

**American Electric Power**  
**Postemployment Benefit Plan**  
**Actuarial Valuation Report**  
**Postemployment Benefit Obligations as of**  
**December 31, 2015, under U.S. GAAP**

**April 2016**

**Willis Towers Watson** 

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# Purpose and Actuarial Certification

## Purpose of Valuation

American Electric Power retained Willis Towers Watson to perform an actuarial valuation of its postemployment benefit plan for the purpose of determining the value of unfunded benefit obligations as of December 31, 2015, in accordance with FASB Accounting Standards Codification Topic 712 (ASC 712).

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

## Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, claims data, contributions and assets provided by American Electric Power and other persons or organizations designated by American Electric Power. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. We have relied on all the information provided as complete and accurate. The results presented in this report are dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data and information provided to us may have produced results that are not suitable for the purpose of this report and such inaccuracies, as corrected by American Electric Power, may produce materially different results that could require that a revised report be issued.

## Assumptions and Methods under ASC 712-10

The actuarial assumptions and methods employed in the development of the postemployment plan obligations have been selected by the plan sponsor. Willis Towers Watson has concurred with these assumptions and methods. ASC 712-10 requires that each significant assumption "individually represent the best estimate of a particular future event."

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by Willis Towers Watson, we consider to be reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

In our opinion, all calculations are in accordance with requirements of applicable financial accounting standards, including the relevant Accounting Standards Codification (ASC) found in ASC 712-10 and ASC 450-20-25-2, and the procedures followed and presentation of results are in conformity with generally accepted actuarial principles and practices.

## Assumptions and Methods under the Internal Revenue Code for Funding Limit Purposes

The actuarial assumptions and methods employed in the development of the contribution limits have been selected by the plan sponsor, with the concurrence of Willis Towers Watson. The Internal Revenue Code requires the use of reasonable assumptions (taking into account the experience of the plan and reasonable expectations) which, in combination, offer the actuary's best estimate of anticipated experience under the plan. We believe that the assumptions used in our valuation are reasonable and appropriate for the purposes for which they have been used.

### Nature of Actuarial Calculations

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated or selected by Willis Towers Watson, we consider reasonable and within the "best-estimate range" as described by the Actuarial Standards of Practice. Other actuarial assumptions could also be considered to be reasonable and within the best-estimate range. Thus, reasonable results differing from those presented in this report could have been developed by selecting different points within the best-estimate ranges for various assumptions.

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Assumptions may be made, in consultation with American Electric Power, about participant data or other factors. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. The numbers shown in this report are not rounded. This is for convenience only and should not imply precision; by their nature, actuarial calculations are not precise.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs or contribution requirements reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions and changes in plan provisions or applicable law. It is beyond the scope of this valuation to analyze the potential range of future postemployment benefit contributions, but we can do so upon request.

See Basis for Valuation for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

### Limitations on Use

This report is provided subject to the terms set out herein and in our master consulting services agreement dated July 29, 2004, and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of American Electric Power and its auditors in connection with our actuarial valuation of the postemployment benefit plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard.

American Electric Power may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require American Electric Power to provide them this report, in which case American Electric Power will use best efforts to notify Willis Towers Watson in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Willis Towers Watson's prior written consent. In the absence of such consent and an

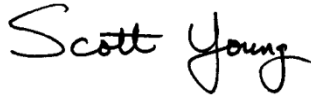
express assumption of responsibility, we accept no responsibility whatsoever for any consequences arising from any third party relying on this report or any advice relating to its contents. There are no intended third-party beneficiaries of this report or the work underlying it.

## Professional Qualifications

The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to postemployment benefit plans. Our objectivity is not impaired by any relationship between American Electric Power and our employer, Willis Towers Watson.



Martin P. Franzinger, ASA, MAAA  
Consulting Actuary



K. Scott Young, FSA, MAAA  
Consultant

Willis Towers Watson

April 2016

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## Section 1: Summary of Results

FASB ASC 712 results for selected benefits as of December 31, 2015<sup>1</sup>, and December 31, 2014, are as follows.

	As of December 31, 2015		As of December 31, 2014	
	Number of Participants	Unfunded Liabilities <sup>2</sup>	Number of Participants	Unfunded Liabilities <sup>2</sup>
<b>Non-UMWA Plans</b>				
Health Care and Life Insurance Continuation for Long-Term Disability Claimants (page 17)	364	50,873,613	400	51,671,463
LTD Income Replacement (page 18)	339	28,600,477	392	23,706,527
COBRA (page 19)	59	273,992	52	283,229
<b>Total (page 20)</b>		79,748,082		75,661,219

Valuation results under Internal Revenue Code Section 419A supporting tax deductions and the potential designation of investment returns for LTD VEBA assets as Unrelated Business Taxable Income (UBTI) are as follows:

	As of December 31, 2015	As of December 31, 2014
<b>Funded Status of LTD Income Replacement VEBA</b>		
Plan liability		
AEP West disabled before 2001	984,000	1,313,000
All other disableds	31,712,000	35,637,000
Administrative costs	2,475,000	3,611,000
Total	35,171,000	40,561,000
Plan assets	3,058,000	12,159,000
Unfunded liability	32,113,000	28,402,000
Funded percentage	8.7%	30.0%

<sup>1</sup> Allocations to individual AEP system companies of the liabilities in this schedule are presented in Appendix C.

<sup>2</sup> No liabilities included for claims incurred but not reported. All liabilities are determined under FASB ASC 450-20-25-2.

## Change in Unfunded Liabilities from Prior Year

In total, our calculations of FASB ASC 712 unfunded liabilities as of December 31, 2015, for the postemployment benefits that Willis Towers Watson values increased to \$79.7 million, an increase of \$4.1 million from the December 31, 2014, unfunded liability of \$75.6 million.

### Summary of Unfunded Liability Increase/(Decrease)

#### Non-UMWA

▶ Health Care and Life Insurance Continuation for LTD Claimants	(0.8) million
▶ LTD Income Replacement	4.9 million
▶ COBRA	<u>0.0 million</u>
Total	<u>4.1 million</u>

The discount rate has increased from 1.95% to 2.10% and is determined based on a duration matching approach using a risk-free bond universe. The duration of AEP's postemployment benefit plan, excluding COBRA and severance benefits, is 4.57 years as of December 31, 2015. The changes in liabilities are analyzed below for each benefit.

### Health Care and Life Insurance Continuation for LTD Claimants — Non-UMWA

During 2015, the liability estimate for these benefits decreased from \$51.7 million to \$50.9 million. This \$0.8 million decrease results from the following factors:

	Medical	Life Insurance	Dental	Total
December 31, 2014, Liability	38,355,759	12,085,709	1,230,022	51,671,490
Increase/(Decrease) due to:				
Normal operation of the plan	6,497,775	1,599,552	41,832	8,139,159
Claims experience	1,838,404	0	(177,557)	1,660,847
Demographic experience	(8,928,831)	(2,034,351)	(203,730)	(11,166,913)
Economic assumption changes	822,406	(78,933)	(174,443)	569,030
December 31, 2015, Liability	38,585,513	11,571,977	716,123	50,873,613

## LTD Income Replacement

During 2015, the liability estimate (under ASC 712) decreased from \$35.9 million to \$31.7 million. This \$4.2 million decrease results from the following factors:

December 31, 2014, Liability	35,865,857
Increase/(Decrease) due to:	
Normal operation of the plan	5,010,810
Demographic experience	(8,999,225)
Economic assumption changes	(219,315)
December 31, 2015, Liability	31,658,127

This \$4.2 million liability decrease offset a \$9.1 million decrease in plan assets, leading to a \$4.9 million increase in the plan's unfunded liability under ASC 712.

There is also a significant unfunded liability of \$32.1 million as of December 31, 2015, measured under Internal Revenue Code Section 419A. Therefore, all contributions AEP made to the LTD VEBA in 2015 are tax deductible in 2015 and none of the trust's 2015 investment returns need to be reported as UBTI. The components of this calculation are:

### Funded Status of LTD VEBA as of December 31, 2015

	AEP East Disabled Before 1996	Post-3/31/1998 East and Post-12/31/2000 West Disabilities			AEP West Disabled Before 2001	Total
		Approved	IBNA <sup>1</sup>	Subtotal		
(1) Plan Assets						3,058,000
(2) Plan Liabilities						
(a) Claims Cost Liability	55,000	30,619,000	4,501,000	35,120,000	984,000	36,159,000
(b) DEFRA Limitations <sup>2</sup>	0	0	3,463,000	3,463,000	0	3,463,000
(c) DEFRA-Limited Claims (a) - (b)	55,000	30,619,000	1,038,000	31,657,000	984,000	32,696,000
(d) Administrative Costs						2,475,000
(e) QAAL--Total Plan Liability (c) + (d)						35,171,000
(3) Surplus/(Unfunded Liability)						
(a) Based on Unlimited Liability (1) - (2a) - (2d)						(35,576,000)
(b) Based on QAAL (1) - (2e)						(32,113,000)
(4) Number of Approved Claimants	3	323		323	13	339

<sup>1</sup> Incurred but not approved.

<sup>2</sup> Exclusion of liability for projected benefit payments to claimants who have not been disabled for at least 5 months.

## COBRA and Severance

The liabilities as of December 31, 2015, associated with COBRA continuation coverage for medical and dental benefits have been included for all AEP companies. Liabilities were calculated for participants and assigned to the company for which they last worked.

The liabilities were determined assuming that COBRA beneficiaries would incur claims costs equal to 154% of the per capita claims costs for active employees. No termination rates or increased claims cost morbidity was assumed for former employees receiving severance benefits because their monthly contributions to continue AEP's coverage was equal to the contributions charged to active participants.

There was very little change to this liability during 2015.

## Basis for Valuation

Appendix A summarizes the assumptions and methods used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued.

### Changes in Assumptions

- Per capita claims costs were updated to reflect 2014 dental and retiree medical claims experience.
- Discount rate was changed from 1.95% to 2.10%.
- The medical and prescription drug trend rates were changed to 7.00% in 2016, decreasing by 0.25% per year until reaching 5.00% in 2024. The dental trend rate was changed to 3.00% for all years.

### Changes in Methods

None.

### Changes in Benefits Valued

None.

# Appendix A: Statement of Actuarial Assumptions and Methods

Discount rate 0% for COBRA continuation; for all other benefits  
 2.10% for both ASC 712-10 valuation and tax-deductible funding limit valuation

Health care cost trend rate (applies to plan costs and participant contributions)		<i>Medical</i>	<i>Dental</i>
	2016	7.00%	3.00%
	2017	6.75	3.00
	2018	6.50	3.00
	2019	6.25	3.00
	2020	6.00	3.00
	2021	5.75	3.00
	2022	5.50	3.00
	2023	5.25	3.00
	2024+	5.00	3.00

## Health Care Benefit Assumptions

### Non-UMWA Plans

Average annual 2016 per capita medical claims cost for disabled employees and their dependents	Age	<i>Employee or Spouse</i>		
		<i>HSA Basic</i>	<i>HSA Plus</i>	<i>HRA</i>
	≤ 50	\$5,404	\$5,962	\$6,618
	50-54	6,313	6,965	7,731
	55-59	7,031	7,756	8,610
	60-64	9,565	10,553	11,714

For employees only, the costs shown above are increased by the following factors, based on duration of disability:

<i>Years Disabled</i>	<i>Employee Medical Cost Multiplier</i>
≤ 3	8.0
3 – 6	5.0
>6	2.0

80% of employees disabled more than 30 months are assumed to be approved for Medicare. Including the Retiree Drug Subsidy under Medicare Part D, the onset of Medicare benefits is assumed to reduce the cost of benefits by 78% for those approved for Medicare.

For employees covering children under the HSA Basic medical plan, \$4,939 is added to 2016 medical costs until the employee turns age 58. (\$5,540 for children under the HSA Plus medical plan and \$6,020 for children under the HRA medical plan).

Average annual 2016 per capita dental claims cost for disabled employees and their dependents	Employee only	\$320
	Employee plus spouse	632
	Employee plus child(ren)	972*
	Full family	1,284*

\*Children's portion of cost goes to zero at employee's age 58.

Administrative expenses Included in per capita costs shown above.

COBRA morbidity COBRA participants are assumed to incur average per capita claims costs equal to 154% of costs than active participants incur.

**Demographic Assumptions**

Mortality Based on modified versions of RP-2014 with long-term improvement rates of 0.75%.

Base mortality rates are derived from the RP-2014 mortality table with improvements factored to 2006 with no collar adjustments.

Mortality improvements are projected forward on a generational basis. Improvement rates grade linearly from the MP-2014 rate in 2007 to the ultimate rate of 0.75% in 2015.

Long-term disability termination 1987 CGDT — termination rates adjusted by the following factors:

<i>Years of Disability</i>	<i>Percentage of Termination Rates</i>
<1	200%
1-2	150%
2+	100%

In addition to these factors, termination rates at all ages are reduced 5%, reflecting the recommended industry adjustment to the 1987 table.

COBRA continuation termination rates for beneficiaries not receiving severance benefits

<i>Months</i>	<i>Probability of Terminating COBRA Coverage at End of Month</i>	
	<i>18-Month Maximum</i>	<i>29- or 36-Month Maximum</i>
1	.17	.05
2	.12	.05
3	.07	.04
4-6	.05	.03
7-12	.04	.03
13	.03	.03
14-24	.03	.02
25-35	N/A	.01
36	N/A	1.00
Average Duration	10.19 months	22.61 months

Social Security benefit entitlement for those not yet approved Within 36 months of disability, 55% of disabled employees not yet approved for Social Security benefits will be approved for primary Social Security benefits and 20% will be approved for family Social Security benefits.

## Actuarial Methods

Applicable accounting standards	All benefits have been valued under FASB ASC 450-20-25-2.
Postemployment benefit liability	<p>FASB ASC 450-20-25-2 liabilities are equal to the actuarial present value of future benefit payments to current benefit recipients, with no allowance for incurred but unreported claims or claims administration expenses.</p> <p>Calculation of LTD Plan liabilities for disabled participants under IRC Section 419A funding limit valuation includes the following:</p> <ul style="list-style-type: none"> <li>a) Benefits in payment status – The liability for disabled employees currently receiving benefits is the present value of future benefits expected to be paid.</li> <li>b) Benefits pending or in the waiting period – An estimate is made of the present value of benefits for disabled employees not yet receiving benefit payments.</li> <li>c) For purposes of determining the qualified asset account limit in accordance with Section 419A of the Internal Revenue Code, benefits to be paid to claimants whose disabilities have not lasted more than five months have been excluded from the liabilities described under a) and b) above.</li> <li>d) Claims administrative expenses equal to 7.57% of expected benefit payments</li> </ul>
Development of health care benefit claims cost	Cost per participant is based on age-related retired participant costs for AEP non-UMWA plans, adjusted to reflect higher anticipated health care utilization for disabled individuals and reduced for Medicare offsets.
Benefits not valued	Claims incurred but not reported (IBNR) have not been included in the FASB ASC 712-10 liabilities for any benefits.

## Data Sources

American Electric Power (AEP), through its third-party administrator, furnished participant data as of January 1, 2016. Health plan vendors furnished the claims cost data. Data were reviewed for reasonableness and consistency, but no audit was performed. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

## Assumptions Rationale — Significant Economic Assumptions – Funding Limit and Accounting

Discount rate (accounting)	As required by U.S. GAAP, the discount rate was chosen by the plan sponsor based on matching projected plan cash flows (for all benefits except COBRA continuation) to U.S. Treasury Constant Maturity yield rates on the measurement date, with resulting discount rate rounded to the nearest 0.05%.
Discount rate (funding limits)	The discount rate was chosen by the plan sponsor based on matching projected LTD income benefit cash flows to the U.S. Treasury Constant Maturity yield rates on the measurement date, with resulting discount rate rounded to nearest 0.10%.

**Claims cost trend rates** Assumed increases were chosen by the plan sponsor and, as required by U.S. GAAP, they represent an estimate of future experience, informed by an analysis of recent plan experience, leading to select and ultimate assumed trend rates and reflecting the expected near-term effect of recently enacted plan changes. In setting near-term trend rates, other pertinent statistics were considered, including surveys on general medical cost increases. In setting the ultimate trend rate, considerations included assumed GDP growth consistent with the assumed future economic conditions inherent in other economic assumptions chosen by the client at the measurement date.

After examining historical variability in trend rates, we believe that the selected assumptions do not significantly conflict with what would be reasonable based on a combination of market conditions at the measurement date and future expectations consistent with other economic assumptions used, other than the discount rate.

**Participant contribution trend rates** In accordance with the substantive plan communicated to participants, participant contributions are intended to remain a fixed percentage of total plan costs, and thus the trend rates, and the description of the derivation of the trend rates, are the same as for claims costs as shown above.

**Medicare Part D subsidy trend rates** The assumed rates of increase in Medicare Part D subsidy are assumed to equal the plan's assumed trend rates.

**Per capita claims costs** Aetna, Express Scripts, Anthem and Magellan supplied data on retiree medical claims incurred in 2014 and paid through March 2015. Claim experience rates are calculated for the plans by normalizing claims experience for benefit differences and combining. These normalized incurred claims were then reduced by prescription drug rebates, divided by covered lives and trended forward two years to 2016. Adjustments for plan provision and network changes were also made. Finally, administrative expense rates were added to claims costs.

Medical and prescription drug claims cost models are developed by age-grading these claim rates over standard Willis Towers Watson morbidity curves for both medical and prescription drugs to develop the quinquennial claims cost models.

Aetna supplied data on dental claims incurred in 2014 and paid through March 2015. Claims experience for all active and retired employees was analyzed to derive the dental claim rates.

**Medicare Part D subsidy value** We calibrated our modeling tool to reflect the 2016 cost of the current prescription drug plans for AEP's disabled employees. The tool employs a continuance table of annual retiree drug utilization levels, developed from analyzing the experience of several large companies, including 3.1 million Medicare-eligible participants.

After the plan-specific benefit provisions have been calibrated to current costs, the Modeler trends costs forward to 2016. Actuarial equivalence was determined using the following approach:



*Gross Value Test* — The Modeler calculates the value of standard Medicare Part D coverage and compares it to AEP's plan costs. AEP's plans passed this test by being richer than the projected value of standard Medicare part D coverage for these groups.

*Net Value Test* — The net value prong of the test compares the value of Standard Part D coverage in 2016 minus the greater of \$409.20 per year (the national average Part D premium) and 25.5% of the gross value of Part D to the projected 2016 value of AEP coverage minus the average projected 2016 retiree contribution rate. For this purpose, employee contributions were assumed to apply first to the value of medical benefits and then to prescription drug benefits.

When the plans are deemed to be actuarially equivalent, the tool calculates the average expected value of the employer subsidy in 2016, using the continuance table calibrated to AEP's plan costs.

### Assumptions Rationale — Significant Demographic Assumptions

Healthy Mortality	Assumptions were selected by the plan sponsor and, as required by U.S. GAAP, represent a best estimate of future experience.
Disabled Mortality	Assumptions were selected by the plan sponsor and, as required by U.S. GAAP, represent a best estimate of future experience.
Rates of disability termination (recovery or death)	<p>Termination rates reflecting both recovery and death were based on a published table for disabled participants believed to have similar characteristics to the plan population.</p> <p>Assumed termination rates differ by age, gender and duration because of differences in termination rates by gender and duration observed in studies of disability termination rates conducted by the Society of Actuaries.</p>

### Source of Prescribed Methods

Accounting methods	The methods used for accounting purposes as described in Appendix A are "prescribed methods set by another party," as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.
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### Changes in Assumptions and Methods

Change in assumptions since prior valuation	<p>Per capita claims costs were updated to reflect 2014 dental and retiree medical claims experience.</p> <p>Medical and dental trend rates were changed.</p> <p>Discount rate was changed from 1.95% to 2.10%.</p>
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Change in methods since prior valuation      None.

# Appendix B: Summary of Substantive Plan Provisions Reflected in Valuation

## Non-UMWA Plans

### Long-Term Disability

Eligibility	Total disability following elimination period of 26 weeks.
Benefits	<p>Following 26 weeks of total disability, benefits are payable. Benefit payments continue until the first to occur of the following:</p> <ul style="list-style-type: none"> <li>(i) The participant ceases to be totally disabled, or</li> <li>(ii) He reaches age 65 or if he becomes disabled after age 60, benefits can extend beyond age 65.</li> </ul> <p>Monthly benefits equal 60% of base monthly salary reduced by:</p> <ul style="list-style-type: none"> <li>(a) Initial Social Security benefit (primary portion only for pre-2001 West disabilities)</li> <li>(b) Workers Compensation benefit</li> <li>(c) Jones Act</li> <li>(d) General Maritime Law</li> <li>(e) Settlements</li> <li>(f) Other plans.</li> </ul>

### Health Care Continuation to LTD Claimants

Eligibility	Participants are eligible for health care continuation upon approval for LTD benefits. Dependents of disabled employees are also eligible. Benefits continue until LTD benefits cease due to death, recovery or retirement.
Benefits	Eligible participants receive continued coverage under AEP's active employee medical and dental plans. Disabled participants who are eligible for Medicare have medical benefits provided secondary to Medicare.

Contributions (Annual) Effective January 1, 2016	HSA Basic	HSA Plus	HRA	Dental
Employee only	\$373	\$1,063	\$1,588	\$128
Employee plus spouse	767	2,304	3,456	253
Employee plus child(ren)	753	2,044	3,007	389
Full family	1,147	3,286	4,875	513

*Life Insurance Continuation to LTD Claimants*

Eligibility	Participants are eligible for life insurance continuation upon approval for LTD benefits.
Benefits	Eligible participants receive continued coverage under the active employee life insurance plans. Basic and supplemental amounts in force prior to approval for LTD benefits are continued. Dependent life is also continued.
Contributions	Same rates payable by active employees for supplemental coverage.
COBRA	When employees terminate, they are offered medical coverage for 18 months at COBRA rates (102% of average active/pre-65 retiree medical costs). Because anti-selection occurs, the average cost for participants who elect COBRA coverage is typically more than the COBRA rates they pay to enroll for coverage. Surviving spouses may continue coverage at COBRA rates for up to 36 months.

**Changes in Benefits Valued Since Prior Year**

None.



**Long-Term Disability Income Replacement Benefits  
 Liabilities as of December 31, 2015**

	Number Disabled	12/31/2015 Liability	Total LTD Assets as of 12/31/2015	12/31/2015 Unfunded Liability	Expected Benefit Payments
140 Appalachian Power Co. - Distribution	36	\$3,891,797	\$387,943	\$3,503,854	\$570,387
215 Appalachian Power Co. - Generation	34	2,654,255	264,582	2,389,673	464,490
150 Appalachian Power Co. - Transmission	5	361,074	35,993	325,081	58,534
<b>Appalachian Power Co. - FERC</b>	<b>75</b>	<b>\$6,907,126</b>	<b>\$688,518</b>	<b>\$6,218,608</b>	<b>\$1,093,411</b>
225 Cedar Coal Co	0	0	0	0	0
<b>Appalachian Power Co. - SEC</b>	<b>75</b>	<b>\$6,907,126</b>	<b>\$688,518</b>	<b>\$6,218,608</b>	<b>\$1,093,411</b>
211 AEP Texas Central Company - Distribution	21	\$1,573,935	\$139,814	\$1,434,121	\$321,093
147 AEP Texas Central Company - Generation	0	0	0	0	0
169 AEP Texas Central Company - Transmission	2	137,672	13,723	123,949	24,668
<b>AEP Texas Central Co.</b>	<b>23</b>	<b>\$1,711,607</b>	<b>\$153,537</b>	<b>\$1,558,070</b>	<b>\$345,761</b>
170 Indiana Michigan Power Co. - Distribution	9	\$608,860	\$60,692	\$548,168	\$144,317
132 Indiana Michigan Power Co. - Generation	6	528,889	52,721	476,168	135,024
190 Indiana Michigan Power Co. - Nuclear	14	1,533,614	152,874	1,380,740	309,097
120 Indiana Michigan Power Co. - Transmission	2	193,688	19,307	174,381	32,786
280 Ind Mich River Transp Lakin	14	1,762,775	175,717	1,587,058	227,053
<b>Indiana Michigan Power Co. - FERC</b>	<b>45</b>	<b>\$4,627,826</b>	<b>\$461,311</b>	<b>\$4,166,515</b>	<b>\$848,277</b>
202 Price River Coal	0	0	0	0	0
<b>Indiana Michigan Power Co. - SEC</b>	<b>45</b>	<b>\$4,627,826</b>	<b>\$461,311</b>	<b>\$4,166,515</b>	<b>\$848,277</b>
110 Kentucky Power Co. - Distribution	7	\$547,270	\$54,553	\$492,717	\$74,666
117 Kentucky Power Co. - Generation	5	309,295	30,831	278,464	54,340
180 Kentucky Power Co. - Transmission	1	18,841	1,878	16,963	11,100
600 Kentucky Power Co. - Kammer Actives	4	252,428	25,163	227,265	33,727
701 Kentucky Power Co. - Mitchell Actives	4	922,334	91,940	830,394	92,470
702 Kentucky Power Co. - Mitchell Inactives	0	0	0	0	0
<b>Kentucky Power Co.</b>	<b>21</b>	<b>\$2,050,168</b>	<b>\$204,365</b>	<b>\$1,845,803</b>	<b>\$266,303</b>
250 Ohio Power Co. - Distribution	23	\$2,029,992	\$202,354	\$1,827,638	\$294,122
160 Ohio Power Co. - Transmission	4	298,364	29,742	268,622	44,670
<b>Ohio Power Co.</b>	<b>27</b>	<b>\$2,328,356</b>	<b>\$232,096</b>	<b>\$2,096,260</b>	<b>\$338,792</b>
167 Public Service Co. of Oklahoma - Distribution	16	\$1,128,093	\$105,381	\$1,022,712	\$215,629
198 Public Service Co. of Oklahoma - Generation	6	873,406	85,214	788,192	127,406
114 Public Service Co. of Oklahoma - Transmission	1	73,524	7,329	66,195	13,298
<b>Public Service Co. of Oklahoma</b>	<b>23</b>	<b>\$2,075,023</b>	<b>\$197,924</b>	<b>\$1,877,099</b>	<b>\$356,333</b>
159 Southwestern Electric Power Co. - Distribution	8	\$583,472	\$58,162	\$525,310	\$111,791
168 Southwestern Electric Power Co. - Generation	9	825,501	71,511	753,990	130,958
161 Southwestern Electric Power Co. - Texas - Distribution	6	484,069	41,541	442,528	71,528
111 Southwestern Electric Power Co. - Texas - Transmission	0	0	0	0	0
194 Southwestern Electric Power Co. - Transmission	1	182,556	18,198	164,358	16,516
<b>Southwestern Electric Power Co.</b>	<b>24</b>	<b>\$2,075,598</b>	<b>\$189,412</b>	<b>\$1,886,186</b>	<b>\$330,793</b>
119 AEP Texas North Company - Distribution	10	\$612,155	\$54,631	\$557,524	\$143,587
166 AEP Texas North Company - Generation	0	0	0	0	0
192 AEP Texas North Company - Transmission	0	0	0	0	0
<b>AEP Texas North Co.</b>	<b>10</b>	<b>\$612,155</b>	<b>\$54,631</b>	<b>\$557,524</b>	<b>\$143,587</b>
230 Kingsport Power Co. - Distribution	1	\$69,110	\$6,889	\$62,221	\$33,510
260 Kingsport Power Co. - Transmission	1	7,730	771	6,959	7,797
<b>Kingsport Power Co.</b>	<b>2</b>	<b>\$76,840</b>	<b>\$7,660</b>	<b>\$69,180</b>	<b>\$41,307</b>
210 Wheeling Power Co. - Distribution	0	\$0	\$0	\$0	\$0
200 Wheeling Power Co. - Transmission	0	0	0	0	0
<b>Wheeling Power Co.</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
103 American Electric Power Service Corporation	53	\$5,220,757	\$472,193	\$4,748,564	\$958,534
293 Elmwood	1	6,354	633	5,721	728
292 AEP River Operations LLC	16	2,250,798	224,364	2,026,434	327,783
<b>American Electric Power Service Corp</b>	<b>70</b>	<b>\$7,477,909</b>	<b>\$697,190</b>	<b>\$6,780,719</b>	<b>\$1,287,045</b>
143 AEP Pro Serv, Inc.	0	\$0	\$0	\$0	\$0
189 Central Coal Company	0	0	0	0	0
171 CSW Energy, Inc.	0	0	0	0	0
<b>Miscellaneous</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
270 Cook Coal Terminal	0	\$0	\$0	\$0	\$0
<b>AEP Generating Company</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
104 Cardinal Operating Company	4	\$338,188	\$33,711	\$304,477	\$64,564
181 Ohio Power Co. - Generation	15	1,377,331	137,295	1,240,036	202,658
<b>AEP Generation Resources - FERC</b>	<b>19</b>	<b>\$1,715,519</b>	<b>\$171,006</b>	<b>\$1,544,513</b>	<b>\$267,222</b>
290 Conesville Coal Preparation Company	0	0	0	0	0
<b>AEP Generation Resources - SEC</b>	<b>19</b>	<b>\$1,715,519</b>	<b>\$171,006</b>	<b>\$1,544,513</b>	<b>\$267,222</b>
175 AEP Energy Partners	0	0	0	0	0
419 Onsite Partners	0	0	0	0	0
<b>AEP Energy Supply</b>	<b>19</b>	<b>\$1,715,519</b>	<b>\$171,006</b>	<b>\$1,544,513</b>	<b>\$267,222</b>
245 Dolet Hills	0	\$0	\$0	\$0	\$0
<b>Dolet Hills</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total</b>	<b>339</b>	<b>\$31,658,127</b>	<b>\$3,057,650</b>	<b>\$28,600,477</b>	<b>\$5,318,831</b>

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American Electric Power Postemployment Benefit Plan

Liabilities for COBRA Continuation of Medical and Dental Coverage  
 Former Non-UMWA and UMWA Employees

	Number of Participants	12/31/2015 Liability	Expected 2016 Benefit Disbursements
140 Appalachian Power Co. - Distribution	3	\$9,471	\$7,580
215 Appalachian Power Co. - Generation	3	16,224	16,224
150 Appalachian Power Co. - Transmission	0	0	0
<b>Appalachian Power Co. - FERC</b>	<b>6</b>	<b>\$25,695</b>	<b>\$23,804</b>
225 Cedar Coal Co	0	0	0
<b>Appalachian Power Co. - SEC</b>	<b>6</b>	<b>\$25,695</b>	<b>\$23,804</b>
211 AEP Texas Central Company - Distribution	1	\$1,691	\$1,691
147 AEP Texas Central Company - Generation	0	0	0
169 AEP Texas Central Company - Transmission	0	0	0
<b>AEP Texas Central Co.</b>	<b>1</b>	<b>\$1,691</b>	<b>\$1,691</b>
170 Indiana Michigan Power Co. - Distribution	0	\$0	\$0
132 Indiana Michigan Power Co. - Generation	5	46,040	46,040
190 Indiana Michigan Power Co. - Nuclear	6	12,972	8,699
120 Indiana Michigan Power Co. - Transmission	1	3,266	2,485
280 Ind Mich River Transp Lakin	1	108	108
<b>Indiana Michigan Power Co. - FERC</b>	<b>13</b>	<b>\$62,386</b>	<b>\$57,332</b>
202 Price River Coal	0	0	0
<b>Indiana Michigan Power Co. - SEC</b>	<b>13</b>	<b>\$62,386</b>	<b>\$57,332</b>
110 Kentucky Power Co. - Distribution	0	\$0	\$0
117 Kentucky Power Co. - Generation	5	33,134	33,134
180 Kentucky Power Co. - Transmission	0	0	0
600 Kentucky Power Co. - Kammer Actives	0	0	0
701 Kentucky Power Co. - Mitchell Actives	0	0	0
702 Kentucky Power Co. - Mitchell Inactives	0	0	0
<b>Kentucky Power Co.</b>	<b>5</b>	<b>\$33,134</b>	<b>\$33,134</b>
250 Ohio Power Co. - Distribution	5	\$58,256	\$21,499
160 Ohio Power Co. - Transmission	2	2,161	1,933
<b>Ohio Power Co.</b>	<b>7</b>	<b>\$60,417</b>	<b>\$23,432</b>
167 Public Service Co. of Oklahoma - Distribution	3	\$704	\$490
198 Public Service Co. of Oklahoma - Generation	1	292	166
114 Public Service Co. of Oklahoma - Transmission	0	0	0
<b>Public Service Co. of Oklahoma</b>	<b>4</b>	<b>\$996</b>	<b>\$656</b>
159 Southwestern Electric Power Co. - Distribution	2	\$4,594	\$3,130
168 Southwestern Electric Power Co. - Generation	0	0	0
161 Southwestern Electric Power Co. - Texas - Distribution	1	28,601	10,298
111 Southwestern Electric Power Co. - Texas - Transmission	0	0	0
194 Southwestern Electric Power Co. - Transmission	0	0	0
<b>Southwestern Electric Power Co.</b>	<b>3</b>	<b>\$33,195</b>	<b>\$13,428</b>
119 AEP Texas North Company - Distribution	0	\$0	\$0
166 AEP Texas North Company - Generation	0	0	0
192 AEP Texas North Company - Transmission	0	0	0
<b>AEP Texas North Co.</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
230 Kingsport Power Co. - Distribution	0	\$0	\$0
260 Kingsport Power Co. - Transmission	0	0	0
<b>Kingsport Power Co.</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
210 Wheeling Power Co. - Distribution	0	\$0	\$0
200 Wheeling Power Co. - Transmission	0	0	0
<b>Wheeling Power Co.</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
103 American Electric Power Service Corporation	18	\$53,519	\$47,553
293 Elmwood	1	2,741	2,741
292 AEP River Operations LLC	0	0	0
<b>American Electric Power Service Corp</b>	<b>19</b>	<b>\$56,260</b>	<b>\$50,294</b>
143 AEP Pro Serv, Inc.	0	\$0	\$0
189 Central Coal Company	0	0	0
171 CSW Energy, Inc.	0	0	0
<b>Miscellaneous</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
270 Cook Coal Terminal	0	0	0
<b>AEP Generating Company</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
104 Cardinal Operating Company	0	\$0	\$0
181 Ohio Power Co. - Generation	0	0	0
<b>AEP Generation Resources - FERC</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
290 Conesville Coal Preparation Company	0	0	0
<b>AEP Generation Resources - SEC</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
175 AEP Energy Partners	0	0	0
419 Onsite Partners	0	0	0
<b>AEP Energy Supply</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
245 Dolet Hills	1	\$218	\$166
<b>Dolet Hills</b>	<b>1</b>	<b>\$218</b>	<b>\$166</b>
<b>Total</b>	<b>59</b>	<b>\$273,992</b>	<b>\$203,937</b>

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**Benefits Summary by Location**  
**Unfunded Liabilities as of December 31, 2015**

	Health Care and Life Insurance	LTD	COBRA	Total Benefits
140 Appalachian Power Co. - Distribution	\$6,103,997	\$3,503,854	\$9,471	\$9,617,322
215 Appalachian Power Co. - Generation	4,179,902	2,389,673	16,224	6,585,799
150 Appalachian Power Co. - Transmission	577,187	325,081	0	902,268
<b>Appalachian Power Co. - FERC</b>	<b>\$10,861,086</b>	<b>\$6,218,608</b>	<b>\$25,695</b>	<b>\$17,105,389</b>
225 Cedar Coal Co	0	0	0	0
<b>Appalachian Power Co. - SEC</b>	<b>\$10,861,086</b>	<b>\$6,218,608</b>	<b>\$25,695</b>	<b>\$17,105,389</b>
211 AEP Texas Central Company - Distribution	\$2,522,587	\$1,434,121	\$1,691	\$3,958,399
147 AEP Texas Central Company - Generation	0	0	0	0
169 AEP Texas Central Company - Transmission	403,662	123,949	0	527,611
<b>AEP Texas Central Co.</b>	<b>\$2,926,249</b>	<b>\$1,558,070</b>	<b>\$1,691</b>	<b>\$4,486,010</b>
170 Indiana Michigan Power Co. - Distribution	\$1,228,207	\$548,168	\$0	\$1,776,375
132 Indiana Michigan Power Co. - Generation	1,027,555	476,168	46,040	1,549,763
190 Indiana Michigan Power Co. - Nuclear	1,779,666	1,380,740	12,972	3,173,378
201 Indiana Michigan Power Co. - Transmission	422,659	174,381	3,266	600,306
280 Ind Mich River Transp Lakin	2,573,847	1,587,058	108	4,161,013
<b>Indiana Michigan Power Co. - FERC</b>	<b>\$7,031,934</b>	<b>\$4,166,515</b>	<b>\$62,386</b>	<b>\$11,260,835</b>
202 Price River Coal	0	0	0	0
<b>Indiana Michigan Power Co. - SEC</b>	<b>\$7,031,934</b>	<b>\$4,166,515</b>	<b>\$62,386</b>	<b>\$11,260,835</b>
110 Kentucky Power Co. - Distribution	\$1,355,023	\$492,717	\$0	\$1,847,740
117 Kentucky Power Co. - Generation	713,307	278,464	33,134	1,024,905
180 Kentucky Power Co. - Transmission	26,130	16,963	0	43,093
600 Kentucky Power Co. - Kammer Actives	533,169	227,265	0	760,434
701 Kentucky Power Co. - Mitchell Actives	665,950	830,394	0	1,496,344
702 Kentucky Power Co. - Mitchell Inactives	0	0	0	0
<b>Kentucky Power Co.</b>	<b>\$3,293,579</b>	<b>\$1,845,803</b>	<b>\$33,134</b>	<b>\$5,172,516</b>
250 Ohio Power Co. - Distribution	\$4,124,389	\$1,827,638	\$58,256	\$6,010,283
160 Ohio Power Co. - Transmission	349,951	268,622	2,161	620,734
<b>Ohio Power Co.</b>	<b>\$4,474,340</b>	<b>\$2,096,260</b>	<b>\$60,417</b>	<b>\$6,631,017</b>
167 Public Service Co. of Oklahoma - Distribution	\$2,060,971	\$1,022,712	\$704	\$3,084,387
198 Public Service Co. of Oklahoma - Generation	1,282,187	788,192	292	2,070,671
114 Public Service Co. of Oklahoma - Transmission	139,997	66,195	0	206,192
<b>Public Service Co. of Oklahoma</b>	<b>\$3,483,155</b>	<b>\$1,877,099</b>	<b>\$996</b>	<b>\$5,361,250</b>
159 Southwestern Electric Power Co. - Distribution	\$1,300,611	\$525,310	\$4,594	\$1,830,515
168 Southwestern Electric Power Co. - Generation	1,240,758	753,990	0	1,994,748
161 Southwestern Electric Power Co. - Texas - Distribution	1,274,658	442,528	28,601	1,745,787
111 Southwestern Electric Power Co. - Texas - Transmission	0	0	0	0
194 Southwestern Electric Power Co. - Transmission	395,705	164,358	0	560,063
<b>Southwestern Electric Power Co.</b>	<b>\$4,211,732</b>	<b>\$1,886,186</b>	<b>\$33,195</b>	<b>\$6,131,113</b>
119 AEP Texas North Company - Distribution	\$1,295,540	\$557,524	\$0	\$1,853,064
166 AEP Texas North Company - Generation	0	0	0	0
192 AEP Texas North Company - Transmission	0	0	0	0
<b>AEP Texas North Co.</b>	<b>\$1,295,540</b>	<b>\$557,524</b>	<b>\$0</b>	<b>\$1,853,064</b>
230 Kingsport Power Co. - Distribution	\$157,949	\$62,221	\$0	\$220,170
260 Kingsport Power Co. - Transmission	4,047	6,959	0	11,006
<b>Kingsport Power Co.</b>	<b>\$161,996</b>	<b>\$69,180</b>	<b>\$0</b>	<b>\$231,176</b>
210 Wheeling Power Co. - Distribution	\$0	\$0	\$0	\$0
200 Wheeling Power Co. - Transmission	0	0	0	0
<b>Wheeling Power Co.</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
103 American Electric Power Service Corporation	\$8,352,786	\$4,748,564	\$53,519	\$13,154,869
293 Elmwood	0	5,721	2,741	8,462
292 AEP River Operations LLC	1,578,692	2,026,434	0	3,605,126
<b>American Electric Power Service Corp</b>	<b>\$9,931,478</b>	<b>\$6,780,719</b>	<b>\$56,260</b>	<b>\$16,768,457</b>
143 AEP Pro Serv, Inc.	\$0	\$0	\$0	\$0
189 Central Coal Company	0	0	0	0
171 CSW Energy, Inc.	0	0	0	0
<b>Miscellaneous</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
270 Cook Coal Terminal	\$0	\$0	\$0	\$0
<b>AEP Generating Company</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
104 Cardinal Operating Company	\$591,750	\$304,477	\$0	\$896,227
181 Ohio Power Co. - Generation	2,316,998	1,240,036	0	3,557,034
<b>AEP Generation Resources - FERC</b>	<b>\$2,908,748</b>	<b>\$1,544,513</b>	<b>\$0</b>	<b>\$4,453,261</b>
290 Conesville Coal Preparation Company	0	0	0	0
<b>AEP Generation Resources - SEC</b>	<b>\$2,908,748</b>	<b>\$1,544,513</b>	<b>\$0</b>	<b>\$4,453,261</b>
175 AEP Energy Partners	0	0	0	0
419 Onsite Partners	0	0	0	0
<b>AEP Energy Supply</b>	<b>\$2,908,748</b>	<b>\$1,544,513</b>	<b>\$0</b>	<b>\$4,453,261</b>
245 Dolet Hills	\$293,776	\$0	\$218	\$293,994
<b>Dolet Hills</b>	<b>\$293,776</b>	<b>\$0</b>	<b>\$218</b>	<b>\$293,994</b>
<b>Total</b>	<b>\$50,873,613</b>	<b>\$28,600,477</b>	<b>\$273,992</b>	<b>\$79,748,082</b>

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