

**AEP Generating Company
FERC Rate Schedule No. 2
Unit Power Service
to
Kentucky Power Company**

Tariff Submitter: AEP Generating Company
FERC Tariff Program Name: FPA Electric
Tariff Title: RS and SA
Tariff Record Proposed Effective Date: December 31, 2012
Tariff Record Title: Kentucky Power Company Unit Power Agreement
Option Code: A

UNIT POWER AGREEMENT

THIS AGREEMENT dated as of August 1, 1984 by and between KENTUCKY POWER COMPANY ("KEPCO") and AEP GENERATING COMPANY ("AEGCO").

WITNESSETH:

WHEREAS, AEGCO, a subsidiary company of American Electric Power Company, Inc. ("AEP") under the Public Utility Holding Company Act of 1935 (the "1935 Act"), is part owner of the Rockport Steam Electric Generating Plant presently under construction at a site along the Ohio River near the Town of Rockport, Indiana, which will consist of two 1,300,000-kilowatt fossil-fired steam electric generating units and associated equipment and facilities (the "Rockport Plant"), the first unit ("Unit No. 1") of which is presently expected to be placed in commercial operation on or about December 1, 1984 and the second unit ("Unit No. 2") of which is presently expected to be placed in commercial operation in 1988; and

WHEREAS, AEGCO entered into an Owners' Agreement, dated March 31, 1982, as amended, (the "Owners' Agreement"), with Indiana & Michigan Electric Company ("IMECO") and KEPCO, other subsidiary companies of AEP under the 1935 Act, pursuant to which AEGCO and KEPCO planned to acquire 35% and 15% undivided ownership interests from IMECO respectively, as tenants in common without right of partition, in the Rockport Plant which, upon completion of the construction of Unit No. 1, is thereafter to be operated as a part of the interconnected, integrated electric system comprising the American Electric Power System (the "AEP System"); and

WHEREAS, the Owners' Agreement, as amended, provides that if KEPCO is unable to obtain timely regulatory approval to acquire and directly own its intended 15% ownership interest in the Rockport Plant by the date test power and energy becomes available from Unit No. 1, which is anticipated to occur not earlier than September 1, 1984, or, if such regulatory approval is limited or restricted in any manner as to make performance by KEPCO impossible, impractical or uneconomic, then, AEGCO may and proposes to acquire the 15% undivided ownership interest intended for KEPCO; and

WHEREAS, if AEGCO acquires the 15% undivided ownership interest intended for KEPCO then AEGCO proposes, upon completion of the construction of Unit No. 1 and the completion thereafter of the construction of Unit No. 2, to make available to KEPCO, pursuant to this agreement, 30% of the available power (and the energy associated therewith) to which AEGCO shall from time to time be entitled at the Rockport Plant, which amount is equivalent to the 15% ownership interest intended for KEPCO; and

WHEREAS, IMECO proposes to complete the construction of the Rockport Plant pursuant to the provisions of the Owners' Agreement, as amended, and, upon completion of such construction, to operate the Rockport Plant pursuant to an operating agreement entered into by IMECO, AEGCO and KEPCO in accordance with the Owners' Agreement;

NOW, THEREFORE, in consideration of the terms and of the agreements hereinafter set forth, the parties hereto agree with each other that if AEGCO acquires the 15% undivided ownership interest intended for KEPCO then:

1.1 AEGCO shall, subject to the provisions and upon compliance with the then applicable requirements of Section 2.1 of this agreement, make available, or cause to be made available, to KEPCO 30% of the power (and the energy associated therewith) which shall be available to AEGCO at the Rockport Plant.

1.2 KEPCO shall, subject to the provisions and upon compliance with the then applicable requirements of Section 2.2 of this agreement, be entitled to receive 30% of the power (and the energy associated therewith) which shall be available to AEGCO at the Rockport Plant and KEPCO agrees to pay to AEGCO in consideration for the right to receive that 30% of the power (and the energy associated therewith) available to AEGCO at the Rockport Plant those amounts which IMECO would have paid AEGCO under the terms of the IMECO-AEGCO Unit Power Agreement, for KEPCO's entitlement as defined in this agreement. KEPCO shall commence the payment of such amounts to AEGCO on the earlier of the following dates: (i) June 30, 1985 and, (ii) the date of commercial operation of Rockport Unit No. 1.

2.1 The performance of the obligations of AEGCO hereunder shall be subject to the receipt and continued effectiveness of all authorizations of governmental regulatory authorities at the time necessary to permit AEGCO to perform its duties and obligations hereunder, including the receipt and continued effectiveness of all authorizations by governmental regulatory authorities at the time necessary to permit the completion by IMECO of the construction of the Rockport Plant, the operation of the Rockport Plant, and for AEGCO to make available to KEPCO 30% of the power (and the energy associated therewith) available to AEGCO at the Rockport Plant. AEGCO shall use its best efforts to secure and maintain all such authorizations by governmental regulatory authorities.

2.2 The performance of the obligations of KEPCO hereunder shall be subject to the receipt and continued effectiveness of all authorizations of governmental regulatory authorities necessary at the time to permit KEPCO to perform its duties and obligations hereunder, including the receipt and continued effectiveness of all authorizations by governmental regulatory authorities necessary at the time to permit KEPCO to pay to AEGCO in consideration for the right to receive 30% of the power (and the energy associated therewith) available to AEGCO at the Rockport Plant the charges provided for in Section 1.2 of this agreement. KEPCO shall use its best efforts to secure and maintain all such authorizations by governmental regulatory authorities. KEPCO shall, to the extent permitted by law, be obligated to perform its duties and obligations hereunder, subject to then applicable provisions of this Section 2.2, (a) whether or not AEGCO shall have received all authorizations of governmental regulatory authorities necessary to permit AEGCO to perform its duties and obligations hereunder, (b) whether or not such authorizations, or any such authorization, shall at any time in question be in effect, and (c) so long as AEGCO and KEPCO shall continue to be subsidiary companies of AEP (as said term is defined in Section 2(a)(8) of the 1935 Act) or a successor thereto, whether or not, at any time in question, KEPCO shall have performed its duties and obligations under this agreement. In the event that either AEGCO or KEPCO shall cease to be such a subsidiary company, then and thereafter KEPCO shall not be relieved of its obligation to make payments

pursuant to Section 1.2 of this agreement by reason of the failure of AEGCO to perform its duties and obligations hereunder occasioned by Act of God, fire, flood, explosion, strike, civil or military authority, insurrection, riot, act of the elements, failure of equipment, or for any other cause beyond the control of AEGCO; provided that, in any such event, AEGCO shall use its best efforts to put itself in a position where it can perform its duties and obligations hereunder as soon as is reasonably practicable.

3. To the extent that it may legally do so, KEPCO and AEGCO each hereby irrevocably waives any defense based on the adequacy of a remedy at law which may be asserted as a bar to the remedy of specific performance in any action brought against it for specific performance of this agreement by KEPCO, by AEGCO, or by a trustee under any mortgage or other debt instrument which KEPCO or AEGCO may, subject to requisite regulatory authority, enter into, or by any receiver or trustee appointed for KEPCO or AEGCO under the bankruptcy or insolvency laws of any jurisdiction to which KEPCO or AEGCO is or may be subject; provided, however, that nothing herein contained shall be deemed to constitute a representation or warranty by KEPCO or AEGCO that the respective obligations of KEPCO or AEGCO under this agreement are, as a matter of law, subject to the equitable remedy of specific performance.

4. KEPCO shall not be entitled to set off against any payment required to be made by KEPCO under this agreement (i) any amounts owed by AEGCO to KEPCO or (ii) the amount of any claim by KEPCO against AEGCO. The foregoing, however, shall not affect in any other way the rights and remedies of KEPCO with respect to any such amounts owed to KEPCO by AEGCO or any such claim by KEPCO against AEGCO.

5. The invalidity and unenforceability of any provision of this agreement shall not affect the remaining provisions hereof.

6. This agreement shall become effective with the date of commercial operation of Rockport Unit No. 1 and shall continue in effect through December 7, 2022.

7. This agreement shall be binding upon the parties hereto and their successors and assigns, but no assignment hereof, or of any right to any funds due or to become due under this agreement, shall in any event relieve either KEPCO or AEGCO of any of their respective obligations hereunder, or, in the case of KEPCO, reduce to any extent its entitlement to receive 30% of the power (and the energy associated therewith) available to AEGCO from time to time at the Rockport Plant.

8. The agreements herein set forth have been made for the benefit of KEPCO and AEGCO and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this agreement.

9. KEPCO and AEGCO may, subject to the provisions of this agreement, enter into a further agreement or agreements between KEPCO and AEGCO setting forth detailed terms and provisions relating to the performance by KEPCO and AEGCO of their respective obligations under this agreement. No agreement entered into under this Section 9 shall, however, alter to any substantive degree the obligations of either party to this agreement in any manner inconsistent with any of the foregoing sections of this agreement.

10. **KEPCO shall, at any time and from time to time, be entitled to assign all of its right, title and interest in and to all of the power (and the energy associated therewith) to which KEPCO shall be entitled under this agreement, but KEPCO shall not, by such assignment, be relieved of any of its obligations and duties under this agreement except through the payment to AEGCO, by or on behalf of KEPCO, of the amount or amounts which KEPCO shall be obligated to pay pursuant to the terms of this agreement.**

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed as of the day and year first above written.

AEP Generating Company

By _____

Vice President

KENTUCKY POWER COMPANY

By _____

President

RATE DESIGN

The total revenue requirement of AEGCO calculated pursuant to the IMECO-AEGCO Unit Power Agreement designated AEGCO FERC Rate Schedule No. 1 is designed to recover for AEGCO its total cost of providing power (and the energy associated therewith) available to AEGCO at the Rockport Plant.

DETERMINATION OF POWER BILL

In accordance with Section 1.3 of the Unit Power Agreement, I&M agrees to pay AEGCO in consideration for the right to receive all power (and the energy associated therewith) available to AEGCO at the Rockport Plant, as a demand charge for the right to receive such power (and as an energy charge for any associated energy taken by I&M), such amounts, less any amounts recovered by AEGCO from other sources, as shall be determined monthly as described below. Such amounts shall be calculated separately for Unit No. 1 (including Common Facilities) and for Unit No. 2. I&M shall then commence the payment of such amounts (power bill) on the earlier of the following dates: (i) June 30, 1985 and (ii) the date on which power including any test power, and any energy associated therewith, shall become available to AEGCO at the Rockport Plant.

The power bill for Unit No. 1 (including Common Facilities) shall be calculated each month and shall reflect recovery only of those costs related to the plant in service. It shall consist of the sum of (a) a return on common equity, (b) a return on other capital, (c) recovery of operating expenses and (d) provision for federal income taxes as described below and as illustrated in the example attached.

(a) Return on Common Equity, which shall be equal to the product of (i) the amount of common equity outstanding at the end of the previous month, but not more than 40% of the capitalization of AEGCO at the end of the previous month; (ii) 1.0133 (12.16% annual rate) as described in Note 1 below; (iii) the Operating Ratio, as defined in Note 2 below; and (iv) the Unit No. 1 Net In-Service Investment Ratio, as defined in Note 3 below, plus the product of (v) the amount of common equity in excess of 40% of the capitalization of AEGCO at the end of the previous month, if any such excess shall be determined; (vi) the weighted cost of debt outstanding at the end of the previous month; (vii) the Operating Ratio, as defined in Note 2 below; and (viii) the Unit No. 1 Net In-Service Investment Ratio, as defined in Note 3 below.

For the purposes of these calculations, the amount of common equity shall be equal to the sum of the Common Stock (Accounts 201-203, 209, 210, 212, 214 and 217), Other Paid-In Capital (Accounts 207, 208, 211 and 213), and Retained Earnings (Accounts 215-216) outstanding at the end of the previous month. Total capitalization shall be equal to the sum of Long-term Debt (Accounts 221-226 including current maturities and unamortized debt premium and discounts), Short-Term Debt (Accounts 231 and 233), Preferred Stock (Accounts 204-206), and Common Equity less any Temporary Cash Investments, Special

Deposits and Working Funds (Accounts 132-134, 136, and 145) outstanding at the end of the previous month.

(b) Return on Other Capital, which shall be equal to the product of (i) the amount equal to the net interest expense associated with Long-Term and Short-Term Debt, net of any Temporary Cash Investments, Special Deposits and Working Funds, plus the preferred stock dividend requirement associated with the Preferred Stock outstanding at the end of the previous month; (ii) the Operating Ratio, as defined in Note 2 below; and (iii) the Unit No. 1 Net In-Service Investment Ratio, as defined in Note 3 below.

For the purposes of these calculations, net interest expense shall be equal to the sum of (i) the amount of Long-Term Debt outstanding at the end of the previous month multiplied by the weighted cost of such Long-Term Debt and (ii) the amount of Short-Term Debt outstanding at the end of the previous month multiplied by the weighted cost of such Short-Term Debt, less (iii) the amount of Temporary Cash Investments, Special Deposits and Working Funds outstanding at the end of the previous month multiplied by the weighted cost of Long Term and Short-Term Debt combined determined pursuant to (i) and (ii) above.

(c) Recovery of Operating Expenses, excluding federal income taxes, which shall consist of provision for depreciation and amortization (Accounts 403-407, 411), including Asset Retirement Obligation (ARO) depreciation and accretion expenses (Accounts 403.1 and 411.10), taxes other than federal income taxes (Accounts 408-411) and operating and maintenance expenses associated with Unit No. 1 (including Common Facilities) offset by other operating revenues as recorded on the Company's books during the month in accordance with the FERC Uniform System of Accounts for Major Electric Utilities (See Note 6). Recovery of expenses for test energy shall be limited to recovery of actual fuel expense as recorded on the Company's books during the month in accordance with the FERC Uniform System of Accounts for Major Electric Utilities. Operating and maintenance expenses shall include, and reflect the recovery of, Steam Power Generation Expenses (Accounts 500-515 including lease rental payments recorded in Account 507), Other Power Supply Expenses (Accounts 555-557), Transmission Expenses (Accounts 560-574), Distribution Expenses (Accounts 580-598), Customer Accounts Expenses (Accounts 901-905), Customer Service and Informational Expenses (Accounts 906-910), Sales Expenses (Accounts 911-917) and Administrative and General Expenses (Accounts 920-933 and 935). Recovery of 501 fuel expenses shall be adjusted to reflect the deferral and/or feedback of unrecovered levelized fuel expenses as may be recorded on the Company's books or as is currently recorded on the books of I&M.

(d) Provision for Unit No. 1's (including Common Facilities) allocated share of net current and deferred federal income tax expense and investment tax credit included in operating income as determined by the Company in accordance with federal income tax law, SEC approved consolidated current tax allocation procedures, and FERC rules and regulations.

For purposes of computing federal income taxes, the interest expense deduction shall be equal to the sum of the net interest expense computed in accordance with paragraph (b)

above plus the imputed interest expense associated with common equity that is in excess of 40% of AEGCO's net capitalization.

The power bill for Unit No. 2 shall be calculated in the same manner as described for Unit No. 1 above except that it shall reflect the Unit No. 2 Net In-Service Investment Ratio and those expenses associated with Unit No. 2.

Notes:

1. Return on Equity

The return on common equity allowance shall be based upon a rate of return of 12.16% as set forth in sub-paragraph (a) above.

In October of 1988, and every October thereafter for the effective duration of AEGCO's formula rate, any purchaser under AEGCO's two unit power agreements, any state regulatory commission having jurisdiction over the retail rates of purchasers under these agreements, or any other entity representing customers' interest, may file a complaint with the Commission with respect to the specified rate of return on common equity. If the Commission, in response to such a complaint, or on its own motion, institutes an investigation into the reasonableness of the specified return on common equity, such investigation shall be pursued under the special procedures set forth as follows:

- A. The only issue to be addressed under these special procedures shall be the continued collection of the return on equity as incorporated in the formula rate; and
- B. Refund will be due, should the return on equity, specified in the formula be found not just and reasonable, dating from the first day of January immediately following the date the complaint is filed or an investigation is instituted by the Commission on its own motion, calculated on the resulting difference in rates due to the application of the return found to be just and reasonable and the return stated in the formula. The first such effective date for the calculation of refunds shall be January 1, 1989.

Any other complaint which challenges the justness and reasonableness of any other component of the filed formula rate or any other complaint filed at any other time which challenges the justness and reasonableness of the specified rate of return on common equity and which is set for investigation by the Commission shall be pursued under Section 206 of the Federal Power Act.

2. Operating Ratio

The Operating Ratio shall be computed each month commencing with the month in which Unit No. 1 at the Plant is placed in commercial operation. It shall be based on the balances, as recorded on the Company's books in accordance with the FERC Uniform

System of Accounts for Major Electric Utilities, outstanding at the end of the previous month and shall be derived by dividing (a) the amount of Electric Plant In Service (Account 101 including amounts associated with leasehold improvements but excluding amounts associated with capitalized leased assets and excluding amounts associated with Asset Retirement Obligations); less Accumulated Provision for Depreciation and Amortization (Accounts 108 and 111 but excluding amounts associated with Asset Retirement Obligations); plus Plant Held for Future Use (Account 105 pursuant to the provisions of Note 4.D. below); Materials and Supplies (Accounts 151-156 and 163 as adjusted pursuant to the provisions of Note 4.C. below); Other Deferred Debits (Account 186 pursuant to the provisions of Note 4.D. below); Prepayments (Account 165); Deferred Ash pond cost (Account 182.3); other working capital (Accounts 128, 131, 135, 143, 146, 171 and 174 less Accounts 232-234, 236, 237, 238, 241 and 242); and Unamortized Debt Expense (Account 181), less Other Deferred Credits (Account 253 including the unamortized gain on the sale of Rockport Unit No. 2); less Asset Retirement Obligation (Account 230); less Accumulated Deferred Federal Income Taxes (Accounts 190 and 281-283) and Accumulated Deferred Investment Tax Credit (Account 255) related to the plant in service by (b) the sum of (i) the amount determined pursuant to (a) plus (ii) the amount of Construction Work In Progress (Account 707) plus Materials and Supplies (Accounts 151-156 and 163), less Accumulated Deferred Federal Income Taxes related to the construction work in progress plus (iii) Plant Held for Future Use (Account 105), Other Deferred Debits (Account 186) and the amount of fuel inventory over the allowed level (Account 151.10) not otherwise included in (a) above.

3. Net In-Service Investment Ratio

The Unit No. 1 Net In-Service Investment Ratio shall be equal to 1.0 during the period commencing with the month in which Unit No. 1 at the Plant is placed in commercial operation and shall remain at 1.0 up to, but not including, the month in which Unit No. 2 at the Plant is placed in commercial operation. Thereafter, the Net In-Service Investment Ratio shall be computed each month, based on the balances, as recorded on the Company's books in accordance with the FERC Uniform System of Accounts for Major Electric Utilities, outstanding at the end of the previous month and shall be derived as follows:

- A. Unit No. 1 Net In-Service Investment Ratio shall be derived by dividing (a) the Net In-Service Investment associated with Unit No. 1 and Common Facilities by (b) the sum of the Net In-Service Investment associated with Unit No. 1 and Common Facilities plus the Net In-Service Investment associated with Unit No. 2.
- B. Unit No. 2 Net In-Service Investment Ratio shall be derived by dividing (a) the Net In-Service Investment associated with Unit No. 2 by (b) the sum of the Net In-Service Investment associated with the Unit No. 1 and Common Facilities plus the Net In-Service Investment associated with Unit No. 2.

4. Net In-Service Investment

The Net In-Service Investment shall be computed each month commencing with the month in which Unit No. 2 at the Plant is placed in commercial operation. It shall be based on the balances, as recorded on the Company's books in accordance with the FERC Uniform System of Accounts for Major Electric Utilities, outstanding at the end of the previous month and shall consist of the following:

- A. Unit No. 1 Net In-Service Investment shall consist of the sum of Electric Plant in Service (Account 101 including amounts associated with leasehold improvements but excluding amounts associated with capitalized leased assets and excluding amounts associated with Asset Retirement Obligations), Plant Held for Future Use (Account 105 pursuant to the provisions of Note 4.D. below), Materials and Supplies (Accounts 151-156 and 163 pursuant to the provisions of Note 4.C. below), and Prepayments (Account 165), Deferred Ash pond cost (Account 182.3), Other Deferred Debits (Account 186 pursuant to the provisions of Note 4.D. below), other working capital (Accounts 128, 131, 135, 143, 146, 171 and 174 less Accounts 232-234, 236, 237, 238, 241 and 242), and Unamortized Debt Expense (Account 181), less Other Deferred Credits (Account 253), less Asset Retirement Obligation (Account 230), less Accumulated Provision for Depreciation and Amortization (Accounts 108 and 111), Accumulated Deferred Federal Income Taxes (Accounts 190 and 281-283) and Accumulated Deferred Investment Tax Credit (Account 255) related to such Unit No. 1 and Common Facilities in-service investment.

- B. Unit No. 2 Net In-Service Investment shall consist of the sum of Electric Plant in Service (Account 101 including amounts associated with leasehold improvements but excluding amounts associated with capitalized leased assets and excluding amounts associated with Asset Retirement Obligations), Plant Held for Future Use (Account 105 pursuant to the provisions of Note 4.D. below), Materials and Supplies (Accounts 151-156 and 163 pursuant to the provisions of Note 4.C. below), Prepayments (Account 165), Deferred Ash pond cost (Account 182.3), Other Deferred Debits (Account 186 pursuant to the provisions of Note 4.D. below), other working capital (Accounts 128, 131, 135, 143, 146, 171 and 174 less Accounts 232-234, 236, 237, 238, 241 and 242), and Unamortized Debt Expense (Account 181), less Other Deferred Credits (Account 253 including the unamortized gain on the sale of Rockport Unit No.2), less Asset Retirement Obligation (Account 230), less Accumulated Provision for Depreciation and Amortization (Accounts 108 and 111), Accumulated Deferred Federal Income Taxes (Accounts 190 and 281-283) and Accumulated Deferred Investment Tax Credit (Account 255) related to the Unit No. 2 in-service investment.

C. AEGCO shall be permitted to earn a return on its fuel inventory, recorded in Account 151.10, not in excess of a 68-day coal supply as defined herein. To the extent AEGCO's actual fuel inventory exceeds the allowable 68-day level, the return on such excess shall be recorded in a memo account. When AEGCO's actual fuel inventory is less than the allowable 68-day level, AEGCO shall be permitted to recover the return previously unrecovered, but in no event shall the power bill reflect a return on fuel inventory in excess of 68-day supply.

A 68-day coal inventory level shall be determined for each unit annually, and shall be based upon the actual experienced daily burn during the preceding calendar year. The actual experienced daily burn shall be defined to exclude the effect of forced and scheduled outages as well as curtailments as follows:

For each unit:

$$\text{Actual experienced daily burn} = 24 \text{ hours} \frac{(\text{Tons burned per year})}{\text{Operating hours}}$$

Where:

Operating hours = Hours in year minus forced and scheduled outage hours
 minus curtailment equivalent outage hours

and

Curtailment equivalent outage hours = The product for each curtailment of:

$$\frac{\text{kW of curtailed capacity}}{\text{kW of rated capacity}} \times \text{Curtailment hours}$$

The value of the allowable 68-day coal supply used to determine each month's power bill shall be equal to the number of tons determined above multiplied by the cost per ton of coal in inventory at the end of the previous month.

For 1990, a 68-day coal supply for AEGCO's share of Rockport Unit No. 2 shall be based on 12 months ending December 1990 data. For 1990 billing purposes, however, a 68-day coal supply for AEGCO's share of Rockport Unit No.2 shall initially be assumed to be equal to the 68-day coal supply for AEGCO's share of Rockport Unit No. 1, adjusted to reflect the Btu content and the unit cost of the coal for Rockport Unit No. 2.

AEGCO shall maintain a cumulative record of the unrecovered return as well as the subsequent recovery of that return as follows:

- i) To the extent that AEGCO's actual fuel inventory exceeds the allowable 68-day coal supply, AEGCO shall record each month an amount equal to the sum of the unrecovered return on fuel inventory and the return on previously unrecovered amounts. The unrecovered return on fuel inventory shall be calculated each month by deriving the difference between the power bill that would result if full recovery were provided and the power bill that results with the 68-day limitation imposed. The return on previously unrecovered amounts shall be calculated by multiplying the cumulative return unrecovered at the end of the previous month by the capital costs used to derive the power bill, adjusted for federal income taxes.
 - ii) To the extent that AEGCO's fuel inventory is less than the allowable 68-day coal supply, AEGCO shall record each month an amount equal to the return on previously unrecovered amounts less the recovered return in excess of actual inventory levels. The return on previously unrecovered amounts shall be calculated as described in (i) above. The recovered return in excess of actual inventory levels shall be calculated by deriving the difference between the power bill that would result if actual inventory balances were used and the power bill that results with an imputed inventory level. In no event will the cumulative value of the unrecovered return be allowed to fall below zero.
- D. AEGCO shall be permitted to include as part of its Net In-Service Investment Numerator amounts subsequently recorded in Accounts 105 and 186 subject to the conditions set forth in the Offer of Settlement in FERC Docket No. ER84-579-000, et al.
- E. Other Special Funds (Account 128), Other Current and Accrued Assets (Accounts 131, 135, 143, 146, 171 and 174), Other Deferred Debits (Account 181), Other Current and Accrued Liabilities (Accounts 232-234, 236, 237, 238, 241 and 242), and Other Deferred Credits (Account 253) shall be directly assigned to unit No. 1 (including Common Facilities) or Unit No. 2 whenever possible. Whenever such direct assignment is not practical, such balances shall be allocated between the units in proportion to the net dependable capability of each of the units.
- F. To recognize that the lease rental expense will be collected monthly but that the lease payment will be paid semiannually, the lease rental payable balance will be reflected as a rate base reduction in calculating the operating ratio and the Unit 2 net-in-service investment ratio as a means to credit the Unit 2 customers for the time value of money.

5. Investment Balances

For the purpose of calculating the Operating Ratio and Net In-Service Investment Ratio, amounts shall reflect the balances, as recorded on the Company's book in accordance with the FERC Uniform System of Accounts for Major Electric Utilities, outstanding at the end of the previous month, except that when plant greater than or equal to 1% of the prior month ending plant value is transferred into service during the current month, such prior month balances shall be adjusted to reflect such transfers to service. Such adjustment shall be pro-rated for the number of days during the month that such plant addition was in-service.

6. Allocation of Expenses

Operating expenses shall be directly assigned to Unit No. 1 (including Common Facilities) or Unit No. 2 whenever possible. Whenever such direct assignment is not practical, such expenses shall be allocated between the units in accordance with the basis that gave rise to such expense.

AEGCO's operating and maintenance expenses shall include, and AEGCO shall be allowed recovery of, administrative and general expenses, related payroll taxes and other cost, allocated to AEGCO by I&M as operator of the Rockport Plant or incurred directly by AEGCO.

I&M shall allocate to AEGCO, a portion of I&M's administrative and general expenses charged to Accounts 920, 921, 922, 923, 924, 925, 926, 931 and 935; related payroll taxes charge to Account 408; and a portion of the expenses of the Rockport Information Center charged to Accounts 506, 511 and 514 that generally relate to Rockport Plant operations. Such charges shall be allocated to AEGCO on the basis of the ratio of AEGCO's share of the Rockport Plant operation and maintenance wages and salaries, divided by the sum of total Rockport Plant operations and maintenance wages and salaries, plus all other I&M operation and maintenance wages and salaries, less I&M's administrative and general wages and salaries. For the period beginning December 10, 1984 and ending December 31, 1985 this ratio will be developed based on actual 1985 amounts. In subsequent calendar years, this ratio will be adjusted annually based on the prior calendar year's amounts.

AEGCO's operation and maintenance expenses shall also include, and AEGCO shall be allowed recovery of, other administrative and general expenses directly incurred by AEGCO and included in the appropriate administrative and general expense accounts.

BILLINGS AND PAYMENTS

All bills for amounts owing hereunder shall be due and payable on the fifteenth day of the month next following the month or other period to which such bills are applicable, or on the tenth day following receipt of the bill, whichever date is later. Interest on unpaid amounts shall accrue daily at the prime interest rate per annum in effect on the due date at the

Citibank, plus 2% per annum, from the due date until the date upon which payment is made. Unless otherwise agreed upon, the calendar month shall be the standard period for the purpose of settlements under this Agreement. If bills cannot be accurately determined at any time, they shall be rendered on an estimated basis and subsequently adjusted to conform to the terms of the unit power agreements.

**AEP GENERATING COMPANY
SAMPLE POWER BILL
SUMMARY OF MONTHLY POWER BILL**

<u>Line No.</u>		<u>Amount</u>
1	Return on Common Equity	
2	Return on Other Capital	
3	Total Return	-----
4	+ Fuel	
5	+ Purchased Power	
6	- Other Operating Revenues	
7	+ Other Operation and Maintenance Exp	
8	- Depreciation, Amortization and Accretion Expenses	
9	+ Taxes Other Than Federal Income Tax	
10	+ Federal and State Income Tax	
11	= Total Unit 1 Monthly Power Bill	----- =====
12	<u>Determination of Federal Income Tax :</u>	
13	Total Return (Line 3)	
14	+ Unit 1 Schedule M Adjustments	
15	+ Unit 1 Deferred Federal Income Taxes	
16	- Unit 1 Interest Expense Deduction *	
17	= Subtotal	-----
18	x Gross-Up (FIT Rate / 1-FIT Rate)	
19	= Unit 1 Current Federal Income Tax	
20	+ Unit 1 Def Fed & State Income Taxes	
21	= Total Unit 1 Fed&State Income Taxes	----- =====
22	<u>Proof of Federal Income Tax :</u>	
23	Total Unit 1 Monthly Power Bill	
24	- Operation and Maintenance Expenses	
25	- Depreciation, Amortization and Accretion Expenses	
26	- Taxes Other Than Federal Income Tax	
27	- Unit 1 Interest Expense Deduction *	
28	+ Other Operating Revenues	
29	= Pre-Tax Book Income	-----
30	+ Unit 1 Schedule M Adjustments	
31	= Unit 1 Taxable Income	-----
32	x Current Federal Income Tax Rate	
33	= Unit 1 Current Federal Income Tax	
34	+ Unit 1 Def Fed & State Income Taxes	
35	= Total Unit 1 Fed&State Income Taxes	----- =====

* From Page 4 of 18 : Line 21 + (Line 28 x Line 31 x Line 32)

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
OPERATING RATIO**

<u>Line No.</u>		<u>Amount</u>
1	<u>Operating Ratio:</u>	
2	<u>Net In-Service Investment:</u>	
3	Electric Plant In-Service	
4	- Accumulated Depreciation	
5	+ Materials & Supplies	
6	+ Prepayments	
7	+ Plant Held For Future Use (A/C 105) *	
8	+ Other Deferred Debits (A/C 186) *	
9	+ Other Working Capital ***	
10	+ Unamortized Debt Expense (A/C 181)	
11	+ Deferred ASH pond cost (A/C 182.3)	
12	- Asset Retirement Obligation (A/C 230)	
13	- Other Deferred Credits (A/C 253)	
14	- Accumulated Deferred FIT	
15	- Accumulated Deferred ITC	
16	Total Net In-Service Investment	-----
17	<u>Non-In-Service Investment - CWIP :</u>	-----
18	Construction Work In Progress	
19	+ Materials & Supplies	
20	- Accumulated Deferred FIT	
21	Total Non-In-Service Investment - CWIP	-----
22	<u>Non-In-Service Investment - Other :</u>	-----
23	Plant Held for Future Use (A/C 105) **	
24	+ Other Deferred Debits (A/C 186) **	
25	+ Fuel Inventory Over Allowed Level ****	
26	Total Non-In-Service Investment - Other	-----
27	Total Investment (Lines 16+21+26)	=====
28	Operating Ratio (Line 16/Line 27)	
29	Non-In-Service Investment-CWIP Ratio (Line 21/Line 27)	
30	Non-In-Service Investment-Other Ratio (Line 26/Line 27)	
31	Total Investment	-----

* As Permitted By FERC
 ** Excluding Amounts on Lines 7 and 8
 *** Accounts 128, 131, 135, 143, 146, 171 and 174, Less Accounts 232-234, 236, 237, 238, 241 and 242
 **** Includes Rockport 1 and 2

**AEP GENERATING COMPANY
SAMPLE POWER BILL
NET IN-SERVICE INVESTMENT RATIO**

<u>Line No.</u>		<u>Amount</u>
1	<u>Net In-Service Investment Ratio:</u>	
2	Unit 1 Net In-Service Investment:	
3	Electric Plant In-Service	
4	- Accumulated Depreciation	
5	+ Materials & Supplies	
6	+ Prepayments	
7	+ Plant Held For Future Use (A/C 105) *	
8	+ Other Deferred Debits (A/C 186) *	
9	+ Other Working Capital **	
10	+ Unamortized Debt Expense (A/C 181)	
11	+ Deferred ASH pond cost (A/C 182.3)	
12	- Asset Retirement Obligation (A/C 230)	
13	- Other Deferred Credits (A/C 253)	
14	- Accumulated Deferred FIT	
15	- Accumulated Deferred ITC	-----
16	Total Unit 1 Net In-Service Investment	-----
17	Unit 2 Net In-Service Investment:	
18	Electric Plant In-Service	
19	- Accumulated Depreciation	
20	+ Materials & Supplies	
21	+ Prepayments	
22	+ Plant Held For Future Use (A/C 105) *	
23	+ Other Deferred Debits (A/C 186) *	
24	+ Other Working Capital **	
25	+ Unamortized Debt Expense (A/C 181)	
26	+ Deferred ASH pond cost (A/C 182.3)	
27	- Asset Retirement Obligation (A/C 230)	
28	- Other Deferred Credits (A/C 253)	
29	- Accumulated Deferred FIT	
30	- Accumulated Deferred ITC	-----
31	Total Unit 2 Net In-Service Investment	-----
32	Total Net In-Service Investment	=====
33	<u>Net In-Service Investment Ratio:</u>	
34	Unit 1 (Line 16 / Line 32)	
35	Unit 2 (Line 31 / Line 32)	-----
	* As Permitted By FERC	=====
	** Accounts 128, 131, 135, 143, 146, 171 and 174, Less Accounts 232-234, 236, 237, 238, 241 and 242	

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
 CALCULATION OF RETURNS ON
 COMMON EQUITY & OTHER CAPITAL**

<u>Line No.</u>		<u>Amount</u>
1	<u>Net Capitalization:</u>	
2	Long-Term Debt	
3	+ Short-Term Debt	
4	+ Preferred Stock	
5	+ Common Equity	
6	- Temporary Cash Investments	

7	Net Capitalization	=====
8	40% of Net Capitalization	
9	<u>Return on Common Equity:</u>	
10	Lesser of Line 5 or Line 8	
11	x Equity Return (Monthly Rate)	
12	= Equity Return	
13	x Operating Ratio	
14	x Net In-Service Investment Ratio	
15	= Subtotal	
16	Excess of Line 5 Over Line 8	
17	x Weighted Cost of Debt (Monthly Rate)	
18	= Return on Equity over 40% of Capitalization	
19	x Operating Ratio	
20	x Net In-Service Investment Ratio	
21	= Subtotal	

22	Unit 1 Return on Equity (Line 15 + Line 21)	=====
23	<u>Return on Other Capital:</u>	
24	Long-Term Debt Interest Expense (A/C 427-429)	
25	+ Short-Term Debt Interest Expense (A/C 430)	
26	+ Other Interest Expense (A/C 431)	
27	- Temporary Cash Investment Income *	

28	= Net Interest Expense	
29	+ Preferred Stock Dividends (a/c 437)	

30	= Net Cost of Other Capital	
31	x Operating Ratio	
32	x Net In-Service Investment Ratio	
33	= Unit 1 Return on Other Capital	
		=====

* Line 6 x Line 19 from Pg 5 of 18

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
DETERMINATION OF WEIGHTED COST OF DEBT**

<u>Line No.</u>		<u>Amount</u>
1	<u>Debt Balances (Prior Month Ending) :</u>	
2	Long-Term Debt	
3	+ Short-Term Debt	
4	+ Other Debt	
5	Total Debt Balances (Prior Month Ending)	----- =====
6	<u>Weighting of Debt Balances :</u>	
7	Long-Term Debt	
8	+ Short-Term Debt	
9	+ Other Debt	
10	Total Debt Balances	----- =====
11	<u>Debt Cost Rates :</u>	
12	Long-Term Debt	
13	Short-Term Debt	
14	Other Debt	
15	<u>Weighted Cost of Debt :</u>	
16	Long-Term Debt	
17	+ Short-Term Debt	
18	+ Other Debt	
19	Total Weighted Cost of Debt	----- =====

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
DETERMINATION OF UNIT 1 MATERIALS AND SUPPLIES**

<u>Line No.</u>	<u>Amount</u>
1 <u>Unit 1 Materials and Supplies:</u>	
2 Fuel Stock - Coal (per Line 23)	
3 Fuel Stock Expenses - Undistributed (152)	
4 Fuel Stock - Oil (151)	
5 Plant Materials & Operating Supplies	
6 Merchandise	
7 Undistributed Stores Expense	-----
8 Total Materials & Supplies	=====
9 <u>Support of Coal Inventory Value:</u>	
10 Actual Coal Inventory (A/C 151.10)	
11 + Equivalent Inventory re: Deferred Return	-----
12 = Imputed Coal Inventory	-----
13 Coal Inventory W/68 Day Supply Cap	
14 Tons Consumed	
15 / Hours Available *	
16 = Tons Consumed per Hour	
17 x 24 Hours per Day	
18 = Tons Consumed Per Day	
19 x 68 days	
20 = 68 day Supply (Tons)	
21 x Coal Cost per Ton (per A/C 151.10 at End of Prior Month)	-----
22 = 68 day Coal Inventory	-----
23 Lesser of Imputed or Capped Coal Inventory	-----
24 Imputed Inventory Minus Line 23	=====
25 <u>Accumulated Deferred Inventory Return - Unit 1 (Memo Item):</u>	
26 Beginning Balance	
27 + Current Month Return on Beginning Balance	
28 + Current Month Deferral	
29 - Current Month Recovery	-----
30 = Ending Balance **	=====

* Excludes Forced Outages, Scheduled Outages, and Curtailments
 ** May Not Be Less Than Zero

**AEP GENERATING COMPANY
SAMPLE POWER BILL
DETAIL OF OTHER OPERATING REVENUES**

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<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
1	450	Forfeited Discounts	
2	451	Miscellaneous Service Revenues	
3	453	Sales of Water and Water Power	
4	454	Rent From Electric Property - Associated Companies	
5	454.20	Rent From Electric Property - Non-Associated Companies	
6	455	Interdepartmental Rents	
7	456	Other Electric Revenues	
8	411.8	Proceeds/Gains From Sale of Emission Allowances	
9		Total Other Operating Revenues	=====

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
DETAIL OF OPERATION & MAINTENANCE EXPENSES**

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
1	500, 502-508	Steam Power Generation - Operation	
2	501	Fuel - Operation	
3	510-515	Steam Power Generating - Maintenance	
4		Total Steam Power Generation Expenses	-----
5	555-557	Other Power Supply Expenses	-----
6	560-567.1	Transmission Expenses - Operation	
7	568-574	Transmission Expenses - Maintenance	
8		Total Transmission Expenses	-----
9	580-589	Distribution Expenses - Operation	
10	590-598	Distribution Expenses - Maintenance	
11		Total Distribution Expenses	-----
12	901-905	Customer Accounts Expenses - Operation	-----
13	906-910	Customer Service and Informational Expenses - Operation	-----
14	911-917	Sales Expenses - Operation	-----
15	920-933	Administrative and General Expenses - Operation	
16	935	Administrative and General Expenses - Maintenance	
17		Total Administrative & General Exp.	-----
18		Total Operation & Maintenance Expenses	=====

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
 DETAIL OF DEPRECIATION,
 AMORTIZATION AND ACCRETION EXPENSES**

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
1	403	Depreciation Expense	
1a	403.1	ARO Depreciation Expense	
2	404	Amortization of Limited-Term Electric Plant	
3	405	Amortization of Other Electric Plant	
4	406	Amortization of Electric Plant Acquisition Adjustments	
5	407	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs	_____
6		Total Depreciation Exp. & Amortization	
7	411.10	ARO Accretion Expense	_____
8		Total Depreciation, Amortization & Accretion Expenses	=====

**AEP GENERATING COMPANY
SAMPLE POWER BILL
DETAIL OF TAXES OTHER THAN FEDERAL INCOME TAXES**

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
BS1			
1	408.1	Taxes Other Than Federal Income Taxes, Utility Operating Income	
2	409.1	State Income Taxes	
3		Total Taxes Other than FIT	----- =====

**AEP GENERATING COMPANY
SAMPLE POWER BILL
DETAIL OF UNIT 1 SCHEDULE `M' ADJUSTMENTS
AND DEFERRED FEDERAL AND STATE INCOME TAX**

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
1		<u>Unit 1 Schedule `M' Adjustments</u>	
2	N/A	Excess ACRS Over Normalization Base Depreciation	
3	N/A	Excess Normalization Base Over Book Depreciation	
4	N/A	Other Unit 1 Schedule `M' Adjustments	
5		Total Unit 1 Schedule `M' Adjustments *	----- =====
6		<u>Unit 1 Deferred Federal Income Tax</u>	
7	410.1	Excess ACRS Over Norm. Base Depr. (Line 2 x FIT Rate * -1)	
8	410.1, 411.1	Other Unit 1 Schedule `M' Adjustments -	
9	411.1	Feedback of Accumulated DFIT re: ABFUDC - Unit 1 Negative Amount Denotes Reduction.	
10	411.1	Feedback of Accumulated DFIT re: Overheads Capitalized - Unit 1	
11	411.1	Feedback of Accumulated DFIT re: Other Schedule `M' Adj.-Utility	----- =====
12		Total Unit 1 Deferred Federal and State Income Tax *	

* Positive Amount Denotes Increase In Taxable Income,
Negative Amount Denotes Reduction.

**AEP GENERATING COMPANY
SAMPLE POWER BILL
DETAIL OF NET IN-SERVICE INVESTMENT UNIT 1**

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
1		<u>ELECTRIC PLANT IN SERVICE</u>	
2	101	Electric Plant In Service	
3	102	Electric Plant Purchased	
4	103	Experimental Elec. Plant Unclassified	
5	103.1	Electric Plant In Process of Reclassification	
6	104	Electric Plant Leased to Others	
7	106	Completed Construction Not Classified	
8	114	Electric Plant Acquisition Adjustments	
9	116	Other Electric Plant Adjustments	
10	118	Other Utility Plant	
11		Total Electric Plant In Service	-----
12	105	Plant Held For Future Use	
13		<u>ACCUMULATED DEPRECIATION</u>	
14	108	Accumulated Provision for Depreciation of Electric Utility Plant	
15	110	Accumulated Provision for Depreciation and Amort. of Elec. Utility Plant	
16	111	Accumulated Provision for Amortization of Electric Utility Plant	
17	115	Accumulated Provision for Amortization of Electric Plant Acquisition Adjustments	
18	119	Accumulated Provision for Depreciation and Amortization of Other Utility Plant	
19		Total Accumulated Depreciation	-----
20		<u>MATERIAL AND SUPPLIES</u>	
21	151	Fuel Stock	
22	152	Fuel Stock Expenses - Undistributed	
23	153	Residuals	
24	154	Plant Materials and Operating Supplies	
25	155	Merchandise	
26	156	Other Materials and Supplies	
27	163	Stores Expense Undistributed	
28		Total Materials and Supplies (In-Service Portion)	-----
29	165	Prepayments	-----
30	186	Other Deferred Debits	-----

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
 OTHER WORKING CAPITAL, UNAMORTIZED DEBT EXPENSE,
 AND OTHER DEFERRED CREDITS**

<u>Line No.</u>	<u>Account No.</u>	<u>Description *</u>	<u>Amount</u>
1	128	Other Special Funds	
2	131	Cash	
3	135	Other Intra Company Adjustments	
4	143	Accounts Receivable-Miscellaneous	
5	146	Accounts Receivable-Associated Company	
6	171	Interest and Dividends Receivable	
7	174	Miscellaneous Current and Accrued Assets	
8	232	Accounts Payable-General	
9	234	Accounts Payable-Associated Company	
10	236	Taxes Accrued	
11	237	Interest Accrued	
12	238	Dividends Declared	
13	241	Tax Collections Payable	
14	242	Misc Current and Accrued Liabilities	
15		Total Other Working Capital	----- =====
16	181	Unamortized Debt Expense	-----
17	253	Other Deferred Credits	-----
* debit <credit>			

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
DETAIL OF NET IN-SERVICE INVESTMENT UNIT 1**

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
31		<u>ACCUMULATED DEFERRED INCOME TAXES</u>	
32	190	-Accumulated Deferred Income Taxes	
33	281	+Accumulated Deferred Income Taxes - Accelerated Amortization Property	
34	282	+Accumulated Deferred Income Taxes - Other Property	
35	283	+Accumulated Deferred Income Taxes - Other	
36		Total Accumulated Deferred Income Taxes (In-Service Portion)	----- -----
37	255	+Accumulated Deferred Investment Tax Credits	
38	186.50	-Accumulated Deferred Investment Tax Credit	
39		Total Accumulated Deferred Investment Tax Credits	-----
40		Total Net In-Service Investment - Unit 1	----- =====

**AEP GENERATING COMPANY
SAMPLE POWER BILL
DETAIL OF NON-IN-SERVICE INVESTMENT - CWIP AND OTHER**

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
		<u>Non-In-Service Investment - CWIP</u>	
1	107	Construction Work In Process	
2		MATERIAL AND SUPPLIES	
3	151	Fuel Stock	
4	152	Fuel Stock Expenses - Undistributed	
5	153	Residuals	
6	154	Plant Materials and Operating Supplies	
7	155	Merchandise	
8	156	Other Material and Supplies	
9	163	Stores Expense Undistributed	
10		Total Material and Supplies (CWIP Portion)	-----
11		<u>ACCUMULATED DEFERRED INCOME TAXES</u>	-----
12	190	-Accumulated Deferred Income Taxes	
13	281	+Accumulated Deferred Income Taxes - Accelerated Amortization Property	
14	282	+Accumulated Deferred Income Taxes - Other Property	
15	283	+Accumulated Deferred Income Taxes - Other	
16		Total Accumulated Deferred Income Taxes (CWIP Portion)	-----
17		TOTAL NON-IN-SERVICE INVESTMENT - CWIP	----- =====
		<u>Non-In-Service Investment - Other</u>	
18	105	Plant Held for Future Use	
19	186	Other Deferred Debits	
20	151.10	Fuel Inventory Over Allowed Level *	
21		Total Non-In-Service Investment - Other	----- =====
		* INCLUDES ROCKPORT 1 AND 2 UNIT 1 UNIT 2	-----
		TOTAL	----- =====

**AEP GENERATING COMPANY
SAMPLE POWER BILL
DETAIL OF NET CAPITALIZATION**

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
1		<u>COMMON CAPITAL STOCK</u>	
2	201	Common Stock Issued	
3	202	Common Stock Subscribed	
4	203	Common Stock Liability for Conversion	
5	209	Reduction In Par or Stated Value of Capital Stock	
6	210	Gain on Resale or Cancellation of Reacquired Capital Stock	
7	212	Installments Received on Capital Stock	
8	214	Capital Stock Expense	
9	217	Reacquired Capital Stock	
10		Total Common Capital Stock	-----
11		<u>OTHER PAID-IN CAPITAL</u>	
12	207	Premium on Capital Stock	
13	208	Donations Received from Stockholders	
14	211	Miscellaneous Paid-In Capital	
15	213	Discount on Capital Stock	
16		Total Other Paid-In Capital	-----
17		<u>RETAINED EARNINGS</u>	
18	215	Appropriated Retained Earnings	
19	215.1	Appropriated Retained Earnings- Amortization Reserve, Federal	
20	216	Unappropriated Retained Earnings	
21		Total Retained Earnings	-----
22		Total Common Equity	-----
23		<u>PREFERRED CAPITAL STOCK</u>	
24	204	Preferred Stock Issued	
25	205	Preferred Stock Subscribed	
26	206	Preferred Stock Liability for Conversion	
27		Total Preferred Capital Stock	-----

**AEP GENERATING COMPANY
SAMPLE POWER BILL
DETAIL OF NET CAPITALIZATION (Cont'd)**

<u>Line No.</u>	<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
28		<u>LONG-TERM DEBT</u>	
29	221	Bonds	
30	222	Reacquired Bonds	
31	223	Advances from Associated Companies	
32	224	Other Long-Term Debt	
33	225	Unamortized Premium on Long-Term Debt-Credit	
34	226	Unamortized Discount on Long-Term Debt-Debit	
35		Total Long-Term Debt	-----
		<u>SHORT-TERM DEBT</u>	
36a	231.02	Notes Payable (Short-Term Debt)	
36b	231.03	Unamortized Discount	
37	233.00	Notes Payable, Assoc Co (Money Pool)	
38		Total Short-Term Debt	-----
39		<u>TEMPORARY CASH INVESTMENTS</u>	
40	132	Interest Special Deposits	
41	133	Dividend Special Deposits	
42	134	Other Special Deposits	
43	136, 145	Temporary Cash Investments	
44		Total Temporary Cash Investments	-----
45		NET CAPITALIZATION	=====

**AEP GENERATING COMPANY
 SAMPLE POWER BILL
DETERMINATION OF RATE OF RETURN (Net & Pre-Tax)**

<u>Line No.</u>		<u>Amount</u>
1	<u>Capitalization Balances (Prior Month Ending) :</u>	
2	Long-Term Debt	
3	+ Short-Term Debt	
4	+ Preferred Stock	
5	+ Common Equity	
6	- Capitalization Offsets	

7	Total Capitalization Balances	=====
8	<u>Weighting of Capitalization Balances :</u>	
9	Long-Term Debt	
10	+ Short-Term Debt	
11	+ Preferred Stock	
12	+ Common Equity	
13	- Capitalization Offsets	

14	Total Capitalization	=====
15	<u>Capitalization Cost Rates :</u>	
16	Long-Term Debt	
17	Short-Term Debt	
18	Preferred Stock	
19	Common Equity	
20	Capitalization Offsets	
21	<u>Rate of Return (Net of Tax) :</u>	
22	Long-Term Debt	
23	+ Short-Term Debt	
24	+ Preferred Stock	
25	+ Common Equity	
26	- Capitalization Offsets	

27	Total Rate of Return (Net of Tax)	=====
28	Weighted Net Cost of Debt	
29	+ Pre-Tax Common Equity (Line 25 / .65)	

30	= Rate of Return (Pre-Tax)	=====