

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

Twleve Months Ended 2017

KINGSPORT POWER COMPANY

Line No.						Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 143)				\$4,326,215
			Total		Allocator	
2	REVENUE CREDITS	(Worksheet E Ln 8) (Note A)	65,686	DA	1.00000	\$ 65,686
3	Facility Credits under PJM OATT Section 30.9	(Worksheet E Ln 9) (Note X)				\$ -
4	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 2 plus ln 3)				\$ 4,260,529

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

5	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet J/K)	-	DA	1.00000	\$ -
6	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
7	Annual Rate	((ln 1 - ln 107)/((ln 49 + ln 50 + ln 51 + ln 52 + ln 54) x 100))			19.84%
8	Monthly Rate	(ln 7 / 12)			1.65%
9	NET PLANT CARRYING CHARGE ON LINE 7 , w/o depreciation or ROE incentives (Note B)				
10	Annual Rate	((ln 1 - ln 107 - ln 112) /((ln 49 + ln 50 + ln 51 + ln 52 + ln 54) x 100))			16.03%
11	NET PLANT CARRYING CHARGE ON LINE 10, w/o Return, income taxes or ROE incentives (Note B)				
12	Annual Rate	((ln 1 - ln 107 - ln 112 - ln 138 - ln 139) /((ln 49 + ln 50 + ln 51 + ln 52 + ln 54) x 100))			5.72%
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 86 Below			48,779
16	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				0
17	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				0
18	Total 561 Internally Developed Costs	(Line 15 - Line 16 - Line 17)			48,779

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(1)		(2)	(3)	(4)		(5)
RATE BASE CALCULATION		Data Sources (See "General Notes")	TO Total NOTE C	Allocator		Total Transmission
Line No.						
19	GROSS PLANT IN SERVICE					
19	Production	(Worksheet A ln 1.E)	-	NA	0.00000	-
20	Less: Production ARO (Enter Negative)	(Worksheet A ln 2.E)	-	NA	0.00000	-
21	Transmission	(Worksheet A ln 3.E & Ln 147)	34,754,967	DA		34,754,967
22	Less: Transmission ARO (Enter Negative)	(Worksheet A ln 4.E)	-	TP	1.00000	-
23	Line Deliberately Left Blank		N/A	NA	0.00000	N/A
24	Line Deliberately Left Blank		N/A	NA	0.00000	N/A
25	Distribution	(Worksheet A ln 5.E)	154,099,171	NA	0.00000	-
26	Less: Distribution ARO (Enter Negative)	(Worksheet A ln 6.E)	-	NA	0.00000	-
27	General Plant	(Worksheet A ln 7.E)	2,376,961	W/S	0.09691	230,342
28	Less: General Plant ARO (Enter Negative)	(Worksheet A ln 8.E)	-	W/S	0.09691	-
29	Intangible Plant	(Worksheet A ln 9.E)	3,558,626	W/S	0.09691	344,852
30	TOTAL GROSS PLANT	(sum lns 19 to 29)	194,789,725	GP(h)= GTD=	0.181376 0.18403	35,330,161
31	ACCUMULATED DEPRECIATION AND AMORTIZATION					
32	Production	(Worksheet A ln 12.E)	-	NA	0.00000	-
33	Less: Production ARO (Enter Negative)	(Worksheet A ln 13.E)	-	NA	0.00000	-
34	Transmission	(Worksheet A ln 14.E & 28.E)	12,946,818	TP1=	1.00000	12,946,818
35	Less: Transmission ARO (Enter Negative)	(Worksheet A ln 15.E)	-	TP1=	1.00000	-
36	Line Deliberately Left Blank		N/A	DA	0.00000	N/A
37	Line Deliberately Left Blank		N/A	DA	0.00000	N/A
38	Line Deliberately Left Blank		N/A	TP	0.00000	N/A
39	Line Deliberately Left Blank		N/A	W/S	0.00000	N/A
40	Line Deliberately Left Blank		N/A	DA	0.00000	N/A
41	Distribution	(Worksheet A ln 16.E)	58,263,181	NA	0.00000	-
42	Less: Distribution ARO (Enter Negative)	(Worksheet A ln 17.E)	-	NA	0.00000	-
43	General Plant	(Worksheet A ln 18.E)	1,034,517	W/S	0.09691	100,251
44	Less: General Plant ARO (Enter Negative)	(Worksheet A ln 19.E)	-	W/S	0.09691	-
45	Intangible Plant	(Worksheet A ln 20.E)	1,609,535	W/S	0.09691	155,974
46	TOTAL ACCUMULATED DEPRECIATION	(sum lns 32 to 45)	73,854,051			13,203,042
47	NET PLANT IN SERVICE					
48	Production	(ln 19 + ln 20 - ln 32 - ln 33)	-			-
49	Transmission	(ln 21 + ln 22 - ln 34 - ln 35)	21,808,150			21,808,150
50	Line Deliberately Left Blank		N/A			N/A
51	Line Deliberately Left Blank		N/A			N/A
52	Line Deliberately Left Blank		N/A			N/A
53	Line Deliberately Left Blank		N/A			N/A
54	Line Deliberately Left Blank		N/A			N/A
55	Distribution	(ln 25 + ln 26 - ln 41 - ln 42)	95,835,990			-
56	General Plant	(ln 27 + ln 28 - ln 43 - ln 44)	1,342,444			130,091
57	Intangible Plant	(ln 29 - ln 45)	1,949,091			188,879
58	TOTAL NET PLANT IN SERVICE	(sum lns 48 to 57)	120,935,674	NP(h)=	0.182966	22,127,119
59	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)				
60	Account No. 281.1 (enter negative)	(Worksheet B, ln 2 & ln 5.E)	-	NA		-
61	Account No. 282.1 (enter negative)	(Worksheet B, ln 7 & ln 10.E)	(28,165,430)	DA		(5,141,033)
62	Account No. 283.1 (enter negative)	(Worksheet B, ln 12 & ln 15.E)	(6,896,792)	DA		(113,270)
63	Account No. 190.1	(Worksheet B, ln 17 & ln 20.E)	922,396	DA		(130,125)
64	Account No. 255 (enter negative)	(Worksheet B, ln 24 & ln 25.E)	(63)	DA		(86)
65	TOTAL ADJUSTMENTS	(sum lns 60 to 64)	(34,139,889)			(5,384,515)
66	PLANT HELD FOR FUTURE USE	(Worksheet A ln 29.E & ln 30.E)	187,481	DA		-
67	REGULATORY ASSETS	(Worksheet A ln 36.E)	-	DA		-
68	WORKING CAPITAL	(Note E)				
69	Cash Working Capital	(1/8 * ln 89)	55,752			55,752
70	Transmission Materials & Supplies	(Worksheet C, ln 2.(F))	801	TP	1.00000	801
71	A&G Materials & Supplies	(Worksheet C, ln 3.(F))	1,463	W/S	0.09691	142
72	Stores Expense	(Worksheet C, ln 4.(F))	-	GP(h)	0.18138	-
73	Prepayments (Account 165) - Labor Allocated	(Worksheet C, ln 8.G)	6,017,755	W/S	0.09691	583,157
74	Prepayments (Account 165) - Gross Plant	(Worksheet C, ln 8.F)	87,583	GP(h)	0.18138	15,885
75	Prepayments (Account 165) - Transmission Only	(Worksheet C, ln 8.E)	-	DA	1.00000	-
76	Prepayments (Account 165) - Unallocable	(Worksheet C, ln 8.D)	(3,491,221)	NA	0.00000	-
77	TOTAL WORKING CAPITAL	(sum lns 69 to 76)	2,672,133			655,737
78	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, ln 8.B)	-	DA	1.00000	-
79	RATE BASE (sum lns 58, 65, 66, 67, 77, 78)		89,655,399			17,398,341

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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					
80	Production	321.80.b	124,790,288			
81	Distribution	322.156.b	4,877,069			
82	Customer Related Expense	322 & 323.164,171,178.b	1,338,384			
83	Regional Marketing Expenses	322.131.b	-			
84	Transmission	321.112.b	494,792			
85	TOTAL O&M EXPENSES	(sum Ins 80 to 84)	131,500,533			
86	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	48,779			
87	Less: Account 565	(Note H) 321.96.b	-			
88	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	-			
89	Total O&M Allocable to Transmission	(Ins 84 - 86 - 87 - 88)	446,013	TP	1.00000	446,013
90	Administrative and General	323.197.b (Note J)	2,799,745			
91	Less: Acct. 924, Property Insurance	323.185.b	144,022			
92	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	(330,262)			
93	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	-			
94	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	(47,967)			
95	Acct. 928, Reg. Com. Exp.	323.189.b	-			
96	Acct. 930.1, Gen. Advert. Exp.	323.191.b	1,481			
97	Acct. 930.2, Misc. Gen. Exp.	323.192.b	78,917			
98	Balance of A & G	(In 90 - sum In 91 to In 97)	2,953,554	W/S	0.09691	286,217
99	Plus: Acct. 924, Property Insurance	(In 91)	144,022	GP(h)	0.18138	26,122
100	Acct. 928 - Transmission Specific	Worksheet F In 19.(E) (Note L)	-	TP	1.00000	-
101	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 28.(E) (Note L)	-	TP	1.00000	-
102	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 34.(E) (Note L)	5,081	DA	1.00000	5,081
103	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 3, (Note M)	-	W/S	0.09691	-
104	A & G Subtotal	(sum Ins 98 to 103)	3,102,657			317,420
105	O & M EXPENSE SUBTOTAL	(In 89 + In 104)	3,548,670			763,433
106	Line Deliberately Left Blank					
107	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA	1.00000	-
108	TOTAL O & M EXPENSE	(In 105 + In 107)	3,548,670			763,433
109	DEPRECIATION AND AMORTIZATION EXPENSE					
110	Production	336.2-6.f	-	NA	0.00000	-
111	Distribution	336.8.f	5,301,660	NA	0.00000	-
112	Transmission	336.7.f	829,764	TP1	1.00000	829,764
113	Line Deliberately Left Blank		N/A			N/A
114	General	336.10.f	74,974	W/S	0.09691	7,265
115	Intangible	336.1.f	682,819	W/S	0.09691	66,169
116	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 110+111+ 112+113+114+115)	6,889,217			903,199
117	TAXES OTHER THAN INCOME	(Note N)				
118	Labor Related					
119	Payroll	Worksheet H In 21.(D)	145,221	W/S	0.09691	14,073
120	Plant Related					
121	Property	Worksheet H In 21.(C) & In 35.(C)	1,392,800	DA		258,165
122	Gross Receipts/Sales & Use	Worksheet H In 21.(F)	8,702,000	NA	0.00000	-
123	Other	Worksheet H In 21.(E)	768,000	GP(h)	0.18138	139,297
124	TOTAL OTHER TAXES	(sum Ins 119 to 123)	11,008,021			411,535
125	INCOME TAXES	(Note O)				
126	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		39.22%			
127	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		43.12%			
128	where WCLTD=(In 167) and WACC = (In 170)					
129	and FIT, SIT & p are as given in Note O.					
130	GRCF=1 / (1 - T) = (from In 126)		1.6452			
131	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-			
132	Excess Deferred Income Tax	(Note U)	1,200	DA		1,000
133	Tax Affect of Permanent Differences	(Note U)	157,091	DA		9,200
134	Income Tax Calculation	(In 127 * In 139)	3,464,430			672,300
135	ITC adjustment	(In 130 * In 131)	-	NP(h)	0.18297	-
136	Excess Deferred Income Tax	(In 130 * In 132)	1,974			1,645
137	Tax Affect of Permanent Differences	(In 130 * In 133)	258,452			15,136
138	TOTAL INCOME TAXES	(sum Ins 134 to 137)	3,724,856			689,081
139	RETURN ON RATE BASE (Rate Base*WACC)	(In 79 * In 170)	8,033,513			1,558,967
140	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		-	DA	1.00000	-
141	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-			-
142	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 141 * In127)		-			-
143	TOTAL REVENUE REQUIREMENT		33,204,278			4,326,215
	(sum Ins 108, 116, 124, 138, 139, 140, 141, 142)					

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
144	Total transmission plant	(In 21)							34,754,967	
145	Less transmission plant excluded from PJM Tariff (Note P)									
146	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (E)) (Note Q)								-	
147	Transmission plant included in PJM Tariff	(In 144 - In 145 - In 146)							34,754,967	
148	Percent of transmission plant in PJM Tariff	(In 147 / In 144)						TP=	1.00000	
149	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
150	Production	354.20.b	0	0	-	NA	0.00000		-	
151	Transmission	354.21.b	1,358	267,385	268,743	TP	1.00000		268,743	
152	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000		-	
153	Distribution	354.23.b	1,364,001	236,298	1,600,299	NA	0.00000		-	
154	Other (Excludes A&G)	354.24,25,26.b	410,962	493,229	904,191	NA	0.00000		-	
155	Total	(sum Ins 150 to 154)	1,776,321	996,912	2,773,233				268,743	
156	Transmission related amount							W/S=	0.09691	
157	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$	
158	Long Term Interest	(Worksheet M, In. 21, col. (E))							2,327,518	
159	Preferred Dividends	(Worksheet M, In. 55, col. (E))							-	
160	Development of Common Stock:									
161	Proprietary Capital	(Worksheet M, In. 1, col. (E))							40,823,022	
162	Less: Preferred Stock	(Worksheet M, In. 2, col. (E))							-	
163	Less: Account 216.1	(Worksheet M, In. 3, col. (E))							-	
164	Less: Account 219	(Worksheet M, In. 4, col. (E))							-	
165	Common Stock	(In 161 - In 162 - In 163 - In 164)							40,823,022	
166			\$	%		Cost (Note S)		Weighted		
167	Long Term Debt (Note T) Worksheet M, In 11, In 22, col.)		37,500,000	47.88%		0.0621		0.0297		
168	Preferred Stock (In 162)		-	0.00%		-		0.0000		
169	Common Stock (In 165)		40,823,022	52.12%		11.49%		0.0599		
170	Total (Sum Ins 167 to 169)		78,323,022					WACC=	0.0896	

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Letter	Notes
	General Notes: a) References to data from Worksheets are indicated as: Worksheet X, Line#.Column.X
A	Revenue credits include: 1) Forfeited Discounts. 2) Miscellaneous Service Revenues. 3) Rental revenues earned on assets included in the rate base. 4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service. 5) Other electric revenues. 6) Revenues for grandfathered PTP contracts included in the load divisor. 7) If AEP East companies have any directly assigned transmission facilities, the revenue credits in the AEP East formula rate shall include all revenues associated with those directly assigned transmission facilities, irrespective of whether the loads of the customer are included in the formula rate divisor; provided however, such addition to revenue credits shall not be reflected if the costs of such directly assigned transmission facilities are not included in the transmission plant balances on which the formula rate ATRR is based. See Worksheet E for details.
B	The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's. Interest will be calculated based on Worksheet Q and any over under recovery will be filed and posted as part of the informational filing.
C	Transmission Plant Balances in this study are projected or actual average beginning of year end of year balances.
D	The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flowthrough and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. In compliance with FERC Rulemaking the calculation of ADIT in the annual projection will be performed in accordance with IRS regulation Section1.167(l)-(h)(6)(ii). RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B. The company will not include the ADIT portion of deferred hedge gains and losses in rate base. Detailed balances for the projected or actual period, distinguished between utility and non-utility balances, will be filed and posted as part of the information filing.
E	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 89. It excludes: 1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 86. 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 88 4) All A&G Expenses, as shown on line 104.
F	Consistent with Paragraph 657 of Order 2003-A, the amount on line 78 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 140.
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 89. 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 107 to determine the total O&M collected in the formula. The amounts on line 107 is also excluded in the calculation of the FCR percentage calculated on lines 6 through 12. The addbacks on line 107 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 107 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 92 through 94 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 131) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0. Inputs Required: FIT = 35.00% SIT= 6.49% (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 158) / average long term debt (ln 167). Preferred Stock cost rate = preferred dividends (ln 159) / preferred outstanding (ln 168). 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 167 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	Tax effect of permanent differences captures the differences in the income taxes due under the Federal and State calculatins that are not the result of timing differences.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.

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

<u>Line</u>		(A)	(B)	(C)	(D)	(E)
<u>Number</u>		<u>Rate Base Item & Supporting Balance</u>	<u>Source of Data</u>	<u>Balance @ December 31, 2017</u>	<u>Balance @ December 31, 2016</u>	<u>Average Balance for 2017</u>
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.						
<u>Plant Investment Balances</u>						
1	Production Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 46		-	-	-
2	Production Asset Retirement Obligation (ARO)	FF1, page 205&204, Col.(g)&(b), Ins 15,24,34,44		-	-	-
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58		38,587,873	30,922,061	34,754,967
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57		-	-	-
5	Distribution Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 75		158,604,797	149,593,545	154,099,171
6	Distribution Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 74		-	-	-
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99		2,407,981	2,345,940	2,376,961
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98		-	-	-
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5		3,995,543	3,121,709	3,558,626
10	Total Property Investment Balance	(Sum of Lines: 3, 1, 5, 7, 9)		203,596,194	185,983,255	194,789,725
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 2, 6, 8)		-	-	-
<u>Accumulated Depreciation & Amortization Balances</u>						
12	Production Accumulated Depreciation	FF1, page 219, Ins 20-24, Col. (b)		-	-	-
13	Production ARO Accumulated Depreciation	Company Records - Note 1		-	-	-
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)		12,942,936	12,950,699	12,946,818
15	Transmission ARO Accumulated Depreciation	Company Records - Note 1		-	-	-
16	Distribution Accumulated Depreciation	FF1, page 219, In 26, Col. (b)		59,897,561	56,628,801	58,263,181
17	Distribution ARO Accumulated Depreciation	Company Records - Note 1		-	-	-
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)		1,067,944	1,001,090	1,034,517
19	General ARO Accumulated Depreciation	Company Records - Note 1		-	-	-
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)		1,710,444	1,508,626	1,609,535
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 12, 16, 18, 20)		75,618,885	72,089,216	73,854,051
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 13, 17, 19)		-	-	-
<u>Generation Step-Up Units</u>						
23	GSU Investment Amount	Company Records - Note 1		-	-	-
24	GSU Accumulated Depreciation	Company Records - Note 1		-	-	-
25	GSU Net Balance	(Line 23 - Line 24)		-	-	-
<u>Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation</u>						
26	Transmission Accumulated Depreciation	(Line 14 Above)		12,942,936	12,950,699	12,946,818
27	Less: GSU Accumulated Depreciation	(Line 24 Above)		-	-	-
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)		12,942,936	12,950,699	12,946,818
<u>Plant Held For Future Use</u>						
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)		187,481	187,481	187,481
30	Transmission Plant Held For Future	Company Records - Note 1		-	-	-
<u>Regulatory Assets and Liabilities Approved for Recovery In Ratebase</u>						
Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.						
31						-
32						-
33						-
34						-
35						-
36	Total Regulatory Deferrals Included in Ratebase			-	-	-

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

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

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

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) Source</u>	<u>(C) Balance @ December 31, 2017</u>	<u>(D) Balance @ December 31, 2016</u>	<u>(E) Average Balance for 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	Company Records - Note 1	-	-	-
4	Less: Other Excluded Deferrals	Company Records - 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)	30,088,263	26,242,597	28,165,430
8	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
9	Less: Other Excluded Deferrals	Company Records - Note 1	24,765,956	21,282,838	23,024,397
10	Transmission Related Deferrals	Ln 7 - ln 8 - ln 9	5,322,307	4,959,760	5,141,033
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, ln 9, Col. (k)	7,006,690	6,786,893	6,896,792
13	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
14	Less: Other Excluded Deferrals	Company Records - Note 1	6,885,137	6,681,906	6,783,521
15	Transmission Related Deferrals	Ln 12 - ln 13 - ln 14	121,554	104,987	113,270
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, ln 8, Col. (c)	747,396	1,097,396	922,396
18	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
19	Less: Other Excluded Deferrals	Company Records - Note 1	932,548	1,172,495	1,052,522
20	Transmission Related Deferrals	Ln 17 - ln 18 - ln 19	(185,152)	(75,099)	(130,125)
21	<u>Account 255</u>				
22	Year End ITC Balances	FF1, p. 266-267, ln 8, Col. (h)	88	38	63
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	-	-	-
24	ITC Balances Includeable Ratebase	Ln 22 - ln 23	88	38	63
25	Transmission Related Deferrals	Company Records - Note 1	86	86	86

NOTE 1 On this worksheet, "Company Records" refers to AEP's tax accounting ledger. Projected ending balances reflect proration required by IRS Letter Rule Section I.I67(l)-l(h)(6)(ii).

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

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)	801	801	801			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c) & (b)	1,463	1,463	1,463			
4	Stores Expense (Undistributed)	FF1, p. 227, ln 16, Col. (c) & (b)	0	0	-			
Prepayment Balance Summary								
		Average of YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	
5								
6	Totals as of December 31, 2017	2,183,114	(3,491,221)	0	87,583	6,448,759	6,536,342	
7	Totals as of December 31, 2016	2,183,113	(3,491,221)		87,583	5,586,752	5,674,335	
8	Average Balance	2,183,113	(3,491,221)	-	87,583	6,017,755	6,105,339	

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	62,128	-		62,128		62,128	Plant Related Insurance Policies
11	165000215	Prepaid Taxes	0	-			-	-	Prepaid Taxes - Distribution
12	165000216	Prepaid Taxes	0	-			-	-	Prepaid Taxes - Distribution
13	1650003	Prepaid Rents	2,068,496	2,068,496			-	-	
14	1650004	Prepaid Interest	9,839	9,839			-	-	
15	1650005	Prepaid Employee Benefits	9,000	9,000			-	-	Prepaid Benefits-Distribution
16	1650006	Other Prepayments	0	-			-	-	Prepayments-Other
17	1650009	Prepaid Carry Cost-Factored AR	8,196	8,196			-	-	AR Factoring - Retail Only
18	1650010	Prepaid Pension Benefits	4,724,745				4,724,745	4,724,745	Prefunded Pension Expense
19	1650014	FAS 158 Qual Contra Asset	(4,724,745)	(4,724,745)			-	-	SFAS 158 Offset
20	1650016	FAS 112 ASSETS	25,455	-		25,455		25,455	
21	1650021	Prepaid Insurance - EIS	0	-		-	-	-	EIS Insurance
22	1650023	Prepaid Lease		-			862,007	862,007	Prepaid Lease - Distribution
23	1650035	PRW Without Med-D Benefits	862,007	-			862,007	862,007	Medical Benefits
24	1650036	PRW for Med-D Benefits	0	-			-	-	
25	1650037	FAS158 Contra-PRW Exc Med-D	(862,007)	(862,007)			-	-	SFAS 158 Offset
Subtotal - Form 1, p 111.57.c			2,183,114	(3,491,221)	0	87,583	6,448,759	6,536,342	

Prepayments Account 165 - Balance @ 12/31/ 2016									
26	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
27	1650001	Prepaid Insurance	62,128	-		62,128		62,128	Plant Related Insurance Policies
28	165000215	Prepaid Taxes	0	-			-	-	Prepaid Taxes - Distribution
29	165000216	Prepaid Taxes	0	-			-	-	Prepaid Taxes - Distribution
30	1650003	Prepaid Rents	2,068,496	2,068,496			-	-	
31	1650004	Prepaid Interest	9,839	9,839			-	-	
32	1650005	Prepaid Employee Benefits	9,000	9,000			-	-	Prepaid Benefits-Distribution
33	1650006	Other Prepayments	0	-			-	-	Prepayments-Other
34	1650009	Prepaid Carry Cost-Factored AR	8,196	8,196			-	-	AR Factoring - Retail Only
35	1650010	Prepaid Pension Benefits	4,724,745	-			4,724,745	4,724,745	Prefunded Pension Expense
36	1650014	FAS 158 Qual Contra Asset	(4,724,745)	(4,724,745)			-	-	SFAS 158 Offset
37	1650016	FAS 112 ASSETS	25,455	-		25,455		25,455	
38	1650021	Prepaid Insurance - EIS	0	-		-	-	-	EIS Insurance
39	1650023	Prepaid Lease		-			-	-	Prepaid Lease - Distribution
40	1650035	PRW Without Med-D Benefits	862,007	-			862,007	862,007	Medical Benefits
41	1650036	PRW for Med-D Benefits	0	-			-	-	
42	1650037	FAS158 Contra-PRW Exc Med-D	(862,007)	(862,007)			-	-	SFAS 158 Offset
Subtotal - Form 1, p 111.57.d			2,183,113	(3,491,221)		87,583	5,586,752	5,674,335	

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, line 24.b)	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, line 24.f)	-
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

Formula Rate
KGP WS E Rev Credits
Page 10 of 25

<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)	290,736	290,736	-
2	Account 451,Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	10,691	10,691	-
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	1,211,170	1,156,205	54,965
4	Account 4560015, Associated Business Development - (Company Records - Note 1)	20,000	9,279	10,721
5	Account 456 - Other Electric Revenues - (Company Records - Note 1)	2,995,827	2,995,827	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	4,528,424	4,462,738	65,686
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	-	-	-
8	Total Other Operating Revenues To Reduce Revenue Requirement	4,528,424	4,462,738	65,686

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.

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

<u>Line</u> <u>Number</u>	<u>(A)</u> <u>Item No.</u>	<u>(B)</u> <u>Description</u>	<u>(C)</u> <u>2017</u> <u>Expense</u>	<u>(D)</u> <u>100%</u> <u>Non-Transmission</u>	<u>(E)</u> <u>100%</u> <u>Transmission</u> <u>Specific</u>	<u>(F)</u> <u>Explanation</u>
Regulatory O&M Deferrals & Amortizations						
1		No Applicable Charges for KP	-			
2			-			
3						
4		Total	<u>0</u>			
Detail of Account 561 Per FERC Form 1						
5	FF1 p 321.84.b	561 - Load Dispatching	0			
6	FF1 p 321.85.b	561.1 - Load Dispatch - Reliability	48,779			
7	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	0			
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	0			
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 Serv	0			
14		Total of Account 561	<u>48,779</u>			
Account 928						
15	9280000	Regulatory Commission Exp	-	-	-	
16	9280001	Regulatory Commission Exp-Adm	-	-	-	
17	9280002	Regulatory Commission Exp-Case	-	-	-	
18	9280003	Rate Case Amortization	-	-	-	
19		Total	<u>-</u>	<u>-</u>	<u>-</u>	
Account 930.1						
20	9301000	General Advertising Expenses	1,481	1,481	-	
21	9301001	Newspaper Advertising Space	-	-	-	
22	9301009	Fairs, Shows and Exhibits	-	-	-	
23	9301010	Dedications, Tours & Openings	-	-	-	
24	9301012	Public Opinion Surveys	-	-	-	
25	9301013	Movies Slide Films & Speeches	-	-	-	
26	9301014	Video Communications	-	-	-	
27	9301015	Other Corporate Comm Exp	-	-	-	
28		Total	<u>1,481</u>	<u>1,481</u>	<u>-</u>	
Account 930.2						
29	9302000	Misc General Expenses	5,171	5,171		
30	9302003	Corporate & Fiscal Expenses	0	0		
31	9302004	Research, Develop&Demonstr Exp	0	0		
32	9302005	Nucl Fac Ins - Replce Engy Cst	0	0		
32	9302006	Assoc Business Development Materials Sold	0	0	0	
33	9302007	Assoc Business Development Exp	12,125	7,044	5,081	
34		Total	<u>17,296</u>	<u>12,215</u>	<u>5,081</u>	

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 2	99.91%	
Effective State Tax Rate		6.49%

Total Effective State Income Tax Rate	<u>6.49%</u>
---------------------------------------	--------------

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

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

AEP East Companies
Cost of Service Formula Rate Using 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	Revenue Taxes					
2	Gross Receipts Tax	8,702,000				8,702,000
3	Real Estate and Personal Property Taxes					
4	Real and Personal Property - Kentucky	1,383,000	1,383,000			
5	Real and Personal Property - Other	9,800	9,800			
6	Payroll Taxes					
7	Federal Insurance Contribution (FICA)	143,953		143,953		
8	Federal Unemployment Tax	958		958		
9	State Unemployment Insurance	310		310		
10	Production Taxes					
11	State Severance Taxes	-				-
12	Miscellaneous Taxes					
13	State Business & Occupation Tax	-				-
14	State Public Service Commission Fees	648,000			648,000	
15	State Franchise Taxes	120,000			120,000	
16	State Lic/Registration Fee	-			-	
17	Misc. State and Local Tax	-			-	
18	Sales & Use	-				-
19	Federal Excise Tax	-				-
20	Michigan Single Business Tax	-				-
21	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c)) NOTE 1: The detail of each total company number and its source in the FERC Form 1 is shown on WS H-1.	11,008,021	1,392,800	145,221	768,000	8,702,000
Functional Property Tax Allocation						
		Production	Transmsission	Distribution	General	Total
22	Functionalized Net Plant (TCOS, Lns 48 thru 58) TENNESSEE JURISDICTION	-	21,808,150	95,835,990	1,342,444	118,986,583
23	Percentage of Plant in TENNESSEE JURISDICTION	0.00%	100.00%	100.00%	100.00%	
24	Net Plant in TENNESSEE JURISDICTION (Ln 22 * Ln 23)	-	21,808,150	95,835,990	1,342,444	118,986,583
25	Less: Net Value of Exempted Generation Plant	-				
26	Taxable Property Basis (Ln 24 - Ln 25)	-	21,808,150	95,835,990	1,342,444	118,986,583
27	Relative Valuation Factor	0.00%	100.00%	100.00%	100.00%	
28	Weighted Net Plant (Ln 26 * Ln 27)	-	21,808,150	95,835,990	1,342,444	
29	General Plant Allocator (Ln 28 / (Total - General Plant))	0.00%	18.54%	81.46%	-100.00%	
30	Functionalized General Plant (Ln 29 * General Plant)	-	248,854	1,093,590	(1,342,444)	-
31	Weighted TENNESSEE JURISDICTION Plant (Ln 28 + 30)	-	22,057,003	96,929,580	(1)	118,986,583
32	Functional Percentage (Ln 31/Total Ln 31)	0.00%	18.54%	81.46%		
33	Functionalized Expense in TENNESSEE JURISDICTION	-	256,372	1,126,628		1,383,000
34	Total Other Jurisdictions: (Line 5 * Net Plant Allocator)		1,793			9,800
35	Total Func. Property Taxes (Sum Lns 33, 34)	-	258,165	1,126,628		1,392,800

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	<u>Revenue Taxes</u>			
2	Gross Receipts Tax	8,702,000	8,702,000	
			-	
			-	
			-	
3	<u>Real Estate and Personal Property Taxes</u>			
4	Real and Personal Property - Tennessee	1,383,000	1,383,000	
			-	
			-	
			-	
5	Real and Personal Property - Other	9,800	9,800	
			-	
6	<u>Payroll Taxes</u>			
7	Federal Insurance Contribution (FICA)	143,953	143,953	
8	Federal Unemployment Tax	958	958	
9	State Unemployment Insurance	310	310	
			-	
			-	
10	<u>Production Taxes</u>	-	-	
11	State Severance Taxes	-	-	
12	<u>Miscellaneous Taxes</u>			
13	State Business & Occupation Tax	-	-	
			-	
14	State Public Service Commission Fees	648,000	648,000	
			-	
15	State Franchise Taxes	120,000	120,000	
			-	
			-	
			-	
16	State Lic/Registration Fee	-	-	
			-	
			-	
			-	
17	Misc. State and Local Tax	-	-	
18	Sales & Use	-	-	
			-	
19	Federal Excise Tax	-	-	
			-	
20	Michigan Single Business Tax	-	-	
			-	
21	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	11,008,021	11,008,021	

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

AEP East Companies
Cost of Service Formula Rate Using 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 J Supporting Calculation of PROJECTED PJM RTEP Project Revenue Requirement Billed to Benefiting Zones
KINGSPORT POWER COMPANY

Page 1 of 1

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

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

ROE w/o incentives (TCOS, ln 169)				11.49%
Project ROE Incentive Adder				
ROE with additional basis point incentive				11.49%
Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the TCOS, lns 167 through169)				
	<u>%</u>	<u>Cost</u>	<u>Weighted cost</u>	
Long Term Debt	47.88%	6.21%	2.972%	
Preferred Stock	0.00%	0.00%	0.000%	
Common Stock	52.12%	11.49%	<u>5.989%</u>	
		R =	8.960%	

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

Rate Base (TCOS, ln 79)	17,398,341
R (from A. above)	8.960%
Return (Rate Base x R)	1,558,967

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

Return (from B. above)	1,558,967
Effective Tax Rate (TCOS, ln 127)	43.12%
Income Tax Calculation (Return x CIT)	672,300
ITC Adjustment	-
Excess Deferred Income Tax	1,645
Tax Affect of Permanent Differences	<u>15,136</u>
Income Taxes	689,081

SUMMARY OF PROJECTED ANNUAL RTEP		REVENUE REQUIREMENTS		
	Rev Require	W Incentives	Incentive Amounts	
PROJECTED YEAR	2017	-	-	\$ -

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

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

Annual Revenue Requirement (TCOS, ln 1)	4,326,215
Lease Payments (TCOS, Ln 107)	-
Return (TCOS, ln 139)	1,558,967
Income Taxes (TCOS, ln 138)	<u>689,081</u>
Annual Revenue Requirement, Less Lease Payments, Return and Taxes	2,078,167

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

Annual Revenue Requirement, Less Lease Payments, Return and Taxes	2,078,167
Return (from I.B. above)	1,558,967
Income Taxes (from I.C. above)	<u>689,081</u>
Annual Revenue Requirement, with Basis Point ROE increase	4,326,215
Depreciation (TCOS, ln 112)	<u>829,764</u>
Annual Rev. Req. w/ Basis Point ROE increase, less Depreciation	3,496,451

C. Determine FCR with hypothetical basis point ROE increase.

Net Transmission Plant (TCOS, ln 49)	21,808,150
Annual Revenue Requirement, with Basis Point ROE increase	4,326,215
FCR with Basis Point increase in ROE	19.84%
Annual Rev. Req. w/ Basis Point ROE increase, less Dep.	3,496,451
FCR with Basis Point ROE increase, less Depreciation	16.03%
FCR less Depreciation (TCOS, ln 10)	<u>16.03%</u>
Incremental FCR with Basis Point ROE increase, less Depreciation	0.00%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Rate Year (2017) (P. 206, Ln 58(b)):	30,922,061
Transmission Plant @ End of Rate Year (2017) (P 207, Ln 58(g)):	<u>38,587,873</u>
Subtotal	69,509,934
Average Transmission Plant Balance for 2017	34,754,967
Annual Depreciation and Amortization Expense (TCOS, ln 112)	829,764
Composite Depreciation Rate	2.39%
Depreciable Life for Composite Depreciation Rate	41.89
Round to nearest whole year	42

KPCo Worksheet J - ATRR PROJECTED Calculation for PJM Projects Charged to Benefiting Zones

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

A. Base Plan Facilities

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

Project Description:

Current Projected Year ARR	-
Current Projected Year ARR w/ Incentive	-
Current Projected Year Incentive ARR	-

Details						
Investment		Current Year				2016
Service Year (yyyy)	2016	ROE increase accepted by FERC (Basis Points)				-
Service Month (1-12)	12	FCR w/o incentives, less depreciation				16.03%
Useful life	42	FCR w/incentives approved for these facilities, less dep.				16.03%
CIAC (Yes or No)	No	Annual Depreciation Expense				-
Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	RTEP Rev. Req't. w/o Incentives	RTEP Rev. Req't. with Incentives **	Incentive Rev. Requirement ##
2016	-	-	-	-	-	\$ -
2017	-	-	-	-	-	\$ -
2018	-	-	-	-	-	\$ -
2019	-	-	-	-	-	\$ -
2020	-	-	-	-	-	\$ -
2021	-	-	-	-	-	\$ -
2022	-	-	-	-	-	\$ -
2023	-	-	-	-	-	\$ -
2024	-	-	-	-	-	\$ -
2025	-	-	-	-	-	\$ -
2026	-	-	-	-	-	\$ -
2027	-	-	-	-	-	\$ -
2028	-	-	-	-	-	\$ -
2029	-	-	-	-	-	\$ -
2030	-	-	-	-	-	\$ -
2031	-	-	-	-	-	\$ -
2032	-	-	-	-	-	\$ -
2033	-	-	-	-	-	\$ -
2034	-	-	-	-	-	\$ -
2035	-	-	-	-	-	\$ -
2036	-	-	-	-	-	\$ -
2037	-	-	-	-	-	\$ -
2038	-	-	-	-	-	\$ -
2039	-	-	-	-	-	\$ -
2040	-	-	-	-	-	\$ -
2041	-	-	-	-	-	\$ -
2042	-	-	-	-	-	\$ -
2043	-	-	-	-	-	\$ -
2044	-	-	-	-	-	\$ -
2045	-	-	-	-	-	\$ -
2046	-	-	-	-	-	\$ -
2047	-	-	-	-	-	\$ -
2048	-	-	-	-	-	\$ -
2049	-	-	-	-	-	\$ -
2050	-	-	-	-	-	\$ -
2051	-	-	-	-	-	\$ -
2052	-	-	-	-	-	\$ -
2053	-	-	-	-	-	\$ -
2054	-	-	-	-	-	\$ -
2055	-	-	-	-	-	\$ -
2056	-	-	-	-	-	\$ -
2057	-	-	-	-	-	\$ -
2058	-	-	-	-	-	\$ -
2059	-	-	-	-	-	\$ -
2060	-	-	-	-	-	\$ -
2061	-	-	-	-	-	\$ -
2062	-	-	-	-	-	\$ -
2063	-	-	-	-	-	\$ -
2064	-	-	-	-	-	\$ -
2065	-	-	-	-	-	\$ -
2066	-	-	-	-	-	\$ -
2067	-	-	-	-	-	\$ -
2068	-	-	-	-	-	\$ -
2069	-	-	-	-	-	\$ -
2070	-	-	-	-	-	\$ -
2071	-	-	-	-	-	\$ -
2072	-	-	-	-	-	\$ -
2073	-	-	-	-	-	\$ -
2074	-	-	-	-	-	\$ -
2075	-	-	-	-	-	\$ -
Project Totals		-	-	-	-	-

CUMULATIVE HISTORY OF PROJECTED ANNUAL REVENUE REQUIREMENTS:				
CUMULATIVE HISTORY OF PROJECTED ANNUAL REVENUE REQUIREMENTS: INPUT PROJECTED ARR (WITH & WITHOUT INCENTIVES) FROM EACH PRIOR YEAR TEMPLATE BELOW TO MAINTAIN HISTORY OF PROJECTED ARRS OVER THE LIFE OF THE PROJECT.				
RTEP Projected Rev. Req't.From Prior Year Template w/o Incentives		RTEP Projected Rev. Req't.From Prior Year Template with Incentives **		

*** 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.

In order to calculate the proper monthly RTEP billing amount, PJM requires a 12 month revenue requirement for each RTEP project. As a result, notwithstanding the fact that the project was in service for a partial year, the project revenue requirement in the year that the project goes into service has been annualized (shown at the full-year level) so that PJM will collect the correct monthly billings.

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 169)			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 167 through169)			
	%	Cost	Weighted cost
Long Term Debt	47.88%	6.21%	2.972%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	52.12%	11.49%	5.989%
		R =	8.960%

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

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

Rate Base (TCOS, ln 79)	17,398,341
R (from A. above)	8.960%
Return (Rate Base x R)	1,558,967

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

Return (from B. above)	1,558,967
Effective Tax Rate (TCOS, ln 127)	43.12%
Income Tax Calculation (Return x CIT)	672,300
ITC Adjustment	-
Excess Deferred Income Tax	1,645
Tax Affect of Permanent Differences	15,136
Income Taxes	689,081

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)	4,326,215
Lease Payments (TCOS, Ln 107)	-
Return (TCOS, ln 139)	1,558,967
Income Taxes (TCOS, ln 138)	689,081
Annual Revenue Requirement, Less Lease Payments, Return and Taxes	2,078,167

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

Annual Revenue Requirement, Less Lease Payments, Return and Taxes	2,078,167
Return (from I.B. above)	1,558,967
Income Taxes (from I.C. above)	689,081
Annual Revenue Requirement, with 0 Basis Point ROE increase	4,326,215
Depreciation (TCOS, ln 112)	829,764
Annual Rev. Req, w/ 0 Basis Point ROE increase, less Depreciation	3,496,451

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

Net Transmission Plant (TCOS, ln 49)	21,808,150
Annual Revenue Requirement, with 0 Basis Point ROE increase	4,326,215
FCR with 0 Basis Point increase in ROE	19.84%

Annual Rev. Req, w / 0 Basis Point ROE increase, less Dep.	3,496,451
FCR with 0 Basis Point ROE increase, less Depreciation	16.03%
FCR less Depreciation (TCOS, ln 10)	16.03%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Rate Year (2017) (P. 206, Ln 58(b)):	30,922,061
Transmission Plant @ End of Rate Year (2017) (P. 207, Ln 58(g)):	38,587,873
Subtotal	69,509,934
Average Transmission Plant Balance for 2017	34,754,967
Annual Depreciation and Amortization Expense (TCOS, ln 112)	829,764
Composite Depreciation Rate	2.39%
Depreciable Life for Composite Depreciation Rate	41.89
Round to nearest whole year	42

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:

0	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

Details							
Investment		Current Year					0
Service Year (yyyy)	2015	ROE increase accepted by FERC (Basis Points)					-
Service Month (1-12)	12	FCR w/o incentives, less depreciation					16.03%
Useful life	42	FCR w/incentives approved for these facilities, less dep.					16.03%
CIAC (Yes or No)	No	Annual Depreciation Expense					-
Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	Average Balance	RTEP Rev. Req't. w/o Incentives	RTEP Rev. Req't. with Incentives **	Incentive Rev. Requirement ##
2015	-	-	-	-	-	-	\$ -
2016	-	-	-	-	-	-	\$ -
2017	-	-	-	-	-	-	\$ -
2018	-	-	-	-	-	-	\$ -
2019	-	-	-	-	-	-	\$ -
2020	-	-	-	-	-	-	\$ -
2021	-	-	-	-	-	-	\$ -
2022	-	-	-	-	-	-	\$ -
2023	-	-	-	-	-	-	\$ -
2024	-	-	-	-	-	-	\$ -
2025	-	-	-	-	-	-	\$ -
2026	-	-	-	-	-	-	\$ -
2027	-	-	-	-	-	-	\$ -
2028	-	-	-	-	-	-	\$ -
2029	-	-	-	-	-	-	\$ -
2030	-	-	-	-	-	-	\$ -
2031	-	-	-	-	-	-	\$ -
2032	-	-	-	-	-	-	\$ -
2033	-	-	-	-	-	-	\$ -
2034	-	-	-	-	-	-	\$ -
2035	-	-	-	-	-	-	\$ -
2036	-	-	-	-	-	-	\$ -
2037	-	-	-	-	-	-	\$ -
2038	-	-	-	-	-	-	\$ -
2039	-	-	-	-	-	-	\$ -
2040	-	-	-	-	-	-	\$ -
2041	-	-	-	-	-	-	\$ -
2042	-	-	-	-	-	-	\$ -
2043	-	-	-	-	-	-	\$ -
2044	-	-	-	-	-	-	\$ -
2045	-	-	-	-	-	-	\$ -
2046	-	-	-	-	-	-	\$ -
2047	-	-	-	-	-	-	\$ -
2048	-	-	-	-	-	-	\$ -
2049	-	-	-	-	-	-	\$ -
2050	-	-	-	-	-	-	\$ -
2051	-	-	-	-	-	-	\$ -
2052	-	-	-	-	-	-	\$ -
2053	-	-	-	-	-	-	\$ -
2054	-	-	-	-	-	-	\$ -
2055	-	-	-	-	-	-	\$ -
2056	-	-	-	-	-	-	\$ -
2057	-	-	-	-	-	-	\$ -
2058	-	-	-	-	-	-	\$ -
2059	-	-	-	-	-	-	\$ -
2060	-	-	-	-	-	-	\$ -
2061	-	-	-	-	-	-	\$ -
2062	-	-	-	-	-	-	\$ -
2063	-	-	-	-	-	-	\$ -
2064	-	-	-	-	-	-	\$ -
2065	-	-	-	-	-	-	\$ -
2066	-	-	-	-	-	-	\$ -
2067	-	-	-	-	-	-	\$ -
2068	-	-	-	-	-	-	\$ -
2069	-	-	-	-	-	-	\$ -
2070	-	-	-	-	-	-	\$ -
2071	-	-	-	-	-	-	\$ -
2072	-	-	-	-	-	-	\$ -
2073	-	-	-	-	-	-	\$ -
2074	-	-	-	-	-	-	\$ -

[illegible]

Project Totals

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

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

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

Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of Capital
Based on Average of Balances At 12/31/2016 & 12/31/2017

(A)	(B)	(C)	(D)	(E)
Line		Balances @	Balances @	Average
		12/31/2017	12/31/2016	
<u>Development of Average Balance of Common Equity</u>				
1	Proprietary Capital (112.16.c&d)	44,199,314	37,446,729	40,823,022
2	Less Preferred Stock (Ln 54 Below)	0	0	-
3	Less Account 216.1 (112.12.c&d)	-	-	-
4	Less Account 219.1 (112.15.c&d)	-	-	-
5	Average Balance of Common Equity	44,199,314	37,446,729	40,823,022
<u>Development of Cost of Long Term Debt Based on Average Outstanding Balance</u>				
6	Bonds (112.18.c&d)	-	-	-
7	Less: Reacquired Bonds (112.19.c&d)	-	-	-
8	LT Advances from Assoc. Companies (112.20.c&d)	20,000,000	20,000,000	20,000,000
9	Senior Unsecured Notes (112.21.c&d)	35,000,000	-	17,500,000
10	Less: Fair Value Hedges (See Note on Ln 12 below)	-	-	-
11	Total Average Debt	55,000,000	20,000,000	37,500,000
12	NOTE: The balance of fair value hedges on outstanding long term debt are to be excluded from the balance of long term debt included in the formula's capital structure. (Column H of the FF1)			
13	Annual Interest Expense for 2017			
14	Interest on Long Term Debt (256-257.33.i)			2,327,518
15	Less: Total Hedge Gain/Expense Accumulated from p 256-257, col. (i) of FERC Form 1 included in Ln 14 and shown in Ln 33 below.			-
16	Plus: Allowed Hedge Recovery From Ln 38 below.			-
17	Amort of Debt Discount & Expense (117.63.c)			-
18	Amort of Loss on Reacquired Debt (117.64.c)			-
19	Less: Amort of Premium on Debt (117.65.c)			-
20	Less: Amort of Gain on Reacquired Debt (117.66.c)			-
21	Total Interest Expense (Ln 14 + Ln 17 + Ln 18 - Ln 19 - Ln 20)			2,327,518
22	Average Cost of Debt for 2017 (Ln 21/Ln 11)			6.21%

CALCULATION OF RECOVERABLE HEDGE GAINS/LOSSES

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

					Amortization Period	
HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)	Total Hedge (Gain)/Loss for 2017	Less Excludable Amounts (See NOTE on Line 23)	Net Includable Hedge Amount	Remaining Unamortized Balance	Beginning	Ending
24 Unsecured Notes	0	-	-	0		
25 Unsecured Notes						
26 Unsecured Notes						
27 Unsecured Notes						
28 Unsecured Notes						
29 Unsecured Notes						
30 Unsecured Notes						
31 Unsecured Notes						
32 Unsecured Notes			-			
33 Total Hedge Amortization	-	-		-		
34 Hedge Gain or Loss Prior to Application of Recovery Limit (Sum of Lines 24 to 32)			-			
35 Total Average Capital Structure Balance for 2017 (TCOS, Ln 170)			78,323,022			
36 Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005			
37 Limit of Recoverable Amount			39,162			
38 Recoverable Hedge Amortization (Lesser of Ln 34 or Ln 37)			-			

Development of Cost of Preferred Stock

Preferred Stock			Average
39 4.125% Series - 100 - Dividend Rate (p. 250-251. 9.a)	4.125%	4.125%	
40 4.125% Series - 100 - Par Value (p. 250-251. 9.c)	\$ 100.00	\$ 100.00	
41 4.125% Series - 100 - Shares O/S (p.250-251. 9.e)	-	-	
42 4.125% Series - 100 - Monetary Value (Ln 40 * Ln 41)	-	-	-
43 4.125% Series - 100 - Dividend Amount (Ln 39 * Ln 42)	-	-	-
44 4.12% Series - 100 - Dividend Rate (p. 250-251 11.a)	4.120%	4.120%	
45 4.12% Series - 100 - Par Value (p. 250-251 11.c)	\$ 100.00	\$ 100.00	
46 4.12% Series - 100 - Shares O/S (p.250-251 11.e)	-	-	
47 4.12% Series - 100 - Monetary Value (Ln 45 * Ln 46)	-	-	-
48 4.12% Series - 100 - Dividend Amount (Ln 44 * Ln 47)	-	-	-
49 4.56% Series - 100 - Dividend Rate (p. 250-251. 10a)	4.560%	4.560%	
50 4.56% Series - 100 - Par Value (p. 250-251. 10c)	\$ 100.00	\$ 100.00	
51 4.56% Series - 100 - Shares O/S (p.250-251 10.e)	-	-	
52 4.56% Series - 100 - Monetary Value (Ln 50 * Ln 51)	-	-	-
53 4.56% Series - 100 - Dividend Amount (Ln 49 * Ln 52)	-	-	-
54 Balance of Preferred Stock (Lns 42, 47, 52)	-	-	-
55 Dividends on Preferred Stock (Lns 43, 48, 53)	-	-	-
56 Average Cost of Preferred Stock (Ln 55/54)	0.00%	0.00%	0.00%

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

AEP East Companies
Cost of Service Formula Rate Using 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.

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

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

1 Total AEP East Operating Company PBOP Settlement Amount -

Allocation of PBOP Settlement Amount for 2017

Line#	Company	Total Company Amount						
		Actual Expense (Including AEPSC Billed OPEB)	Ratio of Company Actual to Total	Allocation of PBOB Recovery Allowance	Labor Allocator for 2017	Actual Expense	Allowable Expense	One Year Functional Expense (Over)/Under
		(A) (Line 14)	(B)=(A)/Total (A)	(C)=(B) * 0	(D)	(E)=(A) * (D)	(F)=(C) * (D)	(G)=(E) - (F)
2	APCo	(16,200,897)	36.57%	-	8.052%	(1,304,430)	-	(1,304,430)
3	I&M	(11,509,436)	25.98%	-	5.095%	(586,456)	-	(586,456)
4	KPCo	(3,481,273)	7.86%	-	6.818%	(237,367)	-	(237,367)
5	KNGP	(378,229)	0.85%	-	9.691%	(36,653)	-	(36,653)
6	OPCo	(11,964,459)	27.01%	-	15.466%	(1,850,380)	-	(1,850,380)
7	WPCo	(769,194)	1.74%	-	2.347%	(18,050)	-	(18,050)
8	Sum of Lines 2 to 7	(44,303,488)		-		(4,033,336)	-	(4,033,336)

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	(15,553,365)	(11,620,295)	(3,566,295)	(334,834)	(11,037,888)	(417,243)	(42,529,920)
10 Additional PBOP Ledger Entries (from Company Records)	465,717	918,897	369,757	4,572	135,109	(290,243)	
11 Medicare Subsidy	-	-	-	-	-	-	-
12 Net Company Expense (Ln 9 + Ln 10 + Ln 11)	(15,087,648)	(10,701,398)	(3,196,538)	(330,262)	(10,902,779)	(707,486)	(40,926,111)
13 PBOP Expenses From AEP Service Corporation (from Company Records)	(1,113,249)	(808,038)	(284,735)	(47,967)	(1,061,680)	(61,708)	(3,377,377)
14 Company PBOP Expense (Ln 12 + Ln 13)	(16,200,897)	(11,509,436)	(3,481,273)	(378,229)	(11,964,459)	(769,194)	(44,303,488)

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

AEP EAST COMPANIES
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%

Reference:

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

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

General Note

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

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

Reconciliation Revenue Requirement For Year 2018 Available May 25, 2019	-	2018 Revenue Requirement Forecast by October 31, 2017	=	True-up Adjustment - Over (Under) Recovery
\$16,511,590		\$15,216,438		(\$1,295,152)

Interest Rate on Amount of Refunds or Surcharges from 35.19a	Over (Under) Recovery Plus Interest	Average Monthly Interest Rate	Months	Calculated Interest	Amortization	Surcharge (Refund) Owed
		0.2780%				

An over or under collection will be recovered prorata over 2018, held for 2019 and returned prorata over 2020

Calculation of Interest				Monthly		
January	Year 2018	(107,929)	0.2780%	12	3,601	111,530
February	Year 2018	(107,929)	0.2780%	11	3,300	111,230
March	Year 2018	(107,929)	0.2780%	10	3,000	110,930
April	Year 2018	(107,929)	0.2780%	9	2,700	110,630
May	Year 2018	(107,929)	0.2780%	8	2,400	110,330
June	Year 2018	(107,929)	0.2780%	7	2,100	110,030
July	Year 2018	(107,929)	0.2780%	6	1,800	109,730
August	Year 2018	(107,929)	0.2780%	5	1,500	109,430
September	Year 2018	(107,929)	0.2780%	4	1,200	109,130
October	Year 2018	(107,929)	0.2780%	3	900	108,829
November	Year 2018	(107,929)	0.2780%	2	600	108,529
December	Year 2018	(107,929)	0.2780%	1	300	108,229
					23,403	1,318,555
				Annual		
January through December	Year 2019	1,318,555	0.2780%	12	43,987	1,362,542
Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months				Monthly		
January	Year 2020	(1,362,542)	0.2780%		3,788	1,250,723
February	Year 2020	(1,250,723)	0.2780%		3,477	1,138,592
March	Year 2020	(1,138,592)	0.2780%		3,165	1,026,150
April	Year 2020	(1,026,150)	0.2780%		2,853	913,396
May	Year 2020	(913,396)	0.2780%		2,539	800,327
June	Year 2020	(800,327)	0.2780%		2,225	686,945
July	Year 2020	(686,945)	0.2780%		1,910	573,247
August	Year 2020	(573,247)	0.2780%		1,594	459,234
September	Year 2020	(459,234)	0.2780%		1,277	344,903
October	Year 2020	(344,903)	0.2780%		959	230,254
November	Year 2020	(230,254)	0.2780%		640	115,287
December	Year 2020	(115,287)	0.2780%		320	0
					24,746	
True-Up Adjustment with Interest					1,387,289	
Less Over (Under) Recovery					(1,295,152)	
Total Interest					92,137	

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