



STATE OF WEST VIRGINIA
Department of Revenue
State Tax Department

Earl Ray Tomblin
Governor

Mark W. Matkovich
State Tax Commissioner

SEPTEMBER 12, 2014

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

PURSUANT TO PROVISIONS OF CHAPTER 11, ARTICLE 6, SECTION 9 OF THE WEST VIRGINIA CODE, AS AMENDED, AND REENACTED BY HOUSE BILL NO. 1439 BY THE WEST VIRGINIA LEGISLATURE, REGULAR SESSION, 1986, I HAVE PLACED THE FOLLOWING TENTATIVE ASSESSMENT ON YOUR PROPERTY FOR TAX YEAR 2015.

CLASS III & IV

\$151,794,000

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

GIVEN UNDER MY HAND THIS 12TH DAY OF SEPTEMBER, 2014.

MARK W. MATKOVICH
STATE TAX COMMISSIONER

STATE TAX DEPARTMENT	28-Aug-14
PROPERTY TAX DIVISION	
SPECIAL PROPERTIES SECTION	VALUATION BASED ON OPERATIONS OF
VALUATION FOR TAX YEAR 2015	CALENDAR YEAR 2013
COMPANY NAME: KENTUCKY POWER COMPANY	

COST APPROACH	SYSTEM	W. V.	WV ALLOCATION
PLANT IN SERVICE	2,710,952,317	908,706,941	
MATERIALS & SUPPLIES	113,875,233	42,940,738	
SUB-TOTAL	2,824,827,550	951,647,679	
LESS:			
POLLUTION CONTROL FACILITIES	0	607,130,525	603,130,525
LOCALLY ASSESSED PROPERTY	0	0	
SUB-TOTAL	2,824,827,550	344,517,154	12.1960%
LESS:			
DEPRECIATION	964,686,058	310,248,945	
PLUS:			
DEPRECIATION ON LOCALLY ASSESSED	0	0	
DEPRECIATION ON POLLUTION CONTROL	0	178,207,420	178,207,420
SUB-TOTAL	1,860,141,492	212,475,629	11.4226%
LESS:			
OBSOLESCENCE	0		
COST VALUE	1,860,141,492		
		AVERAGE	11.8093%

INCOME APPROACH						
NET PLANT	2013	1,746,266,259		TRENDED PRCT.	2013	1.000000
NET PLANT	2012	1,134,914,477		TRENDED PRCT.	2012	1.538677
OPERATING REVENUE	2013	666,591,378				
OPERATING EXPENSE	2013	577,001,741	33,000,000			
NET OPERATING INCOME	2013	89,589,637				
NET OPERATING INCOME	2013	89,589,637		TRENDED NET INC.	2013	89,589,637
NET OPERATING INCOME	2012	86,670,862		TRENDED NET INC.	2012	133,358,462
AVERAGE INCOME		88,130,250				111,474,050

BAND OF INVESTMENT CAP RATES	
COMMON	839,369,490
PREFERRED	0
SHORT TERM DEBT	10,911,000
LONG TERM DEBT	749,388,675
TOTAL	1,599,669,165
EQUITY RATE	10.25%
PREFERRED RATE	6.25%
SHORT TERM DEBT	3.25%
LONG TERM DEBT RATE	4.50%
CAPITALIZATION RATE	7.51%

INCOME TO CAPITALIZE	120,000,000
CAPITALIZATION RATE	7.51%
CAPITALIZED INCOME	1,597,869,507
LESS:	
WORKING CAPITAL	14,493,361
NET CAPITALIZED INCOME	1,583,376,146

STATE TAX DEPARTMENT
 PROPERTY TAX DIVISION
 SPECIAL PROPERTIES SECTION
 VALUATION FOR TAX YEAR 2015
 VALUATION BASED ON OPERATIONS OF
 CALENDAR YEAR 2013

28-Aug-14

COMPANY NAME: KENTUCKY POWER COMPANY

STOCK & DEBT APPROACH:

STOCK VALUE

PREFERRED

LONG -TERM DEBT

CURRENT LIABILITIES

GROSS STOCK & DEBT

LESS : NON-OPERATING PROPERTY @

STOCK & DEBT VALUE

N/A

STOCK VALUATION

OF SHARES AVERAGE PRICE VALUE

PARENT COMPANY STOCK VALUE

UTILITY STOCK %

UTILITY STOCK VALUE

NET EARNINGS P/E RATIO

UTILITY STOCK VALUE

SAY

LONG TERM DEBT VALUATION

MARKET VALUE OF DEBT - REPORTED

4.44%

841,594,000

INTEREST EXPENSE DEBT RATE

MARKET VALUE - CALCULATED

>15 YRS

33,920,000

5.25%

646,095,238

< 15 YRS

3,426,000

5.00%

68,520,000

TAX EXEMPT

0

4.75%

0

37,346,000

5.23%

714,615,238

SAY

4.50%

UTILITY STOCK - EARNINGS %

PARENT

UTILITY

PERCENTAGE

2013

SAY

NON-OPERATING %

NON-OPERATING

TOTAL

PERCENTAGE

INCOME INFLUENCE

COST INFLUENCE

SAY

STATE TAX DEPARTMENT
 PROPERTY TAX DIVISION
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 VALUATION FOR TAX YEAR 2015

28-Aug-14

VALUATION BASED ON OPERATIONS OF
 CALENDAR YEAR 2013

COMPANY NAME: KENTUCKY POWER COMPANY

CORRELATION

COST VALUE		1,860,141,492
INCOME VALUE		1,583,376,146
STOCK & DEBT VALUE		N/A
CORRELATED VALUE		1,800,000,000
WEST VIRGINIA ALLOCATION		11.8093%
WEST VIRGINIA VALUE		212,567,400
PLUS: TAXABLE CONSTRUCTION		10,066,023
OTHER		0
POLLUTION @ 5%	607,130,525	<u>30,356,526</u>
TOTAL ESTIMATED VALUE		252,989,950

WORKING CAPITAL

OPERATION AND MAINTENANCE EXPENSE		470,403,140
LESS: PURCHASED POWER		<u>296,482,810</u>
NET EXPENSES		173,920,330
1/12 NET EXPENSES		14,493,361
WORKING CAPITAL DEDUCTION		14,493,361

TAXABLE CONSTRUCTION

CONSTRUCTION WORK IN PROGRESS		75,252,819
LESS: POLLUTION CWIP		<u>48,939,739</u>
SUB TOTAL		26,313,080
MATERIALS & SUPPLIES FACTOR		35%
MATERIALS & SUPPLIES VALUE		9,209,578
PLUS: TAXABLE POLLUTION CWIP		856,445
TAXABLE CONSTRUCTION		10,066,023

	2015	151,794,000
ASSESSMENT		
	2014	N/A
ASSESSMENT		
	2013	N/A
ASSESSMENT		