

KENTUCKY POWER COMPANY  
 APPROACH: CORRELATION OF VALUES  
 TAX YEAR: 2014

PREPARED BY: THOMAS  
 DATE: 18-Aug-14  
 GNC = 5220

Taxpayer Representative(s): 0  
 Taxpayer Phone Number: (614) 716-2798  
 Taxpayer FAX Number: (866) 743-2288

Compliance Statutes and Penalty Statutes: KRS 131.082 KRS 131.130 KRS 131.150 KRS 131.180 KRS 132.200 KRS 136.150 KRS 136.180 KRS 136.900

<b>COST APPROACH</b>	
TRADITIONAL COST APPROACH - HCLD	2,056,373,218
<b>INCOME APPROACH</b>	
DIRECT CAPITALIZATION	1,708,282,598
<b>MARKET APPROACH:</b>	
STOCK & DEBT	1,909,501,793
SALES APPROACH	0
<b>CORRELATED UNIT VALUE</b>	<b>1,862,200,000</b>

KENTUCKY ALLOCATION FACTOR	73.7856%
KENTUCKY ALLOCATED VALUE	<u>1,374,035,443</u>

LESS: Motor Vehicles & Apport Vehicles at KY Assessed Values	4,657,542
LESS: Railroad Car Lines at KY Assessed Values	0
LESS: Operating Leased Property - Locally Assessed KY Values	0
LESS: KY IRB Property-(Real/Tangible-Nontaxable)	0

<b>KENTUCKY NonOperating &amp; NonRegulated Property</b>	
PLUS: Real Estate @ Mkt	0
PLUS: Tangible Property @ Mkt	0
PLUS: Man. Mach. Property @ Mkt	0
PLUS: Business Inventory @ Mkt	0

KENTUCKY ASSESSMENT TO SPREAD	<u>1,369,377,901</u>
<b>TOTAL KENTUCKY ASSESSMENT</b>	<u><b>1,369,377,901</b></u>

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 KENTUCKY ALLOCATION FACTOR  
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KENTUCKY ALLOCATION FACTOR

PROPERTY FACTORS

	KENTUCKY UNIT	TOTAL SYSTEM	
GROSS BOOK PROPERTY	1,950,018,557	2,978,445,150	65.4710%

Average Property Factor

65.4710%

BUSINESS FACTORS

	SCHEDULE A KENTUCKY UNIT	TOTAL SYSTEM	
GROSS OPERATING REVENUE	547,388,530	666,732,105	82.1002%

Average Business Factor

82.1002%

<b>OVERALL KENTUCKY ALLOCATION FACTOR</b>	<b>73.7856%</b>
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KENTUCKY POWER COMPANY  
 APPROACH: HISTORIC COST LESS DEPRECIATION (HCLD)  
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Page 1 of 1

SYSTEM WIDE PROPERTY	COMPANY BOOK VALUES	
<b>Operating Hard Assets In Service</b>		
(310-399) Operated Plant in Service	2,611,543,230	
(310-399) Asset Retirement Obligations	16,489,740	
(352.3) NonRecoverable Gas	0	
(101.1) Property Under Capital Lease	4,409,682	
(102) Electric Plant Purchased or Sold	0	
(103 & 103.1) Electric Plant Unclassified	0	
(105) Property Held for Future Use	7,405,959	
(106) Completed Construction Not Classified	71,803,255	
(107) CWIP-Real	5,157,407	
(107) CWIP-Personal	29,378,817	
(107) CWIP-Manf. Mach.	94,082,524	
(114) Electric Plant Acquisition Adjustment	0	
(116) Other Electric Plant Adjustment	0	
(117) Gas Stored Underground - Noncurrent	0	
(118) Other Utility Plant	0	
(121) NonUtility Plant	995,120	
(151) Fuel Stock	88,640,523	
(152) Fuel Stock Expenses Undistributed	3,672,774	
(153) Residuals & Extracted Products	0	
(154) Plant Materials & Supplies	23,174,329	
(155) Merchandise	0	
(156) Other Materials & Supplies	0	
(163) Stores Expense Undistributed	0	
(164.1) Gas Stored Underground - Current Bus. Inventory	0	
(164.2) Liquefied Gas Stored & Held for Processing	0	
(164.3) Liquefied Gas Stored & Held for Processing	0	
(185) Temporary Facilities	0	
Contribution in Aid of Construction	0	
AFUDC	0	
Other: Operating Property Not on Books	0	
IRB Property (real/tangible: taxable & nontaxable portions)	0	
Other Misc. Assets, NET	0	
Computer Software(Same as FERC Account 303-Misc. Intangible Plant	15,737,270	
Operating Leased Property-Real @ Mkt.	824,818	
Operating Leased Property-Tangible @ Mkt.	5,148,804	
Operating Leased Property-Motor Vehicle @ Mkt.	0	
Operating Leased Property-Railroad Cars @ Mkt.	0	
<b>Total Company Operating Hard Assets - GROSS</b>	<b>\$ 2,978,445,150</b>	
<b>LESS: Accumulated Depreciation &amp; Amortization</b>		
(108, 110, 111, 116, 119, 121 & 122) Accumulated Depreciation &	961,254,300	
Misc. Physical Property Amortization	0	
IRB Property (real/tangible: taxable & nontaxable portions), Acc. I	0	
<b>Total Depreciation</b>	<b>\$ 961,254,300</b>	
<b>Total Company Operating Hard Assets - NET</b>	<b>\$ 2,017,190,850</b>	
<b>Operating Intangible Assets In Service</b>		
Cash Working Capital (see calculation page)	14,007,039	
(301) Organization	0	
(302) Franchises and Consents	52,819	
(303) Miscellaneous Intangible Plant	0	
(175 & 176) Derivative Instrument Assets NET	4,356,386	
(158.1 & 158.2) Allowance Inventory NET	20,766,022	
Permits, Contracts, Copyrights, Licenses, Trademarks, Patents	0	
Customer Base, Intellectual Property, other intangible assets	0	
Goodwill	0	
<b>Total Company Operating Intangible Assets - GROSS</b>	<b>\$ 39,182,366</b>	
<b>Less: Accumulated Depreciation &amp; Amortization</b>		
Organizational Cost Amortization	0	
Goodwill Amortization	0	
Other Intangible Amortization	0	
<b>Total Depreciation</b>	<b>\$ -</b>	
<b>Total Company Operating Intangible Assets - NET</b>	<b>\$ 39,182,366</b>	
<b>VALUE AS INDICATED BY COST APPROACH</b>	<b>\$ 2,056,373,216</b>	

KENTUCKY POWER COMPANY  
 APPROACH: INCOME  
 TAX YEAR: 2014

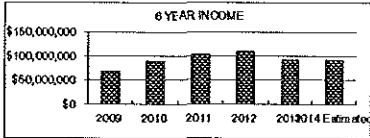
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Page 1 of 2

2014 Estimated Pretax Operating Income	92,500,000
Effective Tax rate	40.00%
Estimated Net Operating Income	65,500,000
Plus: Depreciation and Amortization Expense	57,444,221
Plus: Op Lease Rentals After Income Tax	827,400
Operating Cash Flow from Operations after Taxes	113,771,621
Capitalization Rate	6.66%
Capitalized Value	1,708,282,598

UNIT VALUE AS INDICATED BY INCOME APPROACH 1,708,282,598

NORMALIZED PRETAX INCOME: (EBIT)	AMOUNT	%CHANGE
2009	\$68,924,253	
2010	\$89,603,740	30.00%
2011	\$103,069,777	15.03%
2012	\$110,478,164	7.19%
2013	\$92,514,387	-16.28%
2014 Estimated	\$ 92,500,000	-0.02% <i>Projected</i>



Estimated Pretax Earnings 92,500,000

NORMALIZED NOI AFTER INCOME ADJUSTMENTS

5 YEARS EARNINGS RECORD YEAR ENDING DECEMBER 31,	REPORTED NOI BEFORE TAX	PLUS ONE-TIME CHARGES BEFORE TAX	PLUS/MINUS MISC OPER INC BEFORE TAX	NORMALIZED PRETAX NOI	%INC(DEC)
2008 Net Operating Income, before taxes & interest:	69,503,235	0	0	69,503,235	
2009 Net Operating Income, before taxes & interest:	68,924,253	0	0	68,924,253	-0.8300%
2010 Net Operating Income, before taxes & interest:	89,603,740	0	0	89,603,740	30.0000%
2011 Net Operating Income, before taxes & interest:	103,069,777	0	0	103,069,777	15.0300%
2012 Net Operating Income, before taxes & interest:	110,478,164	0	0	110,478,164	7.1900%
2013 Net Operating Income, before taxes & interest:	92,514,387	0	0	92,514,387	-16.2600%
3 Year Average	102,020,776	0	0	102,020,776	1.9867%
5 Year Average	92,918,064	0	0	92,918,064	7.0260%



KENTUCKY POWER COMPANY  
 APPROACH: STOCK & DEBT  
 TAX YEAR: 2014

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Common shares outstanding (per Annual Report) **487,777,372**

Price per share

High Price per Year	51.60	
Low Price per Year	41.83	46.72
High Price per Last Qtr	48.40	
Low Price per Last Qtr	43.01	45.71

Common Stock Value of Parent **22,296,303,674**

	Face Value	Market Value
Mand. Redeem. Preferred Stock Series	0	0
Preferred Stock Series	0	0
Without Mand. Redeem. Preferred Stock	0	0

**Total Stock Value of Parent 22,296,303,674**

* Company's Percent of Parent's Capital Stock	COMPANY	PARENT	PERCENT
Gross Income	666,591,378	15,357,000,000	4.34%
Operating Net Income Before Inc Taxes & Interest	92,514,387	2,855,000,000	3.24%
Gross Book (Excluding Op Leased Property)	2,972,471,030	61,708,000,000	4.82%
Total Assets (Excluding Op Leased Property)	2,382,317,124	56,414,000,000	4.22%
Average			4.16%

Company's Percent (if portion of parent company)\* **4.16%**

**Company's Value of Equity 927,526,233**

ADD	FACE VALUE	MARKET VALUE
Long Term Debt (per H):	0	0
Other Long Term Debt:	750,000,000	841,594,000
Current Liabilities (Less Cur LT Maturities):	136,999,045	136,999,045
Capital Lease Obligations:	3,420,143	3,420,143
Pension Liability & Damages:	4,836,308	4,836,308
Other:	22,631,043	22,631,043
Operating Lease Property @ Mkt	NA	5,974,120
<b>Total Company's Debt Obligations:</b>		<b>992,823,616</b>

**COMPANY'S GROSS STOCK & DEBT 1,920,349,849**

Less: Company's NonOperating / NonUtility Assets **10,848,056**

**COMPANY'S NET STOCK & DEBT 1,909,501,793**

KENTUCKY POWER COMPANY  
 NONOPERATING & NONUTILITY ASSETS  
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Page 1 of 1

TOTAL OPERATING & NONOP SYSTEM ASSETS:	2,382,317,124	
TOTAL SYSTEM OPERATING LEASED ASSETS:	5,974,120	
<b>GRAND TOTAL SYSTEM NET ASSETS</b>		<b>2,388,291,244</b>
<b>NONUTILITY / NONOPERATING ASSETS:</b>		
TEMPORARY CASH INVESTMENTS	0	
SPECIAL FUNDS	0	
NONUTILITY & NONOPERATING PROPERTY	995,120	
RECEIVABLES FROM AFFILIATED COMPANIES	8,914,645	
INVESTMENTS & ADVANCES AFFILIATED COMPANIES	0	
OTHER INVESTMENTS & ADVANCES	4,777,440	
OTHER	0	
<b>TOTAL</b>		<b>14,687,205</b>
<b>Nonutility / Nonoperating Asset %:</b>		<b>0.6150%</b>

<b>NONOPERATING / NONUTILITY INCOME PERCENTAGE:</b>		
UTILITY GROSS INCOME	666,591,378	
NONUTILITY / NONOPERATING GROSS INCOME	3,449,483	0.5148%
<b>TOTAL SYSTEM GROSS INCOME</b>	<b>670,040,861</b>	
UTILITY NET OPERATING INCOME before income taxes	92,514,387	
NONUTILITY / NONOPERATING NET INCOME before income tax	(21,724,980)	0.0000%
<b>TOTAL SYSTEM NET INCOME before Income taxes</b>	<b>70,789,407</b>	
<b>Nonutility / Nonoperating Asset %:</b>		<b>0.5148%</b>

<b>AVERAGE NONOPERATING PERCENTAGE=</b>	<b>0.5649%</b>
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