

Twelve Months Ended 2017

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

KINGSPORT POWER COMPANY

Line No.						Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 130)				\$4,812,895
			Total	Allocator		
2	REVENUE CREDITS	(Worksheet E Ln 8) (Note A)	215,568	DA	1.00000	\$ 215,568
3	Facility Credits under PJM OATT Section 30.9	(Worksheet E Ln 9) (Note X)				\$ -
4	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2 plus In 3)				\$ 4,597,327

MEMO: The Carrying Charge Calculations on lines 7 to 12 below are used in calculating project revenue requirements billed through PJM Schedule 12, Transmission Enhancement Charges. The total non-incentive revenue requirements for these projects shown on line 5 is included in the total on line 4.

5	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet J/K)	#N/A	DA	1.00000	#N/A
6	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
7	Annual Rate	((In 1 - In 95)/((In 42) x 100))			22.04%
8	Monthly Rate	(In 7 / 12)			1.84%
9	NET PLANT CARRYING CHARGE ON LINE 7 , w/o depreciation or ROE incentives (Note B)				
10	Annual Rate	((In 1 - In 95 - In 100) /((In 42) x 100))			19.82%
11	NET PLANT CARRYING CHARGE ON LINE 10, w/o Return, income taxes or ROE incentives (Note B)				
12	Annual Rate	((In 1 - In 95 - In 100 - In 125 - In 126) /((In 42) x 100))			10.49%
13	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J/K)				
14	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES				
15	Total Load Dispatch & Scheduling (Account 561)	Line 75 Below			12,831
16	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				-
17	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				-
18	Total 561 Internally Developed Costs	(Line 15 - Line 16 - Line 17)			12,831

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	(1)	(2)	(3)	(4)	(5)
	<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> <u>(See "General Notes")</u>	<u>TO Total</u> <u>NOTE C</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>
Line No.					
19	GROSS PLANT IN SERVICE				
20	Production	(Worksheet A In 14.(b))	-	NA	0.00000
21	Less: Production ARO (Enter Negative)	(Worksheet A In 14.(c))	-	NA	0.00000
22	Transmission	(Worksheet A In 14.(d) & TCOS Ln 134)	34,111,130	DA	
23	Less: Transmission ARO (Enter Negative)	(Worksheet A In 14.(e))	-	TP	1.00000
24	Distribution	(Worksheet A In 14.(f))	152,637,854	NA	0.00000
25	Less: Distribution ARO (Enter Negative)	(Worksheet A In 14.(g))	-	NA	0.00000
26	General Plant	(Worksheet A In 14.(h))	3,247,069	W/S	0.10505
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 14.(i))	-	W/S	0.10505
28	Intangible Plant	(Worksheet A In 14.(j))	3,036,375	W/S	0.10505
29	TOTAL GROSS PLANT	(sum Ins 19 to 27)	193,032,427	GP	0.180131
30	ACCUMULATED DEPRECIATION AND AMORTIZATION			GTD=	0.18266
31	Production	(Worksheet A In 28.(b))	-	NA	0.00000
32	Less: Production ARO (Enter Negative)	(Worksheet A In 28.(c))	-	NA	0.00000
33	Transmission	(Worksheet A In 28.(d) & In 43.(c))	12,272,610	TP1=	1.00000
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 28.(e))	-	TP1=	1.00000
35	Distribution	(Worksheet A In 28.(f))	58,103,206	NA	0.00000
36	Less: Distribution ARO (Enter Negative)	(Worksheet A In 28.(g))	-	NA	0.00000
37	General Plant	(Worksheet A In 28.(h))	1,010,735	W/S	0.10505
38	Less: General Plant ARO (Enter Negative)	(Worksheet A In 28.(i))	-	W/S	0.10505
39	Intangible Plant	(Worksheet A In 28.(j))	1,596,553	W/S	0.10505
40	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 30 to 38)	72,983,103		
41	NET PLANT IN SERVICE				
42	Production	(In 19 + In 20 - In 30 - In 31)	-		
43	Transmission	(In 21 + In 22 - In 32 - In 33)	21,838,520		
44	Distribution	(In 23 + In 24 - In 34 - In 35)	94,534,648		
45	General Plant	(In 25 + In 26 - In 36 - In 37)	2,236,334		
46	Intangible Plant	(In 27 - In 38)	1,439,823		
47	TOTAL NET PLANT IN SERVICE	(sum Ins 41 to 45)	120,049,324	NP	0.185130
48	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
49	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	-	NA	
50	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(26,992,049)	DA	(6,003,258)
51	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(2,358,823)	DA	92,540
52	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	(462,333)	DA	(622,252)
53	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	(63)	DA	(12)
54	TOTAL ADJUSTMENTS	(sum Ins 48 to 52)	(29,813,268)		(6,532,982)
55	PLANT HELD FOR FUTURE USE	(Worksheet A In 44.(e) & In 45.(e))	187,481	DA	-
56	REGULATORY ASSETS	(Worksheet A In 51.(e))	-	DA	-
57	UNFUNDED RESERVES (ENTER NEGATIVE) (NOTE Y)	(Worksheet A In 54.(e))	(1,494)	W/S	0.10505
58	WORKING CAPITAL	(Note E)			
59	Cash Working Capital	(1/8 * In 78)	97,695		97,695
60	Transmission Materials & Supplies	(Worksheet C, In 2.(F))	313	TP	1.00000
61	A&G Materials & Supplies	(Worksheet C, In 3.(F))	1,054	W/S	0.10505
62	Stores Expense	(Worksheet C, In 4.(F))	-	GP	0.18013
63	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 8.G)	5,680,892	W/S	0.10505
64	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 8.F)	94,243	GP	0.18013
65	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 8.E)	-	DA	1.00000
66	Prepayments (Account 165) - Unallocable	(Worksheet C, In 8.D)	(3,579,525)	NA	0.00000
67	TOTAL WORKING CAPITAL	(sum Ins 58 to 65)	2,294,673		711,867
68	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8.B)	-	DA	1.00000
69	RATE BASE (sum Ins 46, 53, 54, 55, 56, 66, 67)		92,716,716		16,403,424

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	(1)	(2)	(3)	(4)	(5)	
	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission	
Line No.	OPERATION & MAINTENANCE EXPENSE					
69	Production	321.80.b	125,836,727			
70	Distribution	322.156.b	5,231,138			
71	Customer Related Expense	322 & 323.164,171,178.b	1,949,801			
72	Regional Marketing Expenses	322.131.b	-			
73	Transmission	321.112.b	794,394			
74	TOTAL O&M EXPENSES	(sum Ins 69 to 73)	133,812,060			
75	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	12,831			
76	Less: Account 565	(Note H) 321.96.b				
77	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	-			
78	Total O&M Allocable to Transmission	(Ins 73 - 75 - 76 - 77)	781,563	TP	1.00000	781,563
79	Administrative and General	323.197.b (Notes J and M)	2,505,088			
80	Less: Acct. 924, Property Insurance	323.185.b	31,905			
81	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	(212,487)			
82	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	-			
83	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	(26,249)			
84	Acct. 928, Reg. Com. Exp.	323.189.b	280,732			
85	Acct. 930.1, Gen. Advert. Exp.	323.191.b	4,815			
86	Acct. 930.2, Misc. Gen. Exp.	323.192.b	212,180			
87	Balance of A & G	(In 79 - sum In 80 to In 86)	2,214,192	W/S	0.10505	232,598
88	Plus: Acct. 924, Property Insurance	(In 80)	31,905	GP	0.18013	5,747
89	Acct. 928 - Transmission Specific	Worksheet F In 20.(E) (Note L)	1,229	TP	1.00000	1,229
90	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 37.(E) (Note L)	-	TP	1.00000	-
91	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 44.(E) (Note L)	136,548	DA	1.00000	136,548
92	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C (Note M)	(1,010,844)	W/S	0.10505	(106,188)
93	A & G Subtotal	(sum Ins 87 to 92)	1,373,030			269,934
94	O & M EXPENSE SUBTOTAL	(In 78 + In 93)	2,154,593			1,051,498
95	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA	1.00000	-
96	TOTAL O & M EXPENSE	(In 94 + In 95)	2,154,593			1,051,498
97	DEPRECIATION AND AMORTIZATION EXPENSE					
98	Production	336.2-6.f	-	NA	0.00000	-
99	Distribution	336.8.f	5,568,241	NA	0.00000	-
100	Transmission	336.7.f	484,002	TP1	1.00000	484,002
101	General	336.10.f	205,313	W/S	0.10505	21,568
102	Intangible	336.1.f	583,197	W/S	0.10505	61,264
103	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 98+99+ 100+101+102) (Note N)	6,840,753			566,834
104	TAXES OTHER THAN INCOME					
105	Labor Related					
106	Payroll	Worksheet H In 24.(D)	158,581	W/S	0.10505	16,659
107	Plant Related					
108	Property	Worksheet H-1 In 3.(C) & 3.(G)	1,362,399	DA		255,667
109	Gross Receipts/Sales & Use	Worksheet H In 24.(F)	4,146,311	NA	0.00000	-
110	Other	Worksheet H In 24.(E)	4,909,089	GP	0.18013	884,281
111	TOTAL OTHER TAXES	(sum Ins 106 to 110)	10,576,380			1,156,607
112	INCOME TAXES	(Note O)				
113	T=1 - {(1 - SIT) * (1 - FIT)} / (1 - SIT * FIT * p)} =		39.18%			
114	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		47.55%			
115	where WCLTD=(In 154) and WACC = (In 157)					
116	and FIT, SIT & p are as given in Note O.					
117	GRCF=1 / (1 - T) = (from In 113)		1.6442			
118	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-			
119	Excess Deferred Income Tax	(Note U)	338	DA		(394)
120	Tax Effect of Permanent and Flow-Through Differences	(Note U)	180,806	DA		10,432
121	Income Tax Calculation	(In 114 * In 126)	3,682,263			651,465
122	ITC adjustment	(In 117 * In 118)	-	GP	0.18013	-
123	Excess Deferred Income Tax	(In 117 * In 119)	556			(648)
124	Tax Effect of Permanent and Flow-Through Differences	(In 117 * In 120)	297,278			17,152
125	TOTAL INCOME TAXES	(sum Ins 121 to 124)	3,980,097			667,970
126	RETURN ON RATE BASE (Rate Base*WACC)	(In 68 * In 157)	7,743,550			1,369,987
127	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		-	DA	1.00000	-
128	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-			-
129	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 128 * In114)		-			-
130	TOTAL REVENUE REQUIREMENT (sum Ins 96, 103, 111, 125, 126, 127, 128, 129)		31,295,373			4,812,895

SUPPORTING CALCULATIONS

No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
131	Total transmission plant (In 21)									
132	Less transmission plant excluded from PJM Tariff (Worksheet A, In 42, Col. (d)) (Note P)									
133	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 42, Col. (b)) (Note Q)									
134	Transmission plant included in PJM Tariff (In 131 - In 132 - In 133)									
135	Percent of transmission plant in PJM Tariff (In 134 / In 131)									
TP= 1.00000										
136	WAGES & SALARY ALLOCATOR (W/S) (Note R)									
137	Production 354.20.b									
138	Transmission 354.21.b									
139	Regional Market Expenses 354.22.b									
140	Distribution 354.23.b									
141	Other (Excludes A&G) 354.24,25,26.b									
142	Total (sum Ins 137 to 141)									
143	Transmission related amount									
W/S= 0.10505										
144	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									
145	Long Term Interest (Worksheet M, In. 37, col. (d))									
146	Preferred Dividends (Worksheet M, In. 71)									
147	Development of Common Stock:									
148	Proprietary Capital (Worksheet M, In. 14, col. (b))									
149	Less: Preferred Stock (Worksheet M, In. 14, col. (c))									
150	Less: Account 216.1 (Worksheet M, In. 14, col. (d))									
151	Less: Account 219 (Worksheet M, In. 14, col. (e))									
152	Common Stock (In 148 - In 149 - In 150 - In 151)									
153										
154	Long Term Debt (Note T) Worksheet M, In 28, col. (g), In 38, col. (d))									
155	Preferred Stock (In 149)									
156	Common Stock (In 152)									
157	Total (Sum Ins 154 to 156)									

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KINGSPORT POWER COMPANY

Letter

Notes

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

- A Revenue credits include:
1) Forfeited Discounts.
2) Miscellaneous Service Revenues.
3) Rental revenues earned on assets included in the rate base.
4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.
5) Other electric revenues.
6) Revenues for grandfathered PTP contracts included in the load divisor.
7) If AEP East companies have any directly assigned transmission facilities, the revenue credits in the AEP East formula rate shall include all revenues associated with those directly assigned transmission facilities, irrespective of whether the loads of the customer are included in the formula rate divisor; provided however, such addition to revenue credits shall not be reflected if the costs of such directly assigned transmission facilities are not included in the transmission plant balances on which the formula rate ATRR is based.
See Worksheet E for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's. Interest will be calculated based on Worksheet Q and any over under recovery will be filed and posted as part of the informational filing.
- C Transmission Plant Balances in this study are projected or actual average beginning of year end of year balances.
- D The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flowthrough and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. In compliance with FERC Rulemaking the calculation of ADIT in the annual projection will be performed in accordance with IRS regulation Section1.167(l)-(h)(6)(ii). RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B. The company will not include the ADIT portion of deferred hedge gains and losses in rate base. Detailed balances for the projected or actual period, distinguished between utility and non-utility balances, will be filed and posted as part of the information filing.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 78. It excludes:
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 75.
2) Costs of Transmission of Electricity by Others, as described in Note H.
3) The impact of state regulatory deferrals and amortizations, as shown on line 77
4) All A&G Expenses, as shown on line 93.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 67 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 127.
- G Removes from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 16 & 17 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 5 through 14, for descriptions and the Form 1 Source of these accounts' balances.
- H Removes cost of transmission service provided by others to determine the basis of cash working capital on line 78. To the extent such service is incurred to provide the PJM service at issue, e.g. lease payments to affiliates, such cost is added back on line 95 to determine the total O&M collected in the formula. The amounts on line 95 is also excluded in the calculation of the FCR percentage calculated on lines 6 through 12.
The addbacks on line 95 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity.
The company records referenced on line 95 is the KINGSPORT POWER COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from Transmission O&M expense.
- J General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "W/S" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.
- K These deductions on lines 81 through 83 are to remove from the cost of service the expenses recorded by the company for Postemployment Benefits Other than Pensions (PBOP). See Note M below for the recoverable PBOP expense.
- L Expenses recorded in FERC Accounts 928 (Regulatory Commission Expense), 930.1 (Safety Related Advertising) and 930.2 (Miscellaneous General Expenses) that are not directly related to or properly allocable to transmission service will be removed from the TCOS. If AEP includes any expenses booked to these accounts in future ATRR updates, AEP must provide supporting information demonstrating that the underlying activities are directly related to providing transmission service. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M See note K above. Per the settlement in Docket ER08-1329, recoverable PBOP expense is based on an annual total for the operating companies that is ratioed to them based on the total of actual annual PBOP costs, including charges from the AEP Service Corporation. The calculation of the recoverable amount for each company is shown on Worksheet O.
- N Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = the percentage of federal income tax deductible for state income taxes. See Worksheet G for the development of the Company's composite SIT.
A utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (ln 118) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.
Inputs Required:
FIT = 35.00%
SIT= 6.43% (State Income Tax Rate or Composite SIT. Worksheet G))
p = 0.00% (percent of federal income tax deductible for state purposes)
The formula rate shall reflect the applicable state and federal statutory tax rates in effect during the period the calculated estimated unit charges are applicable.
If the statutory tax rates change during such period, the effective tax rates used in the formula shall be weighted by the number of days the pre-change rate and post-change rate each is in effect.
- P Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- Q Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note P.
- R Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- S Long Term Debt cost rate = Long-Term Interest (ln 145) / Long-Term Debt (ln 154). Preferred Stock cost rate = preferred dividends (ln 146) / preferred outstanding (ln 155). Common Stock cost rate (ROE) = 11.49%, the rate accepted by FERC in Docket No. ER08-1329. It includes an additional 50 basis points for PJM RTO Membership. The amount of eligible hedging gains or losses included in total interest expense is limited to five basis points of the capital structure. Details and calculations of the weighted average cost of capital are shown on Worksheet M. Eligible Hedging Gains and Losses are computed on Worksheet M. The unamortized balance of eligible hedge gains/losses and related ADIT amounts shall not flow through the formula rate.
- T The Long Term Debt balance for I&M includes the accumulated balance of principle and related interest for Spent Nuclear Fuel Disposal Costs collected prior to April 7, 1983. This total balance of \$265,249,280 at 12/31/12 is not included in the balance in line 154 above. The cost rates for long-term debt shall include interest expense and related periodic expenses (such as remarketing and letter of credit fees) as recorded in FERC Account 427 or 430, amortization of issuance costs (including insurance) and discounts as recorded in FERC Account 428, issuance premiums as recorded in FERC Account 429 and losses or gains on reacquired debt as recorded in FERC Accounts 428.1 or 429.1, respectively. The cost rates for preferred stock (if applicable) shall include the dividends.
- U Excess / (Deficit) Deferred Income Taxes will be amortized over the average remaining life of the assets to which it relates, unless the Commission requires a different amortization period. The Tax Effect of Permanent Differences captures the differences in the income taxes due under the Federal and State tax calculations that are not the result of a timing difference, including but not limited to depreciation related to capitalized AFUDC equity and meals and entertainment deductions. The Tax Effect of Flow-Through differences captures current tax expense related to timing differences on items for which tax deductions were used to reduce customer rates through the use of flow-through accounting in a prior period. Transmission balances for the projected or actual period, will be filed and posted as part of the informational filing.
- V Cash investment in prepaid pension and benefits recorded in FERC Account 165 is permitted to be included in the formula. A labor expense allocation factor will be used to allocate total company costs. All other prepayments recorded in FERC Account 165 are directly assigned to the transmission function, allocated or excludable balances detailed on Worksheet C.
- W The formula rate shall allocate property tax expense based on the as filed net plant cost allocation method detailed on Worksheet H.
- X Under Section 30.9 of the PJM OATT, a network customer that owns existing transmission facilities that are integrated with the Transmission Provider's Transmission System may be eligible to receive consideration either through a billing credit or some other mechanism. Calculation of any credit under this subsection, pursuant to approval by FERC for inclusion in this formula rate for collection on behalf of the network customer, shall be addressed in either the Network Customer's Service Agreement or any other agreement between the parties.
- Y The cost of service will make a rate base adjustment to remove unfunded reserves associated with contingent liabilities recorded to Accounts 228.1-228.4 from rate base.

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

		Gross Plant In Service								
Line No	Month (a)	Production (b)	Production ARO (c)	Transmission (d)	Transmission ARO (e)	Distribution (f)	Distribution ARO (g)	General (h)	General ARO (i)	Intangible (j)
		FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 46	FF1, page 205&204, Col.(g)&(b), lns 15,24,34,44	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 58	Acct. 359.1 FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 57	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 75	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 74	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 99	Acct. 399.1 FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 98	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 5
1	December Prior to Rate Year	-	-	30,872,303	-	148,779,895	-	2,946,857	-	2,640,362
2	January									
3	February									
4	March									
5	April									
6	May									
7	June									
8	July									
9	August									
10	September									
11	October									
12	November									
13	December of Rate Year	-	-	37,349,956	-	156,495,812	-	3,547,280	-	3,432,388
14	Average of the Beginning and End Year Balances	-	-	34,111,130	-	152,637,854	-	3,247,069	-	3,036,375

		Accumulated Depreciation								
Line No	Month (a)	Production (b)	Production ARO (c)	Transmission (d)	Transmission ARO (e)	Distribution (f)	Distribution ARO (g)	General (h)	General ARO (i)	Intangible (j)
		FF1, page 219, lns 20-24, Col. (b)	Company Records (Included in total in Column (b))	FF1, page 219, ln 25, Col. (b)	Company Records (Included in total in Column (d))	FF1, page 219, ln 26, Col. (b)	Company Records (Included in total in Column (f))	FF1, page 219, ln 28, Col. (b)	Company Records (Included in total in Column (h))	FF1, page 200, ln 21, Col. (b)
15	December Prior to Rate Year	-	-	12,270,746	-	56,548,055	-	954,104	-	1,482,055
16	January									
17	February									
18	March									
19	April									
20	May									
21	June									
22	July									
23	August									
24	September									
25	October									
26	November									
27	December of Rate Year	-	-	12,274,473	-	59,658,356	-	1,067,366	-	1,711,050
28	Average of the Beginning and End Year Balances	-	-	12,272,610	-	58,103,206	-	1,010,735	-	1,596,553

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

43 Transmission Accum Depreciation net of GSU 12,272,610

Plant Held For Future Use		Source of Data	Balance @ December 31, 2017 (c)	Balance @ December 31, 2016 (d)	Average Balance for 2017 (e)
44	Plant Held For Future Use (a)	FF1, page 214, In 47, Col. (d) (b)	187,481	187,481	187,481
45	Transmission Plant Held For Future Use (Included in total on line 44)	Company Records - Note 1	-	-	-

Regulatory Assets and Liabilities Approved for Recovery In Ratebase					
Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.					
46					-
47					-
48					-
49					-
50					-
51	Total Regulatory Deferrals Included in Ratebase		-	-	-

Unfunded Reserves Summary (Company Records)					
52	Description	Account			
53a	Accum Prv I/D Workers Comp	2282003	980	2,009	1,494
53b					-
54	Total		980	2,009	1,494

NOTE 1: On this worksheet, "Company Records" refers to AEP's property accounting ledger.
NOTE 2: The ratebase should not include the unamortized balance of hedging gains or losses.

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

<u>Line Number</u>	<u>(A)</u> <u>Description</u>	<u>(B)</u> <u>Source</u>	<u>(C)</u> <u>Balance @ December 31,</u> <u>2017</u>	<u>(D)</u> <u>Balance @ December 31,</u> <u>2016</u>	<u>(E)</u> <u>Average Balance for</u> <u>2017</u>
1	<u>Account 281</u>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, ln 8, Col. (k)	-	-	-
3	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 4 (Note 1)	-	-	-
4	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 3 (Note 1)	-	-	-
5	Transmission Related Deferrals	Ln 2 - ln 3 - ln 4	-	-	-
6	<u>Account 282</u>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, ln 5, Col. (k)	29,612,982	24,371,116	26,992,049
8	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 7 (Note 1)	-	-	-
9	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 6 (Note 1)	22,566,227	19,411,356	20,988,791
10	Transmission Related Deferrals	Ln 7 - ln 8 - ln 9	7,046,756	4,959,760	6,003,258
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, ln 9, Col. (k)	3,324,727	1,392,918	2,358,823
13	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 13 (Note 1)	-	-	-
14	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 12 (Note 1)	3,614,793	1,287,931	2,451,362
15	Transmission Related Deferrals	Ln 12 - ln 13 - ln 14	(290,066)	104,987	(92,540)
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, ln 8, Col. (c)	(703,417)	(221,250)	(462,333)
18	Less: ARO Related Deferrals	WS B-2 - Actual Stmt. AG Ln. 4 (Note 1)	-	-	-
19	Less: Other Excluded Deferrals	WS B-2 - Actual Stmt. AG Ln. 3 (Note 1)	465,988	(146,151)	159,919
20	Transmission Related Deferrals	Ln 17 - ln 18 - ln 19	(1,169,405)	(75,099)	(622,252)
21	<u>Account 255</u>				
22	Year End ITC Balances	FF1, p. 266-267, ln 8, Col. (h)	38	88	63
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	-	-	-
24	ITC Balances Includeable Ratebase	Ln 22 - ln 23	38	88	63
25	Transmission Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 20 (Note 1)	7	17	12

NOTE 1 On this worksheet, "Company Records" refers to AEP's tax forecast and accounting ledger. The PTRR will use projected ending balances and reflect proration required by IRS Letter Rule Section I.167(l)-(h)(6)(ii). Line item detail of actual deferred tax items will be included on Worksheets B-1 and B-2.

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

KINGSPORT POWER COMPANY
SPECIFIED DEFERRED CREDITS - Actual Cycle Only
PERIOD ENDED DECEMBER 31, 2017

(DEBIT) CREDIT

COLUMN A		COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H	COLUMN I	COLUMN J	COLUMN K	COLUMN L	COLUMN M	COLUMN N	COLUMN O
		PER BOOKS		NON-APPLICABLE/NON-UTILITY		AVERAGE ELECTRIC UTILITY (B+C+D+E)/2	FUNCTIONALIZATION AVERAGE			FUNCTIONALIZATION 12/31/2016			FUNCTIONALIZATION 12/31/2017		
ACCUMULATED DEFERRED FIT ITEMS		BALANCE AS OF 12-31-2016	BALANCE AS OF 12-31-2017	BALANCE AS OF 12-31-2016	BALANCE AS OF 12-31-2017		GENERATION	TRANSMISSION	DISTRIBUTION	GENERATION	TRANSMISSION	DISTRIBUTION	GENERATION	TRANSMISSION	DISTRIBUTION
1.00	ACCOUNT 281:														
2.01															
2.02		0	0			0	0	0	0						
2.03															
2.04		0	0	0	0	0									
2.05		0	0	0	0	0									
2.06		0	0	0	0	0									
3	TOTAL ACCOUNT 281	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	ACCOUNT 281 - ARO-Related Deferrals	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	ACCOUNT 282:														
5.01	BOOK VS. TAX DEPRECIATION	22,263,597	24,290,858			23,277,227	0	5,312,972	17,964,256	-	4,761,183	17,502,413	-	5,864,760	18,426,098
5.02	ABFUDC	0	0			0	0	0	0	-	-	-	-	-	-
5.03	CAPD INTEREST - SECTION 481(a) - CHANGE IN METHD	(1,154)	(890)			(1,022)	0	(1,382)	360	-	(1,561)	407	-	(1,204)	314
5.04	R & D DEDUCTION - SECTION 174	438	438			438	0	438	0	-	438	-	-	438	-
5.05	RELOCATION COST - SECTION 481(a) - CHANGE IN METH	5,635	4,438			5,037	0	0	5,037	-	-	5,635	-	-	4,438
5.06	GAIN/LOSS ON ACRS/MACRS PROPERTY	1,449,461	1,485,856			1,467,658	0	138,962	1,328,696	-	139,158	1,310,303	-	138,767	1,347,089
5.07	SEC 481 PENS/OPEB ADJUSTMENT	42	42			42	0	12	30	-	12	30	-	12	30
5.08	PERCENT REPAIR ALLOWANCE	278,442	254,662			266,552	0	12,877	253,676	-	13,736	264,707	-	12,018	242,645
5.09	BOOK/TAX UNIT OF PROPERTY ADJ	0	151,594			75,797	0	0	75,797	-	-	-	-	-	151,594
5.10	BK/TX UNIT OF PROPERTY ADJ-SEC 481 ADJ	0	2,903,600			1,451,800	0	461,125	990,675	-	-	-	-	922,250	1,981,350
5.11	TX ACCEL AMORT - CAPITALIZED SOFTWARE	0	105,259			52,630	0	5,892	46,737	-	-	-	-	11,785	93,475
5.12	CAPITALIZED RELOCATION COSTS	374,656	364,626			369,641	0	46,112	323,529	-	46,794	327,862	-	45,430	319,196
5.13	CAPITALIZED LEASES - A/C 1011 ASSETS	0	0			0	0	0	0	-	-	-	-	-	-
5.14	REMOVAL CST - NORMALIZED	0	52,500			26,250	0	26,250	0	-	-	-	-	52,500	-
5.15	NON-UTILITY DEFERRED FIT	258	155	(258)	(155)	0									
5.16	SFAS 109 FLOW-THRU 282.3	1,881,507	299,201	(1,881,507)	(299,201)	0									
5.17	SFAS 109 EXCESS DFIT 282.4	(10,283)	(11,851,565)	10,283	11,851,565	0									
5.18		0	0			0	0	0	0						
6	TOTAL ACCOUNT 282	26,242,598	18,060,773	(1,871,482)	11,552,209	26,992,050	0	6,003,258	20,988,791	0	4,959,760	19,411,356	0	7,046,756	22,566,227
7	ACCOUNT 282 - ARO-Related Deferrals	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	ACCOUNT 283:														
9.01	NOL - STATE C/F - DEF STATE TAX ASSET - L/T	0	584,690			292,345	0	(194,625)	486,970	-	-	-	-	(389,250)	973,940
9.02	ACCRUED BK PENSION COSTS - SFAS 158	(2,223,067)	(1,944,478)			(2,083,773)	0	(472,635)	(1,611,138)	-	(494,857)	(1,728,211)	-	(450,414)	(1,494,064)
9.03	DEFD STORM DAMAGE	526,874	526,874			526,874	0	0	526,874	-	-	526,874	-	-	526,874
9.04	REG ASSET - DEFERRED RTO COSTS	2,084	2,084			2,084	0	2,084	0	-	2,084	-	-	2,084	-
9.05	REG ASSET-SFAS 158 - PENSIONS	2,223,067	1,944,478			2,083,773	0	472,635	1,611,138	-	494,857	1,728,211	-	450,414	1,494,064
9.06	REG ASSET-SFAS 158 - OPEB	105,589	(216,656)			(55,533)	0	21,554	(77,087)	-	33,265	72,325	-	9,843	(226,499)
9.07	REG ASSET-RTO DEMAND RESPONSE COSTS	165,151	146,912			156,032	0	0	156,032	-	-	165,151	-	-	146,912
9.08	REG ASSET-TN UNDER RECOV FPPA RIDER	0	1,410,153			705,076	0	0	705,076	-	-	-	-	-	1,410,153
9.09	CAPITALIZED SOFTWARE COST - BOOK	423,723	607,086			515,405	0	64,190	451,214	-	51,910	371,812	-	76,470	530,616
9.10	DEFD SFAS 106 BOOK COSTS	0	0			0	0	0	0	-	-	-	-	-	-
9.11	SFAS 106-MEDICARE SUBSIDY-(PPACA)-REG ASSET	85,488	74,802			80,145	0	11,556	68,589	-	12,327	73,162	-	10,786	64,016
9.12	REG ASSET - ACCRUED SFAS 112	84,009	188,780			136,395	0	2,700	133,694	-	5,401	78,608	-	-	188,780
9.13	NON-UTILITY DEFERRED FIT	0	0	0	0	0									
9.14	SFAS 109 FLOW-THRU 283.3	2,114,353	997,221	(2,114,353)	(997,221)	0									
9.15	SFAS 109 EXCESS DFIT 283.4	0	(1,624,367)	0	1,624,367	0									
9.16	SFAS 133 ADIT FED - SFAS 133 NONAFFIL 2830006	0	0	0	0	0									
9.17		0	0			0	0	0	0						
10		3,507,271	2,697,581	(2,114,353)	627,146	2,358,823	0	(92,540)	2,451,362	0	104,987	1,287,931	0	(290,066)	3,614,793
11	DEFD STATE INCOME TAXES	3,279,622	4,470,441	(3,279,622)	(4,470,441)	0									
11.01				0	0	0									
12	TOTAL ACCOUNT 283	6,786,893	7,168,022	(5,393,975)	(3,843,295)	2,358,823	0	(92,540)	2,451,362	0	104,987	1,287,931	0	(290,066)	3,614,793
13	ACCOUNT 283 - ARO-Related Deferrals	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	JURISDICTIONAL AMOUNTS FUNCTIONALIZED														
15	TOTAL COMPANY AMOUNTS FUNCTIONALIZED														
16	REFUNCTIONALIZED BASED ON JURISDICTIONAL PLANT														
17	NOTE: POST 1970 ACCUMULATED DEFERRED														
18	INV TAX CRED. (JDITC) IN A/C 255														
18.01	DEFERRED ITC - 46(F)(1)	88	38			63	0	12	51	-	17	71	-	7	31
18.02		0	0			0	0	0	0						
19															
20	TOTAL ACCOUNT 255	88	38	0	0	63	0	12	51	0	17	71	0	7	31

DEBIT (CREDIT)

1 ACCOUNT 190:

AEP East Companies
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet C Supporting Working Capital Rate Base Adjustments
KINGSPORT POWER COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
Line Number	Source	Balance @ December 31, 2017	Balance @ December 31, 2016	Average Balance for 2017				
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c) & (b)	130	496	313			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c) & (b)	1,523	585	1,054			
4	Stores Expense (Undistributed) - Account 163	FF1, p. 227, ln 16, Col. (c) & (b)	0	0	-			

Prepayment Balance Summary (Note 1)

	Average of YE Balances	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)
5						
6	Totals as of December 31, 2017	2,208,107	(3,667,828)	0	100,903	5,775,032
7	Totals as of December 31, 2016	2,183,113	(3,491,221)	87,583	5,586,752	5,674,335
8	Average Balance	2,195,610	(3,579,525)	-	94,243	5,680,892

Prepayments Account 165 - Balance @ 12/31/2017

9	Acc. No.	Description	2017 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
10	1650001	Prepaid Insurance	64,783	-		64,783		64,783	Plant Related Insurance Policies
11	165000217	Prepaid Taxes	2,076,322	2,076,322				-	Prepaid Taxes - Distribution
12	165000218	Prepaid Taxes	17,657	17,657				-	Prepaid Taxes - Distribution
13	1650003	Prepaid Rents	0	-			-	-	
14	1650004	Prepaid Interest	0	-			-	-	
15	1650005	Prepaid Employee Benefits	0	-			-	-	Prepaid Benefits-Distribution
16	1650006	Other Prepayments	0	-			-	-	Prepayments-Other
17	1650009	Prepaid Carry Cost-Factored AR	13,225	13,225				-	AR Factoring - Retail Only
18	1650010	Prepaid Pension Benefits	4,704,079	-			4,704,079	4,704,079	Prefunded Pension Expense
19	1650014	FAS 158 Qual Contra Asset	(4,704,079)	(4,704,079)			-	-	SFAS 158 Offset
20	1650016	FAS 112 ASSETS	0	-				-	
21	1650021	Prepaid Insurance - EIS	36,120	-		36,120	-	36,120	EIS Insurance
22	1650023	Prepaid Lease	0	-			-	-	Prepaid Lease - Distribution
23	1650035	PRW Without Med-D Benefits	1,070,953	-			1,070,953	1,070,953	Medical Benefits
24	1650036	PRW for Med-D Benefits	0	-			-	-	
25	1650037	FAS158 Contra-PRW Exc Med-D	(1,070,953)	(1,070,953)			-	-	SFAS 158 Offset
26							-	-	
27							-	-	
28				-				-	
29				-	-			-	
30				-	-			-	
	Subtotal - Form 1, p 111.57.c		2,208,107	(3,667,828)	0	100,903	5,775,032	5,875,935	

Prepayments Account 165 - Balance @ 12/31/ 2016

31	Acc. No.	Description	2016 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
32	1650001	Prepaid Insurance	62,128	-		62,128		62,128	Plant Related Insurance Policies
33	165000216	Prepaid Taxes	2,068,496	2,068,496				-	Prepaid Taxes - Distribution
34	165000217	Prepaid Taxes	9,839	9,839				-	Prepaid Taxes - Distribution
35	1650003	Prepaid Rents	0	-				-	
36	1650004	Prepaid Interest	0	-				-	
37	1650005	Prepaid Employee Benefits	9,000	9,000				-	Prepaid Benefits-Distribution
38	1650006	Other Prepayments	0	-				-	Prepayments-Other
39	1650009	Prepaid Carry Cost-Factored AR	8,196	8,196				-	AR Factoring - Retail Only
40	1650010	Prepaid Pension Benefits	4,724,745	-			4,724,745	4,724,745	Prefunded Pension Expense
41	1650014	FAS 158 Qual Contra Asset	(4,724,745)	(4,724,745)			-	-	SFAS 158 Offset
42	1650016	FAS 112 ASSETS	0	-				-	
43	1650021	Prepaid Insurance - EIS	25,455	-		25,455		25,455	EIS Insurance
44	1650023	Prepaid Lease	0	-				-	Prepaid Lease - Distribution
45	1650035	PRW Without Med-D Benefits	862,007	-			862,007	862,007	Medical Benefits
46	1650036	PRW for Med-D Benefits	0	-				-	
47	1650037	FAS158 Contra-PRW Exc Med-D	(862,007)	(862,007)				-	SFAS 158 Offset
48								-	
49								-	
50				-				-	
51				-				-	
52				-				-	
	Subtotal - Form 1, p 111.57.d		2,183,113	(3,491,221)		87,583	5,586,752	5,674,335	

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

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

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2017</u>
1	Net Funds from IPP Customers 12/31/2016 (2017 FORM 1, P269)	0
2	Interest Accrual (Company Records - Note 1)	0
3	Revenue Credits to Generators (Company Records - Note 1)	0
4	<u>Other Adjustments</u>	
5	Accounting Adjustment (Company Records - Note 1)	0
6		-
7	Net Funds from IPP Customers 12/31/2017 (2017 FORM 1, P269)	-
8	Average Balance for Year as Indicated in Column B ((ln 1 + ln 7)/2)	-

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

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

<u>Line Number</u>	<u>Description</u>	<u>Total Company</u>	<u>Non- Transmission</u>	<u>Transmission</u>
1	Account 450, Forfeited Discounts (FF1 p.300.16.(b); Company Records - Note 1)	239,655	239,655	-
2	Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	66,117	66,117	-
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	1,423,120	1,376,277	46,843
4	Account 4560015, Associated Business Development - (Company Records - Notes 1, 2)	316,548	147,823	168,725
5	Account 456 - Other Electric Revenues - (Company Records - Notes 1,2)	4,294,532	4,294,532	-
5a	Account 457.1, Regional Control Service Revenues (FF1 p.300.23.(b); Company Records - Note 1)	-	-	-
5b	Account 457.2, Miscellaneous Revenues (FF1 p.300.24.(b); Company Records - Note 1)	-	-	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	6,339,972	6,124,404	215,568
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	-	-	-
8	Total Other Operating Revenues To Reduce Revenue Requirement	6,339,972	6,124,404	215,568

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

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

9 Facility Credits under PJM OATT Section 30.9

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

	(A)	(B)	(C)	(D)	(E)	(F)
			2017	100%	100%	
Line	Item No.	Description	Expense	Non-Transmission	Transmission	Explanation
Number					Specific	
<u>Regulatory O&M Deferrals & Amortizations</u>						
1		No Applicable Charges for KgP				
2						
3						
4		Total	0			
<u>Detail of Account 561 Per FERC Form 1</u>						
5						
6	FF1 p 321.85.b 561.1 - Load Dispatch - Reliability		105			
7	FF1 p 321.86.b 561.2 - Load Dispatch - Monitor & Operate Trans System		8,328			
8	FF1 p 321.87.b 561.3 - Load Dispatch - Trans Service & Scheduling		0			
9	FF1 p 321.88.b 561.4 - Scheduling, System Control & Dispatch		0			
10	FF1 p 321.89.b 561.5 - Reliability, Planning and Standards Development		4,398			
11	FF1 p 321.90.b 561.6 - Transmission Service Studies		0			
12	FF1 p 321.91.b 561.7 - Generation Interconnection Studies		0			
13	FF1 p 321.92.b 561.8 - Reliability, Planning and Standards Development Ser		0			
14		Total of Account 561	12,831			
<u>Account 928</u>						
15	9280000	Regulatory Commission Exp	42	42	-	
16	9280001	Regulatory Commission Exp-Adm	-	-	-	
17	9280002	Regulatory Commission Exp-Case	178,241	178,241	-	
18	9280003	Rate Case Amortization	101,221	101,221		
19	9280005	Reg Com Exp-FERC Trans Cases	1,229		1,229	
20		Total (FERC Form 1 p.323.189.b)	280,732	279,503	1,229	
<u>Account 930.1</u>						
21	9301000	General Advertising Expenses	39	39	-	
22	9301001	Newspaper Advertising Space	-	-	-	
23	9301009	Fairs, Shows and Exhibits	-	-	-	
24	9301010	Dedications, Tours & Openings	48	48	-	
25	9301012	Public Opinion Surveys	2,855	2,855	-	
26	9301013	Movies Slide Films & Speeches	-	-	-	
27	9301014	Video Communications	-	-	-	
28	9301015	Other Corporate Comm Exp	1,873	1,873	-	
29				-		
30				-		
31				-		
32				-	-	
33				-	-	
34				-	-	
35				-	-	
36				-	-	
37		Total (FERC Form 1 p.323.191.b)	4,815	4,815	-	
<u>Account 930.2</u>						
38	9302000	Misc General Expenses	12,392	12,392		
39	9302003	Corporate & Fiscal Expenses	734	734		
40	9302004	Research, Develop&Demonstr Exp	28	28		
41	9302005	Nucl Fac Ins - Replce Engy Cst	0	-		
42	9302006	Assoc Business Development Materials Sold	3,826	3,826	-	
43	9302007	Assoc Business Development Exp	195,199	58,651	136,548	
44		Total (FERC Form 1 p.323.192.b)	212,180	75,632	136,548	

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

Tennessee Excise Tax Rate	6.50%	
Apportionment Factor - Note 1	98.87%	
Effective State Tax Rate		6.43%
State #2 Tax Rate		
Apportionment Factor - Note 1		
Effective State Tax Rate		0.00%
State #3 Tax Rate		
Apportionment Factor - Note 1		
Effective State Tax Rate		0.00%
State #4 Tax Rate		
Apportionment Factor - Note 1		
Effective State Tax Rate		0.00%
State #5 Tax Rate		
Apportionment Factor - Note 1		
Effective State Tax Rate		0.00%
State #6 Tax Rate		
Apportionment Factor - Note 1		
Effective State Tax Rate		0.00%
Total Effective State Income Tax Rate		6.43%

Note 1 Apportionment Factors are determined as part of the Company's annual tax return for that jurisdiction.

AEP East Companies
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet H Supporting Taxes Other than Income
KINGSPORT POWER COMPANY

Line No.	(A) Account	(B) Total Company NOTE 1	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
1	<u>Revenue Taxes</u>					
2	Gross Receipts Tax	4,144,818				4,144,818
3	<u>Real Estate and Personal Property Taxes</u>					
4	Real and Personal Property - West Virginia	1,362,399	1,362,399			
5	Real and Personal Property - Virginia	-	-			
6	Real and Personal Property - Tennessee	-	-			
7	Real and Personal Property - Other Jurisdictions	-	-			
8	<u>Payroll Taxes</u>					
9	Federal Insurance Contribution (FICA)	157,447		157,447		
10	Federal Unemployment Tax	910		910		
11	State Unemployment Insurance	224		224		
12	<u>Production Taxes</u>					
13	State Severance Taxes	-				-
14	<u>Miscellaneous Taxes</u>					
15	List Individual Taxes Here	-				-
16		-			-	
17		4,264,025			4,264,025	
18		1,721			1,721	
19		643,343			643,343	
20		1,493				1,493
21		-				-
22		-				-
23						
24	Total Taxes by Allocable Basis	10,576,380	1,362,399	158,581	4,909,089	4,146,311

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

NOTE 1: The detail of each total company number and its source in the FERC Form 1 is shown on WS H-1.

Functional Property Tax Allocation

	Production	Transmsission	Distribution	General	Total
25 Functionalized Net Plant (TCOS, Lns 41 thru 46)	-	21,838,520	94,534,648	2,236,334	118,609,502
TENNESSEE JURISDICTION					
26 Percentage of Plant in TENNESSEE JURISDICTION	0.00%	100.00%	100.00%	100.00%	
27 Net Plant in TENNESSEE JURISDICTION (Ln 25 * Ln 26)	-	21,838,520	94,534,648	2,236,334	118,609,502
28 Less: Net Value of Exempted Generation Plant	-				
29 Taxable Property Basis (Ln 27 - Ln 28)	-	21,838,520	94,534,648	2,236,334	118,609,502
30 Relative Valuation Factor	0.00%	100.00%	100.00%	100.00%	
31 Weighted Net Plant (Ln 29 * Ln 30)	-	21,838,520	94,534,648	2,236,334	
32 General Plant Allocator (Ln 31 / (Total - General Plant))	0.00%	18.77%	81.23%	-100.00%	
33 Functionalized General Plant (Ln 32 * General Plant)	-	419,669	1,816,664	(2,236,334)	-
34 Weighted TENNESSEE JURISDICTION Plant (Ln 31 + 33)	-	22,258,189	96,351,312	(1)	118,609,502
35 Functional Percentage (Ln 34/Total Ln 34)	0.00%	18.77%	81.23%		
STATE JURISDICTION #2					
36 Percentage of Plant in STATE JURISDICTION #2					
37 Net Plant in STATE JURISDICTION #2 (Ln 25 * Ln 36)	-	-	-	-	-
38 Less: Net Value of Exempted Generation Plant					
39 Taxable Property Basis (Ln 37 - Ln 38)	-	-	-	-	-
40 Relative Valuation Factor					
41 Weighted Net Plant (Ln 39 * Ln 40)	-	-	-	-	-
42 General Plant Allocator (Ln 41 / (Total - General Plant))	0.00%	0.00%	0.00%	-100.00%	
43 Functionalized General Plant (Ln 42 * General Plant)	-	-	-	-	-
44 Weighted STATE JURISDICTION #2 Plant (Ln 41 + 43)	-	-	-	-	-
45 Functional Percentage (Ln 44/Total Ln 44)	#DIV/0!	#DIV/0!	#DIV/0!		
STATE JURISDICTION #3					
46 Net Plant in STATE JURISDICTION #3 (Ln 25 - Ln 27 - Ln 37)	-	-	-	-	-
47 Less: Net Value Exempted Generation Plant					
48 Taxable Property Basis	-	-	-	-	-
49 Relative Valuation Factor	100.00%	100.00%	100.00%	100.00%	
50 Weighted Net Plant (Ln 48 * Ln 49)	-	-	-	-	-
51 General Plant Allocator (Ln 50 / (Total - General Plant))	#DIV/0!	#DIV/0!	#DIV/0!	-100.00%	
52 Functionalized General Plant (Ln 52 * General Plant)	#DIV/0!	#DIV/0!	#DIV/0!	-	
53 Weighted STATE JURISDICTION #3 Plant (Ln 50 + 52)	#DIV/0!	#DIV/0!	#DIV/0!	-	#DIV/0!
54 Functional Percentage (Ln 53/Total Ln 53)	#DIV/0!	#DIV/0!	#DIV/0!		

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

	(A)	(B)	(C)	(D)
Line No.	Annual Tax Expenses by Type (Note 1)	Total Company	FERC FORM 1 Tie-Back	FERC FORM 1 Reference

1	Revenue Taxes			
2	Gross Receipts Tax	4,144,818		
			2,068,496 P.263 ln 29 (i)	
			2,076,322 P.263 ln 30 (i)	
			-	

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	Real Estate and Personal Propety Tax Detail	Tax Year	Total Company	FERC FORM 1 Tie-Back	FERC FORM 1 Reference	Tax Year Factor (Note 2)	Transmission Function (Note 2)
	Annual Tax Expenses by Type (Note 1)						

3	Real Estate and Personal Property Taxes Total (Ln 4 + Ln 5 + Ln 6 + Ln 7)		1,362,399				255,667
4	Real and Personal Property - Tennessee	2016 2017	1,362,399	(1) P.263 ln 16 (i) 1,362,400 P.263 ln 17 (i)		16.78% 18.77%	255,667 (0) 255,667
							-
							-
5	Real and Personal Property - Other Jurisdictions		-	-			-
							-
							-
							-
							-
							-
							-
6	Real and Personal Property - Other Jurisdictions		-				-
							-
							-
							-
							-
7	Real and Personal Property - Other Jurisdictions		-				-
							-
							-

	(A)	(B)	(C)	(D)
Line No.	Annual Tax Expenses by Type (Note 1)	Total Company	FERC FORM 1 Tie-Back	FERC FORM 1 Reference

8	Payroll Taxes			
9	Federal Insurance Contribution (FICA)	157,447		
			157,447 P.263 ln 5 (i)	
10	Federal Unemployment Tax	910		
			910 P.263 ln 6 (i)	
11	State Unemployment Insurance	224		
			224 P.263 ln 26 (i)	
			-	
12	Production Taxes	-		
13	State Severance Taxes			
14	Miscellaneous Taxes			
15	State Business & Occupation Tax	-		
16	State Public Service Commission Fees	-		
17	State Franchise Taxes	4,264,025		
			85,290 P.263 ln 23 (i)	
			225,000 P.263 ln 24 (i)	
			3,953,735 P.263 ln 36 (i)	
18	State Lic/Registration Fee	1,721		
			21 P.263 ln 33 (i)	
			1,700 P.263.1 ln 7 (i)	
			-	
19	Misc. State and Local Tax	643,343		
			643,343 P.263 ln 38 (i)	
20	Sales & Use	1,493		
			214 P.263 ln 12 (i)	
			1,279 P.263 ln 13 (i)	
21	Federal Excise Tax	-		
22	Michigan Single Business Tax	-		
23	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	10,576,380	10,576,380	

Note 1: The taxes assessed on each operating company can differ from year to year and between operating companies by both the type of taxes and the states in which they were assessed. Therefore, for each company, the types and jurisdictions of tax expense recorded on this page could differ from the same page in the same company's prior year template or from this page in other operating companies' current year templates. For each update, this sheet will be revised to

ensure that the total activity recorded hereon equals the total reported in account 408.1 on P. 114, Ln 14.(c) of the Ferc Form 1.

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

AEP East Companies
Cost of Service Formula Rate Using 2017 FF1 Balances
Worksheet I RESERVED FOR FUTURE USE
KINGSPORT POWER COMPANY

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

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

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

ROE w/o incentives (TCOS, ln 156)			11.49%
Project ROE Incentive Adder			0
ROE with additional 0 basis point incentive			11.49%
Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the TCOS, lns 154 through156)			
	%	Cost	Weighted cost
Long Term Debt	46.34%	4.72%	2.187%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	53.66%	11.49%	6.165%
		R =	8.352%

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPPROJECTS				
TRUE-UP YEAR	2017	Rev Require	W Incentives	Incentive Amounts
	As Projected in Prior Year WS J	#N/A	#N/A	#N/A
	Actual after True-up	#N/A	#N/A	#N/A
	True-up of ARR For 2017	#N/A	#N/A	#N/A

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

Rate Base (TCOS, ln 68)	16,403,424
R (from A. above)	8.352%
Return (Rate Base x R)	1,369,987

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

Return (from B. above)	1,369,987
Effective Tax Rate (TCOS, ln 114)	47.55%
Income Tax Calculation (Return x CIT)	651,465
ITC Adjustment	-
Excess Deferred Income Tax	(648)
Tax Affect of Permanent Differences	17,152
Income Taxes	667,970

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

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

Annual Revenue Requirement (TCOS, ln 1)	4,812,895
Lease Payments (TCOS, ln 95)	-
Return (TCOS, ln 126)	1,369,987
Income Taxes (TCOS, ln 125)	667,970
Annual Revenue Requirement, Less Lease Payments, Return and Taxes	2,774,938

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

Annual Revenue Requirement, Less Lease Payments, Return and Taxes	2,774,938
Return (from I.B. above)	1,369,987
Income Taxes (from I.C. above)	667,970
Annual Revenue Requirement, with 0 Basis Point ROE increase	4,812,895
Depreciation (TCOS, ln 100)	484,002
Annual Rev. Req. w/ 0 Basis Point ROE increase, less Depreciation	4,328,893

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

Net Transmission Plant (TCOS, ln 42)	21,838,520
Annual Revenue Requirement, with 0 Basis Point ROE increase	4,812,895
FCR with 0 Basis Point increase in ROE	22.04%

Annual Rev. Req. w / 0 Basis Point ROE increase, less Dep.	4,328,893
FCR with 0 Basis Point ROE increase, less Depreciation	19.82%
FCR less Depreciation (TCOS, ln 10)	19.82%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

III. Calculation of Composite Depreciation Rate

Average Transmission Plant Balance for 2017 (TCOS, ln 21)	34,111,130
Annual Depreciation and Amortization Expense (TCOS, ln 100)	484,002
Composite Depreciation Rate	1.42%
Depreciable Life for Composite Depreciation Rate	70.48
Round to nearest whole year	70

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

A. Base Plan Facilities

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

Project Description:

2017	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	#N/A	#N/A	#N/A
Prior Yr True-Up	#N/A	#N/A	#N/A
True-Up Adjustment	#N/A	#N/A	#N/A

[illegible]

Project Totals

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

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

TRUE UP OF PROJECT REVENUE REQUIREMENT FOR PRIOR YEAR:

CUMULATIVE HISTORY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS:
 INPUT TRUE-UP ARR (WITH & WITHOUT INCENTIVES) FROM EACH PRIOR YEAR
 TEMPLATE BELOW TO MAINTAIN HISTORY OF TRUED-UP ARRS OVER THE
 LIFE OF THE PROJECT.

[illegible]

AEP East Companies
Cost of Service Formula Rate Using 2017 FF1 Balances
Worksheet L Reserved for Future Use
KINGSPORT POWER COMPANY

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

		Average Balance of Common Equity			
Line No	Month (a)	Proprietary Capital (b)	Less: Preferred Stock (c)	Less Undistributed Sub Earnings (Acct 216.1) (d)	Average Balance of Common Equity (f)=(b)-(c)-(d)-(e)
(Note A)		(FF1 112.16)	(FF1 250-251)	(FF1 112.12)	(FF1 112.15)
1	December Prior to Rate Year	37,530,838	-	-	-
2	January				
3	February				
4	March				
5	April				
6	May				
7	June				
8	July				
9	August				
10	September				
11	October				
12	November				
13	December of Rate Year	43,517,384	-	-	-
14	Average of the Beginning and End Year Balances	40,524,111	-	-	-

		Average Balance of Long Term Debt				
Line No	Month (a)	Acct 221 Bonds (b)	Less: Acct 222 Reacquired Bonds (c)	Acct 223 LT Advances from Assoc. Companies (d)	Acct 224 Senior Unsecured Notes (e)	Gross Proceeds Outstanding Long-Term Debt (g)=(b)-(c)+(d)+(e)-(f)
(Note A)		(FF1 112.18)	(FF1 112.19)	(FF1 112.20)	(FF1 112.21)	FF1, page 257, Col. (h) - Note 1
15	December Prior to Rate Year	-	-	-	20,000,000	-
16	January					
17	February					
18	March					
19	April					
20	May					
21	June					
22	July					
23	August					
24	September					
25	October					
26	November					
27	December of Rate Year	-	-	-	50,000,000	-
28	Average of the Beginning and End Year Balances	-	-	-	35,000,000	-

NOTE 1: The balance of fair value hedges on outstanding long term debt are to be excluded from the balance of long term debt included in the formula's capital structure. (Page 257 Column H of the FF1)

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
29	Annual Interest Expense for 2017						
30	Interest on Long Term Debt - Accts 221 - 224 (256-257.33.i)			1,639,122			
31	Less: Total Hedge Gain/Expense Accumulated from p 256-257, col. (i) of FERC Form 1 included in Ln 30 and shown in 50 below.			-			
32	Plus: Allowed Hedge Recovery From Ln 55 below.			-			
33	Amort of Debt Discount & Expense - Acct 428 (117.63.c)			12,309			
34	Amort of Loss on Reacquired Debt - Acct 428.1 (117.64.c)			-			
35	Less: Amort of Premium on Debt - Acct 429 (117.65.c)			-			
36	Less: Amort of Gain on Reacquired Debt - Acct 429.1 (117.66.c)			-			
37	Total Interest Expense (Ln 30 - 31 + 33 + 34 - 35 - 36)			1,651,431			
38	Average Cost of Debt for 2017 (Ln 37/ Ln 28 (g))			4.72%			

CALCULATION OF RECOVERABLE HEDGE GAINS/LOSSES

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

					Amortization Period		
	HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)	Total Hedge (Gain)/Loss for 2017	Less Excludable Amounts (See NOTE on Line 39)	Net Includable Hedge Amount	Remaining Unamortized Balance	Beginning	Ending
40				-			
41				-			
42				-			
43				-			
44				-			
45				-			
46				-			
47				-			
48				-			
49				-			
50	Total Hedge Amortization	-	-				
51	Hedge Gain or Loss Prior to Application of Recovery Limit (Sum of Lines 40 to 48)			-			
52	Total Average Capital Structure Balance for 2017 (TCOS, Ln 157)			75,524,111			
53	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005			
54	Limit of Recoverable Amount			37,762			
55	Recoverable Hedge Amortization (Lesser of Ln 51 or Ln 54)			-			

Development of Cost of Preferred Stock

<u>Preferred Stock</u>			<u>Average</u>	
56	4.125% Series - 100 - Dividend Rate (p. 250-251)	4.125%	4.125%	
57	4.125% Series - 100 - Par Value (p. 250-251)	\$ 100.00	\$ 100.00	
58	4.125% Series - 100 - Shares O/S (p.250-251)	-	-	
59	4.125% Series - 100 - Monetary Value (Ln 57 * Ln 58)	-	-	-
60	4.125% Series - 100 - Dividend Amount (Ln 56 * Ln 59)	-	-	-
61	4.12% Series - 100 - Dividend Rate (p. 250-251)	4.120%	4.120%	

62 4.12% Series - 100 - Par Value (p. 250-251)	\$	100.00	\$	100.00	
63 4.12% Series - 100 - Shares O/S (p.250-251)		-		-	
64 4.12% Series - 100 - Monetary Value (Ln 62 * Ln 63)		-		-	-
65 4.12% Series - 100 - Dividend Amount (Ln 61 * Ln 64)		-		-	-
66 4.56% Series - 100 - Dividend Rate (p. 250-251)		4.560%		4.560%	
67 4.56% Series - 100 - Par Value (p. 250-251)	\$	100.00	\$	100.00	
68 4.56% Series - 100 - Shares O/S (p.250-251)		-		-	
69 4.56% Series - 100 - Monetary Value (Ln 67 * Ln 68)		-		-	-
70 4.56% Series - 100 - Dividend Amount (Ln 66 * Ln 69)		-		-	-
71 Balance of Preferred Stock (Lns 59, 64, 69)		-		-	- Year End Total Agrees to FF1 p.112, Ln 3, col (c) & (d)
72 Dividends on Preferred Stock (Lns 60, 65, 70)		-		-	
73 Average Cost of Preferred Stock (Ln 72/71)		0.00%		0.00%	0.00%

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

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

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Line	Date	Property Description	Function (T) or (G) T = Transmission G = General	Basis	Proceeds	(Gain) / Loss	Functional Allocator	Functionalized Proceeds (Gain) / Loss	FERC Account
1						-	0.000%	-	
2						-	0.000%	-	
3						-	0.000%	-	
4				Net (Gain) or Loss for 2017		-		-	

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

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

Allocation of PBOP Settlement Amount for 2017

		Total Company Amount						
Line#	Company	Actual Expense (Including AEPSC Billed OPEB)	Ratio of Company Actual to Total	Allocation of PBOB Recovery Allowance	Labor Allocator for 2017	Actual Expense	Allowable Expense	One Year Functional Expense (Over)/Under
		(A) (Line 14)	(B)=(A)/Total (A)	(C)=(B) * -127041505	(D)	(E)=(A) * (D)	(F)=(C) * (D)	(G)=(E) - (F)
2	APCo	(10,786,934)	35.95%	(45,673,479)	8.501%	(917,029)	(3,882,836)	2,965,807
3	I&M	(8,341,369)	27.80%	(35,318,595)	3.875%	(323,253)	(1,368,701)	1,045,448
4	KPCo	(2,497,070)	8.32%	(10,572,965)	7.390%	(184,544)	(781,386)	596,842
5	KNGP	(238,736)	0.80%	(1,010,844)	10.505%	(25,079)	(106,188)	81,109
6	OPCo	(7,704,846)	25.68%	(32,623,461)	11.590%	(892,964)	(3,780,944)	2,887,979
7	WPCo	(435,072)	1.45%	(1,842,161)	2.529%	(11,002)	(46,585)	35,583
8	Sum of Lines 2 to 7	(30,004,027)		(127,041,505)		(2,353,871)	(9,966,640)	7,612,769

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

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

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

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

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

Reference:

Note 1: Rates Approved In Tennessee Regulatory Authority Docket No. 16-00001.
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Note 2: Kingsport Power Company does not have investment in plant
accounts 357 or 358. Therefore, there are no depreciation rates approved

General Note

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