

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2016 with Year-End Rate Base Balances

KENTUCKY POWER COMPANY

Line No.						Transmission Amount
166	REVENUE REQUIREMENT (w/o incentives)	(In 303)				\$62,703,934
			Total		Allocator	
167	REVENUE CREDITS	(Note A) (Worksheet E)	469,169	DA	1.00000	\$ 469,169
168	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 167)				\$ 62,234,766

MEMO: The Carrying Charge Calculations on lines 171 to 176 below are used in calculating project revenue requirements billed through PJM Schedule 12, Transmission Enhancement Charges. The total non-incentive revenue requirements for these projects shown on line 169 is included in the total on line 168.

169	Not applicable on this template					
170	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)					
171	Annual Rate	((In 166 - In 270 - In 271)/ In 213 x 100)				16.65%
172	Monthly Rate	(In 171 / 12)				1.39%
173	NET PLANT CARRYING CHARGE ON LINE 171 , w/o depreciation or ROE incentives (Note B)					
174	Annual Rate	((In 166 - In 270 - In 271 - In 276) / In 213 x 100)				12.70%
175	NET PLANT CARRYING CHARGE ON LINE 174, w/o Return, income taxes or ROE incentives (Note B)					
176	Annual Rate	((In 166 - In 270 - In 271 - In 276 - In 298 - In 299) / In 213 x 100)				3.67%
177	Not applicable on this template					
178	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES					
179	Total Load Dispatch & Scheduling (Account 561)	Line 250 Below				2,326,105
180	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)					1,128,598
181	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)					293,410
182	Total 561 Internally Developed Costs	(Line 179 - Line 180 - Line 181)				904,097

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	(1)	(2)	(3)	(4)	(5)	
	<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> <u>(See "General Notes")</u>	<u>TO Total</u> <u>NOTE C</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>	
Line No.	GROSS PLANT IN SERVICE					
183	Production	(Worksheet A In 1.C)	1,174,390,121	NA	0.00000	-
184	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(11,624,651)	NA	0.00000	-
185	Transmission	(Worksheet A In 3.C & Ln 307)	574,702,620	DA		564,504,363
186	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C& Ln 308)	-	TP	0.98225	-
187	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA	0.00000	N/A
188	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA	0.00000	N/A
189	Distribution	(Worksheet A In 5.C)	782,655,295	NA	0.00000	-
190	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	-	NA	0.00000	-
191	General Plant	(Worksheet A In 7.C)	41,500,104	W/S	0.07798	3,236,090
192	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(81,055)	W/S	0.07798	(6,320)
193	Intangible Plant	(Worksheet A In 9.C)	19,525,886	W/S	0.07798	1,522,587
194	TOTAL GROSS PLANT	(sum Ins 183 to 193)	2,581,068,320	GP(h)= GTD=	0.220551 0.41588	569,256,719
195	ACCUMULATED DEPRECIATION AND AMORTIZATION					
196	Production	(Worksheet A In 12.C)	412,645,994	NA	0.00000	-
197	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(3,845,418)	NA	0.00000	-
198	Transmission	(Worksheet A In 14.C & 28.C)	193,091,844	TP1=	0.97276	187,832,656
199	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	0.97276	-
200	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	1.00000	N/A
201	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000	N/A
202	Plus: Additional Transmission Depreciation for 2017 (In 276)		N/A	TP1	0.97276	N/A
203	Plus: Additional General & Intangible Depreciation for 2017 (In 275 + In 276)		N/A	W/S	0.07798	N/A
204	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000	N/A
205	Distribution	(Worksheet A In 16.C)	226,689,503	NA	0.00000	-
206	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	-	NA	0.00000	-
207	General Plant	(Worksheet A In 18.C)	11,504,763	W/S	0.07798	897,117
208	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(33,648)	W/S	0.07798	(2,624)
209	Intangible Plant	(Worksheet A In 20.C)	11,280,895	W/S	0.07798	879,660
210	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 196 to 209)	851,333,933			189,606,809
211	NET PLANT IN SERVICE					
212	Production	(In 183 + In 184 - In 196 - In 197)	753,964,894			-
213	Transmission	(In 185 + In 186 - In 198 - In 199)	381,610,776			376,671,707
214	Plus: Transmission Plant-in-Service Additions (In 187 - In 200)		N/A			N/A
215	Plus: Additional Trans Plant on Transferred Assets (In 188 - In 201)		N/A			N/A
216	Plus: Additional Transmission Depreciation for 2017 (-In 202)		N/A			N/A
217	Plus: Additional General & Intangible Depreciation for 2017 (-In 203)		N/A			N/A
218	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 204)		N/A			N/A
219	Distribution	(In 189 + In 190 - In 205 - In 206)	555,965,792			-
220	General Plant	(In 191 + In 192 - In 207 - In 208)	29,947,934			2,335,276
221	Intangible Plant	(In 193 - In 209)	8,244,991			642,927
222	TOTAL NET PLANT IN SERVICE	(sum Ins 212 to 221)	1,729,734,387	NP(h)=	0.219485	379,649,910
223	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)				
224	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(58,282,271)	NA		-
225	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(340,485,495)	DA		(83,113,082)
226	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(123,374,858)	DA		(1,230,209)
227	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	25,097,857	DA		3,695,788
228	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA		-
229	TOTAL ADJUSTMENTS	(sum Ins 224 to 228)	(497,044,767)			(80,647,503)
230	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	6,303,504	DA		-
231	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA		-
232	WORKING CAPITAL	(Note E)				
233	Cash Working Capital	(1/8 * In 253)	803,993			789,726
234	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	334,793	TP	0.98225	328,852
235	A&G Materials & Supplies	(Worksheet C, In 3.(D))	21,998	W/S	0.07798	1,715
236	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.22055	-
237	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	58,911,455	W/S	0.07798	4,593,790
238	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	871,176	GP(h)	0.22055	192,139
239	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	1.00000	-
240	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(57,736,214)	NA	0.00000	-
241	TOTAL WORKING CAPITAL	(sum Ins 233 to 240)	3,207,201			5,906,222
242	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	(296,781)	DA	1.00000	(296,781)
243	RATE BASE (sum Ins 222, 229, 230, 231, 241, 242)		1,241,903,545			304,611,848

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	(1)	(2)	(3)	(4)	(5)	
	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission	
Line						
No.	OPERATION & MAINTENANCE EXPENSE					
244	Production	321.80.b	311,675,328			
245	Distribution	322.156.b	49,489,030			
246	Customer Related Expense	322 & 323.164,171,178.b	12,344,919			
247	Regional Marketing Expenses	322.131.b	996,718			
248	Transmission	321.112.b	34,926,920			
249	TOTAL O&M EXPENSES	(sum Ins 244 to 248)	409,432,915			
250	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	2,326,105			
251	Less: Account 565	(Note H) 321.96.b	26,168,870			
252	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	-			
253	Total O&M Allocable to Transmission	(Ins 248 - 250 - 251 - 252)	6,431,945	TP	0.98225	6,317,808
254	Administrative and General	323.197.b (Note J)	21,710,706			
255	Less: Acct. 924, Property Insurance	323.185.b	733,002			
256	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	(2,538,553)			
257	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	-			
258	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	(261,787)			
259	Acct. 928, Reg. Com. Exp.	323.189.b	497,536			
260	Acct. 930.1, Gen. Advert. Exp.	323.191.b	138,785			
261	Acct. 930.2, Misc. Gen. Exp.	323.192.b	489,756			
262	Balance of A & G	(In 254 - sum In 255 to In 261)	22,651,967	W/S	0.07798	1,766,352
263	Plus: Acct. 924, Property Insurance	(In 255)	733,002	GP(h)	0.22055	161,664
264	Acct. 928 - Transmission Specific	Worksheet F In 19.(E) (Note L)	10,875	TP	0.98225	10,682
265	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 29.(E) (Note L)	-	TP	0.98225	-
266	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 36.(E) (Note L)	99,164	DA	1.00000	99,164
267	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 4, (Note M)	2,430,854	W/S	0.07798	189,553
268	A & G Subtotal	(sum Ins 262 to 267)	25,925,862			2,227,415
269	O & M EXPENSE SUBTOTAL	(In 253 + In 268)	32,357,807			8,545,224
270	Plus: TEA Settlement in Account 565	Company Records (Note H)	-	DA	1.00000	-
271	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA	1.00000	-
272	TOTAL O & M EXPENSE	(In 269 + In 270 + In 271)	32,357,807			8,545,224
273	DEPRECIATION AND AMORTIZATION EXPENSE					
274	Production	336.2-6.f	35,182,583	NA	0.00000	-
275	Distribution	336.8.f	26,947,717	NA	0.00000	-
276	Transmission	336.7.f	15,286,138	TP1	0.97276	14,869,794
277	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A			N/A
278	General	336.10.f	1,820,006	W/S	0.07798	141,920
279	Intangible	336.1.f	3,016,232	W/S	0.07798	235,199
280	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 274+275+ 276+277+278+279)	82,252,676			15,246,913
281	TAXES OTHER THAN INCOME	(Note N)				
282	Labor Related					
283	Payroll	Worksheet H In 22.(D)	2,077,929	W/S	0.07798	162,032
284	Plant Related					
285	Property	Worksheet H In 22.(C) & In 36.(C)	14,164,029	DA		4,494,857
286	Gross Receipts/Sales & Use	Worksheet H In 22.(F)	3,927,296	NA	0.00000	-
287	Other	Worksheet H In 22.(E)	1,130,579	GP(h)	0.22055	249,350
288	TOTAL OTHER TAXES	(sum Ins 283 to 287)	21,299,833			4,906,240
289	INCOME TAXES	(Note O)				
290	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		38.82%			
291	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		39.70%			
292	where WCLTD=(In 327) and WACC = (In 330)					
293	and FIT, SIT & p are as given in Note O.					
294	GRCF=1 / (1 - T) = (from In 290)		1.6346			
295	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(2,630)			
296	Income Tax Calculation	(In 291 * In 299)	39,387,208			9,660,823
297	ITC adjustment	(In 294 * In 295)	(4,299)	NP(h)	0.21948	(944)
298	TOTAL INCOME TAXES	(sum Ins 296 to 297)	39,382,909			9,659,879
299	RETURN ON RATE BASE (Rate Base*WACC)	(In 243 * In 330)	99,216,812			24,335,720
300	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		9,959	DA	1.00000	9,959
301	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-			-
302	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 301 * In291)		-			-
303	TOTAL REVENUE REQUIREMENT (sum Ins 272, 280, 288, 298, 299, 300, 301, 302)		274,519,996			62,703,934

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
304	Total transmission plant	(In 185)							574,702,620	
305	Less transmission plant excluded from PJM Tariff	(Note P)								
306	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C)) (Note Q)							10,198,257	
307	Transmission plant included in PJM Tariff	(In 304 - In 305 - In 306)							564,504,363	
308	Percent of transmission plant in PJM Tariff	(In 307 / In 304)						TP=	0.98225	
309	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
310	Production	354.20.b	15,228,070	6,861,224	22,089,294	NA	0.00000		-	
311	Transmission	354.21.b	55,143	2,975,553	3,030,696	TP	0.98225	2,976,915		
312	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000		-	
313	Distribution	354.23.b	8,235,437	983,497	9,218,934	NA	0.00000		-	
314	Other (Excludes A&G)	354.24,25,26.b	1,844,184	1,993,306	3,837,490	NA	0.00000		-	
315	Total	(sum Ins 310 to 314)	25,362,834	12,813,580	38,176,414				2,976,915	
316	Transmission related amount							W/S=	0.07798	
317	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									
318	Long Term Interest	(Worksheet L, In. 35, col. (D))							\$	
319	Preferred Dividends	(Worksheet L, In. 40, col. (D))							46,057,557	
320	Development of Common Stock:								-	
321	Proprietary Capital	(FF1 p 112, Ln 16.c)							668,401,428	
322	Less: Preferred Stock	(FF1 p 112, Ln 3.c)							-	
323	Less: Account 216.1	(FF1 p 112, Ln 12 .c)							-	
324	Less: Account 219	(FF1 p 112, Ln 15.c)							(1,354,460)	
325	Common Stock	(In 321 - In 322 - In 323 - In 324)							669,755,888	
326			\$	%		Cost (Note S)		Weighted		
327	Long Term Debt (Note T) Worksheet L, In 35, col. (B))		870,000,000	56.50%		0.0529		0.0299		
328	Preferred Stock (In 322)		-	0.00%		-		0.0000		
329	Common Stock (In 325)		669,755,888	43.50%		11.49%		0.0500		
330	Total (Sum Ins 327 to 329)		1,539,755,888					WACC=	0.0799	

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KENTUCKY POWER COMPANY

Letter

Notes

General Notes: a) References to data from Worksheets are indicated as: Worksheet X, Line#.Column.X

- ARevenue credits include:
1) Forfeited Discounts.
2) Miscellaneous Service Revenues.
3) Rental revenues earned on assets included in the rate base.
4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.
5) Other electric revenues.
6) Revenues for grandfathered PTP contracts included in the load divisor.
See Worksheet E for details.
- BThe annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's.
- CTransmission Plant balances in this study are projected as of December 31, 2016.
- DThe total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. In compliance with FERC Rulemaking RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B.
The company will not include the ADIT portion of deferred hedge gains and losses in rate base.
- ECash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 253. It excludes:
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 250.
2) AEP transmission equalization transfers, as shown on line 251
3) The impact of state regulatory deferrals and amortizations, as shown on line 252
4) All A&G Expenses, as shown on line 268.
- FConsistent with Paragraph 657 of Order 2003-A, the amount on line 242 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 300.
- GRemoves from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 180 & 181 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 5 through 14, for descriptions and the Form 1 Source of these accounts' balances.
- HRemoves cost of transmission service provided by others to determine the basis of cash working capital on line 253. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such costs are added back on lines 270 and 271 to determine the total O&M collected in the formula. The amounts on lines 270 and 271 are also excluded in the calculation of the FCR percentage calculated on lines 170 through 176.
The addbacks on lines 270 and 271 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity.
The company records referenced on lines 270 and 271 is the KENTUCKY POWER COMPANY general ledger.
- IRemoves the impact of state regulatory deferrals or their amortization from O&M expense.
- JGeneral Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "W/S" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.
- KThese deductions on lines 256 through 258 are to remove from the cost of service the expenses recorded by the company for Postemployment Benefits Other than Pensions (PBOP). See Note M below for the recoverable PBOP expense.
- LExpenses reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet F allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- MSee note K above. Per the settlement in Docket ER08-1329, recoverable PBOP expense is based on an annual total for the operating companies that is ratioed to them based on the total of actual annual PBOP costs, including charges from the AEP Service Corporation. The calculation of the recoverable amount for each company is shown on Worksheet O, and the process for updating the annual total is documented on Attachment F, Allowable PBOP Expense Formula.
- NIncludes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use and taxes related to income are excluded.
- OThe currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = the percentage of federal income tax deductible for state income taxes. See Worksheet G for the development of the Company's composite SIT.
A utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f)
(In 295) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.
Inputs Required:
FIT = 35.00%
SIT= 5.88% (State Income Tax Rate or Composite SIT. Worksheet G))
p = 0.00% (percent of federal income tax deductible for state purposes)
- PRemoves plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- QRemoves transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note P.
- RIncludes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- SLong Term Debt cost rate = long-term interest (In 318) / long term debt (In 327). Preferred Stock cost rate = preferred dividends (In 319) / preferred outstanding (In 328).
Common Stock cost rate (ROE) = 11.49%, the rate accepted by FERC in Docket No. ER08-1329. It includes an additional 50 basis points for remaining a member of the PJM RTO.

In the Projected & Historic templates, the interest expense on long-term debt is the sum of a full year's interest expense at the coupon rate for each issuance outstanding as of December 31 of the historic year. The projected expense for variable rate debt will be based on the effective rate at December 31. These conventions ensure that the expense used in the projection will reflect a full year, similar to the actual expense that will appear in the subsequent true-up of the projection, and minimize the impact on the true-up of using a partial year interest expense. The projection will reflect the actual historic-year expense recorded for issuance expenses, discounts and premiums, and gains or losses on reacquired debt. Eligible hedging gains or losses will be limited to five basis points of the projected capital structure. Details and calculations are shown on Worksheet L.
- TThis note only applies to Indiana Michigan Power Company.
- UThis note only applies to the true-up template.

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Line No.						Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 138)				\$63,002,365
			Total		Allocator	
2	REVENUE CREDITS	(Note A) (Worksheet E)	469,169	DA	1.00000	\$ 469,169
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)				\$ 62,533,197

MEMO: The Carrying Charge Calculations on lines 6 to 11 below are used in calculating project revenue requirements billed through PJM Schedule 12, Transmission Enhancement Charges. The total non-incentive revenue requirements for these projects shown on line 4 is included in the total on line 3.

4	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet K)	-	DA	1.00000	\$ -
5	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
6	Annual Rate	((In 1 - In 105 - In 106)/ In 48 x 100)			16.60%
7	Monthly Rate	(In 6 / 12)			1.38%
8	NET PLANT CARRYING CHARGE ON LINE 6 , w/o depreciation or ROE incentives (Note B)				
9	Annual Rate	((In 1 - In 105 - In 106 - In 111) / In 48 x 100)			12.68%
10	NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B)				
11	Annual Rate	((In 1 - In 105 - In 106 - In 111 - In 133 - In 134) / In 48 x 100)			3.65%
12	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet K)				-
13	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES				
14	Total Load Dispatch & Scheduling (Account 561)	Line 85 Below			2,326,105
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				1,128,598
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				293,410
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			904,097

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2016 with Average Ratebase Balances

KENTUCKY POWER COMPANY

	(1)	(2)	(3)		(4)	(5)
	<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> <u>(See "General Notes")</u>	<u>TO Total</u> <u>NOTE C</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>	
Line No.	GROSS PLANT IN SERVICE					
18	Production	(Worksheet A In 1.E)	1,142,055,604	NA	0.00000	-
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.E)	(9,823,618)	NA	0.00000	-
20	Transmission	(Worksheet A In 3.C & Ln 142)	571,660,177	DA		561,461,920
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C& Ln 143)	-	TP	0.98216	-
22	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA	0.00000	N/A
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA	0.00000	N/A
24	Distribution	(Worksheet A In 5.E)	769,329,565	NA	0.00000	
25	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.E)	-	NA	0.00000	
26	General Plant	(Worksheet A In 7.E)	40,801,623	W/S	0.07797	3,181,318
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	(81,055)	W/S	0.07797	(6,320)
28	Intangible Plant	(Worksheet A In 9.E)	15,987,035	W/S	0.07797	1,246,515
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	2,529,929,330	GP(h)=	0.22368	565,883,433
				GTD=	0.00000	
30	ACCUMULATED DEPRECIATION AND AMORTIZATION					
31	Production	(Worksheet A In 12.E)	403,806,157	NA	0.00000	-
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.E)	(2,955,529)	NA	0.00000	-
33	Transmission	(Worksheet A In 14.E & 28.E)	187,062,552	TP1=	0.97247	181,912,967
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	0.97247	-
35	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	1.00000	N/A
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000	N/A
37	Plus: Additional Transmission Depreciation for 2017 (In 111)		N/A	TP1	0.97247	N/A
38	Plus: Additional General & Intangible Depreciation for 2017 (In 110 + In 111)		N/A	W/S	0.07797	N/A
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000	N/A
40	Distribution	(Worksheet A In 16.E)	219,486,726	NA	0.00000	-
41	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.E)	-	NA	0.00000	-
42	General Plant	(Worksheet A In 18.E)	10,726,296	W/S	0.07797	836,333
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	(30,832)	W/S	0.07797	(2,404)
44	Intangible Plant	(Worksheet A In 20.E)	9,043,537	W/S	0.07797	705,128
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	827,138,906			183,452,024
46	NET PLANT IN SERVICE					
47	Production	(In 18 + In 19 - In 31 - In 32)	731,381,358			-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	384,597,625			379,548,953
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		N/A			N/A
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		N/A			N/A
51	Plus: Additional Transmission Depreciation for 2017 (-In 37)		N/A			N/A
52	Plus: Additional General & Intangible Depreciation for 2017 (-In 38)		N/A			N/A
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		N/A			N/A
54	Distribution	(In 24 + In 25 - In 40 - In 41)	549,842,839			-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	30,025,104			2,341,069
56	Intangible Plant	(In 28 - In 44)	6,943,499			541,387
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	1,702,790,423	NP(h)=	0.22459	382,431,409
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)				
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	(59,609,489)	NA		-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(334,577,536)	DA		(81,246,951)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(122,113,328)	DA		(1,185,360)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	29,118,904	DA		3,605,527
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	-	DA		-
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(487,181,448)			(78,826,784)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	7,027,052	DA		172,321
66	REGULATORY ASSETS	(Worksheet A In 36. (E))	-	DA		-
67	WORKING CAPITAL	(Note E)				
68	Cash Working Capital	(1/8 * In 88)	803,993			789,650
69	Transmission Materials & Supplies	(Worksheet C, In 2.F)	194,894	TP	0.98216	191,417
70	A&G Materials & Supplies	(Worksheet C, In 3.F)	32,754	W/S	0.07797	2,554
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.22368	-
72	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 8.G)	58,307,177	W/S	0.07797	4,546,232
73	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 8.F)	840,256	GP(h)	0.22368	187,945
74	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 8.E)	-	DA	1.00000	-
75	Prepayments (Account 165) - Unallocable	(Worksheet C, In 8.D)	(57,078,049)	NA	0.00000	-
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	3,101,024			5,717,798
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8 (B))	(291,802)	DA	1.00000	(291,802)
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		1,225,445,250			309,202,942

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2016 with Average Ratebase Balances

KENTUCKY POWER COMPANY

	(1)	(2)	(3)	(4)	(5)	
	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission	
Line No.	OPERATION & MAINTENANCE EXPENSE					
79	Production	321.80.b	311,675,328			
80	Distribution	322.156.b	49,489,030			
81	Customer Related Expense	322.164,171,178.b	12,344,919			
82	Regional Marketing Expenses	322.131.b	996,718			
83	Transmission	321.112.b	34,926,920			
84	TOTAL O&M EXPENSES	(sum Ins 79 to 83)	409,432,915			
85	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	2,326,105			
86	Less: Account 565	(Note H) 321.96.b	26,168,870			
87	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	-			
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	6,431,945	TP	0.98216	6,317,201
89	Administrative and General	323.197.b (Note J)	21,710,706			
90	Less: Acct. 924, Property Insurance	323.185.b	733,002			
91	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	(2,538,553)			
92	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	-			
93	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	(261,787)			
94	Acct. 928, Reg. Com. Exp.	323.189.b	497,536			
95	Acct. 930.1, Gen. Advert. Exp.	323.191.b	138,785			
96	Acct. 930.2, Misc. Gen. Exp.	323.192.b	489,756			
97	Balance of A & G	(In 89 - sum In 90 to In 96)	22,651,967	W/S	0.07797	1,766,182
98	Plus: Acct. 924, Property Insurance	(In 90)	733,002	GP(h)	0.22368	163,955
99	Acct. 928 - Transmission Specific	Worksheet F In 19.(E) (Note L)	10,875	TP	0.98225	10,682
100	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 29.(E) (Note L)	-	TP	0.98225	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 36.(E) (Note L)	99,164	DA	1.00000	99,164
102	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 4, (Note M)	2,430,854	W/S	0.07797	189,535
103	A & G Subtotal	(sum Ins 97 to 102)	25,925,862			2,229,518
104	O & M EXPENSE SUBTOTAL	(In 88 + In 103)	32,357,807			8,546,719
105	Plus: TEA Settlement in Account 565	Company Records (Note H)	-	DA	1.00000	-
106	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA	1.00000	-
107	TOTAL O & M EXPENSE	(In 104 + In 105 + In 106)	32,357,807			8,546,719
108	DEPRECIATION AND AMORTIZATION EXPENSE					
109	Production	336.2-6.f	35,182,583	NA	0.00000	-
110	Distribution	336.8.f	26,947,717	NA	0.00000	-
111	Transmission	336.7.f	15,286,138	TP1	0.97247	14,865,331
112	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A			N/A
113	General	336.10.f	1,820,006	W/S	0.07797	141,907
114	Intangible	336.1.f	3,016,232	W/S	0.07797	235,177
115	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 109+110+ 111+112+113+114)	82,252,676			15,242,414
116	TAXES OTHER THAN INCOME	(Note N)				
117	Labor Related					
118	Payroll	Worksheet H In 22.(D)	2,077,929	W/S	0.07797	162,017
119	Plant Related					
120	Property	Worksheet H In 22.(C) & In 36.(C)	14,164,029	DA		4,494,857
121	Gross Receipts/Sales & Use	Worksheet H In 22.(F)	3,927,296	NA	0.00000	-
122	Other	Worksheet H In 22.(E)	1,130,579	GP(h)	0.22368	252,883
123	TOTAL OTHER TAXES	(sum Ins 118 to 122)	21,299,833			4,909,757
124	INCOME TAXES	(Note O)				
125	T=1 - {(1 - SIT) * (1 - FIT)} / (1 - SIT * FIT * p)} =		38.82%			
126	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		39.93%			
127	where WCLTD=(In 162) and WACC = (In 165)					
128	and FIT, SIT & p are as given in Note O.					
129	GRCF=1 / (1 - T) = (from In 125)		1.6346			
130	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(2,630)			
131	Income Tax Calculation	(In 126 * In 134)	38,782,526			9,785,563
132	ITC adjustment	(In 129 * In 130)	(4,299)	NP(h)	0.22459	(966)
133	TOTAL INCOME TAXES	(sum Ins 131 to 132)	38,778,227			9,784,597
134	RETURN ON RATE BASE (Rate Base*WACC)	(In 78 * In 165)	97,134,713			24,508,920
135	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		9,959	DA	1.00000	9,959
136	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-			-
137	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 136 * In126)		-			-
138	TOTAL REVENUE REQUIREMENT (sum Ins 107, 115, 123, 133, 134, 135)		271,833,216			63,002,365

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KENTUCKY POWER COMPANY

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
139	Total transmission plant	(In 20)							571,660,177	
140	Less transmission plant excluded from PJM Tariff	(Note P)							-	
141	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C))	(Note Q)						10,198,257	
142	Transmission plant included in PJM Tariff	(In 139 - In 140 - In 141)							561,461,920	
143	Percent of transmission plant in PJM Tariff	(In 142 / In 139)						TP=	0.98216	
144	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
145	Production	354.20.b	15,228,070	6,861,224	22,089,294	NA	0.00000		-	
146	Transmission	354.21.b	55,143	2,975,553	3,030,696	TP	0.98216		2,976,629	
147	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000		-	
148	Distribution	354.23.b	8,235,437	983,497	9,218,934	NA	0.00000		-	
149	Other (Excludes A&G)	354.24,25,26.b	1,844,184	1,993,306	3,837,490	NA	0.00000		-	
150	Total	(sum Ins 145 to 149)	25,362,834	12,813,580	38,176,414				2,976,629	
151	Transmission related amount							W/S=	0.07797	
152	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$	
153	Long Term Interest	(Worksheet M, In. 21, col. (E))							45,183,281	
154	Preferred Dividends	(Worksheet M, In. 56, col. (E))							-	
155	Development of Common Stock:								Average	
156	Proprietary Capital	(Worksheet M, In. 1, col. (E))							665,737,652	
157	Less: Preferred Stock	(Worksheet M, In. 2, col. (E))							-	
158	Less: Account 216.1	(Worksheet M, In. 3, col. (E))							-	
159	Less: Account 219	(Worksheet M, In. 4, col. (E))							(1,499,967)	
160	Common Stock	(In 156 - In 157 - In 158 - In 159)							667,237,620	
161		Average \$						Cost (Note S)	Weighted	
162	Long Term Debt (Note T) W/S M, In 11, In 22, col. (E))	870,000,000		Actual	Cap Limit		0.0519		0.0294	
163	Preferred Stock (In 157)	-		56.60%	0.00%		-		0.0000	
164	Commone Stock (In 160)	667,237,620		0.00%	0.00%		11.49%		0.0499	
165	Total (Sum Ins 162 to 164)	1,537,237,620		43.40%	0.00%			WACC=	0.0793	
166	Capital Structure Equity Limit (Note U)	100.0%								

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2016 with Average Ratebase Balances

KENTUCKY POWER COMPANY

Letter	Notes
	General Notes: a) References to data from Worksheets are indicated as: Worksheet X, Line#.Column.X
A	Revenue credits include: 1) Forfeited Discounts. 2) Miscellaneous Service Revenues. 3) Rental revenues earned on assets included in the rate base. 4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service. 5) Other electric revenues. 6) Revenues for grandfathered PTP contracts included in the load divisor. See Worksheet E for details.
B	The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's.
C	Transmission Plant balances in this study reflect the average of the balances at December 31, -2 and December 31, 2016.
D	The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. In compliance with FERC Rulemaking RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B. The company will not include the ADIT portion of deferred hedge gains and losses in rate base.
E	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 88. It excludes: 1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 85. 2) AEP transmission equalization transfers, as shown on line 86 3) The impact of state regulatory deferrals and amortizations, as shown on line 87 4) All A&G Expenses, as shown on line 103.
F	Consistent with Paragraph 657 of Order 2003-A, the amount on line 77 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 135.
G	Removes from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 15 & 16 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 5 through 14, for descriptions and the Form 1 Source of these accounts' balances.
H	Removes cost of transmission service provided by others to determine the basis of cash working capital on line 88. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such costs are added back on lines 105 and 106 to determine the total O&M collected in the formula. The amounts on lines 105 and 106 are also excluded in the calculation of the FCR percentage calculated on lines 5 through 11. The addbacks on lines 105 and 106 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity. The company records referenced on lines 105 and 106 is the KENTUCKY POWER COMPANY general ledger.
I	Removes the impact of state regulatory deferrals or their amortization from O&M expense. applicable only for state regulatory purposes.
J	General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "W/S" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.
K	These deductions on lines 91 through 93 are to remove from the cost of service the expenses recorded by the company for Postemployment Benefits Other than Pensions (PBOP). See Note M below for the recoverable PBOP expense.
L	Expenses reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet F allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
M	See note K above. Per the settlement in Docket ER08-1329, recoverable PBOP expense is based on an annual total for the operating companies that is ratioed to them based on the total of actual annual PBOP costs, including charges from the AEP Service Corporation. The calculation of the recoverable amount for each company is shown on Worksheet O, and the process for updating the annual total is documented on Attachment F, Allowable PBOP Expense Formula.
N	Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use and taxes related to income are excluded.
O	The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = the percentage of federal income tax deductible for state income taxes. See Worksheet G for the development of the Company's composite SIT. A utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 130) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0. Inputs Required: FIT = 35.00% SIT= 5.88% (State Income Tax Rate or Composite SIT. Worksheet G)) p = 0.00% (percent of federal income tax deductible for state purposes)
P	Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
Q	Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note P.
R	Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
S	Long Term Debt cost rate = long-term interest (In 153) / long term debt (In 162). Preferred Stock cost rate = preferred dividends (In 154) / preferred outstanding (In 163). Common Stock cost rate (ROE) = 11.49%, the rate accepted by FERC in Docket No. ER08-1329. It includes an additional 50 basis points for PJM RTO membership. Interest expense for the true-up WACC is based on actual expenses for the true-up year. The amount of eligible hedging gains or losses included in total interest expense is limited to five basis points of the true-up capital structure. Details and calculations of the true-up weighted average cost of capital are shown on Worksheet M. Eligible Hedging Gains and Losses are defined in the Formula Protocols in the tariff, and on Worksheet M.
T	This note only applies to Indiana Michigan Power Company.
U	Per Settlement, equity for KENTUCKY POWER COMPANY is limited to 100% of Capital Structure. If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure. During the period ended December 31, 2011 the equity cap is in effect. During this period, a change in the cap percentage must be approved via a 205 filing with the FERC.

AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet A Supporting Plant Balances
KENTUCKY POWER COMPANY

<u>Line</u>		(A)	(B)	(C)	(D)	(E)
<u>Number</u>		<u>Rate Base Item & Supporting Balance</u>	<u>Source of Data</u>	<u>Balance @ December</u> <u>31, 2016</u>	<u>Balance @ December</u> <u>31, 2015</u>	<u>Average Balance</u> <u>for 2016</u>
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.						
<u>Plant Investment Balances</u>						
1	Production Plant In Service		FF1, page 205 Col.(g) & pg. 204 Col. (b), In 46	1,174,390,121	1,109,721,086	1,142,055,604
2	Production Asset Retirement Obligation (ARO)		FF1, page 205&204, Col.(g)&(b), Ins 15,24,34,44	11,624,651	8,022,585	9,823,618
3	Transmission Plant In Service		FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	574,702,620	568,617,733	571,660,177
4	Transmission Asset Retirement Obligation		FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	-	-	-
5	Distribution Plant In Service		FF1, page 207 Col.(g) & pg. 206 Col. (b), In 75	782,655,295	756,003,835	769,329,565
6	Distribution Asset Retirement Obligation		FF1, page 207 Col.(g) & pg. 206 Col. (b), In 74	-	-	-
7	General Plant In Service		FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99	41,500,104	40,103,141	40,801,623
8	General Asset Retirement Obligation		FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	81,055	81,055	81,055
9	Intangible Plant In Service		FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5	19,525,886	12,448,184	15,987,035
10	Total Property Investment Balance		(Sum of Lines: 3, 1, 5, 7, 9)	2,592,774,026	2,486,893,979	2,539,834,003
11	Total ARO Balance (included in total on line 10)		(Sum of Lines: 4, 2, 6, 8)	11,705,706	8,103,640	9,904,673
<u>Accumulated Depreciation & Amortization Balances</u>						
12	Production Accumulated Depreciation		FF1, page 219, Ins 20-24, Col. (b)	412,645,994	394,966,319	403,806,157
13	Production ARO Accumulated Depreciation		Company Records - Note 1	3,845,418	2,065,639	2,955,529
14	Transmission Accumulated Depreciation		FF1, page 219, In 25, Col. (b)	193,091,844	181,033,260	187,062,552
15	Transmission ARO Accumulated Depreciation		Company Records - Note 1	-	-	-
16	Distribution Accumulated Depreciation		FF1, page 219, In 26, Col. (b)	226,689,503	212,283,949	219,486,726
17	Distribution ARO Accumulated Depreciation		Company Records - Note 1	-	-	-
18	General Accumulated Depreciation		FF1, page 219, In 28, Col. (b)	11,504,763	9,947,829	10,726,296
19	General ARO Accumulated Depreciation		Company Records - Note 1	33,648	28,016	30,832
20	Intangible Accumulated Amortization		FF1, page 200, In 21, Col. (b)	11,280,895	6,806,178	9,043,537
21	Total Accumulated Depreciation or Amortization		(Sum of Lines: 14, 12, 16, 18, 20)	855,212,999	805,037,535	830,125,267
22	Total ARO Balance (included in total on line 21)		(Sum of Lines: 15, 13, 17, 19)	3,879,066	2,093,655	2,986,361
<u>Generation Step-Up Units</u>						
23	GSU Investment Amount		Company Records - Note 1	10,198,257	10,198,257	10,198,257
24	GSU Accumulated Depreciation		Company Records - Note 1	5,259,188	5,039,983	5,149,585
25	GSU Net Balance		(Line 23 - Line 24)	4,939,069	5,158,274	5,048,671
<u>Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation</u>						
26	Transmission Accumulated Depreciation		(Line 14 Above)	193,091,844	181,033,260	187,062,552
27	Less: GSU Accumulated Depreciation		(Line 24 Above)	5,259,188	5,039,983	5,149,585
28	Subtotal of Transmission Net of GSU		(Line 26 - Line 27)	187,832,656	175,993,277	181,912,967
<u>Plant Held For Future Use</u>						
29	Plant Held For Future Use		FF1, page 214, In 47, Col. (d)	6,303,504	7,750,601	7,027,052
30	Transmission Plant Held For Future		Company Records - Note 1	-	344,642	172,321
<u>Regulatory Assets and Liabilities Approved for Recovery In Ratebase</u>						
Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.						
31						-
32						-
33						-
34						-
35						-
36	Total Regulatory Deferrals Included in Ratebase			-	-	-

NOTE 1 On this worksheet, "Company Records" refers to AEP's property accounting ledger.

NOTE: The ratebase should not include the unamortized balance of hedging gains or losses.

AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet B Supporting ADIT and ITC Balances
KENTUCKY POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) Source</u>	<u>(C) Balance @ December 31, 2016</u>	<u>(D) Balance @ December 31, 2015</u>	<u>(E) Average Balance for 2016</u>
1	<u>Account 281</u>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, In 8, Col. (k)	58,282,271	60,936,706	59,609,489
3	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
4	Less: Other Excluded Deferrals	Company Records - Note 1	58,282,271	60,936,706	59,609,489
5	Transmission Related Deferrals	Ln 2 - In 3 - In 4	-	-	-
6	<u>Account 282</u>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, In 5, Col. (k)	340,485,495	328,669,576	334,577,536
8	Less: ARO Related Deferrals	Company Records - Note 1	25,473,200	24,695,530	25,084,365
9	Less: Other Excluded Deferrals	Company Records - Note 1	231,899,213	224,593,226	228,246,220
10	Transmission Related Deferrals	Ln 7 - In 8 - In 9	83,113,082	79,380,820	81,246,951
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, In 9, Col. (k)	123,374,858	120,851,797	122,113,328
13	Less: ARO Related Deferrals	Company Records - Note 1	23,550,132	22,984,712	23,267,422
14	Less: Other Excluded Deferrals	Company Records - Note 1	98,594,517	96,726,574	97,660,546
15	Transmission Related Deferrals	Ln 12 - In 13 - In 14	1,230,209	1,140,511	1,185,360
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, In 8, Col. (c)	25,097,857	33,139,951	29,118,904
18	Less: ARO Related Deferrals	Company Records - Note 1	22,047,990	25,204,320	23,626,155
19	Less: Other Excluded Deferrals	Company Records - Note 1	(645,921)	4,420,365	1,887,222
20	Transmission Related Deferrals	Ln 17 - In 18 - In 19	3,695,788	3,515,266	3,605,527
21	<u>Account 255</u>				
22	Year End ITC Balances	FF1, p. 266-267, In 8, Col. (h)	1,420	4,050	2,735
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	1,420	4,050	2,735
24	ITC Balances Includeable Ratebase	Ln 22 - In 23	-	-	-
25	Transmission Related Deferrals	Company Records - Note 1	0	0	-

NOTE 1 On this worksheet, "Company Records" refers to AEP's tax accounting ledger.

NOTE 2 ADIT balances should exclude balances related to hedging activity.

AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet C Supporting Working Capital Rate Base Adjustments
KENTUCKY POWER COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
Line Number		Source	Balance @ December 31, 2016	Balance @ December 31, 2015	Average Balance for 2016			
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c) & (b)	334,793	54,994	194,894			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c) & (b)	21,998	43,510	32,754			
4	Stores Expense (Undistributed)	FF1, p. 227, ln 16, Col. (c) & (b)	0	0	-			

Prepayment Balance Summary							
	Average of YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	
5							
6	Totals as of December 31, 2016	2,046,417	(57,736,214)	0	871,176	58,911,455	59,782,631
7	Totals as of December 31, 2015	2,092,349	(56,419,884)		809,335	57,702,898	58,512,233
8	Average Balance	2,069,383	(57,078,049)	-	840,256	58,307,177	59,147,432

Prepayments Account 165 - Balance @ 12/31/2016									
9	Acc. No.	Description	2016 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
10	1650001	Prepaid Insurance	540,046	-		540,046		540,046	Plant Related Insurance Policies
11	1650005	Prepaid Employee Benefits	74,500	74,500			-	-	Employee Benefits
12	1650006	Other Prepayments	102,252	102,252				-	Distribution Prepayments
13	165000216	Prepaid Taxes	563,400	563,400		-		-	Prepaid Fees-Distribution
14	1650009	Prepaid Carry Cost-Factored AR	49,600	49,600				-	AR Factoring - Retail Only
15	1650010	Prepaid Pension Benefits	49,155,808				49,155,808	49,155,808	Prefunded Pension Expense
16	1650014	FAS 158 Qual Contra Asset	(49,155,808)	(49,155,808)				-	SFAS 158 Offset
17	1650016	FAS 112 ASSETS	0	-			-	-	
18	165001216	Prepaid Use Taxes	46,292	46,292			-	-	Use Taxes-Distribution
19	165001116	Prepaid Sales Taxes	319,787	319,787			-	-	Sales Taxes-Distribution
20	1650021	Prepaid Insurance - EIS	331,130	-		331,130		331,130	Prepaid Ins. - EIS
21	1650023	Prepaid Lease	19,410	19,410				-	Distribution Lease
22	1650035	PRW Without Med-D Benefits	9,755,647				9,755,647	9,755,647	Med-D Benefits
23	1650036	PRW for Med-D Benefits	0				-	-	
24	1650037	FAS 158 Contra-PRW Exc Med-D	(9,755,647)	(9,755,647)				-	SFAS 158 Offset
Subtotal - Form 1, p 111.57.c			2,046,417	(57,736,214)	0	871,176	58,911,455	59,782,631	

Prepayments Account 165 - Balance @ 12/31/ 2015									
25	Acc. No.	Description	2015 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
26	1650001	Prepaid Insurance	540,987	-		540,987		540,987	Plant Related Insurance Policies
27	1650005	Prepaid Employee Benefits	71,750	71,750		-	-	-	Employee Benefits
28	1650006	Other Prepayments	1,075	1,075				-	Distribution Prepayments
29	165000215	Prepaid Taxes	566,102	566,102			-	-	Prepaid Fees-Distribution
30	1650009	Prepaid Carry Cost-Factored AR	26,945	26,945				-	AR Factoring - Retail Only
31	1650010	Prepaid Pension Benefits	50,453,877	-			50,453,877	50,453,877	Prefunded Pension Expense
32	1650014	FAS 158 Qual Contra Asset	(50,453,877)	(50,453,877)			-	-	SFAS 158 Offset
33	1650016	FAS 112 ASSETS	0	-			-	-	
34	165001215	Prepaid Use Taxes	43,426	43,426		-		-	Use Taxes-Distribution
35	165001115	Prepaid Sales Taxes	297,141	297,141				-	Sales Taxes-Distribution
36	1650021	Prepaid Insurance - EIS	268,348	-		268,348		268,348	Prepaid Ins. - EIS
37	1650023	Prepaid Lease	7,168	7,168				-	Distribution Lease
38	1650031	Prepaid OCIP Work Comp	149,722				149,722	149,722	Work Comp
39	1650033	Prepaid OCIP Work Comp-Aff	119,685				119,685	119,685	Work Comp
40	1650035	PRW Without Med-D Benefits	6,979,614	-			6,979,614	6,979,614	Med-D Benefits
41	1650036	PRW for Med-D Benefits	0						
42	1650037	FAS 158 Contra-PRW Exc Med-D	(6,979,614)	(6,979,614)					SFAS 158 Offset
Subtotal - Form 1, p 111.57.d			2,092,349	(56,419,884)		809,335	57,702,898	58,512,233	

AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet D Supporting IPP Credits
KENTUCKY POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2016</u>
1	Net Funds from IPP Customers 12/31/2015 (2016 FORM 1, P269, line 13.b)	(286,822)
2	Interest Accrual (Company Records - Note 1)	(9,959)
3	Revenue Credits to Generators (Company Records - Note 1)	-
4	<u>Other Adjustments</u>	
5	Accounting Adjustment (Company Records - Note 1)	-
6		-
7	Net Funds from IPP Customers 12/31/2016 (2016 FORM 1, P269, line 13.f)	(296,781)
8	Average Balance for Year as Indicated in Column ((ln 1 + ln 7)/2)	(291,802)

Note 1 On this worksheet Company Records refers to KENTUCKY POWER COMPANY's general ledger.

AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet E Supporting Revenue Credits
KENTUCKY POWER COMPANY

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<u>Line Number</u>	<u>Description</u>	<u>Total Company</u>	<u>Non- Transmission</u>	<u>Transmission</u>
1	Account 450, Forfeited Discounts (FF1 p.300.16.(b); Company Records - Note 1)	3,928,057	3,928,057	-
2	Account 451,Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	746,580	733,024	13,556
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	6,678,203	6,319,590	358,613
4	Account 4560015, Associated Business Development - (Company Records - Note 1)	338,449	241,449	97,000
5	Account 456 - Other Electric Revenues - (Company Records - Note 1)	27,185,393	27,185,393	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	38,876,682	38,407,513	469,169
7		-	-	-
8	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1) Total Other Operating Revenues To Reduce Revenue Requirement	38,876,682	38,407,513	469,169

Note 1 The total company data on this worksheet comes from the indicated FF1 source, or KENTUCKY POWER COMPANY's general ledger. The functional amounts identified as transmission revenue also come from the general ledger.

AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet F Supporting Allocation of Specific O&M or A&G Expenses
KENTUCKY POWER COMPANY

	(A)	(B)	(C)	(D)	(E)	(F)
<u>Line</u>	<u>Item No.</u>	<u>Description</u>	<u>2016</u>	<u>100%</u>	<u>100%</u>	
<u>Number</u>			<u>Expense</u>	<u>Non-Transmission</u>	<u>Transmission</u>	<u>Explanation</u>
					<u>Specific</u>	
Regulatory O&M Deferrals & Amortizations						
1		No Applicable Charges for KPCO	-			
2			-			
3						
4		Total	0			
Detail of Account 561 Per FERC Form 1						
5	FF1 p 321.84.b	561 - Load Dispatching	0			
6	FF1 p 321.85.b	561.1 - Load Dispatch - Reliability	8,547			
7	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	778,887			
8	FF1 p 321.87.b	561.3 - Load Dispatch - Trans Service & Scheduling	0			
9	FF1 p 321.88.b	561.4 - Scheduling, System Control & Dispatch	1,128,598			
10	FF1 p 321.89.b	561.5 - Reliability, Planning and Standards Development	116,663			
11	FF1 p 321.90.b	561.6 - Transmission Service Studies	0			
12	FF1 p 321.91.b	561.7 - Generation Interconnection Studies	0			
13	FF1 p 321.92.b	561.8 - Reliability, Planning and Standards Development Servi	293,410			
14		Total of Account 561	2,326,105			
Account 928						
15	9280000	Regulatory Commission Exp	(23)	(23)	-	
16	9280001	Regulatory Commission Exp-Adm	170	170	-	
17	9280002	Regulatory Commission Exp-Case	486,513	486,513	-	
18	9280005	Regulatory Commission Exp-FERC	10,875		10,875	
19		Total	497,535	486,660	10,875	
Account 930.1						
20	9301000	General Advertising Expenses	799	799	-	
21	9301001	Newspaper Advertising Space	31,311	31,311	-	
22	9301002	Radio Station Advertising Time	-	-	-	
22	9301003	TV Station Advertising Time	5,253	5,253	-	
23	9301006	Spec Corp Comm Info Proj	-	-	-	
24	9301010	Publicity	2,425	2,425	-	
25	9301011	Dedications, Tours, & Openings	-	-	-	
26	9301012	Public Opinion Surveys	77,201	77,201	-	
27	9301014	Video Communications	954	954	-	
28	9301015	Other Corporate Comm Exp	20,842	20,842	-	
29		Total	138,785	138,785	-	
Account 930.2						
30	9302000	Misc General Expenses	231,713	231,713	-	
31	9302003	Corporate & Fiscal Expenses	23,425	23,425	-	
32	9302004	Research, Develop&Demonstr Exp	870	870	-	
33	9302006	Assoc Bus Dev Materials Sold	18,671	18,671	-	
34	9302007	Assoc Business Development Exp	215,076	115,912	99,164	
35	9302458	AEPSC Non Affiliated Expense	0	0	-	
36		Total	489,755	390,591	99,164	

Formula Rate
KPCo WS G State Tax Rate
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AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet G Supporting - Development of Composite State Income Tax Rate
KENTUCKY POWER COMPANY

Kentucky Corporate Income Tax	6.00%	
Apportionment Factor - Note 2	72.06%	
Effective State Tax Rate		4.32%
West Virginia Corporate Income Tax	6.50%	
Apportionment Factor - Note 2	21.62%	
Effective State Tax Rate		1.41%
Michigan Business Income Tax	6.00%	
Apportionment Factor - Note 2	0.08%	
Effective State Tax Rate		0.01%
State Income Tax Rate - Ohio	0.00%	
Phase-out Factor Note 1	0.00%	
Apportionment Factor - Note 2	0.00%	
Effective State Tax Rate		0.00%
Illinois Income Tax	7.75%	
Apportionment Factor - Note 2	1.81%	
Effective State Tax Rate		0.14%
Total Effective State Income Tax Rate		<u>5.88%</u>

Note 1 The Ohio State Income Tax is being phased-out prorata over a 5 year period from 2005 through 2009. The taxable portion of income is 0% in 2009. The phase-out factors can be found in the Ohio Revised Code at 5733.01(G)2(a)(v). This tax has been replaced with a Commercial Activities Tax that is included in Schedule H and H-1.

Note 2 Apportionment Factors are determined as part of the Company's annual tax return for that jurisdiction.

AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet H Supporting Taxes Other than Income
KENTUCKY POWER COMPANY

Line No.	(A) Account	(B) Total Company NOTE 1	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
1	Revenue Taxes					
2	Gross Receipts Tax	(51,437)				(51,437)
3	Real Estate and Personal Property Taxes					
4	Real and Personal Property - Kentucky	11,233,320	11,233,320			
5	Real and Personal Property - W Va	2,930,709	2,930,709			
6	Real and Personal Property - Other	0	-			
7	Payroll Taxes					
8	Federal Insurance Contribution (FICA)	2,024,251		2,024,251		
9	Federal Unemployment Tax	13,768		13,768		
10	State Unemployment Insurance	39,910		39,910		
11	Production Taxes					
12	State Severance Taxes	-				-
13	Miscellaneous Taxes					
14	State Business & Occupation Tax	3,961,843				3,961,843
15	State Public Service Commission Fees	1,129,502			1,129,502	
16	State Franchise Taxes	-			-	
17	State Lic/Registration Fee	1,077			1,077	
18	Misc. State and Local Tax	-			-	
19	Sales & Use	10,577				10,577
20	Federal Excise Tax	6,313				6,313
21	Michigan Single Business Tax	-				-
22	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c)) NOTE 1: The detail of each total company number and its source in the FERC Form 1 is shown on WS H-1.	21,299,833	14,164,029	2,077,929	1,130,579	3,927,296
Functional Property Tax Allocation						
		<u>Production</u>	<u>Transmission</u>	<u>Distribution</u>	<u>General</u>	<u>Total</u>
23	Functionalized Net Plant (Hist. TCOS, Lns 212 thru 222) KENTUCKY JURISDICTION	753,964,894	381,610,776	555,965,792	29,947,934	1,721,489,396
24	Percentage of Plant in KENTUCKY JURISDICTION	13.860%	98.330%	100.000%	99.960%	
25	Net Plant in KENTUCKY JURISDICTION (Ln 23 * Ln 24)	104,499,534	375,237,876	555,965,792	29,935,955	1,065,639,158
26	Less: Net Value of Exempted Generation Plant	27,808,862				
27	Taxable Property Basis (Ln 25 - Ln 26)	76,690,672	375,237,876	555,965,792	29,935,955	1,037,830,296
28	Relative Valuation Factor	33%	100%	100%	100%	
29	Weighted Net Plant (Ln 27 * Ln 28)	25,568,670	375,237,876	555,965,792	29,935,955	
30	General Plant Allocator (Ln 29 / (Total - General Plant))	2.67%	39.22%	58.11%	-100.00%	
31	Functionalized General Plant (Ln 30 * General Plant)	800,005	11,740,625	17,395,326	(29,935,955)	-
32	Weighted KENTUCKY JURISDICTION Plant (Ln 29 + 31)	26,368,675	386,978,501	573,361,118	0	986,708,292
33	Functional Percentage (Ln 32/Total Ln 32)	2.67%	39.22%	58.11%		
34	Functionalized Expense in KENTUCKY JURISDICTION	300,198	4,405,611	6,527,511		11,233,320
WEST VA JURISDICTION						
35	Net Plant in WEST VA JURISDICTION (Ln - Ln)	649,465,360	6,372,900	-	11,979	655,850,239
36	Less: Net Value Exempted Generation Plant	446,560,474				
37	Taxable Property Basis	202,904,886	6,372,900	-	11,979	209,289,765
38	Relative Valuation Factor	100.00%	100.00%	100%	100.00%	
39	Weighted Net Plant (Ln 37 * Ln 38)	202,904,886	6,372,900	-	11,979	
40	General Plant Allocator (Ln 39 / (Total - General Plant))	96.95%	3.05%	0.00%	-100.00%	
41	Functionalized General Plant (Ln 41 * General Plant)	11,614	365	-	(11,979)	
42	Weighted WEST VA JURISDICTION Plant (Ln 39 + 41)	202,916,500	6,373,265	-	0	209,289,765
43	Functional Percentage (Ln 42/Total Ln 42)	96.95%	3.05%	0.00%		
44	Functionalized Payment in WEST VA JURISDICTION	2,841,463	89,246	-		2,930,709
35	Total Other Jurisdictions: (Line 6 * Net Plant Allocator)		-			-
36	Total Func. Property Taxes (Sum Lns 34, 35)	3,141,661	4,494,857	6,527,511		14,164,029

AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet H-1 Form 1 Source Reference of Company Amounts on WS H
KENTUCKY POWER COMPANY

(A)		(B)	(C)	(D)
Line No.	Annual Tax Expenses by Type (Note 1)	Total Company	FERC FORM 1 Tie-Back	FERC FORM 1 Reference
1	Revenue Taxes			
2	Gross Receipts Tax	(51,437)	(8,487)	P.263.1 ln 33 (i)
			35,826	P.263.1 ln 34 (i)
			(78,776)	P.263.1 ln 35 (i)
			-	
3	Real Estate and Personal Property Taxes			
4	Real and Personal Property - Kentucky	11,233,320	1,122	P.263 ln 38 (i)
			(261,918)	P.263 ln 39 (i)
			11,032,463	P.263 ln 40 (i)
			198,927	P.263.1 ln 2 (i)
			239,449	P.263.1 ln 3 (i)
			(2,223)	P.263.1 ln 4 (i)
			25,500	P.263.1 ln 5 (i)
			-	
5	Real and Personal Property - W VA	2,930,709	1,243,037	P.263.1 ln 18 (i)
			1,678,884	P.263.1 ln 19 (i)
			3,688	P.263.1 ln 21 (i)
			5,100	P.263.1 ln 22 (i)
6	Real and Personal Property - Other	-	-	
7	Payroll Taxes			
8	Federal Insurance Contribution (FICA)	2,024,251	2,024,251	P.263 ln 5 (i)
9	Federal Unemployment Tax	13,768	13,768	P.263 ln 6 (i)
10	State Unemployment Insurance	39,910	23,779	P.263 ln 26 (i)
			16,131	P.263.1 ln 26 (i)
			-	
11	Production Taxes			
12	State Severance Taxes	-	-	
13	Miscellaneous Taxes			
14	State Business & Occupation Tax	3,961,843	3,961,843	P.263.1 ln 16 (i)
			-	
15	State Public Service Commission Fees	1,129,502	566,102	P.263 ln 28 (i)
			563,400	P.263 ln 29 (i)
16	State Franchise Taxes	-	-	
17	State Lic/Registration Fee	1,077	955	P.263 ln 24 (i)
			70	P.263.1 ln 24 (i)
			52	P.263.1 ln 28 (i)
			-	
18	Misc. State and Local Tax	-	-	
19	Sales & Use	10,577	791	P.263 ln 31 (i)
			9,786	P.263 ln 32 (i)
			-	
20	Federal Excise Tax	6,313	900	P.263 ln 8 (i)
			5,413	P.263 ln 9 (i)
21	Michigan Single Business Tax	-	-	
22	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	21,299,833	21,299,833	

Note 1: The taxes assessed on each operating company can differ from year to year and between operating companies by both the type of taxes and the states in which they were assessed. Therefore, for each company, the types and jurisdictions of tax expense recorded on this page could differ from the same page in the same company's prior year template or from this page in other operating companies' current year templates. For each update, this sheet will be revised to ensure that the total activity recorded hereon equals the total reported in account 408.1 on P. 114, Ln 14 of the Ferc Form 1.

AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet I Supporting Transmission Plant in Service Additions
KENTUCKY POWER COMPANY

(A) (B) (C) (D) (E) (F) (G) (H) (I)

I. Calculation of Composite Depreciation Rate

1	Transmission Plant @ Beginning of Historic Period (2016) (P.206, In 58,(b)):	568,617,733
2	Transmission Plant @ End of Historic Period (2016) (P.207, In 58,(g)):	574,702,620
3		1,143,320,353
4	Average Balance of Transmission Investment	571,660,177
5	Annual Depreciation Expense, Historic TCOS, In 276	15,286,138
6	Composite Depreciation Rate	2.67%
7	Round to 2.67% to Reflect a Composite Life of 37 Years	2.67%

II. Calculation of Property Placed in Service by Month and the Related Depreciation Expense

8	Month in Service	Capitalized Balance	Composite Annual Depreciation Rate	Annual Depreciation	Monthly Depreciation	No. Months Depreciation	First Year Depreciation Expense
9	January	\$ -	2.67%	\$ -	\$ -	11	\$ -
10	February	\$ -	2.67%	\$ -	\$ -	10	\$ -
11	March	\$ -	2.67%	\$ -	\$ -	9	\$ -
12	April	\$ -	2.67%	\$ -	\$ -	8	\$ -
13	May	\$ -	2.67%	\$ -	\$ -	7	\$ -
14	June	\$ -	2.67%	\$ -	\$ -	6	\$ -
15	July	\$ -	2.67%	\$ -	\$ -	5	\$ -
16	August	\$ -	2.67%	\$ -	\$ -	4	\$ -
17	September	\$ -	2.67%	\$ -	\$ -	3	\$ -
18	October	\$ -	2.67%	\$ -	\$ -	2	\$ -
19	November	\$ -	2.67%	\$ -	\$ -	1	\$ -
20	December	\$ -	2.67%	\$ -	\$ -	0	\$ -
21	Investment	\$ -				Depreciation Expense	\$ -

III. Plant Transferred

22	\$ -	<== This input area is for original cost plant
23	\$ -	<== This input area is for accumulated depreciation that may be associated with capital expenditures. It would have an impact if a company had assets transferred from a subsidiary.
24 (Ln 7 * Ln 22)	\$ -	<== This input area is for additional Depreciation Expense

IV. List of Major Projects Expected to be In-Service in 0

	Estimated Cost (000's)	Month in Service
25 <u>Major Zonal Projects</u>		
26		\$0
27	Subtotal	\$0
28 <u>PJM Socialized/Beneficiary Allocated Regional Projects</u>		
29 N/A		\$0
30	Subtotal	\$0

AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet K Supporting Calculation of TRUE-UP PJM RTEP Project Revenue Requirement Billed to Benefiting Zones
KENTUCKY POWER COMPANY

I. Calculate Return and Income Taxes with 0 basis point ROE increase for Projects Qualified for Regional Billing.

A. Determine 'R' with hypothetical 0 basis point increase in ROE for Identified Projects

ROE w/o incentives (True-Up TCOS, ln 164)			11.49%
Project ROE Incentive Adder			0 <==ROE Adder Cannot Exceed 100 Basis Points
ROE with additional 0 basis point incentive			11.49% <== ROE Including Incentives Cannot Exceed 12.5% Until July 1, 2012
Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the True-Up TCOS, lns 162 through164)			
	%	Cost	Weighted cost
Long Term Debt	56.60%	5.19%	2.939%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	43.40%	11.49%	4.987%
		R =	7.926%

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPPROJECTS				
TRUE-UP YEAR	2016	Rev Require	W Incentives	Incentive Amounts
As Projected in Prior Year WS J				\$ -
Actual after True-up	\$	-	\$ -	\$ -
True-up of ARR For 2016		-	-	-

B. Determine Return using 'R' with hypothetical 0 basis point ROE increase for Identified Projects.

Rate Base (True-Up TCOS, ln 78)	309,202,942
R (from A. above)	7.926%
Return (Rate Base x R)	24,508,920

C. Determine Income Taxes using Return with hypothetical 0 basis point ROE increase for Identified Projects.

Return (from B. above)	24,508,920
Effective Tax Rate (True-Up TCOS, ln 126)	39.93%
Income Tax Calculation (Return x CIT)	9,785,563
ITC Adjustment	(966)
Income Taxes	9,784,597

II. Calculate Net Plant Carrying Charge Rate (Fixed Charge Rate or FCR) with hypothetical 0 basis point ROE increase.

A. Determine Annual Revenue Requirement less return and Income Taxes.

Annual Revenue Requirement (True-Up TCOS, ln 1)	63,002,365
T.E.A. & Lease Payments (True-Up TCOS, lns 105 & 106)	-
Return (True-Up TCOS, ln 134)	24,508,920
Income Taxes (True-Up TCOS, ln 133)	9,784,597
Annual Revenue Requirement, Less TEA	28,708,848

Charges, Return and Taxes

B. Determine Annual Revenue Requirement with hypothetical 0 basis point increase in ROE.

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	28,708,848
Return (from I.B. above)	24,508,920
Income Taxes (from I.C. above)	9,784,597
Annual Revenue Requirement, with 0 Basis Point ROE increase	63,002,365
Depreciation (True-Up TCOS, ln 111)	14,865,331
Annual Rev. Req. w/ 0 Basis Point ROE	48,137,034

increase, less Depreciation

C. Determine FCR with hypothetical 0 basis point ROE increase.

Net Transmission Plant (True-Up TCOS, ln 48)	379,548,953
Annual Revenue Requirement, with 0 Basis Point ROE increase	63,002,365
FCR with 0 Basis Point increase in ROE	16.60%

Annual Rev. Req. w / 0 Basis Point ROE increase, less Dep.	48,137,034
FCR with 0 Basis Point ROE increase, less Depreciation	12.68%
FCR less Depreciation (True-Up TCOS, ln 9)	12.68%
Incremental FCR with 0 Basis Point ROE	0.00%

increase, less Depreciation

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Historic Period () (P.206, ln 58,(b)):	568,617,733
Transmission Plant @ End of Historic Period () (P.207, ln 58,(g)):	574,702,620
Subtotal	1,143,320,353
Average Transmission Plant Balance for	571,660,177
Annual Depreciation Rate (True-Up TCOS, ln 111)	15,286,138
Composite Depreciation Rate	2.67%
Depreciable Life for Composite Depreciation Rate	37.40
Round to nearest whole year	37

KPCo Worksheet K - ATRR TRUE-UP Calculation for PJM Projects Charged to Benefiting Zones

IV. Determine the Revenue Requirement, and Additional Revenue Requirement for facilities receiving incentives.

A. Base Plan Facilities

Facilities receiving incentives accepted by FERC in Docket No. (e.g. ER05-925-000)

Project Description:

2016	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	-	-	-
Prior Yr True-Up	-	-	-
True-Up Adjustment	-	-	-

Details							
Investment		Current Year	2016				
Service Year (yyyy)	2015	ROE increase accepted by FERC (Basis Points)					-
Service Month (1-12)	12	FCR w/o incentives, less depreciation					12.68%
Useful life	37	FCR w/incentives approved for these facilities, less dep.					12.68%
CIAC (Yes or No)	No	Annual Depreciation Expense					-
Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	Average Balance	RTEP Rev. Req't. w/o Incentives	RTEP Rev. Req't. with Incentives **	Incentive Rev. Requirement ##
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-
2054	-	-	-	-	-	-	-
2055	-	-	-	-	-	-	-
2056	-	-	-	-	-	-	-
2057	-	-	-	-	-	-	-
2058	-	-	-	-	-	-	-
2059	-	-	-	-	-	-	-
2060	-	-	-	-	-	-	-
2061	-	-	-	-	-	-	-
2062	-	-	-	-	-	-	-
2063	-	-	-	-	-	-	-
2064	-	-	-	-	-	-	-
2065	-	-	-	-	-	-	-
2066	-	-	-	-	-	-	-
2067	-	-	-	-	-	-	-
2068	-	-	-	-	-	-	-
2069	-	-	-	-	-	-	-
2070	-	-	-	-	-	-	-
2071	-	-	-	-	-	-	-
2072	-	-	-	-	-	-	-
2073	-	-	-	-	-	-	-
2074	-	-	-	-	-	-	-

[illegible]

Project Totals

** This is the total amount that needs to be reported to PJM for billing to all regions.

This is the calculation of additional incentive revenue on projects deemed by the FERC to be eligible for an incentive return. This additional incentive requirement is applicable for the life of this specific project. Each year the revenue requirement calculated for PJM should be incremented by the amount of the incentive revenue calculated for that year on this project.

AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet L Supporting Projected Cost of Debt
KENTUCKY POWER COMPANY

Calculation of Projected Interest Expense Based on Outstanding Debt at Year End

<u>Line Number</u>	<u>(A) Issuance</u>	<u>(B) Principle Outstanding</u>	<u>(C) Interest Rate</u>	<u>(D) Annual Expense (See Note S on Projected Template)</u>	<u>(E) Notes</u>
1	<u>Long Term Debt (FF1.p. 256-257.h)</u>				
2	Advances from Associated Companies	-	0.000%	-	
3					
4	<u>Installment Purchase Contracts (FF1.p. 256-257.h, a)</u>				
5	Senior Unsecured Notes - Series D	75,000,000	5.625%	4,218,750	
6	Senior Unsecured Notes - Series E	325,000,000	6.000%	19,500,000	
7	Senior Unsecured Notes - 7.250%	40,000,000	7.250%	2,900,000	
8	Senior Unsecured Notes - 8.030%	30,000,000	8.030%	2,409,000	
9	Senior Unsecured Notes - 8.130%	60,000,000	8.130%	4,878,000	
10	Senior Unsecured Notes -- Series A -- 4.180%	120,000,000	4.180%	5,016,000	
11	Senior Unsecured Notes -- Series B -- 4.330%	80,000,000	4.330%	3,464,000	
12	WVEDA Mitchell Project Series 2014A	65,000,000	1.580%	1,027,000	
13	Local Bank Term Loan	75,000,000	2.390%	1,792,500	
14				-	
15				-	
16				-	
17				-	
18				-	
19				-	
20				-	
21				-	
22				-	
23				-	
24				-	
25				-	
26				-	
27	<u>Issuance Discount, Premium, & Expenses:</u>				
28	Auction Fees	FF1.p. 256 & 257.Lines Described as Fees		-	
29	Allowable Hedge Amortization (See Ln 45 Below)			92,956	
30	Amort of Debt Discount and Expenses	FF1.p. 117.63.c		725,700	
31	Amort of Debt Premiums (Enter Negative)	FF1.p. 117.65.c		-	
32	<u>Reacquired Debt:</u>				
33	Amortization of Loss	FF1.p. 117.64.c		33,651	
34	Amortization of Gain	FF1.p. 117.66.c		-	
35	Total Interest on Long Term Debt	870,000,000	5.29%	46,057,557	
36	<u>Preferred Stock (FF1.p. 250-251)</u>	<u>Preferred Shares Outstanding</u>			
37		-	0.00%	-	
38				-	
39				-	
40	Dividends on Preferred Stock	-		-	
41	Net Total Hedge Gains and Losses (WS M, Ln 35, (E))			92,956	
42	Total Projected Capital Structure Balance for 2017 (Projected TCOS, Ln 165)			1,539,755,888	
43	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005	
44	Limit of Recoverable Amount			769,878	
45	Recoverable Hedge Amortization (Lesser of Ln 41 or Ln 44)			92,956	

AEP East Companies
Transmission Cost of Service Formula Rate
KENTUCKY POWER COMPANY

Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of
Capital Based on Average of Balances At 12/31/2015 & 12/31/2016

(A)	(B)	(C)	(D)	(E)
Line		Balances @ 12/31/2016	Balances @ 12/31/2015	Average
<u>Development of Average Balance of Common Equity</u>				
1	Proprietary Capital (112.16.c&d)	668,401,428	663,073,876	665,737,652
2	Less Preferred Stock (Ln 55 Below)	-	-	-
3	Less Account 216.1 (112.12.c&d)	-	-	-
4	Less Account 219.1 (112.15.c&d)	(1,354,460)	(1,645,475)	(1,499,967)
5	Average Balance of Common Equity	669,755,888	664,719,351	667,237,620

Development of Cost of Long Term Debt Based on Average Outstanding Balance

6	Bonds (112.18.c&d)	-	-	-
7	Less: Reacquired Bonds (112.19.c&d)	-	-	-
8	LT Advances from Assoc. Companies (112.20.c&d)	-	-	-
9	Senior Unsecured Notes (112.21.c&d)	870,000,000	870,000,000	870,000,000
10	Less: Fair Value Hedges (See Note on Ln 12 below)	-	-	-
11	Total Average Debt	870,000,000	870,000,000	870,000,000

12 **NOTE:** The balance of fair value hedges on outstanding long term debt are to be excluded from the balance of long term debt included in the formula's capital structure. (Column H of the FF1)

13	Annual Interest Expense for 2016			
14	Interest on Long Term Debt (256-257.33.i)			44,423,930
15	Less: Total Hedge Gain/Expense Accumulated from p 256-257, col. (i) of FERC Form 1 included in Ln 14 and shown in Ln 34 below.			92,956
16	Plus: Allowed Hedge Recovery From Ln 39 below.			92,956
17	Amort of Debt Discount & Expense (117.63.c)			725,700
18	Amort of Loss on Reacquired Debt (117.64.c)			33,651
19	Less: Amort of Premium on Debt (117.65.c)			-
20	Less: Amort of Gain on Reacquired Debt (117.66.c)			-
21	Total Interest Expense (Ln 14 + Ln 17 + Ln 18 - Ln 19 - Ln 20)			45,183,281
22	Average Cost of Debt for 2016 (Ln 21/Ln 11)			5.19%

CALCULATION OF RECOVERABLE HEDGE GAINS/LOSSES

23 **NOTE:** The net amount of hedging gains or losses recorded in account 427 to be recovered in this formula rate should be limited to the effective portion of pre-issuance cash flow hedges that are amortized over the life of the underlying debt issuances. The recovery of a net loss or passback of a net gain will be limited to five basis points of the total Capital Structure. Amounts related to the ineffective portion of pre-issuance hedges, cash settlements of fair value hedges issued on Long Term Debt, post-issuance cash flow hedges, and cash flow hedges of variable rate debt issuances are not recoverable in this formula and are to be recorded in the "Excludable" column below.

				Amortization Period		
HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)		Total Hedge (Gain)/Loss for 2016	Less Excludable Amounts (See NOTE on Line 23)	Net Includable Hedge Amount	Remaining Unamortized Balance	Beginning Ending
24	Senior Unsecured Notes - Series E	92,956	-	92,956	61,972	September 2007 September 2017
25	Senior Unsecured Notes	0		-		
26	Senior Unsecured Notes	0		-		
27	Senior Unsecured Notes	0		-		
28	Senior Unsecured Notes	0		-		
29	Senior Unsecured Notes	0		-		
30	Senior Unsecured Notes	0		-		
31	Senior Unsecured Notes	0		-		
32	Senior Unsecured Notes	0		-		
33	Senior Unsecured Notes	0	-	-		
34	Total Hedge Amortization	92,956	-			
35	Hedge Gain or Loss Prior to Application of Recovery Limit (Sum of Lines 24 to 33)			92,956		
36	Total Average Capital Structure Balance for 2016 (True-UP TCOS, Ln 165)			1,537,237,620		
37	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005		
38	Limit of Recoverable Amount			768,619		
39	Recoverable Hedge Amortization (Lesser of Ln 35 or Ln 38)			92,956		

Development of Cost of Preferred Stock

Preferred Stock			Average
40	0% Series - 0 - Dividend Rate (p. 250-251. 7 & 10.a)	0.00%	0.00%
41	0% Series - 0 - Par Value (p. 250-251. 8.c)	\$ - \$	-
42	0% Series - 0 - Shares O/S (p.250-251. 8 & 11.e)	-	-
43	0% Series - 0 - Monetary Value (Ln 41 * Ln 42)	-	-
44	0% Series - 0 - Dividend Amount (Ln 40 * Ln 43)	-	-
45	0% Series - - Dividend Rate (p. 250-251.a)		
46	0% Series - - Par Value (p. 250-251.c)		
47	0% Series - - Shares O/S (p.250-251. e)		
48	0% Series - - Monetary Value (Ln 46 * Ln 47)	-	-
49	0% Series - - Dividend Amount (Ln 45 * Ln 48)	-	-
50	0% Series - - Dividend Rate (p. 250-251.a)		
51	0% Series - - Par Value (p. 250-251.c)		
52	0% Series - - Shares O/S (p.250-251.e)		
53	0% Series - - Monetary Value (Ln 51 * Ln 52)	-	-
54	0% Series - - Dividend Amount (Ln 50 * Ln 53)	-	-
55	Balance of Preferred Stock (Lns 43, 48, 53)	-	-
56	Dividends on Preferred Stock (Lns 44, 49, 54)	-	-
57	Average Cost of Preferred Stock (Ln 56/55)	0.00%	0.00%

Year End Total Agrees to FF1 p.112, Ln 3, col (c) & (d)

AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet N - Gains (Losses) on Sales of Plant Held For Future Use
KENTUCKY POWER COMPANY

Note: Gain or loss on plant held for future are recorded in accounts 411.6 or 411.7 respectively. Sales will be funtionalized based on the description of that asset. Sales of transmission assets will be direct assigned; sales of general assets will be functionalized on labor. Sales of plant held for future use related to generation or distribution will not be included in the formula.

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Line	Date	Property Description	Function (T) or (G) T = Transmission G = General	Basis	Proceeds	(Gain) / Loss	Functional Allocator	Functionalized Proceeds (Gain) / Loss	FERC Account
1						-	0.000%	-	
2						-	0.000%	-	
3						-	0.000%	-	
4				Net (Gain) or Loss for 2016		-		-	

AEP East Companies
Cost of Service Formula Rate Using 2016 FF1 Balances
Worksheet O - Calculation of Postemployment Benefits Other than Pensions Expenses Allocable to Transmission Service
KENTUCKY POWER COMPANY

Total AEP East Operating Company PBOP Settlement Amount 30,000,000

Allocation of PBOP Settlement Amount for 2016

Line#	Company	Total Company Amount						
		Actual Expense (Including AEPSC Billed OPEB)	Ratio of Company Actual to Total	Allocation of PBOB Recovery Allowance	Labor Allocator for 2016	Actual Expense	Allowable Expense	One Year Functional Expense (Over)/Under
		(A) (Line 14)	(B)=(A)/Total (A)	(C)=(B) * 30000000	(D)	(E)=(A) * (D)	(F)=(C) * (D)	(G)=(E) - (F)
1	APCo	(12,346,782)	35.73%	10,717,707	8.543%	(1,054,793)	915,620	(1,970,414)
2								
3	I&M	(9,563,753)	27.67%	8,301,881	5.073%	(485,163)	421,149	(906,312)
4	KPCo	(2,800,340)	8.10%	2,430,854	7.798%	(218,365)	189,553	(407,917)
5	KNGP	(285,815)	0.83%	248,104	9.707%	(27,744)	24,083	(51,827)
6	OPCo	(9,018,468)	26.10%	7,828,542	15.752%	(1,420,595)	1,233,157	(2,653,752)
7	WPCo	(544,793)	1.58%	472,911	2.301%	(12,537)	10,882	(23,419)
8	Sum of Lines 1 to 7	(34,559,952)		30,000,000		(3,219,196)	2,794,445	(6,013,641)

Detail of Actual PBOP Expenses to be Removed in Cost of Service

	APCo	I&M	KPCo	KNGSPT	OPCo	WPCo	AEP East Total
9 Direct Charged PBOP Expense per Actuarial Report	(11,929,531)	(9,236,604)	(2,795,013)	(250,357)	(8,261,373)	(314,716)	(32,787,594)
10	566,071	399,177	256,460	5,139	173,801	(198,356)	
Additional PBOP Ledger Entries (from Company Records)							
11 Medicare Subsidy	-	-	-	-	-	-	-
12 Net Company Expense (Ln 9 + Ln 10 + Ln 11)	(11,363,460)	(8,837,427)	(2,538,553)	(245,218)	(8,087,572)	(513,072)	(31,585,303)
13 PBOP Expenses From AEP Service Corporation (from Company Records)	(983,322)	(726,326)	(261,787)	(40,597)	(930,896)	(31,721)	(2,974,649)
14 Company PBOP Expense (Ln 12 + Ln 13)	(12,346,782)	(9,563,753)	(2,800,340)	(285,815)	(9,018,468)	(544,793)	(34,559,952)

AEP EAST COMPANIES
PJM FORMULA RATE
WORKSHEET P - TRANSMISSION DEPRECIATION RATES
EFFECTIVE AS OF 07/1/2015
FOR SINGLE JURISDICTION COMPANIES
KENTUCKY POWER COMPANY

	PLANT ACCT.	RATES Note 1
<i>TRANSMISSION PLANT</i>		
Land Rights	350.1	1.44%
Structures & Improvements	352.0	2.08%
Station Equipment	353.0	2.15%
Towers & Fixtures	354.0	2.61%
Poles & Fixtures	355.0	3.95%
Overhead Conductors	356.0	2.91%
Underground Conduit	357.0	2.99%
Underground Conductors	358.0	2.62%

Reference:

Note 1: Rates Approved in KPSC Case No. 2014-00396.

General Note

Per the terms of the settlement in this case, AEP will make a 205 filing whenever a company's rates are changed by their commission(s), or if the methodology to calculate the jurisdictional allocator in multiple-state companies changes. Changes in the allocation factors will not necessitate a 205 filing.