APPENDIX G

DIRECT TESTIMONY AND EXHIBITS OF DONALD J. CLAYTON

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Pioneer Transmission, LLC	**)**	**Docket No. ER09-_____000**

DIRECT TESTIMONY AND EXHIBITS OF DONALD J. CLAYTON

October 15, 2008

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Pioneer Transmission, LLC) Docket No. ER09-_____000

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Donald J. Clayton. My business address is 301 Oxford Valley Drive, Suite 1604, Yardley, Pennsylvania 19067-7706.

Q. PLEASE IDENTIFY YOUR EMPLOYER.

A. I am employed by the firm of Tangibl, LLC.

Q. HOW LONG HAVE YOU BEEN ASSOCIATED WITH TANGIBL, LLC?

A. I have been associated with Tangibl, LLC since April 2007.

Q. WHAT IS YOUR POSITION WITH THE FIRM?

A. I am Vice President, Management Consulting.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I have Bachelor of Science and Masters of Business Administration degrees from Rensselaer Polytechnic Institute.

Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.

A. Throughout my career I have completed a wide range of assignments including depreciation studies for electric, gas, water, wastewater, thermal and railroad companies and cost of service and rate design studies for gas and water utilities. My detailed resume is attached as Exhibit No. PNR-601.

Q. DO YOU BELONG TO ANY PROFESSIONAL SOCIETIES?

A. Yes. I am a member of the Society of Depreciation Professionals.

Q. DO YOU HOLD ANY SPECIAL CERTIFICATION AS A DEPRECIATION EXPERT?

A. Yes. The Society of Depreciation Professionals has established national standards for depreciation professionals. The Society administers an examination to become certified in this field. I passed the certification exam in April of 2005.

Q. DO YOU PARTICIPATE IN THE ANNUAL TRAINING PROGRAMS OFFERED BY THE SOCIETY OF DEPRECIATION PROFESSIONALS?

A. Yes. I am an instructor at the annual depreciation training sessions offered by the society. I have taught the basic life analysis course for the last three years and the advanced course on preparing and defending a depreciation study in 2005.

Q. DO YOU HOLD ANY OTHER PROFESSIONAL CERTIFICATIONS?

A. Yes. I am a Registered Professional Engineer in Pennsylvania and I am a Chartered Financial Analyst.

Q. HAVE YOU HAD FORMAL TRAINING RELATING TO DEPRECIATION AND UTILITY ACCOUNTING?

A. Yes. I completed 5 one-week programs offered by Depreciation Programs, Inc. in the areas of actuarial and simulated life analysis, forecasting of life and net salvage, and preparing and managing depreciation studies. I have also completed utility accounting seminars offered by Price Waterhouse and Salomon Brothers.

Q. HAVE YOU PRESENTED EXPERT TESTIMONY IN RATE AND DEPRECIATION PROCEEDINGS BEFORE REGULATORY AGENCIES?

A. Yes. I testified before the Pennsylvania Public Utility Commission on behalf of

Duquesne Light Company concerning depreciation and rate base in Docket Nos. R-860378 and R-870651 and stranded cost and electric industry restructuring in Docket No. R-00974041. I testified before the Regulatory Commission of Alaska on behalf of the Anchorage Water and Wastewater Utility concerning contributed water and wastewater plant and depreciation in Docket Nos. U-04-22 and U-04-23. I have submitted direct and rebuttal testimony to the West Virginia Public Service Commission on the subjects of gas utility rate base, revenue requirements, cost of service and rate design in East Resources, Inc. Case Nos. 06-0445-G-42T and 08-0275-G-42T and electric company depreciation in Monongahela Power Company and Potomac Edison Case No. 06-1426-E-D. I have submitted direct testimony to the Federal Energy Regulatory Commission (FERC) related to depreciation of transmission plant on behalf of the Trans-Allegheny Interstate Line Company in Docket No. ER07-562-004 and on behalf of PATH Allegheny Transmission Company LLC and PATH West Virginia Transmission Company LLC in Docket No. ER08-386-000. I submitted direct testimony related to depreciation to Indiana Public Service Commission on behalf of Citizens Gas and Coke Utility in Cause No. 43201 and to the Corporation Commission of the State of Oklahoma in Cause No. PUD 200800144. I have appeared before the State Office of Administrative Hearings in Texas on the subjects of water utility revenue requirements, cost of service, rate design and cost of capital in Docket No. 582-08-0702 (Texas Commission on Environmental Quality Docket No. 2007-1649-UCR). I have also appeared before the Superior Court of Monmouth County New Jersey on behalf of International

Flavors and Fragrances (IFF) concerning cost of service and rate design for wastewater service.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I am supporting the initial depreciation rates for Pioneer Transmission, LLC (Pioneer).

Q. PLEASE DEFINE DEPRECIATION.

A. Depreciation, as applied to depreciable electric plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation and against which the company is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and the requirements of public authorities.

Depreciation, as used in utility accounting, is a method of distributing fixed capital costs, less net salvage, over a period of time by allocating annual amounts to expense. Normally the period of time over which the fixed capital cost is allocated to expense is equal to the period of time over which an item renders service.

Q. WHAT IS STRAIGHT LINE DEPRECIATION?

A. Straight line depreciation is a method of depreciation which seeks to allocate equal portions of an asset's service value (which is defined as cost less net salvage) to each accounting period within the asset's service life. For example if an asset has a 10

year service life and a 0% net salvage percentage 1/10 of the cost of the asset would be assigned to each accounting year. The straight line method may be applied to individual assets or groups of assets on either a whole life or remaining life basis.

Q. WHAT METHOD ARE YOU RECOMMENDING FOR THE PIONEER PROJECT?

A. I am recommending the straight line remaining life method of depreciation, with the average service life group procedure.

Q. PLEASE DESCRIBE THE AVERAGE SERVICE LIFE GROUP PROCEDURE FOR CALCULATING REMAINING LIFE ACCRUAL RATES.

A. The average service life group procedure is defined by the property group for which the remaining life annual accrual is determined. Under this procedure, the annual accrual rate is determined for the entire property group based on its average remaining life and this rate is applied to the surviving balance of the property group's original cost. The average remaining life of the property group is calculated by first dividing the future book accruals (original cost less allocated book reserve less future net salvage) by the average remaining life for each vintage. The average remaining life for each vintage is derived from the area under the survivor curve between the attained age of the vintage and the maximum age. Then, the sum of the future book accruals is divided by the sum of the annual accruals to determine the average remaining life of the entire property group for use in calculating the annual depreciation accrual rate.

Q. IS THE STRAIGHT LINE REMAINING LIFE METHOD WITH THE AVERAGE SERVICE LIFE PROCEDURE COMMONLY USED?

A. Yes. The straight line remaining life method with the average service life procedure is the most commonly used method in the electric industry.

Q. WHAT PARAMETERS MUST BE ESTIMATED TO CALCULATE STRAIGHT LINE REMIANING LIFE AVERAGE SERVICE LIFE DEPRECIATION ACCRUAL RATES?

A. In general average service lives, dispersion patterns (survivor curve) and net salvage percentages must be estimated to calculate depreciation accrual rates using the straight line remaining life method.

Q. WHAT INITIAL DEPRECIATION ACCRUAL RATES ARE YOU RECOMMENDING FOR THE PIONEER PROJECT?

A. The annual accrual rates that I am recommending are as follows:

Account	Survivor Curve	Net Salvage Percentage	Accrual Rate*
352 Structures and Improvements	55-R3	0	1.82%
353 Station Equipment	35-R2	15	2.43%
354 Towers and Fixtures	87-R2.5	-10	1.26%
355 Poles and Fixtures	37-L2	-15	3.11%
356 Overhead Conductor and Devices	80-R2.5	10	1.13%
357 Underground Conduit	55-S2	0	1.82%
358 Underground Conductor and Devices	25-L3	0	4.00%

* Accrual Rate (%) = (100-Net salvage %) / Avg. Remaining Life

Where: For new property the Average Service life = Average Remaining Life and is indicated by the numerical prefix of the survivor curve

Q. PLEASE PROVIDE A NUMERICAL EXAMPLE SHOWING HOW YOU USED THE SURVIVOR CURVES AND NET SALVAGE PERCENTAGE ESTIMATES IN THE INITIAL DEPRECIATION ACCRUAL RATE CALCULATIONS FOR THE PIONEER PROJECT.

A. From above, the estimated survivor curve and net salvage percentage for Account 354, Towers and Fixtures are the 87-R2.5 Iowa-type survivor curve and negative 10%. The formula for the initial accrual rate is:

Accrual Rate (%) = (100 –Net salvage %) / Average Remaining Life*

= (100-(-10)) / 87

= 110 / 87

= 1.26%

*For new property: Average Service Life = Average remaining Life and the Average Service Life in years is equal to the numerical prefix of the survivor curve estimate or, in this case, 87 years.

Q. WHAT IS THE BASIS FOR THE SERVICE LIFE AND NET SALVAGE PERCENTAGES USED IN DEVELOPING THE RECOMMENDEED DEPRECIATION ACCRUAL RATES FOR THE PIONEER PROJECT?

A. The depreciation rates for Pioneer are based on the service lives and net salvage percentages estimated for the transmission plant accounts in the most recent depreciation study prepared in-house by AEP for Appalachian Power Company (APCO). The APCO depreciation study is attached hereto as Exhibit No. PNR-602.

Q. WHY IS IT APPROPRIATE TO USE THE SERVICE LIVES AND NET SALVAGE PERCENTAGES FROM THE APCO STUDY FOR PIONEER TRANSMISSION, LLC?

A. Since the Pioneer facilities have yet to be constructed, there are no historical data to support an analysis of service life and net salvage characteristics specific to the Pioneer project. As such, it is necessary to base the initial service life and net salvage estimates on factors other than historical data. The results of the APCO study are appropriate because the Pioneer facilities will be similar to the existing APCO transmission facilities and will be operated in a manner similar to the APCO facilities.

Q. DID YOU PREPARE THE PORTIONS OF THE APCO DEPRECIATION STUDY YOU ARE RELYING UPON TO DEVELOP THE DEPRECIATION ACCRUAL RATES YOU ARE RECOMMENDING FOR THE PIONEER PROJECT?

A. No. The APCO depreciation study was prepared in-house by American Electric Power Company, Inc. (AEP).

Q. DID YOU REVIEW THE APCO DEPRECIATION STUDY?

A. Yes. I conducted a detailed review of the APCO depreciation study in connection with my testimony in FERC Docket No. ER08-386-000 related to the PATH transmission project.

Q. DID FERC ACCEPT THE DEPRECIATION RATES YOU PROPOSED FOR THE PATH TRANSMISSION PROJECT BASED ON THE APCO DEPRECIATION STUDY?

A. Yes.

Q. BASED ON YOUR REVIEW OF THE IN-HOUSE STUDY PREPARED BY AEP FOR APCO, DID AEP FOLLOW GENERALLY ACCEPTED PRACTICES IN THE FIELD OF DEPRECIATION?

A. Yes.

Q. ARE THE METHODS AND PROCEDURES USED IN THE APCO DEPRECIATION STUDY CONSISTENT WITH THE METHODS AND PROCEEDURES USED BY AEP FOR ITS OTHER OPERATING COMPANIES AND COMMONLY USED IN THE ELECTIRC INDUSTRY?

A. Yes. The methods and procedures used by AEP are consistent with the methods and procedures used for its other operating companies and are commonly used in the electric industry.

Q. PLEASE DESCRIBE THE CONTENTS OF EXHIBIT NO. PNR-602.

A. Exhibit No. PNR-602 is the APCO depreciation study report. The report describes the methods and procedures used in the study and presents the results of the study including the services life and net salvage estimates[1] and the resulting depreciation rates and accruals. The transmission plant service lives and net salvage estimates by

[1] The net salvage estimates are shown as net salvage ratios and may be converted to net salvage percentage by adding 1.00 to the ratio and multiplying by 100.

account which underlie the depreciation accrual rates being recommended for the Pioneer Project are shown in Schedule I of the report.

Q. HOW DID AEP COMPLETE THE DERPECIATION STUDY?

A. AEP completed the depreciation study in two phases. In the first phase, AEP estimated the service life and net salvage characteristics for each depreciable group, that is, each plant account or subaccount identified as having similar life and net salvage characteristics. In the second phase, AEP calculated the composite remaining lives and annual depreciation accrual rates based on the service life and net salvage estimates determined in the first phase and the surviving plant balances and related book depreciation as of December 31, 2005.

Q. PLEASE DESCRIBE THE FIRST PHASE OF THE DEPRECIATION STUDY IN WHICH AEP ESTIMATED THE SERVICE LIFE AND NET SALVAGE CHARACTERISTICS FOR EACH DEPRECIABLE GROUP.

A. The service life and net salvage study consisted of compiling available historical data from records related to the electric plant; analyzing these data to obtain historical trends of survivor characteristics where possible; obtaining supplementary information from management and operating personnel concerning practices and plans as they relate to plant operations; and interpreting the above data and the estimates used by other utilities for similar property to form judgments of average service life and net salvage characteristics. This is the typical approach taken by utility depreciation professionals in the estimation phase of a depreciation study.

Q. WHAT METHOD OF SERVICE LIFE ANALYSIS DID AEP USE TO ANALYZE THE HISTORICAL RETIREMENT DATA?

A. For accounts 352 and 353, AEP used the retirement rate method (sometimes referred to as the annual rate method or the actuarial method) of the service life analysis, and for accounts 354, 355, 356, 357, and 358, AEP used the simulated plant record method of service life analysis.

The retirement rate method is the most appropriate and widely used method by depreciation professionals when aged retirement data covering a reasonable period of time are available. The retirement rate method determines the average rates of retirement actually experienced by the Company during the period of time for which the data are available. Other methods of life analysis, such as the simulated plant record method, infer the rates of retirement based on a selected type survivor curve.

This simulated plant record method is the most appropriate and widely used method by depreciation professionals when aged retirement data are not available. The simulated plant balances method determines the average service life and type survivor curve which most closely duplicates or "simulates" the annual account or sub account plant balances during the period of time for which the data are available.

Q. WOULD YOU PLEASE DESCRIBE HOW AEP USED THE RETIREMENT RATE METHOD FOR ACCOUNT 352 AND 353?

A. AEP used the retirement rate method for accounts 352 and 353 to construct original life tables using the available retirement and survivor data for each account or sub-account. Under the retirement rate method, each original life table shows the amount

of property available for, or exposed to, retirement; the actual retirements that occurred; the ratio of retirements to exposures; and the survivor ratio and the percent surviving by age interval. Each original life table also shows the period during which property was placed in service (i.e., the "placement band") and the period during which the retirements were made (i.e., the "experience band"). The percents surviving by age interval from the original life table were then plotted to show the original survivor curve for the property group. Although each original survivor curve does represent the average survivor pattern experienced by the several vintage groups during the experience band, it does not necessarily completely describe the life characteristics of the property group. As such, interpretation of the original survivor curves is required to arrive at the estimated survivor characteristics. The widely recognized and almost universally accepted Iowa-type survivor curves were used to perform these interpretations.

Q. PLEASE DESCRIBE HOW AEP USED THE SIMULATED PLANT RECORD METHOD TO ANALYZE THE APCO SERVICE LIFE DATA FOR ACCOUNTS 354, 355, 356, 357 AND 358.

A. AEP used simulated plant record method to identify the Iowa-type survivor curve which would most closely replicate the annual plant balances for accounts 354, 355, 356, 357 and 358. The simulated plant record method uses a computer algorithm that makes successive trials and finds the life associated with each type survivor curve that most closely matches the actual plant balances. Fitting criteria are then

compared for each type survivor curve to aid the analyst in selecting the survivor curve which best describes the historical life characteristics.

Q. WHAT IS AN "IOWA-TYPE SURVIVOR CURVE" AND HOW DID AEP USE SUCH CURVES TO ESTIMATE THE SERVICE LIFE CHARACTERISTICS FOR EACH PROPERTY GROUP?

A. Iowa-type curves are a widely-used group of survivor curves that contain the range of survivor characteristics usually experienced by utility and other industrial property. The Iowa curves were developed at the Iowa State College Engineering Experiment Station through an extensive process of observing and classifying the ages at which various types of property used by utilities and other industrial companies had been retired.

AEP used Iowa-type curves to interpret the original life tables constructed using the retirement rate method or to simulate the plant balances for those accounts where the simulated plant record method was used. The estimated Iowa curves were then used in the APCO study to describe the forecasted rates of retirement and the outlook for future retirements.

The estimated survivor curve designations for each depreciable property group indicate the average service life, the family within the Iowa system to which the property group belongs, and the relative height of the mode. For example, the Iowa 50-R2 indicates an average service life of fifty years; a right-modal retirement frequency curve, or R, type curve (the mode of the retirement frequency occurs after

average life for right-moded curves); and a low to medium height, 2, for the mode (possible modes for R type curves range from 1 to 5).

Q. WOULD YOU PLEASE EXPLAIN THE CONCEPT OF "NET SALVAGE"?

A. For most regulated utility companies, net salvage is recognized as a component of the service value of a capital asset that is charged to each accounting period through depreciation expense. The service value of an asset is defined as its original cost less any net salvage. Net salvage is the gross salvage value received for the asset upon retirement less the cost to retire the asset. When the cost to retire exceeds the gross salvage value, the result is negative net salvage. Net salvage must be included in depreciation expense if the full service value of an asset is to be recognized over the period during which an asset renders service (i.e. over its service life). Under the straight line method equal portions of an asset's service value are charged to expense for each unit of service rendered. Usually the total service value is divided into units of time such as years or months.

For example, the full recovery of the service value of a $10,000 transmission tower with an 87 year average service life will include not only the $10,000 of original cost, but also, on average, $3,500 to remove the tower at the end of its life and $2,500 in salvage value. In this example, the net salvage component is negative $1,000 ($3,500 - $2,500), and the net salvage percentage is negative 10% (($3,500 - $2,500)/$10,000). The annual depreciation expense using the straight line method equals ((100% - Net Salvage %)/100 /Average Service Life) X Original Cost or (100 – (-10))/100/87) X $10,000 = $126.

Q. PLEASE DESCRIBE HOW AEP ESTIMATED NET SALVAGE PERCENTAGES F0R THE APCO TRANSMISSION PLANT.

A. For the APCO transmission plant, AEP estimated the net salvage percentages based on judgment that incorporated analyses of the historical data for the period 1954 through 2005 and information obtained in discussions with management. AEP also considered estimates for other electric companies. AEP studied the historical salvage and cost of removal data for the transmission function and then compared individual account estimates to the totals by function.

Q. WHAT IS THE PROPOSED EFFECTIVE DATE OF THE DEPRECIATION RATES YOU ARE RECOMMENDING FOR THE PIONEER PROJECT?

A. The effective date of the proposed depreciation rates is the date the Pioneer assets are placed into service, which is anticipated to be in July of 2014.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Pioneer Transmission, LLC Docket No. ER09-___-000

Commonwealth of Pennsylvania

County of Allegheny

I, Donald J. Clayton, being first duly sworn, on oath state that I am the Vice President of Management Consulting of Tangibl, LLC whose prepared direct testimony was served on all parties to the above reference proceeding. If asked the questions contained in the text of the testimony, I would give the answers that are herein set forth and I adopt the aforesaid answers as my direct testimony in this proceeding.

Subscribed and sworn before me this 9th day of October, 2008.

Notary Public

My Commission expires on: _____

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Harry M. Ruben, Notary Public
Pine Twp., Allegheny County
My Commission Expires July 13, 2012
Member, Pennsylvania Association of Notaries

RESUME Exh. No. PNR-601

DONALD J. CLAYTON, P.E.

Mr. Clayton has over 30 years' experience in the energy utility industry and management consulting profession. His experience includes financial and treasury management, including his role as Vice President and Treasurer at DQE, at that time the parent company of Duquesne Light Company. Mr. Clayton also has extensive experience in new venture creation, as President of the AquaSource venture at DQE and President and Chief Operating Officer of Conjunction LLC in New York State. In his management consulting roles, Mr. Clayton's technical specialties include public utility valuation, depreciation, plant, rate base, cost of service and rate design as well as economic analysis and financial modeling.

Mr. Clayton holds a Bachelors of Science in Civil Engineering and a Master of Business Administration from Rensselaer Polytechnic Institute. He is a registered Professional Engineer in the Commonwealth of Pennsylvania, a Chartered Financial Analyst, and a Certified Depreciation Professional.

Professional Experience

2007 – PRESENT ..... TANGIBL, LLC
VICE PRESIDENT – MANAGEMENT CONSULTING

As Vice President of Management Consulting at Tangibl, LLC, Mr. Clayton is responsible for a wide range of assignments including depreciation studies for electric, gas, water, wastewater, thermal and railroad companies and cost of service and rate design studies for gas and water utilities.

Current and recent assignments include:

- *Allegheny Energy, Inc., Greensburg, Pennsylvania* – Depreciation Studies of Black Oak SVC. The study involved establishing initial depreciation rates for this new facility near Cumberland, Maryland. The study was prepared to support the cost of service for FERC ratemaking purposes.

- *National Passenger Railroad Corporation (Amtrak) - Philadelphia, Pennsylvania* – Update depreciation study through September 30, 2007. The study involved updating depreciation calculations for all of Amtrak's road and equipment property.

- *Ni America, Houston Texas* – Prepare rate and related filings for several small water and wastewater companies in Texas, Florida and Mississippi.

- *East Resources, Inc., Pittsburgh, Pennsylvania* – The assignment was to prepare a complete base rate case filing for a test year ended June 30, 2007. The case was filed on February 29, 2008.

2005 – 2007 .....GANNETT FLEMING, INC.
DIRECTOR, REGULATORY ECONOMICS

Representative assignments included:

- *Allegheny Energy, Inc., Greensburg, Pennsylvania* – Depreciation Studies of Regulated Electric Companies in West Virginia and Unregulated Generation Plant. The studies included development of annual depreciation rates for regulated electric plant in service in West Virginia and the unregulated generating plant throughout the system. Elements of the study included a field inspection of power plants, major substations, operations centers and office buildings; discussions with management regarding outlook; statistical analyses of service life and net salvage, and calculation of annual and accrued depreciation using several alternative bases and procedures. The depreciation study for the regulated West Virginia Utilities was filed with the West Virginia Public Service Commission in September 2006. The case was concluded in May of 2007.

- *Citizens Gas and Coke Utility, Indianapolis, Indiana* – Depreciation Studies of Gas and Thermal Plant.

- The studies involved development of annual depreciation rates for gas and thermal plant. Field inspections of the facilities were performed, discussions with management regarding outlook were held, statistical analyses of service life and salvage data were conducted and annual and accrued depreciation were calculated. The case was settled in August of 2007.*East Kentucky Power Cooperative, Winchester, Kentucky* – Depreciation Studies of Electric Plant. The study involved development of annual depreciation rates for the company's electric plant including generation, transmission and general plant. The study included a field inspection of power plants, major substations, operations centers and office buildings; discussions with management regarding outlook; statistical analyses of service life and net salvage, and calculation of annual and accrued depreciation. The depreciation study filed with the Kentucky Public Service Commission in May of 2006 and the Rural Utilities Service in June of 2006.

- *Anchorage Water and Wastewater Utility (AWWU), Anchorage, Alaska* – Testimony on Contributed Plant and Depreciation Studies for Water and Wastewater Plant. The first assignment included rebuttal testimony on behalf of the company related to its accounting treatment of contributed plant. The depreciation studies included field inspections of the treatment plants, major pumping stations, and offices; discussions with management regarding outlook; data assembly; statistical analysis of service life and net salvage; and calculation of annual and accrued depreciation related to pant in service as of December 31, 2005.

- *Kansas City Southern Railroad (KCS), Kansas City, Missouri – Cap*italization Policy and Depreciation Studies for Kansas City Southern, Kansas City Southern de Mexico, and Texas Mexican Railway. The first assignment involved development of a revised capitalization policy. The Company's existing capitalization policy and retirement units catalogue were compared with those of other class I and passenger railroad companies and revisions were suggested and subsequently adopted by the company. The depreciation studies involved discussions with management regarding outlook, statistical aging of the subsidiary company property, service life and net salvage analysis and calculating of annual and accrued depreciation. The study was filed with the Surface Transportation Board in March of 2007.

- *East Resources, Inc., Pittsburgh, Pennsylvania* – Base Rate Case Filing. The assignment involved preparation of a complete base rate case filing for the Company's West Virginia gas utility division. Exhibits were prepared in conformance with the West Virginia Commission's filing requirements under Rule 42. Direct testimony was prepared and responses to numerous data requests were completed. The case was filed in April 2006 and was settled in September 2006.

2002 – 2005 ..... CONJUNCTION, LLC
PRESIDENT AND CHIEF OPERATING OFFICER

Conjunction LLC was formed to develop a high voltage direct current transmission line from upstate New York to New York City.

- Responsible for day-to-day activities of the firm, raising equity capital to fund the project and negotiation of numerous contracts and agreements between the Company and its consultants, lawyers, land owners and investors.
- Responsible for preparation of the Company's transmission siting filing under Article VII before the New York Public Service Commission and the FERC filing for merchant transmission line status.

2000 – 2002 ..... ENERGY LEADER CONSULTING, LLC
PARTNER

Energy Leader Consulting provided strategic consulting to energy companies concerning opportunities related to electric generating stations.

- Performed acquisition analysis for generating stations, identification of power plant development

opportunities throughout the U.S. market and diagnostic studies for electric generators.
- Led multi-million dollar study for Amtrak to determine the feasibility of using their railroad rights-of-way for electric transmission.

1985 – 2000 ..... DQE
VICE PRESIDENT AND TREASURER
PRESIDENT – AQUASOURCE
MANAGER – VALUATION AND PROPERTY RECORDS DEPARTMENT

- Mr. Clayton developed and directed the AquaSource subsidiary where he managed all aspects of a rapidly-growing business, including development of the initial business plan, integration of acquisition targets, recruitment of executive staff, and political and regulatory relations. He also headed the rate case filed in Texas for a statewide tariff related to the small water and wastewater companies acquired by AquaSource.

- As Vice President and Treasurer, Mr. Clayton was responsible for corporate finance, financial planning, corporate budgeting, cash management and investor and shareholder relations during a period of unprecedented organizational and marketplace changes. While he was Vice President and Treasurer, he was the stranded cost witness for Duquesne Light Company in their restructuring proceeding before the Pennsylvania Public Utility Commission.

- Mr. Clayton's first position with DQE was as Manager of the Valuation and Property Records (Fixed Assets) department, where he was responsible for the Company's $5+ billion of fixed assets and the construction cost accounting system, at a time when two nuclear electrical generation plants were being built and added to rate base. While in this position, he was the company's rate base and depreciation witness in its two largest rate cases.

1980 – 1985 ..... PRICE WATERHOUSE
MANAGER, PUBLIC UTILITY INDUSTRY SPECIALTY GROUP

- Performed numerous cost-of-service, rate design, depreciation and other valuation and rate related assignments for electric, gas, water and sewer clients in the public and private sectors.
- Developed a PC-based cost of service program and completed a program for evaluating street lighting.

1977 – 1980 .....GANNETT FLEMING, INC.

- Performed numerous studies in the areas of depreciation and cost of service for electric, gas, telephone, water, wastewater and railroad companies.
- Presented expert testimony before the Pennsylvania Public Utility Commission, the Alaska Public Utilities Commission and Monmouth County Court in New Jersey.
- Completed assignments for more than 50 companies, including electric, gas, water, and telephone and railroad clients.
- Participated in the valuation related to the $2.1 Billion conveyance of the former Penn Central Railroad to Conrail and provided the analytics for three successful tax cases involving more than $300 million in tax depreciation for the Union Pacific, the Burlington Northern and the Chesapeake & Ohio Railroads.

Continuing Education

- All programs offered by Depreciation Programs, Inc.
- Management training courses offered by the Edison Electric Institute.
- Utility accounting seminars offered by Salomon Brothers.

Professional Societies

Mr. Clayton is an active member of the Society of Depreciation Professional where he is an instructor at their annual depreciation training sessions. He has taught the basic life analysis course and the advanced course on preparing and defending a depreciation study.

APPALACHIAN POWER COMPANY

DEPRECIATION STUDY REPORT

OF

ELECTRIC PLANT IN SERVICE

AT DECEMBER 31, 2005

CONTENTS

INTRODUCTION

This report presents the results of a depreciation study of Appalachian Power Company's (APCO) depreciable electric utility plant in service at December 31, 2005. The study was prepared by James E. Henderson, Senior Staff Accountant at American Electric Power Service Corporation (AEPSC). The purpose of this depreciation study was to develop appropriate annual depreciation accrual rates for each of the primary plant accounts that comprise the functional groups for which APCO computes its annual depreciation expense.

The recommended depreciation rates are based on the Average Remaining Life Method of computing depreciation. Further explanation of this method is contained in Section II of this report.

The definition of depreciation used in this Study is the same as that used by the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners:

> "Depreciation, as applied to depreciable electric plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of electric plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities."
>
> "Service value means the difference between original cost and the net

salvage value (net salvage value means the salvage value of the property retired less the cost of removal) of the electric plant." (FERC Accounting and Reporting Requirements for Public Utilities and Licensees, ¶15.001.)

Section I of this report contains Schedule I, which shows the recommended depreciation accrual rates by primary plant accounts and composited to functional plant classifications and Schedule II, that shows a comparison of the current mortality characteristics that were used to compute the recommended depreciation rates and the mortality characteristics used to determine the existing depreciation rates and accruals for the Transmission, Distribution and General Plant Functions. A comparison of APCO's current total company functional group composite depreciation rates and accruals to the recommended functional group rates and accruals follows:

Annual Rates and Accruals
($000)
Total Company

	Existing		Recommended		Increase
Functional Group	Rate %	Amount	Rate %	Amount	(Decrease)
Steam Production	3.84	95,726,298	2.30	57,323,936	(38,402,362)
Hydraulic Production	2.99	5,542,344	1.46	2,703,241	(2,839,103)
Other Production	2.86	2,277,298	3.28	2,840,909	363,611
Transmission Plant	2.19	26,235,545	1.63	19,508,060	(6,727,485)
Distribution Plant	3.31	69,517,785	3.35	70,383,557	865,772
General Plant	3.24	4,574,790	1.72	2,432,222	(2,142,568)
Total	3.29	$204,074,060	2.50	$155,191,925	$(48,882,135)

Based on Depreciable Plant In Service as of December 31, 2005, I am recommending a decrease in annual depreciation expense of $48,882,135 or 0.79% in the annual composite rate. The depreciation rate changes are necessary because of changes (both increases and decreases) in the average service lives and the gross salvage and gross cost of removal estimates that were used to calculate APCO's current depreciation rates.

Section II of this report contains an explanation of the methods and procedures used in this study. Examples of computations discussed in Section II appear in Appendix A.

SECTION I

SCHEDULES

SCHEDULES

SCHEDULE	SUBJECT
I	Determination of Recommended Annual Depreciation Rates and Accruals by Primary Plant Account
II	Comparison of Mortality Characteristics for Transmission, Distribution and General Plant

SCHEDULE I

Schedule I shows the determination of the recommended annual depreciation accrual rate by primary plant accounts by the straight line remaining life method. An explanation of the schedule follows:

Column I	-	Account number.
Column II	-	Account title.
Column III	-	Original Cost at December 31, 2004
Column IV	-	Average Life and (Iowa) Curve Type.
Column V	-	Terminal Retirement Date for accounts utilizing Life-Span Analysis
Column VI	-	Net Salvage Ratio.
Column VII	-	Total to be Recovered (Column III) * (Column IV).
Column VIII	-	Calculated Depreciation Requirement.
Column IX	-	Allocated Accumulated Depreciation – APCO's Accounting group accumulated depreciation (book reserve) spread to each account on the basis of the Calculated Depreciation Requirement shown in Column VIII.
Column X	-	Remaining to be Recovered (Column VII - Column IX).
Column XI	-	Average Remaining Life.
Column XII	-	Recommended Annual Accrual Amount.
Column XIII	-	Recommend Annual Accrual Percent or Depreciation Rate (Column XII/Column III).

APPALACHIAN POWER COMPANY
CALCULATION OF DEPRECIATION RATES BY THE REMAINNG LIFE METHOD
BASED ON PLANT IN SERVICE AT DECEMBER 31, 2005
AVERAGE LIFE GROUP (ALG) METHOD ACCRUAL RATES

SCHEDULE I

ACCOUNT NO. (I)	TITLE (II)	ORIGINAL COST AT 12/31/05 (III)	AVERAGE LIFE & CURVE TYPE (IV)	TERMINAL RETIREMENT DATE (V)	NET SALVAGE RATIO (VI)	TOTAL TO BE RECOVERED (VII)	CALCULATED DEPRECIATION REQUIREMENT (VIII)	ALLOCATED ACCUMULATED DEPRECIATION (IX)	REMAINING TO BE RECOVERED (X)	AVERAGE REMAINING LIFE (XI)	RECOMMENDED ANNUAL ACCRUAL AMOUNT (XII)	RECOMMENDED ANNUAL ACCRUAL PERCENT (XIII)
STEAM PRODUCTION PLANT												
	MOUNTAINEER			2040								
311.0	Structures & Improvements	94,162,401	FCST.		1.06	99,812,145	40,360,427	52,962,050	46,850,095	33.85	1,384,050	1.47%
312.0	Boiler Plant Equipment	517,306,950	FCST.		1.13	584,556,854	219,955,014	288,630,950	295,925,904	31.76	9,317,566	1.80%
314.0	Turbogenerator Units	88,101,139	FCST.		1.14	100,435,298	41,606,473	54,597,145	45,838,153	31.05	1,476,269	1.68%
315.0	Accessory Electrical Equipment	65,084,612	FCST.		1.07	69,640,535	29,370,139	38,540,295	31,100,240	33.25	935,346	1.44%
316.0	Misc. Power Plant Equip.	15,391,998	FCST.		1.11	17,085,118	6,777,673	8,893,847	8,191,271	32.18	254,545	1.65%
	Total	780,047,100				871,529,950	338,069,726	443,624,286	427,905,664		13,367,776	1.71%
	KANAWHA RIVER			2018								
311.0	Structures & Improvements	17,350,476	FCST.		1.01	17,523,981	12,988,577	16,559,914	964,066	12.41	77,685	0.45%
312.0	Boiler Plant Equipment	93,526,135	FCST.		1.03	96,331,919	62,315,936	79,450,317	16,881,602	12.14	1,390,577	1.49%
314.0	Turbogenerator Units	32,501,320	FCST.		1.04	33,801,373	23,085,600	29,433,213	4,368,159	12.05	362,503	1.12%
315.0	Accessory Electrical Equipment	8,396,631	FCST.		1.02	8,564,564	5,972,933	7,615,250	949,314	12.34	76,930	0.92%
316.0	Misc. Power Plant Equip.	4,877,087	FCST.		1.03	5,023,400	2,928,170	3,733,299	1,290,100	12.20	105,746	2.17%
	Total	156,651,649				161,245,236	107,291,216	136,791,994	24,453,242		2,013,440	1.29%
	AMOS			UNIT 1&2 2032 UNIT 3 2033								
311.0	Structures & Improvements - Units 1,2	31,257,107	FCST.		1.05	32,819,962	17,165,428	20,631,404	12,188,558	26.11	466,816	1.49%
311.0	Structures & Improvements - Unit 3	20,706,443	FCST.		1.05	21,741,765	11,271,073	13,546,884	8,194,881	27.08	302,617	1.46%
312.0	Boiler Plant Equipment - Units 1,2	593,072,413	FCST.		1.10	652,379,654	199,570,686	239,867,219	412,512,435	24.89	16,573,420	2.79%
312.0	Boiler Plant Equipment - Unit 3	161,596,564	FCST.		1.10	177,756,220	66,507,429	79,936,349	97,819,871	25.76	3,797,355	2.35%
314.0	Turbogenerator Units - Units 1,2	91,058,126	FCST.		1.12	101,985,101	44,625,810	53,636,479	48,348,622	24.46	1,976,640	2.17%
314.0	Turbogenerator Units - Unit 3	23,535,111	FCST.		1.12	26,359,324	10,994,182	13,214,084	13,145,240	25.31	519,369	2.21%
315.0	Accessory Electrical Equipment-Units 1,2	36,563,945	FCST.		1.07	39,123,421	17,986,271	21,617,989	17,505,433	25.76	679,559	1.86%
315.0	Accessory Electrical Equipment-Unit 3	9,159,965	FCST.		1.06	9,709,563	4,687,440	5,633,910	4,075,653	26.71	152,589	1.67%
316.0	Misc. Power Plant Equip. - Units 1,2	3,600,018	FCST.		1.08	3,888,019	1,861,346	2,237,182	1,650,838	25.13	65,692	1.82%
316.0	Misc. Power Plant Equip. - Unit 3	13,053,976	FCST.		1.08	14,098,294	4,932,995	5,929,046	8,169,248	26.03	313,840	2.40%
	Total	983,603,668				1,079,861,325	379,602,660	456,250,546	623,610,779		24,847,898	2.53%
	SPORN			2018								
311.0	Structures & Improvements	12,169,979	FCST.		1.05	12,778,478	9,196,348	12,277,309	501,169	12.41	40,384	0.33%
312.0	Boiler Plant Equipment	78,626,019	FCST.		1.06	83,343,580	48,015,680	64,101,897	19,241,683	12.14	1,584,962	2.02%
314.0	Turbogenerator Units	18,048,132	FCST.		1.07	19,311,501	12,693,083	16,945,521	2,365,980	12.05	196,347	1.09%
315.0	Accessory Electrical Equipment	6,570,200	FCST.		1.05	6,898,710	4,513,446	6,025,541	873,169	12.34	70,759	1.08%
316.0	Misc. Power Plant Equip.	3,155,274	FCST.		1.07	3,376,143	2,159,335	2,882,756	493,388	12.20	40,442	1.28%
	Total	118,569,604				125,708,413	76,577,892	102,233,024	23,475,389		1,932,914	1.63%
	CLINCH RIVER			2021								
311.0	Structures & Improvements	34,770,730	FCST.		1.01	35,118,437	21,549,549	21,338,944	13,779,494	15.37	896,519	2.58%
312.0	Boiler Plant Equipment	160,791,813	FCST.		1.04	167,223,486	89,824,380	88,946,520	78,276,966	14.95	5,235,917	3.26%
314.0	Turbogenerator Units	56,450,106	FCST.		1.05	59,272,611	37,374,592	37,009,327	22,263,284	14.80	1,504,276	2.66%
315.0	Accessory Electrical Equipment	11,548,753	FCST.		1.02	11,779,728	7,777,927	7,701,913	4,077,815	15.25	267,398	2.32%
316.0	Misc. Power Plant Equip.	5,037,599	FCST.		1.03	5,188,727	2,905,079	2,876,687	2,312,040	15.03	153,828	3.05%
	Total	268,599,001				278,582,989	159,431,527	157,873,391	120,709,598		8,057,938	3.00%

Exh. No. 602

APPALACHIAN POWER COMPANY
CALCULATION OF DEPRECIATION RATES BY THE REMAINNG LIFE METHOD
BASED ON PLANT IN SERVICE AT DECEMBER 31, 2005
AVERAGE LIFE GROUP (ALG) METHOD ACCRUAL RATES

SCHEDULE I

ACCOUNT NO. (I)	TITLE (II)	ORIGINAL COST AT 12/31/05 (III)	AVERAGE LIFE & CURVE TYPE (IV)	TERMINAL RETIREMENT DATE (V)	NET SALVAGE RATIO (VI)	TOTAL TO BE RECOVERED (VII)	CALCULATED DEPRECIATION REQUIREMENT (VIII)	ALLOCATED ACCUMULATED DEPRECIATION (IX)	REMAINING TO BE RECOVERED (X)	AVERAGE REMAINING LIFE (XI)	RECOMMENDED ANNUAL ACCRUAL AMOUNT (XII)	RECOMMENDED ANNUAL ACCRUAL PERCENT (XIII)
	GLEN LYN UNIT 5			2012								
311.0	Structures & Improvements	3,203,253	FCST.		1.01	3,235,286	2,448,029	2,182,133	1,053,153	6.48	162,524	5.07%
312.0	Boiler Plant Equipment	22,595,346	FCST.		1.02	23,047,253	16,305,826	14,534,745	8,512,508	6.40	1,330,079	5.89%
314.0	Turbogenerator Units	6,466,012	FCST.		1.02	6,595,332	4,416,243	3,936,566	2,658,766	6.38	416,734	6.44%
315.0	Accessory Electrical Equipment	2,141,252	FCST.		1.01	2,162,665	1,481,826	1,320,875	841,789	6.46	130,308	6.09%
316.0	Misc. Power Plant Equip.	133,832	FCST.		1.02	136,509	47,626	42,453	94,056	6.42	14,650	10.95%
	Total	34,539,695				35,177,044	24,699,550	22,016,773	13,160,271		2,054,296	5.95%
	GLEN LYN UNIT 6			2015								
311.0	Structures & Improvements	12,235,833	FCST.		1.01	12,358,191	9,198,427	8,594,966	3,763,225	9.45	398,225	3.25%
312.0	Boiler Plant Equipment	65,674,477	FCST.		1.03	67,644,711	43,604,185	40,743,542	26,901,169	9.29	2,895,712	4.41%
314.0	Turbogenerator Units	20,940,304	FCST.		1.03	21,568,513	15,332,810	14,326,905	7,241,609	9.24	783,724	3.74%
315.0	Accessory Electrical Equipment	5,888,751	FCST.		1.02	6,006,526	4,351,918	4,066,411	1,940,115	9.41	206,176	3.50%
316.0	Misc. Power Plant Equip.	3,078,101	FCST.		1.03	3,170,444	1,948,925	1,821,066	1,349,378	9.32	144,783	4.70%
	Total	107,817,466				110,748,386	74,436,265	69,552,891	41,195,495		4,428,620	4.11%
	PUTNAM COAL TERMINAL			2040								
311.0	Structures & Improvements	3,282,844	FCST.		1.10	3,611,128	1,664,064	2,369,032	1,242,096	33.85	36,694	1.12%
312.0	Boiler Plant Equipment	24,853,652	FCST.		1.10	27,339,017	12,065,716	17,177,264	10,161,753	31.76	319,954	1.29%
315.0	Accessory Electrical Equipment	3,482,907	FCST.		1.10	3,831,198	1,634,486	2,326,924	1,504,274	33.25	45,241	1.30%
316.0	Misc. Power Plant Equip.	644,476	FCST.		1.10	708,924	297,579	423,646	285,278	32.18	8,865	1.38%
	Total	32,263,879				35,490,267	15,661,845	22,296,866	13,193,401		410,755	1.27%
	OTHER											
788.0	Centralized Maintenence	85,770	FCST.	2040	1.00	85,770	26,239	27,682	58,088	33.85	1,716	2.00%
748.0	Central Machine Shop	9,394,028	FCST.	2040	1.00	9,394,028	3,135,233	3,307,706	6,086,322	32.18	189,134	2.01%
714.0	Little Broad Run Ash Disposal	1,185,159	FCST.	2040	1.00	1,185,159	537,856	567,444	617,715	31.76	19,449	1.64%
	Total	10,664,957				10,664,957	3,699,328	3,902,833	6,762,124		210,299	1.97%
	Total Steam Production Plant	2,492,757,019				2,709,008,566	1,179,470,009	1,414,542,604	1,294,465,962		57,323,936	2.30%

APPALACHIAN POWER COMPANY
CALCULATION OF DEPRECIATION RATES BY THE REMAINNG LIFE METHOD
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SCHEDULE I

ACCOUNT NO. (I)	TITLE (II)	ORIGINAL COST AT 12/31/05 (III)	AVERAGE LIFE & CURVE TYPE (IV)	TERMINAL RETIREMENT DATE (V)	NET SALVAGE RATIO (VI)	TOTAL TO BE RECOVERED (VII)	CALCULATED DEPRECIATION REQUIREMENT (VIII)	ALLOCATED ACCUMULATED DEPRECIATION (IX)	REMAINING TO BE RECOVERED (X)	AVERAGE REMAINING LIFE (XI)	RECOMMENDED ANNUAL ACCRUAL AMOUNT (XII)	RECOMMENDED ANNUAL ACCRUAL PERCENT (XIII)
HYDRAULIC PRODUCTION PLANT - CONVENTIONAL												
	CLAYTOR			2041								
331.0	Structures & Improvements	1,857,385	FCST.		1.07	1,987,402	915,377	1,213,469	773,933	34.56	22,394	1.21%
332.0	Reservoirs, Dams & Waterways	9,649,464	FCST.		1.07	10,324,926	5,816,242	7,710,299	2,614,627	34.93	74,853	0.78%
333.0	Waterwheels, Turbines & Gen.	2,033,553	FCST.		1.07	2,175,902	1,325,395	1,757,009	418,892	33.67	12,441	0.61%
334.0	Accessory Electrical Equip.	2,777,547	FCST.		1.07	2,971,975	1,130,881	1,499,152	1,472,823	31.03	47,464	1.71%
335.0	Misc. Power Plant Equip.	1,941,693	FCST.		1.07	2,077,612	521,847	691,786	1,385,825	33.42	41,467	2.14%
336.0	Roads, Railroads & Bridges	31,799	FCST.		1.07	34,025	21,906	29,040	4,985	35.50	140	0.44%
	Total	18,291,441				19,571,842	9,731,648	12,900,756	6,671,086		198,760	1.09%
	BYLLESBY			2024								
331.0	Structures & Improvements	818,261	FCST.		1.07	875,539	560,925	431,949	443,590	18.24	8,919	1.09%
332.0	Reservoirs, Dams & Waterways	4,121,283	FCST.		1.07	4,409,773	2,435,649	1,875,611	2,534,162	18.35	126,936	3.08%
333.0	Waterwheels, Turbines & Gen.	1,778,552	FCST.		1.07	1,903,051	1,172,201	902,672	1,000,378	18.00	70,766	3.98%
334.0	Accessory Electrical Equip.	963,627	FCST.		1.07	1,031,081	677,503	521,722	509,359	17.29	21,296	2.21%
335.0	Misc. Power Plant Equip.	604,218	FCST.		1.07	646,513	221,194	170,334	476,179	17.94	11,238	1.86%
	Total	8,285,941				8,865,957	5,067,472	3,902,288	4,963,669		239,176	2.89%
	BUCK			2024								
331.0	Structures & Improvements	313,749	FCST.		1.07	335,711	253,019	225,727	109,985	18.24	3,388	1.08%
332.0	Reservoirs, Dams & Waterways	4,853,563	FCST.		1.07	5,193,312	2,769,679	2,470,925	2,722,387	18.35	124,737	2.57%
333.0	Waterwheels, Turbines & Gen.	1,258,750	FCST.		1.07	1,346,863	837,009	746,724	600,138	18.00	61,301	4.87%
334.0	Accessory Electrical Equip.	2,492,373	FCST.		1.07	2,666,839	1,017,710	907,934	1,758,905	17.29	74,522	2.99%
335.0	Misc. Power Plant Equip.	111,858	FCST.		1.07	119,686	75,113	67,011	52,677	17.94	2,170	1.94%
336.0	Roads, Railroads & Bridges	3,437	FCST.		1.07	3,678	2,981	2,659	1,018	18.50	36	1.05%
	Total	9,033,730				9,666,091	4,955,511	4,420,981	5,245,110		266,154	2.95%
	NIAGARA			2024								
331.0	Structures & Improvements	196,124	FCST.		1.07	209,853	155,619	106,684	103,169	18.24	2,628	1.34%
332.0	Reservoirs, Dams & Waterways	4,906,269	FCST.		1.07	5,249,708	2,328,782	1,594,435	3,655,273	18.35	105,975	2.16%
333.0	Waterwheels, Turbines & Gen.	626,066	FCST.		1.07	669,891	343,998	235,523	434,367	18.00	27,735	4.43%
334.0	Accessory Electrical Equip.	196,432	FCST.		1.07	210,182	117,524	80,465	129,718	17.29	3,968	2.02%
335.0	Misc. Power Plant Equip.	218,800	FCST.		1.07	234,116	101,706	69,635	164,481	17.94	7,483	3.42%
	Total	6,143,691				6,573,749	3,047,629	2,086,741	4,487,008		147,789	2.41%
	RUESENS			2024								
331.0	Structures & Improvements	473,944	FCST.		1.07	507,120	267,610	199,187	307,933	18.24	3,649	0.77%
332.0	Reservoirs, Dams & Waterways	1,587,411	FCST.		1.07	1,698,530	570,480	424,620	1,273,910	18.35	20,160	1.27%
333.0	Waterwheels, Turbines & Gen.	1,652,343	FCST.		1.07	1,768,007	902,044	671,409	1,096,598	18.00	37,012	2.24%
334.0	Accessory Electrical Equip.	890,140	FCST.		1.07	952,450	485,011	361,003	591,446	17.29	10,593	1.19%
335.0	Misc. Power Plant Equip.	305,931	FCST.		1.07	327,346	159,414	118,655	208,691	17.94	9,300	3.04%
	Total	4,909,769				5,253,453	2,384,559	1,774,875	3,478,578		80,715	1.64%

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SCHEDULE I

ACCOUNT NO. (I)	TITLE (II)	ORIGINAL COST AT 12/31/05 (III)	AVERAGE LIFE & CURVE TYPE (IV)	TERMINAL RETIREMENT DATE (V)	NET SALVAGE RATIO (VI)	TOTAL TO BE RECOVERED (VII)	CALCULATED DEPRECIATION REQUIREMENT (VIII)	ALLOCATED ACCUMULATED DEPRECIATION (IX)	REMAINING TO BE RECOVERED (X)	AVERAGE REMAINING LIFE (XI)	RECOMMENDED ANNUAL ACCRUAL AMOUNT (XII)	RECOMMENDED ANNUAL ACCRUAL PERCENT (XIII)
	LEESVILLE			2040								
331.0	Structures & Improvements	2,136,795	FCST.		1.07	2,286,371	1,251,422	1,708,783	577,608	33.61	17,186	0.80%
332.0	Reservoirs, Dams & Waterways	10,439,935	FCST.		1.07	11,170,730	4,809,932	6,567,754	4,602,976	33.96	135,541	1.30%
333.0	Waterwheels, Turbines & Gen.	3,038,483	FCST.		1.07	3,251,177	1,762,965	2,407,252	843,924	32.77	25,753	0.85%
334.0	Accessory Electrical Equip.	579,557	FCST.		1.07	620,126	315,545	430,863	189,263	30.28	6,250	1.08%
335.0	Misc. Power Plant Equip.	1,173,274	FCST.		1.07	1,255,403	516,824	705,701	549,702	32.54	16,893	1.44%
336.0	Roads, Railroads & Bridges	80,790	FCST.		1.07	86,445	47,116	64,335	22,110	34.50	641	0.79%
	Total	17,448,834				18,670,252	8,703,804	11,884,668	6,785,584		202,264	1.16%
	LONDON			2044								
331.0	Structures & Improvements	544,668	FCST.		1.07	582,795	239,093	227,158	355,636	37.39	9,512	1.75%
332.0	Reservoirs, Dams & Waterways	679,103	FCST.		1.07	726,640	348,163	330,784	395,856	37.83	10,464	1.54%
333.0	Waterwheels, Turbines & Gen.	1,243,977	FCST.		1.07	1,331,055	679,509	645,590	685,465	36.35	18,857	1.52%
334.0	Accessory Electrical Equip.	1,806,433	FCST.		1.07	1,932,883	664,894	631,705	1,301,178	33.24	39,145	2.17%
335.0	Misc. Power Plant Equip.	401,986	FCST.		1.07	430,125	117,125	111,279	318,846	36.05	8,845	2.20%
336.0	Roads, Railroads & Bridges	48,853	FCST.		1.07	52,273	26,662	25,331	26,942	38.50	700	1.43%
	Total	4,725,020				5,055,771	2,075,446	1,971,847	3,083,924		87,522	1.85%
	MARMET			2044								
331.0	Structures & Improvements	598,323	FCST.		1.07	640,206	286,888	261,247	378,959	37.39	10,135	1.69%
332.0	Reservoirs, Dams & Waterways	706,044	FCST.		1.07	757,607	356,652	324,775	432,832	37.83	11,441	1.62%
333.0	Waterwheels, Turbines & Gen.	1,114,921	FCST.		1.07	1,192,965	626,112	570,152	622,814	36.35	17,134	1.54%
334.0	Accessory Electrical Equip.	2,072,679	FCST.		1.07	2,217,767	758,282	690,508	1,527,258	33.24	45,946	2.22%
335.0	Misc. Power Plant Equip.	443,556	FCST.		1.07	474,605	129,933	118,320	356,285	36.05	9,883	2.23%
336.0	Roads, Railroads & Bridges	1,275	FCST.		1.07	1,364	701	638	726	38.50	19	1.48%
	Total	4,938,798				5,284,514	2,158,568	1,965,640	3,318,874		94,559	1.91%
	WINFIELD			2044								
331.0	Structures & Improvements	457,134	FCST.		1.07	489,133	213,535	213,768	275,366	37.39	7,365	1.61%
332.0	Reservoirs, Dams & Waterways	1,287,289	FCST.		1.07	1,377,399	587,779	588,419	788,980	37.83	20,856	1.62%
333.0	Waterwheels, Turbines & Gen.	934,699	FCST.		1.07	1,000,128	579,746	580,378	419,750	36.35	11,547	1.24%
334.0	Accessory Electrical Equip.	84,392	FCST.		1.07	90,299	48,384	46,437	41,863	33.24	1,259	1.49%
335.0	Misc. Power Plant Equip.	3,028,933	FCST.		1.07	3,240,958	1,055,464	1,056,614	2,184,344	36.05	60,592	2.00%
336.0	Roads, Railroads & Bridges	23,567	FCST.		1.07	25,217	5,075	5,081	20,136	38.50	523	2.22%
	Total	5,816,014				6,223,135	2,489,983	2,492,696	3,730,439		102,143	1.76%
	Total Hydraulic Production - Conventional	79,593,238				85,164,765	40,614,820	43,400,492	41,764,273		1,419,082	1.78%
	HYDRAULIC PRODUCTION PLANT - PUMPED STORAGE											
	SMITH MOUNTAIN			2040								
331.0	Structures & Improvements	12,079,151	FCST.		1.07	12,924,692	6,326,896	9,043,751	3,880,941	33.61	115,470	0.96%
332.0	Reservoirs, Dams & Waterways	24,730,954	FCST.		1.07	26,462,121	13,449,471	19,224,856	7,237,265	33.96	213,111	0.86%
333.0	Waterwheels, Turbines & Gen.	56,457,401	FCST.		1.07	60,409,419	24,540,300	35,078,238	25,331,182	32.77	772,999	1.37%
334.0	Accessory Electrical Equip.	7,270,041	FCST.		1.07	7,778,944	3,153,130	4,507,127	3,271,817	30.28	108,052	1.49%
335.0	Misc. Power Plant Equip.	4,470,378	FCST.		1.07	4,783,304	1,852,619	2,648,159	2,135,146	32.54	65,616	1.47%
336.0	Roads, Railroads & Bridges	1,052,133	FCST.		1.07	1,125,782	572,513	818,358	307,424	34.50	8,911	0.85%
	Total Pumped Storage	106,060,058				113,484,262	49,894,929	71,320,488	42,163,774		1,284,159	1.21%
	Total Hydraulic Production	185,653,296				198,649,027	90,509,749	114,720,980	83,928,047		2,703,241	

Exh. No. 602

APPALACHIAN POWER COMPANY
CALCULATION OF DEPRECIATION RATES BY THE REMAINNG LIFE METHOD
BASED ON PLANT IN SERVICE AT DECEMBER 31, 2005
AVERAGE LIFE GROUP (ALG) METHOD ACCRUAL RATES

SCHEDULE I

ACCOUNT NO. (I)	TITLE (II)	ORIGINAL COST AT 12/31/05 (III)	AVERAGE LIFE & CURVE TYPE (IV)	TERMINAL RETIREMENT DATE (V)	NET SALVAGE RATIO (VI)	TOTAL TO BE RECOVERED (VII)	CALCULATED DEPRECIATION REQUIREMENT (VIII)	ALLOCATED ACCUMULATED DEPRECIATION (IX)	REMAINING TO BE RECOVERED (X)	AVERAGE REMAINING LIFE (XI)	RECOMMENDED ANNUAL ACCRUAL AMOUNT (XII)	RECOMMENDED ANNUAL ACCRUAL PERCENT (XIII)
OTHER PRODUCTION PLANT												
	CEREDO			2041								
341.0	Structures & Improvements	711,244	FCST.		1.01	718,356	80,815	0	718,356	35.5	20,235	2.85%
344.0	Generators	75,537,304	FCST.		1.09	82,335,662	9,986,805	0	82,335,662	32.6	2,525,634	3.34%
345.0	Accessory Electrical Equip.	10,227,917	FCST.		1.01	10,330,196	1,162,147	0	10,330,196	35.5	290,991	2.85%
346.0	Misc. Power Plant Equip.	142,330	FCST.		1.01	143,753	16,172	0	143,753	35.5	4,049	2.85%
	Total	86,618,795				93,527,967	11,245,940	0	93,527,967		2,840,910	3.28%

APPALACHIAN POWER COMPANY
ANNUAL DEPRECIATION RATES AND ACCRUALS BY THE REMAINING LIFE METHOD
BASED ON PLANT IN SERVICE AT DECEMBER 31, 2005
AVERAGE LIFE GROUP (ALG) METHOD ACCRUAL RATES

SCHEDULE I

ACCOUNT NO. (I)	ACCOUNT TITLE (II)	ORIGINAL COST AT 12/31/05 (III)	AVERAGE LIFE AND CURVE TYPE (IV)	TERMINAL RETIREMENT DATE (V)	NET SALVAGE RATIO (VI)	TOTAL TO BE RECOVERED (VII)	CALCULATED DEPRECIATION REQUIREMENT (VIII)	ALLOCATED ACCUMULATED DEPRECIATION (IX)	REMAINING TO BE RECOVERED (X)	AVERAGE REMAINING LIFE (XI)	RECOMMENDED ANNUAL AMOUNT (XII)	RECOMMENDED ACCRUAL PERCENT (XIII)
TRANSMISSION PLANT												
352.0	Structures & Improvements	43,114,120	55 R3.0	N.A.	1.00	43,114,120	15,197,213	19,290,032	23,824,088	35.61	669,028	1.55%
353.0	Station Equipment	538,487,127	35 R2.0	N.A.	0.85	457,714,058	193,736,912	245,912,937	211,801,121	20.19	10,490,397	1.95%
354.0	Towers & Fixtures	230,212,337	87 R2.5	N.A.	1.10	253,233,571	67,077,432	85,142,310	168,091,260	63.96	2,628,068	1.14%
355.0	Poles & Fixtures	98,737,201	37 L2.0	N.A.	1.15	113,547,781	32,751,846	41,572,370	71,975,411	26.33	2,733,589	2.77%
356.0	OH Conductor & Devices	283,492,453	80 R2.5	N.A.	0.90	255,143,208	69,590,864	88,332,644	166,810,563	58.18	2,867,146	1.01%
357.0	Underground Conduit	255,431	55 S2.0	N.A.	1.00	255,431	139,080	176,536	78,895	25.05	3,149	1.23%
358.0	Underground Conductor	3,671,406	25 L3.0	N.A.	1.00	3,671,406	1,588,000	2,015,670	1,655,736	14.19	116,683	3.18%
	Total Transmission Plant	1,197,970,075				1,126,679,575	380,081,347	482,442,501	644,237,074		19,508,060	1.63%
DISTRIBUTION PLANT (VIRGINIA)												
361.0	Structures & Improvements	14,114,815	43 R4.0	N.A.	1.00	14,114,815	5,196,296	5,444,339	8,670,476	27.17	319,119	2.26%
362.0	Station Equipment	119,406,060	37 R1.0	N.A.	0.85	101,495,151	28,552,672	29,915,619	71,579,532	26.59	2,691,972	2.25%
364.0	Poles, Towers, & Fixtures	250,814,740	30 R1.5	N.A.	1.55	388,762,847	124,520,508	130,464,431	258,298,416	20.39	12,667,897	5.05%
365.0	Overhead Conductor & Devices	204,027,955	43 L0.0	N.A.	0.85	173,423,762	30,048,667	31,483,025	141,940,737	35.55	3,992,707	1.96%
366.0	Underground Conduit	33,346,884	47 S6.0	N.A.	1.00	33,346,884	9,466,930	9,918,829	23,428,055	33.66	696,021	2.09%
367.0	Underground Conductor	98,941,215	52 R0.5	N.A.	1.00	98,941,215	13,633,605	14,284,398	84,656,817	44.83	1,888,397	1.91%
368.0	Line Transformers	231,116,620	32 R0.5	N.A.	1.10	254,228,282	66,367,448	69,535,464	184,692,818	23.65	7,809,421	3.38%
369.0	Services	121,503,239	36 R0.5	N.A.	1.13	137,298,660	28,562,240	29,925,644	107,373,016	28.51	3,766,153	3.10%
370.0	Meters	60,121,032	25 S6.0	N.A.	1.10	66,133,135	25,154,039	26,354,754	39,778,381	15.49	2,568,004	4.27%
371.0	Installations on Custs. Prem.	21,071,370	11 S6.0	N.A.	1.08	22,757,080	10,225,858	10,713,984	12,043,095	6.06	1,987,309	9.43%
372.0	Leased Property on Cust. Prem.	771	25 L3.0	N.A.	1.00	771	390	409	362	12.36	29	3.80%
373.0	Street Lighting & Signal Sys.	13,261,901	21 S6.0	N.A.	0.95	12,598,806	6,227,429	6,524,692	6,074,114	10.62	571,950	4.31%
	Total Distribution Plant (Virginia)	1,167,726,602				1,303,101,408	347,956,082	364,565,589	938,535,819		38,958,979	3.34%
DISTRIBUTION PLANT (WEST VIRGINIA)												
361.0	Structures & Improvements	12,769,337	43 R4.0	N.A.	1.00	12,769,337	4,700,965	5,214,764	7,554,573	27.17	278,048	2.18%
362.0	Station Equipment	88,168,409	37 R1.0	N.A.	0.85	74,943,148	21,083,048	23,387,351	51,555,796	26.59	1,938,917	2.20%
364.0	Poles, Towers, & Fixtures	236,073,582	30 R1.5	N.A.	1.55	365,914,052	117,202,052	130,011,825	235,902,227	20.39	11,569,506	4.90%
365.0	Overhead Conductor & Devices	182,080,409	43 L0.0	N.A.	0.85	154,768,348	26,816,293	29,747,220	125,021,128	35.55	3,516,769	1.93%
366.0	Underground Conduit	25,050,422	47 S6.0	N.A.	1.00	25,050,422	7,111,627	7,888,903	17,161,519	33.66	509,849	2.04%
367.0	Underground Conductor	44,620,493	52 R0.5	N.A.	1.00	44,620,493	6,148,481	6,820,488	37,800,005	44.83	843,185	1.89%
368.0	Line Transformers	170,926,200	32 R0.5	N.A.	1.10	188,018,820	49,083,168	54,447,786	133,571,034	23.65	5,647,824	3.30%
369.0	Services	100,346,183	36 R0.5	N.A.	1.13	113,391,187	23,588,768	26,166,938	87,224,249	28.51	3,059,426	3.05%
370.0	Meters	41,450,459	25 S6.0	N.A.	1.10	45,595,505	17,342,458	19,237,928	26,357,577	15.49	1,701,587	4.11%
371.0	Installations on Custs. Prem.	23,266,459	11 S6.0	N.A.	1.08	25,127,776	11,291,126	12,525,206	12,602,569	6.06	2,079,632	8.94%
373.0	Street Lighting & Signal Sys.	6,910,400	21 S6.0	N.A.	0.95	6,564,880	3,244,937	3,599,597	2,965,283	10.62	279,217	4.04%
	Total Distribution Plant (West Virginia)	931,662,353				1,056,763,967	287,612,923	319,048,007	737,715,960		31,423,960	3.37%

APPALACHIAN POWER COMPANY
ANNUAL DEPRECIATION RATES AND ACCRUALS BY THE REMAINING LIFE METHOD
BASED ON PLANT IN SERVICE AT DECEMBER 31, 2005
AVERAGE LIFE GROUP (ALG) METHOD ACCRUAL RATES

SCHEDULE I

ACCOUNT NO. (I)	ACCOUNT TITLE (II)	ORIGINAL COST AT 12/31/05 (III)	AVERAGE LIFE AND CURVE TYPE (IV)	TERMINAL RETIREMENT DATE (V)	NET SALVAGE RATIO (VI)	TOTAL TO BE RECOVERED (VII)	CALCULATED DEPRECIATION REQUIREMENT (VIII)	ALLOCATED ACCUMULATED DEPRECIATION (IX)	REMAINING TO BE RECOVERED (X)	AVERAGE REMAINING LIFE (XI)	RECOMMENDED ANNUAL AMOUNT (XII)	RECOMMENDED ACCRUAL PERCENT (XIII)
DISTRIBUTION PLANT (TENNESSEE)												
370.0	Meters	47,141	25 S6.0	N.A.	1.10	51,855	19,723	42,281	9,574	15.49	618	1.31%
	Total Distribution Plant (Tennessee)	47,141				51,855	19,723	42,281	9,574		618	1.31%
	Total Distribution Plant	2,099,436,096				2,359,917,229	635,588,728	683,655,877	1,676,261,352		70,383,557	3.35%
GENERAL PLANT												
390.0	Structures & Improvements	97,515,978	38 R3.0	N.A.	0.72	70,211,504	24,276,548	37,514,604	32,696,900	24.86	1,315,241	1.35%
391.0	Office Furniture & Equipment	5,195,551	30 L3.0	N.A.	0.95	4,935,773	1,399,392	2,162,484	2,773,290	21.49	129,050	2.48%
392.0	Transportation Equipment	16,942	27 S6.0	N.A.	0.95	16,095	9,401	14,527	1,568	11.23	140	0.82%
393.0	Stores Equipment	838,300	55 R4.0	N.A.	1.00	838,300	296,468	458,133	380,167	35.55	10,694	1.28%
394.0	Tools Shop & Garage Equipment	11,190,608	43 R0.5	N.A.	1.00	11,190,608	1,621,623	2,505,898	8,684,710	36.77	236,190	2.11%
395.0	Laboratory Equipment	2,516,760	37 S2.0	N.A.	1.00	2,516,760	1,266,309	1,956,830	559,930	18.38	30,464	1.21%
396.0	Power Operated Equipment	3,662	25 L2.0	N.A.	1.00	3,662	2,303	3,559	103	9.27	11	0.30%
397.0	Communication Equipment	21,536,031	24 R0.5	N.A.	0.95	20,459,229	5,882,076	9,089,585	11,369,644	17.10	664,891	3.09%
398.0	Miscellaneous Equipment	2,383,390	35 S6.0	N.A.	1.00	2,383,390	900,768	1,391,959	991,431	21.77	45,541	1.91%
	Total General Plant	141,197,222				112,555,322	35,654,888	55,097,578	57,457,744		2,432,222	1.72%
	Total Depreciable Electric Plant	6,203,632,503				6,600,337,686	2,332,550,661	2,750,459,540	3,849,878,146		155,191,925	

Exh. No. 602

APPALACHIAN POWER COMPANY
ANNUAL VIRGINIA DEPRECIATION RATES AND ACCRUALS BY THE REMAINING LIFE METHOD
BASED ON TOTAL COMPANY PLANT IN SERVICE AT DECEMBER 31, 2005
REVISED 03/30/06

ACCOUNT NO. (1)	ACCOUNT TITLE (2)	ORIGINAL COST AT 12/31/05 (3)	CURRENT APPROVED RATE (4)	ANNUAL ACCRUAL (5)	STUDY RATE (6)	STUDY ACCRUAL (7)	DIFFERENCE (DECREASE) (8)
PRODUCTION PLANT							
	Steam Production						
	Mountaineer						
311	Structures & Improvements	94,162,401	3.32%	3,126,192	1.47%	1,384,050	(1,742,142)
312	Boiler Plant Equipment	517,306,950	3.32%	17,174,591	1.80%	9,317,566	(7,857,024)
314	Turbogenerator Units	88,101,139	3.32%	2,924,958	1.68%	1,476,269	(1,448,689)
315	Accessory Electrical Equipment	65,084,612	3.32%	2,160,809	1.44%	935,346	(1,225,464)
316	Misc. Power Plant Equipment	15,391,998	3.23%	497,162	1.65%	254,545	(242,616)
	Total Mountaineer	780,047,100	3.32%	25,883,711	1.71%	13,367,776	(12,515,935)
	Kanawha River						
311	Structures & Improvements	17,350,476	3.91%	678,404	0.45%	77,685	(600,719)
312	Boiler Plant Equipment	93,526,135	3.91%	3,656,872	1.49%	1,390,577	(2,266,295)
314	Turbogenerator Units	32,501,320	3.91%	1,270,802	1.12%	362,503	(908,299)
315	Accessory Electrical Equipment	8,396,631	3.91%	328,308	0.92%	76,930	(251,378)
316	Misc. Power Plant Equipment	4,877,087	3.91%	190,694	2.17%	105,746	(84,948)
	Total Kanawha River	156,651,649	3.91%	6,125,079	1.29%	2,013,440	(4,111,639)
	Amos						
311	Structures & Improvements	51,963,550	4.35%	2,260,414	1.48%	769,433	(1,490,981)
312	Boiler Plant Equipment	754,668,977	4.35%	32,828,100	2.70%	20,370,776	(12,457,325)
314	Turbogenerator Units	114,593,237	4.35%	4,984,806	2.18%	2,496,010	(2,488,796)
315	Accessory Electrical Equipment	45,723,910	4.35%	1,988,990	1.82%	832,148	(1,156,842)
316	Misc. Power Plant Equipment	16,653,994	4.35%	724,449	2.28%	379,532	(344,917)
	Total Amos	983,603,668	4.35%	42,786,760	2.53%	24,847,898	(17,938,862)
	Sporn						
311	Structures & Improvements	12,169,979	4.90%	596,329	0.33%	40,384	(555,945)
312	Boiler Plant Equipment	78,626,019	4.90%	3,852,675	2.02%	1,584,982	(2,267,693)
314	Turbogenerator Units	18,048,132	4.90%	884,358	1.09%	196,347	(688,012)
315	Accessory Electrical Equipment	6,570,200	4.90%	321,940	1.08%	70,759	(251,181)
316	Misc. Power Plant Equipment	3,155,274	4.90%	154,608	1.28%	40,442	(114,167)
	Total Sporn	118,569,604	4.90%	5,809,911	1.63%	1,932,914	(3,876,996)
	Clinch River						
311	Structures & Improvements	34,770,730	3.50%	1,216,976	2.58%	896,519	(320,457)
312	Boiler Plant Equipment	160,791,813	3.50%	5,627,713	3.26%	5,235,917	(391,796)
314	Turbogenerator Units	56,450,106	3.50%	1,975,754	2.66%	1,504,276	(471,478)
315	Accessory Electrical Equipment	11,548,753	3.50%	404,206	2.32%	267,398	(136,809)
316	Misc. Power Plant Equipment	5,037,599	3.50%	176,316	3.05%	153,828	(22,488)
	Total Clinch River	268,599,001	3.50%	9,400,965	3.00%	8,057,938	(1,343,027)
	Glen Lyn 5						
311	Structures & Improvements	3,203,253	0.92%	29,470	5.07%	162,524	133,054
312	Boiler Plant Equipment	22,595,346	0.92%	207,877	5.89%	1,330,079	1,122,202
314	Turbogenerator Units	6,466,012	0.92%	59,487	6.44%	416,734	357,247
315	Accessory Electrical Equipment	2,141,252	0.92%	19,700	6.09%	130,308	110,608
316	Misc. Power Plant Equipment	133,832	0.92%	1,231	10.95%	14,650	13,419
	Total Glen Lyn 5	34,539,695	0.92%	317,765	5.95%	2,054,296	1,736,530

APPALACHIAN POWER COMPANY
ANNUAL VIRGINIA DEPRECIATION RATES AND ACCRUALS BY THE REMAINING LIFE METHOD
BASED ON TOTAL COMPANY PLANT IN SERVICE AT DECEMBER 31, 2005
REVISED 03/30/06

ACCOUNT NO. (1)	TITLE (2)	ORIGINAL COST AT 12/31/05 (3)	CURRENT APPROVED RATE (4)	ANNUAL ACCRUAL (5)	STUDY RATE (6)	STUDY ACCRUAL (7)	DIFFERENCE (DECREASE) (8)
	Glen Lyn 6						
311	Structures & Improvements	12,235,833	3.73%	456,397	3.25%	398,225	(58,172)
312	Boiler Plant Equipment	65,674,477	3.73%	2,449,658	4.41%	2,895,712	446,054
314	Turbogenerator Units	20,940,304	3.73%	781,073	3.74%	783,724	2,651
315	Accessory Electrical Equipment	5,888,751	3.73%	219,650	3.50%	206,176	(13,475)
316	Misc. Power Plant Equipment	3,078,101	3.73%	114,813	4.70%	144,783	29,970
	Total Glen Lyn 6	107,817,466	3.73%	4,021,591	4.11%	4,428,620	407,029
	Putnam Coal Terminal						
311	Structures & Improvements	3,282,844	2.95%	96,844	1.12%	36,694	(60,150)
312	Boiler Plant Equipment	24,853,652	2.95%	733,183	1.29%	319,954	(413,228)
315	Accessory Electrical Equipment	3,482,907	2.95%	102,746	1.30%	45,241	(57,504)
316	Misc. Power Plant Equipment	644,476	2.95%	19,012	1.38%	8,865	(10,147)
	Total Putnam Coal Terminal	32,263,879	2.95%	951,784	1.27%	410,755	(541,029)
	Other						
788	Centralized Maintenance	85,770	4.02%	3,448	2.00%	1,716	(1,732)
848	Central Machine Shop	9,394,028	4.02%	377,640	2.01%	189,134	(188,506)
316	Little Broad Run Ash Disposal	1,185,159	4.02%	47,643	1.64%	19,449	(28,194)
	Total Other	10,664,957	4.02%	428,731	1.97%	210,299	(218,432)
	Total Steam Production	2,492,757,019	3.84%	95,726,298	2.30%	57,323,936	(38,402,361)
	Hydraulic Production						
	Claytor						
331	Structures & Improvements	1,857,385	2.72%	50,521	1.21%	22,394	(28,127)
332	Reservoirs, Dams & Waterways	9,649,464	2.72%	262,465	0.78%	74,853	(187,612)
333	Waterwheels, Turbines & Generators	2,033,553	2.72%	55,313	0.61%	12,441	(42,872)
334	Accessory Electrical Equipment	2,777,547	2.72%	75,549	1.71%	47,464	(28,085)
335	Misc. Power Plant Equipment	1,941,693	2.72%	52,814	2.14%	41,467	(11,347)
336	Roads, Railroads, Bridges	31,799	2.72%	865	0.44%	140	(725)
	Total Claytor	18,291,441	2.72%	497,527	1.09%	198,760	(298,767)
	Byllesby						
331	Structures & Improvements	818,261	2.91%	23,811	1.09%	8,919	(14,892)
332	Reservoirs, Dams & Waterways	4,121,283	2.91%	119,929	3.08%	126,936	7,006
333	Waterwheels, Turbines & Generators	1,778,552	2.91%	51,756	3.98%	70,786	19,031
334	Accessory Electrical Equipment	963,627	2.91%	28,042	2.21%	21,296	(6,745)
335	Misc. Power Plant Equipment	604,218	2.91%	17,583	1.86%	11,238	(6,344)
	Total Byllesby	8,285,941	2.91%	241,121	2.89%	239,176	(1,945)

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ACCOUNT NO. (1)	ACCOUNT TITLE (2)	ORIGINAL COST AT 12/31/05 (3)	CURRENT APPROVED RATE (4)	ANNUAL ACCRUAL (5)	STUDY RATE (6)	STUDY ACCRUAL (7)	DIFFERENCE (DECREASE) (8)
	Buck						
331	Structures & Improvements	313,749	3.21%	10,071	1.08%	3,388	(6,683)
332	Reservoirs, Dams & Waterways	4,853,563	3.21%	155,799	2.57%	124,737	(31,063)
333	Waterwheels, Turbines & Generators	1,258,750	3.21%	40,406	4.87%	61,301	20,895
334	Accessory Electrical Equipment	2,492,373	3.21%	80,005	2.99%	74,522	(5,483)
335	Misc. Power Plant Equipment	111,858	3.21%	3,591	1.94%	2,170	(1,421)
336	Roads, Railroads, Bridges	3,437	3.21%	110	1.05%	36	(74)
	Total Buck	9,033,730	3.21%	289,983	2.95%	266,154	(23,828)
	Niagara						
331	Structures & Improvements	196,124	2.31%	4,530	1.34%	2,628	(1,902)
332	Reservoirs, Dams & Waterways	4,906,269	2.31%	113,335	2.16%	105,975	(7,359)
333	Waterwheels, Turbines & Generators	626,066	2.31%	14,462	4.43%	27,735	13,273
334	Accessory Electrical Equipment	196,432	2.31%	4,538	2.02%	3,968	(570)
335	Misc. Power Plant Equipment	218,800	2.31%	5,054	3.42%	7,483	2,429
	Total Niagara	6,143,691	2.31%	141,919	2.41%	147,789	5,870
	Reusens						
331	Structures & Improvements	473,944	1.69%	8,010	0.77%	3,649	(4,360)
332	Reservoirs, Dams & Waterways	1,587,411	1.69%	26,827	1.27%	20,160	(6,667)
333	Waterwheels, Turbines & Generators	1,652,343	1.69%	27,925	2.24%	37,012	9,088
334	Accessory Electrical Equipment	890,140	1.69%	15,043	1.19%	10,593	(4,451)
335	Misc. Power Plant Equipment	305,931	1.69%	5,170	3.04%	9,300	4,130
	Total Reusens	4,909,769	1.69%	82,975	1.64%	80,715	(2,260)
	Leesville						
331	Structures & Improvements	2,136,795	2.51%	53,634	0.80%	17,186	(36,448)
332	Reservoirs, Dams & Waterways	10,439,935	2.51%	262,042	1.30%	135,541	(126,501)
333	Waterwheels, Turbines & Generators	3,038,483	2.51%	76,266	0.85%	25,753	(50,513)
334	Accessory Electrical Equipment	579,557	2.51%	14,547	1.08%	6,250	(8,296)
335	Misc. Power Plant Equipment	1,173,274	2.51%	29,449	1.44%	16,893	(12,556)
336	Roads, Railroads, Bridges	80,790	2.51%	2,028	0.79%	641	(1,387)
	Total Leesville	17,448,834	2.51%	437,966	1.16%	202,264	(235,702)
	London						
331	Structures & Improvements	544,668	1.65%	8,987	1.75%	9,512	525
332	Reservoirs, Dams & Waterways	679,103	1.65%	11,205	1.54%	10,464	(741)
333	Waterwheels, Turbines & Generators	1,243,977	1.65%	20,526	1.52%	18,857	(1,668)
334	Accessory Electrical Equipment	1,806,433	1.65%	29,806	2.17%	39,145	9,339
335	Misc. Power Plant Equipment	401,986	1.65%	6,633	2.20%	8,845	2,212
336	Roads, Railroads, Bridges	48,853	1.65%	806	1.43%	700	(106)
	Total London	4,725,020	1.65%	77,963	1.85%	87,522	9,559
	Marmet						
331	Structures & Improvements	598,323	1.65%	9,872	1.69%	10,135	263
332	Reservoirs, Dams & Waterways	708,044	1.65%	11,683	1.62%	11,441	(241)
333	Waterwheels, Turbines & Generators	1,114,921	1.65%	18,396	1.54%	17,134	(1,262)
334	Accessory Electrical Equipment	2,072,679	1.65%	34,199	2.22%	45,946	11,747
335	Misc. Power Plant Equipment	443,556	1.65%	7,319	2.23%	9,883	2,564
336	Roads, Railroads, Bridges	1,275	1.65%	21	1.48%	19	(2)
	Total Marmet	4,938,798	1.65%	81,490	1.91%	94,559	13,069

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ACCOUNT NO. (1)	TITLE (2)	ORIGINAL COST AT 12/31/05 (3)	CURRENT APPROVED RATE (4)	ANNUAL ACCRUAL (5)	STUDY RATE (6)	STUDY ACCRUAL (7)	DIFFERENCE (DECREASE) (8)
	Winfield						
331	Structures & Improvements	457,134	1.65%	7,543	1.61%	7,365	(178)
332	Reservoirs, Dams & Waterways	1,287,289	1.65%	21,240	1.62%	20,856	(384)
333	Waterwheels, Turbines & Generators	934,699	1.65%	15,423	1.24%	11,547	(3,875)
334	Accessory Electrical Equipment	84,392	1.65%	1,392	1.49%	1,259	(133)
335	Misc. Power Plant Equipment	3,028,933	1.65%	49,977	2.00%	60,592	10,615
336	Roads, Railroads, Bridges	23,567	1.65%	389	2.22%	523	134
	Total Winfield	5,816,014	1.65%	95,964	1.76%	102,143	6,178
	Smith Mountain						
331	Structures & Improvements	12,079,151	3.39%	409,483	0.96%	115,470	(294,013)
332	Reservoirs, Dams & Waterways	24,730,954	3.39%	838,379	0.86%	213,111	(625,268)
333	Waterwheels, Turbines & Generators	56,457,401	3.39%	1,913,906	1.37%	772,999	(1,140,907)
334	Accessory Electrical Equipment	7,270,041	3.39%	246,454	1.49%	108,052	(138,402)
335	Misc. Power Plant Equipment	4,470,378	3.39%	151,546	1.47%	65,616	(85,930)
336	Roads, Railroads, Bridges	1,052,133	3.39%	35,667	0.85%	8,911	(26,756)
	Total Smith Mountain	106,060,058	3.39%	3,595,436	1.21%	1,284,159	(2,311,277)
	Total Hydraulic Production	185,653,296	2.99%	5,542,344	1.46%	2,703,241	(2,839,103)
	Other Production						
	Ceredo						
341	Structures & Improvements	711,244	2.86%	20,342	2.85%	20,235	(107)
344	Generators	75,537,304	2.86%	2,160,367	3.34%	2,525,634	365,267
345	Accessory Electrical Equipment	10,227,917	2.86%	292,518	2.85%	290,991	(1,527)
346	Misc. Power Plant Equipment	142,330	2.86%	4,071	2.84%	4,049	(22)
	Total Ceredo	86,618,795	2.86%	2,477,298	3.28%	2,840,909	363,611
	Total Other Production	86,618,795	2.86%	2,477,298	3.28%	2,840,909	363,611
	TRANSMISSION PLANT						
352.0	Structures & Improvements	43,114,120	2.19%	944,199	1.55%	669,028	(275,171)
353.0	Station Equipment	538,487,127	2.19%	11,792,868	1.95%	10,490,397	(1,302,471)
354.0	Towers & Fixtures	230,212,337	2.19%	5,041,650	1.14%	2,628,068	(2,413,582)
355.0	Poles & Fixtures	98,737,201	2.19%	2,162,345	2.77%	2,733,589	571,244
356.0	OH Cond. & Devices	283,492,453	2.19%	6,208,485	1.01%	2,867,146	(3,341,339)
357.0	Underground Conduit	255,431	2.19%	5,594	1.23%	3,149	(2,445)
358.0	Underground Conductor	3,671,406	2.19%	80,404	3.18%	116,683	36,279
	Total Transmission Plant	1,197,970,075	2.19%	26,235,545	1.63%	19,508,060	(6,727,485)
	DISTRIBUTION PLANT						
	Virginia						
361.0	Structures & Improvements	14,114,815	3.40%	479,904	2.26%	319,119	(160,785)
362.0	Station Equipment	119,406,060	3.40%	4,059,806	2.25%	2,691,972	(1,367,834)
364.0	Poles, Towers, & Fixtures	250,814,740	3.40%	8,527,701	5.05%	12,667,897	4,140,196
365.0	Overhead Conductor & Devices	204,027,955	3.40%	6,936,950	1.96%	3,992,707	(2,944,243)
366.0	Underground Conduit	33,346,884	3.40%	1,133,794	2.09%	696,021	(437,773)
367.0	Underground Conductor	98,941,215	3.40%	3,364,001	1.91%	1,888,397	(1,475,604)
368.0	Line Transformers	231,116,620	3.40%	7,857,965	3.38%	7,809,421	(48,544)
369.0	Services	121,503,239	3.40%	4,131,110	3.10%	3,766,153	(364,957)
370.0	Meters	60,121,032	3.40%	2,044,115	4.27%	2,568,004	523,889
371.0	Installations on Custs. Premises	21,071,370	3.40%	716,427	9.43%	1,987,309	1,270,882
372.0	Leased Property on Cust. Premises	771	3.40%	26	3.76%	29	3
373.0	Street Lighting & Signal Sys.	13,261,901	3.40%	450,905	4.31%	571,950	121,045
	Total Distribution Plant Virginia	1,167,726,602	3.40%	39,702,704	3.34%	38,958,979	(743,725)

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ACCOUNT NO. (1)	ACCOUNT TITLE (2)	ORIGINAL COST AT 12/31/05 (3)	CURRENT APPROVED RATE (4)	ANNUAL ACCRUAL (5)	STUDY RATE (6)	STUDY ACCRUAL (7)	DIFFERENCE (DECREASE) (8)
	West Virginia						
361.0	Structures & Improvements	12,769,337	3.20%	408,619	2.18%	278,048	(130,571)
362.0	Station Equipment	88,168,409	3.20%	2,821,389	2.20%	1,938,917	(882,472)
364.0	Poles, Towers, & Fixtures	236,073,582	3.20%	7,554,355	4.90%	11,569,506	4,015,151
365.0	Overhead Conductor & Devices	182,080,409	3.20%	5,826,573	1.93%	3,516,769	(2,309,804)
366.0	Underground Conduit	25,050,422	3.20%	801,614	2.04%	509,849	(291,765)
367.0	Underground Conductor	44,620,493	3.20%	1,427,856	1.89%	843,185	(584,671)
368.0	Line Transformers	170,926,200	3.20%	5,469,638	3.30%	5,647,824	178,186
369.0	Services	100,346,183	3.20%	3,211,078	3.05%	3,059,426	(151,652)
370.0	Meters	41,450,459	3.20%	1,326,415	4.11%	1,701,587	375,172
371.0	Installations on Custs. Premises	23,266,459	3.20%	744,527	8.94%	2,079,632	1,335,105
373.0	Street Lighting & Signal Sys.	6,910,400	3.20%	221,133	4.04%	279,217	58,084
	Total Distribution Plant - West Virginia	931,662,353	3.20%	29,813,195	3.37%	31,423,960	1,610,765
	Tennessee						
370.0	Meters	47,141	4.00%	1,886	1.31%	618	(1,268)
	Total Distribution Plant	2,099,436,096	3.31%	69,517,785	3.35%	70,383,557	865,772
	GENERAL PLANT						
390.0	Structures & Improvements	97,515,978	3.24%	3,159,518	1.35%	1,315,241	(1,844,277)
391.0	Office Furniture & Equipment	5,195,551	3.24%	168,336	2.48%	129,050	(39,286)
392.0	Transportation Equipment	16,942	3.24%	549	0.83%	140	(409)
393.0	Stores Equipment	838,300	3.24%	27,161	1.28%	10,694	(16,467)
394.0	Tools Shop & Garage Equipment	11,190,608	3.24%	362,576	2.11%	236,190	(126,386)
395.0	Laboratory Equipment	2,516,760	3.24%	81,543	1.21%	30,464	(51,079)
396.0	Power Operated Equipment	3,662	3.24%	119	0.30%	11	(108)
397.0	Communication Equipment	21,536,031	3.24%	697,767	3.09%	664,891	(32,876)
398.0	Miscellaneous Equipment	2,383,390	3.24%	77,222	1.91%	45,541	(31,681)
	Total General Plant	141,197,222	3.24%	4,574,790	1.72%	2,432,222	(2,142,568)
	Total Depreciable Plant	6,203,632,503	3.29%	204,074,060	2.50%	155,191,925	(48,882,135)

SECTION II

DISCUSSION OF METHODS AND PROCEDURES USED IN THE STUDY

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DISCUSSION OF METHODS AND PROCEDURES USED IN THE STUDY

1. Group Method

All of the depreciable property included in this report was considered on a group plan. Under the group plan, depreciation expense is accrued upon the basis of the original cost of all property included in each depreciable plant account. Upon retirement of any depreciable property, its full cost, less any net salvage realized, is charged to the accrued depreciation reserve regardless of the age of the particular item retired. Also, under this plan, the dollars in each primary plant account are considered as a separate group for depreciation accounting purposes and an annual depreciation rate for each account is determined. The annual accruals by primary account were then summed, to arrive at the total accrual for each functional group. The total accrual divided by the original cost yields the functional group accrual rate.

2. Determination of Annual Depreciation Rates

By the Average Remaining Life Method

APCO's current depreciation rates are based on the Average Remaining Life Method. The Average Remaining Life Method recovers the original cost of the plant, adjusted for net salvage, less the accumulated depreciation, over the average remaining life of the plant. By this method, the annual depreciation rate for each account is determined on the following basis:

Annual
Depreciation Expense =

$$\frac{\text{(Orig. Cost) (Net Salvage Ratio) - Accumulated Depreciation}}{\text{Average Remaining Life}}$$

Annual
Depreciation Rate = $\frac{\text{Annual Depreciation Expense}}{\text{Original Cost}}$

3. Methods of Life Analysis

Depending upon the type of property and the nature of the data available from the property accounting records, one of three life analyses was used to arrive at the historically realized mortality characteristics and service lives of the depreciable plant investments. These methods are identified and described as follows:

Life Span Analysis

The life span analysis was employed for Production Plant. APCO's investment in production plant includes steam, hydraulic and other generating plants. The life-span method of analysis is particularly suited to specific location property, such as a generating plant, where all of the surviving investments are likely to be retired in total at a future date.

The key elements in the life span analysis are the age of the surviving investments, the projected retirement date of the facility and the expected interim retirements. Interim retirements are those that are expected to occur between the date of the depreciation study and the expected final retirement date of the generating plant. Examples of interim retirements include fans, pumps, motors, a set of boiler tubes, a turbine rotor, etc. The interim retirement history for each primary production plant account was analyzed and the results of those analyses

were used to project future interim retirements. An example of the interim retirement for Account 311, Structures and Improvements, is shown in the Appendix on Page A-1.

The age of the surviving investments was obtained from APCO's property accounting records. American Electric Power Service Corporation provided the retirement dates used in the life-span analysis for Steam Production Plant. For Hydraulic Production plants, the retirement dates were based on the FERC license expiration dates for the plants.

A discussion of the life analyses for Steam, Hydraulic and Other Production Plants follows:

Steam Production Plant

APCO's depreciable investments in Steam Production Plant consist of the following units:

Plant	Unit	Rating	Commercial Operating Date
Mountaineer	1	1,300 MW	1980
Kanawha River	1	200 MW	1953
Kanawha River	2	200 MW	1953
Amos	1	800 MW	1971
Amos	2	800 MW	1972
Amos	3*	1,300 MW	1972
Sporn	1	150 MW	1950
Sporn	3	150 MW	1951
Clinch River	1	235 MW	1958
Clinch River	2	235MW	1958
Clinch River	3	235MW	1961

Plant	Unit	Rating	Commercial Operating Date
Glen Lyn	5	95 MW	1944
Glen Lyn	6	240 MW	1957

* APCO owns 33.3% of this unit

American Electric Power Service Corporation evaluated each of the generating units and determined the following retirement dates for the units:

Plant	Unit	Retirement Date
Mountaineer	1	2040
Kanawha River	1	2018
Kanawha River	2	2018
Amos	1	2032
Amos	2	2032
Amos	3	2033
Sporn	1	2018
Sporn	3	2018
Clinch River	1	2021
Plant	Unit	Retirement Date
Clinch River	2	2021
Clinch River	3	2021
Glen Lyn	5	2012
Glen Lyn	6	2015

Hydraulic Production Plant

APCO's investment in Hydraulic Production plant consists of the following plants:

Plant	Capacity	First Unit's Commercial Operating Date	FERC License Expiration
Buck	8.5 MW	1912	2024
Byllesby	21.6 MW	1912	2024
Claytor	75 MW	1939	2041
Niagara	2.4 MW	1906	2024
Reusens	12.5 MW	1903	2024
Leesville	50 MW	1964	2040
London	14.4 MW	1935	2044
Marmet	14.4 MW	1935	2044
Winfield	14.8 MW	1938	2044
Smith Mountain	586 MW	1965	2040

Other Production Plant

APCO's investment in this Other Production Plant consists of the Ceredo Generating Station that APCO acquired from subsidiary of Reliant Energy. This generating plant is a natural-gas, simple-cycle power plant with a nominal generating capacity of 505 megawatts. AEP's Pro Serv Subsidiary designed and built the plant for Columbia Energy. It was completed and began commercial operation in 2001. APCO intends to operate this plant as peaking generation designed for use only when the demand for electricity is high.

Actuarial Analysis

This method of analyzing past experience represents the application to industrial property of statistical procedures developed in the life insurance field for investigating human mortality. It is distinguished from other methods of life estimation by the requirement that it is necessary to know the age of the property at the time of its retirement and the age of survivors, or plant remaining in service; that is, the installation date must be known for each particular retirement and for each particular survivor.

The application of this method involves the statistical procedure known as the "annual rate method" of analysis. This procedure relates the retirements during each age interval to the exposures at the beginning of that interval, the ratio of these being the annual retirement ratio. Subtracting each retirement ratio from unity yields a sequence of annual survival ratios from which a survivor curve can be determined. This is accomplished by the consecutive multiplication of the survivor ratios. The length of this curve depends primarily upon the age of the oldest property. Normally, if the period of years from the inception of the account to the time of the study is short in relation to the expected maximum life of the property, an incomplete or stub survivor curve results.

While there are a number of acceptable methods of smoothing and extending this stub survivor curve in order to compute the area under it from which the average life is determined, the well-known Iowa Type Curve Method was used in this study.

By this procedure, instead of mathematically smoothing and projecting the stub survivor curve to determine the average life of the group, it was assumed that

the stub curve would have the same mortality characteristics as the type curve selected. The selection of the appropriate type curve and average life is accomplished by plotting the stub curve, superimposing on it Iowa curves of the various types and average lives drawn to the same scale, and then determining which Iowa type curve and average life best matches the stub.

An example of the calculations involved in the Actuarial Method of Life Analysis is shown in the Appendix on Pages A-2 through A-4 for Account 353.0- Transmission Station Equipment. Pages A-2, A-3 and A-4 show the computation of the actual survivor curve for the experience band 1966 - 2005, inclusive based on historical data obtained from APCO's property records. The actual survivor curve for the 1966- 2005 period is plotted and matched on Page A-5, as explained above. This method was used for the following accounts:

352.0 Transmission Structures & Improvements
353.0 Transmission Station Equipment
361.0 Distribution Structures & Improvements
362.0 Distribution Station Equipment
390.0 General Structures & Improvements

Simulated Plant Record Analysis

The "Simulated Plant Record" (SPR) method designates a class of statistical techniques that provide an estimate of the age distribution, mortality dispersion and average service life of property accounts whose recorded history provides no indication of the age of the property units when retired from service. For each such account, the available property records usually reveal only the annual gross additions, annual retirements and balances with no indication of the

age of either plant retirements or annual plant balances. For this study, the "Balances method" of analysis was used.

The SPR Balances Method is a trial and error procedure that attempts to duplicate the annual balance of a plant account by distributing the actual annual gross additions over time according to an assumed mortality distribution. Specifically, the dollars remaining in service at any date are estimated by multiplying each year's additions by the successive proportion surviving at each age as given by the assumed survivor characteristics. For a given year, the balance indicated is the accumulation of survivors from all vintages and this is compared with the actual book balance. This process is repeated for a different survivor curves and average life combinations until a pattern is discovered which produces a series of "simulated balances" most nearly equaling the actual balances shown in a company's books.

This determination is based on the distribution producing the minimum sum of squared differences between the simulated balance and the actual balances over a test period of years.

The iterative nature of the simulated methods makes them ideally suited for computerized analysis. For each analysis of a given property account, the computer program provides a single page summary containing the results of each analysis indicating the "best fit" based on criteria selected by the user.

The results of such an analysis by the Balance Method is shown for Account 364 – Distribution Poles, Towers and Fixtures on page A-6 in the Appendix. In the case of the Balances Method each curve type tested is shown along with the average service life that produced the minimum sum of squared

differences from the actual balances. The analysis also shows the value of the Index of Variation of the difference that is calculated according to the following equation for the Balances Method:

$$\text{Index of Variation} = (1000)\sqrt{\frac{\text{Sum of Squared Differences}}{\text{Number of Test Years}}} \Big/ \text{Average Actual Balance}$$

The lower the value of the Index the better the agreement with the actual data.

The SPR Method of Life Analysis was utilized for the following accounts:

354.0 Transmission Towers & Fixtures

355.0 Transmission Poles & Fixtures

356.0 OH Conductor & Devices

357.0 Underground Conduit

358.0 Underground Conductor

364.0 Distribution Poles, Towers & Fixtures

365.0 Distribution OH Conductor & Devices

366.0 Underground Conduit

367.0 Underground Conductor & Devices

368.0 Distribution Line Transformers

369.0 Distribution Services

370.0 Distribution Meters

371.0 Installation on Customers Premises

373.0 Street Lighting & Signal Systems

391.0 Office Furniture & Equipment

392.0 Transportation Equipment

394.0 Tools, Shop & Garage Equipment

395.0 Laboratory Equipment

397.0 Communication Equipment

398.0 Miscellaneous Equipment

4. Final Selection of Average Life and Curve Type

The final selection of average life and curve type for each depreciable plant account analyzed by the Actuarial and SPR Methods was primarily based on the results of the mortality analyses of past retirement history.

5. Net Salvage

The net salvage percentages used in this report are expressed as percent of original cost and are based primarily on the Company's experience combined with the experienced judgment of the analyst. APCO maintains salvage and removal costs at the functional plant level, rather than by primary plant accounts. To aid in the selection of net salvage percentages, a review was made of the Company's experience for each plant function with respect to salvage and removal costs for the period 1954-2005. A sample of the type of salvage analysis made appears in Appendix A on Pages A-7 through A-12 for the Distribution Plant function. The salvage program analyzes historical experience on an annual basis, on the cumulative history basis and for 10 year moving averages to get the historical gross salvage, gross cost of removal and net salvage. In order to determine gross salvage, gross removal and net salvage percentages for the individual plant accounts, the original cost retirements were detailed by account for the period 1996 through 2005 and, based on judgment, gross salvage and cost of removal percentages were selected for each account. The salvage and removal percentages for each account were then netted to determine a net salvage percentage for each account.

The net salvage percents were converted to net salvage ratios and appear in

Column VI on Schedule I and were used to determine the total amount to be recovered through depreciation. The same net salvage was also reflected in the determination of the calculated depreciation requirement, which was used to allocate the accumulated depreciation at the functional group to the accounts comprising each group.

The net salvage ratios shown in Column VI on Schedule I in Section I of this report may be explained as follows:

a. Where the ratio is shown as unity (1.00), it was assumed that the net salvage in that particular account would be zero.

b. Where the ratio is less than unity, it was assumed that the salvage exceeded the removal costs. For example, if the net salvage were 20%, the net salvage ratio would be expressed as .80.

c. Where the ratio is greater than unity, it was assumed that the salvage was less than the cost of removal. For example, if the net salvage were minus 5%, the net salvage ratio would be expressed as 1.05.

6. Net Salvage for Steam Production Plant

While the analysis described above was used to determine the net salvage applicable to interim retirements for steam production plant, the most significant net salvage realization for generating plants occurs at the end of their life. Therefore, to assist in establishing the net salvage applicable to APCO's steam generating plant, APCO had Brandenburg Industrial Service Company (Brandenburg) perpare conceptual demolition cost estimates for each of the steam production plants and for the Ceredo plant. The cost estimates to demolish the plants are based on current (2005) price levels.

The estimates of demolition costs were incorporated into the net salvage ratios for Steam Production Plant. APCO's currently approved depreciation rates for steam production also included demolition cost estimates.

Effects of Statement of Financial Accounting Standards No. 143 (SFAS 143), Financial Accounting Standards Board (FASB) Interpretation No. 47 (FIN47) and Federal Energy Regulatory Commission (FERC) Order 631 on Net Salvage

The Financial Accounting Standards Board (FASB) issued SFAS 143, Accounting for Asset Retirement Obligations, in June 2001. SFAS 143 became effective January 1, 2003 for companies whose fiscal year ends on December 31. SFAS 143 is a financial accounting requirement that deals with the identification, measurement and recording of legal liabilities associated with asset retirement. SFAS 143 was designed to standardize the way that different companies and different industries account for cost of removal when there is a legal asset retirement obligation. SFAS 143 was not intended to address the appropriate ratemaking treatment for regulated utilities.

The FASB issued FIN 47 in March 2005 to interpret the application of SFAS143. FIN 47 clarifies that conditional ARO refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or not be within the control of the entity. Entities are required to record a liability for the fair value of a conditional ARO if the fair value of the liability can be reasonably estimated.

As stated in APCO's financial statements, APCO has identified, but not recognized, asset retirement obligations related to electric transmission and distribution as a result of the nature of certain easements on property on which APCO has assets. Generally these easements are perpetual and require only the retirement and removal of transmission and distribution assets upon the cessation of the property's use. The retirement obligation is not estimable for such easements as APCO plans to use the

facilities indefinitely. APCO has established ARO's for ash ponds at the generating plants and for the removal and disposal of asbestos in general buildings and generating plants.

SFAS 143 did not directly change the accounting requirements for rate-regulated companies for removal costs that are not a legal retirement obligation. The Security and Exchange Commission (SEC) has interpreted SFAS 143 to require that cost of removal that is not a legal obligation should not be recognized under Generally Accepted Accounting Principles (GAAP) by unregulated entities. Statement of Financial Accounting Standards No. 71 (SFAS 71) provides that any such amounts that are recovered in rates by regulated enterprises would be classified as regulatory liabilities for SEC reporting purposes.

The (FERC) issued Order 631 on April 9, 2003. Order 631 added new balance sheet and income statement accounts to be used for recording legal Asset Retirement Obligations. In addition, Order 631 revised definitions and, the general and plant instructions contained in the FERC Uniform System of Accounts.

FERC also specifically addressed accounting for cost of removal that does not constitute a legal obligation in Section III, paragraph 36 of Order 631 as follows:

> As proposed in the NOPR, the rule applies to legal obligations associated with the retirement of tangible long-lived assets. Under existing requirements of the Uniform System of Accounts removal costs that are not asset retirement obligations are included as a component of the depreciation expense and recorded in accumulated depreciation. The Commission notes that certain jurisdictional entities may have been receiving specific allowances for cost of removal for non-legal retirement obligations as a specific component in their rates approved by

their regulators. The Commission did not propose any changes to its existing accounting requirements for cost of removal for non-legal retirement obligations. Accordingly, jurisdictional entities are accounting for such costs consistent with the requirements of the Uniform System of Accounts under Part 101 for public utilities and licensees, Part 201 for natural gas companies and Part 352 for oil pipeline companies.

APCO's current book depreciation study rate recommendations comply with the accounting requirements of SFAS 143, FIN 47 and FERC Order 631 for Transmission, Distribution and General Plant. The study splits the amount of net salvage into a gross removal component and a gross salvage component. Thus, for SEC financial reporting purposes, the amount of removal costs included in depreciation rates and accruals can readily be determined and reclassified to a regulatory liability account.

SFAS 143 prohibits non-rate regulated businesses from accruing for non-specific legal retirement obligations through depreciation accruals. However, for purpose of APCO's current rate filing, I was advised by legal counsel that the Virginia SCC rate filing requirements required all of APCO's electric plant to be treated as if it were still fully regulated by the Virginia SCC. Therefore I included removal costs in the depreciation rates that I developed for APCO's Virginia generation property.

7. Calculation of Depreciation Requirement at December 31, 2005

The accumulated depreciation by functional group was allocated to individual plant accounts based on the calculation of a depreciation requirement (theoretical reserve) for each plant account using the average service life, curve type and net salvage amount recommended in this study. An example of the calculation of the depreciation requirement at December 31, 2005, for Account 364 – Distribution Poles, Towers and Fixtures, is shown on Pages A-13 through A-15 in Appendix A.

That sample printout is explained in detail as follows:

Column I -	Age of each year's installation at December 31, 2005, based on the conventional procedure that all property installed in any year is assumed to be installed at the mid-point of that year.
Column II -	Year of installation of the surviving dollars shown in Column III.
Column III -	The original cost at December 31, 2005, by year installed, as supplied directly from Company records.
Column IV -	The Average Remaining Life of each vintage of Original Cost at the various ages indicated in Column I.
Column V -	Depreciation Reserve Ratio based on the Life and Dispersion (Iowa Curve) shown in Column IV heading.
Column VI -	Theoretical Reserve is the product of Column III times Column V for each year.

The effect of any estimated net salvage, as indicated on Page A-14, is provided by adjusting the subtotal rather than having each vintage of original cost appearing in Column III reflect such salvage.

The average Remaining Life, also shown, is the result of the weighing of the dollars of each age.

8. Study Results

The average service life, retirement dispersion pattern and net salvage pattern used to calculate each primary plant account rate are shown on Schedule 2. The mortality characteristics and net salvage values for the current rates are also shown. The changes to the mortality characteristics follow the trends shown by the historical retirement experience. The gross salvage and gross cost of removal percentages were

largely based on the history of the account for the period 1996-2005.

Steam Production Plant

The projected operating lives for the Amos and Mountaineer Plants were increased from 40 years in the prior depreciation study to 60 years. This represents the Company's current operating plans for these units. The current conceptual demolition cost estimates prepared by Brandenburg Company total $154 million. This is about 30% less than the demolition cost estimates that were reflected in the Company's 1990 study. The combination of the increase in operating lives for the Amos and Mountaineer plants and the reduction in demolition costs were the main factors that caused the reduction in depreciation rates for Steam Production Plant.

Hydraulic Production Plant

The FERC operating licenses for many of the Company's hydro plants have either been renewed or are in the process of being renewed. The depreciation study rates reflect both the actual and planned license renewals. This resulted in the decrease in depreciation rates for the Hydraulic Production Plant.

Other Production Plant

The Ceredo generating plant did not exist at the time of the Company's last depreciation study. The recommended change in depreciation rates reflects changes made as a result of refining the existing depreciation estimate for the plant when detailed costs by plant account were obtained.

Transmission Plant

The average remaining life of the transmission plant group increased from 34.8 years to 38.6 years. The estimated net salvage for the transmission plant function has moved from 0% to 6% positive. As a result of the increased remaining life and increased positive net salvage, the comparison of the actual accumulated depreciation to the calculated depreciation reserve requirement indicates an excess of $102.4 million. The

change in remaining life reduced the annual accrual by $1.8 million; the increased positive net salvage reduced the accrual by $1.2 million and the amortization of the difference between the calculated and actual accumulated depreciation reduced the accrual by $3.7 million.

Distribution Plant

The average remaining life of the distribution plant group increased from 22.79 years to 26.77 years. The estimated net salvage for the distribution plant function has changed from negative 2% to negative 12%. The increase in remaining life and the increased negative net salvage results in a calculated accumulated depreciation in excess of the actual book accumulated depreciation of $48.1 million. The increase in remaining life decreased the annual accrual by $9.23 million and the amortization of the difference between the calculated accumulated depreciation and the actual accumulated depreciation reduced the annual accrual by $2.3 million. The offsetting increase in negative net salvage increased the annual accrual by $12.4 million.

General Plant

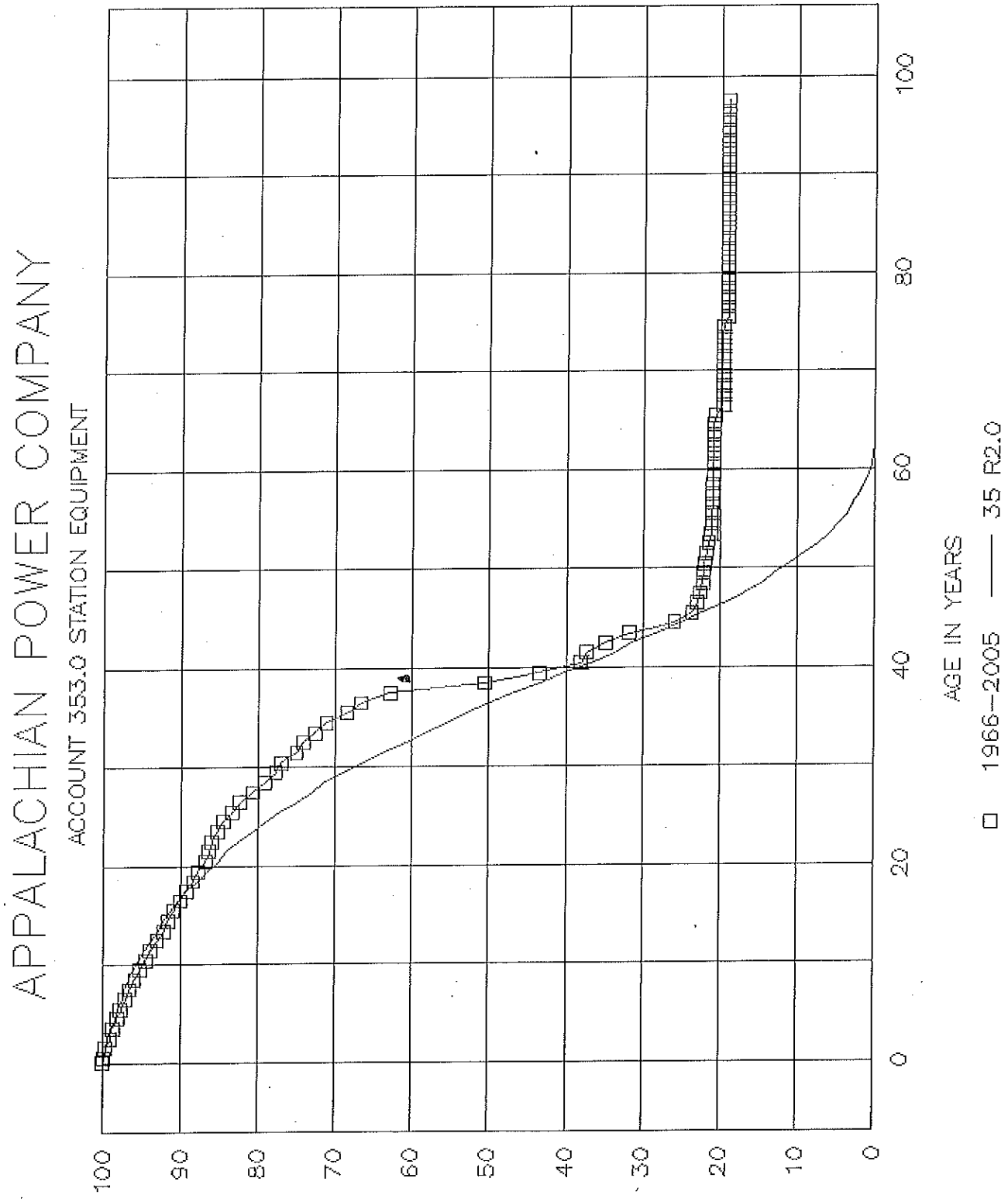
The average remaining life for the general plant group decreased from 27.82 years to 24.39 years. The estimated net salvage increased from a negative 12% to a positive 20%. The decrease in remaining life increased the annual accrual by $.4 million. The increase in positive net salvage decreased the annual accrual by $1.7 million. The calculated accumulated depreciation exceeds the actual accumulated depreciation by $20.4 million. The amortization of this difference decreased the annual accrual by $.8 million.

APPENDIX A

APPALACHIAN POWER COMPANY
CALCULATION OF INTERIM RETIREMENT RATIOS
STEAM PRODUCTION PLANT
ACCOUNT 311.0 STRUCTURES & IMPROVEMENTS

YEAR	ADDITIONS	RETIREMENTS	BALANCE	AVERAGE BALANCE	RETIREMENT RATIO
1944			2,838,839	N. A.	N. A.
1945	15,063	11,876	2,842,026	2,840,433	0.0042
1946	350	985	2,841,391	2,841,709	0.0003
1947	3,740	41	2,845,090	2,843,241	0.0000
1948	3,590	1,104	2,847,576	2,846,333	0.0004
1949	6,641	0	2,854,217	2,850,897	0.0000
1950	5,496,850	0	8,351,067	5,602,642	0.0000
1951	0	22,184	8,328,883	8,339,975	0.0027
1952	216,378	0	8,545,261	8,437,072	0.0000
1953	9,647,807	6,273	18,186,795	13,366,028	0.0005
1954	399,751	2,581	18,583,965	18,385,380	0.0001
1955	108,825	80,668	18,612,122	18,598,044	0.0043
1956	36,720	8,877	18,639,965	18,626,044	0.0005
1957	4,460,081	6,490	23,093,556	20,866,761	0.0003
1958	9,243,129	5,626	32,331,059	27,712,308	0.0002
1959	667,737	5,152	32,993,644	32,662,352	0.0002
1960	92,615	26,902	33,059,357	33,026,501	0.0008
1961	3,084,871	18,128	36,126,100	34,592,729	0.0005
1962	194,864	20,578	36,300,386	36,213,243	0.0006
1963	82,223	4,951	36,377,658	36,339,022	0.0001
1964	58,001	26,931	36,408,728	36,393,193	0.0007
1965	23,493	18,323	36,413,898	36,411,313	0.0005
1966	34,610	11,206	36,437,302	36,425,600	0.0003
1967	34,673	30,457	36,441,518	36,439,410	0.0008
1968	6,262	4,874	36,442,906	36,442,212	0.0001
1969	274,551	5,258	36,712,199	36,577,553	0.0001
1970	67,605	15,394	36,764,410	36,738,305	0.0004
1971	17,098,918	218	53,863,110	45,313,760	0.0000
1972	11,233,934	19,067	65,077,977	59,470,544	0.0003
1973	9,237,448	1,354	74,314,071	69,696,024	0.0000
1974	3,189,135	42,803	77,460,403	75,887,237	0.0006
1975	2,028,990	7,576	79,481,817	78,471,110	0.0001
1976	458,356	398,391	79,541,782	79,511,800	0.0050
1977	135,885	31,590	79,646,077	79,593,930	0.0004
1978	7,985,887	102,652	87,529,312	83,587,695	0.0012
1979	2,130,732	28,754	89,631,290	88,580,301	0.0003
1980	82,499,958	54,669	172,076,579	130,853,935	0.0004
1981	2,458,366	12,140	174,522,805	173,299,692	0.0001
1982	2,966,173	5,183	177,483,795	176,003,300	0.0000
1983	1,087,764	22,937	178,548,622	178,016,209	0.0001
1984	1,097,802	4,863	179,641,561	179,095,092	0.0000
1985	3,779,175	101,634	183,319,102	181,480,332	0.0006
1986	463,961	132,500	183,650,563	183,484,833	0.0007
1987	927,094	73,059	184,504,598	184,077,581	0.0004
1988	1,721,425	26,598	186,199,425	185,352,012	0.0001
1989	675,660	26,464	186,848,621	186,524,023	0.0001
1990	485,175	78,642	187,255,154	187,051,888	0.0004
1991	699,378	102,744	187,851,788	187,553,471	0.0005
1992	2,580,203	425,034	190,006,957	188,929,373	0.0022
1993	10,796,909	423,598	200,380,268	195,193,613	0.0022
1994	1,244,293	346,091	201,278,470	200,829,369	0.0017
1995	2,744,243	376,402	203,646,311	202,462,391	0.0019
1996	4,406,219	637,447	207,415,083	205,530,697	0.0031
1997	3,895,202	832,979	210,477,306	208,946,195	0.0040
1998	1,977,893	357,592	212,097,607	211,287,457	0.0017
1999	3,001,642	151,212	214,948,037	213,522,822	0.0007
2000	529,971	65,704	215,412,304	215,180,171	0.0003
2001	3,784,586	875,694	218,321,196	216,866,750	0.0040
2002	175,010	143,475	218,352,731	218,336,964	0.0007
2003	3,629,112	833,872	221,147,971	219,750,351	0.0038
2004	3,565,999	379,627	224,334,343	222,741,157	0.0017
2005	6,365,103	1,474,610	229,224,836	226,779,589	0.0065
TOTAL 1945-2005	235,318,031	8,932,034	6,434,872,951	6,321,679,952	0.0649

AVERAGE INTERIM RATE 0.0649 / 61 = 0.0011


APPALACHIAN POWER COMPANY
ACCOUNT 353.0 STATION EQUIPMENT
PERCENT SURVIVING
100
90
80
70
60
50
40
30
20
10
0
0
20
40
60
80
100
AGE IN YEARS
1966–2005 —— 35 R2.0

DELOITTE HASKINS & SELLS DEPRECIATION SYSTEM - DSACT03 RELEASE 5.0

STUDY AS OF DECEMBER 31, 2005 PAGE 1

****APPALACHIAN POWER COMPANY**** 2-19-2006

ACCOUNT NO.: 35300000

1966 THRU 2005 BAND ANALYSIS SURVIVOR REPORT

AGE	RETIREMENTS	EXPOSURES	ANNUAL % SURVIVORS	CUMULATIVE % SURVIVORS
0.50	1292435.	609502793.	99.79	99.79
1.50	1108404.	599223017.	99.82	99.60
2.50	3170995.	584211305.	99.46	99.06
3.50	2035989.	567377505.	99.64	98.71
4.50	3068719.	557005033.	99.45	98.16
5.50	2494802.	528374203.	99.53	97.70
6.50	2938540.	512415779.	99.43	97.14
7.50	2878717.	496513920.	99.42	96.58
8.50	3211612.	474106374.	99.32	95.92
9.50	3522987.	460848015.	99.24	95.19
10.50	3274365.	447618920.	99.27	94.49
11.50	2865740.	435800044.	99.34	93.87
12.50	3640888.	417548007.	99.13	93.05
13.50	3966507.	399536028.	99.01	92.13
14.50	2099283.	374544966.	99.44	91.61
15.50	2747028.	349116551.	99.21	90.89
16.50	3121642.	342166667.	99.09	90.06
17.50	2761828.	328922646.	99.16	89.31
18.50	3064638.	318214668.	99.04	88.45
19.50	2325146.	311948738.	99.25	87.79
20.50	3164896.	305318624.	98.96	86.88
21.50	1787288.	289812598.	99.38	86.34
22.50	1152611.	264526142.	99.56	85.96
23.50	2131679.	258920847.	99.18	85.26
24.50	2028547.	249877363.	99.19	84.57
25.50	3218729.	212808601.	98.49	83.29
26.50	2019754.	177686169.	98.86	82.34
27.50	3189134.	161530052.	98.03	80.71
28.50	2832421.	139537474.	97.97	79.08
29.50	2297171.	132612303.	98.27	77.71
30.50	979984.	125701751.	99.22	77.10
31.50	3291868.	119917123.	97.25	74.98
32.50	1203680.	108984576.	98.90	74.16
33.50	1868102.	91100113.	97.95	72.63
34.50	1706781.	84765012.	97.99	71.17
35.50	2541326.	67603387.	96.24	68.50

DELOITTE HASKINS & SELLS DEPRECIATION SYSTEM - DSACT03 RELEASE 5.0

STUDY AS OF DECEMBER 31, 2005 PAGE 2

****APPALACHIAN POWER COMPANY**** 2-19-2006

ACCOUNT NO.: 35300000

1966 THRU 2005 BAND ANALYSIS SURVIVOR REPORT

AGE	RETIREMENTS	EXPOSURES	ANNUAL % SURVIVORS	CUMULATIVE % SURVIVORS
36.50	1467472.	53921582.	97.28	66.63
37.50	508270.	8928688.	94.31	62.84
38.50	1606768.	8199676.	80.40	50.53
39.50	804663.	5761332.	86.03	43.47
40.50	616957.	4929347.	87.48	38.03
41.50	77404.	3940979.	98.04	37.28
42.50	255952.	3859676.	93.37	34.81
43.50	320339.	3544688.	90.96	31.66
44.50	587788.	3224007.	81.77	25.89
45.50	226896.	2588798.	91.24	23.62
46.50	62908.	2114194.	97.02	22.92
47.50	30266.	2049970.	98.52	22.58
48.50	32197.	1832968.	98.24	22.18
49.50	5285.	1798376.	99.71	22.12
50.50	7620.	1420550.	99.46	22.00
51.50	13733.	1275195.	98.92	21.76
52.50	13580.	1203925.	98.87	21.52
53.50	16085.	1057392.	98.48	21.19
54.50	2100.	1027137.	99.80	21.15
55.50	1933.	952802.	99.80	21.10
56.50	7156.	869026.	99.18	20.93
57.50	1.	850190.	100.00	20.93
58.50	0.	807979.	100.00	20.93
59.50	970.	806556.	99.88	20.90
60.50	0.	804226.	100.00	20.90
61.50	1.	803522.	100.00	20.90
62.50	0.	803019.	100.00	20.90
63.50	0.	802419.	100.00	20.90
64.50	2620.	802167.	99.67	20.84
65.50	10707.	795356.	98.65	20.56
66.50	32095.	784617.	95.91	19.72
67.50	0.	752491.	100.00	19.72
68.50	0.	742348.	100.00	19.72
69.50	0.	741387.	100.00	19.72
70.50	270.	741387.	99.96	19.71
71.50	0.	740235.	100.00	19.71

DELOITTE HASKINS & SELLS DEPRECIATION SYSTEM - DSACT03 RELEASE 5.0

STUDY AS OF DECEMBER 31, 2005 PAGE 3

****APPALACHIAN POWER COMPANY**** 2-19-2006

ACCOUNT NO.: 35300000

1966 THRU 2005 BAND ANALYSIS SURVIVOR REPORT

AGE	RETIREMENTS	EXPOSURES	ANNUAL % SURVIVORS	CUMULATIVE % SURVIVORS
72.50	0.	350498.	100.00	19.71
73.50	0.	350498.	100.00	19.71
74.50	459.	350498.	99.87	19.68
75.50	11115.	350039.	96.82	19.06
76.50	0.	5757.	100.00	19.06
77.50	0.	5757.	100.00	19.06
78.50	0.	5757.	100.00	19.06
79.50	0.	5757.	100.00	19.06
80.50	0.	5757.	100.00	19.06
81.50	0.	5757.	100.00	19.06
82.50	0.	5757.	100.00	19.06
83.50	0.	5757.	100.00	19.06
84.50	0.	5757.	100.00	19.06
85.50	0.	5757.	100.00	19.06
86.50	0.	5757.	100.00	19.06
87.50	0.	5757.	100.00	19.06
88.50	0.	5757.	100.00	19.06
89.50	0.	5757.	100.00	19.06
90.50	0.	5757.	100.00	19.06
91.50	0.	5757.	100.00	19.06
92.50	0.	5757.	100.00	19.06
93.50	0.	5757.	100.00	19.06
94.50	0.	5757.	100.00	19.06
95.50	0.	5757.	100.00	19.06
96.50	0.	5757.	100.00	19.06
97.50	0.	5757.	100.00	19.06

TOTAL 97727846.

REALIZED LIFE = 46.18 YEARS

DELOITTE HASKINS & SELLS — DEPRECIATION SYSTEM - DSSIMBAL02 RELEASE 5.0

STUDY AS OF DECEMBER 31, 2005 — PAGE 1

**** APPALACHIAN POWER COMPANY **** — 2-18-2006

SIMULATED PLANT BALANCE METHOD OF LIFE ANALYSIS FOR ACCOUNT 36400000

USING BALANCES PERIOD EQUAL TO LAST 40 YEARS

AVERAGE LIFE AT WHICH BOOK BALS EQUAL SIMULATED BALS AT END OF										MORT	INDEX OF VARIATION FOR ANALYSIS OF DATA ENDING IN									
1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	DISP	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
34.6	34.6	34.6	34.7	34.8	35.0	35.2	35.4	35.7	36.1	SC	-202	-194	-183	-180	-174	-176	-191	221	254	288
31.8	31.8	31.8	31.9	32.0	32.1	32.3	32.6	32.8	33.1	S-.5	225	215	202	195	186	184	195	222	254	289
29.8	29.8	29.8	29.9	29.9	30.0	30.1	30.3	30.5	30.7	S0	253	244	228	216	204	197	202	225	255	290
28.8	28.7	28.8	28.8	28.8	28.9	29.0	29.2	29.4	29.6	S0.5	277	269	252	237	223	212	212	227	252	284
27.9	27.8	27.8	27.8	27.9	27.9	28.0	28.1	28.3	28.5	S1	305	297	280	262	246	232	227	236	256	285
27.2	27.2	27.2	27.2	27.2	27.2	27.3	27.4	27.6	27.8	S1.5	332	325	307	288	270	254	245	248	262	286
26.7	26.6	26.6	26.6	26.6	26.6	26.7	26.8	26.9	27.1	S2	361	354	337	316	298	280	267	265	273	293
25.9	25.9	25.8	25.8	25.8	25.8	25.9	25.9	26.1	26.2	S3	411	406	389	366	347	327	309	300	300	311
25.4	25.3	25.3	25.2	25.2	25.2	25.2	25.3	25.4	25.6	S4	462	459	442	419	399	376	355	341	335	339
25.2	25.1	25.0	24.9	24.9	24.9	24.9	25.0	25.1	25.2	S5	496	495	478	455	434	410	387	370	362	363
25.0	24.9	24.8	24.8	24.7	24.7	24.7	24.8	24.9	25.1	S6	517	515	499	475	454	430	406	388	378	379
34.7	34.6	34.7	34.7	34.8	34.9	35.1	35.4	35.6	36.0	L0	223	217	204	196	187	185	196	224	257	293
32.4	32.3	32.4	32.4	32.5	32.6	32.8	33.0	33.2	33.5	L0.5	240	233	219	208	197	192	200	224	256	292
30.5	30.4	30.4	30.5	30.5	30.6	30.7	30.9	31.1	31.4	L1	260	253	238	224	211	203	207	227	256	292
29.3	29.2	29.2	29.3	29.3	29.4	29.5	29.6	29.8	30.0	L1.5	288	280	264	248	233	222	220	235	259	291
28.2	28.1	28.1	28.2	28.2	28.2	28.3	28.4	28.6	28.8	L2	317	310	293	275	258	244	238	246	266	294
26.8	26.7	26.7	26.7	26.7	26.7	26.8	26.9	27.0	27.2	L3	372	366	349	328	309	290	277	275	284	303
25.8	25.7	25.7	25.7	25.6	25.6	25.7	25.8	25.9	26.0	L4	429	425	407	384	364	343	325	314	313	323
25.4	25.3	25.2	25.2	25.1	25.1	25.2	25.2	25.3	25.5	L5	474	471	454	430	409	387	365	350	344	348
32.0	32.0	32.1	32.2	32.3	32.4	32.6	32.8	33.1	33.4	R0.5	221	211	198	192	184	182	194	220	251	284
30.1	30.1	30.1	30.2	30.2	30.3	30.5	30.6	30.8	31.1	R1	249	237	222	211	199	193	198	-218	246	277
28.9	28.9	28.9	29.0	29.0	29.1	29.2	29.3	29.5	29.7	R1.5	277	266	249	234	219	208	207	220	-240	-268
27.9	27.8	27.8	27.9	27.9	27.9	28.0	28.2	28.3	28.5	R2	309	299	281	263	246	232	225	231	246	270
27.1	27.1	27.1	27.1	27.1	27.1	27.2	27.3	27.5	27.6	R2.5	340	332	314	294	277	260	248	248	258	277
26.5	26.4	26.4	26.4	26.4	26.4	26.5	26.5	26.7	26.8	R3	375	369	352	330	312	293	278	272	276	291
25.7	25.6	25.6	25.6	25.5	25.5	25.6	25.7	25.8	25.9	R4	432	428	411	389	369	349	329	317	314	321
25.3	25.1	25.1	25.0	25.0	25.0	25.0	25.1	25.2	25.3	R5	485	483	467	443	423	400	377	361	353	354

THE INDEX OF VARIATION IS MULTIPLIED BY 10 TO OBTAIN A HIGHER LEVEL OF RANKING PRECISION

APPALACHIAN POWER COMPANY
Distribution Plant Net Salvage

14-Mar-06

Retirements

Year	361	362	364	365	366	367	368	369	370	371	373	Total	Removal %	Weighted (000)
1996	76,530	2,651,372	5,810,152	4,009,491	25,608	528,686	7,392,311	901,199	1,548,808	1,124,232	297,560	24,365,949	-16	-389,855
1997	23,233	1,413,045	4,181,534	3,100,840	52,365	314,864	6,830,283	887,176	2,128,629	1,188,444	321,465	20,441,878	-13	-265,744
1998	89,056	1,271,149	2,184,063	1,364,779	185	-64,101	2,393,997	2,111,008	1,155,703	1,117,678	225,322	11,848,839	-35	-414,709
1999	30,134	953,230	3,304,346	2,171,651	66,868	285,976	5,456,373	1,325,442	3,412,116	910,477	240,581	18,157,194	-1	-18,157
2000	40,799	1,098,009	7,942,407	5,207,782	143,434	361,791	7,111,932	1,452,811	3,068,215	1,713,288	331,182	28,471,650	-5	-142,358
2001	25,044	1,022,972	4,910,794	6,967,079	233,381	475,756	6,367,032	1,430,650	2,048,920	1,582,040	325,162	25,388,830	-5	-126,944
2002	9,101	1,017,329	3,274,141	4,156,897	55,353	176,624	5,452,162	2,217,009	2,026,676	1,190,049	232,544	19,807,885	-1	-19,808
2003	65,560	1,940,050	2,560,741	4,840,308	37,253	308,629	5,362,246	6,977,855	1,506,501	1,527,319	312,731	25,439,193	-39	-992,129
2004	1	1,037,338	3,905,283	5,420,556	6,098	306,405	5,458,133	7,406,664	2,738,796	721,482	602,964	27,603,720	-19	-524,471
2005	7,609	1,950,815	3,831,342	5,909,080	3,681	387,618	6,109,275	5,022,742	20,671,356	1,443,316	251,262	45,588,096	1	45,588
TOTAL	367,067	14,355,309	41,904,803	43,148,463	624,226	3,082,248	57,933,744	29,732,556	40,305,720	12,518,325	2,843,213	247,113,234	-12	-2,848,588

EVALUATION BASED ON 1996 -2005 ACTUAL

	361	362	364	365	366	367	368	369	370	371	373	Total
Total Retmts	367,067	14,355,309	41,904,803	43,148,463	624,226	3,082,248	57,933,744	29,732,556	40,305,720	12,518,325	2,843,213	246,815,674
Net Salvage %	0	15	-55	15	0	0	-10	-13	-10	-8	5	-12
Net Salvage $	0	2,153,296	-23,047,642	6,472,269	0	0	-5,793,374	-3,865,232	-4,030,572	-1,001,466	142,161	-28,970,560

Exh. No. 602

APPALACHIAN POWER COMPANY
Distribution Plant Salvage Test

14-Mar-06

Retirements

Year	361	362	364	365	366	367	368	369	370	371	373	Total	Salvage %	Weighted (000)
1996	76,530	2,651,372	5,810,152	4,009,491	25,608	528,686	7,392,311	901,199	1,548,808	1,124,232	297,560	24,365,949	24%	5,848
1997	23,233	1,413,045	4,181,534	3,100,840	52,365	314,864	6,830,283	887,176	2,128,629	1,188,444	321,465	20,441,878	30%	6,133
1998	89,056	1,271,149	2,184,063	1,364,779	185	-64,101	2,393,997	2,111,008	1,155,703	1,117,678	225,322	11,848,839	32%	3,792
1999	30,134	953,230	3,304,346	2,171,651	66,868	285,976	5,456,373	1,325,442	3,412,116	910,477	240,581	18,157,194	10%	1,816
2000	40,799	1,098,009	7,942,407	5,207,782	143,434	361,791	7,111,932	1,452,811	3,068,215	1,713,288	331,182	28,471,650	22%	6,264
2001	25,044	1,022,972	4,910,794	6,967,079	233,381	475,756	6,367,032	1,430,650	2,048,920	1,582,040	325,162	25,388,830	37%	9,394
2002	9,101	1,017,329	3,274,141	4,156,897	55,353	176,624	5,452,162	2,217,009	2,026,676	1,190,049	232,544	19,807,885	33%	6,537
2003	65,560	1,940,050	2,560,741	4,840,308	37,253	308,629	5,362,246	6,977,855	1,506,501	1,527,319	312,731	25,439,193	1%	254
2004	1	1,037,338	3,905,283	5,420,556	6,098	306,405	5,458,133	7,406,664	2,738,796	721,482	602,964	27,603,720	11%	3,036
2005	7,609	1,950,815	3,831,342	5,909,080	3,681	387,618	6,109,275	5,022,742	20,671,356	1,443,316	251,262	45,588,096	2%	912
TOTAL	367,067	14,355,309	41,904,803	43,148,463	624,226	3,082,248	57,933,744	29,732,556	40,305,720	12,518,325	3,140,773	247,113,234	18%	43,985

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EVALUATION BASED ON 1996 -2005 ACTUAL

	361	362	364	365	366	367	368	369	370	371	373	Total
Total Retmts	367,067	14,355,309	41,904,803	43,148,463	624,226	3,082,248	57,933,744	29,732,556	40,305,720	12,518,325	3,140,773	247,113,234
Gross Salvage, %	5	40	5	40	0	0	25	2	10	2	10	18
Gross Salvage $	18,353	5,742,124	2,095,240	17,259,385	0	0	14,483,436	594,651	4,030,572	250,367	314,077	44,788,205

APPALACHIAN POWER COMPANY
Distribution Plant Removal Test

14-Mar-06

Retirements

Year	361	362	364	365	366	367	368	369	370	371	373	Total	Removal %	Weighted (000)
1996	76,530	2,651,372	5,810,152	4,009,491	25,608	528,686	7,392,311	901,199	1,548,808	1,124,232	297,560	24,365,949	40%	9,746
1997	23,233	1,413,045	4,181,534	3,100,840	52,365	314,864	6,830,283	887,176	2,128,629	1,188,444	321,465	20,441,878	43%	8,790
1998	89,056	1,271,149	2,184,063	1,364,779	185	-64,101	2,393,997	2,111,008	1,155,703	1,117,678	225,322	11,848,839	67%	7,939
1999	30,134	953,230	3,304,346	2,171,651	66,868	285,976	5,456,373	1,325,442	3,412,116	910,477	240,581	18,157,194	11%	1,997
2000	40,799	1,098,009	7,942,407	5,207,782	143,434	361,791	7,111,932	1,452,811	3,068,215	1,713,288	331,182	28,471,650	27%	7,687
2001	25,044	1,022,972	4,910,794	6,967,079	233,381	475,756	6,367,032	1,430,650	2,048,920	1,582,040	325,162	25,388,830	41%	10,409
2002	9,101	1,017,329	3,274,141	4,156,897	55,353	176,624	5,452,162	2,217,009	2,026,676	1,190,049	232,544	19,807,885	34%	6,735
2003	65,560	1,940,050	2,560,741	4,840,308	37,253	308,629	5,362,246	6,977,855	1,506,501	1,527,319	312,731	25,439,193	40%	10,176
2004	1	1,037,338	3,905,283	5,420,556	6,098	306,405	5,458,133	7,406,664	2,738,796	721,482	602,964	27,603,720	31%	8,557
2005	7,609	1,950,815	3,831,342	5,909,080	3,681	387,618	6,109,275	5,022,742	20,671,356	1,443,316	251,262	45,588,096	1%	456
TOTAL	367,067	14,355,309	41,904,803	43,148,463	624,226	3,082,248	57,933,744	29,732,556	40,305,720	12,518,325	3,140,773	247,113,234	29%	72,493

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EVALUATION BASED ON 1996 -2005 ACTUAL

	361	362	364	365	366	367	368	369	370	371	373	Total
Total Retmts	367,067	14,355,309	41,904,803	43,148,463	624,226	3,082,248	57,933,744	29,732,556	40,305,720	12,518,325	3,140,773	247,113,234
Gross Removal %	5	25	60	25	0	0	35	15	20	10	5	30
Gross Removal $	18,353	3,588,827	25,142,882	10,787,116	0	0	20,276,810	4,459,883	8,061,144	1,251,833	157,039	73,743,887

Exh. No. 602

DELOITTE HASKINS & SELLS

DEPRECIATION SYSTEM - DSALVG01 RELEASE 5.0

STUDY AS OF DECEMBER 31, 2005

**** APPALACHIAN POWER COMPANY ****

2-24-2006

ACCOUNT NO.: 10860000

DISTRIBUTION

			REIMBURSEMENTS		SALVAGE		COST OF REMOVAL		NET SALVAGE	
YEAR	ADDITIONS	RETIREMENTS	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO	W/REIMB.	W/O REIMB.
1954	0.	2360914.	0.	0.%	1132398.	48.%	408282.	17.%	31.%	31.%
1955	0.	2397639.	0.	0.%	1196243.	50.%	524521.	22.%	28.%	28.%
1956	0.	4128237.	0.	0.%	2360339.	57.%	644116.	16.%	42.%	42.%
1957	0.	3407162.	0.	0.%	1772435.	52.%	858114.	25.%	27.%	27.%
1958	0.	2758059.	0.	0.%	1052822.	38.%	756075.	27.%	11.%	11.%
1959	0.	2322094.	0.	0.%	927874.	40.%	834464.	36.%	4.%	4.%
1960	0.	2609506.	0.	0.%	951705.	36.%	771617.	30.%	7.%	7.%
1961	0.	2591444.	0.	0.%	948019.	37.%	734433.	28.%	8.%	8.%
1962	0.	2513474.	0.	0.%	929678.	37.%	739858.	29.%	8.%	8.%
1963	0.	3087801.	0.	0.%	1188074.	38.%	817686.	26.%	12.%	12.%
1964	0.	3191696.	0.	0.%	1141615.	36.%	823696.	26.%	10.%	10.%
1965	0.	3239755.	0.	0.%	1184065.	37.%	941636.	29.%	7.%	7.%
1966	0.	4764343.	0.	0.%	1981104.	42.%	1183235.	25.%	17.%	17.%
1967	0.	4922912.	0.	0.%	1989633.	40.%	1436356.	29.%	11.%	11.%
1968	0.	5116641.	0.	0.%	1834311.	36.%	1615940.	32.%	4.%	4.%
1969	0.	6854382.	0.	0.%	2510165.	37.%	1777783.	26.%	11.%	11.%
1970	0.	6219812.	0.	0.%	2496089.	40.%	1940363.	31.%	9.%	9.%
1971	0.	5469240.	0.	0.%	2510269.	46.%	1734212.	32.%	14.%	14.%
1972	0.	6077356.	0.	0.%	3836449.	63.%	2242165.	37.%	26.%	26.%
1973	0.	6717655.	0.	0.%	3226668.	48.%	2260077.	34.%	14.%	14.%
1974	0.	7587365.	0.	0.%	4078616.	54.%	2391440.	32.%	22.%	22.%
1975	0.	5266860.	0.	0.%	1886571.	36.%	1671518.	32.%	4.%	4.%
1976	0.	5165738.	0.	0.%	3057988.	59.%	2169119.	42.%	17.%	17.%
1977	0.	6565704.	0.	0.%	3474793.	53.%	2419469.	37.%	16.%	16.%
1978	0.	7244272.	0.	0.%	3760670.	52.%	2773530.	38.%	14.%	14.%
1979	0.	6572320.	0.	0.%	3638495.	55.%	2997732.	46.%	10.%	10.%
1980	0.	8374943.	0.	0.%	5515222.	66.%	3645978.	44.%	22.%	22.%
1981	0.	8547227.	0.	0.%	4932960.	58.%	3792812.	44.%	13.%	13.%
1982	0.	7942696.	0.	0.%	3958773.	50.%	4341805.	55.%	-5.%	-5.%
1983	0.	8641435.	0.	0.%	4499940.	52.%	3945599.	46.%	6.%	6.%
1984	0.	9733678.	0.	0.%	4800438.	49.%	4317725.	44.%	5.%	5.%
1985	0.	1831429.	0.	0.%	1639173.	90.%	2070330.	113.%	-24.%	-24.%
1986	0.	10650595.	0.	0.%	4134045.	39.%	5184410.	49.%	-10.%	-10.%
1987	0.	15288347.	0.	0.%	7618558.	50.%	5330728.	35.%	15.%	15.%
1988	0.	12006124.	0.	0.%	2082239.	17.%	6720763.	56.%	-39.%	-39.%
1989	0.	16361356.	0.	0.%	6306950.	39.%	6383307.	39.%	0.%	0.%
1990	0.	18188768.	0.	0.%	5150062.	28.%	7777236.	43.%	-14.%	-14.%
1991	0.	15964463.	0.	0.%	3960664.	25.%	8328391.	52.%	-27.%	-27.%
1992	0.	25036118.	0.	0.%	4925017.	20.%	9089135.	36.%	-17.%	-17.%
1993	0.	22937869.	0.	0.%	4166003.	18.%	9198057.	40.%	-22.%	-22.%
1994	0.	19728096.	0.	0.%	4668837.	24.%	10161229.	52.%	-28.%	-28.%
1995	0.	32729359.	0.	0.%	6992700.	21.%	10842237.	33.%	-12.%	-12.%

DELOITTE HASKINS & SELLS — DEPRECIATION SYSTEM - DSALVG01 RELEASE 5.0

STUDY AS OF DECEMBER 31, 2005 — PAGE 11

**** APPALACHIAN POWER COMPANY **** — 2-24-2006

ACCOUNT NO.: 10860000

DISTRIBUTION

YEAR	ADDITIONS	RETIREMENTS	REIMBURSEMENTS AMOUNT	REIMBURSEMENTS RATIO	SALVAGE AMOUNT	SALVAGE RATIO	COST OF REMOVAL AMOUNT	COST OF REMOVAL RATIO	NET SALVAGE W/REIMB.	NET SALVAGE W/O REIMB.
1996	0.	24310600.	0.	0.%	5785985.	24.%	9618862.	40.%	-16.%	-16.%
1997	0.	21597923.	0.	0.%	6466288.	30.%	9360683.	43.%	-13.%	-13.%
1998	0.	8179171.	0.	0.%	2630662.	32.%	5459659.	67.%	-35.%	-35.%
1999	0.	18152317.	0.	0.%	1757838.	10.%	1977329.	11.%	-1.%	-1.%
2000	0.	28477922.	0.	0.%	6302681.	22.%	7716373.	27.%	-5.%	-5.%
2001	0.	25388478.	0.	0.%	9331953.	37.%	10512679.	41.%	-5.%	-5.%
2002	0.	20233919.	0.	0.%	6603674.	33.%	6815323.	34.%	-1.%	-1.%
2003	0.	25873297.	0.	0.%	309172.	1.%	10436123.	40.%	-39.%	-39.%
2004	0.	27455349.	0.	0.%	3071573.	11.%	8375014.	31.%	-19.%	-19.%
2005	0.	45613998.	0.	0.%	761734.	2.%	368073.	1.%	1.%	1.%
	0.	598397858.	0.	0.%	173440229.	29.%	209237297.	35.%	-6.%	-6.%
ROLLING BAND										
1954-1963	0.	28176330.	0.	0.%	12459587.	44.%	7089166.	25.%	19.%	19.%
1955-1964	0.	29007112.	0.	0.%	12468804.	43.%	7504580.	26.%	17.%	17.%
1956-1965	0.	29849228.	0.	0.%	12456626.	42.%	7921695.	27.%	15.%	15.%
1957-1966	0.	30485334.	0.	0.%	12077391.	40.%	8460814.	28.%	12.%	12.%
1958-1967	0.	32001084.	0.	0.%	12294589.	38.%	9039056.	28.%	10.%	10.%
1959-1968	0.	34359666.	0.	0.%	13076078.	38.%	9898921.	29.%	9.%	9.%
1960-1969	0.	38891954.	0.	0.%	14658369.	38.%	10842240.	28.%	10.%	10.%
1961-1970	0.	42502260.	0.	0.%	16202753.	38.%	12010986.	28.%	10.%	10.%
1962-1971	0.	45380056.	0.	0.%	17765003.	39.%	13010765.	29.%	10.%	10.%
1963-1972	0.	48943938.	0.	0.%	20671774.	42.%	14513072.	30.%	13.%	13.%
1964-1973	0.	52573792.	0.	0.%	22710368.	43.%	15955463.	30.%	13.%	13.%
1965-1974	0.	56969461.	0.	0.%	25647369.	45.%	17523207.	31.%	14.%	14.%
1966-1975	0.	58996566.	0.	0.%	26349875.	45.%	18253089.	31.%	14.%	14.%
1967-1976	0.	59397961.	0.	0.%	27426759.	46.%	19238973.	32.%	14.%	14.%
1968-1977	0.	61040753.	0.	0.%	28911919.	47.%	20222086.	33.%	14.%	14.%
1969-1978	0.	63168384.	0.	0.%	30838278.	49.%	21379676.	34.%	15.%	15.%
1970-1979	0.	62886322.	0.	0.%	31966608.	51.%	22599625.	36.%	15.%	15.%
1971-1980	0.	65041453.	0.	0.%	34985741.	54.%	24305240.	37.%	16.%	16.%
1972-1981	0.	68119440.	0.	0.%	37408432.	55.%	26363840.	39.%	16.%	16.%
1973-1982	0.	69984780.	0.	0.%	37530756.	54.%	28463480.	41.%	13.%	13.%
1974-1983	0.	71908560.	0.	0.%	38804028.	54.%	30149002.	42.%	12.%	12.%
1975-1984	0.	74054873.	0.	0.%	39525850.	53.%	32075287.	43.%	10.%	10.%
1976-1985	0.	70619442.	0.	0.%	39278452.	56.%	32474099.	46.%	10.%	10.%
1977-1986	0.	76104299.	0.	0.%	40354509.	53.%	35489390.	47.%	6.%	6.%
1978-1987	0.	84826942.	0.	0.%	44498274.	52.%	38400649.	45.%	7.%	7.%
1979-1988	0.	89588794.	0.	0.%	42819843.	48.%	42347882.	47.%	1.%	1.%

**** APPALACHIAN POWER COMPANY ****

ACCOUNT NO.: 10860000

DISTRIBUTION

YEAR	ADDITIONS	RETIREMENTS	REIMBURSEMENTS AMOUNT	REIMBURSEMENTS RATIO	SALVAGE AMOUNT	SALVAGE RATIO	COST OF REMOVAL AMOUNT	COST OF REMOVAL RATIO	NET SALVAGE W/REIMB.	NET SALVAGE W/O REIMB.
1980-1989	0.	99377830.	0.	0.%	45488298.	46.%	45733457.	46.%	0.%	0.%
1981-1990	0.	109191655.	0.	0.%	45123138.	41.%	49864715.	46.%	-4.%	-4.%
1982-1991	0.	116608891.	0.	0.%	44150842.	38.%	54400294.	47.%	-9.%	-9.%
1983-1992	0.	133702313.	0.	0.%	45117086.	34.%	59147624.	44.%	-10.%	-10.%
1984-1993	0.	147998747.	0.	0.%	44783149.	30.%	64400082.	44.%	-13.%	-13.%
1985-1994	0.	157993165.	0.	0.%	44651548.	28.%	70243586.	44.%	-16.%	-16.%
1986-1995	0.	188891095.	0.	0.%	50005075.	26.%	79015493.	42.%	-15.%	-15.%
1987-1996	0.	202551100.	0.	0.%	51657015.	26.%	83449945.	41.%	-16.%	-16.%
1988-1997	0.	208860676.	0.	0.%	50504745.	24.%	87479900.	42.%	-18.%	-18.%
1989-1998	0.	205033723.	0.	0.%	51053168.	25.%	86218796.	42.%	-17.%	-17.%
1990-1999	0.	206824684.	0.	0.%	46504056.	22.%	81812818.	40.%	-17.%	-17.%
1991-2000	0.	217113838.	0.	0.%	47656675.	22.%	81751955.	38.%	-16.%	-16.%
1992-2001	0.	226537853.	0.	0.%	53027964.	23.%	83936243.	37.%	-14.%	-14.%
1993-2002	0.	221735654.	0.	0.%	54706621.	25.%	81662431.	37.%	-12.%	-12.%
1994-2003	0.	224671082.	0.	0.%	50849790.	23.%	82900497.	37.%	-14.%	-14.%
1995-2004	0.	232398335.	0.	0.%	49252526.	21.%	81114282.	35.%	-14.%	-14.%
1996-2005	0.	245282974.	0.	0.%	43021560.	18.%	70640118.	29.%	-11.%	-11.%

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**** APPALACHIAN POWER COMPANY **** 3-15-2006

AVERAGE LIFE GROUP METHOD THEORETICAL RESERVE

ACCOUNT 36400000

AGE	VINTAGE YEAR	SURVIVING BALANCE 12/31/2005	REMAINING LIFE ASL CURVE 30.0 R1.5	RESERVE RATIO	THEORETICAL RESERVE
0.5	2005	15478787.	29.5889	0.01370	212110.
1.5	2004	13563194.	28.7713	0.04096	555505.
2.5	2003	14643309.	27.9614	0.06795	995081.
3.5	2002	18041990.	27.1591	0.09470	1708492.
4.5	2001	23774316.	26.3647	0.12118	2880900.
5.5	2000	25809096.	25.5781	0.14740	3804211.
6.5	1999	29030852.	24.7993	0.17336	5032719.
7.5	1998	13398380.	24.0284	0.19905	2666972.
8.5	1997	22934573.	23.2656	0.22448	5148382.
9.5	1996	26835953.	22.5107	0.24964	6699391.
10.5	1995	29579680.	21.7642	0.27453	8120411.
11.5	1994	28076227.	21.0264	0.29912	8398166.
12.5	1993	24034162.	20.2978	0.32341	7772809.
13.5	1992	21190788.	19.5791	0.34736	7360927.
14.5	1991	17697796.	18.8707	0.37098	6565458.
15.5	1990	16084546.	18.1734	0.39422	6340851.
16.5	1989	13503116.	17.4877	0.41708	5631826.
17.5	1988	13122151.	16.8143	0.43952	5767493.
18.5	1987	12965935.	16.1537	0.46154	5984346.
19.5	1986	13037792.	15.5066	0.48311	6298749.
20.5	1985	9621718.	14.8735	0.50422	4851441.
21.5	1984	8668618.	14.2549	0.52484	4549609.
22.5	1983	8102604.	13.6514	0.54495	4415541.
23.5	1982	9773101.	13.0635	0.56455	5517418.
24.5	1981	8190145.	12.4915	0.58362	4779896.
25.5	1980	7983047.	11.9360	0.60213	4806866.
26.5	1979	6378453.	11.3973	0.62009	3955223.
27.5	1978	5812302.	10.8757	0.63748	3705210.
28.5	1977	4650176.	10.3714	0.65429	3042547.
29.5	1976	3627394.	9.8846	0.67051	2432213.
30.5	1975	2332468.	9.4154	0.68615	1600432.
31.5	1974	3556446.	8.9636	0.70121	2493831.
32.5	1973	2854380.	8.5291	0.71570	2042867.

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**** APPALACHIAN POWER COMPANY **** 3-15-2006

AVERAGE LIFE GROUP METHOD THEORETICAL RESERVE

ACCOUNT 36400000

AGE	VINTAGE YEAR	SURVIVING BALANCE 12/31/2005	REMAINING LIFE ASL CURVE 30.0 R1.5	RESERVE RATIO	THEORETICAL RESERVE
33.5	1972	2161265.	8.1117	0.72961	1576881.
34.5	1971	1738140.	7.7108	0.74297	1291390.
35.5	1970	1663303.	7.3258	0.75581	1257134.
36.5	1969	955686.	6.9559	0.76814	734097.
37.5	1968	1106461.	6.6001	0.78000	863037.
38.5	1967	925216.	6.2574	0.79142	732235.
39.5	1966	761095.	5.9265	0.80245	610740.
40.5	1965	591949.	5.6064	0.81312	481326.
41.5	1964	450824.	5.2956	0.82348	371244.
42.5	1963	348880.	4.9932	0.83356	290812.
43.5	1962	289490.	4.6983	0.84339	244153.
44.5	1961	388411.	4.4105	0.85298	331308.
45.5	1960	201718.	4.1297	0.86234	173950.
46.5	1959	186527.	3.8565	0.87145	162549.
47.5	1958	178489.	3.5918	0.88027	157119.
48.5	1957	152716.	3.3363	0.88879	135732.
49.5	1956	122031.	3.0911	0.89696	109457.
50.5	1955	79195.	2.8562	0.90479	71655.
51.5	1954	58402.	2.6294	0.91235	53283.
52.5	1953	47038.	2.4050	0.91983	43267.
53.5	1952	33182.	2.1713	0.92762	30780.
54.5	1951	32346.	1.9103	0.93632	30286.
55.5	1950	28789.	1.6051	0.94650	27249.
56.5	1949	19664.	1.2638	0.95787	18836.
57.5	1948	11533.	0.9074	0.96975	11184.
58.5	1947	2479.	0.5000	0.98333	2438.
		486888324.			155950035.
			NET SALVAGE VALUE(%)		-55.
			RESERVE AFTER SALVAGE		241722560.
			REMAINING LIFE (YRS)		20.39