

Twelve Months Ended 2017

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

KENTUCKY POWER COMPANY

Line No.						Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 130)				\$63,322,931
			Total	Allocator		
2	REVENUE CREDITS	(Worksheet E Ln 8) (Note A)	413,114	DA	1.00000	\$ 413,114
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)				\$ 62,909,817

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)	#N/A	DA	1.00000	#N/A
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))			16.91%
8	Monthly Rate	(In 7 / 12)			1.41%
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))			12.90%
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))			3.46%
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			1,933,138
16	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				1,102,321
17	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				349,027
18	Total 561 Internally Developed Costs	(Line 15 - Line 16 - Line 17)			481,790

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	(1)	(2)	(3)	(4)	(5)
	<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> <u>(See "General Notes")</u>	<u>TO Total</u> <u>NOTE C</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>
Line No.					
19	GROSS PLANT IN SERVICE				
20	Production	(Worksheet A In 14.(b))	1,179,520,024	NA	0.00000
21	Less: Production ARO (Enter Negative)	(Worksheet A In 14.(c))	(11,624,651)	NA	0.00000
22	Transmission	(Worksheet A In 14.(d) & TCOS Ln 134)	576,922,741	DA	
23	Less: Transmission ARO (Enter Negative)	(Worksheet A In 14.(e))	-	TP	0.98232
24	Distribution	(Worksheet A In 14.(f))	797,392,396	NA	0.00000
25	Less: Distribution ARO (Enter Negative)	(Worksheet A In 14.(g))	-	NA	0.00000
26	General Plant	(Worksheet A In 14.(h))	42,199,678	W/S	0.07390
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 14.(i))	(81,055)	W/S	0.07390
28	Intangible Plant	(Worksheet A In 14.(j))	24,278,024	W/S	0.07390
29	TOTAL GROSS PLANT	(sum Ins 19 to 27)	2,608,607,155	GP	0.219133
30				GTD=	0.41237
31	ACCUMULATED DEPRECIATION AND AMORTIZATION				
32	Production	(Worksheet A In 28.(b))	429,747,679	NA	0.00000
33	Less: Production ARO (Enter Negative)	(Worksheet A In 28.(c))	(4,062,101)	NA	0.00000
34	Transmission	(Worksheet A In 28.(d) & In 43.(c))	197,519,784	TP1=	0.97282
35	Less: Transmission ARO (Enter Negative)	(Worksheet A In 28.(e))	-	TP1=	0.97282
36	Distribution	(Worksheet A In 28.(f))	234,347,663	NA	0.00000
37	Less: Distribution ARO (Enter Negative)	(Worksheet A In 28.(g))	-	NA	0.00000
38	General Plant	(Worksheet A In 28.(h))	12,949,501	W/S	0.07390
39	Less: General Plant ARO (Enter Negative)	(Worksheet A In 28.(i))	(36,464)	W/S	0.07390
40	Intangible Plant	(Worksheet A In 28.(j))	12,089,750	W/S	0.07390
41	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 30 to 38)	882,555,812		
42					
43	NET PLANT IN SERVICE				
44	Production	(In 19 + In 20 - In 30 - In 31)	742,209,794		-
45	Transmission	(In 21 + In 22 - In 32 - In 33)	379,402,957		374,573,491
46	Distribution	(In 23 + In 24 - In 34 - In 35)	563,044,733		-
47	General Plant	(In 25 + In 26 - In 36 - In 37)	29,205,586		2,158,415
48	Intangible Plant	(In 27 - In 38)	12,188,274		900,764
49	TOTAL NET PLANT IN SERVICE	(sum Ins 41 to 45)	1,726,051,343	NP	0.218784
50					
51	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
52	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	(56,893,000)	NA	-
53	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(355,995,910)	DA	(85,385,299)
54	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(120,923,695)	DA	(1,273,766)
55	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	22,443,529	DA	3,847,468
56	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	-	DA	-
57	TOTAL ADJUSTMENTS	(sum Ins 48 to 52)	(511,369,076)		(82,811,597)
58					
59	PLANT HELD FOR FUTURE USE	(Worksheet A In 44.(e) & In 45.(e))	3,465,554	DA	-
60					
61	REGULATORY ASSETS	(Worksheet A In 51.(e))	-	DA	-
62					
63	UNFUNDED RESERVES (ENTER NEGATIVE) (NOTE Y)	(Worksheet A In 54.(e))	(102,702)	W/S	0.07390
64					
65	WORKING CAPITAL	(Note E)			
66	Cash Working Capital	(1/8 * In 78)	841,367		826,495
67	Transmission Materials & Supplies	(Worksheet C, In 2.(F))	187,071	TP	0.98232
68	A&G Materials & Supplies	(Worksheet C, In 3.(F))	23,589	W/S	0.07390
69	Stores Expense	(Worksheet C, In 4.(F))	-	GP	0.21913
70	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 8.G)	59,867,784	W/S	0.07390
71	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 8.F)	842,369	GP	0.21913
72	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 8.E)	-	DA	1.00000
73	Prepayments (Account 165) - Unallocable	(Worksheet C, In 8.D)	(55,462,668)	NA	0.00000
74	TOTAL WORKING CAPITAL	(sum Ins 58 to 65)	6,299,512		5,621,073
75					
76	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8.B)	(302,573)	DA	1.00000
77					
78	RATE BASE (sum Ins 46, 53, 54, 55, 56, 66, 67)		1,224,042,059		300,131,983

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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	300,915,073			
70	Distribution	322.156.b	48,992,814			
71	Customer Related Expense	322 & 323.164,171,178.b	20,503,093			
72	Regional Marketing Expenses	322.131.b	1,179,892			
73	Transmission	321.112.b	44,235,533			
74	TOTAL O&M EXPENSES	(sum Ins 69 to 73)	415,826,405			
75	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	1,933,138			
76	Less: Account 565	(Note H) 321.96.b	35,571,456			
77	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	-			
78	Total O&M Allocable to Transmission	(Ins 73 - 75 - 76 - 77)	6,730,939	TP	0.98232	6,611,956
79	Administrative and General	323.197.b (Notes J and M)	24,852,458			
80	Less: Acct. 924, Property Insurance	323.185.b	657,371			
81	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	(2,264,541)			
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)	(232,529)			
84	Acct. 928, Reg. Com. Exp.	323.189.b	4,118,531			
85	Acct. 930.1, Gen. Advert. Exp.	323.191.b	501,674			
86	Acct. 930.2, Misc. Gen. Exp.	323.192.b	288,415			
87	Balance of A & G	(In 79 - sum In 80 to In 86)	21,783,537	W/S	0.07390	1,609,895
88	Plus: Acct. 924, Property Insurance	(In 80)	657,371	GP	0.21913	144,052
89	Acct. 928 - Transmission Specific	Worksheet F In 20.(E) (Note L)	21,148	TP	0.98232	20,774
90	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 37.(E) (Note L)	-	TP	0.98232	-
91	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 45.(E) (Note L)	6,163	DA	1.00000	6,163
92	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C (Note M)	(10,572,965)	W/S	0.07390	(781,386)
93	A & G Subtotal	(sum Ins 87 to 92)	11,895,254			999,497
94	O & M EXPENSE SUBTOTAL	(In 78 + In 93)	18,626,193			7,611,453
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)	18,626,193			7,611,453
97	DEPRECIATION AND AMORTIZATION EXPENSE					
98	Production	336.2-6.f	35,439,031	NA	0.00000	-
99	Distribution	336.8.f	27,880,463	NA	0.00000	-
100	Transmission	336.7.f	15,441,147	TP1	0.97282	15,021,441
101	General	336.10.f	1,889,585	W/S	0.07390	139,648
102	Intangible	336.1.f	4,340,895	W/S	0.07390	320,810
103	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 98+99+ 100+101+102) (Note N)	84,991,121			15,481,899
104	TAXES OTHER THAN INCOME					
105	Labor Related					
106	Payroll	Worksheet H In 24.(D)	1,987,596	W/S	0.07390	146,892
107	Plant Related					
108	Property	Worksheet H-1 In 3.(C) & 3.(G)	13,702,622	DA		4,108,200
109	Gross Receipts/Sales & Use	Worksheet H In 24.(F)	5,614,790	NA	0.00000	-
110	Other	Worksheet H In 24.(E)	2,801,873	GP	0.21913	613,982
111	TOTAL OTHER TAXES	(sum Ins 106 to 110)	24,106,881			4,869,074
112	INCOME TAXES	(Note O)				
113	T=1 - {(1 - SIT) * (1 - FIT)} / (1 - SIT * FIT * p)} =		38.91%			
114	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		40.43%			
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)		1.6368			
118	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(1,009)			
119	Excess Deferred Income Tax	(Note U)	(31,008)	DA		(30,024)
120	Tax Effect of Permanent and Flow-Through Differences	(Note U)	2,757,037	DA		1,353,376
121	Income Tax Calculation	(In 114 * In 126)	38,963,073			9,553,646
122	ITC adjustment	(In 117 * In 118)	(1,652)	GP	0.21913	(362)
123	Excess Deferred Income Tax	(In 117 * In 119)	(50,755)			(49,144)
124	Tax Effect of Permanent and Flow-Through Differences	(In 117 * In 120)	4,512,816			2,215,254
125	TOTAL INCOME TAXES	(sum Ins 121 to 124)	43,423,482			11,719,393
126	RETURN ON RATE BASE (Rate Base*WACC)	(In 68 * In 157)	96,369,392			23,629,529
127	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		11,583	DA	1.00000	11,583
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		267,528,653			63,322,931
	(sum Ins 96, 103, 111, 125, 126, 127, 128, 129)					

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
131	Total transmission plant	(In 21)							576,922,741	
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)							566,724,484	
135	Percent of transmission plant in PJM Tariff	(In 134 / In 131)						TP=	0.98232	
136	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
137	Production	354.20.b	13,845,145	7,110,916	20,956,061	NA	0.00000		-	
138	Transmission	354.21.b	51,992	2,704,772	2,756,764	TP	0.98232	2,708,033		
139	Regional Market Expenses	354.22.b	-	-	-	NA	0.00000		-	
140	Distribution	354.23.b	8,033,721	985,830	9,019,551	NA	0.00000		-	
141	Other (Excludes A&G)	354.24,25,26.b	1,934,134	1,975,971	3,910,105	NA	0.00000		-	
142	Total	(sum Ins 137 to 141)	23,864,992	12,777,489	36,642,481				2,708,033	
143	Transmission related amount							W/S=	0.07390	
144	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$	
145	Long Term Interest	(Worksheet M, In. 37, col. (d))							44,266,291	
146	Preferred Dividends	(Worksheet M, In. 71)							-	
147	Development of Common Stock:									
148	Proprietary Capital	(Worksheet M, In. 14, col. (b))							669,332,086	
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))							(546,674)	
152	Common Stock	(In 148 - In 149 - In 150 - In 151)							669,878,760	
153			\$	%		Cost (Note S)		Weighted		
154	Long Term Debt (Note T) Worksheet M, In 28, col. (g), In 38, col. (d))		870,000,000	56.50%		5.09%		0.0287		
155	Preferred Stock (In 149)		-	0.00%		-		0.0000		
156	Common Stock (In 152)		669,878,760	43.50%		11.49%		0.0500		
157	Total (Sum Ins 154 to 156)		1,539,878,760					WACC=	0.0787	

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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 beginning of year end of year 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 Section1.167(l)-(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 = 35.00%
SIT= 6.01% (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) = 11.49%, 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.

AEP East Companies
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet A Rate Base
KENTUCKY POWER COMPANY

		Gross Plant In Service								
Line No	Month (a)	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	1,174,390,121	11,624,651	574,702,620	-	782,655,295	-	41,500,104	81,055	19,525,886
2	January									
3	February									
4	March									
5	April									
6	May									
7	June									
8	July									
9	August									
10	September									
11	October									
12	November									
13	December of Rate Year	1,184,649,926	11,624,651	579,142,862	-	812,129,496	-	42,899,251	81,055	29,030,161
14	Average of the Beginning and End Year Balances	1,179,520,024	11,624,651	576,922,741	-	797,392,396	-	42,199,678	81,055	24,278,024

		Accumulated Depreciation								
Line No	Month (a)	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 (b))	FF1, page 219, In 25, Col. (b)	Company Records (Included in total in Column (d))	FF1, page 219, In 26, Col. (b)	Company Records (Included in total in Column (f))	FF1, page 219, In 28, Col. (b)	Company Records (Included in total in Column (h))	FF1, page 200, In 21, Col. (b)
15	December Prior to Rate Year	412,645,994	3,845,418	193,091,844	-	226,689,503	-	11,504,763	33,648	11,280,895
16	January									
17	February									
18	March									
19	April									
20	May									
21	June									
22	July									
23	August									
24	September									
25	October									
26	November									
27	December of Rate Year	446,849,364	4,278,784	201,947,724	-	242,005,823	-	14,394,239	39,281	12,898,605
28	Average of the Beginning and End Year Balances	429,747,679	4,062,101	197,519,784	-	234,347,663	-	12,949,501	36,464	12,089,750

Line No	Month (a)	OATT Ancillary Services (GSU) Plant In Service (b)	OATT Ancillary Services (GSU) Accumulated Depreciation (c) Company Records (included in total in column (b) of accumulated depreciation above)	Excluded Plant - Plant In Service (d) Company Records	Excluded Plant - Accumulated Depreciation (e) Company Records
(Note A)		Company Records (included in total in column (d) of gross plant above)			
29	December Prior to Rate Year	10,198,257	5,259,188	-	-
30	January				
31	February				
32	March				
33	April				
34	May				
35	June				
36	July				
37	August				
38	September				
39	October				
40	November				
41	December of Rate Year	10,198,257	5,478,393	-	-
42	Average of the Beginning and End Year Balances	10,198,257	5,368,791	-	-

43 Transmission Accum Depreciation net of GSU 192,150,994

Plant Held For Future Use		Source of Data	Balance @ December 31, 2017 (c)	Balance @ December 31, 2016 (d)	Average Balance for 2017 (e)
44	Plant Held For Future Use (a)	FF1, page 214, In 47, Col. (d) (b)	627,604	6,303,504	3,465,554
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)					
52	Description	Account			
53a	Accum Prv I/D Workers Comp	2282003	143,591	61,813	102,702
53b					-
54	Total		143,591	61,813	102,702

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

<u>Line Number</u>	<u>(A)</u> <u>Description</u>	<u>(B)</u> <u>Source</u>	<u>(C)</u> <u>Balance @ December 31,</u> <u>2017</u>	<u>(D)</u> <u>Balance @ December 31,</u> <u>2016</u>	<u>(E)</u> <u>Average Balance for</u> <u>2017</u>
1	<u>Account 281</u>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, ln 8, Col. (k)	55,503,729	58,282,271	56,893,000
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)	55,503,729	58,282,271	56,893,000
5	Transmission Related Deferrals	Ln 2 - ln 3 - ln 4	-	-	-
6	<u>Account 282</u>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, ln 5, Col. (k)	371,506,325	340,485,495	355,995,910
8	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 7 (Note 1)	25,351,587	25,473,200	25,412,393
9	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 6 (Note 1)	258,497,223	231,899,213	245,198,218
10	Transmission Related Deferrals	Ln 7 - ln 8 - ln 9	87,657,515	83,113,082	85,385,299
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, ln 9, Col. (k)	118,472,532	123,374,859	120,923,695
13	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 13 (Note 1)	25,024,780	23,550,132	24,287,456
14	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 12 (Note 1)	92,130,430	98,594,516	95,362,473
15	Transmission Related Deferrals	Ln 12 - ln 13 - ln 14	1,317,322	1,230,210	1,273,766
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, ln 8, Col. (c)	19,789,201	25,097,857	22,443,529
18	Less: ARO Related Deferrals	WS B-2 - Actual Stmt. AG Ln. 4 (Note 1)	17,933,374	22,047,989	19,990,682
19	Less: Other Excluded Deferrals	WS B-2 - Actual Stmt. AG Ln. 3 (Note 1)	(2,143,321)	(645,920)	(1,394,621)
20	Transmission Related Deferrals	Ln 17 - ln 18 - ln 19	3,999,147	3,695,789	3,847,468
21	<u>Account 255</u>				
22	Year End ITC Balances	FF1, p. 266-267, ln 8, Col. (h)	411	1,420	916
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	411	1,420	916
24	ITC Balances Includeable Ratebase	Ln 22 - ln 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 I.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, 2017

(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 (B+C+D+E)/2	FUNCTIONALIZATION AVERAGE			FUNCTIONALIZATION 12/31/2016			FUNCTIONALIZATION 12/31/2017		
ACCUMULATED DEFERRED FIT ITEMS		BALANCE AS OF 12-31-2016	BALANCE AS OF 12-31-2017	BALANCE AS OF 12-31-2016	BALANCE AS OF 12-31-2017		GENERATION	TRANSMISSION	DISTRIBUTION	GENERATION	TRANSMISSION	DISTRIBUTION	GENERATION	TRANSMISSION	DISTRIBUTION
1.00	ACCOUNT 281:														
2.01	TX AMORT POLLUTION CONT EQPT	58,282,271	55,503,729			56,893,000	56,893,000	0	0	58,282,271	0	0	55,503,729	0	0
2.02						0									
2.03	NON-UTILITY DEFERRED FIT 281.2	0	0	0	0										
2.04	SFAS 109 FLOW-THRU 281.3	0	(22,201,492)	0	22,201,492	0									
2.05	SFAS 109 EXCESS DFIT 281.4	0	0	0	0	0									
2.06		0	0	0	0	0									
3	TOTAL ACCOUNT 281	58,282,271	33,302,237	0	22,201,492	56,893,000	56,893,000	0	0	58,282,271	0	0	55,503,729	0	0
4	ACCOUNT 281 - ARO-Related Deferrals	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	ACCOUNT 282:														
5.01	BOOK VS. TAX DEPRECIATION	222,006,405	227,177,242			224,591,824	57,652,594	73,310,727	93,628,503	57,194,914	73,083,363	91,728,129	58,110,274	73,538,091	95,528,877
5.02	EXCESS FIT % RATE CHANGE	3,667	3,667			3,667	900	1,264	1,503	900	1,264	1,503	900	1,264	1,503
5.03	EX L/T DFIT TX RESERVE - 1986 TRA	20,380	20,380			20,380	5,003	7,027	8,350	5,003	7,027	8,350	5,003	7,027	8,350
5.04	CAPD INTEREST - SECTION 481(a) - CHANGE IN METHD	2,911	2,363			2,637	867	1,971	(201)	957	2,176	(222)	777	1,767	(180)
5.05	RELOCATION COST - SECTION 481(a) - CHANGE IN METH	24,822	18,785			21,803	0	0	21,803	-	-	24,822	-	-	18,785
5.06	PJM INTEGRATION - SEC 481(a) - INTANG - DFD LABOR	14,266	237			7,251	0	7,251	0	-	14,266	-	-	237	-
5.07	R & D DEDUCTION - SECTION 174	1,142,944	1,142,944			1,142,944	1,130,873	12,070	0	1,130,873	12,070	-	1,130,873	12,070	-
5.08	ACRS NORM-HRJ	5,504,513	5,145,815			5,325,164	0	5,325,164	0	-	5,504,513	-	-	5,145,815	-
5.09	BK PLANT IN SERVICE-SFAS 143-ARO	25,473,200	25,351,587			25,412,393	25,412,393	0	0	25,473,200	-	-	25,351,587	-	-
5.10	NORMALIZED BASIS DIFFS - TRANSFERRED PLANTS	4,206,521	4,031,250			4,118,885	4,118,885	0	0	4,206,521	-	-	4,031,250	-	-
5.11	DFIT GENERATION PLANT	0	0			0	0	0	0	-	-	-	-	-	-
5.12	GAIN/LOSS ON ACRS/MACRS PROPERTY	32,094,854	35,786,084			33,940,469	15,179,762	2,914,639	15,846,067	13,610,094	2,774,188	15,710,571	16,749,431	3,055,089	15,981,564
5.13	GAIN/LOSS ON ACRS/MACRS-BK/TX UNIT PROP	(1,727,533)	(1,534,493)			(1,631,013)	(1,631,013)	0	0	(1,727,533)	-	-	(1,534,493)	-	-
5.14	ABFUDC	4,385,414	4,355,875			4,370,644	2,058,999	1,301,525	1,010,121	2,084,469	1,291,569	1,009,376	2,033,528	1,311,480	1,010,866
5.15	ABFUDC- HRJ POST IN-SERVICE	118,528	111,082			114,805	0	114,805	0	-	118,528	-	-	111,082	-
5.16	ABFUDC-HRJ	0	0			0	0	0	0	-	0	-	-	0	-
5.17	TAXES CAPITALIZED	(0)	(0)			0	(0)	(0)	0	(0)	(0)	-	(0)	(0)	-
5.18	PENSIONS CAPITALIZED	(0)	(0)			0	(0)	(0)	0	(0)	(0)	0	(0)	(0)	0
5.19	SEC 481 PENS/OPEB ADJUSTMENT	(47)	(47)			(47)	0	(47)	0	-	(47)	-	-	(47)	-
5.20	SAVINGS PLAN CAPITALIZED	(0)	(0)			0	0	(0)	0	0	(0)	-	0	(0)	-
5.21	PERCENT REPAIR ALLOWANCE	4,902,801	4,491,147			4,696,974	2,514,839	263,598	1,918,537	2,592,532	283,284	2,026,985	2,437,146	243,913	1,810,088
5.22	BOOK/TAX UNIT OF PROPERTY ADJ	16,042,294	23,739,019			19,890,656	18,776,781	103,250	1,010,625	16,042,294	-	-	21,511,269	206,500	2,021,250
5.23	BK/TAX UNIT OF PROPERTY ADJ-SEC 481 ADJ	24,682,620	38,895,059			31,788,839	23,082,764	1,963,675	6,742,400	24,682,620	-	-	21,482,909	3,927,350	13,484,800
5.24	TX ACCEL AMORT - CAPITALIZED SOFTWARE	0	849,903			424,952	199,904	36,722	188,326	-	-	-	399,807	73,445	376,651
5.25	CAPITALIZED RELOCATION COSTS	945,561	1,055,882			1,000,721	(193,771)	21,658	1,172,835	(174,416)	20,882	1,099,095	(213,127)	22,434	1,246,575
5.26	CAPITALIZED LEASES - A/C 1011 ASSETS	0	0			0	0	0	0	-	-	-	-	-	-
5.27	REMOVAL COSTS REV - SFAS 143 - ARO	0	0			0	0	0	0	-	-	-	-	-	-
5.28	REMOVAL CST - NORMALIZED	641,376	862,547			751,962	751,962	0	0	641,376	-	-	862,547	-	-
5.29	2007 IRS AUDIT ADJUSTMENTS - A/C 282	0	0			0	0	0	0	-	-	-	-	-	-
5.30	NON-UTILITY DEFERRED FIT	0	0	0	0	0									
5.31	SFAS 109 FLOW-THRU 282.3	55,061,402	31,569,738	(55,061,402)	(31,569,738)	0									
5.32	SFAS 109 EXCESS DFIT 282.4	(487,281)	(150,788,840)	487,281	150,788,840	0									
5.33		0	0			0	0	0	0						
6	TOTAL ACCOUNT 282	395,059,616	252,287,223	(54,574,121)	119,219,102	355,995,910	149,061,743	85,385,299	121,548,869	145,763,804	83,113,082	111,608,609	152,359,682	87,657,515	131,489,128
7	ACCOUNT 282 - ARO-Related Deferrals	25,473,200	25,351,587	0	0	25,412,393	25,412,393	0	0	25,473,200	0	0	25,351,587	0	0
8	ACCOUNT 283:														
9.01	NOL-STATE C/F-DEF TAX ASSET-L/T - KY	1,858,764	3,160,753			2,509,758	2,509,758	0	0	1,858,764	-	-	3,160,753	-	-
9.02	DEFD FUEL CUR SET UP A/C 283	0	0			0	0	0	0	-	-	-	-	-	-
9.03	DEFD FUEL ACC REVS A/C 283	0	0			0	0	0	0	-	-	-	-	-	-
9.04	DEFD FUEL REG ADJ A/C 283	0	0			0	0	0	0	-	-	-	-	-	-
9.05	UNDERRECOV FUEL COST	673,073	(2)			336,536	336,536	0	0	673,073	-	-	(2)	-	-
9.06	PROP TX-STATE 2 OLD METHOD-TX	599,738	579,960			589,849	589,849	0	0	599,738	-	-	579,960	-	-
9.07	MTM BK GAIN - A/L - TAX DEFL	50,837	389,110			219,973	219,973	0	0	50,837	-	-	389,110	-	-
9.08	MARK & SPREAD - DEFL - 283 A/L	(136,441)	(136,441)			(136,441)	(136,441)	0	0	(136,441)	-	-	(136,441)	-	-
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	(22,183,454)	(18,669,034)			(20,426,244)	(12,350,941)	(892,338)	(7,182,966)	(13,602,124)	(896,222)	(7,685,109)	(11,099,758)	(888,453)	(6,680,823)
9.12	REG ASSET - DEFERRED RTO COSTS	94,262	65,253			79,758	0	79,758	0	-	94,262	-	-	65,253	-
9.13	BK DEFL-DEMAND SIDE MNGMT EXP	3,176,362	0			1,588,181	0	0	1,588,181	-	-	3,176,362	-	-	-
9.14	BOOK > TAX - EMA - A/C 283	3,448,695	3,333,998			3,391,346	3,391,346	0	0	3,448,695	-	-	3,333,998	-	-
9.15	DEFD BK LOSS-NON AFF SALE-EMA	108,006	108,006			108,006	108,006	0	0	108,006	-	-	108,006	-	-
9.16	DEFD TX GAIN - INTERCO SALE - EMA	(239,418)	(239,418)			(239,418)	(239,418)	0	0	(239,418)	-	-	(239,418)	-	-
9.17	DEFD TAX GAIN - EPA AUCTION	(8,302)	(8,302)			(8,302)	(8,302)	0	0	(8,302)	-	-	(8,302)	-	-
9.18	DEFD BOOK GAIN-EPA AUCTION	87,244	87,244			87,244	87,244	0	0	87,244	-	-	87,244	-	-
9.19	REG ASSET-SFAS 143 - ARO	0	0			0	0	0	0	-	-	-	-	-	-
9.20	REG ASSET-SFAS 158 - PENSIONS	18,788,001	15,273,581			17,030,791	8,955,488	892,338	7,182,966	10,206,671	896,222	7,685,109	7,704,305	888,453	6,680,823
9.21	REG ASSET-SFAS 158 - SERP	(45,508)	(26,185)			(35,846)	(33)	0	(35,814)	(53)	-	(45,455)	(12)	-	(26,173)
9.22	REG ASSET-SFAS 158 - OPEB	1,397,868	(1,446,665)			(24,399)	(428,408)	200,550	203,460	338,676	206,626	852,566	(1,195,492)	194,474	(445,646)
9.23	REG ASSET-NERC COMPL/CYBER CC-UNREC EQ	(2,522)	(5,937)			(4,230)	(2,316)	(696)	(1,218)	(1,355)	(425)	(742)	(3,277)	(967)	(1,693)
9.24	REG ASSET-NERC COMPL/CYBER SEC-CAR CST	5,065	11,924			8,495	4,651	1,398	2,445	2,721	853	1,491	6,581	1,943	3,399
9.25	REG ASSET-NERC COMPL/CYBER SEC-DEF DEPR	15,465	36,403			25,934	14,200	4,268	7,465	8,307	2,606	4,552	20,093	5,931	10,379
9.26	REG ASSET-DEFD DEPR-BIG SANDY U1 GAS	107,677	342,947			225,312	225,312	0	0	107,677	-	-	342,947	-	-
9.27	REG ASSET-DEFD PROP TAX-BIG SANDY U1 GAS	114,209	121,276			117,743	117,743	0	0	114,209	-	-	121,276	-	-
9.28	REG ASSET-CAPACITY CHARGE TARIFF REV	175,985	107,892			141,939	0	0	141,939	-	-	175,985	-	-	107,892

9.29	REG ASSET-NET CCS FEED STUDY COSTS	287,170	274,950			281,060	281,060	0	0	287,170	-	-	274,950	-	-
9.30	REG ASSET-ATR UNDER RECOVERY	0	0			0	0	0	0	-	-	-	-	-	-
9.31	REG ASSET-BIG SANDY U1 OR-UNDER RECOV	885,950	(1,068,068)			(91,059)	(91,059)	0	0	885,950	-	-	(1,068,068)	-	-
9.32	REG ASSET-BIG SANDY RETIRE COSTS RECOV	(1,079,373)	(2,072,390)			(1,575,882)	(1,575,882)	0	0	(1,079,373)	-	-	(2,072,390)	-	-
9.33	REG ASSET-BIG SANDY RETIRE RIDER U2 O&M	294,321	298,483			296,402	296,402	0	0	294,321	-	-	298,483	-	-
9.34	REG ASSET-UND RECOV-PURCH PWR PPA	11,282	28,643			19,963	19,963	0	0	11,282	-	-	28,643	-	-
9.35	REG ASSET-DEFD DEPREC-ENVIRONMENTAL	591,573	665,826			628,699	628,699	0	0	591,573	-	-	665,826	-	-
9.36	REG ASSET-CAR CHGS-ENVIRON COSTS	1,097,663	1,118,389			1,108,026	1,108,026	0	0	1,097,663	-	-	1,118,389	-	-
9.37	REG ASSET-CAR CHGS-ENVIRON UNREC EQUITY	(549,165)	(559,529)			(554,347)	(554,347)	0	0	(549,165)	-	-	(559,529)	-	-
9.38	REG ASSET-DEFD O&M-ENVIRONMENTAL CSTS	577,367	542,875			560,121	560,121	0	0	577,367	-	-	542,875	-	-
9.39	REG ASSET-DEFD CONSUM EXP-ENVIRON CSTS	283,062	355,743			319,403	319,403	0	0	283,062	-	-	355,743	-	-
9.40	REG ASSET-DEFD PROP TAX EXP-ENVIRON CSTS	10,934	12,666			11,800	11,800	0	0	10,934	-	-	12,666	-	-
9.41	REG ASSET-BIG SANDY U1 OR-UNREC EQUITY CC	(254,875)	(600,460)			(427,668)	(427,668)	0	0	(254,875)	-	-	(600,460)	-	-
9.42	REG ASSET-BIG SANDY U1 OR-UNDER RECOV CC	511,281	1,204,376			857,829	857,829	0	0	511,281	-	-	1,204,376	-	-
9.43	REG ASSET-REMOVAL COSTS-AMORT-BIG SANDY	(14,606,201)	(13,582,917)			(14,094,559)	(14,094,559)	0	0	(14,606,201)	-	-	(13,582,917)	-	-
9.44	REG ASSET-SPENT ARO-BIG SANDY	6,420,398	12,016,891			9,218,644	9,218,644	0	0	6,420,398	-	-	12,016,891	-	-
9.45	REG ASSET-UNRECOVERED PLANT-BIG SANDY	90,018,580	90,018,580			90,018,580	90,018,580	0	0	90,018,580	-	-	90,018,580	-	-
9.46	REG ASSET-NBV-ARO-RETIRED PLANTS	17,129,734	13,007,889			15,068,811	15,068,811	0	0	17,129,734	-	-	13,007,889	-	-
9.47	REG ASSET-M&S RETIRING PLANTS	16,493	974,180			495,337	495,337	0	0	16,493	-	-	974,180	-	-
9.48	BOOK LEASES CAPITALIZED FOR TAX	532,882	270,264			401,573	(11,598)	113,251	299,920	87,506	111,895	333,481	(110,701)	114,606	266,358
9.49	CAPITALIZED SOFTWARE COST - BOOK	3,952,623	5,696,429			4,824,526	2,049,121	782,773	1,992,632	1,532,716	713,020	1,706,887	2,565,525	852,527	2,278,377
9.50	LOSS ON REACQUIRED DEBT	187,463	175,685			181,574	88,292	39,140	54,142	91,155	40,410	55,898	85,428	37,871	52,386
9.51	SFAS 106 PST RETIRE EXP-NON-DEDUCT CONT	0	0			0	0	0	0	-	-	-	-	-	-
9.52	SFAS 106-MEDICARE SUBSIDY-(PPACA)-REG ASSET	606,536	530,719			568,627	186,917	41,560	340,150	199,378	44,331	362,827	174,456	38,789	317,474
9.53	BK DEFL - MERGER COSTS	0	0			0	0	0	(0)	-	0	(0)	-	0	(0)
9.54	REG ASSET - ACCRUED SFAS 112	1,150,893	891,614			1,021,254	330,436	11,764	679,054	476,710	16,633	657,550	184,162	6,895	700,557
9.55	NON-UTILITY DEFERRED FIT 283.2	146,317	90,433	(146,317)	(90,433)	0									
9.56	SFAS 109 FLOW-THRU 283.3	60,647,501	29,242,969	(60,647,501)	(29,242,969)	0									
9.57	SFAS 109 EXCESS DFIT 283.4	0	(39,072,283)	0	39,072,283	0									
9.58	SFAS 133 ADIT FED - SFAS 133 NONAFFIL 2830006	0	0	0	0	0									
9.59	ADIT - FED-HDG-CF-INT RATE 2830015	0	0	0	0	0									
9.60		0	0			0	0	0	0						
9.99				0	0	0									
10		176,956,015	103,548,323	(60,793,818)	9,738,881	114,724,699	108,178,578	1,273,766	5,272,356	107,650,585	1,230,210	7,281,402	108,706,571	1,317,322	3,263,310
11	DEFD STATE INCOME TAXES	7,212,662	5,185,328			6,198,995	6,198,995	0	0	7,212,662	-	-	5,185,328	-	-
11.01	SFAS 109 - DEFD STATE INCOME TAXES	88,559,273	98,833,410	(88,559,273)	(98,833,410)	0									
12	TOTAL ACCOUNT 283	272,727,950	207,567,061	(149,353,091)	(89,094,529)	120,923,694	114,377,573	1,273,766	5,272,356	114,863,247	1,230,210	7,281,402	113,891,899	1,317,322	3,263,310
13	ACCOUNT 283 - ARO-Related Deferals	23,550,132	25,024,780	0	0	24,287,455	24,287,456	0	0	23,550,132	0	0	25,024,780	0	0
14	JURISDICTIONAL AMOUNTS FUNCTIONALIZED														
15	TOTAL COMPANY AMOUNTS FUNCTIONALIZED														
16	REFUNCTIONALIZED BASED ON JURISDICTIONAL PLANT														
17	NOTE: POST 1970 ACCUMULATED DEFERRED														
18	INV TAX CRED. (JDITC) IN A/C 255														
18.01		0	0			0	0	0	0						
18.02		0	0			0	0	0	0						
19															
20	TOTAL ACCOUNT 255	0	0	0	0	0	0	0	0	0	0	0	0	0	0

KENTUCKY POWER COMPANY
ACCUMULATED DEFERRED INCOME TAX IN ACCOUNT 190 - Actual Cycle Only
PERIOD ENDED DECEMBER 31, 2017

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 12/31/2016			FUNCTIONALIZATION 12/31/2017		
ACCUMULATED DEFERRED FIT ITEMS		BALANCE AS OF 12-31-2016	BALANCE AS OF 12-31-2017	BALANCE AS OF 12-31-2016	BALANCE AS OF 12-31-2017	(B+C+D+E)/2	GENERATION	TRANSMISSION	DISTRIBUTION	GENERATION	TRANSMISSION	DISTRIBUTION	GENERATION	TRANSMISSION	DISTRIBUTION
1	ACCOUNT 190:														
2.01	NOL & TAX CREDIT C/F - DEF TAX ASSET	0	275,406			137,703	113,583	4,532	19,589	-	-	-	227,165	9,064	39,177
2.02	INT EXP CAPITALIZED FOR TAX	8,188,898	8,120,138			8,154,518	4,064,182	2,461,796	1,628,540	4,129,202	2,444,463	1,615,233	3,999,163	2,479,128	1,641,848
2.03	CIAC - BOOK RECEIPTS	1,735,668	1,586,962			1,661,315	123,737	109,103	1,428,475	131,544	116,923	1,487,202	115,931	101,283	1,369,749
2.04	CUST ADV INC FOR TAX	(1,513)	(1,915)			(1,714)	0	0	(1,714)	-	-	(1,513)	-	-	(1,915)
2.05	DEFD FUEL EXP-CUR DEFL SET UP	0	0			0	0	0	0	-	-	-	-	-	-
2.06	DEFD FUEL ADJ-ACCRD UTIL REVS	0	0			0	0	0	0	-	-	-	-	-	-
2.07	DEFD FUEL ADJ-REG	0	0			0	0	0	0	-	-	-	-	-	-
2.08	PROVS POSS REV REFDs	644,214	975,261			809,738	69,532	740,206	0	88,663	555,552	-	50,401	924,861	-
2.09	MTM BK LOSS-A/L-TAX DEFL	0	0			0	0	0	0	-	-	-	-	-	-
2.10	MARK & SPREAD-DEFL-190-A/L	(142,819)	100,785			(21,017)	(21,017)	0	0	(142,819)	-	-	100,785	-	-
2.11	PROV WORKER'S COMP	1,066,532	1,091,989			1,079,260	634,019	25,622	419,620	690,871	26,948	348,712	577,166	24,295	490,528
2.12	ACCRUED BK PENSION EXPENSE	(16,026,954)	(15,833,476)			(15,930,215)	(12,212,961)	(130,189)	(3,587,066)	(12,228,280)	(139,491)	(3,659,183)	(12,197,642)	(120,887)	(3,514,948)
2.13	SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN	50,133	53,257			51,695	56	0	51,639	53	-	50,079	59	-	53,198
2.14	ACCRD SUP EXEC RETIR PLAN COSTS-SFAS 158	(45,508)	(26,185)			(35,846)	(33)	0	(35,814)	(53)	-	(45,455)	(12)	-	(26,173)
2.15	ACCRD BK SUP. SAVINGS PLAN EXP	18,900	12,639			15,769	8,183	0	7,586	7,897	-	11,003	8,469	-	4,169
2.16	ACCRUED PSI PLAN EXP	294,803	267,276			281,039	59,356	0	221,684	61,433	-	233,371	57,279	-	209,997
2.17	BK PROV UNCOLL ACCTS	23,365	15,290			19,327	0	1,500	17,827	0	3,001	20,364	0	(0)	15,290
2.18	PROV-TRADING CREDIT RISK - A/L	417	(55)			181	181	0	0	417	-	-	(55)	-	-
2.19	PROV-FAS 157 - A/L	(2)	0			(1)	(1)	0	0	(2)	-	-	-	-	-
2.20	PREL SURVEY&INVEST RESERVE-BIG SANDY FGD	(0)	(0)			0	(0)	0	0	(0)	-	-	(0)	-	-
2.21	DEFD COMPENSATION-BOOK EXPENSE	0	0			0	0	0	0	-	-	0	-	-	0
2.22	ACCRD COMPANY INCENT PLAN-ENGAGE TO GAIN	0	0			0	0	0	0	-	-	-	-	-	-
2.23	ACCRD COMPANYWIDE INCENTV PLAN	2,201,924	1,005,733			1,603,828	902,170	106,835	594,823	1,209,041	106,687	886,195	595,299	106,983	303,451
2.24	ACCRUED BOOK VACATION PAY	1,321,163	1,260,339			1,290,751	778,387	(23,420)	535,783	824,369	(23,603)	520,396	732,405	(23,236)	551,170
2.25	(ICDP)-INCENTIVE COMP DEFERRAL PLAN	0	1,751			876	0	0	876	-	-	0	-	-	1,751
2.26	ACCRUED BK SEVERANCE BENEFITS	344,280	(0)			172,140	146,590	0	25,550	293,180	-	51,100	-	-	(0)
2.27	ECONOMIC DEVEL FUND - CURRENT	109,940	81,848			95,894	95,894	0	0	109,940	-	-	81,848	-	-
2.28	ECONOMIC DEVEL FUND - NON-CURRENT	61,158	0			30,579	30,579	0	0	61,158	-	-	-	-	-
2.29	ACCRUED INTEREST EXP - STATE	(7,302)	(7,302)			(7,302)	(7,302)	0	0	(7,302)	-	-	(7,302)	-	-
2.30	ACCRUED INTEREST-LONG-TERM - FIN 48	(7,258)	(35,651)			(21,454)	(10,314)	(5,195)	(5,946)	(8,617)	(223)	1,583	(12,011)	(10,166)	(13,474)
2.31	ACCRUED INTEREST-SHORT-TERM - FIN 48	1,451	2,152			1,802	621	121	1,060	501	97	854	742	144	1,266
2.32	ACCRUED STATE INCOME TAX EXP	(1,005,587)	(1,005,587)			(1,005,587)	(1,144,293)	490,296	(351,590)	(1,144,293)	490,296	(351,590)	(1,144,293)	490,296	(351,590)
2.33	PROV LOSS-CAR CHG-PURCHASD EMA	127,206	127,206			127,206	127,206	0	0	127,206	-	-	127,206	-	-
2.34	FEDERAL MITIGATION PROGRAMS	582,739	251,121			416,930	416,930	0	0	582,739	-	-	251,121	-	-
2.35	STATE MITIGATION PROGRAMS	0	0			0	0	0	0	0	-	-	0	-	-
2.36	DEFD STORM DAMAGE	(4,507,838)	(3,657,618)			(4,082,728)	0	0	(4,082,728)	-	-	(4,507,838)	-	-	(3,657,618)
2.37	TAX > BOOK BASIS - EMA-A/C 190	111,851	111,851			111,851	111,851	0	0	111,851	-	-	111,851	-	-
2.38	DEFD TX LOSS-INTERCO SALE-EMA	7,752	7,752			7,752	7,752	0	0	7,752	-	-	7,752	-	-
2.39	DEFD REV-BONUS LEASE SHORT-TERM	151,047	151,047			151,047	151,047	0	0	151,047	-	-	151,047	-	-
2.40	DEFD REV-BONUS LEASE LONG-TERM	201,397	50,349			125,873	125,873	0	0	201,397	-	-	50,349	-	-
2.41	DEFD BOOK GAIN-EPA AUCTION	0	0			0	0	0	0	-	-	-	-	-	-
2.42	REG LIAB-UNREAL MTM GAIN-DEFL	(4,868)	28,651			11,892	11,892	0	0	(4,868)	-	-	28,651	-	-
2.43	DEFD BK CONTRACT REVENUE	26,789	22,045			24,417	0	24,417	0	-	26,789	-	-	22,045	-
2.44	ADVANCE RENTAL INC (CUR MO)	29,146	34,782			31,964	0	0	31,964	-	-	29,146	-	-	34,782
2.45	REG ASSET-CCS FEED STUDY RESERVE	(0)	(0)			0	(0)	0	0	(0)	-	-	(0)	-	-
2.46	CAPITALIZED SOFTWARE COSTS-TAX	(31,501)	(30,786)			(31,143)	112	(11)	(31,244)	12	(35)	(31,478)	212	13	(31,010)
2.47	ACCRD SFAS 106 PST RETIRE EXP	(2,813,829)	(3,490,436)			(3,152,132)	(1,316,102)	(289,095)	(1,546,935)	(1,146,489)	(253,525)	(1,413,815)	(1,485,715)	(324,665)	(1,680,056)
2.48	SFAS 106 PST RETIRE EXP - NON-DEDUCT CONT	241,913	241,913			241,913	(896,705)	110,630	1,027,988	(896,705)	110,630	1,027,988	(896,705)	110,630	1,027,988
2.49	ACCRD OPEB COSTS - SFAS 158	813,600	(2,030,933)			(608,667)	(1,012,676)	200,550	203,460	(245,592)	206,626	852,566	(1,779,760)	194,474	(445,646)
2.50	ACCRD SFAS 112 PST EMPLOY BEN	1,842,903	1,557,106			1,700,004	1,009,188	11,762	679,054	1,168,722	16,631	657,550	849,655	6,894	700,557
2.51	ACCRD BOOK ARO EXPENSE - SFAS 143	22,047,989	17,933,374			19,990,682	19,964,598	0	26,084	22,022,654	-	25,336	17,906,543	-	26,832
2.52	SFAS 106 - MEDICARE SUBSIDY - NORM - (PPACA)	(580,407)	(580,407)			(580,407)	0	0	0	(580,407)	-	-	(580,407)	-	-
2.53	GROSS RECEIPTS- TAX EXPENSE	24,975	24,975			24,975	24,975	0	0	24,975	-	-	24,975	-	-
2.54	FIN 48 - DEFD STATE INCOME TAXES	(23,931)	(23,263)			(23,597)	(11,063)	(1,178)	(11,355)	(11,405)	(1,164)	(11,361)	(10,722)	(1,192)	(11,349)
2.55	ACCRD SIT/FRANCHISE TAX RESERVE	0	0			0	0	0	0	-	-	-	-	-	-
2.56	ACCRD SALES & USE TAX RESERVE	0	0			0	0	0	0	-	-	-	-	-	-
2.57	ACCRD SIT TX RESERVE-LNG-TERM-FIN 48	12,198	12,198			12,198	6,761	471	4,966	6,761	471	4,966	6,761	471	4,966
2.58	ACCRD SIT TX RESERVE-SHRT-TERM-FIN 48	9,778	9,729			9,753	3,375	651	5,728	3,393	651	5,734	3,357	651	5,722
2.59	DEFD STATE INCOME TAXES	2,524,432	1,814,865			2,169,648	2,169,648	0	0	2,524,432	-	-	1,814,865	-	-
2.60	NOL - DEFERRED TAX ASSET RECLASS	0	44,523			22,262	22,140	0	122	-	-	-	44,279	-	244
2.61	1991-1996 IRS AUDIT SETTLEMENT	58,025	58,025			58,025	0	0	58,025	-	-	58,025	-	-	58,025
2.62	IRS CAPITALIZATION ADJUSTMENT	95,726	77,136			86,431	158,567	0	(72,136)	167,862	-	(72,135)	149,272	-	(72,136)
2.63	RESTRICTED STOCK PLAN	0	31,353			15,677	3,594	0	12,082	-	-	-	7,188	-	24,165
2.64	PSI - STOCK BASED COMP	0	27,158			13,579	3,003	0	10,576	-	-	-	6,006	-	21,152
2.65	AMT CREDIT - DEFERRED	14,108	14,108			14,108	6,043	8,065	0	6,043	8,065	-	6,043	8,065	-
2.66	NON-UTILITY DEFERRED FIT	1,546,403	1,003,953	(1,546,403)	(1,003,953)	0									
2.67	SFAS 109 FLOW-THRU 190.3	30,990,366	20,751,439	(30,990,366)	(20,751,439)	0									
2.68	SFAS 109 EXCESS DFIT 190.4	262,382	56,371,075	(262,382)	(56,371,075)	0									
2.69	SFAS 133 ADIT FED - SFAS NONAFFIL 1900006	0	0	0	0	0									
2.70	ADIT FED - PENSION OCI NAF 1900009	0	0	0	0	0									
2.71	ADIT FED - PENSION OCI NAF 1900010	753,011	315,751	(753,011)	(315,751)	0									
2.72	ADIT FED - NON-UMWA PRW OCI NAF 1900011	(45,376)	(400,110)	45,376	400,110	0									
2.73	ADIT-FED-HDG-CF-INT RATE1900015	21,690	0	(21,690)	0	0									
2.74	DEFERRED SIT 1901002	5,310,754	9,030,721			7,170,737	7,170,737	0	0	5,310,754	-	-	9,030,721	-	-
2.75		0	0			0	0	0	0						
3	TOTAL ACCOUNT 190	58,626,333	97,831,309	(33,528,475)	(78,042,108)	22,443,529	21,309,489	3,847,468	(2,713,428)	23,609,035	3,695,789	(2,206,966)	19,009,943	3,999,147	(3,219,890)
4	ACCOUNT 190 - ARO-Related Deferrals	22,047,989	17,933,374	0	0	19,990,682	19,964,598	0	26,084	22,022,654	0	25,336	17,906,543	0	26,832

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, 2017	Balance @ December 31, 2016	Average Balance for 2017				
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c) & (b)	39,349	334,793	187,071			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c) & (b)	25,180	21,998	23,589			
4	Stores Expense (Undistributed) - Account 163	FF1, p. 227, ln 16, Col. (c) & (b)	0	0	-			

Prepayment Balance Summary (Note 1)

		<u>Average of YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Transmission Plant Related</u>	<u>Transmission Labor Related</u>	<u>Total Included in Ratebase (E)+(F)+(G)</u>
5							
6	Totals as of December 31, 2017	8,448,553	(53,189,122)	0	813,562	60,824,113	61,637,675
7	Totals as of December 31, 2016	<u>2,046,416</u>	<u>(57,736,214)</u>		<u>871,176</u>	<u>58,911,455</u>	<u>59,782,631</u>
8	Average Balance	<u>5,247,485</u>	<u>(55,462,668)</u>	-	<u>842,369</u>	<u>59,867,784</u>	<u>60,710,153</u>

Prepayments Account 165 - Balance @ 12/31/2017

			2017		100%	Transmission	Transmission	Total Included	
9	Acc. No.	Description	YE Balance	Excludable	Transmission	Plant	Labor	in Ratebase	
				Balances	Related	Related	Related	(E)+(F)+(G)	Explanation
10	1650001	Prepaid Insurance	490,862	-		490,862		490,862	Plant Related Insurance Policies
11	1650005	Prepaid Employee Benefits	0	-				-	Health Savings Program
12	1650006	Other Prepayments	585,340	585,340				-	Distribution Prepayments
13	165000217	Prepaid Taxes	603,550	603,550			-	-	Prepaid Taxes-Distribution
14	1650009	Prepaid Carry Cost-Factored AR	28,361	28,361				-	AR Factoring - Retail Only
15	1650017	Prepayment-Coal	6,022,662	6,022,662				-	Coal
16	1650010	Prepaid Pension Benefits	48,701,091				48,701,091	48,701,091	Prefunded Pension Expense
17	1650014	FAS 158 Qual Contra Asset	(48,701,091)	(48,701,091)				-	SFAS 158 Offset
18	1650016	FAS 112 ASSETS	0	-				-	
19	165001217	Prepaid Use Taxes	60,944	60,944				-	Use Taxes-Distribution
20	165001117	Prepaid Sales Taxes	317,183	317,183				-	Sales Taxes-Distribution
21	1650021	Prepaid Insurance - EIS	322,700	-		322,700		322,700	Prepaid Ins. - EIS
22	1650023	Prepaid Lease	16,951	16,951				-	Distribution Lease
23	1650031	Prepaid OCIP Work Comp	0	-				-	
24	1650033	Prepaid OCIP Work Comp-Aff	0	-				-	
25	1650035	PRW Without Med-D Benefits	12,123,022	-			12,123,022	12,123,022	Med-D Benefits
26	1650036	PRW for Med-D Benefits	0	-				-	
27	1650037	FAS 158 Contra-PRW Exc Med-D	(12,123,022)	(12,123,022)				-	SFAS 158 Offset
28				-				-	
29				-	-			-	
30									
31				-	-			-	
	Subtotal - Form 1, p 111.57.c		8,448,553	(53,189,122)	0	813,562	60,824,113	61,637,675	

Prepayments Account 165 - Balance @ 12/31/ 2016

	2016 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
32	Acc. No.	Description					
33	1650001	Prepaid Insurance	540,046	-	540,046	540,046	Plant Related Insurance Policies
34	1650005	Prepaid Employee Benefits	74,500	74,500	-	-	Employee Benefits
35	1650006	Other Prepayments	102,252	102,252	-	-	Distribution Prepayments
36	165000216	Prepaid Taxes	563,400	563,400	-	-	Prepaid Fees-Distribution
37	1650009	Prepaid Carry Cost-Factored AR	49,600	49,600	-	-	AR Factoring - Retail Only
38	1650010	Prepaid Pension Benefits	49,155,808	-	49,155,808	49,155,808	Prefunded Pension Expense
39	1650014	FAS 158 Qual Contra Asset	(49,155,808)	(49,155,808)	-	-	SFAS 158 Offset
40	1650016	FAS 112 ASSETS	0	-	-	-	
41	165001216	Prepaid Use Taxes	46,292	46,292	-	-	Use Taxes-Distribution
42	165001116	Prepaid Sales Taxes	319,787	319,787	-	-	Sales Taxes-Distribution
43	1650021	Prepaid Insurance - EIS	331,130	-	331,130	331,130	Prepaid Ins. - EIS
44	1650023	Prepaid Lease	19,410	19,410	-	-	Distribution Lease
45	1650035	PRW Without Med-D Benefits	9,755,647	-	9,755,647	9,755,647	Med-D Benefits
46	1650036	PRW for Med-D Benefits	0	-	-	-	
47	1650037	FAS 158 Contra-PRW Exc Med-D	(9,755,647)	(9,755,647)	-	-	SFAS 158 Offset
	Subtotal - Form 1, p 111.57.d		2,046,416	(57,736,214)	871,176	58,911,455	59,782,631

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 due 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) 2017</u>
1	Net Funds from IPP Customers 12/31/2016 (2017 FORM 1, P269)	(296,781)
2	Interest Accrual (Company Records - Note 1)	(11,583)
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 12/31/2017 (2017 FORM 1, P269)	(308,364)
8	Average Balance for Year as Indicated in Column B ((ln 1 + ln 7)/2)	(302,573)

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

Formula Rate
KPCO WS E Rev Credits
Page 15 of 31

<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)	4,403,192	4,403,192	-
2	Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	762,517	748,961	13,556
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	6,128,139	5,728,580	399,558
4	Account 4560015, Associated Business Development - (Company Records - Notes 1, 2)	160,933	160,933	-
5	Account 456 - Other Electric Revenues - (Company Records - Notes 1,2)	43,757,474	43,757,474	-
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))	55,212,254	54,799,140	413,114
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	-	-	-
8	Total Other Operating Revenues To Reduce Revenue Requirement	55,212,254	54,799,140	413,114

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	Item No.	Description	2017	100%	100%	
Number			Expense	Non-Transmission	Transmission	Explanation
					Specific	
Regulatory O&M Deferrals & Amortizations						
1	No Applicable Charges for KP					
2						
3						
4	Total		0			
Detail of Account 561 Per FERC Form 1						
5						
6	FF1 p 321.85.b 561.1 - Load Dispatch - Reliability		1,930			
7	FF1 p 321.86.b 561.2 - Load Dispatch - Monitor & Operate Trans System		402,602			
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		1,102,321			
10	FF1 p 321.89.b 561.5 - Reliability, Planning and Standards Development		77,254			
11	FF1 p 321.90.b 561.6 - Transmission Service Studies		4			
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 Sen		349,027			
14	Total of Account 561		1,933,138			
Account 928						
15	9280000	Regulatory Commission Exp	576	576	-	
16	9280001	Regulatory Commission Exp-Adm	-	-	-	
17	9280002	Regulatory Commission Exp-Case	4,096,808	4,096,808	-	
18	9280005	Reg Com Exp - FERC Trans	21,148	-	21,148	
19					-	
20	Total (FERC Form 1 p.323.189.b)		4,118,532	4,097,384	21,148	
Account 930.1						
21	9301000	General Advertising Expenses	11,521	11,521	-	
22	9301001	Newspaper Advertising Space	389,557	389,557	-	
23	9301002	Radio Station Advertising Time	-	-	-	
24	9301003	TV Station Advertising Time	-	-	-	
25	9301006	Spec Corporate Comm Info Proj	-	-	-	
26	9301010	Publicity	897	897	-	
27	9301011	Dedications, Tours, & Openings	-	-	-	
28	9301012	Public Opinion Surveys	87,015	87,015	-	
29	9301014	Video Communications	(954)	(954)	-	
30	9301015	Other Corporate Comm Exp	13,639	13,639	-	
31				-	-	
32				-	-	
33				-	-	
34				-	-	
35				-	-	
36				-	-	
37	Total (FERC Form 1 p.323.191.b)		501,675	501,675	-	
Account 930.2						
38	9302000	Misc General Expenses	215,204	215,204	-	
39	9302003	Corporate & Fiscal Expenses	11,123	11,123	-	
40	9302004	Research, Develop&Demonstr Exp	163	163	-	
41	9302006	Assoc Business Development Materials Sold	9,559	9,559	-	
42	9302007	Assoc Business Development Exp	52,366	46,203	6,163	
43	9302458	AEPSC nonaffiliated expense	-	-	-	
44				-	-	
45	Total (FERC Form 1 p.323.192.b)		288,415	282,252	6,163	

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	6.00%	
Apportionment Factor - Note 1	74.38%	
Effective State Tax Rate		4.46%
West Virginia Net Income Tax Rate	6.50%	
Apportionment Factor - Note 1	21.99%	
Effective State Tax Rate		1.43%
Michigan Business Income Tax Rate	6.00%	
Apportionment Factor - Note 1	0.04%	
Effective State Tax Rate		0.00%
Illinois Corporation Income Tax Rate	9.50%	
Apportionment Factor - Note 1	1.26%	
Effective State Tax Rate		0.12%
State #5 Income Tax Rate		
Apportionment Factor - Note 1		
Effective State Tax Rate		0.00%
State #6 Income Tax Rate		
Apportionment Factor - Note 1		
Effective State Tax Rate		0.00%
Total Effective State Income Tax Rate		6.01%

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	Revenue Taxes					
2	Gross Receipts Tax	(343,451)				(343,451)
3	Real Estate and Personal Property Taxes					
4	Real and Personal Property - West Virginia	10,246,125	10,246,125			
5	Real and Personal Property - Virginia	3,456,497	3,456,497			
6	Real and Personal Property - Tennessee	-	-			
7	Real and Personal Property - Other Jurisdictions	-	-			
8	Payroll Taxes					
9	Federal Insurance Contribution (FICA)	1,948,756		1,948,756		
10	Federal Unemployment Tax	11,110		11,110		
11	State Unemployment Insurance	27,730		27,730		
12	Production Taxes					
13	State Severance Taxes	-				-
14	Miscellaneous Taxes					
15	List Individual Taxes Here	5,853,347				5,853,347
16		1,166,950			1,166,950	
17		1,634,538			1,634,538	
18		385			385	
19		-			-	
20		96,992				96,992
21		7,902				7,902
22		-				-
23						
24	Total Taxes by Allocable Basis	24,106,881	13,702,622	1,987,596	2,801,873	5,614,790

(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	Transmsission	Distribution	General	Total	
25	Functionalized Net Plant (TCOS, Lns 41 thru 46)	742,209,794	379,402,957	563,044,733	29,205,586	1,713,863,070
KENTUCKY JURISDICTION						
26	Percentage of Plant in KENTUCKY JURISDICTION	14.13%	98.34%	100.00%	99.91%	
27	Net Plant in KENTUCKY JURISDICTION (Ln 25 * Ln 26)	104,874,244	373,104,868	563,044,733	29,179,301	1,070,203,145
28	Less: Net Value of Exempted Generation Plant	9,661,112				
29	Taxable Property Basis (Ln 27 - Ln 28)	95,213,132	373,104,868	563,044,733	29,179,301	1,060,542,033
30	Relative Valuation Factor	33.00%	100.00%	100.00%	100.00%	
31	Weighted Net Plant (Ln 29 * Ln 30)	31,420,334	373,104,868	563,044,733	29,179,301	
32	General Plant Allocator (Ln 31 / (Total - General Plant))	3.25%	38.56%	58.19%	-100.00%	
33	Functionalized General Plant (Ln 32 * General Plant)	947,553	11,251,837	16,979,911	(29,179,301)	-
34	Weighted KENTUCKY JURISDICTION Plant (Ln 31 + 33)	32,367,887	384,356,705	580,024,644	(0)	996,749,235
35	Functional Percentage (Ln 34/Total Ln 34)	3.25%	38.56%	58.19%		
WEST VIRGINIA JURISDICTION						
36	Percentage of Plant in WEST VIRGINIA JURISDICTION	85.87%	1.66%	0.00%	0.09%	
37	Net Plant in WEST VIRGINIA JURISDICTION (Ln 25 * Ln 36)	637,335,551	6,298,089	-	26,285	643,659,925
38	Less: Net Value of Exempted Generation Plant	426,691,048				
39	Taxable Property Basis (Ln 37 - Ln 38)	210,644,503	6,298,089	-	26,285	216,968,877
40	Relative Valuation Factor	100.00%	100.00%	100.00%	100.00%	
41	Weighted Net Plant (Ln 39 * Ln 40)	210,644,503	6,298,089	-	26,285	
42	General Plant Allocator (Ln 41 / (Total - General Plant))	97.10%	2.90%	0.00%	-100.00%	
43	Functionalized General Plant (Ln 42 * General Plant)	25,522	763	-	(26,285)	-
44	Weighted WEST VIRGINIA JURISDICTION Plant (Ln 41 + 43)	210,670,025	6,298,852	-	0	216,968,877
45	Functional Percentage (Ln 44/Total Ln 44)	97.10%	2.90%	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

Line No.	(A) Annual Tax Expenses by Type (Note 1)	(B) Total Company	(C) FERC FORM 1 Tie-Back	(D) FERC FORM 1 Reference
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1	Revenue Taxes			
2	Gross Receipts Tax	(343,451)		
			21,227	P.263 ln 38 (i)
			21,227	P.263 ln 39 (i)
			(14,498)	P.263.2 ln 12 (i)
			14,554	P.263.2 ln 13 (i)
			(385,961)	P.263.2 ln 14 (i)

	(A) Real Estate and Personal Propety Tax Detail Annual Tax Expenses by Type (Note 1)	(B) Tax Year	(C) Total Company	(D) FERC FORM 1 Tie-Back	(E) FERC FORM 1 Reference	(F) Tax Year Factor (Note 2)	(G) Transmission Function (Note 2)
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3	Real Estate and Personal Property Taxes Total (Ln 4 + Ln 5 + Ln 6 + Ln 7)		13,702,622				4,108,200
4	Real and Personal Property - Kentucky		10,246,125				4,005,571
		2013		(127)	P.263.1 ln 8 (i)	37.91%	(48)
		2015		(597,916)	P.263.1 ln 9 (i)	41.04%	(245,363)
		2016		10,551,019	P.263.1 ln 10 (i)	39.22%	4,138,019
		2016		(11,843)	P.263.1 ln 13 (i)	39.22%	(4,645)
		2017		280,992	P.263.1 ln 14 (i)	38.56%	108,353
		2017		24,000	P.263.1 ln 17 (i)	38.56%	9,255
							-
							-
							-
5	Real and Personal Property - West Virginia		3,456,497				102,629
		2015		1,666,923	P.263.1 ln 37 (i)	2.89%	48,139
		2016		1,785,969	P.263.1 ln 38 (i)	3.05%	54,386
		2016		(965)	P.263.1 ln 40 (i)	3.05%	(29)
		2017		4,570	P.263.2 ln 1 (i)	2.90%	133
							-
							-
							-
							-
							-
6	Real and Personal Property - Other Jurisdictions		-				-
				-			-
				-			-
				-			-
				-			-
				-			-
7	Real and Personal Property - Other Jurisdictions		-				-
							-
							-

Line No.	(A) Annual Tax Expenses by Type (Note 1)	(B) Total Company	(C) FERC FORM 1 Tie-Back	(D) FERC FORM 1 Reference
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8	Payroll Taxes			
9	Federal Insurance Contribution (FICA)	1,948,756	1,948,756	P.263 ln 5 (i)
10	Federal Unemployment Tax	11,110	11,110	P.263 ln 6 (i)
11	State Unemployment Insurance	27,730	13,065	P.263 ln 31 (i)
			14,665	P.263.2 ln 9 (i)
12	Production Taxes	-		
13	State Severance Taxes		-	
14	Miscellaneous Taxes			
15	State Business & Occupation Tax	5,853,347	(1)	P.263.1 ln 34 (i)
			5,853,348	P.263.1 ln 35 (i)
16	State Public Service Commission Fees	1,166,950	563,400	P.263 ln 36 (i)
			603,550	P.263 ln 37 (i)
17	State Franchise Taxes	1,634,538	626,959	P.263 ln 26 (i)
			958,000	P.263 ln 27 (i)
			59,836	P.263.1 ln 28 (i)
			(10,257)	P.263.1 ln 29 (i)
18	State Lic/Registration Fee	385	25	P.263 ln 29 (i)
			300	P.263 ln 30 (i)
			15	P.263 ln 34 (i)
			20	P.263.2 ln 4 (i)
			25	P.263.2 ln 7 (i)
19	Misc. State and Local Tax	-		
20	Sales & Use	96,992	43,874	P.263.1 ln 1 (i)
			53,118	P.263.1 ln 2 (i)
21	Federal Excise Tax	7,902	1,191	P.263 ln 8 (i)
			6,711	P.263 ln 9 (i)
22	Michigan Single Business Tax	-		
23	Total Taxes by Allocable Basis	24,106,881	24,106,881	

(Total Company Amount Ties to FFI p.114, Ln 14,(c))

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 2017 FF1 Balances
Worksheet I RESERVED FOR FUTURE USE
KENTUCKY POWER COMPANY

AEP East Companies
Cost of Service Formula Rate Using 2017 FF1 Balances
Worksheet K Supporting Calculation of TRUE-UP PJM RTEP Project Revenue Requirement Billed to Benefiting Zones
KENTUCKY POWER COMPANY

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

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

ROE w/o incentives (TCOS, ln 156)			11.49%
Project ROE Incentive Adder			0
ROE with additional 0 basis point incentive			11.49%
Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the TCOS, lns 154 through156)			
	%	Cost	Weighted cost
Long Term Debt	56.50%	5.09%	2.875%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	43.50%	11.49%	4.998%
		R =	7.873%

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPPROJECTS				
		Rev Require	W Incentives	Incentive Amounts
TRUE-UP YEAR	2017			
	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 2017	#N/A	#N/A	#N/A

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

Rate Base (TCOS, ln 68)	300,131,983
R (from A. above)	7.873%
Return (Rate Base x R)	23,629,529

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

Return (from B. above)	23,629,529
Effective Tax Rate (TCOS, ln 114)	40.43%
Income Tax Calculation (Return x CIT)	9,553,646
ITC Adjustment	(362)
Excess Deferred Income Tax	(49,144)
Tax Affect of Permanent Differences	2,215,254
Income Taxes	11,719,393

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

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

Annual Revenue Requirement (TCOS, ln 1)	63,322,931
Lease Payments (TCOS, Ln 95)	-
Return (TCOS, ln 126)	23,629,529
Income Taxes (TCOS, ln 125)	11,719,393
Annual Revenue Requirement, Less Lease Payments,	27,974,010
Return and Taxes	

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

Annual Revenue Requirement, Less Lease Payments, Return and Taxes	27,974,010
Return (from I.B. above)	23,629,529
Income Taxes (from I.C. above)	11,719,393
Annual Revenue Requirement, with 0 Basis Point ROE increase	63,322,931
Depreciation (TCOS, ln 100)	15,021,441
Annual Rev. Req. w/ 0 Basis Point ROE increase, less	48,301,491
Depreciation	

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

Net Transmission Plant (TCOS, ln 42)	374,573,491
Annual Revenue Requirement, with 0 Basis Point ROE increase	63,322,931
FCR with 0 Basis Point increase in ROE	16.91%
Annual Rev. Req. w / 0 Basis Point ROE increase, less Dep.	48,301,491
FCR with 0 Basis Point ROE increase, less Depreciation	12.90%
FCR less Depreciation (TCOS, ln 10)	12.90%
Incremental FCR with 0 Basis Point ROE increase, less	0.00%
Depreciation	

III. Calculation of Composite Depreciation Rate

Average Transmission Plant Balance for 2017 (TCOS, ln 21)	566,724,484
Annual Depreciation and Amortization Expense (TCOS, ln 100)	15,021,441
Composite Depreciation Rate	2.65%
Depreciable Life for Composite Depreciation Rate	37.73
Round to nearest whole year	38

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

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

A. Base Plan Facilities

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

Project Description:

2017	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]

Project Totals -

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

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

AEP East Companies
Cost of Service Formula Rate Using 2017 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

		Average Balance of Common Equity				
Line No	Month (a)	Proprietary Capital (b)	Less: Preferred Stock (c)	Less Undistributed Sub Earnings (Acct 216.1) (d)	Less AOCI (Acct 219.1) (e)	Average Balance of Common Equity (f)=(b)-(c)-(d)-(e)
	(Note A)	(FF1 112.16)	(FF1 250-251)	(FF1 112.12)	(FF1 112.15)	
1	December Prior to Rate Year	668,401,428	-	-	(1,354,460)	669,755,888
2	January					
3	February					
4	March					
5	April					
6	May					
7	June					
8	July					
9	August					
10	September					
11	October					
12	November					
13	December of Rate Year	670,262,743	-	-	261,112	670,001,631
14	Average of the Beginning and End Year Balances	669,332,086	-	-	(546,674)	669,878,760

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							
17	February							
18	March							
19	April							
20	May							
21	June							
22	July							
23	August							
24	September							
25	October							
26	November							
27	December of Rate Year		-	-	-	870,000,000	-	870,000,000
28	Average of the Beginning and End Year 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	Annual Interest Expense for 2017						
30	Interest on Long Term Debt - Accts 221 - 224 (256-257.33.i)			42,982,017			
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.			61,972			
32	Plus: Allowed Hedge Recovery From Ln 55 below.			61,972			
33	Amort of Debt Discount & Expense - Acct 428 (117.63.c)			1,250,623			
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	Total Interest Expense (Ln 30 - 31 + 33 + 34 - 35 - 36)			44,266,291			
38	Average Cost of Debt for 2017 (Ln 37/ Ln 28 (g))			5.09%			

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 2017	Less Excludable Amounts (See NOTE on Line 39)	Net Includable Hedge Amount	Remaining Unamortized Balance	Beginning September 2007	Ending September 2007
40	Senior Unsecured Notes - Series E	61,972	-	61,972	-		
41				-			
42				-			
43				-			
44				-			
45				-			
46				-			
47				-			
48				-			
49					-		
50	Total Hedge Amortization	61,972	-				
51	Hedge Gain or Loss Prior to Application of Recovery Limit (Sum of Lines 40 to 48)			61,972			
52	Total Average Capital Structure Balance for 2017 (TCOS, Ln 157)			1,539,878,760			
53	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005			
54	Limit of Recoverable Amount			769,939			
55	Recoverable Hedge Amortization (Lesser of Ln 51 or Ln 54)			61,972			

Development of Cost of Preferred Stock

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

62 0% Series - - Par Value (p. 250-251)			
63 0% Series - - Shares O/S (p.250-251)			
64 0% Series - - Monetary Value (Ln 62 * Ln 63)	-	-	-
65 0% Series - - Dividend Amount (Ln 61 * Ln 64)	-	-	-
66 0% Series - - Dividend Rate (p. 250-251)			
67 0% Series - - Par Value (p. 250-251)			
68 0% Series - - Shares O/S (p.250-251)			
69 0% Series - - Monetary Value (Ln 67 * Ln 68)	-	-	-
70 0% Series - - 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 2017		-		-	

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 2017

		Total Company Amount						
Line#	Company	Actual Expense (Including AEPSC Billed OPEB)	Ratio of Company Actual to Total	Allocation of PBOP Recovery Allowance	Labor Allocator for 2017	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	(10,786,934)	35.95%	(45,673,479)	8.501%	(917,029)	(3,882,836)	2,965,807
3	I&M	(8,341,369)	27.80%	(35,318,595)	3.875%	(323,253)	(1,368,701)	1,045,448
4	KPCo	(2,497,070)	8.32%	(10,572,965)	7.390%	(184,544)	(781,386)	596,842
5	KNGP	(238,736)	0.80%	(1,010,844)	10.505%	(25,079)	(106,188)	81,109
6	OPCo	(7,704,846)	25.68%	(32,623,461)	11.590%	(892,964)	(3,780,944)	2,887,979
7	WPCo	(435,072)	1.45%	(1,842,161)	2.529%	(11,002)	(46,585)	35,583
8	Sum of Lines 2 to 7	(30,004,027)		(127,041,505)		(2,353,871)	(9,966,640)	7,612,769

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	(10,200,682)	(7,960,375)	(2,383,555)	(210,469)	(6,946,810)	(266,258)	(27,968,149)
10 Additional PBOP Ledger Entries (from Company Records)	222,743	181,345	119,014	(2,018)	(67,394)	(141,891)	
11 Medicare Subsidy	-	-	-	-	-	-	-
12 Net Company Expense (Ln 9 + Ln 10 + Ln 11)	(9,977,939)	(7,779,030)	(2,264,541)	(212,487)	(7,014,204)	(408,149)	(27,656,349)
13 PBOP Expenses From AEP Service Corporation (from Company Records)	(808,995)	(562,339)	(232,529)	(26,249)	(690,642)	(26,923)	(2,347,678)
14 Company PBOP Expense (Ln 12 + Ln 13)	(10,786,934)	(8,341,369)	(2,497,070)	(238,736)	(7,704,846)	(435,072)	(30,004,027)

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

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

Reference:

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

General Note

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.