



STATE OF WEST VIRGINIA
Department of Revenue
State Tax Department

Earl Ray Tomblin
Governor

Mark W. Matkovich
State Tax Commissioner

SEPTEMBER 11, 2015

KENTUCKY POWER COMPANY
JENNIFER NICOL
PO BOX 16428
COLUMBUS OH 43216-6428

PURSUANT TO PROVISIONS OF CHAPTER 11, ARTICLE 6, SECTION 9 OF THE WEST VIRGINIA CODE, AS AMENDED, AND REENACTED BY HOUSE BILL NO. 1439 BY THE WEST VIRGINIA LEGISLATURE, REGULAR SESSION, 1986, I HAVE PLACED THE FOLLOWING TENTATIVE ASSESSMENT ON YOUR PROPERTY FOR TAX YEAR 2016.

CLASS III & IV

\$160,356,500

*OK
OKN
9/17/15*

PLEASE NOTE THAT IN ACCORDANCE WITH WEST VIRGINIA LAW THE ASSESSED VALUATION IS BEING ISSUED AT 60% OF THE ESTIMATED MARKET VALUE OF TAXABLE PROPERTY LOCATED IN WEST VIRGINIA.

GIVEN UNDER MY HAND THIS 11TH DAY OF SEPTEMBER, 2015.

MARK W. MATKOVICH
STATE TAX COMMISSIONER

16-Aug-17

AG's First Set of Data Requests

Dated: August 14, 2017

Item No. 171

Attachment 1

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STATE TAX DEPARTMENT		VALUATION BASED ON OPERATIONS OF	
PROPERTY TAX DIVISION		CALENDAR YEAR	
SPECIAL PROPERTIES SECTION		2014	
VALUATION FOR TAX YEAR	2016		
COMPANY NAME: KENTUCKY POWER COMPANY			

COST APPROACH	SYSTEM	W. V.	WV ALLOCATION
PLANT IN SERVICE	2,900,220,268	1,011,122,299	
MATERIALS & SUPPLIES	66,284,123	32,654,031	
SUB-TOTAL	2,966,504,391	1,043,776,330	
LESS:			
POLLUTION CONTROL FACILITIES	0	670,477,067	670,477,067
LOCALLY ASSESSED PROPERTY	0	0	
SUB-TOTAL	2,966,504,391	373,299,263	12.5838%
LESS:			
DEPRECIATION	964,686,058	310,248,945	
PLUS:			
DEPRECIATION ON LOCALLY ASSESSED	0	0	
DEPRECIATION ON POLLUTION CONTROL	0	196,139,725	196,139,725
SUB-TOTAL	2,001,818,333	259,190,043	22% 12.9477%
LESS:			
OBSOLESCENCE	0		
COST VALUE	2,001,818,333	8%	
			AVERAGE 12.7658%

INCOME APPROACH					
NET PLANT	2014	1,935,534,210	TRENDED PRCT.	2014	1.000000
NET PLANT	2013	1,746,266,259	TRENDED PRCT.	2013	1.108384
NET PLANT	2012	1,134,914,477	TRENDED PRCT.	2012	1.705445
OPERATING REVENUE	2014	814,729,047			
OPERATING EXPENSE	2014	717,068,987	36,000,000		
NET OPERATING INCOME	2014	97,660,060			
NET OPERATING INCOME	2014	97,660,060	TRENDED NET INC.	2014	97,660,060
NET OPERATING INCOME	2013	89,589,637	TRENDED NET INC.	2013	152,790,198
NET OPERATING INCOME	2012	86,670,862	TRENDED NET INC.	2012	147,812,388
AVERAGE INCOME		93,624,849			125,225,129

BAND OF INVESTMENT CAP RATES	
COMMON	663,642,997
PREFERRED	0
SHORT TERM DEBT	0
LONG TERM DEBT	819,555,400
TOTAL	1,483,198,397
EQUITY RATE	10.00%
PREFERRED RATE	6.00%
SHORT TERM DEBT	3.00%
LONG TERM DEBT RATE	4.50%
CAPITALIZATION RATE	6.96%

INCOME TO CAPITALIZE	125,000,000
CAPITALIZATION RATE	6.96%
CAPITALIZED INCOME	1,795,977,011
LESS:	
WORKING CAPITAL	36,080,492
NET CAPITALIZED INCOME	1,759,896,519

STATE TAX DEPARTMENT	16-Aug-17
PROPERTY TAX DIVISION	
SPECIAL PROPERTIES SECTION	VALUATION BASED ON OPERATIONS OF
VALUATION FOR TAX YEAR 2016	CALENDAR YEAR 2014
COMPANY NAME: KENTUCKY POWER COMPANY	

STOCK & DEBT APPROACH:

STOCK VALUE

PREFERRED

LONG -TERM DEBT

CURRENT LIABILITIES -

GROSS STOCK & DEBT

LESS : NON-OPERATING PROPERTY @ -

STOCK & DEBT VALUE

N/A

STOCK VALUATION

	# OF SHARES	AVERAGE PRICE	VALUE
PARENT COMPANY STOCK VALUE			
UTILITY STOCK %		-	
UTILITY STOCK VALUE		-	
	NET EARNINGS	P/E RATIO	
UTILITY STOCK VALUE		-	
		SAY	-

LONG TERM DEBT VALUATION

	INTEREST EXPENSE	DEBT RATE	
MARKET VALUE OF DEBT - REPORTED		4.47%	<u>948,967,000</u>
MARKET VALUE - CALCULATED	>15 YRS	11,505,750	5.00%
	< 15 YRS	30,880,000	4.75%
	TAX EXEMPT	0	4.50%
		42,385,750	4.82%
	SAY		4.50%

UTILITY STOCK - EARNINGS %

	PARENT	UTILITY	PERCENTAGE
2014			
	SAY	-	

NON-OPERATING %

	NON-OPERATING	TOTAL	PERCENTAGE
INCOME INFLUENCE			
COST INFLUENCE		-	
	SAY	-	

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STATE TAX DEPARTMENT
 PROPERTY TAX DIVISION
 SPECIAL PROPERTIES SECTION
 VALUATION FOR TAX YEAR

VALUATION BASED ON OPERATIONS OF
 CALENDAR YEAR

2016

2014

COMPANY NAME: KENTUCKY POWER COMPANY

CORRELATION

COST VALUE		2,001,818,333
INCOME VALUE		1,759,896,519
STOCK & DEBT VALUE		N/A
CORRELATED VALUE		1,800,000,000
WEST VIRGINIA ALLOCATION		12.7658%
WEST VIRGINIA VALUE		229,784,400
PLUS: TAXABLE CONSTRUCTION		3,952,644
OTHER		0
POLLUTION @ 5%	670,477,067	<u>33,523,853</u>
TOTAL ESTIMATED VALUE		267,260,897

WORKING CAPITAL

OPERATION AND MAINTENANCE EXPENSE		596,874,620
LESS: PURCHASED POWER		<u>163,908,718</u>
NET EXPENSES		432,965,902
1/12 NET EXPENSES		36,080,492
WORKING CAPITAL DEDUCTION		36,080,492

TAXABLE CONSTRUCTION

CONSTRUCTION WORK IN PROGRESS		16,156,592
LESS: POLLUTION CWIP		<u>5,119,289</u>
SUB TOTAL		11,037,303
MATERIALS & SUPPLIES FACTOR		35%
MATERIALS & SUPPLIES VALUE		3,863,056
PLUS: TAXABLE POLLUTION CWIP		89,588
TAXABLE CONSTRUCTION		3,952,644

	2016	
ASSESSMENT		160,356,500
	5.6%	
	2015	
ASSESSMENT		151,794,000
	2014	
ASSESSMENT		N/A