expected credit losses at the inception or initial acquisition of a financial instrument (or pool of financial instruments that share similar risk characteristics) subject to ASU 2016-13, and subsequently as of each reporting date. The new standard also revises the other-than-temporary impairment model for available-for-sale debt securities.

New standard implementation activities included: (a) the identification and evaluation of the population of financial instruments within the AEP system that are subject to the new standard, (b) the development of supporting valuation models to also contemplate appropriate metrics for current and supportable forecasted information and (c) the development of disclosures to comply with the requirements of ASU 2016-13. As required by ASU 2016-13, the financial instruments subject to the new standard were evaluated on a pool-basis to the extent such financial instruments shared similar risk characteristics.

Management adopted ASU 2016-13 and its related implementation guidance effective January 1, 2020, by means of an immaterial cumulative-effect adjustment to Retained Earnings on the balance sheets. The adoption of the new standard did not have a material impact to financial position and had no impact on the results of operations or cash flows. Additionally, the adoption of the new standard did not result in any changes to current accounting systems.

ASU 2020-04 "Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting" (ASU 2020-04)

In March 2020, the FASB issued ASU 2020-04 providing guidance to ease the potential burden in accounting for Reference Rate Reform on financial reporting. The new standard is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of Reference Rate Reform. The new standard establishes a general contract modification principle that entities can apply in other areas that may be affected by Reference Rate Reform and certain elective hedge accounting expedients. Under the new standard, an entity may make a one-time election to sell or to transfer to the available-for-sale or trading classifications (or both sell and transfer), debt securities that both reference an affected rate, and were classified as held-to-maturity before January 1, 2020.

The new accounting guidance is effective for all entities as of March 12, 2020 through December 31, 2022. The amendments may be applied to contract modifications as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. The amendments may be applied to eligible hedging relationships existing as of the beginning of the interim period that includes March 12, 2020 and to new eligible hedging relationships entered into after the beginning of the interim period that includes March 12, 2020. The one-time election to sell, transfer, or both sell and transfer debt securities classified as held-to-maturity may be made at any time after March 12, 2020 but no later than December 31, 2022. Management has yet to apply the amendments in the new standard to any contract modifications, hedging relationships, or debt securities. Management is analyzing the impact of this new standard and at this time, cannot estimate the impact of adoption on results of operations, financial position or cash flows.

3. COMPREHENSIVE INCOME

The disclosures in this note apply to all Registrants except AEPTCo unless indicated otherwise.

Presentation of Comprehensive Income

The following tables provide the components of changes in AOCI and details of reclassifications from AOCI. The amortization of pension and OPEB AOCI components are included in the computation of net periodic pension and OPEB costs. See Note 7 - Benefit Plans for additional details.

AEP

	Cash Flow Hedges		Pension	
Three Months Ended March 31, 2020	**Commodity**	**Interest Rate**	**and OPEB**	**Total**
		(in millions)		
Balance in AOCI as of December 31, 2019	$ (103.5)	$ (11.5)	$ (32.7)	$ (147.7)
Change in Fair Value Recognized in AOCI	(65.3)	(42.7) (a)	—	(108.0)
Amount of (Gain) Loss Reclassified from AOCI				
Generation & Marketing Revenues (a)	(0.1)	—	—	(0.1)
Purchased Electricity for Resale (b)	51.1	—	—	51.1
Interest Expense (b)	—	0.9	—	0.9
Amortization of Prior Service Cost (Credit)	—	—	(4.9)	(4.9)
Amortization of Actuarial (Gains) Losses	—	—	2.6	2.6
Reclassifications from AOCI, before Income Tax (Expense) Benefit	51.0	0.9	(2.3)	49.6
Income Tax (Expense) Benefit	10.7	0.2	(0.5)	10.4
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	40.3	0.7	(1.8)	39.2
Net Current Period Other Comprehensive Income (Loss)	(25.0)	(42.0)	(1.8)	(68.8)
Balance in AOCI as of March 31, 2020	$ (128.5)	$ (53.5)	$ (34.5)	$ (216.5)

	Cash Flow Hedges		Pension	
Three Months Ended March 31, 2019	**Commodity**	**Interest Rate**	**and OPEB**	**Total**
		(in millions)		
Balance in AOCI as of December 31, 2018	$ (23.0)	$ (12.6)	$ (84.8)	$ (120.4)
Change in Fair Value Recognized in AOCI	(38.8)	—	—	(38.8)
Amount of (Gain) Loss Reclassified from AOCI				
Purchased Electricity for Resale (b)	12.3	—	—	12.3
Interest Expense (b)	—	0.2	—	0.2
Amortization of Prior Service Cost (Credit)	—	—	(4.8)	(4.8)
Amortization of Actuarial (Gains) Losses	—	—	3.0	3.0
Reclassifications from AOCI, before Income Tax (Expense) Benefit	12.3	0.2	(1.8)	10.7
Income Tax (Expense) Benefit	2.6	—	(0.4)	2.2
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	9.7	0.2	(1.4)	8.5
Net Current Period Other Comprehensive Income (Loss)	(29.1)	0.2	(1.4)	(30.3)
Balance in AOCI as of March 31, 2019	$ (52.1)	$ (12.4)	$ (86.2)	$ (150.7)

AEP Texas

Three Months Ended March 31, 2020	Cash Flow Hedge – Interest Rate	Pension and OPEB	Total
		(in millions)	
Balance in AOCI as of December 31, 2019	$ (3 4)	$ (9 4)	$ (12 8)
Change in Fair Value Recognized in AOCI	—	—	—
Amount of (Gain) Loss Reclassified from AOCI			
Interest Expense (b)	0 4	—	0 4
Reclassifications from AOCI, before Income Tax (Expense) Benefit	0.4	—	0 4
Income Tax (Expense) Benefit	0 1	—	0 1
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	0 3	—	0 3
Net Current Period Other Comprehensive Income (Loss)	0 3	—	0 3
Balance in AOCI as of March 31, 2020	$ (3.1)	$ (9.4)	$ (12 5)

Three Months Ended March 31, 2019	Cash Flow Hedge – Interest Rate	Pension and OPEB	Total
		(in millions)	
Balance in AOCI as of December 31, 2018	$ (4 4)	$ (10 7)	$ (15.1)
Change in Fair Value Recognized in AOCI	—	—	—
Amount of (Gain) Loss Reclassified from AOCI			
Interest Expense (b)	0 4	—	0 4
Reclassifications from AOCI, before Income Tax (Expense) Benefit	0.4	—	0 4
Income Tax (Expense) Benefit	0 1	—	0 1
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	0 3	—	0 3
Net Current Period Other Comprehensive Income (Loss)	0 3	—	0 3
Balance in AOCI as of March 31, 2019	$ (4.1)	$ (10 7)	$ (14 8)

APCo

Three Months Ended March 31, 2020	Cash Flow Hedge – Interest Rate	Pension and OPEB	Total
		(in millions)	
Balance in AOCI as of December 31, 2019	$ 0.9	$ 4 1	$ 5 0
Change in Fair Value Recognized in AOCI	(3 9)	—	(3 9)
Amount of (Gain) Loss Reclassified from AOCI			
Interest Expense (b)	(0 4)	—	(0 4)
Amortization of Prior Service Cost (Credit)	—	(1 3)	(1 3)
Amortization of Actuarial (Gains) Losses	—	0 1	0 1
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(0 4)	(1 2)	(1 6)
Income Tax (Expense) Benefit	(0 1)	(0 3)	(0 4)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(0 3)	(0 9)	(1 2)
Net Current Period Other Comprehensive Income (Loss)	(4 2)	(0 9)	(5 1)
Balance in AOCI as of March 31, 2020	$ (3 3)	$ 3 2	$ (0 1)

Three Months Ended March 31, 2019	Cash Flow Hedge – Interest Rate	Pension and OPEB	Total
		(in millions)	
Balance in AOCI as of December 31, 2018	$ 1 8	$ (6 8)	$ (5 0)
Change in Fair Value Recognized in AOCI	—	—	—
Amount of (Gain) Loss Reclassified from AOCI			
Interest Expense (b)	(0 3)	—	(0 3)
Amortization of Prior Service Cost (Credit)	—	(1.3)	(1.3)
Amortization of Actuarial (Gains) Losses	—	0 5	0 5
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(0 3)	(0 8)	(1 1)

Income Tax (Expense) Benefit		(0 1)		(0 2)		(0 3)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit		(0.2)		(0 6)		(0 8)
Net Current Period Other Comprehensive Income (Loss)		(0 2)		(0 6)		(0 8)
Balance in AOCI as of March 31, 2019	$	1 6	$	(7 4)	$	(5 8)

I&M

Three Months Ended March 31, 2020	Cash Flow Hedge – Interest Rate	Pension and OPEB	Total
		(in millions)	
Balance in AOCI as of December 31, 2019	$ (9 9)	$ (1 7)	$ (11.6)
Change in Fair Value Recognized in AOCI	—	—	—
Amount of (Gain) Loss Reclassified from AOCI			
Interest Expense (b)	0 5	—	0 5
Amortization of Prior Service Cost (Credit)	—	(0 2)	(0 2)
Amortization of Actuarial (Gains) Losses	—	0 2	0 2
Reclassifications from AOCI, before Income Tax (Expense) Benefit	0 5	—	0 5
Income Tax (Expense) Benefit	0 1	—	0 1
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	0 4	—	0.4
Net Current Period Other Comprehensive Income (Loss)	0 4	—	0 4
Balance in AOCI as of March 31, 2020	$ (9.5)	$ (1 7)	$ (11 2)

Three Months Ended March 31, 2019	Cash Flow Hedge – Interest Rate	Pension and OPEB	Total
		(in millions)	
Balance in AOCI as of December 31, 2018	$ (11 5)	$ (2 3)	$ (13 8)
Change in Fair Value Recognized in AOCI	—	—	—
Amount of (Gain) Loss Reclassified from AOCI			
Interest Expense (b)	0 5	—	0 5
Amortization of Prior Service Cost (Credit)	—	(0 2)	(0 2)
Amortization of Actuarial (Gains) Losses	—	0 2	0 2
Reclassifications from AOCI, before Income Tax (Expense) Benefit	0 5	—	0.5
Income Tax (Expense) Benefit	0 1	—	0 1
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	0 4	—	0 4
Net Current Period Other Comprehensive Income (Loss)	0 4	—	0 4
Balance in AOCI as of March 31, 2019	$ (11 1)	$ (2 3)	$ (13.4)

OPCo

Three Months Ended March 31, 2020	Cash Flow Hedge – Interest Rate
	(in millions)
Balance in AOCI as of December 31, 2019	$ —
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Interest Expense (b)	—
Reclassifications from AOCI, before Income Tax (Expense) Benefit	—
Income Tax (Expense) Benefit	—
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	—
Net Current Period Other Comprehensive Income (Loss)	—
Balance in AOCI as of March 31, 2020	$ —

Three Months Ended March 31, 2019	Cash Flow Hedge – Interest Rate
	(in millions)
Balance in AOCI as of December 31, 2018	$ 1.0
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Interest Expense (b)	(0 4)
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(0 4)

Income Tax (Expense) Benefit		(0 1)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit		(0.3)
Net Current Period Other Comprehensive Income (Loss)		(0 3)
Balance in AOCI as of March 31, 2019	$	0 7

PSO

Three Months Ended March 31, 2020		Cash Flow Hedge – Interest Rate
		(in millions)
Balance in AOCI as of December 31, 2019	$	1 1
Change in Fair Value Recognized in AOCI		—
Amount of (Gain) Loss Reclassified from AOCI		
Interest Expense (b)		(0 3)
Reclassifications from AOCI, before Income Tax (Expense) Benefit		(0 3)
Income Tax (Expense) Benefit		(0 1)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit		(0 2)
Net Current Period Other Comprehensive Income (Loss)		(0 2)
Balance in AOCI as of March 31, 2020	$	0 9

Three Months Ended March 31, 2019		Cash Flow Hedge – Interest Rate
		(in millions)
Balance in AOCI as of December 31, 2018	$	2 1
Change in Fair Value Recognized in AOCI		—
Amount of (Gain) Loss Reclassified from AOCI		
Interest Expense (b)		(0 3)
Reclassifications from AOCI, before Income Tax (Expense) Benefit		(0 3)
Income Tax (Expense) Benefit		(0 1)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit		(0 2)
Net Current Period Other Comprehensive Income (Loss)		(0 2)
Balance in AOCI as of March 31, 2019	$	1 9

SWEPCo

Three Months Ended March 31, 2020		Cash Flow Hedge – Interest Rate		Pension and OPEB		Total
				(in millions)		
Balance in AOCI as of December 31, 2019	$	(1.8)	$	0 5	$	(1 3)
Change in Fair Value Recognized in AOCI		—		—		—
Amount of (Gain) Loss Reclassified from AOCI						
Interest Expense (b)		0 5		—		0 5
Amortization of Prior Service Cost (Credit)		—		(0 5)		(0 5)
Reclassifications from AOCI, before Income Tax (Expense) Benefit		0 5		(0 5)		—
Income Tax (Expense) Benefit		0 1		(0 1)		—
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit		0 4		(0 4)		—
Net Current Period Other Comprehensive Income (Loss)		0 4		(0 4)		—
Balance in AOCI as of March 31, 2020	$	(1 4)	$	0 1	$	(1 3)

Three Months Ended March 31, 2019		Cash Flow Hedge – Interest Rate		Pension and OPEB		Total
				(in millions)		
Balance in AOCI as of December 31, 2018	$	(3 3)	$	(2 1)	$	(5 4)
Change in Fair Value Recognized in AOCI		—		—		—
Amount of (Gain) Loss Reclassified from AOCI						
Interest Expense (b)		0 5		—		0 5
Amortization of Prior Service Cost (Credit)		—		(0 5)		(0 5)
Amortization of Actuarial (Gains) Losses		—		0 1		0 1
Reclassifications from AOCI, before Income Tax (Expense) Benefit		0.5		(0.4)		0.1
Income Tax (Expense) Benefit		0 1		(0 1)		—

Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	0 4	(0.3)	0 1
Net Current Period Other Comprehensive Income (Loss)	0 4	(0 3)	0 1
Balance in AOCI as of March 31, 2019	$ (2 9)	$ (2 4)	$ (5 3)

(a) The change in fair value includes $5 million related to AEP's investment in joint venture wind farms acquired as part of the purchase of Sempra Renewables LLC for the three months ended March 31, 2020
(b) Amounts reclassified to the referenced line item on the statements of income

4. RATE MATTERS

The disclosures in this note apply to all Registrants unless indicated otherwise.

As discussed in the 2019 Annual Report, the Registrants are involved in rate and regulatory proceedings at the FERC and their state commissions. The Rate Matters note within the 2019 Annual Report should be read in conjunction with this report to gain a complete understanding of material rate matters still pending that could impact net income, cash flows and possibly financial condition. The following discusses ratemaking developments in 2020 and updates the 2019 Annual Report.

Regulated Generating Units to be Retired (Applies to AEP, PSO and SWEPCo)

In September 2018, management announced that the Oklaunion Power Station is probable of abandonment and is expected to be retired by October 2020.

In January 2020, as part of the 2019 Arkansas Base Rate Case, management announced that the Dolet Hills Power Station was probable of abandonment and was to be retired by December 2026. In March 2020, management announced plans to accelerate the expected retirement date to the end of September 2021.

The table below summarizes the plant investment and their cost of removal, currently being recovered, as well as the regulatory assets for accelerated depreciation for the generating units as of March 31, 2020.

Plant	Gross Investment	Accumulated Depreciation	Net Investment	Accelerated Depreciation Regulatory Asset		Materials and Supplies	Cost of Removal Regulatory Liability	Expected Retirement Date	Remaining Recovery Period
				(dollars in millions)					
Oklaunion Power Station	$ 106 8	$ 92 6	$ 14 2	$ 33 0	(a)	$ 3 3	$ 5 2	2020	27 years
Dolet Hills Power Station	341 4	205 0	136 4	9 1	(b)	5 8	23 7	2021	27 years

(a) In October 2018, PSO changed depreciation rates to utilize the 2020 end-of-life and defer depreciation expense to a regulatory asset for the amount in excess of the previously OCC-approved depreciation rates for Oklaunion Power Station

(b) In January 2020, SWEPCo changed depreciation rates to utilize the 2026 end-of-life and defer depreciation expense to a regulatory asset for the amount in excess of the previously APSC-approved depreciation rates for Dolet Hills Power Station In March 2020, SWEPCo changed depreciation rates again to utilize the accelerated 2021 end-of-life

Dolet Hills Power Station and Related Fuel Operations (Applies to AEP and SWEPCo)

During the second quarter of 2019, the Dolet Hills Power Station initiated a seasonal operating schedule. In January 2020, in accordance with the terms of SWEPCo's settlement of its base rate review filed with the APSC, management announced that SWEPCo will seek regulatory approval to retire the Dolet Hills Power Station by the end of 2026. DHLC provides 100% of the fuel supply to Dolet Hills Power Station. In March 2020, it was determined that DHLC would not proceed developing additional mining areas for future lignite extraction and management notified a substantial portion of its workforce that employment will permanently end in June 2020. Based on these actions, management has revised the estimated useful life of many of DHLC's assets to June 2020 to coincide with the date at which extraction is expected to be discontinued. Management also revised the useful life of the Dolet Hills Power Station to September 2021 based on the remaining estimated fuel supply available for continued seasonal operation. In March 2020, primarily due to the revision in the useful life of DHLC, SWEPCo recorded a revision to increase estimated ARO liabilities by $21 million. In April 2020, SWEPCo and CLECO jointly filed a notification letter to the LPSC providing notice of the pending cessation of lignite mining in June 2020.

The Dolet Hills Power Station costs are recoverable by SWEPCo through base rates. SWEPCo's share of the net investment in the Dolet Hills Power Station is $151 million, including CWIP and materials and supplies, before cost of removal.

Fuel costs incurred by the Dolet Hills Power Station are recoverable by SWEPCo through active fuel clauses. Under the Lignite Mining Agreement, DHLC bills SWEPCo its proportionate share of incurred lignite extraction and associated mining-related costs as fuel is delivered. As of March 31, 2020, DHLC has unbilled lignite inventory and fixed costs of $124 million that will be billed to SWEPCo prior to the closure of the Dolet Hills Power Station. In 2009, SWEPCo acquired interests in the Oxbow Lignite Company (Oxbow), which owns mineral rights and leases land. Under a Joint Operating Agreement pertaining to the Oxbow mineral rights and land leases, Oxbow bills SWEPCo its proportionate share of incurred costs. As of March 31, 2020, Oxbow has unbilled fixed costs of $26 million that will be billed to SWEPCo prior to the closure of the Dolet Hills Power Station. Additional operational and land-related costs are expected to be incurred by DHLC and Oxbow and billed to SWEPCo prior to the closure of the Dolet Hills Power Station and recovered through fuel clauses.

If any of these costs are not recoverable, it could reduce future net income and cash flows and impact financial condition.

Regulatory Assets Pending Final Regulatory Approval (Applies to all Registrants except AEPTCo)

	AEP	
	March 31, 2020	**December 31, 2019**
Noncurrent Regulatory Assets	**(in millions)**	
Regulatory Assets Currently Earning a Return		
Plant Retirement Costs – Unrecovered Plant	$ 35.2	$ 35.2
Oklaunion Power Station Accelerated Depreciation	33.0	27.4
Kentucky Deferred Purchase Power Expenses	32.9	30.2
Dolet Hills Power Station Accelerated Depreciation	9.1	—
Other Regulatory Assets Pending Final Regulatory Approval	2.1	0.7
Regulatory Assets Currently Not Earning a Return		
Plant Retirement Costs – Asset Retirement Obligation Costs	25.9	30.1
Asset Retirement Obligation	7.7	7.2
Storm-Related Costs	7.3	7.2
Vegetation Management Program (a)	3.8	29.4
Cook Plant Study Costs (b)	—	7.6
Other Regulatory Assets Pending Final Regulatory Approval	5.0	6.7
Total Regulatory Assets Pending Final Regulatory Approval (c)	$ 162.0	$ 181.7

(a) In April 2020, $26 million of deferred expenses were approved for recovery. See "2019 Texas Base Rate Case" section below for additional information.
(b) Approved for recovery in the first quarter of 2020 in the Indiana Base Rate Case.
(c) APCo is currently in the process of retiring and replacing its Virginia jurisdictional Automated Meter Reading (AMR) meters with AMI meters. As of March 31, 2020 and December 31, 2019, APCo has approximately $52 million and $51 million, respectively, of Virginia jurisdictional AMR meters recorded in Total Property, Plant and Equipment - Net on its balance sheets. APCo is pursuing full recovery of these assets through its Virginia depreciation rates. See "2017-2019 Virginia Triennial Review" section below for additional information.

	AEP Texas	
	March 31, 2020	**December 31, 2019**
Noncurrent Regulatory Assets	**(in millions)**	
Regulatory Assets Currently Not Earning a Return		
Vegetation Management Program (a)	$ 3.8	$ 29.4
Other Regulatory Assets Pending Final Regulatory Approval	1.5	1.4
Total Regulatory Assets Pending Final Regulatory Approval	$ 5.3	$ 30.8

(a) In April 2020, $26 million of deferred expenses were approved for recovery. See "2019 Texas Base Rate Case" section below for additional information.

Noncurrent Regulatory Assets	APCo March 31, 2020	APCo December 31, 2019
	(in millions)	
Regulatory Assets Currently Earning a Return		
Plant Retirement Costs – Materials and Supplies	$ —	$ 0.5
Regulatory Assets Currently Not Earning a Return		
Plant Retirement Costs – Asset Retirement Obligation Costs	25.9	30.1
Total Regulatory Assets Pending Final Regulatory Approval (a)	$ 25.9	$ 30.6

(a) APCo is currently in the process of retiring and replacing its Virginia jurisdictional Automated Meter Reading (AMR) meters with AMI meters. As of March 31, 2020 and December 31, 2019, APCo has approximately $52 million and $51 million, respectively, of Virginia jurisdictional AMR meters recorded in Total Property, Plant and Equipment - Net on its balance sheets. APCo is pursuing full recovery of these assets through its Virginia depreciation rates. See "2017-2019 Virginia Triennial Review" section below for additional information.

Noncurrent Regulatory Assets	I&M March 31, 2020	I&M December 31, 2019
	(in millions)	
Regulatory Assets Currently Not Earning a Return		
Cook Plant Study Costs (a)	$ —	$ 7.6
Other Regulatory Assets Pending Final Regulatory Approval	—	0.1
Total Regulatory Assets Pending Final Regulatory Approval	$ —	$ 7.7

(a) Approved for recovery in the first quarter of 2020 in the Indiana Base Rate Case.

Noncurrent Regulatory Assets	OPCo March 31, 2020	OPCo December 31, 2019
	(in millions)	
Regulatory Assets Currently Not Earning a Return		
Other Regulatory Assets Pending Final Regulatory Approval	$ 0.1	$ 0.1
Total Regulatory Assets Pending Final Regulatory Approval	$ 0.1	$ 0.1

Noncurrent Regulatory Assets	PSO March 31, 2020	PSO December 31, 2019
	(in millions)	
Regulatory Assets Currently Earning a Return		
Oklaunion Power Station Accelerated Depreciation	$ 33.0	$ 27.4
Regulatory Assets Currently Not Earning a Return		
Storm-Related Costs	7.3	7.2
Total Regulatory Assets Pending Final Regulatory Approval	$ 40.3	$ 34.6

Noncurrent Regulatory Assets	SWEPCo March 31, 2020	SWEPCo December 31, 2019
	(in millions)	
Regulatory Assets Currently Earning a Return		
Plant Retirement Costs – Unrecovered Plant, Louisiana	$ 35.2	$ 35.2
Dolet Hills Power Station Accelerated Depreciation	9.1	—
Other Regulatory Assets Pending Final Regulatory Approval	2.2	0.2
Regulatory Assets Currently Not Earning a Return		
Asset Retirement Obligation - Louisiana	7.7	7.2
Other Regulatory Assets Pending Final Regulatory Approval	1.9	3.7
Total Regulatory Assets Pending Final Regulatory Approval	$ 56.1	$ 46.3

If these costs are ultimately determined not to be recoverable, it could reduce future net income and cash flows and impact financial condition.

COVID-19 Pandemic

AEP's electric utility operating companies have informed retail customers and state regulators that disconnections for non-payment have been temporarily suspended. These uncertain economic conditions may result in the inability of customers to pay for electric service, which could affect the collectability of the Registrants revenues and adversely affect financial results. The Registrants are currently evaluating and working with regulatory commissions on potential rate recovery for increased costs as a result of the impacts of COVID-19. If any costs related to COVID-19 are not recoverable, it could reduce future net income and cash flows and impact financial condition. The table below describes the key elements of orders received, by jurisdiction, in response to COVID-19:

Company	Jurisdiction	Order
AEP Texas, ETT, SWEPCo	Texas	• Established a COVID-19 Electricity Relief Program to be funded through a rider for eligible residential customers in the areas of the state open to customer choice (AEP Texas only). • Granted permission for utilities to record a regulatory asset for expenses including, but not limited to, non-payment of qualified customer bills who have been affected by the COVID-19 pandemic
APCo	Virginia	• Granted permission for utilities to defer expenses related to the COVID-19 pandemic. Deferral will be subject to APCo's Virginia earnings test during the 2020-2022 Triennial period.
I&M	Michigan	• Granted permission for utilities to defer certain expenses related to the COVID-19 pandemic.
SWEPCo	Arkansas	• Granted permission for utilities to establish a regulatory asset to record costs resulting from the suspension of disconnections offset by any cost savings directly attributable to the suspension of disconnections or other activities during the COVID-19 pandemic.
SWEPCo	Louisiana	• Granted permission for utilities to record a regulatory asset for expenses resulting from the suspension of disconnections and collection of late fees related to the COVID-19 pandemic

AEP Texas Rate Matters (Applies to AEP and AEP Texas)

2019 Texas Base Rate Case

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. The filing included a proposed Income Tax Refund Rider that will refund $21 million annually of Excess ADIT that is primarily not subject to normalization requirements. The rate case also sought a prudence determination on all transmission and distribution capital additions through 2018 included in interim rates from 2008 to December 2019.

In April 2020, the PUCT issued an order approving a stipulation and settlement agreement. The order includes an annual base rate reduction of $40 million based upon a 9.4% return on common equity with a capital structure of 57.5% debt and 42.5% common equity effective with the first billing cycle in June 2020. The order provides recovery of $26 million in capitalized vegetation management expenses that were incurred through 2018. The order includes disallowances of $23 million related to capital investments recorded through 2018 and $4 million related to rate case expenses. In addition, AEP Texas will refund: (a) $77 million of Excess ADIT and excess federal income taxes collected as a result of Tax Reform to distribution customers over a one year period, (b) $31 million of Excess ADIT and excess federal income taxes collected as a result of Tax Reform to transmission customers as a one-time credit and (c) $30 million of previously collected rates that were subject to reconciliation in this proceeding over a one year period with no carrying costs. The order requires AEP Texas to file its next base rate case within four years of the date of that the final order was issued. The order also states future financially based capital incentives will not be included in interim transmission and distribution rates and contains various ring-fencing provisions. As a result of the final order, AEP Texas will refund $275 million of Excess ADIT associated with certain depreciable property using ARAM to transmission customers. AEP Texas will determine how to refund the remaining Excess ADIT that is not subject to normalization requirements in future proceedings.

In December 2019, as a result of the initial stipulation and settlement agreement, AEP Texas (a) recorded an impairment of $33 million related to capital investments, which included $10 million of 2019 investments, in Asset Impairments and Other Related Charges on the statements of income, (b) recorded a $30 million provision for refund on the statements of income for revenues previously collected through rates and (c) wrote-off $4 million of rate case expenses to Other Operation on the statements of income.

<u>APCo and WPCo Rate Matters</u> (Applies to AEP and APCo)

2017-2019 Virginia Triennial Review

Amendments to Virginia law impacting investor-owned utilities were enacted, effective July 1, 2018, that required APCo to file a generation and distribution base rate case by March 31, 2020 using 2017, 2018 and 2019 earnings test years (triennial review). Triennial reviews are subject to an earnings test, which provides that 70% of any earnings in excess of 70 basis points above APCo's Virginia SCC authorized ROE would be refunded to customers. In such case, the Virginia SCC could also lower APCo's Virginia retail base rates on a prospective basis. In November 2018, the Virginia SCC authorized a ROE of 9.42% applicable to APCo base rate earnings for the 2017-2019 triennial period.

Virginia law provides that costs associated with asset impairments of retired coal generation assets, or automated meters, or both, which a utility records as an expense, shall be attributed to the test periods under review in a triennial review proceeding, and be deemed recovered. In 2015, APCo retired the Sporn Plant, the Kanawha River Plant, the Glen Lyn Plant, Clinch River Unit 3 and the coal portions of Clinch River Units 1 and 2 (collectively, the retired coal-fired generation assets). The net book value of these plants at the retirement date was $93 million before cost of removal, including materials and supplies inventory and ARO balances. Based on management's interpretation of Virginia law and more certainty regarding APCo's triennial revenues, expenses and resulting earnings upon reaching the end of the three-year review period, APCo recorded a pretax expense of $93 million related to its previously retired coal-fired generation assets in December 2019. As a result, management deems these costs to be substantially recovered by APCo during the triennial review period.

In March 2020, APCo submitted its 2017-2019 Virginia triennial earnings review filing and base rate case with the Virginia SCC as required by state law. APCo requested a $65 million annual increase based upon a proposed 9.9% return on common equity. The requested annual increase includes $19 million related to depreciation for updated test year end depreciable balances and a proposed increase in APCo's Virginia depreciation rates and $8 million related to APCo's calculated shortfall in 2017-2019 APCo's Virginia earnings. Inclusive of the $93 million expense associated with APCo's Virginia jurisdictional retired coal-fired plants, APCo calculated its 2017-2019 Virginia earnings for the triennial period to be below the authorized ROE range.

APCo is currently in the process of retiring and replacing its Virginia jurisdictional Automated Meter Reading (AMR) meters with AMI meters. As of March 31, 2020 and December 31, 2019, APCo has approximately $52 million and $51 million of Virginia jurisdictional AMR meters recorded in Total Property, Plant and Equipment - Net on its balance sheets. APCo is pursuing full recovery of these assets through its Virginia depreciation rates as discussed above.

If any APCo Virginia jurisdictional costs are not recoverable or if refunds of revenues collected from customers during the triennial review period are ordered by the Virginia SCC, it could reduce future net income and cash flows and impact financial condition.

ETT Rate Matters (Applies to AEP)

ETT Interim Transmission Rates

AEP has a 50% equity ownership interest in ETT. Predominantly all of ETT's revenues are based on interim rate changes that can be filed twice annually and are subject to review and possible true-up in the next base rate proceeding. Through March 31, 2020, AEP's share of ETT's cumulative revenues that are subject to review is estimated to be $1.1 billion. A base rate review could produce a refund if ETT incurs a disallowance of the transmission investment on which an interim increase was based. A revenue decrease, including a refund of interim transmission rates, could reduce future net income and cash flows and impact financial condition. Management is unable to determine a range of potential losses, if any, that are reasonably possible of occurring.

In 2018, the PUCT adopted a rule requiring investor-owned utilities operating solely inside ERCOT to make periodic filings for base rate proceedings. The rule requires ETT to file for a comprehensive base rate review no later than February 1, 2021.

I&M Rate Matters (Applies to AEP and I&M)

2019 Indiana Base Rate Case

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 was based upon a proposed 10.5% return on common equity. The proposed annual increase included $78 million related to a proposed annual increase in depreciation expense. The requested annual increase in depreciation expense included $52 million related to proposed investments and $26 million related to increased depreciation rates. The request included the continuation of all existing riders and a new AMI rider for proposed meter projects.

In March 2020, the IURC issued an order authorizing a $77 million annual base rate increase based upon a return on common equity of 9.7% effective March 2020. This increase will be phased in through January 2021 with an approximate $44 million annual increase in base rates effective March 2020 and the full $77 million annual increase effective January 2021. The order approved the majority of I&M's proposed changes in depreciation. The order also approved the test year level of AMI deployment but did not approve a cost recovery rider for AMI investments made in subsequent years. The order rejected I&M's proposed re-allocation of capacity costs related to the loss of a significant FERC wholesale contract, which will negatively impact I&M's annual pretax earnings by approximately $20 million starting June 2020. In March 2020, I&M filed for rehearing as a result of the IURC's ruling to reject I&M's proposed re-allocation of capacity costs. Intervenors subsequently filed objections to I&M's appeal. In April 2020, I&M filed a reply to these objections on rehearing and appealed the IURC's order.

OPCo Rate Matters (Applies to AEP and OPCo)

2020 Ohio Base Rate Case

In April 2020, OPCo filed a pre-filing notice stating its intent to file an application with the PUCO to adjust distribution rates. OPCo plans to file the application in May 2020 and also plans to request a temporary delay of the normal rate case proceeding due to the COVID-19 pandemic.

SWEPCo Rate Matters (Applies to AEP and SWEPCo)

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 but determined that the Turk Plant's Texas jurisdictional capital cost cap established in a previous Certificate of Convenience and Necessity case also limited SWEPCo's recovery of AFUDC in addition to limits on its recovery of cash construction costs.

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, SWEPCo reversed $114 million of a previously recorded regulatory disallowance in 2013. The resulting annual base rate increase was approximately $52 million. In 2017, the Texas District Court upheld the PUCT's 2014 order and intervenors filed appeals with the Texas Third Court of Appeals.

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 the fourth quarter of 2019 and first quarter of 2020, SWEPCo and various intervenors filed briefs with the Texas Supreme Court.

As of March 31, 2020, the net book value of Turk Plant was $1.5 billion, before cost of removal, including materials and supplies inventory and CWIP. If certain parts of the PUCT order are overturned and if SWEPCo cannot ultimately fully recover its approximate 33% Texas jurisdictional share of the Turk Plant investment, including AFUDC, it could reduce future net income and cash flows and impact financial condition.

2016 Texas Base Rate Case

In 2016, SWEPCo filed a request with the PUCT for a net increase in Texas annual revenues of $69 million based upon a 10% return on common equity. In January 2018, the PUCT issued a final order approving a net increase in Texas annual revenues of $50 million based upon a return on common equity of 9.6%, effective May 2017. The final order also included: (a) approval to recover the Texas jurisdictional share of environmental investments placed in- service, as of June 30, 2016, at various plants, including Welsh Plant, Units 1 and 3, (b) approval of recovery of, but no return on, the Texas jurisdictional share of the net book value of Welsh Plant, Unit 2, (c) approval of $2 million in additional vegetation management expenses and (d) the rejection of SWEPCo's proposed transmission cost recovery mechanism.

As a result of the final order, in 2017 SWEPCo: (a) recorded an impairment charge of $19 million, which included $7 million associated with the lack of return on Welsh Plant, Unit 2 and $12 million related to other disallowed plant investments, (b) recognized $32 million of additional revenues, for the period of May 2017 through December 2017, that was surcharged to customers in 2018 and (c) recognized an additional $7 million of expenses consisting primarily of depreciation expense and vegetation management expense, offset by the deferral of rate case expense. SWEPCo implemented new rates in February 2018 billings. The $32 million of additional 2017 revenues was collected during 2018. In March 2018, the PUCT clarified and corrected portions of the final order, without changing the overall decision or amounts of the rate change. The order has been appealed by various intervenors. If certain parts of the PUCT order are overturned, it could reduce future net income and cash flows and impact financial condition.

2018 Louisiana Formula Rate Filing

In April 2018, SWEPCo filed its formula rate plan for test year 2017 with the LPSC. The filing included a net $28 million annual increase, which was effective August 2018 and included SWEPCo's Louisiana jurisdictional share of Welsh Plant and Flint Creek Plant environmental controls. The filing also included a reduction in the federal income tax rate due to Tax Reform but did not address the return of Excess ADIT benefits to customers.

In July 2018, SWEPCo made a supplemental filing to its formula rate plan with the LPSC to reduce the requested annual increase to $18 million. The difference between SWEPCo's requested $28 million annual increase and the $18 million annual increase in the supplemental filing is primarily the result of the return of Excess ADIT benefits to customers.

In October 2018, the LPSC staff issued a recommendation that SWEPCo refund $11 million of excess federal income taxes collected, as a result of Tax Reform, from January 1, 2018 through July 31, 2018. In June 2019, the LPSC staff issued its report which reaffirmed its $11 million refund recommendation. The report also contends that SWEPCo's requested annual rate increase of $18 million, which was implemented in August 2018, is overstated by $4 million and proposes an annual rate increase of $14 million. Additionally, the report recommends SWEPCo refund the excess over-collections associated with the $4 million difference for the period of August 2018 through the implementation of new rates. In July 2019, the LPSC approved the $11 million refund. A decision by the LPSC on the remaining formula rate plan issues is expected in the second quarter of 2020. If any of these costs are not recoverable, it could reduce future net income and cash flows and impact financial condition.

5. COMMITMENTS, GUARANTEES AND CONTINGENCIES

The disclosures in this note apply to all Registrants unless indicated otherwise.

The Registrants are subject to certain claims and legal actions arising in the ordinary course of business. In addition, the Registrants' business activities are subject to extensive governmental regulation related to public health and the environment. The ultimate outcome of such pending or potential litigation against the Registrants cannot be predicted. Management accrues contingent liabilities only when management concludes that it is both probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. When management determines that it is not probable, but rather reasonably possible that a liability has been incurred at the date of the financial statements, management discloses such contingencies and the possible loss or range of loss if such estimate can be made. Any estimated range is based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent the maximum possible loss exposure. Circumstances change over time and actual results may vary significantly from estimates.

For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial statements. The Commitments, Guarantees and Contingencies note within the 2019 Annual Report should be read in conjunction with this report.

GUARANTEES

Liabilities for guarantees are recorded in accordance with the accounting guidance for "Guarantees." There is no collateral held in relation to any guarantees. In the event any guarantee is drawn, there is no recourse to third-parties unless specified below.

Letters of Credit (Applies to AEP, AEP Texas and OPCo)

Standby letters of credit are entered into with third-parties. These letters of credit are issued in the ordinary course of business and cover items such as natural gas and electricity risk management contracts, construction contracts, insurance programs, security deposits and debt service reserves.

AEP has a $4 billion revolving credit facility due in June 2022, under which up to $1.2 billion may be issued as letters of credit on behalf of subsidiaries. As of March 31, 2020, no letters of credit were issued under the revolving credit facility.

An uncommitted facility gives the issuer of the facility the right to accept or decline each request made under the facility. AEP issues letters of credit on behalf of subsidiaries under six uncommitted facilities totaling $405 million. The Registrants' maximum future payments for letters of credit issued under the uncommitted facilities as of March 31, 2020 were as follows:

Company	Amount	Maturity
	(in millions)	
AEP	$ 241.2	April 2020 to March 2021
AEP Texas	2.2	July 2020
OPCo (a)	1.0	April 2021

(a) In April 2020, the maturity date was extended from April 2020 to April 2021.

Guarantees of Equity Method Investees (Applies to AEP)

In April 2019, AEP acquired Sempra Renewables LLC. See "Acquisitions" section of Note 6 for additional information.

Indemnifications and Other Guarantees

Contracts

The Registrants enter into certain types of contracts which require indemnifications. Typically these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. As of March 31, 2020, there were no material liabilities recorded for any indemnifications.

AEPSC conducts power purchase-and-sale activity on behalf of APCo, I&M, KPCo and WPCo, who are jointly and severally liable for activity conducted on their behalf. AEPSC also conducts power purchase-and-sale activity on behalf of PSO and SWEPCo, who are jointly and severally liable for activity conducted on their behalf.

Master Lease Agreements (Applies to all Registrants except AEPTCo)

The Registrants lease certain equipment under master lease agreements. Under the lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, the Registrants are committed to pay the difference between the actual fair value and the residual value guarantee. Historically, at the end of the lease term the fair value has been in excess of the amount guaranteed. As of March 31, 2020, the maximum potential loss by the Registrants for these lease agreements assuming the fair value of the equipment is zero at the end of the lease term was as follows:

Company	**Maximum Potential Loss**
	(in millions)
AEP	$ 48.5
AEP Texas	11.6
APCo	6.6
I&M	4.3
OPCo	7.6
PSO	4.4
SWEPCo	4.9

Rockport Lease (Applies to AEP and I&M)

AEGCo and I&M entered into a sale-and-leaseback transaction in 1989 with Wilmington Trust Company (Owner Trustee), an unrelated, unconsolidated trustee for Rockport Plant, Unit 2 (the Plant). The Owner Trustee was capitalized with equity from six owner participants with no relationship to AEP or any of its subsidiaries and debt from a syndicate of banks and securities in a private placement to certain institutional investors.

The Owner Trustee owns the Plant and leases equal portions to AEGCo and I&M. The lease is accounted for as an operating lease with the payment obligations included in the future minimum lease payments schedule earlier in this note. The lease term is for 33 years and at the end of the lease term, AEGCo and I&M have the option to renew the lease at a rate that approximates fair value. The option to renew was not included in the measurement of the lease obligation as of March 31, 2020 as the execution of the option was not reasonably certain. AEP, AEGCo and I&M have no ownership interest in the Owner Trustee and do not guarantee its debt.

The future minimum lease payments for this sale-and-leaseback transaction as of March 31, 2020 were as follows:

Future Minimum Lease Payments		AEP (a)		I&M
		(in millions)		
2020	$	147.8	$	73.9
2021		147.8		73.9
2022		147.5		73.7
Total Future Minimum Lease Payments	$	443.1	$	221.5

(a) AEP's future minimum lease payments include equal shares from AEGCo and I&M.

AEPRO Boat and Barge Leases (Applies to AEP)

In 2015, AEP sold its commercial barge transportation subsidiary, AEPRO, to a nonaffiliated party. Certain boat and barge leases acquired by the nonaffiliated party are subject to an AEP guarantee in favor of the respective lessors, ensuring future payments under such leases with maturities up to 2027. As of March 31, 2020, the maximum potential amount of future payments required under the guaranteed leases was $53 million. Under the terms of certain of the arrangements, upon the lessors exercising their rights after an event of default by the nonaffiliated party, AEP is entitled to enter into new lease arrangements as a lessee that would have substantially the same terms as the existing leases. Alternatively, for the arrangements with one of the lessors, upon an event of default by the nonaffiliated party and the lessor exercising its rights, payment to the lessor would allow AEP to step into the lessor's rights as well as obtaining title to the assets. Under either situation, AEP would have the ability to utilize the assets in the normal course of barging operations. AEP would also have the right to sell the acquired assets for which it obtained title. As of March 31, 2020, AEP's boat and barge lease guarantee liability was $4 million, of which $1 million was recorded in Other Current Liabilities and $3 million was recorded in Deferred Credits and Other Noncurrent Liabilities on AEP's balance sheet.

In February 2020, the nonaffiliated party filed Chapter 11 bankruptcy. The party entered into a restructuring support agreement and has announced it expects to continue their operations as normal. In March 2020, the bankruptcy court approved the party's recapitalization plan. In April 2020, the nonaffiliated party emerged from bankruptcy. Management has determined that it is reasonably possible that enforcement of AEP's liability for future payments under these leases will be exercised within the next twelve months. In such an event, if AEP is unable to sell or incorporate any of the acquired assets into its fleet operations, it could reduce future net income and cash flows and impact financial condition.

ENVIRONMENTAL CONTINGENCIES (*Applies to all Registrants except AEPTCo*)

The Comprehensive Environmental Response Compensation and Liability Act (Superfund) and State Remediation

By-products from the generation of electricity include materials such as ash, slag, sludge, low-level radioactive waste and SNF. Coal combustion by-products, which constitute the overwhelming percentage of these materials, are typically treated and deposited in captive disposal facilities or are beneficially utilized. In addition, the generation plants and transmission and distribution facilities have used asbestos, polychlorinated biphenyls and other hazardous and non-hazardous materials. The Registrants currently incur costs to dispose of these substances safely. For remediation processes not specifically discussed, management does not anticipate that the liabilities, if any, arising from such remediation processes would have a material effect on the financial statements.

Virginia House Bill 443 (Applies to AEP and APCo)

In March 2020, Virginia's Governor signed House Bill 443 (HB 443) requiring APCo to close ash disposal units at the retired Glen Lyn Station by removal of all coal combustion material. APCo's current ARO for these units is based on closure in place and will require future revision to reflect the costs of closure by removal. As of March 31, 2020, APCo is unable to reasonably estimate this cost due to the recent passage of the legislation. Management expects to record a material revision to the ARO after engineering plans for the removal are developed later in 2020. The closure is required to be completed within 15 years from the start of the excavation process. HB 443 provides for the recovery of all costs associated with closure by removal through the Virginia environmental rate adjustment clause (E-RAC). APCo may begin deferring incurred costs on July 1, 2020 and recovering these costs through the E-RAC beginning

July 1, 2022. APCo is permitted to record carrying costs on the unrecovered balance of closure costs at a weighted average cost of capital approved by the Virginia SCC. HB 443 also allows any closure costs allocated to non-Virginia jurisdictional customers, but not collected from such non-Virginia jurisdictional customers, to be recovered from Virginia jurisdictional customers through the E-RAC. Management does not expect HB 443 to materially impact results of operations or cash flows, but does anticipate a material impact to APCo's balance sheet.

NUCLEAR CONTINGENCIES (Applies to AEP and I&M)

I&M owns and operates the Cook Plant under licenses granted by the Nuclear Regulatory Commission. I&M has a significant future financial commitment to dispose of SNF and to safely decommission and decontaminate the plant. The licenses to operate the two nuclear units at the Cook Plant expire in 2034 and 2037. The operation of a nuclear facility also involves special risks, potential liabilities and specific regulatory and safety requirements. By agreement, I&M is partially liable, together with all other electric utility companies that own nuclear generation units, for a nuclear power plant incident at any nuclear plant in the U.S. Should a nuclear incident occur at any nuclear power plant in the U.S., the resultant liability could be substantial.

OPERATIONAL CONTINGENCIES

Rockport Plant Litigation (Applies to AEP and I&M)

In 2013, the Wilmington Trust Company filed a complaint in the U.S. District Court for the Southern District of New York against AEGCo and I&M alleging that it would be unlawfully burdened by the terms of the modified NSR consent decree after the Rockport Plant, Unit 2 lease expiration in December 2022. The terms of the consent decree allow the installation of environmental emission control equipment, repowering, refueling or retirement of the unit. The plaintiffs seek a judgment declaring that the defendants breached the lease, must satisfy obligations related to installation of emission control equipment and indemnify the plaintiffs. The New York court granted a motion to transfer this case to the U.S. District Court for the Southern District of Ohio.

AEGCo and I&M sought and were granted dismissal by the U.S. District Court for the Southern District of Ohio of certain of the plaintiffs' claims, including claims for compensatory damages, breach of contract, breach of the implied covenant of good faith and fair dealing and indemnification of costs. Plaintiffs voluntarily dismissed the surviving claims that AEGCo and I&M failed to exercise prudent utility practices with prejudice, and the court issued a final judgment. The plaintiffs subsequently filed an appeal in the U.S. Court of Appeals for the Sixth Circuit.

In 2017, the U.S. Court of Appeals for the Sixth Circuit issued an opinion and judgment affirming the district court's dismissal of the owners' breach of good faith and fair dealing claim as duplicative of the breach of contract claims, reversing the district court's dismissal of the breach of contract claims and remanding the case for further proceedings.

Thereafter, AEP filed a motion with the U.S. District Court for the Southern District of Ohio in the original NSR litigation, seeking to modify the consent decree. The district court granted the owners' unopposed motion to stay the lease litigation to afford time for resolution of AEP's motion to modify the consent decree. The consent decree was modified based on an agreement among the parties in July 2019. As part of the modification to the consent decree, I&M agreed to provide an additional $7.5 million to citizens' groups and the states for environmental mitigation projects. As joint owners in the Rockport Plant, the $7.5 million payment was shared between AEGCo and I&M based on the joint ownership agreement. The district court entered a stay that expired in February 2020. Settlement negotiations are continuing, and the parties filed a joint proposed case schedule in February 2020. See "Modification of the New Source Review Litigation Consent Decree" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information.

Management will continue to defend against the claims. Given that the district court dismissed plaintiffs' claims seeking compensatory relief as premature, and that plaintiffs have yet to present a methodology for determining or any analysis supporting any alleged damages, management cannot determine a range of potential losses that is reasonably possible of occurring.

Patent Infringement Complaint (Applies to AEP, AEP Texas and SWEPCo)

In July 2019, Midwest Energy Emissions Corporation and MES Inc. (collectively, the plaintiffs) filed a patent infringement complaint against various parties, including AEP Texas, AGR, Cardinal Operating Company and SWEPCo (collectively, the AEP Defendants). The complaint alleges that the AEP Defendants infringed two patents owned by the plaintiffs by using specific processes for mercury control at certain coal-fired generating stations. The complaint seeks injunctive relief and damages. Management will continue to defend against the claims. Management is unable to determine a range of potential losses that is reasonably possible of occurring.

Claims Challenging Transition of American Electric Power System Retirement Plan to Cash Balance Formula

The American Electric Power System Retirement Plan (the Plan) has received a letter written on behalf of four participants (the Claimants) making a claim for additional plan benefits and purporting to advance such claims on behalf of a class. When the Plan's benefit formula was changed in the year 2000, AEP provided a special provision for employees hired before January 1, 2001, allowing them to continue benefit accruals under the then benefit formula for a full 10 years alongside of the new cash balance benefit formula then being implemented. Employees who were hired on or after January 1, 2001 accrued benefits only under the new cash balance benefit formula. The Claimants have asserted claims that (a) the Plan violates the requirements under the Employee Retirement Income Security Act (ERISA) intended to preclude back-loading the accrual of benefits to the end of a participant's career; (b) the Plan violates the age discrimination prohibitions of ERISA and the Age Discrimination in Employment Act (ADEA); and (c) the company failed to provide required notice regarding the changes to the Plan. AEP has responded to the Claimants providing a reasoned explanation for why each of their claims have been denied, and the denial to those claims have been appealed to the AEP System Retirement Plan Appeal Committee. Management will continue to defend against the claims. Management is unable to determine a range of potential losses that are reasonably possible of occurring.

6. ACQUISITIONS

The disclosures in this note apply to AEP unless indicated otherwise.

Sempra Renewables LLC (Generation & Marketing Segment)

In April 2019, AEP acquired Sempra Renewables LLC and its ownership interests in 724 MWs of wind generation and battery assets valued at approximately $1.1 billion. This acquisition is part of AEP's strategy to grow its renewable generation portfolio and to diversify generation resources. AEP paid $580 million in cash and acquired a 50% ownership interest in five non-consolidated joint ventures with net assets valued at $404 million as of the acquisition date (which includes $364 million of existing debt obligations). Additionally, the transaction included the acquisition of two tax equity partnerships and the associated recognition of noncontrolling tax equity interest of $135 million.

Upon closing of the purchase, Sempra Renewables LLC was legally renamed AEP Wind Holdings LLC. AEP Wind Holdings LLC develops, owns and operates, or holds interests in, wind generation facilities in the United States. The operating wind generation portfolio includes seven wind farms. Five wind farms are jointly-owned with BP Wind Energy, and two wind farms are consolidated by AEP and are tax equity partnerships with nonaffiliated noncontrolling interests. All seven wind farms have long-term PPAs for 100% of their energy production.

Parent has issued guarantees over the performance of the joint ventures. If a joint venture were to default on payments or performance, Parent would be required to make payments on behalf of the joint venture. As of March 31, 2020, the maximum potential amount of future payments associated with these guarantees was $175 million, with the last guarantee expiring in December 2037. The non-contingent liability recorded associated with these guarantees was $33 million, with an additional $1 million expected credit loss liability for the contingent portion of the guarantees. Management considered historical losses, economic conditions, and reasonable and supportable forecasts in the calculation of the expected credit loss. As the joint ventures generate cash flows through PPAs, the measurement of the contingent portion of the guarantee liability is based upon assessments of the credit quality and default probabilities of the respective PPA counterparties.

7. BENEFIT PLANS

The disclosures in this note apply to all Registrants except AEPTCo unless indicated otherwise.

AEP sponsors a qualified pension plan and two unfunded nonqualified pension plans. Substantially all AEP employees are covered by the qualified plan or both the qualified and a nonqualified pension plan. AEP also sponsors OPEB plans to provide health and life insurance benefits for retired employees.

Components of Net Periodic Benefit Cost

The following tables provide the components of net periodic benefit cost (credit) by Registrant for the plans:

AEP

	Pension Plans		OPEB	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2020	2019	2020	2019
	(in millions)			
Service Cost	$ 28.0	$ 23.9	$ 2.5	$ 2.4
Interest Cost	42.0	51.1	9.9	12.6
Expected Return on Plan Assets	(66.2)	(74.0)	(23.9)	(23.4)
Amortization of Prior Service Credit	—	—	(17.4)	(17.3)
Amortization of Net Actuarial Loss	23.4	14.4	1.5	5.5
Net Periodic Benefit Cost (Credit)	$ 27.2	$ 15.4	$ (27.4)	$ (20.2)

AEP Texas

	Pension Plans		OPEB	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2020	2019	2020	2019
	(in millions)			
Service Cost	$ 2.6	$ 2.1	$ 0.2	$ 0.2
Interest Cost	3.5	4.4	0.8	1.0
Expected Return on Plan Assets	(5.7)	(6.4)	(2.0)	(2.0)
Amortization of Prior Service Credit	—	—	(1.4)	(1.5)
Amortization of Net Actuarial Loss	1.9	1.2	0.1	0.5
Net Periodic Benefit Cost (Credit)	$ 2.3	$ 1.3	$ (2.3)	$ (1.8)

APCo

	Pension Plans		OPEB	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2020	2019	2020	2019
	(in millions)			
Service Cost	$ 2.6	$ 2.4	$ 0.3	$ 0.3
Interest Cost	5.1	6.3	1.6	2.2
Expected Return on Plan Assets	(8.4)	(9.4)	(3.6)	(3.7)
Amortization of Prior Service Credit	—	—	(2.5)	(2.5)
Amortization of Net Actuarial Loss	2.8	1.8	0.2	0.9
Net Periodic Benefit Cost (Credit)	$ 2.1	$ 1.1	$ (4.0)	$ (2.8)