

AEP East Companies  
 Transmission Cost of Service Formula Rate  
 Utilizing Historic Cost Data for 2016 with Year-End Rate Base Balances

**KINGSPORT POWER COMPANY**

Line No.			Total	Allocator	Transmission Amount
166	REVENUE REQUIREMENT (w/o incentives)	(In 303)			\$4,076,565
167	REVENUE CREDITS	(Note A) (Worksheet E)	90,956	DA 1.00000	\$ 90,956
168	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 167)			<u>\$ 3,985,608</u>

**MEMO: The Carrying Charge Calculations on lines 171 to 176 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 169 is included in the total on line 168.**

169	Not applicable on this template				
170	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
171	Annual Rate	( (In 166 - In 270 - In 271) / In 213 x 100)			21.92%
172	Monthly Rate	(In 171 / 12)			1.83%
173	NET PLANT CARRYING CHARGE ON LINE 171 , w/o depreciation or ROE incentives (Note B)				
174	Annual Rate	( (In 166 - In 270 - In 271 - In 276) / In 213 x 100)			18.35%
175	NET PLANT CARRYING CHARGE ON LINE 174, w/o Return, income taxes or ROE incentives (Note B)				
176	Annual Rate	( (In 166 - In 270 - In 271 - In 276 - In 298 - In 299) / In 213 x 100)			7.58%
177	Not applicable on this template				
178	<b>REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES</b>				
179	Total Load Dispatch & Scheduling (Account 561)	Line 250 Below			37,180
180	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				(6)
181	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				0
182	Total 561 Internally Developed Costs	(Line 179 - Line 180 - Line 181)			<u>37,186</u>

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Line No.	(1) <b>RATE BASE CALCULATION</b>	(2) <b>Data Sources (See "General Notes")</b>	(3) <b>TO Total NOTE C</b>	(4) <b>Allocator</b>	(5) <b>Total Transmission</b>
183	GROSS PLANT IN SERVICE				
183	Production	(Worksheet A In 1.C)	-	NA	0.00000
184	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	-	NA	0.00000
185	Transmission	(Worksheet A In 3.C & Ln 307)	30,872,303	DA	30,872,303
186	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C & Ln 308)	-	TP	1.00000
187	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA	0.00000
188	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA	0.00000
189	Distribution	(Worksheet A In 5.C)	148,779,895	NA	0.00000
190	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	-	NA	0.00000
191	General Plant	(Worksheet A In 7.C)	2,946,857	W/S	0.09707
192	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S	0.09707
193	Intangible Plant	(Worksheet A In 9.C)	2,640,362	W/S	0.09707
194	TOTAL GROSS PLANT	(sum Ins 183 to 193)	185,239,417	<b>GP(h)=</b>	<b>0.169589</b>
				<b>GTD=</b>	<b>0.17184</b>
195	ACCUMULATED DEPRECIATION AND AMORTIZATION				
196	Production	(Worksheet A In 12.C)	-	NA	0.00000
197	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	-	NA	0.00000
198	Transmission	(Worksheet A In 14.C & 28.C)	12,270,746	TP1=	1.00000
199	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	1.00000
200	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	1.00000
201	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
202	Plus: Additional Transmission Depreciation for 2017 (In 276)		N/A	TP1	1.00000
203	Plus: Additional General & Intangible Depreciation for 2017 (In 275 + In 276)		N/A	W/S	0.09707
204	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
205	Distribution	(Worksheet A In 16.C)	56,548,055	NA	0.00000
206	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	-	NA	0.00000
207	General Plant	(Worksheet A In 18.C)	954,104	W/S	0.09707
208	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	0.09707
209	Intangible Plant	(Worksheet A In 20.C)	1,482,055	W/S	0.09707
210	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 196 to 209)	71,254,960		
211	NET PLANT IN SERVICE				
212	Production	(In 183 + In 184 - In 196 - In 197)	-		
213	Transmission	(In 185 + In 186 - In 198 - In 199)	18,601,557		
214	Plus: Transmission Plant-in-Service Additions (In 187 - In 200)		N/A		
215	Plus: Additional Trans Plant on Transferred Assets (In 188 - In 201)		N/A		
216	Plus: Additional Transmission Depreciation for 2017 (-In 202)		N/A		
217	Plus: Additional General & Intangible Depreciation for 2017 (-In 203)		N/A		
218	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 204)		N/A		
219	Distribution	(In 189 + In 190 - In 205 - In 206)	92,231,840		
220	General Plant	(In 191 + In 192 - In 207 - In 208)	1,992,753		
221	Intangible Plant	(In 193 - In 209)	1,158,307		
222	TOTAL NET PLANT IN SERVICE	(sum Ins 212 to 221)	113,984,457	<b>NP(h)=</b>	<b>0.165877</b>
223	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
224	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	-	NA	-
225	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(24,371,116)	DA	(4,959,760)
226	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(1,392,918)	DA	(104,987)
227	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	(221,250)	DA	(75,099)
228	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(88)	DA	(17)
229	TOTAL ADJUSTMENTS	(sum Ins 224 to 228)	(25,985,372)		(5,139,863)
230	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	187,481	DA	-
231	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
232	WORKING CAPITAL	(Note E)			
233	Cash Working Capital	(1/8 * In 253)	86,299		86,299
234	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	496	TP	1.00000
235	A&G Materials & Supplies	(Worksheet C, In 3.(D))	585	W/S	0.09707
236	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.16959
237	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	5,586,752	W/S	0.09707
238	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	87,583	GP(h)	0.16959
239	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	1.00000
240	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(3,491,221)	NA	0.00000
241	TOTAL WORKING CAPITAL	(sum Ins 233 to 240)	2,270,494		644,011
242	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	-	DA	1.00000
243	RATE BASE (sum Ins 222, 229, 230, 231, 241, 242)		90,457,061		14,411,578

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	(1)	(2)	(3)	(4)	(5)
Line No.	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
244	OPERATION & MAINTENANCE EXPENSE				
244	Production	321.80.b	126,566,199		
245	Distribution	322.156.b	5,439,470		
246	Customer Related Expense	322 & 323.164,171,178.b	1,607,902		
247	Regional Marketing Expenses	322.131.b	-		
248	Transmission	321.112.b	727,553		
249	TOTAL O&M EXPENSES	(sum Ins 244 to 248)	134,341,124		
250	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	37,180		
251	Less: Account 565	(Note H) 321.96.b	(22)		
252	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	-		
253	Total O&M Allocable to Transmission	(Ins 248 - 250 - 251 - 252)	690,395	TP	1.00000
254	Administrative and General	323.197.b (Note J)	2,572,438		
255	Less: Acct. 924, Property Insurance	323.185.b	82,020		
256	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	(245,218)		
257	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	-		
258	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	(40,597)		
259	Acct. 928, Reg. Com. Exp.	323.189.b	642,400		
260	Acct. 930.1, Gen. Advert. Exp.	323.191.b	4,613		
261	Acct. 930.2, Misc. Gen. Exp.	323.192.b	59,153		
262	Balance of A & G	(In 254 - sum In 255 to In 261)	2,070,067	W/S	0.09707
263	Plus: Acct. 924, Property Insurance	(In 255)	82,020	GP(h)	0.16959
264	Acct. 928 - Transmission Specific	Worksheet F In 19.(E) (Note L)	628	TP	1.00000
265	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 28.(E) (Note L)	-	TP	1.00000
266	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 35.(E) (Note L)	21,342	DA	1.00000
267	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 5, (Note M)	248,104	W/S	0.09707
268	A & G Subtotal	(sum Ins 262 to 267)	2,422,161		
269	O & M EXPENSE SUBTOTAL	(In 253 + In 268)	3,112,556		
270	Plus: TEA Settlement in Account 565	Company Records (Note H)	-	DA	1.00000
271	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA	1.00000
272	TOTAL O & M EXPENSE	(In 269 + In 270 + In 271)	3,112,556		
273	DEPRECIATION AND AMORTIZATION EXPENSE				
274	Production	336.2-6.f	-	NA	0.00000
275	Distribution	336.8.f	5,143,080	NA	0.00000
276	Transmission	336.7.f	663,398	TP1	1.00000
277	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
278	General	336.10.f	162,970	W/S	0.09707
279	Intangible	336.1.f	455,637	W/S	0.09707
280	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 274+275+276+277+278+279)	6,425,085		
281	TAXES OTHER THAN INCOME	(Note N)			
282	Labor Related				
283	Payroll	Worksheet H In 21.(D)	167,163	W/S	0.09707
284	Plant Related				
285	Property	Worksheet H In 21.(C) & In 35.(C)	1,261,671	DA	
286	Gross Receipts/Sales & Use	Worksheet H In 21.(F)	5,952,592	NA	0.00000
287	Other	Worksheet H In 21.(E)	1,003,258	GP(h)	0.16959
288	TOTAL OTHER TAXES	(sum Ins 283 to 287)	8,384,684		
289	INCOME TAXES	(Note O)			
290	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		39.22%		
291	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		53.34%		
292	where WCLTD=(In 327) and WACC = (In 330)				
293	and FIT, SIT & p are as given in Note O.				
294	$GRCF=1 / (1 - T) =$ (from In 290)		1.6452		
295	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
296	Income Tax Calculation	(In 291 * In 299)	4,374,915		
297	ITC adjustment	(In 294 * In 295)	-	NP(h)	0.16588
298	TOTAL INCOME TAXES	(sum Ins 296 to 297)	4,374,915		
299	RETURN ON RATE BASE (Rate Base*WACC)	(In 243 * In 330)	8,201,698		
300	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		-	DA	1.00000
301	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-		
302	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 301 * In291)		-		
303	TOTAL REVENUE REQUIREMENT	(sum Ins 272, 280, 288, 298, 299, 300, 301, 302)	30,498,938		

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF							
304	Total transmission plant	(In 185)						30,872,303
305	Less transmission plant excluded from PJM Tariff (Note P)							-
306	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note Q)							-
307	Transmission plant included in PJM Tariff	(In 304 - In 305 - In 306)						30,872,303
308	Percent of transmission plant in PJM Tariff	(In 307 / In 304)					<b>TP=</b>	<b>1.00000</b>
309	WAGES & SALARY ALLOCATOR (W/S)	(Note R)						
			Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
310	Production	354.20.b	0	0	-	NA	0.00000	-
311	Transmission	354.21.b	2,795	311,906	314,701	TP	1.00000	314,701
312	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000	-
313	Distribution	354.23.b	1,728,446	277,675	2,006,121	NA	0.00000	-
314	Other (Excludes A&G)	354.24,25,26.b	435,929	485,254	921,183	NA	0.00000	-
315	Total	(sum Ins 310 to 314)	2,167,170	1,074,835	3,242,005			314,701
316	Transmission related amount						<b>W/S=</b>	<b>0.09707</b>
317	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
318	Long Term Interest	(Worksheet L, In. 35, col. (D))						904,000
319	Preferred Dividends	(Worksheet L, In. 40, col. (D))						-
320	Development of Common Stock:							
321	Proprietary Capital	(FF1 p 112, Ln 16.c)						37,530,838
322	Less: Preferred Stock	(FF1 p 112, Ln 3.c)						-
323	Less: Account 216.1	(FF1 p 112, Ln 12 .c)						-
324	Less: Account 219	(FF1 p 112, Ln 15.c)						-
325	Common Stock	(In 321 - In 322 - In 323 - In 324)						37,530,838
326			\$	%		Cost (Note S)	Weighted	
327	Long Term Debt (Note T) Worksheet L, In 35, col. (B))		20,000,000	34.76%		0.0452	0.0157	
328	Preferred Stock (In 322)		-	0.00%		-	0.0000	
329	Common Stock (In 325)		37,530,838	65.24%		11.49%	0.0750	
330	Total (Sum Ins 327 to 329)		57,530,838				<b>WACC=</b>	<b>0.0907</b>

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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.  
 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.
- C Transmission Plant balances in this study are historic as of December 31, 2016.
- 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 flow throughs 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 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.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 253. It excludes:  
 1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 250.  
 2) AEP transmission equalization transfers, as shown on line 251  
 3) The impact of state regulatory deferrals and amortizations, as shown on line 252  
 4) All A&G Expenses, as shown on line 268.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 242 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 300.
- 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 180 & 181 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 253. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such costs are added back on lines 270 and 271 to determine the total O&M collected in the formula. The amounts on lines 270 and 271 are also excluded in the calculation of the FCR percentage calculated on lines 170 through 176.  
 The addbacks on lines 270 and 271 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 lines 270 and 271 is the KINGSPORT POWER COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from 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 256 through 258 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 reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet F allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. 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, and the process for updating the annual total is documented on Attachment F, Allowable PBOP Expense Formula.
- 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) (In 295) 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)
- 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 (In 318) / long term debt (In 327). Preferred Stock cost rate = preferred dividends (In 319) / preferred outstanding (In 328).  
 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 remaining a member of the PJM RTO.  
 In the Projected & Historic templates, the interest expense on long-term debt is the sum of a full year's interest expense at the coupon rate for each issuance outstanding as of December 31 of the historic year. The projected expense for variable rate debt will be based on the effective rate at December 31. These conventions ensure that the expense used in the projection will reflect a full year, similar to the actual expense that will appear in the subsequent true-up of the projection, and minimize the impact on the true-up of using a partial year interest expense. The projection will reflect the actual historic-year expense recorded for issuance expenses, discounts and premiums, and gains or losses on reacquired debt. Eligible hedging gains or losses will be limited to five basis points of the projected capital structure. Details and calculations are shown on Worksheet L.
- T This note only applies to Indiana Michigan Power Company.
- U This note only applies to the true-up template.

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Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 138)			\$4,047,720
2	REVENUE CREDITS	(Note A) (Worksheet E)	90,956	DA 1.00000	\$ 90,956
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			<u>\$ 3,956,764</u>

**MEMO: The Carrying Charge Calculations on lines 6 to 11 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 4 is included in the total on line 3.**

4	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet K)		-	DA 1.00000	\$ -
5	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
6	Annual Rate	((In 1 - In 105 - In 106) / In 48 x 100)			21.67%
7	Monthly Rate	(In 6 / 12)			1.81%
8	NET PLANT CARRYING CHARGE ON LINE 6 , w/o depreciation or ROE incentives (Note B)				
9	Annual Rate	((In 1 - In 105 - In 106 - In 111) / In 48 x 100)			18.11%
10	NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B)				
11	Annual Rate	((In 1 - In 105 - In 106 - In 111 - In 133 - In 134) / In 48 x 100)			7.56%
12	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet K)				-
13	<b>REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES</b>				
14	Total Load Dispatch & Scheduling (Account 561)	Line 85 Below			37,180
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				(6)
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				-
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			<u>37,186</u>

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Line No.	(1) <b>RATE BASE CALCULATION</b>	(2) <b>Data Sources (See "General Notes")</b>	(3) <b>TO Total NOTE C</b>	(4) <b>Allocator</b>	(5) <b>Total Transmission</b>
18	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.E)	-	NA	0.00000
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.E)	-	NA	0.00000
20	Transmission	(Worksheet A In 3.C & Ln 142)	30,681,879	DA	30,681,879
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C& Ln 143)	-	TP	1.00000
22	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA	0.00000
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA	0.00000
24	Distribution	(Worksheet A In 5.E)	145,197,426	NA	0.00000
25	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.E)	-	NA	0.00000
26	General Plant	(Worksheet A In 7.E)	2,847,299	W/S	0.09707
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	-	W/S	0.09707
28	Intangible Plant	(Worksheet A In 9.E)	2,296,486	W/S	0.09707
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	181,023,090	<b>GP(h)=</b>	<b>0.17225</b>
				<b>GTD=</b>	<b>0.00000</b>
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.E)	-	NA	0.00000
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.E)	-	NA	0.00000
33	Transmission	(Worksheet A In 14.E & 28.E)	11,999,043	TP1=	1.00000
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	1.00000
35	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	1.00000
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
37	Plus: Additional Transmission Depreciation for 2017 (In 111)		N/A	TP1	1.00000
38	Plus: Additional General & Intangible Depreciation for 2017 (In 110 + In 111)		N/A	W/S	0.09707
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
40	Distribution	(Worksheet A In 16.E)	54,816,319	NA	0.00000
41	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.E)	-	NA	0.00000
42	General Plant	(Worksheet A In 18.E)	929,606	W/S	0.09707
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	-	W/S	0.09707
44	Intangible Plant	(Worksheet A In 20.E)	1,351,601	W/S	0.09707
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	69,096,568		12,220,479
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	-		-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	18,682,836		18,682,836
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		N/A		N/A
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		N/A		N/A
51	Plus: Additional Transmission Depreciation for 2017 (-In 37)		N/A		N/A
52	Plus: Additional General & Intangible Depreciation for 2017 (-In 38)		N/A		N/A
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		N/A		N/A
54	Distribution	(In 24 + In 25 - In 40 - In 41)	90,381,107		-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	1,917,694		186,150
56	Intangible Plant	(In 28 - In 44)	944,886		91,720
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	111,926,522	<b>NP(h)=</b>	<b>0.16940</b>
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	-	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(23,409,572)	DA	(4,816,707)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(1,291,193)	DA	(127,800)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	(420,857)	DA	(84,438)
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	(269)	DA	(52)
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(25,121,890)		(5,028,996)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	111,155	DA	-
66	REGULATORY ASSETS	(Worksheet A In 36. (E))	-	DA	-
67	WORKING CAPITAL	(Note E)			
68	Cash Working Capital	(1/8 * In 88)	86,299		86,299
69	Transmission Materials & Supplies	(Worksheet C, In 2.F)	649	TP	1.00000
70	A&G Materials & Supplies	(Worksheet C, In 3.F)	1,024	W/S	0.09707
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.17225
72	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 8.G)	5,499,548	W/S	0.09707
73	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 8.F)	100,416	GP(h)	0.17225
74	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 8.E)	-	DA	1.00000
75	Prepayments (Account 165) - Unallocable	(Worksheet C, In 8.D)	(3,314,983)	NA	0.00000
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	2,372,953		638,184
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8 (B))	-	DA	1.00000
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		89,288,740		14,569,894

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KINGSPORT POWER COMPANY

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
79	OPERATION & MAINTENANCE EXPENSE				
79	Production	321.80.b	126,566,199		
80	Distribution	322.156.b	5,439,470		
81	Customer Related Expense	322.164,171,178.b	1,607,902		
82	Regional Marketing Expenses	322.131.b	-		
83	Transmission	321.112.b	727,553		
84	TOTAL O&M EXPENSES	(sum Ins 79 to 83)	134,341,124		
85	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	37,180		
86	Less: Account 565	(Note H) 321.96.b	(22)		
87	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	-		
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	690,395	TP 1.00000	690,395
89	Administrative and General	323.197.b (Note J)	2,572,438		
90	Less: Acct. 924, Property Insurance	323.185.b	82,020		
91	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	(245,218)		
92	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	-		
93	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	(40,597)		
94	Acct. 928, Reg. Com. Exp.	323.189.b	642,400		
95	Acct. 930.1, Gen. Advert. Exp.	323.191.b	4,613		
96	Acct. 930.2, Misc. Gen. Exp.	323.192.b	59,153		
97	Balance of A & G	(In 89 - sum In 90 to In 96)	2,070,067	W/S 0.09707	200,941
98	Plus: Acct. 924, Property Insurance	(In 90)	82,020	GP(h) 0.17225	14,128
99	Acct. 928 - Transmission Specific	Worksheet F In 19.(E) (Note L)	628	TP 1.00000	628
100	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 28.(E) (Note L)	-	TP 1.00000	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 35.(E) (Note L)	21,342	DA 1.00000	21,342
102	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 5, (Note M)	248,104	W/S 0.09707	24,083
103	A & G Subtotal	(sum Ins 97 to 102)	2,422,161		261,122
104	O & M EXPENSE SUBTOTAL	(In 88 + In 103)	3,112,556		951,517
105	Plus: TEA Settlement in Account 565	Company Records (Note H)	-	DA 1.00000	-
106	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA 1.00000	-
107	TOTAL O & M EXPENSE	(In 104 + In 105 + In 106)	3,112,556		951,517
108	DEPRECIATION AND AMORTIZATION EXPENSE				
109	Production	336.2-6.f	-	NA 0.00000	-
110	Distribution	336.8.f	5,143,080	NA 0.00000	-
111	Transmission	336.7.f	663,398	TP1 1.00000	663,398
112	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
113	General	336.10.f	162,970	W/S 0.09707	15,819
114	Intangible	336.1.f	455,637	W/S 0.09707	44,229
115	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 109+110+ 111+112+113+114)	6,425,085		723,446
116	TAXES OTHER THAN INCOME	(Note N)			
117	Labor Related				
118	Payroll	Worksheet H In 21.(D)	167,163	W/S 0.09707	16,226
119	Plant Related				
120	Property	Worksheet H In 21.(C) & In 35.(C)	1,261,671	DA 1.00000	211,751
121	Gross Receipts/Sales & Use	Worksheet H In 21.(F)	5,952,592	NA 0.00000	-
122	Other	Worksheet H In 21.(E)	1,003,258	GP(h) 0.17225	172,811
123	TOTAL OTHER TAXES	(sum Ins 118 to 122)	8,384,684		400,788
124	INCOME TAXES	(Note O)			
125	$T=1 - \{(1 - \text{SIT}) * (1 - \text{FIT})\} / (1 - \text{SIT} * \text{FIT} * p) =$		39.22%		
126	$\text{EIT}=(T/(1-T)) * (1-(\text{WCLTD}/\text{WACC})) =$		52.28%		
127	where WCLTD=(In 162) and WACC = (In 165)				
128	and FIT, SIT & p are as given in Note O.				
129	$\text{GRCF}=1 / (1 - T) =$ (from In 125)		1.6452		
130	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
131	Income Tax Calculation	(In 126 * In 134)	4,148,653		676,966
132	ITC adjustment	(In 129 * In 130)	-	NP(h) 0.16940	-
133	TOTAL INCOME TAXES	(sum Ins 131 to 132)	4,148,653		676,966
134	RETURN ON RATE BASE (Rate Base*WACC)	(In 78 * In 165)	7,936,171		1,295,003
135	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		-	DA 1.00000	-
136	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-		-
137	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 136 * In126)		-		-
138	TOTAL REVENUE REQUIREMENT	(sum Ins 107, 115, 123, 133, 134, 135)	30,007,149		4,047,720

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF							
139	Total transmission plant	(In 20)					30,681,879	
140	Less transmission plant excluded from PJM Tariff	(Note P)					-	
141	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C)) (Note Q)					-	
142	Transmission plant included in PJM Tariff	(In 139 - In 140 - In 141)					30,681,879	
143	Percent of transmission plant in PJM Tariff	(In 142 / In 139)				<b>TP=</b>	<b>1.00000</b>	
144	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
145	Production	354.20.b	0	0	-	NA	0.00000	-
146	Transmission	354.21.b	2,795	311,906	314,701	TP	1.00000	314,701
147	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000	-
148	Distribution	354.23.b	1,728,446	277,675	2,006,121	NA	0.00000	-
149	Other (Excludes A&G)	354.24,25,26.b	435,929	485,254	921,183	NA	0.00000	-
150	Total	(sum Ins 145 to 149)	2,167,170	1,074,835	3,242,005			314,701
151	Transmission related amount					<b>W/S=</b>	<b>0.09707</b>	
152	WEIGHTED AVERAGE COST OF CAPITAL (WACC)						\$	
153	Long Term Interest	(Worksheet M, In. 21, col. (E))					904,000	
154	Preferred Dividends	(Worksheet M, In. 56, col. (E))					-	
155	<u>Development of Common Stock:</u>						<u>Average</u>	
156	Proprietary Capital	(Worksheet M, In. 1, col. (E))					33,578,515	
157	Less: Preferred Stock	(Worksheet M, In. 2, col. (E))					-	
158	Less: Account 216.1	(Worksheet M, In. 3, col. (E))					-	
159	Less: Account 219	(Worksheet M, In. 4, col. (E))					-	
160	Common Stock	(In 156 - In 157 - In 158 - In 159)					33,578,515	
161		<u>Average \$</u>				<u>Capital Structure Weighting</u>	<u>Cost (Note S)</u>	<u>Weighted</u>
162	Long Term Debt (Note T) W/S M, In 11, In 22, col. (E))	20,000,000		37.33%	0.00%		0.0452	0.0169
163	Preferred Stock (In 157)	-		0.00%	0.00%		-	0.0000
164	Common Stock (In 160)	33,578,515		62.67%	0.00%		11.49%	0.0720
165	Total (Sum Ins 162 to 164)	53,578,515					<b>WACC=</b>	<b>0.0889</b>
166	Capital Structure Equity Limit (Note U)	100.0%						

AEP East Companies  
 Transmission Cost of Service Formula Rate  
 Utilizing Actual Cost Data for 2016 with Average Ratebase Balances

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.  
 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.
- C Transmission Plant balances in this study reflect the average of the balances at December 31, -2 and December 31, 2016.
- 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 flow throughs 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 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.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 88. It excludes:  
 1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 85.  
 2) AEP transmission equalization transfers, as shown on line 86  
 3) The impact of state regulatory deferrals and amortizations, as shown on line 87  
 4) All A&G Expenses, as shown on line 103.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 77 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 135.
- 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 15 & 16 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 88. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such costs are added back on lines 105 and 106 to determine the total O&M collected in the formula. The amounts on lines 105 and 106 are also excluded in the calculation of the FCR percentage calculated on lines 5 through 11.  
 The addbacks on lines 105 and 106 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 lines 105 and 106 is the KINGSPORT POWER COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from O&M expense. applicable only for state regulatory purposes.
- 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 91 through 93 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 reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet F allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. 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, and the process for updating the annual total is documented on Attachment F, Allowable PBOP Expense Formula.
- 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)  
 (In 130) 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)
- 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 (In 153) / long term debt (In 162). Preferred Stock cost rate = preferred dividends (In 154) / preferred outstanding (In 163).  
 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.  
 Interest expense for the true-up WACC is based on actual expenses for the true-up year. The amount of eligible hedging gains or losses included in total interest expense is limited to five basis points of the true-up capital structure. Details and calculations of the true-up weighted average cost of capital are shown on Worksheet M. Eligible Hedging Gains and Losses are defined in the Formula Protocols in the tariff, and on Worksheet M.
- T This note only applies to Indiana Michigan Power Company.
- U Per Settlement, equity for KINGSPORT POWER COMPANY is limited to 100% of Capital Structure. If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure.  
 During the period ended December 31, 2011 the equity cap is in effect. During this period, a change in the cap percentage must be approved via a 205 filing with the FERC.

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 Cost of Service Formula Rate Using 2016 FF1 Balances  
 Worksheet A Supporting Plant Balances  
 KINGSPORT POWER COMPANY

Line Number	(A) Rate Base Item & Supporting Balance	(B) Source of Data	(C) Balance @ December 31, 2016	(D) Balance @ December 31, 2015	(E) Average Balance for 2016
<b>NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.</b>					
<b>Plant Investment Balances</b>					
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	30,872,303	30,491,454	30,681,879
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	148,779,895	141,614,957	145,197,426
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	2,946,857	2,747,741	2,847,299
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	2,640,362	1,952,610	2,296,486
10	<b>Total Property Investment Balance</b>	(Sum of Lines: 3, 1, 5, 7, 9)	185,239,417	176,806,762	181,023,090
11	<b>Total ARO Balance (included in total on line 10)</b>	(Sum of Lines: 4, 2, 6, 8)	-	-	-
<b>Accumulated Depreciation &amp; Amortization Balances</b>					
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)	12,270,746	11,727,340	11,999,043
15	Transmission ARO Accumulated Depreciation	Company Records - Note 1	-	-	-
16	Distribution Accumulated Depreciation	FF1, page 219, In 26, Col. (b)	56,548,055	53,084,583	54,816,319
17	Distribution ARO Accumulated Depreciation	Company Records - Note 1	-	-	-
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	954,104	905,107	929,606
19	General ARO Accumulated Depreciation	Company Records - Note 1	-	-	-
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	1,482,055	1,221,146	1,351,601
21	<b>Total Accumulated Depreciation or Amortization</b>	(Sum of Lines: 14, 12, 16, 18, 20)	71,254,960	66,938,176	69,096,568
22	<b>Total ARO Balance (included in total on line 21)</b>	(Sum of Lines: 15, 13, 17, 19)	-	-	-
<b>Generation Step-Up Units</b>					
23	GSU Investment Amount	Company Records - Note 1	-	-	-
24	GSU Accumulated Depreciation	Company Records - Note 1	-	-	-
25	<b>GSU Net Balance</b>	(Line 23 - Line 24)	-	-	-
<b>Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation</b>					
26	Transmission Accumulated Depreciation	(Line 14 Above)	12,270,746	11,727,340	11,999,043
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	-	-	-
28	<b>Subtotal of Transmission Net of GSU</b>	(Line 26 - Line 27)	12,270,746	11,727,340	11,999,043
<b>Plant Held For Future Use</b>					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	187,481	34,829	111,155
30	Transmission Plant Held For Future	Company Records - Note 1	-	-	-
<b>Regulatory Assets and Liabilities Approved for Recovery In Ratebase</b>					
Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.					
31					-
32					-
33					-
34					-
35					-
36	<b>Total Regulatory Deferrals Included in Ratebase</b>		-	-	-

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 2016 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, 2016</u>	<u>(D) Balance @ December 31, 2015</u>	<u>(E) Average Balance for 2016</u>
1	<b><u>Account 281</u></b>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, In 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 - In 3 - In 4	-	-	-
6	<b><u>Account 282</u></b>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, In 5, Col. (k)	24,371,116	22,448,028	23,409,572
8	Less: ARO Related Deferrals	Company Records - Note 1	0	0	-
9	Less: Other Excluded Deferrals	Company Records - Note 1	19,411,356	17,774,374	18,592,865
10	Transmission Related Deferrals	Ln 7 - In 8 - In 9	4,959,760	4,673,654	4,816,707
11	<b><u>Account 283</u></b>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, In 9, Col. (k)	1,392,918	1,189,467	1,291,193
13	Less: ARO Related Deferrals	Company Records - Note 1	0	0	-
14	Less: Other Excluded Deferrals	Company Records - Note 1	1,287,931	1,038,854	1,163,393
15	Transmission Related Deferrals	Ln 12 - In 13 - In 14	104,987	150,613	127,800
16	<b><u>Account 190</u></b>				
17	Year End Utility Deferrals	FF1, p. 234, In 8, Col. (c)	(221,250)	(620,463)	(420,857)
18	Less: ARO Related Deferrals	Company Records - Note 1	0	0	-
19	Less: Other Excluded Deferrals	Company Records - Note 1	(146,151)	(526,687)	(336,419)
20	Transmission Related Deferrals	Ln 17 - In 18 - In 19	(75,099)	(93,776)	(84,438)
21	<b><u>Account 255</u></b>				
22	Year End ITC Balances	FF1, p. 266-267, In 8, Col. (h)	88	450	269
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	0	0	-
24	ITC Balances Includeable Ratebase	Ln 22 - In 23	88	450	269
25	Transmission Related Deferrals	Company Records - Note 1	17	86	52

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

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

AEP East Companies  
 Cost of Service Formula Rate Using 2016 FF1 Balances  
 Worksheet C Supporting Working Capital Rate Base Adjustments  
 KINGSPORT POWER COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
<b>Materials &amp; Supplies</b>								
Line Number	Source	Balance @ December 31, 2016	Balance @ December 31, 2015	Average Balance for 2016				
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c) & (b)	496	801	649			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c) & (b)	585	1,463	1,024			
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, 2016	2,183,113	(3,491,221)	0	87,583	5,586,752
7	Totals as of December 31, 2015	2,386,848	(3,138,744)	0	113,249	5,412,343
8	<b>Average Balance</b>	<u>2,284,981</u>	<u>(3,314,983)</u>	<u>-</u>	<u>100,416</u>	<u>5,499,548</u>

**Prepayments Account 165 - Balance @ 12/31/2016**

9	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
10	1650001	Prepaid Insurance	62,128	-		62,128		62,128	Plant Related Insurance Policies
11	165000216	Prepaid Taxes	2,068,496	2,068,496		-		-	Prepaid Taxes - Distribution
12	165000217	Prepaid Taxes	9,839	9,839		-		-	Prepaid Taxes - Distribution
13	1650003	Prepaid Rents	0	-		-		-	
14	1650004	Prepaid Interest	0	-		-		-	
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	0	-		-		-	
21	1650021	Prepaid Insurance - EIS	25,455	-		25,455		25,455	EIS Insurance
22	1650023	Prepaid Lease	0	-		-		-	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
<b>Subtotal - Form 1, p 111.57.c</b>			<u>2,183,113</u>	<u>(3,491,221)</u>	<u>0</u>	<u>87,583</u>	<u>5,586,752</u>	<u>5,674,335</u>	

**Prepayments Account 165 - Balance @ 12/31/ 2015**

26	Acc. No.	Description	2015 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	47,051	-		47,051		47,051	Plant Related Insurance Policies
28	165000215	Prepaid Taxes	2,240,271	2,240,271		-		-	Prepaid Taxes - Distribution
29	165000216	Prepaid Taxes	13,048	13,048		-		-	Prepaid Taxes - Distribution
30	1650003	Prepaid Rents	0	-		-		-	
31	1650004	Prepaid Interest	0	-		-		-	
32	1650005	Prepaid Employee Benefits	9,750	9,750		-		-	Prepaid Benefits-Distribution
33	1650006	Other Prepayments	301	301		-		-	Prepayments-Other
34	1650009	Prepaid Carry Cost-Factored AR	10,229	10,229		-		-	AR Factoring - Retail Only
35	1650010	Prepaid Pension Benefits	4,798,712	-		-	4,798,712	4,798,712	Prefunded Pension Expense
36	1650014	FAS 158 Qual Contra Asset	(4,798,712)	(4,798,712)		-		-	SFAS 158 Offset
37	1650016	FAS 112 ASSETS	0	-		-		-	
38	1650021	Prepaid Insurance - EIS	66,198	-		66,198		66,198	EIS Insurance
39	1650023	Prepaid Lease	0	-		-		-	Prepaid Lease - Distribution
40	1650035	PRW Without Med-D Benefits	613,631	-		-	613,631	613,631	Medical Benefits
41	1650036	PRW for Med-D Benefits	0	-		-		-	
42	1650037	FAS158 Contra-PRW Exc Med-D	(613,631)	(613,631)		-		-	SFAS 158 Offset
<b>Subtotal - Form 1, p 111.57.d</b>			<u>2,386,848</u>	<u>(3,138,744)</u>	<u>0</u>	<u>113,249</u>	<u>5,412,343</u>	<u>5,525,592</u>	

AEP East Companies  
 Cost of Service Formula Rate Using 2016 FF1 Balances  
 Worksheet D Supporting IPP Credits  
 KINGSPORT POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2016</u>
1	Net Funds from IPP Customers 12/31/2016 (2016 FORM 1, P269, line 24.b)	-
2	Interest Accrual (Company Records - Note 1)	-
3	Revenue Credits to Generators (Company Records - Note 1)	-
4	<u>Other Adjustments</u>	
5	Accounting Adjustment (Company Records - Note 1)	-
6		-
7	Net Funds from IPP Customers 12/31/2016 (2016 FORM 1, P269, line 24.f)	-
8	Average Balance for Year as Indicated in Column ((In 1 + In 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 2016 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)	242,350	242,350	-
2	Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	69,893	69,893	-
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	1,630,978	1,585,322	45,656
4	Account 4560015, Associated Business Development - (Company Records - Note 1)	116,511	71,211	45,300
5	Account 456 - Other Electric Revenues - (Company Records - Note 1)	3,930,739	3,930,739	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b)))	5,990,471	5,899,515	90,956
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	-	-	-
8	Total Other Operating Revenues To Reduce Revenue Requirement	5,990,471	5,899,515	90,956

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.

AEP East Companies  
 Cost of Service Formula Rate Using 2016 FF1 Balances  
 Worksheet F Supporting Allocation of Specific O&M or A&G Expenses  
 KINGSPORT POWER COMPANY

<u>Line Number</u>	<u>(A) Item No.</u>	<u>(B) Description</u>	<u>(C) 2016 Expense</u>	<u>(D) 100% Non-Transmission</u>	<u>(E) 100% Transmission Specific</u>	<u>(F) Explanation</u>
<b>Regulatory O&amp;M Deferrals &amp; Amortizations</b>						
1		No Applicable Charges for KGPCO	-			
2						
3						
4		<b>Total</b>	0			
<b>Detail of Account 561 Per FERC Form 1</b>						
5	FF1 p 321.84.b	561 - Load Dispatching	0			
6	FF1 p 321.85.b	561.1 - Load Dispatch - Reliability	359			
7	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	31,394			
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	(6)			
10	FF1 p 321.89.b	561.5 - Reliability, Planning and Standards Development	5,433			
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 Services	0			
14		<b>Total of Account 561</b>	37,180			
<b>Account 928</b>						
15	9280000	Regulatory Commission Exp	(3)	(3)	-	
16	9280001	Regulatory Commission Exp-Adm	9	9	-	
17	9280002	Regulatory Commission Exp-Case	641,766	641,766	-	
18	9280005	Regulatory Commission Exp-FERC Trans	628	-	628	
19		<b>Total</b>	642,400	641,772	628	
<b>Account 930.1</b>						
20	9301000	General Advertising Expenses	3	3	-	
21	9301001	Newspaper Advertising Space	6	6	-	
22	9301009	Fairs, Shows and Exhibits	-	-	-	
23	9301010	Dedications, Tours, & Openings	116	116	-	
24	9301012	Public Opinion Surveys	2,598	2,598	-	
25	9301013	Movies Slide Films & Speeches	-	-	-	
26	9301014	Video Communications	-	-	-	
27	9301015	Other Corporate Comm Exp	1,891	1,891	-	
28		<b>Total</b>	4,614	4,614	-	
<b>Account 930.2</b>						
29	9302000	Misc General Expenses	22,770	22,770		
30	9302003	Corporate & Fiscal Expenses	588	588		
31	9302004	Research, Develop&Demonstr Exp	145	145		
32	9302005	Nucl Fac Ins - Replce Engy Cst	0	0		
33	9302006	Assoc Bus Dev - Materials Sold	499	499	0	
34	9302007	Assoc Business Development Exp	35,150	13,808	21,342	
35		<b>Total</b>	59,152	37,810	21,342	

AEP East Companies  
 Cost of Service Formula Rate Using 2016 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		6.49%

- 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 2016 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	<b>Revenue Taxes</b>					
2	Gross Receipts Tax	5,951,131				5,951,131
3	<b>Real Estate and Personal Property Taxes</b>					
4	Real and Personal Property - Tennessee	1,261,671	1,261,671			
5	Real and Personal Property - Other	0	-			
6	<b>Payroll Taxes</b>					
7	Federal Insurance Contribution (FICA )	165,762		165,762		
8	Federal Unemployment Tax	1,075		1,075		
9	State Unemployment Insurance	326		326		
10	<b>Production Taxes</b>					
11	State Severance Taxes	-				-
12	<b>Miscellaneous Taxes</b>					
13	State Business & Occupation Tax	-				-
14	State Public Service Commission Fees	-			-	
15	State Franchise Taxes	364,448			364,448	
16	State Lic/Registration Fee	1,720			1,720	
17	Misc. State and Local Tax	637,090			637,090	
18	Sales & Use	1,461				1,461
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))	8,384,684	1,261,671	167,163	1,003,258	5,952,592

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

**Functional Property Tax Allocation**

	Production	Transmission	Distribution	General	Total	
22	Functionalized Net Plant (Hist. TCOS, Lns 212 thru 222)	-	18,601,557	92,231,840	1,992,753	112,826,150
<b>TENNESSEE JURISDICTION</b>						
23	Percentage of Plant in TENNESSEE JURISDICTION	100.00%	100.00%	100.00%		
24	Net Plant in TENNESSEE JURISDICTION (Ln 22 * Ln 23)	-	18,601,557	92,231,840	1,992,753	112,826,150
25	Less: Net Value of Exempted Generation Plant	-				
26	Taxable Property Basis (Ln 24 - Ln 25)	-	18,601,557	92,231,840	1,992,753	112,826,150
27	Relative Valuation Factor	100%	100%	100%		3
28	Weighted Net Plant (Ln 26 * Ln 27)	-	18,601,557	92,231,840	1,992,753	
29	General Plant Allocator (Ln 28 / (Total - General Plant))	0.00%	16.78%	83.22%	-100.00%	
30	Functionalized General Plant (Ln 29 * General Plant)	-	334,451	1,658,302	(1,992,753)	-
31	Weighted TENNESSEE JURISDICTION Plant (Ln 28 + 30)	-	18,936,008	93,890,142	-	112,826,150
32	Functional Percentage (Ln 31/Total Ln 31)	0.00%	16.78%	83.22%		
33	Functionalized Expense in TENNESSEE JURISDICTION	-	211,751	1,049,920		1,261,671
34	Total Other Jurisdictions: (Line 5 * Net Plant Allocator)		-			-
35	Total Func. Property Taxes (Sum Lns 33, 34)	-	211,751	1,049,920		1,261,671

AEP East Companies  
 Cost of Service Formula Rate Using 2016 FF1 Balances  
 Worksheet H-1 Form 1 Source Reference of Company Amounts on WS H  
 KINGSPORT POWER COMPANY

Line No.	(A) Annual Tax Expenses by Type (Note 1)	(B) Total Company	(C) FERC FORM 1 Tie-Back	(D) FERC FORM 1 Reference
1	<b>Revenue Taxes</b>			
2	Gross Receipts Tax	5,951,131	2,240,271 2,068,496 1,642,364	P.263 ln 29 (i) P.263 ln 30 (i) P.263 ln 35 (i)
3	<b>Real Estate and Personal Property Taxes</b>			
4	Real and Personal Property - Tennessee	1,261,671	340 1,261,331	P.263 ln 16 (i) P.263 ln 17 (i)
5	Real and Personal Property - Other	-	-	
6	<b>Payroll Taxes</b>			
7	Federal Insurance Contribution (FICA )	165,762	165,762	P.263 ln 5 (i)
8	Federal Unemployment Tax	1,075	1,075	P.263 ln 6 (i)
9	State Unemployment Insurance	326	326	P.263 ln 26 (i)
10	<b>Production Taxes</b>			
11	State Severance Taxes	-	-	
12	<b>Miscellaneous Taxes</b>			
13	State Business & Occupation Tax	-	-	
14	State Public Service Commission Fees	-	-	
15	State Franchise Taxes	364,448	150,448 214,000 - -	P.263 ln 23 (i) P.263 ln 24 (i)
16	State Lic/Registration Fee	1,720	20 1,700	P.263 ln 33 (i) P.263.1 ln 7 (i)
17	Misc. State and Local Tax	637,090	637,090	P.263 ln 38 (i)
18	Sales & Use	1,461	131 1,330	P.263 ln 12 (i) P.263 ln 13 (i)
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))	<u>8,384,684</u>	<u>8,384,684</u>	

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 2016 FF1 Balances**  
**Worksheet I Supporting Transmission Plant in Service Additions**  
**KINGSPORT POWER COMPANY**

(A) (B) (C) (D) (E) (F) (G) (H) (I)

**I. Calculation of Composite Depreciation Rate**

1	Transmission Plant @ Beginning of Historic Period (2016) (P.206, In 58,(b)):	30,491,454
2	Transmission Plant @ End of Historic Period (2016) (P.207, In 58,(g)):	30,872,303
3		<u>61,363,757</u>
4	Average Balance of Transmission Investment	30,681,879
5	Annual Depreciation Expense, Historic TCOS, In 276	663,398
6	Composite Depreciation Rate	2.16%
7	Round to 2.16% to Reflect a Composite Life of 46 Years	2.16%

**II. Calculation of Property Placed in Service by Month and the Related Depreciation Expense**

8	Month in Service	Capitalized Balance	Composite Annual Depreciation Rate	Annual Depreciation	Monthly Depreciation	No. Months Depreciation	First Year Depreciation Expense
9	January	\$ -	2.16%	\$ -	\$ -	11	\$ -
10	February	\$ -	2.16%	\$ -	\$ -	10	\$ -
11	March	\$ -	2.16%	\$ -	\$ -	9	\$ -
12	April	\$ -	2.16%	\$ -	\$ -	8	\$ -
13	May	\$ -	2.16%	\$ -	\$ -	7	\$ -
14	June	\$ -	2.16%	\$ -	\$ -	6	\$ -
15	July	\$ -	2.16%	\$ -	\$ -	5	\$ -
16	August	\$ -	2.16%	\$ -	\$ -	4	\$ -
17	September	\$ -	2.16%	\$ -	\$ -	3	\$ -
18	October	\$ -	2.16%	\$ -	\$ -	2	\$ -
19	November	\$ -	2.16%	\$ -	\$ -	1	\$ -
20	December	\$ -	2.16%	\$ -	\$ -	0	\$ -
21	Investment	<u>\$ -</u>				Depreciation Expense	<u>\$ -</u>

**III. Plant Transferred**

22	\$ -	<== This input area is for original cost plant
23	\$ -	<== This input area is for accumulated depreciation that may be associated with capital expenditures. It would have an impact if a company had assets transferred from a subsidiary
24 (Ln 7 * Ln 22)	\$ -	<== This input area is for additional Depreciation Expense

**IV. List of Major Projects Expected to be In-Service in 2016**

	<u>Estimated Cost</u> <u>(000's)</u>	<u>Month in</u> <u>Service</u>
25 <u>Major Zonal Projects</u>		
26 N/A	\$ -	
27	Subtotal	\$0
28 <u>PJM Socialized/Beneficiary Allocated Regional Projects</u>		
29 N/A	\$0	
30	Subtotal	\$0

AEP East Companies  
 Cost of Service Formula Rate Using 2016 FF1 Balances  
 Worksheet J Supporting Calculation of PROJECTED PJM RTEP Project Revenue Requirement Billed to Benefiting Zones  
 KINGSPORT POWER COMPANY

**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 (Projected TCOS, In 164)			11.49%
Project ROE Incentive Adder			<==ROE Adder Cannot Exceed 125 Basis Points
ROE with additional basis point incentive			11.49% <== ROE Including Incentives Cannot Exceed 12.74% Until July 1, 2012
Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the Projected TCOS, Ins 162 through 164)			
	<u>%</u>	<u>Cost</u>	<u>Weighted cost</u>
Long Term Debt	34.76%	4.52%	1.571%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	65.24%	11.49%	7.496%
		R =	9.067%

SUMMARY OF PROJECTED ANNUAL RTEP REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR	0	-	\$ -

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

Rate Base (Projected TCOS, In 78)	13,688,131
R (from A. above)	9.067%
Return (Rate Base x R)	1,241,096

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

Return (from B. above)	1,241,096
Effective Tax Rate (Projected TCOS, In 126)	53.34%
Income Tax Calculation (Return x CIT)	662,020
ITC Adjustment	-
Income Taxes	662,020

**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 (Projected TCOS, In 1)	3,975,981
T.E.A. & Lease Payments (Projected TCOS, Lns 105 & 106)	-
Return (Projected TCOS, In 134)	1,241,096
Income Taxes (Projected TCOS, In 133)	662,020
Annual Revenue Requirement, Less TEA Charges, Return and Taxes	2,072,865

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	2,072,865
Return (from I.B. above)	1,241,096
Income Taxes (from I.C. above)	662,020
Annual Revenue Requirement, with Basis Point ROE increase	3,975,981
Depreciation (Projected TCOS, In 111)	663,398
Annual Rev. Req. w/ Basis Point ROE increase, less Depreciation	3,312,583

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

Net Transmission Plant (Projected TCOS, In 48)	18,601,557
Annual Revenue Requirement, with Basis Point ROE increase	3,975,981
FCR with Basis Point increase in ROE	21.37%
Annual Rev. Req. w / Basis Point ROE increase, less Dep.	3,312,583
FCR with Basis Point ROE increase, less Depreciation	17.81%
FCR less Depreciation (Projected TCOS, In 9)	18.47%
Incremental FCR with Basis Point ROE increase, less Depreciation	-0.66%

**III. Calculation of Composite Depreciation Rate**

Transmission Plant @ Beginning of Historic Period (2016) (P.206, In 58,(b)):	30,491,454
Transmission Plant @ End of Historic Period (2016) (P.207, In 58,(g)):	30,872,303
Subtotal	61,363,757
Average Transmission Plant Balance for 2016	30,681,879
Annual Depreciation Rate (Projected TCOS, In 111)	663,398
Composite Depreciation Rate	2.16%
Depreciable Life for Composite Depreciation Rate	46.25
Round to nearest whole year	46

**KgPCo 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. [redacted] (e.g. ER05-925-000)

Project Description: [redacted]

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

Details		Current Year	2008
Investment			
Service Year (yyyy)	2008	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)	1	FCR w/o incentives, less depreciation	18.47%
Useful life	46	FCR w/incentives approved for these facilities, less dep.	18.47%
CIAC (Yes or No)	No	Annual Depreciation Expense	-

**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.

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	RTEP Rev. Req't. w/o Incentives	RTEP Rev. Req't. with Incentives **	Incentive Rev. Requirement ##	RTEP Projected Rev. Req't. From Prior Year Template w/o Incentives	RTEP Projected Rev. Req't. From Prior Year Template with Incentives **
2008	-	-	-	-	-	\$ -		
2009	-	-	-	-	-	\$ -		
2010	-	-	-	-	-	\$ -		
2011	-	-	-	-	-	\$ -		
2012	-	-	-	-	-	\$ -		
2013	-	-	-	-	-	\$ -		
2014	-	-	-	-	-	\$ -		
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	-	-	-	-	-	\$ -		
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.

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 2016 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 (True-Up TCOS, In 164)			11.49%
Project ROE Incentive Adder		0	<==ROE Adder Cannot Exceed 100 Basis Points
ROE with additional 0 basis point incentive			11.49% <== ROE Including Incentives Cannot Exceed 12.5% Until July 1, 2012
Determine R ( cost of long term debt, cost of preferred stock and equity percentage is from the True-Up TCOS, lns 162 through164)			
	%	Cost	Weighted cost
Long Term Debt	37.33%	4.52%	1.687%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	62.67%	11.49%	7.201%
		R =	8.888%

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPPROJECTS				
TRUE-UP YEAR	2016	Rev Require	W Incentives	Incentive Amounts
As Projected in Prior Year WS J				\$ -
Actual after True-up		\$ -	\$ -	\$ -
True-up of ARR For 2016		-	-	-

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

Rate Base (True-Up TCOS, In 78)	14,569,894
R (from A. above)	8.888%
Return (Rate Base x R)	1,295,003

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

Return (from B. above)	1,295,003
Effective Tax Rate (True-Up TCOS, In 126)	52.28%
Income Tax Calculation (Return x CIT)	676,966
ITC Adjustment	-
Income Taxes	676,966

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 (True-Up TCOS, In 1)	4,047,720
T.E.A. & Lease Payments (True-Up TCOS, Lns 105 & 106)	-
Return (True-Up TCOS, In 134)	1,295,003
Income Taxes (True-Up TCOS, In 133)	676,966
Annual Revenue Requirement, Less TEA	2,075,752

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	2,075,752
Return (from I.B. above)	1,295,003
Income Taxes (from I.C. above)	676,966
Annual Revenue Requirement, with 0 Basis Point ROE increase	4,047,720
Depreciation (True-Up TCOS, In 111)	663,398
Annual Rev. Req, w/ 0 Basis Point ROE increase, less Depreciation	3,384,322

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

Net Transmission Plant (True-Up TCOS, In 48)	18,682,836
Annual Revenue Requirement, with 0 Basis Point ROE increase	4,047,720
FCR with 0 Basis Point increase in ROE	21.67%
Annual Rev. Req, w/ 0 Basis Point ROE increase, less Dep.	3,384,322
FCR with 0 Basis Point ROE increase, less Depreciation	18.11%
FCR less Depreciation (True-Up TCOS, In 9)	18.11%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Historic Period () (P.206, In 58,(b)):	30,491,454
Transmission Plant @ End of Historic Period () (P.207, In 58,(g)):	30,872,303
Subtotal	61,363,757
Average Transmission Plant Balance for	30,681,879
Annual Depreciation Rate (True-Up TCOS, In 111)	663,398
Composite Depreciation Rate	2.16%
Depreciable Life for Composite Depreciation Rate	46.25
Round to nearest whole year	46

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

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

A. Base Plan Facilities

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

Project Description:

2016	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	-	-	-
Prior Yr True-Up	-	-	-
True-Up Adjustment	-	-	-

Details		Current Year	2016
Investment			
Service Year (yyyy)	2008	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)		FCR w/o incentives, less depreciation	18.11%
Useful life	46	FCR w/incentives approved for these facilities, less dep.	18.11%
CIAC (Yes or No)	No	Annual Depreciation Expense	-

**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.

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 ##	RTEP Projected Rev. Req't. From Prior Year WS J w/o Incentives	RTEP Rev Req't True-up w/o Incentives	RTEP Projected Rev. Req't. From Prior Year WS J with Incentives **	RTEP Rev Req't True-up with Incentives **	True-up of Incentive with Incentives **
2008	-	-	-	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-
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 2016 FF1 Balances  
 Worksheet L Supporting Projected Cost of Debt  
 KINGSPORT POWER COMPANY

**Calculation of Projected Interest Expense Based on Outstanding Debt at Year End**

<u>Line Number</u>	<u>(A) Issuance</u>	<u>(B) Principle Outstanding</u>	<u>(C) Interest Rate</u>	<u>(D) Annual Expense (See Note S on Projected Template)</u>	<u>(E) Notes</u>
1	<b>Long Term Debt (FF1.p. 256-257.h)</b>				
2	Advances From Associated Co.	20,000,000	4.520%	904,000	
3					
4	<b>Installment Purchase Contracts (FF1.p. 256-257.h, a)</b>				
5	N/A for Kingsport Power Company			-	
6				-	
7				-	
8				-	
9				-	
10				-	
11				-	
12				-	
13				-	
14				-	
15				-	
16				-	
17				-	
18				-	
19				-	
20				-	
21				-	
22				-	
23				-	
24				-	
25				-	
26			0.000%		
27	<b>Issuance Discount, Premium, &amp; Expenses:</b>				
28	Auction Fees	FF1.p. 256 & 257.Lines Described as Fees		-	
29	Allowable Hedge Amortization (See Ln 45 Below)			-	
30	Amort of Debt Discount and Expenses	FF1.p. 117.63.c		-	
31	Amort of Debt Premimums (Enter Negative)	FF1.p. 117.65.c		-	
32	<b>Reacquired Debt:</b>				
33	Amortization of Loss	FF1.p. 117.64.c		-	
34	Amortization of Gain	FF1.p. 117.66.c		-	
35	<b>Total Interest on Long Term Debt</b>	20,000,000	4.52%	904,000	
36	<b>Preferred Stock (FF1.p. 250-251)</b>	<b>Preferred Shares Outstanding</b>			
37	4.125% Series - \$100 - Shares O/S	-	0.00%	-	
38				-	
39				-	
40	<b>Dividends on Preferred Stock</b>	-	0.00%	-	
41	Net Total Hedge Gains and Losses (WS M, Ln 35, (E))			-	
42	Total Projected Capital Structure Balance for 2017 (Projected TCOS, Ln 165)			57,530,838	
43	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005	
44	Limit of Recoverable Amount			28,765	
45	<b>Recoverable Hedge Amortization (Lesser of Ln 41 or Ln 44)</b>			-	

AEP East Companies  
 Transmission Cost of Service Formula Rate  
 KINGSPORT POWER COMPANY

**Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2015 & 12/31/2016**

(A)	(B)	(C)	(D)	(E)
Line		Balances @ 12/31/2016	Balances @ 12/31/2015	Average
<b>Development of Average Balance of Common Equity</b>				
1	Proprietary Capital (112.16.c&d)	37,530,838	29,626,191	33,578,515
2	Less Preferred Stock (Ln 55 Below)	0	0	-
3	Less Account 216.1 (112.12.c&d)	0	0	0
4	Less Account 219.1 (112.15.c&d)	0	0	0
5	<b>Average Balance of Common Equity</b>	<b>37,530,838</b>	<b>29,626,191</b>	<b>33,578,515</b>

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

6	Bonds (112.18.c&d)	0	0	0
7	Less: Reacquired Bonds (112.19.c&d)	0	0	0
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)	0	0	0
10	Less: Fair Value Hedges (See Note on Ln 12 below)	0	0	0
11	<b>Total Average Debt</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>

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 2016**

14	Interest on Long Term Debt (256-257.33.i)			904,000
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 34 below.			-
16	Plus: Allowed Hedge Recovery From Ln 39 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	<b>Total Interest Expense (Ln 14 + Ln 17 + Ln 18 - Ln 19 - Ln 20)</b>			<b>904,000</b>

22 **Average Cost of Debt for 2016 (Ln 21/Ln 11)** 4.52%

**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.**

HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)	Total Hedge (Gain)/Loss for 2016	Less Excludable Amounts (See NOTE on Line 23)	Net Includable Hedge Amount	Amortization Period	
				Remaining Unamortized Balance	Beginning Ending
24 Senior Unsecured Notes	0	-	-		
25 Senior Unsecured Notes	0	-	-		
26 Senior Unsecured Notes	0	-	-		
27 Senior Unsecured Notes	0	-	-		
28 Senior Unsecured Notes	0	-	-		
29 Senior Unsecured Notes	0	-	-		
30 Senior Unsecured Notes	0	-	-		
31 Senior Unsecured Notes	0	-	-		
32 Senior Unsecured Notes	0	-	-		
33 Senior Unsecured Notes	0	-	-		
34 Total Hedge Amortization	-	-	-		
35 Hedge Gain or Loss Prior to Application of Recovery Limit (Sum of Lines 24 to 33)			-		
36 Total Average Capital Structure Balance for 2016 (True-UP TCOS, Ln 165)			53,578,515		
37 Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005		
38 Limit of Recoverable Amount			26,789		
39 <b>Recoverable Hedge Amortization (Lesser of Ln 35 or Ln 38)</b>			<span style="border: 1px solid black; padding: 2px;">-</span>		

**Development of Cost of Preferred Stock**

Preferred Stock			Average
40 0% Series - 0 - Dividend Rate (p. 250-251. 7 & 10.a)	0.00%	0.00%	
41 0% Series - 0 - Par Value (p. 250-251. 8.c)	\$ -	\$ -	
42 0% Series - 0 - Shares O/S (p.250-251. 8 & 11.e)	-	-	
43 0% Series - 0 - Monetary Value (Ln 41 * Ln 42)	-	-	
44 0% Series - 0 - Dividend Amount (Ln 40 * Ln 43)	-	-	
45 0% Series - - Dividend Rate (p. 250-251.a)			
46 0% Series - - Par Value (p. 250-251.c)			
47 0% Series - - Shares O/S (p.250-251. e)			
48 0% Series - - Monetary Value (Ln 46 * Ln 47)	-	-	
49 0% Series - - Dividend Amount (Ln 45 * Ln 48)	-	-	
50 0% Series - - Dividend Rate (p. 250-251.a)			
51 0% Series - - Par Value (p. 250-251.c)			
52 0% Series - - Shares O/S (p.250-251.e)			
53 0% Series - - Monetary Value (Ln 51 * Ln 52)	-	-	
54 0% Series - - Dividend Amount (Ln 50 * Ln 53)	-	-	
55 <b>Balance of Preferred Stock (Lns 43, 48, 53)</b>	-	-	- Year End Total Agrees to FF1 p.112, Ln 3, col (c) & (d)
56 <b>Dividends on Preferred Stock (Lns 44, 49, 54)</b>	-	-	-
57 <b>Average Cost of Preferred Stock (Ln 56/55)</b>	0.00%	0.00%	<span style="border: 1px solid black; padding: 2px;">-</span>

**AEP East Companies**  
**Cost of Service Formula Rate Using 2016 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 functionalized 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						<u>-</u>		<u>-</u>	

AEP East Companies  
**Cost of Service Formula Rate Using 2016 FF1 Balances**  
 Worksheet O - Calculation of Postemployment Benefits Other than Pensions Expenses Allocable to Transmission Service  
 KINGSPORT POWER COMPANY

Total AEP East Operating Company PBOP Settlement Amount 30,000,000

**Allocation of PBOP Settlement Amount for 2016**

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 2016	Actual Expense	Allowable Expense	One Year Functional Expense (Over)/Under
		(A) (Line 14)	(B)=(A)/Total (A)	(C)=(B) * 30000000	(D)	(E)=(A) * (D)	(F)=(C) * (D)	(G)=(E) - (F)
1	APCo	(12,346,782)	35.73%	10,717,707	8.543%	(1,054,793)	915,620	(1,970,414)
2								
3	I&M	(9,563,753)	27.67%	8,301,881	5.073%	(485,163)	421,149	(906,312)
4	KPCo	(2,800,340)	8.10%	2,430,854	7.798%	(218,365)	189,553	(407,917)
5	KNGP	(285,815)	0.83%	248,104	9.707%	(27,744)	24,083	(51,827)
6	OPCo	(9,018,468)	26.10%	7,828,542	15.752%	(1,420,595)	1,233,157	(2,653,752)
7	WPCo	(544,793)	1.58%	472,911	2.301%	(12,537)	10,882	(23,419)
8	<b>Sum of Lines 1 to 7</b>	<b>(34,559,952)</b>		<b>30,000,000</b>		<b>(3,219,196)</b>	<b>2,794,445</b>	<b>(6,013,641)</b>

**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	(11,929,531)	(9,236,604)	(2,795,013)	(250,357)	(8,261,373)	(314,716)	(32,787,594)
10 Additional PBOP Ledger Entries (from Company Records)	566,071	399,177	256,460	5,139	173,801	(198,356)	
11 Medicare Subsidy	-	-	-	-	-	-	-
12 Net Company Expense (Ln 9 + Ln 10 + Ln 11)	(11,363,460)	(8,837,427)	(2,538,553)	(245,218)	(8,087,572)	(513,072)	(31,585,303)
13 PBOP Expenses From AEP Service Corporation (from Company Records)	(983,322)	(726,326)	(261,787)	(40,597)	(930,896)	(31,721)	(2,974,649)
14 Company PBOP Expense (Ln 12 + Ln 13)	(12,346,782)	(9,563,753)	(2,800,340)	(285,815)	(9,018,468)	(544,793)	(34,559,952)

AEP EAST COMPANIES  
**PJM FORMULA RATE**  
 WORKSHEET P - TRANSMISSION DEPRECIATION RATES  
 EFFECTIVE AS OF 9/1/2016  
 FOR SINGLE JURISDICTION COMPANIES  
 KINGSPORT POWER COMPANY

	<b>PLANT ACCT.</b>	<b>RATES Note 1</b>
<b><i>TRANSMISSION PLANT</i></b>		
Structures & Improvements	352.0	1.04%
Station Equipment	353.0	1.49%
Towers & Fixtures	354.0	0.12%
Poles & Fixtures	355.0	2.14%
Overhead Conductors	356.0	0.77%
Underground Conduit	357.0	Note 2
Underground Conductors	358.0	Note 2
<b>Composite Transmission Depreciation Rate</b>		<b>1.46%</b>

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**

Per the terms of the settlement in this case, 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.