COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

APPLICATION OF KENTUCKY POWER COMPANY FOR APPROVAL OF ITS ENVIRONMENTAL SURCHARGE PLAN, APPROVAL OF ITS AMENDED ENVIORNMENTAL COST RECOVERY SURCHARGE TARIFFS, AND FOR THE GRANT OF CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY FOR THE CONSTRUCTION AND ACQUISTION OF RELATED FACILITIES	) CASE NO. 2011-00401

RESPONSES OF KENTUCKY POWER COMPANY TO
ATTORNEY GENERAL'S INITIAL SET OF DATA REQUESTS

January 27, 2012

VERIFICATION

The undersigned, KARL R. BLETZACKER, being duly sworn, deposes and says he is Director, Fundamental Analysis for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief.

Karl R Bletzacker

KARL R. BLETZACKER

STATE OF OHIO)
) CASE NO. 2011-00401
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Karl R. Bletzacker, this the 25th day of January 2012.

NOTARIAL SEAL STATE OF OHIO

Cheryl L. Strawser
Notary Public, State of Ohio
My Commission Expires 10-01-2016

Cheryl L. Strawser

Notary Public

My Commission Expires: October 1, 2016

VERIFICATION

The undersigned, Lila P. Munsey, being duly sworn, deposes and says she is the Manager, Regulatory Services for Kentucky Power, that she has personal knowledge of the matters set forth in the forgoing responses for which she is the identified witness and that the information contained therein is true and correct to the best of her information, knowledge, and belief

Lila P. Munsey

Lila P. Munsey

COMMONWEALTH OF KENTUCKY)
) CASE NO. 2011-00401
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Lila P. Munsey, this 20th day of January 2012.

Judy K Rosquist

Notary Public

My Commission Expires: January 23, 2013

VERIFICATION

The undersigned, TOBY THOMAS, being duly sworn, deposes and says he is Managing Director, Kentucky Power Generation, Gas, Renewals and Planning for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief.

TOBY THOMAS

STATE OF OHIO)
) CASE NO. 2011-00401
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Toby Thomas, this the 25th day of January 2012.

Notary Public

My Commission Expires: 1/4/2014

DONNA J. STEPHENS
Notary Public, State of Ohio
My Commission Expires 01-04-2014

VERIFICATION

The undersigned, ROBERT L. WALTON being duly sworn, deposes and says he is Managing Director Projects and Controls for American Electric Power, that he has personal knowledge of the matters set forth in the forging responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief

ROBERT L. WALTON

STATE OF OHIO)
) CASE NO. 2011-00401
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Robert L. Walton, this the 20 day of January 2012.

Notary Public

My Commission Expires: 5-29-2012

VERIFICATION

The undersigned, SCOTT C. WEAVER, being duly sworn, deposes and says he is Managing Director Resource Planning and Operation Analysis for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief

SCOTT C. WEAVER

STATE OF OHIO	)	
	)	CASE NO. 2011-00401
COUNTY OF FRANKLIN	)	

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Scott C. Weaver, this the 24th day of January 2012.

NOTARIAL SEAL
STATE OF OHIO

Cheryl L. Strawser
Notary Public, State of Ohio
My Commission Expires 10-01-2016

Cheryl L. Strawser
Notary Public

My Commission Expires: October 1, 2016

VERIFICATION

The undersigned, Ranie K. Wohnhas, being duly sworn, deposes and says he is the Managing Director Regulatory and Finance for Kentucky Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief

Ranie K. Wohnhas

Ranie K. Wohnhas

COMMONWEALTH OF KENTUCKY)
) CASE NO. 2011-00401
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Ranie K. Wohnhas, this the 20th day of January, 2012.

Judy K Rosquist

Notary Public

My Commission Expires: January 23, 2013

VERIFICATION

The undersigned, John M. McManus, being duly sworn, deposes and says he is Vice President Environmental Services for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief

John M. McManus

John M. McManus

STATE OF OHIO)
) CASE NO. 2011-00401
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by John M. McManus, this the 16 day of January 2012.

Janet L. White

Notary Public

JANET L. WHITE
Notary Public, State of Ohio
My Commission Expires: My Commission Expires 09-09-2013

Kentucky Power Company

REQUEST

Please reference the McManus testimony at page 7, lines 13 through 15, wherein the following statement appears regarding the final CSPAR rule. "The assurance provisions go into effect in 2012 based on the final rule, but EPA has proposed delaying the effective year to 2014." Please update the McManus testimony if necessary as well as the application in general and any other testimonies to reflect changes, if any, the company will experience or anticipates it will experience.

RESPONSE

Since the filing of Company witness McManus's direct testimony in this proceeding, the CSAPR has been stayed by the D.C. Circuit. A court decision on the future of this rule is expected later in 2012. While it is unlikely that CSAPR will be applicable in 2012, it is possible that this rule will become effective in 2013. At this time, it is unknown what role the assurance provision will have in any future ruling. In absence of CSAPR, the company must continue to adhere to the provisions of the CAIR allowance program.

WITNESS: John M McManus

Kentucky Power Company

REQUEST

Please reference the McManus testimony at page 9, footnote 2. Please provide the EPA state emission budget allowance for the state of Indiana.

RESPONSE

Please see Attachment 1 of this response for the EPA emission budget allowances for the State of Indiana per the CSAPR finalized on July 6, 2011.

WITNESS: John M McManus

State Budgets, Variability Limits, and Assurance Levels for Annual NOx Emissions (Thousand Tons)						
State	Budget		Variability Limit		State Assurance Level	
	2012	2014	2012	2014	2012	2014
Indiana	109.726	108.424	19.751	19.516	129.477	127.94

State Budgets, Variability Limits, and Assurance Levels for Annual SO_2 Emissions (Thousand Tons)							
State	SO_2 Group	Budget		Variability Limit		State Assurance Level	
		2012	2014	2012	2014	2012	2014
Indiana	1	285.424	161.111	51.376	29	336.8	190.111

State Budgets, Variability Limits, and Assurance Levels for Ozone-Season NO_X Emissions (Thousand Tons)						
State	Budget		Variability Limit		State Assurance Level	
	2012	2014	2012	2014	2012	2014
Indiana	46.876	46.175	9.844	9.697	56.72	55.872

Kentucky Power Company

REQUEST

Please update the application and all testimonies to reflect the effect, impact, and ramifications which the 2011 promulgation of the final version of EPA's MACT rule will have upon the company.

RESPONSE

The MACT Rule was finalized by the U.S. Environmental Protection Agency (EPA) on December 16, 2011, and was renamed the Mercury Air Toxics Standards (MATS) Rule. AEP is in the process of analyzing the newly finalized rule addressing mercury and other hazardous pollutants (HAPS). The final rule varies little from the proposed rule, and based on a preliminary analysis, there will be little if any change in impact on the company from the rule. When a more thorough analysis is completed, a determination will be made of the need for an update of the application and testimonies.

WITNESS: John M McManus

Kentucky Power Company

REQUEST

Please reference the McManus testimony at page 14, line 17. What are the other "sources" referenced in the statement. Please describe them in detail.

RESPONSE

Under the final CSAPR, the Company may purchase additional allowances from the market to cover its emissions, assuming other allowance holders are willing to sell. "Sources" in the market include any entity that owns CSAPR allowances, and are typically utility companies that are allocated allowances from USEPA.

WITNESS: John M McManus

Kentucky Power Company

REQUEST

Please reference the McManus testimony at page 17. In the event the air permits as filed are not approved, what effect, if any, will any disapproval have on the current application pending before the PSC?

RESPONSE

In the event the air permit application, as filed for the Big Sandy Unit 2 FGD project is not approved, the Company will have to work with the Kentucky Division of Air Quality to mitigate all issues that prevented approval. Such disapproval may delay the project schedule as shown in Exhibit RLW-1 of Company witness Walton's direct testimony, and construction cannot commence until air permit application approval is received.

WITNESS: John M McManus

Kentucky Power Company

REQUEST

Please reference the Munsey testimony at pages 22 and 23 where the company bases the monthly and yearly financial impact on a residential customer's bill using an average 1,000 kWh per month.

a. What is the actual, average residential monthly use for KPCo's customers for the past five years?

b. If it is different than 1,000 kWh per month, please provide the increase on the average residential customer's bill.

RESPONSE

a. The average residential monthly use for Kentucky's customers is listed below:

Kentucky Power Company
Average Monthly Residential Usage

Year	kWh
2007	1,436
2008	1,435
2009	1,407
2010	1,523
2011	1,376

b. Based on the average residential customer's bill in 2011, and using the increase as filed, the average residential customer's bill would increase by $41.72, or approximately 31.4%, in 2016. Using the adjusted increase described in the Company's response to KPSC 1-20(a), the average residential customer's bill would increase by $39.19, or approximately 29.5%, in 2016.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

What is the actual, average commercial monthly use for KPCo's customers for the past five years?

a. How much will the average commercial customer's bill increase?

RESPONSE

Kentucky Power Company
Average Monthly Commercial Usage

Year	kWh
2007	4,059
2008	4,005
2009	4,021
2010	4,109
2011	3,840

a. Based on the average commercial customer's bill in 2011, and using the increase as filed, the average commercial customer's bill would increase by $118.34, or approximately 31.4%, in 2016. Using the adjusted increase described in the Company's response to KPSC 1-20(a), the average commercial customer's bill would increase by $111.18, or approximately 29.5%, in 2016.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

What is the actual, average industrial monthly use for KPCo's customers for the past five years?

a. How much will the average industrial customer's bill increase?

RESPONSE

Kentucky Power Company
Average Monthly Industrial Usage

Year	kWh
2007	184,067
2008	193,305
2009	185,809
2010	190,260
2011	192,620

a. Based on the average industrial customer's bill in 2011, and using the increase as filed, the average industrial customer's bill would increase by $3,645.16, or approximately 31.4%, in 2016. Using the adjusted increase described in the Company's response to KPSC 1-20(a), the average industrial customer's bill would increase by $3,424.59, or approximately 29.5%, in 2016.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Please reference the Walton testimony at page 20 at lines 7 through 12.

a. Provide the numerical or percentage increase for the "escalation of labor and materials in the cost estimate."

b. Does KPCo inflate construction costs to address administrative company oversight of the contract(s)? If so, by how much and does it vary by the degree of administrative work performed by KPCo?

RESPONSE

a. During the 5-year period 2006 through 2010, the IHS CERA Cost Index data for FGD projects indicate an overall total escalation in costs of 28%, which equates to a 5.1% annual rate. It is KPCo's opinion that Utility Industry FGDs, SCRs and other environmental projects will experience a similar "boom-bust" cycle as seen in the later part of the last decade and thus, we have utilized the stated annual rate in our estimate.

b. KPCo does not inflate construction costs to address contract administration. In the normal course of developing and then refining the overall project cost estimate, each AEP support organization, including Contract Administration, provides a forecast of the costs required to execute their specific responsibilities in support of the project.

WITNESS: Robert L Walton

Kentucky Power Company

REQUEST

Does the company believe that its cost estimates of complying with the EPA regulations / laws cited in the application are excessive, when compared with the cost estimates of other utilities which generate their electricity by coal to likewise comply with the same EPA mandates? Describe the answer in detail.

RESPONSE

Although the Company is not privy to the specific costs that other utilities may actually be incurring to comply with EPA mandates, the Company does not believe its cost estimates are excessive. The results of the Company's due diligence, economic evaluation, and technical evaluation demonstrate that installing the NID system on Big Sandy Unit 2 is the lowest cost option.

WITNESS: Robert L Walton

Kentucky Power Company

REQUEST

Please reference the Weaver testimony at pages 12 through 13 as well as the testimony in general. Please provide a chart or graphical depiction of the following, broken down by Phase 1 and Phase 2 of the CSAPR Rule:

a. the estimated curtailment date(s), if any, of the Big Sandy units, with each unit listed separately, and amount of generated electricity expected to be curtailed;

b. the amounts and expected costs of any additional power that may have to be purchased as a result of any such curtailments;

c. the estimated impact on the bills of average residential, commercial and industrial customers, with each listed separately, including also the costs of any purchased power reflected in subpart (b), above.

RESPONSE

a. Please see the response to KPSC 1-8.

WITNESS: Robert L Walton

Kentucky Power Company

REQUEST

Please reference the application in general as it relates to using natural gas as the feedstock to power KPCo's generators. Is the company familiar with the impact on natural gas prices that occurred when electric generating utilities began using natural gas as the feedstock for peaking units in the late 1980's/early 90's? If so, what happened to that price?

RESPONSE

The company is familiar with the relationship between natural gas price and natural gas demand described as Price Elasticity; the percentage change in the quantity demanded divided by the percentage change in price. With the development of shale gas, the price elasticity of natural gas has risen to near 1.0. This would imply that a 10% increase in total natural gas demand (of which electric generation is approximately 30%), the resulting price increase would be approximately 10% ($0.40 on $4/mmbtu natural gas). In the late 1980's, domestic natural gas price was less elastic due to marginal supply that was generally coming from offshore Gulf of Mexico.

WITNESS: Scott C Weaver, Karl R Bletzacker

Kentucky Power Company

REQUEST

Please reference the application in general. Did KPCo consider the availability and cost of purchased power (whether from the AEP Power Pool, or the open market) given the necessary upgrades that other electric generating utilities must initiate in order to reach compliance with the EPA regulations discussed in the company's application? If not, why not? If so, please explain in detail including any cost studies, analyses, etc.

a. If the answer to the above question is no, please explain in detail why not.

RESPONSE

Yes. The AEP Fundamental Analysis group's profiling of pricing scenarios identified under TABLE 3 (pages 28 and 29) of Mr. Weaver's testimony did reflect the prospects and implications of emerging U.S. EPA regulations including CSAPR, EGU MACT (now "MATS") as well as CCR and Clean Water Act 316(b) rulemaking. The modeling performed by this group using their proprietary tool, Aurora$^{\text{XMP}}$, was performed "holistically"; meaning it encompassed zonal markets across the <u>entire</u> U.S. Eastern Interconnect, plus ERCOT (Texas). Based on direct intelligence gathered by that group in terms of any publicly-announced, non-AEP generating unit status, assumptions were then made by Fundamental Analysis around a disposition approach (e.g. retirement, retrofitting, curtailment) for each and every fossil generating unit owned by other electric utilities and IPP's based on their adherence to the same set of rulemaking identified above.

WITNESS: Scott C Weaver and Karl R Bletzacker

Kentucky Power Company

REQUEST

Does KPCo believe that the actions which electric generating utilities will need to initiate in order to achieve compliance with the new or revised EPA regulations will or may threaten the reliability of the U.S. electric grid? Explain your answer in detail and provide any studies, analyses, etc.

RESPONSE

KPCo and others expressed concerns to USEPA during the rulemaking process for the CSAPR and MACT rules about the potential impacts of the accelerated implementation schedule of these rules on the reliability of the electricity grid. Copies of AEP's comments on both the CSAPR and MACT rules, and supplemental information submitted by AEP after the close of the comment period on both rules in response to further requests from USEPA are provided. In addition, AEP relied on comments submitted by EEI and others, copies of which are also provided. Certain of the studies referenced in these comments that focus on reliability impacts and construction schedule timing are also provided. Finally, SPP, PJM, and a joint group of reliability organizations submitted comments to USEPA to address these concerns. Copies of these comments to USEPA, along with other reliability related reports, are also provided in "AG 1-14 Attachment 1" through "AG 1-14 Attachment 16". The full docket for these rules, including all comments and analyses submitted to USEPA, can be located at regulations.gov.

WITNESS: John M McManus

Kentucky Power Company

REQUEST

Is the company familiar with Kentucky PSC precedent wherein the Commission has refused to allow regulated utilities to include within their rate base the estimated rate impact(s) of draft legislation and other potential legal requirements which the utility anticipates or believes will become likely at some future time ?

a. If so, please explain why the company included pricing forecasts for CO_2 in its modeling for its decision(s) in the application.

RESPONSE

Without citation to the specific Commission decisions referenced in the data request, Kentucky Power is unable to respond with the requisite certainty to that portion of the data request asking about its "familiarity with Kentucky PSC precedent …." The Company is willing to consider the applicability of any specifically identified precedent to its modeling.

a. Without regard to the Company's familiarity with the referenced precedent, it was appropriate for Kentucky Power to include pricing forecasts for CO2 in connection with the modeling performed in connection with its application. The forecasting was done in connection with the Company's efforts to determine the least-cost alternative among the four alternatives analyzed. This process is wholly separate from, and independent of, those ratemaking principles (that the data request may or may not be referencing) requiring that any adjustments to test year values be known and measurable.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

In the informal conference held in this matter on January 5, 2012, KPCo officials provided a discussion regarding the dry flue gas desulfurization technology known as the Alstom NID.

a. Please provide the names of the U.S. utilities which either have or currently are using the Alstom NID technology.

b. Please discuss in detail how the technology has been used by any utility, by name, in the U.S.

c. Provide a comprehensive discussion regarding the due diligence, including but not limited to reliability, lifespan of the equipment deployed and O&M expenses, the company conducted regarding this technology. Include in your discussion the extent to which KPCo and AEP investigated FGD technology made by other manufacturers.

d. In the informal conference discussed above, KPCo stated that the Alstom NID technology is used by some European utilities. Please indicate for how long this technology has been used by any such utility. Provide a comparison of expected O & M costs for the Alstom NID technology, compared with expected O & M costs incurred for other dry FGD technology which the company investigated in its due diligence. Such other technology may include dry FGD technology installed on generating units owned in whole or in part or controlled by AEP and / or its affiliates or subsidiaries, or by other utilities.

e. Company officials stated that the Alstom NID technology would have lower installed capital costs. Provide the installed capital costs for other dry FGD technologies for which KPCO / AEP conducted its due diligence.

   (i) What other capital costs would be associated with both the Alstom NID technology, and other dry FGD technology? Discuss in complete detail, including any studies, analyses, etc..

f.. Company officials stated that using the Alstom NID technology would lead to greater fuel savings. Provide a discussion in this regard, and provide a model of the amount of fuel savings anticipated, together with all assumptions upon which the model is based. Please provide the model on an Excel spreadsheet with all formulae intact.

g. In the event the Commission should approve KPCo's request for a CPCN for the Alstom

NID technology, please state whether KPCo would continue to use the same or rough equivalent amounts of Kentucky coal that it currently uses for its Big Sandy-2 plant.

h. If similar amounts of Kentucky coal are not used, please reconcile this to the goal of KRS 278.183 for Kentucky utilities to use Kentucky coal.

i. Company officials stated that the Alstom NID technology would have a parasitic load of between 2% - 3%. Please state whether this would cause the company to purchase additional power, and if so, how much, in terms of both amounts and expected costs. Additionally, please provide a comparison of the parasitic load that could be expected if dry FGD technology from other manufacturers is used in lieu of the Alstom NID.

RESPONSE

a. Please see the response to Commission Staff's First Set of Data Requests Item No. 35(a).

b. This technology has been mainly used to remove SO2 from the flue gas stream at coal-fired power plants in the US.

c. Please see the responses to Commission Staff's First Set of Data Requests, Item No. 30, Attachment 1 and Item No. 35(b).

d. This technology has been used in Europe since 1995. For O&M costs, please see the response to Commission Staff's First Set of Data Requests, Item No. 30.

e. Please see the responses to Commission Staff's First Set of Data Requests, Item No. 30, Attachment 1, page 9.

(i) There are no other capital costs expected to be associated with the NID system or other dry FGD technology that were not included in the analysis.

f. The attached file provides the KPCo fuel savings for various types of FGD technology (i.e. Wet, Dry and NID). This analysis indicates that the NID 4.5 lb coal technology produces fuel savings over the other FGD technologies.

g. It is not yet known with certainty whether KPCo would increase or decrease its usage of Kentucky coal following the retrofit of the NID system. KPCo does currently procure low sulfur coal from sources within Kentucky. After the retrofit, KPCo will not only need to continue to procure low sulfur coal, but will also have the flexibility to procure higher sulfur coal, of which there are sources in Kentucky. The amount of Kentucky coal that KPCo uses after the NID retrofit will depend on the price of coal offered in response to future competitive solicitations by KPCo for coal to supply the Big Sandy Plant. It can be said, however, that the NID technology retrofit will not require a decrease in the use of Kentucky coal at the Big Sandy Plant.

h. See response to part (g).

i. Please see the response to Commission Staff's First Set of Data Requests, Item No. 30, Attachment 1, page 11, which shows the required auxiliary power usage of the NID FGD as compared to other FGD technologies.

KPCo does not expect to have to purchase additional power to mitigate the parasitic load. However, it is envisioned that following the initial commissioning and operation of the DFGD system, KPCo would undertake a unit performance test for determination of the post-retrofit unit capability in order to confirm this presumption.

WITNESS: Robert L Walton

Kentucky AG Inititial Data Request
Response to 16 f.

KPCO Fuel Cost ($000)

FGD Technology	Wet FGD	Dry EST	NID 1.7 lb	NID 4.5 lb
2011	206,672	206,672	206,672	206,672
2012	247,622	247,622	247,622	247,622
2013	243,457	243,457	243,457	243,457
2014	276,558	276,558	276,558	276,558
2015	283,796	283,796	283,796	283,796
2016	267,148	266,672	295,540	262,507
2017	248,964	250,479	269,645	244,727
2018	267,166	271,070	288,327	262,824
2019	313,527	317,759	332,790	307,953
2020	324,110	328,279	343,507	317,948
2021	332,566	337,213	354,027	326,512
2022	334,422	338,608	355,614	328,279
2023	315,462	318,686	333,426	309,169
2024	339,870	343,601	361,445	332,652
2025	345,586	348,880	365,558	338,939
2026	361,905	366,265	385,392	354,723
2027	360,352	364,259	382,259	353,859
2028	376,604	381,131	401,767	369,091
2029	375,452	379,103	400,752	367,422
2030	376,609	380,741	399,426	369,839
2031	393,895	396,153	418,675	383,514
2032	413,543	417,740	441,951	404,932
2033	423,370	428,406	454,275	415,153
2034	413,082	417,144	440,572	405,661
2035	428,115	431,767	460,458	418,257
2036	430,723	434,509	451,867	420,472
2037	449,052	453,026	468,980	438,940
2038	445,895	450,457	464,507	436,034
2039	461,662	465,701	476,831	450,954
2040	466,671	471,247	478,741	456,096
CPW of KPCO Costs ($000)				
Period of 2011-2040	3,505,615	3,530,173	3,667,988	3,458,129
Cost Over 4.5lb NID	47,487	72,045	209,859	

Kentucky Power Company

REQUEST

Please confirm that the expected remaining plant life of Big Sandy unit-2 is approximately 20 years.

RESPONSE

Please see the response to KPSC 1-12.

WITNESS: Robert L Walton

Kentucky Power Company

REQUEST

Please confirm that the expected life of the Alstom NID technology is approximately 30 years.

a. If the Commission should approve KPCo's petition as filed, please state how KPCo would treat the Alstom NID's remaining years of expected life, from an accounting and depreciation perspective. Include in your discussion whether KPCo's ratepayers would or could face stranded costs for the abandonment of the Alstom NID technology. Please discuss in complete detail.

RESPONSE

While the expected life may approach approximately 30 years, the design life, as stipulated within the technology specification issued to the NID technology OEM, is 25 years.

a. Kentucky's petition as filed seeks a 15-year depreciable life. The Company could be faced with stranded costs if the Big Sandy Unit 2 would need to be shut down prematurely before the full depreciation life is completed (whether its 15 years or some other value). This is why the Company asked for 15 years versus expected remaining service life to lessen the risk of stranded investment.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

The Company's petition states that residential ratepayers can expect a 31% increase in their ECR costs per month. Of this cost, please state whether the projected costs of decommissioning and retiring the existing precipitators is included. If not, please provide a cost estimate and a revised estimate of the impact on the monthly bills of the average residential, commercial and industrial customers over the life span of the project.

RESPONSE

The Company expects that the precipitator will not be required following the NID technology installation, and therefore would be removed as a part of this project. At this point in time, the costs of decommissioning and retiring the existing precipitators have not been estimated.

WITNESS: Robert L Walton

Kentucky Power Company

REQUEST

Please state whether other dry FGD technology is capable of securing the SO-2 reductions mandated in KPCo's EPA consent decree.

RESPONSE

Yes.

WITNESS: Robert L Walton

Kentucky Power Company

REQUEST

Please reference the McManus testimony, p. 12, lines 14-16, wherein he states "….the extraordinarily brief compliance window will require KPCo to operate Big Sandy Unit 2 in an uncontrolled fashion, but under a potentially constrained dispatch." Please discuss in detail what this statement means, especially regarding the terms "uncontrolled" and "constrained dispatch."

a. Please state whether this will raise any safety issues regarding the operation of Big Sandy Unit 2.

RESPONSE

Under the CSAPR, Big Sandy Unit 2 is allocated SO2 allowances that are significantly below the plant's historic annual SO2 emissions. Thus, in order to remain in compliance under CSAPR, Kentucky Power would be required to buy additional SO2 allowances from the market (assuming they would be available), and/or constrain the dispatch of the Big Sandy units (i.e., operate less) to emit less SO2. Big Sandy Unit 2 does not currently have post-combustion controls for SO2 emissions, and is thus considered "uncontrolled" for this pollutant. Because the installation of a post-combustion SO2 control system such as a scrubber takes multiple years to construct, meeting a compliance timeline of 2012, 2013 or even 2014 is physically impossible.

Please refer to responses in KPSC Staff Set 1 Nos. 5 and 6 for the relative impacts.

a. No.

WITNESS: John M McManus

Kentucky Power Company

REQUEST

Please provide a comprehensive discussion regarding the due diligence and any and all other reviews that KPCo may have conducted regarding the options of either: (a) obtaining a long-term purchased power arrangement with Riverside Generating Co., LLC, ("Riverside"), the owner of a gas-fired 836 MW electric generating facility in Zelda, KY; or (b) purchasing Riverside's facilities.

RESPONSE

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

WITNESS: Ranie K Wohnhas

THESE DOCUMENTS HAVE BEEN REDACTED IN THEIR ENTIRETY.

Kentucky Power Company

REQUEST

Regarding the generating facilities owned by Riverside discussed in the preceding question, please provide a discussion of whether Riverside's facilities would be capable of meeting KPCo's base-load needs. If not, please discuss whether said facilities would require any retrofitting, and the nature and cost thereof.

RESPONSE

[redacted]

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide copies of all presentations made to rating agencies and/or investment firms by American Electric Power ("AEP") and/or KPCo between January 1, 2010 and the present.

RESPONSE

Please see the responses to Sierra Club 1-1 and KIUC 1-5 in this case.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide copies of all prospectuses for any security issuances by AEP and/or KPCo between January 1, 2009 and the present.

RESPONSE

Kentucky Power has not had any issuances since January 1, 2009, that required a prospectus. In 2009, Kentucky Power issued $130 mm in debt through a private placement.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide copies of credit reports for AEP and/or KPCo between January 1, 2010 and the present from the major credit rating agencies published since January 1, 2010.

RESPONSE

Kentucky Power objects to the request to the extent it seeks information regarding American Electric Power, Inc. ("AEP.") AEP is not a party to this proceeding, and is not a utility subject to the jurisdiction of the Public Service Commission of Kentucky. AEP is not obligated to assist Kentucky Power in financing the proposed environmental projects in Kentucky Power's 2011 Environmental Compliance Plan. Without waiving this objection, please see the Attachment 1 to this response.

WITNESS: Ranie K Wohnhas

FitchRatings
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Corporates

Electric-Corporate
U.S. and Canada
Credit Analysis

American Electric Power Co.

Ratings

Security Class	Current Rating
IDR	BBB
Senior Unsecured	BBB
Junior Subordinated Debentures	BB+
Short-Term IDR/Commercial Paper	F2

IDR – Issuer default rating.

Outlook

Stable

Financial Data

American Electric Power Co.
($ Mil.)

	LTM 9/30/09	12/31/08
Revenues	13,197	14,201
Gross Margin	8,554	8,446
Cash from Operations	2,258	2,454
Operating EBITDA	4,061	3,811
Total Capitalization	29,345	27,516
ROE (%)	10.7	13.29
Capex/ Depreciation (%)	235.2	279.8

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Related Research

Applicable Criteria
- *Rating Hybrid Securities, Dec. 29, 2009*
- *U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines, Aug. 22, 2007*
- *Credit Rating Guidelines for Regulated Utility Companies, July 31, 2007*

Rating Rationale

- Fitch Ratings affirmed the ratings of American Electric Power Co. (AEP) on Jan. 26, 2010. AEP's ratings take into consideration the company's ownership of nine electric utility subsidiaries that provide some cash flow diversity and operate in generally balanced regulatory environments. In addition, Fitch recognizes constructive financial actions taken by management, particularly the significant reduction of capital spending in 2009 and planned capex in 2010, as well as the $1.64 billion equity offering in April of 2009, which has preserved cash flow and liquidity at the company in a challenging economic environment.
- 2009 consolidated financial performance was generally consistent with Fitch's expectations. AEP reported $1.36 billion of ongoing earnings, compared with $1.30 billion for 2008. Despite a reduction in industrial load of 15.6% and demand reduction in the off-system sales market, the company was able to secure approximately $725 million in rate increases throughout the year, primarily from Ohio, Virginia, and West Virginia. This, in combination with cost controls on operating and maintenance expenses, allowed the company to maintain credit metrics that are consistent with utility parent peers in the 'BBB' rating category, with adjusted EBITDA to interest at more than 4.0x and debt leverage, as measured by the ratio of debt to EBITDA, at 3.8x for the year ended Dec. 31, 2009. Fitch projects that credit protection measures will remain at or near current levels over the next two years, assuming reasonable outcomes in pending rate cases, recovery of recent ice storm related costs, and modest load growth as the economy improves.
- Rating concerns primarily relate to AEP's exposure to potential emissions regulations or legislation given the company's large coal-fired generation fleet, as well as weak economies in several service territories, particularly Ohio, Michigan, and Kentucky. In addition, AEP faces some regulatory uncertainty relating to the end of the current electric security plans (ESP) for the Ohio utilities (Ohio Power Co., issuer default rating [IDR] 'BBB', Stable; and Columbus Southern Power Co., IDR 'BBB+', Stable) in 2011 and other regulatory proceedings. In the near term, the Public Utilities Commission of Ohio (PUCO) has yet to determine the methodology for the Significantly Excess Earnings Test (SEET), which requires the PUCO to determine if rate adjustments included in the ESP resulted in significantly excessive earnings. An adverse ruling from the PUCO regarding earnings at the Ohio companies could place pressure on the ratings of AEP and its operating subsidiaries.

Key Rating Drivers

- Regulated operations benefit from relatively stable and predictable cash flows.
- Credit coverages consistent with the rating category and utility parent peers.
- Solid competitive operating position with ownership of low-cost, coal-fired assets.
- Balanced market structure in Ohio through year-end 2011.
- Exposure to potential emissions regulation or legislation.
- An inability to recover significant environmental compliance investments and a deterioration of regulatory relations could negatively affect ratings.

Related Research

Applicable Criteria (Continued)
- *Parent and Subsidiary Rating Linkage (Fitch's Approach to Rating Entities Within a Corporate Group Structure), June 19, 2007*
- *Issuer Default Ratings and Recovery Ratings in the Power and Gas Sector, Nov. 7, 2005*

Other Research
- *Fitch Affirms Ratings for American Electric Power Co.; Outlook Stable, Jan. 26, 2010*
- *Columbus Southern Power Co. and Ohio Power Co. (Subsidiaries of American Electric Power Co.), Jan. 15, 2010*
- *Appalachian Power Co. (A Subsidiary of American Electric Power Co.), Sept. 23, 2009*
- *Kentucky Power Co. (A Subsidiary of American Electric Power Co.), Sept. 11, 2009*

Recent Developments

Regulatory Update

Arkansas: In November 2009, the Arkansas Public Service Commission (APSC) approved a $17.8 million base rate increase for Southwestern Electric Power Co. (SWEPCO, IDR 'BBB'; Negative Outlook), premised upon a return on equity (ROE) of 10.25%. The rate order also includes a separate generation rider of approximately $11 million annually related to the recovery of carrying costs, depreciation, and operations and maintenance (O&M) expenses on the 508-MW natural gas-fired stall unit once it is placed into service as expected in mid-2010.

Texas: In August 2009, SWEPCO filed a rate case with the Public Utility Commission of Texas (PUCT) to increase non-fuel base rates by approximately $75 million, including an ROE of 11.5%.

West Virginia: In September 2009, the West Virginia Public Service Commission (WVPSC) issued an order granting a $355 million increase over a four-year phase in period for Appalachian Power Co. (APCo, IDR 'BBB–'; Stable) related to the company's expanded net energy charge (ENEC).

Cook Nuclear Power Plant

On Dec. 23, 2009, the Cook nuclear plant Unit 1 reached full power after completing testing and monitoring of the restored turbine generator system. Reactor start-up and reconnection to the transmission grid has also taken place. The 1,030-MW unit has been out of service since September 2008 when turbine vibrations damaged the turbine generator, support structure, and associated systems. Repair of the property damage and replacement of the turbine rotors and other equipment could cost up to approximately $330 million. Management believes that the company should recover a significant portion of these costs through the turbine vendor's warranty, insurance, and regulatory mechanisms.

AEP maintains property insurance through NEIL with a $1 million deductible. As of Sept. 30, 2009, the company recorded $119 million in prepayments and other current assets representing recoverable amounts under the insurance policy. The company also maintains a separate accidental outage policy with NEIL whereby, after a 12-week deductible period, AEP is entitled to weekly payments of $3.5 million for the first 52 weeks following the deductible period. After the first 52 weeks, the policy pays $2.8 million per week of up to an additional 110 weeks. To date, AEP has recorded $185 million in revenues.

Capital Expenditure Update

While AEP has announced reductions in capital spending for 2010, Fitch notes that capex budgets remain relatively high compared to historical levels, with $2.0 billion forecasted in 2010 and 2011. The largest components of capex include: investments in distribution and transmission, environmental compliance costs and new generation. AEP is actively involved in several electric transmission investment initiatives, including pursuing opportunities in Texas, as well as areas in the Southwest, Midwest and on the East Coast.

New Generation

Turk Plant Update: On Jan. 22, 2010, the Arkansas Pollution Control and Ecology Commission affirmed the air permit for Turk, which was under appeal by plant opponents in June 2009. To date, SWEPCO has spent $717 million on constructing the Turk plant, with a total projected cost of $1.6 billion.

AEP New Generation Update

(As of Sept. 30, 2009)

Company	Name	Location	Cost ($ Mil.)	Fuel Type	Capacity (MW)	Operating Date
AEGCo	Dresden	Ohio	321	Gas	580	2013
SWEPCo	Stall	Louisiana	386	Gas	500	2010
SWEPCo	Turk	Arkansas	1,633	Coal	600	2012
APCo[a]	Mountaineer	West Virginia	—	Coal	629	—
CSPCo/OPCo[a]	Great Bend	Ohio	—	Coal	629	—

[a]The construction of the IGCC plants is subject to regulatory approvals.
Source: Company reports.

New Technology: Carbon Capture Storage

AEP has been selected to receive funding from the U.S. Department of Energy (DOE) through the Clean Coal Power Initiative Round 3 to pay part of the costs of installing a commercial-scale carbon dioxide (CO2) capture and storage system on its Mountaineer coal-fired power plant in West Virginia. The company will receive $334 million to assist with the installation of a system that will use a chilled ammonia process to capture at least 90% of the CO2 from a 235-MW commercial scale portion of the plant's 1,300 MW of capacity. The system will begin commercial operation in 2015. In September 2009, the initial 20-MW demonstration capture portion of the project was placed into service, and in October 2009 the company started injecting CO2 successfully in underground storage.

AEP has also received DOE funds for an $87 million investment in gridSMART technology.

Transmission Update

AEP is pursuing a significant number of capital intensive transmission projects. The majority of these efforts are being undertaken with utility partners in joint venture ownership structures to offset business and financial risk.

Please reference the table below for AEP's active transmission projects.

- **Upper Midwest EHV Development — SMART Study:** In August 2009, AEP joined several other Midwest utilities, including American Transmission Co., Exelon Corp., NorthWestern Energy, and MidAmerican Energy Co. to sponsor a comprehensive study of the transmission needed in the Upper Midwest to support renewable energy development and to transport that energy to consumers in markets to the east. The study will provide recommendations for new transmission development in the Upper Midwest, including North Dakota, South Dakota, Iowa, Indiana, Ohio, Illinois, Minnesota, and Wisconsin. The Strategic Midwest Area Transmission Study (SMARTransmission Study) is scheduled for completion at the end of the first quarter 2010.

AEP New Transmission Projects

Project Name	Location	Expected Completion Date	Owners	Total Est. Cost at Completion ($ Mil.)	Approved ROE (%)
Electric Transmission Texas (ETT)	ERCOT (Texas)	2017	MidAmerican Energy Holdings (50%), AEP (50%)	3,097	9.96
PATH	Ohio/West Virginia	2014	Allegheny Energy (50%), AEP (50%)	1,800	14.30
Tallgrass	Oklahoma	2013	OGE Energy (50%), Electric Transmission Assets (50%)	500	12.80
Prairie Wind	Kansas	2013	Westar Energy, ETA (50%)	400	12.80
Pioneer	Indiana	2015	Duke Energy (50%), AEP (50%)	1,000	12.54

Source: Company reports.

- **Potomac-Appalachian Transmission Highline (PATH) Project Postponed:** In December 2009, AEP and its partner, Allegheny Energy (AYE) withdrew their applications for PATH in Virginia at the request of PJM. Due to the change in load and demand in the PJM region, the regional transmission operator is reviewing its long-term transmission needs for its footprint.

Liquidity

As of Dec. 31, 2009, AEP has sufficient liquidity to meet ongoing financial needs. The company has approximately $3.6 billion in credit facilities, with maturities from March 2011 through April 2012. The revolving credit agreements contain a covenant that requires AEP to maintain a debt to total capitalization ratio at or below 67.5%. As of Dec. 31, 2009, AEP has net available liquidity of $3.4 billion, including cash on hand of $490 million.

The utility subsidiaries have access to short-term borrowings through a cash pool managed by AEP, whereby entities with excess short-term liquidity lend to affiliates with cash needs. External financing needs of this pool are sourced directly by the parent.

AEP Liquidity Position

(As of Dec. 31, 2009)

Sources and Uses	Amount ($ Mil)	Maturity
Commercial Paper Backup:		
Revolving Credit Facility	1,500	3/11
Revolving Credit Facility	1,454	4/12
Revolving Credit Facility	627	4/11
Total	3,581	—
Cash and Cash Equivalents	490	—
Total Liquidity Sources	4,071	—
Less: AEP Commercial Paper Outstanding	(119)	—
Letters of Credit Issued	(568)	—
Net Available Liquidity	3,384	—

Source: Company reports.

Debt Maturities

AEP's debt maturities are manageable with maturing debt expected to be funded through a combination of internal cash generation and external financings as needed. AEP's parent maturities are minimal with $490 million maturing in 2010 and $243 million maturing in 2015.

AEP Long-Term Debt Maturities

($ Mil, As of Sept. 30, 2009)

2010	2011	2012	2013	2014
1,908	1,018	857	1,847	1,060

Source: Company reports.

Capital Structure

Capital Structure — American Electric Power Co. Inc.

($ Mil As of Dec. 31, 2009)

Short-Term Debt	126
Long-Term Debt	15,518
Total Debt	15,644
Total Hybrid Equity and Minority Interest	46
Common Equity	13,140
Total Capital	28,830
Total Debt/Total Capital (%)	54.3
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.2
Common Equity/Total Capital (%)	45.6

Source: Company reports.

FitchRatings
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Corporates

Financial Summary — American Electric Power Co., Inc.

($ Mil., Fiscal Year-End Dec. 31, 2010)

	LTM	Year End			
	9/30/09	2008	2007	2006	2005
Fundamental Ratios (x)					
FFO/Interest Expense	4.2	3.9	4.1	4.6	2.9
CFO/Interest Expense	3.3	3.7	3.9	4.7	3.6
Debt/FFO	5.2	6.3	5.9	4.7	9.0
Operating EBIT/Interest Expense	2.7	2.7	2.8	2.9	2.6
Operating EBITDA/Interest Expense	4.2	4.2	4.6	4.8	4.4
Debt/Operating EBITDA	4.0	4.4	4.0	3.5	4.0
Common Dividend Payout (%)	96.3	47.8	—	—	—
Internal Cash/Capex (%)	45.5	47.1	46.1	58.9	53.0
Capex/Depreciation (%)	235.2	279.8	254.9	251.1	189.7
Profitability					
Adjusted Revenues	13,197	14,201	13,141	12,500	12,022
Net Revenues	8,554	8,446	8,174	7,827	7,487
Operating and Maintenance Expense	3,779	3,925	3,867	3,639	3,649
Operating EBITDA	4,061	3,811	3,604	3,505	3,130
Depreciation and Amortization Expense	1,423	1,358	1,395	1,405	1,267
Operating EBIT	2,638	2,453	2,209	2,100	1,863
Gross Interest Expense	965	904	779	726	714
Net Income for Common	1,271	1,380	1,089	1,002	814
Operating and Maintenance Expense % of Net Revenues	44.2	46.5	47.3	46.5	48.7
Operating EBIT % of Net Revenues	30.8	29.0	27.0	26.8	24.9
Cash Flow					
Cash Flow from Operations	2,258	2,454	2,273	2,673	1,833
Change in Working Capital	(835)	(207)	(163)	61	442
Funds from Operations	3,093	2,661	2,436	2,612	1,391
Dividends	(736)	(666)	(633)	(594)	(560)
Capital Expenditures	(3,347)	(3,800)	(3,556)	(3,528)	(2,404)
Free Cash Flow	(1,825)	(2,012)	(1,916)	(1,449)	(1,131)
Net Other Investment Cash Flow	77	40	(202)	(122)	55
Net Change in Debt	191	2,169	1,835	1,420	(91)
Net Equity Proceeds	1,759	159	144	99	(25)
Capital Structure					
Short-Term Debt	352	1,976	660	18	10
Long-Term Debt	15,883	14,801	13,756	12,324	12,520
Total Debt	**16,235**	**16,777**	**14,416**	**12,342**	**12,530**
Total Hybrid Equity and Minority Interest	46	46	46	46	46
Common Equity	13,064	10,693	10,079	9,412	9,088
Total Capital	**29,345**	**27,516**	**24,541**	**21,800**	**21,664**
Total Debt/Total Capital (%)	55.3	61.0	58.7	56.6	57.8
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.2	0.2	0.2	0.2	0.2
Common Equity/Total Capital (%)	44.5	38.9	41.1	43.2	41.9

Note: Numbers are adjusted to exclude interest, principal payments and amortization on utility tariff bonds. LTM – Latest 12 months. Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding.
Source: Company reports and Fitch Ratings.

Utilities, Power, and Gas
U.S. and Canada
Full Rating Report

American Electric Power Co., Inc.

Ratings

Security Class	Current Rating
IDR	BBB
Senior Unsecured Debt	BBB
Junior Subordinated Debentures	BB+
Short-Term IDR/Commercial Paper	F2

IDR – Issuer default rating.

Rating Outlook

Stable

Financial Data

American Electric Power Co.
($ Mil.)

	12/31/10	12/31/09
Revenues	14,427	13,489
Gross Margin	9,151	8,714
Funds from Operations	2,881	3,550
Operating EBITDA	4,131	4,198
Total Debt	16,868	16,214
Total Capitalization	30,551	29,415
Capex/Depreciation (%)	157.1	191.2

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Related Research

Applicable Criteria

- *Corporate Rating Methodology, Aug. 16, 2010*
- *Parent and Subsidiary Rating Linkage, July 14, 2010*
- *Utilities Sector Notching and Recovery Ratings, March 16, 2010*
- *U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines, Aug. 22, 2007*
- *Credit Rating Guidelines for Regulated Utility Companies, July 31, 2007*

Rating Rationale

- **Rating Affirmation:** Fitch affirmed the ratings of American Electric Power Co., Inc. (AEP) on Feb. 28, 2011.
- **Stable Credit Profile:** AEP's ratings are supported by regulatory and geographic diversification via ownership of nine rated electric utility subsidiaries. Additionally, the company has generally balanced regulatory environments, a solid competitive position with a fleet of low-cost coal-fired assets, and a relatively low-risk strategy of investing in transmission assets.
- **Consistent Credit Metrics:** Consolidated credit metrics are consistent with Fitch's 'BBB' issuer default rating (IDR) guidelines. AEP's recent financial performance has been bolstered by base rate increases in Kentucky and West Virginia, favorable weather across the company's service territories, effective cost-control measures, and continued improvement in the economy, particularly in the industrial sector. AEP's ratios of EBITDA to interest and funds from operations to interest were 4.4x and 4.30x, respectively, for the year ended Dec. 31, 2010. Consolidated leverage, as measured by the ratio of debt to EBITDA, was 4.1x for the same time period. AEP has modest levels of parent debt.
- Fitch forecasts AEP's consolidated credit metrics will remain at or near current levels through 2014. This analysis takes into account previously received and planned rate increases, normalized weather, and continued economic recovery.
- **Credit Concerns:** Fitch is primarily concerned about AEP's exposure to emissions regulations and legislation, given the company's large coal-fired generation fleet. Additional concerns include regulatory uncertainty in Ohio regarding the pending electric security plan (ESP) filing at AEP Ohio (Columbus Southern Power [CSP], IDR 'BBB+'/Stable and Ohio Power Co. [OPC], IDR 'BBB'/Positive) and increased customer switching in CSP's commercial sector. Additional concerns include ongoing permitting litigation and merchant price risk issues surrounding Southwestern Electric Power Co.'s (SWEPCO, IDR 'BBB'/Stable) Turk coal plant construction project. The uncertainty related to the termination of the AEP East power pool is of additional concern.
- **Environmental Legislation:** Fitch notes that Ohio Senate Bill 221, which was enacted in May 2008, specifically provides Ohio electric utilities with the ability to recover carbon-related environmental costs, which reduces exposure to carbon in this state. However, several AEP jurisdictions, including Arkansas, Louisiana, and Oklahoma, have no automatic environmental cost recovery clause or law in place.

Key Ratings Drivers

- Diversity of regulatory jurisdictions.
- Conservative utility management strategy.
- Low parent-level debt.
- Consolidated credit metrics consistent with 'BBB' guidelines.
- Issues at the Turk coal plant.

- Exposure to emissions regulations and legislation.
- ESP filing in Ohio.
- Uncertainty surrounding termination of AEP East power pool.

Recent Developments

Turk Litigation

AEP is in the midst of ongoing litigation related to Turk's air and water permits. Fitch is mostly concerned about the wetlands permit. The Sierra Club, the Audubon Society, and other parties have filed complaints with the Federal District Court, the U.S. Army Corps of Engineers, and the U.S. Department of the Interior, among others, and received a temporary restraining order and preliminary court injunction to stop the construction of Turk. The 8th Circuit Court issued a temporary injunction against Turk, which was lifted and then reinstated in December 2010. The complaints are specifically directed toward the water intake and river crossing associated with the transmission lines.

SWEPCO is reviewing alternatives to assuage these complaints and lift the injunction. On March 30, 2011, SWEPCO and the city of Hope, AR, signed a short-term agreement to provide start-up water during the construction of Turk. This agreement does not violate the federal court's preliminary injunction mentioned above. However, by drawing water from the Hope facility, SWEPCO can maintain its current construction schedule. The agreement expires on Dec. 31, 2012, and the water supplied will allow the plant to perform start-up and testing activities but will not support full operations once the unit is completed. (Please refer to the full rating report on SWEPCO, dated April 27, 2011, for further details on Turk.)

Electric Security Plan in Ohio

On Jan. 27, 2011, AEP Ohio filed a petition with the Public Utilities Commission of Ohio (PUCO) to establish a new ESP for the period of Jan. 1, 2012–May 31, 2014. In addition, the companies filed a $93.8 million joint distribution rate case in February of this year. The PUCO is expected to rule on the ESP and distribution case no later than the fourth quarter of this year.

An additional issue that has recently arisen in Ohio is the increased customer switching in CSP's southern commercial jurisdiction. This amount was, in total, about 3% in 2010 and is expected to grow to 17% in 2011. This equates to approximately 6% of AEP Ohio's total load and 1.5% of total AEP load. However, the higher shopping levels, coupled with the three-year ESP plans, could place pressure on the operating efficiencies of the Ohio utilities over the longer term.

AEP East Power Pool

On Jan. 4, 2011, Appalachian Power Co. (APCo) made a filing with the Virginia State Corporation Commission (VSCC) that detailed the AEP East pool members' (Appalachian Power CO. [APCo], IDR 'BBB–'/Stable; Indiana Michigan Power Co. [I&M], IDR 'BBB–'/Stable; Kentucky Power Co. [KPC], IDR 'BBB–'/Stable; CSP; and OPC) intent to terminate the interconnection agreement. The pool members now have a three-year time frame in which to work out a settlement and new arrangement. The decision to evaluate the pool was initially raised by regulatory concerns, particularly from Virginia, that the current pool arrangement resulted in a lack of transparency. At this time, Fitch believes it is unlikely the new arrangements to replace the current pool will have material credit rating impacts. Fitch will continue to monitor developments.

Bonus Depreciation

AEP expects to generate about $1.1 billion of cash through accelerated depreciation during the 2011–2013 period. Management has not specified how it intends to use the cash but has indicated it is reviewing several options, including reducing parent-level debt and/or funding pension expense and a lawsuit settlement. Fitch recognizes the temporary nature of bonus depreciation cash flows and normalizes cash flows for bonus depreciation tax deferrals in its analysis.

Transmission Update

AEP continues to view transmission investments as significant growth opportunities both within and outside of the company's traditional service territories. Currently, the strategy is based on three major platforms: Electric Transmission Texas (ETT), AEP Transmission Co. (AEP Transco), and several joint-venture projects. In Fitch's view, the transmission projects are positive to the credit profile of AEP because of the low-risk nature of the business and the above-average Federal Energy Regulatory Commission (FERC) incentive ROEs.

ETT

ETT is a joint-venture company with MidAmerican Energy Holdings Co. (MEHC, IDR 'BBB+'/Stable) that was established to fund, own, and operate electric transmission assets in the Electricity Reliability Council of Texas (ERCOT). ETT's current rate base is $412 million. This is expected to grow as follows: $473 million in 2011, $778 million in 2012, and $1.35 billion in 2013, when the first Competitive Renewable Energy Zone (CREZ) projects come online.

ETT's assigned CREZ projects are estimated to cost a total of approximately $1.1 billion, including seven double-circuit 345-kV transmission lines (around $750 million), eight major 345-kV stations, and several series compensation installations (about $350 million). The Public Utilities Commission of Texas certificate of convenience and necessity (CCN) proceedings are currently underway. ETT received CCN approval on three CREZ lines, and one more is expected during the first half of 2011. There are additional projects in the pipeline of approximately $1.6 billion, with around 822 miles of lines and 28 substations with in-service dates through 2017.

AEP Transco

In September 2010, AEP Transco filed a formula rate settlement with the FERC, requesting an ROE of 11.49% in the Pennsylvania New Jersey Maryland Interconnection (PJM) and 11.2% in the Southwest Power Pool. AEP Transco's application for public utility status was approved by the PUCO in December 2010. No filings were required in Oklahoma and Michigan. Additional AEP Transco applications are on file in West Virginia, Indiana, and Kentucky. Currently, the company has $50 million invested in the three states with baseline capital spending targets of $160 million in 2011 and $350 million in 2012.

Major projects identified include a substation in Ohio (at a cost of $250 million) and line extensions in the other states. The company will pursue regulatory approvals in other states in 2011, including Arkansas, Louisiana, West Virginia, Virginia, Indiana, and Kentucky. Fitch expects capital spending will increase commensurately in these states for 2012 and beyond as these approvals are received.

Joint Ventures

Transmission Joint Ventures

Project Name	Partners	Route	Total Cost	AEP Share	Estimated Completion Date	FERC Incentives	Update
Potomac-Appalachian Transmission Highline (PATH)	Allegheny Energy, Inc. ('BBB–'/ Stable)	275 miles from WV to MD	$2.1 billion	$700 million	June 2015	Cash return on CWIP; 14.3% ROE; recovery of all prudent costs incurred prior to development; recovery of abandonment costs.	Applications have been withdrawn for PATH following PJM announcement that the project had been suspended.
Prairie Wind Transmission (PWT)	MEHC, Westar Energy, Inc.	110 miles in KS	$225 million	$56 million	2013–2014	Cash return on CWIP; 12.8% ROE; recovery of all prudent costs incurred prior to construction; recovery of abandonment costs.	Project was approved as an SPP Priority Project in April 2010. Siting permit application filed in February 2011.
Pioneer Transmission	Duke	Up to 240 miles in IN	Up to $1 billion	Up to $500 million	2016 (Est.)	Cash return on CWIP; 12.54% ROE; recovery of all prudent costs incurred prior to construction; recovery of abandonment costs.	MISO has included Pioneer in its proposed Extra High Voltage plan. Project is still waiting to receive MISO and PJM approval.
RITELine Project	AEP, Electric Transmission America, Exelon Corp.	420 miles in IL, OH, and IN	$1.6 billion	$327 million	2018	Parties plan to file with the FERC in first-half 2011.	MOU executed in October 2010.

AEP – American Electric Power Co., Inc. FERC – Federal Energy Regulatory Commission. CWIP – Construction work in progress. MEHC – MidAmerican Energy Holdings Co. SPP – Southwest Power Pool. MISO –Midwest Independent System Operator. MOU – Memorandum of understanding.
Source: Company reports.

New Projects

RITELine Project

AEP, MEHC, and Exelon Corp. executed a memorandum of understanding (MOU) in October 2010 for the development of the Reliability Interregional Transmission Extension Line (RITELine) project. The proposed 765-kV transmission line extends approximately 420 miles between Illinois and Indiana. The total project cost is currently estimated to be $1.6 billion.

AEP and MidAmerican Energy Co. (MEC, a subsidiary of MEHC) executed an MOU in October 2010 for the development of a new MEC project, a proposed 765-kV line that extends approximately 180 miles between Iowa and Illinois. The estimated project cost is currently $650 million.

Liquidity and Debt Structure

AEP has a sufficient short-term liquidity position, with approximately $2.5 billion of net available liquidity as of Dec. 31, 2010, including $294 million of cash on hand. The company has credit facilities totaling $3.4 billion, of which two $1.5 billion credit facilities support its commercial paper program. The revolving credit agreements contain a covenant that requires AEP to maintain a debt to total capitalization at or below 67.5% and expire in April 2012 and June 2013. In March 2011, AEP extinguished

AEP Debt Structure

($ Mil., as of Dec. 31, 2010)

	Amount	% of Total
Short-Term Debt	1,346	4.4
Long-Term Debt	15,522	50.8
Total Debt	**16,868**	**55.2**
Preferred Stock	61	0.2
Common Equity	13,622	44.6
Total Capitalization	**30,551**	**100.0**

Source: Company reports.

its $478 million credit facility supporting its variable-rate demand notes.

Consolidated debt maturities over the next several years are considered manageable and are as follows: $616 million in 2011, $540 million in 2012, and $1.3 billion in 2013. The next parent-only maturity is in 2015, when $243 million of senior notes becomes due. Fitch expects maturing debt to be funded through a mix of internal cash generation and external refinancings.

AEP's 2011 capital-spending budget is approximately $2.6 billion, with $2.9 billion projected in 2012. Major projects and investments include transmission projects and environmental compliance. Capital-expenditure financing is anticipated to be met through a combination of internally generated cash and external debt issuances.

Financial Summary — American Electric Power Co., Inc.

($ Mil., Fiscal Years Ended Dec. 31)

	2010	2009	2008	2007	2006
Fundamental Ratios (x)					
FFO/Interest Expense	4.0	4.9	3.9	4.1	4.6
CFO/Interest Expense	3.6	3.5	3.7	3.9	4.7
FFO/Debt (%)	17.1	21.9	15.9	16.9	21.2
Operating EBIT/Interest Expense	2.8	2.9	2.7	2.8	2.9
Operating EBITDA/Interest Expense	4.4	4.6	4.2	4.7	4.9
Operating EBITDAR/(Interest Expense + Rent)	4.0	4.2	3.9	4.3	4.4
Debt/Operating EBITDA	4.1	3.9	4.4	4.0	3.5
Common Dividend Payout (%)	68.0	55.9	47.8	—	—
Internal Cash/Capital Expenditures (%)	71.9	56.5	47.1	46.1	58.9
Capital Expenditures/Depreciation (%)	157.1	191.2	279.8	254.9	251.1
Profitability					
Adjusted Revenues	14,180	13,245	14,201	13,141	12,500
Net Revenues	9,151	8,714	8,446	8,174	7,827
Operating and Maintenance Expense	4,274	3,825	3,925	3,867	3,639
Operating EBITDA	4,131	4,198	3,834	3,626	3,525
Depreciation and Amortization Expense	1,493	1,460	1,358	1,395	1,405
Operating EBIT	2,611	2,713	2,453	2,209	2,100
Gross Interest Expense	949	921	904	779	726
Net Income for Common	1,211	1,357	1,380	1,089	1,002
Operating and Maintenance Expense % of Net Revenues	46.7	43.9	46.5	47.3	46.5
Operating EBIT % of Net Revenues	28.5	31.1	29.0	27.0	26.8
Cash Flow					
Cash Flow from Operations	2,514	2,338	2,454	2,273	2,673
Change in Working Capital	(367)	(1,212)	(207)	(163)	61
Funds from Operations	2,881	3,550	2,661	2,436	2,612
Dividends	(827)	(761)	(666)	(633)	(594)
Capital Expenditures	(2,345)	(2,792)	(3,800)	(3,556)	(3,528)
Free Cash Flow	(658)	(1,215)	(2,012)	(1,916)	(1,449)
Net Other Investment Cash Flow	(119)	(24)	40	(202)	(122)
Net Change in Debt	402	(442)	2,169	1,835	1,420
Net Equity Proceeds	93	1,728	159	144	99
Capital Structure					
Short-Term Debt	1,346	126	1,976	660	18
Long-Term Debt	15,522	16,088	14,786	13,741	12,309
Total Debt	**16,868**	**16,214**	**16,762**	**14,401**	**12,327**
Total Hybrid Equity and Minority Interest	61	61	61	61	61
Common Equity	13,622	13,140	10,693	10,079	9,412
Total Capital	**30,551**	**29,415**	**27,516**	**24,541**	**21,800**
Total Debt/Total Capital (%)	55.2	55.1	60.9	58.7	56.5
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.2	0.2	0.2	0.2	0.3
Common Equity/Total Capital (%)	44.6	44.7	38.9	41.1	43.2

Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Notes: 1. Numbers may not add due to rounding. 2. Numbers are adjusted to exclude interest, principal payments, and amortization on utility tariff bonds.
Source: Company reports and Fitch Ratings.

American Electric Power Company

Columbus, Ohio, United States

Business Profile

American Electric Power Company, Inc. (AEP) is a large portfolio of individual electric utility companies that serve approximately 5 million retail customers across 11 states.[1] In addition, AEP owns a sizeable barge and coal-handling business, an energy trading operation and a small wholesale generation company, which are not regulated.

Roughly 90% of AEP's consolidated financials are associated with its rate-regulated electric utility operations. These operations are primarily conducted through nine separate utility companies, of which seven are vertically integrated. Two utilities enjoy monopolistic electric transmission and distribution (T&D) only service territories in Texas.

AEP owns or leases roughly 39 GW of electric generation capacity, much of it fueled by coal. These generating assets are diversified by geographic region and regulatory jurisdiction. Approximately 87% of this generation capacity (about 34 GW) is associated with vertically-integrated electric utilities, and roughly one-third (12 GW) is associated with the Ohio-based regulated utilities. Ohio is currently under on-going legislative intervention and market restructuring and these assets could be viewed as quasi-regulated or quasi-unregulated.[2] Roughly 13% (5 GW) is clearly non-regulated, although the capacity is essentially fully subscribed by affiliate utilities, through AEP Generating Company.

We consider AEP's utility rate base and power-generation assets as extremely important and critical for the local infrastructure, representing a broad swath of the United States extending from the upper mid-west region to south Texas. These assets face some uncertainty due to increasingly stringent environmental mandates now being developed at both state and Federal levels, which increases the risk of a major dispute regarding the intention or legal interpretation with these new policies.

This Credit Analysis provides an in-depth discussion of credit rating(s) for American Electric Power Company, Inc and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website.

[1] Arkansas, Indiana, Kentucky, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia and West Virginia.

[2] For more information about regulatory changes under way in Ohio, read our Special Comment, "Investor-Owned Electric Utilities in Ohio," February 2009.

AEP is considered a good proxy credit for the U.S. vertically integrated electric utility sector and is viewed as being well-positioned in the Baa2 ratings category at this time, primarily due to our expectation that AEP will continue to generate cash flow that represents over 15% of its total debt. Sector wide challenges are applicable to AEP over the longer-term horizon and we incorporate a view that AEP has some time to implement corporate finance policies that support an investment grade rating.

Rating Drivers

» Recent deterioration in financial credit metrics appears to have been reversed – more quickly than we originally viewed as possible.

» Incorporated into our Baa2 rating and stable rating outlook is an expectation that AEP will maintain key cash flow to debt metrics comfortably within the mid-teen's range over the near to intermediate term horizon.

» Electric utility revenues and cash flow is diversified geographically and by state regulatory authorities—a credit positive—but a majority of operations focus on traditional, vertically integrated electric utility activities. As a result, AEP does not enjoy the same diversity of operations as some of its peers, such as MidAmerican or Dominion Resources.

» Regulatory support in all jurisdictions viewed positively. In our opinion, AEP's numerous regulatory jurisdictions allow timely recovery of prudently incurred costs and investments—a critical element to both earnings growth and credit-rating stability.

» Capital investment plans are primarily centered upon rate-base additions—generally viewed as a long-term credit positive—and recent cutbacks in investment plans are viewed more as a short-term delay or deferral.

» Significant coal-fired generating fleet raises risk profile because of the prospect for more stringent environmental mandates—especially regarding CO_2 emissions.

» Liquidity profile appears adequate at this time, but sizable maturities in 2010 and 2011 including a near-term expiration of crucial credit facilities, requires maintaining good access to capital markets.

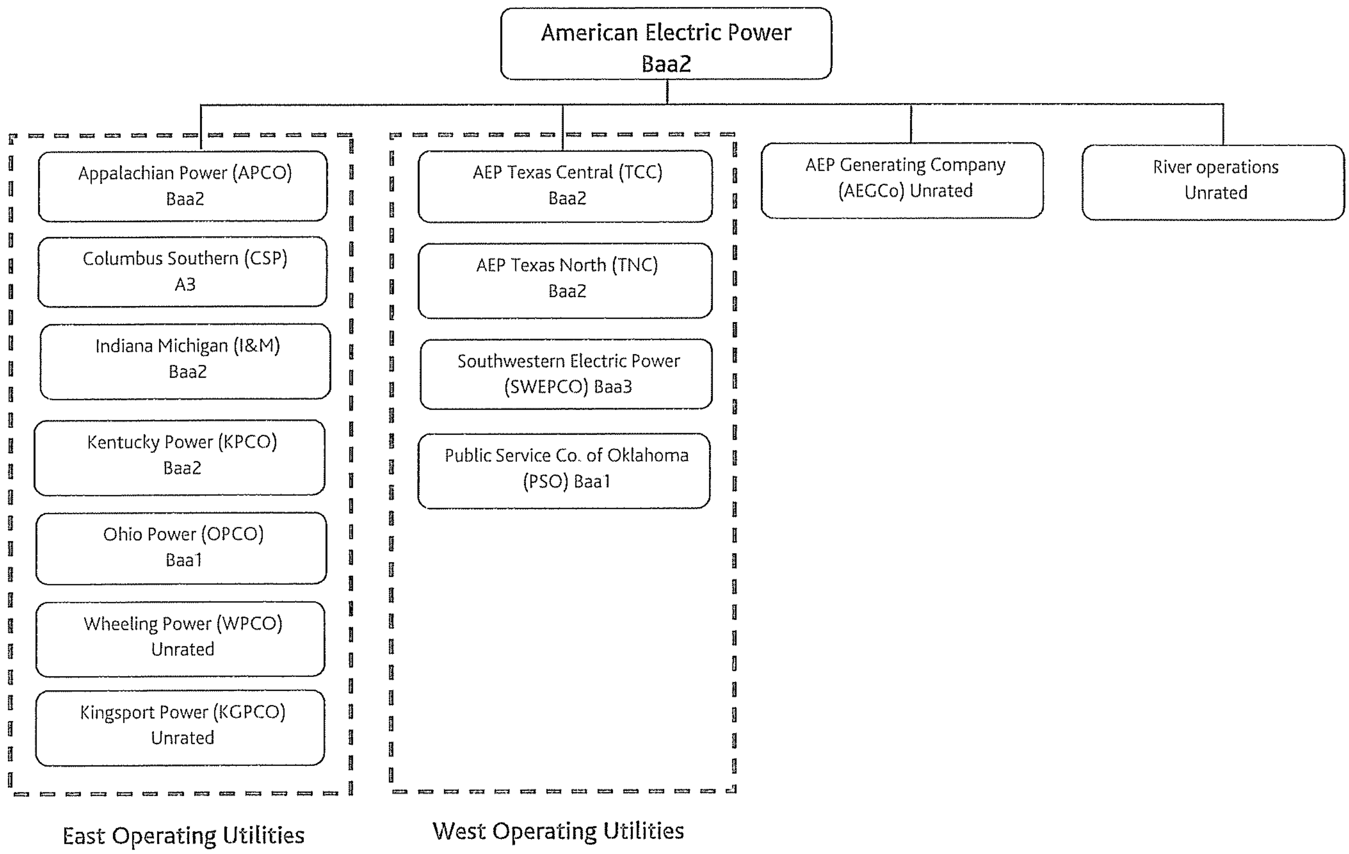
» Corporate governance issues are modestly elevated with pending retirement of long-time CEO; internal and external search underway.

Regulated Electric and Gas Utilities Rating Factors-AEP and Peers:

				FACTOR 1: REGULATORY FRAMEWORK	FACTOR 2: RETURNS /COST RECOVERY	FACTOR 3: DIVERSIFICATION		FACTOR 4: FINANCIAL STRENGTH				
	CURRENT RATING	INDICATED RATING	NOTCH DIFF.	REG. SUPPORT	RATE ADJ & COST RECOVERY MECHANISMS	MARKET POSITION	FUEL / GENERATION DIVERSE	LIQUIDITY	3 YEAR AVERAGE CFO PRE-WC + INTEREST/ INTEREST	3 YEAR AVERAGE CFO PRE-WC/ADJ DEBT	3 YEAR AVERAGE CFO PRE-WC - DIVIDENDS /ADJ DEBT	3 YEAR AVERAGE ADJ. DEBT/CAP OR DEBT/RAV
AEP	Baa2	Baa2	-	Baa	Baa	A	B	Baa	Baa	Baa	Baa	Ba
Southern	A3	A3	-	A	A	A	Ba	A	Baa	Baa	Baa	Baa
MidAmerican	Baa1	Baa1	-	A	Baa	A	A	A	Baa	Baa	Baa	Ba
Xcel	Baa1	Baa1	-	Baa	A	A	A	Baa	Baa	Baa	Baa	Baa
Dominion	Baa2	Baa1	-1	Baa	A	A	A	Baa	Baa	Ba	Ba	Baa
Duke	Baa2	A3	-2	Baa	A	A	Ba	Baa	A	A	A	A
Progress	Baa2	Baa1	-1	Baa	A	A	Baa	Baa	Baa	Baa	Baa	Ba
Entergy	Baa3	Baa1	-2	Baa	Baa	A	A	Baa	A	Baa	Baa	Baa
FirstEnergy	Baa3	Baa2	-1	Baa	Baa	A	Baa	Baa	Baa	Baa	Baa	Ba

FIGURE 1

Simplified Organization Chart



Rating Rationale

Diversity in Regulatory Jurisdictions and Service Territory

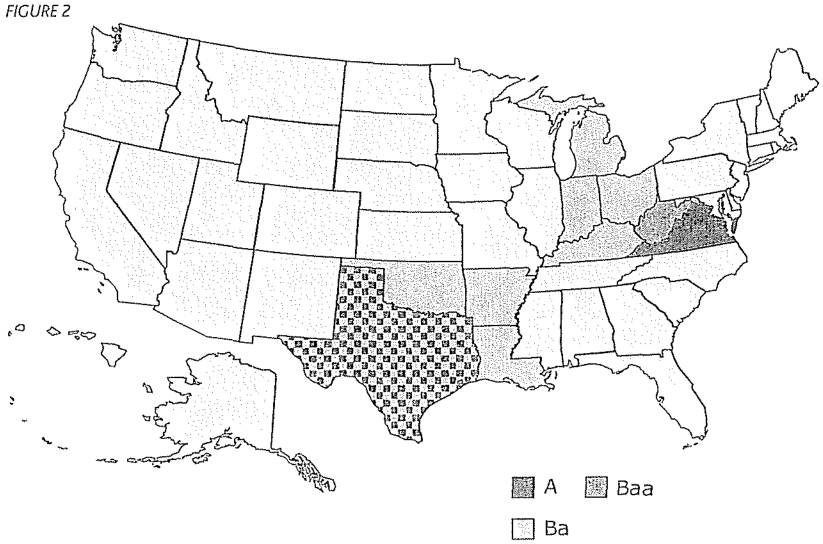
AEP is a large portfolio of individual electric utility companies that serve approximately 5 million retail customers across 11 states. In addition, AEP owns a sizeable barge and coal-handling business, which is not-regulated, along with an energy trading operation and a small wholesale generation company.

About 90% of AEP's consolidated financials are associated with rate-regulated electric utility operations. These operations are primarily conducted through nine separate utility companies, of which seven are vertically integrated.

Two vertically integrated utilities (Columbus Southern and Ohio Power) are located in Ohio, where legislative intervention associated with the traditional electric framework continues to evolve. We incorporate a view that Ohio's intervention efforts will continue, with the next round of restructuring in the 2011 – 2012 timeframe. These restructuring efforts began over a decade ago, and have been viewed as being reasonably constructive to the long-term credit quality for the utilities in that state. We incorporate a view that additional restructuring activity will also be reasonably constructive and that an adverse, contentious environment will not materialize in Ohio over the next few years.

Reference is made to our Regulated Electric and Gas rating methodology, published in August 2009. In the map below, we highlight the states where AEP maintains utility operations and how we score the Regulatory and Political Environments (Factor 1 of the ratings methodology). We note that Texas is cross-hatched between the A and Baa rating categories. This range reflects the differences we see between the pure T&D and the vertically integrated utilities in that State.

FIGURE 2



AEP's largest utility (ranked by rate base) is Appalachian Power (APCO, Baa2 senior unsecured / stable outlook). APCO's service territory is split roughly evenly between Virginia and West Virginia. Today, we consider the Virginia regulatory and political environment as being more supportive to long-term credit quality than the West Virginia jurisdiction. Nevertheless, these assessments are subject to change, and we observe that Virginia recently experienced some legislative intervention that negatively impacts APCO and that West Virginia appears to be relatively supportive of its local coal-sector industry exposure.

Two of AEP's utilities enjoy monopolistic electric transmission and distribution (T&D) only service territories in Texas (AEP Texas Central and AEP Texas North, both rated Baa2 senior unsecured / stable outlooks). The over-all business and operating risk profile of Texas-based T&D utilities are viewed as being significantly lower than the business and operating risk profiles of vertically integrated electric utilities.

We note that Texas T&D utilities do not enjoy Federal Energy Regulatory Commission (FERC) incentive rate-making structures. However, we also note that the Texas-regulatory environment provides numerous flexible rate-making provisions which serve to reduce regulatory lag.

AEP Subsidiary Contribution

	RATING	RATE BASE*($MM)	ROE (WEIGHTED AVERAGE)	# OF CUSTOMERS	GENERATION CAPACITY MW**	PRODUCTION*** (TWH) 3-YEAR AVG
American Electric Power	Baa2	16,400	10.9%	5,125,000	38,988	184.6
Columbus Southern Power Company***	A3	1,560	12.4%	749,000	3,611	14.8
Ohio Power Company***	Baa1	2,180	12.8%	712,000	8,498	52.8
Public Service Company of Oklahoma	Baa1	1,467	10.5%	527,000	4,465	14.8
AEP Texas Central	Baa2	1,566	10.0%	761,000	-	0.1
AEP Texas North	Baa2	530	10.0%	185,000	647	2.26
Appalachian Power Company	Baa2	4,080	10.3%	962,000	6,238	31.9
Indiana Michigan Power Company	Baa2	2,268	10.8%	582,000	4,453	31.1
Kentucky Power Company	Baa2	858	10.5%	176,000	1,060	6.9
Southwestern Electric Power Company	Baa3	1,891	10.4%	471,000	4,799	19.8

Source: AEP

*Rate base reflects amounts in the last filed rate cases

**Nominal capacity; AEP total generation capacity also includes AEP Generating Co., 43.5% interest in OVEC and Wind PPA

** *Production includes generation from only AEP-owned assets

High Concentration in Carbon Fuel Remains a Major Credit Restraint

AEP owns or leases roughly 39 GW of electric generation capacity, much of it fuelled by coal. These generating assets are diversified by geographic region and regulatory jurisdiction and approximately 87% of this generation capacity (about 34 GW) is associated with vertically-integrated electric utilities.

Roughly one-third (12 GW) is associated with the Ohio-based regulated utilities, currently under on-going legislative intervention and market restructuring noted previously, and roughly 13% (5 GW) is considered non-regulated, although the capacity is essentially fully subscribed by affiliate utilities, through AEP Generating Company.

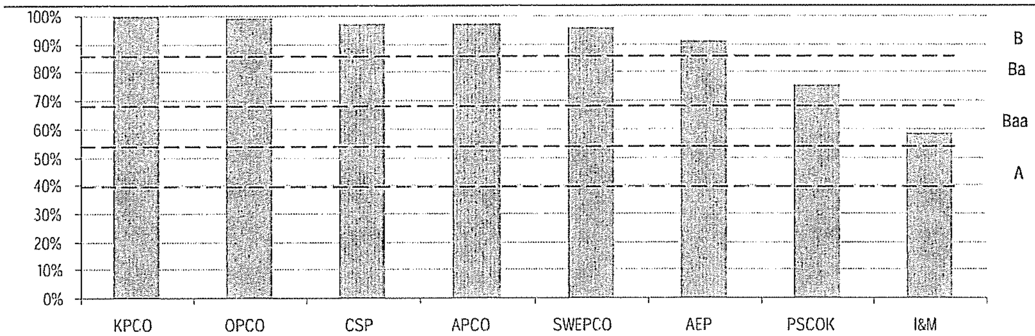
With respect to increasingly stringent environmental regulations, including carbon dioxide emissions, we incorporate a view that some form of legislation or regulation is forthcoming, but we have very little clarity on the timing. Today, we incorporate a view that legislation will be more flexible and potentially credit friendly than pure regulations, largely due to the ability of special interests to influence the drafting of the legislation. We also believe the actual financial statement impacts associated with such legislation will take several years to fully develop after being enacted. Finally, we incorporate a view that the vast majority of costs associated with such legislation/regulations are likely to be recovered through the regulatory rate-setting process.

Our views regarding increasingly stringent environmental regulations are subject to change, as additional facts or developments emerge.

FIGURE 3

Carbon Fuel as % of Output

YE 2009



Financial metric deterioration has been reversed

In 2009, AEP's consolidated financial credit metrics showed a marked improvement over the prior 2-years. This improvement, which occurred much faster than we originally thought possible, is primarily related to an aggressive cost reduction program and near-term capital investment reductions. In addition, AEP issued roughly $1.6 billion of new common equity in 2009, the proceeds of which were largely invested into its various utility subsidiaries.

The ability to maintain key cash flow to debt related credit metrics in the mid-teen's range was a primary driver behind our recent rating action - when we changed AEP's rating outlook to stable from negative.

CFO pre W/C / Debt

		2007	2008	2009
Baa2	American Electric Power Company	14%	13%	18%
A3	Columbus Southern Power Company	22%	22%	24%
Baa1	Ohio Power Company	17%	13%	20%
Baa1	Public Service Company of Oklahoma	6%	21%	21%
Baa2	AEP Texas Central Company	2%	10%	10%
Baa2	AEP Texas North Company	20%	21%	12%
Baa2	Appalachian Power Company	10%	10%	15%
Baa2	Indiana Michigan Power Company	20%	18%	25%
Baa2	Kentucky Power Company	16%	9%	18%
Baa3	Southwestern Electric Power	15%	19%	13%

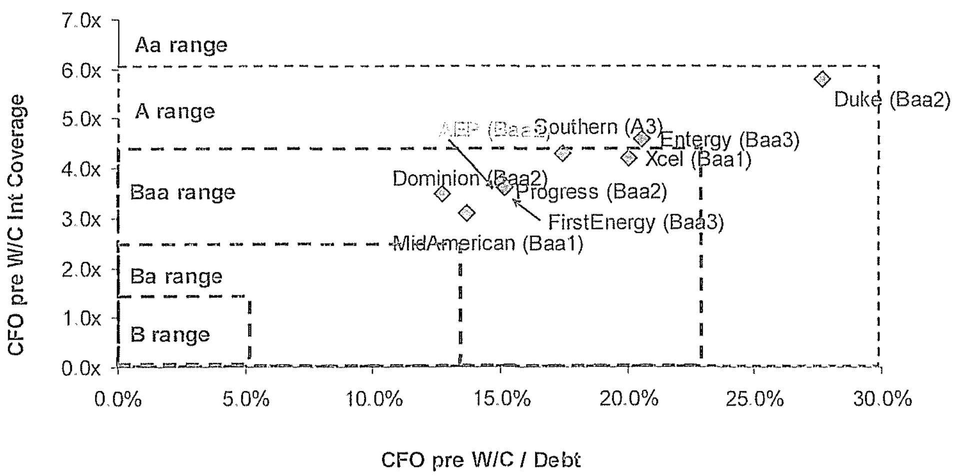
Parent Company Peer Group CFO pre W/C / Debt

			CFO PRE W/C / DEBT		
	UNSEC. RATING	OUTLOOK	5YR AVG	3YR AVG	2009
Southern Company	A3	Negative	19%	17%	15%
MidAmerican.	Baa1	Stable	19%	17%	17%
Xcel Energy Inc.	Baa1	Stable	19%	17%	20%
American Electric Power	Baa2	Stable	13%	14%	18%
Dominion	Baa2	Stable	20%	20%	18%
Duke	Baa2	Stable	16%	17%	23%
Progress	Baa2	Stable	16%	17%	17%
Entergy	Baa3	Stable	15%	15%	22%
FirstEnergy	Baa3	Stable	15%	13%	16%

SOURCE: Moody's FM

FIGURE 4

"Parent Company Peer Group (3 Year Average)



Liquidity Profile

As of December 31, 2009, AEP had three separate credit facilities totaling $3.6 billion; two of which are $1.5 billion five year credit facilities expiring in March 2011 and April 2012. These facilities contain a debt to capitalization limit of 67.5%. AEP asserts that it remains in compliance. There is a $750 million letter of credit capacity (prior to final Bank of America litigation judgment, $600 million after) on each facility ($1.5 billion in total, $1.2 billion after Bank of America resolution), a $500 million accordion feature for each facility (for a total accordion of $1.0 billion) and a one-year extension option.

There are no material adverse change restrictions on drawings, no litigation representation provision at the time of borrowing and a definition adjustment to exclude one of AEP's subsidiaries, AEP Texas Central, as a "significant subsidiary" to prevent cross-acceleration in the event of a default. AEP also has a $627 million credit facility, expiring April 2011, that can be utilized for letter of credit or draws and has covenant restrictions similar to the primary 5-year facilities.

AEP has approximately $1.7 billion of long term debt due in 2010 (of which $700 million will mature for remainder of 2010) and $600 million due in 2011. In the next two years, We estimate that AEP will spend approximately $2.5 billion in capital expenditures and approximately $800 million in dividends annually. As of year end 2009, AEP's credit facilities had approximately $119 million utilized in support of commercial paper outstanding and roughly $568 million of LC's posted, leaving approximately $2.9 billion of capacity available. Combined with $490 million of cash, total liquidity amounted to $3.4billion.

For year 2009, AEP generated approximately $2.7 billion in cash from operations, made approximately $3.3 billion capital investments and paid roughly $761 million in dividends, resulting in roughly $1.4 billion of negative free cash flow.

Liquidity Profile 2009 ($Million)

	CASH	AVAILABLE CREDIT FACILITIES / MONEY POOL
American Electric Power Company	$ 490.0	$2,894.0
AEP Texas Central Company	$180.2	$200.0
AEP Texas North Company	$0.2	$250.0
Appalachian Power Company	$ 2.0	$370.5
Columbus Southern Power Company	$1.1	$326.0
Indiana Michigan Power Company	$ 0.8	$500.0
Kentucky Power Company	$ 0.5	$250.0
Ohio Power Company	$2.0	$600.0
Public Service Company of Oklahoma	$0.8	$ 300.0
Southwestern Electric Power	$1.7	$350.0

Subsidiary Rating Summary

Appalachian Power (Baa2 Sr. Unsecured / Stable Outlook)

APCo's Baa2 senior unsecured rating reflects a relatively low-risk vertically integrated electric utility company operating in states with regulatory authorities that are generally viewed as being reasonably supportive to long term credit quality. APCo is diversified between its Virginia and West Virginia jurisdictions and benefits from some consolidated financial advantages of being part of the AEP system. Furthermore, as its major spending program winds down over the next few years, we expect APCO's financial profile and balance sheet to strengthen.

Moody's note that State of Virginia lawmakers recently suspended APCO's interim rate increase due to concerns of economic difficulties. The intervention represents an industry-wide phenomenon that, if materialized, could result in an overall shift of regulatory supportiveness within the entire rate-regulated utilities sector. Moody's will continue to follow and evaluate the situation across the country. Nevertheless, on the positive side, Moody's observe that the measure in Virginia also requires the Virginia State Corporation Commission (SCC) to issue a decision on the company's base rate case by July 15. For base cases filed after January 1, 2010, SCC is required to issue a decision within nine months.

Selected Financial Data – Appalachian Power

COMPANY	2003	2004	2005	2006	2007	2008	2009
Total Debt	2,039	2,250	2,548	2,866	3,342	3,665	4,165
CFO / Debt	23%	18%	9%	15%	11%	6%	-1%
CFO pre W/C / Debt	24%	19%	11%	13%	10%	10%	15%
FFO / Debt	20%	18%	14%	13%	11%	13%	18%
RCF / Debt	17%	16%	10%	12%	9%	10%	15%

Columbus Southern Power (A3 Sr. Unsecured / Stable Outlook)

CSPCo's A3 senior unsecured rating primarily reflects the relatively stable regulatory environment and reasonable recovery mechanisms provided by the Ohio Electric Security Plan (ESP) through 2011 and its strong cash flow generation. CSPCo is expected to continue producing financial credit metrics in a range that positions the credit well within the A3 rating category. The rating also considers the prospects for increasingly stringent environmental mandates, including the prospect for new regulations associated with carbon dioxide emissions.

We incorporate a view that CSPCo will maintain key cash flow to debt related financial metrics comfortably above the 20% range. Cash flow to debt metrics of roughly 25% will keep CSPCo well positioned in the A3 ratings category. Should CSPCo's metrics fall closer to the 20%, negative rating actions are more likely.

Selected Financial Data – Columbus Southern Power

COMPANY	2003	2004	2005	2006	2007	2008	2009
Total Debt	1,005	1,202	1,409	1,397	1,722	1,996	2,101
CFO / Debt	29%	28%	13%	28%	28%	22%	19%
CFO pre W/C / Debt	32%	25%	18%	25%	22%	22%	23%
FFO / Debt	31%	26%	24%	26%	26%	22%	27%
RCF / Debt	15%	15%	10%	18%	14%	16%	16%

Ohio Power (Baa1 Sr. Unsecured / Stable Outlook)

OPCo's Baa1 senior unsecured rating and stable outlook reflect the relatively stable regulatory environment and reasonable recovery mechanisms provided by the approved Electric Security Plan (ESP) through 2011. The rating also takes into consideration the company's historical and projected financial profile in comparison to its peers, the severely impacted economic conditions in the service territory that OPCo operates within and its ownership by American Electric Power.

OPCo's cash flow to debt metrics are expected to remain in the high-teen's range for the near to intermediate term horizon. OPCo is much larger than its affiliate, CSPCo, and is more exposed to reduced industrial volumes due to economic pressures.

Selected Financial Data – Ohio Power

COMPANY	2003	2004	2005	2006	2007	2008	2009
Total Debt	2,443	2,327	2,496	2,755	3,192	3,522	3,783
CFO / Debt	17%	24%	16%	21%	18%	13%	8%
CFO pre W/C / Debt	23%	23%	19%	18%	17%	13%	20%
FFO / Debt	23%	23%	22%	17%	19%	15%	20%
RCF / Debt	16%	15%	18%	18%	17%	13%	18%

Indiana Michigan Power (Baa2 Sr. Unsecured / Stable Outlook)

I&M's Baa2 senior unsecured rating reflects the generally supportive regulatory jurisdictions in both Indiana and Michigan, a material credit positive. In addition, the rating considers the strong historical financial metrics for I&M's rating category.

The rating had been modestly constrained by I&M's sizeable capital investment program and managing the outage at its DC Cook nuclear facility. Over time, as I&M demonstrates its ability to successfully manage and operate its large nuclear plant, and assuming the key cash flow to debt metrics remain in the high-teen's range for a sustainable period of time, this utility is the most likely AEP subsidiary to justify a ratings upgrade.

Selected Financial Data – Indiana Michigan Power

COMPANY	2003	2004	2005	2006	2007	2008	2009
Total Debt	2,408	2,210	2,608	2,653	2,603	3,111	3,167
CFO / Debt	13%	28%	18%	19%	20%	19%	16%
CFO pre W/C / Debt	17%	24%	22%	18%	20%	18%	25%
FFO / Debt	17%	22%	20%	16%	19%	17%	24%
RCF / Debt	15%	20%	19%	16%	18%	15%	22%

Kentucky Power (Baa1 Sr. Unsecured / Stable Outlook)

KYPCo's Baa2 issuer rating primarily reflects the reasonably constructive relationship with the KPSC while constrained by its relatively large capital investment program and its single carbon fuel source. Although the company has temporarily delayed some of the investment programs in 2009 and 2010, we expect the program to resume to its full force in the next few years.

However, we expect increasing up-stream dividends over the next few years and free cash flow could return to a negative position over the intermediate and long term horizon. While we generally view investments in rate base positively, we would be concerned if KYPCo's spending plans result in a persistent negative free cash flow position that is primarily funded with internal or external debt. Should this situation materialize, KYPCo's financial profile could become stressed given its Baa2-rating category.

Additionally, we consider the potential for significant environmental legislation, especially related to carbon dioxide emissions, as a material risk affecting KYPCo's 100% coal-fired generating assets. Moody's incorporates a view that the timing of compliance requirements within any potential new legislation may be many years in the future and that the costs associated with any new legislation regarding emissions will generally be recovered through rates (either through existing fuel clause pass-through mechanisms or other incremental rate riders).

Selected Financial Data – Kentucky Power

COMPANY	2003	2004	2005	2006	2007	2008	2009
Total Debt	523	575	558	542	534	665	634
CFO / Debt	12%	17%	14%	19%	18%	7%	11%
CFO pre W/C / Debt	19%	16%	14%	16%	16%	9%	18%
FFO / Debt	18%	15%	14%	16%	16%	11%	18%
RCF / Debt	16%	12%	14%	13%	14%	7%	15%

Southwestern Electric Power (Baa3 Sr. Unsecured / Stable Outlook)

SWEPCO's Baa3 senior unsecured rating reflects the longer-term prospects of being a relatively diversified, vertically integrated electric utility company with generally supportive political / regulatory environments. In addition, SWEPCO is benefited by its relationship with its parent, AEP, with respect to its liquidity needs. Over the longer-term, we view SWEPCO as an investment grade utility company.

Nevertheless, SWEPCO's current risk profile is extremely high, largely due to its pursuit of building a new, 600-MW coal-fired generating facility in Hempstead, Arkansas. The project is facing numerous legal challenges, which is not that unusual for projects of this type. It is unusual, in our opinion, for a utility to be as far along with construction given the amount of legal uncertainty that remain unresolved.

While a non-investment grade rating is not out of the question, at this time we incorporate a view that SWEPCO has the ability to revise its corporate and finance strategies and pursue other mitigation alternatives that are designed to protect against unexpectedly adverse events, especially with respect to its liquidity needs.

Selected Financial Data – Southwestern Electric Power

COMPANY	2003	2004	2005	2006	2007	2008	2009
Total Debt	946	1,026	945	958	1,434	1,862	1,974
CFO / Debt	27%	23%	22%	23%	12%	11%	20%
CFO pre W/C / Debt	29%	22%	24%	22%	15%	19%	13%
FFO / Debt	22%	23%	22%	22%	14%	18%	12%
RCF / Debt	22%	16%	18%	17%	15%	19%	13%

Public Service Company of Oklahoma (Baa1 Sr. Unsecured / Stable Outlook)

The Baa1 senior unsecured rating primarily considers the relatively strong financial profile of PSO. Prospectively, the rating incorporates a view that PSO will maintain a financial profile that positions the company well within its existing rating category. The rating also considers the supportive regulatory environment in Oklahoma, and we continue to view the OCC as being a long-term credit positive for PSO. The rating considers the material recessionary pressures currently being experienced in Oklahoma and the prospects for increasingly stringent environmental mandates, including the prospect for new regulations associated with carbon dioxide emissions.

Selected Financial Data – Public Service Company of Oklahoma

COMPANY	2003	2004	2005	2006	2007	2008	2009
Total Debt	601	750	763	844	1,093	1,086	1,158
CFO / Debt	28%	17%	11%	21%	11%	14%	26%
CFO pre W/C / Debt	29%	16%	23%	13%	6%	20%	21%
FFO / Debt	28%	20%	26%	12%	9%	21%	21%
RCF / Debt	24%	11%	18%	13%	6%	20%	19%

AEP Texas Central (Baa2 Sr. Unsecured / Stable Outlook)

AEP TCC's Baa2 senior unsecured rating is weakly positioned within its rating category, primarily due to the very weak cash flows in relation to its total adjusted debt (both on an absolute basis and in relation to its peer comparables). Nevertheless, a lower rating is not justified at this time, in part due to the expectation that AEP TCC's financial profile will show a steady, albeit modest, improvement over time and in part due to the relatively low business and operating environment provided by the PUCT. AEP TCC (and its affiliate, AEP TNC) are not viewed as core strategic holdings for the parent, AEP, in our opinion. As a result, we believe these Texas T&D properties could be considered potential divestiture candidates.

Selected Financial Data – AEP Texas Central

COMPANY	2003	2004	2005	2006	2007	2008	2009
Total Debt	2,362	1,995	1,982	3,061	2,990	2,973	2,883
CFO / Debt	15%	15%	-3%	7%	2%	5%	12%
CFO pre W/C / Debt	11%	8%	5%	3%	2%	10%	10%
FFO / Debt	13%	7%	5%	5%	4%	13%	10%
RCF / Debt	6%	0%	-3%	-16%	2%	9%	9%

AEP Texas North (Baa2 Sr. Unsecured / Stable Outlook)

Moody's views AEP TNC as being relatively well positioned within the Baa2 senior unsecured ratings category. The company, a small, relatively lower-risk transmission and distribution utility company, benefits from the Texas deregulation initiative primarily due to the absence of fuel commodity and other provider of last resort (POLR) obligations. In addition, AEP TNC benefits from the regulatory oversight provided by the PUCT, which is viewed as being relatively supportive to long term credit quality for the Texas T&D sector. AEP TNC's historical key financial credit metrics would otherwise indicate a higher ratings category than Baa2, but we incorporate a view that the metrics, primarily the cash flow to debt related metrics, will decline over the next few years towards the mid-teen's range from the previous 20% level. The mid-teen cash flow metrics are expected to remain in that range for the foreseeable future, which positions AEP TNC in the Baa2 ratings category. The residual ownership interest in the Oklaunion generating facility, which is unique among the rest of the Texas T&D sector, is not viewed as a material ratings constraint.

Selected Financial Data – AEP Texas North

COMPANY	2003	2004	2005	2006	2007	2008	2009
Total Debt	386	355	297	299	328	433	492
CFO / Debt	20%	28%	42%	21%	13%	16%	16%
CFO pre W/C / Debt	27%	24%	34%	17%	20%	21%	12%
FFO / Debt	23%	29%	28%	21%	22%	21%	11%
RCF / Debt	25%	24%	25%	12%	16%	13%	5%

Appendix– Key Financials

American Electric Power ($ Millions, as adjusted or otherwise stated)

	2005	2006	2007	2008	2009
Current Assets	$4,461	$4,124	$3,533	$4,425	$5,387
Current Liabilities	$6,185	$6,213	$5,893	$7,171	$6,181
CA – CL	($1,724)	($2,089)	($2,360)	($2,746)	($794)
CFO	$2,585	$2,911	$2,639	$2,684	$2,727
Change in w/c	$361	$41	($95)	($350)	($1,193)
CFO-w/c	$2,224	$2,870	$2,734	$3,034	$3,920
Change in other A&L	$46	($6)	$29	$376	($48)
FFO	$2,270	$2,864	$2,763	$3,410	$3,872
Dividends	$553	$591	$633	$669	$761
CFO-w/c-dividends	$1,671	$2,279	$2,101	$2,365	$3,159
CapEx	$2,649	$3,727	$3,852	$4,238	$3,194
FCF	($617)	($1,407)	($1,846)	($2,223)	($1,228)
As Rpt STD	$526	$554	$1,167	$2,626	$757
As Rpt Gross Debt	$12,226	$13,698	$14,994	$15,983	$17,498
As Rpt Total Debt	$12,752	$14,252	$16,161	$18,609	$18,255
Change in Debt		$1,500	$1,909	$2,448	($354)
Pension Adjustment	$204	$82	$87	$1,140	$1,298
Lease Adjustment	$2,307	$2,526	$2,712	$2,886	$2,700
Other Adjustment	$-	$-	$-	$-	$-
Total Adjustments	$2,511	$2,608	$2,799	$4,026	$3,998
Total Adj Debt	$15,263	$16,860	$18,960	$22,635	$22,253
(CFO-w/c) / Debt	14.6%	17.0%	14.4%	13.4%	17.6%
(CFO-w/c + Int)/Int	3.6x	3.9x	3.5x	3.3x	4.0x
(CFO-w/c-div) / Debt	11.0%	13.5%	11.1%	10.4%	14.2%
FFO / Debt	14.9%	17.0%	14.6%	15.1%	17.4%

Appalachian Power ($ Millions, as adjusted or otherwise stated)

	2005	2006	2007	2008	2009
Current Assets	$784	$720	$642	$970	$1,298
Current Liabilities	$1,101	$1,242	$1,295	$1,366	$1,509
CA - CL	($317)	($522)	($653)	($397)	($211)
CFO	$226	$438	$357	$212	($26)
Change in w/c	($44)	$75	$25	($159)	($666)
CFO-w/c	$270	$364	$332	$371	$640
Change in other A&L	$80	($2)	$24	$114	$99
FFO	$350	$362	$356	$484	$739
Dividends	$6	$11	$26	$1	$21
CFO-w/c-dividends	$264	$353	$306	$370	$619
CapEx	$599	$888	$759	$713	$560
FCF	($379)	($460)	($428)	($502)	($606)
As Rpt STD	$194	$35	$275	$195	$230
As Rpt Gross Debt	$2,151	$2,599	$2,847	$3,175	$3,477
As Rpt Total Debt	$2,346	$2,634	$3,123	$3,369	$3,707
Change in Debt		$288	$489	$247	$337
Pension Adjustment	$34	$14	$15	$19	$166
Lease Adjustment	$92	$116	$121	$145	$148
Other Adjustment	$77	$102	$84	$131	$144
Total Adjustments	$203	$232	$219	$295	$458
Total Adj Debt	$2,548	$2,866	$3,342	$3,665	$4,165
(CFO-w/c) / Debt	10.6%	12.7%	9.9%	10.1%	15.4%
(CFO-w/c + Int)/Int	3.2x	3.4x	2.9x	2.6x	3.8x
(CFO-w/c-div) / Debt	10.4%	12.3%	9.2%	10.1%	14.9%
FFO / Debt	13.7%	12.6%	10.6%	13.2%	17.7%

Columbus Southern Power ($ Millions, as adjusted or otherwise stated)

	2005	2006	2007	2008	2009
Current Assets	$460	$431	$433	$479	$490
Current Liabilities	$587	$628	$871	$816	$980
CA - CL	($127)	($196)	($437)	($337)	($491)
CFO	$190	$398	$474	$432	$400
Change in w/c	($60)	$53	$89	($3)	($94)
CFO-w/c	$250	$345	$385	$435	$494
Change in other A&L	$85	$17	$56	$9	$69
FFO	$335	$362	$441	$444	$562
Dividends	$114	$90	$150	$123	$150
CFO-w/c-dividends	$136	$255	$235	$312	$344
CapEx	$172	$306	$352	$464	$329
FCF	($96)	$2	($28)	($154)	($79)
As Rpt STD	$18	$1	$95	$75	$24
As Rpt Gross Debt	$1,197	$1,197	$1,298	$1,444	$1,536
As Rpt Total Debt	$1,215	$1,198	$1,393	$1,518	$1,561
Change in Debt		($17)	$195	$125	$42
Pension Adjustment	$10	$4	$4	$56	$83
Lease Adjustment	$60	$52	$191	$277	$288
Other Adjustment	$124	$143	$133	$145	$169
Total Adjustments	$195	$199	$328	$477	$540
Total Adj Debt	$1,409	$1,397	$1,722	$1,996	$2,101
(CFO-w/c) / Debt	17.7%	24.7%	22.4%	21.8%	23.5%
(CFO-w/c + Int)/Int	4.7x	5.6x	5.1x	4.7x	5.1x
(CFO-w/c-div) / Debt	9.6%	18.2%	13.7%	15.7%	16.4%
FFO / Debt	23.8%	25.9%	25.6%	22.3%	26.8%

Indiana Michigan Power ($ Millions, as adjusted or otherwise stated)

	2005	2006	2007	2008	2009
Current Assets	$600	$597	$531	$645	$1,001
Current Liabilities	$1,117	$789	$892	$1,259	$770
CA - CL	($517)	($192)	($361)	($614)	$232
CFO	$462	$505	$512	$576	$500
Change in w/c	($104)	$34	($2)	$23	($282)
CFO-w/c	$565	$471	$514	$553	$782
Change in other A&L	($54)	($38)	($31)	($25)	($18)
FFO	$511	$433	$483	$528	$764
Dividends	$62	$40	$40	$75	$98
CFO-w/c-dividends	$503	$431	$474	$478	$684
CapEx	$416	$478	$434	$640	$585
FCF	($16)	($13)	$38	($139)	($183)
As Rpt STD	$94	$91	$45	$476	$-
As Rpt Gross Debt	$1,445	$1,571	$1,611	$1,421	$2,103
As Rpt Total Debt	$1,539	$1,662	$1,656	$1,897	$2,103
Change in Debt		$124	($6)	$242	$206
Pension Adjustment	$44	$-	$19	$245	$144
Lease Adjustment	$915	$888	$819	$850	$782
Other Adjustment	$111	$103	$109	$118	$138
Total Adjustments	$1,070	$990	$947	$1,213	$1,064
Total Adj Debt	$2,608	$2,653	$2,603	$3,111	$3,167
(CFO-w/c) / Debt	21.7%	17.8%	19.7%	17.8%	24.7%
(CFO-w/c + Int)/Int	6.1x	4.9x	5.1x	4.4x	5.6x
(CFO-w/c-div) / Debt	19.3%	16.2%	18.2%	15.4%	21.6%
FFO / Debt	19.6%	16.3%	18.6%	17.0%	24.1%

Kentucky Power ($ Millions, as adjusted or otherwise stated)

	2005	2006	2007	2008	2009
Current Assets	$165	$146	$121	$161	$179
Current Liabilities	$228	$534	$228	$333	$183
CA - CL	($63)	($389)	($107)	($172)	($4)
CFO	$75	$104	$99	$49	$72
Change in w/c	($3)	$19	$14	($9)	($40)
CFO-w/c	$78	$85	$85	$58	$112
Change in other A&L	$0	$1	$3	$14	$4
FFO	$79	$86	$88	$72	$115
Dividends	$3	$15	$12	$14	$20
CFO-w/c-dividends	$76	$70	$73	$44	$92
CapEx	$59	$80	$71	$132	$66
FCF	$14	$8	$16	($97)	($14)
As Rpt STD	$6	$31	$19	$131	$0
As Rpt Gross Debt	$487	$447	$448	$419	$549
As Rpt Total Debt	$493	$478	$468	$550	$549
Change in Debt		($15)	($10)	$82	($1)
Pension Adjustment	$7	$-	$3	$39	$27
Lease Adjustment	$20	$20	$22	$20	$16
Other Adjustment	$39	$44	$41	$56	$41
Total Adjustments	$65	$64	$66	$115	$85
Total Adj Debt	$558	$542	$534	$665	$634
(CFO-w/c) / Debt	14.0%	15.6%	15.8%	8.8%	17.6%
(CFO-w/c + Int)/Int	3.4x	3.8x	3.6x	2.4x	3.9x
(CFO-w/c-div) / Debt	13.6%	12.9%	13.6%	6.7%	14.5%
FFO / Debt	14.1%	15.9%	16.4%	10.9%	18.2%

Ohio Power ($ Millions, as adjusted or otherwise stated)

	2005	2006	2007	2008	2009
Current Assets	$825	$681	$638	$803	$1,550
Current Liabilities	$1,252	$1,179	$1,019	$1,217	$1,537
CA - CL	($426)	($498)	($381)	($414)	$13
CFO	$409	$585	$579	$463	$310
Change in w/c	($67)	$99	$33	$15	($462)
CFO-w/c	$476	$486	$547	$448	$772
Change in other A&L	$85	($18)	$46	$78	($27)
FFO	$561	$467	$592	$526	$744
Dividends	$30	$0	$-	$1	$97
CFO-w/c-dividends	$446	$486	$547	$446	$675
CapEx	$708	$978	$918	$704	$430
FCF	($329)	($392)	($339)	($242)	($217)
As Rpt STD	$10	$1	$1	$-	$-
As Rpt Gross Debt	$2,200	$2,402	$2,850	$3,039	$3,243
As Rpt Total Debt	$2,210	$2,403	$2,850	$3,039	$3,243
Change in Debt		$193	$447	$189	$203
Pension Adjustment	$22	$9	$10	$125	$157
Lease Adjustment	$124	$187	$197	$203	$206
Other Adjustment	$139	$157	$135	$155	$178
Total Adjustments	$286	$352	$341	$483	$540
Total Adj Debt	$2,496	$2,755	$3,192	$3,522	$3,783
(CFO-w/c) / Debt	19.1%	17.6%	17.1%	12.7%	20.4%
(CFO-w/c + Int)/Int	4.6x	4.1x	4.0x	3 x	5.0x
(CFO-w/c-div) / Debt	17.9%	17.6%	17.1%	12.7%	17.8%
FFO / Debt	22.5%	17.0%	18.6%	14.9%	19.7%

Public Service Power Company of Oklahoma ($ Millions, as adjusted or otherwise stated)

	2005	2006	2007	2008	2009
Current Assets	$500	$497	$466	$417	$360
Current Liabilities	$663	$649	$539	$666	$401
CA - CL	($163)	($152)	($74)	($249)	($41)
CFO	$86	$175	$124	$147	$307
Change in w/c	($91)	$67	$57	($75)	$58
CFO-w/c	$177	$108	$67	$222	$248
Change in other A&L	$18	($2)	$31	$1	($8)
FFO	$195	$105	$98	$223	$240
Dividends	$37	$-	$-	$-	$32
CFO-w/c-dividends	$140	$108	$67	$222	$216
CapEx	$139	$246	$316	$292	$180
FCF	($90)	($71)	($192)	($145)	$95
As Rpt STD	$-	$-	$-	$-	$-
As Rpt Gross Debt	$571	$670	$918	$885	$968
As Rpt Total Debt	$571	$670	$918	$885	$968
Change in Debt		$99	$248	($33)	$83
Pension Adjustment	$1	$-	$1	$8	$67
Lease Adjustment	$39	$50	$60	$52	$44
Other Adjustment	$152	$125	$115	$141	$79
Total Adjustments	$192	$174	$175	$201	$190
Total Adj Debt	$763	$844	$1,093	$1,086	$1,158
(CFO-w/c) / Debt	23.2%	12.7%	6.1%	20.5%	21.4%
(CFO-w/c + Int)/Int	5.3x	3.2x	2.1x	3.5x	4.6x
(CFO-w/c-div) / Debt	18.4%	12.7%	6.1%	20.5%	18.7%
FFO / Debt	25.6%	12.5%	9.0%	20.5%	20.7%

Southwestern Electric Power ($ Millions, as adjusted or otherwise stated)

	2005	2006	2007	2008	2009
Current Assets	$415	$557	$440	$548	$461
Current Liabilities	$496	$926	$507	$579	$623
CA - CL	($80)	($369)	($68)	($31)	($162)
CFO	$206	$219	$178	$206	$386
Change in w/c	($18)	$12	($32)	($154)	$122
CFO-w/c	$224	$207	$210	$360	$264
Change in other A&L	($13)	($1)	($2)	($19)	($27)
FFO	$211	$206	$208	$341	$237
Dividends	$55	$40	$-	$5	$3
CFO-w/c-dividends	$169	$167	$210	$355	$260
CapEx	$166	$335	$510	$685	$584
FCF	($15)	($156)	($332)	($484)	($201)
As Rpt STD	$100	$120	$95	$112	$124
As Rpt Gross Debt	$745	$729	$1,197	$1,591	$1,623
As Rpt Total Debt	$845	$849	$1,292	$1,703	$1,747
Change in Debt		$4	$443	$412	$44
Pension Adjustment	$7	$3	$3	$38	$72
Lease Adjustment	$89	$102	$135	$116	$151
Other Adjustment	$5	$5	$5	$5	$5
Total Adjustments	$100	$109	$142	$158	$227
Total Adj Debt	$945	$958	$1,434	$1,862	$1,974
(CFO-w/c) / Debt	23.7%	21.6%	14.6%	19.4%	13.4%
(CFO-w/c + Int)/Int	4.7x	4.2x	3.5x	3.8x	3.2x
(CFO-w/c-div) / Debt	17.9%	17.4%	14.6%	19.1%	13.2%
FFO / Debt	22.4%	21.5%	14.5%	18.3%	12.0%

AEP Texas Central ($ Millions, as adjusted or otherwise stated)

	2005	2006	2007	2008	2009
Current Assets	$378	$583	$500	$385	$447
Current Liabilities	$533	$303	$397	$500	$373
CA - CL	($155)	$280	$102	($116)	$75
CFO	($58)	$229	$48	$138	$354
Change in w/c	($155)	$145	($1)	($146)	$64
CFO-w/c	$97	$84	$49	$284	$290
Change in other A&L	$2	$73	$63	$67	($7)
FFO	$99	$157	$112	$351	$283
Dividends	$150	$585	$3	$30	$36
CFO-w/c-dividends	($53)	($502)	$45	$253	$254
CapEx	$183	$275	$228	$273	$180
FCF	($390)	($631)	($183)	($165)	$137
As Rpt STD	$82	$-	$-	$107	$-
As Rpt Gross Debt	$1,853	$3,016	$2,938	$2,794	$2,758
As Rpt Total Debt	$1,936	$3,016	$2,938	$2,902	$2,758
Change in Debt		$1,080	($78)	($36)	($144)
Pension Adjustment	$4	$2	$2	$23	$82
Lease Adjustment	$37	$44	$51	$48	$43
Other Adjustment	$6	$0	$0	$0	$0
Total Adjustments	$47	$46	$53	$71	$125
Total Adj Debt	$1,982	$3,061	$2,990	$2,973	$2,883
(CFO-w/c) / Debt	4.9%	2.7%	1.6%	9.5%	10.1%
(CFO-w/c + Int)/Int	1.9x	1.6x	1.3x	2.6x	2.8x
(CFO-w/c-div) / Debt	-2.7%	-16.4%	1.5%	8.5%	8.8%
FFO / Debt	5.0%	5.1%	3.7%	11.8%	9.8%

AEP Texas North ($ Millions, as adjusted or otherwise stated)

	2005	2006	2007	2008	2009
Current Assets	$165	$72	$79	$101	$93
Current Liabilities	$155	$95	$127	$139	$175
CA - CL	$10	($23)	($47)	($37)	($83)
CFO	$126	$63	$42	$71	$78
Change in w/c	$24	$13	($23)	($18)	$20
CFO-w/c	$102	$50	$65	$90	$58
Change in other A&L	($20)	$14	$8	$3	($4)
FFO	$82	$64	$73	$93	$54
Dividends	$29	$13	$14	$35	$32
CFO-w/c-dividends	$73	$37	$51	$55	$26
CapEx	$64	$72	$89	$133	$96
FCF	$33	($22)	($61)	($97)	($50)
As Rpt STD	$-	$-	$34	$29	$76
As Rpt Gross Debt	$277	$277	$269	$369	$370
As Rpt Total Debt	$277	$277	$302	$398	$446
Change in Debt		$0	$25	$95	$49
Pension Adjustment	$2	$-	$1	$11	$25
Lease Adjustment	$15	$20	$23	$22	$19
Other Adjustment	$2	$2	$2	$2	$2
Total Adjustments	$20	$22	$26	$35	$46
Total Adj Debt	$297	$299	$328	$433	$492
(CFO-w/c) / Debt	34.4%	16.7%	19.9%	20.7%	11.8%
(CFO-w/c + Int)/Int	5.8x	3.6x	4.5x	4.5x	3.3x
(CFO-w/c-div) / Debt	24.6%	12.4%	15.6%	12.60%	5.3%
FFO / Debt	27.7%	21.4%	22.2%	21.4%	11.1%

Moody's Related Research

Rating Methodology

» Regulated Electric and Gas Utilities, August 2009 (118481)

Analysis

» American Electric Power, February 2009 (114420)

Industry Outlooks

» U.S. Electric Utilities Face Challenges Beyond Near Term, January 2010 (121717)

» US Coal Industry Outlook 2010, October 2009 (120836)

Covenant Quality Assessments

» CQA: Appalachian Power, December 2007 (104432)

» CQA: Kentucky Power, September 2007 (104655)

» CQA: PS Oklahoma, November 2007 (105741)

» CQA: Southwestern Electric Power, February 2007 (102306)

Issuer Comment

» Moody's Comments on prospects for Ohio's re-regulation, August 2007

Special Comments

» U.S. Electric Utilities See Some Clarity in Evolving Federal Energy Policies, February 2010 (123062)

» Investor-Owned Electric Utilities in Ohio, February 2009 (114137)

» Carbon Dioxide: Regulating Emissions Following a Long and Winding Road, November 2008 (112822)

» U.S. Investor Owned Electric Utilities Somewhat Insulated (but not immune) from market stress, September 2008 (111891)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Report Number: 124069

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Credit Opinion: American Electric Power Company, Inc.

Global Credit Research - 29 Jun 2011

Columbus, Ohio, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Jr Subordinate	Baa3
Commercial Paper	P-2
AEP Capital Trust I	
Outlook	Stable
Pref. Shelf	(P)Baa3
AEP Capital Trust II	
Outlook	Stable
Pref. Shelf	(P)Baa3
AEP Capital Trust III	
Outlook	Stable
Pref. Shelf	(P)Baa3
Appalachian Power Company	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
Pref. Stock	Ba1

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Key Indicators

[1]American Electric Power Company, Inc.

	LTM 3/31/2011	2010	2009	2008
(CFO Pre-W/C + Interest) / Interest Expense	4.1x	3.9x	4.0x	3.4x
(CFO Pre-W/C) / Debt	18%	17%	18%	13%
(CFO Pre-W/C - Dividends) / Debt	14%	13%	14%	10%
Debt / Book Capitalization	50%	50%	53%	58%

[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

Holding company for primarily rate-regulated utilities operating in diversified regulatory environments that provide a strong foundation to investment grade credit rating

Near-term liquidity profile appears adequate

Recent improvement to financials appear to be stabilized with mid-to high teens range cash flow metrics

Material exposure to coal-fired generation requires some repositioning of generation fleet

Ohio still a net credit positive with market restructuring in its second decade

Corporate Profile

American Electric Power Company, Inc. (AEP, Baa2 senior unsecured / stable outlook) is a large electric utility holding company with rate-regulated utilities operating in 11 states. AEP owns approximately 37,000 MW of generating assets, primarily coal fired. AEP is headquartered in Columbus, Ohio.

Recent Developments

On March 3, 2011, Moody's changed the rating outlook for CSPCo to negative from stable due to the proposed merger with its affiliate, Ohio Power, as combined metrics are more consistent with Ohio Power's ratings category of Baa1. In terms of timing of any ratings action, Moody's would expect to move CSPCo to a review for possible downgrade once the proposed transaction's procedural schedule is established and testimony is filed, and for any downgrade to occur once the necessary merger approvals are attained. We currently expect the merger to be completed by year-end 2011. On June 9, 2011, AEP announced an initial plan to comply with proposed clean air regulations by (i) reducing coal-fired capacity by 7,000 MW, with 6,000 MW of retirements and 1,000 MW of refueling to natural gas, (ii) building 1,200 MW of new natural gas capacity and (iii) installing emissions reduction equipment on 10,000 MW of coal-fired plants (all numbers are approximate). The cost would be $6-8 billion over the remainder of the decade, and AEP is advocating a delayed implementation of regulation, citing the impact on jobs. Moody's expects the plan will be subject to continued negotiation with rate-makers and politicians, but in our opinion, the costs of environmental compliance will largely be recoverable in rates in regulated jurisdictions.

SUMMARY RATING RATIONALE

AEP's Baa2 senior unsecured rating considers the diversity associated with owning and operating nine rate-regulated electric utilities across 11 states. The rating also considers the consolidated financial profile of AEP, which does not maintain a material amount of parent holding company debt, a credit positive. Over the past two years, AEP's consolidated financial metrics support the Baa2 rating, with the ratio of cash flow from operations adjusted for changes in working capital (CFO pre-w/c) to debt averaging roughly 17% and debt to capitalization near 51%. The Baa2 rating also considers the increasing challenges associated with managing a large fleet of coal-fired generation assets (whose operating costs are expected to rise) and service territories experiencing sluggish recoveries from the 2008/2009 recession.

DEATAILED RATING CONSIDERATIONS

- DIVERSITY OF RATE REGULATED CASH FLOWS

AEP's businesses and assets are well diversified, although they are concentrated within the electric utility sector. AEP's utility subsidiaries are located in 11 different states, and are therefore regulated by 11 different regulatory authorities (the largest ranked by rate base being Texas, West Virginia, Virginia, Indiana and Ohio). These jurisdictions translate into good diversity in revenues (by state and operating utility), cash flows, assets, debt outstanding, customers and generation capacity. From a credit perspective, Moody's views AEP's size and diversity as a meaningful credit strengths, providing a the parent company a degree of insulation from any unexpected adverse event or other negative development occurring at one of its companies or with one of its state service territories.

- GENERALLY SUPPORTIVE REGULATORY JURISDICTIONS

AEP is exposed to 11 different state regulatory commissions that Moody's generally views favorably due to reasonably transparent rulemaking procedures and good suite of recovery mechanisms. We observe that most of these commissions are appointed (Louisiana and Oklahoma are elected); that a majority of the states did not pursue a legislatively mandated form of deregulation (with the exception of Ohio, Texas, Virginia and Michigan - although the two latter states have more recently pursued re-regulation), that fuel / purchased power costs trackers are allowed in some fashion in all states (except for Ohio, which is subject to a rate cap with a deferral mechanism) and that most have approval authorities over securities issuances and M&A change of control (except Michigan). As a portfolio, these regulatory commissions are viewed as maintaining a relatively constructive relationship with the utilities they regulate and are considered a benefit to AEP's over-all business and risk profile.

- MAINTAINING FINANCIAL PROFILE KEY TO MAINTAINING RATINGS

The vast majority of AEP's revenues, earnings, cash flows and assets are related to its numerous rate-regulated electric utility subsidiaries, which we view, in general, as having a relatively low over-all business and operating risk profile. We would be concerned if AEP finds it increasingly difficult to maintain its consolidated CFO pre-w/c to debt credit metrics at a level that remains comfortably within the mid-teens range. For years ended 2010 and 2009, AEP reported a ratio of CFO pre-w/c to debt of roughly 17%, up from the approximate 14% range produced in 2008 and 2007.

Prospectively, we expect AEP to continue to exhibit stability in its financial profile, despite still lingering recessionary pressures being experienced in many of its service territories and rising costs associated with its generation fleet. We incorporate a view that AEP will continue to produce a ratio of CFO pre-w/c to debt near 17% (15% excluding the impact of bonus depreciation) over the near to intermediate term horizon.

- LARGE CAPITAL EXPENDITURE PROGRAM

Over the next few years, AEP is expecting to invest approximately $10 billion into its infrastructure, including sizeable investments in transmission and environmental compliance. We view investments in regulated rate-base positively for the credit profile, and we incorporate a view that most regulators will provide meaningful and timely recovery for prudently incurred investments. Nevertheless, we remain cautious as to the scale and scope of capital expenditure plans of this size, due to the negative free cash flow that will be incurred over the next few years and the potential regulatory overhang associated with the ultimate impact on end-use customer rates. In our opinion, utilities that are embarking on a capital investment program of this size should also be redoubling their efforts to bolster their balance sheet and cash flow credit metrics, in an effort to create enough financial strength to weather potentially distressful environments related to uncertain economic conditions, volatility in commodity markets, regulatory changes or any other unanticipated developments.

- COAL GENERATING ASSETS REPRESENT SIGNIFICANTLY LONGER-TERM VULNERABILITY

We believe the likelihood for incremental environmental legislation and increasingly stringent mandates as representing a material risk affecting AEP's coal-fired generating assets and overall corporate strategy. However, Moody's incorporates a view that the timing of compliance requirements with any new laws or proposals will be incurred over many years and that the costs associated with any new legislation regarding emissions will generally be recovered through rates (either through existing fuel clause pass-through mechanisms or other incremental rate riders). As a result, recent EPA rules and proposals are not viewed as a material credit negative over the near-term horizon. Nonetheless, eventual plant closures will require replacement capacity and/or additional transmission capacity for imported power.

- OHIO REGULATORY ENVIRONMENT A NET CREDIT POSITIVE

Ohio is both a unique state from a regulatory perspective and very important to AEP. The state pursued deregulation to a point and permitted some stranded cost recovery, but also allowed utilities to remain vertically integrated and pursued a form of quasi regulation via an ongoing requirement for Electric Security Plan (ESPs, which can vary considerably from utility to utility). Although AEP's (distribution-only) rate base in Ohio is its fifth largest at approximately $1.9 billion, the combined assets of its Ohio operating companies, at over $13 billion, are the largest within the AEP system.

Despite the continuing uncertainty associated with a decade old restructuring initiative, we continue to view the Ohio regulatory environment as a relatively supportive and transparent jurisdiction. The PUCO provides a good suite of recovery mechanisms and flexible, company-specific restructuring frameworks for the utilities in the state, a credit positive. We consider Ohio to be a quasi-regulated environment, similar to Texas, but we note that the Ohio model is untested with respect to plant abandonments. We do not view the current round of market restructuring as a credit negative due to our view that the matter will be resolved, at a minimum, in a credit neutral basis.

Our positive views of the Ohio regulatory environment are based in part on the existing regulatory framework. For example, AEP's current ESP (expiring 12/31/2011) provides near term clarity for cost and investment recovery and allows companies to maintain reasonably good cash flows and financial profiles, in our opinion. Ohio provides fuel pass-through mechanisms, which specifically permit the recoverability of potential future carbon costs, a credit positive. In addition, special riders allow for recovery of other costs and investments such as transmission costs, future carrying cost of environmental investments incurred from 2001 through 2008, gridSmart programs and provider-of-last-resort (POLR) expenses, although some of these costs are being re-evaluated by the PUCO due to an Ohio Supreme Court remand.

Liquidity

AEP's liquidity is good. As of March 31, 2011, AEP had syndicated credit facilities totaling $2.954 billion, expiring in April 2012 and June 2013. These facilities contain an adjusted debt to capitalization limit of 67.5%, and AEP reports that it remains in compliance, with an adjusted ratio of 53% at March 31, 2011. There is a combined $1.35 billion of letter of credit sub-limits under the facilities, a $500 million accordion feature for each facility (for a total accordion of $1.0 billion). There are no material adverse change or material litigation restrictions on drawings. Default provisions exclude payment defaults and insolvency/bankruptcy of subsidiaries that are not significant subsidiaries per the SEC definition (AEP Texas Central is also effectively excluded as a significant subsidiary due to a definitional adjustment).

For year 2010, AEP generated approximately $3.2 billion in Moody's-adjusted cash from operations, made approximately $2.5 billion in capital investments and paid roughly $824 million in dividends, resulting in roughly $220 million of negative free cash flow.

Including securitization bonds, AEP has approximately $600 million of long-term debt due in 2011, $630 million due in 2012 and $1.9 billion due in 2013. Over the next two years, we estimate that AEP will spend approximately $2.9 billion annually in capital expenditures and approximately $850 million in dividends annually. At March 31, 2011, AEP's credit facilities had approximately $813 million utilized in support of commercial paper outstanding and $125 million of LCs posted, leaving approximately $2.1 billion of capacity available. Combined with $625 million of cash, total liquidity amounted to roughly $2.7 billion.

Structural Considerations

After considering the ratings for a number of AEP's utility operating subsidiaries, several of which are also rated in the Baa2 ratings category, there could be some structural subordination pressure for AEP to defend its Baa2 senior unsecured rating, at least over the longer-term horizon. However, we see good diversity and a low-risk business profile among its numerous operating utility subsidiaries, which should continue to mitigate this potential issue. A downgrade of Columbus Southern Power would not be considered as material enough to change our views regarding AEP's Baa2 rating at this time. Nevertheless, rating upgrades at certain other subsidiaries, including Appalachian Power and Indiana-Michigan Power (both rated Baa2 senior unsecured) would materially benefit the credit positioning of AEP.

Rating Outlook

The stable rating outlook reflects the good credit profiles of AEP's diverse portfolio of electric utility operating subsidiaries. We believe AEP will continue to demonstrate a reasonably conservative approach towards its financial policies, leading to continued improvements in its cash flow generation in relation to debt. A stronger balance sheet is viewed as a material credit positive for AEP, as it helps mitigate numerous challenges over the longer-term horizon. These challenges include managing a diverse group of service territories which are all still experiencing some severe post economic recessionary pressures, along with a sizeable coal-fired generating fleet (including one plant in advanced stages of construction) and a single nuclear generating plant.

What Could Change the Rating - Up

Ratings upgrades appear unlikely over the near term, primarily due to the rating positions of AEP's numerous subsidiary operating utilities. While the diversification of these numerous subsidiaries benefits the over-all credit profile, we observe that a majority of the utility subsidiaries appear to be well positioned within the Baa1 and Baa2 rating categories. Nevertheless, if AEP were successful in producing a stronger set of key financial credit metrics, including a ratio of CFO pre-w/c to debt near 20% on a sustainable basis, ratings could be upgraded. The recent performance of achieving almost 18 % in 2009 and 17% in 2010 (15% after adjusting for bonus depreciation) has been noted.

What Could Change the Rating - Down

AEP's ratings could be downgraded based on the structural subordination risks associated with the ratings of its subsidiaries, particularly its larger subsidiaries in Virginia and Ohio. In addition, the ratings could be downgraded if AEP were to produce financial metrics that appear too weak for its existing rating category, including a ratio of CFO pre-w/c to debt in the low teens range. The ratings could also be downgraded if AEP were to experience material set-backs with its various regulatory proceedings, or if a more contentious regulatory / political relationship materialized or if its capital investment program were financed aggressively with debt, which in turn would likely impact its consolidated cash flow generation financial metrics.

Rating Factors

American Electric Power Company, Inc.

Regulated Electric and Gas Utilities Industry [1][2]	Current 12/31/2010		Moody's 12-18 month Forward View* As of June 2011	
Factor 1: Regulatory Framework (25%)	Measure	Score	Measure	Score
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%)		A		A
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%)	3.8x	Baa	3.0 - 4.0x	Baa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	16.1%	Baa	14 - 18%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	12.6%	Baa	10 - 13%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	53.6%	Baa	45 - 50%	Baa
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(L); Source: Moody's Financial Metrics

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Global Power
U.S. and Canada
Update

Kentucky Power Co.

A Subsidiary of American Electric Power Co.

Ratings

Security Class	Current Rating
Issuer Default Rating (IDR)	BBB–
Senior Unsecured Debt	BBB
Commercial Paper/Short-Term IDR	F2

Rating Outlook

Stable

Financial Data

Kentucky Power Co.
($ Mil.)

	LTM 6/30/10	12/31/09
Revenues	610	633
Gross Margin	212	221
Cash Flow from Operations	65	54
Operating EBITDA	104	120
Total Debt	553	549
Total Capitalization	977	981
Capex/Depreciation (%)	94.2	123.1

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Related Research

Applicable Criteria
- *Corporate Rating Methodology Aug. 16, 2010*
- *Parent and Subsidiary Rating Linkage (Fitch's Approach to Rating Entities within the Corporate Group Structure), July 14, 2010*
- *Utilities Sector Notching and Recovery Ratings, March 16, 2010*
- *U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines, Aug. 22, 2007*
- *Credit Rating Guidelines for Regulated Utility Companies, July 31, 2007*

Other Research
- *American Electric Power Co., Feb. 12, 2010*

Rating Rationale

- Fitch affirmed the ratings of Kentucky Power Co. (KPC) on Sept. 9, 2010. The Rating Outlook for the company remains Stable. KPC's ratings are supported by the company's stable utility operations and relatively constructive regulatory environment and affiliation with parent American Electric Power Co. (AEP; Fitch issuer default rating of 'BBB', with a Stable Outlook). While the utility is able to participate in the AEP power pool and AEP money pool, given AEP's highly centralized treasury and electric operations, any deterioration in the credit quality of the parent company could impair the ratings of KPC. Recent financial performance was negatively affected by lower retail and wholesale revenues, resulting in credit metrics that are currently below average for the 'BBB–' category. Fitch Ratings expects financial performance to improve following KPC's recent $64 million rate increase, resulting in projected ratios of EBITDA to interest of more than 4.0x and FFO to interest to remain approximately 3.5x over the next several years.
- The primary rating concerns facing KPC relate to its exposure to a struggling local economy, particularly the industrial sector, which comprises 28% of revenues as well as stricter environmental legislation. Fitch expects adequate recovery of additional environmental costs through the company's environmental cost compliance (ECC) surcharge. Recovery delays or disallowances of environmental costs could place downward pressure on ratings.

Key Ratings Drivers

- Stable utility operations.
- Generally balanced regulatory environment in Kentucky.
- Affiliation with parent, AEP.
- Impact of recession on local economy, in particular the industrial customers.
- Exposure to stricter environmental legislation.

Liquidity and Debt Structure

KPC's liquidity position is solid with more than $245 million of available capacity under the AEP money pool. Total AEP available liquidity of approximately $2.9 billion as of June 30, 2010, including $838 million of cash on hand. AEP's credit facilities are comprised of a $1.454 billion facility that matures in April 2012, a $1.5 billion facility that matures in June 2013, and a $478 million facility that matures in April 2011. The credit agreements contain a covenant that requires AEP to maintain debt to total capitalization at or below 67.5%. KPC's next scheduled maturity of $20 million is due in 2015.

KPC's capital spending budget through 2011 is projected to average approximately $60 million per year. However, in 2007, the U.S. District Court approved the AEP System's consent decree with the EPA, the U.S. Department of Justice, the states, and the special interest groups that KPC's Big Sandy coal plant will be scrubbed by 2015. As such, KPC's capital spending is expected to increase starting in 2013 for this project. Funding will be met through a combination of internal cash and external debt.

Financial Summary — Kentucky Power Co.

($ Mil., Fiscal Years-End Dec. 31)

	6/30/10 LTM	2009	2008	2007	2006
Fundamental Ratios					
FFO/Interest Expense (x)	3.4	4.2	2.7	3.8	3.8
CFO/Interest Expense (x)	2.7	2.6	2.7	4.1	4.6
FFO/Debt (%)	16.6	19.9	11.3	18.0	17.4
Operating EBIT/Interest Expense (x)	1.4	2.0	1.8	2.5	2.7
Operating EBITDA/Interest Expense (x)	2.7	3.5	3.1	4.1	4.2
Debt/Operating EBITDA (x)	5.3	4.6	4.9	3.8	3.8
Common Dividend Payout (%)	145.5	79.2	56.0	37.5	42.9
Internal Cash/Capex (%)	100.0	54.7	36.9	119.1	117.9
Capex/Depreciation (%)	94.2	123.1	270.8	144.7	169.6
Profitability					
Adjusted Revenues	610	633	666	588	585
Net Revenues	212	221	234	237	232
Operating and Maintenance Expense	96	89	111	103	96
Operating EBITDA	104	120	113	122	127
Operating EBIT	52	68	65	75	81
Gross Interest Expense	38	34	37	30	30
Net Income for Common	11	24	25	32	35
Operating and Maintenance Expense % of Net Revenues	45.3	40.3	47.4	43.5	41.4
Operating EBIT % of Net Revenues	24.5	30.8	27.8	31.6	34.9
Cash Flow					
Cash Flow from Operations	65	54	62	93	107
Change in Working Capital	(27)	(55)	—	9	24
Funds from Operations	92	109	62	84	83
Dividends	(16)	(19)	(14)	(12)	(15)
Capital Expenditures	(49)	(64)	(130)	(68)	(78)
Free Cash Flow	—	(29)	(82)	13	14
Net Other Investment Cash Flow	—	—	—	—	—
Net Change in Debt	(2)	(2)	81	(14)	(17)
Net Equity Proceeds	—	30	—	—	—
Capital Structure					
Short-Term Debt	4	—	131	19	31
Long-Term Debt	549	549	419	448	447
Total Debt	**553**	**549**	**550**	**467**	**478**
Total Hybrid Equity and Minority Interest	—	—	—	—	—
Common Equity	424	432	398	387	370
Total Capital	**977**	**981**	**948**	**854**	**848**
Total Debt/Total Capital (%)	56.6	56.0	58.0	54.7	56.4
Total Hybrid Equity and Minority Interest/Total Capital (%)	—	—	—	—	—
Common Equity/Total Capital (%)	43.4	44.0	42.0	45.3	43.6

Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding.
Source: Company reports, Fitch Ratings.

Utilities, Power, and Gas
U.S. and Canada
Full Rating Report

Kentucky Power Co.

Subsidiary of American Electric Power Co., Inc.

Ratings

Security Class	Current Rating
IDR	BBB–
Senior Unsecured Debt	BBB
Short-Term IDR	F2

IDR – Issuer default rating.

Rating Outlook

Stable

Financial Data

Kentucky Power Company
($ Mil.)

	12/31/10	12/31/09
Revenues	684	633
Gross Margin	268	221
Funds from Operations	89	109
Operating EBITDA	141	120
Total Debt	549	549
Total Capitalization	995	981
Capex/Depreciation (%)	101.9	123.1

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Related Research

Applicable Criteria

- *Corporate Rating Methodology, Aug. 16, 2010*
- *Parent and Subsidiary Rating Linkage, July 14, 2010*
- *Utilities Sector Notching and Recovery Ratings, March 16, 2010*
- *Credit Rating Guidelines for Regulated Utility Companies, July 31, 2007*
- *U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines, Aug. 22, 2007*

Rating Rationale

- **Rating Affirmation:** Fitch affirmed the ratings of Kentucky Power Co. (KPC) on Feb. 28, 2011. The Rating Outlook for the company remains Stable.
- **Consistent but Pressured Credit Metrics:** KPC's credit metrics are currently consistent with Fitch's 'BBB–' issuer default rating (IDR) guidelines. However, they will be pressured by debt-funded capital spending. The company posted ratios of EBITDA to interest and funds from operations interest coverage at 3.8x and 3.4x, respectively, for the year ended Dec. 31, 2010. Fitch expects future earnings to benefit from the $64 million rate increase received in June 2010, resulting in projected EBITDA to interest coverage of approximately 4.0x.
- **Environmental Compliance:** KPC plans to add a scrubber to the Big Sandy unit 2 coal plant by 2015 per parent American Electric Power Co., Inc.'s (AEP, IDR 'BBB'/Stable) agreement with the Environmental Protection Agency (EPA). Currently, the estimated cost of the project is approximately $650 million, the financing of which will be met through a combination of internal cash and external debt. Fitch's ratings assume adequate recovery of this and additional environmental compliance costs through the environmental cost compliance (ECC) surcharge. The ECC is not an automatic passthrough. However, it allows the company to request annual recovery of environmental costs outside of a full rate case. Recovery delays or disallowances of environmental costs could place downward pressure on ratings.
- **Higher Capital Expenditures:** Fitch projects KPC's capital-spending plan to approximate $90 million for 2011, a level higher than previous years. The higher than typical capital expenditures will result in higher debt levels. Consequently, Fitch anticipates the utility to post funds from operations (FFO) to interest coverage and debt to EBITDA of less than 3.0x and approximately 4.0x, respectively, over the next several years.
- **Credit Concerns:** Fitch is also concerned about KPC's exposure to a still struggling local economy, wherein the unemployment rate remains above the national average. Additionally, the industrial sector composes 36% of the utility's revenues. There is also potential the company may use capital expenditures to comply with stricter environmental regulations or change the generation mix to reduce emissions, particularly since KPC's generation is exclusively coal-fired.
- **AEP East Power Pool:** The recent decision to terminate the AEP East power pool within the next three years is a source of uncertainty for KPC, particularly since the company is currently short capacity and dependent on the power pool. At this time, Fitch believes it is unlikely the new arrangements to replace the current pool will have a material credit impact. Fitch will continue to monitor developments.

Key Ratings Drivers

- Stable utility operations.
- Generally balanced regulatory environment in Kentucky.
- Affiliation with parent AEP.

- Exposure to struggling local economy.
- High capital spending will increase leverage.
- Exposure to emissions regulation.

Recent Developments

Proposed AEP East Power Pool Termination

On Jan. 4, 2011, KPC affiliate, Appalachian Power Co. (APCo, IDR 'BBB–'/Stable) made a filing with the Virginia State Commerce Commission (VSCC) that detailed AEP East pool members' (Indiana Michigan Power Co., KPC, Columbus Southern Power Co., and Ohio Power Co.) intent to terminate the interconnection agreement. The pool members now have a three-year time frame in which to work out a settlement. The decision to evaluate the pool was initially raised by regulatory concerns, particularly from Virginia, that the current pool arrangement resulted in a lack of transparency.

Base Rate Case

In June 2010, the Kentucky Public Service Commission (KPUC) authorized a $63.66 million base rate increase for KPC. The increase was premised upon a 10.5% ROE and the recovery of $23 million of deferred storm restoration expenses over five years. KPC initially filed for a $124 million base rate increase, based on an 11.75% ROE.

Liquidity and Debt Structure

KPC has access to short-term liquidity through credit facilities at AEP. As of Dec. 31, 2011, AEP had approximately $2.5 billion of net available liquidity, including $294 million of cash on hand. AEP has credit facilities totaling $3.4 billion, of which two $1.5 billion credit facilities support the company's commercial paper program. The revolving credit agreements contain a covenant that requires AEP to maintain a debt-to-total capitalization ratio at or below 67.5%. The facility matures in April 2012 and June 2013. In March 2011, AEP extinguished its $478 million credit facility supporting its variable-rate demand notes.

KPC Debt Structure

($ Mil., as of Dec. 31, 2010)

	Amount	% of Total
Short-Term Debt	0	0.0
Long-Term Debt	549	55.2
Total Debt	549	55.2
Preferred Stock	0	0.0
Common Equity	446	44.8
Total Capitalization	995	100.0

Source: Company reports.

AEP's commercial paper program is used to meet to the short-term borrowings of its subsidiaries. The utility subsidiaries participate in a cash pool managed by AEP, whereby entities with excess short-term liquidity lend to affiliates with cash needs. External financing needs of this pool are sourced directly by the parent. As of April 1, 2011, KPC had no outstanding loans from the utility money pool. The company has a short-term borrowing limit of $250 million. KPC's next scheduled debt maturity is in 2015 when $20 million comes due. Fitch expects the company to pay down the 2015 maturity with internal cash.

Financial Summary — Kentucky Power Co.

($ Mil., Fiscal Years Ended Dec. 31)

	2010	2009	2008	2007	2006
Fundamental Ratios (x)					
FFO/Interest Expense	3.4	4.2	2.7	3.8	3.8
CFO/Interest Expense	4.9	2.6	2.7	4.1	4.6
FFO/Debt (%)	16.2	19.9	11.3	18.0	17.4
Operating EBIT/Interest Expense	2.4	2.0	1.8	2.5	2.7
Operating EBITDA/Interest Expense	3.8	3.5	3.1	4.1	4.2
Operating EBITDAR/ (Interest Expense + Rent)	3.8	3.5	3.1	4.1	4.2
Debt/Operating EBITDA	3.9	4.6	4.9	3.8	3.8
Common Dividend Payout (%)	60.0	79.2	56.0	37.5	42.9
Internal Cash/Capital Expenditures (%)	225.9	54.7	36.9	119.1	117.9
Capital Expenditures/Depreciation (%)	101.9	123.1	270.8	144.7	169.6
Profitability					
Adjusted Revenues	684	633	666	588	585
Net Revenues	268	221	234	237	232
Operating and Maintenance Expense	116	89	111	103	96
Operating EBITDA	141	120	113	122	127
Depreciation and Amortization Expense	53	52	48	47	46
Operating EBIT	88	68	65	75	81
Gross Interest Expense	37	34	37	30	30
Net Income for Common	35	24	25	32	35
Operating and Maintenance Expense % of Net Revenues	43.3	40.3	47.4	43.5	41.4
Operating EBIT % of Net Revenues	32.8	30.8	27.8	31.6	34.9
Cash Flow					
Cash Flow from Operations	143	54	62	93	107
Change in Working Capital	54	(55)	—	9	24
Funds from Operations	89	109	62	84	83
Dividends	(21)	(19)	(14)	(12)	(15)
Capital Expenditures	(54)	(64)	(130)	(68)	(78)
Free Cash Flow	68	(29)	(82)	13	14
Net Other Investment Cash Flow	(67)	—	—	—	—
Net Change in Debt	(2)	(2)	81	(14)	(17)
Net Equity Proceeds	—	30	—	—	—
Capital Structure					
Short-Term Debt	—	—	131	19	31
Long-Term Debt	549	549	419	448	447
Total Debt	**549**	**549**	**550**	**467**	**478**
Total Hybrid Equity and Minority Interest	—	—	—	—	—
Common Equity	446	432	398	387	370
Total Capital	**995**	**981**	**948**	**854**	**848**
Total Debt/Total Capital (%)	55.2	56.0	58.0	54.7	56.4
Total Hybrid Equity and Minority Interest/Total Capital (%)	—	—	—	—	—
Common Equity/Total Capital (%)	44.8	44.0	42.0	45.3	43.6

Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding.
Source: Company reports and Fitch Ratings.

Moody's Investors Service

Credit Opinion: Kentucky Power Company

Global Credit Research - 28 Jan 2010

Ashland, Kentucky, United States

Ratings

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

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Key Indicators

[1]Kentucky Power Company

	LTM 3Q 09	2008	2007	2006
(CFO Pre-W/C + Interest) / Interest Expense	2.6x	2.5x	3.6x	3.8x
(CFO Pre-W/C) / Debt	12.4%	9.6%	15.8%	15.6%
(CFO Pre-W/C - Dividends) / Debt	9.1%	7.5%	13.6%	12.9%
Debt / Book Capitalization	46.1%	50.3%	46.0%	47.0%

[1] All ratios calculated in accordance with the Regulated Electric and Gas 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

Key financial metrics are weak

Sizeable capital expenditures could pressure rating

100% coal generation modestly constrains rating and requires prudent management of increasingly stringent environmental mandates

Acute economic recessionary pressures only somewhat mitigated with business plan

Corporate Profile

Kentucky Power Company (KYPCo, Baa2 senior unsecured) is a vertically integrated electric utility company and is a wholly owned subsidiary of American Electric Power Company (AEP, Baa2 senior unsecured). KYPCo's approximately $1 billion rate base is under the jurisdiction of the Kentucky Public Service Commission (KY PSC). KYPCo owns approximately 1GW of 100% coal fired generating capacity.

Recent Developments

On Dec. 29, 2009, KYPCo filed with the KYPSC for a $123.6 million (24.3%) electric rate increase premised upon an 11.75% ROE on a year-end rate base valued at $1.012 billion for a test year ended Sept. 30, 2009. A final PSC decision is expected in October 2010.

In August 2009, KYPCo filed with KYPSC seeking authorization to defer approximately $10 million of incremental storm restoration expenses for review and recovery in the next base rate proceeding. The requested deferral of the $10 million is in additional to the annual $2 million of storm-related operation and maintenance expense included in current base rates.

SUMMARY RATING RATIONALE

KYPCo's Baa2 issuer rating primarily reflects the reasonably constructive relationship with the KPSC, and the potential rating constraints as a result of its current capital spending plan, single fuel source and the economic stress within the region it operates.

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. KYPCo is primarily regulated by the Kentucky Public Service Commission (KYPSC) which we consider a constructive jurisdiction. KYPCo has a rate base of approximately $1 billion and an authorized return on equity of 10.5%, which was established in March 2006. KYPCo currently has a monthly fuel clause tracker (a credit positive), and environmental surcharge rider, among other recovery mechanisms (i.e., demand side management and system sales riders). Prospectively, we expect the on-going rate case will likely to be resolved in a way that is positive to its credit quality.

MAINTAINING STABLE FINANCIAL CREDIT METRICS KEY TO RATING

KYPCo's key financial credit metrics are weak for its Baa2 senior unsecured rating category. For the last 5 year, 3 year and twelve month period ended September 2009, KYPCo's ratio of cash from operations pre working capital adjustments (CFO pre-w/c) to debt averaged about 14.2%, 13.7% and 12.4%, respectively. The ratio of CFO pre-w/c interest coverage averaged 3.4x, 3.3x and 2.6x, respectively for the same periods. We observe that several winter storms occurred in 2009 increasing operation and maintenance expenses.

CAPITAL EXPENDITURE PROGRAM COULD PRESSURE RATINGS OVER THE LONG TERM

KYPCo's cumulative long-term capital investment program is large given its size. Although the company has temporarily delayed some of the investment programs in 2009 and likely in 2010, we expect the program to resume to its full force in the next few years. KYPCo received approximately $30 million in equity contributions from its parent AEP in April 2009. However, we expect increasing up-stream dividends in the next few years and free cash flow will return to negative over the intermediate and long term horizon. While we generally view investments in rate base positively, we would be concerned if KYPCo's spending plans result in a persistent negative free cash flow position that will be primarily funded with internal or external debt. Should this situation materialize, KYPCo's financial profile could become stressed given its Baa2-rating category.

ACUTE ECONOMIC RECESSIONARY PRESSURES REPRESENT A RISK GIVEN LARGE INDUSTRIAL LOADS

The State of Kentucky is considered to be in a deep protracted recession, in part due to its heavy exposure to the automotive manufacturing industry. Approximately 50% of KYPCo's volume sales in 2008 were industrial. Among the top 10 industrial customers, KYPCo's second largest customer has a primary presence in automotive industry. The other 9 are mostly involved in coal refining and mining which is less cyclical, but also facing pressures.

100% COAL GENERATING ASSETS VULENERABLE TO SIGNIOFICANT ENVIRONMENTAL LEGISLATION

We observe the potential for significant environmental legislation, especially related to carbon dioxide emissions, as a material risk affecting KYPCo's 100% coal-fired generating assets. Moody's incorporates a view that the timing of compliance requirements within any potential new legislation may be many years in the future and that the costs associated with any new legislation regarding emissions will generally be recovered through rates (either through existing fuel clause pass-through mechanisms or other incremental rate riders).

Liquidity

KYPCo participates in the AEP Utility Money Pool, which provides access to the parent company's liquidity up to $250 million. As of September 30, 2009, there were no borrowings under the money pool by KYPCo.

As of September 30, 2009, AEP had three separate credit facilities totaling $3.6 billion; two of which are $1.5 billion five year credit facilities - expiring in March 2011 and April 2012. These facilities contain a debt to capitalization limit of 67.5%. AEP asserts that it remains in compliance. There is a $750 million letter of credit capacity (prior to final Bank of America litigation judgment, $600 million after) on each facility ($1.5 billion in total, $1.2 billion after Bank of America resolution), a $500 million accordion feature for each facility (for a total accordion of $1.0 billion) and a one-year extension option.

There are no material adverse change restrictions on drawings, no litigation representation provision at the time of borrowing and a definition adjustment to exclude one of AEP's subsidiaries, AEP Texas Central, as a "significant subsidiary" to prevent cross-acceleration in the event of a default. AEP also has a $627 million credit facility, expiring April 2011, that can be utilized for letter of credit or draws and has covenant restrictions similar to the primary 5-year facilities.

AEP has approximately $1.7 billion of long term debt that will mature in 2010. We estimate that AEP will spend approximately $2.5 billion in capital expenditures and approximately $800 million in dividends over the next twelve months. As of September 30, 2009, AEP's credit facilities had approximately $347 million utilized in support of commercial paper outstanding and roughly $470million of LC's posted, leaving approximately $2.8 billion of capacity available. Combined with $877 million of cash, total liquidity amounted to $3.6 billion.

Over the twelve months ended September 2009, KYPCo generated approximately $36 million of cash from operations, invested approximately $90 million in capital expenditures, made a $20 million upstream dividend payment and received $30 equity contribution from its parent, AEP, resulting in approximately $44 million of negative free cash flow. KYPCo has no significant debt maturities until September 2017.

Rating Outlook

The stable rating outlook for KYPCo is primarily based on our expectation that the company will continue to maintain a reasonably constructive relationship with the KYPSC, be prudent in meeting its infrastructure spending plans, attain reasonably good recovery on a timely basis and improve its key financial credit metrics that justify the rating.

What Could Change the Rating - Up

Rating upgrades appear unlikely over the near to intermediate term horizon, primarily due to our expectation that KYCo's financial profile will not be in a position to exhibit the improvements necessary to justify a Baa1-rating category. This is partly due to our understanding of KYCo's longer term capital investment and financing plans. However, KYCo could be considered for a ratings upgrade if it were to achieve key financial credit metrics, including a ratio of CFO pre w/c plus interest divided by 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 took a more adversarial tone, its capital expenditure program requires substantial amount of debt financing or if the key financial credit metrics exhibit a prolonged deterioration. These metrics would include a ratio of CFO pre w/c plus interest divided by interest of below 3.0x or CFO pre w/c to debt closer to the low-teens.

Rating Factors

Kentucky Power Company

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)				X		
Factor 2: Ability to Recover Costs and Earn Returns (25%)				X		
Factor 3: Diversification (10%)						
a) Market Position (5%)				X		
b) Generation and Fuel Diversity (5%)						X
Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Interest (7.5%) (3yr Avg)				X		
c) CFO pre-WC / Debt (7.5%) (3yr Avg)				X		
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)				X		
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)				X		
Rating:						
a) Methodology Implied Senior Unsecured Rating				Baa2		
b) Actual Senior Unsecured Rating				Baa2		

Moody's Investors Service

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Moody's
INVESTORS SERVICE

Credit Opinion: Kentucky Power Company

Global Credit Research - 14 Jan 2011

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
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Jr Subordinate	Baa3
Commercial Paper	P-2

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Key Indicators

[1]Kentucky Power Company

	LTM 3Q 10	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	3.0x	3.9x	2.4x	3.6x
(CFO Pre-W/C) / Debt	12.7%	17.6%	8.8%	15.8%
(CFO Pre-W/C - Dividends) / Debt	9.4%	14.5%	6.7%	13.6%
Debt / Book Capitalization	45.9%	46.3%	50.3%	46.0%

[1] All ratios calculated in accordance with the Regulated Electric and Gas 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

Key financial metrics are weak but expected to stabilize

100% coal generation constrains rating and requires prudent management of increasingly stringent environmental mandates

Recessionary pressures relieved by recovery in coal industry

Corporate Profile

Kentucky Power Company (KYPCo, Baa2 senior unsecured) is a vertically integrated electric utility company and is a wholly owned subsidiary of American Electric Power Company (AEP, Baa2 senior unsecured). KYPCo's approximately $1 billion rate base is under the jurisdiction of the Kentucky Public Service Commission (KY PSC). KYPCo owns approximately 1.1GW of 100% coal fired generating capacity.

Recent Developments

In June 2010, KYPSC issued an order approving KYPCo's $64 million rate case settlement agreement which also include $23 million of deferred storm restoration expenses over five years. The residential per-kilowatt-hour charge will increase from 7.19 cents to 8.59 cents. This order concluded a base rate case filed in December, 2009 when KYPCo requested a $123.6 million (24.3%) electric rate increase premised upon an 11.75% ROE on a year-end rate base valued at $1.012 billion for a test year ended Sept. 30, 2009. New rates became effective July 2010.

SUMMARY RATING RATIONALE

KYPCo's Baa2 issuer rating primarily reflects the reasonably constructive relationship with the KPSC, and the potential rating constraints as a result of its coal-dependent generation profile and relatively weak financial metrics. The ratings also considers the signs of recovery for KYPCo's primary industrial customer group amid the economic stress within the region it operates.

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. KYPCo is primarily regulated by the Kentucky Public Service Commission (KYPSC) which we consider a constructive jurisdiction. KYPCo has a rate base of approximately $1 billion and an authorized return on equity of 10.5%, which was established in June 2010. KYPCo currently has a monthly fuel clause tracker, and environmental surcharge rider, among other recovery mechanisms (i.e., demand side management and system sales riders).

MAINTAINING STABLE FINANCIAL CREDIT METRICS KEY TO RATING

KYPCo's key financial credit metrics are somewhat weak for its Baa2 senior unsecured rating category. For the last 5 year, 3 year and twelve month period ended September 2010, KYPCo's ratio of cash from operations pre working capital adjustments (CFO pre-w/c) to debt averaged about 14.4%, 14.1% and 12.7%, respectively. The ratio of CFO pre-w/c interest coverage averaged 3.4x, 3.3x and 3.0x, respectively for the same periods. In the near to intermediate term, we expect the financial metrics to stabilize or slightly improve as a result of the return of the industrial load (discussed below) and reduced capital spending.

CAPITAL EXPENDITURE PROGRAM COULD PRESSURE RATINGS OVER THE LONG TERM

KYPCo's cumulative long-term capital investment program is large given its size. Although the company has temporarily delayed some of the investment programs in 2009, 2010 and likely 2011, we expect the program to resume to its full force in the next few years. KYPCo received approximately $30 million in equity contributions from its parent AEP in April 2009. However, we expect increasing up-stream dividends in the next few years and free cash flow to return to negative over the intermediate and long term horizon. While we generally view investments in rate base positively, we would be concerned if KYPCo's spending plans result in a persistent negative free cash flow position that will be primarily funded with internal or external debt. Should this situation materialize, KYPCo's financial profile could become stressed given its Baa2-rating category.

INDUSTRIAL LOAD EXPECTED TO BENEFIT FROM COAL INDUSTRY RECOVERY

Among KYPCo's top ten industrial customers, 6 are involved in coal mining and production. According to Moody's coal industry outlook report, strong coal demand in Asia draw on U.S. supplies and maintain reasonable profit margin for U.S. coal producers, offsetting subdued U.S. demand. We expect the recovery in the coal industry to stablize in the next several years thereby likely improving KYPCo's financial results.

100% COAL GENERATING ASSETS VULENERABLE TO SIGNIFICANT ENVIRONMENTAL MANDATES

We observe the potential for significant environmental regulations or legislation, especially related to carbon dioxide emissions, as a material risk affecting KYPCo's 100% coal-fired generating assets. The timing of compliance requirements could be expedited by the EPA's rule making process. Nevertheless, in the near to intermediate term, we expect the costs associated with any new rule-making regarding emissions to generally be recovered through rates (either through existing fuel clause pass-through mechanisms or other incremental rate riders).

Liquidity

KYPCo participates in the AEP Utility Money Pool, which provides access to the parent company's liquidity .

AEP has two separate credit facilities that total approximately $3.0 billion. One is a $1.5 billion facility expiring June 2013 (entered in June 2010) replacing the original $1.5 billion expiring in March 2011. The other is an amended $1.454 billion facility expiring in April 2012. These facilities contain a debt to capitalization limit of 67.5%. AEP asserts that it remains in compliance. There is a $600 million and $750 million letter of credit capacity on the 2013 facility and the 2012 facility, respectively, and a $500 million accordion feature and a one-year extension option on each facility. There are no material adverse change restrictions on drawings, no litigation representation provision at the time of borrowing and a definition adjustment to exclude one of AEP's subsidiaries, AEP Texas Central, as a "significant subsidiary" to prevent cross-acceleration in the event of a default. On June 28, 2010, AEP reduced its separate three year $627 million LC facility to $478 million due in April 2011 which has similar terms as the two primary facilities mentioned above. In total, AEP has committed credit facilities of $3.432billion.

As of September 30, 2010, the credit facilities had $713 million utilized in supporting issued commercial paper and roughly $602 million of LC's posted, leaving approximately $2.2 billion of capacity available. Combined with $1billion of cash on hand, total liquidity amounted to $3.2billion

AEP has approximately $616 million and $565 million of long term debt that will mature in 2011 and 2012 respectively. AEP has announced that it will spend approximately $2.6 billion in capital expenditures in 2011 and $2.9 billion in 2012. We estimate that approximately $800 to $900 million in dividends per year will be distributed in the next two years.

KYPCo has access to up to $250 million in the AEP Utility Money Pool. As of September 30, 2010, there were no borrowings under the money pool by KYPCo.

Over the twelve months ended September 2010, KYPCo generated approximately $130 million of cash from operations, invested approximately $53 million in capital expenditures, made $21 million upstream dividend payment, resulting in approximately $56 million of positive free cash flow. KYPCo has no debt maturities until September 2017 when $325 million senior notes are due. We expect KYPCo to remain cash flow positive in 2011 as the capital expenditure continues to be modest.

Rating Outlook

The stable rating outlook for KYPCo is primarily based on our expectation that the company will continue to maintain a reasonably constructive relationship with the KYPSC, be prudent in meeting its infrastructure spending plans, attain reasonably good recovery on a timely basis and improve its key financial credit metrics that justify the rating.

What Could Change the Rating - Up

Rating upgrades appear unlikely over the near to intermediate term horizon, primarily due to our expectation that KYCo's financial profile will not be in a position to exhibit the improvements necessary to justify a Baa1-rating category. This is partly due to our understanding of KYCo's longer term capital investment and financing plans. However, KYCo could be considered for a ratings upgrade if it were to achieve key financial credit metrics, including a ratio of CFO pre w/c plus interest divided by 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 took a more adversarial tone, its capital expenditure program requires substantial amount of debt financing or if the key financial credit metrics exhibit a prolonged deterioration. These metrics would include a ratio of CFO pre w/c plus interest divided by interest of below 3.0x or CFO pre w/c to debt closer to the low-teens over an extended period.

Rating Factors

Kentucky Power Company

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)				X		
Factor 2: Ability to Recover Costs and Earn Returns (25%)				X		
Factor 3: Diversification (10%)						
a) Market Position (5%)				X		
b) Generation and Fuel Diversity (5%)						X
Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Interest (7.5%) (3yr Avg)				X		
c) CFO pre-WC / Debt (7.5%) (3yr Avg)				X		
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)				X		
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)				X		
Rating:						
a) Grid Implied Senior Unsecured Rating				Baa2		
b) Actual Senior Unsecured Rating				Baa2		

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STANDARD &POOR'S

Standard & Poor's Research

December 16, 2010

Summary:
American Electric Power Co. Inc.

Primary Credit Analyst:
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Table Of Contents

Summary:

American Electric Power Co. Inc.

Credit Rating: BBB/Stable/A-2

Rationale

The ratings on American Electric Power Co. Inc. (AEP) reflect its consolidated credit profile that includes regulated and non-regulated operations. The company's business risk profile is considered excellent and its financial risk profile is considered aggressive. Columbus, Ohio-based AEP has $18.7 billion of outstanding debt including junior subordinated notes and securitized debt.

The excellent business profile primarily reflects AEP's status as a large public utility holding company that owns regulated electric utility subsidiaries operating in 11 states in the Midwest and Southwest. The company operates as low-risk transmission and distribution wires-only businesses in regions of Texas; fully integrated regulated utilities in places such as Indiana and West Virginia; and, higher-risk hybrid utilities in Ohio. Although a portion of generation assets reside outside rate base, most of the consolidated generating capacity is under stabilizing regulatory oversight. The company's generating and transmission facilities are interconnected, and their operations are coordinated as an integrated electric utility system.

Electric utility operations are slightly above average, characterized by competitive rates, good reliability, a strong collection of low-cost, coal-fired generation in the eastern part of the system, and mostly supportive regulatory relationships. Service territories vary widely, ranging from manufacturing and rural areas with lower growth economies, to higher-growth, service-oriented economies like Columbus, Ohio, that are more stable. The diversity in markets and in regulation somewhat elevates credit quality, but managing the complex variety of regulatory environments can be challenging and requires constant vigilance. This is evident in Arkansas where the company is building the Turk coal unit and continues to have multiple legal challenges around the construction of the unit. Over the longer term, with roughly 25,000 MW of coal-fired generation, material compliance costs related to multiple forthcoming and pending emissions rules could pressure credit quality. Although the majority of the generation portfolio is coal based, there are 9,000 MW of natural gas and 2,200 MW of nuclear generation too.

The company's unregulated operations consist mostly of a large portfolio of domestic unregulated electric generating plants, mainly in Ohio, that primarily serve AEP's retail utility customers and continue to remain quasi-regulated. AEP's long track record of solid operating performance is expected to continue and improve under the unregulated business operations. Stricter environmental laws and regulation will place financial stress and erode the fleet's competitiveness, but are not expected to completely eliminate the advantages of AEP's coal-fired plants. AEP has indicated that it may ultimately retire a significant amount of coal-fired assets and 1,925 MW of coal-fired units in the eastern system were placed in an extended startup mode. Although AEP's Ohio-based generation accounts for only a modest portion of the company's credit profile, any strategic move that quickly leads to a greater reliance on wholesale market prices to generate cash and earnings from that fleet would increase business risk that could ultimately weaken credit quality without stronger financial measures.

We consider AEP's financial risk profile as 'aggressive'. This reflects a large capital spending program and financial measures inline for the rating. The company's considerable capital expenditures are needed to fund its environmental-compliance programs for stricter air-quality standards and for new generation and transmission. The elevated spending levels could result in negative free cash flow for several years, and will likely require vigilant cost recovery to maintain operating cash flow. For 12 months ended Sept. 30, 2010, funds from operations (FFO) to total debt was about 15%, total debt to total capital was around 61%, and debt to EBITDA was 5x. The ratios are in line for the rating. FFO interest coverage was 3.5x, net cash flow (FFO post dividends) to capital expenditures exceeded 1x and the dividend payout ratio was 62%. Adjustments reflect capital and operating leases, and pension-related items, intermediate equity treatment of the junior subordinated notes, and securitized debt. Given AEP's business risks, sustainable financial expectations are for debt leverage to be under 60% and FFO to debt to approach 20% in order to comfortably maintain the current ratings.

Short-term credit factors

AEP's short-term rating is 'A-2'. Liquidity is 'adequate' under Standard & Poor's liquidity methodology, which categorizes liquidity in five standard descriptors, and this supports AEP's 'BBB' issuer credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses largely for necessary capital expenditures, debt maturities, and common dividends, by more than 1.2x. Furthermore, AEP has the ability to absorb high-impact, low-probability events with limited need for refinancing; flexibility to lower capital spending; sound bank relationships; solid standing in credit markets, and generally prudent risk management. As of Sept. 30, 2010, the company had cash of $1.4 billion and 62% availability under its $3.4 billion of credit facilities after excluding outstanding commercial paper and letters of credit. These facilities consist of a $1.45 billion expiring April 2012, $1.5 billion expiring June 2013, and $478 million expiring April 2011. The company currently maintains liquidity that more than adequately addresses potential collateral calls under a stressed scenario comprised of a negative credit event and an adverse movement in commodity prices. Long-term debt maturities are manageable in 2011 ($616 million) and 2012 ($565 million) but, in 2013, there may be refinancing risk with $1.64 billion maturing.

Outlook

The stable outlook for AEP and its subsidiaries assumes timely recovery of rate base investments for environmental compliance, system reliability, and continued strategic emphasis on regulated operations. Maintaining the company's balance sheet and other key credit measures will be necessary for continued ratings stability. Our base forecast includes adjusted FFO to total debt of at least 15%, debt to EBITDA under 5x, and debt leverage to total capital of no more than 60%, all consistent with our expectations for the 'BBB' rating. We could revise the outlook to negative and subsequently lower ratings if financial measures do not remain at our expected levels on a sustained basis because construction projects are not completed on time and budget, a series of harmful regulatory decisions impede the company's recovery of capital expenditures and other costs, or the company funds itself in a less creditworthy manner. We could revise the outlook to positive and ratings could subsequently be raised with greater certainty regarding business risks and financial measures exceed our base line forecast, including FFO to total debt in excess of 20%, debt to EBITDA below 4x, and debt to total capital under 55%.

Related Criteria And Research

- 2008 Corporate Criteria: Analytical Methodology
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded

- 2008 Corporate Criteria: Ratios And Adjustments

STANDARD &POOR'S

Standard & Poor's Research

December 16, 2010

Kentucky Power Co.

Primary Credit Analyst:
Gerrit Jepsen, CFA, New York (1) 212-438-2529; gerrit_jepsen@standardandpoors.com

Table Of Contents

Kentucky Power Co.

Major Rating Factors

Corporate Credit Rating

BBB/Stable/--

Strengths:

- Steady utility operating cash flow;
- Part of a large, diverse regulated electric utility operation; and
- Parent's low-cost generation asset portfolio.

Weaknesses:

- Parent's marketing operations, though small, detract from credit profile;
- Parent exposure to pending environmental regulations could pressure financial measures; and
- Aggressive consolidated debt leverage.

Rationale

The ratings on Kentucky Power Co. are based on the consolidated credit profile of its parent American Electric Power Co. Inc. (AEP), which includes regulated and unregulated operations. Kentucky Power's business risk profile is considered as 'excellent' and its financial risk profile as 'aggressive'. Kentucky Power is a vertically-integrated fully-regulated electric utility that serves eastern Kentucky. It participates in the AEP Power Pool, sharing the revenues and costs of pool sales to utilities and power marketers, and also sells directly at wholesale to municipalities. Operations are integrated with the AEP East system. Columbus, Ohio-based AEP has $18.7 billion of outstanding debt of which Kentucky Power comprises $550 million.

AEP has an 'excellent' business risk profile that primarily reflects its status as a large public utility holding company that owns regulated electric utility subsidiaries operating in 11 states in the Midwest and Southwest. The company operates as low-risk transmission and distribution wires-only businesses in regions of Texas; fully integrated regulated utilities in places such as Indiana and West Virginia; and, higher-risk hybrid utilities in Ohio. Although a portion of generation assets reside outside rate base, most of the consolidated generating capacity is under stabilizing regulatory oversight. The company's generating and transmission facilities are interconnected, and their operations are coordinated as an integrated electric utility system.

Electric utility operations are slightly above average, characterized by competitive rates, good reliability, a strong collection of low-cost, coal-fired generation in the eastern part of the system, and mostly supportive regulatory relationships. Service territories vary widely, ranging from manufacturing and rural areas with lower growth economies, to higher-growth, service-oriented economies like Columbus, Ohio, that are more stable. The diversity in markets and in regulation somewhat elevates credit quality, but managing the complex variety of regulatory environments can be challenging and requires constant vigilance. This is evident in Arkansas where the company is building the Turk coal unit and continues to have multiple legal challenges around the construction of the unit. Over the longer term, with roughly 25,000 MW of coal-fired generation, material compliance costs related to multiple forthcoming and pending emissions rules could pressure credit quality. Although the majority of the generation portfolio is coal based, there are 9,000 MW of natural gas and 2,200 MW of nuclear generation too.

The company's unregulated operations consist mostly of a large portfolio of domestic unregulated electric generating plants, mainly in Ohio, that primarily serve AEP's retail utility customers and continue to remain quasi-regulated. AEP's long track record of solid operating performance is expected to continue and improve under the unregulated business operations. Stricter environmental laws and regulation will place financial stress and erode the fleet's competitiveness, but are not expected to completely eliminate the advantages of AEP's coal-fired plants. AEP has indicated that it may ultimately retire a significant amount of coal-fired assets and 1,925 MW of coal-fired units in the eastern system were placed in an extended startup mode. Although AEP's Ohio-based generation accounts for only a modest portion of the company's credit profile, any strategic move that quickly leads to a greater reliance on wholesale market prices to generate cash and earnings from that fleet would increase business risk that could ultimately weaken credit quality without stronger financial measures.

Kentucky Power's financial risk profile reflects AEP's consolidated financial risk profile, which is considered as 'aggressive'. This includes a large capital spending program and financial measures inline for the rating. The company's considerable capital expenditures are needed to fund its environmental-compliance programs for stricter air-quality standards and for new generation and transmission. The elevated spending levels could result in negative free cash flow for several years, and will likely require vigilant cost recovery to maintain operating cash flow. For 12 months ended Sept. 30, 2010, funds from operations (FFO) to total debt was about 15%, total debt to total capital was around 61%, and debt to EBITDA was 5x. The ratios are in line for the rating. FFO interest coverage was 3.5x, net cash flow (FFO post dividends) to capital expenditures exceeded 1x and the dividend payout ratio was 62%. Adjustments reflect capital and operating leases, and pension-related items, intermediate equity treatment of the junior subordinated notes, and securitized debt. Given AEP's business risks, sustainable financial expectations are for debt leverage to be under 60% and FFO to debt to approach 20% in order to comfortably maintain the current ratings.

Short-term credit factors

The company's liquidity is dependent on and managed by its parent AEP. We consider AEP's liquidity as 'adequate' under Standard & Poor's liquidity methodology, which categorizes liquidity in five standard descriptors, and this supports AEP's 'BBB' issuer credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses largely for necessary capital expenditures, debt maturities, and common dividends, by more than 1.2x. Furthermore, AEP has the ability to absorb high-impact, low-probability events with limited need for refinancing; flexibility to lower capital spending; sound bank relationships; solid standing in credit markets, and generally prudent risk management. As of Sept. 30, 2010, the company had cash of $1.4 billion and 62% availability under its $3.4 billion of credit facilities after excluding outstanding commercial paper and letters of credit. These facilities consist of a $1.45 billion expiring April 2012, $1.5 billion expiring June 2013, and $478 million expiring April 2011. The company currently maintains liquidity that more than adequately addresses potential collateral calls under a stressed scenario comprised of a negative credit event and an adverse movement in commodity prices. Long-term debt maturities are manageable in 2011 ($616 million) and 2012 ($565 million) but, in 2013, there may be refinancing risk with $1.64 billion maturing.

Outlook

The stable outlook for AEP and its subsidiaries assumes timely recovery of rate base investments for environmental compliance, system reliability, and continued strategic emphasis on regulated operations. Maintaining the company's balance sheet and other key credit measures will be necessary for continued ratings stability. Our base forecast includes adjusted FFO to total debt of at least 15%, debt to EBITDA under 5x, and debt leverage to total capital of no more than 60%, all consistent with our expectations for the 'BBB' rating. We could revise the outlook to negative and subsequently lower ratings if financial measures do not remain at our expected levels on a sustained basis because construction projects are not completed on time and budget, a series of harmful regulatory decisions impede the company's recovery of capital expenditures and other costs, or the company funds itself in a less creditworthy manner. We could revise the outlook to positive and ratings could subsequently be raised with greater certainty regarding business risks and financial measures exceed our base line forecast, including FFO to total debt in excess of 20%, debt to EBITDA below 4x, and debt to total capital under 55%.

Related Criteria And Research

- 2008 Corporate Criteria: Analytical Methodology
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded
- 2008 Corporate Criteria: Ratios And Adjustments

Table 1.

American Electric Power Co. Inc. -- Peer Comparison*

Industry Sector: Energy

	American Electric Power Co. Inc.	Duke Energy Corp.	Southern Co.	Progress Energy Inc.	Xcel Energy Inc.
Rating as of Dec. 8, 2010	BBB/Stable/A-2	A-/Stable/A-2	A/Stable/A-1	BBB+/Negative/A-2	A-/Stable/A-2
	--Average of past three fiscal years--				
(Mil. $)					
Revenues	13,566.2	12,886.0	14,996.9	9,401.7	10,293.3
Net income from cont. oper.	1,291.3	1,288.0	1,562.4	767.3	635.7
Funds from operations (FFO)	3,051.8	4,105.3	3,552.5	2,014.5	1,893.7
Capital expenditures	3,609.5	4,024.6	3,902.7	2,402.3	1,932.2
Cash and short-term investments	711.3	1,231.3	421.0	387.0	136.0
Debt	19,403.3	16,429.5	19,610.3	13,590.0	10,265.3
Preferred stock	135.5	0.0	746.7	182.3	185.8
Equity	11,439.5	21,472.3	14,259.7	9,067.0	7,035.2
Debt and equity	30,842.8	37,901.8	33,870.0	22,657.0	17,300.4
Adjusted ratios					
EBIT interest coverage (x)	2.4	3.3	3.3	2.4	2.5
FFO int. cov. (X)	3.4	5.7	4.3	3.4	3.9
FFO/debt (%)	15.7	25.0	18.1	14.8	18.4
Discretionary cash flow/debt (%)	(9.2)	(9.8)	(9.8)	(10.0)	(4.8)
Net cash flow / capex (%)	65.4	73.1	58.0	55.0	77.3
Total debt/debt plus equity (%)	62.9	43.3	57.9	60.0	59.3
Return on common equity (%)	10.9	4.9	10.9	7.3	8.1
Common dividend payout ratio (un-adj.) (%)	52.8	89.4	85.5	85.9	65.6

*Fully adjusted (including postretirement obligations).

Table 2.

Kentucky Power Co. -- Financial Summary*

Industry Sector: Electric

	--Fiscal year ended Dec. 31--				
	2009	2008	2007	2006	2005
Rating history	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--
(Mil. $)					
Revenues	632.5	665.6	588.0	585.9	531.3
Net income from continuing operations	23.9	24.5	32.5	35.0	20.8
Funds from operations (FFO)	110.6	62.0	85.6	83.0	57.9
Capital expenditures	63.6	129.5	71.3	79.0	59.0
Cash and short-term investments	0.5	0.6	0.7	0.7	0.5
Debt	607.2	617.8	519.4	530.2	542.9
Preferred stock	0.0	0.0	0.0	0.0	0.0
Equity	431.8	398.0	387.0	369.7	347.8
Debt and equity	1,039.0	1,015.8	906.4	899.9	890.7
Adjusted ratios					
EBIT interest coverage (x)	1.8	1.7	2.4	2.6	2.0
FFO int. cov. (x)	4.0	2.4	3.6	3.5	2.7
FFO/debt (%)	18.2	10.0	16.5	15.7	10.7
Discretionary cash flow/debt (%)	(4.5)	(13.3)	2.2	2.5	(0.4)
Net Cash Flow / Capex (%)	143.3	37.1	103.2	86.1	93.9
Debt/debt and equity (%)	58.4	60.8	57.3	58.9	60.9
Return on common equity (%)	5.6	5.6	8.4	9.5	6.0
Common dividend payout ratio (un-adj.) (%)	81.5	57.1	37.0	42.8	12.0

*Fully adjusted.

Table 3.

Reconciliation Of Kentucky Power Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

--Fiscal year ended Dec. 31, 2009--

Kentucky Power Co. reported amounts

	Debt	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Capital expenditures
Reported	549.2	118.8	118.8	66.8	33.8	54.8	54.8	64.0
Standard & Poor's adjustments								
Trade receivables sold or securitized	41.0	--	--	--	2.1	--	--	--
Operating leases	7.3	2.0	0.5	0.5	0.5	1.5	1.5	--
Accrued interest not included in reported debt	7.5	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	0.4	(0.4)	(0.4)	(0.4)
Asset retirement obligations	2.3	0.3	0.3	0.3	0.3	(0.2)	(0.2)	--

Table 3.

Reconciliation Of Kentucky Power Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

	Debt	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Reclassification of nonoperating income (expenses)	--	--	--	0.6	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	54.9	--
Total adjustments	58.0	2.3	0.8	1.4	3.3	0.9	55.8	(0.4)
Standard & Poor's adjusted amounts								
Adjusted	607.2	121.1	119.6	68.2	37.1	55.7	110.6	63.6

*Kentucky Power Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of December 16, 2010)*

Kentucky Power Co.	
Corporate Credit Rating	BBB/Stable/--
Senior Unsecured (4 Issues)	BBB
Corporate Credit Ratings History	
07-Mar-2003	BBB/Stable/--
24-Jan-2003	BBB+/Watch Neg/--
23-May-2002	BBB+/Stable/--
Business Risk Profile	Excellent
Financial Risk Profile	Aggressive
Related Entities	
AEP Texas North Co	
Issuer Credit Rating	BBB/Stable/--
Preferred Stock (2 Issues)	BB+
Senior Unsecured (1 Issue)	A/Developing
Senior Unsecured (1 Issue)	BBB
American Electric Power Co. Inc.	
Issuer Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Junior Subordinated (1 Issue)	BB+
Senior Unsecured (1 Issue)	BBB
Appalachian Power Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Secured (2 Issues)	BBB
Senior Secured (1 Issue)	BBB/Negative
Senior Unsecured (1 Issue)	A/Developing
Senior Unsecured (18 Issues)	BBB

Ratings Detail (As Of December 13, 2010) (cont.)	
Columbus & Southern Ohio Electric Co.	
Issuer Credit Rating	BBB/Stable/--
Columbus Southern Power Co.	
Issuer Credit Rating	BBB/Stable/--
Preferred Stock (1 Issue)	BB+
Senior Unsecured (8 Issues)	BBB
Senior Unsecured (2 Issues)	BBB/Negative
Indiana Michigan Power Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (12 Issues)	BBB
Subordinated (1 Issue)	BBB-
Ohio Power Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (18 Issues)	BBB
Subordinated (1 Issue)	BBB-
Public Service Co. of Oklahoma	
Issuer Credit Rating	BBB/Stable/--
Preferred Stock (4 Issues)	BB+
Senior Unsecured (1 Issue)	A/Developing
Senior Unsecured (6 Issues)	BBB
RGS (AEGCO) Funding Corp.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (2 Issues)	BBB-
RGS (I&M) Funding Corp.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (2 Issues)	BBB-

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

STANDARD
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Standard & Poor's Research

December 14, 2011

American Electric Power Co. Inc.

Primary Credit Analyst:
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Table Of Contents

American Electric Power Co. Inc.

Major Rating Factors

Corporate Credit Rating
BBB/Stable/A-2

Strengths:

- Mostly steady operating cash flow from regulated utilities;
- Large and diverse customer base;
- Geographic diversity; and
- Low-cost generation fleet.

Weaknesses:

- Exposure to environmental regulations could pressure financial measures;
- Marketing operations weaken creditworthiness; and
- Increased unregulated generation may pressure business profile.

Rationale

Standard & Poor's Ratings Services' ratings on American Electric Power Co. Inc. (AEP) reflect its consolidated credit profile, which includes regulated and unregulated operations. We consider the company's business risk profile excellent and its financial risk profile aggressive. (For more on business risk and financial risk, see "Business Risk/Financial Risk Matrix Expanded," published on May 27, 2009, on RatingsDirect.)

The excellent business profile primarily reflects AEP's status as a large public utility holding company that owns regulated electric utility subsidiaries operating in 11 states in the Midwest and Southwest. The company operates low-risk transmission and distribution wires-only businesses in Texas; fully integrated regulated utilities in states such as Indiana and West Virginia; and higher-risk hybrid utilities in Ohio. Although a portion of generation assets are outside the rate base, most of the consolidated generating capacity is under stabilizing regulatory oversight. The company's generating and transmission facilities are interconnected, and its operations are coordinated as an integrated electric utility system.

Electric utility operations are slightly above average, characterized by competitive rates, good reliability, a strong collection of low-cost, coal-fired generation in the eastern part of the system, and mostly supportive regulatory relationships. Service territories vary widely, ranging from manufacturing and rural areas with lower-growth economies to higher-growth, service-oriented economies, like in the Columbus, Ohio, metropolitan area, that are more stable. The diversity in markets and in regulation somewhat elevates credit quality, but managing the complex variety of regulatory environments can be challenging and requires constant vigilance. This is evident in Arkansas, where the company is continuing to build the Turk coal unit while multiple legal challenges are pending, including litigation in connection with the unit's water intake. Over the longer term, with roughly 25,000 megawatts (MW) of coal-fired generation, including those in Ohio, material compliance costs related to numerous environmental rules could pressure credit quality. In addition to these coal assets, there are 9,000 MW of gas generation and 2,200 MW of nuclear.

The company's unregulated operations consist mostly of a large portfolio of quasi-regulated electric generating plants, mainly in Ohio, that have been primarily serving AEP's retail utility customers. We expect AEP's long track record of solid operating performance in its unregulated business operations to continue. Stricter environmental regulation will place financial stress on the company and erode the fleet's competitiveness, but we don't expect these pressures to completely eliminate the advantages of AEP's coal fleet. AEP has indicated that it will retire 5,109 MW of coal-fired assets and retrofit part of the fleet with pollution control equipment. Although AEP's Ohio-based generation accounts for only a portion of the company's credit profile, absent more robust financial measures, a strategic shift to a greater reliance on wholesale market prices to generate cash would increase business risk and could ultimately weaken credit quality.

We consider AEP's financial risk profile to be aggressive. This assessment reflects financial measures that are in line with the rating, along with large capital expenditures. The company's considerable capital spending is mostly for environmental compliance programs and for new generation and transmission. The elevated spending levels and dividend payments could result in negative discretionary cash flow for several years, and will require vigilant cost recovery to maintain cash flow measures. For the 12 months ended Sept. 30, 2011, funds from operations (FFO) to total debt was 21%, total debt to total capital was around 58%, and debt to EBITDA was 4.3x. The ratios are in line with the rating. Discretionary cash flow is positive and net cash flow (FFO after dividends) to capital expenditures exceeded 130%. FFO interest coverage was 4.5x and the dividend payout ratio was a manageable 58%. Adjustments include capital and operating leases, pension-related items, intermediate equity treatment of the junior subordinated notes, and securitized debt.

Liquidity

The short-term rating on AEP is 'A-2'. We consider AEP's liquidity adequate under Standard & Poor's liquidity methodology. (We categorize liquidity in five standard descriptors. See "Liquidity Descriptors For Global Corporate Issuers," published on Sept. 28, 2011.) We base our liquidity assessment on the following factors and assumptions:

- We expect AEP's liquidity sources over the next 12 months, including cash, FFO, and credit facility availability, to exceed uses by 1.2x. Uses include necessary capital spending, working capital, debt maturities, and shareholder distributions.
- Debt maturities are manageable over the next 12 months.
- We believe liquidity sources would exceed uses even if EBITDA declined 15%.
- In our assessment, AEP has good relationships with its banks, and has a good standing in the credit markets, having successfully issued debt during the recent credit crisis.

In our analysis of liquidity over the next 12 months, we assume $7.2 billion of liquidity sources, consisting of FFO and credit facility availability. We estimate liquidity uses of $4.9 billion for capital spending, maturing debt, working capital, and shareholder distributions.

AEP's credit agreements include a financial covenant requiring that debt to total capitalization be no greater than 67.5%. As of Sept. 30, 2011, the company was in compliance with the covenant at 50.3%.

Debt maturities are manageable through 2016. Excluding amortizing AEP Texas Central securitization bonds, $690 million is due in 2012, $1.4 billion in 2013, $1 billion in 2014, $1.3 billion in 2015, and $500 million in 2016. We expect that the company will refinance a majority of the maturing debt.

Outlook

The stable outlook for the ratings on AEP and its subsidiaries assumes timely recovery of rate base investments for environmental compliance, system reliability, and continued strategic emphasis on regulated operations. Our base forecast includes adjusted FFO to total debt of at least 15%, debt to EBITDA under 5x, and debt leverage to total capital of no more than 60%, all of which are consistent with our expectations for the 'BBB' rating. We could lower the ratings if financial measures fall short of our base forecast on a sustained basis to adjusted FFO to total debt below 12%, debt to EBITDA over 5.2x, and debt leverage over 62%. We could raise the ratings if there is greater certainty regarding business risks and if financial measures exceed our baseline forecast, including FFO to total debt in excess of 20%, debt to EBITDA below 4x, and debt to total capital under 55%.

Related Criteria And Research

- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Ratios And Adjustments, April 15, 2008
- Analytical Methodology, April 15, 2008

Table 1

American Electric Power Co. Inc. -- Peer Comparison

Industry Sector: Energy

	American Electric Power Co. Inc.	Duke Energy Corp.	Southern Co.	Progress Energy Inc.	Xcel Energy Inc.
Rating as of Dec. 14, 2011	BBB/Stable/A-2	A-/Stable/A-2	A/Stable/A-1	BBB+/Watch Pos/A-2	A-/Stable/A-2
	--Average of past three fiscal years--				
(Mil. $)					
Revenues	13,871.7	13,403.3	15,645.6	9,747.3	10,385.6
EBITDA	4,190.0	4,474.4	4,921.6	3,089.4	2,524.8
Net income from cont. oper.	1,314.7	1,219.7	1,664.9	823.0	694.4
Funds from operations (FFO)	3,256.9	3,985.8	3,955.5	2,218.9	2,004.8
Capital expenditures	3,182.0	4,530.2	4,191.1	2,547.3	2,052.6
Free operating cash flow	(568.1)	(549.7)	(596.1)	(459.7)	(67.7)
Dividends paid	762.6	1,232.7	1,402.8	724.3	422.9
Discretionary cash flow	(1,330.7)	(1,782.4)	(1,998.8)	(1,184.0)	(490.5)
Cash and short-term investments	767.0	1,416.3	498.9	505.3	155.1
Debt	20,743.2	18,503.2	21,358.2	14,718.8	10,963.4
Preferred stock	187.8	0.0	747.0	182.5	252.5
Equity	12,672.8	21,896.7	15,532.3	9,574.2	7,696.0
Debt and equity	33,416.0	40,399.9	36,890.6	24,293.0	18,659.4
Adjusted ratios					
EBITDA margin (%)	30.2	33.4	31.5	31.7	24.3
EBIT interest coverage (x)	2.5	3.2	3.3	2.5	2.7
Return on capital (%)	7.7	6.8	8.3	8.8	8.0

Table 1

American Electric Power Co Inc. -- Peer Comparison (cont.)					
FFO int. cov. (X)	3.5	5.1	4.5	3.4	4.1
FFO/debt (%)	15.7	21.5	18.5	15.1	18.3
Free operating cash flow/debt (%)	(2.7)	(3.0)	(2.8)	(3.1)	(0.6)
Discretionary cash flow/debt (%)	(6.4)	(9.6)	(9.4)	(8.0)	(4.5)
Net cash flow/capex (%)	78.4	60.8	60.9	58.7	77.1
Debt/EBITDA (x)	5.0	4.1	4.3	4.8	4.3
Total debt/debt plus equity (%)	62.1	45.8	57.9	60.6	58.8
Return on capital (%)	7.7	6.8	8.3	8.8	8.0
Return on common equity (%)	9.9	4.3	10.4	7.4	8.2
Common dividend payout ratio (un-adj.) (%)	56.8	99.7	86.4	84.1	64.2

Table 2

American Electric Power Co Inc. -- Financial Summary

Industry Sector: Energy

	--Fiscal year ended Dec. 31--				
	2010	**2009**	**2008**	**2007**	**2006**
Rating history	BBB/Stable/A-2	BBB/Stable/A-2	BBB/Stable/A-2	BBB/Stable/A-2	BBB/Stable/A-2
(Mil. $)					
Revenues	14,176.4	13,241.8	14,197.0	13,259.7	12,502.9
EBITDA	4,293.6	4,373.0	3,903.3	3,895.0	3,689.0
Net income from continuing operations	1,214.0	1,362.0	1,368.0	1,144.0	992.0
Funds from operations (FFO)	3,322.9	3,668.7	2,779.0	2,707.7	2,820.1
Capital expenditures	2,383.0	2,989.3	4,173.6	3,665.5	3,545.3
Dividends paid	839.3	773.3	675.3	628.5	591.0
Debt	20,631.2	20,787.1	20,811.3	16,611.4	14,375.2
Preferred stock	187.5	188.0	188.0	30.5	61.0
Equity	13,809.5	13,328.0	10,881.0	10,109.5	9,473.0
Debt and equity	34,440.7	34,115.1	31,692.3	26,720.9	23,848.2
Adjusted ratios					
EBITDA margin (%)	30.3	33.0	27.5	29.4	29.5
EBIT interest coverage (x)	2.5	2.6	2.4	2.3	2.5
FFO int. cov. (x)	3.6	3.8	3.1	3.2	3.7
FFO/debt (%)	16.1	17.6	13.4	16.3	19.6
Discretionary cash flow/debt (%)	(1.3)	(6.3)	(11.6)	(10.5)	(8.9)
Net cash flow/capex (%)	104.2	96.9	50.4	56.7	62.9
Debt/debt and equity (%)	59.9	60.9	65.7	62.2	60.3
Return on capital (%)	7.2	7.8	8.0	8.0	8.2
Return on common equity (%)	8.1	10.2	12.0	10.6	9.5
Common dividend payout ratio (un-adj.) (%)	68.0	55.4	48.4	55.1	59.6

Table 3

Reconciliation Of American Electric Power Co. Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)

--Fiscal year ended Dec. 31, 2010--

American Electric Power Co. Inc. reported amounts

	Debt	Shareholders' equity	Revenues	EBITDA	Operating income	Interest expense	Cash flow from operations	Cash flow from operations	Dividends paid	Capital expenditures
Reported	18,157.0	13,682.0	14,427.0	4,304.0	2,663.0	999.0	2,662.0	2,662.0	827.0	2,436.0
Standard & Poor's adjustments										
Trade receivables sold or securitized	--	--	--	--	--	0.0	--	--	--	--
Operating leases	1,963.9	--	--	122.1	122.1	122.1	197.9	197.9	--	--
Intermediate hybrids reported as debt	(157.5)	157.5	--	--	--	(13.8)	13.8	13.8	13.8	--
Intermediate hybrids reported as equity	30.0	(30.0)	--	--	--	1.5	(1.5)	(1.5)	(1.5)	--
Postretirement benefit obligations	1,048.5	--	--	15.0	15.0	--	341.3	341.3	--	--
Capitalized interest	--	--	--	--	--	53.0	(53.0)	(53.0)	--	(53.0)
Share-based compensation expense	--	--	--	28.1	--	--	--	--	--	--
Securitized utility cost recovery	(1,847.0)	--	(250.6)	(250.6)	(102.6)	(102.6)	(148.0)	(148.0)	--	--
Asset retirement obligations	304.2	--	--	75.0	75.0	75.0	(56.6)	(56.6)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	197.0	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	367.0	--	--
Debt - Accrued interest not included in reported debt	281.0	--	--	--	--	--	--	--	--	--
Debt - Other	851.1	--	--	--	--	--	--	--	--	--
Interest expense - Other	--	--	--	--	--	31.7	--	--	--	--
Total adjustments	2,474.2	127.5	(250.6)	(10.4)	306.5	166.9	293.9	660.9	12.3	(53.0)

Table 3

Reconciliation Of American Electric Power Co. Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $) (cont.)

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	20,631.2	13,809.5	14,176.4	4,293.6	2,969.5	1,165.9	2,955.9	3,322.9	839.3	2,383.0

Ratings Detail (As Of December 12, 2011)

American Electric Power Co. Inc.	
Corporate Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Junior Subordinated (1 Issue)	BB+
Senior Unsecured (1 Issue)	BBB
Corporate Credit Ratings History	
07-Mar-2003	BBB/Stable/A-2
24-Jan-2003	BBB+/Watch Neg/A-2
23-May-2002	BBB+/Stable/A-2
Business Risk Profile	Excellent
Financial Risk Profile	Aggressive
Related Entities	
AEP Texas Central Co.	
Issuer Credit Rating	BBB/Stable/--
Preferred Stock (2 Issues)	BB+
Senior Secured (1 Issue)	BBB/Developing
Senior Unsecured (6 Issues)	BBB
Senior Unsecured (1 Issue)	BBB/Developing
AEP Texas North Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (1 Issue)	BBB
Senior Unsecured (1 Issue)	BBB/Developing
Appalachian Power Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (18 Issues)	BBB
Senior Unsecured (1 Issue)	BBB/Developing
Columbus Southern Power Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (8 Issues)	BBB
Senior Unsecured (2 Issues)	BBB/Negative
Indiana Michigan Power Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (11 Issues)	BBB

Ratings Detail (As Of December 14, 2011) (cont.)	
Kentucky Power Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (2 Issues)	BBB
Ohio Power Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (13 Issues)	BBB
Public Service Co. of Oklahoma	
Issuer Credit Rating	BBB/Stable/--
Preferred Stock (2 Issues)	BB+
Senior Unsecured (5 Issues)	BBB
Senior Unsecured (1 Issue)	BBB/Developing
RGS (AEGCO) Funding Corp.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (2 Issues)	BBB-
RGS (I&M) Funding Corp.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (2 Issues)	BBB-

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

STANDARD &POOR'S

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December 15, 2011

Kentucky Power Co.

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Table Of Contents

Kentucky Power Co.

Major Rating Factors

Corporate Credit Rating
BBB/Stable/--

Strengths:

- Steady utility operating cash flow;
- Part of a electric utility company that is geographically diverse and has a large customer base; and
- Low-cost generation fleet.

Weaknesses:

- Financial measures could be pressured from exposure to environmental regulations;
- Marketing operations weaken creditworthiness; and
- Increased unregulated generation may pressure business profile.

Rationale

Standard & Poor's Ratings Services' ratings on Kentucky Power Co. are based on the consolidated credit profile of parent American Electric Power Co. Inc. (AEP), which includes regulated and unregulated operations. We consider Kentucky Power's business risk profile excellent and financial risk profile aggressive. It is a vertically integrated, fully regulated electric utility that serves eastern Kentucky. The utility participates in the AEP Power Pool, sharing the revenues and costs of pool sales to utilities and power marketers, and also sells directly at wholesale to municipalities and electric cooperatives. Operations are integrated with the AEP East system. We consider AEP's business risk profile excellent and its financial risk profile aggressive. (For more on business risk and financial risk, see "Business Risk/Financial Risk Matrix Expanded," published on May 27, 2009, on RatingsDirect.)

The excellent consolidated business profile primarily reflects AEP's status as a large public utility holding company that owns regulated electric utility subsidiaries operating in 11 states in the Midwest and Southwest. The company operates low-risk transmission and distribution wires-only businesses in Texas; fully integrated regulated utilities in states such as Indiana and West Virginia; and higher-risk hybrid utilities in Ohio. Although a portion of generation assets are outside the rate base, most of the consolidated generating capacity is under stabilizing regulatory oversight. The company's generating and transmission facilities are interconnected, and its operations are coordinated as an integrated electric utility system.

Electric utility operations are slightly above average, characterized by competitive rates, good reliability, a strong collection of low-cost, coal-fired generation in the eastern part of the system, and mostly supportive regulatory relationships. Service territories vary widely, ranging from manufacturing and rural areas with lower-growth economies to higher-growth, service-oriented economies, like the Columbus, Ohio, metropolitan area, that are more stable. The diversity in markets and in regulation somewhat elevates credit quality, but managing the complex variety of regulatory environments can be challenging and requires constant vigilance. This is evident in Arkansas, where the company is continuing to build the Turk coal unit while multiple legal challenges are pending, including litigation in connection with the unit's water intake. Over the longer term, with roughly 25,000 megawatts (MW) of coal-fired generation, including those in Ohio, material compliance costs related to numerous environmental rules could pressure credit quality. In addition to these coal assets, there are 9,000 MW of gas generation and 2,200 MW of nuclear.

The company's unregulated operations consist mostly of a large portfolio of quasi-regulated electric generating plants, mainly in Ohio, that have been primarily serving AEP's retail utility customers. We expect AEP's long track record of solid operating performance in its unregulated business operations to continue. Stricter environmental regulation will place financial stress on the company and erode the fleet's competitiveness, but we don't expect these pressures to completely eliminate the advantages of AEP's coal fleet. AEP has indicated that it will retire 5,109 MW of coal-fired assets and retrofit part of the fleet with pollution control equipment. Although AEP's Ohio-based generation accounts for only a portion of the company's credit profile, absent more robust financial measures, a strategic shift to a greater reliance on wholesale market prices to generate cash would increase business risk and could ultimately weaken credit quality.

Kentucky Power's financial risk profile reflects AEP's consolidated financial risk profile, which we consider aggressive. This assessment reflects financial measures that are in line with the rating, along with large capital expenditures. The company's considerable capital spending is mostly for environmental compliance programs and for new generation and transmission. The elevated spending levels and dividend payments could result in negative discretionary cash flow for several years, and will require vigilant cost recovery to maintain cash flow measures. For the 12 months ended Sept. 30, 2011, funds from operations (FFO) to total debt was 21%, total debt to total capital was around 58%, and debt to EBITDA was 4.3x. The ratios are in line with the rating. Discretionary cash flow is positive and net cash flow (FFO after dividends) to capital expenditures exceeded 130%. FFO interest coverage was 4.5x and the dividend payout ratio was a manageable 58%. Adjustments include capital and operating leases, pension-related items, intermediate equity treatment of the junior subordinated notes, and securitized debt.

Liquidity

The company's liquidity depends on and is managed by parent AEP. We consider AEP's liquidity adequate under Standard & Poor's liquidity methodology. (We categorize liquidity in five standard descriptors. See "Liquidity Descriptors For Global Corporate Issuers," published on Sept. 28, 2011.) We base our liquidity assessment on the following factors and assumptions:

- We expect AEP's liquidity sources over the next 12 months, including cash, FFO, and credit facility availability, to exceed uses by 1.2x. Uses include necessary capital spending, working capital, debt maturities, and shareholder distributions.
- Debt maturities are manageable over the next 12 months.
- We believe liquidity sources would exceed uses even if EBITDA declined 15%.
- In our assessment, AEP has good relationships with its banks, and has a good standing in the credit markets, having successfully issued debt during the recent credit crisis.

In our analysis of liquidity over the next 12 months, we assume $7.2 billion of liquidity sources, consisting of FFO and credit facility availability. We estimate liquidity uses of $4.9 billion for capital spending, maturing debt, working capital, and shareholder distributions.

AEP's credit agreements include a financial covenant requiring that debt to total capitalization be no greater than 67.5%. As of Sept. 30, 2011, the company was in compliance with the covenant at 50.3%.

Debt maturities are manageable through 2016. Excluding amortizing AEP Texas Central securitization bonds, $690 million is due in 2012, $1.4 billion in 2013, $1 billion in 2014, $1.3 billion in 2015, and $500 million in 2016. We expect that the company will refinance a majority of the maturing debt.

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Related Criteria And Research

- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
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Table 1

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Revenues	13,871.7	13,403.3	15,645.6	9,747.3	10,385.6
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Preferred stock	187.8	0.0	747.0	182.5	252.5
Equity	12,672.8	21,896.7	15,532.3	9,574.2	7,696.0
Debt and equity	33,416.0	40,399.9	36,890.6	24,293.0	18,659.4
Adjusted ratios					
EBITDA margin (%)	30.2	33.4	31.5	31.7	24.3

Table 1

American Electric Power Co. Inc. -- Peer Comparison (cont.)					
EBIT interest coverage (x)	2.5	3.2	3.3	2.5	2.7
Return on capital (%)	7.7	6.8	8.3	8.8	8.0
FFO int. cov. (X)	3.5	5.1	4.5	3.4	4.1
FFO/debt (%)	15.7	21.5	18.5	15.1	18.3
Free operating cash flow/debt (%)	(2.7)	(3.0)	(2.8)	(3.1)	(0.6)
Discretionary cash flow/debt (%)	(6.4)	(9.6)	(9.4)	(8.0)	(4.5)
Net cash flow/capex (%)	78.4	60.8	60.9	58.7	77.1
Debt/EBITDA (x)	5.0	4.1	4.3	4.8	4.3
Total debt/debt plus equity (%)	62.1	45.8	57.9	60.6	58.8
Return on capital (%)	7.7	6.8	8.3	8.8	8.0
Return on common equity (%)	9.9	4.3	10.4	7.4	8.2
Common dividend payout ratio (un-adj.) (%)	56.8	99.7	86.4	84.1	64.2

Table 2

Kentucky Power Co. -- Financial Summary					
Industry Sector: Electric					
	--Fiscal year ended Dec. 31--				
	2010	2009	2008	2007	2006
Rating history	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--
(Mil. $)					
Revenues	683.7	632.5	665.6	588.0	585.9
EBITDA	142.2	119.6	112.7	122.6	128.5
Net income from continuing operations	35.3	23.9	24.5	32.5	35.0
Funds from operations (FFO)	93.9	110.6	62.0	85.6	83.0
Capital expenditures	53.5	63.6	129.5	71.3	79.0
Dividends paid	21.0	19.5	14.0	12.0	15.0
Debt	590.9	607.2	617.8	519.4	530.2
Preferred stock	0.0	0.0	0.0	0.0	0.0
Equity	446.2	431.8	398.0	387.0	369.7
Debt and equity	1,037.1	1,039.0	1,015.8	906.4	899.9
Adjusted ratios					
EBITDA margin (%)	20.8	18.9	16.9	20.8	21.9
EBIT interest coverage (x)	2.4	1.8	1.7	2.4	2.6
FFO int. cov. (x)	3.4	4.0	2.4	3.6	3.5
FFO/debt (%)	15.9	18.2	10.0	16.5	15.7
Discretionary cash flow/debt (%)	12.5	(4.5)	(15.6)	2.2	1.5
Net cash flow/capex (%)	136.4	143.3	37.1	103.2	86.1
Debt/debt and equity (%)	57.0	58.4	60.8	57.3	58.9
Return on capital (%)	6.7	5.2	5.6	6.8	7.3
Return on common equity (%)	7.7	5.6	5.6	8.4	9.5

Table 2

Kentucky Power Co. -- Financial Summary (cont.)					
Common dividend payout ratio (un-adj.) (%)	59.5	81.5	57.1	37.0	42.8

Table 3

Reconciliation Of Kentucky Power Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)

--Fiscal year ended Dec. 31, 2010--

Kentucky Power Co. reported amounts

	Debt	Shareholders' equity	Revenues	EBITDA	Operating income	Interest expense	Cash flow from operations	Cash flow from operations	Dividends paid	Capital expenditures
Reported	550.7	446.2	683.7	141.7	88.9	36.4	143.6	143.6	21.0	54.1
Standard & Poor's adjustments										
Trade receivables sold or securitized	--	--	--	--	--	0.0	--	--	--	--
Operating leases	3.2	--	--	0.4	0.4	0.4	1.1	1.1	--	--
Postretirement benefit obligations	26.6	--	--	(0.1)	(0.1)	--	4.4	4.4	--	--
Capitalized interest	--	--	--	--	--	0.6	(0.6)	(0.6)	--	(0.6)
Asset retirement obligations	2.7	--	--	0.3	0.3	0.3	(0.4)	(0.4)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	1.0	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	(54.1)	--	--
Debt - Accrued interest not included in reported debt	7.6	--	--	--	--	--	--	--	--	--
Total adjustments	40.2	0.0	0.0	0.5	1.5	1.2	4.4	(49.7)	0.0	(0.6)

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	590.9	446.2	683.7	142.2	90.4	37.7	148.0	93.9	21.0	53.5

Ratings Detail (As Of December 15, 2011)

Kentucky Power Co.	
Corporate Credit Rating	BBB/Stable/--
Senior Unsecured (2 Issues)	BBB

Ratings Detail (As Of December 15, 2011) (cont.)

Corporate Credit Ratings History	
07-Mar-2003	BBB/Stable/--
24-Jan-2003	BBB+/Watch Neg/--
23-May-2002	BBB+/Stable/--
Business Risk Profile	Excellent
Financial Risk Profile	Aggressive
Related Entities	
AEP Texas North Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (1 Issue)	BBB
Senior Unsecured (1 Issue)	BBB/Developing
American Electric Power Co. Inc.	
Issuer Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Junior Subordinated (1 Issue)	BB+
Senior Unsecured (1 Issue)	BBB
Appalachian Power Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (18 Issues)	BBB
Senior Unsecured (1 Issue)	BBB/Developing
Columbus Southern Power Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (8 Issues)	BBB
Senior Unsecured (2 Issues)	BBB/Negative
Indiana Michigan Power Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (11 Issues)	BBB
Ohio Power Co.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (13 Issues)	BBB
Public Service Co. of Oklahoma	
Issuer Credit Rating	BBB/Stable/--
Preferred Stock (2 Issues)	BB+
Senior Unsecured (5 Issues)	BBB
Senior Unsecured (1 Issue)	BBB/Developing
RGS (AEGCO) Funding Corp.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (2 Issues)	BBB-
RGS (I&M) Funding Corp.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (2 Issues)	BBB-

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

Kentucky Power Company

REQUEST

Please provide the corporate credit and bond ratings assigned to AEP and/or KPCo since the year 2005 by S&P, Moody's, and Fitch. For any change in the credit and/or bond rating, please provide a copy of the associated report.

RESPONSE

Kentucky Power objects to the request to the extent it seeks information regarding American Electric Power, Inc. ("AEP.") AEP is not a party to this proceeding, and is not a utility subject to the jurisdiction of the Public Service Commission of Kentucky. AEP is not obligated to assist Kentucky Power in financing the proposed environmental projects in Kentucky Power's 2011 Environmental Compliance Plan. Without waiving this objection, please see the following:

		AEP			**Kentucky Power**	
	Moodys	S&P	Fitch	Moodys	S&P	Fitch
2005	Baa2	BBB	BBB	Baa2	BBB	BBB
2006	Baa2	BBB	BBB	Baa2	BBB	BBB
2007	Baa2	BBB	BBB	Baa2	BBB	BBB
2008	Baa2	BBB	BBB	Baa2	BBB	BBB
2009	Baa2	BBB	BBB	Baa2	BBB	BBB
2010	Baa2	BBB	BBB	Baa2	BBB	BBB
2011	Baa2	BBB	BBB	Baa2	BBB	BBB

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide a copy of: (1) the documents detailing the revenue requirement associated with KPCo's Environmental Compliance Plan ("ECP"). The summary should include the annual amounts of eligible plant, depreciation, ECP rate base, rate of return, operating expenses, the composite tax rate and adjustment factor, and overall revenue requirements; (2) the summary components of the annual rate of return, including the capital structure, debt cost rates, and equity cost rate; (3) the summary components of the annual composite tax rate; and (4) the data and work papers in (1), (2), and (3) in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

RESPONSE

Using the adjusted average increase of 29.49% described in the Company's response to KPSC 1-20(a), Attachment 1, the following Exhibits LPM-1 through 14 with workpapers are attached.

Please see enclosed CD for the excel file with formulas intact and unprotected.

WITNESS: Lila P Munsey

Kentucky Power Company
Pollution Control Environmental Facilities
Big Sandy Plant
Dry Flue Gas Desulfurization (DFGD)

Line No. (1)	Big Sandy Unit #2 Description (2)	Dry Flue Gas Desulfurization Unit (DFGD) (3)
	In-Service Date: Second Quarter of 2016	
1	Total Capital Environmental Costs	$ 940,300,067
2	Preliminary Scrubber Analysis 2004-2006	$ 15,212,425
3	Capital Costs Not Associated with CAA	$ -
4	Capital Booked in Last Base Case	$ -
5	KPCo's Net In-Service Investment (L1 + L2 - L3 - L4)	$ 955,512,492
6	Annual Operation Expense	$ 46,067,000
7	Annual Maintenance Expense	$ 2,600,000
8	Total Operation & Maintenance Expense	$ 48,667,000

Kentucky Power Company
Pollution Control Environmental Facilities
Annual Revenue Requirement
Associated with Big Sandy Plant

Line No. (1)	Description (2)	Capital Costs of KY Retail Revenues (3)
	Return on Rate Base	
1	Utility Plant Installed Net (Exhibit LPM-1, L5)	$ 955,512,492
2	Less: Accumulated Depreciation	$ 63,732,683
3	Less: Accumulated Deferred Income Taxes	$ 23,505,607
4	Net Utility Plant (L1- L2 - L3)	$ 868,274,202
5	Annual Weighted Average Cost of Capital (Exhibit LPM-3, L5, C8)	10.69%
6	Annual Return on Rate Base (L4 X L5)	$ 92,818,512
	Operating Expenses	
7	Annual Depreciation (L2)	$ 63,732,683
8	Annual Property Tax Expense (Exhibit LPM-4, L5)	$ 1,337,670
9	Annual Non-Fuel O&M Expense (Exhibit LPM-1, L8)	$ 48,667,000
10	Total Operating Expenses (L7 + L8 + L9)	$ 113,737,353
11	Total Revenue Requirement Associated with BS Env. Facilities (L6 + L10)	$ 206,555,865
12	Annual Revenue Allocation Factor (Exhibit LPM-5, L15, C3 or C6)	78.91%
13	Subtotal (L11 X L12)	$ 162,993,233
14	KY Jurisdiction Revenue Allocation Factor (Exhibit LPM-5, L14, C3)	
15	Total KY Retail Revenue Requirement (L13 X L14)	$ 162,993,233
16	KY Jurisdiction 12-month Revenue (Exhibit LPM-5, L13, C3)	$ 569,593,245
17	Percent Change (L15 / L16)	28.62%

Kentucky Power Company
Pollution Control Environmental Facilities
Weighted Cost of Capital Calculations for August 2011

Line No. (1)	Description (2)	Capital Balance as of April 30, 2010 [2] (3)	Capital Structure (4)	Cost of Capital Rates (5)	WACC Net of Tax (6)	Gross Revenue Conversion Factor (7)	WACC Pre Tax (8)
1	Long-term Debt	$ 550,000,000	51.941%	6.48%	3.37%		3.37%
2	Short-term Debt	$ -	0.000%	0.83%	0.00%		0.00%
3	A/R Financing	$ 43,588,933	4.116%	1.22%	0.05%		0.05%
4	Common Equity	$ 465,314,088	43.943%	**10.50%** [1]	4.61%	1.5762 [3]	7.27%
5	Total	$ 1,058,903,021	100.000%		8.03%		10.69%

[1] Weighted Average Cost of Capital (WACC) ROR on Common Equity per Case No. 2010-00020.
[2] WACC Balances As of 4/30/2010 based on Case No. 2010-00318, dated September 7, 2010.
[3] Gross Revenue Conversion Factor Calculations per Order in Case No. 2010-00318:

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 9)	30.9171
19	STATE (LINE 5)	5.6384
20	BLENDED TAX RATE	36.5555
21	GROSS REVENUE CONVERSION FACTOR (100 / Line 16)	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

Kentucky Power Company
Pollution Control Environmental Facilities
Estimated Property Taxes
Associated with Big Sandy Plant Pollution Control Facilities

Line No. (1)	Description (2)	Installed Costs (3)
1	DFGD Installed Capital at BS#2 (LPM-2, L1, C3)	$ 955,512,492
2	Less: Accumulated Depreciation (LPM-2, L2, C3)	$ 63,732,683
3	Net Plant Investment Assessed Value (L1 - L2)	$ 891,779,809
4	Property Tax Rate	0.15%
5	Increase in Property Tax (L3 X L4)	$ 1,337,670

Kentucky Power Company
Pollution Control Environmental Facilities
Revenue Allocation Percentages
12-months ended August 31, 2011

Line No. (1)	Month (2)	KY Retail Jurisdiction (3)	FERC Wholesale (4)	Total KY Full Requirement Revenues (5)=(3)+(4)	Associated Utilities (6)	Non-Associated Utilities (7)	Total Rev for Surcharge Purposes (8)=(5)+(6)+(7)
1	September 2010	$ 40,903,323	$ 495,401	$ 41,398,724	$ 6,337,586	$ 5,270,698	$ 53,007,008
2	October 2010	$ 39,106,852	$ 386,166	$ 39,493,018	$ 6,800,222	$ 4,192,455	$ 50,485,695
3	November 2010	$ 40,488,923	$ 410,737	$ 40,899,660	$ 4,661,941	$ 3,884,802	$ 49,446,403
4	December 2010	$ 56,106,329	$ 639,267	$ 56,745,596	$ 2,533,257	$ 5,561,003	$ 64,839,856
5	January 2011	$ 65,952,346	$ 603,837	$ 66,556,183	$ 5,085,114	$ 6,199,202	$ 77,840,499
6	February 2011	$ 58,755,458	$ 529,203	$ 59,284,661	$ 4,720,801	$ 5,024,766	$ 69,030,228
7	March 2011	$ 44,307,469	$ 459,737	$ 44,767,206	$ 5,691,192	$ 5,445,168	$ 55,903,566
8	April 2011	$ 42,540,201	$ 427,836	$ 42,968,037	$ 4,530,299	$ 6,578,375	$ 54,076,711
9	May 2011	$ 40,424,987	$ 784,420	$ 41,209,407	$ 6,373,043	$ 4,536,768	$ 52,119,218
10	June 2011	$ 46,953,714	$ 462,091	$ 47,415,805	$ 6,987,065	$ 10,149,681	$ 64,552,551
11	July 2011	$ 46,534,433	$ 530,987	$ 47,065,420	$ 8,031,761	$ 13,076,250	$ 68,173,431
12	August 2011	$ 47,519,210	$ 525,287	$ 48,044,497	$ 5,676,708	$ 8,673,690	$ 62,394,895
13	12-month Total	$ **569,593,245**	$ 6,254,969	$ 575,848,214	$ 67,428,989	$ 78,592,858	$ 721,870,061
14	Rev. Alloc. %s	**98.91%**	1.09%	100.00%			
15	Rev. Alloc. %s	**78.91%**	0.87%		9.34%	10.88%	100.00%

Kentucky Power Company
Pollution Control Environmental Facilities
AEP Pool Surplus Companies
Net Investment in
Environmental Facilities

Line No. (1)	Generating Unit (2)	Description of Environmental Facilities (3)	In-Service Date (4)	Cost of Environmental Facilities (5)	Less Original Facility Cost in Base Rates (6)	OPCo or I&M Percentage (7)	I&M's Environmental Investment (8)=[(5)-(6)]x(7)	OPCo's Environmental Investment (9)=[(5)-(6)]x(7)
	Surplus Companies							
1	Amos Unit 3	Dry Fly Ash Disposal Conversion	8/3/2010	$ 58,717,352	$ -	66.67%		$ 39,146,859
2	Amos Common	Hg In-Pond Chemical Treatment	7/15/2011	$ 2,484,972	$ -	29.89%		$ 742,758
3	Amos Common	FGD Hg Waste Water Treatment	4th Qtr 2012	$ 12,827,197	$ -	29.89%		$ 3,834,049
4	Amos Common	Ash Pond Discharge Diffuser	4th Qtr 2012	$ 2,447,711	$ -	29.89%		$ 731,621
5	Amos Subtotal	Sum of Lines 1 to 4		$ 76,477,232	$ -			$ 44,455,287
6	Rockport Units 1 & 2	Activated Carbon Injection (ACI)	9/28/2009	$ 23,405,482	$ -	85%	$ 19,894,660	
7	Tanners Creek Units 1, 2, & 3	Selective Non-Catalytic Reduction (SNCR) System	12/11/2009	$ 14,152,243	$ -	100%	$ 14,152,243	$ -
8	Total Surplus Companies	L5 + L6 + L7		$ 114,034,957	$ -		$ 34,046,903	$ 44,455,287

Kentucky Power Company
Pollution Control Environmental Facilities
AEP System Pool
Capacity Equalization Settlement for
August 2011

Calculation of Member Capacity Surplus / (Deficit) (kW)

Line No.	Generating Company	Internal (MLR) Max 60-Minute Integrated Demand in 12 ME 8/31/11 (MW)	Member Load Ratio	Member Primary Capacity (kW)	Primary Capacity Reservation (kW)	Capacity Surplus (Deficit) (kW)
(1)	(2)	(3)	(4)	(5)	(6)=Total kW x (4)	(7)=(5)-(6)
1	APCo	7,542	31.181%	6,377,000	8,293,500	(1,916,500)
2	KPCo	1,596	6.598%	1,471,000	1,754,900	(283,900)
3	I&M	4,837	19.998%	5,428,000	5,319,100	108,900
4	OPCo	5,544	22.920%	8,465,000	6,096,300	2,368,700
5	CSP	4,669	19.303%	4,857,000	5,134,200	(277,200)
6	Total	24,188	100.000%	26,598,000	26,598,000	-

Calculation of Member Capacity Settlement

	Generating Company	Capacity Surplus (Deficit) (kW)	Capacity Rate ($/kW)	Estimated Credit (Charge) ($)
	(2)	(7)=(5)-(6)	(8)=(9) / (7)	(9)
7	APCo	(1,916,500)	$13.60	(26,070,502)
8	KPCo	(283,900)	$13.60	(3,861,944)
9	I&M	108,900	$14.76	1,607,364
10	OPCo	2,368,700	$13.55	32,095,885
11	CSP	(277,200)	$13.60	(3,770,803)
12	Total	-		$ -

Equalization capacity rate (The is the average $/kW rate paid by deficit members.): **13.6032**

Kentucky Power Company
Pollution Control Environmental Facilities
AEP System Pool
Capacity Rate Calculations for
Surplus Member Companies
August 2011

Line No.	Description	Formula	Units	I&M	OPCo	
(1)	(2)	(3)	(4)	(5)	(6)	
	Primary Capacity Investment Rate:					
1	Steam Production Plant as of 12-mo ended 12/31/10		($)	4,040,461,038	6,654,950,782	
2	Steam Capacity as of 12-mo ended 12/31/10		(kW)	5,414,000	8,440,000	
3	Average Cost of Investment	L1 / L2	($/kW)	$746.30	$788.50	
4	Carrying Charge (16.44% / 12 months)		($/kW/Month)	0.0137	0.0137	
5	Primary Capacity Investment Rate	L3 X L4		$10.22	$10.80	
	Monthly Fixed Operating Rate:					
6	Steam Plant Operation Expense (less: fuel)		($)	18,440,310	17,311,512	
7	1/2 Maintenance Expense		($)	6,117,393	5,856,913	
8	Subtotal - Fixed Operating Expense	L6 + L7	($)	24,557,703	23,168,425	
9	Steam Capability	L2	(kW)	5,414,000	8,440,000	
10	Fixed Operating Rate	L8 / L9	($/kW)	$4.54	$2.75	
11	**Capacity Rate**	L5 + L10	($/kW)	$14.76	$13.55	
	Calculate AEP Pool Average Capacity Rate:					
12	Surplus Capacity	Exhibit LPM-7, C7, L3 or L4	(kW)	108,900	2,368,700	
13	Member's Percent of Pool's Total Surplus		(%)	4.40%	95.60%	
14	Surplus Member's Capacity Rate	L11	($/kW)	$14.76	$13.55	
15	Surpl. Memb. CAP Rate Recv. From Deficit Memb.	L13 X L14	($/kW)	$0.65	$12.95	
16	**AEP Pool's Average Capacity Rate**		($/kW)			$13.60

Kentucky Power Company
Pollution Control Environmental Facilities
AEP System Pool Monthly
Environmental Capacity Costs

Line No.	Description	Exhibit or Formula	I&M	OPCo	KPCo
(1)	(2)	(3)	(4)	(5)	(6)
1	Net Cost of Environmental Facilities Investment Installed	Exhibit LPM-6, L8	$ 34,046,903	$ 44,455,287	
2	Installed Capacity (kW)	Exhibit LPM-8, L2	5,414,000	8,440,000	
3	Weighted Average Installed Cost ($/kW)	L1 / L2	$6.29	$5.27	
4	Monthly Return on Investment	Exhibit LPM-8, L4	0.0137	0.0137	
5	Envir. Member Capacity Investment Rate ($/kW/Mo.)	L3 X L4	$0.09	$0.07	
	Plus: Operations & 1/2 Maintenance				
6	OPCo's Amos Unit No. 3 & Common Plant	Exhibit LPM-10, L21, C14		$0.01	
7	I&M's: Rockport & Tanners Creek Units	Exhibit LPM-11, L15, C14	$0.06		
8	Subtotal	L5 + L6 + L7	$0.15	$0.08	
9	Surplus Company Weighting	Exhibit LPM-8, L13	4.40%	95.60%	
10	Surplus Capacity	L8 X L9	$0.01	$0.08	$0.09
11	KPCo's Pool Capacity Deficit	Exhibit LPM-7, L2, C7	283,900	283,900	283,900
12	KPCo's Monthly Envir. Pool Capacity Charge	L10 X L11	$ 2,839	$ 22,712	$ 25,551
13	Number of months				12
14	**Annual Effect of Envir. Pool Capacity Charge**	L12 X L13			$ 306,612

Kentucky Power Company
Pollution Control Environmental Facilities
Ohio Power Company

Line No.	Description	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Annual
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	Operations:													
1	Amos Unit #3 Dry Fly Ash Disposal Conversion	$ 3,042	$ 3,042	$ 3,041	$ 3,042	$ 3,042	$ 3,041	$ 3,042	$ 3,042	$ 3,041	$ 3,042	$ 3,042	$ 3,041	$36,500.00
2	Amos Common - FGD Hg Waste Water Treatment	$ 86,125	$ 86,125	$ 86,125	$ 86,125	$ 86,125	$ 86,125	$ 86,125	$ 86,125	$ 86,125	$ 86,125	$ 86,125	$ 86,125	$1,033,500.00
3	Amos Common - Hg In-Pond Chemical Treatment	$ 138,125	$ 138,125	$ 138,125	$ 138,125	$ 138,125	$ 138,125	$ 138,125	$ 138,125	$ 138,125	$ 138,125	$ 138,125	$ 138,125	$1,657,500.00
4	Amos Common - Ash Pond Discharge Diffuser	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$0.00
5	Total Common Plant Operations (L2 + L3 + L4)	$ 224,250	$ 224,250	$ 224,250	$ 224,250	$ 224,250	$ 224,250	$ 224,250	$ 224,250	$ 224,250	$ 224,250	$ 224,250	$ 224,250	$2,691,000.00
	Maintenance:													
6	Amos Unit #3 Dry Fly Ash Disposal Conversion	$ 3,042	$ 3,042	$ 2,867	$ 762	$ 20,802	$ 1,706	$ 4,042	$ 3,896	$ (4,704)	$ 22,701	$ 4,431	$ 877	$63,463.44
7	1/2 Amos Unit #3 Maintenance (L6 / 2)	$ 1,521	$ 1,521	$ 1,433	$ 381	$ 10,401	$ 853	$ 2,021	$ 1,948	$ (2,352)	$ 11,350	$ 2,216	$ 439	$31,732.00
8	Amos Common - FGD Hg Waste Water Treatment	$ 2,208	$ 2,208	$ 2,209	$ 2,208	$ 2,208	$ 2,209	$ 2,208	$ 2,208	$ 2,209	$ 2,208	$ 2,208	$ 2,209	$26,500.00
9	Amos Common - Hg In-Pond Chemical Treatment	$ 3,542	$ 3,542	$ 3,541	$ 3,542	$ 3,542	$ 3,541	$ 3,542	$ 3,542	$ 3,541	$ 3,542	$ 3,542	$ 3,541	$42,500.00
10	Amos Common - Ash Pond Discharge Diffuser	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$0.00
11	Total Common Plant Maintenance (L8 + L9 + L10)	$ 5,750	$ 10,313	$ 10,050	$ 6,893	$ 36,953	$ 8,309	$ 11,813	$ 11,594	$ (1,306)	$ 39,801	$ 12,397	$ 7,066	$159,632.44
12	1/2 Common Plant Maintenance (L11 / 2)	$ 2,875	$ 5,157	$ 5,025	$ 3,446	$ 18,477	$ 4,154	$ 5,906	$ 5,797	$ (653)	$ 19,900	$ 6,199	$ 3,533	$79,816.00
13	Total Amos Unit #3 Fixed O&M (L1 + L7)	$ 4,563	$ 4,563	$ 4,474	$ 3,423	$ 13,443	$ 3,894	$ 5,063	$ 4,990	$ 689	$ 14,392	$ 5,258	$ 3,480	$68,232.00
14	OPCo's % Ownership (Exh. LPM-6, L1, C7)	66.67%	66.67%	66.67%	66.67%	66.67%	66.67%	66.67%	66.67%	66.67%	66.67%	66.67%	66.67%	
15	OPCo's Share of Amos #3 Fixed O&M (L13 X L14)	$ 3,042	$ 3,042	$ 2,983	$ 2,282	$ 8,962	$ 2,596	$ 3,376	$ 3,327	$ 459	$ 9,595	$ 3,506	$ 2,320	$45,490.00
16	Total Amos Common Plant Fixed O&M (L5 + L12)	$ 227,125	$ 229,407	$ 229,275	$ 227,696	$ 242,727	$ 228,404	$ 230,156	$ 230,047	$ 223,597	$ 244,150	$ 230,449	$ 227,783	$2,770,816.00
17	OPCo's % Ownership (Exh. LPM-6, L2, C7)	29.89%	29.89%	29.89%	29.89%	29.89%	29.89%	29.89%	29.89%	29.89%	29.89%	29.89%	29.89%	
18	OPCo's Share of Common Pl Fixed O&M (L16 X L17)	$ 67,888	$ 68,570	$ 68,530	$ 68,058	$ 72,551	$ 68,270	$ 68,794	$ 68,761	$ 66,833	$ 72,976	$ 68,881	$ 68,084	$828,196.00
19	OPCo's Share of Fixed O&M (L15 + L18)	$ 70,930	$ 71,612	$ 71,513	$ 70,340	$ 81,513	$ 70,866	$ 72,170	$ 72,088	$ 67,292	$ 82,571	$ 72,387	$ 70,404	$873,686.00
20	OPCo Steam Capacity (kW) (Exh LPM-9, L2, C5)	8,440,000	8,440,000	8,440,000	8,440,000	8,440,000	8,440,000	8,440,000	8,440,000	8,440,000	8,440,000	8,440,000	8,440,000	
21	OPCo Rate ($/kW) (L19 / L20)	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	
22	OPCo Surplus Weighting (%) (Exh LPM-9, L9, C5)	95.60%	95.60%	95.60%	95.60%	95.60%	95.60%	95.60%	95.60%	95.60%	95.60%	95.60%	95.60%	
23	Effect on Wt. Ave. Rate ($/kW) (L21 X L22)	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	
24	Portion of Weighted Average Capacity Rate Attributed to OPCo Facilities (L23)	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	
25	KPCo's Pool Capacity Deficit (Exh. LPM-7, L2, C7)	283,900	283,900	283,900	283,900	283,900	283,900	283,900	283,900	283,900	283,900	283,900	283,900	283,900
26	KPCo's Share of OPCo (L24 X L25)	$ 2,839	$ 2,839	$ 2,839	$ 2,839	$ 2,839	$ 2,839	$ 2,839	$ 2,839	$ 2,839	$ 2,839	$ 2,839	$ 2,839	$34,068

Kentucky Power Company
Pollution Control Environmental Facilities
Indiana and Michigan Power Company

Line No. (1)	Description (2)	Month 1 (3)	Month 2 (4)	Month 3 (5)	Month 4 (6)	Month 5 (7)	Month 6 (8)	Month 7 (9)	Month 8 (10)	Month 9 (11)	Month 10 (12)	Month 11 (13)	Month 12 (14)	Total (15)
	Operations:													
1	Rkpt1&2 Activated Carbon Injection (ACI)	$ 471,649	$ 613,139	$ 463,686	$ 536,123	$ 448,647	$ 290,791	$ 288,112	$ 165,345	$ 30,592	$ 165,068	$ 134,893	$ 379,076	$3,987,119.48
2	TC 1, 2, &3 Selective Non-Catalytic Reduction (SNCR)	$ 1,235	$ 26	$ (392)	$ (32)	$ 5	$ 8	$ (16)	$ 20	$ 26	$ (43)	$ 2	$ 107	$945.14
	Maintenance:													
3	Rkpt1&2 Activated Carbon Injection (ACI)	$ 2,314	$ -	$ 558	$ 1,349	$ 650	$ -	$ -	$ 4,047	$ 8,642	$ 32,485	$ 23,769	$ 279	$74,093.50
4	1/2 Rockport Maintenance (L3 / 2)	$ 1,157	$ -	$ 279	$ 675	$ 325	$ -	$ -	$ 2,024	$ 4,321	$ 16,243	$ 11,884	$ 139	$37,047.00
5	TC 1, 2, &3 Selective Non-Catalytic Reduction (SNCR)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$0
6	1/2 Tanners Creek Maintenance (L5 / 2)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$0
7	Total Rockport Fixed O&M (L1 + L4)	$ 472,806	$ 613,139	$ 463,965	$ 536,798	$ 448,972	$ 290,791	$ 288,112	$ 167,369	$ 34,913	$ 181,311	$ 146,777	$ 379,215	$4,024,166.48
8	I&M's Percentage Ownership (Exh. LPM-6, L6, C7)	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	
9	I&M's Share of Rockport Fixed O&M (L7 X L8)	$ 401,885	$ 521,168	$ 394,370	$ 456,278	$ 381,626	$ 247,172	$ 244,895	$ 142,264	$ 29,676	$ 154,114	$ 124,761	$ 322,333	$3,420,542.00
10	Total Tanners Creek Fixed O&M (L2 + L6)	$ 1,235	$ 26	$ (392)	$ (32)	$ 5	$ 8	$ (16)	$ 20	$ 26	$ (43)	$ 2	$ 107	$945.14
11	I&M's Percentage Ownership (Exh. LPM-6, L7, C7)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
12	I&M's Share of TC Fixed O&M (L10 X L11)	$ 1,235	$ 26	$ (392)	$ (32)	$ 5	$ 8	$ (16)	$ 20	$ 26	$ (43)	$ 2	$ 107	$946.00
13	I&M's Share of Fixed O&M (L9 + L12)	$ 403,120	$ 521,194	$ 393,978	$ 456,246	$ 381,631	$ 247,180	$ 244,879	$ 142,284	$ 29,702	$ 154,071	$ 124,763	$ 322,440	$3,421,488.00
14	I&M Steam Capacity (kW) (Exh. LPM-9, L2, C4)	5,414,000	5,414,000	5,414,000	5,414,000	5,414,000	5,414,000	5,414,000	5,414,000	5,414,000	5,414,000	5,414,000	5,414,000	
15	Indiana Rate ($/kW) (L13 / L14)	$0.07	$0.10	$0.07	$0.08	$0.07	$0.05	$0.05	$0.03	$0.01	$0.03	$0.02	$0.06	
16	I&M Surplus Weighting (%) (Exh LPM-9, L9, C4)	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	
17	Effect on Wt. Ave. Rate ($/kW) (L15 X L16)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
18	Portion of Weighted Average Capacity Rate Attributed to I&M Environmental Controls	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
19	KPCo's Pool Capacity Deficit (Exh. LPM-7, L2, C7)	283,900	283,900	283,900	283,900	283,900	283,900	283,900	283,900	283,900	283,900	283,900	283,900	
20	KPCo's Share: ACI & SNCR (L18 X L19)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$0

Kentucky Power Company
Pollution Control Environmental Facilities
Rockport Environmental Surcharge Calculations
Revenue Requirement

Line No.	Cost Component	Formula	Rockport Total
(1)	(2)	(3)	(4)
1	Rockport #1 & #2 Activated Carbon Injection (ACI)	Exhibit LPM-6, L6, C5	$23,405,482
2	Less: Accumulated Depreciation	L1 X 3.52%	$823,873
3	Less: Accumulated Deferred Income Tax	L1 X 1.3%	$304,271
4	Total Rate Base	L1 - L2 - L3	$22,277,338
5	Weighted Average Cost of Capital for Aug. 2011	Exhibit LPM-3, L5, C8	10.69%
6	Monthly Weighted Average Cost of Capital	L5 / 12	0.8908%
7	Monthly Return on Rate Base	L4 X L6	$198,447
	Operating Expenses		
8	Monthly Depreciation Expense	L2 / 12	$68,656
9	Total Operating Expense		$68,656
10	Total Revenue Requirement Associated with Rockport ACI	L7 + L9	$267,103
11	KPCo's Percentage of Rockport's upgrades	100% - Exhibit LPM-6, L6, C7	15%
12	KPCo's Portion of Rockport's upgrades	L10 X L11	$40,065
13	Annualize		12
14	**Annualized Revenue Requirement**	L12 X L13	**$ 480,780**

Kentucky Power Company
Pollution Control Environmental Facilities
New Environmental Costs Associated with
Allowance Inventory

Line No.	Description	Formula	KY Retail Rev Requirement
(1)	(2)	(3)	(4)
1	Estimated Monthly CSAPR SO2 Allowance Inventory	KIUC 1-20	$ 425,976
2	Estimated Monthly CSAPR NOx Allowance Inventory	KIUC 1-20	$ 2,053
3	Estimated Monthly CSAPR SO2 Consumption Expense	L11 / 12	$ 517,667
4	Estimated Monthly CSAPR NOx Consumption Expense	L12 / 12	$ (54,167)
5	Net Monthly Expenses (Consumption less Gains)	L3 + L4	$ 463,500
6	Cash Working Capital Allowance (in accordance with ES FORM 3.13)	L5 / 8	$ 57,938
7	Total Rate Base	L1 + L2 + L6	$ 485,967
8	Annual Weighted Average Cost of Capital	Exhibit LPM-3, L5, C8	10.69%
9	Return of Rate Base	L7 X L8	$ 51,950
10	Estimated Monthly CSAPR SO2 Consumption Expense	Wohnhas testimony	$ 6,212,000
11	Estimated Monthly CSAPR NOx Consumption Expense	Wohnhas testimony	$ (650,000)
12	Total Operating Expenses	L10 + L11	$ 5,562,000
13	*Total Revenue Requirement*	L9 + L12	$ 5,613,950
14	Annual Revenue Allocation Factor	Exhibit LPM-5, L15, C3	78.91%
15	Subtotal	L13 X L14	$ 4,429,968
16	KY Jurisdiction Revenue Allocation Factor	Exhibit LPM-5, L14, C3	98.91%
17	Total KY Retail Revenue Requirement	L15 X L16	$ 4,381,681
18	KY Jurisdiction 12-month Revenue	Exhibit LPM-5, L13, C3	$ 569,593,245
19	Percent Change	L17 / L18	0.77%

Kentucky Power Company
Pollution Control Environmental Facilities
New Environmental Costs
Effect on Residential Customers

Line No.	Description	Formula	Annual Amount	Percent Increase
(1)	(2)	(3)	(5)	(6)
1	Annual Effect of New Environmental Pool Capacity Charges	Exhibit LPM-9, L14	$306,612	
2	KPCo's Share of Rockport	Exhibit LPM-12, L14	$480,780	
3	Total Environmental Cost	L1 + L2	$787,392	
4	KPCo's Average Retail Allocation for 12 months ended August 2011	Exhibit LPM-5, L.15, C3	78.91%	
5	Net Annual Impact on the Kentucky Retail Customers	L3 X L4	$621,331	0.10%
6	KY Retail Allowances	Exhibit LPM-13, L17, C4	$4,381,681	0.77%
7	KY Retail Revenue Requirement for Big Sandy Environmental Additions	Exhibit LPM-2, L15, C3	$162,993,233	28.62%
8	Total Environmental Projects in this Filing	L5 + L6 + L7	$167,996,245	29.49%
9	Billed Revenues for 12 months ended August 2011	Exhibit LPM-5, L13, C3	$569,593,245	
10	Percent Increase	L8 / L9	29.49%	
		Usage in kWh:	**1,000**	
11	Monthly Effect on a Residential Customers		$ 28.88	
12	Annualize		12	
13	**Annual Effect on a Residential Customers**	L11 X L12	$ 346.56	

Kentucky Power Company
New Environmental Costs
Effect on Residential Customer

Typical Residential Bill - computed on average monthly kWh usage of:		1,000 kWh			
	Rate	Now	If Approved	Monthly Increase	Annual Increase
Service Charge ($/customer)	$8.00	$ 8.00	$ 8.00		
Energy Usage ($/kWh)	$0.0859	$ 85.90	$ 85.90		
Fuel Adjustment Charge for August 2011 ($/kWh)	($0.0006513)	$ (0.65)	$ (0.65)		
Capacity Charge ($/kWh)	$0.00097	$ 0.97	$ 0.97		
Demand-side Management ($/kWh)	$0.000774	$ 0.77	$ 0.77		
Home Energy Assistance Program ($/customer)		$ 0.15	$ 0.15		
Subtotal 1		$ 95.14	$ 95.14		
Environmental Surchage for August 2011 (Subtotal 1 x rate)	2.9277%	$ 2.79	$ 33.54	$ 30.75	
Subtotal 2		$ 97.93	$ 128.68		
Monthly effect on a Residential Customer				**$ 30.75**	$ 369.00
Percent Increase (As Filed)			**31.40%**		
Subtotal 1		$ 95.14	$ 95.14		
Environmental Surchage for August 2011 (Subtotal 1 x rate)	2.9277%	$ 2.79	$ 31.67	$ 28.88	
Subtotal 2		$ 97.93	$ 126.81		
Monthly effect on a Residential Customer				**$ 28.88**	$ 346.56
Percent Increase (Revised)			**29.49%**		

Typical Residential Bill - computed on average monthly kWh usage of:		1,376 kWh			
	Rate	Now	If Approved	Monthly Increase	Annual Increase
Service Charge ($/customer)	$8.00	$ 8.00	$ 8.00		
Energy Usage ($/kWh)	$0.0859	$ 118.20	$ 118.20		
Fuel Adjustment Charge for August 2011 ($/kWh)	($0.0006513)	$ (0.90)	$ (0.90)		
Capacity Charge ($/kWh)	$0.00097	$ 1.33	$ 1.33		
Demand-side Management ($/kWh)	$0.000774	$ 1.07	$ 1.07		
Home Energy Assistance Program ($/customer)		$ 0.15	$ 0.15		
Subtotal 1		$ 127.85	$ 127.85		
Environmental Surchage for August 2011 (Subtotal 1 x rate)	2.9277%	$ 3.74	$ 45.06	$ 41.32	
Subtotal 2		$ 131.59	$ 172.91		
Monthly effect on a Residential Customer				**$ 41.32**	$ 495.84
Percent Increase (As Filed)			**31.40%**		
Subtotal 1		$ 127.85	$ 127.85		
Environmental Surchage for August 2011 (Subtotal 1 x rate)	2.9277%	$ 3.74	$ 42.55	$ 38.81	
Subtotal 2		$ 131.59	$ 170.40		
Monthly effect on a Residential Customer				**$ 38.81**	$ 465.72
Percent Increase			**29.49%**		

Big Sandy Capital in $Ms	$ 956
Rockport Capital in $Ms	$ 23
Amos & Tanners Creek Pool Capital in $Ms	$ 91
	$ 1,070

Kentucky Power Company

REQUEST

Please provide the breakdown in the expected return on pension plan assets for AEP and/or KPCo. Specifically, please provide the expected return on different assets classes (bonds, US stocks, international stocks, etc) used in determining the expected return on plan assets. Please provide all associated source documents and work papers.

RESPONSE

The source of the information was from the 2010 10K (provided as an attachment in response to AG 1-31) since the 2011 version has not yet been released. Page 31 of 2010 10-K is the source document.

The pension plan assets had an assumed rate of return of 7.75% for 2011. The breakdown by asset class for the total pension portfolio is as follows:

Marketable Equities	9.00%
Real Estate	7.60%
Fixed Income	5.75%
Private Equity	10.50%
Cash and Equivalents	3.00%

It should be noted that the returns assumed are for large portfolios consisting of many securities. Assumptions used for any specific security or any given company would have a different risk profile than the portfolio and, thus, would have a different expected return.

The portfolio of marketable equities consists of stocks from firms with different capital sizes in many different industries and markets, both domestic and international.
Fixed income assumption is for a portfolio of long duration bonds consisting of a mixture of US Treasury securities, US government backed Agency securities, and corporate bonds. Cash and equivalents is assumed to be US Treasury securities, high-grade commercial paper, short-duration corporate securities, bank notes, and other types of high-quality liquid instruments.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide the KPCo's authorized and earned return on common equity over the past five years. Please show the figures used in calculating the earned return on common equity for each year, including all adjustments to net income and/or common equity. Please provide copies of all associated work papers and source documents. Please provide copies of the source documents, work papers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

RESPONSE

Please see Attachments 1 and 2 to this response. Excel files with formulas intact are on the enclosed CD.

WITNESS: Ranie K Wohnhas

KENTUCKY POWER COMPANY
THIRTEEN MONTHS AVERAGE RETURN ON EQUITY

	MONTH / Year	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL	13 MONTH TOTAL	13 MONTH AVERAGE	NET INCOME	12 MONTH TOTAL NET INCOME	13 MONTH AVG. ROE	DIVIDENDS	12 MONTHS DIVIDENDS	Authorized ROE
1	JAN 06	50,450,000	208,786,163	94,343,127	353,579,290	4,360,800,775	335,446,213	5,478,447	20,511,738	6.114762%	0	0	
2	FEB 06	50,450,000	211,172,944	95,463,052	357,085,996	4,392,262,140	337,866,318	3,619,925	21,980,829	6.505777%	2,500,000	2,500,000	
3	MAR 06	50,450,000	210,148,214	96,193,721	356,791,935	4,421,885,933	340,145,072	730,669	20,753,224	6.101286%	0	2,500,000	
4	APR 06	50,450,000	210,107,419	97,461,627	358,019,046	4,452,367,414	342,489,801	1,267,906	21,437,195	6.259221%	0	2,500,000	
5	MAY 06	50,450,000	210,786,758	97,083,576	358,320,334	4,481,644,469	344,741,882	2,121,949	22,321,365	6.474805%	2,500,000	5,000,000	
6	JUN 06	50,450,000	211,270,794	98,745,391	360,466,185	4,510,833,274	346,987,175	1,661,815	23,359,543	6.732106%	0	5,000,000	
7	JUL 06	50,450,000	209,072,076	104,359,362	363,881,438	4,543,360,231	349,489,249	5,613,971	25,697,982	7.353011%	0	5,000,000	
8	AUG 06	50,450,000	209,648,334	103,811,260	363,909,594	4,572,726,162	351,748,166	4,451,898	27,956,352	7.947832%	5,000,000	10,000,000	
9	SEP 06	50,450,000	209,970,222	103,614,147	364,034,369	4,601,136,874	353,933,606	(197,113)	25,501,327	7.205116%	0	10,000,000	
10	OCT 06	50,450,000	209,448,351	105,723,095	365,621,446	4,628,568,476	356,043,729	2,108,948	26,459,906	7.431645%	0	10,000,000	
11	NOV 06	50,450,000	208,948,076	104,371,423	363,769,499	4,651,666,926	357,820,533	3,648,328	29,678,689	8.294295%	5,000,000	15,000,000	
12	DEC 06	50,450,000	210,302,160	108,899,709	369,651,869	4,682,972,407	360,228,647	4,528,286	35,035,029	9.725775%	0	15,000,000	
13	JAN 07	50,450,000	209,166,019	114,737,242	374,353,261	4,709,484,262	362,268,020	5,837,533	35,394,115	9.770146%	0	15,000,000	Note 1
14	FEB 07	50,450,000	209,106,502	117,172,719	376,729,221	4,732,634,193	364,048,784	7,435,476	39,209,666	10.770443%	5,000,000	17,500,000	Note 1
15	MAR 07	50,450,000	208,259,264	118,324,591	377,033,855	4,752,582,052	365,583,235	1,937,602	40,416,599	11.055375%	0	17,500,000	Note 1
16	APR 07	50,450,000	207,744,110	120,144,110	378,338,220	4,774,128,337	367,240,641	1,819,519	40,968,212	11.155686%	0	17,500,000	Note 1
17	MAY 07	50,450,000	207,542,019	116,432,372	374,424,391	4,790,533,682	368,502,591	288,262	39,134,525	10.619878%	4,000,000	19,000,000	Note 1
18	JUN 07	50,450,000	213,567,041	115,554,839	379,571,880	4,811,785,228	370,137,325	(877,533)	36,595,177	9.886919%	0	19,000,000	Note 1
19	JUL 07	50,450,000	213,112,881	121,009,547	384,572,428	4,835,891,471	371,991,652	5,454,708	36,435,914	9.794820%	0	19,000,000	Note 1
20	AUG 07	50,450,000	213,074,318	121,965,256	385,489,574	4,857,499,607	373,653,816	2,955,710	34,939,726	9.350828%	2,000,000	16,000,000	Note 1
21	SEP 07	50,450,000	208,551,282	120,039,673	379,040,955	4,872,630,968	374,817,767	(1,925,583)	33,211,256	8.860641%	0	16,000,000	Note 1
22	OCT 07	50,450,000	207,265,923	119,811,474	377,527,397	4,886,123,996	375,855,692	(228,199)	30,874,109	8.214352%	0	16,000,000	Note 1
23	NOV 07	50,450,000	208,050,533	123,245,892	381,746,425	4,902,248,975	377,096,075	4,434,418	31,660,199	8.395791%	1,000,000	12,000,000	Note 1
24	DEC 07	50,450,000	207,936,452	128,583,536	386,969,988	4,925,449,464	378,880,728	5,337,643	32,469,556	8.569862%	0	12,000,000	Note 1
25	JAN 08	50,450,000	207,473,975	133,366,873	391,290,848	4,947,088,443	380,545,265	4,783,337	31,415,360	8.255354%	0	12,000,000	Note 1
26	FEB 08	50,450,000	205,553,711	132,903,688	388,907,399	4,961,642,581	381,664,814	2,402,583	26,382,467	6.912470%	2,500,000	9,500,000	Note 1
27	MAR 08	50,450,000	205,600,658	136,861,909	392,912,567	4,977,825,927	382,909,687	3,958,221	28,403,086	7.417698%	0	9,500,000	Note 1
28	APR 08	50,450,000	205,607,793	138,953,181	395,010,974	4,995,803,046	384,292,542	2,091,272	28,674,839	7.461721%	0	9,500,000	Note 1
29	MAY 08	50,450,000	205,823,972	135,767,133	392,041,105	5,009,505,931	385,346,610	(686,048)	27,700,529	7.188471%	2,500,000	8,000,000	Note 1
30	JUN 08	50,450,000	204,599,892	145,291,791	400,341,683	5,035,423,223	387,340,248	9,524,658	38,102,720	9.837015%	0	8,000,000	Note 1
31	JUL 08	50,450,000	207,756,883	149,611,372	407,818,255	5,063,669,598	389,513,046	4,319,581	36,967,593	9.490720%	0	8,000,000	Note 1
32	AUG 08	50,450,000	208,145,962	150,955,987	409,551,949	5,088,649,119	391,434,548	3,844,615	37,856,498	9.671220%	2,500,000	8,500,000	Note 1
33	SEP 08	50,450,000	208,375,205	150,243,243	409,068,448	5,112,227,993	393,248,307	(712,743)	39,069,338	9.935030%	0	8,500,000	Note 1
34	OCT 08	50,450,000	208,706,694	155,110,354	414,267,048	5,147,454,086	395,958,007	4,867,111	44,164,648	11.153872%	0	8,500,000	Note 1
35	NOV 08	50,450,000	208,767,854	150,220,921	409,438,775	5,179,365,464	398,412,728	1,610,567	41,340,797	10.376375%	6,500,000	14,000,000	Note 1
36	DEC 08	50,450,000	208,809,584	138,749,089	398,008,673	5,195,627,712	399,663,670	(11,471,833)	24,531,321	6.137991%	0	14,000,000	Note 1
37	JAN 09	50,450,000	208,824,430	143,984,670	403,259,100	5,211,916,824	400,916,679	5,235,581	24,983,565	6.231610%	0	14,000,000	Note 1
38	FEB 09	50,450,000	208,995,236	135,509,989	394,955,225	5,215,581,201	401,198,554	(1,724,681)	20,856,301	5.198499%	6,750,000	18,250,000	Note 1
39	MAR 09	50,450,000	209,058,103	141,453,172	400,961,275	5,227,635,077	402,125,775	5,943,183	22,841,263	5.680129%	0	18,250,000	Note 1
40	APR 09	50,450,000	209,074,763	144,820,373	404,345,136	5,239,067,646	403,005,204	3,367,201	24,117,192	5.984338%	0	18,250,000	Note 1
41	MAY 09	50,450,000	208,961,424	139,981,269	399,392,693	5,243,449,365	403,342,259	1,910,896	26,714,136	6.623193%	6,750,000	22,500,000	Note 1
42	JUN 09	50,450,000	238,734,860	140,911,264	430,096,124	5,281,504,384	406,269,568	929,995	18,119,473	4.459963%	0	22,500,000	Note 1
43	JUL 09	50,450,000	238,524,560	143,658,353	432,632,913	5,313,795,614	408,753,509	2,747,089	16,546,981	4.048156%	0	22,500,000	Note 1
44	AUG 09	50,450,000	238,381,361	144,374,345	433,205,706	5,339,183,065	410,706,390	715,992	13,418,358	3.267141%	0	20,000,000	Note 1

KENTUCKY POWER COMPANY
THIRTEEN MONTHS AVERAGE RETURN ON EQUITY

	MONTH / Year	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL	13 MONTH TOTAL	13 MONTH AVERAGE	NET INCOME	12 MONTH TOTAL NET INCOME	13 MONTH AVG. ROE	DIVIDENDS	12 MONTHS DIVIDENDS	Authorized ROE
45	SEP 09	50,450,000	238,371,882	142,220,208	431,042,090	5,360,673,206	412,359,477	(2,154,136)	11,976,965	2.904496%	0	20,000,000	Note 1
46	OCT 09	50,450,000	238,232,263	141,650,145	430,332,408	5,381,937,166	413,995,167	(570,063)	6,539,791	1.579678%	0	20,000,000	Note 1
47	NOV 09	50,450,000	238,114,236	136,133,022	424,697,258	5,392,367,376	414,797,490	482,877	5,412,101	1.304757%	6,000,000	19,500,000	Note 1
48	DEC 09	50,450,000	238,149,058	143,184,639	431,783,697	5,414,712,298	416,516,331	7,051,616	23,935,550	5.746605%	0	19,500,000	Note 1
49	JAN 10	50,450,000	237,942,242	148,242,029	436,634,271	5,453,337,896	419,487,530	5,057,390	23,757,359	5.663424%	0	19,500,000	Note 1
50	FEB 10	50,450,000	237,896,777	148,119,740	436,466,517	5,486,545,313	422,041,947	4,877,712	30,359,752	7.193539%	5,000,000	17,750,000	Note 1
51	MAR 10	50,450,000	237,797,563	147,675,808	435,923,371	5,527,513,459	425,193,343	(443,932)	23,972,637	5.638056%	0	17,750,000	Note 1
52	APR 10	50,450,000	237,973,547	145,986,777	434,410,324	5,560,962,508	427,766,347	(1,689,032)	18,916,404	4.422135%	0	17,750,000	Note 1
53	MAY 10	50,450,000	238,002,715	141,616,981	430,069,696	5,586,687,068	429,745,159	630,205	17,635,713	4.103761%	5,000,000	16,000,000	Note 1
54	JUN 10	50,450,000	238,015,710	135,630,915	424,096,625	5,611,391,000	431,645,462	(5,986,066)	10,719,652	2.483439%	0	16,000,000	Note 1
55	JUL 10	50,450,000	237,958,262	142,225,279	430,633,541	5,611,928,417	431,686,801	6,594,364	14,566,927	3.374420%	0	16,000,000	10.50%
56	AUG 10	50,450,000	237,861,440	143,066,451	431,377,891	5,610,673,395	431,590,261	5,841,172	19,692,107	4.562686%	5,000,000	21,000,000	10.50%
57	SEP 10	50,450,000	237,893,138	146,575,863	434,919,001	5,612,386,690	431,722,053	3,509,412	25,355,655	5.873143%	0	21,000,000	10.50%
58	OCT 10	50,450,000	237,995,750	149,639,865	438,085,615	5,619,430,215	432,263,863	3,064,002	28,989,720	6.706487%	0	21,000,000	10.50%
59	NOV 10	50,450,000	238,091,926	147,666,711	436,208,637	5,625,306,444	432,715,880	4,026,846	32,533,689	7.518487%	6,000,000	21,000,000	10.50%
60	DEC 10	50,450,000	238,298,871	157,466,514	446,215,385	5,646,824,571	434,371,121	9,799,803	35,281,876	8.122519%	0	21,000,000	10.50%
61	JAN 11	50,450,000	238,269,086	165,522,916	454,242,002	5,669,282,876	436,098,683	8,056,402	38,280,888	8.778033%	0	21,000,000	10.50%
62	FEB 11	50,450,000	238,243,332	163,710,016	452,403,348	5,685,051,953	437,311,689	3,187,101	36,590,277	8.367093%	5,000,000	21,000,000	10.50%
63	MAR 11	50,450,000	238,434,511	169,336,735	458,221,246	5,706,806,682	438,985,129	5,626,719	42,660,928	9.718080%	0	21,000,000	10.50%
64	APR 11	50,450,000	238,582,184	168,489,108	457,521,292	5,728,404,603	440,646,508	(847,627)	43,502,333	9.872388%	0	21,000,000	10.50%
65	MAY 11	50,450,000	238,517,359	164,067,741	453,035,100	5,747,029,379	442,079,183	578,633	43,450,761	9.828728%	5,000,000	21,000,000	10.50%
66	JUN 11	50,450,000	238,530,045	167,808,520	456,788,565	5,773,748,248	444,134,481	3,740,779	53,177,606	11.973312%	0	21,000,000	10.50%
67	JUL 11	50,450,000	238,525,448	173,406,017	462,381,465	5,812,033,088	447,079,468	5,597,497	52,180,739	11.671468%	0	21,000,000	10.50%
68	AUG 11	50,450,000	238,593,114	167,475,695	456,518,809	5,837,918,356	449,070,643	2,069,678	48,409,245	10.779873%	8,000,000	24,000,000	10.50%
69	SEP 11	50,450,000	238,374,638	171,661,258	460,485,896	5,867,026,361	451,309,720	4,185,562	49,085,395	10.876210%	0	24,000,000	10.50%
70	OCT 11	50,450,000	238,423,445	173,949,077	462,822,522	5,894,929,882	453,456,145	2,287,820	48,309,213	10.653558%	0	24,000,000	10.50%
71	NOV 11	50,450,000	238,276,028	166,627,750	455,353,778	5,912,198,045	454,784,465	2,678,673	46,961,040	10.325999%	10,000,000	28,000,000	10.50%
72	DEC 11	50,450,000	238,124,756	171,840,462	460,415,218	5,936,404,626	456,646,510	5,212,712	42,373,949	9.279377%	0	28,000,000	10.50%

Note 1 - Settled Case No. 2005-00341. No ROE was agreed to by the parties or authorized by the Commission.

Kentucky Power Company

REQUEST

Please provide copies of the financial statements (balance sheet, income statement, statement of cash flows, and the notes to the financial statements) for AEP and/or KPCo for the past two years. Please provide copies of the financial statements in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

RESPONSE

Kentucky Power objects to the request to the extent it seeks information regarding American Electric Power, Inc. ("AEP.") AEP is not a party to this proceeding, and is not a utility subject to the jurisdiction of the Public Service Commission of Kentucky. AEP is not obligated to assist Kentucky Power in financing the proposed environmental projects in Kentucky Power's 2011 Environmental Compliance Plan. Without waiving this objection, please see the files on the enclosed CD. For the 4thQ 2009 and the 1stQ and 2ndQ of 2010, the Company's electronic format was in Microsoft Word.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide: (1) all data, work papers, and source documents, and calculations used in developing KPCo's capital structure used in determination of an overall rate of return in the ECP; (2) all details, including calculations, related to all adjustments made to the December 31, 2010 capital structure; and (3) the data and work papers in (1) and (2) in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

RESPONSE

KPCo used the capital structure and rate of return in the ECP that was approved by the KPSC in the last Environmental Surcharge review, Case No. 2010-00318, dated September 7, 2010.

Kentucky Power's calculated weighted average cost of capital for environmental surcharge purposes was 8.03%. Please refer to Page 2 of 19 of the attachment for support of the calculation.

The return on common equity of 10.50% was used as ordered in Case No. 2009-00316, as noted on Page 18 of 19 of the attachment.

Please see enclosed CD for the excel file with formulas intact and unprotected.

WITNESS: Lila P Munsey

Kentucky Power Company
Cost of Capital
As of April 30, 2010

Ln No (1)	Description (2)	Capital (3)		Percent of Total (4)	Cost Percentage Rate (5)		Weighted Average Cost Percent (6)=(4)x(5)
1	Long Term Debt	$550,000,000	a	51.941%	6.48%		3.37%
2	Short Term Debt	$0	a	0.000%	0.83%	b	0.00%
3	Accts Receivable Financing	$43,588,933		4.116%	1.22%		0.05%
4	Common Equity	$465,314,088	a	43.943%	10.50%		4.61%
5	Total	$1,058,903,021		100.000%			8.03%

a Book balance as of 4/30/2010
b Average borrowing costs for the 12 Months Ended April 30, 2010

KENTUCKY POWER COMPANY
EFFECTIVE COST OF LONG-TERM DEBT
AS OF APRIL 30, 2010

SERIES	ISSUE DATE	DUE DATE	AVERAGE TERM IN YEARS	PRINCIPAL AMOUNT ISSUED	PREMIUM OR (DISCOUNT) AT ISSUANCE	COMPANY ISSUANCE EXPENSE	NET PROCEEDS	NET PROCEEDS RATIO	EFFECTIVE COST RATE	CURRENT AMOUNT OUTSTANDING	ANNUALIZED COST	WEIGHTED COST RATE
				$	$	$	$	%	%	$	$	%
Global Note												
5.25%	2/5/2004	6/1/2015	11.3	20,000,000	-	-	20,000,000	100.00	5.249	20,000,000	1,049,816	
Subtotal				20,000,000						20,000,000	1,049,816	
Senior Notes												
5.625%	6/13/2003	12/1/2032	29.45	75,000,000	(656,250)	736,575	73,607,175	98.14	5.756	75,000,000	4,317,337	
6.000%	9/11/2007	9/15/2017	10.01	325,000,000	(1,667,250)	2,277,883	321,054,867	98.79	6.164	325,000,000	20,033,514	
7.250%	6/18/2009	6/18/2021	11.99	40,000,000	-	217,919	39,782,081	99.46	7.319	40,000,000	2,927,597	
8.030%	6/18/2009	6/18/2029	19.99	30,000,000	-	163,439	29,836,561	99.46	8.085	30,000,000	2,425,620	
8.130%	6/18/2009	6/18/2039	29.98	60,000,000	-	326,879	59,673,121	99.46	8.179	60,000,000	4,907,388	
Subtotal				530,000,000						530,000,000	34,611,457	
Total				**550,000,000**								
FMV of mark to market 133 hedge											- a	
TOTAL LONG-TERM DEBT										550,000,000	35,661,273	6.484

a Book balance as of 10/31/2009

Effective Cost Rate = Annualized Cost divided by the Current Amount Outstanding.

Kentucky Power Company
Schedule of Short Term Debt
Twelve Months Ended April 30, 2010

Line No. (1)	Month (2)	Year (3)	Notes Payable Outstanding at the End of the Month (4)
1	May	2009	168,665,181
2	June	2009	6,049,931
3	July	2009	0
4	August	2009	0
5	September	2009	0
6	October	2009	0
7	November	2009	0
8	December	2009	0
9	January	2010	0
10	February	2010	0
11	March	2010	0
12	April	2010	0

Kentucky Power Company
Short Term Debt Balance and Cost Calculation
Twelve Months Ended April 30, 2010

Day of Week	Date	S-T Borrowed Balance	Borrowed Interest Rate	Weighted Average Borrowed Interest Rate
	5/1/2009	(155,984,273.05)	1.21%	0.022319%
	5/2/2009	(155,989,506.24)	1.21%	0.022320%
	5/3/2009	(155,994,739.60)	1.21%	0.022321%
	5/4/2009	(157,192,293.41)	1.21%	0.022492%
	5/5/2009	(156,890,929.77)	1.21%	0.022449%
	5/6/2009	(157,429,225.18)	1.21%	0.022526%
	5/7/2009	(152,178,468.84)	1.21%	0.021774%
	5/8/2009	(162,118,161.66)	1.21%	0.023197%
	5/9/2009	(162,123,600.63)	1.21%	0.023197%
	5/10/2009	(162,129,039.78)	1.21%	0.023198%
	5/11/2009	(160,547,553.48)	1.21%	0.022972%
	5/12/2009	(158,800,954.65)	0.92%	0.017285%
	5/13/2009	(157,525,213.22)	0.92%	0.017146%
	5/14/2009	(158,593,159.72)	0.83%	0.015500%
	5/15/2009	(159,811,435.33)	0.83%	0.015620%
	5/16/2009	(159,815,097.67)	0.83%	0.015620%
	5/17/2009	(159,818,760.10)	0.83%	0.015620%
	5/18/2009	(157,281,849.90)	0.83%	0.015372%
	5/19/2009	(154,505,031.35)	0.83%	0.015101%
	5/20/2009	(150,315,503.17)	0.83%	0.014691%
	5/21/2009	(159,564,334.43)	0.83%	0.015595%
	5/22/2009	(160,576,859.47)	0.80%	0.015216%
	5/23/2009	(160,580,427.24)	0.80%	0.015217%
	5/24/2009	(160,583,995.10)	0.80%	0.015217%
	5/25/2009	(160,587,563.04)	0.80%	0.015217%
	5/26/2009	(159,772,212.25)	0.76%	0.014301%
	5/27/2009	(165,632,260.62)	0.76%	0.014885%
	5/28/2009	(167,238,928.87)	0.76%	0.015124%
Friday	**5/29/2009**	**(168,665,181.33)**	0.77%	0.015340%
Saturday	5/30/2009	(168,668,778.19)	0.77%	0.015341%
Sunday	5/31/2009	(168,672,375.13)	0.77%	0.015341%
	6/1/2009	(170,855,376.38)	0.74%	0.014885%
	6/2/2009	(169,394,397.39)	0.74%	0.014758%
	6/3/2009	(170,601,883.64)	0.71%	0.014400%
	6/4/2009	(164,113,400.87)	0.72%	0.013909%
	6/5/2009	(163,560,314.02)	0.71%	0.013834%
	6/6/2009	(163,563,557.61)	0.71%	0.013834%
	6/7/2009	(163,566,801.26)	0.71%	0.013834%
	6/8/2009	(174,108,041.92)	0.70%	0.014467%
	6/9/2009	(172,153,241.34)	0.71%	0.014497%
	6/10/2009	(170,174,541.58)	0.71%	0.014274%
	6/11/2009	(169,067,023.14)	0.70%	0.014100%
	6/12/2009	(167,911,054.47)	0.71%	0.014102%
	6/13/2009	(167,914,361.01)	0.71%	0.014102%
	6/14/2009	(167,917,667.61)	0.71%	0.014103%
	6/15/2009	(166,905,836.38)	0.66%	0.013051%
	6/16/2009	(166,894,057.18)	0.65%	0.012861%
	6/17/2009	(160,317,012.73)	0.65%	0.012397%
	6/18/2009	(35,268,928.72)	0.68%	0.002839%
	6/19/2009	(35,149,583.35)	0.69%	0.002866%
	6/20/2009	(35,358,038.04)	0.69%	0.002883%

Kentucky Power Company
Short Term Debt Balance and Cost Calculation
Twelve Months Ended April 30, 2010

Day of Week	Date	S-T Borrowed Balance	Borrowed Interest Rate	Weighted Average Borrowed Interest Rate
	6/21/2009	(35,358,714.05)	0.69%	0.002883%
	6/22/2009	(31,529,878.11)	0.70%	0.002632%
	6/23/2009	(35,257,272.96)	0.70%	0.002935%
	6/24/2009	(34,480,625.60)	0.71%	0.002917%
	6/25/2009	(6,123,350.60)	0.72%	0.000520%
	6/26/2009	(6,467,090.36)	0.72%	0.000552%
	6/27/2009	(6,467,219.85)	0.72%	0.000552%
	6/28/2009	(6,467,349.34)	0.72%	0.000552%
	6/29/2009	(5,948,156.76)	0.72%	0.000508%
Tuesday	**6/30/2009**	**(6,049,931.46)**	0.72%	0.000517%
	7/1/2009	(5,929,044.05)	0.72%	0.000504%
	7/2/2009	(5,659,741.28)	0.70%	0.000468%
	7/3/2009	(5,802,435.33)	0.70%	0.000479%
	7/4/2009	(5,802,547.74)	0.70%	0.000479%
	7/5/2009	(5,802,660.15)	0.70%	0.000479%
	7/6/2009	(7,504,296.51)	0.70%	0.000622%
	7/7/2009	(5,301,210.47)	0.70%	0.000439%
	7/8/2009	(8,141,841.22)	0.70%	0.000676%
	7/9/2009	(9,740,706.42)	0.71%	0.000814%
	7/10/2009	(7,643,029.75)	0.71%	0.000642%
	7/11/2009	(7,643,180.37)	0.71%	0.000642%
	7/12/2009	(7,643,331.00)	0.71%	0.000642%
	7/13/2009	(6,389,928.06)	0.71%	0.000537%
	7/14/2009	(477,708.13)	0.72%	0.000041%
	7/15/2009		0.63%	0.000000%
	7/16/2009	(1,580,038.90)	0.64%	0.000119%
	7/17/2009	(844,103.60)	0.63%	0.000063%
	7/18/2009	(844,118.40)	0.63%	0.000063%
	7/19/2009	(844,133.20)	0.63%	0.000063%
	7/20/2009	(5,216,279.15)	0.62%	0.000384%
	7/21/2009			0.000000%
	7/22/2009			0.000000%
	7/23/2009	(514,732.02)	0.63%	0.000038%
	7/24/2009	(2,995,268.22)	0.62%	0.000221%
	7/25/2009	(2,995,320.12)	0.62%	0.000221%
	7/26/2009	(2,995,372.02)	0.62%	0.000221%
	7/27/2009	(4,626,757.56)	0.60%	0.000327%
	7/28/2009	(4,501,719.24)	0.61%	0.000326%
	7/29/2009	(2,107,619.43)	0.61%	0.000153%
	7/30/2009			0.000000%
Friday	**7/31/2009**			0.000000%
	8/1/2009			0.000000%
	8/2/2009			0.000000%
	8/3/2009			0.000000%
	8/4/2009			0.000000%
	8/5/2009			0.000000%
	8/6/2009			0.000000%
	8/7/2009			0.000000%
	8/8/2009			0.000000%
	8/9/2009			0.000000%
	8/10/2009	(4,035,990.53)	0.62%	0.000297%

Kentucky Power Company
Short Term Debt Balance and Cost Calculation
Twelve Months Ended April 30, 2010

Day of Week	Date	S-T Borrowed Balance	Borrowed Interest Rate	Weighted Average Borrowed Interest Rate
	8/11/2009	(2,093,013.12)	0.62%	0.000154%
	8/12/2009	(926,592.74)	0.62%	0.000068%
	8/13/2009			0.000000%
	8/14/2009			0.000000%
	8/15/2009			0.000000%
	8/16/2009			0.000000%
	8/17/2009			0.000000%
	8/18/2009			0.000000%
	8/19/2009			0.000000%
	8/20/2009			0.000000%
	8/21/2009			0.000000%
	8/22/2009			0.000000%
	8/23/2009			0.000000%
	8/24/2009			0.000000%
	8/25/2009			0.000000%
	8/26/2009			0.000000%
	8/27/2009			0.000000%
	8/28/2009			0.000000%
	8/29/2009			0.000000%
	8/30/2009			0.000000%
Monday	**8/31/2009**			0.000000%
	9/1/2009			0.000000%
	9/2/2009			0.000000%
	9/3/2009			0.000000%
	9/4/2009			0.000000%
	9/5/2009			0.000000%
	9/6/2009			0.000000%
	9/7/2009			0.000000%
	9/8/2009			0.000000%
	9/9/2009			0.000000%
	9/10/2009			0.000000%
	9/11/2009			0.000000%
	9/12/2009			0.000000%
	9/13/2009			0.000000%
	9/14/2009			0.000000%
	9/15/2009			0.000000%
	9/16/2009			0.000000%
	9/17/2009			0.000000%
	9/18/2009			0.000000%
	9/19/2009			0.000000%
	9/20/2009			0.000000%
	9/21/2009			0.000000%
	9/22/2009			0.000000%
	9/23/2009			0.000000%
	9/24/2009	(1,436,766.12)	0.27%	0.000045%
	9/25/2009	(2,091,727.48)	0.31%	0.000076%
	9/26/2009	(2,091,745.27)	0.31%	0.000076%
	9/27/2009	(2,091,763.05)	0.31%	0.000076%
	9/28/2009			0.000000%
	9/29/2009			0.000000%
Wednesday	**9/30/2009**			0.000000%

Kentucky Power Company
Short Term Debt Balance and Cost Calculation
Twelve Months Ended April 30, 2010

Day of Week	Date	S-T Borrowed Balance	Borrowed Interest Rate	Weighted Average Borrowed Interest Rate
	10/1/2009			0.000000%
	10/2/2009			0.000000%
	10/3/2009			0.000000%
	10/4/2009			0.000000%
	10/5/2009	(1,477,483.62)	0.28%	0.000049%
	10/6/2009			0.000000%
	10/7/2009	(7,081,693.65)	0.25%	0.000209%
	10/8/2009			0.000000%
	10/9/2009			0.000000%
	10/10/2009			0.000000%
	10/11/2009			0.000000%
	10/12/2009			0.000000%
	10/13/2009			0.000000%
	10/14/2009			0.000000%
	10/15/2009			0.000000%
	10/16/2009			0.000000%
	10/17/2009			0.000000%
	10/18/2009			0.000000%
	10/19/2009			0.000000%
	10/20/2009			0.000000%
	10/21/2009			0.000000%
	10/22/2009			0.000000%
	10/23/2009			0.000000%
	10/24/2009			0.000000%
	10/25/2009			0.000000%
	10/26/2009			0.000000%
	10/27/2009			0.000000%
	10/28/2009			0.000000%
	10/29/2009			0.000000%
Friday	**10/30/2009**			0.000000%
Saturday	10/31/2009			0.000000%
	11/1/2009			0.000000%
	11/2/2009			0.000000%
	11/3/2009			0.000000%
	11/4/2009			0.000000%
	11/5/2009			0.000000%
	11/6/2009			0.000000%
	11/7/2009			0.000000%
	11/8/2009			0.000000%
	11/9/2009			0.000000%
	11/10/2009			0.000000%
	11/11/2009			0.000000%
	11/12/2009			0.000000%
	11/13/2009			0.000000%
	11/14/2009			0.000000%
	11/15/2009			0.000000%
	11/16/2009			0.000000%
	11/17/2009			0.000000%
	11/18/2009			0.000000%
	11/19/2009			0.000000%
	11/20/2009	(1,228,065.87)	0.20%	0.000007%

Kentucky Power Company
Short Term Debt Balance and Cost Calculation
Twelve Months Ended April 30, 2010

Day of Week	Date	S-T Borrowed Balance	Borrowed Interest Rate	Weighted Average Borrowed Interest Rate
	11/21/2009	(1,228,072.74)	0.20%	0.000007%
	11/22/2009	(1,228,079.60)	0.20%	0.000007%
	11/23/2009			0.000000%
	11/24/2009			0.000000%
	11/25/2009			0.000000%
	11/26/2009			0.000000%
	11/27/2009			0.000000%
	11/28/2009			0.000000%
	11/29/2009			0.000000%
Monday	**11/30/2009**			0.000000%
	12/1/2009			0.000000%
	12/2/2009			0.000000%
	12/3/2009			0.000000%
	12/4/2009			0.000000%
	12/5/2009			0.000000%
	12/6/2009			0.000000%
	12/7/2009			0.000000%
	12/8/2009			0.000000%
	12/9/2009			0.000000%
	12/10/2009			0.000000%
	12/11/2009			0.000000%
	12/12/2009			0.000000%
	12/13/2009			0.000000%
	12/14/2009			0.000000%
	12/15/2009			0.000000%
	12/16/2009			0.000000%
	12/17/2009			0.000000%
	12/18/2009	(1,771,470.22)	0.18%	0.000010%
	12/19/2009	(1,771,479.22)	0.18%	0.000010%
	12/20/2009	(1,771,488.22)	0.18%	0.000010%
	12/21/2009	(1,159,134.70)	0.21%	0.000007%
	12/22/2009	(250,061.40)	0.21%	0.000002%
	12/23/2009	(1,367,337.73)	0.21%	0.000009%
	12/24/2009	(2,190,054.42)	0.22%	0.000014%
	12/25/2009	(2,190,067.68)	0.22%	0.000014%
	12/26/2009	(2,190,080.94)	0.22%	0.000014%
	12/27/2009	(2,190,094.20)	0.22%	0.000014%
	12/28/2009			0.000000%
	12/29/2009			0.000000%
	12/30/2009			0.000000%
Thursday	**12/31/2009**	(485,336.84)	0.21%	0.000003%
	1/1/2010	(485,339.69)	0.21%	0.000003%
	1/2/2010	(485,342.55)	0.21%	0.000003%
	1/3/2010	(485,345.40)	0.21%	0.000003%
	1/4/2010	(497,293.18)	0.18%	0.000003%
	1/5/2010	(3,077,420.39)	0.19%	0.000018%
	1/6/2010	(5,361,441.55)	0.16%	0.000026%
	1/7/2010			0.000000%
	1/8/2010			0.000000%
	1/9/2010			0.000000%
	1/10/2010			0.000000%

Kentucky Power Company
Short Term Debt Balance and Cost Calculation
Twelve Months Ended April 30, 2010

Day of Week	Date	S-T Borrowed Balance	Borrowed Interest Rate	Weighted Average Borrowed Interest Rate
	1/11/2010	(11,883,473.94)	0.14%	0.000048%
	1/12/2010	(11,419,024.83)	0.13%	0.000046%
	1/13/2010	(9,707,792.90)	0.14%	0.000039%
	1/14/2010	(6,808,713.60)	0.13%	0.000027%
	1/15/2010	(6,397,257.56)	0.14%	0.000027%
	1/16/2010	(6,397,282.29)	0.14%	0.000027%
	1/17/2010	(6,397,307.02)	0.14%	0.000027%
	1/18/2010	(6,397,331.75)	0.14%	0.000027%
	1/19/2010			0.000000%
	1/20/2010	(3,722,401.59)	0.17%	0.000019%
	1/21/2010	(3,759,311.75)	0.17%	0.000019%
	1/22/2010	(1,994,728.69)	0.16%	0.000009%
	1/23/2010	(1,994,737.45)	0.16%	0.000009%
	1/24/2010	(1,994,746.21)	0.16%	0.000009%
	1/25/2010	(988,701.47)	0.15%	0.000004%
	1/26/2010			0.000000%
	1/27/2010			0.000000%
	1/28/2010	(2,214,719.03)	0.14%	0.000010%
Friday	**1/29/2010**	(805,285.95)	0.16%	0.000004%
	1/30/2010	(805,289.62)	0.16%	0.000004%
	1/31/2010	(805,293.30)	0.16%	0.000004%
	2/1/2010	(428,347.46)	0.18%	0.000002%
	2/2/2010	(680,235.63)	0.18%	0.000004%
	2/3/2010	(4,213,807.73)	0.17%	0.000022%
	2/4/2010	(2,547,693.73)	0.15%	0.000012%
	2/5/2010	(1,854,505.35)	0.17%	0.000010%
	2/6/2010	(1,854,514.23)	0.17%	0.000010%
	2/7/2010	(1,854,523.11)	0.17%	0.000010%
	2/8/2010	(9,807,778.43)	0.16%	0.000048%
	2/9/2010	(7,084,567.21)	0.16%	0.000033%
	2/10/2010	(5,257,465.72)	0.16%	0.000025%
	2/11/2010	(5,218,293.36)	0.16%	0.000025%
	2/12/2010	(700,582.98)	0.16%	0.000003%
	2/13/2010	(700,586.14)	0.16%	0.000003%
	2/14/2010	(700,589.29)	0.16%	0.000003%
	2/15/2010	(700,592.45)	0.16%	0.000003%
	2/16/2010			0.000000%
	2/17/2010			0.000000%
	2/18/2010			0.000000%
	2/19/2010	(1,310,432.30)	0.16%	0.000006%
	2/20/2010	(1,310,438.21)	0.16%	0.000006%
	2/21/2010	(1,310,444.12)	0.16%	0.000006%
	2/22/2010			0.000000%
	2/23/2010			0.000000%
	2/24/2010			0.000000%
	2/25/2010	(4,261,405.22)	0.18%	0.000023%
Friday	**2/26/2010**	(2,984,115.84)	0.34%	0.000031%
	2/27/2010	(2,984,144.32)	0.34%	0.000031%
	2/28/2010	(2,984,172.80)	0.34%	0.000031%
	3/1/2010	(3,025,500.39)	0.34%	0.000031%
	3/2/2010	(1,464,631.97)	0.34%	0.000015%

Kentucky Power Company
Short Term Debt Balance and Cost Calculation
Twelve Months Ended April 30, 2010

Day of Week	Date	S-T Borrowed Balance	Borrowed Interest Rate	Weighted Average Borrowed Interest Rate
	3/3/2010	(3,386,774.11)	0.34%	0.000035%
	3/4/2010			0.000000%
	3/5/2010			0.000000%
	3/6/2010			0.000000%
	3/7/2010			0.000000%
	3/8/2010	(1,891,591.87)	0.09%	0.000005%
	3/9/2010			0.000000%
	3/10/2010			0.000000%
	3/11/2010			0.000000%
	3/12/2010			0.000000%
	3/13/2010			0.000000%
	3/14/2010			0.000000%
	3/15/2010	(69,238.00)	0.13%	0.000000%
	3/16/2010	(851,840.76)	0.12%	0.000003%
	3/17/2010			0.000000%
	3/18/2010	(1,529,870.38)	0.11%	0.000005%
	3/19/2010	(285,013.90)	0.12%	0.000001%
	3/20/2010	(285,014.86)	0.12%	0.000001%
	3/21/2010	(285,015.82)	0.12%	0.000001%
	3/22/2010			0.000000%
	3/23/2010			0.000000%
	3/24/2010			0.000000%
	3/25/2010			0.000000%
	3/26/2010			0.000000%
	3/27/2010			0.000000%
	3/28/2010			0.000000%
	3/29/2010			0.000000%
	3/30/2010			0.000000%
Wednesday	**3/31/2010**			0.000000%
	4/1/2010			0.000000%
	4/2/2010			0.000000%
	4/3/2010			0.000000%
	4/4/2010			0.000000%
	4/5/2010	(1,965,701.90)	0.35%	0.000020%
	4/6/2010	(529,098.82)	0.34%	0.000005%
	4/7/2010			0.000000%
	4/8/2010			0.000000%
	4/9/2010	(1,965,631.57)	0.35%	0.000020%
	4/10/2010	(1,965,650.42)	0.35%	0.000020%
	4/11/2010	(1,965,669.27)	0.35%	0.000020%
	4/12/2010	(1,017,014.80)	0.14%	0.000004%
	4/13/2010	(292,942.63)	0.13%	0.000001%
	4/14/2010			0.000000%
	4/15/2010			0.000000%
	4/16/2010			0.000000%
	4/17/2010			0.000000%
	4/18/2010			0.000000%
	4/19/2010			0.000000%
	4/20/2010			0.000000%
	4/21/2010			0.000000%
	4/22/2010	(2,587,701.61)	0.19%	0.000015%

Kentucky Power Company
Short Term Debt Balance and Cost Calculation
Twelve Months Ended April 30, 2010

Day of Week	Date	S-T Borrowed Balance	Borrowed Interest Rate	Weighted Average Borrowed Interest Rate
	4/23/2010	(2,955,369.58)	0.21%	0.000018%
	4/24/2010	(2,955,386.50)	0.21%	0.000018%
	4/25/2010	(2,955,403.43)	0.21%	0.000018%
	4/26/2010	(2,445,023.08)	0.21%	0.000015%
	4/27/2010	(246,774.76)	0.14%	0.000001%
	4/28/2010			0.000000%
	4/29/2010			0.000000%
Friday	**4/30/2010**			0.000000%

Sum Total All Daily Balances	($8,440,983,819.62)	0.8300%	Sum Total Weighted Average Borrowed Interest Rate
Divided By Number of Days in Year	365		
Average Daily Balance	($23,125,983.07)		

Kentucky Power Company
Accounts Receivable Financing
Thirteen Months Ending April 30, 2010

	AEP Credit - Internal Cost Incurred			KP - Actual Carrying Cost Incurred					
Date	A/R Balance	Daily Cost of Capital	AEP Credit - Internal Cost	A/R Factored	Daily Cost of Capital	Previous Month's Average Days Outstanding	Total Discount Factor	KPCo Actual Carrying Cost Incurred	Actual Cost of Capital as a % of Total A/R Balance
	(a)	(b)	(c) = (a) x (b)	(d)	(e)	(f)	(g) = (e) x (f)	(h) = (d) x (g)	(i) = (h) / (a)
04/01/2009	48,060,330.62	0.000043	2,066.59	2,178,986.49	0.000043	33.45	0.001438	3,133.38	0.000065
04/02/2009	52,879,616.02	0.000043	2,273.82	6,802,092.37	0.000043	33.45	0.001438	9,781.41	0.000185
04/04/2009	54,037,219.82	0.000043	2,323.60	0.00	0.000043	33.45	0.000000	0.00	0.000000
04/05/2009	54,037,219.82	0.000043	2,323.60	0.00	0.000043	33.45	0.000000	0.00	0.000000
04/03/2009	54,037,219.82	0.000043	2,323.60	2,162,889.76	0.000043	33.45	0.001438	3,110.24	0.000058
04/06/2009	53,618,181.01	0.000043	2,305.58	1,397,089.17	0.000043	33.45	0.001438	2,009.01	0.000037
04/07/2009	52,920,257.82	0.000043	2,275.57	1,992,612.84	0.000043	34.61	0.001488	2,965.01	0.000056
04/08/2009	52,401,652.87	0.000042	2,200.87	1,539,180.28	0.000042	34.61	0.001454	2,237.97	0.000043
04/09/2009	52,577,330.77	0.000042	2,208.25	1,970,231.09	0.000042	34.61	0.001454	2,864.72	0.000054
04/10/2009	52,577,330.77	0.000042	2,208.25	0.00	0.000042	34.61	0.000000	0.00	0.000000
04/11/2009	52,577,330.77	0.000042	2,208.25	0.00	0.000042	34.61	0.000000	0.00	0.000000
04/12/2009	52,577,330.77	0.000042	2,208.25	0.00	0.000042	34.61	0.000000	0.00	0.000000
04/13/2009	52,230,003.80	0.000042	2,193.66	1,366,400.39	0.000042	34.61	0.001454	1,986.75	0.000038
04/14/2009	45,638,889.35	0.000042	1,916.83	1,793,628.78	0.000042	34.61	0.001454	2,607.94	0.000057
04/15/2009	45,355,740.61	0.000042	1,904.94	1,904,345.86	0.000042	34.61	0.001454	2,768.92	0.000061
04/16/2009	44,645,073.35	0.000042	1,875.09	1,531,658.37	0.000042	34.61	0.001454	2,227.03	0.000050
04/18/2009	43,992,251.39	0.000042	1,847.67	0.00	0.000042	34.61	0.000000	0.00	0.000000
04/19/2009	43,992,251.39	0.000042	1,847.67	0.00	0.000042	34.61	0.000000	0.00	0.000000
04/17/2009	43,992,251.39	0.000042	1,847.67	1,283,073.55	0.000042	34.61	0.001454	1,865.59	0.000042
04/20/2009	43,436,892.03	0.000042	1,824.35	1,374,755.85	0.000042	34.61	0.001454	1,998.90	0.000046
04/21/2009	42,733,666.16	0.000042	1,794.81	1,819,319.81	0.000042	34.61	0.001454	2,645.29	0.000062
04/22/2009	41,958,331.07	0.000041	1,720.29	1,215,555.77	0.000041	34.61	0.001419	1,724.87	0.000041
04/23/2009	41,064,203.37	0.000041	1,683.63	1,119,867.60	0.000041	34.61	0.001419	1,589.09	0.000039
04/24/2009	41,189,960.92	0.000041	1,688.79	1,185,934.80	0.000041	34.61	0.001419	1,682.84	0.000041
04/25/2009	41,189,960.92	0.000041	1,688.79	0.00	0.000041	34.61	0.000000	0.00	0.000000
04/26/2009	41,189,960.92	0.000041	1,688.79	0.00	0.000041	34.61	0.000000	0.00	0.000000
04/27/2009	40,940,743.16	0.000041	1,678.57	1,207,305.36	0.000041	34.61	0.001419	1,713.17	0.000042
04/28/2009	42,639,102.57	0.000041	1,748.20	3,105,766.78	0.000041	34.61	0.001419	4,407.08	0.000103
04/29/2009	43,751,333.96	0.00004	1,750.05	2,764,487.59	0.00004	34.61	0.001384	3,826.05	0.000087
04/30/2009	44,947,096.80	0.00004	1,797.88	2,189,737.07	0.00004	34.61	0.001384	3,030.60	0.000067
05/01/2009	46,206,835.85	0.00004	1,848.27	2,258,959.13	0.00004	34.61	0.001384	3,126.40	0.000068
05/02/2009	46,206,835.85	0.00004	1,848.27	0.00	0.00004	34.61	0.000000	0.00	0.000000
05/03/2009	46,206,835.85	0.00004	1,848.27	0.00	0.00004	34.61	0.000000	0.00	0.000000
05/04/2009	46,956,419.38	0.00004	1,878.26	2,506,341.06	0.00004	34.61	0.001384	3,468.78	0.000074
05/05/2009	50,299,921.86	0.00004	2,012.00	5,788,424.65	0.00004	34.61	0.001384	8,011.18	0.000159
05/06/2009	49,782,744.75	0.00004	1,991.31	1,224,617.30	0.00004	34.61	0.001384	1,694.87	0.000034
05/07/2009	49,939,369.59	0.00004	1,997.57	1,950,101.11	0.00004	33.82	0.001353	2,638.49	0.000053
05/08/2009	49,846,487.76	0.00004	1,993.86	1,479,121.38	0.00004	33.82	0.001353	2,001.25	0.000040
05/09/2009	49,846,487.76	0.00004	1,993.86	0.00	0.00004	33.82	0.000000	0.00	0.000000
05/10/2009	49,846,487.76	0.00004	1,993.86	0.00	0.00004	33.82	0.000000	0.00	0.000000
05/11/2009	49,413,569.60	0.00004	1,976.54	1,750,653.31	0.00004	33.82	0.001353	2,368.63	0.000048
05/12/2009	48,038,463.98	0.00004	1,921.54	1,116,910.86	0.00004	33.82	0.001353	1,511.18	0.000031
05/13/2009	47,981,941.59	0.00004	1,919.28	1,374,024.44	0.00004	33.82	0.001353	1,859.06	0.000039
05/14/2009	47,751,305.50	0.00004	1,910.05	1,547,249.16	0.00004	33.82	0.001353	2,093.43	0.000044
05/15/2009	47,814,866.17	0.00004	1,912.59	1,252,119.96	0.00004	33.82	0.001353	1,694.12	0.000035
05/16/2009	47,814,866.17	0.00004	1,912.59	0.00	0.00004	33.82	0.000000	0.00	0.000000
05/17/2009	47,814,866.17	0.00004	1,912.59	0.00	0.00004	33.82	0.000000	0.00	0.000000
05/18/2009	46,269,313.72	0.00004	1,850.77	871,309.92	0.00004	33.82	0.001353	1,178.88	0.000025
05/19/2009	44,710,023.38	0.00004	1,788.40	1,100,998.75	0.00004	33.82	0.001353	1,489.65	0.000033
05/20/2009	39,597,675.59	0.000038	1,504.71	973,033.33	0.000038	33.82	0.001285	1,250.35	0.000032
05/21/2009	37,838,048.12	0.000038	1,437.85	855,063.44	0.000038	33.82	0.001285	1,098.76	0.000029
05/22/2009	37,945,380.72	0.000038	1,441.92	1,361,733.50	0.000038	33.82	0.001285	1,749.83	0.000046
05/23/2009	37,945,380.72	0.000038	1,441.92	0.00	0.000038	33.82	0.000000	0.00	0.000000
05/24/2009	37,945,380.72	0.000038	1,441.92	0.00	0.000038	33.82	0.000000	0.00	0.000000
05/25/2009	37,945,380.72	0.000038	1,441.92	0.00	0.000038	33.82	0.000000	0.00	0.000000
05/26/2009	37,305,587.59	0.000038	1,417.61	798,598.99	0.000038	33.82	0.001285	1,026.20	0.000028
05/27/2009	36,866,238.75	0.000038	1,400.92	1,278,263.95	0.000038	33.82	0.001285	1,642.57	0.000045
05/28/2009	37,488,732.66	0.000038	1,424.57	2,063,796.72	0.000038	33.82	0.001285	2,651.98	0.000071
05/29/2009	38,283,990.08	0.000038	1,454.79	2,102,361.13	0.000038	33.82	0.001285	2,701.53	0.000071
05/30/2009	38,283,990.08	0.000038	1,454.79	0.00	0.000038	33.82	0.000000	0.00	0.000000
05/31/2009	38,283,990.08	0.000038	1,454.79	0.00	0.000038	33.82	0.000000	0.00	0.000000
06/01/2009	39,534,140.71	0.000038	1,502.30	2,248,338.11	0.000038	33.82	0.001285	2,889.11	0.000073
06/02/2009	40,517,628.92	0.000038	1,539.67	2,342,853.94	0.000038	33.82	0.001285	3,010.57	0.000074
06/03/2009	45,545,740.17	0.000037	1,685.19	6,616,067.27	0.000037	33.82	0.001251	8,276.70	0.000182
06/04/2009	45,740,325.31	0.000037	1,692.39	1,604,730.57	0.000037	33.82	0.001251	2,007.52	0.000044
06/05/2009	46,173,291.08	0.000037	1,708.41	1,587,742.35	0.000037	40.66	0.001504	2,387.96	0.000052
06/06/2009	46,173,291.08	0.000037	1,708.41	0.00	0.000037	40.66	0.000000	0.00	0.000000
06/07/2009	46,173,291.08	0.000037	1,708.41	0.00	0.000037	40.66	0.000000	0.00	0.000000
06/08/2009	46,262,962.48	0.000037	1,711.73	2,305,004.83	0.000037	40.66	0.001504	3,466.73	0.000075
06/09/2009	45,416,973.91	0.000037	1,680.43	1,360,232.68	0.000037	40.66	0.001504	2,045.79	0.000045
06/10/2009	45,524,918.77	0.000037	1,684.42	1,731,585.19	0.000037	40.66	0.001504	2,604.30	0.000057
06/11/2009	45,690,153.07	0.000037	1,690.54	1,422,551.18	0.000037	40.66	0.001504	2,139.52	0.000047
06/12/2009	45,448,340.75	0.000037	1,681.59	1,617,644.00	0.000037	40.66	0.001504	2,432.94	0.000054
06/13/2009	45,448,340.75	0.000037	1,681.59	0.00	0.000037	40.66	0.000000	0.00	0.000000
06/14/2009	45,448,340.75	0.000037	1,681.59	0.00	0.000037	40.66	0.000000	0.00	0.000000
06/15/2009	44,679,859.50	0.000037	1,653.15	1,703,080.76	0.000037	40.66	0.001504	2,561.43	0.000057
06/16/2009	45,278,621.14	0.000037	1,675.31	1,968,111.84	0.000037	40.66	0.001504	2,960.04	0.000065
06/17/2009	38,999,448.61	0.000036	1,403.98	1,022,431.01	0.000036	40.66	0.001464	1,496.84	0.000038
06/18/2009	38,823,197.67	0.000036	1,397.64	1,131,084.19	0.000036	40.66	0.001464	1,655.91	0.000043
06/19/2009	38,785,896.05	0.000036	1,396.29	1,564,787.26	0.000036	40.66	0.001464	2,290.85	0.000059
06/20/2009	38,785,896.05	0.000036	1,396.29	0.00	0.000036	40.66	0.000000	0.00	0.000000
06/21/2009	38,785,896.05	0.000036	1,396.29	0.00	0.000036	40.66	0.000000	0.00	0.000000
06/22/2009	37,770,114.27	0.000036	1,359.72	1,478,699.06	0.000036	40.66	0.001464	2,164.82	0.000057
06/23/2009	36,965,309.72	0.000036	1,330.75	1,174,626.37	0.000036	40.66	0.001464	1,719.65	0.000047
06/24/2009	37,489,689.19	0.000036	1,349.63	1,746,698.69	0.000036	40.66	0.001464	2,557.17	0.000068

Kentucky Power Company
Accounts Receivable Financing
Thirteen Months Ending April 30, 2010

	AEP Credit - Internal Cost Incurred			KP - Actual Carrying Cost Incurred					
Date	A/R Balance	Daily Cost of Capital	AEP Credit - Internal Cost	A/R Factored	Daily Cost of Capital	Previous Month's Average Days Outstanding	Total Discount Factor	KPCo Actual Carrying Cost Incurred	Actual Cost of Capital as a % of Total A/R Balance
	(a)	(b)	(c) = (a) x (b)	(d)	(e)	(f)	(g) = (e) x (f)	(h) = (d) x (g)	(i) = (h) / (a)
06/25/2009	37,813,131.83	0.000036	1,361.27	1,586,010.87	0.000036	40.66	0.001464	2,321.92	0.000061
06/26/2009	39,757,443.05	0.000036	1,431.27	3,043,580.13	0.000036	40.66	0.001464	4,455.80	0.000112
06/27/2009	39,757,443.05	0.000036	1,431.27	0.00	0.000036	40.66	0.000000	0.00	0.000000
06/28/2009	39,757,443.05	0.000036	1,431.27	0.00	0.000036	40.66	0.000000	0.00	0.000000
06/29/2009	40,246,018.70	0.000036	1,448.86	1,620,847.95	0.000036	40.66	0.001464	2,372.92	0.000059
06/30/2009	42,331,543.13	0.000036	1,523.94	3,553,291.23	0.000036	40.66	0.001464	5,202.02	0.000123
07/01/2009	43,235,975.03	0.000036	1,556.50	1,983,816.98	0.000036	40.66	0.001464	2,904.31	0.000067
07/02/2009	49,411,706.91	0.000036	1,778.82	7,639,544.13	0.000036	40.66	0.001464	11,184.29	0.000226
07/03/2009	49,411,706.91	0.000036	1,778.82	0.00	0.000036	40.66	0.000000	0.00	0.000000
07/04/2009	49,411,706.91	0.000036	1,778.82	0.00	0.000036	40.66	0.000000	0.00	0.000000
07/05/2009	49,411,706.91	0.000036	1,778.82	0.00	0.000036	40.66	0.000000	0.00	0.000000
07/06/2009	50,066,328.65	0.000036	1,802.39	2,360,142.94	0.000036	40.66	0.001464	3,455.25	0.000069
07/07/2009	49,006,218.40	0.000036	1,764.22	1,494,273.30	0.000036	40.66	0.001464	2,187.62	0.000045
07/08/2009	49,018,759.82	0.000036	1,764.68	2,225,467.24	0.000036	28.47	0.001025	2,281.10	0.000047
07/09/2009	49,514,952.13	0.000036	1,782.54	1,988,245.55	0.000036	28.47	0.001025	2,037.95	0.000041
07/10/2009	48,912,195.98	0.000036	1,760.84	1,702,493.31	0.000036	28.47	0.001025	1,745.06	0.000036
07/11/2009	48,912,195.98	0.000036	1,760.84	0.00	0.000036	28.47	0.000000	0.00	0.000000
07/12/2009	48,912,195.98	0.000036	1,760.84	0.00	0.000036	28.47	0.000000	0.00	0.000000
07/13/2009	48,244,551.95	0.000036	1,736.80	1,425,762.67	0.000036	28.47	0.001025	1,461.41	0.000030
07/14/2009	44,064,726.69	0.000036	1,586.33	2,186,350.25	0.000036	28.47	0.001025	2,241.01	0.000051
07/15/2009	43,880,443.27	0.000036	1,579.70	2,202,919.75	0.000036	28.47	0.001025	2,257.99	0.000051
07/16/2009	43,799,395.75	0.000036	1,576.78	1,755,769.88	0.000036	28.47	0.001025	1,799.66	0.000041
07/17/2009	43,347,506.34	0.000036	1,560.51	1,506,644.13	0.000036	28.47	0.001025	1,544.31	0.000036
07/18/2009	43,347,506.34	0.000036	1,560.51	0.00	0.000036	28.47	0.000000	0.00	0.000000
07/19/2009	43,347,506.34	0.000036	1,560.51	0.00	0.000036	28.47	0.000000	0.00	0.000000
07/20/2009	42,728,354.98	0.000036	1,538.22	1,730,222.24	0.000036	28.47	0.001025	1,773.48	0.000042
07/21/2009	40,294,498.92	0.000036	1,450.60	1,540,560.42	0.000036	28.47	0.001025	1,579.07	0.000039
07/22/2009	40,171,658.73	0.000036	1,446.18	1,428,951.18	0.000036	28.47	0.001025	1,464.67	0.000036
07/23/2009	40,328,972.31	0.000036	1,451.84	1,369,852.48	0.000036	28.47	0.001025	1,404.10	0.000035
07/25/2009	40,908,402.58	0.000036	1,472.70	1,599,607.79	0.000036	28.47	0.000000	0.00	0.000000
07/26/2009	40,908,402.58	0.000036	1,472.70	0.00	0.000036	28.47	0.000000	0.00	0.000000
07/24/2009	40,908,402.58	0.000036	1,472.70	0.00	0.000036	28.47	0.001025	1,639.60	0.000040
07/27/2009	41,636,212.05	0.000036	1,498.90	1,611,573.52	0.000036	28.47	0.001025	1,651.86	0.000040
07/28/2009	42,913,232.94	0.000036	1,544.88	2,797,273.22	0.000036	28.47	0.001025	2,867.21	0.000067
07/29/2009	43,977,310.47	0.000035	1,539.21	3,065,065.77	0.000035	28.47	0.000996	3,052.81	0.000069
07/30/2009	45,144,222.18	0.000035	1,580.05	2,477,651.69	0.000035	28.47	0.000996	2,467.74	0.000055
07/31/2009	45,918,812.87	0.000035	1,607.16	2,417,708.52	0.000035	28.47	0.000996	2,408.04	0.000052
08/01/2009	45,918,812.87	0.000035	1,607.16	0.00	0.000035	28.47	0.000000	0.00	0.000000
08/02/2009	45,918,812.87	0.000035	1,607.16	0.00	0.000035	28.47	0.000000	0.00	0.000000
08/03/2009	45,309,139.13	0.000035	1,585.82	1,607,310.57	0.000035	28.47	0.000996	1,600.88	0.000035
08/04/2009	47,768,151.14	0.000035	1,671.89	3,915,329.11	0.000035	28.47	0.000996	3,899.67	0.000082
08/05/2009	47,909,945.23	0.000035	1,676.85	1,735,462.12	0.000035	28.47	0.000996	1,728.52	0.000036
08/06/2009	54,233,123.71	0.000035	1,898.16	7,599,270.14	0.000035	28.47	0.000996	7,568.87	0.000140
08/07/2009	54,231,703.76	0.000035	1,898.11	1,436,563.01	0.000035	28.88	0.001011	1,452.37	0.000027
08/08/2009	54,231,703.76	0.000035	1,898.11	0.00	0.000035	28.88	0.000000	0.00	0.000000
08/09/2009	54,231,703.76	0.000035	1,898.11	0.00	0.000035	28.88	0.000000	0.00	0.000000
08/10/2009	54,409,201.18	0.000035	1,904.32	1,558,166.89	0.000035	28.88	0.001011	1,575.31	0.000029
08/11/2009	53,647,366.95	0.000035	1,877.66	1,299,742.31	0.000035	28.88	0.001011	1,314.04	0.000024
08/12/2009	53,367,471.68	0.000034	1,814.49	1,605,856.54	0.000034	28.88	0.000982	1,576.95	0.000030
08/13/2009	47,754,268.38	0.000034	1,623.65	1,796,265.33	0.000034	28.88	0.000982	1,763.93	0.000037
08/14/2009	46,340,394.33	0.000034	1,575.57	1,717,751.45	0.000034	28.88	0.000982	1,686.83	0.000036
08/15/2009	46,340,394.33	0.000034	1,575.57	0.00	0.000034	28.88	0.000000	0.00	0.000000
08/16/2009	46,340,394.33	0.000034	1,575.57	0.00	0.000034	28.88	0.000000	0.00	0.000000
08/17/2009	46,097,309.90	0.000034	1,567.31	1,301,689.99	0.000034	28.88	0.000982	1,278.26	0.000028
08/18/2009	45,472,737.51	0.000034	1,546.07	1,723,083.79	0.000034	28.88	0.000982	1,692.07	0.000037
08/19/2009	43,118,773.09	0.000034	1,466.04	1,304,305.76	0.000034	28.88	0.000982	1,280.83	0.000030
08/20/2009	41,463,877.72	0.000034	1,409.77	1,144,466.29	0.000034	28.88	0.000982	1,123.87	0.000027
08/21/2009	40,663,472.84	0.000034	1,382.56	1,114,602.24	0.000034	28.88	0.000982	1,094.54	0.000027
08/22/2009	40,663,472.84	0.000034	1,382.56	0.00	0.000034	28.88	0.000000	0.00	0.000000
08/23/2009	40,663,472.84	0.000034	1,382.56	0.00	0.000034	28.88	0.000000	0.00	0.000000
08/24/2009	40,721,363.86	0.000034	1,384.53	1,369,213.29	0.000034	28.88	0.000982	1,344.57	0.000033
08/25/2009	40,494,229.09	0.000034	1,376.80	1,184,548.49	0.000034	28.88	0.000982	1,163.23	0.000029
08/26/2009	42,352,609.52	0.000033	1,397.64	3,166,500.89	0.000033	28.88	0.000953	3,017.68	0.000071
08/27/2009	42,709,740.30	0.000033	1,409.42	1,866,974.85	0.000033	28.88	0.000953	1,779.23	0.000042
08/28/2009	44,211,405.69	0.000033	1,458.98	3,107,538.26	0.000033	28.88	0.000953	2,961.48	0.000067
08/29/2009	44,211,405.69	0.000033	1,458.98	0.00	0.000033	28.88	0.000000	0.00	0.000000
08/30/2009	44,211,405.69	0.000033	1,458.98	0.00	0.000033	28.88	0.000000	0.00	0.000000
08/31/2009	44,993,757.65	0.000033	1,484.79	2,058,938.87	0.000033	28.88	0.000953	1,962.17	0.000044
09/01/2009	44,066,113.46	0.000033	1,454.18	1,242,070.78	0.000033	28.88	0.000953	1,183.69	0.000027
09/02/2009	50,036,893.78	0.000033	1,651.22	7,627,866.42	0.000033	28.88	0.000953	7,269.36	0.000145
09/03/2009	51,038,963.79	0.000033	1,684.29	2,471,090.63	0.000033	28.88	0.000953	2,354.95	0.000046
09/04/2009	51,304,733.70	0.000033	1,693.06	1,702,173.32	0.000033	28.88	0.000953	1,622.17	0.000032
09/05/2009	51,304,733.70	0.000033	1,693.06	0.00	0.000033	28.88	0.000000	0.00	0.000000
09/06/2009	51,304,733.70	0.000033	1,693.06	0.00	0.000033	28.88	0.000000	0.00	0.000000
09/07/2009	51,304,733.70	0.000033	1,693.06	0.00	0.000033	28.88	0.000000	0.00	0.000000
09/08/2009	50,386,713.94	0.000033	1,662.76	1,199,910.21	0.000033	33.02	0.001090	1,307.90	0.000026
09/09/2009	49,340,450.23	0.000033	1,628.23	1,530,234.65	0.000033	33.02	0.001090	1,667.96	0.000034
09/10/2009	48,562,433.57	0.000033	1,602.56	1,068,341.80	0.000033	33.02	0.001090	1,164.49	0.000024
09/11/2009	48,323,232.51	0.000033	1,594.67	1,804,518.26	0.000033	33.02	0.001090	1,966.92	0.000041
09/12/2009	48,323,232.51	0.000033	1,594.67	0.00	0.000033	33.02	0.000000	0.00	0.000000
09/13/2009	48,323,232.51	0.000033	1,594.67	0.00	0.000033	33.02	0.000000	0.00	0.000000
09/14/2009	46,746,432.39	0.000033	1,542.63	1,638,678.29	0.000033	33.02	0.001090	1,786.16	0.000038
09/15/2009	46,574,811.65	0.000033	1,536.97	1,634,889.10	0.000033	33.02	0.001090	1,782.03	0.000038
09/16/2009	44,996,493.35	0.000033	1,484.88	968,111.61	0.000033	33.02	0.001090	1,055.24	0.000023
09/17/2009	39,966,945.08	0.000033	1,318.91	1,273,514.72	0.000033	33.02	0.001090	1,388.13	0.000035

Kentucky Power Company
Accounts Receivable Financing
Thirteen Months Ending April 30, 2010

	AEP Credit - Internal Cost Incurred			KP - Actual Carrying Cost Incurred					
Date	A/R Balance	Daily Cost of Capital	AEP Credit - Internal Cost	A/R Factored	Daily Cost of Capital	Previous Month's Average Days Outstanding	Total Discount Factor	KPCo Actual Carrying Cost Incurred	Actual Cost of Capital as a % of Total A/R Balance
	(a)	(b)	(c) = (a) x (b)	(d)	(e)	(f)	(g) = (e) x (f)	(h) = (d) x (g)	(i) = (h) / (a)
09/18/2009	38,335,267.48	0.000033	1,265.06	999,303.08	0.000033	33.02	0.001090	1,089.24	0.000028
09/19/2009	38,335,267.48	0.000033	1,265.06	0.00	0.000033	33.02	0.000000	0.00	0.000000
09/20/2009	38,335,267.48	0.000033	1,265.06	0.00	0.000033	33.02	0.000000	0.00	0.000000
09/21/2009	37,261,665.27	0.000033	1,229.63	684,809.00	0.000033	33.02	0.001090	746.44	0.000020
09/22/2009	36,429,066.19	0.000033	1,202.16	988,807.66	0.000033	33.02	0.001090	1,077.80	0.000030
09/23/2009	36,041,739.99	0.000032	1,153.34	1,053,407.46	0.000032	33.02	0.001057	1,113.45	0.000031
09/24/2009	36,288,479.11	0.000032	1,161.23	1,175,046.64	0.000032	33.02	0.001057	1,242.02	0.000034
09/25/2009	37,379,039.78	0.000032	1,196.13	2,396,795.97	0.000032	33.02	0.001057	2,533.41	0.000068
09/26/2009	37,379,039.78	0.000032	1,196.13	0.00	0.000032	33.02	0.000000	0.00	0.000000
09/27/2009	37,379,039.78	0.000032	1,196.13	0.00	0.000032	33.02	0.000000	0.00	0.000000
09/28/2009	36,624,310.58	0.000032	1,171.98	1,352,221.90	0.000032	33.02	0.001057	1,429.30	0.000039
09/29/2009	37,111,992.37	0.000032	1,187.58	1,717,926.50	0.000032	33.02	0.001057	1,815.85	0.000049
09/30/2009	37,217,277.64	0.000032	1,190.95	1,492,683.76	0.000032	33.02	0.001057	1,577.77	0.000042
10/01/2009	37,697,235.83	0.000032	1,206.31	2,014,153.71	0.000032	33.02	0.001057	2,128.96	0.000056
10/02/2009	39,369,783.51	0.000032	1,259.83	2,522,074.48	0.000032	33.02	0.001057	2,665.83	0.000068
10/03/2009	39,369,783.51	0.000032	1,259.83	0.00	0.000032	33.02	0.000000	0.00	0.000000
10/04/2009	39,369,783.51	0.000032	1,259.83	0.00	0.000032	33.02	0.000000	0.00	0.000000
10/05/2009	39,180,513.83	0.000032	1,253.78	1,501,749.25	0.000032	33.02	0.001057	1,587.35	0.000041
10/06/2009	37,792,119.20	0.000032	1,209.35	1,212,935.15	0.000032	33.02	0.001057	1,282.07	0.000034
10/07/2009	41,482,441.34	0.000032	1,327.44	5,485,871.41	0.000032	36.26	0.001160	6,363.61	0.000153
10/08/2009	41,465,956.86	0.000032	1,326.91	1,316,855.07	0.000032	36.26	0.001160	1,527.55	0.000037
10/09/2009	42,213,351.45	0.000032	1,350.83	1,916,768.09	0.000032	36.26	0.001160	2,223.45	0.000053
10/10/2009	42,213,351.45	0.000032	1,350.83	0.00	0.000032	36.26	0.000000	0.00	0.000000
10/11/2009	42,213,351.45	0.000032	1,350.83	0.00	0.000032	36.26	0.000000	0.00	0.000000
10/12/2009	41,489,066.83	0.000032	1,327.65	1,351,893.11	0.000032	36.26	0.001160	1,568.20	0.000038
10/13/2009	41,290,262.77	0.000032	1,321.29	1,696,429.85	0.000032	36.26	0.001160	1,967.86	0.000048
10/14/2009	40,290,290.20	0.000032	1,289.29	1,566,228.78	0.000032	36.26	0.001160	1,816.83	0.000045
10/15/2009	40,461,735.07	0.000032	1,294.78	1,306,771.83	0.000032	36.26	0.001160	1,515.86	0.000037
10/16/2009	40,621,021.48	0.000032	1,299.87	1,423,541.37	0.000032	36.26	0.001160	1,651.31	0.000041
10/17/2009	40,621,021.48	0.000032	1,299.87	0.00	0.000032	36.26	0.000000	0.00	0.000000
10/18/2009	40,621,021.48	0.000032	1,299.87	0.00	0.000032	36.26	0.000000	0.00	0.000000
10/19/2009	40,558,425.38	0.000032	1,297.87	1,307,850.52	0.000032	36.26	0.001160	1,517.11	0.000037
10/20/2009	39,710,995.95	0.000032	1,270.75	1,218,026.74	0.000032	36.26	0.001160	1,412.91	0.000036
10/21/2009	34,463,526.65	0.000032	1,102.83	1,268,142.23	0.000032	36.26	0.001160	1,471.04	0.000043
10/22/2009	34,999,948.68	0.000032	1,120.00	1,863,206.96	0.000032	36.26	0.001160	2,161.32	0.000062
10/23/2009	35,847,339.99	0.000032	1,147.11	1,747,024.06	0.000032	36.26	0.001160	2,026.55	0.000057
10/24/2009	35,847,339.99	0.000032	1,147.11	0.00	0.000032	36.26	0.000000	0.00	0.000000
10/25/2009	35,847,339.99	0.000032	1,147.11	0.00	0.000032	36.26	0.000000	0.00	0.000000
10/26/2009	37,062,414.71	0.000032	1,186.00	2,666,450.60	0.000032	36.26	0.001160	3,093.08	0.000083
10/27/2009	37,505,717.65	0.000032	1,200.18	1,806,869.59	0.000032	36.26	0.001160	2,095.97	0.000056
10/28/2009	39,106,060.39	0.000031	1,212.29	3,047,618.03	0.000031	36.26	0.001124	3,425.52	0.000088
10/29/2009	39,753,298.37	0.000031	1,232.35	1,555,265.17	0.000031	36.26	0.001124	1,748.12	0.000044
10/30/2009	40,340,143.15	0.000031	1,250.54	2,054,214.86	0.000031	36.26	0.001124	2,308.94	0.000057
10/31/2009	40,340,143.15	0.000031	1,250.54	0.00	0.000031	36.26	0.000000	0.00	0.000000
11/01/2009	40,340,143.15	0.000031	1,250.54	0.00	0.000031	36.26	0.000000	0.00	0.000000
11/02/2009	40,520,170.16	0.000031	1,256.13	1,886,276.20	0.000031	36.26	0.001124	2,120.17	0.000052
11/03/2009	44,071,204.42	0.000031	1,366.21	5,170,877.68	0.000031	36.26	0.001124	5,812.07	0.000132
11/04/2009	44,613,243.60	0.000031	1,383.01	1,889,859.49	0.000031	36.26	0.001124	2,124.20	0.000048
11/05/2009	44,972,070.30	0.000031	1,394.13	1,776,292.33	0.000031	36.26	0.001124	1,996.55	0.000044
11/06/2009	45,020,465.69	0.000031	1,395.63	1,278,866.53	0.000031	29.13	0.000903	1,154.82	0.000026
11/07/2009	45,020,465.69	0.000031	1,395.63	0.00	0.000031	29.13	0.000000	0.00	0.000000
11/08/2009	45,020,465.69	0.000031	1,395.63	0.00	0.000031	29.13	0.000000	0.00	0.000000
11/09/2009	44,961,132.60	0.000031	1,393.80	1,489,426.81	0.000031	29.13	0.000903	1,344.95	0.000030
11/10/2009	44,955,807.77	0.000031	1,393.63	1,476,660.55	0.000031	29.13	0.000903	1,333.42	0.000030
11/11/2009	43,806,080.18	0.000031	1,357.99	1,593,750.73	0.000031	29.13	0.000903	1,439.16	0.000033
11/12/2009	44,484,480.82	0.000031	1,379.02	1,355,926.67	0.000031	29.13	0.000903	1,224.40	0.000028
11/13/2009	43,318,404.39	0.000031	1,342.87	1,339,011.85	0.000031	29.13	0.000903	1,209.13	0.000028
11/14/2009	43,318,404.39	0.000031	1,342.87	0.00	0.000031	29.13	0.000000	0.00	0.000000
11/15/2009	43,318,404.39	0.000031	1,342.87	0.00	0.000031	29.13	0.000000	0.00	0.000000
11/16/2009	43,514,381.69	0.000031	1,348.95	1.465,800.89	0.000031	29.13	0.000903	1,323.62	0.000030
11/17/2009	39,789,511.37	0.000031	1,233.47	1,401,524.29	0.000031	29.13	0.000903	1,265.58	0.000032
11/18/2009	36,933,081.95	0.000031	1,144.93	1,075,353.31	0.000031	29.13	0.000903	971.04	0.000026
11/19/2009	37,044.508.07	0.000031	1,148.38	1,170,787.39	0.000031	29.13	0.000903	1,057.22	0.000029
11/20/2009	37,053,677.03	0.000031	1,148.66	0.00	0.000031	29.13	0.000000	0.00	0.000000
11/21/2009	37,053,677.03	0.000031	1,148.66	0.00	0.000031	29.13	0.000000	0.00	0.000000
11/22/2009	37,232,775.65	0.000031	1,154.22	1,373,039.98	0.000031	29.13	0.000903	1,239.86	0.000033
11/23/2009	37,053,677.03	0.000031	1,148.66	1,240,360.46	0.000031	29.13	0.000903	1,120.05	0.000030
11/24/2009	36,974,705.09	0.000031	1,146.22	1,514,345.24	0.000031	29.13	0.000903	1,367.45	0.000037
11/25/2009	39,853,414.10	0.00003	1,195.60	4,246,934.02	0.00003	29.13	0.000874	3,711.82	0.000093
11/26/2009	39,853,414.10	0.00003	1,195.60	0.00	0.00003	29.13	0.000000	0.00	0.000000
11/27/2009	39,853,414.10	0.00003	1,195.60	0.00	0.00003	29.13	0.000000	0.00	0.000000
11/28/2009	39,853,414.10	0.00003	1,195.60	0.00	0.00003	29.13	0.000000	0.00	0.000000
11/29/2009	39,853,414.10	0.00003	1,195.60	0.00	0.00003	29.13	0.000000	0.00	0.000000
11/30/2009	40,936,300.21	0.00003	1,228.09	2,057,156.58	0.00003	29.13	0.000874	1,797.95	0.000044
12/01/2009	40.474,492.25	0.00003	1,214.23	1,123,580.96	0.00003	29.13	0.000874	982.01	0.000024
12/02/2009	44,693,369.40	0.00003	1,340.80	5,650,441.89	0.00003	29.13	0.000874	4,938.49	0.000110
12/03/2009	45,688,228.59	0.00003	1,370.65	2,628,341.84	0.00003	29.13	0.000874	2,297.17	0.000050
12/04/2009	45,775,037.45	0.00003	1,373.25	0.00	0.00003	29.13	0.000000	0.00	0.000000
12/05/2009	45,775,037.45	0.00003	1,373.25	0.00	0.00003	29.13	0.000000	0.00	0.000000
12/06/2009	45,713,459.49	0.00003	1,371.40	1.927,663.61	0.00003	35.65	0.001070	2,062.60	0.000045
12/07/2009	45,775,037.45	0.00003	1,373.25	1,178,674.80	0.00003	29.13	0.000874	1,030.16	0.000023
12/08/2009	45,780,852.87	0.00003	1,373.43	1,238,458.10	0.00003	35.65	0.001070	1,325.15	0.000029
12/09/2009	44,403,751.48	0.00003	1,332.11	1,384,383.48	0.00003	35.65	0.001070	1,481.29	0.000033
12/10/2009	44.168,925.86	0.00003	1,325.07	1,121,369.47	0.00003	35.65	0.001070	1,199.87	0.000027
12/11/2009	44,327,910.58	0.00003	1,329.84	1,272,352.28	0.00003	35.65	0.001070	1,361.42	0.000031

Kentucky Power Company
Accounts Receivable Financing
Thirteen Months Ending April 30, 2010

	AEP Credit - Internal Cost Incurred			KP - Actual Carrying Cost Incurred					
Date	A/R Balance	Daily Cost of Capital	AEP Credit - Internal Cost	A/R Factored	Daily Cost of Capital	Previous Month's Average Days Outstanding	Total Discount Factor	KPCo Actual Carrying Cost Incurred	Actual Cost of Capital as a % of Total A/R Balance
	(a)	(b)	(c) = (a) x (b)	(d)	(e)	(f)	(g) = (e) x (f)	(h) = (d) x (g)	(i) = (h) / (a)
12/12/2009	44,168,925 86	0.00003	1,325.07	0 00	0 00003	35.65	0 000000	0.00	0 000000
12/13/2009	44,168,925 86	0.00003	1,325.07	0 00	0 00003	35.65	0 000000	0.00	0 000000
12/14/2009	44,273,774 04	0.00003	1,328.21	1,769,079 07	0 00003	35 65	0 001070	1,892.91	0 000043
12/15/2009	39,987,324 16	0.00003	1,199.62	1,884,367 10	0 00003	35 65	0 001070	2,016.27	0 000050
12/16/2009	39,817,502 18	0.00003	1,194.53	1,048,835 54	0 00003	35 65	0 001070	1,122.25	0 000028
12/17/2009	39,883,440 15	0.00003	1,196.50	1,379,650 33	0 00003	35 65	0 001070	1,476.23	0 000037
12/18/2009	39,747,049 34	0.00003	1,192.41	0 00	0 00003	35 65	0 000000	0.00	0 000000
12/19/2009	39,747,049 34	0.00003	1,192.41	0 00	0 00003	35.65	0 000000	0.00	0 000000
12/20/2009	38,689,668 31	0.00003	1,160.69	1,064,326 03	0 00003	35 65	0 001070	1,138.83	0 000029
12/21/2009	39,747,049 34	0.00003	1,192.41	1,340,560 83	0 00003	35 65	0 001070	1,434.40	0 000036
12/22/2009	37,769,205 76	0.00003	1,133.08	857,046 15	0 00003	35 65	0 001070	917.04	0 000024
12/23/2009	35,892,287 12	0.00003	1,076.77	184,523 06	0 00003	35 65	0 001070	197.44	0 000006
12/24/2009	35,892,287 12	0.00003	1,076.77	0.00	0 00003	35 65	0 000000	0.00	0 000000
12/25/2009	35,892,287 12	0.00003	1,076.77	0 00	0 00003	35 65	0 000000	0.00	0 000000
12/26/2009	35,892,287 12	0.00003	1,076.77	0 00	0 00003	35 65	0 000000	0.00	0 000000
12/27/2009	35,892,287 12	0.00003	1,076.77	0 00	0 00003	35 65	0 000000	0.00	0 000000
12/28/2009	36,485,607 09	0.00003	1,094.57	1,872,142 22	0 00003	35 65	0 001070	2,003.19	0 000055
12/29/2009	37,136,570 88	0.00003	1,114.10	2,546,847 22	0 00003	35 65	0.001070	2,725.13	0.000073
12/30/2009	39,409,087 81	0.00003	1,182.27	3,685,135 09	0.00003	35 65	0.001070	3,943.09	0.000100
12/31/2009	40,565,343 72	0.00003	1,216.96	2,734,835 17	0.00003	35 65	0 001070	2,926.27	0.000072
01/01/2010	40,565,343 72	0.00003	1,216.96	0 00	0.00003	35 65	0 000000	0.00	0.000000
01/02/2010	40,565,343 72	0.00003	1,216.96	0 00	0.00003	35 65	0 000000	0.00	0.000000
01/03/2010	40,565,343 72	0.00003	1,216.96	0 00	0 00003	35 65	0 000000	0.00	0.000000
01/04/2010	41,501,932 70	0.00003	1,245.06	1,909,482 86	0 00003	35.65	0 001070	2,043.15	0 000049
01/05/2010	44,585,575 45	0.00003	1,337.57	5,539,096 23	0 00003	35.65	0 001070	5,926.83	0 000133
01/06/2010	44,314,590 59	0.00003	1,329.44	2,504,333.93	0 00003	35 65	0 001070	2,679.64	0 000060
01/07/2010	43,298,402 16	0.00003	1,298.95	1,736,168.15	0 00003	35.65	0 001070	1,857.70	0 000043
01/08/2010	43,678,002 86	0.00003	1,310.34	2,046,255.69	0 00003	33 61	0 001008	2,062.63	0 000047
01/09/2010	45,377,583 48	0.00003	1,361.33	2,921,123.03	0 00003	33 61	0 001008	2,944.49	0 000065
01/10/2010	45,899,067 13	0.00003	1,376.97	2,439,843 70	0 00003	33 61	0 001008	2,459.36	0 000054
01/11/2010	43,678,002 86	0.00003	1,310.34	0 00	0 00003	33 61	0 000000	0.00	0 000000
01/12/2010	43,678,002 86	0.00003	1,310.34	0 00	0 00003	33 61	0 000000	0.00	0 000000
01/13/2010	45,777,040 70	0.00003	1,373.31	1,987,109 56	0 00003	33 61	0 001008	2,003.01	0 000044
01/14/2010	45,998,365 58	0.00003	1,379.95	2,254,131 97	0 00003	33 61	0 001008	2,272.17	0 000049
01/15/2010	47,262,765 92	0.00003	1,417.88	0 00	0 00003	33 61	0 000000	0.00	0 000000
01/16/2010	47,262,765 92	0.00003	1,417.88	0 00	0 00003	33 61	0 000000	0.00	0 000000
01/17/2010	47,237,610 87	0.00003	1,417.13	2,511,281 89	0 00003	33 61	0 001008	2,531.37	0 000054
01/18/2010	47,262,765 92	0.00003	1,417.88	2,660,867 94	0 00003	33 61	0 001008	2,682.15	0.000057
01/19/2010	43,796,313 34	0.00003	1,313.89	2,324,923 83	0 00003	33 61	0 001008	2,343.52	0 000054
01/20/2010	43,131,961 77	0.00003	1,293.96	1,472,420 43	0 00003	33 61	0 001008	1,484.20	0 000034
01/21/2010	42,411,259 77	0.00003	1,272.34	1,809,490 51	0 00003	33 61	0 001008	1,823.97	0 000043
01/22/2010	43,793,607 41	0.00003	1,313.81	2,028,991 74	0 00003	33.61	0 001008	2,045.22	0 000047
01/23/2010	41,897,503 49	0.00003	1,256.93	1,450,371.36	0 00003	33 61	0 001008	1,461.97	0 000035
01/24/2010	42,411,259 77	0.00003	1,272.34	0 00	0 00003	33 61	0.000000	0.00	0 000000
01/25/2010	42,411,259 77	0.00003	1,272.34	0 00	0 00003	33 61	0 000000	0.00	0 000000
01/26/2010	41,984,489 66	0.00003	1,259.53	1,850,139 98	0 00003	33 61	0 001008	1,864.94	0 000044
01/27/2010	42,302,685 56	0.000029	1,226.78	2,047,548 49	0 000029	33 61	0.000975	1,996.36	0.000047
01/28/2010	43,519,778 24	0.000029	1,262.07	2,869,904 58	0.000029	33 61	0.000975	2,798.16	0.000064
01/29/2010	45,532,950 38	0.000029	1,320.46	3,496,661 21	0 000029	33 61	0.000975	3,409.24	0.000075
01/30/2010	45,532,950 38	0.000029	1,320.46	0.00	0 000029	33 61	0 000000	0.00	0 000000
01/31/2010	45,532,950 38	0.000029	1,320.46	0 00	0.000029	33 61	0 000000	0.00	0 000000
02/01/2010	46,849,103 68	0.000029	1,358.62	3,059,419 64	0.000029	33 61	0 000975	2,982.93	0 000064
02/02/2010	50,865,982 11	0.000029	1,475.11	6,531,797 26	0.000029	33.61	0 000975	6,368.50	0 000125
02/03/2010	50,620,108 59	0.00003	1,518.60	1,854,554 98	0 00003	33 61	0 001008	1,869.39	0 000037
02/04/2010	50,971,053.10	0.00003	1,529.13	2,227,885 62	0.00003	33.61	0 001008	2,245.71	0 000044
02/05/2010	50,599,230.42	0.00003	1,517.98	1,850,255.31	0 00003	28.47	0 000854	1,580.12	0 000031
02/06/2010	51,367,519 52	0.00003	1,541.03	2,471,246 95	0 00003	28 47	0 000854	2,110.44	0 000041
02/07/2010	49,970,404 00	0.00003	1,499.11	1,856,184 30	0 00003	28 47	0 000854	1,585.18	0 000032
02/08/2010	50,599,230 42	0.00003	1,517.98	0.00	0 00003	28 47	0 000000	0.00	0 000000
02/09/2010	50,599,230.42	0.00003	1,517.98	0 00	0 00003	28 47	0 000000	0.00	0 000000
02/10/2010	49,329,152 23	0.00003	1,479.87	1,938,342 86	0 00003	28 47	0 000854	1,655.34	0 000034
02/11/2010	50,075,175 37	0.00003	1,502.26	2,604,325 54	0 00003	28.47	0 000854	2,224.09	0 000044
02/12/2010	46,176,901.48	0.00003	1,385.31	1,960,348 32	0 00003	28.47	0 000854	1,674.14	0 000036
02/13/2010	46,176,901 48	0.00003	1,385 31	0 00	0 00003	28 47	0 000000	0.00	0 000000
02/14/2010	46,176,901.48	0.00003	1,385.31	0 00	0 00003	28.47	0 000000	0.00	0 000000
02/15/2010	46,213,320.77	0.00003	1,386.40	2,437,497 79	0 00003	28 47	0 000854	2,081.62	0 000045
02/16/2010	46,067,955 75	0 00003	1,382.04	2,598,439 59	0 00003	28 47	0 000854	2,219.07	0 000048
02/17/2010	44,819,916 29	0.00003	1,344 60	1,520,040 28	0 00003	28 47	0 000854	1,298.11	0 000029
02/18/2010	45,087,102 89	0.00003	1,352.61	1,887,156 49	0 00003	28 47	0 000854	1,611.63	0.000036
02/19/2010	45,020,893 06	0.00003	1,350.63	1.770,731 96	0.00003	28 47	0 000854	1,512.21	0.000034
02/20/2010	43,462,845 34	0.00003	1,303 89	1,538,852 66	0.00003	28 47	0 000854	1,314.18	0.000030
02/21/2010	42,586,016 37	0.00003	1,277.58	1,486,061 97	0 00003	28.47	0 000854	1,269.10	0.000030
02/22/2010	45,087,102 89	0.00003	1,352.61	0 00	0 00003	28.47	0 000000	0.00	0 000000
02/23/2010	45,087,102 89	0.00003	1,352.61	0 00	0 00003	28 47	0 000000	0.00	0 000000
02/24/2010	42,827,051.20	0.00003	1,284.81	1,664,327.00	0 00003	28.47	0 000854	1,421 34	0 000033
02/25/2010	42,923,644.90	0.00003	1,287.71	2,240,919.71	0 00003	28.47	0 000854	1,913 75	0 000045
02/26/2010	44,236,045 79	0.00003	1,327.08	0 00	0 00003	28.47	0 000000	0.00	0 000000
02/27/2010	44,236,045 79	0.00003	1,327.08	0 00	0 00003	28.47	0 000000	0.00	0 000000
02/28/2010	46,752,802 62	0.00003	1,402.58	4,288,707 35	0 00003	28 47	0 000854	3,662.56	0 000078
03/01/2010	44,236,045 79	0.00003	1,327 08	2,980,503 76	0 00003	28 47	0 000854	2,545.35	0 000058
03/02/2010	48,469,032 16	0.00003	1,454.07	4,327,106 27	0 00003	28 47	0 000854	3,695.35	0 000076
03/03/2010	52,116,340 25	0.00003	1,563.49	6,409,911 35	0 00003	28.47	0 000854	5,474.06	0 000105
03/04/2010	51,639,583.38	0.00003	1,549 19	1,544,383 99	0 00003	28 47	0 000854	1,318.90	0 000026
03/05/2010	51,772,914.77	0.00003	1,553.19	2,188,352 48	0 00003	28 23	0 000847	1,853.53	0 000036
03/06/2010	49,993,889.72	0.00003	1,499 82	1,760,541 34	0 00003	28 23	0 000847	1,491.18	0 000030

Kentucky Power Company
Accounts Receivable Financing
Thirteen Months Ending April 30, 2010

	AEP Credit - Internal Cost Incurred			KP - Actual Carrying Cost Incurred					
Date	A/R Balance	Daily Cost of Capital	AEP Credit - Internal Cost	A/R Factored	Daily Cost of Capital	Previous Month's Average Days Outstanding	Total Discount Factor	KPCo Actual Carrying Cost Incurred	Actual Cost of Capital as a % of Total A/R Balance
	(a)	(b)	(c) = (a) x (b)	(d)	(e)	(f)	(g) = (e) x (f)	(h) = (d) x (g)	(i) = (h) / (a)
03/07/2010	49,456,583.67	0.00003	1,483.70	2,641,252.72	0.00003	28.23	0.000847	2,237.14	0.000045
03/08/2010	51,772,914.77	0.00003	1,553.19	0.00	0.00003	28.23	0.000000	0.00	0.000000
03/09/2010	51,772,914.77	0.00003	1,553.19	0.00	0.00003	28.23	0.000000	0.00	0.000000
03/10/2010	49,772,468.70	0.00003	1,493.17	2,083,400.35	0.00003	28.23	0.000847	1,764.64	0.000035
03/11/2010	49,524,473.06	0.00003	1,485.73	1,988,230.92	0.00003	28.23	0.000847	1,684.03	0.000034
03/12/2010	44,039,862.22	0.00003	1,321.20	1,689,968.81	0.00003	28.23	0.000847	1,431.40	0.000033
03/13/2010	44,039,862.22	0.00003	1,321.20	0.00	0.00003	28.23	0.000000	0.00	0.000000
03/14/2010	44,039,862.22	0.00003	1,321.20	0.00	0.00003	28.23	0.000000	0.00	0.000000
03/15/2010	43,863,835.17	0.00003	1,315.92	2,156,300.25	0.00003	28.23	0.000847	1,826.39	0.000042
03/16/2010	44,135,959.16	0.00003	1,324.08	2,201,216.98	0.00003	28.23	0.000847	1,864.43	0.000042
03/17/2010	44,155,449.99	0.00003	1,324.66	2,004,308.94	0.00003	28.23	0.000847	1,697.65	0.000038
03/18/2010	43,311,808.32	0.00003	1,299.35	0.00	0.00003	28.23	0.000000	0.00	0.000000
03/19/2010	43,311,808.32	0.00003	1,299.35	0.00	0.00003	28.23	0.000000	0.00	0.000000
03/20/2010	43,619,308.73	0.00003	1,308.58	1,522,035.27	0.00003	28.23	0.000847	1,289.16	0.000030
03/21/2010	43,311,808.32	0.00003	1,299.35	1,964,841.68	0.00003	28.23	0.000847	1,664.22	0.000038
03/22/2010	44,389,830.37	0.00003	1,331.69	1,649,682.95	0.00003	28.23	0.000847	1,397.28	0.000031
03/23/2010	40,366,288.59	0.00003	1,210.99	1,405,378.31	0.00003	28.23	0.000847	1,190.36	0.000029
03/24/2010	40,205,792.42	0.00003	1,206.17	1,243,772.31	0.00003	28.23	0.000847	1,053.48	0.000026
03/25/2010	40,004,526.12	0.00003	1,200.14	1,451,659.37	0.00003	28.23	0.000847	1,229.56	0.000031
03/26/2010	40,504,042.37	0.00003	1,215.12	1,789,886.35	0.00003	28.23	0.000847	1,516.03	0.000037
03/27/2010	40,504,042.37	0.00003	1,215.12	0.00	0.00003	28.23	0.000000	0.00	0.000000
03/28/2010	40,504,042.37	0.00003	1,215.12	0.00	0.00003	28.23	0.000000	0.00	0.000000
03/29/2010	41,635,442.76	0.00003	1,249.06	2,624,589.91	0.00003	28.23	0.000847	2,223.03	0.000053
03/30/2010	43,564,832.41	0.00003	1,306.94	3,746,317.82	0.00003	28.23	0.000847	3,173.13	0.000073
03/31/2010	43,752,291.61	0.00003	1,312.57	2,312,990.93	0.00003	28.23	0.000847	1,959.10	0.000045
04/01/2010	43,384,597.91	0.00003	1,301.54	0.00	0.00003	28.23	0.000000	0.00	0.000000
04/02/2010	43,384,597.91	0.00003	1,301.54	0.00	0.00003	28.23	0.000000	0.00	0.000000
04/03/2010	43,384,597.91	0.00003	1,301.54	0.00	0.00003	28.23	0.000000	0.00	0.000000
04/04/2010	43,384,597.91	0.00003	1,301.54	1,328,279.67	0.00003	28.23	0.000847	1,125.05	0.000026
04/05/2010	47,908,124.63	0.00003	1,437.24	6,032,063.92	0.00003	28.23	0.000847	5,109.16	0.000107
04/06/2010	45,689,816.45	0.00003	1,370.69	1,673,044.53	0.00003	28.23	0.000847	1,417.07	0.000031
04/07/2010	44,503,176.41	0.00003	1,335.10	1,277,777.22	0.00003	28.23	0.000847	1,082.28	0.000024
04/08/2010	44,656,999.24	0.00003	1,339.71	2,371,415.25	0.00003	25.57	0.000767	1,818.88	0.000041
04/09/2010	43,962,669.70	0.00003	1,318.88	1,245,928.77	0.00003	25.57	0.000767	955.63	0.000022
04/10/2010	43,962,669.70	0.00003	1,318.88	0.00	0.00003	25.57	0.000000	0.00	0.000000
04/11/2010	43,962,669.70	0.00003	1,318.88	0.00	0.00003	25.57	0.000000	0.00	0.000000
04/12/2010	43,533,918.00	0.00003	1,306.02	1,355,348.57	0.00003	25.57	0.000767	1,039.55	0.000024
04/13/2010	42,671,106.33	0.00003	1,280.13	1,359,706.45	0.00003	25.57	0.000767	1,042.89	0.000024
04/14/2010	42,315,883.45	0.000031	1,311.79	1,404,716.64	0.000031	25.57	0.000793	1,113.94	0.000026
04/15/2010	42,498,168.21	0.000031	1,317.44	1,818,578.02	0.000031	25.57	0.000793	1,442.13	0.000034
04/16/2010	37,878,435.69	0.000031	1,174.23	1,343,832.14	0.000031	25.57	0.000793	1,065.66	0.000028
04/17/2010	37,308,441.49	0.000031	1,156.56	817,925.47	0.000031	25.57	0.000793	648.61	0.000017
04/18/2010	37,655,234.15	0.000031	1,167.31	1,847,355.08	0.000031	25.57	0.000793	1,464.95	0.000039
04/19/2010	37,878,435.69	0.000031	1,174.23	0.00	0.000031	25.57	0.000000	0.00	0.000000
04/20/2010	37,878,435.69	0.000031	1,174.23	0.00	0.000031	25.57	0.000000	0.00	0.000000
04/21/2010	36,752,536.00	0.000031	1,139.33	1,252,406.32	0.000031	25.57	0.000793	993.16	0.000027
04/22/2010	35,168,494.40	0.000031	1,090.22	967,510.36	0.000031	25.57	0.000793	767.24	0.000022
04/23/2010	34,969,308.47	0.000031	1,084.05	0.00	0.000031	25.57	0.000000	0.00	0.000000
04/24/2010	34,969,308.47	0.000031	1,084.05	0.00	0.000031	25.57	0.000000	0.00	0.000000
04/25/2010	34,969,308.47	0.000031	1,084.05	1,088,929.03	0.000031	25.57	0.000793	863.52	0.000025
04/26/2010	34,553,992.91	0.000031	1,071.17	1,237,987.57	0.000031	25.57	0.000793	981.72	0.000028
04/27/2010	34,526,036.23	0.000031	1,070.31	1,576,833.17	0.000031	25.57	0.000793	1,250.43	0.000036
04/28/2010	35,621,399.24	0.000031	1,104.26	2,270,418.87	0.000031	25.57	0.000793	1,800.44	0.000051
04/29/2010	38,209,601.66	0.000031	1,184.50	1,892,754.10	0.000031	25.57	0.000793	1,500.95	0.000039
04/30/2010	37,462,251.09	0.000031	1,161.33	3,205,839.55	0.000031	25.57	0.000793	2,542.23	0.000068
			576,139.24					590,440.12	0.000034 Average Daily Cost of Capital as a % of Total A/R Balance
									1.2229% Annualized Cost of Capital as a % of Total A/R Balance

Average A/R Balance 4/01/09 - 4/30/10 43,588,933.20

AEP Credit - Internal Cost of Capital 4/01/09 - 4/30/10 1.2016% Internal Cost Incurred / Average A/R Balance / 396 x 360

KP - Actual Cost of Capital 4/01/09 - 4/30/10 1.2314% Actual Carrying Cost Incurred / Average A/R Balance / 396 x 360

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 XXXXXXXX XX, 2010

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/	7 273%
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. 2009 - 00316	
2/	Gross Revenue Conversion Factor (GRCF) Calculation: Case No. 2009 - 00316 dated - January 20, 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 Captial Balances As of 10/31/2009 based on Case No. 2010-00020, dated April 29, 2010

Kentucky Power Company
Uncollected Accounts

Line No. (1)	Description (2)	Electric Revenues (3)	Accounts - Net Charged Off (4)	Percent of Electric Revenues (5)
1	12 Months ended 04/30/2008	$408,354,846	$1,101,516	0.27%
2	12 Months ended 04/30/2009	$501,432,589	$1,140,761	0.23%
3	12 Months ended 04/30/2010	$486,154,829	$1,162,370	0.24%
4	Total	$1,395,942,264	$3,404,647	0.74%
5	Three Year Average	$465,314,088	$1,134,882	0.24%

Kentucky Power Company

REQUEST

Please provide (1) all data, work papers, and source documents, and calculations used in developing KPCo's short-term cost rate in the ECP; (2) indicate the cost of short-term debt on a monthly basis; (3) show all calculations involved in the calculation of the short-term debt cost rate; (4) provide copies of all loan documents and lending agreements associated with either inter-company and/or financial institution short-term debt; and (5) provide the data and work papers in (1) – (4), in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

RESPONSE

Please see attachments to the Company's response to AG Item No. 32 and Item No. 34 for all supporting documents to satisfy this request.

The attachment to Item No. 32 provides all work papers, source documents, and calculations used to develop KPCo's short-term cost rate in the ECP. Please see CD enclosed with Item No. 32 for the excel file with formulas intact and unprotected.

The attachments to Item No. 34 provide the loan documents and lending agreements associated with the short-term debt.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Please provide (1) all data, work papers, and source documents, and calculations used in developing KPCo's long-term cost rate in the ECP; (2) all details, including calculations, amortization tables, and work sheets, related to the amounts for unamortized debt issuance balance and unamortized premium/discount and issuance expenses; and (3) details of the term loan and senior notes, including (a) issuance date, (b) debt amounts, (c) copies of lending agreements and provisions, (d) copies of all documentation that indicate the pricing and interest rate on the term loan and senior notes, and (e) all information available on underwriter, underwriting spread, SEC filings, loan placement documents, and/or other information and source documents; and (4) provide the data and work papers in (1) – (3), in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

RESPONSE

The attachment to the Company's response to AG Item No. 32 provides all work papers, source documents, and calculations used to develop KPCo's long-term cost rate in the ECP. Please see CD enclosed with Item No. 32 for the excel file with formulas intact and unprotected to the extent the information exists in that form.

Please see the attachments to this response for lending agreements, provisions, and other related documentation.

SEC Filings can be located on AEP.com at the following link:
http://www.aep.com/investors/financialfilingsandreports/secFilings.aspx

WITNESS: Lila P Munsey