

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

**APPLICATION OF KENTUCKY POWER
COMPANY FOR APPROVAL OF ITS
2011 ENVIRONMENTAL COMPLIANCE
PLAN, FOR APPROVAL OF ITS
AMENDED ENVIRONMENTAL COST
RECOVERY SURCHARGE TARIFF, AND
FOR THE GRANTING OF A
CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY FOR
THE CONSTRUCTION AND
ACQUISITION OF RELATED
FACILITIES**

CASE NO. 2011-00401

RECEIVED

MAR 09 2012

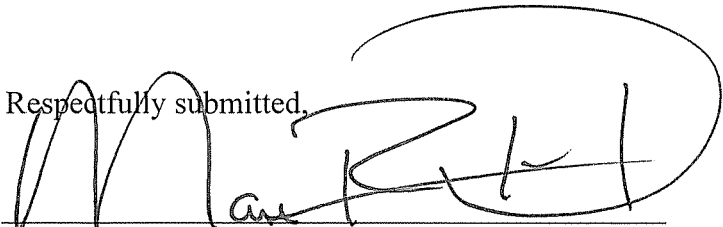
**PUBLIC SERVICE
COMMISSION**

Notice of Filing Of Supplemental Response
To Identified Data Requests

Kentucky Power Company files its March 9, 2012 Supplemental Response to the following data requests:

- (a) KIUC 1-41;
- (b) AG 1-26.

Respectfully submitted,



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Telephone: (502) 223-3477
COUNSEL FOR KENTUCKY POWER
COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by first class mail upon the following parties of record, this the 9th day of March, 2012.

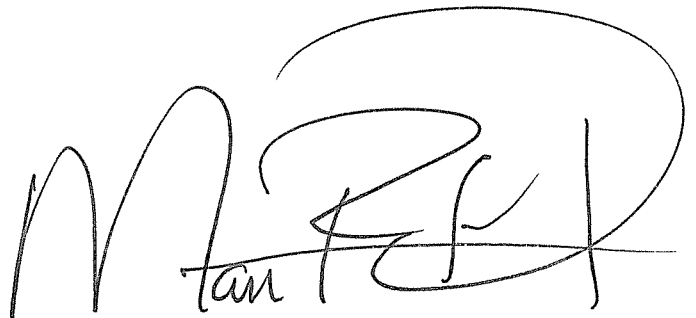
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Mark R. Overstreet

MOODY'S

INVESTORS SERVICE

Credit Opinion: Kentucky Power Company

Global Credit Research - 07 Feb 2012

Ashland, Kentucky, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
Parent: American Electric Power Company, Inc.	
Outlook	Stable
Senior Unsecured	Baa2
Jr Subordinate	Baa3
Commercial Paper	P-2

Contacts

Analyst	Phone
William Hunter/New York City	212.553.1761
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Key Indicators

[1] Kentucky Power Company

	LTM 9/30/2011	2010	2009	2008
(CFO Pre-W/C + Interest) / Interest Expense	3.9x	3.4x	3.9x	2.5x
(CFO Pre-W/C) / Debt	18%	15%	18%	9%
(CFO Pre-W/C - Dividends) / Debt	14%	11%	15%	7%
Debt / Book Capitalization	44%	46%	46%	50%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Constructive regulatory environment viewed positively

Planned environmental expenditures enormous relative to the company's size

Key financial metrics have improved but likely to be stressed by the capital spending program

Maintenance of current ratings will depend on capital injections from the parent

Industrial sales have benefitted from high component of mining and energy-related industries

Corporate Profile

Kentucky Power Company (KPCo, Baa2 senior unsecured, stable outlook) is a vertically integrated electric utility company headquartered in Frankfort, Kentucky and is a wholly owned subsidiary of American Electric Power Company (AEP, Baa2 senior unsecured, stable outlook). KPCo is one of AEP's smaller subsidiaries, with about \$1 billion in rate base (about 6% of AEP's state jurisdictional total) and \$1.6 billion assets (3% of AEP consolidated). KPCo's primary regulator is the Kentucky Public Service Commission (KPSC). KPCo's total owned generation capacity is 1,078 MW, entirely at the Big Sandy plant, and it purchases approximately 390 MW from affiliate AEP Generating's share of the Rockport plant under two long-term unit power agreements. KPCo's total capacity of approximately 1,468 MW is 100% coal. KPCo's 2010 peak demand was reported as 1,543 MW, leaving a negative reserve margin of approximately 5%, which KPCo has primarily met with purchases from its affiliates in the AEP Power Pool.

SUMMARY RATING RATIONALE

KPCo's Baa2 senior unsecured rating primarily reflects the reasonably constructive relationship with the KPSC, financial metrics that have improved to a level that is consistent with the rating, and the company's position as a member of the AEP family, balanced against an enormous planned capital expenditure program that could stress financial metrics, a need for capital injections during the construction period and the impact of an expected near doubling of rate base on retail rates.

DETAILED RATING CONSIDERATIONS

CONSTRUCTIVE REGULATORY ENVIRONMENT A CREDIT POSITIVE

Moody's views the regulatory environment in Kentucky as reasonably supportive to long-term credit stability, a material credit positive. In June, 2010, the KPSC approved a not overly-generous rate settlement agreement for KPCo authorizing a \$64 million rate increase, based on a 10.5% authorized ROE with 43% equity, and recovery of \$23 million of storm costs over five years. However, electric utilities have generally been allowed to earn a return on essentially all construction work in progress. Utilities can start to collect interim rates approximately six months after filing a rate case if the KPSC has not acted on it. There are also various riders and cost recovery mechanisms that help to avoid regulatory lag, including a fuel adjustment clause, an energy efficiency rider and, most significantly, an environmental cost recovery rider. Proceedings for the latter are conducted every two years. The KPSC has authorized significant amounts of environmental spending for some of the state's other investor-owned utilities, and Moody's expects that KPCo would be granted similar treatment for reasonable costs to upgrade its coal plants.

CAPITAL EXPENDITURE PROGRAM COULD PRESSURE RATINGS OVER THE MEDIUM TO LONG TERM

KPCo's cumulative long-term capital investment program is extremely large relative to its size. KPCo terminated its installation of jet bubbling reactor technology at Big Sandy 2 due to technical problems and expects to install dry flue gas desulfurization at unit two (800 MW), while retiring unit one (278 MW). On 12/5/11, KPCo filed with the KPSC to approve the project at an estimated cost of \$940 million including AFUDC. KPCo proposes to defer a return on the project until it is complete (estimated in 2016) implying

environmental capex of about \$270 million/year, compared to average annual total capex of \$80 million for 2006-2010. KPCo will also be responsible for a portion of the cost of the Rockport upgrades, but KPCo will pay these costs over a longer period of time through higher capacity costs. To maintain its current rating, KPCo will require additional equity injections from AEP (the last received was in 2009), especially if cash returns are deferred as proposed. Based in part on our expectation that coal-friendly investments will receive timely rate base treatment in Kentucky, we expect that the parent will take appropriate steps to maintain adequate financial metrics at KPCo.

Another potential concern regarding environmental expenditures is the impact on rates. KPCo's average residential rate of 8.85 cents/KWh in 2010 was the highest among investor-owned utilities in the state, and 16% higher than the state average of 7.63 cents/KWh. KPCo estimates that the Big Sandy expenditures will raise rates by about 30% in 2016; however, rates for all utilities in the state will increase due to similarly large expenditures. Higher rates could engender demand response changes among all customer classes. Rate design will be an important consideration, as materially higher rates could discourage industrial activity and/or encourage self generation by large industrial customers, especially if shale gas keeps natural gas prices depressed.

RECENTLY STABILIZED CREDIT METRICS MAY BE STRESSED BY THE ENVIRONMENTAL SPENDING

KPCo's key financial credit metrics have historically been somewhat weak for its Baa2 senior unsecured rating category but have improved since 2008. For the periods of 2006-2010, 2008-2010 and the twelve months ended 9/30/11, KPCo's ratio of cash from operations before working capital adjustments (CFO pre-W/C) to debt averaged about 14.5%, 13.7% and 18.3%, respectively. The ratio of CFO pre-w/c interest coverage averaged 3.6x, 3.3x and 3.7x, respectively for the same periods. Balance sheet leverage has also improved, with debt to capitalization of 44.2% at 9/30/11, down from 50.5% at 12/31/08. In the near to intermediate term, we expect financial metrics to stabilize. However, metrics will likely be stressed after mid-2013, due to large increases in capital expenditures, potentially with no current return on investment if the KPSC agrees to the proposed deferral. Thus, our expectation that AEP will provide sufficient equity capital to maintain metrics is crucial to the continuance of the current ratings.

INDUSTRIAL SALES HAVE HELD STEADY, BOOSTED BY COAL MINING AND ENERGY

Although KPCo's service territory is in the easternmost part of the state, with few urban areas other than Ashland, industrial sales represent a high percentage of total production, - about 44% of retail KWh sales and 34% of retail revenues. Of the 10 largest industrial customers, which represent 66% of industrial sales, there are four coal mining companies, two energy companies, two steel manufacturers, and two chemical companies. Industrial sales have been quite stable over the past five years, in part because high coal prices have kept the mines active. Recent Central Appalachian coal price declines could negatively affect overall KWh demand; however, KPCo's territory is on the western edge of the Utica shale formation, which may spur further energy development.

DISSOLUTION OF THE AEP POWER POOL ADDS A MODICUM OF UNCERTAINTY

In December 2010, all the members of the AEP Power Pool gave notice to terminate the Interconnection Agreement under which they purchase and sell power and share the costs of capacity, effective January 2014 or as determined by FERC. While this notice is revocable, we believe the Interconnection Agreement will be cancelled or materially modified. KPCo is weakly positioned to serve its own load; however, the expected de-regulation of AEP Ohio's generation in stages through mid-2015 provides a potential source of long-term power and capacity for KPCo.

Liquidity

KPCO's liquidity is adequate. KPCO participates in the AEP Utility Money Pool with a borrowing limit of \$250 million, which provides access to the parent company's liquidity. As of 9/30/11, KPCO had a balance

of \$96 million invested in the Money Pool, compared to the \$67 million invested as of 12/31/10. KPCo also utilizes AEP's receivable securitization facility.

For the twelve months ending September 2011, KPCo generated approximately \$140 million of cash from operations, invested approximately \$64 million in capital expenditures and made \$24 million in upstream dividend payments to AEP, resulting in approximately \$52 million of positive free cash flow. In 2012, we expect KPCo to generate approximately \$120 million of cash from operations, invest approximately \$120 million in capital expenditures and continue to contribute approximately \$20 million in upstream dividends to its parent. KPCo has no long-term debt maturities until 2017.

AEP has two syndicated credit facilities totaling \$3.25 billion that were renewed and extended in mid-2011. One is a \$1.5 billion facility expiring June 2015. The other is a \$1.75 billion facility (upsized from \$1.5 billion) expiring in July 2016. The combined letter of credit sub-limits under these facilities is \$1.35 billion. The facilities contain a covenant requiring that AEP's consolidated debt to capitalization (as defined) will not exceed 67.5% (AEP states the actual ratio was 50.3% at 9/30/11, indicating substantial headroom). AEP is not required to make a representation with respect to either material adverse change or material litigation in order to borrow under the facility. Default provisions exclude payment defaults and insolvency/bankruptcy of subsidiaries that (like KPCo) are not significant subsidiaries per the SEC definition (AEP Texas Central and Southwestern Electric Power Company are also effectively excluded as significant subsidiaries due to definitional adjustments). Also in 2011, AEP allowed a \$478 million letter of credit facility to expire but renewed its \$750 million accounts receivable securitization (only the multi-year portion of the latter is included as an available source in Moody's liquidity testing).

As of 9/30/11, AEP had \$546 million of cash on hand and approximately \$2.6 billion of availability under the syndicated revolving credit facilities after giving effect to \$529 million of commercial paper outstanding and \$103 million of issued letters of credit.

For the 12 months ended 9/30/11, AEP generated approximately \$4.6 billion in cash from operations, made approximately \$3.1 billion in capital investments and net asset purchases and paid about \$890 million in dividends, resulting in roughly \$610 million of positive free cash flow.

Including securitization bonds, AEP has approximately \$690 million of long-term debt due in 2012, \$1.7 billion due in 2013, and \$1.0 billion in 2014. Over the next two years, we estimate that AEP will generate roughly \$3.5 billion in cash from operations, spend about \$3.3 billion annually in capital expenditures and pay approximately \$900-950 million in dividends annually, yielding negative free cash flow of about \$700 million per year.

Rating Outlook

The stable rating outlook for KPCo is primarily based on our expectation that the company will continue to maintain a constructive relationship with the KPSC, including reasonably good recovery of planned environmental upgrade expenditures, and that parent AEP will provide the capital injections needed for KPCo to maintain the recently stabilized key financial credit metrics that support the current rating.

What Could Change the Rating - Up

Rating upgrades appear unlikely over the near to intermediate term horizon, primarily due to our expectation that KPCo will be challenged to maintain its financial profile in light of the capital investment plan. However, KPCo could be considered for a ratings upgrade if it were to achieve key financial credit metrics, including CFO pre W/C plus interest over interest of approximately 5x and CFO pre W/C to debt of approximately 20% on a sustainable basis.

What Could Change the Rating - Down

Ratings could be downgraded if the regulatory environment were to take a more adversarial tone,

especially with respect to the recent environmental capex filing, if KPCo's capital expenditure program experienced material cost over-runs, if equity contributions from AEP were not forthcoming in a manner to maintain financial metrics commensurate with the current rating, if there were a material, sustained decrease in retail sales and revenues (especially from industrial customers), or the key financial credit metrics exhibited a deterioration that we expected would be prolonged, for instance, a ratio of CFO pre W/C plus interest over interest below 3.0x or CFO pre W/C to debt in the low-teens.

Rating Factors

Kentucky Power Company

Regulated Electric and Gas Utilities Industry [1][2]	Current 12/31/2010		Moody's 12-18 month Forward View* As of February 2012	
	Measure	Score	Measure	Score
Factor 1: Regulatory Framework (25%)				
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (5%)		Baa		Baa
b) Generation and Fuel Diversity (5%)		B		B
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		Baa		Baa
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	3.2x	Baa	3.0 - 3.5x	Baa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	13.7%	Baa	13 - 17%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	10.8%	Baa	13 - 17%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	47.3%	Baa	45 - 55%	Ba
Rating:				
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Rating Assigned		Baa2		Baa2

* THIS REPRESENTS MOODY'S FORWARD VIEW;
NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED
IN THE TEXT DOES NOT INCORPORATE
SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010; Source: Moody's Financial Metrics

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January 20, 2012

Jeff R. Derouen, Executive Director
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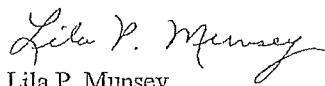
Attention: Jeff Shaw

RE: Monthly Environmental Surcharge Report

Dear Mr. Shaw,

Pursuant to KRS 278.183(3), Kentucky Power Company (Kentucky Power or KPCo) files the original and two copies of its Environmental Surcharge Reports for the month of December 2011. In accordance with the Commission's Orders in the Environmental Surcharge cases, Kentucky Power has included the calculation and supporting documentation of the Environmental Surcharge Factor that will be billed for service on and after January 31, 2012.

If there are any questions please contact me at 502-696-7010.


Lila P. Munsey
Manager, Regulatory Services
Enclosures

ES FORM 1.00

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CALCULATION OF E(m) and SURCHARGE FACTOR
 For the Expense Month of December 2011

<u>CALCULATION OF E(m)</u>		
E(m) = CRR - BRR		
LINE 1	CRR from ES FORM 3.00	\$4,788,967
LINE 2	Brr from ES FORM 1.10	4,074,321
LINE 3	E(m) (LINE 1 - LINE 2)	\$714,646
LINE 4	Kentucky Retail Jurisdictional Allocation Factor, from ES FORM 3.30, Schedule of Revenues, LINE 1	83.0%
LINE 5	KY Retail E(m) (LINE 3 * LINE 4)	\$593,156
LINE 6	(Over) / Under Recovery Adjustment from ES FORM 3.30	(\$122,928)
LINE 7	Net KY Retail E(m) (LINE 5 + LINE 6)	\$470,228
<u>SURCHARGE FACTOR</u>		
LINE 8	Net KY Retail E(m) (Line 7)	\$470,228
LINE 9	KY Retail R(m) from ES FORM 3.30	\$50,620,415
LINE 10	Environmental Surcharge Factor for Expense Month (Line 8 / LINE 9)	0.9289%

1/

Effective Date for Billing: January 31, 2012

Submitted By: *Lela B. Munsey*

Title: Manager Regulatory Services

Date Submitted: January 20, 2012

ES FORM 1.10

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 BASE PERIOD REVENUE REQUIREMENT
 For the Expense Month of December 2011

MONTHLY BASE PERIOD REVENUE REQUIREMENT

Billing Month	Base Net Environmental Costs
JANUARY	\$3,991,163
FEBRUARY	3,590,810
MARCH	3,651,374
APRIL	3,647,040
MAY	3,922,590
JUNE	3,627,274
JULY	3,805,325
AUGUST	4,088,830
SEPTEMBER	3,740,010
OCTOBER	3,260,302
NOVEMBER	2,786,040
DECEMBER	4,074,321
TOTAL	\$44,185,079 =====

ES FORM 3.10

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 COSTS ASSOCIATED WITH BIG SANDY

For the Expense Month of December 2011

LINE NO.	COST COMPONENT		
	Return on Rate Base :		
1	Utility Plant at Original Cost	\$191,327,552	
2	Less Accumulated Depreciation	(\$68,484,814)	
3	Less Accum. Def. Income Taxes	(\$38,920,099)	
4	Net Utility Plant		\$83,922,639
5	SO2 Emission Allowance Inventory from ES FORM 3.11		\$17,044,601
6	ECR & NOx Emission Allowance Inventory from ES FORM 3.12		\$158,405
7	Cash Working Capital Allowance from ES FORM 3.13, Line 13		\$237,942
8	Total Rate Base		\$101,363,587
9	Weighted Average Cost of Capital - ES FORM 3.15	10.69%	
10	Monthly Weighted Avg. Cost of Capital (9) / 12		0.89%
11	Monthly Return of Rate Base (8) * (10)		\$902,136
	Operating Expenses :		
12	Monthly Depreciation Expense		\$577,252
13	Monthly Catalyst Amortization Expense		\$46,030
14	Monthly Property Taxes		\$13,169
15	Monthly Kentucky Air Emissions Fee		\$31,701
	Monthly Environmental AEP Pool Capacity Costs		
16	from ES FORM 3.14, Page 1 of 11, Column 5, Line 10		\$1,573,350
17	Monthly 2003 Plan Non-Fuel O&M Expenses from ES FORM 3.13		\$758,145
18	Monthly SO2 Emission Allowance Consumption		\$838,290
19	Total Operating Expenses [Line 12 thru Line 18]		\$3,837,937
20	Total Revenue Requirement - Big Sandy		\$4,740,073
	Record on ES FORM 3.00, Line 1		

ES FORM 3.11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 SO2 EMISSIONS ALLOWANCE INVENTORY

For the Expense Month of December 2011

	(1) Allowance Activity in Month	(2) Cumulative Balance	(3) Dollar Value of Activity	(4) Cumulative Dollar Balance	(5) Weighted Average Cost
BEGINNING INVENTORY		754,608		\$4,685,726	\$6.209
Additions -					
EPA Allowances	0	474,169	\$0	\$0	\$0.000
Gavin Reallocation	0	94,744	\$0	\$0	\$0.000
P & E Transfers In	0	327,201	\$0	\$4,855,695	\$14.840
Intercompany Purchases	41,774	109,405	\$12,341,570	\$33,456,375	\$305.803
Other (List)	0	433,206	\$0	\$67,152,857	\$155.014
SO2 Emissions Allowance Adjustment	0	4,106	\$0	(\$1,700,982)	(\$414.267)
Withdrawals -					
P & E Transfers Out	0	11,382	\$0	\$836,106	\$73.459
Intercompany Sales	0	59,987	\$0	\$4,855,950	\$80.950
Off - System Sales	0	303,050	\$0	\$29,780,273	\$98.269
SO2 Emissions Allowance Adjustment	0	0	\$0	\$0	\$0.000
SO2 Emissions Allowances Consumed By Kentucky Power - 1:1 (Year 2009 & Prior)	0		\$0		
SO2 Emissions Allowances Consumed By Kentucky Power - 2:1 (Years 2010 to 2014)	8,326	690,441	\$838,290	\$55,932,741	\$81.010
ENDING INVENTORY - Record Balance in Column (4) on ES FORM 3.10, Line 5		1,132,579		\$17,044,601	\$15.049
Expense Month Member Load Ratio for AEP/Kentucky Power					0.06598

Columns 1 and 2 -

Record the number of allowances in any transaction (purchase, sale, transfer) which occurred during the Expense Month. Multiple transactions for a given category are to be shown as the total activity for that category during the Expense Month. For each transaction shown in Column 1, update the cumulative balance in Column 2.

Columns 3 and 4 -

For each transaction reflected in Column 1, record the total dollars of the transaction. Multiple transaction for a given category are to be shown as the total dollar amount for that category during the Expense Month. For each transaction shown in Column 3, update the cumulative dollar balance in Column 4. Include transactions that total zero dollars. Record amounts in whole dollars.

Column 5 -

Compute the Weighted Average Cost by dividing the Cumulative Dollar Balance (Co. 4) by the corresponding Cumulative Balance (Col. 2). Perform this calculation for the Beginning inventory, Ending Inventory and all additions and withdrawals made during the Expense Month. The Weighted Average Cost should be carried out to 3 decimal places.

ES FORM 3.12 A

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 SEASONAL NOx EMISSIONS ALLOWANCE INVENTORY

For the Expense Month of December 2011

	(1) Allowance Activity in Month	(2) Cumulative Balance	(3) Dollar Value of Activity	(4) Cumulative Dollar Balance	(5) Weighted Average Cost
BEGINNING INVENTORY		0		\$0	\$0.000
Additions -					
EPA Allowances	0	37,003	\$0	\$0	
P&E Transfers In	0	0		\$0	
Intercompany Purchases	0	0	\$0	\$0	\$0.000
Other (List)	0	0	\$0	\$0	\$0.000
Withdrawals -					
P & E Transfers Out	0	0	\$0	\$0	\$0.000
Intercompany Sales	0	0	\$0	\$0	\$0.000
Off - System Sales	0	2,425	\$0	\$0	\$0.000
ERC Consumed By Kentucky Power	0	930	\$0	\$0	\$0.000
NOx Consumed By Kentucky Power	0	23,693	\$0	\$0	\$0.000
ENDING INVENTORY - Record Balance in Column (4) on ES FORM 3.10, Line 5		9,955		\$0	\$0.000

Columns 1 and 2 -

Record the number of allowances in any transaction (purchase, sale, transfer) which occurred during the Expense Month. Multiple transactions for a given category are to be shown as the total activity for that category during the Expense Month. For each transaction shown in Column 1, update the cumulative balance in Column 2.

Columns 3 and 4 -

For each transaction reflected in Column 1, record the total dollars of the transaction. Multiple transaction for a given category are to be shown as the total dollar amount for that category during the Expense Month. For each transaction shown in Column 3, update the cumulative dollar balance in Column 4. Include transactions that total zero dollars. Record amounts in whole dollars.

Column 5 -

Compute the Weighted Average Cost by dividing the Cumulative Dollar Balance (Co. 4) by the corresponding Cumulative Balance (Col. 2). Perform this calculation for the Beginning Inventory, Ending Inventory and all additions and withdrawals made during the Expense Month. The Weighted Average Cost should be carried out to 3 decimal places.

Note : For any sale or transfer of ERCs or NOx emission allowances, attach to this report documentation showing the currently available market prices for similar ERC or NOx allowances.

Total Early Reduction Credits (ERC)	930
Consumed:	
June 2004	420
July 2004	510
Total Consumed	930
Remaining Early Reduction Credits (ERC)	0

ES FORM 3.12 B

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 ANNUAL NOx EMISSIONS ALLOWANCE INVENTORY

For the Expense Month of December 2011

	(1) Allowance Activity in Month	(2) Cumulative Balance	(3) Dollar Value of Activity	(4) Cumulative Dollar Balance	(5) Weighted Average Cost
BEGINNING INVENTORY		0		\$0	\$0.000
Additions -					
EPA Allowances	0	44,729	\$0	\$0	\$0.000
P&E Transfers In	0	0	\$0	\$0	\$0.000
Intercompany Purchases	0	0	\$0	\$0	\$0.000
External Purchases	0	3,480	\$0	\$2,023,690	\$581.520
Other (List)	0	0	\$0	\$0	\$0.000
Withdrawals -					
P & E Transfers Out	0	0	\$0	\$0	#DIV/0!
Intercompany Sales	0	0	\$0	\$0	\$0.000
Off - System Sales	0	0	\$0	\$0	\$0.000
NOx Consumed By Kentucky Power	1,258	25,885	\$262,209	\$1,865,285	\$72.060
ENDING INVENTORY - Record Balance in Column (4) on ES FORM 3.10, Line 5		22,324		\$158,405	\$7.096

Columns 1 and 2 -

Record the number of allowances in any transaction (purchase, sale, transfer) which occurred during the Expense Month. Multiple transactions for a given category are to be shown as the total activity for that category during the Expense Month. For each transaction shown in Column 1, update the cumulative balance in Column 2.

Columns 3 and 4 -

For each transaction reflected in Column 1, record the total dollars of the transaction. Multiple transaction for a given category are to be shown as the total dollar amount for that category during the Expense Month. For each transaction shown in Column 3, update the cumulative dollar balance in Column 4. Include transactions that total zero dollars. Record amounts in whole dollars.

Column 5 -

Compute the Weighted Average Cost by dividing the Cumulative Dollar Balance (Co. 4) by the corresponding Cumulative Balance (Col. 2). Perform this calculation for the Beginning Inventory, Ending Inventory and all additions and withdrawals made during the Expense Month. The Weighted Average Cost should be carried out to 3 decimal places.

ES FORM 3.13

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT

For the Expense Month of December 2011

	1997 Plan :		
1	Monthly Kentucky Air Emissions Fee	\$31,701	
	Total Monthly AEP Pool		
2	Environmental Capacity Costs	\$275,400	
3	Monthly SO2 Allowance Consumption	<u>\$838,290</u>	
4	Total 1997 Plan O&M Expenses		\$1,145,391
	2003 Plan :		
5	Monthly Variable Cladding at Big Sandy Unit 1	\$0	
6	Monthly Urea Consumption at Big Sandy Unit 2	\$485,032	
7	Monthly Catalyst Replacement at Big Sandy Unit 2	\$0	
8	Monthly ERC & NOx Allowance Consumption	\$262,209	
9	Equipment - Associated Operating Expenses	\$2,167	
10	Equipment - Associated Maintenance Expenses	<u>\$8,737</u>	
11	Total 2003 Plan O&M Expenses		<u>\$758,145</u>
12	Total Monthly O&M Expenses		<u>\$1,903,536</u>
13	Cash Working Capital Allowance (Line 12 X 1/8)		\$237,942

Total Cost at Line 11 is to be recorded on ES FORM 3.10, Line 7.

**Kentucky Power Company
 Environmental Equipment Operation and Maintenance Costs
 December 2011**

Work Description	Material Costs	Outside Contract Labor	Misc Other Costs	Total Costs
Ammonia on Demand (AOD)	\$2,389.00	\$0.00	\$0.00	\$2,389.00
Hydrolizer (AOD)	\$2,280.00	\$0.00	\$0.00	\$2,280.00
SCR Boiler Outlet Ductwork	\$0.00	\$461.00	\$0.00	\$461.00
SCR Acoustic Horns	\$554.00	\$0.00	(\$195.00)	\$359.00
SCR NOX Monitoring	\$209.00	\$0.00	\$0.00	\$209.00
Total SCR December 2011 O & M Expense	\$5,432.00	\$461.00	(\$195.00)	\$5,698.00
Additional Operator Overtime During The Ozone Season	\$0.00	\$0.00	\$0.00	\$2,167.00
Emission Testing Required Under Permit --				
Operation	\$0.00	\$0.00	\$0.00	\$0.00
Maintenance	\$3,039.00	\$0.00	\$0.00	\$3,039.00
December 2011 O & M Expenses Filed				\$10,904.00

ES FORM 3.14
 Page 1 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 AEP POOL MONTHLY ENVIRONMENTAL CAPACITY COSTS

For the Expense Month of December 2011

Line No. (1)	Cost Component (2)	Ohio Power Company's Environmental Cost to KPCo (3)	Indiana Michigan Power Company's Environmental Cost to KPCo (4)	Total (5)
1	Amos Unit No. 3 Environmental Cost to Kentucky Power (ES FORM 3.14, Page 3 of 11, Line 26)	\$247,350		
2	Cardinal Unit No. 1 Environmental Cost to Kentucky Power (ES FORM 3.14, Page 4 of 11, Line 24)	\$168,300		
3	Gavin Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 5 of 11, Line 26)	\$581,400		
4	Kammer Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 6 of 11, Line 20)	\$5,100		
5	Mitchell Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 7 of 11, Line 23)	\$504,900		
6	Muskingum River Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 8 of 11, Line 20)	\$48,450		
7	Sporn Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 9 of 11, Line 20)	\$10,200		
8	Rockport Plant Environmental to Kentucky Power (ES FORM 3.14, Page 10 of 11, Column 5, Line 21)		\$2,550	
9	Tanners Creek Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 11 of 11, Line 20)		\$5,100	
10	Total AEP Pool Monthly Environmental Capacity Costs to Kentucky Power	\$1,565,700	\$7,650	\$1,573,350

Note: Cost in Column 5, Line 10 is to be recorded on ES FORM 3.10, Line 16.

ES FORM 3.14
 Page 2 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 AEP POOL MONTHLY ENVIRONMENTAL CAPACITY COSTS
 WORKING CAPITAL ONLY

For the Expense Month of December 2011

Line No. (1)	Cost Component (2)	Ohio Power Company's (OPCo) Environmental Cost to KPCo (3)	Indiana Michigan Power Company's (I&M) Environmental Cost to KPCo (4)	Total (5)
1	Amos Unit No. 3 Environmental Cost to Kentucky Power (ES FORM 3.14, Page 3 of 11, Line 19)	\$360,717		
2	Cardinal Unit No. 1 Environmental Cost to Kentucky Power (ES FORM 3.14, Page 4 of 11, Line 17)	\$289,495		
3	Gavin Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 5 of 11, Line 17)	\$6,890,170		
4	Kammer Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 6 of 11, Line 10)	\$15,690		
5	Mitchell Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 7 of 11, Line 16)	\$1,760,284		
6	Muskingum River Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 8 of 11, Line 10)	\$197,607		
7	Sporn Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 9 of 11, Line 10)	\$13,207		
8	Rockport Plant Environmental to Kentucky Power (ES FORM 3.14, Page 10 of 11, Columns 3 & 6, Line 10)		\$15,625	
9	Rockport Plant Environmental to Kentucky Power (ES FORM 3.14, Page 10 of 11, Columns 4 & 5, Line 10)		\$0	
10	Tanners Creek Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 11 of 11, Line 10)		\$15,625	
11	Subtotal	\$9,527,170	\$31,250	
12	Steam Capacity By Company - OPCo (Column 3) / I&M (Column 4) (kw)	8,003,000	5,414,000	
13	Environmental Base (\$/kw)	\$1.19	\$0.01	
14	Company Surplus Weighting	91.00%	9.00%	
15	Portion of Weighted Average Capacity Rate Attributed to Environmental Fixed O&M Costs	\$1.08	\$0.00	
16	Kentucky Power Capacity Deficit (kw)	255,000	255,000	
17	Fixed O&M Environmental Cost to Kentucky Power	\$275,400	\$0	\$275,400

Note: Cost in Column 5, Line 17 is to be recorded on ES FORM 3.13, Line 2.

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - AMOS PLANT UNIT NO. 3

For the Expense Month of December 2011

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$600,434,141
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%
3	Total Rate Base	\$8,225,948
4	Ohio Power Company's Percentage Ownership - Environmental Investment	100.00%
5	OPCo's Share of Cost Associated with Amos Unit No. 3 (3) X (4)	\$8,225,948
	Operations :	
6	Disposal (5010000)	\$1,233
7	Urea (5020002)	\$153,609
8	Trona (5020003)	\$70,576
9	Lime Stone (5020004)	\$141,287
10	Air Emission Fee	\$10,292
11	Total Operations (Lines 6 thru 10)	\$376,997
	Maintenance :	
12	SCR Maintenance (5120000)	\$271,098
13	Scrubber (FGD) Maintenance (5120000)	\$57,005
14	Total Maintenance (12) + (13)	\$328,103
15	1/2 of Maintenance (14) * 50%	\$164,052
16	Fixed O&M (11) + (15)	\$541,049
17	Ohio Power Company's Percentage Ownership - O&M Cost	66.67%
18	OPCo's Share of O&M Cost Associated with Amos Unit No. 3 (16) X (17)	\$360,717
19	Total Revenue Requirement, Cost Associated with Amos Unit No. 3 (5) + (18)	\$8,586,665
20	Ohio Power Company Steam Capacity (kw)	8,003,000
21	Amos Unit No. 3 Environmental Rate (\$/kw)	\$1.07
22	Ohio Power Surplus Weighing	91.00%
23	Portion of Weighted Average Capacity Rate Attributed to Amos Unit No. 3 SCR (\$/kw) (21) * (22)	\$0.97
	Amos Unit No. 3 Costs to Kentucky Power :	
24	Amos Unit No. 3 Portion (\$/kw) (23)	\$0.97
25	Kentucky Power Capacity Deficit (kw)	255,000
26	Amos Unit No. 3 Environmental Cost to Kentucky Power (24) * (25) (ES FORM 3.14, Page 1 of 10, Line 1)	\$247,350

ES FORM 3.14
 Page 4 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - CARDINAL UNIT 1

For the Expense Month of December 2011

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$400,962,145
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%
3	Total Rate Base	\$5,493,181
	Operations :	
4	Disposal (5010000)	\$20,706
5	Lime (5020001)	\$0
6	Urea (5020002)	\$200
7	Trona (5020003)	\$10,790
8	Lime Stone (5020004)	\$189,341
9	Air Emission Fee	<u>\$8,622</u>
10	Total Operations (Line 4 thru 8)	\$229,659
	Maintenance :	
11	SCR Maintenance (5120000)	\$444
12	Scrubber (FGD) Maintenance (5120000)	<u>\$119,228</u>
13	Total Maintenance (13) + (14)	\$119,672
14	1/2 Maintenance (15) * 50%	<u>\$59,836</u>
15	Fixed O&M (12) + (16)	<u>\$289,495</u>
	Total Revenue Requirement,	
16	Cost Associated with Cardinal Unit No. 3 (3) + (17)	<u>\$5,782,676</u>
17	Ohio Power Company's Percentage Ownership	100.00%
18	OPCo's Share of Cost Associated with Cardinal Unit No. 1 (18) X (19)	\$5,782,676
19	Ohio Power Company Steam Capacity (kw)	8,003,000
20	Cardinal Unit No. 1 (\$/kw)	\$0.72
21	Ohio Power Surplus Weighing	91.00%
22	Portion of Weighted Average Capacity Rate Attributed to Cardinal Unit No. 1 (\$/kw) (22) X (23)	\$0.66
	Cardinal Unit No. 1 Costs to Kentucky Power :	
23	Cardinal Unit No. 1 Portion (\$/kw) (24)	\$0.66
24	Kentucky Power Capacity Deficit (kw)	<u>255,000</u>
25	Cardinal Unit No. 1 Environmental Cost to Kentucky Power (25) * (26) (ES FORM 3.14, Page 1 of 10, Line 2)	\$168,300

ES FORM 3.14
 Page 5 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - GAVIN PLANT (UNITS 1 & 2)

For the Expense Month of December 2011

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$964,148,720
2	Member Primary Capacity Investment Rate (16.44% / 12)	<u>1.37%</u>
3	Total Rate Base	\$13,208,837
	Operations :	
4	Sludge Disposal (5010000)	\$822,128
5	Lime (5020001)	\$3,625,177
6	Urea (5020002)	\$1,091,797
7	Trona (5020003)	\$619,699
8	Lime Stone (5020004)	\$520
9	Air Emission Fee	\$34,947
10	Lease (5070005)	<u>\$0</u>
11	Total Operations (Lines 4 thru 10)	\$6,194,268
	Maintenance :	
12	SCR Maintenance (5120000)	\$97,464
13	Scrubber Maintenance (5120000)	<u>\$1,294,339</u>
14	Total Maintenance (12) + (13)	\$1,391,803
15	1/2 of Maintenance (13) * 50%	<u>\$695,902</u>
16	Fixed O&M (11) + (15)	<u>\$6,890,170</u>
	Total Revenue Requirement,	
17	Cost Associated with Gavin Plant (3) + (17)	\$20,099,007
18	Ohio Power Company's Percentage Ownership	100.00%
19	OPCo's Share of Cost Associated with Gavin Plant (17) X (18)	\$20,099,007
20	Ohio Power Company Steam Capacity (kw)	8,003,000
21	Gavin Plant (\$/kw)	\$2.51
22	Ohio Power Surplus Weighing	91.00%
23	Portion of Weighted Average Capacity Rate Attributed to Gavin Plant (\$/kw) (21) X (22)	\$2.28
	Gavin Plant Costs to Kentucky Power :	
24	Gavin Plant Portion (\$/kw) (23)	\$2.28
25	Kentucky Power Capacity Deficit (kw)	<u>255,000</u>
	Gavin Plant Environmental Cost to Kentucky Power (24) * (25)	
26	(ES FORM 3.14, Page 1 of 10, Line 3)	\$581,400

ES FORM 3.14
 Page 6 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - KAMMER PLANT (UNITS 1, 2 & 3)

For the Expense Month of December 2011

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$8,451,624
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%
3	Total Rate Base	\$115,787
	Operations :	
4	Urea (5020002)	\$0
5	Trona (5020003)	\$0
6	Air Emission Fee	\$15,690
7	Total Operations (4) + (5) + (6)	\$15,690
	Maintenance :	
8	SCR Maintenance (5120000)	\$0
9	1/2 of Maintenance (8) * 50%	\$0
10	Fixed O&M (7) + (9)	\$15,690
	Total Revenue Requirement,	
11	Cost Associated with Kammer Plant (3) + (10)	\$131,477
12	Ohio Power Company's Percentage Ownership	100.00%
13	OPCo's Share of Cost Associated with Kammer Plant (11) X (12)	\$131,477
14	Ohio Power Company Steam Capacity (kw)	8,003,000
15	Kammer Plant (\$/kw)	\$0.02
16	Ohio Power Surplus Weighing	91.00%
17	Portion of Weighted Average Capacity Rate Attributed to Kammer Plant (\$/kw) (15) X (16)	\$0.02
	Kammer Plant Costs to Kentucky Power :	
18	Kammer Plant Portion (\$/kw) (17)	\$0.02
19	Kentucky Power Capacity Deficit (kw)	255,000
20	Kammer Plant Environmental Cost to Kentucky Power (18) * (19) (ES FORM 3.14, Page 1 of 10, Line 4)	\$5,100

ES FORM 3.14
 Page 7 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - MITCHELL PLANT (UNITS 1 & 2)

For the Expense Month of December 2011

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$1,143,093,101
2	Member Primary Capacity Investment Rate (16.44% / 12)	<u>1.37%</u>
3	Total Rate Base	\$15,660,375
	Operations :	
4	Disposal (5010000)	\$4,804
5	Urea (5020002)	\$651,904
6	Trona (5020003)	\$108,808
7	Lime Stone (5020004)	\$798,261
8	Air Emission Fee	<u>\$12,128</u>
9	Total Operations (Lines 4 thru 8)	\$1,575,905
	Maintenance :	
10	SCR Maintenance (5120000)	\$2,721
11	FDG (5120000)	<u>\$366,036</u>
12	1/2 of Maintenance (10 + 11) * 50%	<u>\$184,379</u>
13	Fixed O&M (9) + (12)	<u>\$1,760,284</u>
	Total Revenue Requirement,	
14	Cost Associated with Mitchell Plant (3) + (13)	<u>\$17,420,659</u>
15	Ohio Power Company's Percentage Ownership	100.00%
16	OPCo's Share of Cost Associated with Mitchell Plant (14) X (15)	\$17,420,659
17	Ohio Power Company Steam Capacity (kw)	8,003,000
18	Mitchell Plant (\$/kw)	\$2.18
19	Ohio Power Surplus Weighing	91.00%
20	Portion of Weighted Average Capacity Rate Attributed to Mitchell Plant (\$/kw) (18) X (19)	\$1.98
	Mitchell Plant Costs to Kentucky Power :	
21	Mitchell Plant Portion (\$/kw) (20)	\$1.98
22	Kentucky Power Capacity Deficit (kw)	<u>255,000</u>
	Mitchell Plant Environmental Cost to Kentucky Power (21) * (22)	
23	(ES FORM 3.14, Page 1 of 10, Line 5)	\$504,900

ES FORM 3.14
 Page 8 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - MUSKINGUM RIVER PLANT (UNITS 1, 2, 3, 4 & 5)

For the Expense Month of December 2011

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$108,672,817
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%
3	Total Rate Base	\$1,488,818
	Operations :	
4	Urea (5020002)	\$158,040
5	Trona (5020003)	\$0
6	Air Emission Fee	\$34,561
7	Total Operations (4) + (5) + (6)	\$192,601
	Maintenance :	
8	SCR Maintenance (5120000)	\$10,011
9	1/2 of Maintenance (8) * 50%	\$5,006
10	Fixed O&M (7) + (9)	\$197,607
	Total Revenue Requirement,	
11	Cost Associated with Muskingum Plant (3) + (10)	\$1,686,425
12	Ohio Power Company's Percentage Ownership	100.00%
13	OPCo's Share of Cost Associated with Muskingum Plant (11) X (12)	\$1,686,425
14	Ohio Power Company Steam Capacity (kw)	8,003,000
15	Muskingum Plant (\$/kw)	\$0.21
16	Ohio Power Surplus Weighing	91.00%
17	Portion of Weighted Average Capacity Rate Attributed to Muskingum Plant (\$/kw) (15) X (16)	\$0.19
	Muskingum Plant Costs to Kentucky Power :	
18	Muskingum Plant Portion (\$/kw) (17)	\$0.19
19	Kentucky Power Capacity Deficit (kw)	255,000
	Muskingum Plant Environmental Cost to Kentucky Power (18) * (19)	
20	(ES FORM 3.14, Page 1 of 10, Line 6)	\$48,450

ES FORM 3.14
 Page 9 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - SPORN PLANT (UNITS 2, 3, 4 & 5)

For the Expense Month of December 2011

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$20,310,295
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%
3	Total Rate Base	\$278,251
	Operations :	
4	Urea (5020002)	\$0
5	Trona (5020003)	\$0
6	Air Emission Fee	\$13,207
7	Total Operations (4) + (5) + (6)	\$13,207
	Maintenance :	
8	SCR Maintenance (5120000)	\$0
9	1/2 of Maintenance (8) * 50%	\$0
10	Fixed O&M (7) + (9)	\$13,207
	Total Revenue Requirement,	
11	Cost Associated with Sporn Plant (3) + (10)	\$291,458
12	Ohio Power Company's Percentage Ownership	100.00%
13	OPCo's Share of Cost Associated with Sporn Plant (11) X (12)	\$291,458
14	Ohio Power Company Steam Capacity (kw)	8,003,000
15	Sporn Plant (\$/kw)	\$0.04
16	Ohio Power Surplus Weighing	91.00%
17	Portion of Weighted Average Capacity Rate Attributed to Sporn Plant (\$/kw) (15) X (16)	\$0.04
	Sporn Plant Costs to Kentucky Power :	
18	SpornGavin Plant Portion (\$/kw) (17)	\$0.04
19	Kentucky Power Capacity Deficit (kw)	255,000
	Sporn Plant Environmental Cost to Kentucky Power (18) * (19)	
20	(ES FORM 3.14, Page 1 of 10, Line 7)	\$10,200

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
INDIANA MICHIGAN POWER COMPANY (I&M) - ROCKPORT PLANT (UNITS 1 & 2)

For the Expense Month of December 2011

LINE NO.	COST	Rockport Plant Common	UNIT 1 AMOUNTS	UNIT 2 AMOUNTS	Rockport Plant Common	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Utility Plant at Original Cost	\$1,787,996	\$10,544,676	\$16,709,416	\$2,202,020	
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%	1.37%	1.37%	1.37%	
3	Total Rate Base	\$24,496	\$144,462	\$228,919	\$30,168	
4	Operations :	\$0	\$0	\$0	\$0	
5	Urea (5020002)	\$0	\$0	\$0	\$0	
6	Tona (5020003)	\$0	\$0	\$0	\$0	
7	Air Emission Fee	\$15,625	\$0	\$0	\$0	
8	Total Operations (4) + (5) + (6)	\$15,625	\$0	\$0	\$0	
9	Maintenance :	\$0	\$0	\$0	\$0	
10	SCR Maintenance (5120000)	\$0	\$0	\$0	\$0	
11	1/2 of Maintenance (8) * 50%	\$0	\$0	\$0	\$0	
12	Fixed O&M (7) + (9)	\$15,625	\$0	\$0	\$0	
13	Total Revenue Requirement, Cost Associated with Rockport Plant (3) + (10) Indiana Michigan Power Company's Percentage Ownership I&M's Share of Cost Associated with Rockport Plant (11) X (12)	\$40,121	\$144,462	\$228,919	\$30,168	
14	Total Rockport Plant Common and Units 1 & 2	50%	\$5,000%	65.08%	50.00%	
15	Indiana Michigan Power Company Steam Capacity (kw)	\$20,061	\$122,793	\$148,990	\$15,084	\$306,918
16	Rockport Plant (\$/kw) (14) / (15)					5,414,000
17	Kentucky Power Portion of Rockport Plant / Indiana Michigan Power Surplus Weighing					\$0.06
18	Portion of Weighted Average Capacity Rate Attributed to Rockport Plant (\$/kw) (17) X (18)					9.00%
19	Rockport Plant Costs to Kentucky Power :					\$0.01
20	Rockport Plant Portion (\$/kw) (18)					\$0.01
21	Kentucky Power Capacity Deficit (kw) Rockport Units 1 & 2 Environmental to Kentucky Power (19) + (20) (ES FORM 3.14, Page 1 of 10, Line 8)					2,555,000
						\$2,550

ES FORM 3.14
 Page 11 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 INDIANA MICHIGAN POWER COMPANY (I&M) - TANNERS CREEK (UNITS 1, 2, 3 & 4)

For the Expense Month of December 2011

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$98,457,579
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%
3	Total Rate Base	\$1,348,869
	Operations :	
4	Urea (5020002)	\$0
5	Trona (5020003)	\$0
6	Air Emission Fee	\$15,625
7	Total Operations (4) + (5) + (6)	\$15,625
	Maintenance :	
8	SCR Maintenance (5120000)	\$0
9	1/2 of Maintenance (8) * 50%	\$0
10	Fixed O&M (7) + (9)	\$15,625
	Total Revenue Requirement,	
11	Cost Associated with Tanners Creek Plant (3) + (10)	\$1,364,494
12	Indiana Michigan Power Company's Percentage Ownership	100.00%
13	I&M's Share of Cost Associated with Tanners Creek Plant (11) X (12)	\$1,364,494
14	Indiana Michigan Power Company Steam Capacity (kw)	5,414,000
15	Tanners Creek Plant (\$/kw)	\$0.25
16	Indiana Michigan Power Surplus Weighing	9.00%
17	Portion of Weighted Average Capacity Rate Attributed to Rockport Plant (\$/kw) (15) X (16)	\$0.02
	Tanners Creek Plant Costs to Kentucky Power :	
18	Tanners Creek Plant Portion (\$/kw) (17)	\$0.02
19	Kentucky Power Capacity Deficit (kw)	255,000
20	Tanners Creek Plant Environmental Cost to Kentucky Power (18) * (19) (ES FORM 3.14, Page 1 of 10, Line 9)	\$5,100

ES FORM 3.15

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 BIG SANDY PLANT COST OF CAPITAL

For the Expense Month of December 2011

LINE NO.	Component	Balances	Cap. Structure	Cost Rates		WACC (Net of Tax)	GRCF	WACC (PRE-TAX)	
		As of 4/30/2010							
1	L/T DEBT	\$550,000,000	51.941%	6.48%		3.37%		3.37%	
2	S/T DEBT	\$0	0.000%	0.83%		0.00%		0.00%	
	ACCTS REC								
3	FINANCING	\$43,588,933	4.116%	1.22%		0.05%		0.05%	
4	C EQUITY	\$465,314,088	43.943%	10.50%	1/	4.61%	1.5762	7.27%	
5	TOTAL	\$1,058,903,021	100.000%			8.03%		10.69%	
1/	WACC = Weighted Average Cost of Capital Rate of Return on Common Equity per Case No. 2010 - 00020								
2/	Gross Revenue Conversion Factor (GRCF) Calculation: Case No. 2010 - 00020 dated - April 29, 2010								
1	OPERATING REVENUE						100.0000		
2	UNCOLLECTIBLE ACCOUNTS EXPENSE (0.24%)						0.2400		
3	Kentucky Public Service Commission Assessment (0.15%)						0.1500		
4	STATE TAXABLE PRODUCTION INCOME BEFORE 199 DEDUCTION						99.6100		
5	STATE INCOME TAX EXPENSE, NET OF 199 DEDUCTION (SEE BELOW)						5.6384		
6	FEDERAL TAXABLE PRODUCTION INCOME BEFORE 199 DEDUCTION						93.9716		
7	199 DEDUCTION PHASE-IN						5.6372		
8	FEDERAL TAXABLE PRODUCTION INCOME						88.3344		
9	FEDERAL INCOME TAX EXPENSE AFTER 199 DEDUCTION (35%)						30.9171		
10	AFTER-TAX PRODUCTION INCOME						57.4173		
11	GROSS-UP FACTOR FOR PRODUCTION INCOME:								
12	AFTER-TAX PRODUCTION INCOME						57.4173		
13	199 DEDUCTION PHASE-IN						5.6372		
14	UNCOLLECTIBLE ACCOUNTS EXPENSE						0.2400		
15	Kentucky Public Service Commission Assessment (0.15%)						0.1500		
16	TOTAL GROSS-UP FACTOR FOR PRODUCTION INCOME (ROUNDED)						63.4445		
17	BLENDED FEDERAL AND STATE TAX RATE:								
18	FEDERAL (LINE 8)						30.9171		
19	STATE (LINE 4)						5.6384		
20	BLENDED TAX RATE						36.5555		
21	GROSS REVENUE CONVERSION FACTOR (100.0000 / Line 14)						1.5762		
	STATE INCOME TAX CALCULATION:								
1	PRE-TAX PRODUCTION INCOME						100.0000		
2	COLLECTIBLE ACCOUNTS EXPENSE (0.24%)						0.2400		
3	Kentucky Public Service Commission Assessment (0.15%)						0.1500		
4	STATE TAXABLE PRODUCTION INCOME BEFORE 199 DEDUCTION						99.6100		
5	LESS: STATE 199 DEDUCTION						5.6372		
6	STATE TAXABLE PRODUCTION INCOME BEFORE 199 DEDUCTION						93.9728		
7	STATE INCOME TAX RATE						6.0000		
8	STATE INCOME TAX EXPENSE (LINE 5 X LINE 6)						5.6384		

The WACC (PRE - TAX) value on Line 5 is to be recorded on ES FORM 3.10, Line 9.
 Weighted Average Cost of Capital Balances As of 4/30/2010 based on Case No. 2010-00318, dated September 7, 2010.

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of December 2011

LINE NO. (1)	COST COMPONENT (2)	(3)	Rockport Plant Common (4)	Unit No. 1 (5)	Unit No. 2 (6)	Total Units 1 & 2 (C5 + C6) (7)	Rockport Plant Common (8)	Total (9)
1	Return on Rate Base :							
2	Rockport Plant Continuous Environmental Monitoring System (CEMS) Utility Plant at Original Cost		\$1,777,206	\$5,272,657	\$8,353,084		\$2,185,292	
3	AEGCo Low NOx Burners (LNB) Installed Cost			(\$1,497,495)	(\$2,252,476)		(\$199,810)	
4	Flyash Landfill Installed Cost			(\$539,324)	(\$846,360)		\$23,538	
5	Less Accumulated Depreciation							
6	Less Accum. Def. Income Taxes		\$706,673	\$3,235,838	\$5,254,248	\$8,490,086	\$2,008,020	
7	Total Rate Base							
8	Weighted Average Cost of Capital - ES FORM 3.21	11.7403%	0.9784%			0.9784%	0.9784%	
9	Monthly Weighted Avg. Cost of Capital (LINE 7 / 12)		\$6,914			\$83,067	\$19,656	
10	Monthly Return of Rate Base (Line 6 * Line 8)							
11	Operating Expenses :							
12	Monthly Depreciation Expense		\$5,212	\$15,466	\$24,502	\$39,968	\$6,410	
13	Monthly Indiana Air Emissions Fee		\$15,625	\$0	\$0	\$0	\$0	
14	Total Operating Expenses (Line 10 + Line 11)		\$20,837			\$39,968	\$6,410	
15	Total Revenue Requirement, Cost Associated with Rockport Plant CEMS and LNB (Line 9 + Line 12)		\$27,751			\$123,035	\$26,066	
16	Kentucky Power's Portion of Rockport's CEMS (Line 13 * 15%)		\$4,163			\$36,911	\$7,820	
	Kentucky Power's Portion of AEGCo's LNB and Landfill (Line 13 * 30%)							
	Kentucky Power's Portion of Rockport Plants' Total Revenue Requirement. (C 4, Ln 14 + C 7, Ln 15 + C 8, L 15)							
	Note: Cost in Column 8, Line 16 is to be Recorded on ES FORM 3.00 Line 2							\$48,894

ES FORM 3.21

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 ROCKPORT UNIT POWER AGREEMENT COST OF CAPITAL

For the Expense Month of December 2011

LINE NO.	Component	Balances	Cap. Structures	Cost Rates		WACC (NET OF TAX)	GRCF	WACC (PRE - TAX)
		As of 12/31/2011						
1	L/T DEBT	66,487,612	41.2382%	5.3515%		2.2069%		2.2069%
2	S/T DEBT	20,027,220	12.4216%	0.4736%		0.0588%		0.0588%
3	CAPITALIZATION							
3	OFFSETS	0	0.0000%	4.2223%		0.0000%		0.0000%
4	DEBT							
5	C EQUITY	74,713,431	46.3402%	12.1600%	1/	5.6350%	1.681379	2/ 9.4746%
6	TOTAL	161,228,263	100.0000%			7.9007%		11.7403%
		=====	=====			=====		=====
WACC = Weighted Average Cost of Capital 1/ Cost Rates per the Provisions of the Rockport Unit Power Agreement 2/ Gross Revenue Conversion Factor (GRCF) Calculation:								
1	OPERATING REVENUE						100.00	
2	LESS: INDIANA ADJUSTED GROSS INCOME							
3	(LINE 1 X .085)						8.500	
4	INCOME BEFORE FED INC TAX						91.500	
5	LESS: FEDERAL INCOME TAX							
6	(LINE 4 X .35)						32.025	
7	OPERATING INCOME PERCENTAGE						59.475	
8	GROSS REVENUE CONVERSION							
9	FACTOR (100% / LINE 7)						1.681379	

The WACC (PRE - TAX) value on Line 6 is to be recorded on ES FORM 3.20, Line 5.

ES FORM 3.30

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 MONTHLY REVENUES, JURISDICTIONAL ALLOCATION FACTOR,
 and OVER/(UNDER) RECOVERY ADJUSTMENT

For the Expense Month of December 2011

SCHEDULE OF MONTHLY REVENUES

Line No.	Description	Monthly Revenues	Percentage of Total Revenues
1	Kentucky Retail Revenues	\$50,620,415	83.0%
2	FERC Wholesale Revenues	\$524,598	0.9%
3	Associated Utilities Revenues	\$5,272,444	8.6%
4	Non-Assoc. Utilities Revenues	\$4,557,585	7.5%
5	Total Revenues for Surcharges Purposes	\$60,975,042	100.0%
6	Non-Physical Revenues for Month	(\$121,093)	
7	Total Revenues for Month	\$60,853,949	

The Kentucky Retail Monthly Revenues and Percentage of Total Revenues (Line 1) are to be recorded on ES FORM 1.00, Lines 9 and 4. The Percentage of Kentucky Retail Revenues to the Total Revenues for the Expense Month will be the Kentucky Retail Jurisdictional Allocation Factor.

OVER/(UNDER) RECOVERY ADJUSTMENT

Line No.	Description	Amounts
1	Kentucky Retail Surcharge Factor for October 2011	1.0410%
2	Kentucky Retail Revenues for Current Expense Month	\$50,094,428
3	Surcharge Collected (1) * (2)	\$521,483
4	Surcharge Amount To Be Collected	\$398,555
5	Over / (Under) Recovery (3) - (4) = (5)	\$122,928

The Over/(Under) Recovery amount is to be recorded on ES FORM 1.00, LINE 6.

NOTE : The sign on LINE 5 of ES FORM 3.30 will be changed on LINE 6 of ES FORM 1.00 in order to properly adjust the collection of the current month's expense.



Kentucky Power
101A Enterprise Drive
P O Box 5190
Frankfort, KY 40602-5190
KentuckyPower.com

February 20, 2012

Jeff R. Derouen, Executive Director
Public Service Commission
P. O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40602

RECEIVED
FEB 20 2012
PUBLIC SERVICE
COMMISSION

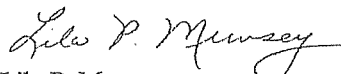
Attention: Jeff Shaw

RE: Monthly Environmental Surcharge Report

Dear Mr. Shaw,

Pursuant to KRS 278.183(3), Kentucky Power Company (Kentucky Power or KPCo) files the original and two copies of its Environmental Surcharge Reports for the month of January 2012. In accordance with the Commission's Orders in the Environmental Surcharge cases, Kentucky Power has included the calculation and supporting documentation of the Environmental Surcharge Factor that will be billed for service on and after February 29, 2012.

If there are any questions please contact me at 502-696-7010.


Lila P. Munsey
Manager, Regulatory Services
Enclosures

ES FORM 1.00

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CALCULATION OF E(m) and SURCHARGE FACTOR
 For the Expense Month of January 2012

<u>CALCULATION OF E(m)</u>		
E(m) = CRR - BRR		
LINE 1	CRR from ES FORM 3.00	\$3,263,816
LINE 2	Brr from ES FORM 1.10	3,991,163 ^{1/}
LINE 3	E(m) (LINE 1 - LINE 2)	(\$727,347)
LINE 4	Kentucky Retail Jurisdictional Allocation Factor, from ES FORM 3.30, Schedule of Revenues, LINE 1	88.6%
LINE 5	KY Retail E(m) (LINE 3 * LINE 4)	(\$644,429)
LINE 6	(Over) / Under Recovery Adjustment from ES FORM 3.30	(\$105,459)
LINE 7	Net KY Retail E(m) (LINE 5 + LINE 6)	(\$749,888)
<u>SURCHARGE FACTOR</u>		
LINE 8	Net KY Retail E(m) (Line 7)	(\$749,888)
LINE 9	KY Retail R(m) from ES FORM 3.30	\$55,884,283
LINE 10	Environmental Surcharge Factor for Expense Month (Line 8 / LINE 9)	-1.3419%

Effective Date for Billing: February 29, 2012

Submitted By : *Lela P. Murray*

Title : Manager Regulatory Services

Date Submitted : February 20, 2012

^{1/} Case No. 2009-00459, dated June 28, 2010

ES FORM 1.10

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 BASE PERIOD REVENUE REQUIREMENT
 For the Expense Month of January 2012

MONTHLY BASE PERIOD REVENUE REQUIREMENT

Billing Month	Base Net Environmental Costs
JANUARY	\$3,991,163
FEBRUARY	3,590,810
MARCH	3,651,374
APRIL	3,647,040
MAY	3,922,590
JUNE	3,627,274
JULY	3,805,325
AUGUST	4,088,830
SEPTEMBER	3,740,010
OCTOBER	3,260,302
NOVEMBER	2,786,040
DECEMBER	4,074,321
TOTAL	\$44,185,079 =====

ES FORM 3.10

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 COSTS ASSOCIATED WITH BIG SANDY

For the Expense Month of January 2012

LINE NO.	COST COMPONENT		
	Return on Rate Base :		
1	Utility Plant at Original Cost	\$191,452,443	
2	Less Accumulated Depreciation	(\$69,108,096)	
3	Less Accum. Def. Income Taxes	(\$38,700,903)	
4	Net Utility Plant		\$83,643,444
5	SO2 Emission Allowance Inventory from ES FORM 3.11		\$12,948,207
6	ECR & NOx Emission Allowance Inventory from ES FORM 3.12		\$176,685
7	Cash Working Capital Allowance from ES FORM 3.13, Line 13		\$130,663
8	Total Rate Base		\$96,898,999
9	Weighted Average Cost of Capital - ES FORM 3.15	10.69%	
10	Monthly Weighted Avg. Cost of Capital (9) / 12		0.89%
11	Monthly Return of Rate Base (8) * (10)		\$862,401
	Operating Expenses :		
12	Monthly Depreciation Expense		\$577,252
13	Monthly Catalyst Amortization Expense		\$46,030
14	Monthly Property Taxes		\$13,322
15	Monthly Kentucky Air Emissions Fee		\$10,527
16	Monthly Environmental AEP Pool Capacity Costs from ES FORM 3.14, Page 1 of 11, Column 5, Line 10		\$806,043
17	Monthly 2003 Plan Non-Fuel O&M Expenses from ES FORM 3.13		\$210,120
18	Monthly SO2 Emission Allowance Consumption		\$693,396
19	Total Operating Expenses [Line 12 thru Line 18]		\$2,356,690
20	Total Revenue Requirement - Big Sandy Record on ES FORM 3.00, Line 1		\$3,219,091

ES FORM 3.11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 SO2 EMISSIONS ALLOWANCE INVENTORY

For the Expense Month of January 2012

	(1) Allowance Activity in Month	(2) Cumulative Balance	(3) Dollar Value of Activity	(4) Cumulative Dollar Balance	(5) Weighted Average Cost
BEGINNING INVENTORY		754,608		\$4,685,726	\$6.209
Additions -					
EPA Allowances	0	474,169	\$0	\$0	\$0.000
Gavin Reallocation	0	94,744	\$0	\$0	\$0.000
P & E Transfers In	0	327,201	\$0	\$4,855,695	\$14.840
Intercompany Purchases	0	109,405	\$0	\$33,456,375	\$305.803
Other (List)	0	433,206	\$0	\$67,152,857	\$155.014
SO2 Emissions Allowance Adjustment	9,564	13,670	(\$3,402,998)	(\$5,103,980)	(\$373.371)
Withdrawals -					
P & E Transfers Out	0	11,382	\$0	\$836,106	\$73.459
Intercompany Sales	0	59,987	\$0	\$4,855,950	\$80.950
Off - System Sales	0	303,050	\$0	\$29,780,273	\$98.269
SO2 Emissions Allowance Adjustment	0	0	\$0	\$0	\$0.000
SO2 Emissions Allowances Consumed By Kentucky Power - 1:1 (Year 2009 & Prior)	622		\$345,324		
SO2 Emissions Allowances Consumed By Kentucky Power - 2:1 (Years 2010 to 2014)	4,468	695,531	\$348,072	\$56,626,137	\$81.414
ENDING INVENTORY - Record Balance in Column (4) on ES FORM 3.10, Line 5		1,137,053		\$12,948,207	\$11.388
Expense Month Member Load Ratio for AEP/Kentucky Power					0.06407

Columns 1 and 2 -

Record the number of allowances in any transaction (purchase, sale, transfer) which occurred during the Expense Month. Multiple transactions for a given category are to be shown as the total activity for that category during the Expense Month. For each transaction shown in Column 1, update the cumulative balance in Column 2.

Columns 3 and 4 -

For each transaction reflected in Column 1, record the total dollars of the transaction. Multiple transaction for a given category are to be shown as the total dollar amount for that category during the Expense Month. For each transaction shown in Column 3, update the cumulative dollar balance in Column 4. Include transactions that total zero dollars. Record amounts in whole dollars.

Column 5 -

Compute the Weighted Average Cost by dividing the Cumulative Dollar Balance (Co. 4) by the corresponding Cumulative Balance (Col. 2). Perform this calculation for the Beginning Inventory, Ending Inventory and all additions and withdrawals made during the Expense Month. The Weighted Average Cost should be carried out to 3 decimal places.

ES FORM 3.12 A

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 SEASONAL NOx EMISSIONS ALLOWANCE INVENTORY

For the Expense Month of January 2012

	(1) Allowance Activity in Month	(2) Cumulative Balance	(3) Dollar Value of Activity	(4) Cumulative Dollar Balance	(5) Weighted Average Cost
BEGINNING INVENTORY		0		\$0	\$0.000
Additions -					
EPA Allowances	45	37,048	\$0	\$0	
P&E Transfers In	0	0		\$0	
Intercompany Purchases	0	0	\$0	\$0	\$0.000
Other (List)	0	0	\$0	\$0	\$0.000
Withdrawals -					
P & E Transfers Out	0	0	\$0	\$0	\$0.000
Intercompany Sales	0	0	\$0	\$0	\$0.000
Off - System Sales	0	2,425	\$0	\$0	\$0.000
ERC Consumed By Kentucky Power	0	930	\$0	\$0	\$0.000
NOx Consumed By Kentucky Power	0	23,693	\$0	\$0	\$0.000
ENDING INVENTORY - Record Balance in Column (4) on ES FORM 3.10, Line 5		10,000		\$0	\$0.000

Columns 1 and 2 -

Record the number of allowances in any transaction (purchase, sale, transfer) which occurred during the Expense Month. Multiple transactions for a given category are to be shown as the total activity for that category during the Expense Month. For each transaction shown in Column 1, update the cumulative balance in Column 2.

Columns 3 and 4 -

For each transaction reflected in Column 1, record the total dollars of the transaction. Multiple transaction for a given category are to be shown as the total dollar amount for that category during the Expense Month. For each transaction shown in Column 3, update the cumulative dollar balance in Column 4. Include transactions that total zero dollars. Record amounts in whole dollars.

Column 5 -

Compute the Weighted Average Cost by dividing the Cumulative Dollar Balance (Co. 4) by the corresponding Cumulative Balance (Col. 2). Perform this calculation for the Beginning Inventory, Ending Inventory and all additions and withdrawals made during the Expense Month. The Weighted Average Cost should be carried out to 3 decimal places.

Note: For any sale or transfer of ERCs or NOx emission allowances, attach to this report documentation showing the currently available market prices for similar ERC or NOx allowances.

Total Early Reduction Credits (ERC)	930
Consumed:	
June 2004	420
July 2004	510
Total Consumed	930
Remaining Early Reduction Credits (ERC)	0

ES FORM 3.12 B

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 ANNUAL NOx EMISSIONS ALLOWANCE INVENTORY

For the Expense Month of January 2012

	(1) Allowance Activity in Month	(2) Cumulative Balance	(3) Dollar Value of Activity	(4) Cumulative Dollar Balance	(5) Weighted Average Cost
BEGINNING INVENTORY		0		\$0	\$0.000
Additions -					
EPA Allowances	0	44,729	\$0	\$0	\$0.000
P&E Transfers In	0	0	\$0	\$0	\$0.000
Intercompany Purchases	0	0	\$0	\$0	\$0.000
External Purchases	500	3,980	\$33,750	\$2,057,440	\$516.945
Other (List)	0	0	\$0	\$0	\$0.000
NOx Emissions Allowance Adjustment	(6)	(6)	(\$1,905)	(\$1,905)	\$317.500
Withdrawals -					
P & E Transfers Out	0	0	\$0	\$0	\$0.000
Intercompany Sales	0	0	\$0	\$0	\$0.000
Off - System Sales	0	0	\$0	\$0	\$0.000
NOx Consumed By Kentucky Power	569	26,454	\$13,565	\$1,878,850	\$71.023
ENDING INVENTORY - Record Balance in Column (4) on ES FORM 3.10, Line 5		22,249		\$176,685	\$7.941

Columns 1 and 2 -

Record the number of allowances in any transaction (purchase, sale, transfer) which occurred during the Expense Month. Multiple transactions for a given category are to be shown as the total activity for that category during the Expense Month. For each transaction shown in Column 1, update the cumulative balance in Column 2.

Columns 3 and 4 -

For each transaction reflected in Column 1, record the total dollars of the transaction. Multiple transaction for a given category are to be shown as the total dollar amount for that category during the Expense Month. For each transaction shown in Column 3, update the cumulative dollar balance in Column 4. Include transactions that total zero dollars. Record amounts in whole dollars.

Column 5 -

Compute the Weighted Average Cost by dividing the Cumulative Dollar Balance (Co. 4) by the corresponding Cumulative Balance (Col. 2). Perform this calculation for the Beginning Inventory, Ending Inventory and all additions and withdrawals made during the Expense Month. The Weighted Average Cost should be carried out to 3 decimal places.

ES FORM 3.13

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT

For the Expense Month of January 2012

	1997 Plan :		
1	Monthly Kentucky Air Emissions Fee	\$10,527	
	Total Monthly AEP Pool		
2	Environmental Capacity Costs	\$131,264	
3	Monthly SO2 Allowance Consumption	<u>\$693,396</u>	
4	Total 1997 Plan O&M Expenses		\$835,187
	2003 Plan :		
5	Monthly Variable Cladding at Big Sandy Unit 1	\$0	
6	Monthly Urea Consumption at Big Sandy Unit 2	\$151,952	
7	Monthly Catalyst Replacement at Big Sandy Unit 2	\$0	
8	Monthly ERC & NOx Allowance Consumption	\$13,565	
9	Equipment - Associated Operating Expenses	\$2,745	
10	Equipment - Associated Maintenance Expenses	<u>\$41,858</u>	
11	Total 2003 Plan O&M Expenses		<u>\$210,120</u>
12	Total Monthly O&M Expenses		<u>\$1,045,307</u>
13	Cash Working Capital Allowance (Line 12 X 1/8)		\$130,663

Total Cost at Line 11 is to be recorded on ES FORM 3.10, Line 7.

Kentucky Power Company
Environmental Equipment Operation and Maintenance Costs
January 2012

Work Description	Material Costs	Outside Contract Labor	Misc Other Costs	Total Costs
Ammonia on Demand (AOD)	\$901.00	\$0.00	\$0.00	\$901.00
Hydrolyzer	(\$2,000.00)	\$922.64	\$0.00	(\$1,077.36)
SCR Acoustic Homs	\$1,000.00	\$0.00	\$0.00	\$1,000.00
SCR Ammonia on Demand (AOD)	\$215.66	\$0.00	\$0.00	\$215.66
SCR Booster Fan	\$34,370.88	\$0.00	\$0.00	\$34,370.88
Total SCR January 2012 O & M Expense	\$34,487.54	\$922.64	\$0.00	\$35,410.18
Additional Operator Overtime During The Ozone Season	\$0.00	\$0.00	\$0.00	\$2,745.28
Emission Testing Required Under Permit -				
Operation	\$0.00	\$0.00	\$0.00	\$0.00
Maintenance	\$6,447.75	\$0.00	\$0.00	\$6,447.75
January 2012 O & M Expenses Filed				\$44,603.21

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 AEP POOL MONTHLY ENVIRONMENTAL CAPACITY COSTS

For the Expense Month of January 2012

Line No. (1)	Cost Component (2)	Ohio Power Company's Environmental Cost to KPCo (3)	Indiana Michigan Power Company's Environmental Cost to KPCo (4)	Total (5)
1	Amos Unit No. 3 Environmental Cost to Kentucky Power (ES FORM 3.14, Page 3 of 11, Line 26)	\$137,417		
2	Cardinal Unit No. 1 Environmental Cost to Kentucky Power (ES FORM 3.14, Page 4 of 11, Line 24)	\$82,040		
3	Gavin Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 5 of 11, Line 26)	\$295,344		
4	Kammer Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 6 of 11, Line 20)	\$2,051		
5	Mitchell Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 7 of 11, Line 23)	\$256,375		
6	Muskingum River Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 8 of 11, Line 20)	\$24,612		
7	Sporn Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 9 of 11, Line 20)	\$4,102		
8	Rockport Plant Environmental to Kentucky Power (ES FORM 3.14, Page 10 of 11, Column 5, Line 21)		\$0	
9	Tanners Creek Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 11 of 11, Line 20)		\$4,102	
10	Total AEP Pool Monthly Environmental Capacity Costs to Kentucky Power	\$801,941	\$4,102	\$806,043

Note: Cost in Column 5, Line 10 is to be recorded on ES FORM 3.10, Line 16.

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 AEP POOL MONTHLY ENVIRONMENTAL CAPACITY COSTS
 WORKING CAPITAL ONLY

For the Expense Month of January 2012

Line No. (1)	Cost Component (2)	Ohio Power Company's (OPCo) Environmental Cost to KPCo (3)	Indiana Michigan Power Company's (I&M) Environmental Cost to KPCo (4)	Total (5)
1	Amos Unit No. 3 Environmental Cost to Kentucky Power (ES FORM 3.14, Page 3 of 11, Line 19)	\$777,256		
2	Cardinal Unit No. 1 Environmental Cost to Kentucky Power (ES FORM 3.14, Page 4 of 11, Line 17)	(\$20,274)		
3	Gavin Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 5 of 11, Line 17)	\$6,480,816		
4	Kammer Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 6 of 11, Line 10)	\$19,398		
5	Mitchell Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 7 of 11, Line 16)	\$1,299,837		
6	Muskingum River Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 8 of 11, Line 10)	\$123,044		
7	Sporn Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 9 of 11, Line 10)	\$16,272		
8	Rockport Plant Environmental to Kentucky Power (ES FORM 3.14, Page 10 of 11, Columns 3 & 6, Line 10)		\$15,625	
9	Rockport Plant Environmental to Kentucky Power (ES FORM 3.14, Page 10 of 11, Columns 4 & 5, Line 10)		\$0	
10	Tanners Creek Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 11 of 11, Line 10)		\$15,625	
11	Subtotal	\$8,696,349	\$31,250	
12	Steam Capacity By Company - OPCo (Column 3) / I&M (Column 4) (kw)	12,860,000	5,414,000	
13	Environmental Base (\$/kw)	\$0.68	\$0.01	
14	Company Surplus Weighting	94.00%	6.00%	
15	Portion of Weighted Average Capacity Rate Attributed to Environmental Fixed O&M Costs	\$0.64	\$0.00	
16	Kentucky Power Capacity Deficit (kw)	205,100	205,100	
17	Fixed O&M Environmental Cost to Kentucky Power	\$131,264	\$0	\$131,264

Note: Cost in Column 5, Line 17 is to be recorded on ES FORM 3.13, Line 2.

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - AMOS PLANT UNIT NO. 3

For the Expense Month of January 2012

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$611,422,571
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%
3	Total Rate Base	\$8,376,489
4	Ohio Power Company's Percentage Ownership - Environmental Investment	100.00%
5	OPCo's Share of Cost Associated with Amos Unit No. 3 (3) X (4)	\$8,376,489
	Operations :	
6	Disposal (5010000)	\$49,270
7	Urea (5020002)	\$462,614
8	Trona (5020003)	\$166,082
9	Lime Stone (5020004)	\$351,437
10	Air Emission Fee	\$11,770
11	Total Operations (Lines 6 thru 10)	\$1,041,173
	Maintenance :	
12	SCR Maintenance (5120000)	\$69,334
13	Scrubber (FGD) Maintenance (5120000)	\$179,969
14	Total Maintenance (12) + (13)	\$249,303
15	1/2 of Maintenance (14) * 50%	\$124,652
16	Fixed O&M (11) + (15)	\$1,165,825
17	Ohio Power Company's Percentage Ownership - O&M Cost	66.67%
18	OPCo's Share of O&M Cost Associated with Amos Unit No. 3 (16) X (17)	\$777,256
	Total Revenue Requirement,	
19	Cost Associated with Amos Unit No. 3 (5) + (18)	\$9,153,745
20	Ohio Power Company Steam Capacity (kw)	12,860,000
21	Amos Unit No. 3 Environmental Rate (\$/kw)	\$0.71
22	Ohio Power Surplus Weighing	94.00%
23	Portion of Weighted Average Capacity Rate Attributed to Amos Unit No. 3 SCR (\$/kw) (21) * (22)	\$0.67
	Amos Unit No. 3 Costs to Kentucky Power :	
24	Amos Unit No. 3 Portion (\$/kw) (23)	\$0.67
25	Kentucky Power Capacity Deficit (kw)	205,100
	Amos Unit No. 3 Environmental Cost to Kentucky Power (24) * (25)	
26	(ES FORM 3.14, Page 1 of 10, Line 1)	\$137,417

ES FORM 3.14
 Page 4 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - CARDINAL UNIT 1

For the Expense Month of January 2012

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$403,006,219
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%
3	Total Rate Base	\$5,521,185
	Operations :	
4	Disposal (5010000)	(\$41,667)
5	Lime (5020001)	\$0
6	Urea (5020002)	\$0
7	Trona (5020003)	\$0
8	Lime Stone (5020004)	\$0
9	Air Emission Fee	\$8,663
10	Total Operations (Line 4 thru 8)	(\$33,004)
	Maintenance :	
11	SCR Maintenance (5120000)	(\$1,303)
12	Scrubber (FGD) Maintenance (5120000)	\$26,763
13	Total Maintenance (13) + (14)	\$25,460
14	1/2 Maintenance (15) * 50%	\$12,730
15	Fixed O&M (12) + (16)	(\$20,274)
	Total Revenue Requirement,	
16	Cost Associated with Cardinal Unit No. 3 (3) + (17)	\$5,500,911
17	Ohio Power Company's Percentage Ownership	100.00%
18	OPCo's Share of Cost Associated with Cardinal Unit No. 1 (18) X (19)	\$5,500,911
19	Ohio Power Company Steam Capacity (kw)	12,860,000
20	Cardinal Unit No. 1 (\$/kw)	\$0.43
21	Ohio Power Surplus Weighing	94.00%
22	Portion of Weighted Average Capacity Rate Attributed to Cardinal Unit No. 1 (\$/kw) (22) X (23)	\$0.40
	Cardinal Unit No. 1 Costs to Kentucky Power :	
23	Cardinal Unit No. 1 Portion (\$/kw) (24)	\$0.40
24	Kentucky Power Capacity Deficit (kw)	205,100
25	Cardinal Unit No. 1 Environmental Cost to Kentucky Power (25) * (26) (ES FORM 3.14, Page 1 of 10, Line 2)	\$82,040

ES FORM 3.14
 Page 5 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - GAVIN PLANT (UNITS 1 & 2)

For the Expense Month of January 2012

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$964,567,531
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%
3	Total Rate Base	\$13,214,575
	Operations :	
4	Sludge Disposal (5010000)	\$874,456
5	Lime (5020001)	\$3,407,914
6	Urea (5020002)	\$1,314,839
7	Trona (5020003)	\$622,279
8	Lime Stone (5020004)	\$193
9	Air Emission Fee	\$35,828
10	Lease (5070005)	\$0
11	Total Operations (Lines 4 thru 10)	\$6,255,509
	Maintenance :	
12	SCR Maintenance (5120000)	\$108,653
13	Scrubber Maintenance (5120000)	\$341,960
14	Total Maintenance (12) + (13)	\$450,613
15	1/2 of Maintenance (13) * 50%	\$225,307
16	Fixed O&M (11) + (15)	\$6,480,816
	Total Revenue Requirement,	
17	Cost Associated with Gavin Plant (3) + (17)	\$19,695,391
18	Ohio Power Company's Percentage Ownership	100.00%
19	OPCo's Share of Cost Associated with Gavin Plant (17) X (18)	\$19,695,391
20	Ohio Power Company Steam Capacity (kw)	12,860,000
21	Gavin Plant (\$/kw)	\$1.53
22	Ohio Power Surplus Weighing	94.00%
23	Portion of Weighted Average Capacity Rate Attributed to Gavin Plant (\$/kw) (21) X (22)	\$1.44
	Gavin Plant Costs to Kentucky Power :	
24	Gavin Plant Portion (\$/kw) (23)	\$1.44
25	Kentucky Power Capacity Deficit (kw)	205,100
	Gavin Plant Environmental Cost to Kentucky Power (24) * (25)	
26	(ES FORM 3.14, Page 1 of 10, Line 3)	\$295,344

ES FORM 3.14
 Page 6 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - KAMMER PLANT (UNITS 1, 2 & 3)

For the Expense Month of January 2012

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$8,487,868
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%
3	Total Rate Base	\$116,284
	Operations :	
4	Urea (5020002)	\$0
5	Trona (5020003)	\$0
6	Air Emission Fee	\$19,398
7	Total Operations (4) + (5) + (6)	\$19,398
	Maintenance :	
8	SCR Maintenance (5120000)	\$0
9	1/2 of Maintenance (8) * 50%	\$0
10	Fixed O&M (7) + (9)	\$19,398
	Total Revenue Requirement,	
11	Cost Associated with Kammer Plant (3) + (10)	\$135,682
12	Ohio Power Company's Percentage Ownership	100.00%
13	OPCo's Share of Cost Associated with Kammer Plant (11) X (12)	\$135,682
14	Ohio Power Company Steam Capacity (kw)	12,860,000
15	Kammer Plant (\$/kw)	\$0.01
16	Ohio Power Surplus Weighing	94.00%
17	Portion of Weighted Average Capacity Rate Attributed to Kammer Plant (\$/kw) (15) X (16)	\$0.01
	Kammer Plant Costs to Kentucky Power :	
18	Kammer Plant Portion (\$/kw) (17)	\$0.01
19	Kentucky Power Capacity Deficit (kw)	205,100
	Kammer Plant Environmental Cost to Kentucky Power (18) * (19)	
20	(ES FORM 3.14, Page 1 of 10, Line 4)	\$2,051

ES FORM 3.14
 Page 7 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - MITCHELL PLANT (UNITS 1 & 2)

For the Expense Month of January 2012

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$1,149,819,326
2	Member Primary Capacity Investment Rate (16.44% / 12)	<u>1.37%</u>
3	Total Rate Base	\$15,752,525
	Operations :	
4	Disposal (5010000)	\$45,175
5	Urea (5020002)	\$568,415
6	Trona (5020003)	\$53,251
7	Lime Stone (5020004)	\$607,609
8	Air Emission Fee	<u>\$18,559</u>
9	Total Operations (Lines 4 thru 8)	\$1,293,009
	Maintenance :	
10	SCR Maintenance (5120000)	\$134
11	FDG (5120000)	<u>\$13,521</u>
12	1/2 of Maintenance (10 + 11) * 50%	<u>\$6,828</u>
13	Fixed O&M (9) + (12)	<u>\$1,299,837</u>
	Total Revenue Requirement,	
14	Cost Associated with Mitchell Plant (3) + (13)	<u>\$17,052,362</u>
15	Ohio Power Company's Percentage Ownership	100.00%
16	OPCo's Share of Cost Associated with Mitchell Plant (14) X (15)	\$17,052,362
17	Ohio Power Company Steam Capacity (kw)	12,860,000
18	Mitchell Plant (\$/kw)	\$1.33
19	Ohio Power Surplus Weighing	94.00%
20	Portion of Weighted Average Capacity Rate Attributed to Mitchell Plant (\$/kw) (18) X (19)	\$1.25
	Mitchell Plant Costs to Kentucky Power :	
21	Mitchell Plant Portion (\$/kw) (20)	\$1.25
22	Kentucky Power Capacity Deficit (kw)	<u>205,100</u>
23	Mitchell Plant Environmental Cost to Kentucky Power (21) * (22) (ES FORM 3.14, Page 1 of 10, Line 5)	\$256,375

ES FORM 3.14
 Page 8 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - MUSKINGUM RIVER PLANT (UNITS 1, 2, 3, 4 & 5)

For the Expense Month of January 2012

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$114,236,110
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%
3	Total Rate Base	\$1,565,035
	Operations :	
4	Urea (5020002)	\$87,343
5	Trona (5020003)	\$0
6	Air Emission Fee	\$34,853
7	Total Operations (4) + (5) + (6)	\$122,196
	Maintenance :	
8	SCR Maintenance (5120000)	\$1,696
9	1/2 of Maintenance (8) * 50%	\$848
10	Fixed O&M (7) + (9)	\$123,044
	Total Revenue Requirement,	
11	Cost Associated with Muskingum Plant (3) + (10)	\$1,688,079
12	Ohio Power Company's Percentage Ownership	100.00%
13	OPCo's Share of Cost Associated with Muskingum Plant (11) X (12)	\$1,688,079
14	Ohio Power Company Steam Capacity (kw)	12,860,000
15	Muskingum Plant (\$/kw)	\$0.13
16	Ohio Power Surplus Weighing	94.00%
17	Portion of Weighted Average Capacity Rate Attributed to Muskingum Plant (\$/kw) (15) X (16)	\$0.12
	Muskingum Plant Costs to Kentucky Power :	
18	Muskingum Plant Portion (\$/kw) (17)	\$0.12
19	Kentucky Power Capacity Deficit (kw)	205,100
	Muskingum Plant Environmental Cost to Kentucky Power (18) * (19)	
20	(ES FORM 3.14, Page 1 of 10, Line 6)	\$24,612

ES FORM 3.14
 Page 9 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 OHIO POWER COMPANY (OPCo) - SPORN PLANT (UNITS 2, 3, 4 & 5)

For the Expense Month of January 2012

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$20,796,088
2	Member Primary Capacity Investment Rate (16.44% / 12)	<u>1.37%</u>
3	Total Rate Base	\$284,906
	Operations :	
4	Urea (5020002)	\$0
5	Trona (5020003)	\$0
6	Air Emission Fee	<u>\$16,272</u>
7	Total Operations (4) + (5) + (6)	\$16,272
	Maintenance :	
8	SCR Maintenance (5120000)	\$0
9	1/2 of Maintenance (8) * 50%	<u>\$0</u>
10	Fixed O&M (7) + (9)	<u>\$16,272</u>
	Total Revenue Requirement,	
11	Cost Associated with Sporn Plant (3) + (10)	<u>\$301,178</u>
12	Ohio Power Company's Percentage Ownership	100.00%
13	OPCo's Share of Cost Associated with Sporn Plant (11) X (12)	\$301,178
14	Ohio Power Company Steam Capacity (kw)	12,860,000
15	Sporn Plant (\$/kw)	\$0.02
16	Ohio Power Surplus Weighing	94.00%
17	Portion of Weighted Average Capacity Rate Attributed to Sporn Plant (\$/kw) (15) X (16)	\$0.02
	Sporn Plant Costs to Kentucky Power :	
18	SpornGavin Plant Portion (\$/kw) (17)	\$0.02
19	Kentucky Power Capacity Deficit (kw)	<u>205,100</u>
	Sporn Plant Environmental Cost to Kentucky Power (18) * (19)	
20	(ES FORM 3.14, Page 1 of 10, Line 7)	\$4,102

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
INDIANA MICHIGAN POWER COMPANY (I&M) - ROCKPORT PLANT (UNITS 1 & 2)

For the Expense Month of January 2012

LINE NO.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
		COST	Rockport Plant Common	UNIT 1 AMOUNTS	UNIT 2 AMOUNTS	Rockport Plant Common	Total
		(2)	(3)	(4)	(5)	(6)	(7)
1	Utility Plant at Original Cost		\$1,785,548	\$10,544,676	\$16,709,416	\$2,527,341	
2	Member Primary Capacity Investment Rate (16.44% / 12)		1.37%	1.37%	1.37%	1.37%	
3	Total Rate Base		\$24,462	\$144,462	\$228,919	\$34,625	
4	Operations :		\$0	\$0	\$0	\$0	
5	Urea (5020002)		\$0	\$0	\$0	\$0	
6	Trona (5020003)		\$15,625	\$0	\$0	\$0	
7	Air Emission Fee		\$15,625	\$0	\$0	\$0	
8	Total Operations (4) + (5) + (6)		\$0	\$0	\$0	\$0	
9	Maintenance :		\$0	\$0	\$0	\$0	
10	SCR Maintenance (5120000)		\$0	\$0	\$0	\$0	
11	1/2 of Maintenance (8) * 50%		\$0	\$0	\$0	\$0	
12	Fixed O&M (7) + (9)		\$15,625	\$0	\$0	\$0	
13	Total Revenue Requirement, Cost Associated with Rockport Plant (3) + (10) Indiana Michigan Power Company's Percentage Ownership		\$40,087	\$144,462	\$228,919	\$34,625	
14	I&M's Share of Cost Associated with Rockport Plant (11) X (12)		50%	85.00%	65.08%	50.00%	
15	Total Rockport Plant Common and Units 1 & 2		\$20,044	\$122,793	\$148,980	\$17,313	\$309,130
16	Indiana Michigan Power Company Steam Capacity (kw) Rockport Plant (\$/kw) (14) / (15)						5,414,000
17	Kentucky Power Portion of Rockport Plant / Indiana Michigan Power Surplus Weighing						\$0.06
18	Portion of Weighted Average Capacity Rate Attributed to Rockport Plant (\$/kw) (17) X (18)						6.00%
19	Rockport Plant Costs to Kentucky Power :						\$0.00
20	Rockport Plant Portion (\$/kw) (16) Kentucky Power Capacity Deficit (kw)						\$0.00
21	Rockport Units 1 & 2 Environmental to Kentucky Power (19) * (20) (ES FORM 3.14, Page 1 of 10, Line 8)						205,100
							\$0

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 INDIANA MICHIGAN POWER COMPANY (I&M) - TANNERS CREEK (UNITS 1, 2, 3 & 4)

For the Expense Month of January 2012

LINE NO.	COST	AMOUNTS
1	Utility Plant at Original Cost	\$98,564,441
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%
3	Total Rate Base	\$1,350,333
	Operations :	
4	Urea (5020002)	\$0
5	Trona (5020003)	\$0
6	Air Emission Fee	\$15,625
7	Total Operations (4) + (5) + (6)	\$15,625
	Maintenance :	
8	SCR Maintenance (5120000)	\$0
9	1/2 of Maintenance (8) * 50%	\$0
10	Fixed O&M (7) + (9)	\$15,625
	Total Revenue Requirement,	
11	Cost Associated with Tanners Creek Plant (3) + (10)	\$1,365,958
12	Indiana Michigan Power Company's Percentage Ownership	100.00%
13	I&M's Share of Cost Associated with Tanners Creek Plant (11) X (12)	\$1,365,958
14	Indiana Michigan Power Company Steam Capacity (kw)	5,414,000
15	Tanners Creek Plant (\$/kw)	\$0.25
16	Indiana Michigan Power Surplus Weighing	6.00%
17	Portion of Weighted Average Capacity Rate Attributed to Rockport Plant (\$/kw) (15) X (16)	\$0.02
	Tanners Creek Plant Costs to Kentucky Power :	
18	Tanners Creek Plant Portion (\$/kw) (17)	\$0.02
19	Kentucky Power Capacity Deficit (kw)	205,100
20	Tanners Creek Plant Environmental Cost to Kentucky Power (18) * (19) (ES FORM 3.14, Page 1 of 10, Line 9)	\$4,102

ES FORM 3.15

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 BIG SANDY PLANT COST OF CAPITAL

For the Expense Month of January 2012

LINE NO.	Component	Balances	Cap. Structure	Cost Rates		WACC (Net of Tax)	GRCF		WACC (PRE-TAX)
		As of 4/30/2010							
1	L/T DEBT	\$550,000,000	51.941%	6.48%		3.37%			3.37%
2	S/T DEBT	\$0	0.000%	0.83%		0.00%			0.00%
3	ACCTS REC FINANCING	\$43,588,933	4.116%	1.22%		0.05%			0.05%
4	C EQUITY	\$465,314,088	43.943%	10.50%	1/	4.61%	1.5762	2/	7.27%
5	TOTAL	\$1,058,903,021	100.000%			8.03%			10.69%
1/	WACC = Weighted Average Cost of Capital Rate of Return on Common Equity per Case No. 2010 - 00020								
2/	Gross Revenue Conversion Factor (GRCF) Calculation: Case No. 2010 - 00020 dated - April 29, 2010								
1	OPERATING REVENUE						100.0000		
2	UNCOLLECTIBLE ACCOUNTS EXPENSE (0.24%)						0.2400		
3	Kentucky Public Service Commission Assessment (0.15%)						0.1500		
4	STATE TAXABLE PRODUCTION INCOME BEFORE 199 DEDUCTION						99.6100		
5	STATE INCOME TAX EXPENSE, NET OF 199 DEDUCTION (SEE BELOW)						5.6384		
6	FEDERAL TAXABLE PRODUCTION INCOME BEFORE 199 DEDUCTION						93.9716		
7	199 DEDUCTION PHASE-IN						5.6372		
8	FEDERAL TAXABLE PRODUCTION INCOME						88.3344		
9	FEDERAL INCOME TAX EXPENSE AFTER 199 DEDUCTION (35%)						30.9171		
10	AFTER-TAX PRODUCTION INCOME						57.4173		
11	GROSS-UP FACTOR FOR PRODUCTION INCOME:								
12	AFTER-TAX PRODUCTION INCOME						57.4173		
13	199 DEDUCTION PHASE-IN						5.6372		
14	UNCOLLECTIBLE ACCOUNTS EXPENSE						0.2400		
15	Kentucky Public Service Commission Assessment (0.15%)						0.1500		
16	TOTAL GROSS-UP FACTOR FOR PRODUCTION INCOME (ROUNDED)						63.4445		
17	BLENDED FEDERAL AND STATE TAX RATE:								
18	FEDERAL (LINE 8)						30.9171		
19	STATE (LINE 4)						5.6384		
20	BLENDED TAX RATE						36.5555		
21	GROSS REVENUE CONVERSION FACTOR (100.0000 / Line 14)						1.5762		
	STATE INCOME TAX CALCULATION:								
1	PRE-TAX PRODUCTION INCOME						100.0000		
2	COLLECTIBLE ACCOUNTS EXPENSE (0.24%)						0.2400		
3	Kentucky Public Service Commission Assessment (0.15%)						0.1500		
4	STATE TAXABLE PRODUCTION INCOME BEFORE 199 DEDUCTION						99.6100		
5	LESS: STATE 199 DEDUCTION						5.6372		
6	STATE TAXABLE PRODUCTION INCOME BEFORE 199 DEDUCTION						93.9728		
7	STATE INCOME TAX RATE						6.0000		
8	STATE INCOME TAX EXPENSE (LINE 6 X LINE 7)						5.6384		

The WACC (PRE - TAX) value on Line 5 is to be recorded on ES FORM 3.10, Line 9.
 Weighted Average Cost of Capital Balances As of 4/30/2010 based on Case No. 2010-00318, dated September 7, 2010.

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of January 2012

LINE NO.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		COST COMPONENT		Rockport Plant Common	Unit No. 1	Unit No. 2	Total Units 1 & 2 (C5 + C6)	Rockport Plant Common	Total
1		Return on Rate Base :							
2		Rockport Plant Continuous Environmental Monitoring System (CEMS)		\$1,774,758	\$5,272,657	\$8,353,084		\$2,510,613	
3		Utility Plant at Original Cost							
4		AEGCo Low NOx Burners (LNB) Installed Cost		(\$918,049)	(\$1,512,961)	(\$2,276,976)		(\$206,220)	
5		Flyash Landfill Installed Cost		(\$155,871)	(\$533,911)	(\$837,785)		\$25,781	
6		Less Accumulated Depreciation		\$700,838	\$3,225,765	\$5,238,321	\$8,464,106	\$2,330,174	
7		Total Rate Base	9.9369%						
8		Weighted Average Cost of Capital - ES FORM 3.21		0.8281%			0.8281%	0.8281%	
9		Monthly Weighted Avg. Cost of Capital (LINE 7 / 12)		\$5,804			\$70,091	\$19,296	
10		Monthly Return of Rate Base (Line 6 * Line 8)		\$5,205	\$15,466	\$24,502	\$39,968	\$6,410	
11		Operating Expenses :		\$20,830	\$0	\$0	\$39,968	\$0	
12		Monthly Depreciation Expense							
13		Monthly Indiana Air Emissions Fee							
14		Total Operating Expenses (Line 10 + Line 11)		\$26,634			\$39,968	\$6,410	
15		Total Revenue Requirement, Cost Associated with Rockport Plant CEMS and LNB (Line 9 + Line 12)		\$3,995			\$110,059	\$25,706	
16		Kentucky Power's Portion of Rockport's CEMS (Line 13 * 15%)							
		Kentucky Power's Portion of AEGCo's LNB and Landfill (Line 13 * 30%)							
		Kentucky Power's Portion of Rockport Plants' Total Revenue Requirement. (C 4, Ln 14 + C 7, Ln 15 + C 8, L 15)							
		Note: Cost in Column 8, Line 16 is to be Recorded on ES FORM 3.00 Line 2							\$44,725

ES FORM 3.21

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 ROCKPORT UNIT POWER AGREEMENT COST OF CAPITAL

For the Expense Month of January 2012

LINE NO.	Component	Balances	Cap. Structures	Cost Rates		WACC (NET OF TAX)	GRCF	WACC (PRE - TAX)
		As of 1/31/2012						
1	L/T DEBT	66,487,612	34.5014%	5.4188%		1.8696%		1.8696%
2	S/T DEBT	51,508,881	26.7287%	0.5262%		0.1406%		0.1406%
	CAPITALIZATION							
3	OFFSETS	0	0.0000%	3.2830%		0.0000%		0.0000%
4	DEBT							
5	C EQUITY	74,713,431	38.7699%	12.1600%	1/	4.7144%	1.681379	7.9267%
6	TOTAL	192,709,924	100.0000%			6.7246%		9.9369%
WACC = Weighted Average Cost of Capital 1/ Cost Rates per the Provisions of the Rockport Unit Power Agreement 2/ Gross Revenue Conversion Factor (GRCF) Calculation:								
	1	OPERATING REVENUE					100.00	
	2	LESS: INDIANA ADJUSTED GROSS INCOME						
	3	(LINE 1 X .085)					8.500	
	4	INCOME BEFORE FED INC TAX					91.500	
	5	LESS: FEDERAL INCOME TAX						
	6	(LINE 4 X .35)					32.025	
	7	OPERATING INCOME PERCENTAGE					59.475	
	8	GROSS REVENUE CONVERSION						
	9	FACTOR (100% / LINE 7)					1.681379	

The WACC (PRE - TAX) value on Line 6 is to be recorded on ES FORM 3.20, Line 5.

ES FORM 3.30

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 MONTHLY REVENUES, JURISDICTIONAL ALLOCATION FACTOR,
 and OVER/(UNDER) RECOVERY ADJUSTMENT

For the Expense Month of January 2012

SCHEDULE OF MONTHLY REVENUES

Line No.	Description	Monthly Revenues	Percentage of Total Revenues
1	Kentucky Retail Revenues	\$55,884,283	88.6%
2	FERC Wholesale Revenues	\$580,219	0.9%
3	Associated Utilities Revenues	\$1,908,090	3.0%
4	Non-Assoc. Utilities Revenues	\$4,714,834	7.5%
5	Total Revenues for Surcharges Purposes	\$63,087,426	100.0%
6	Non-Physical Revenues for Month	\$247,893	
7	Total Revenues for Month	\$63,335,319	

The Kentucky Retail Monthly Revenues and Percentage of Total Revenues (Line 1) are to be recorded on ES FORM 1.00, Lines 9 and 4. The Percentage of Kentucky Retail Revenues to the Total Revenues for the Expense Month will be the Kentucky Retail Jurisdictional Allocation Factor.

OVER/(UNDER) RECOVERY ADJUSTMENT

Line No.	Description	Amounts
1	Kentucky Retail Surcharge Factor for November 2011	1.6812%
2	Kentucky Retail Revenues for Current Expense Month	\$49,126,279
3	Surcharge Collected (1) * (2)	\$825,911
4	Surcharge Amount To Be Collected	\$720,452
5	Over / (Under) Recovery (3) - (4) = (5)	\$105,459

The Over/(Under) Recovery amount is to be recorded on ES FORM 1.00, LINE 6.

NOTE : The sign on LINE 5 of ES FORM 3.30 will be changed on LINE 6 of ES FORM 1.00 in order to properly adjust the collection of the current month's expense.