Asset Management
The Power of a Balanced Perspective
For Now and the Future

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Why Asset Management

- Pressure to improve cost/quality balance for customers
- Pressure to increase earnings for shareholders
- Need to bring regulatory perspective to spending decisions
  - timing of rate cases versus spending plans
  - focus on distribution as separate business
  - greater emphasis on performance measures
Asset Management Balance

Managing and Balancing the Critical Perspectives is Key to Future Success in Distribution

- Regulatory
- End customer reliability/quality of service
- Financial
- Technology
- Safety

Asset Management is fundamentally a process to manage and balance these critical perspectives.
Regulatory Challenges

- Accurate, complete and timely information/reporting
- Avoiding unreasonable performance standards
- Meeting the performance standards
- Managing the relationships
- Managing the issues – distributed generation, momentary interruptions, etc.
Reliability/Quality of Service Challenges

- Optimization of spend to achieve results at lowest cost
- Avoiding mandated expenditures/penalties
- Avoiding prescribed standards
- And Ultimately……..
  - Reliability of service is what Distribution sells
Financial Challenges

- Earnings growth objectives
- Underutilized assets
- Price caps/timing of rate cases
- Competition with Generation and Transmission for capital and O&M
Innovation and New Technology

- AMI pilot in Columbus
- Sarnoff detector for voltage on equipment
- Automation
- Fuel Cells – Rolls Royce
- NAS battery
- Etc.
AEP in 2027?

- How does AEP manage the opportunities and threats of this potential future?

There are No Major Technical Barriers to Achieving this Vision.
The Priority of Safety

A non-negotiable core value in all we plan and do at AEP Ohio!!

• Public
• Employee
How to Find the Right Balance?

Spending Optimization Opportunities & Threats

- Spending Mandates & Penalties
- Performance Standards
- Rate Case Timing
- New Technology
- Productivity Gains
- Service Quality
- Asset Life Management
- Return on Investment
Asset Management - Key Capabilities Required

- Asset analysis skills
- Expenditure optimization and tracking
- Knowledge of regulatory environment
- Knowledge of emerging technology
- Business skills
- Teamwork across organizations
- Supporting IT systems

Individual capabilities are important but integration of all the capabilities is essential
Asset Management Within Multiple AEP Companies

**Challenges:**

- Expected contribution by each operating company to corporate earnings targets
- Varying regulatory environments across operating companies
- Varying customer expectations across operating companies
- Historical attention to asset issues such as replacements, maintenance and tree programs
- Control over allocated corporate costs
- Learning across operating companies and central organizations
- Leveraging common systems, process and analysis to reduce costs and create comparability across companies