



Looking Forward in West Virginia

West Virginia Public Energy Authority presentation
Chris Beam, Appalachian Power President & COO

June 22, 2022

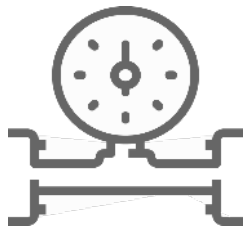
Short Term Issue:

Supply chain – cost and availability

- Coal and natural gas are two major drivers of increased costs
- Supply chain disruptions are impacting Appalachian Power



Coal
Supply



Natural Gas
Supply



Labor
shortages in
some
markets &
trades



Increased
demand



Staffing &
travel issues
caused by
COVID-19
pandemic



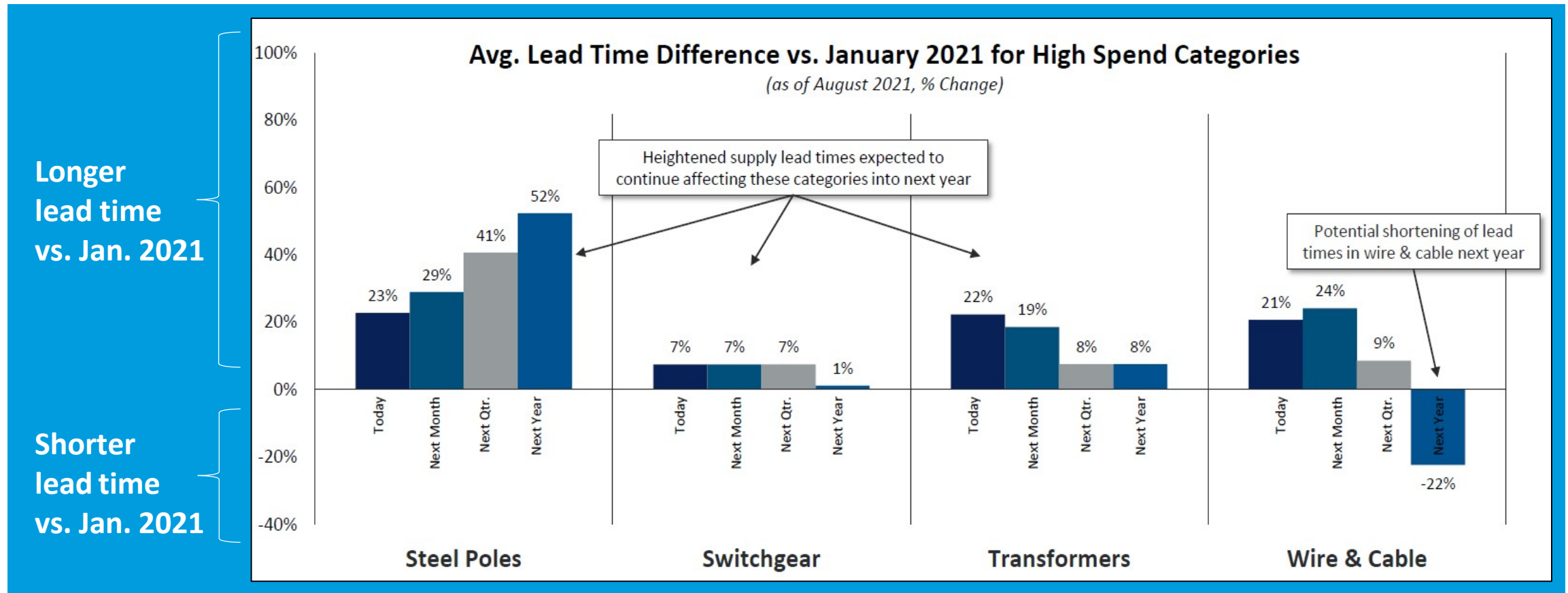
Shortage of
raw materials
(metals,
rubber, bulk
chemicals &
gases)



Ongoing
international
trade
discussions

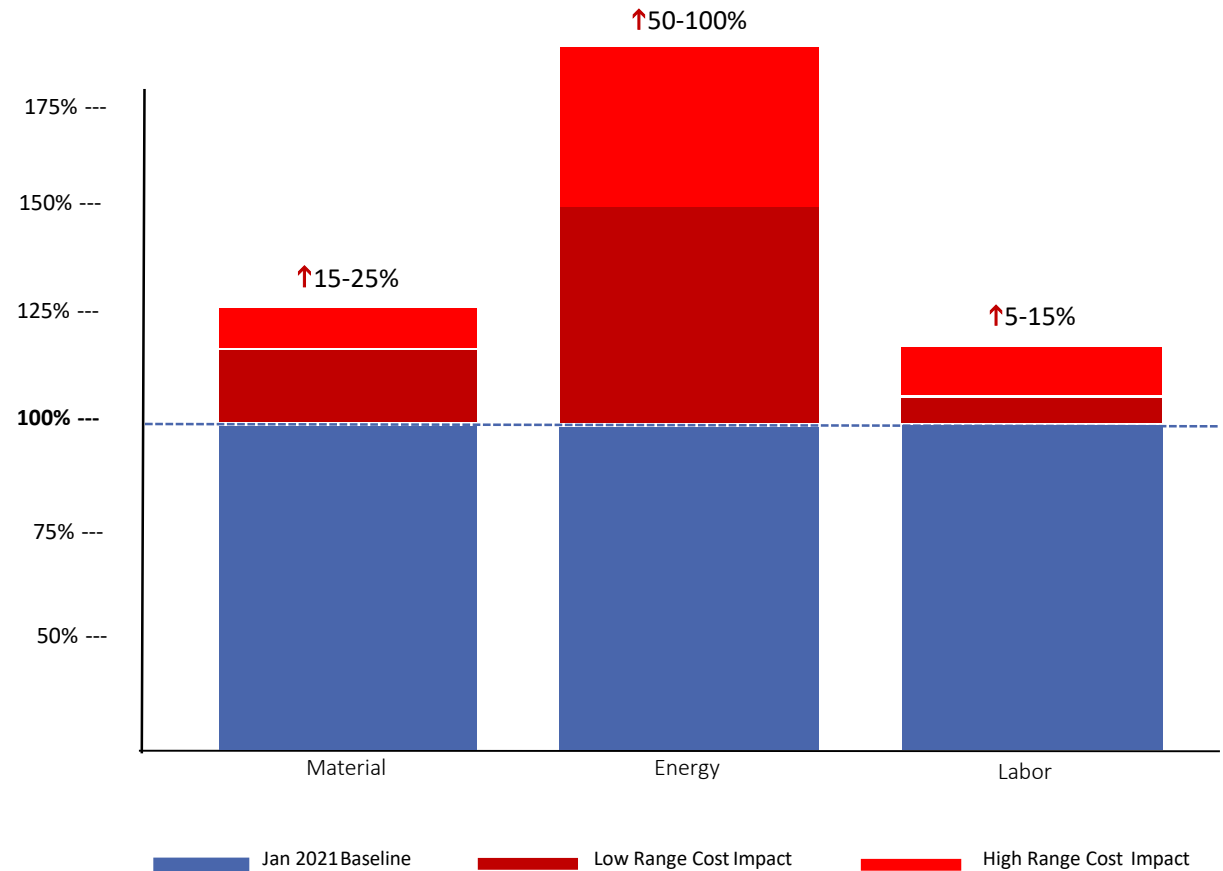
Short Term Issue:

Lead times affect ability to get work done



Short Term Issue: Rising Cost of Material, Energy and Labor

- AEP is experiencing price increases on material, energy and labor
- The overall inflationary impact is estimated at 5-15%
- Ongoing cost increases are expected through much of 2022



Long Term Issue: Diversification of Generation Fleet

- Renewable energy is a must for economic development
- Access to renewable energy was a key consideration in Nucor's decision process for locating their \$2.7 billion facility
- APCo has seen a significant increase in economic development activity, but all require renewable energy up to 100%
- All renewable energy projects currently filed in WV committed to large industrials
- Renewables do not raise rates for most customers – only those who choose to subscribe to the renewable tariff pay increased costs



Long Term Issue: Modernizing the grid a must

- We have been executing a program to replace/modernize our Transmission infrastructure, but there still is a significant amount of equipment at or near the end of useful life that needs replaced
- New Transmission facilities are more resilient, improve reliability, provide increased capacity for future growth and allow two way power flow
- Completed Distribution automation projects are improving reliability by reducing the number and duration of outages
- APCo plans to expand circuit automation across its footprint



Where you can help:

Securitization of coal-fired asset balances and deferred fuel balance

- Securitization is the conversion of company assets into securities that can be sold to investors for a return
- Company assets generally earn a return at the company's weighted cost of capital, grossed up for federal and state income taxes
- Securitization rates are like "AAA" rated bonds
- The rate difference can lower customer rates
- We are exploring this option, which the Energy Users Group and the PSC Consumer Advocate suggested as a means to help reduce customers' bills





Questions and Discussion

Chris Beam, Appalachian Power President & COO