

## 21. SUBSEQUENT EVENTS

### Impacts of Severe Winter Weather in February 2021

In February 2021, many of AEP's service territories and customers were impacted by severe winter weather and extreme cold temperatures resulting in power outages, extensive damage to transmission and distribution infrastructure and disruption to the energy markets.

#### Storm Costs (Applies to AEP, APCo and SWEPCo)

Based on the information currently available, APCo, KPCo and SWEPCo currently estimate significant February 2021 storm restoration expenditures as shown in the table below. Management currently anticipates the storm restoration expenditures will be more heavily weighted towards other operation and maintenance expenses as compared to capital expenditures. Management will continue to refine these storm cost estimates as restoration efforts are completed and final costs become available.

<b>Total Estimated February 2021 Storm Restoration Expenditures</b>			
<b>(in millions)</b>			
APCo	\$65.0	-	\$75.0
KPCo	\$75.0	-	\$95.0
SWEPCo	\$30.0	-	\$40.0

Management plans to seek regulatory recovery of these costs. If any of the storm costs are not recoverable, it could reduce future net income and cash flows and impact financial condition.

#### February 2021 Severe Winter Weather Impacts in SPP (Applies to AEP, PSO and SWEPCo)

The February 2021 severe winter weather also had a significant impact in SPP resulting in the declaration of Energy Emergency Alert Levels 2 and 3 for the first time in SPP's history. The winter storm increased the demand for natural gas and restricted the available natural gas supply resulting in significantly increased market prices for natural gas power plants to meet reliability needs for the SPP electric system. From February 9, 2021, to February 20, 2021, based on the information currently available, PSO's and SWEPCo's preliminary estimates of natural gas expenses and purchases of electricity are as follows:

	PSO		SWEPCo	
	(in millions)			
Estimated Natural Gas Expenses	\$	175.0	\$	375.0
Estimated Electricity Purchases		650.0		—
	\$	825.0	\$	375.0

The amounts in the table above represent preliminary estimates as of February 25, 2021, and are subject to final settlement as additional information becomes available. In addition, SPP notified PSO and SWEPCo of additional collateral requirements of approximately \$868 million on a cumulative basis for the companies due March 2, 2021. Subsequently, SPP filed a waiver request with the FERC that would grant a limited waiver for Load Serving Entities to post this additional collateral requirement between February 24, 2021 and March 11, 2021. FERC approved the waiver request on February 24, 2021.

PSO and SWEPCo have active fuel clauses that allow for the recovery of prudently incurred fuel and purchased power expenses. Given the significance of these costs, PSO and SWEPCo expect regulators to perform a heightened review of the costs. Management believes these costs are probable of future recovery. However, the recovery of these costs from customers may be extended over longer than usual time periods to mitigate the impact on customer bills. Nevertheless, PSO and SWEPCo's payments to suppliers are due in March 2021.