

Kentucky Power Company
 APPROACH: CORRELATION OF VALUES
 TAX YEAR: 2016

PREPARED BY: Michael A Baker
 DATE: 20-Sep-16
 GNC = 5220

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Taxpayer Representative(s): JARED SCHMIED
 Taxpayer Phone Number: (614) 716-2798
 Taxpayer FAX Number: (614) 716-2782

Compliance Statutes and Penalty Statutes: KRS 131.082 KRS 131.130 KRS 131.150 KRS 131.180 KRS 132.290 KRS 136.150 KRS 136.180 KRS 136.990

COST APPROACH	
TRADITIONAL COST APPROACH - HCLD	1,852,615,269
INCOME APPROACH	
DIRECT CAPITALIZATION	1,615,583,586
MARKET APPROACH:	
STOCK & DEBT	2,136,505,679
CORRELATED UNIT VALUE	1,856,874,423
KENTUCKY ALLOCATION FACTOR	59.5084%
KENTUCKY ALLOCATED VALUE	1,104,996,259

LESS: Motor Vehicles & Apport Vehicles at KY Assessed Values	4,996,259
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

TAXABLE KENTUCKY PROPERTY - NonUtility, NonOperating & NonRegulated not in unit	
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	1,100,000,000
TOTAL KENTUCKY ASSESSMENT	1,100,000,000

Kentucky Power Company
 KENTUCKY ALLOCATION FACTOR
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KENTUCKY ALLOCATION FACTOR

PROPERTY FACTORS

	KENTUCKY UNIT	TOTAL SYSTEM	
GROSS BOOK PROPERTY	1,535,422,919	2,602,038,855	59.0085%

Average Property Factor 59.0085%

BUSINESS FACTORS

	KENTUCKY UNIT	TOTAL SYSTEM	
NET BOOK VALUE	1,078,195,697	1,796,745,009	60.0083%

Average Business Factor 60.0083%

OVERALL KENTUCKY ALLOCATION FACTOR 59.5084%

Kentucky Power Company
 YEARLY COMPARISON STATISTICAL DATA
 TAX YEAR: 2016

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Year Ending December 31, xxxx	SYSTEM 2015	SYSTEM 2014	SYSTEM 2013	SYSTEM 2012	SYSTEM 2011
Gross Operating Income, before taxes:	670,177,198	814,729,047	666,591,378	631,455,274	741,001,224
Operating Expenses excluding depreciation and amortization:	500,765,100	620,411,129	516,632,770	466,472,037	584,487,051
Depreciation and Amortization Expenses	86,679,086	94,769,892	57,444,221	54,505,073	53,444,396
Net Operating Income, before income taxes & interest:	82,733,012	99,548,026	92,514,387	110,478,164	103,069,777
One-Time Charges:	0	0	0	0	0
Miscellaneous Income Adjustments:	0	0	0	0	0
Normalized NOI before taxes & interest, after income adjustments	82,733,012	99,548,026	92,514,387	110,478,164	103,069,777
Effective tax rate:	40.00%	40.00%	40.00%	40.00%	40.00%
Estimated Net Operating Income	49,639,807	59,728,816	55,508,632	66,286,898	61,841,866
Plus: Depreciation and Amortization Expense	86,679,086	94,769,892	57,444,221	54,505,073	53,444,396
Plus: Op Lease Rentals After Income Tax	927,583	879,600	827,400	679,800	498,000
Operating Cash Flow from Operations after taxes	137,246,476	155,378,308	113,780,253	121,471,771	115,784,262

	Tax Year 2016	Tax Year 2015	% CHANGE	\$ CHANGE
ORIGINAL UNIT ASSESSMENT before MV	1,856,874,423	1,939,113,468	-4.24%	(82,239,045)
ALLOCATED KENTUCKY ASSESSMENT before MV	1,104,996,259	1,338,005,745	-17.41%	(233,009,486)
KENTUCKY ASSESSMENT TO SPREAD	1,100,000,000	1,335,000,000	-17.60%	(235,000,000)

HISTORY	Tax Year 2015	Tax Year 2014	Tax Year 2013	Tax Year 2012	Tax Year 2011
ORIGINAL UNIT VALUE:	1,939,113,468	1,795,279,217	1,304,298,039	1,258,310,517	1,200,061,637
ALLOCATED KENTUCKY ASSESSMENT before MV	1,338,005,745	1,324,657,542	1,304,298,039	1,258,310,517	1,200,061,637
KENTUCKY ASSESSMENT to SPREAD	1,335,000,000	1,320,000,000	1,300,000,000	1,250,000,000	1,192,119,659
Property Factor:	64.7420%	65.4710%	100.0000%	100.0000%	100.0000%
Business Factor:	73.2598%	82.1002%	100.0000%	100.0000%	100.0000%
Allocation Factor:	69.0009%	73.7856%	100.0000%	100.0000%	100.0000%

Kentucky Power Company
 APPROACH: HISTORIC COST LESS DEPRECIATION (HCLD)
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SYSTEM WIDE PROPERTY **COMPANY BOOK VALUES**

Operating Plant (Hard Assets) In Service

STEAM PRODUCTION

(310) Land & Land Rights	4,857,884
(311) Structures & Improvements	61,272,759
(312) Boiler Plant Equipment	881,170,544
(313) Engines & Engine-Driven Generators	0
(314) Turbogenerator Units	115,191,187
(315) Accessory Electric Equipment	28,440,386
(316) Misc. Power Plant Equipment	10,765,741
(317) Asset Retirement Costs for Steam Production	8,022,585

HYDRAULIC PRODUCTION

(330) Land & Land Rights	0
(331) Structures & Improvements	0
(332) Reservoirs, Dams, & Waterways	0
(333) Water Wheels, Turbines, & Generators	0
(334) Accessory Electric Equipment	0
(335) Misc. Power Plant Equipment	0
(336) Roads, Railroads, & Bridges	0
(337) Asset Retirement Costs for Hydraulic Production	0

OTHER PRODUCTION

(340) Land & Land Rights	0
(341) Structures & Improvements	0
(342) Fuel Holders, Products, & Accessories	0
(343) Prime Movers	0
(344) Generators	0
(345) Accessory Electric Equipment	0
(346) Misc. Power Plant Equipment	0
(347) Asset Retirement Costs for Other Production	0
(348) Energy Storage Equipment - Production	0

TRANSMISSION PLANT

(350) Land & Land Rights	35,819,418
(351) Energy Storage Equipment - Transmission	0
(352) Structures & Improvements	6,693,157
(353) Station Equipment	193,865,685
(354) Towers & Fixtures	94,977,683
(355) Poles & Fixtures	99,911,555
(356) Overhead Conductors & Devices	137,232,579
(357) Underground Conduit	11,590
(358) Underground Conductors & Devices	106,066
(359) Roads & Trails	0
(359.1) Asset Retirement Costs for Transmission Plant	0

DISTRIBUTION PLANT

(360) Land & Land Rights	7,504,521
(361) Structures & Improvements	4,383,059
(362) Station Equipment	93,231,192
(363) Storage Battery Equipment	0
(364) Poles, Towers, & Fixtures	193,361,786
(365) Overhead Conductors & Devices	207,103,408
(366) Underground Conduit	6,981,634
(367) Underground Conductors & Devices	10,758,838
(368) Line Transformers	126,209,866
(369) Services	57,957,235
(370) Meters	24,931,379
(371) Installations On Customer Premises	19,975,152
(372) Lesaed Property on Customer Premises	0
(373) Street Lighting & Signal Systems	3,605,765
(374) Asset Retirement Costs for Distribution Plant	0

REGIONAL TRANSMISSION & MARKET OPERATION PLANT

(380) Land & Land Rights	0
(381) Structures & Improvements	0
(382) Computer Hardware	0
(383) Computer Software	0
(384) Communication Equipment	0
(385) Miscellaneous Equipment	0
(386) Asset Retirement Costs	0

GENERAL PLANT

(389) Land & Land Rights	1,524,731
(390) Structures & Improvements	21,803,536
(391) Office Furniture & Equipment	1,683,333
(392) Transportation Equipment	14,768
(393) Stores Equipment	170,803
(394) Tools, Shop & Garage Equipment	3,975,853
(395) Laboratory Equipment	208,910
(396) Power Operated Equipment	5,931
(397) Communication Equipment	9,016,167
(398) Miscellaneous Equipment	1,618,054
(399) Other Tangible Property	0
(399.1) Asset Retirement Costs for General Plant	81,055

(107) Construction Work in Progress - REAL	311,765
(107) Construction Work in Progress - PERSONAL	9,251,325
(107) Construction Work in Progress - MM	49,787,886
TOTAL CWIP	59,350,976
(101.1) Property Under Capital Leases	2,903,842
(102) Electric Plant Purchased	0
(103 & 103.1) Electric Plant Unclassified	0
(105) Electric Plant Held For Future Use	7,750,601
(105.1) Production Properties Held For Future Use	0
(106) Completed Construction Not Classified	0
(114) Electric Plant Acquisition Adjustment	0
(116) Other Electric Plant Adjustment	0
(117.1) Gas Stored - Base Gas - Noncurrent	0
(117.2) System Balancing Gas - Noncurrent	0
(117.3) Gas Stored In Resouvlers & Pipelines - Noncurrent	0
(117.4) Gas Owed to System	0
(118) Other Utility Plant	0
(121) Non Utility Property	995,120
(151) Fuel Stock	21,255,090
(152) Fuel Stock Expenses Undistributed	829,982
(153) Residuals & Extracted Products	0
(154) Plant Materials & Operating Supplies	16,676,493
(155) Merchandise	0
(156) Other Materials & Supplies	0
(163) Stores Expense Undistributed	0
(164.1) Gas Stored Underground - Current	0
(164.2 .3) Liquefied Nat Gas Stored & Held for Processing	0
(185) Temporary Facilities	0
(352.3) NONRECOVERABLE GAS	0
Contribution In Aid of Construction	0
AFUDC	0
Other: Operating Property Not on Books	0
IRB Property (real & personal - taxable & non taxable portions)	0
Computer Software	12,395,265

Operating Leased Property-Real @ Mkt.	0
Operating Leased Property-Personal @ Mkt.	2,272,495
Operating Leased Property-Motor Vehicle @ Mkt.	3,163,196
Operating Leased Property-Other @ Mkt.	0
Operating Leased Property-Railroad Cars @ Mkt.	0

Total Company Operating Hard Assets - GROSS **\$ 2,602,038,855**

LESS: Accumulated Depreciation & Amortization	
Accumulated Depreciation & Amort.	805,293,846
Misc. Physical Property Amortization	0
oprty (real/tangible; taxable & nontaxable portions), Acc. Depreciation	0

Total Depreciation **\$ 805,293,846**

Total Company Operating Hard Assets - NET **\$ 1,796,745,009**

Operating Intangible Assets In Service

Cash Working Capital (see calculation page)	42,734,519
(301) Organization	0
(302) Franchises and Consents	52,919
(303) Miscellaneous intangible Plant	0
(175 & 176) Derivative Instrument Assets NET	3,054,578
(158.1 & 158.2) Allowance Inventory NET	10,028,244
Permits, Contracts, Copyrights, Licenses, Trademarks, Patents	0
Coal Contracts	0
Goodwill	0

Total Company Operating Intangible Assets - GROSS **\$ 55,870,260**

Less: Accumulated Depreciation & Amortization	
Organizational Cost Amortization	0
Goodwill Amortization	0
Other Intangible Amortization	0

Total Depreciation **\$ -**

Total Company Operating Intangible Assets - NET **\$ 55,870,260**

VALUE AS INDICATED BY COST APPROACH **\$ 1,852,615,269**

Kentucky Power Company
CASH WORKING CAPITAL Computation
TAX YEAR: 2016

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FORMULA METHOD

TOTAL OPERATION & MAINTENANCE EXPENSES	\$	587,444,186	
LESS: Depreciation & Amortization expenses	\$	86,679,086	
LESS: Inventory Expenses (Fuel, fuel stock, gas, oil, coal, etc.)	\$	158,233,198	(Acc 501, 518, 547)
LESS: Material & Supply Expense	\$	655,751	(Acct 921)
LESS: Operating Lease Rent Expense	\$	1,545,972	
TOTAL	\$	341,876,151	
	Divided by 1/8		8
Cash Working Capital	\$	42,734,519	

Definition of Cash Working Capital

The amount of money that the company must have available to cover day-to-day operations for one and one half months.
This represents the net cash on hand necessary to finance the day-to-day operations of a organization for 45 days (one and one half month's working capital).
The amount represents a taxable asset in the unit cost approach.

Kentucky Power Company
 APPROACH: INCOME
 TAX YEAR: 2016

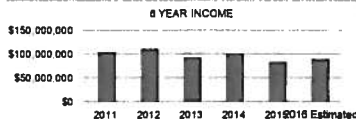
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2016 Estimated Pretax Net Operating Income	(EBIT)	89,000,000
Effective Tax rate		38.00%
Estimated Net Operating Income	(EBI)	55,180,000
Plus: Depreciation and Amortization Expense		86,679,086
Plus: Op Lease Rentals After Income Tax		958,503
Minus: Preferred Stock Dividends Paid		0
Operating Cash Flow from Operations after Taxes	(EBIDA) +OPL	142,817,589
Capitalization Rate		8.84% <i>See 2016 Cap Rate Study</i>
Capitalized Value		1,615,583,586

UNIT VALUE AS INDICATED BY INCOME APPROACH 1,615,583,586

NORMALIZED PRETAX NET OPERATING INCOME: (EBIT)	AMOUNT	% CHANGE
2011	\$103,069,777	
2012	\$110,478,164	7.19%
2013	\$92,514,387	-16.26%
2014	\$99,548,026	7.60%
2015	\$82,733,012	-16.89%
2016 Estimated	\$ 89,000,000	7.57% <i>Projected</i>



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)
2010 Net Operating Income, before taxes & Interest (EBIT) :	89,603,740	0	0	89,603,740	
2011 Net Operating Income, before taxes & Interest (EBIT) :	103,069,777	0	0	103,069,777	15.0300%
2012 Net Operating Income, before taxes & Interest (EBIT) :	110,478,164	0	0	110,478,164	7.1900%
2013 Net Operating Income, before taxes & Interest (EBIT) :	92,514,387	0	0	92,514,387	-16.2600%
2014 Net Operating Income, before taxes & Interest (EBIT) :	99,548,026	0	0	99,548,026	7.6000%
2015 Net Operating Income, before taxes & Interest (EBIT) :	82,733,012	0	0	82,733,012	-16.8900%
3 Year Average	91,598,475	0	0	91,598,475	-8.5167%
5 Year Average	97,668,673	0	0	97,668,673	-0.6660%

Projected Normalized Pretax Net Operating Income (EBIT) > \$ 89,000,000

Kentucky Power Company
 APPROACH: STOCK & DEBT
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Common shares outstanding (per Annual Report) **511,389,173**

Price per share

High Price per Year	65.38	
Low Price per Year	52.29	58.84
High Price per Last Qtr	59.52	
Low Price per Last Qtr	53.30	56.41
High Price @ December 31	59.44	
Low Price @ December 31	57.69	58.57

Common Stock Value of Parent **28,847,463,249**

	Book Value	Market Value
Mand. Redeem. Preferred Stock Series	0	0
Preferred Stock Series	0	0
Without Mand. Redeem. Preferred Stock	0	0
Other	0	13,200,000

Total Stock Value of Parent **28,860,663,249**

* Company's Percent of Parent's Capital Stock	COMPANY	PARENT	PERCENT
Gross Income	670,177,198	16,453,200,000	4.07%
Operating Net Income Before Inc Taxes & Interest	82,733,012	3,333,500,000	2.48%
Gross Book (Excluding Op Leased Property)	2,596,603,164	66,820,800,000	3.89%
Total Assets	2,455,637,475	61,683,100,000	3.98%
Average			3.61%

Company's Percent (if portion of parent company)* **3.61%**

Company's Equity **1,041,869,943**

	BOOK VALUE	MARKET VALUE
Long Term Debt (per H):	869,722,000	963,639,000
Other Long Term Debt:	0	0
Current Liabilities (Less Cur LT Maturities):	125,558,845	125,558,845
Capital Lease Obligations:	2,008,253	2,008,253
Pension Liability & Damages:	10,983,346	10,983,346
Other:	0	0
	Annual Lease Payment	MARKET VALUE
Operating Lease Real Property @ Mkt	0	0
Operating Lease Personal Property @ Mkt	207,608	2,272,495
Operating Lease Motor Vehicle Property @ Mkt	1,338,364	3,163,196
Operating Lease Other Property @ Mkt	0	0
Operating Lease Railroad Car Line Property @ Mkt	0	0
Operating Lease Aircraft @ Mkt	NA	NA
Total Company's Debt Obligations:		1,107,625,135

Aircraft lease payments are less O & M charges.

COMPANY's GROSS STOCK & DEBT **2,149,495,078**

Less: NonOperating Assets **12,989,399**

COMPANY's NET STOCK & DEBT **2,136,505,679**

Kentucky Power Company
 NONOPERATING ASSETS
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TOTAL OPERATING & NONOP SYSTEM ASSETS:	2,455,637,475	
TOTAL SYSTEM OPERATING LEASED ASSETS:	5,435,691	
GRAND TOTAL SYSTEM NET ASSETS		2,461,073,166
NONOPERATING ASSETS:		
TEMPORARY CASH INVESTMENTS	0	
SPECIAL FUNDS	2,038,474	
NONOPERATING PROPERTY	0	
RECEIVABLES FROM AFFILIATED COMPANIES	19,609,035	
INVESTMENTS & ADVANCES AFFILIATED COMPANIES	110,019	
OTHER INVESTMENTS & ADVANCES	2,038,474	
OTHER	2,596,749	
TOTAL		26,392,751
Nonoperating Asset %:		1.0724%

NONOPERATING INCOME PERCENTAGE:		
UTILITY GROSS INCOME	670,177,198	
NONOPERATING GROSS INCOME	4,074,554	0.6043%
TOTAL SYSTEM GROSS INCOME	674,251,752	
UTILITY NET OPERATING INCOME before Income taxes	82,733,012	
NONOPERATING NET INCOME before Income taxes	0	0.0000%
TOTAL SYSTEM NET INCOME before income taxes	82,733,012	
Nonoperating Asset %:		0.6043%

AVERAGE NONOPERATING PERCENTAGE=	0.8384%
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