

AEP East Companies  
Transmission Cost of Service Formula Rate  
Utilizing Actual/Projected FERC Form 1 Data

Twelve Months Ended 2018

KENTUCKY POWER COMPANY

Line No.						Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 130)				\$58,339,178
2	REVENUE CREDITS	(Worksheet E Ln 8) (Note A)	Total	264,984	DA 1.00000	\$ 264,984
3	Facility Credits under PJM OATT Section 30.9	(Worksheet E Ln 9) (Note X)				\$ -
4	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2 plus In 3)				\$ 58,074,194

MEMO: The Carrying Charge Calculations on lines 7 to 12 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 5 is included in the total on line 4.

5	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet J/K)	-	DA	1.00000	\$ -
6	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
7	Annual Rate	((In 1 - In 95)/((In 42) x 100) )			15.56%
8	Monthly Rate	(In 7 / 12)			1.30%
9	NET PLANT CARRYING CHARGE ON LINE 7 , w/o depreciation or ROE incentives (Note B)				
10	Annual Rate	((In 1 - In 95 - In 100 ) / ((In 42) x 100) )			11.45%
11	NET PLANT CARRYING CHARGE ON LINE 10, w/o Return, income taxes or ROE incentives (Note B)				
12	Annual Rate	((In 1 - In 95 - In 100 - In 125 - In 126) / ((In 42) x 100) )			4.57%
13	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J/K)				
14	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES				
15	Total Load Dispatch & Scheduling (Account 561)	Line 75 Below			2,295,690
16	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				1,518,251
17	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				344,695
18	Total 561 Internally Developed Costs	(Line 15 - Line 16 - Line 17)			432,744

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(1)	(2)	(3)	(4)	(5)
	Data Sources (See "General Notes")	TO Total NOTE C	Allocator	Total Transmission
<b>Line No.</b>	<b>RATE BASE CALCULATION</b>			
19	GROSS PLANT IN SERVICE			
20	Production (Worksheet A In 14.(b))	1,188,767,835	NA	-
21	Less: Production ARO (Enter Negative) (Worksheet A In 14.(c))	(11,620,031)	NA	-
22	Transmission (Worksheet A In 14.(d) & TCOS Ln 134)	587,219,742	DA	577,021,485
23	Less: Transmission ARO (Enter Negative) (Worksheet A In 14.(e))	-	TP	0.98263
24	Distribution (Worksheet A In 14.(f))	825,995,231	NA	-
25	Less: Distribution ARO (Enter Negative) (Worksheet A In 14.(g))	-	NA	0.00000
26	General Plant (Worksheet A In 14.(h))	46,258,079	W/S	0.07919
27	Less: General Plant ARO (Enter Negative) (Worksheet A In 14.(i))	(81,055)	W/S	0.07919
28	Intangible Plant (Worksheet A In 14.(j))	32,424,124	W/S	0.07919
	TOTAL GROSS PLANT (sum Ins 19 to 27)	2,668,963,926	<b>GP</b>	<b>0.218529</b>
			<b>GTD=</b>	<b>0.40830</b>
29	ACCUMULATED DEPRECIATION AND AMORTIZATION			
30	Production (Worksheet A In 28.(b))	458,238,796	NA	-
31	Less: Production ARO (Enter Negative) (Worksheet A In 28.(c))	(4,495,467)	NA	-
32	Transmission (Worksheet A In 28.(d) & In 43.(c))	207,664,581	TP1=	0.97309
33	Less: Transmission ARO (Enter Negative) (Worksheet A In 28.(e))	-	TP1=	0.97309
34	Distribution (Worksheet A In 28.(f))	248,496,695	NA	-
35	Less: Distribution ARO (Enter Negative) (Worksheet A In 28.(g))	-	NA	0.00000
36	General Plant (Worksheet A In 28.(h))	15,304,600	W/S	0.07919
37	Less: General Plant ARO (Enter Negative) (Worksheet A In 28.(i))	(42,097)	W/S	0.07919
38	Intangible Plant (Worksheet A In 28.(j))	15,407,775	W/S	0.07919
39	TOTAL ACCUMULATED DEPRECIATION (sum Ins 30 to 38)	940,574,884		204,505,247
40	NET PLANT IN SERVICE			
41	Production ((In 19 + In 20 - In 30 - In 31)	723,404,475		-
42	Transmission ((In 21 + In 22 - In 32 - In 33)	379,555,161		374,944,900
43	Distribution ((In 23 + In 24 - In 34 - In 35)	577,498,536		-
44	General Plant ((In 25 + In 26 - In 36 - In 37)	30,914,521		2,448,002
45	Intangible Plant ((In 27 - In 38)	17,016,349		1,347,459
46	TOTAL NET PLANT IN SERVICE (sum Ins 41 to 45)	1,728,389,042	<b>NP</b>	<b>0.219129</b>
47	DEFERRED TAX ADJUSTMENTS TO RATE BASE (Note D)			
48	Account No. 281.1 (enter negative) (Worksheet B, In 2 & In 5.E)	(54,187,401)	NA	-
49	Account No. 282.1 (enter negative) (Worksheet B, In 7 & In 10.E)	(372,530,063)	DA	(88,306,619)
50	Account No. 283.1 (enter negative) (Worksheet B, In 12 & In 15.E)	(116,564,936)	DA	(370,095)
51	Account No. 190.1 (Worksheet B, In 17 & In 20.E)	15,554,402	DA	3,096,162
52	Account No. 255 (enter negative) (Worksheet B, In 24 & In 25.E)	-	DA	-
53	TOTAL ADJUSTMENTS (sum Ins 48 to 52)	(527,727,997)		(85,580,552)
54	PLANT HELD FOR FUTURE USE (Worksheet A In 44.(e) & In 45.(e))	591,875	DA	-
55	REGULATORY ASSETS (Worksheet A In 51.(e))	-	DA	-
56	UNFUNDED RESERVES (ENTER NEGATIVE) (NOTE Y)	(135,077)	W/S	0.07919
57	WORKING CAPITAL (Note E)			
58	Cash Working Capital (1/8 * In 78)	1,344,841		1,321,486
59	Transmission Materials & Supplies (Worksheet C, In 2.(F))	28,229	TP	0.98263
60	A&G Materials & Supplies (Worksheet C, In 3.(F))	20,843	W/S	0.07919
61	Stores Expense (Worksheet C, In 4.(F))	-	GP	0.21853
62	Prepayments (Account 165) - Labor Allocated (Worksheet C, In 8.G)	61,812,964	W/S	0.07919
63	Prepayments (Account 165) - Gross Plant (Worksheet C, In 8.F)	848,880	GP	0.21853
64	Prepayments (Account 165) - Transmission Only (Worksheet C, In 8.E)	-	DA	1.00000
65	Prepayments (Account 165) - Unallocable (Worksheet C, In 8.D)	(57,410,906)	NA	0.00000
66	TOTAL WORKING CAPITAL (sum Ins 58 to 65)	6,644,850		6,431,110
67	IPP CONTRIBUTIONS FOR CONSTRUCTION (Note F) (Worksheet D, In 8.B)	(322,778)	DA	1.00000
68	RATE BASE (sum Ins 46, 53, 54, 55, 56, 66, 67)	1,207,439,914		299,257,445

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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					
69	Production	321.80.b	306,550,750			
70	Distribution	322.156.b	43,689,318			
71	Customer Related Expense	322 & 323.164,171,178.b	8,601,946			
72	Regional Marketing Expenses	322.131.b	1,156,405			
73	Transmission	321.112.b	38,457,864			
74	TOTAL O&M EXPENSES	(sum Ins 69 to 73)	398,456,283			
75	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	2,295,690			
76	Less: Account 565	(Note H) 321.96.b	21,539,138			
77	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	3,864,304			
78	Total O&M Allocable to Transmission	(Ins 73 - 75 - 76 - 77)	10,758,732	TP	0.98263	10,571,885
79	Administrative and General	323.197.b (Notes J and M)	21,753,712			
80	Less: Acct. 924, Property Insurance	323.185.b	614,421			
81	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	(3,524,096)			
82	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	-			
83	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	(1,251,834)			
84	Acct. 928, Reg. Com. Exp.	323.189.b	(580,628)			
85	Acct. 930.1, Gen. Advert. Exp.	323.191.b	152,908			
86	Acct. 930.2, Misc. Gen. Exp.	323.192.b	357,853			
87	Balance of A & G	(In 79 - sum In 80 to In 86)	25,985,088	W/S	0.07919	2,057,659
88	Plus: Acct. 924, Property Insurance	(In 80)	614,421	GP	0.21853	134,269
89	Acct. 928 - Transmission Specific	Worksheet F In 20.(E) (Note L)	14,430	TP	0.98263	14,179
90	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 37.(E) (Note L)	-	TP	0.98263	-
91	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 43.(E) (Note L)	18,970	DA	1.00000	18,970
92	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C (Note M)	(10,520,253)	W/S	0.07919	(833,058)
93	A & G Subtotal	(sum Ins 87 to 92)	16,112,656			1,392,019
94	O & M EXPENSE SUBTOTAL	(In 78 + In 93)	26,871,388			11,963,903
95	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA	1.00000	-
96	TOTAL O & M EXPENSE	(In 94 + In 95)	26,871,388			11,963,903
97	DEPRECIATION AND AMORTIZATION EXPENSE					
98	Production	336.2-6.f	36,790,157	NA	0.00000	-
99	Distribution	336.8.f	28,993,519	NA	0.00000	-
100	Transmission	336.7.f	15,835,158	TP1	0.97309	15,409,054
101	General	336.10.f	2,205,123	W/S	0.07919	174,615
102	Intangible	336.1.f	5,935,606	W/S	0.07919	470,018
103	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 98+99+ 100+101+102) (Note N)	89,759,563			16,053,687
104	TAXES OTHER THAN INCOME					
105	Labor Related					
106	Payroll	Worksheet H In 24.(D)	2,074,371	W/S	0.07919	164,261
107	Plant Related					
108	Property	Worksheet H-1 In 3.(C) & 3.(G)	14,145,234	DA		4,094,972
109	Gross Receipts/Sales & Use	Worksheet H In 24.(F)	6,414,400	NA	0.00000	-
110	Other	Worksheet H In 24.(E)	1,191,825	GP	0.21853	260,448
111	TOTAL OTHER TAXES	(sum Ins 106 to 110)	23,825,830			4,519,682
112	INCOME TAXES	(Note O)				
113	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =		25.81%			
114	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		22.76%			
115	where WCLTD=(In 154) and WACC = (In 157)					
116	and FIT, SIT & p are as given in Note O.					
117	GRCF=1 / (1 - T) = (from In 113)		1.3479			
118	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(325)			
119	Excess Deferred Income Tax	(Note U)	(10,455,496)	DA		(774,797)
120	Tax Effect of Permanent and Flow-Through Differences	(Note U)	1,565,468	DA		584,685
121	Income Tax Calculation	(In 114 * In 126)	19,480,392			4,828,110
122	ITC adjustment	(In 117 * In 118)	(438)	GP	0.21853	(96)
123	Excess Deferred Income Tax	(In 117 * In 119)	(14,093,073)			(1,044,357)
124	Tax Effect of Permanent and Flow-Through Differences	(In 117 * In 120)	2,110,111			788,103
125	TOTAL INCOME TAXES	(sum Ins 121 to 124)	7,496,992			4,571,760
126	RETURN ON RATE BASE (Rate Base*WACC)	(In 68 * In 157)	85,600,948			21,215,732
127	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		14,414	DA	1.00000	14,414
128	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-			-
129	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 128 * In114)		-			-
130	TOTAL REVENUE REQUIREMENT (sum Ins 96, 103, 111, 125, 126, 127, 128, 129)		233,569,134			58,339,178

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SUPPORTING CALCULATIONS

In No.								
	TRANSMISSION PLANT INCLUDED IN PJM TARIFF							
131	Total transmission plant	(In 21)					587,219,742	
132	Less transmission plant excluded from PJM Tariff (Worksheet A, In 42, Col. (d)) (Note P)						-	
133	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 42, Col. (b)) (Note Q)						10,198,257	
134	Transmission plant included in PJM Tariff	(In 131 - In 132 - In 133)					577,021,485	
135	Percent of transmission plant in PJM Tariff	(In 134 / In 131)				TP=	0.98263	
136	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
137	Production	354.20.b	14,332,438	8,172,132	22,504,570	NA	0.00000	-
138	Transmission	354.21.b	78,603	2,990,314	3,068,917	TP	0.98263	3,015,619
139	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000	-
140	Distribution	354.23.b	7,952,652	1,082,874	9,035,526	NA	0.00000	-
141	Other (Excludes A&G)	354.24;25;26.b	1,754,064	1,719,575	3,473,639	NA	0.00000	-
142	Total	(sum Ins 137 to 141)	24,117,757	13,964,895	38,082,652			3,015,619
143	Transmission related amount					W/S=	0.07919	
144	WEIGHTED AVERAGE COST OF CAPITAL (WACC)						\$	
145	Long Term Interest	(Worksheet M, In. 37, col. (d))					38,651,587	
146	Preferred Dividends	(Worksheet M, In. 71)					-	
147	Development of Common Stock:							
148	Proprietary Capital	(Worksheet M, In. 14, col. (b))					706,456,172	
149	Less: Preferred Stock	(Worksheet M, In. 14, col. (c))					-	
150	Less: Account 216.1	(Worksheet M, In. 14, col. (d))					-	
151	Less: Account 219	(Worksheet M, In. 14, col. (e))					233,067	
152	Common Stock	(In 148 - In 149 - In 150 - In 151)					706,223,105	
153			Capital Structure Percentages			Cost		
154	Long Term Debt (Note T) Worksheet M, In 28, col. (g), In 38, col. (d))		\$	%	Cap Limit	(Note S)	Weighted	
155	Preferred Stock (In 149)		870,000,000	55.20%	55.20%	4.44%	0.0245	
156	Common Stock (In 152)		-	0.00%	0.00%	-	0.0000	
157	Total (Sum Ins 154 to 156)		706,223,105	44.80%	44.80%	10.35%	0.0464	
			1,576,223,105				WACC=	0.0709
158	Capital Structure Equity Limit (Note Z)	55%						

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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.  
7) If AEP East companies have any directly assigned transmission facilities, the revenue credits in the AEP East formula rate shall include all revenues associated with those directly assigned transmission facilities, irrespective of whether the loads of the customer are included in the formula rate divisor; provided however, such addition to revenue credits shall not be reflected if the costs of such directly assigned transmission facilities are not included in the transmission plant balances on which the formula rate ATRR is based.  
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. Interest will be calculated based on Worksheet Q and any over under recovery will be filed and posted as part of the informational filing.
- C Transmission Plant Balances in this study are projected or actual average of 13-month balances.
- 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 flowthrough 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 the calculation of ADIT in the annual projection will be performed in accordance with IRS regulation Section 1.167(i)-(h)(6)(ii). 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. Detailed balances for the projected or actual period, distinguished between utility and non-utility balances, will be filed and posted as part of the information filing.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 78. It excludes:  
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 75.  
2) Costs of Transmission of Electricity by Others, as described in Note H.  
3) The impact of state regulatory deferrals and amortizations, as shown on line 77  
4) All A&G Expenses, as shown on line 93.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 67 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 127.
- 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 16 & 17 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 78. To the extent such service is incurred to provide the PJM service at issue, e.g. lease payments to affiliates, such cost is added back on line 95 to determine the total O&M collected in the formula. The amounts on line 95 is also excluded in the calculation of the FCR percentage calculated on lines 6 through 12.  
The addbacks on line 95 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 line 95 is the KENTUCKY POWER COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from Transmission O&M expense.
- 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 81 through 83 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 recorded in FERC Accounts 928 (Regulatory Commission Expense), 930.1 (Safety Related Advertising) and 930.2 (Miscellaneous General Expenses) that are not directly related to or properly allocable to transmission service will be removed from the TCOS. If AEP includes any expenses booked to these accounts in future ATRR updates, AEP must provide supporting information demonstrating that the underlying activities are directly related to providing transmission service. 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.
- 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)  
(ln 118) multiplied by (1/(1-T)) . If the applicable tax rates are zero enter 0.  
Inputs Required: FIT = 21.00%  
SIT= 6.09% (State Income Tax Rate or Composite SIT, Worksheet G)  
p = 0.00% (percent of federal income tax deductible for state purposes)
- The formula rate shall reflect the applicable state and federal statutory tax rates in effect during the period the calculated estimated unit charges are applicable.  
If the statutory tax rates change during such period, the effective tax rates used in the formula shall be weighted by the number of days the pre-change rate and post-change rate each is in effect.
- 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 (ln 145) / Long-Term Debt (ln 154). Preferred Stock cost rate = preferred dividends (ln 146) / preferred outstanding (ln 155). Common Stock cost rate (ROE) = 10.35%, the rate accepted by FERC in Docket No. ER08-1329. It includes an additional 50 basis points for PJM RTO Membership. The amount of eligible hedging gains or losses included in total interest expense is limited to five basis points of the capital structure. Details and calculations of the weighted average cost of capital are shown on Worksheet M. Eligible Hedging Gains and Losses are computed on Worksheet M. The unamortized balance of eligible hedge gains/losses and related ADIT amounts shall not flow through the formula rate.
- T The Long Term Debt balance for I&M includes the accumulated balance of principle and related interest for Spent Nuclear Fuel Disposal Costs collected prior to April 7, 1983. This total balance of \$265,249,280 at 12/31/12 is not included in the balance in line 154 above. The cost rates for long-term debt shall include interest expense and related periodic expenses (such as remarketing and letter of credit fees) as recorded in FERC Account 427 or 430, amortization of issuance costs (including insurance) and discounts as recorded in FERC Account 428, issuance premiums as recorded in FERC Account 429 and losses or gains on reacquired debt as recorded in FERC Accounts 428.1 or 429.1, respectively. The cost rates for preferred stock (if applicable) shall include the dividends.
- U Excess / (Deficit) Deferred Income Taxes will be amortized over the average remaining life of the assets to which it relates, unless the Commission requires a different amortization period. The Tax Effect of Permanent Differences captures the differences in the income taxes due under the Federal and State tax calculations that are not the result of a timing difference, including but not limited to depreciation related to capitalized AFUDC equity and meals and entertainment deductions. The Tax Effect of Flow-Through differences captures current tax expense related to timing differences on items for which tax deductions were used to reduce customer rates through the use of flow-through accounting in a prior period. Transmission balances for the projected or actual period, will be filed and posted as part of the informational filing.
- V Cash investment in prepaid pension and benefits recorded in FERC Account 165 is permitted to be included in the formula. A labor expense allocation factor will be used to allocate total company costs. All other prepayments recorded in FERC Account 165 are directly assigned to the transmission function, allocated or excludable balances detailed on Worksheet C.
- W The formula rate shall allocate property tax expense based on the as filed net plant cost allocation method detailed on Worksheet H.
- X Under Section 30.9 of the PJM OATT, a network customer that owns existing transmission facilities that are integrated with the Transmission Provider's Transmission System may be eligible to receive consideration either through a billing credit or some other mechanism. Calculation of any credit under this subsection, pursuant to approval by FERC for inclusion in this formula rate for collection on behalf of the network customer, shall be addressed in either the Network Customer's Service Agreement or any other agreement between the parties.
- Y The cost of service will make a rate base adjustment to remove unfunded reserves associated with contingent liabilities recorded to Accounts 228.1-228.4 from rate base.
- Z Per the settlement in EL17-13, equity is limited to 55% in of the Company's capital structure. If the percentage of actual equity exceeds the cap, the excess is included as long term debt in the capital structure.

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Worksheet A Rate Base  
KENTUCKY POWER COMPANY

Line No	Month (a)	Gross Plant In Service								
		Production (b)	Production ARO (c)	Transmission (d)	Transmission ARO (e)	Distribution (f)	Distribution ARO (g)	General (h)	General ARO (i)	Intangible (j)
		FF1, page 205 Col.(g) & pg. 204 Col. (b), In 46	FF1, page 205&204, Col.(g)&(b), Ins 15,24,34,44	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	Acct. 359.1 FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 75	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 74	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99	Acct. 399.1 FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5
1	December Prior to Rate Year	1,184,649,926	11,624,651	579,142,862	-	812,129,496	-	42,899,251	81,055	29,030,161
2	January	1,184,627,029	11,624,651	580,683,403	-	813,890,543	-	45,205,145	81,055	29,455,463
3	February	1,184,844,351	11,624,651	579,980,830	-	815,159,404	-	45,395,648	81,055	29,898,918
4	March	1,185,336,607	11,624,651	580,734,131	-	817,461,446	-	45,835,801	81,055	30,297,087
5	April	1,185,743,582	11,624,651	581,181,435	-	819,313,237	-	45,838,648	81,055	30,724,420
6	May	1,186,855,093	11,624,651	581,277,898	-	821,322,194	-	46,078,595	81,055	31,197,975
7	June	1,189,220,333	11,624,651	585,826,980	-	824,122,613	-	46,132,442	81,055	31,776,914
8	July	1,189,825,533	11,624,651	586,472,527	-	826,183,359	-	46,136,893	81,055	33,293,690
9	August	1,190,378,956	11,624,651	587,618,720	-	828,970,488	-	46,264,334	81,055	33,733,709
10	September	1,191,331,801	11,624,651	588,290,896	-	834,411,003	-	46,616,374	81,055	34,197,782
11	October	1,193,677,071	11,624,651	597,858,842	-	837,792,878	-	46,800,700	81,055	34,957,093
12	November	1,193,739,754	11,624,651	601,470,204	-	841,916,734	-	48,698,147	81,055	35,613,251
13	December of Rate Year	1,193,751,822	11,564,585	603,317,920	-	845,264,604	-	49,453,048	81,055	37,337,154
14	Average of the 13 Monthly Balances	1,188,767,835	11,620,031	587,219,742	-	825,995,231	-	46,258,079	81,055	32,424,124

  

Line No	Month (a)	Accumulated Depreciation								
		Production (b)	Production ARO (c)	Transmission (d)	Transmission ARO (e)	Distribution (f)	Distribution ARO (g)	General (h)	General ARO (i)	Intangible (j)
		FF1, page 219, Ins 20-24, Col. (b)	Company Records (Included in total in Column FF1, page 219, In 25, Col. (b))	Company Records (Included in total in Column FF1, page 219, In 26, Col. (b))	Company Records (Included in total in Column FF1, page 219, In 26, Col. (d))	Company Records (Included in total in Column FF1, page 219, In 26, Col. (b))	Company Records (Included in total in Column FF1, page 219, In 28, Col. (f))	Company Records (Included in total in Column FF1, page 219, In 28, Col. (b))	Company Records (Included in total in Column FF1, page 200, In 21, Col. (h))	Company Records (Included in total in Column FF1, page 200, In 21, Col. (b))
15	December Prior to Rate Year	446,849,364	4,278,784	201,947,724	-	242,005,823	-	14,394,239	39,281	12,898,605
16	January	449,514,699	4,314,898	203,135,293	-	241,990,755	-	14,527,997	39,750	13,342,736
17	February	452,117,725	4,351,012	204,297,609	-	243,287,927	-	14,686,710	40,220	13,793,956
18	March	453,150,241	4,387,125	205,495,411	-	244,786,507	-	14,880,676	40,689	14,087,238
19	April	454,555,618	4,423,239	206,550,118	-	246,226,104	-	15,046,304	41,158	14,552,533
20	May	455,236,707	4,459,353	207,652,020	-	247,602,972	-	15,112,430	41,628	15,024,949
21	June	457,893,805	4,495,467	207,402,005	-	248,725,643	-	15,281,958	42,097	15,373,030
22	July	460,180,185	4,531,581	208,643,153	-	249,652,780	-	15,453,516	42,566	15,863,032
23	August	462,776,271	4,567,695	209,563,176	-	250,883,701	-	15,620,597	43,036	16,378,790
24	September	465,567,801	4,603,808	210,629,663	-	252,163,382	-	15,760,131	43,505	16,713,321
25	October	463,745,614	4,639,922	211,571,911	-	252,927,283	-	15,852,130	43,975	17,244,460
26	November	466,375,785	4,676,036	212,206,682	-	254,422,868	-	16,014,655	44,444	17,788,254
27	December of Rate Year	469,140,537	4,712,150	210,544,792	-	255,781,290	-	16,328,456	44,913	17,240,171
28	Average of the 13 Monthly Balances	458,238,796	4,495,467	207,664,581	-	248,496,695	-	15,304,600	42,097	15,407,775

Line No	Month (a)	OATT Ancillary Services (GSU) Plant In Service (b)	OATT Ancillary Services (GSU) Accumulated Depreciation (c)	Excluded Plant - Plant In Service (d)	Excluded Plant - Accumulated Depreciation (e)
	(Note A)	Company Records (included in total in column (d) of gross plant above)	Company Records (included in total in column (b) of accumulated depreciation above)	Company Records	Company Records
29	December Prior to Rate Year	10,198,257	5,478,393	-	-
30	January	10,198,257	5,496,660		
31	February	10,198,257	5,514,927		
32	March	10,198,257	5,533,195		
33	April	10,198,257	5,551,462		
34	May	10,198,257	5,569,729		
35	June	10,198,257	5,587,996		
36	July	10,198,257	5,606,263		
37	August	10,198,257	5,624,530		
38	September	10,198,257	5,642,797		
39	October	10,198,257	5,661,064		
40	November	10,198,257	5,679,331		
41	December of Rate Year	10,198,257	5,697,598		
42	Average of the 13 Monthly Balances	10,198,257	5,587,996	-	-
43	Transmission Accum Depreciation net of GSU		202,076,585		

Plant Held For Future Use	Source of Data	Balance @ December 31, 2018 (c)	Balance @ December 31, 2017 (d)	Average Balance for 2018 (e)
44 Plant Held For Future Use (a)	FF1, page 214, ln 47, Col. (d) (b)	556,145	627,604	591,875
45 Transmission Plant Held For Future Use (included in total on line 44)	Company Records - Note 1	-	-	-

**Regulatory Assets and Liabilities Approved for Recovery in Ratebase**

Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.

46				-
47				-
48				-
49				-
50				-
51	Total Regulatory Deferrals Included in Ratebase	-	-	-

**Unfunded Reserves Summary (Company Records)**

	Description	Account		
52				
53a	Accum Prv I/D Worker's Com	126,563	143,591	135,077
53b				-
54	Total	126,563	143,591	135,077

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

NOTE 2: The ratebase should not include the unamortized balance of hedging gains or losses.

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

Line Number	(A) Description	(B) Source	(C) Balance @ December 31, 2018	(D) Balance @ December 31, 2017	(E) Average Balance for 2018
1	<b><u>Account 281</u></b>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, In 8, Col. (k)	52,871,072	55,503,729	54,187,401
3	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 4 (Note 1)	-	-	-
4	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 3 (Note 1)	52,871,072	55,503,729	54,187,401
5	Transmission Related Deferrals	Ln 2 - In 3 - In 4	-	-	-
6	<b><u>Account 282</u></b>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, In 5, Col. (k)	373,553,799	371,506,327	372,530,063
8	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 7 (Note 1)	15,172,623	25,351,587	20,262,105
9	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 6 (Note 1)	269,425,455	258,497,223	263,961,339
10	Transmission Related Deferrals	Ln 7 - In 8 - In 9	88,955,721	87,657,517	88,306,619
11	<b><u>Account 283</u></b>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, In 9, Col. (k)	114,657,344	118,472,528	116,564,936
13	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 13 (Note 1)	18,053,342	25,024,780	21,539,061
14	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 12 (Note 1)	97,181,135	92,130,426	94,655,781
15	Transmission Related Deferrals	Ln 12 - In 13 - In 14	(577,133)	1,317,322	370,095
16	<b><u>Account 190</u></b>				
17	Year End Utility Deferrals	FF1, p. 234, In 8, Col. (c)	11,319,604	19,789,201	15,554,402
18	Less: ARO Related Deferrals	WS B-2 - Actual Stmt. AG Ln. 4 (Note 1)	7,280,077	17,933,374	12,606,726
19	Less: Other Excluded Deferrals	WS B-2 - Actual Stmt. AG Ln. 3 (Note 1)	1,846,350	(2,143,321)	(148,485)
20	Transmission Related Deferrals	Ln 17 - In 18 - In 19	2,193,176	3,999,147	3,096,162
21	<b><u>Account 255</u></b>				
22	Year End ITC Balances	FF1, p. 266-267, In 8, Col. (h)	86	411	249
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	86	411	249
24	ITC Balances Includeable Ratebase	Ln 22 - In 23	-	-	-
25	Transmission Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 20 (Note 1)	-	-	-

NOTE 1 On this worksheet, "Company Records" refers to AEP's tax forecast and accounting ledger. The PTRR will use projected ending balances and reflect proration required by IRS Letter Rule Section 1.167(l)-(h)(6)(ii). Line item detail of actual deferred tax items will be included on Worksheets B-1 and B-2.

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



KENTUCKY POWER COMPANY  
SPECIFIED DEFERRED CREDITS - Actual Cycle Only  
PERIOD ENDED DECEMBER 31, 2018

(DEBT) CREDIT

COLUMNA	COLUMNB	COLUMNC	COLUMND	COLUMNE	COLUMNF	COLUMNG	COLUMNH	COLUMNI	COLUMNJ	COLUMNK	COLUMNL	COLUMNM	COLUMNO	COLUMNP		
ACCUMULATED DEFERRED FIT ITEMS																
BALANCE AS OF 12-31-2017	BALANCE AS OF 12-31-2018	BALANCE AS OF 12-31-2017	BALANCE AS OF 12-31-2018	BALANCE AS OF 12-31-2017	BALANCE AS OF 12-31-2018	REG-DEFER	UTILITY	GENERATION	TRANSMISSION	DISTRIBUTION	GENERATION	TRANSMISSION	DISTRIBUTION	GENERATION	TRANSMISSION	DISTRIBUTION
1.00 ACCOUNT 281:																
2.02 TX AMORT POLLUTION CONT EQUIT	55,503,729	52,871,072			54,187,401		54,187,401	0	0	55,503,729	-	-	52,871,072	-	-	-
2.03 NON-UTILITY DEFERRED FIT 281.2	0	0	0	0	0	0										
2.05 SFAS 109 FLOW THRU 281.3	0	0	0	0	0	0										
2.06 SFAS 109 EXCESS DFT 281.4	(22,201,492)	(21,130,045)			21,130,045											
3 TOTAL ACCOUNT 281	33,302,237	31,741,027			54,187,401		54,187,401	0	0	55,503,729	0	0	52,871,072	0	0	0
4 ACCOUNT 281 - ARO-Related Deferrals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 ACCOUNT 282:																
5.01 BOOK VS. TAX DEPRECIATION	227,177,242	120,192,405			173,684,824		46,891,464	56,901,789	69,891,571	58,116,274	73,538,091	95,528,877	36,872,654	40,355,487	44,254,264	
5.02 EXCESS FIT % RATE CHANGE	3,967	(169)			1,749		366	632	752	900	1,264	1,503	-	-	-	-
5.03 EX LIT DFT TX RESERVE - 1986 TRA	20,380	10,190			10,190		2,502	3,514	4,175	7,027	5,003	7,027	2,313,086	-	-	-
5.04 CAPD INTEREST - SECTION 481(g) - CHANGE IN METH	2,364	1,090			1,727		568	1,291	(132)	777	1,767	180	358	815	(88)	-
5.05 RELOCATION COST - SECTION 481(g) - CHANGE IN METH	18,785	7,468			13,217		0	0	13,217	-	-	-	-	-	-	-
5.06 FIM INTEGRATION - SEC 481(g) - INTANG - DFO LABOR	237	(8,957)			(4,380)		0	(4,360)	0	-	237	-	-	(8,957)	-	-
5.07 R & D REDUCTION - SECTION 174	1,142,343	645,970			884,457		884,801	9,666	0	1,138,973	12,070	-	638,726	7,282	-	-
5.08 ACSH NORMA-HRU	5,145,815	2,649,789			3,897,802		3,897,802	0	3,897,802	5,145,815	-	-	-	-	2,649,789	-
5.09 BK PLANT IN SERVICE-SFAS 143 AND	25,351,587	15,172,623			20,282,006		20,282,006	0	0	25,351,587	-	-	15,172,623	-	-	-
5.10 NORMALIZED BASIS DIFFS - TRANSFERRED PLANTS	4,031,250	2,313,086			3,172,418		3,172,418	0	0	4,031,250	-	-	2,313,086	-	-	-
5.11 DFT GENERATION PLANT	0	0			0		0	0	0	-	-	-	-	-	-	-
5.12 GANLOSS ON ACSRMACHS PROPERTY	35,785,084	21,776,015			28,776,015		13,185,578	2,730,036	12,860,401	16,749,431	3,055,089	15,981,564	9,621,724	2,404,983	9,739,238	-
5.13 GANLOSS ON ACSRMACHS-BXLT UNIT PROP	(1,524,493)	(855,022)			(1,169,758)		(1,169,758)	0	0	(1,524,493)	-	-	(855,022)	-	-	-
5.14 ABFUDC	4,265,874	2,710,566			3,533,215		1,627,835	1,002,477	813,103	2,033,125	1,311,480	1,010,866	1,221,742	873,474	615,340	-
5.15 ABFUDC -HRU POST-IN-SERVICE	111,082	62,180			86,651		0	86,651	0	-	111,082	-	-	62,180	-	-
5.16 ABFUDC-HRU	0	0			0		0	0	0	-	-	-	-	-	-	-
5.17 TAXES CAPITALIZED	0	0			0		0	0	0	-	-	-	-	-	-	-
5.18 PENSION CAPITALIZED	0	0			0		0	0	0	-	-	-	-	-	-	-
5.19 SEC 481 PENSION ADJUSTMENT	(47)	(28)			(38)		0	(38)	0	-	(47)	-	-	(28)	-	-
5.20 SAVINGS PLAN CAPITALIZED	0	0			0		0	0	0	-	-	-	-	-	-	-
5.21 PERCENT REPAIR ALLOWANCE	4,461,147	2,462,465			3,476,806		1,903,832	184,515	1,388,409	2,437,146	243,913	1,810,088	1,370,518	125,117	966,830	-
5.22 BOOK/TAX UNIT OF PROPERTY ADJ	23,739,019	20,602,541			22,170,780		18,809,860	389,333	2,071,588	21,511,269	206,500	2,021,200	16,108,430	572,166	1,921,525	-
5.23 BKTAX UNIT OF PROPERTY ADJ-SEC 481 ADJ	38,898,009	37,345,789			38,120,444		16,720,649	5,352,328	10,247,448	21,482,089	3,307,350	12,484,800	11,988,369	6,177,305	16,610,096	-
5.24 TX ACCEL AMORT - CAPITALIZED SOFTWARE	849,003	573,084			711,794		334,839	61,510	316,445	399,807	73,446	376,651	269,870	49,575	254,239	-
5.25 CAPITALIZED RELOCATION COSTS	(1,065,802)	627,184			641,313		0	23,009	818,325	-	22,434	1,033,448	-	23,583	603,651	-
5.26 CAPITALIZED LEASES - AC 1011 ASSETS	0	0			0		0	0	0	-	-	-	-	-	-	-
5.27 REMOVAL COSTS REV - SFAS 143 - ARO	862,547	1,490,688			1,176,618		1,176,618	0	0	862,547	-	-	1,490,688	-	-	-
5.28 2007 IRS ADJUT ADJUSTMENTS - AC 282	0	0			0		0	0	0	-	-	-	-	-	-	-
5.30 EXCESS ADIT	0	145,743,831			72,871,916		30,049,803	17,576,496	25,245,558	-	-	-	60,099,726	35,152,900	50,491,115	-
5.REF1 NON-UTILITY DEFERRED FIT																
5.REF2 SFAS 109 FLOW THRU 282.3			(31,569,738)	0	0	0										
5.REF3 SFAS 109 EXCESS DFT 282.4			150,788,840	145,743,831	81,312,719											
					146,266,336											
6 TOTAL ACCOUNT 282	371,556,357	373,653,798	(59,216,162)	114,688,121	589,453,882		102,663,336	88,306,619	130,370,108	102,663,336	87,667,617	131,276,082	102,103,864	86,965,721	129,464,214	-
7 ACCOUNT 282 - ARO-Related Deferrals	25,351,587	15,172,623	0	0	20,282,105		20,282,105	0	0	25,351,587	0	0	15,172,623	0	0	0
8 ACCOUNT 283:																
9.01 NOL-STATE C/D-DEF TAX ASSET-LIT -KY	3,160,753	1,282,766			2,221,760		2,221,760	0	0	3,160,753	-	-	1,282,766	-	-	-
9.02 DEFED FUEL CUR SET UP AC 283	0	0			0		0	0	0	-	-	-	-	-	-	-
9.03 DEFED FUEL ACC REVS AC 283	0	0			0		0	0	0	-	-	-	-	-	-	-
9.04 DEFED FUEL REG ADJ AC 283	0	0			0		0	0	0	-	-	-	-	-	-	-
9.05 UNDERCOST FUEL COST	0	499,621			249,810		249,810	0	0	0	(2)	-	499,621	-	-	-
9.06 PROP TX STATE C/D OLD METHOD-TX	579,960	360,201			476,581		476,581	0	0	579,960	-	-	360,201	-	-	-
9.07 MTR BK GAIN - AL - TAX DFTL	389,110	787,587			588,338		588,338	0	0	389,110	-	-	787,587	-	-	-
9.08 MARK & SPREAD - CDEI - 283 AL	(136,441)	125,163			(5,038)		(5,038)	0	0	(136,441)	-	-	125,163	-	-	-
9.09 BOOK PROV UNCOLL ACCTS	0	0			0		0	0	0	-	-	-	-	-	-	-
9.10 ACCRUED BK PENSION EXPENSE	0	0			0		0	0	0	-	-	-	-	-	-	-
9.11 ACCRUED BK PENSION COSTS - SFAS 158	(16,869,034)	(11,551,065)			(15,110,090)		(8,911,140)	(696,452)	(5,002,458)	(11,099,758)	(888,453)	(6,880,823)	(8,722,522)	(504,450)	(4,324,093)	-
9.12 REG ASSET - DEFERRED INTO COSTS	65,253	20,337			42,759		42,759	0	0	-	-	-	20,337	-	-	-
9.13 BK DFTL-DEMAND SIDE MGMT EXP	0	0			0		0	0	0	-	-	-	-	-	-	-
9.14 BOOK > TAX - EMA - AC 283	3,333,968	1,946,053			2,640,276		2,640,276	0	0	3,333,968	-	-	1,946,053	-	-	-
9.15 DFTS BK LOSS-NON AFF SALE-EMA	108,006	84,804			86,405		86,405	0	0	108,006	-	-	84,804	-	-	-
9.16 DEFED TX GAIN - INTERCO SALE - EMA	(238,418)	(143,651)			(191,535)		(191,535)	0	0	(238,418)	-	-	(143,651)	-	-	-
9.17 DEFED TX GAIN - EPA AUCTION	(6,302)	(4,981)			(5,642)		(5,642)	0	0	(6,302)	-	-	(4,981)	-	-	-
9.18 DEFED BOOK GAIN EPA AUCTION	87,244	52,346			69,795		69,795	0	0	87,244	-	-	52,346	-	-	-
9.19 REG ASSET-SFAS 143 - ARO	0	0			0		0	0	0	-	-	-	-	-	-	-
9.20 REG ASSET-SFAS 158 - PENSIONS	15,273,581	5,469,988			12,371,585		6,172,675	696,452	5,002,458	7,734,305	888,453	6,880,823	4,641,405	504,450	4,324,093	-
9.21 REG ASSET-SFAS 158 - OPEB	(28,180)	(21,235)			(22,719)		27	0	(23,719)	(12)	-	(26,173)	86	-	(21,286)	-
9.22 REG ASSET-MERC COMPLY/CYBER CC-UNREC EQ	(1,446,664)	340,475			(503,069)		(883,742)	186,959	(56,712)	(1,159,492)	194,474	(445,646)	(171,991)	179,443	(33,023)	-
9.23 REG ASSET-MERC COMPLY/CYBER REC-CAR CST	(9,037)	(3,358)			(6,448)		(2,566)	(797)	(1,325)	(5,277)	(987)	(1,690)	(1,894)	(547)	(907)	-
9.24 REG ASSET-MERC COMPLY/CYBER REC-DEF DEP	11,923	6,780			9,362		5,163	1,504	2,666	6,181	1,843	3,399	3,744	1,104	1,932	-
9.25 REG ASSET-MERC COMPLY/CYBER REC-DEF DEP	36,403	20,678			28,541		15,736	4,600	8,136	20,903	5,031	10,379	11,419	3,368	8,891	-
9.26 REG ASSET-DEFED PROP TAX-BIG SANDY UT GAS	342,947	218,105			280,536		280,536	0	0	342,947	-	-	218,105	-	-	-
9.27 REG ASSET-DEFED PROP TAX-BIG SANDY UT GAS	121,276	75,482			98,379		98,379	0	0	121,276	-	-	75,482	-	-	-
9.28 REG ASSET-CAPACITY CHARGE TRANSF REV	0	0			0		0	0	0	-	-	-	-	-	-	-
9.29 REG ASSET-NET CCS FEED STUDY COSTS	274,950	157,838			216,294		216,294	0	0	274,950	-	-	157,838	-	-	-
9.30 REG ASSET-ATN UNDER RECOVERY	0	0			0		0	0	0	-	-	-	-	-	-	-
9.31 REG ASSET-BIG SANDY UT OR UNREC RECOV	(1,068,068)	(442,480)			(755,214)		(755,214)	0	0	(1,068,068)	-	-	(442,480)	-	-	-
9.32 REG ASSET-BIG SANDY RETIRE COSTS RECOV	(2,072,390)	(2,888,734)			(2,480,562)		(2,480,562)	0	0	(2,072,390)	-	-	(2,888,734)	-	-	-
9.33 REG ASSET-BIG SANDY RETIRE RIDER LG OAM	298,483	192,673			245,578											

KENTUCKY POWER COMPANY  
ACCUMULATED DEFERRED INCOME TAX IN ACCOUNT 190 - Actual Cycle Only  
PERIOD ENDED DECEMBER 31, 2018

DEBIT (CREDIT)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H	COLUMN I	COLUMN J	COLUMN K	COLUMN L	COLUMN M	COLUMN N	COLUMN O
	PER BOOKS	NON-APPLICABLE/NON-UTILITY	AVERAGE ELECTRIC UTILITY	FUNCTIONALIZATION AVERAGE			FUNCTIONALIZATION 12/31/2017			FUNCTIONALIZATION 12/31/2018				
	BALANCE AS OF 12-31-2017	BALANCE AS OF 12-31-2018	BALANCE AS OF 12-31-2017	BALANCE AS OF 12-31-2018	(B+C+D+E)	GENERATION	TRANSMISSION	DISTRIBUTION	GENERATION	TRANSMISSION	DISTRIBUTION	GENERATION	TRANSMISSION	DISTRIBUTION
ACCOUNT 190														
NOL & TAX CREDIT CF - DEF TAX ASSET	275,406	0			137,703	113,583	4,532	19,589	227,165	9,064	39,177			-
INT EXP CAPITALIZED FOR TAX	8,120,138	5,036,287			6,578,213	3,187,682	2,061,098	1,329,433	3,999,163	2,479,128	1,641,848	2,376,200	1,643,069	1,017,018
CIAC - BOOK RECEIPTS	1,586,962	782,833			1,184,897	88,059	82,989	1,013,848	115,931	101,283	1,369,749	60,188	64,696	657,948
CUST ADV INC FOR TAX	(1,915)	(811)			(1,363)	0	0	(1,363)	-	-	(1,915)	-	-	(811)
DEFD FUEL EXP-CUR DEFIL SET UP	0	0			0	0	0	0	-	-	-	-	-	-
DEFD FUEL ADJ-ACCORD UTIL REVS	0	(0)			0	(0)	0	0	-	-	-	(0)	-	-
DEFD FUEL ADJ-REG	0	0			0	0	0	0	-	-	-	-	-	-
PROVS POSS REV REFS	975,261	95,552			535,382	9,446	525,936	0	50,401	924,861	-	(31,510)	127,012	-
PROV FOR RATE REFUND-TAX REFORM	0	30,164			15,082	0	0	0	-	-	-	30,164	-	-
PROV FOR RATE REFUND-EXCESS PROTECTED	0	10,995			5,487	0	0	0	-	-	-	10,995	-	-
MTM BK LOSS-AL-TAX DEFIL	0	0			0	0	0	0	-	-	-	-	-	-
MARK & SPREAD-DEFIL-190-AL	100,785	(18,001)			41,392	41,392	0	0	100,785	-	-	(18,001)	-	-
PROV WORKERS COMP	1,091,989	1,147,845			1,119,817	729,155	18,730	371,932	577,166	24,295	490,528	881,144	13,166	253,335
ACCURD BK PENSION EXPENSE	(15,833,476)	(9,154,527)			(12,494,002)	(9,712,167)	(91,455)	(2,690,380)	(12,197,842)	(120,887)	(3,514,948)	(7,226,692)	(82,023)	(1,865,812)
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN	53,267	34,185			43,721	53	0	43,668	59	-	53,198	47	-	34,138
ACCURD SUP EXEC RETIR PLAN COSTS-SFAS 158	(26,185)	(21,230)			(23,707)	27	0	(23,734)	(12)	-	(26,173)	66	-	(21,296)
ACCURD BK SUP SAVINGS PLAN EXP	12,839	7,657			10,748	6,861	0	3,287	8,469	-	4,169	5,252	-	2,405
ACCURD PSI PLAN EXP	267,276	79,153			173,214	38,144	0	135,070	57,279	-	209,997	19,010	-	60,143
BK PROV UNCOLL ACCTS	15,290	17,952			16,621	0	(0)	16,621	0	(0)	15,290	0	(0)	17,952
PROV-TRADING CREDIT RISK - AL	(55)	268			106	106	0	0	(55)	-	268	-	-	-
PROV-FAS 157 - AL	0	0			0	0	0	0	-	-	-	-	-	-
PREL SURVEY&INVEST RESERVE-BIG SANDY FGD	(0)	(0)			0	(0)	0	0	(0)	-	-	(0)	-	-
DEFCD COMPENSATION-BOOK EXPENSE	0	0			0	0	0	0	-	-	0	-	-	0
ACCRD COMPANY INCENT PLAN-ENGAGE TO GAIN	0	0			0	0	0	0	-	-	-	-	-	-
ACCRD COMPANYWIDE INCENTV PLAN	1,005,733	1,212,989			1,109,361	653,597	108,234	347,530	595,299	106,983	303,451	711,894	109,486	391,610
ACCRD BOOK VACATION PAY	1,260,339	685,819			973,079	560,908	(18,460)	430,631	732,405	(23,236)	551,170	389,410	(13,684)	310,093
(CDP) INCENTIVE COMP DEFERRAL PLAN	1,751	6,720			4,236	1,144	0	3,092	-	-	1,751	2,287	-	4,433
ACCRD BK SEVERANCE BENEFITS	(0)	(0)			0	0	0	(0)	-	-	(0)	-	-	(0)
ECONOMIC DEVEL FUND - CURRENT	81,848	0			40,924	40,924	0	0	81,848	-	-	-	-	-
ECONOMIC DEVEL FUND - NON-CURRENT	0	0			0	0	0	0	-	-	-	-	-	-
ACCRD INTEREST EXP -STATE	(7,302)	(4,381)			(5,841)	(5,841)	0	0	(7,302)	-	-	(4,381)	-	-
ACCRD INTEREST-LONG-TERM - FIN 48	(35,651)	(20,063)			(27,857)	(9,249)	(8,101)	(10,507)	(12,011)	(10,166)	(13,474)	(6,488)	(6,036)	(7,539)
ACCRD INTEREST-SHORT-TERM - FIN 48	2,152	1,563			1,857	841	124	1,092	142	144	1,286	539	105	919
ACCRD STATE INCOME TAX EXP	(1,005,587)	(603,352)			(804,470)	(915,434)	392,236	(281,272)	(1,144,293)	490,296	(351,590)	(886,576)	294,177	(210,954)
PROV LOSS-CAR CHG-PURCHASD EMA	127,206	76,324			101,765	101,765	0	0	127,206	-	-	76,324	-	-
FEDERAL MITIGATION PROGRAMS	251,121	133,732			192,427	0	0	0	251,121	-	-	133,732	-	-
STATE MITIGATION PROGRAMS	0	0			0	0	0	0	0	-	-	0	-	-
DEFCD STORM DAMAGE	(3,657,618)	(1,756,908)			(2,707,263)	0	0	(2,707,263)	-	-	(3,657,618)	-	-	(1,756,908)
TAX = BOOK BASIS - EMA-AC 190	111,851	67,111			89,481	89,481	0	0	111,851	-	-	67,111	-	-
DEFCD TX LOSS-INTERCO SALE-EMA	7,752	4,651			6,202	6,202	0	0	7,752	-	-	4,651	-	-
DEFCD REV-BONUS LEASE SHORT-TERM	151,047	30,210			90,628	90,628	0	0	151,047	-	-	30,210	-	-
DEFCD REV-BONUS LEASE LONG-TERM	50,349	0			25,175	25,175	0	0	50,349	-	-	0	-	-
DEFCD BOOK GAIN-EPA AUCTION	0	0			0	0	0	0	-	-	-	-	-	-
REG LAB-UNREAL MTM GAIN-DEFIL	28,651	857,749			443,200	443,200	0	0	28,651	-	-	857,749	-	-
DEFCD BK CONTRACT REVENUE	22,045	9,838			15,942	0	15,942	0	-	22,045	-	9,838	-	-
ADVANCE RENTAL INC (CUR MO)	34,782	27,888			31,335	0	0	31,335	-	-	34,782	-	-	27,888
REG ASSET-CGS FEED STUDY RESERVE	(0)	(0)			0	(0)	0	0	(0)	-	-	(0)	-	-
CAPITALIZED SOFTWARE COSTS-TAX	(30,786)	(19,152)			(24,989)	142	3	(25,113)	212	13	(31,010)	71	(7)	(19,216)
ACCRD SFAS 106 PST RETIRE EXP	(3,490,436)	(2,538,490)			(3,006,463)	(1,326,648)	(278,533)	(1,404,282)	(1,485,715)	(324,665)	(1,680,556)	(1,167,581)	(232,401)	(1,128,508)
SFAS 106 PST RETIRE EXP - NON-DEDUCT CONT	241,913	145,148			193,530	717,364	88,504	822,391	(896,705)	110,630	1,027,888	(538,023)	66,378	616,793
ACCRD OPEB COSTS - SFAS 158	(2,030,933)	(66,101)			(1,048,517)	(1,179,164)	186,658	(56,312)	(1,779,760)	194,474	(445,645)	(578,567)	179,443	333,023
ACCRD SFAS 112 PST EMPLOY BEN	1,557,106	977,166			1,267,136	730,534	3,447	533,157	849,655	6,894	700,557	611,412	(0)	365,757
ACCRD BOOK ARO EXPENSE - SFAS 143	17,833,374	7,280,077			12,806,726	12,578,902	0	27,824	17,806,543	-	26,832	7,251,261	-	28,816
SFAS 106 - MEDICARE SUBSIDY - NORM - (PPACA)	(580,407)	(348,244)			(464,326)	(464,326)	0	0	(580,407)	-	-	(348,244)	-	-
GROSS RECEIPTS - TAX EXPENSE	24,975	14,985			19,980	19,980	0	0	24,975	-	-	14,985	-	-
FIN 48 - DEFCD STATE INCOME TAXES	(23,263)	(13,958)			(18,610)	(8,577)	(954)	(9,079)	(10,722)	(1,192)	(11,349)	(6,433)	(715)	(6,809)
ACCRD SIT/FRANCHISE TAX RESERVE	0	0			0	0	0	0	-	-	-	-	-	-
ACCRD SALES & USE TAX RESERVE	0	0			0	0	0	0	-	-	-	-	-	-
ACCRD SIT TX RESERVE-LNG-TERM-FIN 48	12,198	7,319			9,759	5,409	377	3,973	6,761	471	4,966	4,057	283	2,980
ACCRD SIT TX RESERVE-SHRT-TERM-FIN 48	9,729	5,838			7,783	2,685	521	4,577	3,357	651	5,722	2,014	391	3,433
DEFCD STATE INCOME TAXES	1,814,865	828,533			1,321,699	0	0	0	1,814,865	-	-	828,533	-	-
NOL - DEFERRED TAX ASSET RECLASS	44,523	0			22,262	22,140	0	122	44,279	-	244	-	-	-
1991-1996 IRS AUDIT SETTLEMENT	58,025	34,815			46,420	0	0	46,420	-	-	58,025	-	-	34,815
IRS CAPITALIZATION ADJUSTMENT	77,136	46,280			61,708	119,417	0	(57,709)	149,272	-	(72,136)	89,562	-	(43,281)
RESTRICTED STOCK PLAN	31,353	18,794			25,074	4,845	0	20,229	7,188	-	24,165	2,501	-	16,293
PSI - STOCK BASED COMP	27,158	50,218			38,688	6,709	0	31,978	6,006	-	21,152	7,413	-	42,805
AMT CREDIT - DEFERRED	14,108	0			7,054	3,022	4,033	0	6,043	8,065	-	-	-	-
NON-UTILITY DEFERRED FIT	1,003,953	89,591	(1,003,953)		(89,591)	0	0	0	-	-	-	-	-	-
SFAS 109 FLOW-THRU 190.3	20,751,439	22,014,214			(20,751,439)	(22,014,214)	0	0	-	-	-	-	-	-
SFAS 109 EXCESS DFT 190.4	56,371,075	53,536,470	(56,371,075)		(53,536,470)	0	0	0	-	-	-	-	-	-
SFAS 133 ADIT FED - SFAS NONAFFIL 1900006	-	-	0		0	0	0	0	-	-	-	-	-	-
ADIT FED - PENSION OCI NAF 1900009	-	-	0		0	0	0	0	-	-	-	-	-	-
ADIT FED - PENSION OCI NAF 1900010	315,751	278,074	(315,751)		(278,074)	0	0	0	-	-	-	-	-	-
ADIT FED - NON-UNAFFIL PROV OCI NAF 1900011	(400,110)	(221,723)	400,110		221,723	0	0	0	-	-	-	-	-	-
ADIT-FED-HDG-CF-INT RATE1900015	-	-	0		0	0	0	0	-	-	-	-	-	-
DEFERRED SIT 1901002	9,030,721	6,108,412			7,569,567	7,569,567	0	0	9,030,721	0	0	6,108,412	0	0
TOTAL ACCOUNT 190	97,831,309	87,019,230	(78,042,108)	(75,699,626)	15,554,405	14,487,454	3,096,162	(2,029,214)	19,009,943	3,999,147	(3,219,800)	9,964,966	2,193,176	(838,538)
ACCOUNT 190 - ARO-Related Deferrals	17,933,374	7,280,077	0	0	12,606,726	12,578,902	0	27,824	17,906,543	0	26,832	7,251,261	0	28,816

AEP East Companies  
Cost of Service Formula Rate Using Actual/Projected 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, 2018	Balance @ December 31, 2017	Average Balance for 2018	
1					
2	Transmission Materials & Supplies	FF1, p. 227, In 8, Col. (c) & (b)	17,108	39,349	28,229
3	General Materials & Supplies	FF1, p. 227, In 11, Col. (c) & (b)	16,505	25,180	20,843
4	Stores Expense (Undistributed) - Account 163	FF1, p. 227, In 16, Col. (c) & (b)	0	0	-

Prepayment Balance Summary (Note 1)

	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, 2018	2,053,322	(61,632,690)	0	884,197	62,801,815	63,686,012
7	Totals as of December 31, 2017	8,448,552	(53,189,122)	-	813,562	60,824,113	61,637,675
8	Average Balance	5,250,637	(57,410,906)	-	848,880	61,812,964	62,661,844

Prepayments Account 165 - Balance @ 12/31/2018

Acc. No.	Description	2018 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	407,335	-	-	407,335	-	407,335	Plant Related Insurance Policies
11	1650005 Prepaid Employee Benefits	0	-	-	-	-	-	-
12	1650006 Other Prepayments	172,140	172,140	-	-	-	-	Prepaid - Gen
13	165000218 Prepaid Taxes	587,589	587,589	-	-	-	-	Prepaid Interest - Distribution
14	1650009 Prepaid Carry Cost-Factored AR	40,574	40,574	-	-	-	-	AR Factoring
15	1650010 Prepaid Pension Benefits	46,741,314	-	-	-	46,741,314	46,741,314	Pension
16	1650014 FAS 158 Qual Contra Asset	(46,741,314)	(46,741,314)	-	-	-	-	SFAS 158 Contra Acct
17	1650016 FAS 112 ASSETS	0	-	-	-	-	-	-
18	165001218 Prepaid Use Taxes	33,528	33,528	-	-	-	-	Prepaid Tax - Dist
19	165001118 Prepaid Sales Taxes	316,588	316,588	-	-	-	-	SFAS 112 Overfunding Asset
20	1650021 Prepaid Insurance - EIS	476,861	-	-	476,861	-	476,861	Plant Related Insurance Policies
21	1650023 Prepaid Lease	18,707	18,707	-	-	-	-	Prepaid Lease - Dist
22	1650031 Prepaid OCIP Work Comp	0	-	-	-	-	-	-
23	1650033 Prepaid OCIP Work Comp-Aff	0	-	-	-	-	-	-
24	1650035 PRW Without Med-D Benefits	16,060,502	-	-	-	16,060,502	16,060,502	Labor Related Expense
25	1650036 PRW for Med-D Benefits	0	-	-	-	-	-	-
26	1650037 FAS 158 Contra-PRW Exc Med-D	(16,060,502)	(16,060,502)	-	-	-	-	SFAS 158 Offset
27		-	-	-	-	-	-	-
28		-	-	-	-	-	-	-
29		-	-	-	-	-	-	-
30	Subtotal - Form 1, p 111.57.c	2,053,322	(61,632,690)	0	884,197	62,801,815	63,686,012	

Prepayments Account 165 - Balance @ 12/31/2017

Acc. No.	Description	2017 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
32	1650001 Prepaid Insurance	490,862	-	-	490,862	-	490,862	Plant Related Insurance Policies
33	1650005 Prepaid Employee Benefits	0	-	-	-	-	-	-
34	1650006 Other Prepayments	585,340	585,340	-	-	-	-	Distribution Prepayments
35	165000217 Prepaid Taxes	603,550	603,550	-	-	-	-	Prepaid Taxes-Distribution
36	1650009 Prepaid Carry Cost-Factored AR	28,361	28,361	-	-	-	-	AR Factoring - Retail Only
37	1650017 Prepayment-Coal	6,022,662	6,022,662	-	-	-	-	Coal
38	1650010 Prepaid Pension Benefits	48,701,091	-	-	-	48,701,091	48,701,091	Prefunded Pension Expense
39	1650014 FAS 158 Qual Contra Asset	(48,701,091)	(48,701,091)	-	-	-	-	SFAS 158 Offset
40	1650016 FAS 112 ASSETS	0	-	-	-	-	-	-
41	165001217 Prepaid Use Taxes	60,944	60,944	-	-	-	-	Use Taxes-Distribution
42	165001117 Prepaid Sales Taxes	317,183	317,183	-	-	-	-	Sales Taxes-Distribution
43	1650021 Prepaid Insurance - EIS	322,700	-	-	322,700	-	322,700	Prepaid Ins. - EIS
44	1650023 Prepaid Lease	16,951	16,951	-	-	-	-	Distribution Lease
45	1650031 Prepaid OCIP Work Comp	0	-	-	-	-	-	-
46	1650033 Prepaid OCIP Work Comp-Aff	0	-	-	-	-	-	-
47	1650035 PRW Without Med-D Benefits	12,123,022	-	-	-	12,123,022	12,123,022	Med-D Benefits
48	1650036 PRW for Med-D Benefits	0	-	-	-	-	-	-
49	1650037 FAS 158 Contra-PRW Exc Med-D	(12,123,022)	(12,123,022)	-	-	-	-	SFAS 158 Offset
50		-	-	-	-	-	-	-
51		-	-	-	-	-	-	-
52	Subtotal - Form 1, p 111.57.d	8,448,552	(53,189,122)	-	813,562	60,824,113	61,637,675	

Note 1: Prepayment Balance will not include: (i) federal and state income tax payments made to offset additional tax liabilities resulting (or expected to result) from prior federal or state audits or from the filing of one or more amended income tax returns; (ii) outstanding income tax refunds c to the company resulting (or expected to result) from prior federal or state audits or from the filing of one or more amended income tax returns; or (iii) prepayments of federal or state income taxes which are attributable to income earned during periods prior to January 1 of the year depicted in the Balance Sheet (as described in USofA Account 236).

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

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2018</u>
1	Net Funds from IPP Customers 12/31/2017 (2018 FORM 1, P269)	(308,364)
2	Interest Accrual (Company Records - Note 1)	(14,414)
3	Revenue Credits to Generators (Company Records - Note 1)	0
4	<u>Other Adjustments</u>	
5	Accounting Adjustment (Company Records - Note 1)	0
6		-
7	Net Funds from IPP Customers 12/31/2018 (2018 FORM 1, P269)	(322,778)
8	Average Balance for Year as Indicated in Column B ((ln 1 + ln 7)/2)	(315,571)
Note 1	On this worksheet Company Records refers to KENTUCKY POWER COMPANY's general ledger.	

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

<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)	4,619,385	4,619,385	-
2	Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	708,038	694,482	13,556
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	7,042,942	6,797,187	245,755
4	Account 4560015, Associated Business Development - (Company Records - Notes 1, 2)	211,680	206,007	5,673
5	Account 456 - Other Electric Revenues - (Company Records - Notes 1,2)	24,839,701	24,839,701	-
5a	Account 457.1, Regional Control Service Revenues (FF1 p.300.23.(b); Company Records - Note 1)		-	
5b	Account 457.2, Miscellaneous Revenues (FF1 p.300.24.(b); Company Records - Note 1)		-	
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	37,421,746	37,156,762	264,984
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)		-	
8	Total Other Operating Revenues To Reduce Revenue Requirement	37,421,746	37,156,762	264,984

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.

Note 2 The total of line 4 and line 5 will equal total Account 456 as listed on FF1 p.300.21-22.(b)

9	Facility Credits under PJM OATT Section 30.9			-
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AEP East Companies  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet F Supporting Allocation of Specific O&M or A&G Expenses  
KENTUCKY POWER COMPANY

	(A)	(B)	(C)	(D)	(E)	(F)
Line			2018	100%	100%	
Number	Item No.	Description	Expense	Non-Transmission	Transmission Specific	Explanation
Regulatory O&M Deferrals & Amortizations						
1	5660009	PJM OATT Over/Under Rec	3,864,304			
2			-			
3						
4		Total	3,864,304			
Detail of Account 561 Per FERC Form 1						
5						
6	FF1 p 321.85.b	561.1 - Load Dispatch - Reliability	19			
7	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	356,979			
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	1,518,251			
10	FF1 p 321.89.b	561.5 - Reliability, Planning and Standards Development	75,731			
11	FF1 p 321.90.b	561.6 - Transmission Service Studies	16			
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 Services	344,695			
14		Total of Account 561	2,295,690			
Account 928						
15	9280000	Regulatory Commission Exp	1,172	1,172	-	
16	9280002	Regulatory Commission Exp-Case	(596,230)	(596,230)	-	
17	9280005	Reg Com Exp-FERC Trans Cases	14,430	-	14,430	
18						
19						
20		Total (FERC Form 1 p.323.189.b)	(580,628)	(595,058)	14,430	
Account 930.1						
21	9301000	General Advertising Expenses	23,667	23,667	-	
22	9301001	Newspaper Advertising Space	8,177	8,177	-	
23	9301002	Radio Station Advertising Time	15,300	15,300	-	
24	9301003	TV Station Advertising Time	4,700	4,700	-	
25	9301010	Publicity	866	866	-	
26	9301012	Public Opinion Surveys	91,107	91,107	-	
27	9301015	Other Corporate Comm Exp	9,091	9,091	-	
28				-	-	
29						
30						
31				-	-	
32				-	-	
33				-	-	
34				-	-	
35				-	-	
36				-	-	
37		Total (FERC Form 1 p.323.191.b)	152,908	152,908	-	
Account 930.2						
38	9302000	Misc General Expenses	209,268	209,268		
39	9302003	Corporate & Fiscal Expenses	27,376	27,376		
40	9302004	Research, Develop&Demonstr Exp	1,329	1,329		
41	9302006	Assoc Business Development Materials Sold	34,172	34,172	-	
42	9302007	Assoc Business Development Exp	85,709	66,739	18,970	
43		Total (FERC Form 1 p.323.192.b)	357,853	338,883	18,970	

AEP East Companies  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet G Supporting - Development of Composite State Income Tax Rate  
KENTUCKY POWER COMPANY

Kentucky Corporate Income Tax Rate	5.00%	
Apportionment Factor - Note 1	91.49%	
Effective State Tax Rate		4.57%
Michigan Corporate Income Tax Rate	6.00%	
Apportionment Factor - Note 1	0.04%	
Effective State Tax Rate		0.00%
West Virginia Corporate Income Tax	6.50%	
Apportionment Factor - Note 1	21.65%	
Effective State Tax Rate		1.41%
Ohio Franchise Tax Rate	0.00%	
Phase-out Factor Note 1	0.00%	
Apportionment Factor - Note 2	0.00%	
Effective State Tax Rate		0.00%
Illinois Corporation Income Tax Rate	0.00%	
Apportionment Factor - Note 1	0.00%	
Effective State Tax Rate		0.00%
Illinois Corporation Income Tax Rate	9.50%	
Apportionment Factor - Note 1	1.20%	
Effective State Tax Rate		0.11%
Total Effective State Income Tax Rate		6.09%

Note 1 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 Actual/Projected 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	<b>Revenue Taxes</b>					
2	Gross Receipts Tax	112,047				112,047
3	<b>Real Estate and Personal Property Taxes</b>					
4	Real and Personal Property - Kentucky	10,640,192	10,640,192			
5	Real and Personal Property - West Virginia	3,505,042	3,505,042			
6	Real and Personal Property - Tennessee	-	-			
7	Real and Personal Property - Other Jurisdictions	-	-			
8	<b>Payroll Taxes</b>					
9	Federal Insurance Contribution (FICA )	2,036,589		2,036,589		
10	Federal Unemployment Tax	12,920		12,920		
11	State Unemployment Insurance	24,862		24,862		
12	<b>Production Taxes</b>					
13	State Severance Taxes	-				-
14	<b>Miscellaneous Taxes</b>					
15	List Individual Taxes Here	6,251,973				6,251,973
16		1,191,139			1,191,139	
17		-			-	
18		666			666	
19		20			20	
20		43,918				43,918
21		6,462				6,462
22		-				-
23						
24	Total Taxes by Allocable Basis	23,825,830	14,145,234	2,074,371	1,191,825	6,414,400

(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.

**Functional Property Tax Allocation**

	Production	Transmission	Distribution	General	Total
25 Functionalized Net Plant (TCOS, Lns 41 thru 46)	723,404,475	379,555,161	577,498,536	30,914,521	1,711,372,693
<b>KENTUCKY JURISDICTION</b>					
26 Percentage of Plant in KENTUCKY JURISDICTION	33.59%	98.41%	100.00%	99.68%	
27 Net Plant in KENTUCKY JURISDICTION (Ln 25 * Ln 26)	242,991,563	373,520,234	577,498,536	30,815,595	1,224,825,927
28 Less: Net Value of Exempted Generation Plant	12,037,050				
29 Taxable Property Basis (Ln 27 - Ln 28)	230,954,513	373,520,234	577,498,536	30,815,595	1,212,788,877
30 Relative Valuation Factor	33.00%	100.00%	100.00%	100.00%	
31 Weighted Net Plant (Ln 29 * Ln 30)	76,214,989	373,520,234	577,498,536	30,815,595	
32 General Plant Allocator (Ln 31 / (Total - General Plant))	7.42%	36.36%	56.22%	-100.00%	
33 Functionalized General Plant (Ln 32 * General Plant)	2,286,344	11,205,091	17,324,159	(30,815,595)	-
34 Weighted KENTUCKY JURISDICTION Plant (Ln 31 + 33)	78,501,333	384,725,325	594,822,695	(0)	1,058,049,353
35 Functional Percentage (Ln 34/Total Ln 34)	7.42%	36.36%	56.22%		
<b>WEST VIRGINIA JURISDICTION</b>					
46 Net Plant in WEST VIRGINIA JURISDICTION (Ln 25 - Ln 27 - Ln 37)	480,412,912	6,034,927	-	98,926	486,546,766
47 Less: Net Value Exempted Generation Plant	408,136,549				
48 Taxable Property Basis	72,276,363	6,034,927	-	98,926	78,410,217
49 Relative Valuation Factor	100.00%	100.00%	100.00%	100.00%	
50 Weighted Net Plant (Ln 48 * Ln 49)	72,276,363	6,034,927	-	98,926	
51 General Plant Allocator (Ln 50 / (Total - General Plant))	92.29%	7.71%	0.00%	-100.00%	
52 Functionalized General Plant (Ln 52 * General Plant)	91,303	7,624	-	(98,926)	
53 Weighted WEST VIRGINIA JURISDICTION Plant (Ln 50 + 52)	72,367,666	6,042,551	-	0	78,410,217
54 Functional Percentage (Ln 53/Total Ln 53)	92.29%	7.71%	0.00%		



AEP East Companies  
Cost of Service Formula Rate Using Actual/Projected 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	<u>Revenue Taxes</u>						
2	Gross Receipts Tax	112,047	<div><div>(433,823)</div><div>524,200</div><div>(2,805)</div><div>18,422</div><div>(8,194)</div><div>14,247</div></div>	<div><div>pg. 263, ln. 26</div><div>pg. 263, ln. 27</div><div>pg. 263, ln. 28</div><div>pg. 263, ln. 39</div><div>pg. 263.2, ln. 16</div><div>pg. 263.2, ln. 17</div></div>			
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	Real Estate and Personal Property Tax Detail	Tax Year	Total Company	FERC FORM 1 Tie-Back	FERC FORM 1 Reference	Tax Year Factor (Note 2)	Transmission Function (Note 2)
	Annual Tax Expenses by Type (Note 1)						
3	<u>Real Estate and Personal Property Taxes Total</u> <u>(Ln 4 + Ln 5 + Ln 6 + Ln 7)</u>		14,145,234				4,094,972
4	Real and Personal Property - Kentucky		10,640,192	<div><div>(9,786)</div><div>(11,384)</div><div>(34,348)</div><div>10,416,200</div><div>(9,395)</div><div>288,726</div><div>(12,821)</div><div>13,000</div></div>	<div><div>pg. 263.1, ln. 8</div><div>pg. 263.1, ln. 9</div><div>pg. 263.1, ln. 10</div><div>pg. 263.1, ln. 12</div><div>pg. 263.1, ln. 15</div><div>pg. 263.1, ln. 17</div><div>pg. 263.1, ln. 19</div><div>pg. 263.1, ln. 21</div></div>	<div><div>37.91%</div><div>39.81%</div><div>41.04%</div><div>38.56%</div><div>39.22%</div><div>36.36%</div><div>39.22%</div><div>36.36%</div></div>	<div><div>(3,710)</div><div>(4,532)</div><div>(14,095)</div><div>4,016,593</div><div>(3,685)</div><div></div><div></div><div></div></div>
		<div><div>2013</div><div>2014</div><div>2015</div><div>2017</div><div>2016</div><div>2018</div><div>2016</div><div>2018</div></div>					
5	Real and Personal Property - W Va		3,505,042	<div><div>1,808,350</div><div>1,697,382</div><div>(2,290)</div><div>1,600</div></div>	<div><div>pg. 263.2, ln. 1</div><div>pg. 263.2, ln. 2</div><div>pg. 263.2, ln. 2</div><div>pg. 263.2, ln. 2</div></div>	<div><div>3.05%</div><div>2.90%</div><div>2.90%</div><div>7.71%</div></div>	<div><div>104,401</div><div>55,068</div><div>49,277</div><div>(66)</div><div>123</div><div>-</div><div>-</div><div>-</div></div>
		<div><div>2016</div><div>2017</div><div>2017</div><div>2018</div></div>					

(A)	(B)	(C)	(D)
Line No.	Annual Tax Expenses by Type (Note 1)	Total Company	FERC FORM 1 Tie-Back FERC FORM 1 Reference
8	<b>Payroll Taxes</b>		
9	Federal Insurance Contribution (FICA )	2,036,589	<div>2,036,589</div> <div>pg. 263, ln. 5</div>
10	Federal Unemployment Tax	12,920	<div>12,920</div> <div>pg. 263, ln. 6</div>
11	State Unemployment Insurance	24,862	<div>9,844</div> <div>15,018</div> <div>pg. 263, ln. 31</div> <div>pg. 263, ln. 13</div>
12	<b>Production Taxes</b>	-	
13	State Severance Taxes		
14	<b>Miscellaneous Taxes</b>		
15	State Business & Occupation Tax	6,251,973	<div>101,112</div> <div>6,150,861</div> <div>pg. 263.1, ln. 38</div> <div>pg. 263.1, ln. 39</div>
16	State Public Service Commission Fees	1,191,139	<div>603,550</div> <div>587,589</div> <div>pg. 263, ln. 36</div> <div>pg. 263, ln. 37</div>
17	State Franchise Taxes	-	-
18	State Lic/Registration Fee	666	<div>90</div> <div>550</div> <div>26</div> <div>pg. 263, ln. 30</div> <div>pg. 263, ln. 32</div> <div>pg. 263.2, ln. 8</div>
19	Misc. State and Local Tax	20	<div>20</div> <div>pg. 263.2, ln. 9</div>
20	Sales & Use	43,918	<div>(4,412)</div> <div>48,330</div> <div>pg. 263.1, ln. 1</div> <div>pg. 263.2, ln. 2</div>
21	Federal Excise Tax	6,462	<div>1,635</div> <div>4,827</div> <div>pg. 263, ln. 8</div> <div>pg. 263, ln. 9</div>
22	Michigan Single Business Tax	-	
23	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14, (c))	23,825,830	23,825,830

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, (c) of the Ferc Form 1.

Note 2: The transmission functional amounts for any Real Estate and Property taxes listed on pages 263 of the FERC Form 1 will be allocated using the transmission functional allocator calculated for each state in Worksheet H of the applicable year that the taxes were assessed. Real and Personal Property - Other Jurisdictions will be allocated using the Gross Plant Allocator from the applicable year.

**AEP East Companies**  
**Cost of Service Formula Rate Using 2018 FF1 Balances**  
**Worksheet I RESERVED FOR FUTURE USE**  
**KENTUCKY POWER COMPANY**

ROE w/o incentives (TCOS, Ins 156) 10.35%

Project ROE Incentive Adder 0

ROE with additional 0 basis point incentive 10.35%

Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the TCOS, Ins 154 through 156)

	%	Cost	Weighted cost
Long Term Debt	55.20%	4.44%	2.452%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	44.80%	10.35%	4.637%
		R =	7.089%

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPROJECTS				
	Rev Require	W Incentives	Incentive Amount	
TRUE-UP YEAR	2018			
	As Projected in Prior Year WS J	#N/A	#N/A	#N/A
	Actual after True-up	#N/A	#N/A	#N/A
	True-up of ARR For 2018	#N/A	#N/A	#N/A

Rate Base (TCOS, ln 68)	299,257,445
R (from A. above)	7.089%
Return (Rate Base x R)	21,215,732

Return (from B. above)	21,215,732
Effective Tax Rate (TCOS, in 114)	22.76%
Income Tax Calculation (Return x CIT)	4,828,110
ITC Adjustment	(96)
Excess Deferred Income Tax	(1,044,357)
Tax Affect of Permanent Differences	788,103
Income Taxes	<u>4,571,760</u>

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

Annual Revenue Requirement (TCOS, ln 1)	58,339,178
Lease Payments (TCOS, ln 95)	-
Return (TCOS, ln 126)	21,215,732
Income Taxes (TCOS, ln 125)	<u>4,571,760</u>
Annual Revenue Requirement, Less Lease Payments, Return and Taxes	32,551,686

Annual Revenue Requirement, Less Lease Payments, Return and Taxes	32,551,686
Return (from I.B. above)	21,215,732
Income Taxes (from I.C. above)	<u>4,571,760</u>
Annual Revenue Requirement, with 0 Basis Point ROE increase	58,339,178
Depreciation (TCOS, In 100)	<u>15,409,054</u>
Annual Rev. Req. w/ 0 Basis Point ROE increase, less Depreciation	42,930,124

Net Transmission Plant (TCOS, In 42)	374,944,900
Annual Revenue Requirement, with 0 Basis Point ROE increase	58,339,178
FCR with 0 Basis Point increase in ROE	15.56%

Annual Rev. Req. w / 0 Basis Point ROE increase, less Dep.	42,930,124
FCR with 0 Basis Point ROE increase, less Depreciation	11.45%
FCR less Depreciation (TCOS, In 10)	<u>11.45%</u>
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

Average Transmission Plant Balance for 2018 (TCOS, in 21)	577,021,485
Annual Depreciation and Amortization Expense (TCOS, in 100)	15,409,054
Composite Depreciation Rate	2.67%
Depreciable Life for Composite Depreciation Rate	37.45
Round to nearest whole year	37

**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	#N/A	#N/A	#N/A
Prior Yr True-Up	#N/A	#N/A	#N/A
True-Up Adjustment	#N/A	#N/A	#N/A

[illegible][illegible]

\*\* 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 2018 FF1 Balances  
Worksheet L Reserved for Future Use  
KENTUCKY POWER COMPANY

AEP East Companies  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of Capital  
KENTUCKY POWER COMPANY

Line No	Month (a)	Average Balance of Common Equity				Average Balance of Common Equity (f)=(b)-(c)-(d)-(e)
		Proprietary Capital (b)	Less: Preferred Stock (c)	Less Undistributed Sub Earnings (Acct 216.1) (d)	Less AOCI (Acct 219.1) (e)	
	(Note A)	(FF1 112.16)	(FF1 250-251)	(FF1 112.12)	(FF1 112.15)	
1	December Prior to Rate Year	670,262,743			261,112	670,001,631
2	January	681,700,614			261,112	681,439,503
3	February	693,488,232			261,112	693,227,120
4	March	694,738,980			295,261	694,443,719
5	April	696,266,210			295,261	695,970,949
6	May	702,894,102			295,261	702,598,841
7	June	708,740,692			273,170	708,467,522
8	July	713,291,824			273,170	713,018,654
9	August	718,588,236			273,170	718,315,066
10	September	719,769,463			251,079	719,518,384
11	October	723,311,885			251,079	723,060,806
12	November	727,998,124			251,079	727,747,045
13	December of Rate Year	732,879,136			(211,988)	733,091,124
14	Average of the 13 Monthly Balances	706,456,172	-	-	233,067	706,223,105

Line No	Month (a)	Average Balance of Long Term Debt					Gross Proceeds Outstanding Long-Term Debt (g)=(b)-(c)+(d)+(e)-(f)
		Acct 221 Bonds (b)	Less: Acct 222 Reacquired Bonds (c)	Acct 223 LT Advances from Assoc. Companies (d)	Acct 224 Senior Unsecured Notes (e)	Less: Fair Value Hedges (f)	
	(Note A)	(FF1 112.18)	(FF1 112.19)	(FF1 112.20)	(FF1 112.21)	FF1, page 257, Col. (h) - Note 1	
15	December Prior to Rate Year	-	-	-	870,000,000	-	870,000,000
16	January				870,000,000		870,000,000
17	February				870,000,000		870,000,000
18	March				870,000,000		870,000,000
19	April				870,000,000		870,000,000
20	May				870,000,000		870,000,000
21	June				870,000,000		870,000,000
22	July				870,000,000		870,000,000
23	August				870,000,000		870,000,000
24	September				870,000,000		870,000,000
25	October				870,000,000		870,000,000
26	November				870,000,000		870,000,000
27	December of Rate Year				870,000,000		870,000,000
28	Average of the 13 Monthly Balances	-	-	-	870,000,000	-	870,000,000

NOTE 1: 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. (Page 257 Column H of the FF1)

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
29	<b>Annual Interest Expense for 2018</b>						
30	Interest on Long Term Debt - Accts 221 - 224 (256-257.33.i)			38,166,448			
31	Less: Total Hedge Gain/Expense Accumulated from p 256-257, col. (i) of FERC Form 1 included in Ln 30 and shown in 50 below.			-			
32	Plus: Allowed Hedge Recovery From Ln 55 below.			-			
33	Amort of Debt Discount & Expense - Acct 428 (117.63.c)			451,488			
34	Amort of Loss on Reacquired Debt - Acct 428.1 (117.64.c)			33,651			
35	Less: Amort of Premium on Debt - Acct 429 (117.65.c)						
36	Less: Amort of Gain on Reacquired Debt - Acct 429.1 (117.66.c)						
37	<b>Total Interest Expense (Ln 30 - 31 + 33 + 34 - 35 - 36)</b>			38,651,587			
38	<b>Average Cost of Debt for 2018 (Ln 37/ Ln 28 (g))</b>			4.44%			

**CALCULATION OF RECOVERABLE HEDGE GAINS/LOSSES**

39 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 2018	Less Excludable Amounts (See NOTE on Line 39)	Net Includable Hedge Amount	Remaining Unamortized Balance	Beginning	Ending
40	Senior Unsecured Notes - Series G	-		-			
41	Senior Unsecured Notes - Series H	-		-			
42	Senior Unsecured Notes - Series J	-		-			
43				-			
44				-			
45				-			
46				-			
47				-			
48				-			
49				-			
50	Total Hedge Amortization	-	-				
51	Hedge Gain or Loss Prior to Application of Recovery Limit (Sum of Lines 40 to 48)			-			
52	Total Average Capital Structure Balance for 2018 (TCOS, Ln 157)			1,576,223,105			
53	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005			
54	Limit of Recoverable Amount			788,112			
55	<b>Recoverable Hedge Amortization (Lesser of Ln 51 or Ln 54)</b>			-			

**Development of Cost of Preferred Stock**

<b>Preferred Stock</b>				<b>Average</b>
56	0% Series - 0 - Dividend Rate (p. 250-251)	0.000%	0.000%	
57	0% Series - 0 - Par Value (p. 250-251)	\$ -	\$ -	
58	0% Series - 0 - Shares O/S (p.250-251)	-	-	
59	0% Series - 0 - Monetary Value (Ln 57 * Ln 58)	-	-	
60	0% Series - 0 - Dividend Amount (Ln 56 * Ln 59)	-	-	
61	0% Series - 0 - Dividend Rate (p. 250-251)	0.000%	0.000%	

62 0% Series - 0 - Par Value (p. 250-251)	\$	-	\$	-	
63 0% Series - 0 - Shares O/S (p.250-251)		-		-	
64 0% Series - 0 - Monetary Value (Ln 62 * Ln 63)		-		-	-
65 0% Series - 0 - Dividend Amount (Ln 61 * Ln 64)		-		-	-
66 0% Series - 0 - Dividend Rate (p. 250-251)		0.000%		0.000%	
67 0% Series - 0 - Par Value (p. 250-251)	\$	-	\$	-	
68 0% Series - 0 - Shares O/S (p.250-251)		-		-	
69 0% Series - 0 - Monetary Value (Ln 67 * Ln 68)		-		-	-
70 0% Series - 0 - Dividend Amount (Ln 66 * Ln 69)		-		-	-
71 Balance of Preferred Stock (Lns 59, 64, 69)		-		-	- Year End Total Agrees to FF1 p.112, Ln 3, col (c ) & (d)
72 Dividends on Preferred Stock (Lns 60, 65, 70)		-		-	-
73 Average Cost of Preferred Stock (Ln 72/71)		0.00%		0.00%	0.00%



**AEP East Companies**  
**Cost of Service Formula Rate Using Actual/Projected 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.

Line	(A) Date	(B) Property Description	(C) Function (T) or (G) T = Transmission G = General	(D) Basis	(E) Proceeds	(F) (Gain) / Loss	(G) Functional Allocator	(H) Functionalized Proceeds (Gain) / Loss	(I) FERC Account
1						-	0.000%	-	
2						-	0.000%	-	
3						-	0.000%	-	
4				Net (Gain) or Loss for 2018		-		-	

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

1 Total AEP East Operating Company PBOP Settlement Amount (127,041,505)

**Allocation of PBOP Settlement Amount for 2018**

**Total Company Amount**

Line#	Company	Actual Expense (Including AEPSC Billed OPEB)	Ratio of Company Actual to Total	Allocation of PBOB Recovery Allowance	Labor Allocator for 2018	Actual Expense	Allowable Expense	One Year Functional Expense (Over)/Under
		(A) (Line 14)	(B)=(A)/Total (A)	(C)=(B) * -127041505	(D)	(E)=(A) * (D)	(F)=(C) * (D)	(G)=(E) - (F)
2	APCo	(21,243,233)	36.83%	(46,793,855)	9.272%	(1,969,696)	(4,338,779)	2,369,082
3	I&M	(14,970,273)	25.96%	(32,975,997)	4.367%	(653,716)	(1,439,983)	786,267
4	KPCo	(4,775,930)	8.28%	(10,520,253)	7.919%	(378,188)	(833,058)	454,871
5	KNGP	(455,895)	0.79%	(1,004,230)	12.123%	(55,270)	(121,748)	66,477
6	OPCo	(15,305,203)	26.54%	(33,713,769)	11.486%	(1,757,897)	(3,872,235)	2,114,338
7	WPCo	(923,113)	1.60%	(2,033,401)	2.686%	(24,793)	(54,613)	29,820
8	Sum of Lines 2 to 7	(57,673,647)		(127,041,505)		(4,839,561)	(10,660,416)	5,820,855

**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	(16,451,990)	(12,482,067)	(3,951,629)	(344,539)	(11,517,600)	(427,831)	(45,175,656)
10 Additional PBOP Ledger Entries (from Company Records)	460,632	518,852	427,533			(385,001)	
11 Medicare Subsidy							-
12 Net Company Expense (Ln 9 + Ln 10 + Ln 11)	(15,991,358)	(11,963,215)	(3,524,096)	(344,539)	(11,517,600)	(812,832)	(44,153,640)
13 PBOP Expenses From AEP Service Corporation (from Company Records)	(5,251,875)	(3,007,058)	(1,251,834)	(111,356)	(3,787,603)	(110,281)	(13,520,007)
14 Company PBOP Expense (Ln 12 + Ln 13)	(21,243,233)	(14,970,273)	(4,775,930)	(455,895)	(15,305,203)	(923,113)	(57,673,647)

For the rate year 2017 and adjusted every four years thereafter, using the annual actuarial report produced for that year, filed as part of the informational filing, Worksheet O will be used to adjust PBOP costs for the next four years (i.e. 2017, 2018, 2019, 2020). If the annual actuarial report projects PBOP costs during the next four years, taken together with the then current cumulative PBOP cost/allowance position, will, absent a change in the PBOP allowance, cause the AEP Companies to over or under collect their cumulative PBOP costs by more than 20% of the projected next four year's total cost, the PBOP allowance shall be adjusted. Worksheet O will be used in the process of updating the PBOP allowance determining (a) the level of cumulative over or under collections during the period since the PBOP allowance was last set, including carrying costs based on the weighted average cost of capital ("WACC") each year from the actual formula rate; (b) the cumulative net present value of projected PBOP costs during the next four years, as estimated by the then current actuarial report, assuming a discount rate equal to the actual formula rate weighted average cost of capital for the prior calendar year; and (c) the cumulative net present value of continued collections over the next four years based on the then effective PBOP allowance, assuming a discount rate equal to the prior year WACC. If the absolute value of (a)+(b)-(c) exceeds 20% of (b), then the PBOP allowance used in the formula rate calculation shall be changed to the value that will cause the projected result (a)+(b)-(c) to equal zero. If the projected over or under collection during the next four years will be less than 20% of (b), then the PBOP allowance will continue in effect for the next four years at the then effective rate. If it is determined through this procedure AEP Companies will over-recover or under-recover actual PBOP expenses by more than 20% over the subsequent four-year period, AEP shall make a filing under FPA Section 205 to change the PBOP expense stated in the formula rate shown on Worksheet O. No other changes to the formula rate may be included in that filing.

AEP EAST COMPANIES  
Worksheet - P CALCULATION OF  
TOTAL WEIGHTED AVERAGE DEPRECIATION RATES  
FOR TRANSMISSION PLANT PROPERTY ACCOUNT  
EFFECTIVE AS OF 6/1/2015  
FOR MULTIPLE JURISDICTION COMPANIES  
Appalachian Power Company

	VIRGINIA				WEST VIRGINIA			FERC WHOLESALE			FERC KINGSFORT			COMPANY
	(1) PLANT ACCT.	VA SCC RATES	ALLOCATION FACTOR (5)	WTD AVG. DEPREC. RATE	(2) PSC OF WV APPROVED RATES	ALLOCATION FACTOR (5)	WTD AVG. DEPREC. RATE	(3) FERC RATES	ALLOCATION FACTOR (5)	WTD AVG. DEPREC. RATE	(4) FERC RATES	ALLOCATION FACTOR (5)	WTD AVG. DEPREC. RATE	
<b>TRANSMISSION PLANT</b>														
Land Rights - Va.	350.1	0.66%	1.000000	0.66%										0.66%
Energy Storage Equip	351.0				6.67%	1.000000	6.67%							6.67%
Structures & Improvements	352.0	1.55%	0.469583	0.73%	1.52%	0.437847	0.67%	2.19%	0.036426	0.08%	2.19%	0.056144	0.12%	1.60%
Station Equipment	353.0	1.95%	0.469583	0.92%	1.68%	0.437847	0.74%	2.19%	0.036426	0.08%	2.19%	0.056144	0.12%	1.86%
Towers & Fixtures	354.0	1.14%	0.469583	0.54%	1.54%	0.437847	0.67%	2.19%	0.036426	0.08%	2.19%	0.056144	0.12%	1.41%
Poles & Fixtures	355.0	2.77%	0.469583	1.30%	2.64%	0.437847	1.16%	2.19%	0.036426	0.08%	2.19%	0.056144	0.12%	2.66%
Overhead Conductor	356.0	1.01%	0.469583	0.47%	1.19%	0.437847	0.52%	2.19%	0.036426	0.08%	2.19%	0.056144	0.12%	1.19%
Underground Conduit	357.0	1.23%	0.469583	0.58%	1.45%	0.437847	0.63%	2.19%	0.036426	0.08%	2.19%	0.056144	0.12%	1.41%
Underground Conductors	358.0	3.18%	0.469583	1.49%	7.23%	0.437847	3.17%	2.19%	0.036426	0.08%	2.19%	0.056144	0.12%	4.86%

(1) As approved in VA Case No. PUE 2011-00037 on Nov. 30, 2011.  
Depreciation rates were made effective on January 1, 2012.

(3) Approved by FERC March 2, 1990 in Docket ER90-132.

(2) Approved by PSC of WV Order dated May 26, 2015 in  
Case No. 14-1151-E-D effective June 1, 2015.

(4) Approved by FERC March 2, 1990 in Docket ER90-133.

(5) Transmission allocation factors are changed annually in January based on  
September factors as per the PJM tariff approved in FERC Docket ER08-1329  
Attachment H-14B, Part II, pg. 15 of 21.

(6) Energy Storage Equipment is a new account established per FERC Order 784.

**GENERAL NOTES:**

The rates for each AEP company have been approved by their respective regulatory commissions.

APCo falls under the authority of Virginia, West Virginia and the FERC. Therefore, APCo's rates are a composite of the jurisdictions under which it operates. Each jurisdictions' rate is multiplied by an allocation factor, and the product for each jurisdiction is added with the other jurisdictions to derive the composite rate for the company.

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.

AEP EAST COMPANIES  
Worksheet - P CALCULATION OF  
TOTAL WEIGHTED AVERAGE DEPRECIATION RATES  
FOR TRANSMISSION PLANT PROPERTY ACCOUNT  
EFFECTIVE AS OF October 31, 2018  
FOR MULTIPLE JURISDICTION COMPANIES  
INDIANA MICHIGAN POWER COMPANY

	INDIANA				MICHIGAN			FERC WHOLESALE			COMPANY
	(1)				(2)			(3)			
PLANT ACCT.	IURC RATES	ALLOCATION FACTOR (4)	WTD AVG. DEPREC. RATE		MPSC APPROVED RATES	ALLOCATION FACTOR (4)	WTD AVG. DEPREC. RATE	FERC RATES	ALLOCATION FACTOR (4)	WTD AVG. DEPREC. RATE	WTD AVG. DEPREC. RATE
<b>TRANSMISSION PLANT</b>											
Land Improvements	350.1	1.4800%	0.652103	0.9651%	1.4400%	0.144206	0.2077%	1.4400%	0.203691	0.2933%	1.47%
Structures & Improvements	352.0	1.5500%	0.652103	1.0108%	1.5000%	0.144206	0.2163%	1.5000%	0.203691	0.3055%	1.53%
Station Equipment	353.0	1.8600%	0.652103	1.2129%	1.8400%	0.144206	0.2653%	1.8400%	0.203691	0.3748%	1.85%
Towers & Fixtures	354.0	1.6900%	0.652103	1.1021%	1.5700%	0.144206	0.2264%	1.5700%	0.203691	0.3198%	1.65%
Poles & Fixtures	355.0	2.8500%	0.652103	1.8585%	2.8300%	0.144206	0.4081%	2.8300%	0.203691	0.5764%	2.84%
Overhead Conductors	356.0	1.9700%	0.652103	1.2846%	1.8900%	0.144206	0.2725%	1.8900%	0.203691	0.3850%	1.94%
Underground Conduit	357.0	1.8600%	0.652103	1.2129%	1.7700%	0.144206	0.2552%	1.7700%	0.203691	0.3605%	1.83%
Underground Conductors	358.0	1.7000%	0.652103	1.1086%	1.6600%	0.144206	0.2394%	1.6600%	0.203691	0.3381%	1.69%
Trails & Roads	359.0	1.5000%	0.652103	0.9782%	1.4800%	0.144206	0.2134%	1.4800%	0.203691	0.3015%	1.49%

(1) As approved in Indiana Case No. 44967.

(2) As approved in MICHIGAN Case No. U18370.

(3) FERC wholesale formula rate agreements specify that the depreciation rates in the formula rates change upon approval of MPSC rates in the Michigan jurisdiction.

(4) The rates approved for each jurisdiction are updated when approved by that commission. These demand-based allocation factors for all jurisdictions are updated when new rates are approved in one of the jurisdictions. These allocation factors reflect I&M's 12 monthly Coincident Peaks during test year of the most recent rate case.

**GENERAL NOTES:**

The rates for each AEP company have been approved by their respective regulatory commissions.

I&M falls under the authority of Indiana, Michigan and the FERC. Therefore, I&M's rates are a composite of the jurisdictions under which it operates. Each jurisdictions' rate is multiplied by an allocation factor, and the product for each jurisdiction is added with the other jurisdictions to derive the composite rate for the company.

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.

AEP EAST COMPANIES  
PJM FORMULA RATE  
WORKSHEET P - TRANSMISSION DEPRECIATION RATES  
EFFECTIVE AS OF 09/1/2016  
FOR SINGLE JURISDICTION COMPANIES  
KINGSPORT POWER COMPANY

	<b>PLANT ACCT.</b>	<b>RATES Note 1</b>
<b><i>TRANSMISSION PLANT</i></b>		
Structures & Improvements	352.0	1.04%
Station Equipment	353.0	1.49%
Towers & Fixtures	354.0	0.12%
Poles & Fixtures	355.0	2.14%
Overhead Conductors	356.0	0.77%
Underground Conduit	357.0	Note 2
Underground Conductors	358.0	Note 2
<b>Composite Transmission Depreciation Rate</b>		<b>1.46%</b>
<b>GENERAL PLANT</b>		
Structures & Improvements	390.0	1.71%
Office Furniture & Equipment	391.0	2.82%
Stores Equipment	393.0	2.22%
Tools Shop & Garage Equipment	394.0	3.12%
Laboratory Equipment	395.0	3.17%
Communication Equipment	397.0	3.32%
Miscellaneous Equipment	398.0	4.92%
<b>Total General Plant</b>		<b>3.25%</b>

Reference:

Note 1: Rates Approved In Tennessee Regulatory Authority Docket No. 16-00001.  
K

Note 2: Kingsport Power Company does not have investment in plant  
accounts 357 or 358. Therefore, there are no depreciation rates approved

**General Note**

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.

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

	<b>PLANT ACCT.</b>	<b>RATES Note 1</b>
<hr/> <b><i>TRANSMISSION PLANT</i></b>		
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**

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.

AEP EAST COMPANIES  
PJM FORMULA RATE  
WORKSHEET P - TRANSMISSION DEPRECIATION RATES  
EFFECTIVE AS OF 1/1/2012  
FOR SINGLE JURISDICTION COMPANIES  
OHIO POWER COMPANY

	PLANT ACCT.	RATES Note 1
<b>TRANSMISSION PLANT</b>		
Structures & Improvements	352.0	2.02%
Station Equipment	353.0	2.29%
Twrs and Fixtures Above 69 KV	354.0	1.88%
Twrs and Fixtures Below 69 KV	354.0	1.88%
Poles and Fixtures Above 69 KV	355.0	3.52%
Poles and Fixtures Below 69 KV	355.0	3.52%
Overhead Conductor & Devices Above 69KV	356.0	1.91%
Overhead Conductor & Devices MSP	356.0	1.91%
Overhead Conductor & Devices 138KV	356.0	1.91%
Overhead Conductor & Devices 69KV	356.0	1.91%
Overhead Conductor & Devices CLR	356.0	1.91%
Underground Conduit	357.0	2.26%
Underground Conductors	358.0	3.27%

Reference:

Note 1: These are the weighted average of the depreciation rates in effect for Columbus Southern Power and Ohio Power prior to the merger of Columbus Southern into Ohio Power.

**General Note:**

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.

AEP EAST COMPANIES  
PJM FORMULA RATE  
WORKSHEET P - TRANSMISSION DEPRECIATION RATES  
EFFECTIVE AS OF 06/1/2015  
FOR SINGLE JURISDICTION COMPANIES  
WHEELING POWER COMPANY

	PLANT ACCT.	RATES Note 1
<b>TRANSMISSION PLANT</b>		
Structures & Improvements	352.0	0.69%
Station Equipment	353.0	1.70%
Towers & Fixtures	354.0	0.04%
Poles & Fixtures	355.0	2.65%
Overhead Conductors	356.0	1.12%
Underground Conduit	357.0	2.00%
Underground Conductors	358.0	5.00%
Trails & Roads	359.0	-

Note 1: Rates Approved in WV Public Service Commission Case No. 14-1151-E-D.

**General Note:**

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.



**AEP East Companies**  
**Cost of Service Formula Rate Using Actual/Projected FF1 Balances**  
**Worksheet Q - True-up With Interest**

Reconciliation Revenue Requirement For Year 2016 Available May 25, 2017	-	2016 Revenue Requirement Forecast	=	True-up Adjustment - Over (Under) Recovery
\$0		\$0		\$0

Interest Rate on Amount of Refunds or Surcharges from 35.19a	Over (Under) Recovery Plus Interest	Average Monthly Interest Rate	Months	Calculated Interest	Amortization	Surcharge (Refund) Owed
		0.2960%				

An over or under collection will be recovered prorata over 2016, held for 2017 and returned prorata over 2018

<u>Calculation of Interest</u>				Monthly		
January	Year 2016	-	0.2960%	12	-	-
February	Year 2016	-	0.2960%	11	-	-
March	Year 2016	-	0.2960%	10	-	-
April	Year 2016	-	0.2960%	9	-	-
May	Year 2016	-	0.2960%	8	-	-
June	Year 2016	-	0.2960%	7	-	-
July	Year 2016	-	0.2960%	6	-	-
August	Year 2016	-	0.2960%	5	-	-
September	Year 2016	-	0.2960%	4	-	-
October	Year 2016	-	0.2960%	3	-	-
November	Year 2016	-	0.2960%	2	-	-
December	Year 2016	-	0.2960%	1	-	-
					-	-

January through December	Year 2017	-	0.2960%	12	-	-
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<u>Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months</u>				Monthly		
January	Year 2018	-	0.2960%	-	-	-
February	Year 2018	-	0.2960%	-	-	-
March	Year 2018	-	0.2960%	-	-	-
April	Year 2018	-	0.2960%	-	-	-
May	Year 2018	-	0.2960%	-	-	-
June	Year 2018	-	0.2960%	-	-	-
July	Year 2018	-	0.2960%	-	-	-
August	Year 2018	-	0.2960%	-	-	-
September	Year 2018	-	0.2960%	-	-	-
October	Year 2018	-	0.2960%	-	-	-
November	Year 2018	-	0.2960%	-	-	-
December	Year 2018	-	0.2960%	-	-	-

True-Up Adjustment with Interest	-
Less Over (Under) Recovery	-
Total Interest	-

Note 1: The interest rate to be applied to the over recovery or under recovery amounts will be determined using the average monthly FERC interest rate (as determined pursuant to 18 C.F.R. Section 35.19a) for the twenty (20) months from the beginning of the rate year being trued-up through August 31 of the following year.

**AEP East Companies**  
**Cost of Service Formula Rate Using Actual/Projected FF1 Balances**  
**Worksheet Q - True-up With Interest**

Reconciliation Revenue Requirement For Year 2016 Available May 25, 2017	-	2016 Revenue Requirement Forecast	=	True-up Adjustment - Over (Under) Recovery
\$0		\$0		\$0

Interest Rate on Amount of Refunds or Surcharges from 35.19a	Over (Under) Recovery Plus Interest	Average Monthly Interest Rate	Months	Calculated Interest	Amortization	Surcharge (Refund) Owed
		0.2960%				

An over or under collection will be recovered prorata over 2016, held for 2017 and returned prorata over 2018

<u>Calculation of Interest</u>				Monthly		
January	Year 2016	-	0.2960%	12	-	-
February	Year 2016	-	0.2960%	11	-	-
March	Year 2016	-	0.2960%	10	-	-
April	Year 2016	-	0.2960%	9	-	-
May	Year 2016	-	0.2960%	8	-	-
June	Year 2016	-	0.2960%	7	-	-
July	Year 2016	-	0.2960%	6	-	-
August	Year 2016	-	0.2960%	5	-	-
September	Year 2016	-	0.2960%	4	-	-
October	Year 2016	-	0.2960%	3	-	-
November	Year 2016	-	0.2960%	2	-	-
December	Year 2016	-	0.2960%	1	-	-
					-	-
				Annual		
January through December	Year 2017	-	0.2960%	12	-	-
<u>Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months</u>				Monthly		
January	Year 2018	-	0.2960%	-	-	-
February	Year 2018	-	0.2960%	-	-	-
March	Year 2018	-	0.2960%	-	-	-
April	Year 2018	-	0.2960%	-	-	-
May	Year 2018	-	0.2960%	-	-	-
June	Year 2018	-	0.2960%	-	-	-
July	Year 2018	-	0.2960%	-	-	-
August	Year 2018	-	0.2960%	-	-	-
September	Year 2018	-	0.2960%	-	-	-
October	Year 2018	-	0.2960%	-	-	-
November	Year 2018	-	0.2960%	-	-	-
December	Year 2018	-	0.2960%	-	-	-
					-	-
True-Up Adjustment with Interest					-	-
Less Over (Under) Recovery					-	-
Total Interest					-	-

Note 1: The interest rate to be applied to the over recovery or under recovery amounts will be determined using the average monthly FERC interest rate (as determined pursuant to 18 C.F.R. Section 35.19a) for the twenty (20) months from the beginning of the rate year being trued-up through August 31 of the following year.